



Annual Report 2017

Fiscal Year 2016 (Year ended March 2017)

The background of the entire page is a photograph of an ANA aircraft's tail fin. The fin is dark blue with the word "ANA" written on it in large, white, stylized letters. The tail fin is angled upwards towards the top right of the frame. The sky is a vibrant blue with scattered white clouds. A bright sun is visible in the upper right quadrant, creating a lens flare effect. The overall composition is dynamic and optimistic.

***Heading toward  
the Next Stage***

## *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

The ANA Group celebrated the 65th anniversary of its founding in 2017.

We stand united in our commitment to ensure safety, the very foundation of the management, as we pursue enhanced brand power and business growth, supported by our various stakeholders.

Propelled forward by the pioneering spirit that has been our engine throughout the ANA Group's history, we will advance growth strategies and address the various changes and challenges thrust upon us by the business environment in order to improve corporate value. Through this process, we will soar toward our goal of becoming the world's leading airline group, which will entail proving our reliability while being trusted and chosen by customers in 2020 and on into the future thereafter.

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



**Shinya Katanozaka**  
President & Chief Executive Officer





## 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 2017, 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 (CSR) 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 the Company's corporate website in conjunction with this report.

### Scope of Report

- This report covers business activities undertaken from April 1, 2016 to March 31, 2017 (includes some activities in and after April 2017).
- 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.

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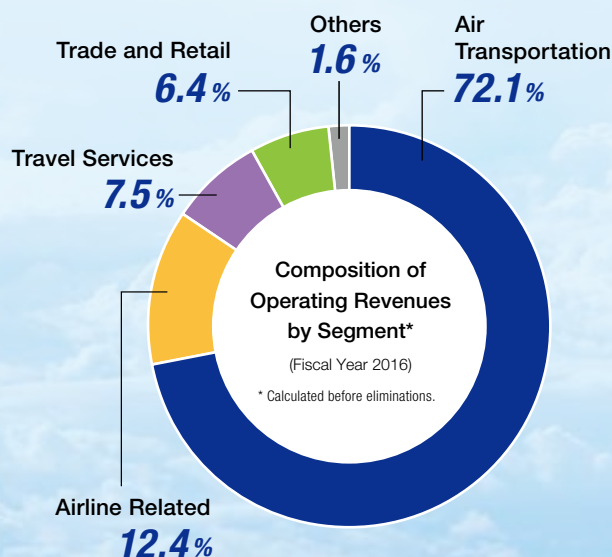
# The ANA Group at a Glance

The ANA Group is an airline group that utilizes its domestic and international networks to develop operations in various fields centering around its Air Transportation business. Holding company ANA HOLDINGS INC. optimally allocates management resources while supporting the autonomous management of Group companies to improve the Group's corporate value and brand power.

## Fiscal Year 2016 Results

(¥ Billions)

	Operating Revenues	Operating Income (Loss)
<span style="color: #0056b3;">■</span> Air Transportation	1,536.3	139.5
<span style="color: #f1a333;">■</span> Airline Related	264.4	8.3
<span style="color: #8e6496;">■</span> Travel Services	160.6	3.7
<span style="color: #70ad47;">■</span> Trade and Retail	136.7	4.3
<span style="color: #808080;">■</span> Others	34.7	1.3
Adjustments	(367.6)	(11.7)
Total (Consolidated)	1,765.2	145.5



## Air Transportation

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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. Our ANA brand air transportation operations currently rank 10th in terms of the number of passengers within its domestic services and 15th in terms of total number of passengers, including those within its international services\*.

In addition, Group companies Vanilla Air Inc. and Peach Aviation Limited develop LCC operations by leveraging their individual strengths. With the ANA, Vanilla Air, and Peach airline brands, we are working to expand airline business domains.

\* Source: International Air Transport Association (IATA), 2017

### Full Service Carriers (FSCs)

ALL NIPPON AIRWAYS CO., LTD.

ANA WINGS CO., LTD.

Air Japan Co., Ltd.



### Low Cost Carriers (LCCs)

Vanilla Air Inc.

Peach Aviation Limited



# ANA HOLDINGS INC.



## Airline Related

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In the Airline Related business, ANA Group companies mainly support the Air Transportation business with services that include airport ground support, aircraft maintenance, vehicle maintenance, cargo and logistics, catering (in-flight meals), and contact center services.

These companies also accept outsourcing work from airlines outside of the ANA Group to expand and further enhance the Group's business.

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



## Travel Services

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In Travel Services, ANA Sales Co., Ltd., is involved in airline ticketing in which it sells tickets for both individual and corporate customers, and travel 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

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ALL NIPPON AIRWAYS TRADING Co., Ltd., and its group companies are involved in aircraft parts procurement; aircraft import, export, leasing, and sales; planning and procurement for in-flight services and merchandise sales; operation of *ANA DUTY FREE SHOP* and *ANA FESTA* airport shops nationwide; and other businesses related to air transportation. These companies also import and sell paper, pulp, and food products; import and export semiconductors and electronic components; provide advertising agency services; and operate an online shopping site.

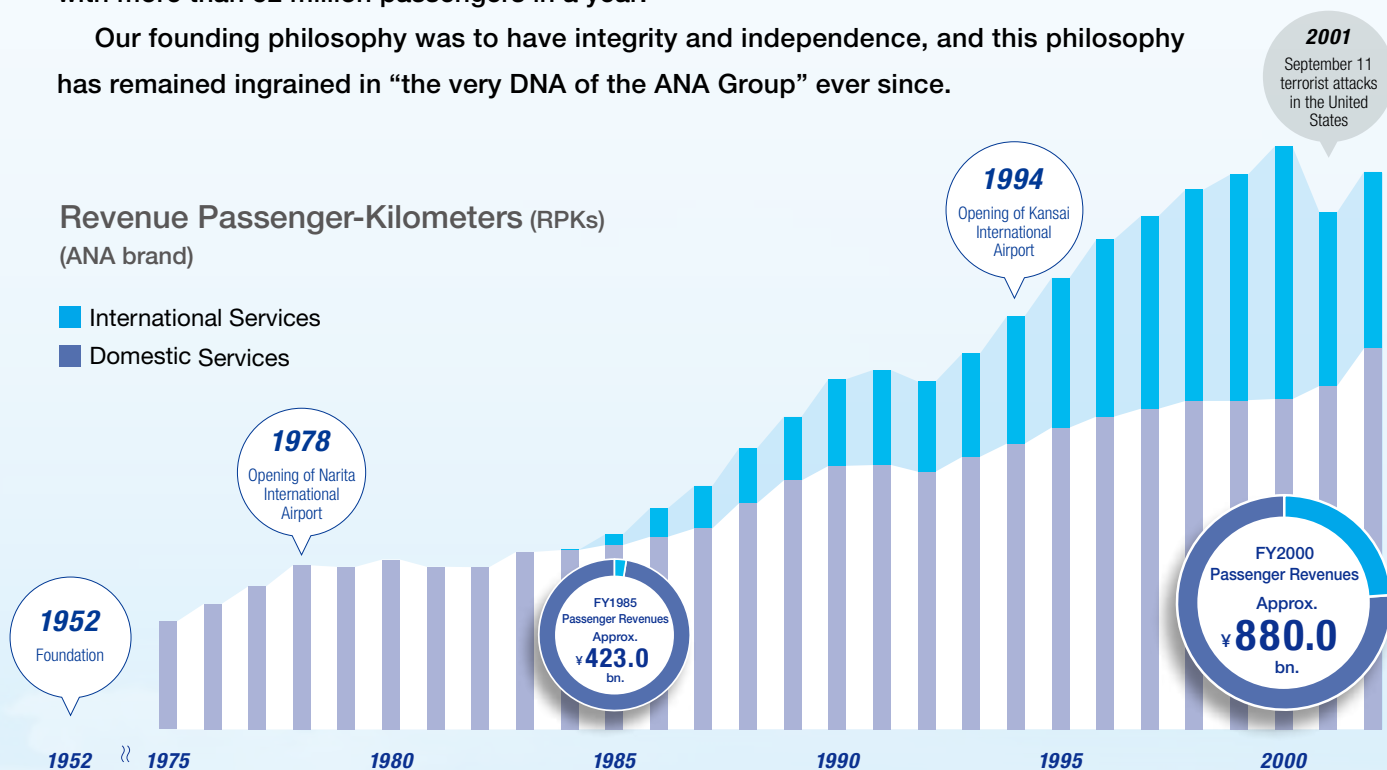
**ALL NIPPON AIRWAYS TRADING Co., Ltd., and more**



## History of Taking On Endeavors and Challenges

The ANA Group has continued to provide air transportation services with safe operations as its top priority since its foundation in 1952. Today, we have grown into a world-class airline with more than 52 million passengers in a year.

Our founding philosophy was to have integrity and independence, and this philosophy has remained ingrained in “the very DNA of the ANA Group” ever since.



**1952–**  
Start with just  
two helicopters



ANA's predecessor was founded as Japan's first private airline company in 1952. Ten years later in 1962, we became the launch customer for the YS-11, the first postwar, domestically made aircraft. We used this aircraft to fulfill the important mission of transporting the Olympic torch for the Games of the XVIII Olympiad, which took place in Tokyo in 1964. In this manner, ANA grew together with postwar Japan.

**1970–**  
Introduction of jet  
and wide-body aircraft

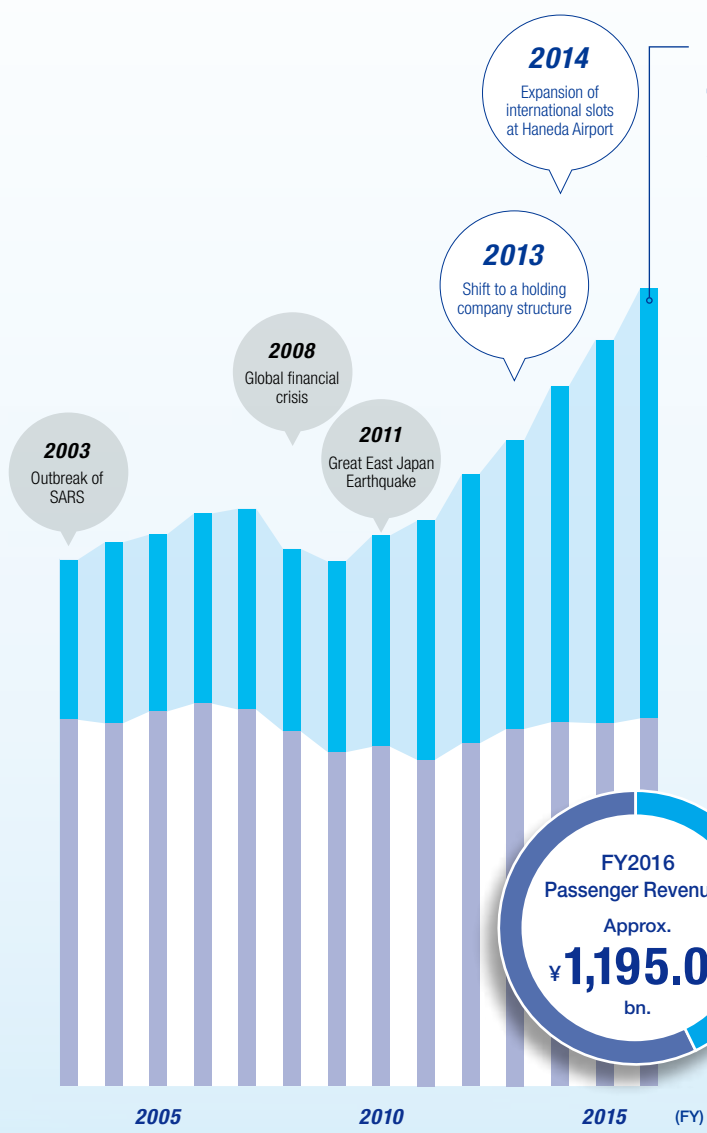


Under the restrictive industry policy regulating the air transportation industry that was implemented in 1970 and 1972, ANA focused predominantly on domestic flights. However, we were able to operate an international charter flight between Tokyo and Hong Kong in 1971. The aggregate total of passengers that have flown ANA reached 100 million in 1976. It was also during this time that airlines began performing large-scale transportation operations, leading us to introduce Boeing 747-SR super-jumbo jets, which were ANA's first jumbo jets.

**1986–**  
Regular operation of  
international flights



Entering into the era of full-fledged competition between airlines in Japan, we were able to achieve our long-deferred dream—the historic beginning of regular international flight operations between Tokyo and Guam—on March 3, 1986. The Tokyo–Los Angeles route and the Tokyo–Washington route were established in the same year, and our network continued to grow in the years that followed with, for example, the launch of the Tokyo–New York route in 1991.



## FY2016 The airline group with the largest network in Japan

Number of Passengers within Domestic Services

Global **10<sup>th</sup>\***

Number of Passengers within both Domestic and International Services

Global **15<sup>th</sup>\***

Number of Passengers (FY2016)

More than **52 million**

\* Source: International Air Transport Association (IATA), 2017

### Strengths of the ANA Group

**Innovativeness**

**Quality**

**Scale**

**Comprehensive Capabilities**



ANA became the ninth member to join Star Alliance, the world's first and largest global airline alliance, in 1999. We continued to improve customer convenience and grow our International Business thereafter. Overcoming the event risks that materialized on a global scale around this time, the International Business posted a profit for the first time in fiscal year 2004.

The airline industry reached a major turning point in the 2010s, prompting the ANA Group to shift to a holding company structure in fiscal year 2013 in order to facilitate swift and autonomous Group management. We continue to take on endeavors and challenges with the aim of becoming the world's leading airline group in customer satisfaction and value creation.

# Strengths of the ANA Group

## The improvement of the ANA Group's brand power is



ANA introduced the world's first Boeing 787 in 2011, after participating in its development. We are currently the world's foremost user of this aircraft, with 60 included in our fleet\*. A medium-body aircraft boasting superior fuel efficiency and continuous flight capacity, the Boeing 787 is propelling our growth strategies forward as our main aircraft, by enabling us to develop mid- and long-distance flights to new cities.

Boeing 787s in Fleet

# 60 aircraft

\* As of July 31, 2017



Innovativeness

## Brand

Our commitment to improving quality and services from the customer's perspective has earned ANA the world's highest 5-Star rating in the World Airline Rating, compiled by U.K.-based rating company SKYTRAX, for five consecutive years. Currently, there are nine airlines\* in the world with 5-Star ratings, and ANA is the only airline in Japan.

\* Asiana Airlines, Cathay Pacific Airways, Etihad Airways, EVA Air, Garuda Indonesia, Hainan Airlines, Qatar Airways, Singapore Airlines, and ANA

SKYTRAX Award

# 5-STAR AIRLINE Rating

for 5 Consecutive Years



Quality



driven by 4 strengths.



Passengers on ANA Brand Domestic and International Flights

More than **52 million**

(Fiscal year 2016)

ANA brand air transportation operations are ranked 10th in terms of number of passengers within its domestic services and 15th in terms of total number of passengers, including those within its international services\*, and we have grown into a world-class airline with more than 52 million passengers in a year. As of March 31, 2017, approximately 39,000 Group employees were seeking to raise the brand power of the ANA Group with safety as their top priority.

\* Source: International Air Transport Association (IATA), 2017



Scale

## Power



Comprehensive Capabilities

Capacity of ANA's International Passenger Business

**Doubled** Over  
**Past 6 Years**

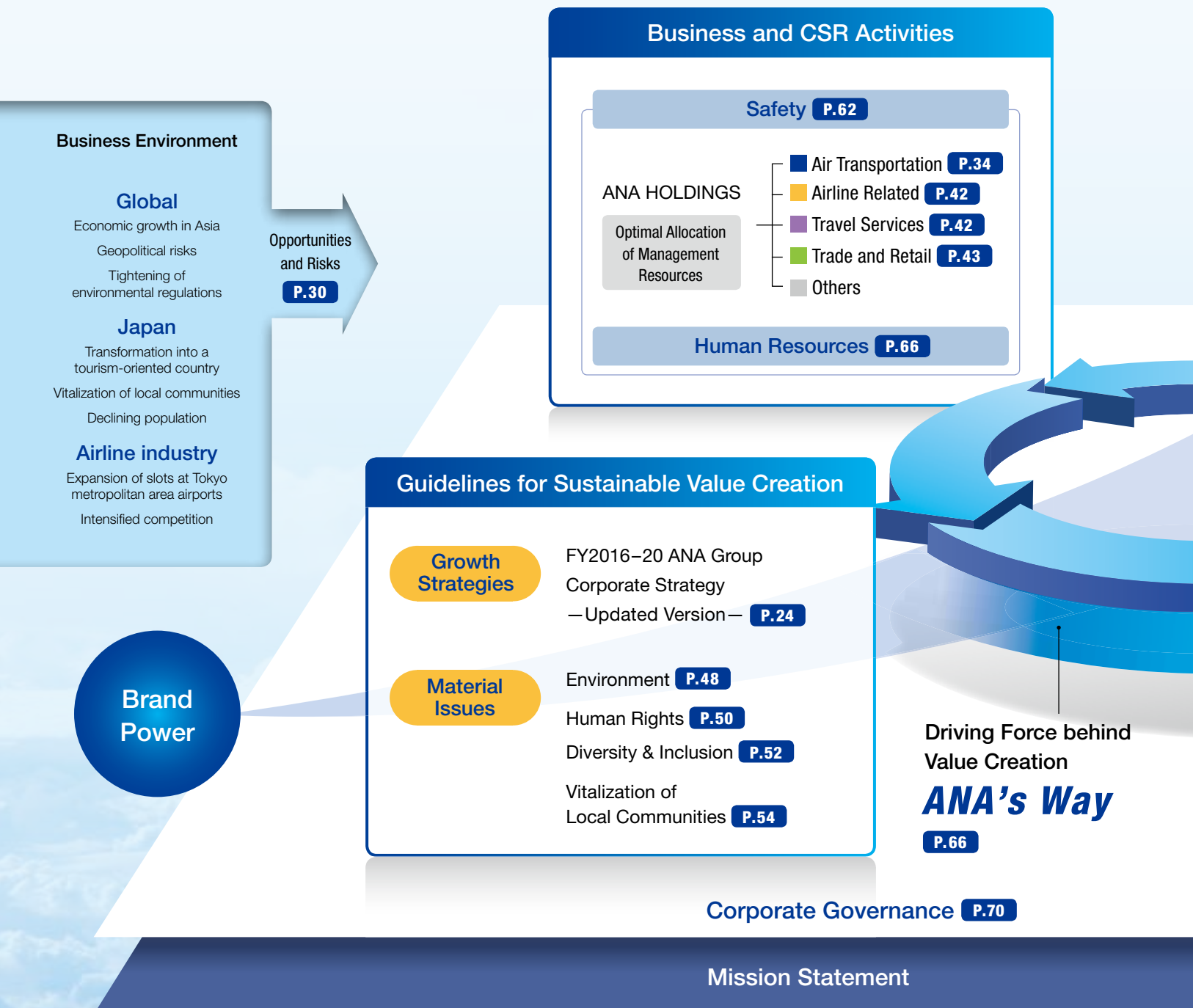
The capacity (available seat-km) of ANA's International Passenger Business was roughly double the level from fiscal year 2010, when scheduled international flights from Haneda Airport were commenced. Meanwhile, Vanilla Air and Peach Aviation have been contributing to the vitalization of local communities and to the establishment of Japan as a tourism-oriented country through means such as stepping up efforts to capture inbound travel demand. We are endeavoring to expand airline business domains by collaborating with the various companies in the Group, including those in the Airline Related business.



# The ANA Group's Value Creation Cycle

Through our business, we aim to continually create value for all stakeholders by implementing our medium- to long-term growth strategies and addressing our material issues (materiality), which have been identified in consideration of the business environment.

The ANA Group will contribute to the resolution of issues faced by the global society and enhance the value of its existence in order to realize its Management Vision, to be the world's leading airline group.





Management Vision

# To Be the World's Leading Airline Group

- ✓ Enhancement of Corporate Value
- ✓ Enhancement of Brand Power

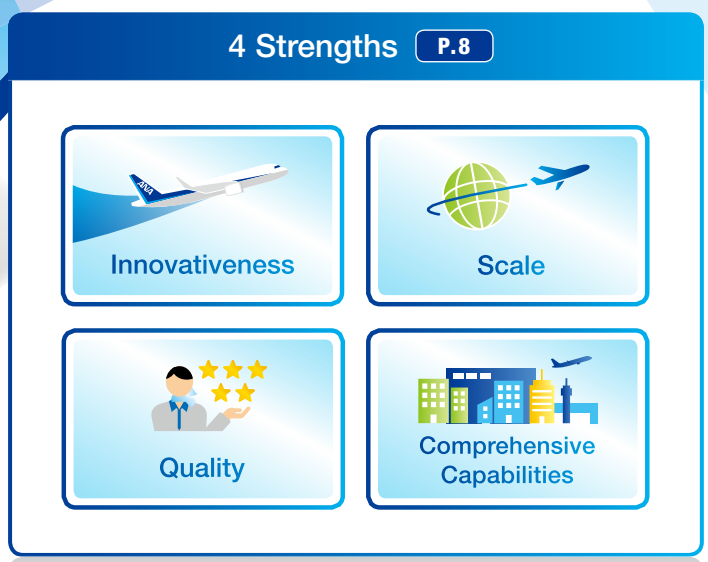


Contribution

Sustainable Development Goals (SDGs)



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# Financial Highlights

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

## Fiscal Year 2016

### Growth strategies resulted in record high earnings for two consecutive fiscal years

- International Passenger Business drove earnings, enhanced cost management
- Profitability increased steadily, operating income margin reached record high level
- Dividends of ¥6.00 per share issued (third consecutive fiscal year of higher dividends)

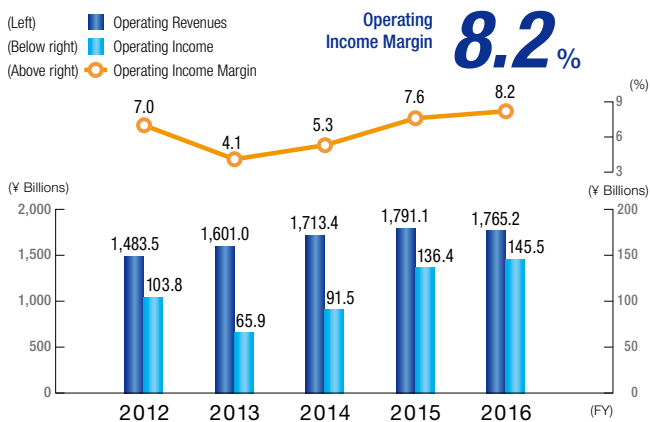
(FY)	(¥ Billions)				
	2012	2013	2014	2015	2016
<b>For the Year</b>					
Operating revenues (Note 2)	1,483.5	1,601.0	1,713.4	1,791.1	<b>1,765.2</b>
Operating income	103.8	65.9	91.5	136.4	<b>145.5</b>
Net income attributable to owners of the parent	43.1	18.8	39.2	78.1	<b>98.8</b>
Cash flows from operating activities	173.1	200.1	206.8	263.8	<b>237.0</b>
Cash flows from investing activities	(333.7)	(64.9)	(210.7)	(74.4)	<b>(194.6)</b>
Cash flows from financing activities	84.5	(85.5)	(30.4)	(133.2)	<b>3.3</b>
Substantial free cash flow (Note 3)	54.2	38.9	(22.3)	88.0	<b>39.7</b>
EBITDA (Note 4)	227.7	202.1	222.8	275.2	<b>285.8</b>
<b>At Year-End</b>					
Total assets	2,137.2	2,173.6	2,302.4	2,228.8	<b>2,314.4</b>
Interest-bearing debt (Note 5)	897.1	834.7	819.8	703.8	<b>729.8</b>
Total shareholders' equity (Note 6)	766.7	746.0	798.2	789.8	<b>919.1</b>
<b>Per Share Data (Yen)</b>					
Earnings per share	13.51	5.41	11.24	22.36	<b>28.23</b>
Cash dividends	4.00	3.00	4.00	5.00	<b>6.00</b>
<b>Management Indexes</b>					
Operating income margin (%)	7.0	4.1	5.3	7.6	<b>8.2</b>
ROA (%) (Note 7)	5.1	3.2	4.2	6.1	<b>6.5</b>
ROE (%) (Note 8)	6.6	2.5	5.1	9.8	<b>11.6</b>
Shareholders' equity ratio (%)	35.9	34.3	34.7	35.4	<b>39.7</b>
Debt/equity ratio (Times) (Note 9)	1.2	1.1	1.0	0.9	<b>0.8</b>
Payout ratio (%)	29.6	55.5	35.6	22.4	<b>21.3</b>

#### Notes:

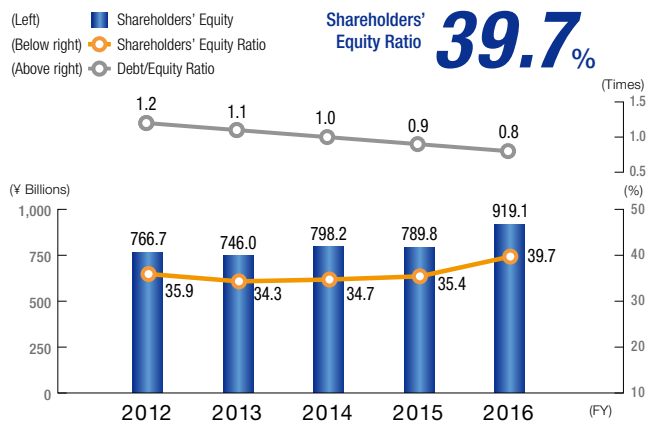
- As of March 31, 2017, there were 63 consolidated subsidiaries and 17 equity-method subsidiaries and affiliates.
  - Effective from fiscal year 2014, revenue of jet fuel which is resold to airlines outside the Group is offset by its purchasing cost and the net amount is recorded in operating revenues.
  - Substantial free cash flow is excluding purchase and redemption of marketable securities (periodic and negotiable deposits of more than three months).
  - EBITDA = Operating income + Depreciation and amortization
  - Lease obligations are included.
  - Total shareholders' equity = Shareholders' equity + Accumulated other comprehensive income  
From fiscal year 2013, 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.
  - ROA = (Operating income + Interest and dividend income) / Simple average of total assets
  - ROE = Net income attributable to owners of the parent / Simple average of total shareholders' equity
  - Debt/equity ratio = Interest-bearing debt / Total shareholders' equity
- \* Yen amounts are rounded down to the nearest 100 million yen and percentages are rounded to the nearest one decimal place.

## Financial Data

### Operating Revenues / Operating Income / Operating Income Margin

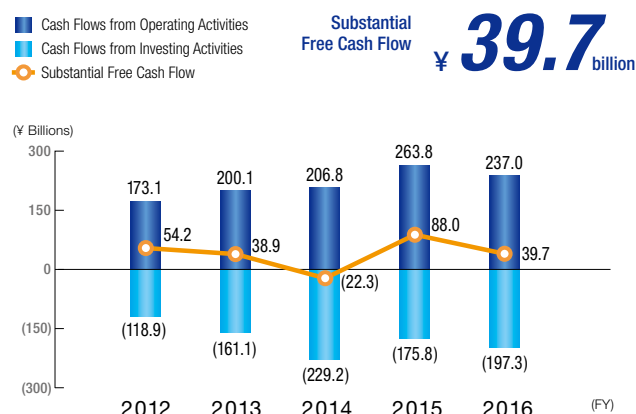


### Shareholders' Equity / Shareholders' Equity Ratio / Debt/Equity Ratio\*1



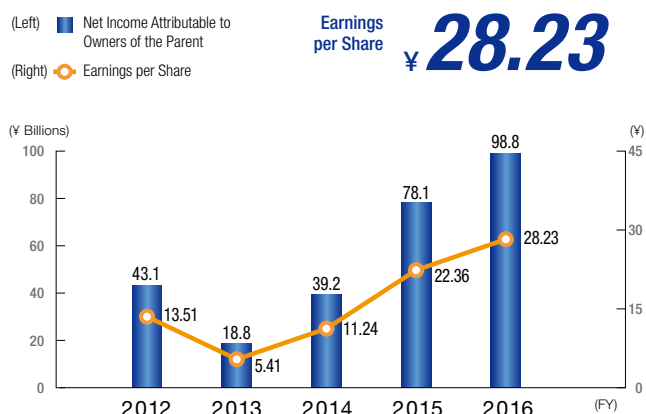
\*1 Excluding off-balanced lease obligations

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



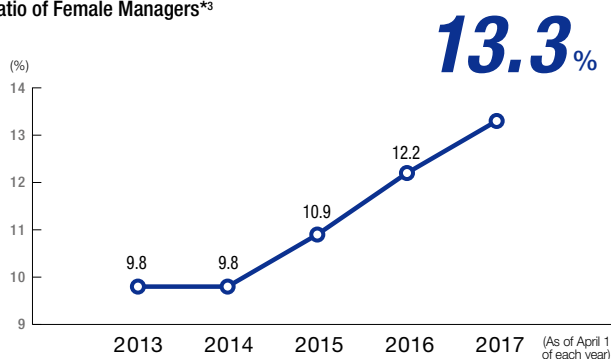
\*2 Excluding payment for purchase and proceeds from redemption of marketable securities

### Net Income Attributable to Owners of the Parent / Earnings per Share



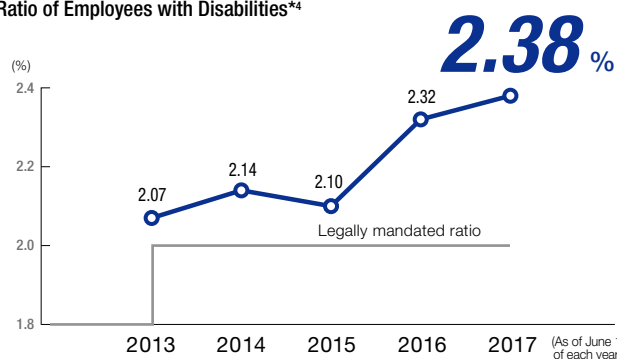
## Social Data

### Ratio of Female Managers\*3



\*3 ANA only

### Ratio of Employees with Disabilities\*4



\*4 Total of ANA and qualified ANA Group companies (2013: total of 7 companies including 2 special subsidiaries; 2014: total of 11 companies including 1 special subsidiary; 2015-2017: total of 12 companies including 1 special subsidiary)

# Fiscal Year 2016 Highlights



**Apr. Services ANA**  
 Introduced Japan's first all plastic wheelchair and remote sign language interpretation service



**Sep. Cargo ANAHD**  
 Began providing cross-border e-commerce distribution services compatible with China's new e-commerce customs regulations



**Jul. Services ANA**  
 Made it possible to register same-sex partners for mile-sharing benefits of ANA Mileage Club (support for LGBT community)

**Jul. Services ANA**  
 Chosen as the world's best airline in two categories of the World Airline Awards held by SKYTRAX

- World's Best Airport Services
- Best Airline Staff in Asia

## 2016

### April

### July



**Apr. Aircraft / flight schedules ANA**  
 Commenced operation of the Narita–Wuhan route

**Aug. Aircraft / flight schedules ANA**  
 Received 50th Boeing 787

**May Management ANAHD**  
 Concluded final contract for business and capital partnership with Vietnam Airlines



**Apr. CSR ANA**  
 Became official partner of the Japanese Para-Sports Association

**Jun.–Jul. CSR ANAHD**  
 Conducted *Let's Visit Kyushu* project to support reconstruction of Kyushu region

- (1) Customer referral support
- (2) Local specialty item support
- (3) Reconstruction support activities by Group employees

**Jun. Management ANA Trading**  
 Established A&S Takashimaya Duty Free Company Limited as joint venture between Takashimaya Company, Limited, Hotel Shilla Co., Ltd. and ALL NIPPON AIRWAYS TRADING Co., Ltd.





Oct. Management ANAHD

Established ANA X Inc., a new company handling the Group's customer marketing-related activities

Oct. Management ANAHD

Formed capital alliance with PD AeroSpace, LTD. and H.I.S. Co., Ltd., to develop commercial space travel venture



©PD AeroSpace, LTD. / KOIKE TERUMASA DESIGN AND AEROSPACE

Dec. Aircraft / flight schedules ANA

Received Japan's first Airbus A320-200neo



Sep. Services ANA

Received Good Design Award 2016 for departure counter at Haneda Airport



Jan. CSR ANAHD

Became first Japanese company to join the Blue Number Initiative for realizing transparent food supply chains

Mar. Services ANA

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



October

2017

January

March

Sep. Aircraft / flight schedules ANA

Commenced operation of the Narita-Phnom Penh route



Oct. Aircraft / flight schedules ANAHD

Launched code-share flights with Vietnam Airlines

Oct. Aircraft / flight schedules ANA

Commenced operation of the Haneda-New York, the Haneda-Chicago, and the Haneda-Kuala Lumpur routes

Feb. Management ANAHD

Announced consolidation of Peach Aviation Limited



Feb. Aircraft / flight schedules ANA

Commenced operation of the Narita-Mexico City route

Sep. CSR ANAHD

Selected for inclusion in Dow Jones Sustainability Asia Pacific Index, a world-renowned socially responsible investment (SRI) index

Dec. CSR ANAHD

Concluded emergency transportation support agreement with Seven & i Holdings Co., Ltd.

Feb. Management ANAHD

Expressed endorsement of the Women's Empowerment Principles sponsored by the United Nations Global Compact (UNGC) and UN Women

Dec. CSR ANA

Aggregate aircraft maintenance center tour participants exceeded 1 million

Mar. Management ANAHD

Included in the FY2016 *Nadeshiko Brand* selection (2nd consecutive year, 3rd time for inclusion)



**Shinya Katanozaka**  
President & Chief Executive Officer

**The ANA Group is charting a course toward its goal of becoming the world's leading airline group with an eye to the future.**

## Commitment Embodied in the FY2016–20 ANA Group Corporate Strategy —Updated Version—

### ■ Review of Fiscal Year 2016

I would like to take this opportunity to express my sincere appreciation to all of our stakeholders' continued interest in and support for the ANA Group.

In fiscal year 2016, we posted performance that was favorable for the first year of the FY2016–20 ANA Group Corporate Strategy, achieving a record high for operating income for the second consecutive year.

On the business front, the International Passenger Business—the ANA Group's main growth driver—made major contributions to performance. Throughout the fiscal year, we proceeded to commence service on new routes, namely the Narita–Wuhan, Narita–Phnom Penh, and Narita–Mexico City routes. We also increased the frequency of flights and switched to larger aircraft on existing routes to expand operations. It was in fiscal year 2014 that we began bolstering our international network of flights out of Haneda Airport, and over the three-year period leading up to the end of fiscal year 2016, available seat-kilometers (ASKs), which represents the production capacity of ANA brand flights, has increased by approximately 45% as a result. At the same time, revenue passenger-kilometers (RPKs) has risen by roughly 49%, demonstrating that we have been successful in incorporating demand as we expand our business.

One of the major proponents of this growth is the composition of the Group's fleet. The Boeing 787 series, for example, is a mainstay of our fleet. Since fiscal year 2015, we have been introducing Boeing 787-9s, which feature increased seat numbers, for use mainly on mid- and long-distance routes. These aircraft enable us to operate flights to medium-sized cities, which would not be feasible with large-scale aircraft, and thereby explore new markets. In addition, they have enhanced our ability to select the most appropriately sized aircraft from among multiple options based on the demand anticipated on each route. This is a major strength of the ANA Group. Furthermore, we have endeavored to expand our network and increase overseas sales by engaging in joint ventures and offering code-share flights together with overseas airlines. These and other strategies have made large contributions to the improvement of profitability in the Air Transportation business.

In the Domestic Passenger Business, passenger demand was down primarily during the first half of the fiscal year due to the impacts of the April 2016 Kumamoto earthquakes. We sought to address this situation by matching supply to demand while implementing flexible fare measures to stimulate increases in demand. As a result, the Domestic Passenger Business was able to achieve a year-on-year increase in sales on a single-quarter basis during the fourth quarter. Meanwhile, the improvement of profitability is our priority in the International Cargo Business, and this focus led to our controlling freighter capacity during the second half of the fiscal year. In this manner, we strived to develop a business portfolio for each field of the Air Transportation business in order to achieve even higher levels of profitability.

In terms of expenses, the Company has been advancing Cost Restructuring Initiatives for six years, and these initiatives have resulted in cumulative total cost reductions of ¥138.0 billion. Unit cost for the Air Transportation business (ANA brand) in fiscal year 2016 was roughly 10% lower than in fiscal year 2010 as a result.

Looking at finances, the Company's credit ratings from Japanese ratings institutions improved for the second consecutive year. In addition, the shareholders' equity ratio reached the optimal level that has been our ongoing target. Our policy going forward will be to maintain financial soundness while allocating management resources with emphasis placed on both growth investments and shareholder returns.

### ■ Prioritization of Solidifying Management Platform in Fiscal Years 2017–2018

Although performance was firm, the global economy is plagued by a rising sense of uncertainty due to the continually opaque nature of political trends, especially those in Europe and the United States, as well as growing geopolitical risks. Japan as well is being faced by new challenges in the forms of an aging population, declining birth rate, and a tight supply–demand balance in the labor market. The airline industry, meanwhile, is witnessing change as collaboration picks up between U.S. and Asian airlines, altering the existing framework of alliances.



The brand power we have cultivated to date will serve as the fuel that moves us forward as we grow into a strong corporate group capable of winning out against international competition.

The ANA Group sees various opportunities in this business environment, including the growing demand from inbound travelers, the Olympic and Paralympic Games Tokyo 2020, and increase in slots at Tokyo metropolitan area airports. Given the volatile change seen in this environment, we have chosen to position the two-year period beginning with fiscal year 2017 as a period for solidifying our management platform. Our first priority in achieving this solidification will be to conduct a comprehensive review for safety and the quality of our services. At the same time, we will seek to secure sufficient human resources for supporting future growth, specifically those in operating divisions, in order to enhance front-line capabilities. (For details, please refer to the “FY2016–20 ANA Group Corporate Strategy—Updated version—” section on pages 24–29.)

Another measure prescribed for this period is the consolidation of Peach Aviation Limited. This measure is designed to contribute to the advancement of efforts to expand airline business domains, one of the strategic themes of the current group corporate strategy, by growing the Group’s LCC Business. Over the foreseeable future, we plan to maintain the independence of management at Vanilla Air Inc. and Peach and support the growth of these companies. However, we will also consider the possibility of optimizing our portfolio to facilitate the future development of the Air Transportation business.

### ■ Strategy for Creating Value Leading Up to Fiscal Year 2020

After solidifying our management portfolio over the two-year period beginning with fiscal year 2017, we plan to start once again deploying growth strategies centered on the International Business. One of our value creation targets for fiscal year 2020 is operating income of ¥200.0 billion. To better guide us toward achieving this goal, we plan to establish a new medium-term corporate strategy for the period mainly spanning fiscal years 2018 to 2020.

The first step of this strategy will be to further expand the global network for the ANA brand in order to develop ANA into a full service carrier recognized as a top-tier global airline. Efforts on this front include actively deploying fuel-efficient aircraft in our fleet and taking other steps to practice consideration for our impact on the environment while enhancing products and services to heighten ANA’s brand power. Moreover, we will enhance a resort strategy in fiscal year 2019 when we become the first Japanese airline to introduce Airbus A380s into our fleet.

At the same time, Vanilla Air and Peach will be expanding the number of LCC brand flights centered on domestic and resort routes. Areas of particular focus will include establishing routes out of regional Japanese cities to take advantage of latent demand for leisure trips and other travel among people in Japan. We will also step up efforts to cater to inbound demand. Additionally, the possibility of setting up mid-distance LCC routes is being examined to bolster medium-term earnings.

We are also looking to develop future revenue sources in non-airline businesses. To this end, we are combining our existing customer bases with information and communication technologies to establish new business models while seeking to take advantage of open innovation in other ways. ANA X Inc., a new Group company opened its doors in December 2016. The goal of this company is to give rise to a new business model that utilizes the ANA economic



sphere, which is formed by customer data gathered through ANA Card, ANA Mileage Club, and other services. We will thereby evolve our marketing practices with a focus on the customer base that ANA has cultivated thus far to generate synergies with the Air Transportation business, seeking to link these efforts to improved corporate value for the Group.

The current environment continues to warrant caution with regard to changes both inside and outside of Japan.

However, by furnishing accurate responses to such changes, we will seize hold of opportunities for propelling the ANA Group toward the next stage. In this undertaking, the brand power we have cultivated to date will serve as the fuel that moves us forward as we grow into a strong corporate group capable of winning out against competition from around the world.

## Pursuit of Sustainable Growth for the Group

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### ■ ANA Group Value Creation Cycle

I would now like to take some time to explain the Group's policies with an eye to the period beyond fiscal year 2020.

It was in April 2013 when the Company transitioned to the holding company structure. Under this structure, core company ANA, and other operating companies are working relentlessly to pursue their own growth scenarios in order to move us forward toward the goals of our current corporate strategy.

Over the long term, we would like to achieve sustainable growth by living up to the expectations of our stakeholders, which we will accomplish by creating economic and social value through the Group's businesses. To move us toward this goal, we are developing a value creation cycle that will serve as a framework for facilitating the ongoing reinforcement of the Group's unique brand power and the improvement of corporate value. (For details, please refer to the "The ANA Group Value Creation Cycle" section on pages 10–11.)

### ■ Investments in Safety and Human Resources

Viewed from a long-term perspective, it is clear that safety and human resources will be of the utmost importance to the Group. Accordingly, these resources have been positioned as core elements of our management platform as well as sources of competitiveness in the current corporate strategy, and we are pursuing improvements.

In regard to safety, I regret having to report that, during fiscal year 2016, some issues arose that certainly gave concern to passengers on our flights as well as to other related parties. These issues included malfunctions of Boeing 787 engine parts and a failure to adhere to operating procedures at airport security checkpoints. In response to these incidents, I once again instructed Group companies to take to heart the fact that safety is absolutely essential to our management platform and to engage in operations in accordance with this recognition. Moreover, I mentioned the extreme importance of safety several times to the 2,799 new employees joining the Group in fiscal year 2017 during the Group welcoming ceremony. Aircraft operations are not the only area in which we are expected to guarantee safety. Quite the contrary, there is a need for us to redouble safety measures across the Group and with regard to such areas as food safety and information security.

**Founded on a platform built on safety and human resources, we will work to create long-term economic and social value.**

Safety is our promise to the public and is the foundation of our business. As the leader of the ANA Group, I have reasserted my devotion to placing safety as our top priority going forward and to making sure that we spare no expense and do everything in our power to ensure the utmost levels of safety.

Turning to human resources, the wellspring of our competitiveness, efforts to secure a stable supply of human resources for advancing our growth strategies are becoming more important than ever in the midst of the aging population and the declining birth rate in Japan.

As one facet of our efforts with this regard, we are focused on encouraging women's participation in the workplace, a stance that has earned the Company inclusion in the *Nadeshiko Brand* selection compiled by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange a total of three times in the past. Furthermore, ANA has set targets for the number of female officers and the ratio of female managers. On April 1, 2017, the ratio of female managers was 13.3%, roughly 3.5 percentage points higher than five years earlier. We have also expressed our endorsement of the Women's Empowerment Principles and plan to take part in initiatives for promoting gender equality that are led by corporate managers and that are being sponsored by the United Nations Global Compact (UNGC) and UN Women.

Furthermore, ANA has introduced a performance evaluation system that positions "work-style reform" as a priority task, and all officers and managers have set personal commitments accordingly. As we move on to the next growth stage, we will not allow ourselves to be satisfied simply by improvements to employee retention rates. Rather, we aim to go a step further to boost the productivity of each employee and create new value in order to ensure the maximum results from our initiatives. We will also strive to grow into an organization that fosters diverse perspectives, sensibilities, and values. In addition, the Company will act in its capacity as a signatory to the

UNGC to contribute to the accomplishment of the Sustainable Development Goals (SDGs).

**■ Initiatives of the ANA Group**

The ANA Group has defined the material issues (materiality) that it needs to prioritize in creating value. These issues have been incorporated into the current corporate strategy.

Environmental issues are important and relate to all stakeholders. To help preserve the environment, we are actively deploying fuel-efficient aircraft in our fleet as part of our growth strategies for the Air Transportation business. Our environmental preservation goals extend beyond simply preventing increases in CO<sub>2</sub> emissions; we are formulating long-term fleet development plans that incorporate the various risks (e.g., environmental taxes and noise pollution issues) with the potential to emerge as we expand our network going forward.

As part of our efforts to contribute to the vitalization of local communities, the LCC Business strives to create new demand in Japan's air travel market and leverages the unique strengths of each of our LCC brands. These strengths include the ability to provide service on routes that are not operated under the ANA brand and to cater to inbound travelers from Asia. In addition, we have been implementing the *Tastes of JAPAN by ANA* project since fall 2013. Through this project, we incorporate local specialty products from across Japan into our in-flight and airport services in order to solicit the appeal of Japan to travelers both from within the country and from abroad. In addition, we are concluding comprehensive partnership agreements with municipal governments to allow for Groupwide contributions to be made in areas such as sightseeing, culture, sports, and overseas exchanges. These initiatives contribute to accomplishment of the government target of making Japan into a tourism-oriented country. The ANA Group aims to continue helping to realize medium-to-long-term growth in inbound travel demand.





We are also providing universal services which are meant to enable us to accommodate a more diverse range of customers from across the globe as we expand the International Business. In addition, these services help us contribute to the realization of a symbiotic society while improving our long-term competitiveness. Examples of our efforts to cater to customer diversity include enhancing our ability to accommodate customers in terms of both facilities and services in airports and on planes. A more specific example would be the acquisition of halal certification for in-flight meal factories. These efforts help differentiate ANA as a full service carrier from major carriers from the neighboring region of Asia.

Through these efforts, we have managed to achieve the world's highest 5-Star rating in the World Airline Rating, compiled by U.K.-based rating company SKYTRAX, for five consecutive years, most recently being assigned this rating in March 2017. Our devotion to addressing material environmental and social issues in our business was no doubt a contributor to this accomplishment.

### ■ Enhancement of Holding Company Functions to Facilitate Aggressive and Speedy Management

Corporate governance will be a theme of crucial importance toward ensuring that we can implement our corporate strategy and improve corporate value. Moreover, we recognize that the benefits of our growth strategies can be augmented through “aggressive and speedy management.” It was based on these realizations that we chose to revise how authority was delegated in order to enhance corporate governance with the aim of enabling the Group to better exercise its comprehensive capabilities. The new standards for delegation of authority applied from fiscal year 2016 entailed reassigning authority for decisions about several matters important to operational execution that had previously been made by the Board of Directors to the Group Management Committee. Through this move, we sought to

improve upon the Groupwide strategy formulation function of the Board of Directors while also reinforcing its ability to provide supervisory functions. The resulting management structure is anticipated to contribute to heightened levels of Group competitiveness.

In addition, we have administered surveys to all directors and Audit & Supervisory Board members in order to analyze and evaluate the effectiveness of the Board of Directors. Several concrete improvement measures have been implemented based on the findings of these activities, such as allowing for more discussion to be held at stages prior to the formulation of corporate strategies.

Since formulating the Fundamental Policy on Corporate Governance in November 2015, we have made it a point to ensure that our decisions are both swift and bold. There is no end goal for our efforts to create a corporate governance system that is suited to the holding company structure. Rather, we will go about building such a system by identifying those practices that should be continued and the new measures that should be implemented to consistently create economic and social value.

The Tokyo 2020 Games will provide an unprecedented opportunity to solicit the appeal of Japan to the world. Leading up to this event, the airline industry will also enter into a new chapter with the planned increase in slots at Tokyo metropolitan area airports. As the leader of the ANA Group, I will take the steering yoke as we chart a course toward our goal of becoming the world's leading airline group with an eye to the future that will lie before us once this has been achieved. The ANA Group is united in this pursuit.

July 2017

President & Chief Executive Officer

*Shinya Katanozaka*

# *Growth Strategies and Materiality*

Updated Version to the FY2016–20 ANA Group Corporate Strategy was established in April 2017.

The Group will advance the growth strategies while addressing the material issues (materiality) identified to guide efforts to create economic and social value.









## Positioning of Fiscal Years 2017 and 2018

### Solidify management platform, transition to stage of further business expansion

The business environment is currently undergoing rapid change in Japan and overseas. Out of consideration for these changes, we have positioned fiscal years 2017 and 2018 as representing a period for prioritizing the solidification of our management platform to prepare for a transition to a stage of further business expansion with eyes to fiscal year 2020.

Our first priority toward achieving this goal will be a comprehensive review for safety and the quality of our services. We will spare no expense and do everything in our power to install higher degrees of safety into our management platform while maintaining a keen focus on basic quality. The Company will also actively invest in the human resources that are the wellspring of its competitiveness. In addition, having consolidated Peach Aviation Limited into the Group, we will take advantage of this opportunity to optimize our portfolio consisting of ANA, a full service carrier (FSC), and the Group's Low Cost Carrier (LCC) Business.

The basic strategies of the FY2016–20 ANA Group Corporate Strategy, which was established in January 2016, will continue to be implemented as we seek to become a strong corporate group capable of effectively responding to changes in the global business environment and pursue sustainable growth.

Sustainable Growth

#### Business Environment

- |                |        |   |
|----------------|--------|---|
| <b>Macro</b>   | Global | 1. Uncertain political circumstances in the United Kingdom, the United States, and the European Union |
|                |        | 2. Multilateralization of geopolitical risks  |
|                | Japan  | 3. Tight labor market and work-style reform   |
| <b>Airline</b> |        | 4. Acceleration of bilateral alliance between U.S. and Asian airlines                                 |

Capture business chances

FY2019–2020

Further Expansion of International Business

FY2020

1. Olympic and Paralympic Games Tokyo 2020
2. 40 million inbound travelers (government target)
3. Slot expansion at Tokyo metropolitan area airports

FY2017–2018

Solidify management platform

#### (1) Comprehensive Review for Safety and the Quality of Our Services

- Enhance safety, achieve above and beyond quality

#### (2) Investments in Human Resources

- Talent retention, promote work-style reform

#### (3) Consolidation of Peach Aviation Limited

FY2016–20 ANA Group Corporate Strategy  
(Disclosed on January 29, 2016)

Major Initiative 1

Expand Airline Business Domains

Major Initiative 2

Create New Businesses and Accelerate Growth of Existing Businesses

Implement aggressive and speedy management

Stand firm on basic strategy

## Air Transportation Business (ANA Brand)

### Implement measures based on each business strategy

Given that distribution of the current daytime slots at Haneda has been fixed, the pace of capacity growth in the International Passenger Business will be mild over the next two years. Nevertheless, we will continue to capture demand and enhance yield management by taking advantage of the competitive edge granted by our position as the carrier with the largest international route network out of Haneda while utilizing our route network out of Narita.

Improvements to products and services will be made through the introduction of Boeing 787-9s on routes to Asia and Honolulu. In addition, we will advance a resort strategy in conjunction with the deployment of Airbus A380s on routes to Honolulu from spring 2019.

In the Domestic Passenger Business, the Airbus A321s that joined our fleet during the second half of fiscal year 2016 will be utilized when implementing the “Dynamic Fleet Assign Model” in order to optimize supply to demand. At the same time, we will promote usage of domestic routes among new customer groups, including inbound travelers to Japan and millennials, to reinforce Group revenue platforms.

Our focus in the International Cargo Business will be to optimize our freighter capacity based on the market’s overall supply and demand balance. Furthermore, we will seek to heighten profitability through cross-border e-commerce businesses targeting China, an area in which we anticipate market growth going forward.

#### International Passenger

##### (1) Building upon Dual Hub Network Strategy

- Utilizing Haneda late night / early morning slots and Narita slots

##### (2) Enhancing products and services

- Expanding routes operated by Boeing 787-9s

##### (3) Promoting resort strategy

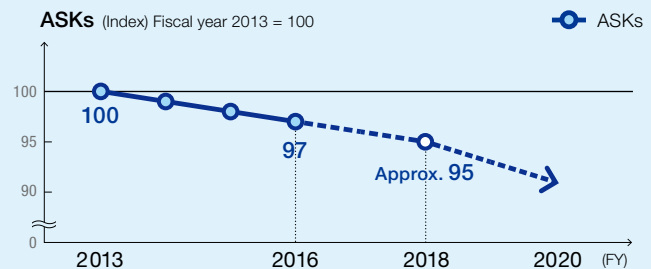


#### Domestic Passenger

##### (1) Pursuing efficiency through the “Dynamic Fleet Assign Model”

- Selecting aircraft to optimize supply to demand (Airbus A321 x 7)

##### (2) Cultivating new customers

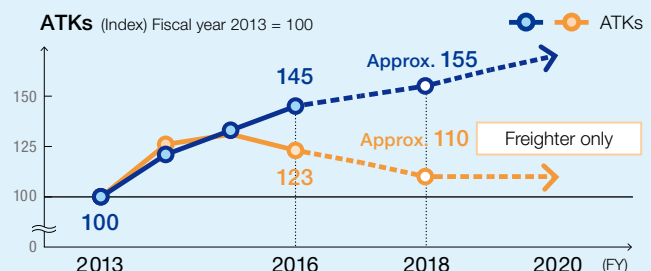


#### International Cargo

##### (1) Reorganizing network to control capacity increase

- FY2017 freighter ATKs: Down approx. 10% YoY

##### (2) Developing cross-border e-commerce business within the Group



## Air Transportation Business (LCC Brands)

### Take advantage of Peach Aviation Limited consolidation to accelerate expansion of airline business domains

An additional investment conducted in Peach Aviation Limited during April 2017 increased the ANA HOLDINGS' stake in this company to 67.0%. Capitalizing on this investment, we will further enhance the corporate value of the Group by incorporating the growth of our LCC Business.

The total number of available seats from all airlines is increasing in the principal region of Asia, and the number of these seats provided by LCCs has quadrupled, representing more than 20% of all available seats in 2016, much higher than the figure of 10% in 2008. In this manner, the presence of LCCs has been growing rapidly in Asia.

The ANA Group has been a major proponent behind the growth of the LCC market in Japan. As a result, we currently boast a strong position in this market, with Vanilla Air and Peach holding a combined share of 52% among Japanese LCCs in fiscal year 2016.

With networks currently connected to China, South Korea, Taiwan, Vietnam, Thailand, and the Philippines, Vanilla Air and Peach are gaining recognition as Japanese LCCs in the Asian market.

Future LCC Business initiatives will include broadening the range of areas in which these companies provide their services, such as by establishing routes out of regional Japanese cities. Through these initiatives, we will expand airline business domains through a Groupwide effort.

#### Purpose for Consolidation of Peach Aviation Limited

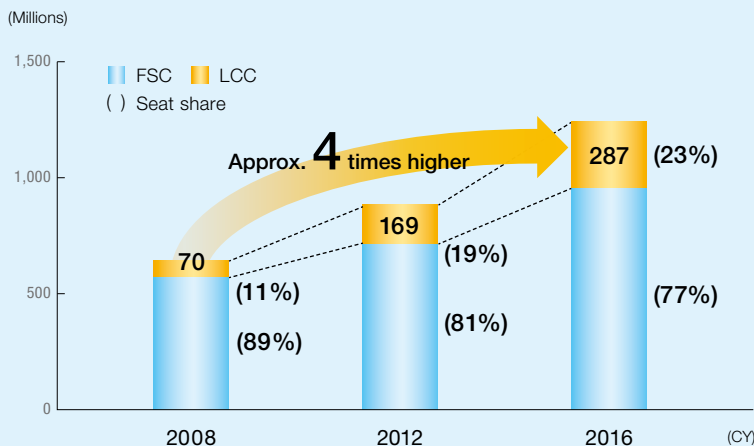
- ① Providing Group support to promote further growth of the LCC Business  
Vanilla Air and Peach apply their respective strengths
- ② Responding to increasing inbound traffic, contributing to the vitalization of local communities

(Disclosed on February 24, 2017)

Investment ratio **38.7% → 67.0%**

Acquisition price Approx. **¥ 30.4 billion**

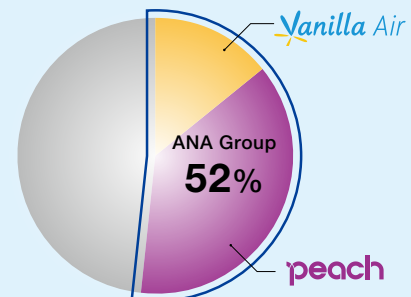
#### Number of Seats in Asia\*



Note: Figures for flights in both Northeast Asia and Southeast Asia  
(Source: Centre for Aviation)

#### Seat Share among Japanese LCCs

(FY2016, total domestic and international services)



Japanese LCC market growth driven by the ANA Group

(Source: OAG Aviation Worldwide Limited)



## Cost Management Policy

### Focus on balance between “investment in safety and human resources” and “implementation of further cost management”

While pursuing top-line growth for the entire Group, we will also continue to practice cost management.

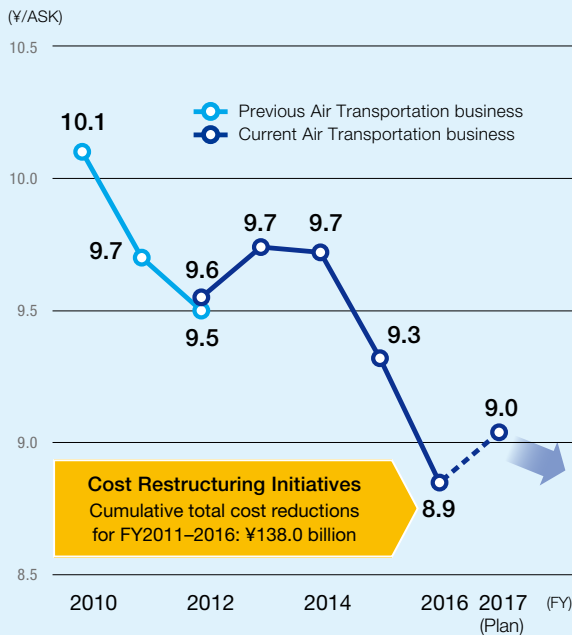
The Company has been advancing Cost Restructuring Initiatives for six years, and these efforts have resulted in a unit cost for fiscal year 2016 that is more than 10% lower when compared to that of fiscal year 2010.

Taking advantage of the characteristics of the holding company structure, in fiscal year 2016 we began transitioning toward a bottom-up-style framework in which each Group company practices autonomy in pursuing cost reduction. Furthermore, the implementation of more rigorous progress management practices based on key performance indicators (KPIs) has helped to entrench cost management as an integral part of the Group’s overall corporate culture.

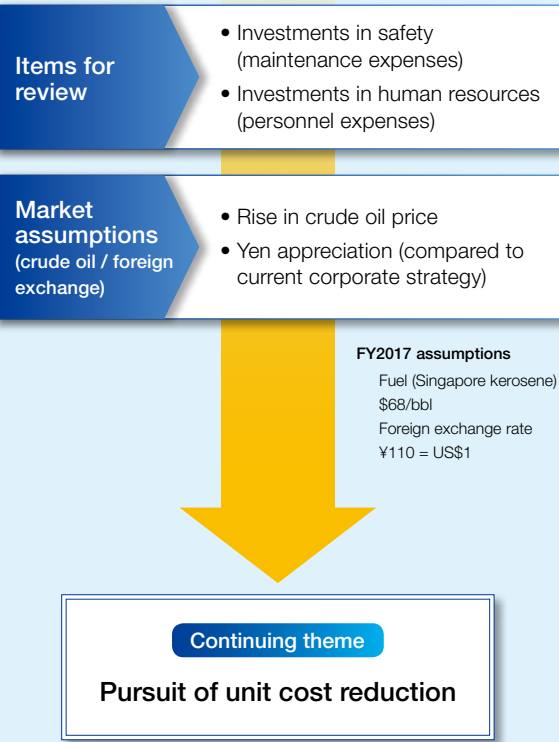
Emphasis will be placed on strategic investments in safety and human resources going forward. We therefore anticipate a temporary increase in costs, mainly maintenance and personnel expenses, in the near future. However, we will pursue reducing unit costs by implementing labor-saving initiatives over the medium term. These initiatives will be prefaced on the assumption that productivity will be improved through work-style reform and other measures implemented by Group companies.

Always ensuring that our cost levels are appropriate going forward, we will continue to elevate cost competitiveness on a Groupwide basis.

Unit Cost (ANA Brand only)



$$\text{Unit cost} = \frac{\text{Operating expenses (total)} - (\text{Operating revenues from Cargo \& Mail} + \text{Other revenues})}{\text{Domestic passenger ASKs} + \text{International passenger ASKs}}$$



## Value Creation Targets

### Optimize business portfolio, achieve the value creation goals outlined in the current corporate strategy

The ANA Group entered into a growth stage in fiscal year 2014, enabling it to consistently meet its income targets. Although fiscal years 2017 and 2018 have been designated a period for prioritizing the solidification of our management platform, the momentum behind our performance growth will remain unchanged. The Company therefore projects higher sales and income in the first of these two years. Moreover, we will continue to pursue the value creation goals defined in the current corporate strategy on through fiscal year 2020.

We also plan to establish a new medium-term corporate strategy for the three-year period spanning from fiscal year 2018 to fiscal year 2020. Guided by our strategies, we will boldly implement business model reforms, unfettered by past conventions, to optimize our business portfolio and improve profitability.

#### Major Focuses of the FY2018–20 New Medium-Term Corporate Strategy

##### ANA Brand

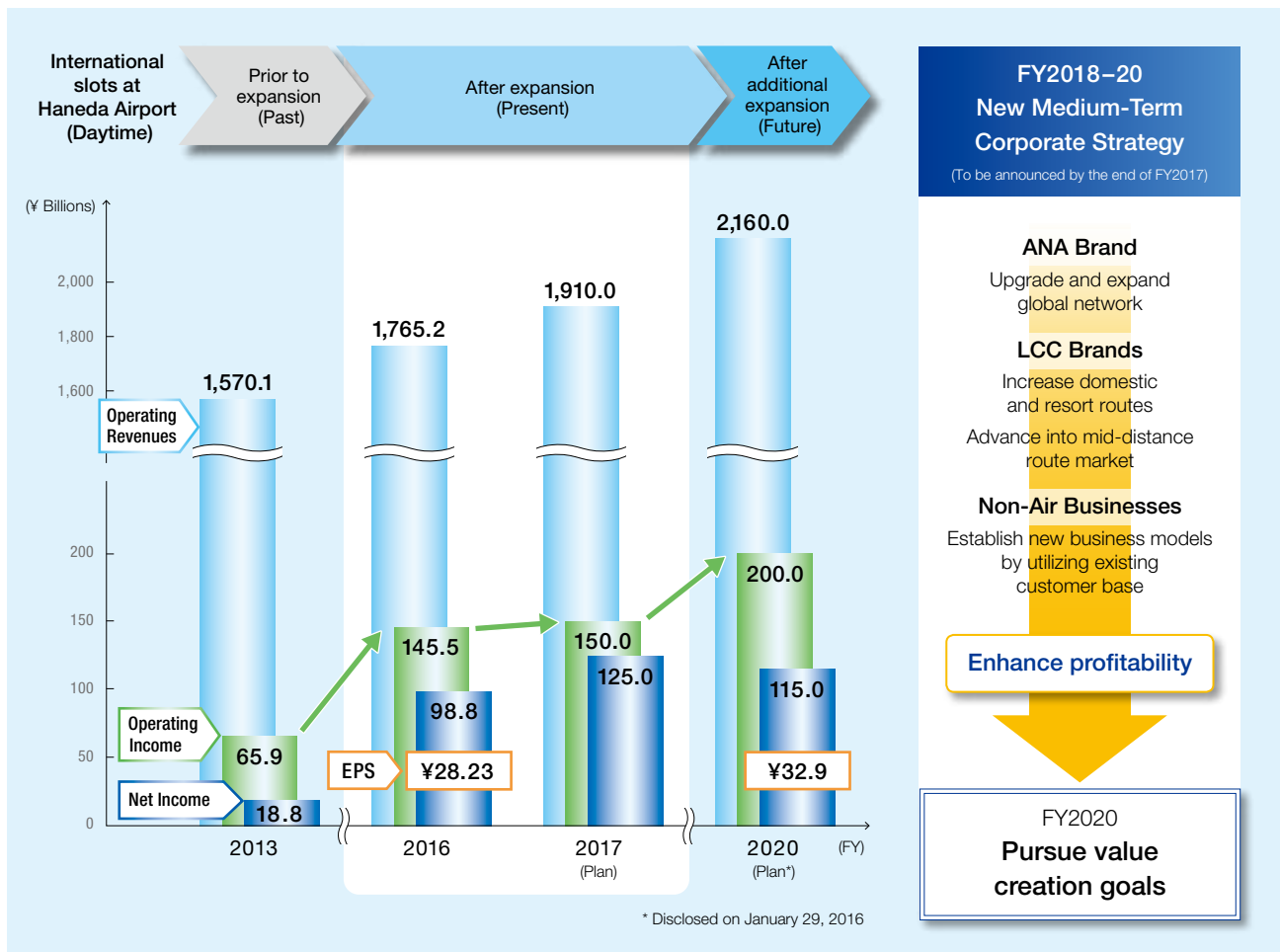
Upgrade and expand our global network, seeking to become an FSC recognized as a top-tier global airline.

##### LCC Brands

Increase the number of domestic and resort routes while remaining keenly aware of their differences from the ANA brand and examine the possibility of establishing mid-distance routes.

##### Non-Air Businesses

Create future revenue sources by means such as developing new business models by utilizing our existing customer base and ICT.



## Management Resources Allocation

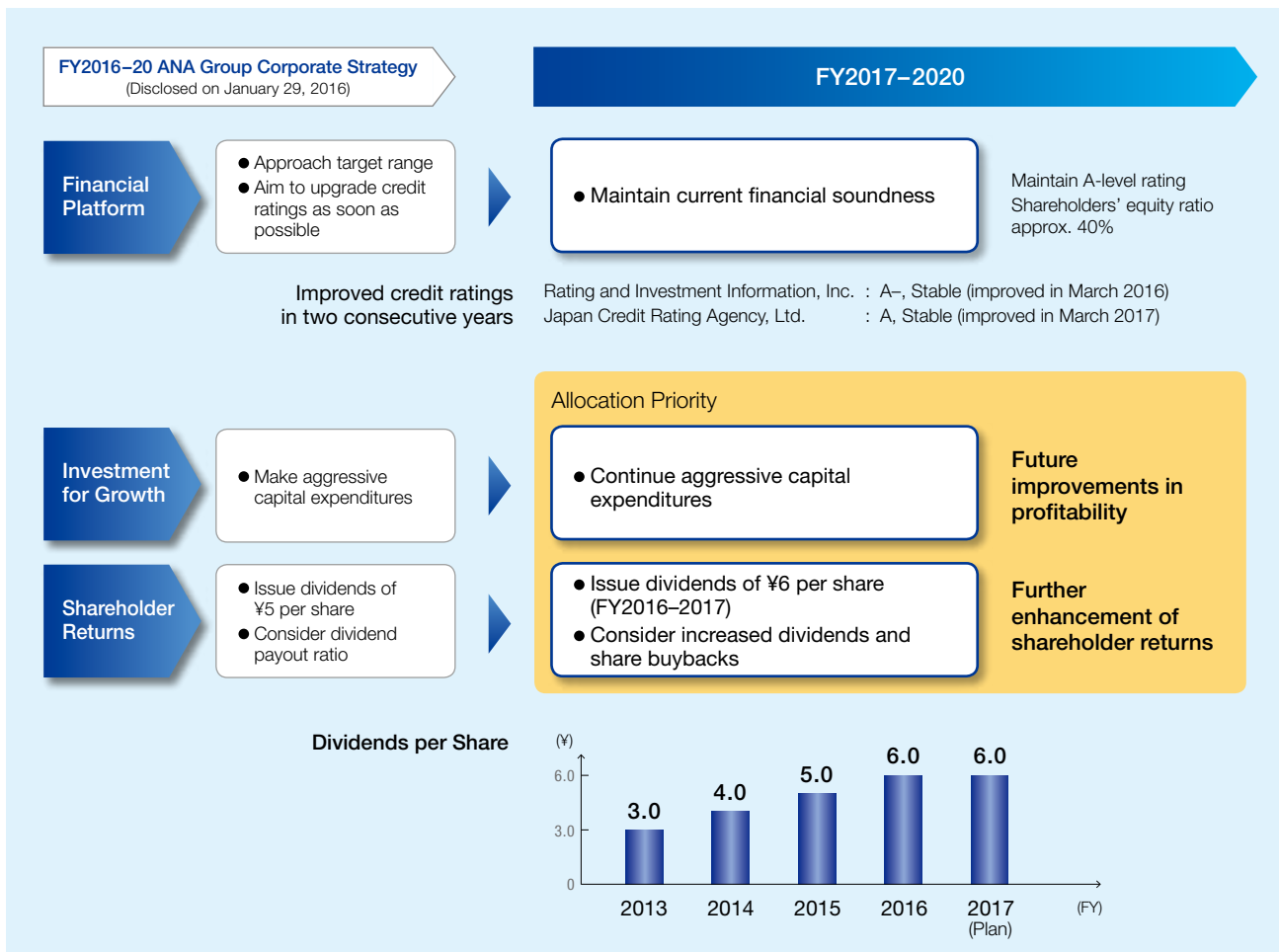
### Continue growth investment for future improvements in profitability while considering further shareholder returns

In terms of our financial platform, the Company's credit ratings from major Japanese ratings institutions improved for the second consecutive year. The shareholders' equity ratio was approx. 40% on March 31, 2017, and has reached the level we deem as most ideal. Going forward, we will work to maintain financial soundness.

In regard to the future allocation of management resources, it is now possible for us to emphasize both growth investments and shareholder returns.

Proactive growth investments will be continued with a focus on aircraft. We remain committed to taking advantage of the growth opportunities placed before the Group's businesses, and there will be no change to our intent to increase profits going forward.

When announcing the FY2016–20 ANA Group Corporate Strategy in January 2016, we had set forth our policy of continuing to issue stable dividends, with the assumption that dividends would be ¥5 per share. For fiscal year 2016, we issued dividend payments of ¥6 per share, an increase of ¥1 per share above this level. We currently plan for dividend payments of ¥6 per share for fiscal year 2017 as well. We will also consider the possibility of making further shareholder returns through dividend increases and share buybacks based on free cash flow levels and other factors.



# Opportunities and Risks Recognized by the ANA Group

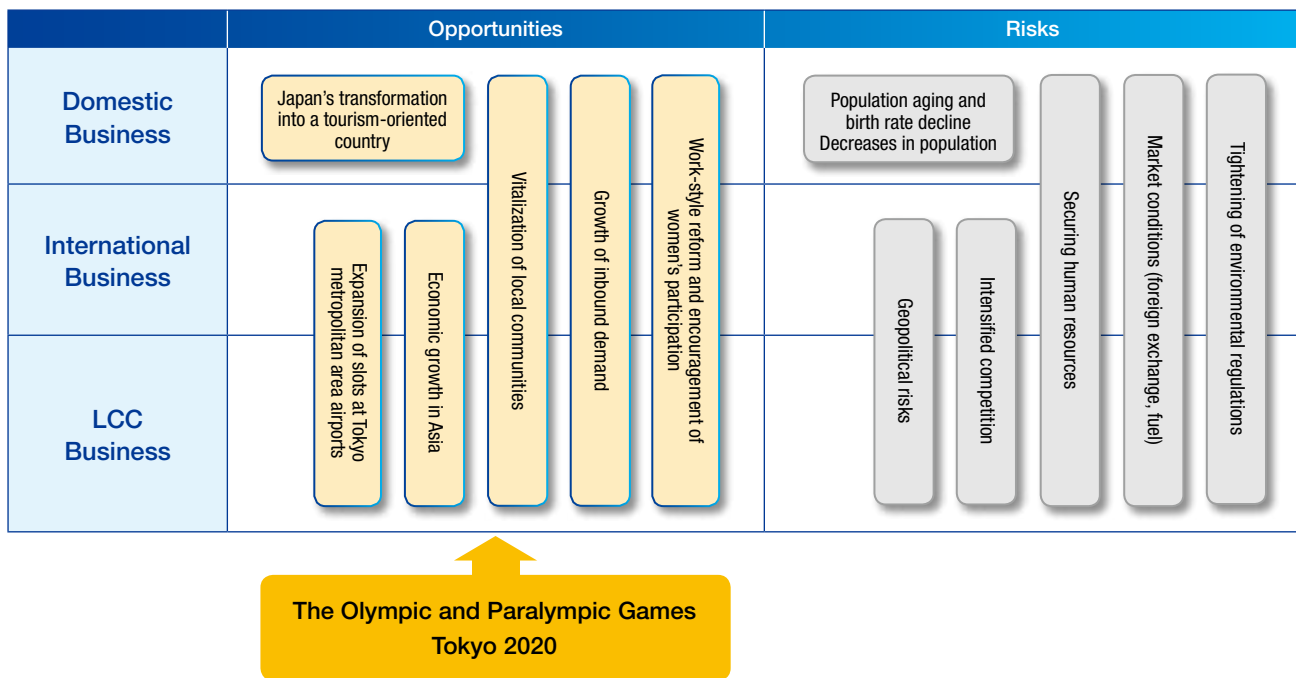
## Opportunities and Risk in Relation to Strategies

The ANA Group is being presented with many business opportunities that can be exploited in achieving future growth, including the slot expansion at Tokyo metropolitan area airports to take place in light of the upcoming Olympic and Paralympic Games Tokyo 2020 as well as anticipation surrounding measures for stimulating inbound travel demand and initiatives for supporting the development of a Japan brand.

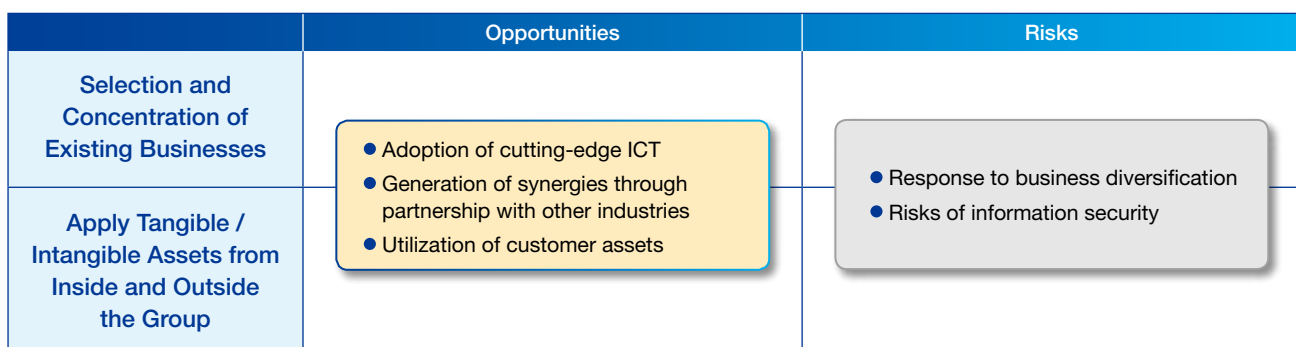
However, we also cannot deny the presence of risks that threaten to adversely impact global air transportation demand, such as those arising from uncertainty regarding domestic and overseas political and economic trends.

The ANA Group aims to maintain an accurate understanding of the opportunities and risks pertaining to its strategies. This understanding will thereby enable the Group to pursue sustainable growth through aggressive and speedy management and a resilient corporate constitution allowing for effective responses to changes in the global business environment.

### Expand Airline Business Domains Major Initiative 1



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



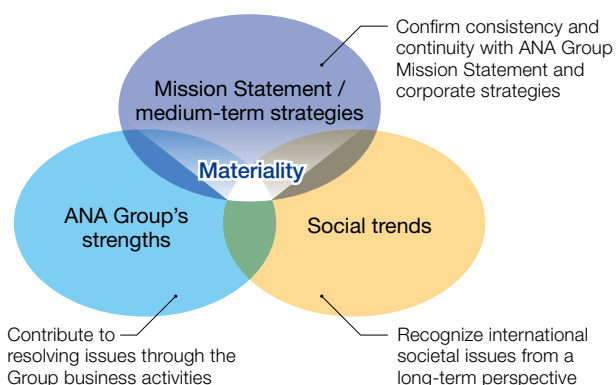


## Identification of Materiality

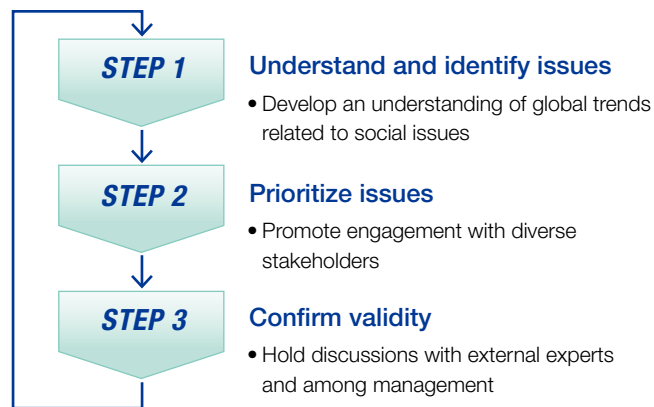
The ANA Group has identified material issues (materiality) based on its Mission Statement, medium-term corporate strategy, and strengths (see figure 1). We set forth the three issues of the environment, diversity & inclusion, and vitalization of local communities around the end of fiscal year 2015. During fiscal year 2016, we further investigated these issues, holding discussions with relevant nongovernmental and non-profit organizations and experts based on global trends as part of this process (see figure 2).

The upcoming Tokyo 2020 Games is drawing international attention to how Japanese companies approach human rights, reminding us of the importance of addressing human rights issues and causing us to redouble our efforts in this regard. In addition, the economic growth of Asia is fueling the global expansion of the airline business. Seeing in this trend an opportunity to contribute to the vitalization of local communities in overseas regions served by our flights, we have been incorporating this undertaking into our activities (see figure 3).

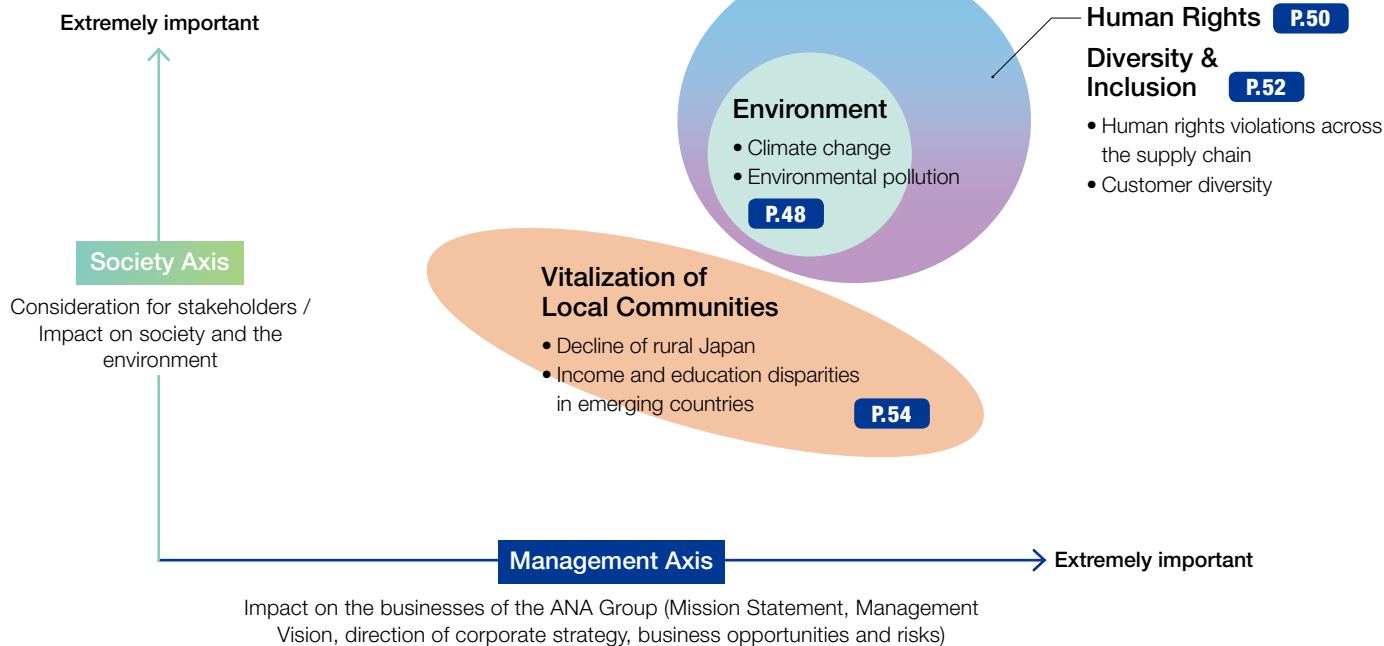
**Figure 1** Materiality Identification Diagram



**Figure 2** Investigation Steps








**Figure 3** Materiality for the ANA Group



## Materiality and Economic / Social Value

The ANA Group conducts its business activities from a long-term perspective considerate of environmental, social, and governance (ESG) concerns. Acting with a focus on our material issues (materiality), which have been identified from the perspective of their impacts for the ANA Group and for society at large, we will work toward sustainable growth through the creation of economic and social value.

Related Area	Material Issues (Materiality)		Major Initiatives		
<b>Environment</b>	Environment		<ul style="list-style-type: none"> <li>▶ Controlling of CO<sub>2</sub> emissions</li> <li>▶ Introduction of bio jet fuel</li> </ul>	<b>P.48</b>	
<b>Social</b>	Human rights / D&I	Human rights	<ul style="list-style-type: none"> <li>▶ Human rights due diligence</li> <li>▶ Education and training for Group employees</li> </ul>	<b>P.50</b>	
		D&I	<ul style="list-style-type: none"> <li>▶ Development and introduction of services based on customer diversity</li> <li>▶ Education and training for Group employees</li> </ul>	<b>P.52</b>	
	Vitalization of local communities		<ul style="list-style-type: none"> <li>▶ Strategic usage of Group resources</li> <li>▶ Social contributions in overseas regions that ANA flies to</li> </ul>	<b>P.54</b>	
<b>Governance</b>	Governance		<ul style="list-style-type: none"> <li>▶ Compliance with Japan's Corporate Governance Code</li> <li>▶ Disclosure of information for ESG-minded investors</li> </ul>	<b>P.70</b>	

**External Recognition** The ANA Group has received awards and evaluations from various external organizations for its activities.

### Inclusion in Socially Responsible Investment (SRI) Indexes






- Dow Jones Sustainability Asia Pacific Index
- FTSE4Good Index
- FTSE Blossom Japan Index
- Morningstar Socially Responsible Investment Index
- MSCI Japan Empowering Women Index

### Diversity

- Ministry of Economy, Trade and Industry: New Diversity Management Selection 100
- Ministry of Economy, Trade and Industry and Tokyo Stock Exchange: *Nadeshiko Brand* (2nd consecutive year, 3rd time for inclusion)
- work with Pride (voluntary organization): Gold at PRIDE INDEX 2016



At the same time, the Group will contribute to the accomplishment of the United Nations Sustainable Development Goals (SDGs) as a responsible global company.

Value for the ANA Group		Value for Society	Contribution to the SDGs
<ul style="list-style-type: none"> <li>▶ <b>Control fuel costs</b></li> <li>▶ <b>Reduce expenses</b> for future emissions credit purchases</li> <li>▶ <b>Improve reputation</b> for mitigating environmental risks</li> </ul>	+	<ul style="list-style-type: none"> <li>▶ Reduce environmental impact</li> </ul>	
<ul style="list-style-type: none"> <li>▶ <b>Improve reputation</b> for mitigating human rights risks</li> </ul>	+	<ul style="list-style-type: none"> <li>▶ Realize a society in which human rights are respected</li> </ul>	
<ul style="list-style-type: none"> <li>▶ <b>Improve profitability</b> resulted from demand creation</li> <li>▶ <b>Enhance ability to serve customers</b> achieved by providing services that address their issues</li> </ul>	+	<ul style="list-style-type: none"> <li>▶ Realize an inclusive society</li> </ul>	
<ul style="list-style-type: none"> <li>▶ <b>Improve earnings</b> resulted from inbound travel demand creation</li> <li>▶ <b>Ensure profitability</b> in the Domestic Business</li> <li>▶ <b>Expand profit</b> in the International Business</li> </ul>	+	<ul style="list-style-type: none"> <li>▶ Vitalize regional economies</li> <li>▶ Facilitate international exchanges</li> </ul>	
<ul style="list-style-type: none"> <li>▶ Implement sound and efficient business operation</li> </ul>	+	<ul style="list-style-type: none"> <li>▶ Develop stock markets soundness</li> </ul>	

### Health and Productivity Management

- Ministry of Economy, Trade and Industry: 2017 Certified Health and Productivity Management Organization, large enterprise category (White 500)



### Quality / Services

- SKYTRAX
- World Airline Rating 5-STAR AIRLINE (5th consecutive year)
  - World Airline Awards World's Best Airport Services (5th consecutive year, 6th time for inclusion) Best Airline Staff in Asia (3rd consecutive year, 4th time for inclusion)



### On-Time Performance

- FlightStats
- No. 3 in Asia-Pacific Major Airlines Category





## With the utmost emphasis on safety and quality, ANA will extend its network to all corners of the globe to grow into an airline that customers continue to choose.

Greetings, my name is Yuji Hirako, and I assumed the position of President & Chief Executive Officer of ALL NIPPON AIRWAYS CO., LTD. (ANA), in April 2017.

ANA first took to the skies in 1952 with only two helicopters. Today, 65 years later, we have grown into an airline group with annual sales of around ¥1,700.0 billion. Also, while we previously grew our business based on the foundation provided by domestic flights, it is now international flights that are driving our growth as we further expand our network. With the Olympic and Paralympic Games Tokyo 2020 in sight, government-spearheaded initiatives are being advanced with the aim of making Japan into a tourism-oriented country and promoting the vitalization of local communities. These initiatives are anticipated to stimulate further growth in demand for inbound travel to Japan. At the same time, we are looking forward to an increase in slots at Tokyo metropolitan area airports. ANA truly has many business opportunities ahead of it. With eyes to the future beyond these opportunities, I am committed to exercising leadership to grow into an airline that customers continue to choose. We are pursuing this goal while placing the utmost emphasis on the safety of our flights and on the quality of our products and services.

Since assuming the position of president, I have made a point of visiting airports and other sites of front-line operations whenever

possible in order to speak directly to employees. It is my regretful duty to inform you that, during fiscal year 2016, incidents involving a system malfunction occurred that were no doubt a cause of great distress for our customers. Heinrich's Law states that, in a workplace, for every major accident there are 29 accidents that cause minor injuries and 300 accidents that cause no injuries. This law cautions us to not become so preoccupied with the major incidents to the point that we lose sight of the smaller incidents that result in major incidents. Accordingly, we must identify the shared root causes of such incidents in order to prevent reoccurrence of both major and minor incidents. I therefore value the ideas and suggestions received through engagement with front-line employees. By generating a cycle in which this input is used to pursue improvements in operating practices and quality, I hope to achieve even higher levels of safety.

I find myself constantly reminding employees that ANA's strength resides on the front-lines. If we are to continue evolving as airline professionals that provide services in which customers give us their time and we transport them to new locations, it will be crucial for us to transform our accumulated insight and experience from internalized tacit knowledge into functional and shareable explicit knowledge. This knowledge should then be passed on to new generations of employees as we build upon our professional skills and techniques. Through this process, employees should



grow more receptive and thus become able to make new discoveries and uncover new ideas in the course of their work and reflect these in their actions.

Under the current corporate strategy, we are moving ahead with our Dual Hub Network Strategy, which entails leveraging the unique strengths of both Haneda Airport and Narita Airport to develop the International Business. In conjunction with this strategy, we are actively introducing Boeing 787-9s equipped with full-flat seats for business class into our fleet. At the same time, we are enacting plans to make ANA the airline customers choose for resort routes. These plans include the deployment of Airbus A380s on such routes in spring 2019. We also aim to foster increased recognition of the ANA brand around the world in order to strengthen our ability to draw customers from overseas. ANA will also extend its network to all corners of the globe and supply services that only ANA can in order to grow into the world's leading airline group.

Looking forward, we are planning to introduce the Mitsubishi Regional Jet (MRJ) into our fleet. As the launch customer for this aircraft, we will be the first in the world to put it into commercial operation. The MRJ is a marvel of Japanese technology, and its addition to our fleet will surely elevate the efficiency of the operation of our domestic network, which forms the foundation for ANA's business. As it enhances its network with this powerful new asset, ANA will endeavor to promote the vitalization of local communities while also contributing to society as an eco-friendly airline.

In the future, ANA will continue to live up to every expectation of its customers while pursuing impeccable quality in all areas of service, from prior to departure to after arrival at the destination. We will also strive to consistently respond to the diversifying needs of customers. In this manner, we will deliver a customer experience that guarantees passengers are always happy with their choice to fly ANA. Moving forward, we will continue to provide safe, comfortable air transportation while maintaining the world's highest rating for service.

### **Yuji Hirako**

Member of the Board of Directors,  
ANA HOLDINGS INC.

President & Chief Executive Officer,  
ALL NIPPON AIRWAYS CO., LTD.



# International Passenger Business

## Aggressively expand network to drive the ANA Group's growth

### Performance in Fiscal Year 2016

In fiscal year 2016, the International Passenger Business achieved passenger numbers that exceeded its increase in capacity. This feat was made possible by broadening the range of demand this business is able to incorporate through the expansion of its network, which was accomplished by commencing service on new routes and increasing flights on existing routes, and by introducing Boeing 787s and stepping up overseas sales.

As part of its efforts to expand its network, ANA strengthened its Asian network by launching the Narita–Wuhan route in April 2016 and the Narita–Phnom Penh route, the only direct flight between Japan and Phnom Penh, in September of this year. ANA also made efforts to capture business travel demand by establishing the Haneda–New York, the Haneda–Chicago, and the Haneda–Kuala Lumpur routes effective October 2016. In addition, ANA created the Narita–Mexico City route in February 2017 in a move to capture demand for business travel to Central and South America, where Japanese companies are making significant inroads. At the same time, we moved ahead with the Dual Hub Network Strategy, which entails leveraging the unique strengths of Haneda Airport, which boasts superior accessibility from Tokyo and a robust network of domestic flights, and Narita Airport, which allows for flexible adjustment of timetables. Other initiatives included increasing the number of flights on the Narita–Ho Chi Minh City route and introducing code-share flights based on business and capital partnership agreements with Vietnam Airlines in an effort to provide greater convenience for connecting passengers between North

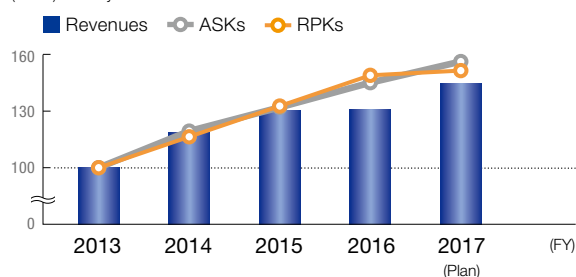
America and Asia and to capture robust demand for inbound travel to Japan.

Initiatives for products and services in fiscal year 2016 included 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 also held events and conducted promotional campaigns in overseas markets, which contributed to a steady rise in the recognition of the ANA brand and consequently drove a rise in inbound travelers to Japan and passengers connecting on international flights.

Due to the above, available seat-kilometers (ASKs) in the International Passenger Business increased 9.9% year on year and revenue passenger-kilometers (RPKs) rose 12.2%. Unit prices were impacted by yen appreciation and a reduction in fuel surcharge revenues. However, operating revenues were up 0.2% year on year, to ¥516.7 billion, due to meticulous yield control.

### Performance of the International Passenger Business

(Index) Fiscal year 2013 = 100



Inauguration ceremony held in February 2017 for the first flight on the Narita–Mexico City route



## Initiatives in Fiscal Year 2017

The pace of capacity growth slowed slightly following the expansion of slots at Haneda Airport in fiscal year 2014. Nevertheless, we are pushing ahead with growth strategies while leveraging the competitiveness realized by network expansions implemented to date.

In terms of our route network, we are planning to increase flights on the Haneda–Jakarta route in August 2017 and on the Narita–Los Angeles route in October of the same year. We will also be enhancing the Dual Hub Network Strategy in the Tokyo metropolitan area by creating timetables that are highly convenient for customers at Narita Airport and Haneda Airport. This undertaking will include the effective utilization of late night and early morning slots at Haneda Airport.

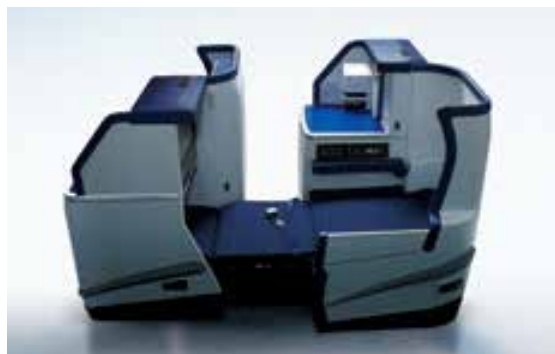
ANA will also continue enhancing product and service offerings. We intend to introduce Boeing 787-9s on the Narita–Honolulu route and Asian routes, including the Haneda–Kuala Lumpur and the Haneda–Manila routes in order to provide ANA BUSINESS STAGGERED full-flat seat and PREMIUM ECONOMY services. In this manner, we are enhancing the services that we provide as a full service carrier (FSC).

In overseas markets, ANA strives to raise its recognition and stimulate demand for travel to Japan. As one facet of these efforts,

we continue to implement promotional campaigns designed to solicit the appeal of the ANA brand and of Japan itself in light of the upcoming Olympic and Paralympic Games Tokyo 2020.

We also plan to move ahead with our resort strategy by accelerating preparations for the introduction of Airbus A380s on Honolulu routes in 2019.

Through these initiatives, we will target year-on-year increases of 7.7% in ASKs and 8.3% in RPKs along with a rise of 10.5% in operating revenues, to ¥571.0 billion.



ANA BUSINESS STAGGERED full-flat seat

## Controlling of CO<sub>2</sub> Emissions from Introduction of Fuel-Efficient Aircraft

Approximately 98% of the CO<sub>2</sub> emitted by the ANA Group is attributable to fossil fuels used for aircraft operation. The most effective means of reducing fuel usage and consequently controlling CO<sub>2</sub> emissions is to introduce fuel-efficient aircraft into our fleet. Our flagship medium-body aircraft, the Boeing 787, uses roughly 20% less fuel than the Boeing 767, for example\*1.

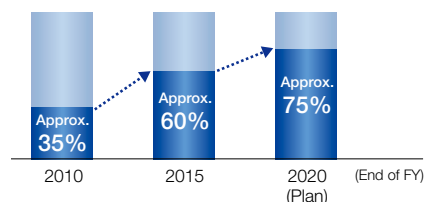
ANA considers its impact on the environment when formulating long-term fleet plans. Accordingly, we intend to increase the portion of our fleet that is accounted for by fuel-efficient aircraft to around 75% by the end of fiscal year 2020, which will be significantly higher than the level of 35% at the end of fiscal year 2010\*2. Replacing aircraft in our fleet in accordance with this plan will not only improve fuel efficiency, but also contribute to heightened competitiveness for the ANA brand through enhanced product and service offerings.

\*1. Calculated on a per ASK basis on the Narita–Singapore route with full capacity

\*2. ANA brand only

### Portion of Fleet Accounted for by Fuel-Efficient Aircraft

Applicable aircraft:  
B777 · B787 · B737-700/-800  
A320neo/A321neo · MRJ





# Domestic Passenger Business

## Continue optimizing supply to demand and maintain market share, to establish a stable earnings platform

### Performance in Fiscal Year 2016

In the Domestic Passenger Business, we were able to achieve a year-on-year increase in passenger numbers by implementing flexible fare measures matched to demand trends. This increase was realized despite the impact of the Kumamoto earthquakes that occurred in April 2016, the typhoons that began in July, and the heavy snowfall that was seen in December.

Four Airbus A321s were introduced in fiscal year 2016, facilitating efforts to implement the “Dynamic Fleet Assign Model,” which involves strategically deploying aircraft based on demand trends. We continued to match supply to demand throughout the year even while addressing the various issues that occurred, including natural disasters and malfunctions of Boeing 787 engine parts.

In terms of the route network, ANA established the Haneda–Miyako route and resumed service on the Kansai–Miyako route beginning with the summer timetable. In addition, we operated late-night flights on the Haneda–Okinawa route for a limited period during the summer and continued seasonal flights on certain routes, among other efforts to capture demand.

On the sales and marketing front, in addition to *Tabiware Time Sales*, efforts were made to increase sales by offering fare adjustments based on the number of open seats on certain routes beginning in October 2016.

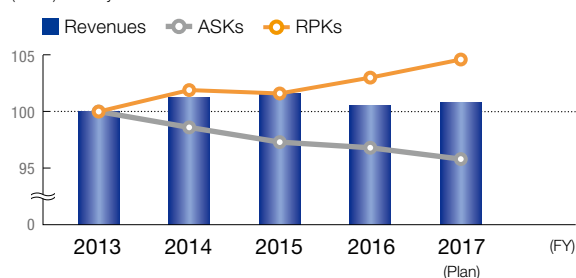
As for services, we refurbished the departure counter at Domestic Terminal No. 2 of Haneda Airport in April 2016 and revamped the website (*ANA SKY WEB*) and mobile site (*ANA SKY*

*MOBILE*) for our domestic reservations system in September, improving visibility and operability. Furthermore, it was made possible to pay for the *ANA Wi-Fi Service* with ANA Mileage on domestic flights in December 2016. Also, the number of channels on the *ANA SKY LIVE TV Service* was increased in efforts to enhance in-flight entertainment.

As a result of these efforts, we were able to achieve a 0.7% increase in RPKs in the Domestic Passenger Business while controlling ASKs, making for a decrease of 0.6%. Operating revenues were down 1.1% year on year, to ¥678.3 billion, as competition and other factors caused the unit price to drop below the levels seen in the previous fiscal year.

### Performance of the Domestic Passenger Business

(Index) Fiscal year 2013 = 100





## Initiatives in Fiscal Year 2017

In fiscal year 2017, travel by inbound visitors within Japan is expected to increase. This positive trend will be seen despite a decrease in the overall population of Japan and an anticipated increase in competition, including that with rival transportation methods.

Under these circumstances, ANA will seek to improve unit revenues while refining the “Dynamic Fleet Assign Model” to optimize supply to demand by diversifying its fleet lineup through means such as the introduction of Airbus A321neo aircraft, we will strive to maintain our domestic market share and establish stable revenue platforms in accordance with the current corporate strategy.

In terms of our route network, we aim to bolster our network in line with passenger demand. One initiative to this end was commencing service on the Chubu–Miyako route in June 2017.

In regard to services, ANA will work to steadily capture demand for inbound travel to Japan by increasing the recognition of the *ANA Discover JAPAN Fare* for inbound visitors. Other initiatives will include efforts to recover demand following from the impacts of the previous fiscal year’s Kumamoto earthquakes. In addition, we will carefully review the level of various *Tabiware* discounts based on demand in order to continue stimulating demand through promotional fares.

Furthermore, a new *ANA SUITE LOUNGE*, ANA’s finest lounges for premium members, is scheduled to be established for use by

passengers on domestic flights at New Chitose Airport in September 2017. By enhancing the services we offer to Premium Class customers, we will raise the value of ANA as an FSC.

Through these initiatives, we aim to limit the year-on-year decrease in ASKs to 1.1% while achieving a 1.8% increase in RPKs as well as growth of 0.4% in operating revenues, to ¥681.0 billion.



## Vitalization of Local Communities through Stimulation of Inbound Travel Demand

In February 2012, ANA launched the *IS JAPAN COOL?* website for overseas customers, which is designed to offer an in-depth look at the attractive qualities of Japanese culture and Japan’s distinctive cities from our unique vantage point. Another website, *ANA EXPERIENCE JAPAN*, which was established in November 2015, is aimed at overseas customers interested in Japan and provides a platform for seamlessly supplying information on the appeal of Japan as well as of particular regions along with other sightseeing information. Furthermore, ANA offers the *ANA Discover JAPAN Fare*, which enables visitors from abroad to travel throughout Japan with greater ease. We have been bolstering sales of tickets utilizing this and other promotional fares in an active drive to capture overseas demand.

As a result of these initiatives, inbound travelers to Japan accounted for approximately 3% of all passengers on domestic flights in fiscal year 2016, indicating a steady increase.



ANA EXPERIENCE JAPAN website



## Cargo and Mail Business

### Fully utilize competitiveness born out of optimized network to improve profitability

#### Performance in Fiscal Year 2016

In the Domestic Cargo Business, cargo volume was down year on year due to the sluggish overall demand for domestic cargo transportation seen through fiscal year 2016 as well as a reduction in perishable cargo handled out of Hokkaido resulted from poor weather. We sought to improve revenues by raising unit prices and offering chartered cargo flights. However, operating revenues decreased 2.8% year on year, to ¥30.8 billion, regardless of these efforts.

In the International Cargo Business, cargo capacity increased in the market overall during the first half of the fiscal year, however, demand was sluggish mainly for import and export cargo transportation. Amid these conditions, we actively endeavored to grow volumes of trilateral cargo transportation from China and other parts of Asia to North America as well as cargo transportation within Asia.

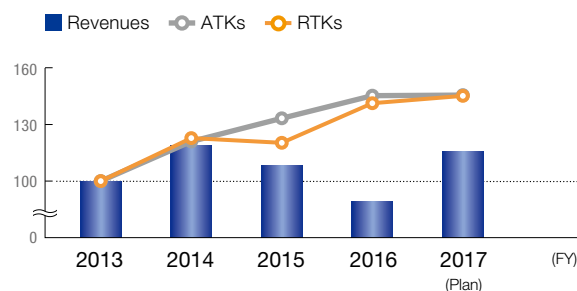
Overall demand began recovering during the second half of the fiscal year. Against this backdrop, ANA sought to capture demand related to electronic components, semiconductors, and automobile parts destined for China and other parts of Asia from Japan as well as demand for apparel and electronic components bound for North America from China. For freighters, we revised our route network, decreasing available ton-kilometers (ATKs) by 12.4% in comparison

to the second half of the previous fiscal year in order to bring supply in line with demand.

Due to the above, total ATKs for belly space and freighters rose 9.0% year on year while revenue ton-kilometers (RTKs) were up 17.5%. Although unit price increased in the second half of the fiscal year, operating revenues were down 17.7%, to ¥93.3 billion. Factors behind this decrease included yen appreciation, a decline in fuel surcharge revenues, and the fact that the revenues from the abolishment of the International Cargo Agency Commission were offset by expenses.

#### Performance of the International Cargo Business

(Index) Fiscal year 2013 = 100



#### Initiatives in Fiscal Year 2017

In the Domestic Cargo Business, overall trends in demand for domestic cargo are sluggish, and cargo transportation capacity is expected to decrease as we shift to the operation of smaller aircraft. Under these circumstances, we will utilize our sales reservation system and ANA's extensive passenger flight route network to steadily capture demand.

In the International Cargo Business, demand for cargo transportation from Japan recovered in the second half of fiscal year 2016, and similar levels of demand are expected to continue. We will actively cater to demand for shipments from Japan to China, other parts of Asia, North America, and Europe, particularly with regard to automotive parts.

In our freighter operations, we will also pursue a year-on-year reduction in ATKs of approximately 10% by flexibly revising our route network. The end goal of this move will be to improve profitability through an increased ability to respond to demand fluctuations. At the same time, we will build upon our collaborative relationship with Overseas Courier Service Co., Ltd., to reinforce cross-border e-commerce operations and other distribution services in Asia.

As a result of the above initiatives, we are projecting a 5.0% year-on-year increase in total operating revenues from Cargo and Mail from both Domestic and International Cargo businesses, which is forecast to come to ¥139.0 billion in fiscal year 2017.

# LCC Business



## Create new demand and capture inbound travel demand to drive the growth of Japan's LCC market

### Performance in Fiscal Year 2016

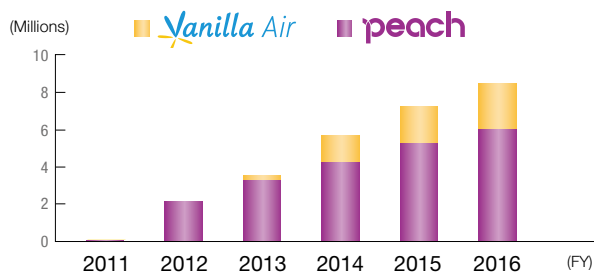
Vanilla Air Inc. established international routes including the Kansai–Taipei (Taoyuan) route in April 2016, the Taipei (Taoyuan)–Ho Chi Minh City route and the Okinawa–Taipei (Taoyuan) route in September, and the Narita–Cebu route in December. New domestic routes included the Narita–Hakodate route and the Narita–Kansai route established in February 2017 and the Kansai–Hakodate route and Kansai–Amami Oshima route launched in March. As a result of actively opening new routes in this manner, Vanilla Air's network consisted of 7 domestic routes and 7 international routes on March 31, 2017, and it was operating these routes with 12 Airbus A320-200s.

In fiscal year 2016, the balance between supply and demand was disrupted on the Narita–Taiwan route and the Narita–Hong Kong route as a result of entry into the market and increases in the flights offered by other LCCs. We responded to this situation with flexible fare measures to secure a sufficient market share for international flights while stepping up initiatives for taking advantage of the robust demand for domestic flights. These initiatives helped us maximize total revenues from domestic and international routes. Furthermore, Vanilla Air became a member of Value Alliance, an alliance of eight LCCs from Asia and Oceania that was established

in May 2016. Through this alliance, from November 2016, it became possible for passengers to make combined bookings via Vanilla Air's website for connecting flights operated by Scoot Pte Ltd., a member of Value Alliance.

As a result of these initiatives, ASKs in the LCC Business increased 24.4% year on year and RPKs were up 25.2%, while the load factor increased from the previous fiscal year to the high level of 85.8%.

**LCC Business: Number of Available Seats**  
(Domestic and International in Total)



### Initiatives in Fiscal Year 2017

Vanilla Air will practice more rigorous yield control and otherwise increase the profitability of existing routes and enhance its network out of Narita Airport. In addition, this company will examine means of utilizing Value Alliance to strengthen its international route network and explore possible high-margin domestic leisure travel routes. Vanilla Air's fleet development plan for fiscal year 2017 calls for it to introduce three Airbus A320-200s for a total of 15 aircraft.

Having been consolidated into the ANA Group, Peach Aviation Limited will accelerate its growth, utilizing late night and early morning slots at Haneda Airport and domestic hubs to enhance its route network. In addition, Peach will begin utilizing Sendai Airport in

September 2017 as a hub along with Kansai Airport and Naha Airport. This move will involve the opening of routes from Sendai Airport to Sapporo and Taipei.

This company is also preparing to utilize New Chitose Airport as a hub in fiscal year 2018. Moreover, Peach's fleet development plan for fiscal year 2017 see it expanding its fleet to 20 aircraft with the introduction of two Airbus A320-200s.

In these manners, Vanilla Air and Peach will strive to secure the leading share in the Japanese LCC market for the ANA Group and to create new demand in the Japanese market and capture robust inbound travel demand.



## Airline Related

Continue expanding and diversifying revenue domains

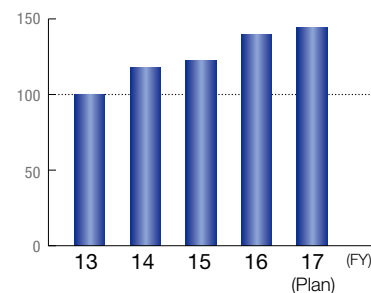
### Performance in Fiscal Year 2016 and Initiatives in Fiscal Year 2017

In fiscal year 2016, operating revenues in the Airline Related business were ¥264.4 billion, up 14.0% year on year, due to increased contracting of airport ground handling services primarily at Haneda Airport and Kansai Airport. Meanwhile, operating income of ¥8.3 billion was recorded, compared with an operating loss of ¥4.2 billion in fiscal year 2015, when a one-time write-off of the unamortized balance of goodwill associated with a U.S. pilot training company was conducted.

In fiscal year 2017, increases in flights by foreign airlines are expected, which will enable us to contribute to Group revenues through contracts to provide passenger and cargo handling ground support services and to supply in-flight meals for these airlines. Meanwhile, aircraft maintenance company MRO Japan Co., Ltd., will speed up preparations for the start of operations in Naha during fiscal year 2018. Going forward, the Airline Related business will continue to expand and diversify its revenue domains by developing its airline support operations.

As a result of these efforts, this segment is anticipated to post operating revenues of ¥274.0 billion in fiscal year 2017, up 3.6% year on year, and operating income of ¥9.0 billion, up 8.3%.

**Airline Related:  
Operating Revenues**  
(Index) Fiscal year 2013 = 100



## Travel Services

Stimulate inbound travel demand to increase revenues

### Performance in Fiscal Year 2016 and Initiatives in Fiscal Year 2017

In domestic travel services, sales for *Tabisaku* dynamic packages were up due to the offering of the *Kyushu Fukko Wari* discount campaign and other factors. However, operating revenues were down due to factors including the impacts of the Kumamoto earthquakes on sales of mainstay *ANA Sky Holiday* travel packages.

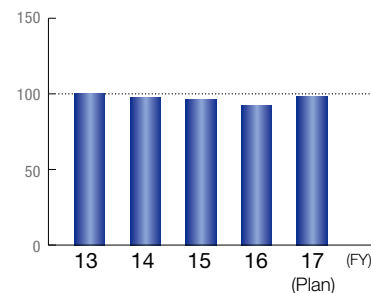
In overseas travel services, sales of our mainstay *ANA Hallo Tour* travel packages were firm, particularly those for travel to Hawaii and Oceania. Regardless, operating revenues were down due to the impacts of terrorist attacks in Europe.

As a result of the above, operating revenues from the Travel Services business in fiscal year 2016 fell to ¥160.6 billion, down 4.0% year on year, and operating income decreased to ¥3.7 billion, down 12.8%.

In fiscal year 2017, we will work to ensure sales of existing travel packages while expanding our lineup of high-value-added travel products and resort packages. In addition, we will bolster product competitiveness by allowing for Internet reservations to be made. Furthermore, sales systems compatible with multiple languages will be utilized to steadily incorporate inbound travel demand and raise revenues.

Through these initiatives, in fiscal year 2017 we expect to achieve a 5.8% year-on-year increase in operating revenues, to ¥170.0 billion, and a 20.3% jump in operating income, to ¥4.5 billion.

**Travel Services:  
Operating Revenues**  
(Index) Fiscal year 2013 = 100



## Trade and Retail



### Proactively expand operations in growth fields

#### Performance in Fiscal Year 2016 and Initiatives in Fiscal Year 2017

In the retail business, *ANA DUTY FREE SHOP* and *ANA FESTA* airport shops achieved strong sales amid changes in the purchasing behavior of inbound travelers resulted from the strong yen and a hike in custom taxes by China. This outcome was largely due to an increase in passengers on international services and the enhancement of our lineups of products matched to the changing preferences of inbound travelers. In the food business, revenues from fresh foods were solid while sales of processed foods declined. Meanwhile, semiconductor-related orders were down in the aerospace & electronics business.

As a result, for fiscal year 2016 operating revenues in the Trade and Retail business decreased 2.5% year on year, to ¥136.7 billion, and operating income fell 17.5%, to ¥4.3 billion.

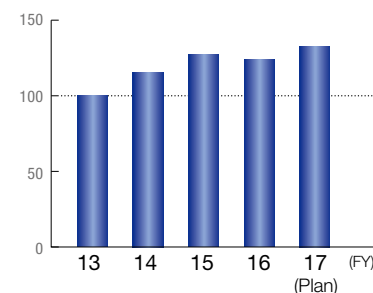
Initiatives planned for fiscal year 2017 include stepping up usage of customer data to reinforce airport and Internet sales and other core operations in the retail business. Also, we will expand our market share for mainstay bananas in the food business while increasing the ratio of overseas sales through exports of Japanese food products and processed agricultural and fishery produce.

Furthermore, the ANA Group will pursue higher revenues by flexibly responding to changing consumer tastes along with the expansion of cross-border e-commerce operations and the commencement of full-fledged participation in the operation of city-type duty-free stores.

As a result of these initiatives, we forecast fiscal year 2017 operating revenues of ¥146.0 billion, up 6.8% year on year, in this segment and operating income of ¥4.5 billion, an increase of 2.6%.

#### Trade and Retail: Operating Revenues

(Index) Fiscal year 2013 = 100



## Birth of ANA X—Creation of Unprecedented Value

On December 1, 2016, we saw the birth of ANA X Inc., a company tasked with marketing activities targeting the ANA Group's customers. This company's mission is to enrichen people and societies around the world through co-creation with customers. By combining the strengths of customers, companies, employees, and all of the ANA Group's other stakeholders to multiply (x) these strengths, ANA X will create unprecedented value.

ANA X is set to deploy a wide range of distinctive services with a lineup that will permeate all corners of our lives. Prominent offerings include the ANA Card and other payment services; ANA regional vitalization donations; *ANA Theater* and *ANA Phone*, which allow for the accumulation of ANA Mileage in one's daily life; and *ANA Global Service*, which offers support related to hotels, rental cars, and other aspects of travel.

By evolving marketing practices centered on ANA Mileage Club members, ANA X will generate synergies with the Group's airline operations while giving rise to a business model that involves forming an ANA economic sphere. This constitutes ANA X's approach toward improving the Group's competitiveness.



Staff of ANA X Inc.

# Consolidation of Peach Aviation Limited

### Soaring toward the Growth Stage in the LCC Business by Enhancing the Group's Comprehensive Capabilities

The LCC Business will be crucial to efforts to “expand airline business domains,” one of the main initiatives of the FY2016–20 ANA Group Corporate Strategy.

Peach Aviation Limited was established in February 2011 and took to the skies out of Kansai Airport as Japan's first LCC. Performance at this company has grown steadily since its establishment. Recently, ANA HOLDINGS acquired additional shares of stock in Peach, and this company was consequently converted into a consolidated subsidiary.

In this special feature, we will explain the goal behind consolidating Peach and our plans for future business portfolio development while also taking a look at the current situation surrounding Peach and its business.





## Message from ANA HOLDINGS INC.

### ■ Purpose of Consolidation of Peach

Peach commenced flights on the Osaka (Kansai)–Sapporo (New Chitose) and Osaka (Kansai)–Fukuoka routes in March 2012. While increasing its brand recognition in the Kansai area, Peach has been catering to demand that differs from that served by the ANA brand, thereby heightening performance and gradually expanding the scale of its operations. As a result, Peach was able to achieve profitability in fiscal year 2013, and earn total profits that exceeded aggregate loss in fiscal year 2015.

By increasing its investment, ANA HOLDINGS hopes to support the growth of Peach as it pursues further development in the period of its “second founding,” which began in fiscal year 2016. With ANA, Vanilla Air, and now Peach, the Group operates three airline brands, through which it aims to further expand airline business domains. Looking ahead, Peach will cater to a wide spectrum of demand, from business travel to leisure travel, with its distinctive low-cost operating system as an LCC, while addressing demand for inbound travel, which is expected to grow in the future.

### ■ Unique Positioning of Three Airline Brands

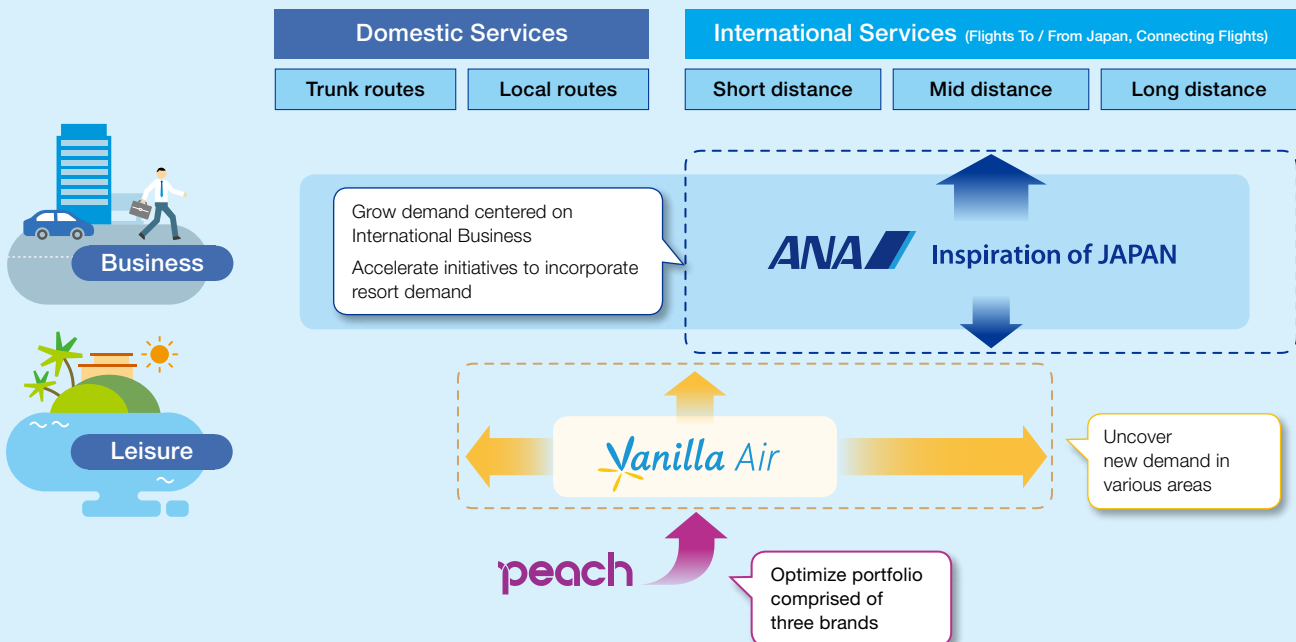
With newly consolidated Peach, we plan to foster intra-Group coordination in various areas of operation and to reflect this coordination in the network development and marketing activities of each company.

The operations of both Vanilla Air and Peach will be expanded while maintaining a clear division between the management of these companies. Striving to operate businesses that are closely linked to customers’ lives, these two companies will deploy community-rooted services as Japanese LCCs to continue uncovering latent demand. Moreover, the operational quality fostered by ANA and the cost control measures of LCCs will be shared to enhance the Group’s comprehensive capabilities. At the same time, we will step up coordination for promoting safety.

The establishment of mid-distance LCC routes will also be examined as a possible option in our quest to grow top-line earnings.

The ANA Group aims to steadily improve profitability by optimizing its airline business portfolio, including the ANA brand.

## Brand positioning map





# Peach is cruising toward its goal of becoming a “bridge for Asia.”

## Message from Peach Aviation Limited

### ■ Peach’s Corporate Philosophy and Brand Concept

First spreading its wings in March 2012, Peach is Japan’s first LCC. We also pride ourselves on being an airline based on a completely new concept.

Guided by the concept of functioning as a “flying train,” we base our operations out of Kansai Airport, capitalizing on the fact that it is closer to Asia than the Tokyo metropolitan area, and are rapidly developing routes founded on this unique business model.

Six years have passed since the birth of Peach. However, these six years have been nothing more than our preparing for full-fledged takeoff. Looking ahead, Peach will take a step ahead of the price competition, and will embrace the slogan “from price competition to value creation” in order to differentiate the experience of flying Peach beyond the conventional framework of airlines and continue to cultivate demand in the ever-growing Asian market.

What Peach is aiming for is to become a “bridge for Asia.” It is our dream to enable everyone to travel around Japan and Asia casually and at modest fares and to create a world filled with happiness and warm smiles by bringing people together.

### ■ Peach’s Customers

The majority of Peach’s customers are women, and a large portion of our customers are in their 20s and 30s. On international routes, over 70% of passengers are non-Japanese, demonstrating that the casual travel style proposed by Peach is gaining traction in other Asian countries.

Passengers flying Peach primarily do so for leisure trips or to visit relatives, but we are also seeing customers that use our services for completely new types of travel. These customers include university students taking daytrips overseas, parents working away from their families who return home to Sapporo from the Kansai region on a weekly basis, groups of Taiwanese youth who fly from Taipei to Okinawa to get their hair done, and couples in a long-distance relationship that frequently visit each other.

By offering affordable fares, Peach encourages customers to use airplanes more often in their daily lives, thereby cultivating a new type of air travel demand that differs from that targeted by conventional airlines. We believe that there is still significant room to increase overall demand, and are committed to growing the market on into the future.



Shinichi Inoue, Representative Director & CEO and cabin attendants



## ■ Peach's Business

As of July 31, 2017, Peach operated 25 routes (13 international routes and 12 domestic routes) primarily out of Kansai Airport and Okinawa (Naha) Airport. In fiscal year 2016, Peach became the first Japanese LCC to open routes to Shanghai (the Kansai–Shanghai (Pu Dong) and Haneda–Shanghai (Pu Dong) routes) as well as to Bangkok (the Naha–Bangkok (Suvarnabhumi) route). As a result, this company was able to serve 5,130,000 passengers in fiscal year 2016.

Peach is planning further expansion of its domestic and international services, and is scheduled to increase flights out of Sendai in September 2017 and out of New Chitose in fiscal year 2018, thereby utilizing them as additional primary airports.

Peach's goal is to go beyond simply transporting customers to their destination in order to function as an engine driving the vitalization of local communities. We believe it is possible to contribute to the ongoing energization of the regions connected by our network through collaboration with local stakeholders (municipal governments, industries, airports, providers of non-air transportation to and from airports, and airlines) to uncover the appeal of these regions. As we first commenced initiatives based on this collaborative model in the Kansai region, we refer to this



model as the "Kansai model." Initiatives using the Kansai model are currently under way in Okinawa, and we plan to introduce this model into the Tohoku region, Hokkaido, and other regions across Japan going forward. Through such collaboration with local communities, we aim to vitalize industries in a manner that is fundamentally different from the temporary tourism booms previously targeted by such initiatives.

Peach's policy for the future is to discover latent demand by further analyzing customer needs to propose new types of travel. Safety will continue to be our top priority as we seek to accomplish this task. Peach is cruising toward its goal of becoming a "bridge for Asia." We hope you will look forward to the saga of Peach as we move forward on this journey.

## Route map



### Company Profile (As of July 31, 2017)

Representative :	Shinichi Inoue, Representative Director & CEO	
Founded :	February 10, 2011	
Capital :	¥7,515,050,000	
Aircraft :	Airbus A320-200	
Number of aircraft in service:	19	
Shareholders :		
	ANA HOLDINGS INC.	67.0%
	First Eastern Aviation Holdings Limited	17.9%
	Innovation Network Corporation of Japan	15.1%

### Operation planned from September 24, 2017

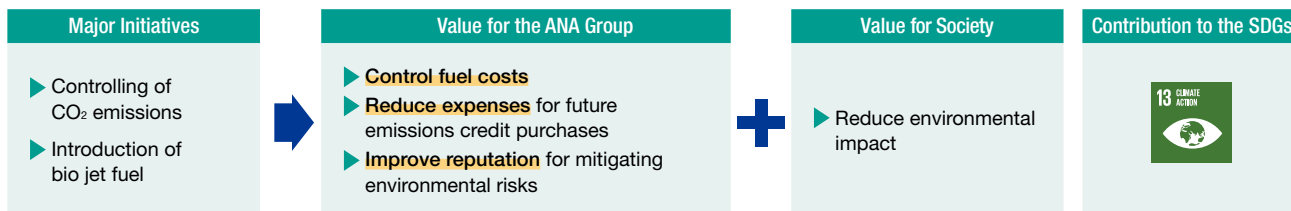
- Sendai–Sapporo (New Chitose)  
May 17, 2017, press release
- Sapporo (New Chitose)–Fukuoka
- Sapporo (New Chitose)–Taipei (Taoyuan)  
May 18, 2017, press release

### Operation planned from September 25, 2017

- Sendai–Taipei (Taoyuan)  
May 17, 2017, press release

# Environment

As an airline group centered on the air transportation business, we are working to control CO<sub>2</sub> emissions.

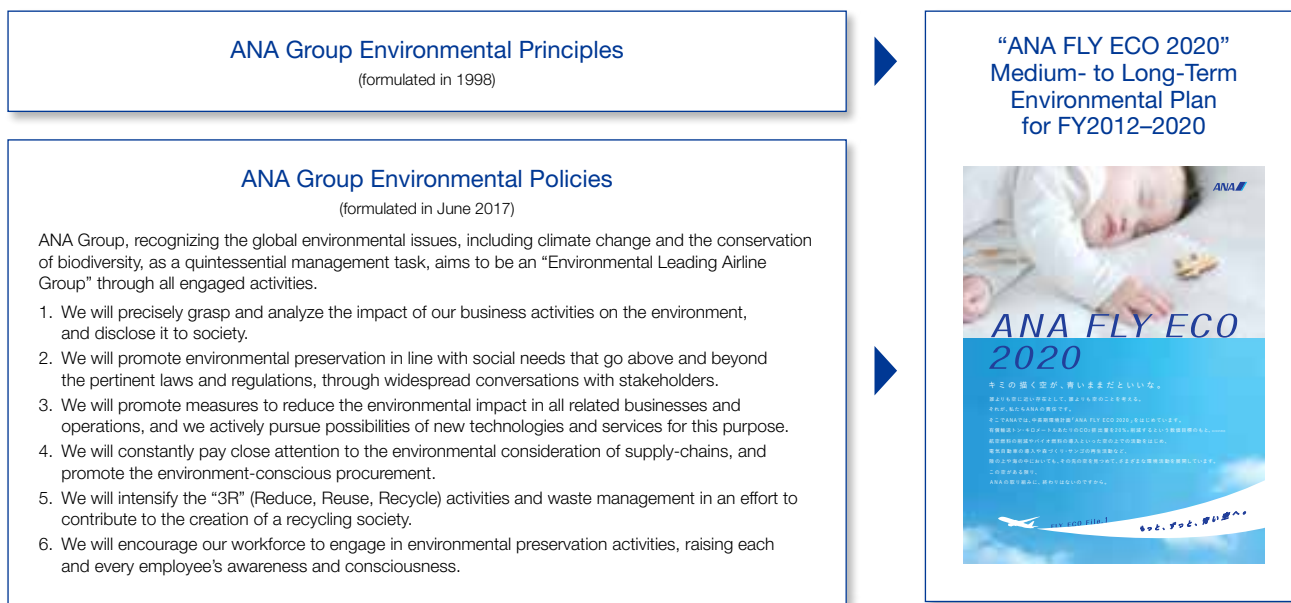


## Basic Approach

With the conclusion of the Paris Agreement in 2015 at the 21st session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, the Japanese government set its own targets related to the reduction of greenhouse gas emissions. In addition, following decisions at the International Civil Aviation Organization (ICAO) General Assembly in 2016, from 2021, carbon neutral growth, with no increase in CO<sub>2</sub> emissions from international aviation, has become an international pledge. Accordingly, airlines are increasingly aware of CO<sub>2</sub> emission reductions.

In 1998, the ANA Group established the ANA Group Environmental Principles, and we have worked to reduce the environmental burden in accordance with “ANA FLY ECO 2020,” a medium- to long-term environmental plan from fiscal year 2012 to fiscal year 2020.

Now, to demonstrate in Japan and overseas our quest to become a leading eco-friendly airline group, we formulated the ANA Group Environmental Policies in June 2017.



## Promotion System

Under the CSR, Risk Management, and Compliance Promotion Committee, the ANA Group has established the Eco-First Subcommittee for initiatives dealing with aircraft flight operations and the Ground Energy Subcommittee for initiatives dealing with ground operations. These committees are implementing specific

activities to reduce environmental burden. In particular, we have positioned the controlling of CO<sub>2</sub> emissions from flight operations as our most important issue. The Group will pursue the creation of both economic and social value through controlling fuel expenses and reducing environmental burden.



## ■ Initiatives to Control CO<sub>2</sub> Emissions

From fiscal year 2016, we are classifying greenhouse gas emissions as scope 1, 2, and 3 in accordance with the standards of the Act on the Rational Use of Energy, and we are disclosing that information with the accuracy verified by a third party. In addition, we reported to the Carbon Disclosure Project (CDP), which has the objective of meeting the requests of investors for disclosure of information related to greenhouse gas emissions and climate change, and we received a B rating (industry average: C rating).

### Flight Operation Initiatives

Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was adopted at the ICAO General Assembly in 2016, and is a growth scheme for international airlines that is not accompanied by increases in CO<sub>2</sub> emissions from 2021. To control emissions, there will be a need for technical innovation related aircraft, improvements in operations, use of bio jet fuel, and utilization of emissions credits. The ANA Group has started preparations for CORSIA.

With the expansion of our international network, we have launched the Fuel Efficiency Project, under which we have implemented such measures as introducing fuel-efficient aircraft, revising flight methods, and cleaning engines to improve fuel efficiency as well as making progress clearly visible and thereby further mobilizing employees toward our goals. Consequently, by the end of fiscal year 2016 we had achieved the initial target of reducing fuel consumption by 42,000 kl.

## ■ Bio Jet Fuel Introduction Initiatives

The use of bio jet fuel is the focus of research and development initiatives in countries around the world, and preparations for the introduction of this fuel are under way. In Japan, the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Olympic and Paralympic Games Tokyo 2020 has been established. The ANA Group is working together with the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure,

## ■ Certified Eco-First Company

In 2008, ANA 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"

### Progress toward Targets

Reduction of CO<sub>2</sub> emissions per revenue ton-kilometers (Total for domestic and international services)

**Target: Reduce by 20%** from FY2005 to FY2020  
**Progress: Reduced by 19.9%** (As of March 31, 2017)

### Ground Operations Initiatives

Utilizing energy management standards that we formulated independently, we have taken steps to reduce energy use at all worksites. As a result, we have been successful in reducing energy usage by more than 1% each year, which is the goal described in the Law Concerning the Rational Use of Energy. Since fiscal year 2016, the Company has been listed on the website 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. Currently, to advance consideration of greenhouse gas reduction measures for all Group companies in light with the Paris Agreement, we are taking steps to make key environmental/energy data clearly visible.

Also, targeting the achievement of a resource recycling-oriented society, we are advancing "3R" (Reduce, Reuse, Recycle) activities for industrial waste. In particular, taking a rigorous approach to the management of industrial waste, we have moved forward with the introduction of the "e-Waste Management System," which was installed at 111 worksites in fiscal year 2016.

Transport and Tourism; the Scheduled Airlines Association of Japan; the Petroleum Association of Japan; the New Energy and Industrial Technology Development Organization; and airport refueling companies to resolve this issue. In addition, we are supporting the development and commercialization of bio jet fuels refined from Euglena (microalgae).

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 ANA's in-flight magazine and videos.

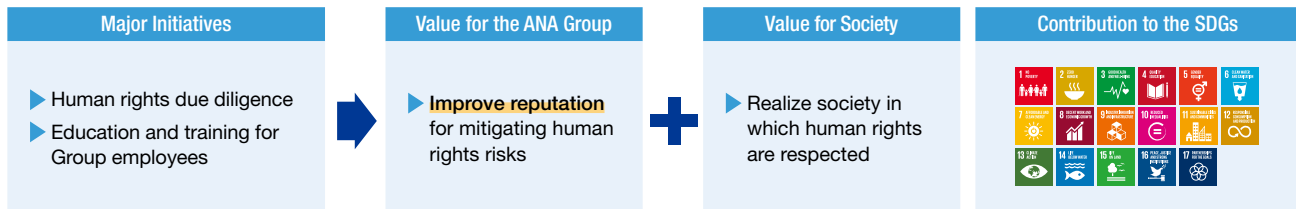


未来のために、いま選択を。



# Human Rights

The ANA Group is actively promoting efforts to respect human rights with an emphasis on stakeholder engagement.



## Basic Approach

The ANA Group Policy on Human Rights was established in April 2016 based on the International Bill of Human Rights (the Universal Declaration of Human Rights and two International Covenants), the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles

on Business and Human Rights. In addition, the ANA Group has established Social Responsibility Guidelines, a code of conduct that provides a clear understanding of what is expected of every Group executive and employee in relation to human rights. This enables each staff member to “do the right thing” in day-to-day duties.

## Promotion System

At the ANA Group, timely discussions on human rights promotion policies and initiative progress are held at meetings of the CSR, Risk Management, and Compliance Promotion Committee under the guidance of the Chief CSR Promotion Officer in charge of CSR.

In addition, coordination is pursued with the CSR Promotion Leaders positioned in each Group company and department in order to advance educational activities targeting Group employees and other initiatives for encouraging respect for human rights.

## Education and Training for Group Employees

In fiscal year 2016, human rights educational programs were once again held during trainings for new staff and new managers as well as at other opportunities. In addition, an e-learning program was instituted for all Group employees, including those at overseas branches, to foster an even deeper understanding for human rights. This program focused on human rights risks present in the Group’s business activities. Over a one-month period, 92.7% of employees completed this program.



Corporate Social Responsibility and Human Rights e-learning program

## Stakeholder Engagement Programs

In May 2017, the Company participated in stakeholder engagement programs on human rights held in Thailand and Malaysia, both countries that ANA flies to, continuing the tradition of the engagement activities that took place in Japan in February and December 2015. These programs provided opportunities to develop an understanding of the issues faced by local and migrant workers as well as the initiatives of government agencies, labor unions, and nongovernmental organizations (NGOs) for addressing these issues.



Human rights conference in Thailand



## Human Rights Due Diligence

The ANA Group has established a framework for conducting human rights due diligence\*<sup>1</sup> based on the United Nations Guiding Principles on Business and Human Rights. In fiscal year 2016, through this framework, we identified priority themes for preventing human rights risks based on assessments of the potential impacts

of the risks present in all countries in which the ANA Group operates.

\*1. Human rights due diligence is the ongoing process of conducting preventative studies and investigations and implementing appropriate corrective measures to prevent or minimize the negative impact of a company's activities on human rights and the disclosure of the progress and results of these initiatives.

(Figure 1)

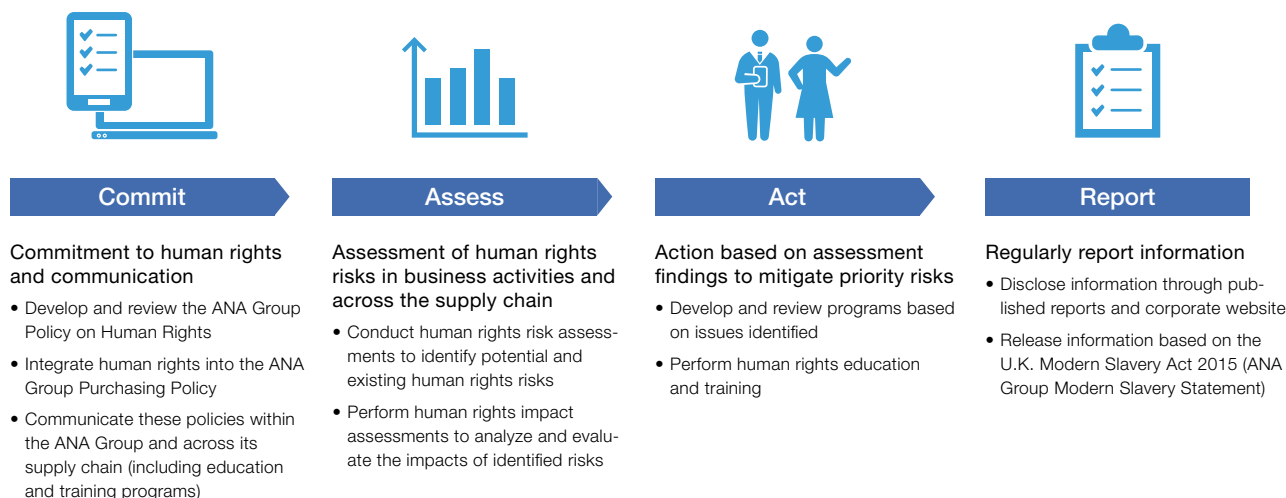


Figure 1: Compiled by the Company under the guidance of Verisk Maplecroft\*<sup>2</sup> and Caux Round Table Japan\*<sup>3</sup>

\*2. Verisk Maplecroft is a leading global risk analysis, research, and strategic forecast firm.

\*3. Caux Round Table Japan is a global network of business leaders aimed at ensuring businesses contribute to a more free, fair, and transparent society.

## Advice from Experts

The ANA Group regularly receives advice on its human rights measures from experts. In September 2016, the Group invited four experts from three overseas institutions (the Danish Institute for Human Rights\*<sup>4</sup>, a former member of United Nations Working Group on Business and Human Rights, and ELEVATE\*<sup>5</sup>), with whom we discussed human rights initiatives implemented to date, our human rights due diligence process, and the progress of human rights impact assessments. In addition, the Group received valuable advice on the human rights issues it should focus on going forward.



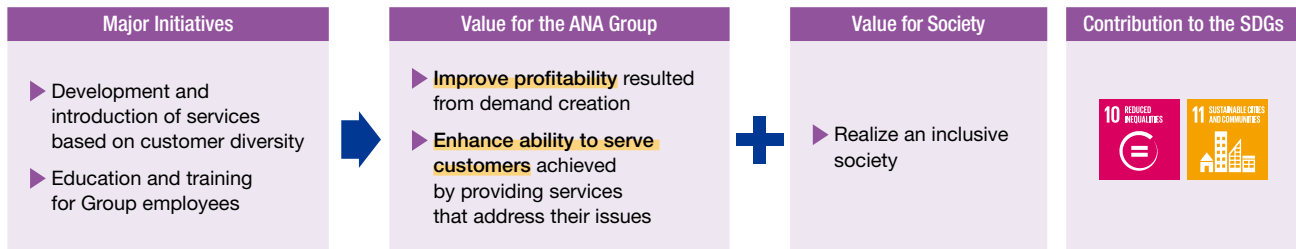
Advisory meeting held in Tokyo

\*4. The Danish Institute for Human Rights is an organization established by a parliamentary decision to accumulate insight regarding human rights and businesses and develop related tools.

\*5. ELEVATE is a company that provides advisory services related to the development and implementation of monitoring programs and the cultivation of supplier skills in the area of supply chain sustainability.

# Diversity & Inclusion

The ANA Group strives to contribute to the realization of an inclusive society in which diversity is respected, by focusing on the diversity of its customers



## Basic Approach

The ANA Group positions its International Business as a major pillar for growth going forward. As such, it is crucial to be chosen and trusted by customers in the global market. Furthermore, we see contributing to the creation of an inclusive society through our business as an important obligation of the ANA Group as a provider

of public transportation.

Striving to contribute to the realization of an inclusive society in which diversity is respected, we are sharing the Group's unified focus on the diversity of customers with all Group members and are enhancing our universal services.

## Promotion System

The ANA Group is actively working to ensure that all customers can enjoy comfortable flights without undue anxiety or stress. Specific efforts include researching domestic and overseas universal services and analyzing feedback from customers. In addition, employees of ANA WING FELLOWS VIE OJI Co., Ltd., a company that promotes the hiring of differently abled individuals within the Group, make service proposals based on their own experiences, which are incorporated into our services.

In addition, the Group has been expanding the scope of employees that undergo training about barrier-free access, which has previously been administered to airport ground staff, cabin attendants, and other front-line employees. At the same time, an e-learning program promoting understanding and awareness regarding universal services is provided for all Group employees.



ANA Group universal services e-learning program for all employees

## Major Initiatives

Looking forward to 2020 and the future aging of society, the Group is implementing initiatives to remove barriers to accessing our services in terms of both facilities and services. This objective is being pursued by coordinating with companies possessing specialized insight and actively developing new products and services that

incorporate the latest technologies. At the same time, we adhere to the Tokyo 2020 Accessibility Guidelines issued by the Tokyo Organising Committee of the Olympic and Paralympic Games in order to improve customers' safety and security and convenience throughout all areas related to our services.



Improvement of customers' safety and security and convenience from before boarding to after deplaning



## ■ Facility Legacy of Diversity

Facility-related initiatives for responding to the needs of diverse customers include the use of plastic wheelchairs “morph” that help passengers move easily around check-in areas, through security checkpoints, and onboard aircraft. The ANA Group has also introduced passenger boarding bridge adaptors for turbo-prop aircraft to allow for comfortable boarding and deplaning by all customers, even on rainy, windy, or snowy days. Furthermore, electronic communication support boards that are compatible with 17 languages

are used to facilitate easy communication in airports and onboard aircraft. In addition, certain narrow-body aircraft (Airbus A320neo and A321 aircraft) feature restrooms that are easy to use by customers in wheelchairs.

These ongoing efforts to remove access barriers in airports, onboard aircraft, and during boarding resulted in ANA and ANA WINGS CO., LTD., receiving the 10th Minister of Land, Infrastructure, Transport and Tourism Award for Barrier-Free Design Contributor. In addition, the departure counter at Haneda Airport Terminal 2 was recognized in the Good Design Award 2016 program after adopting universal design concepts.



Plastic wheelchair “morph”



Passenger boarding bridge adaptor for turbo-prop aircraft



Electronic communication support boards



Airbus A321 restroom

## ■ Service Legacy of Diversity

The ANA Group strives to contribute to increases in receptiveness toward various senses of value in order to enhance its services to ensure that all customers can enjoy travel in their own unique way.

To this end, we conduct learning courses designed to foster understanding among employees with regard to the need to remove implicit barriers to access by differently abled individuals. These courses encourage employees to actively seek out means of

removing such barriers themselves. In addition to discussion sessions between members of front-line staff responsible for training and external experts, we also invite NPOs, university representatives, and Paralympians on an ongoing basis to conduct lectures on removing implicit access barriers. Through these efforts, the ANA Group aims to cultivate human resources that can drive the movement to make Japan an implicit barrier-free society for all.

## ■ Transformation into an Airline Group 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.

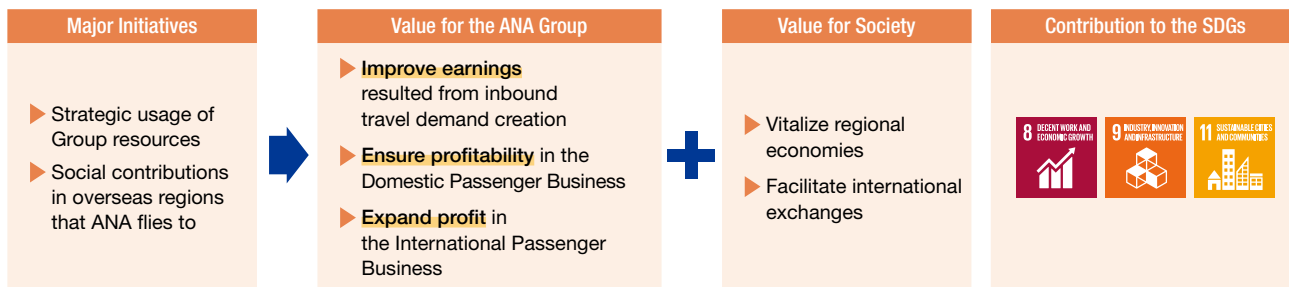
In fiscal year 2016, we changed restroom displays at ANA lounges to be more welcoming to LGBT customers at Haneda, Narita, and other airports. ANA also revised various products and services from the perspective of LGBT inclusion such as by enabling same-sex partners to be listed as family members and benefit receivers for the ANA Card Family Mile service, one of ANA's mileage services.





# Vitalization of Local Communities

We are working to activate the economies of Japan and the overseas regions that ANA flies to, as well as to promote international exchange.



## Basic Approach

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. As a bridge that transmits the values of Japan to the world, the ANA Group aims to work together with other companies, NGOs / NPOs, municipal government agencies, and

other organizations to contribute to the vitalization of local communities across Japan and foster air traffic demand over the long term. In addition, through social contribution activities in the countries where ANA operates, the Group will work to build good relationships with stakeholders in each region and to resolve social issues.

## Promotion System

In April 2017, with the objective of strategically advancing initiatives targeting the achievement of vitalization of local communities, we established the Group Local Vitalization Committee. This committee is supervised by the Company's department in charge of CSR. Participants include not only related departments, such as corporate planning, marketing, and sales, but also ANA Strategic Research

Institute Co., Ltd. (ARI), which conducts support operations for local community vitalization. By regularly sharing information related to local community vitalization and tourism promotion in Japan as well as social contribution activities in Japan and overseas, the committee will conduct local community vitalization activities that leverage the comprehensive strengths of the Group.

### Local Community Vitalization Support by ANA Strategic Research Institute Co., Ltd.

Based on the idea that "Increased attractiveness of a vitalized region will also increase the traffic between the region and urban areas as well as overseas," ARI implements a variety of activities with the resources of the ANA Group.

As of July 2017, ARI cooperates with 23 local governments and organizations, with 18 secondees from the ANA Group, to work together on activities in these areas.





## Utilization of Air Transportation Services

Since September 2013, ANA has been implementing the *Tastes of JAPAN by ANA* project. Under the themes of food, sake, sweets, and culture, the project is featuring three prefectures every three months, until all 47 prefectures are covered over a period of approximately four years. (As of July 2017, 44 prefectures had been covered.)

The ANA Group is taking wide-ranging steps to communicate the appeal of Japan's prefectures to customers in Japan and overseas. For example, the Group is incorporating items such as food and desserts that use local specialties into ANA services (in-flight, lounges, airport shops, e-commerce sites, etc.), and the Group is introducing the culture and tourism resources of each region through a variety of in-house media.



*Tastes of JAPAN by ANA* website <http://www.ana.co.jp/tastesofjapan/en/>

## Collaboration with Municipal Governments

To vitalize local communities and resolve social issues, the Company is moving ahead with the conclusion of comprehensive partnership agreements with municipal governments. These agreements extend over a wide range of areas, including tourism, culture, sports, expansion of population movement (promoting migration), countermeasures to the trend toward fewer children, the promotion of career opportunities for women, cooperation with overseas businesses, the establishment of safe and secure communities, and support during times of disaster. As of July 2017, we had concluded agreements with five prefectures (Mie, Shizuoka, Hokkaido, Kochi, and Tokushima), and we are working to vitalize local communities by leveraging our diverse network as an airline group.



Concluding alliance agreement with Tokushima Prefecture in May 2017

## Resolving Social Issues through Tourism

ANA has been selected as official sponsor of the 2017 International Year of Sustainable Tourism for Development, which is organized by the United Nations World Tourism Organization (UNWTO). Together with UNWTO, ANA seeks for resolving a range of issues through tourism, including expansion of employment, the elimination of poverty, effective use of resources, and environmental conservation.

In the course of these initiatives, the ONSEN & Gastronomy Tourism Association has been established with cooperation of the Japan Travel and Tourism Association, and ARI as a core member, provides tourists with the opportunity to experience Japan's Onsen (hot springs), thereby promoting vitalization of communications among regions and long-stay tourism.



Communicating the appeal of Onsen regions and activating regional exchange

# Vitalization of Local Communities

Japan

The ANA Group is working to address a variety of social issues by leveraging our distinctive characteristics as an airline group.

## Preserving Biodiversity through Cooperative Initiatives with Regions and Other Companies

Over a 13-year period starting in 2004, the ANA Group has worked together with 18 companies\* from both inside and outside Okinawa on the Team Tyura Sango project, which is advancing initiatives for reviving the coral reefs, which are an important tourism resource.

With the development of coral revival techniques by local parties and the support of government entities, such as the Ministry of the Environment, Okinawa Prefecture, and Onna Village, approximately 7,000 heads of coral have been planted to date, contributing to the revival of the coral. As a result, the project was given the Minister's Prize, the Ministry of Agriculture, Forestry and Fisheries (fisheries and environmental conservation category) at the 32nd National Meeting for the Healty Ocean in 2012, and first prize, the Environment Minister's Award, in the 3rd Good Life Awards in 2015.

\* As of July 2017



Planting coral near Onna Village

## Developing a Next-Generation Education Program to Increase Interest in Aviation

To introduce children to the work of the ANA Group, we are implementing the Aviation Classroom throughout Japan. In fiscal year 2016, the department in charge of CSR held the classroom eight times, and approximately 350 children participated. We communicated the importance of having dreams and continuing to work hard to achieve them.

From the second half of fiscal year 2017, as one part of career education for fifth and sixth grade elementary school students, we plan to offer a new program, "ANA Blue Academy." This program will aim to develop thinking skills by teaching about the work of airlines. Moving forward, we will offer this program in all 47 prefectures and work to contribute to the education of the next generation, which will take over industries and communities.



Aviation Classroom implemented by ANA Group employees

## Ongoing Support for Recovery from Disaster Damage

The ANA Group implements aggressive support initiatives in the event of a natural disaster, which can cause significant damage to regional economies. For example, we provide free air tickets to emergency support organizations, and Group employees provide hot baths for people in disaster-stricken areas. To address the lengthening time required for the recovery of the region affected by the Kumamoto earthquakes in April 2016, in cooperation with Japan Voluntary Organizations Active in Disaster, we launched the Disaster Recovery Leader Connect Program in June 2017. With the objective of sharing experience and know-how through direct connections with recovery leaders, such as Hanshin / Awaji, Chuetsu, and Tohoku, we will support the air travel of approximately 100 recovery leaders over four years.



Recovery support activities in Kumamoto by ANA Group employees





**Overseas** The ANA Group is advancing social contribution activities in overseas regions that ANA flies to, such as the education of the next generation and the preservation of tourism resources.

### ■ Educational Support in Myanmar

The ANA Group is participating in the Book & Toy Library 100 Project, which is being operated by the Tokyo Toy Museum and Bridge Asia Japan, an authorized NPO. Over three years, this project will donate books and toys to 100 elementary schools in Myanmar.

In January 2016, we delivered approximately 250 picture books and approximately 20 toys made with timber from forest-thinning at ANA Hearty Forest in Minami-sanriku. To date, we have made donations to 20 schools. Through this project, we will continue to implement activities that foster creativity and increase interest in learning.



Children in Myanmar playing with donated toys

### ■ Preserving Tourism Resources in Cambodia

As the world's first official supporter of UNESCO, we are promoting educational activities related to world heritage and other matters. With the launch of the Narita-Phnom Penh route in September 2016, we are supporting the Angkor Wat site preservation and restoration activities implemented by Sophia University as a supporter of the restoration of the Angkor Wat Western Causeway.

The ANA Group will contribute to the preservation of tourism resources and to the development of human resources through mobility support between Japan and Phnom Penh for the restoration activities, which have a target completion date of 2020, cooperation for events related to site preservation activities, and the introduction of activities in in-house media, such as ANA's in-flight magazine, *WING SPAN*.



Angkor Wat site preservation work

### ■ Limiting Food Waste in Singapore

Approximately 800 million people around the world do not have enough to eat, while, according to the United Nations Food and Agriculture Organization, 1.3 billion tons of food are thrown away each year.

From October 2016, ANA's Singapore branch / airport office and the Asia / Oceania Office have worked in cooperation with the catering company that handles in-flight meal preparation and loading and unloading, as well as related government offices. We are working in cooperation with Food BANK, a Singapore NGO, to accept food that would otherwise be thrown away and deliver it to people in need. For example, in-flight snacks that were not used on a flight but can still be stored for a fixed period of time are donated to a local childcare center. In these ways, the Group is working to limit food waste.



In-flight snacks donated to a childcare center



# Special Feature: Path to 2020

On the path to 2020 and beyond, the ANA Group will work toward sustainable growth by connecting Japan to the rest of the world and pursuing a wide range of business opportunities together with local communities, organizations, and other companies in its Air Transportation and other businesses.



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

The blue circle of the logo for HELLO BLUE, HELLO FUTURE represents our blue earth, the world. The ANA Group strives to provide world-leading universal services in order to form a bridge between diverse customers of differing cultures, languages, nationalities, ages, genders, and physical characteristics from around the world. We are embarking on a new journey to accomplish this goal.

## Participation in the Blue Number Initiative

In January 2017, the ANA Group became the first Japanese company to take part in the Blue Number Initiative, a global initiative developed by the Blue Number Foundation, which is headquartered in New York, with the aim of building ethical food supply chain platforms.

Concern is growing around the world for food safety and traceability, environmental preservation, and respect for human rights during food production processes. Amidst this trend, the ANA Group aims to use the platform provided by this initiative going forward to enhance its food supply chain management practices as they pertain to in-flight meals and other food-related areas of its operations. We thereby hope to provide customers with safe and trustworthy food while also offering support to food producers across Japan.

## Creation of an Inclusive Society

### Collaboration with the Japan Blind Football Association

ANA concluded a partnership agreement with the Japan Blind Football Association in June 2016. Through this partnership, we have created a training program for employees that uses blind soccer as a venue for cultivating internal understanding regarding diversity. In addition, we are also a partner to the Japan Blind Football Association's sports class activities that entail dispatching instructors to give blind soccer lessons to elementary and junior high school students. In this capacity, we help encourage children to be understanding toward differently abled individuals, practice compassion, and always be cooperative.



Training program using blind soccer

### Sponsoring Belgian Olympic and Paralympic Committees

As an only airline to connect Belgium and Japan, ANA signed a 4-year sponsorship agreement with the Belgian Olympic and Paralympic Committees starting from 2017.

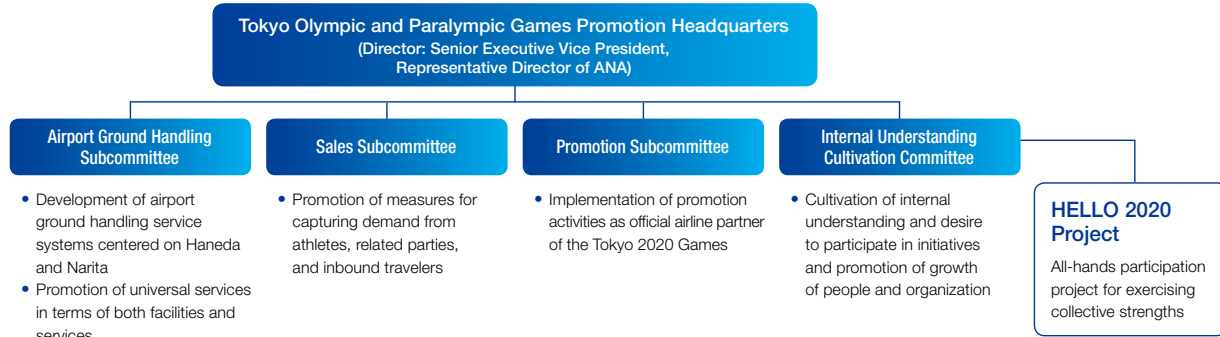
ANA will help assist transportation of the Belgian athletes, as well as joining various events planned in Belgium, to help raise its brand awareness.

Furthermore, ANA will receive service feedback from the Paralympians so that necessary improvements may be implemented to its universal services.



## ANA's Olympic Promotion System

ANA has established the Tokyo Olympic and Paralympic Games Promotion Headquarters to accelerate exchanges with relevant companies and organizations, activities for fostering mutual understanding, and other initiatives. Subcommittees have been created under this organization based on specific themes to form a system for advancing activities in a specialized and concentrated manner.



## 2020 and Beyond

### HELLO 2020 JET

In January 2018, a new aircraft will take to the skies on domestic flights with a special paintjob symbolizing ANA's desire to contribute to the success of the Tokyo 2020 Games. This aircraft—the HELLO 2020 JET—is designed to promote the concepts of diversity and harmony, the underlying principles of the Olympic and Paralympic Games, to society in order to inspire people to embody these principles.



ANA President & Chief Executive Officer Yuji Hirako and employees hired through Athnavi at announcement ceremony for HELLO 2020 JET

### Sports for the Future

ANA is hiring athletes through the Athlete Navigation System (Athnavi) of the Japanese Olympic Committee (JOC), which is designed to help top athletes find employment. Through these efforts, we are joining a unified movement to support sports activities going forward while providing an environment that will enable top athletes to continue honing their skills without reservations for the future.

Note: ANA is an official airline partner of the Olympic and Paralympic Games Tokyo 2020.



### Takeo Tanaka

Director, Sustainability Department  
Game Operations Bureau  
The Tokyo Organising Committee of the Olympic and Paralympic Games

## High Expectations for ANA Contributions

When I look at ANA, I see a company that stands ahead of its peers in its devotion to sustainability. This devotion is visible in efforts such as ANA's participation in the Blue Number Initiative for achieving food and other products' supply chain traceability and ANA's strides in promoting human rights and diversity.

The Tokyo Organising Committee of the Olympic and Paralympic Games is also seeking to ensure the success of the Tokyo 2020 Games from an environmental perspective, as indicated by its establishment of the Tokyo 2020 Games Sustainability Plan and the Tokyo 2020 Games Sustainable Sourcing Code. Similar consideration is being given to labor and human rights.

The world currently has its eyes on Tokyo, where the games will be held, and on Japanese companies. It is therefore my hope that ANA can come to be recognized as a leading company in the area of sustainability.



# *Foundation Supporting Value Creation*

The ANA Group strives to create value for all of its stakeholders. To accomplish this goal, we are implementing various initiatives for instilling the Mission Statement throughout the Group while constructing frameworks for prompt and appropriate management decisions.





Foundation Supporting Value Creation



# Safety

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

## Approach to Safety

Safety is the unequivocal value at the foundation of the ANA Group's business activities and is the foundation of everything we do. 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 businesses, 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. In this way, we ultimately enhance the trust of

society, which is earned through the accumulation of our steadfast daily efforts on the safety and security fronts.

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. 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 workplace. They are the foundation for the activities of each individual employee.

### 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.

## Developing Human Resources Who Pass Down and Enhance Safety Culture

The ANA Group is implementing safety tour events to preserve the memory of past air accidents and hijacking incidents and to support the objective of continuing to pursue safety by approaching safety matters sincerely. For these events, the president and other officers visit workplaces in Japan and overseas and engage in dialogue with our employees as well as with the officers and employees of subcontractors.

In addition, 10 years have passed since we opened the ANA Group Safety Education Center (ASEC), which was established for the study of past accidents and human error and to increase

safety awareness through such means as exhibitions of airframes involved in accidents and the use of video. At this facility, we continue to implement safety education for all Group employees.

To preserve the memory of such incidents as the Shizukuishi accident, which occurred on July 30, 1971, and a hijacking that occurred on July 23, 1999, each year we position July as a month for promoting aviation safety and strengthening aviation security. Activities include talks given by outside lecturers and initiatives to further increase safety at each workplace.



Emergency evacuation training to learn about assistance for necessary rescue activities in an emergency on board

**4,515 people** (As of March 31, 2017)



Teaching about past accident history and unsafe events through the ANA's Day at ASEC

**13,122 people** (As of March 31, 2017)



## ■ Framework for Maintaining Safety

In the ANA Group's medium-term target for safety for FY2016–20, the four axes of safety risk management are operations, customers, employees (front-line), and security. In addition, in regard to these activities, we aim to work not only with the implementation of measures after an incident but also with occurrence prevention (using past incidents to prevent incidents of the same kind from arising) and prediction (using past experience to predict future incidents and prevent them).

Rather than focus on individual events, the Group is advancing prevention activities to establish countermeasures based on the analysis of causes using past data and on risk assessment. In addition, we are building a plan–do–check–act (PDCA) cycle through monitoring of the effects of countermeasures implemented with the use of various indicators and through on-site audits. As the safety promotion system's highest decision-making body, the Group Comprehensive Safety Promotion Committee meets each month for reports and deliberations. The committee makes decisions on countermeasures and reviews results, and every fiscal year it confirms the degree of achievement of safety goals.

At the end of fiscal year 2016, the Group underwent a certification renewal inspection under the IATA Operational Safety Audit (IOSA) program, which confirms the effective functioning of the safety management systems of airlines, and received the new certificate from IATA in May 2017.

### 4 Axes of Safety Risk Management

#### Operations



Preventing accidents / major incidents

#### Employees (front-line)



Preventing dangers to ANA Group employees and others

#### Customers



Preventing harm to the bodies and lives of customers from departure to arrival

#### Security



Advance risk identification and prevention for illegal acts, such as terrorism and hijacking incidents

## ■ The Role of a Leading Airline Group

ANA periodically sponsors Japan InfoShare, a meeting with nearly all scheduled airlines, including airlines within the Group and domestic code-share companies. At this meeting, we actively exchange and share information regarding safety in a manner that transcends the boundaries of companies and groups.

In September 2016, ANA participated as host for Asia Pacific Aviation Safety Seminar 2016, an international meeting of the Association of Asia Pacific Airlines (AAPA), which is Asia's version of the IATA. Information related to safety was shared and discussed by a total of 160 participants, including not only airlines in the Asia–Pacific region but also civil aviation authorities and aviation-related manufacturers.

In addition, ANA also participated in the development of Airport Low-level Wind Information (ALWIN), which was jointly developed by the Japan Aerospace Exploration Agency (JAXA) and the Japan Meteorological Agency and was placed into operation in April 2017. The ANA Group is contributing to airline safety by accurately observing and communicating the state of low-level wind that is invisible to the eye when aircraft land.

Moving forward, by enhancing and advancing the system for risk management activities in these types of ways, the ANA Group will fulfill its social responsibility as the world's leading airline group.



Participating as host for Asia Pacific Aviation Safety Seminar 2016



AAPA representative  
Mr. Andrew Herdman

## ■ Month for Promoting Aviation Safety and Strengthening Aviation Security

Each year, the ANA Group positions July as a month for promoting aviation safety and strengthening aviation security. We sponsor the annual TALK SAFE event as an opportunity for Group employees to think about safety, which was held for the 25th time in 2016. This event supports increased safety for the entire Group through information sharing and mutual understanding. Activities include talks on safety by outside lecturers and the introduction of issues and initiatives through safety presentations made by Group companies and offices.



Safety presentation at TALK SAFE

## ■ Preserving the Memory of Past Accidents—Visiting the Shizukuishi Memorial Forest

In 2017, it is 46 years since the Shizukuishi accident, in which an ANA aircraft and a Japan Self-Defense Force aircraft collided and crashed, and 51 years since the accident offshore Matsuyama and the accident offshore Haneda. Each of these accidents resulted in the deaths of passengers and crew members. In 1972, the year after the Shizukuishi accident, a memorial monument was built near the top of the mountain. Since that time, a “memorial forest” has gradually been established and been maintained through the efforts of local communities. Each year, many related parties, such as ANA Group managers, employees, and labor unions, participate in cleaning activities together with local communities.

The majority of officers and employees do not have direct knowledge from the time of the accident, and in this setting we are expressing our gratitude to local communities, sharing with all Group employees our prayers for the victims, and renewing our recognition of the importance for safety.



ANA Group managers visit a memorial site (July 2016)



Visit to Shizukuishi Town Hall

## ■ Safety Principles Handed Down On a Global Level

Through safety tour events, ANA Group managers directly communicate and share the importance of safety with local staff in Japan and overseas.

At airports of our international network, there are growing opportunities to consign work to local companies. As there are naturally differences among values and cultures, it is extremely important that we share the ANA Group Safety Principles and Course of ANA Group Safety Action, as well as their importance. Accordingly, managers visit workplaces, including those of subcontractors, as often as possible. Through dialogue with staff members who work hard each day as professionals, we actively recognize favorable examples of safety initiatives. In addition, we promote cooperation with local branches, airports, and subcontractors. In these ways, we are working to foster the spread of the ANA Group Safety Principles on a global level.



Presenting letters of appreciation to a representative of overseas subcontractors



Overseas safety tour event and get-together

Safety tour events with direct dialogue between managers and employees about safety

Fiscal year 2016

**46 workplaces / 1,613 people** (Including 5 airports/branches overseas)

# Statement Regarding a Flight Pushing Back with an Exceeding Capacity

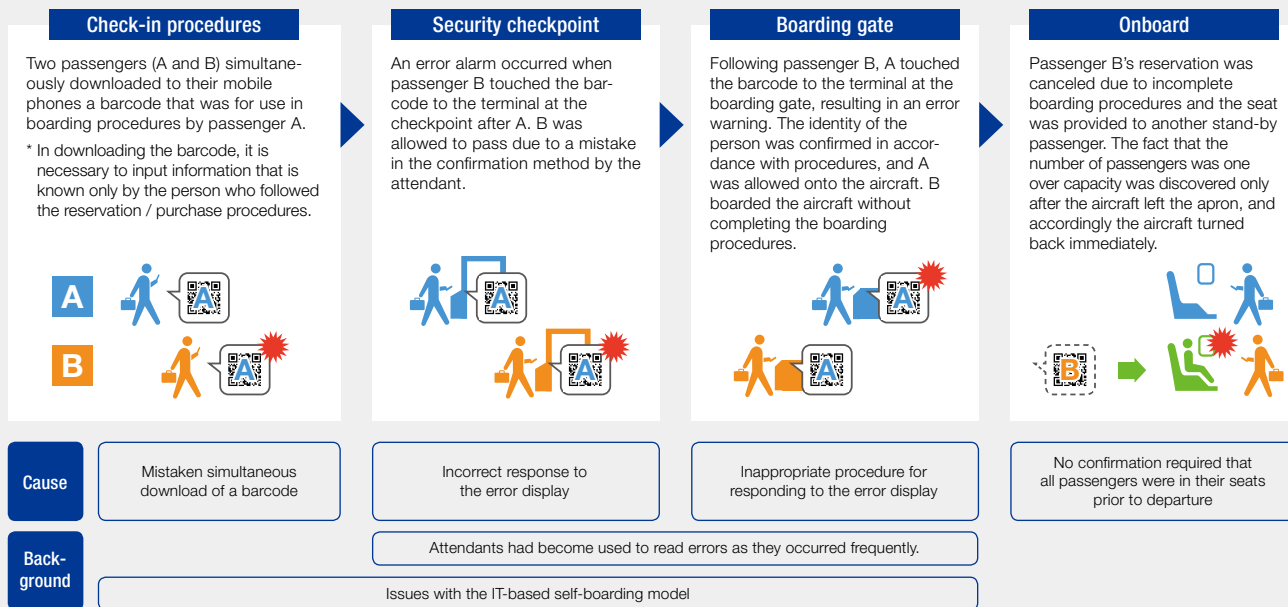
In regard to ANA256 from Fukuoka to Tokyo (Haneda) on September 30, 2016, which started operation with capacity exceeded, ANA received a severe warning, or administrative guidance, from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) on October 11, 2016.

We once again offer our sincerest apologies to customers and other related parties for causing significant worry and trouble.

To prevent the reoccurrence of such an incident, we have analyzed the causes, formulated and steadily implemented reoccurrence prevention measures, and strengthened our security management system.

## 1) Causes and Background of This Event

This event happened due to the occurrence of multiple problems, as outlined below.

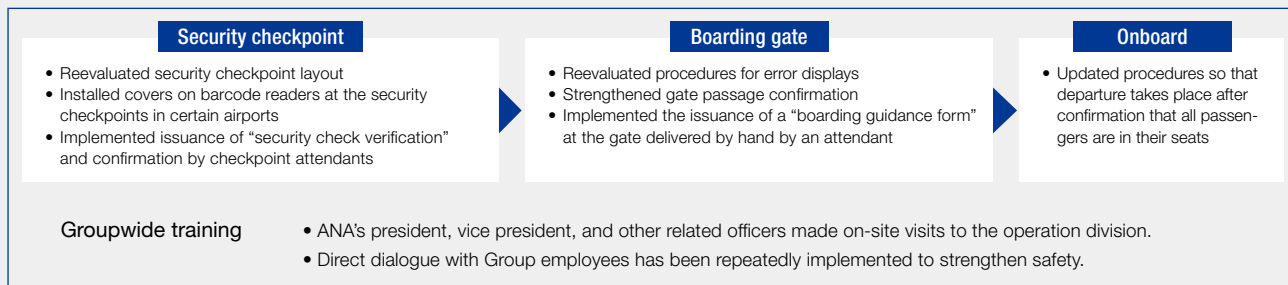


In regard to this matter, we received directions from MLIT for improvement of the following three points.

- ① Reevaluation of system for check-in procedure confirmation process at the security checkpoint, and formulation of reliable countermeasures
- ② Reevaluation of boarding procedure confirmation process at the boarding gate, and formulation of reliable countermeasures
- ③ Formulation of a reliable method for ascertaining boarded passengers and their number onboard

## 2) Reevaluation of Processes / Systems at Each Stage

We launched an urgent project led by ANA's Senior Executive Vice President and Representative Director, who is in charge of the operation division. Based on analysis and verification of the causes of the incident, we thoroughly considered and formulated measures to prevent reoccurrence.



➡ Due to the implementation of the above countermeasures, there has been no incident of this type since October 2016.

## 3) Looking Ahead

The move toward self-service for a variety of procedures through the use of IT leads to increased passenger convenience and the provision of stress-free service. It also facilitates increased efficiency in personnel allocation and time-saving, thereby increasing management efficiency. However, it is all the more necessary to thoroughly verify risks arising due to the move toward self-service and to establish countermeasures in advance, as well as to establish easy-to-understand services for passengers who are not accustomed to these boarding and other procedures. Moving forward, we will continue working steadily to achieve safety and on-time operation so that passengers can board with peace of mind.



# Human Resources

By respecting employee diversity and working to draw out potential and individuality, we are leveraging the comprehensive capabilities of the Group.

## Approach to Human Resources



The ANA Group considers human resources to be its greatest asset and the source of the differentiation that will enable the Group to succeed in global competition. Aiming to fully leverage the potential and individuality of each Group employee, we are working to develop diverse human resources.

In accordance with the ANA Group Diversity & Inclusion Declaration in April 2015, we are advancing a range of initiatives to support 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 work-style reform, enhancing our corporate culture, and improving the working environment. By leveraging the Group's comprehensive strengths, we are aiming to establish a position as the world's leading airline group and to provide value for society through our businesses.

## Framework for Practice of ANA's Way

The ANA Group is taking steps to promote understanding of its Mission Statement, Management Vision, and Core Values (ANA's Way). In addition, the Group is continually working to pass on its DNA, which has been developed over more than 60 years, and to activate organizations through the promotion of communications.

Furthermore, with the objective of developing human resources who can understand, identify with, and implement ANA's Way, we are implementing initiatives on a Groupwide basis and advancing independent activities in line with the business strategies of each company.

### Passing Down Corporate Culture in Japan and Overseas

The Group conducts the ANA's Day as training for employees to renew their appreciation of the need to study, pass down, and practice the principles of Challenge and Endeavor in the Group's DNA. Through proactive consideration of the Group's future, each individual's creativity and autonomy are heightened, and through dialogue among diverse participants, we are fostering relationships of trust that transcend organizational boundaries.

Moreover, from fiscal year 2015, ANA's Way Ambassadors have implemented the same program at all overseas offices. In these ways, the Group is passing down values that are important in Japan and overseas.



ANA's Day



ANA's Way Roadshow at overseas offices



### Deepening the Practice of ANA's Way

The ANA's Way AWARDS system has the objective of strengthening the framework for the provision of praise. Through this award system, which screens all Group employees working in Japan and overseas and makes commendations, we are sharing favorable examples from worksites throughout the Group.

In addition, the Group employee awareness survey (ANA's Way Survey) aims to bolster the practice of ANA's Way through the regular observation, analysis, and improvement of such items as thoughts and attitudes toward work and workplace satisfaction. In fiscal year 2016, the Company held the 14th survey for employees of 44 Group companies, including employees hired overseas, and approximately 35,400 people responded (response rate: 96.8%).

Moreover, we have introduced the ANA's Way Implementation Evaluation System as our human resources evaluation system.

The objectives of this system are to further enhance the sharing of objectives and values, to help employees to understand the type of professional development they should aim for, and to advance realization of the Management Vision.



ANA's Way AWARDS ceremony

## Advancing Diversity & Inclusion

The ANA Group is aiming to establish a framework that can value diversity in organizations and groups, leverage the various differences among individuals, and create new value.

### The ANA Group's Major Initiatives for D&I Promotion

#### 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 Japanese employees

#### Support for active seniors

- Messages from leaders incorporating their expectations for active employment of people 60 and over
- Expanding fields that leverage abundant experience and expertise, utilizing true capabilities
- Enhancing career training for experienced people and seniors

#### Support for the success of women

- Advancement measures, such as systems and training, through collaboration among people who are supporting the success of women at each Group company
- Expanding network of female managers among the Group
- Support for both work and child-rearing/nursing care, support for the participation of men in child-rearing

#### Employment of people with disabilities

- Further adoption of the 36K-Employee Kickoff Group code of conduct
- Conducting educational activities in rank-based training, meetings of people in charge of human resources, etc.
- Establishing workplaces in which all employees, regardless of their challenges, can play an active role

### Holding 2nd ANA Group D&I Forum

In January 2017, approximately 180 people participated in the ANA Group D&I Forum for management members from all Group companies. The theme of this forum was "Steps Toward Inclusion—A Small Step that You Can Take Today."

The forum offered opportunities to consider specific actions that lead to inclusion and innovation, such as D&I lectures by outside instructors and workshops to study unconscious bias.



Employees participating in the D&I Forum

**Support for the Success of Women at the Group and Global Level**

In February 2017, the ANA Group signed the CEO Statement for Women’s Empowerment Principles (WEPs). This initiative, which is promoted by the United Nations Global Compact (UNGC) and UN Women, bolsters gender equality in high-level corporate leadership. The Company cooperated in the test operation of the WEPs GAP Analysis Tool, a self-assessment tool intended to foster understanding of WEPs.

In addition, the Group is working to support the success of women on a Groupwide basis through ongoing network building and information exchange through ANA-WINDS, which is composed of female managers among the Group. The establishment of environments that draw on diverse viewpoints, sensibilities, and values to foster continued success has been positioned as a management issue, especially for ANA, where women account for more than half of the employees. Accordingly, ANA has formulated numerical targets in such areas as the number of female officers and the ratio of female managers.

ANA’s Numerical Targets (by the end of fiscal year 2020)



**Initiatives for the Employment of People with Disabilities**

Aiming to establish workplace environments that make it easy to work, regardless of challenges, the Group is promoting the adoption within the Group of the 36K-Employee Kickoff approach to the employment of people with disabilities and working to systematically expand employment of people with disabilities. In March 2017, the ANA Group (12 qualified Group companies) was awarded the highest level of Gold in the ACCESS 2017 Index of the Accessibility Consortium of Enterprises (ACE), a general incorporated association. This index evaluates the initiatives of companies related to the employment of people with disabilities.



**LGBT Initiatives**

The ANA Group is working to promote diversity among customers and within the Group, to advance understanding of LGBT issues. In fiscal year 2016, we established the ANA Group LGBT Hotline, which is for the exclusive use of employees. The hotline is providing consultation services so that all of our diverse employees can work to their full potential. In response to this initiative, the ANA Group secured the highest level of Gold in the PRIDE Index from work with Pride\*, which is Japan’s first index that evaluates LGBT-related initiatives.



\* work with Pride: A private voluntary organization that supports the promotion and establishment of diversity management related to sexual minorities, such as LGBT individuals.

**Implementing Work-style Reform**

To establish an environment in which diverse employees can work with enthusiasm, the ANA Group is promoting work-life balance that creates synergies between personal and work lives. In particular, targeting the realization of work-style reform, ANA is working to increase productivity and implement a range of other measures in accordance with the commitment of management. This leads to the further enhancement of personal lives through the effective use of time and to work innovation based on new concepts.

Furthermore, as one facet of measures to establish a corporate culture in which employees can be active at each stage, targeting the implementation of “flexible working styles that are not limited by time or place,” we introduced trials of a telecommuting system from 2009, and from January 2017 we expanded the eligible people and the number of days permitted. In these ways, we are aggressively enhancing the work environment.

## ■ 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. 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 with responsibility for administration has been appointed at each Group company. In this way, we have established a promotion system.

Under this declaration, the Group will conduct focused initiatives to strengthen employee health management, disease prevention, mental healthcare, and safety and health activities. In addition, we have established indicators regarding lifestyle-related diseases and are working to track progress. Furthermore, in addition to the establishment of a health management system, including stress checks under a comprehensive Group system, we also have expanded disease countermeasures for women.

Consequently, in February 2017 the Company was certified by the Ministry of Economy, Trade and Industry as 2017 Certified Health and Productivity Management Organization, large enterprise category (White 500), which is awarded to companies that are implementing especially strong health and productivity management.



Mental health training for managers of cabin attendants

## ■ Securing and Developing Human Resources for the Future

In international business, the Group is working to expand its network and accelerate global business development initiatives. In these endeavors, we consider human resources an important asset for the Group, and are working to steadily secure and develop human resources who will support quality and business operations, including the pilots and cabin attendants who work in front-line divisions.

### Example of Policies for Securing and Developing Human Resources

#### Pilots

- Securing personnel in a systematic and stable manner, centered on in-house training
- Diversifying resources through such means as partnerships with universities that have pilot training courses

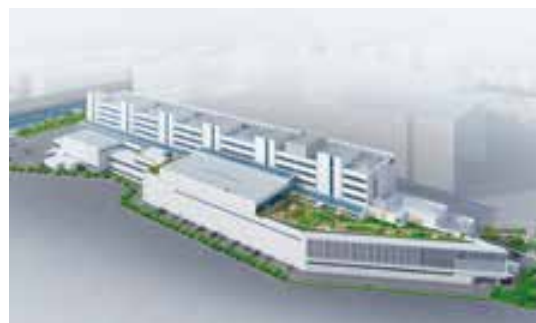
#### Cabin Attendants

- Hiring cabin attendants as full-time employees (ANA, ANA WINGS)
- Expanding employment of cabin attendants based overseas
- Concluding educational collaboration partnership, such as with colleges and junior colleges in Japan

In addition, in preparation for future increases in air traffic demand, the Group decided to establish the ANA Group Training Center (provisional name), which will have the world’s most advanced facilities\*. To work to ensure safety, which is the foundation of the Air Transportation business, our policy is to invest aggressively in people, who are the source of quality and service, as a “base for developing trustworthy, heartwarming, and energetic human resources who will continue to take on challenges around the world and into the future.”

In consolidating the training facilities that had previously been in separate locations, the Group will create an environment that facilitates efficient training that unites all employees related to operations, from departure to arrival of aircraft.

In addition, we plan to open certain training facilities that had previously not been open to the public. \* May 17, 2017, press release



ANA Group Training Center (provisional name)



Tour area (under consideration)



# Corporate Governance

## Corporate Governance System

### 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 society and fulfilling 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.

#### 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.

#### Audit & Supervisory Board and Audit & Supervisory Board Members

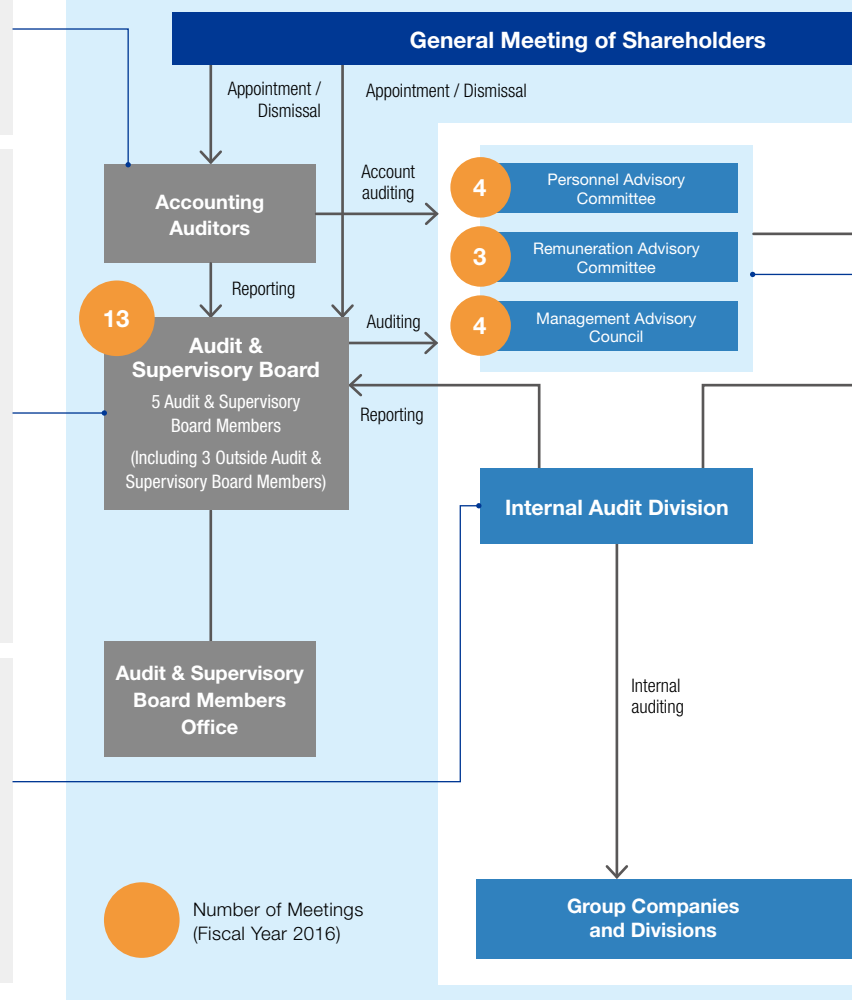
To ensure healthy development and to earn greater levels of trust from society through audits, the Company has appointed five Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members, that possess plentiful experience and the high level of expertise required to 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, while 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 president and 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 company. The results of audits are reported to the president and CEO every month and to the Audit & Supervisory Board members when needed.

#### Corporate Governance System



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.

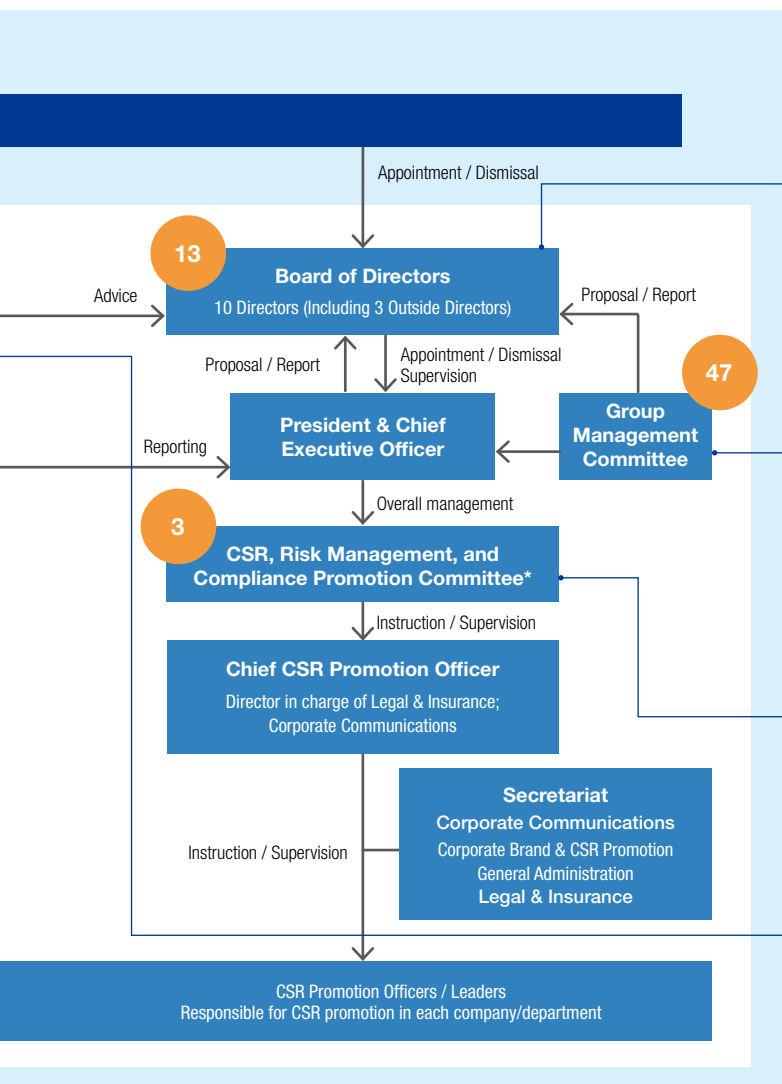
## ■ Corporate Governance System

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 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 strengthened through this system in order to ensure effectiveness.

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 strengthened through this system in order to ensure effectiveness.



### 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 are diverse in terms of 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 the 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.

### CSR, Risk Management, and Compliance Promotion Committee

Under the ANA Group CSR Regulations, the Company has established the CSR, Risk Management, and Compliance 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 and the Remuneration Advisory Committee, which are both membered by a majority of outside directors, as well as the Management Advisory Council. With these committees in place, we strive to improve the transparency and impartiality of our corporate governance system.

\* The name of the Group CSR Promotion Committee was changed to the CSR, Risk Management, and Compliance Promotion Committee on April 1, 2017.

As of July 31, 2017

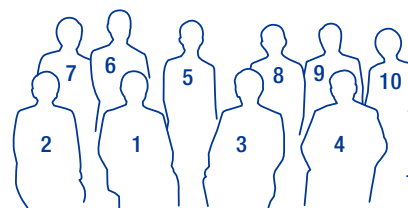
## Management Members: Directors

As of July 31, 2017



### Reasons for Appointment of Directors

- The following director candidates were selected based on the judgment that their abundant experience, performance, and insight would be crucial to achieving sustainable increases in the Group's corporate value.
- These director candidates assumed their positions after being appointed at the 72nd Ordinary General Meeting of Shareholders.



#### 1 Shinichiro Ito

Chairman of the Board  
Chairman of the Board of Directors

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  
2017: Chairman of the Board (to present)

Shinichiro Ito was in charge of sales, human resources, and other divisions for many years. As president and CEO from April 2009, he led the management of the Group during the challenging business 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.

**Major concurrent position** Outside Director, Member of Audit Committee, etc., of Mitsubishi Heavy Industries, Ltd.

#### 2 Osamu Shinobe

Vice Chairman

2009: Executive Vice President  
2011: Senior Executive Vice President  
2012: Senior Executive Vice President,  
Representative Director  
2013: Member of the Board of Directors  
2017: Vice Chairman (to present)

Osamu Shinobe was in charge of engineering, management and planning, and other divisions for many years. From April 2013, he has exercised strong leadership as president and CEO of ALL NIPPON AIRWAYS CO., LTD. With safety as his top priority, he led this company toward becoming a world's leading airline by expanding its operations mainly in international routes. Since April 2017, he has been supporting and leading the proceedings of meetings of the Board of Directors as vice chairman.

### 3 Shinya Katanozaka

President & Chief Executive Officer  
Representative Director  
Chairman of the ANA Group Management Committee  
Head of CSR, Risk Management, and Compliance Promotion Committee  
In charge of the Internal Audit Division  
Chairman of ALL NIPPON AIRWAYS CO., LTD.

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)

Shinya Katanozaka was in charge of sales, human resources, management and planning, and other divisions for many years. As president and CEO from April 2015, he has helped reinforce Group management systems with safety as a top priority with his strong leadership and his reliable ability to act with a consistent global perspective. At the same time, he has contributed to the steady achievement of the income targets contained in Group management strategies.

### 4 Toyoyuki Nagamine

Senior Executive Vice President  
Representative Director  
Human Resources Strategy, Digital Design Lab,  
Corporate Strategy, Finance, Accounting Okinawa Region

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

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 and the steady advancement of other measures of Group management strategies.

### 5 Yuji Hirako

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

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

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 April 2017, he has been managing business operations from a global perspective with safety as his priority as president and CEO of ALL NIPPON AIRWAYS CO., LTD.

**Major concurrent position** Chairman of All Japan Air Transport and Service Association Co., Ltd.

### 6 Naoto Ishizaka

Corporate Executive Officer  
In charge of Government & Industrial Affairs, Facilities Planning

2017: Member of the Board of Directors (to present)

Naoto Ishizaka was in charge of domestic passenger, industrial policies, and other divisions for many years and has also served as a resident employee in the United Kingdom. Over the years, he has contributed to improving the competitiveness of the Company through the expansion and reinforcement of the International Passenger Business amidst the internationalization of Haneda Airport and through the establishment of business infrastructure.

### 7 Naoto Takada

Corporate Executive Officer  
Chairman of CSR, Risk Management, and Compliance Promotion Committee  
In charge of Executive Secretariat, Legal & Insurance  
Director of Corporate Communications

2017: Member of the Board of Directors (to present)

Naoto Takada was in charge of labor relations, industrial policies, public relations, and other divisions for many years. Over the years, he has contributed to boosting the competitiveness of the Company through the development and reinforcement of business platforms and through the improvement of recognition by means of public relations activities.

## Reasons for Appointment of Outside Directors

- The following candidates for positions as outside directors (also to be designated as independent directors as stipulated by the Tokyo Stock Exchange) were selected with the aim of reinforcing the supervisory function of the Board of Directors to help achieve sustainable increases in the Group's corporate value.
- These outside director candidates assumed their positions after being appointed at the 72nd Ordinary General Meeting of Shareholders.

### 8 Shosuke Mori\*

2006: Outside Director (to present)

Shosuke Mori actively offers opinions and proposals concerning business expansion, other aspects of Group management strategies, internal control, and safety measures at meetings of the Board of Directors by leveraging his abundant experience and deep insight developed as a manager in a high-profile public industry.

He was appointed as a member of the Remuneration Advisory Committee in February 2011 and later chairman of the Remuneration Advisory Committee in June 2013, and also as a member of the Personnel Advisory Committee in June 2016 and later chairman of the Personnel Advisory Committee in August 2016.

**Major concurrent positions** Senior Advisor of The Kansai Electric Power Co., Inc.  
Director (Outside Director), Hankyu Hanshin Holdings, Inc.  
Director (Outside Director), The Royal Hotel, Ltd.

### 10 Izumi Kobayashi\*

2013: Outside Director (to present)

Izumi Kobayashi actively offers opinions and proposals concerning Group management strategies, marketing, communication with various stakeholders, 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 a multilateral development bank.

She was appointed as a member of the Remuneration Advisory Committee in July 2013 and a member of the Personnel Advisory Committee in June 2016.

**Major concurrent positions** Director (Outside Director) of Mitsui & Co., Ltd.  
Governor of Japan Broadcasting Corporation  
Director (Outside Director) of Mizuho Financial Group, Inc.

### 9 Ado Yamamoto\*

2013: Outside Director (to present)

\* Independent directors

Ado Yamamoto actively offers opinions and proposals concerning industry trends, operation of the Group's diverse businesses, Group management strategies, timely and appropriate disclosure, and safety measures at meetings of the Board of Directors by leveraging his abundant experience and deep insight developed as a corporate manager in the transportation industry.

He was appointed as a member of the Remuneration Advisory Committee and the Personnel Advisory Committee in June 2016.

**Major concurrent positions** Chairman and Representative Director of Nagoya Railroad Co., Ltd.  
Outside Director, Yahagi Construction Co., Ltd.  
Chairman of Nagoya Chamber of Commerce & Industry



## Management Members: Audit & Supervisory Board Members

As of July 31, 2017



**Akihiko Hasegawa**

Audit & Supervisory Board Member

**Kiyoshi Tonomoto**

Audit & Supervisory Board Member

**Sumihito Okawa\***

Outside Audit & Supervisory Board Member

**Shingo Matsuo\***

Outside Audit & Supervisory Board Member

**Eiji Ogawa\***

Outside Audit & Supervisory Board Member

### ■ Reasons for Appointment of Audit & Supervisory Board Members (Kiyoshi Tonomoto and Akihiko Hasegawa)

- The following Audit & Supervisory Board member candidates were selected with the aim of utilizing their exceptional knowledge and insight regarding the airline industry in order to reinforce the auditing function of the Board of Directors to help achieve sustainable increases in the Group's corporate value.
- These Audit & Supervisory Board member candidates assumed their positions after being appointed at the 72nd Ordinary General Meeting of Shareholders.

#### Kiyoshi Tonomoto

Audit & Supervisory Board Member

Kiyoshi Tonomoto was in charge of finance and IR, accounting, administration, and other divisions for many years, enabling him to acquire a wealth of insight into finances and accounting. He has also contributed to increased recognition of the Company in overseas markets through proactive overseas IR activities. In addition, he has been involved in enhancing compliance, risk management, and other aspects of internal control as the chairman of the Group CSR Promotion Committee.

#### Akihiko Hasegawa

Audit & Supervisory Board Member

Akihiko Hasegawa was in charge of engineering, operations, and safety promotion divisions for many years. He has promoted safety and security in all areas of operation as president and CEO of ANA WINGS CO., LTD., from June 2011 and then as a director of ALL NIPPON AIRWAYS CO., LTD., from April 2013.

\* Outside Audit & Supervisory Board Members

Sumihito Okawa assumed his position after being appointed at the 70th Ordinary General Meeting of Shareholders.

Shingo Matsuo assumed his position after being appointed at the 71st Ordinary General Meeting of Shareholders.

Eiji Ogawa assumed his position after being appointed at the 69th Ordinary General Meeting of Shareholders.

## ■ Process of Nominating Director Candidates 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 deem 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.

### Directors

In addition to the chairman, who chairs the Board of Directors; the president, 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.

## ■ Director and Audit & Supervisory Board Member 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.

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 of Directors and Audit & Supervisory Board Members (Fiscal Year 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	462	318	81	61	10
(Outside directors)	(40)	(40)	(-)	(-)	(3)
Audit & Supervisory Board members	113	113	-	-	5
(Outside Audit & Supervisory Board members)	(52)	(52)	(-)	(-)	(3)
Total	575	432	81	61	15

#### Notes:

- 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.
- 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.
- 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.
- In the abovementioned amounts, figures of less than ¥1 million are truncated.

## Reinforcement of Corporate Governance

### ■ Initiatives for Reinforcing Corporate Governance Systems

**2013** Shifted to the holding company structure

**2015** Established Fundamental Policy on Corporate Governance

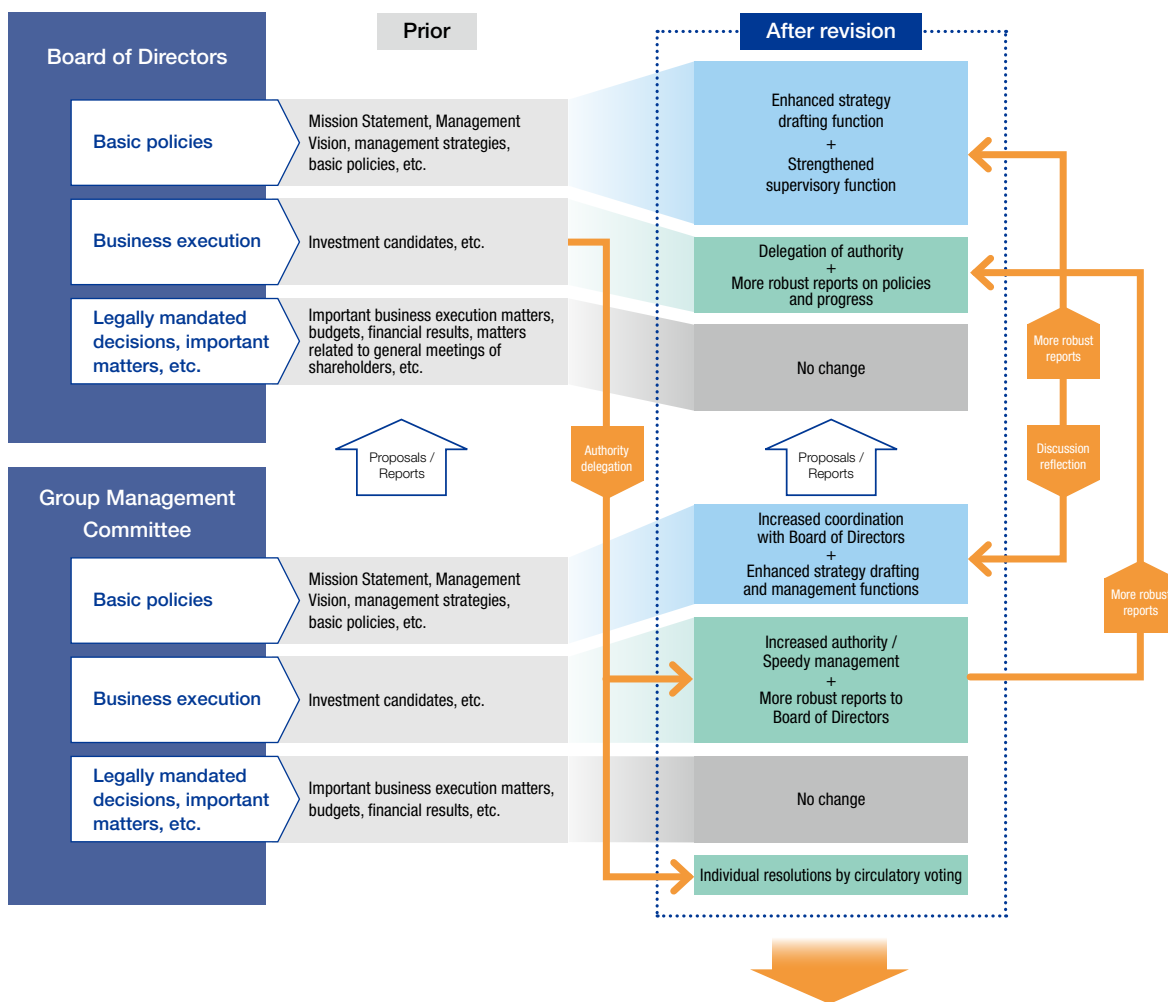
The Company is in compliance with all principles of Japan's Corporate Governance Code (as of June 30, 2017). The Fundamental Policy on Corporate Governance was established in November 2015.

**2016** Revised Authority of Board of Directors and Group Management Committee

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.



## ■ 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 effectiveness.

Recent initiatives include a survey administered to all directors and all Audit & Supervisory Board members in December 2016, which was focused on issues identified during the process of analyzing and evaluating the effectiveness of the Board of Directors in fiscal year 2015. The results of this survey were reported to the Board of Directors in March 2017, contributing to effective self-evaluation.

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

Based on the analysis and evaluation of the effectiveness of the Board of Directors conducted in fiscal year 2015, we have been promoting more extensive discussions on subjects such as the business environment prior to meetings of the Board of Directors in order to allow for more in-depth discussion when formulating management strategies. In addition, we have altered the standards for the delegation of authority in order to secure sufficient time for discussion at meetings of the Board of Directors (see page 76). Steps were also taken to facilitate understanding regarding the Group's core business, including providing a wide range of opportunities for explanations on management strategies to be received from the presidents of major subsidiaries.

It was confirmed through a survey that these initiatives have contributed to improvements in the support provided to outside directors and outside Audit & Supervisory Board members. 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 to realize the further reinforcement of the Board of Directors' oversight functions. These improvements include longer and more extensive discussions on the Group's policies, including long-term management visions. We will formulate measures for realizing these improvements in order to address the issues faced by the Board of Directors.

These analyses and evaluations will continue to be carried out going forward in order to improve the effectiveness of the Board of Directors.

- ▶ Governance, Corporate Governance Report, notices of General Meetings of Shareholders, annual securities reports (in Japanese only), and other documents are available on the Company's corporate website.  
(<https://www.ana.co.jp/group/en/about-us/governance/>)

#### Major Agenda Items for the Board of Directors

(Fiscal year 2016)

- 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**





## The ANA Group's Quest to Continue Value Creation

Chairman of the Board,  
Chairman of the Board  
of Directors  
ANA HOLDINGS INC.

**Shinichiro Ito**

Outside Director  
ANA HOLDINGS INC.

**Izumi Kobayashi**



Four years have passed since ANA HOLDINGS adopted the holding company structure. We arranged for a discussion to be held between two directors that have been involved in the management of the Company since the time of this transition. During this discussion, they shared opinions about the successes of the ANA Group to date as well as the path it should follow in improving corporate value going forward.

### ■ Initiatives for Strengthening Corporate Governance

**Ito** | Facilitating more active discussions among the Board of Directors is an important task to be addressed in strengthening corporate governance. It seems to me as though significant improvement has been seen on this front, as indicated by the various steps taken to enhance the materials necessary for carrying out discussions at Board meetings. What are your opinions with regard to the current state of corporate governance? Also, what areas do you see in need of additional improvement?

**Kobayashi** | Compared to when I first became an outside director four years ago, the nature of discussions at meetings of the Board of Directors has changed substantially. Directors are now very proactive in voicing opinions regarding fields other than their area of responsibility, leading to more active discussions overall. In addition, the delegation of certain decision-making authorities has streamlined the formulaic approval procedures that had previously been thrust upon the Board, enabling us to devote more time to developing an understanding of the Company's corporate strategy and the Group's businesses. As such, it is now easier for outside directors to formulate an understanding of the Group as a whole.

**Ito** | We have been seeking to comply with Japan's Corporate Governance Code since fiscal year 2015. I recall the ongoing process of examination and discussion that took place inside the Company and among the Board of Directors that was part of this undertaking.

**Japan's Corporate Governance Code is merely one of many tools. It is our job to use these tools for the improvement of the Company. (Ito)**

**Kobayashi** | Investors do not simply check to see if a company is in compliance with Japan's Corporate Governance Code, and it cannot be guaranteed that compliance with the code will always be beneficial to the management of the Company. It is therefore important to explain these facts to stakeholders and to develop unique and suitable governance systems.

**Ito** | Japan's Corporate Governance Code is merely one of many tools. It is our job to use these tools for the improvement of the Company. Moreover, even if we build the strongest of corporate governance systems, these systems will be pointless if they are not implemented in the spirit of raising the corporate value of the Group.

**It is crucial for all Group employees to have an effective understanding of corporate governance. (Kobayashi)**

**Kobayashi** | In order for managers to implement corporate governance systems in this spirit, it is crucial for all Group employees to have an effective understanding of corporate governance. It is for this reason that it might be beneficial to create a governance system that allows employees to voice opinions directly to management.

## ■ Role of the Holding Company Structure

**Ito** | Four years have passed since we adopted the holding company structure. The transition to this structure was initially aimed at realizing swifter management and more empowered Group companies. Although I think that there is still room for improvement with regard to management speed, I feel as though we have made progress in empowering Group companies. Employees are now more mindful of consolidated performance as we have introduced systems for reflecting this performance into the compensation and delegated certain responsibilities to Group companies.

**Kobayashi** | The Group's business has grown much more diverse over the past four years, but no one can deny that ANA is still an exceptionally large presence in the Group's business portfolio. The recent consolidation of Peach Aviation Limited cast light on the need to optimize the Company's business portfolio from a wide range of perspectives that is not limited to sales and employee numbers. The Company should pursue improvements in efficiency in terms of both businesses and finances by leveraging the strengths of the holding company structure while also steadily working toward a balanced allocation of employees on a Groupwide basis. The value of this structure could be seen as its ability to realize such improvements.

**We strive to optimize our business portfolio now, when performance is firm. (Ito)**

**Ito** | It is crucial that we strive to optimize our business portfolio now, when performance is firm. Moreover, it is important for the holding company structure to be utilized in a manner that makes everyone in the Group feel the benefits of this structure.

**Kobayashi** | The potential for changes in the business environment to materially impact performance in the future is a reality of being an airline group that must be considered. However, this risk can be hedged against by creating a structure in which the performance of other businesses can compensate for declines in the performance of the Air Transportation business.

## ■ Long-Term Improvement of Corporate Value

**Ito** | At the ANA Group, we place emphasis on environmental, social, and governance (ESG) concerns in our business activities to facilitate the pursuit of sustainable growth. For example, we have set the goal of achieving a 20% reduction in CO<sub>2</sub> emissions from fiscal year 2005 to fiscal year 2020. Initiatives aimed at achieving this goal include introducing fuel-efficient aircraft and supporting research of bio jet fuel.

**Kobayashi** | In the past, it has been common for Japanese companies to view the "E" and "S" elements of ESG as separate from their business, choosing to address these elements through

CSR activities. The Company's efforts to incorporate ESG into its business put it a step ahead of other companies. Moreover, it would seem that the Company's framework for linking initiatives related to the "E" and "S" elements, such as measures for addressing fuel consumption issues, to improvements in corporate value are clear and easy to explain to external stakeholders. Supporting local communities, for example, may not directly impact business, but it has the potential to help attract a larger number of customers through good branding. In this manner, the "E" and "S" elements can be seen as tied to sustainable business growth, and efforts can therefore be powerful assets for use in pursuing medium-to-long-term improvements in corporate value.

**Diversity of the services offered to customers will be essential for future growth. (Kobayashi)**

**Ito** | The importance of providing service that is accommodating to senior citizens and differently abled customers and of employing universal airport and aircraft facilities is also apparent. This need is currently being addressed by an internal Group project team. Furthermore, I am confident that encouraging women's participation in the workplace and otherwise promoting diversity based on a broad definition will, in the end, contribute to higher corporate value for the Group.

**Kobayashi** | LCCs are growing their presence in the market by taking advantage of their greatest asset, their low price. Diversity will no doubt be an important asset as full service carriers seek to differentiate themselves from competitors amid the rise of LCCs. As the ANA Group develops its operations on a global scale, it will be absolutely essential for steps to be taken to ensure that the services provided by the airline business can be used by customers in various countries as well as by differently abled individuals and senior citizens. The provision of halal in-flight meals is just one example of possible steps. Diversity of the services offered to customers will be essential for future growth.

Also, the Group employs numerous women to work as cabin attendants and airport staff. Given that human resources are invaluable assets to companies, it is important to think seriously about how each and every employee will be able to develop their career within the Group over the long term.



# Responsible Dialogue with Stakeholders

The ANA Group is advancing business activities through relationships with stakeholders. As we conduct ongoing dialogue with stakeholders in order to provide them with security and to earn their trust, we will work to increase the effectiveness of our strategies by incorporating the opinions and requests of stakeholders into our business activities. In fiscal year 2016, we implemented the following dialogue.

## Dialogue with Shareholders and Investors

Targeting gains in shareholder value, we are working to implement timely and appropriate information disclosure and dialogue in order to strengthen the business structure for the stable generation of profits and the implementation of an ongoing return to shareholders.

### The 72nd Ordinary General Meeting of Shareholders

Number of attendees ..... **2,111** people  
 Voting rights exercise ratio ..... **61.1** %

IR large meetings / small meetings ..... **5** times  
(for institutional investors / analysts)

Dialogue with institutional investors / analysts ..... **289** times  
(In Japan: 141 times; overseas: 148 times)

Number of participants at presentations  
 for private investors ..... **7** times  
 Total: **2,339** people  
(including IR fairs)

Aircraft maintenance center tours  
 for private shareholders ..... **6** times  
 Total: **702** people



The 72nd Ordinary General Meeting of Shareholders

## Dialogue with Customers

Aiming to be the world's leading airline group in customer satisfaction, we are taking on the challenge of creating new value while continually adopting the customer's point of view.

We are creating opportunities to experience airline products and services and are linking customer feedback to a variety of improvements.

### Experience Our Service—The ANA You Didn't Know

Total number of attendees (4 days) ..... Approx. **6,000** people

Customer feedback ..... **73,892** items



Experience Our Service—The ANA You Didn't Know

## Dialogue with Employees

Through direct dialogue between managers and employees, we are actively sharing management strategies and the intentions of managers and thereby deepening mutual understanding.

### FY2016–20 ANA Group Corporate Strategy

—Updated Version—

tour event with top management ..... **18** times  
Total: **1,182** people

### Safety tour event

with top management ..... In Japan and overseas: **46** offices  
Total: **1,613** people



Exchanging opinions about the FY2016–20 ANA Group Corporate Strategy—Updated Version—

## Dialogue with International Society

In regard to material issues in management strategies, by actively conducting dialogue with industry groups as well as NGOs / NPOs, we are fostering understanding of the ANA Group's approaches and initiatives. In addition, we are working to rapidly identify changes in the environment and to reflect them on a global level in our business activities.

Overseas dialogue with human rights organizations ..... **1** time  
(Thailand)

Participation in international conferences related to human rights ..... **3** times  
(Switzerland, U.S., Japan)



Presentation by the Company's department in charge of CSR (Switzerland)

## Dialogue with Business Partners

The ANA Group Safety Education Center (ASEC) is not used only for Group employees. We are also offering tours for members of the public who are interested in aviation safety. We are sharing information about safety initiatives and the know-how that we have cultivated to people in charge of safety at companies and organizations, including those in other industries, and this information is being used to increase safety and security.

Number of members of the public who participated in tours of ASEC ..... Approx. **3,700** people



Tour at ASEC



# CSR Management

## Preserve and Enhance Corporate Value by Taking Advantage of the Group's Business Strengths

We are addressing materiality for the ANA Group and society, while incorporating input from stakeholders, to realize sustainable growth.

### Basic Approach to CSR

In 2008, the ANA Group joined the United Nations Global Compact (UNGC), an undertaking that companies and other organizations take part in voluntarily to help build a global framework for achieving sustainable growth. With the hosting of the Rugby World Cup 2019 and the Olympic and Paralympic Games Tokyo 2020, Japanese companies will draw greater international attention going forward. The ANA Group remains committed to advancing global CSR activities to create economic and social value, while identifying opportunities and risks we face through communication with domestic and overseas stakeholders.



CSR Activity Themes by Stakeholder Group

Stakeholder Group	Major Themes of CSR Activities		
Customers	Pursuit of safety and security	Respect for human rights	Improvement of safety, convenience, and comfort Provision of universal services
Shareholders and investors			Accomplishment of value creation targets, issuance of shareholder returns Timely and appropriate disclosure of information
Business partners			Fair operating practices Promotion of CSR activities through the supply chain
Employees			Cultivation of human resources Promotion of diversity & inclusion
Environment			Controlling of CO <sub>2</sub> emissions Reduction of other environmental impacts
Communities			Stimulation of economies through vitalization of local communities Social contributions in overseas regions that ANA flies to

### Contribution to the Sustainable Development Goals → See page 32

The Sustainable Development Goals (SDGs) were adopted at the UN General Assembly held in September 2015. The SDGs are a set of clearly defined global goals to be accomplished by 2030 in order to contribute to increased sustainability for society. Companies are expected to join the effort to achieve these goals.

As a responsible global conglomerate, the ANA Group emphasizes the importance of the SDGs. We are making wide-ranging contributions to the accomplish of the SDGs, particularly those goals related to safety—the unequivocal mission of our business—and the material issues (materiality) of the environment, human rights and diversity & inclusion, and vitalization of local communities.

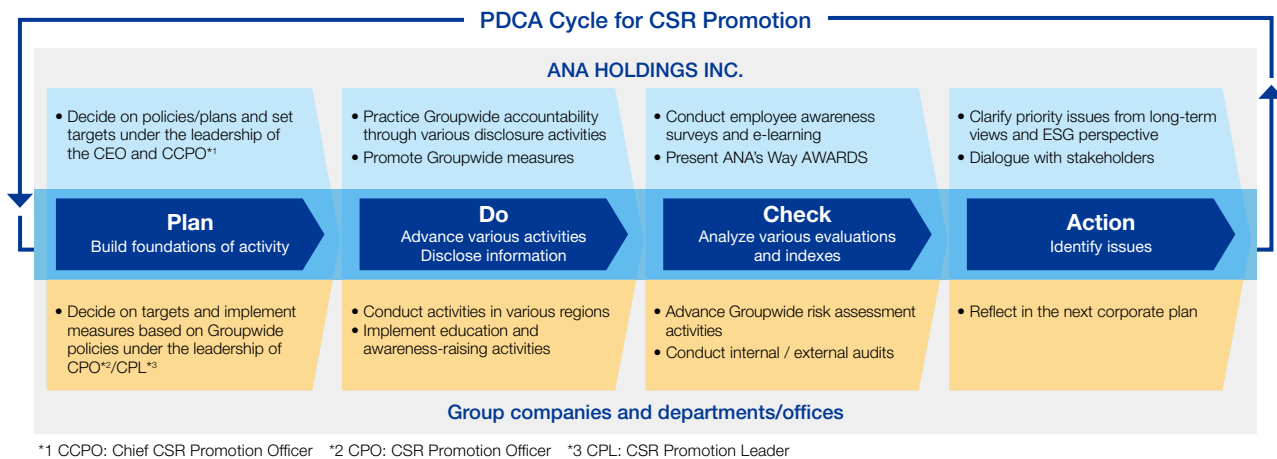
### CSR Promotion System

Based on the ANA Group CSR Regulations, the CSR, Risk Management, and Compliance Promotion Committee has been established. This committee, which operates under the guidance of the president and is membered by full-time directors and full-time Audit & Supervisory Board members, is tasked with establishing core policies, examining important matters, formulating proposals, and implementing activities related to CSR. Each Group company has been appointed a

CSR Promotion Officer, and CSR Promotion Leaders are assigned at each Group company and department. These individuals promote CSR activities in their organization. Moreover, the Company practices engagement with domestic and overseas NGOs / NPOs, the UNGC, international institutions, and other stakeholders that are well-versed in social issues. This engagement helps us maintain an understanding of society's expectations and desires for the Group to be reflected in our activities.

In fiscal year 2016, lectures by external CSR experts were conducted at meetings of the Group CSR Promotion Committee and at meetings of Group company presidents to foster an

understanding with regard to opportunities and risks faced in each of the Group's businesses.



## 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. The Group seeks to cultivate understanding and entrench awareness with regard to the guidelines among employees. Briefing materials, training tools, and employee awareness surveys are used for this purpose.

The ANA's Way AWARDS—Excellence in Social Responsibility Award is presented to business sites that have engaged in activities making significant contributions to the improvement of corporate value for the Group. These activities could have helped resolve a social issue, been based on a new idea unbound by preconceived notions, or exhibited excellence in another way. By presenting these awards, we aim to further promote CSR activities.

### 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 throughout the Supply Chain

The ANA Group believes it is important 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 we share with business partners.

In fiscal year 2016, CSR monitoring surveys based on the CSR Guidelines were carried out at 170 business partners to promote CSR throughout the supply chain.

### CSR Guidelines for Business Partners

Overall (internal promotion system)	Voluntary CSR measures (formulation of in-house CSR standards, etc.)
Human rights / Labor 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 transactions / Ethics	Fair business activities that comply with social norms
Quality / Safety	Assure product quality and safety
Information security	Proper management and safeguards for personal and confidential information

# Compliance

## Preserve Corporate Value by Enhancing Internal Systems and Further Entrench Mission Statement

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 awareness-raising activities on a Groupwide basis.

### ■ Compliance Promotion System

Based on the ANA Group Compliance Regulations, the ANA Group promotes compliance initiatives 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 secured clearly identified venues with the Legal & Insurance department and Group companies in order to establish a system that facilitates mutual communication.

### ■ Major Initiatives

#### Fair Trade Initiatives

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 affiliates.

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

#### Compliance with Various Laws

The Group must conduct fair competition and transactions in accordance with various laws and regulations related to sales and marketing and various other areas. Accordingly, the Company provides 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 conducts training and awareness-raising activities with regard to a range of laws and regulations that include legislation related to air transport and labor laws. These activities include holding seminars and issuing email magazines for Group companies.

#### Coordination with Overseas Branches

The Company has clearly identified venues for communicating between the Legal & Insurance department and overseas branches

and is stepping up measures to minimize exposure to legal risks on a global level and prevent occurrences that could diminish corporate value. Furthermore, the Company seeks to foster a mind-set focused on legal compliance, not only in Japan but among all Group executives and employees, including those working overseas. To this end, we hold legal compliance seminars at overseas branches.

#### Implementation of Internal Reporting System

The Company 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 the Group assures 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 Group premises as well as through a dedicated website on the Group intranet.

#### 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 within the Group for consultation and support on matters related to intellectual property, and the Company disseminates information through distribution of an internal newsletter and other media for the edification of all Group executives and employees.

## Dispatch of Employees to Hold Seminars at Group Companies

Held 29 seminars at 11 Group companies

To foster greater levels of compliance awareness among all ANA Group executives and employees, a diverse range of legal seminars were held at Group companies based on the legal circumstances surrounding each company.

The Legal & Insurance department is able to arrange the content of seminars based on requests from Group companies, and lecturers are dispatched in order to allow Group executives and employees to learn in a more conducive environment.



Seminar at a Group company

## Competition Law and Anti-Bribery Law Seminars at Overseas Branches

Held 4 seminars at overseas branches

Seminars were held at overseas branches on competition laws and anti-bribery laws in light of the recent trend toward government agencies around the world more strictly enforcing these laws to prevent actions impeding fair competition.

These seminars employed case studies that presented situations similar to those found at each business site based on the ANA Group Cartel Prevention Handbook and the ANA Group Anti-Bribery Handbook.



Seminar at an overseas branch



## Investigations of Circumstances Surrounding Compliance at Group Companies

Investigations of circumstances surrounding compliance at Group companies are conducted once each year. These investigations consist of self-checks on the degree to which compliance was practiced with regard to relevant laws and regulations as well as examinations of issues pertaining to each Group company and to the entire Group. Follow-up activities were conducted as necessary based on the findings to address any issues identified.

項目番号	項目内容	状況	備考
1	適正な表示・広告	A: 特段通報にあたるような行為は見当たらない	
2	知的財産権の侵害	B: 違反が疑われるような行為があったが、既に対応済み	
3	労働管理の徹底	C: 違反が疑われる行為が一部見られる	
4	個人情報管理	D: 違反行為が実施化している	
5	独占禁止法の遵守	E: 項目に当てはまる事業活動なし	
6	下請法の遵守	A: 特段通報にあたるような行為は見当たらない	
7	贈収賄行為の禁止	B: 違反が疑われるような行為があったが、既に対応済み	
8	ハラスメント	C: 違反が疑われる行為が一部見られる	

Legal compliance survey (Japanese version only)



# Risk Management

## Preserve Corporate Value through Safe and Reliable Business Operation

The ANA Group takes steps to identify, analyze, and appropriately address risks with the potential to severely impact management. In addition, we have developed Groupwide frameworks to minimize the impact of risks and prevent reoccurrence in case risks materialize.

### ■ 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 CSR, Risk Management, and Compliance 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 Group 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.

### ■ Major Initiatives

#### 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 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.

The Group companies 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 CSR, Risk Management, and Compliance Promotion Committee.

#### Crisis Management in the Event of Materialization of a 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 including accidents and hijacks, and the Crisis Management Manual (CMM) provides responses to other crises including system failures, information leaks, and risks from external sources.

#### Business Continuity Management (BCP)

The ANA Group has prepared a business continuity plan (BCP) that details policies and procedures for responding to large-scale natural disasters, such as an earthquake directly under the Tokyo metropolitan area or in the Nankai Trough. The provisions of this plan include measures for ensuring the safety of customers and all ANA Group officers and employees, minimizing the impacts on Group management and on society as a whole, and resuming normal operation as quickly as possible.

To better ensure business continuity, we have reinforced our communications network by deploying disaster prevention radio systems and satellite phones. In addition, we regularly hold safety confirmation registration drills as well as equipment operation drills at backup facilities.

#### Security Trade Control

The parts, chemicals, apparatuses, and other articles necessary for aircraft maintenance are exported to overseas airports and aircraft maintenance centers. Certain articles employ technologies that could be adapted to create weapons. Accordingly, we practice rigorous security trade control\* of exported articles.

A stringent security trade control structure is maintained through once-annual audits and trainings. These activities target divisions that are considered exporters for being directly involved in exporting as well as divisions that are not considered exporters but are still involved due to handling customs clearance and other transportation-related processes.

\* Security trade control is a term that refers to all regulations placed on exports from Japan by the Foreign Exchange and Foreign Trade Act.

## Information Security

To preserve 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.

To ensure effective information security, 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. The Group also consistently implements awareness-raising activities to firmly entrench information security rules throughout the organization.

Steps were also taken to increase our resilience to ever diversifying cyberattacks. In addition to reinforcing network monitoring precautions, awareness was promoted by regularly sending emails simulating targeted email attacks to all Group officers and employees.

## Major Initiatives in Fiscal Year 2016

### ERM and CMM Drills

Conducted 2 group drills

Each year, regular exercises and drills are performed based on scenarios contained in the ERM and CMM crisis response manuals to promote readiness to address accidents, hijacks, and various other crises. These practical exercises and drills adopt an input-response format to contribute to more effective crisis management systems on a Groupwide basis.



ERM drill

### Equipment Operation Drills at Backup Facilities

Conducted 1 joint drill and 6 trainings

Backup facilities have been established for use in the event that the ANA Group's flight control facilities are rendered unusable due to a major disaster, such as an earthquake directly under the Tokyo metropolitan area, or some other incident. Regular joint drills and trainings are carried out at these backup facilities to improve flight control skills and to ensure that the equipment and software at these facilities are always up to date.

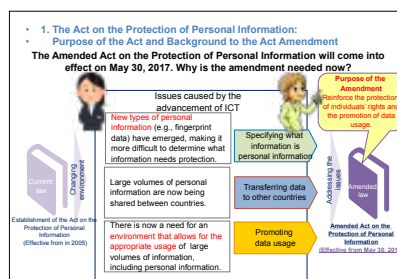


Drill at a backup facility

### Compliance with Personal Information Protection Regulations

In fiscal year 2016, the Company revised its privacy policy and various other internal regulations to comply with Japan's revised Act on the Protection of Personal Information (enacted on May 30, 2017) as well as similar overseas laws and regulations.

In addition, an e-learning program was instituted targeting all ANA Group officers and employees to instill a deeper understanding of how the revised Act on the Protection of Personal Information had changed and to foster awareness regarding proper handling of personal information.



Screenshot of e-learning program on revised Act on the Protection of Personal Information

## Consolidated 11-Year Summary

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

(Years ended March)	2017	2016	2015
<b>For the Year</b>			
Operating revenues (Note 3)	1,765,259	1,791,187	1,713,457
Operating expenses	1,619,720	1,654,724	1,621,916
Operating income (loss)	145,539	136,463	91,541
Income (loss) before income taxes and non-controlling interests	139,462	131,064	77,983
Net income (loss) attributable to owners of the parent	98,827	78,169	39,239
Cash flows from operating activities	237,084	263,878	206,879
Cash flows from investing activities	(194,651)	(74,443)	(210,749)
Cash flows from financing activities	3,349	(133,257)	(30,424)
Free cash flow	42,433	189,435	(3,870)
Substantial free cash flow (Note 4)	39,773	88,035	(22,350)
Depreciation and amortization	140,354	138,830	131,329
EBITDA (Note 5)	285,893	275,293	222,870
Capital expenditures	254,425	281,416	274,702
<b>At Year-End</b>			
Total assets	2,314,410	2,228,808	2,302,437
Interest-bearing debt (Note 6)	729,877	703,886	819,831
Short-term debt (Note 6)	118,382	94,781	210,029
Long-term debt (Note 6)	611,495	609,105	609,802
Total shareholders' equity (Note 7)	919,157	789,896	798,280
<b>Per Share Data</b> (Yen, U.S. dollars)			
Earnings per share	28.23	22.36	11.24
Book value per share	262.44	225.87	228.45
Cash dividends	6.00	5.00	4.00
Average number of shares during the year (Thousand shares)	3,500,205	3,496,561	3,492,380
<b>Management Indexes</b>			
Operating income margin (%)	8.2	7.6	5.3
Net income margin (%)	5.6	4.4	2.3
ROA (%) (Note 8)	6.5	6.1	4.2
ROE (%) (Note 9)	11.6	9.8	5.1
Shareholders' equity ratio (%)	39.7	35.4	34.7
Debt/equity ratio (Times) (Note 10)	0.8	0.9	1.0
Interest-bearing debt/EBITDA (Times)	2.6	2.6	3.7
Asset turnover (Times)	0.8	0.8	0.7
Interest coverage ratio (Times) (Note 11)	23.9	22.3	14.7
Current ratio (Times)	1.2	1.1	1.0
Payout ratio (%)	21.3	22.4	35.6
Number of employees	39,243	36,273	34,919
<b>Operating Data</b>			
<b>Domestic Passenger Operations</b>			
Passenger revenues	678,326	685,638	683,369
Available seat-km (Millions)	59,080	59,421	60,213
Revenue passenger-km (Millions)	38,990	38,470	38,582
Number of passengers (Thousands)	42,967	42,664	43,203
Load factor (%)	66.0	64.7	64.1
Unit revenues (¥)	11.5	11.5	11.3
Yield (¥)	17.4	17.8	17.7
<b>International Passenger Operations</b>			
Passenger revenues	516,789	515,696	468,321
Available seat-km (Millions)	60,148	54,710	49,487
Revenue passenger-km (Millions)	45,602	40,635	35,639
Number of passengers (Thousands)	9,119	8,167	7,208
Load factor (%)	75.8	74.3	72.0
Unit revenues (¥)	8.6	9.4	9.5
Yield (¥)	11.3	12.7	13.1
<b>Domestic Cargo Operations</b>			
Cargo revenues	30,860	31,740	32,584
Cargo volume (Tons)	451,266	466,979	475,462
<b>International Cargo Operations</b>			
Cargo revenues	93,301	113,309	124,772
Cargo volume (Tons)	954,027	810,628	841,765

Notes: 1. As of March 31, 2017, there were 63 consolidated subsidiaries and 17 equity-method subsidiaries and affiliates.

2. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥112.19=US\$1, the approximate exchange rate as of March 31, 2017.

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).

Yen (Millions)								U.S. dollars (Thousands) (Note 2)
2014	2013	2012	2011	2010	2009	2008	2007	2017
1,601,013	1,483,581	1,411,504	1,357,653	1,228,353	1,392,581	1,487,827	1,489,658	15,734,548
1,535,027	1,379,754	1,314,482	1,289,845	1,282,600	1,384,992	1,403,438	1,397,468	14,437,293
65,986	103,827	97,022	67,808	(54,247)	7,589	84,389	92,190	1,297,254
36,391	70,876	63,431	35,058	(95,593)	(4,445)	115,224	51,064	1,243,087
18,886	43,140	28,178	23,305	(57,387)	(4,260)	64,143	32,658	880,889
200,124	173,196	214,406	203,889	82,991	(39,783)	165,765	158,714	2,113,236
(64,915)	(333,744)	(166,323)	(139,619)	(251,893)	(111,139)	(69,827)	(128,298)	(1,735,012)
(85,569)	84,549	16,171	(10,596)	173,791	114,504	(87,336)	(100,897)	29,851
135,209	(160,548)	48,083	64,270	(168,902)	(150,922)	95,938	30,416	378,224
38,929	54,256	52,043	27,870	(123,902)	(150,922)	95,938	15,001	354,514
136,180	123,916	119,268	118,440	113,806	112,881	116,787	88,610	1,251,038
202,166	227,743	216,290	186,248	59,559	120,470	201,176	180,800	2,548,293
183,739	162,752	196,881	211,698	209,937	145,709	357,733	251,926	2,267,804
2,173,607	2,137,242	2,002,570	1,928,021	1,859,085	1,761,065	1,783,393	1,602,091	20,629,378
834,768	897,134	963,657	938,819	941,691	897,236	767,876	749,446	6,505,722
188,748	142,601	127,405	146,395	180,775	169,462	136,399	158,724	1,055,192
646,020	754,533	836,252	792,424	760,916	727,774	631,477	590,722	5,450,530
746,070	766,737	549,014	520,254	473,552	321,883	452,972	398,223	8,192,860
5.41	13.51	11.22	9.29	(24.67)	(2.19)	32.93	16.77	0.25
213.82	218.41	218.24	207.35	188.93	166.50	232.58	204.42	2.33
3.00	4.00	4.00	2.00	—	1.00	5.00	3.00	0.05
3,493,860	3,192,482	2,511,841	2,507,572	2,326,547	1,945,061	1,947,736	1,947,618	
4.1	7.0	6.9	5.0	(4.4)	0.5	5.7	6.2	
1.2	2.9	2.0	1.7	(4.7)	(0.3)	4.3	2.2	
3.2	5.1	5.1	3.7	(2.8)	0.6	5.3	6.0	
2.5	6.6	5.3	4.7	(14.4)	(1.1)	15.1	8.8	
34.3	35.9	27.4	27.0	25.5	18.3	25.4	24.9	
1.1	1.2	1.8	1.8	2.0	2.8	1.7	1.9	
4.1	3.9	4.5	5.0	15.8	7.4	3.8	4.1	
0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.9	
12.4	9.5	10.8	10.7	4.6	—	10.7	8.9	
1.2	1.6	1.2	1.1	0.9	0.9	0.9	0.9	
55.5	29.6	35.7	21.5	—	—	15.2	17.9	
33,719	32,634	32,884	32,731	32,578	33,045	31,345	32,460	
675,153	665,968	651,556	652,611	630,976	699,389	739,514	726,063	6,046,225
61,046	58,508	56,756	56,796	57,104	59,222	62,651	62,414	
37,861	36,333	34,589	35,983	35,397	37,596	39,928	40,564	
42,668	41,089	39,020	40,574	39,894	42,753	45,557	46,471	
62.0	62.1	60.9	63.4	62.0	63.5	63.7	65.0	
11.1	11.4	11.5	11.5	11.0	11.8	11.8	11.6	
17.8	18.3	18.8	18.1	17.8	18.6	18.5	17.9	
395,340	348,319	320,066	280,637	214,124	291,077	311,577	278,478	4,606,373
41,451	37,947	34,406	29,768	26,723	27,905	28,285	26,607	
30,613	28,545	25,351	22,430	20,220	19,360	21,291	20,145	
6,336	6,276	5,883	5,168	4,666	4,432	4,827	4,552	
73.9	75.2	73.7	75.3	75.7	69.4	75.3	75.7	
9.5	9.2	9.3	9.4	8.0	10.4	11.0	10.5	
12.9	12.2	12.6	12.5	10.6	15.0	14.6	13.8	
32,116	32,231	33,248	32,413	31,829	33,097	30,566	30,574	275,069
477,081	463,473	467,348	453,606	458,732	475,014	462,569	457,914	
104,736	86,589	87,978	86,057	55,750	69,069	72,192	62,195	831,633
710,610	621,487	570,684	557,445	422,449	354,251	332,507	277,571	

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 the parent / 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 early adoption of the Accounting Standard for Lease Transactions (revised March 31, 2017).

11. Interest coverage ratio = Cash flows from operating activities / Interest expenses

\* Yen amounts are rounded down to the nearest million yen and percentages are rounded to the nearest one decimal place. U.S. dollar amounts are truncated.



# Management's Discussion and Analysis

## Economic Conditions

### General Economic Overview

In fiscal year 2016, the Japanese economy continued to experience a gradual recovery, with consumer spending generally picking up in conjunction with ongoing improvements in corporate earnings and the job environment.

There are concerns about the risk of a downturn in the economy, including the threats of a potential slump in overseas economic conditions and terrorism and conflict in Europe and the Middle East. Nonetheless, the economic outlook for fiscal year 2017 is for a gradual recovery driven by improvements in the job market and income levels and the benefits of various government policies.

### Fuel Price Trends

The Dubai crude oil price remained around \$40 per barrel during the first half of the fiscal year, a level lower than that seen in the same period of the previous fiscal year. However, this price rose slightly during the second half and climbed above the price compared to the same period of last year. In light of the prolonged global crude oil supply glut, the Organization of the Petroleum Exporting Countries (OPEC) agreed on concrete measures for reducing production around the end of November 2016. As a result, the Dubai crude oil price climbed to around \$50 per barrel in December. Accordingly, the price was \$51.2 per barrel as of March 31, 2017, with an average price for the fiscal year of \$46.7 per barrel.

The market price of Singapore kerosene tracked the price of crude oil and ended at \$61.9 per barrel as of March 31, 2017, with an average price for the fiscal year of \$58.0 per barrel.

### Foreign Exchange Market

The value of the yen in comparison to the U.S. dollar fluctuated greatly due to the influence of factors including the public vote in the United Kingdom in June 2016 that led to its decision to leave the European Union as well as the November presidential election in the United States. In addition, December 2016 saw the Federal Open Market Committee of the U.S. Federal Reserve Bank decide to raise interest rates for the first time in a year. Now, many expect that the gap between the interest rates of Japan and the United States will widen going forward. As a result, the yen was weaker in the second half of the fiscal year than it was in the first half. Consequently, the exchange rate ended the fiscal year at ¥111.4 per U.S. dollar and the average exchange rate for fiscal year 2016 was ¥108.4 per U.S. dollar.

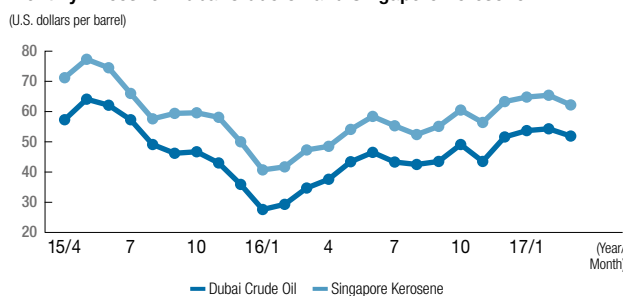
### Air Transport Traffic Trends

In 2016, the number of passengers on scheduled international flights of airline companies that are members of the International Air Transport Association (IATA) increased by 8.0% compared with the previous year, to approximately 1,560 million. Passengers on scheduled domestic flights increased by 6.3%, to approximately 2,240 million. Moreover, scheduled global air cargo volume increased by 3.9%. (Source: IATA World Air Transport Statistics, 2017)

In fiscal year 2016, in terms of air transport traffic in Japan, the number of passengers on trunk routes\* increased by 1.9% from the previous fiscal year, to 42.30 million, while the number of passengers on local routes\* increased by 2.3%, to 55.82 million. In total, the number of passengers increased by 2.1%, to 98.12 million. The volume of domestic cargo decreased by 0.9%, to 0.90 million tons. The number of passengers carried by Japanese airlines on international routes increased by 11.7%, to 21.05 million. The volume of international cargo handled by Japanese airlines increased by 14.9%, to 1.59 million tons. (Source: Ministry of Land, Infrastructure, Transport and Tourism preliminary report)

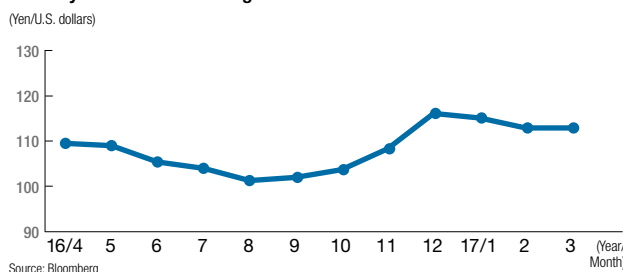
\* Trunk routes refer to routes connecting Sapporo (New Chitose), Tokyo (Haneda), Tokyo (Narita), Osaka (Itami), Osaka (Kansai), Fukuoka, and Okinawa (Naha) airports with one another. Local routes refer to all other routes.

### Monthly Prices for Dubai Crude Oil and Singapore Kerosene



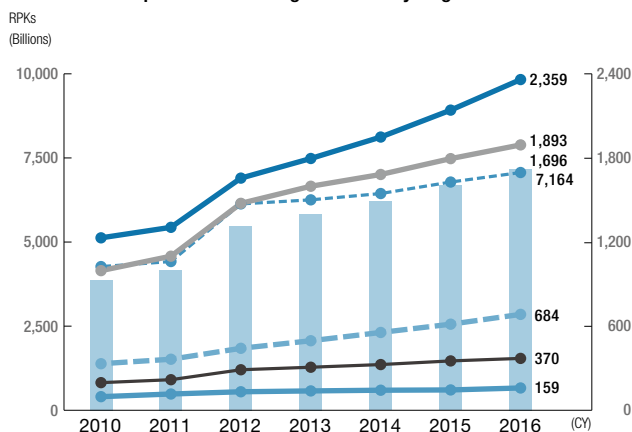
Source: Bloomberg

### Monthly Yen-Dollar Exchange Rate



Source: Bloomberg

### Global Air Transportation Passenger Volume by Region



(Left) Total (Right) Asia Pacific Europe North America Middle East Latin America Africa  
Source: International Air Transport Association (IATA), 2017

## Performance for Fiscal Year 2016

### Overview of the ANA Group

The ANA Group, or “the Group,” comprises the holding company, ANA HOLDINGS INC.; 120 subsidiaries, including ALL NIPPON AIRWAYS CO., LTD., and 45 affiliates; and 63 consolidated subsidiaries and 17 equity-method subsidiaries and affiliates as of March 31, 2017. Also, the Group had 39,243 employees as of March 31, 2017, up 2,970 year on year.

During fiscal year 2016, the major initiatives of the FY2016–20 ANA Group Corporate Strategy — “expand airline business domains” and “create new businesses and accelerate growth of existing businesses” — formed the backbone of our strategies. Accordingly, we practiced “aggressive and speedy management” for making simple and timely decisions regarding new investments, the creation of innovations, and strategic investments.

### Consolidated Operating Revenues, Operating Expenses, and Operating Income

Operating revenues in fiscal year 2016 decreased by 1.4%, or ¥25.9 billion, year on year, to ¥1,765.2 billion. Reasons for this decrease included a decline in fuel surcharge revenue caused by falling crude oil prices and a reduction in the yen-equivalent value of foreign currency-denominated revenues associated with the strong yen.

Operation-linked expenses increased in conjunction with the expansion of the Group’s business. Conversely, there was a decline in fuel expenses as a result of crude oil price and foreign exchange market fluctuations, and we engaged in exhaustive, Groupwide cost management initiatives. Accordingly, operating expenses decreased by 2.1%, or ¥35.0 billion, to ¥1,619.7 billion.

Consequently, operating income increased by 6.7%, or ¥9.0 billion, to ¥145.5 billion.

## 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

(Fiscal Year)	Operating Revenues			Operating Income (Loss)			EBITDA		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Air Transportation	¥1,536,349	¥1,553,233	¥(16,884)	¥139,511	¥139,757	¥ (246)	¥273,347	¥271,756	¥ 1,591
Airline Related	264,457	231,903	32,554	8,309	(4,248)	12,557	13,201	1,306	11,895
Travel Services	160,609	167,349	(6,740)	3,741	4,291	(550)	3,912	4,395	(483)
Trade and Retail	136,761	140,289	(3,528)	4,385	5,312	(927)	5,657	6,306	(649)
Subtotal	2,098,176	2,092,774	5,402	155,946	145,112	10,834	296,117	283,763	12,354
Others	34,776	33,754	1,022	1,368	1,659	(291)	1,551	1,838	(287)
Adjustments	(367,693)	(335,341)	(32,352)	(11,775)	(10,308)	(1,467)	(11,775)	(10,308)	(1,467)
Total (Consolidated)	¥1,765,259	¥1,791,187	¥(25,928)	¥145,539	¥136,463	¥ 9,076	¥285,893	¥275,293	¥10,600

Notes: 1. “Others” represents all business segments that are not included in the reportable segments, such as facility management, business support, and other operations.

2. Adjustments of segment profit represent the elimination of intersegment transactions and group management expenses of ANA HOLDINGS INC. and certain other items.

3. Segment operating income is reconciled with operating income in the consolidated financial statements.

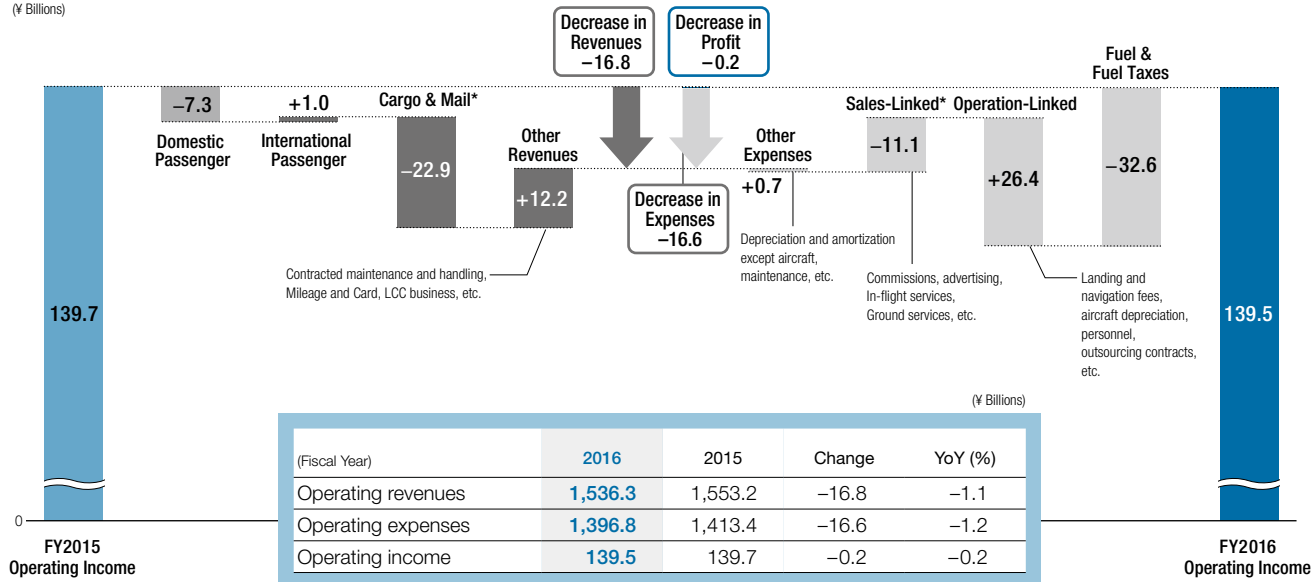
4. EBITDA = Operating income + Depreciation and amortization

# Management's Discussion and Analysis

## Air Transportation business

### Changes in Operating Income (FY2016 vs FY2015)

(¥ Billions)



\* Effective from fiscal year 2016, International Cargo Agency Commission is abolished and offset by revenues.

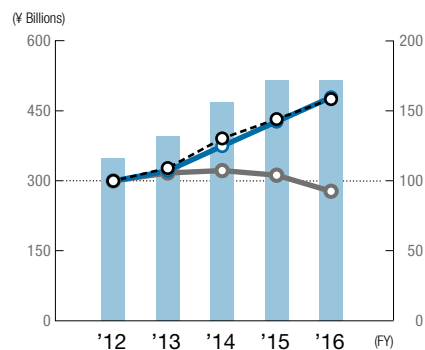
In the Air Transportation business, segment operating revenues decreased by 1.1%, or ¥16.8 billion, year on year, to ¥1,536.3 billion, due to the impacts of crude oil price and foreign exchange market fluctuations. There was an increase in expenses in conjunction with the expansion of the Group's business. However, there was also a decline in fuel expenses following market price fluctuations, and we benefited from exhaustive cost management initiatives. Due to the above, operating income decreased by 0.2%, or ¥0.2 billion, to ¥139.5 billion. Results by business are as follows.

In the International Passenger Business, the Group sought to expand its network of flights in and out of Tokyo metropolitan area airports based on the Dual Hub Network Strategy. The Narita-Wuhan route was established in April 2016 and the Narita-Phnom Penh route, the only direct flight from Japan, was launched in September of the same year. ANA also commenced service on the Haneda-New York, the Haneda-Chicago, and the Haneda-Kuala Lumpur routes effective from October 2016 in order to utilize the convenience of Haneda Airport to incorporate demand for business travel. In addition, ANA increased flights on the Narita-Ho Chi Minh City route while introducing code-share flights with Vietnam

### International Passenger Business Results

(Fiscal Year)	2016	2015	YoY (%)
ASKs (Millions)	60,148	54,710	+9.9
RPks (Millions)	45,602	40,635	+12.2
Number of passengers (Thousands)	9,119	8,167	+11.6
Load factor (%)	75.8	74.3	+1.5*
Passenger revenues (¥ Billions)	516.7	515.6	+0.2
Unit revenues (¥)	8.6	9.4	-8.8
Yield (¥)	11.3	12.7	-10.7
Unit price (¥)	56,669	63,136	-10.2

\* Difference



(Left) ■ Passenger Revenues  
(Right) — ASKs - - RPKs — Yield  
Figures for ASKs, RPKs, and Yield are indexed using the figures for fiscal year 2012 as 100.

Airlines in an effort to capture demand for inbound travel to Japan and from passengers connecting on flights between North America and Asia. Furthermore, the Narita–Mexico City route, a direct flight from Japan to Mexico, where Japanese companies are making significant inroads, was established in February 2017.

Strong demand for business travel from Japan continued throughout the fiscal year, and we were successful in incorporating demand for inbound travel to Japan as well as demand for international flights connecting through Japan. As a result, available seat-kilometers (ASKs) increased by 9.9% year on year, revenue passenger-kilometers (RPKs) rose by 12.2%, and load factor was up by 1.5 percentage points, at 75.8%. Furthermore, the number of passengers increased by 11.6%, to 9.11 million, and unit price decreased by 10.2%, to ¥56,669, following lower fuel surcharges and the impacts of yen appreciation. Consequently, operating revenues in the International Passenger Business grew by 0.2% year on year, to ¥516.7 billion.

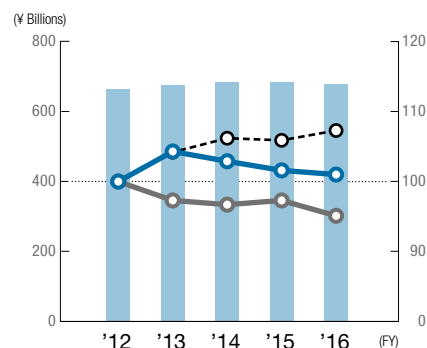
In the Domestic Passenger Business, guided by the “Dynamic Fleet Assign Model,” which entails flexibly selecting the optimal aircraft size based on demand trends, Airbus A321-200s were introduced in November 2016, enabling us to better optimize supply to demand.

In regard to its route network, ANA established the Haneda–Miyako route and resumed service on the Kansai–Miyako route beginning with the summer timetable. In addition, late-night flights were operated on the Haneda–Okinawa route and flights were also increased on certain other routes for a limited period during the high-demand summer. Although demand declined due to the impacts of the Kumamoto earthquakes that occurred in April 2016. We sought to effectively set the level of *Tabiware* discounts, a type of promotional fare, while discerning demand trends. Due to the above, ASKs decreased by 0.6% year on year and RPKs increased by 1.4%. Meanwhile, load factor was up by 1.3 percentage points, to 66.0%. The number of passengers rose by 0.7%, to 42.96 million, while unit price was down by 1.8%, to ¥15,787, following competition with rivals. As a result, operating revenues from the Domestic Passenger Business declined by 1.1%, to ¥678.3 billion.

## Domestic Passenger Business Results

(Fiscal Year)	2016	2015	YoY (%)
ASKs (Millions)	59,080	59,421	-0.6
RPKs (Millions)	38,990	38,470	+1.4
Number of passengers (Thousands)	42,967	42,664	+0.7
Load factor (%)	66.0	64.7	+1.3*
Passenger revenues (¥ Billions)	678.3	685.6	-1.1
Unit revenues (¥)	11.5	11.5	-0.5
Yield (¥)	17.4	17.8	-2.4
Unit price (¥)	15,787	16,070	-1.8

\* Difference



(Left) ■ Passenger Revenues

(Right) — ASKs — RPKs — Yield

Figures for ASKs, RPKs, and Yield are indexed using the figures for fiscal year 2012 as 100.



## Management's Discussion and Analysis

In the International Cargo Business, the Group utilized its passenger aircraft network while also reorganizing its freighter network to more efficiently incorporate demand. Overall cargo shipment volumes were low during the first half of the fiscal year. In the second half, however, demand recovered and grew for transportation of electronic components, semiconductors, and automobile parts destined for China and other parts of Asia from Japan as well as demand for transportation of apparel and electronic components bound for North America from China. Our ability to capture a wide range of demand for import, export, and trilateral cargo transportation led available ton-kilometers (ATKs) to increase by 9.0% year on year and revenue ton-kilometers (RTKs) to rise by 17.5%. Cargo volume was up by 17.7%, to 0.95 million tons, and unit price declined by 30.0%, to ¥98, due to yen appreciation, the impacts of competition with other airlines, and the fact that the expenses from the abolition of International Cargo Agency Commission were offset by related revenues\*. As a result,

operating revenues from the International Cargo Business decreased by 17.7%, to ¥93.3 billion.

In the Domestic Cargo Business, we sought to take full advantage of demand by scheduling additional services for high-demand periods. However, overall demand was sluggish throughout the fiscal year and operations were also impacted by unseasonable weather, causing a decline of 3.4% in cargo volume, to 0.45 million tons. Meanwhile, unit price rose by 0.6%, to ¥68, but operating revenues decreased by 2.8%, to ¥30.8 billion.

In the Mail Business, international operating revenues decreased by 27.0%, to ¥4.8 billion, while domestic operating revenues were down by 6.8%, to ¥3.4 billion.

As a result, total operating revenues from Cargo and Mail decreased by 14.8% year on year, to ¥132.4 billion.

\* The abolition of International Cargo Agency Commission resulted in a year-on-year decrease of approximately ¥17.0 billion in operating revenues. (Operating expenses decreased by the same amount.)

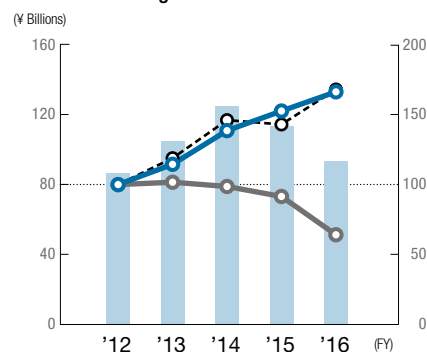
### Cargo and Mail Business Results

(Fiscal Year)	2016	2015	YoY (%)
Cargo and mail services revenues (¥ Billions)	132.4	155.3	-14.8
International cargo			
ATKs (Millions)	6,583	6,040	+9.0
RTKs (Millions)	4,150	3,532	+17.5
Cargo volume (Thousand tons)	954	810	+17.7
Cargo revenues (¥ Billions)	93.3	113.3	-17.7
Unit revenues (¥)	14.2	18.8	-24.5
Yield (¥)	22.5	32.1	-29.9
Unit price (¥/kg)	98	140	-30.0
Mail revenues (¥ Billions)	4.8	6.6	-27.0
Domestic cargo			
ATKs (Millions)	1,783	1,850	-3.6
RTKs (Millions)	459	472	-2.7
Cargo volume (Thousand tons)	451	466	-3.4
Cargo revenues (¥ Billions)	30.8	31.7	-2.8
Unit revenues (¥)	17.3	17.2	+0.9
Yield (¥)	67.1	67.2	-0.0
Unit price (¥/kg)	68	68	+0.6
Mail revenues (¥ Billions)	3.4	3.6	-6.8

In Others of the Air Transportation business, 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 6.2% year on year, to ¥208.7 billion.

At Vanilla Air, ASKs increased by 24.4% year on year, RPKs rose by 25.2%, and load factor was up by 0.6 percentage point, to 85.8%. As a result, operating revenues at Vanilla Air grew by approximately ¥2.0 billion.

### International Cargo Business Results



(Left) ■ International Cargo Revenues  
(Right) — ATKs — RTKs — Unit Price  
Figures for ATKs, RTKs and Unit price are indexed using the figures for fiscal year 2012 as 100.

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

(Fiscal Year)	2016	2015	YoY (%)
ASKs (Millions)	4,221	3,393	+24.4
RPKs (Millions)	3,622	2,892	+25.2
Number of passengers (Thousands)	2,129	1,691	+25.9
Load factor (%)	85.8	85.3	+0.6*

\* Difference

## Operating Expenses

Operating expenses in the Air Transportation business decreased by 1.2%, or ¥16.6 billion, year on year, to ¥1,396.8 billion.

Specific expense amounts and reasons for year-on-year changes are described below.

### Breakdown of Operating Revenues and Expenses

(Fiscal Year)	2016	2015	Change
Segment operating revenues	¥1,536,349	¥1,553,233	¥(16,884)
Domestic			
Passenger	678,326	685,638	(7,312)
Cargo	30,860	31,740	(880)
Mail	3,417	3,665	(248)
International			
Passenger	516,789	515,696	1,093
Cargo	93,301	113,309	(20,008)
Mail	4,863	6,665	(1,802)
Others	208,793	196,520	12,273
Segment operating expenses	1,396,838	1,413,476	(16,638)
Fuel and fuel tax	273,602	306,243	(32,641)
Landing and navigation fees	114,537	116,542	(2,005)
Aircraft leasing fees	100,095	95,737	4,358
Depreciation and amortization	133,836	131,999	1,837
Aircraft maintenance	112,491	110,753	1,738
Personnel	185,417	179,147	6,270
Sales commissions and promotion	92,711	105,974	(13,263)
Contracts	201,375	186,186	15,189
Others	182,774	180,895	1,879
Segment operating income	¥ 139,511	¥ 139,757	¥ (246)

#### <Fuel and Fuel Tax>

Fuel and fuel tax expenses decreased by 10.7%, or ¥32.6 billion, year on year, to ¥273.6 billion, and accounted for 19.6% of segment operating expenses, compared with 21.7% in the previous fiscal year. The main components of the decrease of ¥32.6 billion were price factors (including hedging) resulting in a decrease of around ¥44.0 billion and consumption volume factors resulting in an increase of around ¥11.5 billion.

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

#### <Landing and Navigation Fees>

The number of flights decreased by 0.2% year on year for passenger aircraft on domestic operations, increased by 8.7% for passenger aircraft on international operations, and rose by 0.5% for freighters on cargo operations, excluding Vanilla Air flights. Landing and navigation fees were down by 1.7%, or ¥2.0 billion, to ¥114.5 billion, due primarily to the use of smaller aircraft on domestic operations, and the fact that yen appreciation helped to limit increases in expenses on international operations.

#### <Aircraft Leasing Fees>

Aircraft leasing fees increased by 4.5%, or ¥4.3 billion, year on year, to ¥100.0 billion. The number of leased aircraft in service increased by four from the end of previous fiscal year, to 63 at the end of this fiscal year.

#### <Depreciation and Amortization>

Depreciation and amortization expenses increased by 1.4%, or ¥1.8 billion, year on year, to ¥133.8 billion. This increase was largely attributable to the fact that the number of Group-owned aircraft on March 31, 2017, increased by seven compared with the end of the previous fiscal year, to 205.

#### <Aircraft Maintenance>

Aircraft maintenance expenses increased by 1.5%, or ¥1.7 billion, year on year, to ¥112.4 billion. Although yen appreciation helped to control increases in expenses, aircraft maintenance expenses rose due to an increase of replacing aircraft parts and performing engine maintenance.

#### <Personnel>

Personnel expenses increased by 3.5%, or ¥6.2 billion, year on year, to ¥185.4 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 decreased by 12.5%, or ¥13.2 billion, year on year, to ¥92.7 billion. Although expenses related to sales commissions and product planning rose centered on the International Passenger Business, overall sales commissions and promotion expenses were down because of the abolition of International Cargo Agency Commission in the International Cargo Business (which also lowered operating revenues by the same amount).

#### <Contracts>

Contracts expenses increased by 8.2%, or ¥15.1 billion, year on year, to ¥201.3 billion. This increase was mainly due to a rise in outsourcing of operations to organizations outside the Group and higher internal transactions between reportable segments in conjunction with business scale expansion.

#### <Others>

Others increased by 1.0%, or ¥1.8 billion, year on year, to ¥182.7 billion. This increase can be attributed to a rise in expenses related to airport lounges and in-flight services resulted from higher passenger numbers on international flights amidst efforts to enhance service quality.

## Management's Discussion and Analysis

### Airline Related business

Segment operating revenues in fiscal year 2016 rose by 14.0%, or ¥32.5 billion, year on year, to ¥264.4 billion. This rise was due in part to increased contracts for airport ground support work (boarding procedures, baggage handling, and others) at Haneda and Kansai airports. Operating income of ¥8.3 billion was recorded, in comparison to operating loss of ¥4.2 billion in fiscal year 2015, due to the absence of a one-time write-off of the unamortized balance of goodwill (approximately ¥10.0 billion) recorded at the time of acquisition of stock in now-consolidated subsidiary Pan Am Holdings, Inc., recorded in the previous fiscal year.

#### Performance in the Airline Related Segment

(Fiscal Year)	2016	2015	Change
Segment operating revenues	¥264,457	¥231,903	¥32,554
Segment operating expenses	256,148	236,151	19,997
Segment operating income (loss)	¥ 8,309	¥ (4,248)	¥12,557

### Travel Services business

In domestic travel services, operating revenues decreased by 4.0%, or ¥5.4 billion, year on year, to ¥130.8 billion. Sales of *Tabisaku* dynamic packages were up, but overall revenues declined due to a decrease in sales of mainstay *ANA Sky Holiday* travel packages resulted from the impacts of the Kumamoto earthquakes.

In overseas travel services, operating revenues were down by 6.9%, or ¥1.4 billion, year on year, to ¥19.1 billion. For our mainstay *ANA Hallo Tour* travel packages, sales of products to Hawaii and Oceania were firm. However, those to Europe decreased significantly as a result of the lingering impacts of terrorist attacks in this region.

As a result, segment operating revenues decreased by 4.0%, or ¥6.7 billion, year on year, to ¥160.6 billion, and operating income was down by 12.8%, or ¥0.5 billion, to ¥3.7 billion.

#### Performance in the Travel Services Segment

(Fiscal Year)	2016	2015	Change
Segment operating revenues	¥160,609	¥167,349	¥(6,740)
Domestic package products	130,818	136,293	(5,475)
International package products	19,170	20,589	(1,419)
Other revenues	10,621	10,467	154
Segment operating expenses	156,868	163,058	(6,190)
Segment operating income	¥ 3,741	¥ 4,291	¥ (550)

### Trade and Retail business

In the retail business, *ANA DUTY FREE SHOP* and *ANA FESTA* airport shops achieved solid sales. In the food business, sales were up for bananas, a mainstay product in this business, while sales of nuts, dried fruits, and other processed foods declined. Semiconductor-related orders were down in the aerospace & electronics business.

As a result, for fiscal year 2016 segment operating revenues decreased by 2.5%, or ¥3.5 billion, year on year, to ¥136.7 billion, and operating income declined by 17.5%, or ¥0.9 billion, to ¥4.3 billion.

#### Performance in the Trade and Retail Segment

(Fiscal Year)	2016	2015	Change
Segment operating revenues	¥136,761	¥140,289	¥(3,528)
Segment operating expenses	132,376	134,977	(2,601)
Segment operating income	¥ 4,385	¥ 5,312	¥ (927)

### Others

In the Others segment, operating revenues were ¥34.7 billion, an increase of ¥1.0 billion, or 3.0%, year on year, due to factors such as steady performance in real estate-related business. However, operating income was ¥1.3 billion, a decrease of ¥0.2 billion, or 17.5%.

#### Performance in the Others Segment

(Fiscal Year)	2016	2015	Change
Segment operating revenues	¥34,776	¥33,754	¥1,022
Segment operating expenses	33,408	32,095	1,313
Segment operating income	¥ 1,368	¥ 1,659	¥ (291)

## Non-Operating Income / Expenses

Net non-operating expenses totaled ¥6.0 billion, compared with net non-operating expenses of ¥5.3 billion in the previous fiscal year. Although there was an increase in equity in earnings of unconsolidated subsidiaries and affiliates and a decrease in interest expenses, interest income and dividend income were down. In addition, the amount of ¥5.4 billion recorded as special dividends in fiscal year 2015 also had an impact on year-on-year comparisons.

### Non-Operating Income / Expenses

(Fiscal Year)	2016	2015	Change
Interest and dividend income	¥ 1,691	¥ 2,600	¥ (909)
Interest expenses	(9,804)	(11,455)	1,651
Foreign exchange gain/loss, net	(2,106)	(2,661)	555
Gain on sales of assets	1,957	1,115	842
Loss on sales/disposal of assets	(5,877)	(5,487)	(390)
Impairment loss	(2,208)	(4,925)	2,717
Equity in earnings of unconsolidated subsidiaries and affiliates	3,610	3,007	603
Gain on sales of investments in securities	1,976	155	1,821
Loss on valuation of investments in securities	—	(77)	77
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	(571)	—	(571)
Special retirement benefit expenses	—	(136)	136
Gain on return of substituted portion of welfare pension fund	—	131	(131)
Gain on revision of retirement benefit plan	—	(399)	399
Gain on sales of property and equipment	121	—	121
Gain on donation of non-current assets	3,238	3,632	(394)
Loss on sales/disposal of property and equipment	(361)	—	(361)
Special dividend	—	5,467	(5,467)
Other, net	2,257	3,634	(1,377)
Total	¥(6,077)	¥ (5,399)	¥ (678)

## Net Income Attributable to Owners of the Parent

As a result of the above, income before income taxes increased by 6.4%, or ¥8.3 billion, year on year, to ¥139.4 billion. After income taxes, municipal taxes, business taxes, and other adjustments, net income attributable to owners of the parent increased by 26.4%, or ¥20.6 billion, to ¥98.8 billion. Earnings per share were ¥28.23, compared with ¥22.36 for the previous fiscal year.

Comprehensive income rocketed up by 2,917.2%, or ¥140.7 billion, year on year, to ¥145.6 billion, following a decrease in deferred loss 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 ¥150.6 billion with 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 2017.

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

### Overview of Fiscal Year 2016

The Group recorded positive free cash flow of ¥42.4 billion, which was the sum of cash flows from operating activities and investing activities. Net cash provided by financing activities totaled ¥3.3 billion. As a result, cash and cash equivalents increased by ¥43.9 billion from April 1, 2016, to ¥309.0 billion as of March 31, 2017.

### Cash Flows from Operating Activities

As a result of adjustments to the ¥139.4 billion in income before income taxes for non-cash items including depreciation and amortization, notes and accounts payable and notes and accounts receivable, and income taxes paid, net cash provided by operating activities was ¥237.0 billion, down by ¥26.7 billion year on year. The primary reason behind this decrease was that income taxes paid increased to ¥75.7 billion, up from ¥44.1 billion in fiscal year 2015.

### Interest Coverage Ratio\*

(Fiscal Year)	2016	2015
Interest coverage ratio	23.9	22.3

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



## Management's Discussion and Analysis

### Cash Flows from Investing Activities

Net cash used in investing activities totaled expenditures of ¥194.6 billion, up ¥120.2 billion year on year. Uses of cash included payment for purchases of property and equipment totaling ¥224.8 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 purchases of intangible assets, including investment in software, used cash of ¥29.5 billion. Conversely, proceeds from sales of property and equipment, which included aircraft, totaled ¥68.1 billion. Net cash used in investing activities amounted to ¥197.3 billion when excluding cash movements resulting in net proceeds of ¥2.6 billion from the acquisition and sale of periodic and negotiable deposits of more than three months.

### Free Cash Flow

As mentioned above, net cash provided by operating activities totaled ¥237.0 billion, and net cash used in investing activities amounted to ¥194.6 billion. Consequently, positive free cash flow of ¥42.4 billion was recorded, down by ¥147.0 billion year on year. Substantial free cash flow came to a positive ¥39.7 billion, a year-on-year decrease of ¥48.2 billion, 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 provided by financing activities was ¥3.3 billion, compared with net cash used in financing activities of ¥133.2 billion in the previous fiscal year. Proceeds from issuance of bonds and from long-term loans were recorded, while outlays were made in the forms of payment for dividends and repayment of long-term debt and finance lease obligations.

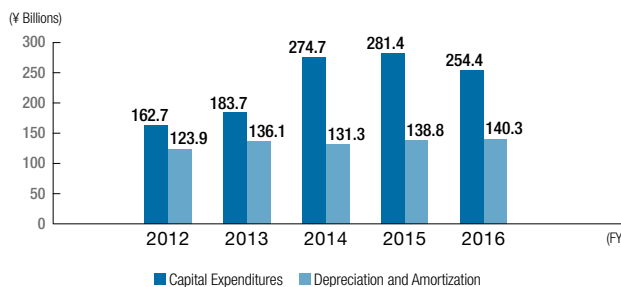
## Capital Expenditures and Aircraft Procurement

### 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 fiscal year 2016 decreased by 9.6% year on year, to ¥254.4 billion, mainly reflecting investment in aircraft, such as the Boeing 787s.

By segment, capital expenditures decreased by 8.2% year on year, to ¥247.2 billion in Air Transportation; decreased by 21.5%, to ¥8.4 billion in Airline Related; increased by 195.7%, to ¥1.0 billion in Travel Services; decreased by 41.2%, to ¥1.3 billion in Trade and Retail; and increased by 2,372.2%, to ¥0.4 billion in Others.

### Capital Expenditures\* / Depreciation and Amortization



\* Capital expenditures 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, optimizing 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 pursues to select the most economical aircraft procurement method.

## Aircraft Procured in Fiscal Year 2016

Based on the aforementioned fleet strategy, the number of aircraft in service increased by 11 compared with March 31, 2016, to 268 as of March 31, 2017. During the fiscal year, the Group purchased 17 new aircraft, consisting of 10 Boeing 787-9s, one Boeing 787-8, four Airbus A321-200s, and two Airbus A320-200neos.

Conversely, the Group sold 16 aircraft during the fiscal year, including one Boeing 787-9, one Boeing 787-8, four Boeing 777-200s, one Boeing 767-300, two Boeing 737-700s, three Boeing 737-500s, and four Airbus A321-200s. Of these aircraft, six were leased back. The table below shows changes in the number of aircraft in service.

## Changes in the Number of Aircraft in Service in Fiscal Year 2016

Aircraft	Number of aircraft as of March 31, 2017	Owned	Leased
Boeing 777-300	29	23	6
Boeing 777-200	24 (- 4)	17 (- 3)	7 (- 1)
Boeing 787-9	21 (+10)	20 (+ 9)	1 (+ 1)
Boeing 787-8	36 (+ 1)	31	5 (+ 1)
Boeing 767-300	37 (- 1)	25 (+ 1)	12 (- 2)
Boeing 767-300F (Freighter)	12	8	4
Airbus A321-200	4 (+ 4)	0	4 (+ 4)
Airbus A320-200neo	2 (+ 2)	2 (+ 2)	0
Airbus A320-200	22 (+ 4)	10	12 (+ 4)
Boeing 737-800	36	24	12
Boeing 737-700	7 (- 2)	7 (- 2)	0
Boeing 737-500	17 (- 3)	17 (- 3)	0
Bombardier DHC-8-400	21	21 (+ 3)	0 (- 3)
<b>Total</b>	<b>268 (+11)</b>	<b>205 (+ 7)</b>	<b>63 (+ 4)</b>

Figures for Airbus A320-200s included 12 aircraft (all leased) operated by Vanilla Air Inc. (8 as of March 31, 2016). Separate from the figures above, as of March 31, 2017, 18 aircraft were leased outside the Group (16 as of March 31, 2016).

## Aircraft Procurement Plan for Fiscal Year 2017

The Group's aircraft procurement plan for fiscal year 2017 involves the introduction of 18 aircraft to promote expansion on international operations and the transition to use of narrow-body aircraft on domestic operations for the purpose of optimizing supply to demand. This will include six Boeing 787-9s, six Airbus A321-200neos, three Airbus A320-200neos, and three Bombardier DHC-8-400s. Meanwhile, the Group plans to retire 16 aircraft comprising three Boeing 777-200s, four Boeing 767-300s, five Boeing 737-500s, and four Airbus A320-200s during fiscal year 2017.

# Management's Discussion and Analysis

## Financial Position

### Assets

Total assets increased by ¥85.6 billion compared with March 31, 2016, to ¥2,314.4 billion, as of March 31, 2017.

Total current assets amounted to ¥666.7 billion on March 31, 2017, up ¥35.5 billion from a year earlier. Cash and deposits increased by ¥5.5 billion, to ¥60.8 billion, and marketable securities increased by ¥35.5 billion, to ¥257.9 billion. As a result, liquidity on hand from cash on hand and in banks and marketable securities increased by ¥41.1 billion, to ¥318.7 billion.

Total non-current assets at the end of the fiscal year stood at ¥1,647.1 billion, up ¥50.0 billion from a year earlier. This rise was primarily a result of an increase in property and equipment stemming from the acquisition of aircraft as well as an increase in investments in securities associated with investment in Vietnam Airlines.

### Liabilities

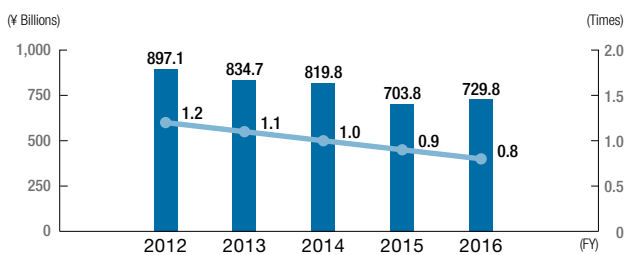
Total liabilities decreased by ¥43.6 billion compared with the end of the previous fiscal year, to ¥1,390.2 billion, as of March 31, 2017.

Total current liabilities totaled ¥572.6 billion at the end of the fiscal year, a decrease of ¥12.8 billion from a year earlier. This decrease was largely attributable to a decline in accrued income taxes.

Total long-term liabilities amounted to ¥817.5 billion on March 31, 2017, a decrease of ¥30.8 billion from a year earlier. This result was primarily due to declines in long-term loans and liability for retirement benefits.

Interest-bearing debt, including finance lease obligations, increased by ¥25.9 billion, to ¥729.8 billion. The debt/equity ratio declined from 0.9 times to 0.8 times. The debt/equity ratio including off-balanced lease obligations decreased from 1.0 times to 0.8 times.

### Interest-Bearing Debt / Debt/Equity Ratio



(Left) ■ Interest-Bearing Debt (Right) — Debt/Equity Ratio

Excluding off-balanced lease obligations

### Interest-Bearing Debt

(End of Fiscal Year)	2016	2015	Change
<b>Short-term debt:</b>	<b>¥118,382</b>	¥ 94,781	¥ 23,601
Short-term loans	70	177	(107)
Current portion of long-term loans	93,292	86,803	6,489
Current portion of bonds	20,000	—	20,000
Finance lease obligations	5,020	7,801	(2,781)
<b>Long-term debt*:</b>	<b>¥611,495</b>	¥609,105	¥ 2,390
Long-term loans	469,655	488,172	(18,517)
Bonds	125,000	105,000	20,000
Finance lease obligations	16,840	15,933	907
<b>Total interest-bearing debt</b>	<b>¥729,877</b>	¥703,886	¥ 25,991

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

### Net Assets

Total net assets increased by ¥129.2 billion from the end of the previous fiscal year, to ¥924.1 billion, as of March 31, 2017.

Shareholders' equity increased by ¥82.8 billion from March 31, 2016, to ¥933.1 billion as of March 31, 2017, due in part to retained earnings rising to ¥334.8 billion, an increase of ¥81.3 billion from the previous fiscal year-end, after the recording of net income attributable to owners of the parent.

Accumulated other comprehensive loss decreased ¥46.3 billion, to ¥14.0 billion. Factors behind this outcome included a decrease in deferred loss on hedging instruments.

As a result, total shareholders' equity increased by ¥129.2 billion from the previous fiscal year-end, coming to ¥919.1 billion at the end of the fiscal year. The shareholders' equity ratio increased 4.3 percentage points, to 39.7%.

Book value per share (BPS) increased from ¥225.87 to ¥262.44.

## 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 A- to A during fiscal year 2016. Bond ratings as of March 31, 2017, were as follows:

### Bond Ratings

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

## Retirement Benefit 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

(Fiscal Year / End of Fiscal Year)	¥ Millions	
	2016	2015
Retirement benefit obligation	¥(227,979)	¥(238,030)
Plan assets at fair value	72,563	74,748
Unfunded retirement benefit obligation	(155,416)	(163,282)
Liability for retirement benefits	(156,751)	(163,351)
Asset for retirement benefits	1,335	69
Net liability and asset for retirement benefits in the consolidated balance sheet	(155,416)	(163,282)
Retirement benefit expenses of defined benefit corporate pension plans	14,983	13,627
Main basis for actuarial calculations		
Discount rates	0.1–1.2%	0.1–1.2%
Expected rates of return on plan assets	1.5–3.0%	1.5–5.5%
Contribution to defined contribution pension plans	¥ 3,995	¥ 3,787

## Fuel 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, 2017, the Group had a hedge ratio of approximately 30% for fiscal year 2017, approximately 20% for fiscal year 2018, and approximately 5% for fiscal year 2019.

For foreign exchange, the Group hedges U.S. dollar payments for fuel expenses three years in advance and U.S. dollar payments associated with capital expenditures for aircraft and other items five years in advance of the payment periods. 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 revenues. As of March 31, 2017, the

Group had a hedge ratio for U.S. dollar fuel payments of approximately 50% for fiscal year 2017, approximately 25% for fiscal year 2018, and approximately 10% for fiscal year 2019.

### <Fuel Expense Sensitivity>

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

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

### <Foreign Exchange Rate Sensitivity>

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

- Operating income:  
A decrease of approximately ¥0.5 billion per year  
(¥1 depreciation versus US\$1\*, ANA brand only)

\* Assumptions: The foreign currency hedge ratio for fuel expenses was approximately 50% 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 bolster shareholder returns while maintaining financial soundness. This goal will be accomplished as we secure the funds needed to conduct growth investments, such as in aircraft, to support future business development. The possibility of making further shareholder returns through dividend increases and share buybacks will be examined on an ongoing basis while considering the appropriate level for free cash flow.

### Dividends for Fiscal Year 2016 and Plans for Fiscal Year 2017

For fiscal year 2016, the Company paid cash dividends of ¥6.00 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 business environment.

For fiscal year 2017, the Company expects to pay cash dividends of ¥6.00 per share, the same as in fiscal year 2016, based on its earnings forecast announced on April 28, 2017.



# 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, 2017.

## (1) Risk of Economic Recession

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

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

## (2) Risks Related to the Group’s Management Strategy

### 1. Risks Related to the Group’s Fleet Strategy

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

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

#### 1) Dependence on The Boeing Company

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

#### 2) Delay of Aircraft Development Plans by Mitsubishi Aircraft Corporation

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

### 2. Risks Related to Airport Slots

The Group has made various investments and operational changes to take advantage of significant business opportunities created by the expansion of slots at Haneda and Narita airports. Around fiscal year 2020, slots are expected to increase from 447

thousand to 486 thousand per year at Haneda Airport, and from 300 thousand to 340 thousand at Narita Airport. However, if the number or the timing of the allocation of slots at the two Tokyo metropolitan area airports (Haneda and Narita) differs from the Group’s projections, it could affect achievement of the targets of the Group’s corporate strategy.

### 3. Risks Related to the LCC Business

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

### 4. Risks Related to Investments

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

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

## (3) Risks Related to Crude Oil Price Fluctuations

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

### 1. Risk of Increase in Crude Oil Prices

Generally, an increase in the price of crude oil causes an increase in the price of jet fuel, which imposes substantial additional costs on the Group. Accordingly, to control the risk of fluctuations in the price of jet fuel and to stabilize operating income, the Group hedges risks using crude oil and jet fuel commodity derivatives in planned, continuous hedging

transactions for specific periods of time. In the event that crude oil prices rise over a short period, there are limitations to the Group's ability to offset increases in crude oil prices through ongoing cost reductions as well as raising fares and charges. For these reasons, the Group may be unable to avoid the influence of a sharp increase in crude oil prices completely, depending on factors such as hedging positions.

## 2. Risk of Sudden Decrease in Crude Oil Prices

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

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

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

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

## (5) Risks Related to Foreign Exchange Rate Fluctuations

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

upon hedge positions and other factors, this may preclude immediate reflection in lower jet fuel costs and impact the Group's ability to enjoy the benefits from appreciation of the yen.

## (6) Risks Related to the International Situation

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

## (7) Risks Related to Statutory Regulations

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

## (8) Risks Related to Litigation

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

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 CO<sub>2</sub> and other greenhouse gases, use of environmentally polluting substances and their disposal, and energy use at major offices. Compliance with such statutory regulations imposes a considerable economic burden on the Group and business activities may be constrained or additional significant expenses incurred if new regulations are introduced, such as a globally shared environmental tax related to an international greenhouse gas emissions credit trading scheme planned for implementation toward 2021.

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

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

### (12) Risks Related to Competition

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

### (13) Risks Related to Ineffective Strategic Alliances

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

However, the benefits of Star Alliance membership might diminish if the alliance is broken up by antitrust laws in various countries; an alliance partner withdraws from the Star Alliance or

changes its business policies; another alliance group becomes more competitive; bilateral alliances between member companies end; an alliance partner performs poorly, restructures, or becomes less creditworthy; or restrictions on alliance activities are tightened due to external factors. Such eventualities could affect the Group's performance.

### (14) Risks Related to Flight Operations

#### 1. Aircraft Accidents

An aircraft accident involving a flight operated by the Group or a code-share partner could cause a drop in customer confidence and impair the Group's public reputation, creating a medium- to long-term downturn in demand that could significantly affect the Group's performance. On January 19, 2017, an aircraft on ANA flight 1831, which is operated by ANA WINGS CO., LTD., out of New Chitose Airport, overran the runway. 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 inspections and other maintenance activities may be performed. The occurrence of such a situation could affect the Group's safety credibility or performance.

Of particular note, the Group has been consolidating its fleet around the Boeing 787 and other new models. The discovery of 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 31.01 million members (as of the end of March 2017) of the ANA Mileage Club. The Personal Information Protection Law of Japan and similar laws in countries overseas require proper management of such personal information. The Group has established a privacy policy, apprised customers of the Group's stance regarding the handling of

personal information, and established measures to counter any foreseeable contingency to ensure information security, including in its IT systems. In addition, work procedures and information systems are continuously monitored and revised to eliminate any potential security gaps. Despite these precautions, the occurrence of a major leak of personal information caused by unauthorized access, an error in conducting business, or some other factor could carry significant costs, in terms of both compensation and loss of public confidence, which could affect the Group's performance.

### (16) Risks Related to Disasters

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

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

### (17) Risks Related to Revenue and Expense Structure

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

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

### (18) Risks Related to IT Systems

The Group is highly dependent on information systems for such critical functions as customer service and operational management. A major disruption of one of those systems or of telecommunications networks caused by natural disasters, accidents, computer viruses or unauthorized access, power supply constraints,

large-scale power outages, or system failures or malfunctions would make it difficult to maintain customer service and operations and would result in a loss of public confidence, which could affect the Group's performance. Further, the Group's information systems are also used by its partner airlines so there is a possibility that the impact of systems failure would not be limited to the Group.

### (19) Risks Related to Personnel and Labor

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

### (20) Risk of Inability to Secure Required Personnel

The 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, 2017

ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2017	2016	2017
<b>Current assets:</b>			
Cash and deposits (Notes 14 and 19)	¥ 60,835	¥ 55,293	\$ 542,249
Marketable securities (Notes 4 and 14)	257,950	222,380	2,299,224
Notes and accounts receivable (Note 14)	154,668	141,900	1,378,625
Accounts receivable from and advances to unconsolidated subsidiaries and affiliates	4,262	3,867	37,989
Lease receivables (Note 6)	28,948	30,391	258,026
Inventories (Notes 6 and 21)	64,912	61,853	578,589
Deferred income taxes (Note 9)	36,173	50,832	322,426
Prepaid expenses and other	59,332	64,821	528,852
Allowance for doubtful accounts	(355)	(149)	(3,164)
<b>Total current assets</b>	<b>666,725</b>	<b>631,188</b>	<b>5,942,820</b>
<b>Property and equipment:</b>			
Land (Note 6)	49,887	49,612	444,665
Buildings and structures (Note 6)	263,340	265,744	2,347,268
Aircraft (Note 6)	1,773,182	1,636,814	15,805,169
Machinery and equipment	107,201	107,107	955,530
Vehicles	28,971	28,696	258,231
Furniture and fixtures	52,144	58,335	464,782
Lease assets (Notes 6 and 11)	15,095	30,640	134,548
Construction in progress	151,889	185,643	1,353,855
<b>Total</b>	<b>2,441,709</b>	<b>2,362,591</b>	<b>21,764,052</b>
<b>Accumulated depreciation</b>	<b>(1,081,446)</b>	<b>(1,034,637)</b>	<b>(9,639,415)</b>
<b>Net property and equipment</b>	<b>1,360,263</b>	<b>1,327,954</b>	<b>12,124,636</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 14)	76,387	67,840	680,871
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	46,821	41,461	417,336
Lease and guaranty deposits	10,791	10,044	96,185
Long-term receivables	11,136	13,053	99,260
Deferred income taxes (Note 9)	52,759	55,974	470,264
Intangible assets	89,004	80,743	793,332
Other assets	524	551	4,670
<b>Total investments and other assets</b>	<b>287,422</b>	<b>269,666</b>	<b>2,561,921</b>
<b>TOTAL (Note 16)</b>	<b>¥ 2,314,410</b>	<b>¥ 2,228,808</b>	<b>\$20,629,378</b>

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2017	2016	2017
<b>Current liabilities:</b>			
Short-term loans (Notes 6 and 14)	¥ 70	¥ 177	\$ 623
Current portion of long-term debt (Notes 6 and 14)	118,312	94,604	1,054,568
Notes and accounts payable (Note 14)	181,768	165,581	1,620,180
Accounts payable to unconsolidated subsidiaries and affiliates	4,866	4,741	43,372
Advance ticket sales	150,614	128,618	1,342,490
Accrued expenses	62,025	60,876	552,856
Income taxes payable	11,288	43,573	100,615
Asset retirement obligations (Note 8)	–	8	–
Other current liabilities	43,704	87,312	389,553
<b>Total current liabilities</b>	<b>572,647</b>	<b>585,490</b>	<b>5,104,260</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 14)	611,495	609,105	5,450,530
Liability for retirement benefits (Note 7)	156,751	163,351	1,397,192
Deferred income taxes (Note 9)	1,444	1,409	12,871
Asset retirement obligations (Note 8)	1,074	941	9,573
Other long-term liabilities	46,824	73,612	417,363
<b>Total long-term liabilities</b>	<b>817,588</b>	<b>848,418</b>	<b>7,287,530</b>
<b>Commitments and contingent liabilities</b> (Note 13)			
<b>Net assets</b> (Note 12):			
Common stock:			
Authorized – 5,100,000,000 shares;			
Issued – 3,516,425,257 shares in 2017 and 2016	318,789	318,789	2,841,509
Capital surplus	283,249	282,774	2,524,725
Retained earnings	334,880	253,545	2,984,936
Treasury stock – 14,122,319 shares in 2017 and 19,227,093 shares in 2016	(3,756)	(4,830)	(33,478)
Accumulated other comprehensive income:			
Unrealized gain on securities	20,636	19,527	183,937
Deferred loss on derivatives under hedge accounting	(11,799)	(51,620)	(105,169)
Foreign currency translation adjustments	3,364	3,873	29,984
Defined retirement benefit plans	(26,206)	(32,162)	(233,585)
<b>Total</b>	<b>919,157</b>	<b>789,896</b>	<b>8,192,860</b>
<b>Non-controlling interests</b>	<b>5,018</b>	<b>5,004</b>	<b>44,727</b>
<b>Total net assets</b>	<b>924,175</b>	<b>794,900</b>	<b>8,237,588</b>
<b>TOTAL</b>	<b>¥2,314,410</b>	<b>¥2,228,808</b>	<b>\$20,629,378</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Income

ANA HOLDINGS INC. and its consolidated subsidiaries  
Year Ended March 31, 2017

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2017	2016	2017
<b>Operating revenues</b> (Note 16)	<b>¥1,765,259</b>	¥1,791,187	<b>\$15,734,548</b>
<b>Cost of sales</b> (Note 7)	<b>1,324,846</b>	1,337,540	<b>11,808,949</b>
<b>Gross profit</b>	<b>440,413</b>	453,647	<b>3,925,599</b>
<b>Selling, general and administrative expenses</b> (Notes 7 and 17)	<b>294,874</b>	317,184	<b>2,628,344</b>
<b>Operating income</b> (Note 16)	<b>145,539</b>	136,463	<b>1,297,254</b>
<b>Other income (expenses):</b>			
Interest income	502	792	4,474
Dividend income	1,189	1,808	10,598
Equity in earnings of unconsolidated subsidiaries and affiliates	3,610	3,007	32,177
Gain on sales of assets	1,957	1,115	17,443
Gain on donation of non-current assets	3,238	3,632	28,861
Interest expenses	(9,804)	(11,455)	(87,387)
Foreign exchange loss, net	(2,106)	(2,661)	(18,771)
Loss on sales of assets	(493)	(117)	(4,394)
Loss on disposal of assets	(5,384)	(5,370)	(47,990)
Other, net (Note 21)	1,214	3,850	10,820
<b>Other expenses, net</b>	<b>(6,077)</b>	(5,399)	<b>(54,167)</b>
<b>Income before income taxes</b>	<b>139,462</b>	131,064	<b>1,243,087</b>
<b>Income taxes</b> (Note 9):			
Current	41,557	60,401	370,416
Deferred	(1,402)	(7,923)	(12,496)
<b>Total income taxes</b>	<b>40,155</b>	52,478	<b>357,919</b>
<b>Net income</b>	<b>99,307</b>	78,586	<b>885,168</b>
<b>Net income attributable to non-controlling interests</b>	<b>480</b>	417	<b>4,278</b>
<b>Net income attributable to owners of the parent</b>	<b>¥ 98,827</b>	¥ 78,169	<b>\$ 880,889</b>

	Yen		U.S. dollars (Note 2)
	2017	2016	2017
<b>Per share of common stock</b> (Notes 3, 12 and 18):			
Basic net income	¥28.23	¥22.36	\$0.25
Cash dividends applicable to the year	6.00	5.00	0.05

Net income per share assuming full dilution is not disclosed as the Company had no potentially dilutive shares outstanding during the years ended March 31, 2017 and 2016. See accompanying notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

ANA HOLDINGS INC. and its consolidated subsidiaries  
Year Ended March 31, 2017

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2017	2016	2017
<b>Net income</b>	<b>¥ 99,307</b>	¥ 78,586	<b>\$ 885,168</b>
<b>Other comprehensive income (loss)</b> (Note 10):			
Unrealized gain (loss) on securities	1,100	(11,071)	9,804
Deferred gain (loss) on derivatives under hedge accounting	39,245	(56,411)	349,808
Foreign currency translation adjustments	(576)	(160)	(5,134)
Defined retirement benefit plans	5,943	(5,512)	52,972
Share of other comprehensive income (loss) in affiliates	589	(606)	5,250
<b>Total other comprehensive income (loss)</b> (Note 10)	<b>46,301</b>	(73,760)	<b>412,701</b>
<b>Comprehensive income</b>	<b>¥145,608</b>	¥ 4,826	<b>\$1,297,869</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	¥145,204	¥ 4,589	\$1,294,268
Non-controlling interests	¥ 404	¥ 237	\$ 3,601

See accompanying notes to consolidated financial statements.



# Consolidated Statement of Changes in Net Assets

ANA HOLDINGS INC. and its consolidated subsidiaries  
Year Ended March 31, 2017

	Thousands						Yen (Millions)						
	Number of Shares of Common Stock Outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income					Non-controlling interests	Total net assets
							Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
<b>Balance at April 1, 2015</b>	3,494,356	¥318,789	¥282,209	¥189,353	¥(5,269)	¥785,082	¥ 30,684	¥ 5,279	¥3,855	¥(26,620)	¥ 13,198	¥5,272	¥803,552
Net income attributable to owners of the parent				78,169		78,169							78,169
Cash dividends ¥4.00 per share (Note 12)				(13,977)		(13,977)							(13,977)
Purchase of treasury stock (Note 12)	(1,510)				(482)	(482)							(482)
Disposal of treasury stock (Note 12)	4,352		565		921	1,486							1,486
Net changes in the 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)
<b>Balance at March 31, 2016</b>	3,497,198	318,789	282,774	253,545	(4,830)	850,278	19,527	(51,620)	3,873	(32,162)	(60,382)	5,004	794,900
Net income attributable to owners of the parent				98,827		98,827							98,827
Cash dividends ¥5.00 per share (Note 12)				(17,492)		(17,492)							(17,492)
Purchase of treasury stock (Note 12)	(100)				(31)	(31)							(31)
Disposal of treasury stock (Note 12)	5,205		475		1,138	1,613							1,613
Changes in scope of consolidation					(33)	(33)							(33)
Net changes in the year	-					-	1,109	39,821	(509)	5,956	46,377	14	46,391
Total changes during the fiscal year		-	475	81,335	1,074	82,884	1,109	39,821	(509)	5,956	46,377	14	129,275
<b>Balance at March 31, 2017</b>	3,502,303	¥318,789	¥283,249	¥334,880	¥(3,756)	¥933,162	¥ 20,636	¥(11,799)	¥3,364	¥(26,206)	¥(14,005)	¥5,018	¥924,175

	Thousands						U.S. dollars (Thousands) (Note 2)						
	Number of Shares of Common Stock Outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income					Non-controlling interests	Total net assets
							Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
<b>Balance at March 31, 2016</b>	3,497,198	\$2,841,509	\$2,520,492	\$2,259,960	\$(43,051)	\$7,578,910	\$174,052	\$(460,112)	\$34,521	\$(286,674)	\$(538,211)	\$44,602	\$7,085,301
Net income attributable to owners of the parent				880,889		880,889							880,889
Cash dividends ¥5.00 per share (Note 12)				(155,914)		(155,914)							(155,914)
Purchase of treasury stock (Note 12)	(100)				(276)	(276)							(276)
Disposal of treasury stock (Note 12)	5,205		4,233		10,143	14,377							14,377
Changes in scope of consolidation					(294)	(294)							(294)
Net changes in the year	-					-	9,885	354,942	(4,536)	53,088	413,379	124	413,503
Total changes during the fiscal year		-	4,233	724,975	9,573	738,782	9,885	354,942	(4,536)	53,088	413,379	124	1,152,286
<b>Balance at March 31, 2017</b>	3,502,303	\$2,841,509	\$2,524,725	\$2,984,936	\$(33,478)	\$8,317,693	\$183,937	\$(105,169)	\$29,984	\$(233,585)	\$(124,832)	\$44,727	\$8,237,588

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

ANA HOLDINGS INC. and its consolidated subsidiaries  
Year Ended March 31, 2017

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Income before income taxes and non-controlling interests	¥ 139,462	¥ 131,064	\$ 1,243,087
Adjustments for:			
Depreciation and amortization (Note 16)	140,354	138,830	1,251,038
Impairment loss (Note 20)	2,208	4,925	19,680
Amortization of goodwill (Note 16)	176	10,170	1,568
Loss on disposal and sale of property and equipment	4,160	4,372	37,079
Gain on sales and valuation of investment securities	(1,976)	–	(17,612)
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	571	–	5,089
Increase in allowance for doubtful accounts	143	374	1,274
Increase (decrease) in liability for retirement benefits	1,615	(7,816)	14,395
Interest and dividend income	(1,691)	(2,600)	(15,072)
Interest expenses	9,804	11,455	87,387
Foreign exchange loss (gain)	1,668	(189)	14,867
Special retirement benefit expenses	–	136	–
Gain on transfer of benefit obligation relating to employees' pension fund	–	(131)	–
Expenses related to revision of pension plans	–	399	–
Special dividend	–	(5,467)	–
(Increase) decrease in notes and accounts receivable	(16,092)	4,917	(143,435)
Decrease in other current assets	5,808	5,794	51,769
Increase (decrease) in notes and accounts payable	13,026	(16,073)	116,106
Other, net	19,955	36,688	177,867
Subtotal	319,191	316,848	2,845,093
Interest and dividends received	3,519	3,204	31,366
Interest paid	(9,910)	(11,841)	(88,332)
Payments for special retirement	–	(136)	–
Income taxes paid	(75,716)	(44,197)	(674,890)
<b>Net cash provided by operating activities</b>	<b>237,084</b>	<b>263,878</b>	<b>2,113,236</b>
<b>Cash flows from investing activities:</b>			
Purchases of marketable securities	(29,460)	(279,370)	(262,590)
Proceeds from redemption of marketable securities	32,120	380,770	286,300
Purchases of property and equipment	(224,888)	(252,583)	(2,004,528)
Proceeds from sales of property and equipment	68,145	104,571	607,407
Purchases of intangible assets	(29,537)	(28,833)	(263,276)
Purchases of investment securities	(13,898)	(6,986)	(123,879)
Proceeds from sales of investment securities	4,701	486	41,902
Proceeds from withdrawal of investment securities	162	2,079	1,443
Proceeds from special dividends	–	5,467	–
Purchases of investments in subsidiaries with changes in scope of consolidation	64	–	570
Payment of loans receivables	(192)	(174)	(1,711)
Proceeds from collection of loans receivables	121	187	1,078
Other, net	(1,989)	(57)	(17,728)
<b>Net cash used in investing activities</b>	<b>(194,651)</b>	<b>(74,443)</b>	<b>(1,735,012)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term loans, net	(95)	(26)	(846)
Proceeds from long-term loans	79,729	69,476	710,660
Repayment of long-term loans	(91,761)	(147,077)	(817,907)
Proceeds from issuance of bonds	39,769	29,845	354,479
Repayment of bonds	–	(65,000)	–
Repayment of finance lease obligations	(8,162)	(7,018)	(72,751)
Payment for dividends	(17,492)	(13,977)	(155,914)
Other, net	1,361	520	12,131
<b>Net cash provided by (used in) financing activities</b>	<b>3,349</b>	<b>(133,257)</b>	<b>29,851</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,847)</b>	<b>8</b>	<b>(16,463)</b>
<b>Net increase in cash and cash equivalents</b>	<b>43,935</b>	<b>56,186</b>	<b>391,612</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>265,123</b>	<b>208,937</b>	<b>2,363,160</b>
<b>Cash and cash equivalents at end of year</b> (Note 19)	<b>¥ 309,058</b>	<b>¥ 265,123</b>	<b>\$ 2,754,773</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

ANA HOLDINGS INC. and its consolidated subsidiaries  
Year Ended March 31, 2017

## 1. Basis of presenting consolidated financial statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

## 2. Translation of financial statements

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of readers outside of Japan, have been translated into United States dollars at the rate of ¥112.19 = US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2017. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at that or any other 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.

## 3. Summary of significant accounting policies

### (a) Consolidation

The consolidated financial statements as of March 31, 2017, include the accounts of the Company and its 63 (62 in 2016) significant subsidiaries (collectively, the "Group").

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

Investments in 17 (18 in 2016) unconsolidated subsidiaries and significant affiliates are accounted for by the equity method.

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

Investments in 85 (82 in 2016) subsidiaries and affiliates which are not consolidated or accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

### (b) Foreign currency translation

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

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

**(c) Marketable securities and investment securities**

Marketable securities and investment securities are classified into three categories: trading, held-to-maturity or available-for-sale. Under the accounting standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. See Note 4 "Marketable securities and investment securities" for additional information.

**(d) Allowance for doubtful accounts**

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

**(e) Inventories**

Inventories include aircraft spare parts, supplies and stock in trade of consolidated subsidiaries, and are stated at cost, principally determined by the moving-average method. The net book value of inventories in the consolidated balance sheet is written down when their net realizable value declines. See Note 21 "Supplementary information for the consolidated statement of income" for additional information.

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

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

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

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

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

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

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. The assets of the Group are grouped by individual property in the case of rental real estate, assets determined to be sold and idle assets, and by management accounting categories in the case of business assets. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. See Note 20 "Impairment loss" for additional information.

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

Intangible assets are amortized principally by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life of purchased software.

**(h) Retirement benefits**

The retirement benefit plans of the Group cover substantially all employees other than directors and corporate auditors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments or annuity payments based on their compensation at the time of leaving and years of service with the Company and subsidiaries.

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

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

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



## Notes to Consolidated Financial Statements

### (i) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. See Note 9 "Income taxes" for additional information.

### (j) Leases

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

### (k) Derivatives

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

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

### (l) Revenue recognition

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

### (m) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and negotiable certificates of deposit, all of which mature or become due within three months of the date of acquisition. See Note 19 "Supplementary cash flow information" for additional information.

### (n) 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 benefit 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's employees to work in unison to overcome the current harsh business environment and achieve further growth, and as a measure to advance employee welfare. The aim of the Plan is to promote the employees' asset building by encouraging stock acquisition and holding through the expansion of the "ALL NIPPON AIRWAYS CO., LTD. Employee Stock Ownership Association," "ANA Group Employee Stock Ownership Association" and "ALL NIPPON AIRWAYS TRADING CO., LTD. Employee Stock Ownership Association" (the "Stock Ownership Association").

The Plan is an incentive plan for all employees who participate in the Stock Ownership Association. Under the Plan, the "ANA Group Employee Stock Ownership Trust" (the "ESOT"), which was established to transfer the Company's shares to the Stock Ownership Association, will acquire a portion of the Company's shares in a single purchase and sell them to the Stock Ownership Association over a certain period of time. If a gain on sale of shares is then accumulated within the ESOT through the sale of the Company's shares to the Stock Ownership Association by the termination of the 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

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

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

The book value of the Company's own stock held by trusts was ¥1,346 million (\$11,997 thousand) as of March 31, 2017 and ¥2,433 million as of March 31, 2016, and is recorded as treasury stock in net assets.

The number of shares held by the ESOT as of March 31, 2017 was 6,379 thousand, the average number of shares during the fiscal year ended March 31, 2017 was 8,493 thousand, the number of shares as of March 31, 2016 was 11,531 thousand, and the average number of shares during the fiscal year ended March 31, 2016 was 13,352 thousand. For the purpose of calculating per share information, the number of shares at the end of the fiscal year and the average number of shares during the fiscal year are included in treasury stock.

### (o) Share remuneration plan for directors

The Company has been conducting transactions of delivering its own stock through a trust as a share remuneration plan (the "Trust for Delivery of Shares to Directors") in order to improve its operating performance, increase its corporate value and raise the directors' awareness of shareholder-oriented management.

### (1) Transaction outline

Trust for Delivery of Shares to Directors is a system in which funds are contributed by the Company, and shares acquired are distributed to the Company's directors in accordance with to the Company's operating performance, etc.

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

The Company's own stock remaining in the trust is recorded at the book value (excluding associated expenses) of the trust and is reflected as treasury stock in net assets. The book value is 429 million yen for the previous fiscal year and 417 million yen for the current fiscal year. The number of shares is 1,357 thousand shares for the previous fiscal year and 1,318 thousand shares for the current fiscal year.

### (p) Changes in accounting policies

#### Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

In accordance with the revision to the Corporation Tax Act, certain consolidated subsidiaries within Japan apply "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32 of June 17, 2016) as of April 1, 2016, and changed the depreciation method for buildings and accompanying facilities and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of these changes on the profit and loss for the year ended March 31, 2017 is immaterial.

## 4. Marketable securities and investment securities

Marketable and investment securities as of March 31, 2017 and 2016 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Current:			
Negotiable certificates of deposits	¥257,950	¥222,380	\$2,299,224
Other	—	—	—
Total	¥257,950	¥222,380	\$2,299,224
Non-current:			
Marketable equity securities	¥ 51,492	¥ 55,201	\$ 458,971
Other	24,895	12,639	221,900
Total	¥ 76,387	¥ 67,840	\$ 680,871

The costs and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016, were as follows:

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

## Notes to Consolidated Financial Statements

As of March 31, 2016	Yen (Millions)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposits	¥222,380	¥ -	¥ -	¥222,380
Marketable equity securities	27,331	28,324	455	55,200
Held-to-maturity	1	-	-	1

As of March 31, 2017	U.S. dollars (Thousands)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposits	\$2,299,224	\$ -	\$ -	\$2,299,224
Marketable equity securities	204,180	256,555	1,764	458,971
Held-to-maturity	-	-	-	-

The proceeds, realized gains and realized losses on the available-for-sale securities which were sold during the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Proceeds	¥4,696	¥486	\$41,857
Gain on sales	1,976	155	17,612
Loss on sales	-	-	-

The breakdown of securities for which fair value cannot be reliably determined at March 31, 2017 and 2016 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Available-for-sale	¥24,895	¥12,639	\$221,900

The redemption schedule of available-for-sale securities with maturities and held-to-maturity securities as of March 31, 2017 and 2016 is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Bonds:			
Within 1 year	¥ -	¥ 1	\$ -
Over 1 year to 5 years	-	-	-
Over 5 years to 10 years	-	-	-
Over 10 years	-	-	-
Other securities with maturities:			
Within 1 year	257,950	222,380	2,299,224
Over 1 year to 5 years	-	-	-
Over 5 years to 10 years	3,535	2,756	31,509
Over 10 years	-	3,330	-
Total:			
Within 1 year	¥257,950	¥222,381	\$2,299,224
Over 1 year to 5 years	-	-	-
Over 5 years to 10 years	3,535	2,756	31,509
Over 10 years	-	3,330	-

## 5. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2017 and 2016 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Investments in capital stock	¥42,981	¥37,709	\$383,109
Advances	3,840	3,752	34,227
Total	¥46,821	¥41,461	\$417,336

## 6. Short-term loans and long-term debt

Short-term loans and current portion of long-term debt at March 31, 2017 and 2016 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Short-term loans	¥ 70	¥ 177	\$ 623
Current portion of long-term loans	93,292	86,803	831,553
Current portion of bonds	20,000	–	178,269
Current portion of finance lease obligations	5,020	7,801	44,745
Total	¥118,382	¥94,781	\$1,055,192

The average interest rates on the above short-term loans were 0.001% per annum in 2017.

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Bonds			
3.20% notes due 2017	¥ 20,000	¥ 20,000	\$ 178,269
2.45% notes due 2018	10,000	10,000	89,134
1.22% notes due 2024	30,000	30,000	267,403
1.20% notes due 2026	15,000	15,000	133,701
0.38% notes due 2019	30,000	30,000	267,403
0.99% notes due 2036	20,000	–	178,269
0.26% notes due 2020	20,000	–	178,269
	145,000	105,000	1,292,450
Loans, principally from banks:			
Secured, bearing interest from 0.15% to 2.11% in 2017 and 0.21% to 2.11% in 2016, maturing in installments through 2037	335,944	339,988	2,994,420
Unsecured, bearing interest from 0.46% to 3.54% in 2017 and 0.92% to 3.54% in 2016, maturing in installments through 2026	227,003	234,987	2,023,379
	562,947	574,975	5,017,800
Finance lease obligations			
Finance lease agreements expiring through 2027	21,860	23,734	194,848
	729,807	703,709	6,505,098
Less current portion	118,312	94,604	1,054,568
Total	¥611,495	¥609,105	\$5,450,530

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



## Notes to Consolidated Financial Statements

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2017 and 2016:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Assets at net book value:			
Aircraft (including aircraft spare parts included in inventories)	¥588,699	¥599,994	\$5,247,339
Land and buildings	3,154	3,997	28,113
Lease receivables	17,733	20,127	158,062
Others	10,146	10,145	90,435
Total	¥619,732	¥634,263	\$5,523,950

The aggregate annual maturities of long-term debt after March 31, 2017 are as follows:

Years ending March 31	Yen (Millions)	U.S. dollars (Thousands)
2018	¥118,312	\$1,054,568
2019	96,964	864,283
2020	104,326	929,904
2021	92,214	821,944
2022	57,422	511,828
Thereafter	260,569	2,322,568
Total	¥729,807	\$6,505,098

### 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.

(a) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Balance at the beginning of the fiscal year	¥238,030	¥240,684	\$2,121,668
Service cost	9,520	9,324	84,856
Interest cost	1,818	2,169	16,204
Actuarial (gains) losses	(4,064)	7,042	(36,224)
Benefits paid	(16,083)	(19,968)	(143,355)
Accrued prior service cost	49	-	436
Decrease due to transition to the defined contribution pension plans	-	(1,489)	-
Other	(1,291)	268	(11,507)
Balance at the end of the fiscal year	¥227,979	¥238,030	\$2,032,079

(b) The changes in plan assets for the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Balance at the beginning of the fiscal year	¥74,748	¥80,199	\$666,262
Expected return on plan assets	1,309	1,445	11,667
Actuarial losses	(662)	(3,303)	(5,900)
Employer contributions	2,353	3,036	20,973
Benefits paid	(5,377)	(5,140)	(47,927)
Decrease due to transition to the defined contribution pension plans	-	(1,489)	-
Other	192	-	1,711
Balance at the end of the fiscal year	¥72,563	¥74,748	\$646,786

(c) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of the defined benefit obligation and plan assets as of March 31, 2017 and 2016 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Funded defined benefit obligation	¥ 85,092	¥ 93,077	\$ 758,463
Plan assets at fair value	(72,563)	(74,748)	(646,786)
	12,529	18,329	111,676
Unfunded defined benefit obligation	142,887	144,953	1,273,616
Net liability arising from defined benefit obligation in the balance sheet	¥155,416	¥163,282	\$1,385,292
Liability for defined benefits	¥156,751	¥163,351	\$1,397,192
Asset for defined benefits	(1,335)	(69)	(11,899)
Net liability arising from defined benefit obligation in the balance sheet	¥155,416	¥163,282	\$1,385,292

(d) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Service cost	¥ 9,520	¥ 9,324	\$ 84,856
Interest cost	1,818	2,169	16,204
Expected return on plan assets	(1,309)	(1,445)	(11,667)
Recognized actuarial losses	4,575	3,199	40,779
Amortization of prior service cost	379	380	3,378
Net periodic benefit costs	¥14,983	¥13,627	\$133,550

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Prior service cost	¥ (330)	¥ (380)	\$ (2,941)
Actuarial (losses) gains	(7,977)	7,147	(71,102)
Total	¥(8,307)	¥6,767	\$(74,044)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Unrecognized actuarial losses	¥27,229	¥35,207	\$242,704
Unrecognized prior service cost	10,528	10,856	93,840
Total	¥37,757	¥46,064	\$336,545

(g) Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2017 and 2016 consisted of the following:

	2017	2016
Bonds	46%	55%
General accounts	12	12
Stocks	9	8
Cash and deposits	3	0
Other	30	25
Total	100%	100%

## Notes to Consolidated Financial Statements

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

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.

(h) Assumptions used for the years ended March 31, 2017 and 2016 are set forth as follows:

	2017	2016
Discount rates	0.1 – 1.2%	0.1 – 1.2%
Expected rates of return on plan assets	1.5 – 3.0%	1.5 – 5.5%

### (i) Defined contribution pension plans

The contributions to the defined contribution pension plans of the Company and certain subsidiaries were ¥3,995 million (\$35,609 thousand) and ¥3,787 million for the years ended March 31, 2017 and 2016, respectively.

## 8. Asset retirement obligations

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

#### (1) Overview of asset retirement obligations

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

#### (2) Calculation of asset retirement obligations

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

The following table indicates the changes in asset retirement obligations for the years ended March 31, 2017 and 2016:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Balance at beginning of the fiscal year	¥ 949	¥825	\$8,458
Liabilities incurred due to the acquisition of property and equipment	5	4	44
Accretion expense	15	14	133
Liabilities settled	(14)	(83)	(124)
Other	119	189	1,060
Balance at the end of the fiscal year	¥1,074	¥949	\$9,573

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

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

## 9. Income taxes

The Company and certain of its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.86% and 33.06% for the years ended March 31, 2017 and 2016, respectively.

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

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Deferred tax assets:			
Liability for retirement benefits	¥ 48,447	¥ 50,209	\$ 431,829
Accrued bonuses to employees	13,458	12,786	119,957
Long-term unearned revenue	7,270	7,409	64,800
Deferred loss on hedging instruments	5,953	23,583	53,061
Unrealized gain on inventories and property and equipment	4,976	5,054	44,353
Tax loss carryforwards	4,775	6,817	42,561
Accrued enterprise tax	2,034	3,230	18,129
Impairment loss	1,457	2,043	12,986
Other	20,196	20,011	180,016
Total gross deferred tax assets	108,566	131,142	967,697
Less valuation allowance	(6,486)	(10,899)	(57,812)
Total net deferred tax assets	102,080	120,243	909,885
Deferred tax liabilities:			
Unrealized gain on securities	(8,721)	(8,637)	(77,734)
Retained earnings of subsidiaries and affiliates	(2,173)	(2,170)	(19,368)
Deferred gain on hedging instruments	(808)	(1,384)	(7,202)
Special taxation measures legal reserve	(243)	(553)	(2,165)
Other	(2,647)	(2,102)	(23,593)
Total gross deferred tax liabilities	(14,592)	(14,846)	(130,065)
Net deferred tax assets	¥ 87,488	¥105,397	\$ 779,819

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the years ended March 31, 2017 and 2016 is as follows:

	2017	2016
Normal effective statutory tax rate	30.86%	33.06%
Reconciliation:		
Expenses not deductible for income tax purposes	0.49	0.95
Inhabitants tax per capita levy	0.14	0.15
Amortization of goodwill	0.04	2.57
Changes in valuation allowance	(1.98)	(0.26)
Other, net	(0.76)	3.57
Actual effective income tax rate	28.79%	40.04%



## Notes to Consolidated Financial Statements

### 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, 2017 and 2016.

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Unrealized gain (loss) on securities:			
Amount arising during the fiscal year	¥ 3,155	¥(16,863)	\$ 28,121
Reclassification adjustments to profit or loss	(1,973)	(49)	(17,586)
Amount of unrealized gain (loss) on securities before tax effect	1,182	(16,912)	10,535
Tax effect	(82)	5,841	(730)
Total	1,100	(11,071)	9,804
Deferred gain (loss) on derivatives under hedge accounting:			
Amount arising during the fiscal year	93,876	(1,458)	836,759
Reclassification adjustments to profit or loss	(37,580)	(80,098)	(334,967)
Amount of deferred gain (loss) on derivatives under hedge accounting before tax effect	56,296	(81,556)	501,791
Tax effect	(17,051)	25,145	(151,983)
Total	39,245	(56,411)	349,808
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(576)	(160)	(5,134)
Total	(576)	(160)	(5,134)
Defined retirement benefit plans:			
Amount arising during the fiscal year	3,353	(10,344)	29,886
Reclassification adjustments to profit or loss	4,954	3,577	44,157
Amount of defined retirement benefit plans before tax effect	8,307	(6,767)	74,044
Tax effect	(2,364)	1,255	(21,071)
Total	5,943	(5,512)	52,972
Share of other comprehensive income (loss) in affiliates:			
Amount arising during the fiscal year	345	(669)	3,075
Reclassification adjustments to profit or loss	244	63	2,174
Total	589	(606)	5,250
Total other comprehensive income (loss)	¥ 46,301	¥(73,760)	\$ 412,701

### 11. Leases

#### As lessee

##### (a) Finance leases

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

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

##### (b) Operating leases

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

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Current portion of operating lease obligations	¥ 44,979	¥ 44,985	\$ 400,918
Long-term operating lease obligations	216,899	201,944	1,933,318
Total	¥261,878	¥246,929	\$2,334,236

## As lessor

### (a) Operating leases

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

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Current portion of operating lease receivables	¥ 626	¥223	\$ 5,579
Long-term operating lease receivables	4,853	193	43,256
Total	¥5,479	¥416	\$48,836

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

Supplementary information for the consolidated statement of changes in net assets for the year ended March 31, 2017 consisted of the following:

### (a) Dividends

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

#### (1) Dividends paid to shareholders

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 <sup>(*)</sup>	¥17,492	\$155,914	Retained earnings	¥5.00	\$0.04	March 31, 2016	June 29, 2016

(\*) The total amount of dividends does not include ¥64 million (\$570 thousand) in dividends paid to the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates. This is because the Company's shares held by the ANA Group Employee Stock Ownership Trust, subsidiaries and 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 23, 2017	Annual general meeting of shareholders	Common stock <sup>(*)</sup>	¥21,021	\$187,369	Retained earnings	¥6.00	\$0.05	March 31, 2017	June 26, 2017

(\*) The total amount of dividends does not include ¥45 million (\$401 thousand) in dividends to be paid to the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates. This is because the Company's shares held by the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates are recognized as treasury stock.

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

## Notes to Consolidated Financial Statements

### (b) Type and number of outstanding shares

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

(\*1) The increase by 100 thousand shares corresponds to the purchase of fractional shares.

(\*2) The decrease of 5,205 thousand shares of treasury stock is the aggregate of 13 thousand shares, which the Company sold to the holders of fractional shares upon their request, 5,152 thousand shares, which were sold by the ANA Group Employee Stock Ownership Trust during the current fiscal year, and 39 thousand shares, which were sold by the Trust for delivery of shares to directors.

(\*3) Treasury stock includes 6,379 thousand shares in the Company held by the ANA Group Employee Stock Ownership Trust, and 1,318 thousand shares held by the Trust for delivery of shares to directors, each at the end of the current fiscal year.

As of March 31, 2016 Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	3,516,425	–	–	3,516,425
Total	3,516,425	–	–	3,516,425
Treasury stock:				
Common stock <sup>(*1, *2, *3)</sup>	22,069	1,510	4,352	19,227
Total	22,069	1,510	4,352	19,227

(\*1) The increase by 1,510 thousand shares corresponds to the sum of the purchase of fractional shares by 153 thousand shares and 1,357 thousand shares held by the Trust for Delivery of Shares to Directors.

(\*2) The decrease of 4,352 thousand shares of treasury stock is the total of 17 thousand shares, which the Company sold to the holders of fractional shares upon their request, 4,328 thousand shares, which were sold by the ANA Group Employee Stock Ownership Trust during the current fiscal year, and 7 thousand shares, which were sold by its subsidiaries and affiliates.

(\*3) Treasury stock includes 11,531 thousand shares in the Company held by the ANA Group Employee Stock Ownership Trust, and 1,357 thousand shares held by the Trust for Delivery of Shares to Directors, each at the end of the current fiscal year.

## 13. Commitments and contingent liabilities

At March 31, 2017, commitments outstanding for the acquisition or construction of property and equipment were ¥1,242,931 million (\$11,078,803 thousand).

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥3,476 million (\$30,983 thousand) at March 31, 2017.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,732 million (\$60,005 thousand) at March 31, 2017.

At March 31, 2016, commitments outstanding for the acquisition or construction of property and equipment were ¥1,461,085 million.

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥185 million at March 31, 2016.

## 14. Financial instruments and related disclosures

### Overview

#### **(a) Group policy for financial instruments**

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

#### **(b) Types of financial instruments and related risk**

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

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

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

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

For derivatives, in order to reduce the foreign currency exchange rate risk arising from 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 manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

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

#### **2) Management of Market Risks (fluctuation risks of foreign currency exchange rates and interest rates)**

In order to reduce foreign currency exchange rate risks, the Group principally utilizes forward foreign exchange contracts for receivables and payables denominated in foreign currencies. In order to mitigate the interest rate fluctuation risks 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 management regulations for derivative transactions which set forth transaction authority and limits on transaction amounts.

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

#### **3) Management of Liquidity Risks Related to Financing (risks that the Group cannot meet the due dates of payables)**

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value estimates. In addition, the notional amounts of derivatives presented in Note 15 "Derivatives and hedging activities" are not necessarily indicative of the actual market risk involved in derivative transactions.



## Notes to Consolidated Financial Statements

### Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2017 and 2016, and estimated fair value, are shown in the following tables. The following tables do not include financial instruments for which fair value cannot be reliably determined (Please refer to Note 2 below).

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

As of March 31, 2016	Yen (Millions)		
	Carrying value	Fair value	Differences
<b>Assets:</b>			
Cash and deposits	¥ 55,293	¥ 55,293	¥ -
Notes and accounts receivable	141,900	141,900	-
Marketable securities and investment securities	277,581	277,581	-
<b>Total assets</b>	<b>¥474,774</b>	<b>¥474,774</b>	<b>¥ -</b>
<b>Liabilities:</b>			
Notes and accounts payable	¥165,581	¥165,581	¥ -
Short-term loans	177	177	-
Bonds	105,000	109,104	4,104
Long-term loans	574,975	598,823	23,848
<b>Total liabilities</b>	<b>¥845,733</b>	<b>¥873,685</b>	<b>¥27,952</b>
Derivatives*	¥ (73,359)	¥ (73,359)	¥ -

As of March 31, 2017	U.S. dollars (Thousands)		
	Carrying value	Fair value	Differences
<b>Assets:</b>			
Cash and deposits	\$ 542,249	\$ 542,249	\$ -
Notes and accounts receivable	1,378,625	1,378,625	-
Marketable securities and investment securities	2,758,204	2,758,204	-
<b>Total assets</b>	<b>\$4,679,080</b>	<b>\$4,679,080</b>	<b>\$ -</b>
<b>Liabilities:</b>			
Notes and accounts payable	\$1,620,180	\$1,620,180	\$ -
Short-term loans	623	623	-
Bonds	1,292,450	1,327,961	35,511
Long-term loans	5,017,800	5,137,445	119,645
<b>Total liabilities</b>	<b>\$7,931,054</b>	<b>\$8,086,210</b>	<b>\$155,156</b>
Derivatives*	\$ (152,099)	\$ (152,099)	\$ -

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

Notes:

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

#### Assets

(a) Cash and deposits

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

(b) Notes and accounts receivable

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

(c) Marketable securities and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable and investment securities by classification is included in Note 4 "Marketable securities and investment securities" of the notes to the consolidated financial statements.

**Liabilities**

(a) Notes and accounts payable

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

(b) Short-term loans

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

(c) Bonds

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

(d) Long-term loans

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

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

As of March 31, 2017	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Unlisted stocks	¥24,895	¥12,639	\$221,900

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

3. The redemption schedule for receivables and available-for-sale and held-to-maturity securities with maturities as of March 31, 2017 and 2016 is summarized as follows:

As of March 31, 2017	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
Deposits	¥ 60,059	¥-	¥ -	¥-
Notes and accounts receivable	154,668	-	-	-
Held-to-maturity bonds	-	-	-	-
Other securities with maturities	257,950	-	3,535	-
<b>Total</b>	<b>¥472,677</b>	<b>¥-</b>	<b>¥3,535</b>	<b>¥-</b>

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
Deposits	¥ 54,463	¥-	¥ -	¥ -
Notes and accounts receivable	141,900	-	-	-
Held-to-maturity bonds	1	-	-	-
Other securities with maturities	222,380	-	2,756	3,330
<b>Total</b>	<b>¥418,744</b>	<b>¥-</b>	<b>¥2,756</b>	<b>¥3,330</b>

As of March 31, 2017	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
Deposits	\$ 535,332	\$-	\$ -	\$-
Notes and accounts receivable	1,378,625	-	-	-
Held-to-maturity bonds	-	-	-	-
Other securities with maturities	2,299,224	-	31,509	-
<b>Total</b>	<b>\$4,213,182</b>	<b>\$-</b>	<b>\$31,509</b>	<b>\$-</b>

## Notes to Consolidated Financial Statements

4. The redemption schedule for bonds, loans and other interest-bearing liabilities as of March, 2017 and 2016 is summarized as follows:

As of March 31, 2017	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 loans	¥ 70	¥ -	¥ -	¥ -
Bonds	20,000	60,000	45,000	20,000
Long-term loans	93,292	277,065	149,058	43,532
<b>Total</b>	<b>¥113,362</b>	<b>¥337,065</b>	<b>¥194,058</b>	<b>¥63,532</b>

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 loans	¥ 177	¥ -	¥ -	¥ -
Bonds	-	60,000	30,000	15,000
Long-term loans	86,803	291,966	157,401	38,805
<b>Total</b>	<b>¥86,980</b>	<b>¥351,966</b>	<b>¥187,401</b>	<b>¥53,805</b>

As of March 31, 2017	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 loans	\$ 623	\$ -	\$ -	\$ -
Bonds	178,269	534,807	401,105	178,269
Long-term loans	831,553	2,469,605	1,328,621	388,020
<b>Total</b>	<b>\$1,010,446</b>	<b>\$3,004,412</b>	<b>\$1,729,726</b>	<b>\$566,289</b>

## 15. Derivatives and hedging activities

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

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

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

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2017 and 2016 for which hedged accounting has been applied.

### (a) Currency-related transactions

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

## Notes to Consolidated Financial Statements

As of March 31, 2016		Yen (Millions)		
		Total	Notional amount Maturing after one year	Fair value
Forward foreign exchange contracts for accounts payable, accounted for by the 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 the 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 the 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	-	(*)
<b>Total</b>		<b>¥841,771</b>	<b>¥520,344</b>	<b>¥13,049</b>



As of March 31, 2017		U.S. dollars (Thousands)		
		Notional amount		Fair value
		Total	Maturing after one year	
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD	\$ 3,297	\$ 1,809	\$ 26
	EUR	80	-	0
	Other	-	-	-
Buy:				
	USD	4,066,271	2,264,907	26,232
	EUR	1,657	-	(8)
	Other	1,354	-	(8)
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	645,556	329,476	(21,080)
Buy:				
	USD (Call)	702,825	361,146	22,256
Currency swap contracts for accounts payable, accounted for by the deferral method:				
	Receive/USD and pay/JPY	18,049	-	365
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	3,458	-	(*)
	EUR	276	-	(*)
	Other	436	-	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	87,342	-	(*)
	EUR	882	-	(*)
	Other	62	-	(*)
<b>Total</b>		<b>\$5,531,553</b>	<b>\$2,957,340</b>	<b>\$ 27,783</b>

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

(\*) The estimated fair value of forward foreign exchange contracts is included in the estimated fair value of accounts payable, as the amounts in such derivative contracts accounted for as part of accounts receivable and payable are aggregated with the receivables and payables denominated in foreign currencies that are subject to hedge accounting. See Note 14 "Financial instruments and related disclosures" for additional information.

## (b) Interest-related transactions

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

As of March 31, 2016		Yen (Millions)		
		Notional amount		Fair value
		Total	Maturing after one year	
Interest rate swap hedging long-term loans:				
	Receive/floating and pay/fixed	¥230,335	¥187,685	(*)

As of March 31, 2017		U.S. dollars (Thousands)		
		Notional amount		Fair value
		Total	Maturing after one year	
Interest rate swap hedging long-term:				
	Receive/floating and pay/fixed	\$1,672,920	\$1,292,762	(*)

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

## Notes to Consolidated Financial Statements

### (c) Commodity-related transactions

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

As of March 31, 2016		Yen (Millions)		Fair value
		Notional amount		
		Total	Maturing after one year	
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		¥149,787	¥ 34,603	¥(77,253)
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	42,568	36,935	(6,452)
Buy:	Crude oil (Call)	54,821	46,987	(2,703)
Total		¥247,176	¥118,525	¥(86,408)

As of March 31, 2017		U.S. dollars (Thousands)		Fair value
		Notional amount		
		Total	Maturing after one year	
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		\$ 610,312	\$201,007	\$(140,975)
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	414,208	172,992	(32,026)
Buy:	Crude oil (Call)	528,077	223,576	(6,881)
Total		\$1,552,598	\$597,575	\$(179,882)

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

## 16. Segment information

### (a) Description of reportable segments

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

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

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

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

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

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

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

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

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

#### Notes:

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

As of and for the year ended March 31, 2016	Yen (Millions)				
	Reportable Segments				
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	¥1,458,517	¥ 48,671	¥157,558	¥115,386	¥1,780,132
Intersegment revenues or transfers	94,716	183,232	9,791	24,903	312,642
<b>Total</b>	<b>¥1,553,233</b>	<b>¥231,903</b>	<b>¥167,349</b>	<b>¥140,289</b>	<b>¥2,092,774</b>
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 property and equipment and intangible assets	269,183	10,809	349	2,306	282,647

## Notes to Consolidated Financial Statements

As of and for the year ended March 31, 2016	Yen (Millions)			
	Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	¥11,055	¥1,791,187	¥ –	¥1,791,187
Intersegment revenues or transfers	22,699	335,341	(335,341)	–
<b>Total</b>	<b>¥33,754</b>	<b>¥2,126,528</b>	<b>¥(335,341)</b>	<b>¥1,791,187</b>
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 property and equipment and intangible assets	18	282,665	(1,249)	281,416

### Notes:

- "Other" refers to all business segments that are not included in reportable segments, such as facility management, business support and other operations.
- Adjustments are as follows:
  - Adjustments to segment profit (loss) are mainly the elimination of intersegment transactions of ¥(6,470) million and corporate expenses of ¥(3,838) million.
  - Adjustments to segment assets are long-term investments (investment securities and stocks of subsidiaries and affiliates) in consolidated subsidiaries of ¥120,280 million and eliminations of intersegment transactions of ¥(177,062) million.
  - Adjustments to increase in property and equipment and intangible assets are mainly by the elimination of intersegment transactions.
- Segment profit (loss) is reconciled to operating income on the consolidated statement of income.

As of and for the year ended March 31, 2017	U.S. dollars (Thousands)				
	Reportable Segments				
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	\$12,885,069	\$ 418,923	\$1,341,946	\$ 986,505	\$15,632,444
Intersegment revenues or transfers	809,100	1,938,301	89,633	232,507	3,069,542
<b>Total</b>	<b>\$13,694,170</b>	<b>\$2,357,224</b>	<b>\$1,431,580</b>	<b>\$1,219,012</b>	<b>\$18,701,987</b>
Segment profit	\$ 1,243,524	\$ 74,061	\$ 33,345	\$ 39,085	\$ 1,390,016
Segment assets	18,613,191	1,333,113	525,519	500,935	20,972,760
Other items:					
Depreciation and amortization	1,192,940	43,604	1,524	11,337	1,249,407
Amortization of goodwill	–	552	–	1,016	1,568
Increase in property and equipment and intangible assets	2,203,404	75,648	9,198	12,086	2,300,338

As of and for the year ended March 31, 2017	U.S. dollars (Thousands)			
	Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	\$102,103	\$15,734,548	\$ –	\$15,734,548
Intersegment revenues or transfers	207,870	3,277,413	(3,277,413)	–
<b>Total</b>	<b>\$309,974</b>	<b>\$19,011,961</b>	<b>\$(3,277,413)</b>	<b>\$15,734,548</b>
Segment profit	\$ 12,193	\$ 1,402,210	\$ (104,955)	\$ 1,297,254
Segment assets	174,275	21,147,036	(517,657)	20,629,378
Other items:				
Depreciation and amortization	1,631	1,251,038	–	1,251,038
Amortization of goodwill	–	1,568	–	1,568
Increase in property and equipment and intangible assets	3,966	2,304,305	(36,500)	2,267,804

### (d) Information about geographical areas

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2017 and 2016 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
	Japan	¥1,478,040	¥1,474,234
Overseas	287,219	316,953	2,560,112
<b>Total</b>	<b>¥1,765,259</b>	<b>¥1,791,187</b>	<b>\$15,734,548</b>

### Notes:

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

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

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

For the year ended March 31, 2016	Yen (Millions)							
	Reportable Segments						Adjustments	Total
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other			
Impairment loss	¥4,285	¥640	¥-	¥-	¥-	¥-	¥4,925	

For the year ended March 31, 2017	U.S. dollars (Thousands)							
	Reportable Segments						Adjustments	Total
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other			
Impairment loss	\$17,416	\$1,800	\$-	\$463	\$-	\$-	\$19,680	

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

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

As of and for the year ended March 31, 2016	Yen (Millions)							
	Reportable Segments						Adjustments	Total
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other			
Amortization of goodwill	¥1	¥10,055	¥-	¥114	¥-	¥-	¥10,170	
Balance at the end of the fiscal year	¥-	¥ 280	¥-	¥914	¥-	¥-	¥1,194	

Note: A lump-sum write-off of the remaining balance of goodwill of ¥9,503 million is included in amortization of goodwill in the "Airline Related" segment. Since a valuation loss was recognized on the investments in a certain consolidated subsidiary within the "Airline Related" segment in the Company's nonconsolidated financial statements, the same amount was recognized as a lump-sum write-off of goodwill in the consolidated financial statements.

As of and for the year ended March 31, 2017	U.S. dollars (Thousands)							
	Reportable Segments						Adjustments	Total
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other			
Amortization of goodwill	\$-	\$ 552	\$-	\$1,016	\$-	\$-	\$1,568	
Balance at the end of the fiscal year	\$-	\$2,148	\$-	\$7,130	\$-	\$-	\$9,278	

## 17. Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Commissions	¥84,763	¥97,305	\$755,530
Advertising	11,363	11,112	101,283
Employees' salaries and bonuses	36,653	37,307	326,704
Provision for accrued bonuses to employees	7,992	7,655	71,236
Retirement benefit expenses	3,203	3,306	28,549
Depreciation	18,342	17,698	163,490



## Notes to Consolidated Financial Statements

### 18. Amounts per share

Amounts per share as of and for the years ended March 31, 2017 and 2016 are as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥262.44	¥225.87	\$2.33
Net income per share	28.23	22.36	\$0.25

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, 2017 and 2016.

2. The basis for calculating net income per share is as follows:

Years ended March 31	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Net income attributable to common shareholders	¥98,827	¥78,169	\$880,889
Amount not attributable to common shareholders	—	—	—
Net income attributable to common stock	¥98,827	¥78,169	\$880,889
Weighted-average number of shares outstanding during the fiscal year (in thousands)	3,500,205	3,496,561	3,500,205

3. The basis for calculating net assets per share is as follows:

As of March 31	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Net assets	¥924,175	¥794,900	\$8,237,588
Amounts deducted from total net assets			
Non-controlling interests	(5,018)	(5,004)	(44,727)
Net assets attributable to common stock at the end of the fiscal year	¥919,157	¥789,896	\$8,192,860
Number of shares of common stock at the end of the fiscal year used to determine net assets per share (in thousands)	3,502,302	3,497,198	3,502,302

The average number of shares of the Company held by the trust account of the ANA Group Employee Stock Ownership Trust for the year ended March 31, 2017 was 8,493 thousand, the average number of shares for the year ended March 31, 2016 was 13,352 thousand and the average number of shares held by the Trust for Delivery of Shares to Directors for the year ended March 31, 2017 was 1,324 thousand. The average number of shares held by the trust account as of March 31, 2016 (1,357 thousand) has been deducted from the weighted-average number of shares outstanding during the fiscal year.

The number of shares of the Company held by the trust account of the ANA Group Employee Stock Ownership Trust as of March 31, 2017 was 6,379 thousand, the number of shares as of March 31, 2016 was 11,531 thousand and the number of shares held by the Trust for Delivery of Shares to Directors as of March 31, 2017 was 1,318 thousand. The number of shares held by the trust account as of March 31, 2016 (1,357 thousand) has been deducted from "Number of shares of common stock at the end of the fiscal year used to determine net assets per share."

### 19. Supplementary cash flow information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheet as of March 31, 2017 and 2016, and cash and cash equivalents in the consolidated statement of cash flows is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Cash and deposits	¥ 60,835	¥ 55,293	\$ 542,249
Time deposits with maturities of more than three months	(1,087)	(1,250)	(9,688)
Marketable securities	257,950	222,380	2,299,224
Marketable securities with maturities of more than three months	(8,640)	(11,300)	(77,012)
Cash and cash equivalents	¥309,058	¥265,123	\$2,754,773

## 20. Impairment loss

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2017 and 2016. As a result, the Group recognized an impairment losses of ¥2,208 million and ¥4,925 million, included in other expenses, for the years ended March 31, 2017 and 2016, respectively. The details are as follows:

For the year ended March 31, 2017			Yen (Millions)	U.S. dollars (Thousands)
Application	Location	Category	Impairment loss	
Company housing and dormitories	Kanagawa	Land, building, structures, tools, furniture, and fixtures	¥1,756	\$15,652
Idle assets and other assets	Chiba, etc.	Land, building, structures, etc.	¥ 452	\$ 4,028
Total			¥2,208	\$19,680

Note: The Group grouped its operating assets for impairment testing based on management accounting categories, and also grouped lease assets, assets to be disposed of by sale and idle assets on an individual basis. Company housing and dormitories were written-down to their recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥1,756 million (\$15,652 thousand) was recognized. Details are as follows: ¥1,446 million (\$12,888 thousand) for land, ¥301 million (\$2,682 thousand) for building and structures and ¥7 million (\$62 thousand) for tools, furniture, and fixtures. The recoverable amount of the assets is calculated by using the fair value less costs to sell based on the estimates.

For the year ended March 31, 2016			Yen (Millions)
Application	Location	Category	Impairment loss
Company housing and dormitories	Chiba	Land, building, structures, tools, furniture, and fixtures	¥4,285
Idle assets and other assets	Tokyo, etc.	Software, etc.	¥ 640
Total			¥4,925

Note: The Group grouped its operating assets for impairment testing based on management accounting categories, and also grouped lease assets, assets to be disposed of by sale and idle assets on an individual basis. Company housing and dormitories were written-down to their recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥4,285 million was recognized. Details are as follows: ¥2,371 million for land, ¥1,907 million for building and structures, and ¥5 million for tools, furniture, and fixtures. The recoverable amount of the assets is calculated by using the fair value less costs to sell.

## 21. Supplementary information for the consolidated statement of income

### (a) Write-downs of inventory

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

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

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
	¥(565)	¥6,198	\$ (5,036)

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

### (b) Other income (expenses), net

	Yen (Millions)		U.S. dollars (Thousands)
	2017	2016	2017
Gain on sales of property and equipment (other than aircraft related)	¥ 121	¥ –	\$ 1,078
Gain on sales of investment securities	1,976	155	17,612
Gain on return of substituted portion of welfare pension fund	–	131	–
Subsidy	21	28	187
Special dividends	–	5,467	–
Loss on sales of property and equipment (other than aircraft related)	(143)	–	(1,274)
Impairment loss (Note 20)	(2,208)	(4,925)	(19,680)
Loss on disposal of property and equipment	(218)	–	(1,943)
Valuation loss on investments in securities	–	(77)	–
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	(571)	–	(5,089)
Special retirement benefit expenses	–	(136)	–
Expenses related to revision of pension plans	–	(399)	–
Other	2,236	3,606	19,930
Other income, net	¥ 1,214	¥ 3,850	\$10,820

## 22. Subsequent events

### ***(Business combination through acquisition)***

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

#### **(1) Outline of the business combination**

##### ***(a) Name and business of the acquired company***

- a. Name: Peach Aviation Limited
- b. Business: Air transportation

##### ***(b) Reason for the business combination***

By acquiring a portion of Peach, the Company will accelerate its growth while maintaining its uniqueness, and will develop Peach to lead the Japanese Low Cost Carrier market.

In addition, by promoting the Low Cost Carrier business, the Company will expand the scope of its airline business and pursue optimization of its business portfolio.

##### ***(c) Date of business combination***

April 13, 2017

##### ***(d) Legal form of business combination***

Acquisition of shares by cash

##### ***(e) Company name after business combination***

No change

##### ***(f) The percentage of voting rights acquired***

The percentage of voting rights held before the acquisition: 38.7%

The percentage of additional voting rights acquired on the date of business combination: 28.3%

The percentage of voting rights held after the acquisition: 67.0%

##### ***(g) Basis for deciding to acquire the company***

A result of the acquisition of shares by cash

#### **(2) Acquisition cost of the acquired company**

Market value at the date of business combination of the shareholders held immediately before the business combination:

¥41,567 million (\$370,505 thousand)

The acquisition cost of the acquired corporation: ¥30,458 million (\$271,485 thousand)

Total acquisition cost: ¥72,025 million (\$641,991 thousand)

#### **(3) The amount of the difference between the cost of acquisition and the total cost of acquisition per transaction**

The Company expects to record gains on step acquisitions of ¥33,801 million (\$301,283 thousand).

#### **(4) Allocation of acquisition cost**

##### **(a) Amount of assets received and liabilities incurred on the date of the business combination**

<i>Current assets</i>	¥24,408 million	(\$217,559 thousand)
<i>Fixed assets</i>	¥16,950 million	(\$151,082 thousand)
<i>Total assets</i>	¥41,359 million	(\$368,651 thousand)
<i>Current liabilities</i>	¥13,690 million	(\$122,025 thousand)
<i>Long-term liabilities</i>	¥ 7,234 million	(\$ 64,479 thousand)
<i>Total liabilities</i>	¥20,924 million	(\$186,505 thousand)

##### **(b) Amount of goodwill, cause and method of amortization and amortization period**

<i>Amount of goodwill</i>	¥58,334 million	(\$519,957 thousand)
---------------------------	-----------------	----------------------

Goodwill that resulted from the acquisition is calculated tentatively because the distribution of acquisition costs to assets and liabilities acquired has not been completed.

*Cause*

Additional future income-generating power (including synergies) are expected to be derived from future business development.

*Method of amortization and amortization period*

Goodwill is amortized by the straight-line method over the period during which the benefits of goodwill are expected to be utilized.

**(Share consolidation and change to the number of shares constituting one share unit)**

The Company's Board of Directors, at its meeting on May 17, 2017, resolved to submit a proposal for share consolidation, and to change the number of shares constituting one share unit, to the 72nd Ordinary General Meeting of Shareholders to be held on June 23, 2017. This proposal was subsequently approved by the shareholders.

**(1) Purpose of the share consolidation and the change in the number of shares constituting one share unit**

Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units with the aim of standardizing the trading units of the common stock of all domestic companies listed on Japanese stock exchanges at 100 shares.

As the Company is listed on the Tokyo Stock Exchange, the Company changed its share unit from 1,000 shares to 100 shares. In conjunction with that decision, the Company decided to consolidate its common stock at the ratio of 1 share for every 10 shares.

**(2) Details of the share consolidation**

**(a) Type of shares subject to consolidation:**

Common shares

**(b) Method and ratio of the consolidation**

The consolidation to be executed on October 1, 2017, at a ratio of 1 share for every 10 shares owned by shareholders, will be recorded in the latest shareholder registry as of September 30, 2017.

**(c) Share reduction resulting from the consolidation**

Total number of outstanding shares before consolidation	3,516,425,257 shares
Share decrease due to the consolidation	3,164,782,732 shares
Shares outstanding after the consolidation	351,642,525 shares

**(d) Treatment of any fraction less than one share**

If the share consolidation results in fractional shares of less than one share unit, such shares shall be subject to a bulk sale in accordance with the provisions of the Companies Act. The proceeds shall be distributed to the target shareholders in proportion to their respective holdings.

**(3) Details of the change in number of shares constituting one share unit**

As of October 1, 2017, the number of the Company's shares that constitute one trading unit is scheduled to be changed from 1,000 to 100.

**(4) Schedules of the share consolidation and the change in number of shares constituting one share unit**

The date of resolution by the Company's Board of Directors: May 17, 2017

The date of resolution by the Ordinary General Meeting of Shareholders: June 23, 2017

The date of the share consolidation and the change in number of shares constituting one share unit: October 1, 2017

**(5) Impact on per share information**

Per share information in the previous consolidated fiscal year and the current consolidated fiscal year under the assumption that the share consolidation was executed at the beginning of the previous consolidated fiscal year is as follows.

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥2,624.44	¥2,258.65	\$23.39
Net income per share	282.35	223.56	2.51

Note: Net income per share assuming full dilution is not disclosed as the Company had no potentially dilutive shares outstanding during the years ended March 31, 2017 and 2016.

# Deloitte.

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ANA HOLDINGS INC.:

We have audited the accompanying consolidated balance sheet of ANA HOLDINGS INC. and its consolidated subsidiaries (the "Company") as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANA HOLDINGS INC. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2016, were audited by other auditors whose report, dated June 28, 2016, expressed an unqualified opinion on those statements.

#### Convenience Translation

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

*Deloitte Touche Tohmatsu LLC*

June 23, 2017

Member of  
Deloitte Touche Tohmatsu Limited



# Glossary

## Passenger Business 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 revenues per revenue passenger-kilometer. Revenues / Revenue passenger-kilometers.

### Unit Revenues

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

### Unit Cost

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

### Revenue Management

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

### Optimizing Supply to Demand

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

## Cargo Business Terms

### Available Ton-Kilometers (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.

### 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 270 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 2017, 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

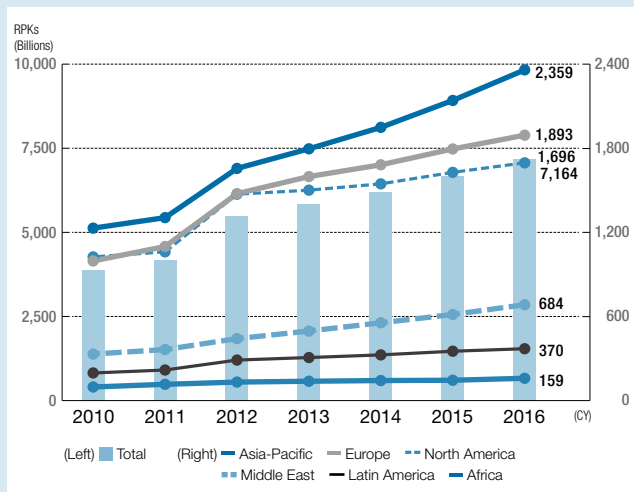
A strategy for using the two largest airports in the Tokyo metropolitan area (Haneda and Narita) for different yet complementary strategic aims and functions. At Haneda, which offers excellent access from central Tokyo, the strategy targets overall air travel demand in the Tokyo metropolitan area, including 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 2017 can be downloaded from the Company's corporate website in PDF format.  
<http://www.ana.co.jp/group/en/investors/irdata/annual/>

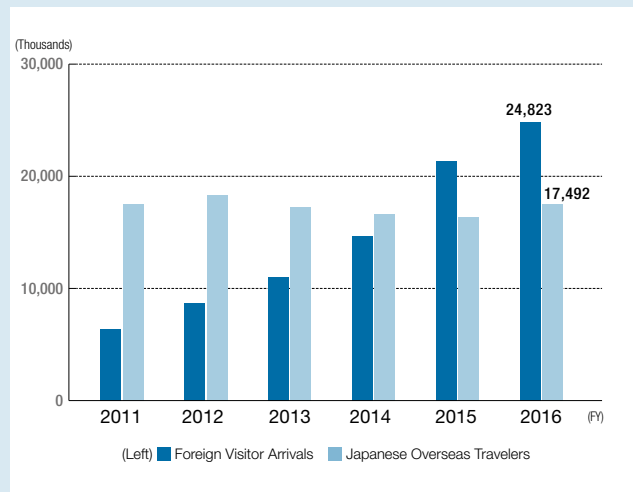
## International Passenger Market

### Global Air Transportation Passenger Volume by Region



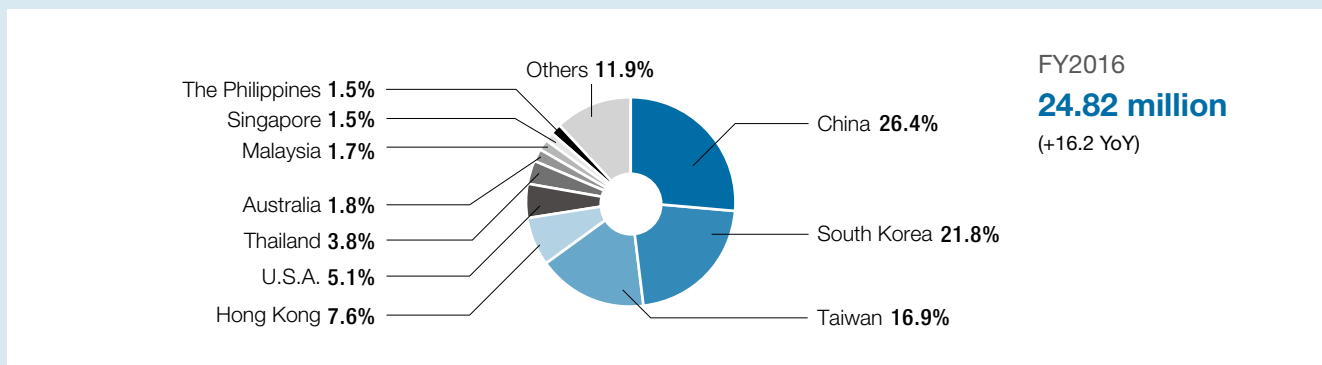
Source: International Air Transport Association (IATA), 2017

### Number of Japanese Overseas Travelers / Foreign Visitor Arrivals



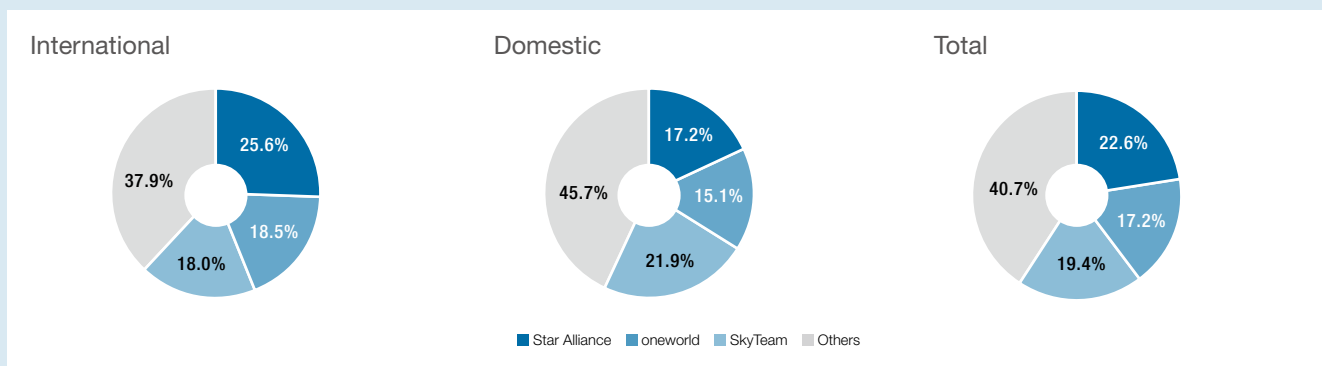
Source: Japan National Tourism Organization (JNTO), 2017

### Foreign Visitor Arrivals by Country / Region



Source: Japan National Tourism Organization (JNTO), 2017

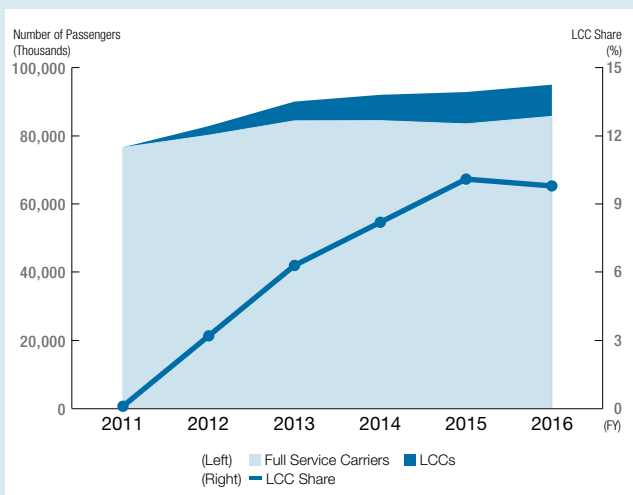
### Shares by Alliance (RPKs)



Source: International Air Transport Association (IATA), 2017

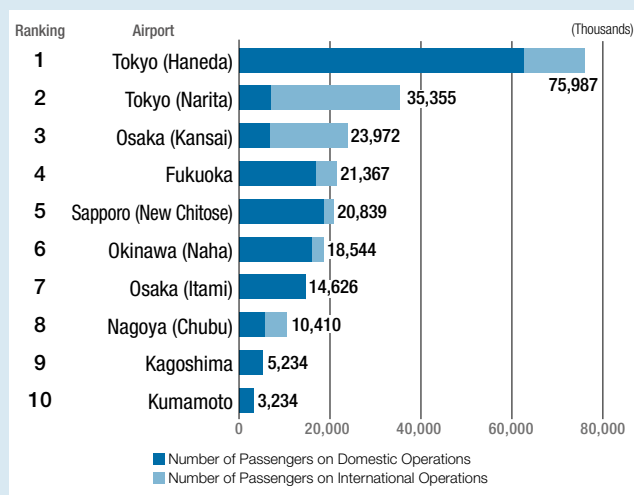
## Domestic Passenger Market

### Number of Domestic Passengers and LCC Share



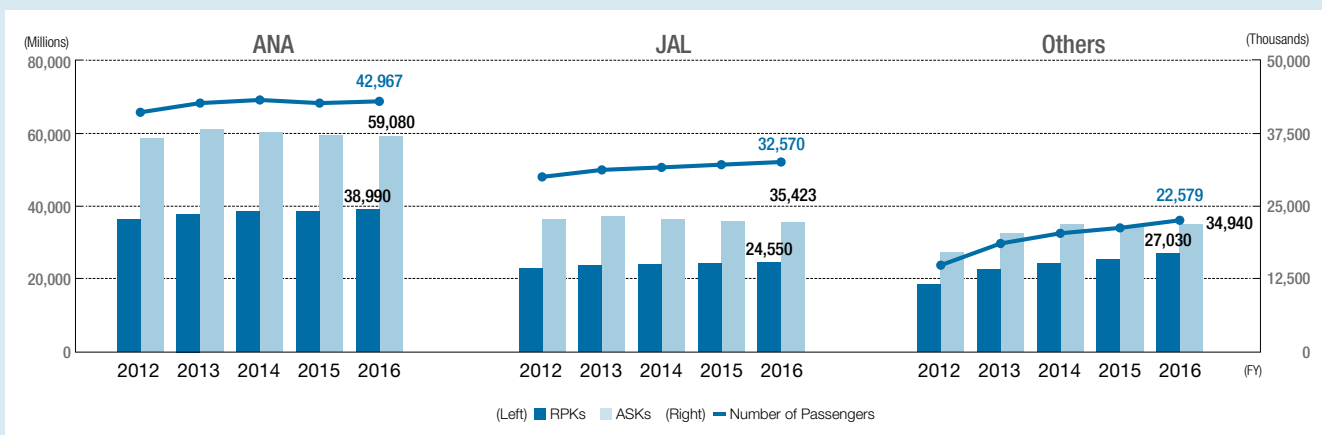
Source: Ministry of Land, Infrastructure, Transport and Tourism, fiscal year 2016

### Top 10 Airports in Japan by Number of Passengers



Note: Compilation from reports on Status of Airport Operations, fiscal year 2015  
Source: Ministry of Land, Infrastructure, Transport and Tourism, 2016

### Number of Passengers on Domestic Operations by Airline

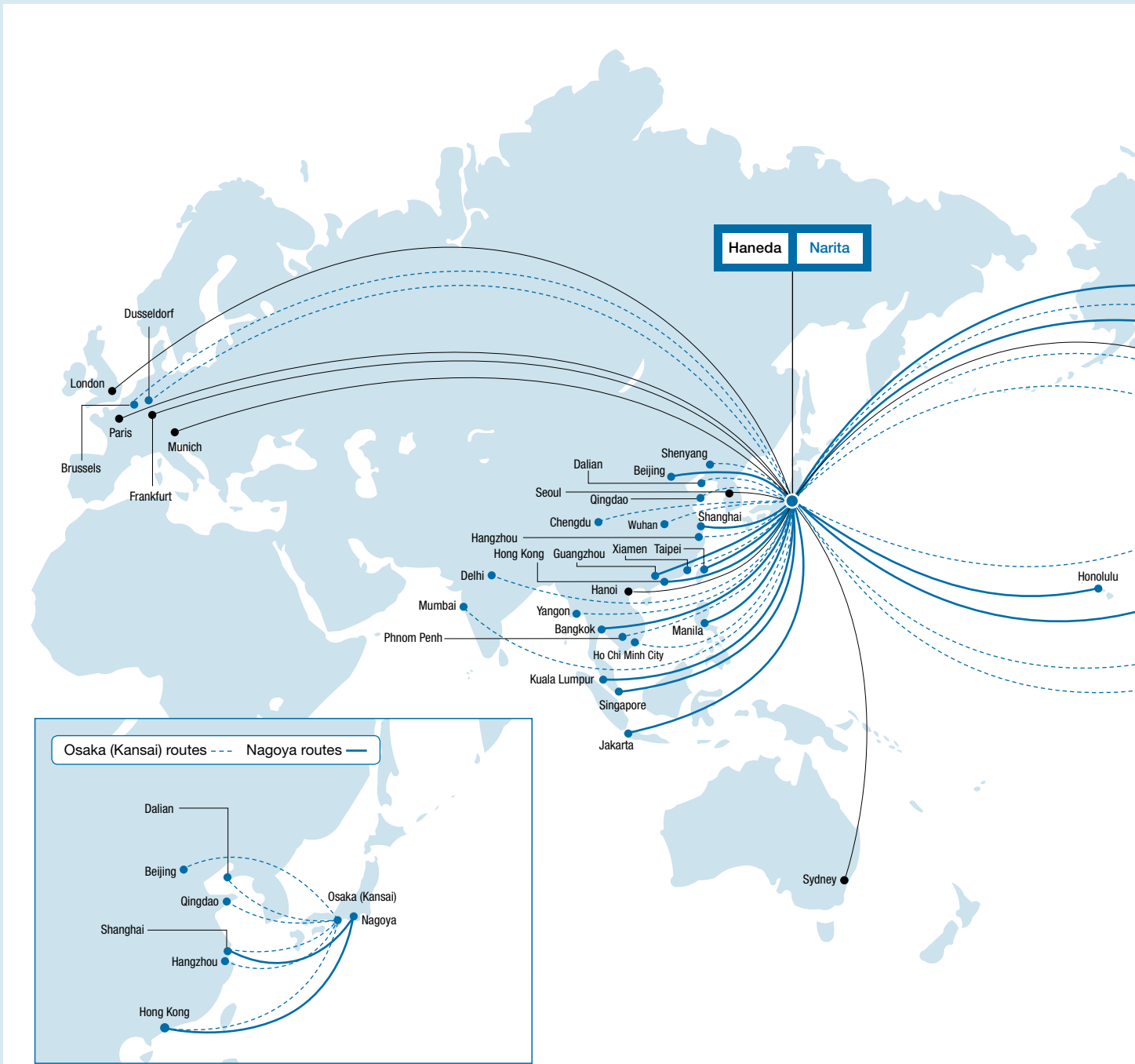


### Share of Passengers on Domestic Operations by Airline



Note: Figures for ANA exclude Vanilla Air Inc. and Peach Aviation Limited  
Sources: 1. Figures for ANA, JAL: The companies' annual securities reports (consolidated basis)  
2. Figures for total: Ministry of Land, Infrastructure, Transport and Tourism, a preliminary report for fiscal year 2016

## ANA-Operated International Routes



Please refer to the following links for information on flights to the destination of your choice.

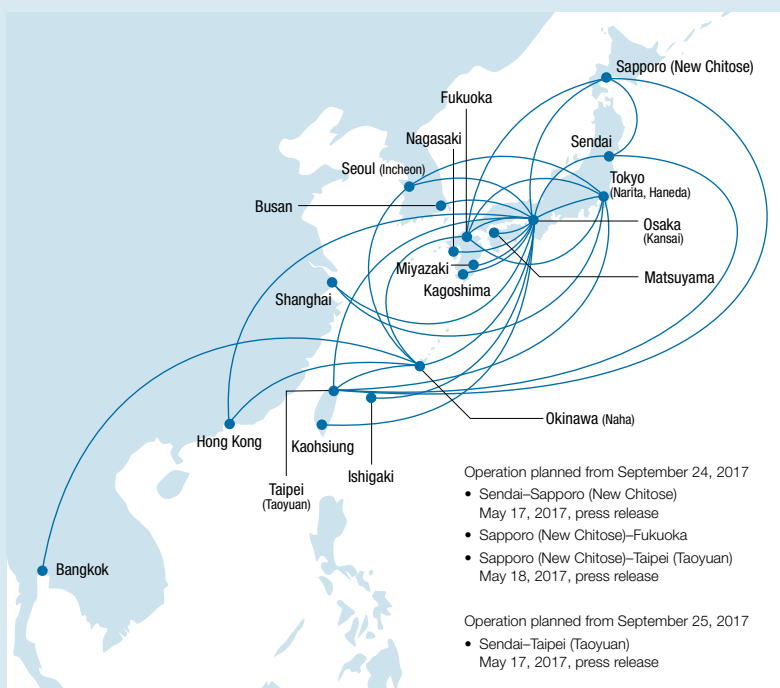
[International routes] [http://www.ana.co.jp/nwrm\\_ie/](http://www.ana.co.jp/nwrm_ie/)

[Domestic routes] [http://www.ana.co.jp/nwrm\\_de/](http://www.ana.co.jp/nwrm_de/)

## Vanilla Air-Operated Routes



## Peach Aviation-Operated Routes



Compilation by ANA HOLDINGS INC. (As of July 1, 2017)



# Social Data

## Human Resources Data (ANA)

	Unit	2014	2015	2016	2017
Number of employees*1	People	12,416	12,360	12,859	13,518
Number of employees hired overseas*1	People	1,334	1,341	1,387	1,454
Average age of employees*1	Years	36.0	36.0	36.0	37.4
Average years worked*1	Years	10.1	10.0	10.0	13.3
Ratio of female managers*2	%	9.8	10.9	12.2	13.3
Ratio of female directors*2	%	3.0	9.7	10.5	10.8
Number of employees on pregnancy or childcare leave / Men*2	People	466/4	590/5	581/5	545/13
Number of employees on nursing care leave*2	People	24	11	12	14
Ratio of employees with disabilities*3	%	2.14	2.10	2.32	2.38
Work-related accidents*1		66	77	66	109
Ratio of employees with healthy BMI*1*4					
Male	%	—	—	63.1	69.1
Female	%	—	—	75.2	69.8
Ratio of employees that smoke*1					
Male	%	—	—	22.9	19.4
Female	%	—	—	4.9	4.0
Employee obesity rate*1*5					
Male	%	—	—	13.4	14.9
Female	%	—	—	0.9	1.2

\*1 As of March 31 of each 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  
(2014: total of 11 companies including 1 special subsidiary; 2015–2017: total of 12 companies including 1 special subsidiary)

\*4 Ratio of employees with BMI of 18.5%–24.9%

\*5 Ratio of employees receiving guidance from designated healthcare professionals

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

(FY)	Unit	2013	2014	2015	2016
In-service rate	%	98.9	98.9	98.9	98.9
On-time departure rate*6	%	91.9	91.4	91.9	89.4
On-time arrival rate*6	%	88.1	87.6	88.7	86.1

\*6 Delays of 16 minutes or less, excluding canceled flights

Passenger flight only

## Customer-Related Data

(FY)	Unit	2013	2014	2015	2016
Number of customer feedback reports		74,982	70,472	73,688	73,892
[Breakdown by route type]					
Domestic	%	49.9	47.7	46.0	48.3
International	%	34.9	38.5	39.5	37.4
Other	%	15.2	13.8	14.5	14.3
[Breakdown by report type]					
Complaint	%	32.9	32.2	35.8	43.4
Compliment	%	21.7	20.6	21.2	16.8
Comment/Request	%	29.4	27.9	26.1	21.5
Other	%	16.0	19.3	16.9	18.3

# Environmental Data

Environmental data is from fiscal year 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

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

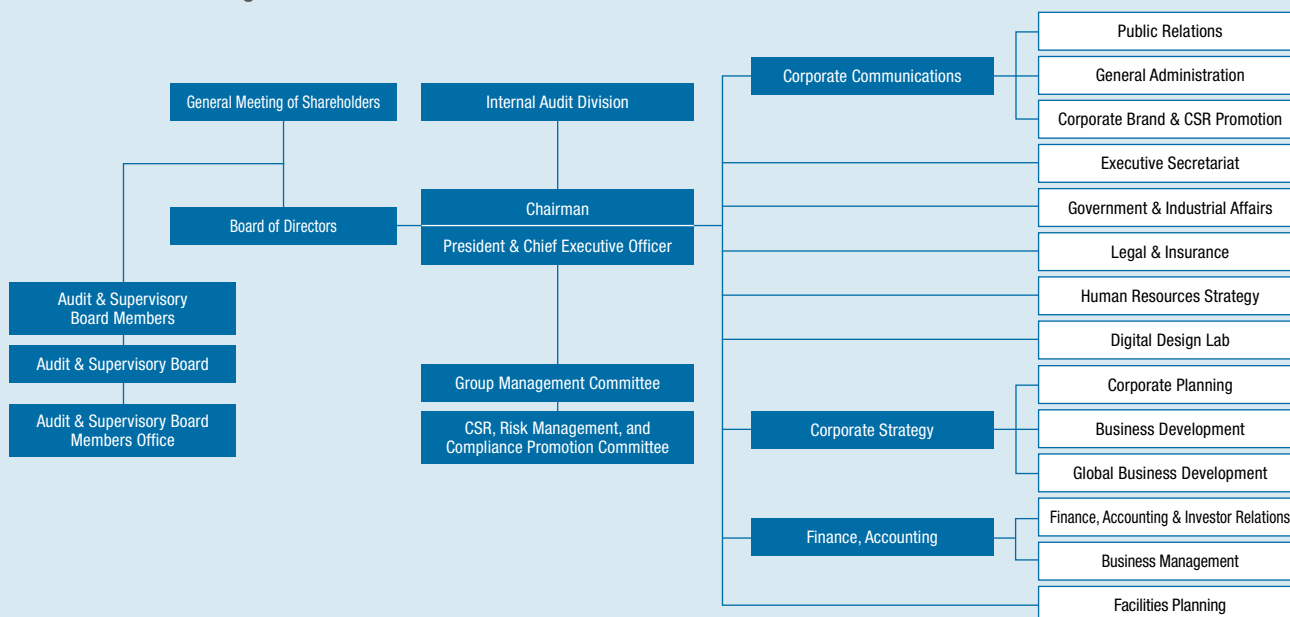
\* Boeing 777-200, -200ER, -300, -300ER, 787-8, 787-9, 737-700, -700ER, -800, and Airbus A320-200neo. ANA brand only

## Resource Savings

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

# The ANA Group Profile

## ANA HOLDINGS INC. Organization (As of July 1, 2017)



## Number of Subsidiaries and Affiliates (As of March 31, 2017)

Operating segment	Total of subsidiaries	Total of subsidiaries		Total of affiliates	Total of affiliates	
		of which, consolidated	of which, equity method		of which, equity method	of which, equity method
Air Transportation	4	4	—	4	2	
Airline Related	48	37	—	5	2	
Travel Services	5	5	—	3	1	
Trade and Retail	54	9	—	3	1	
Others	9	8	1	30	10	
<b>Total</b>	<b>120</b>	<b>63</b>	<b>1</b>	<b>45</b>	<b>16</b>	

## Major Subsidiaries (As of March 31, 2017)

Company name	Amount of capital (¥ Millions)	Ratio of voting rights holding (%)	Principal business
<b>Air Transportation</b>			
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
<b>Airline Related</b>			
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
<b>Travel Services</b>			
ANA Sales Co., Ltd.	1,000	100.0	Planning and sales of travel packages, etc.
<b>Trade and Retail</b>			
ALL NIPPON AIRWAYS TRADING Co., Ltd.	1,000	100.0	Trading and retailing

# Corporate Data (As of March 31, 2017)

## Corporate Profile

<b>Trade Name</b>	ANA HOLDINGS INC.	<b>Administrator of Register of Shareholders</b>	Sumitomo Mitsui Trust Bank, Limited (Stock Transfer Agency Department) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
<b>Date of Foundation</b>	December 27, 1952	<b>Independent Auditor</b>	Deloitte Touche Tohmatsu LLC
<b>Head Office</b>	Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7140, Japan	<b>American Depository Receipts</b>	Ratio (ADR:ORD): 1:2 Exchange: OTC (Over-the-Counter) Symbol: ALNPY CUSIP: 016630303
<b>Number of Employees</b>	39,243 (Consolidated)	<b>Depository:</b>	The Bank of New York Mellon 101 Barclay Street, 22 West, New York, NY 10286, U.S.A.
<b>Paid-In Capital</b>	¥318,789 million	<b>Tel:</b>	1-201-680-6825
<b>Fiscal Year-End</b>	March 31	<b>U.S. Toll Free:</b>	1-888-269-2377 (888-BNY-ADRS)
<b>Number of Shares of Common Stock</b>	Authorized: 5,100,000,000 shares Issued: 3,516,425,257 shares <small>* Effective October 1, 2017, the trading unit of shares will be changed from 1,000 to 100 and a 10-for-1 reverse stock split will be conducted.</small>	<b>URL:</b>	<a href="http://www.adrbnymellon.com">http://www.adrbnymellon.com</a>
<b>Number of Shareholders</b>	521,569		
<b>Stock Listings</b>	Tokyo		
<b>Ticker Code</b>	9202		

### Scope of This Report



#### 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 2017

Fact Book 2017 can be downloaded from the Company's corporate website in PDF format. This document contains financial data and information on the domestic and international markets and LCC status.

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

### Forward-Looking Statements

This annual report contains statements based on the ANA Group's current plans, estimates, strategies, and beliefs; all statements that are not statements of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Group's management based on currently available information. Air transportation, 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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