Annual Report 2019

Fiscal 2018 (Year ended March 2019)

Connecting the World

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 "Anshin, Attaka, Akaruku-genki!" (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.

Contents of This Report

The ANA Group strives for simultaneous creation of both social and economic value, as well as sustainable growth in corporate value, through company activities that leverage the strengths cultivated by its mindset for endeavor.

This report presents a broad image of ANA Group value creation, our creation of social and economic value under the current ANA Group Corporate Strategy, and the foundation underpinning company activities.

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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 2019, we aim to deepen comprehensive understanding of the social and economic 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 ANA Group corporate website in conjunction with this report.

Scope of Report

- This report covers business activities undertaken from April 1, 2018 to March 31, 2019 (includes some activities in and after April 2019).
- 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.

For more, see
https://ana.co.jp/group/en

Shinya Katanozaka
President & Chief Executive Officer

The ANA Group is looking toward the future as we strive to develop our businesses on a global scale and become an indispensable airline group to the world.

Fiscal 2018 in Review

First, I want to thank you, our customers and stakeholders, for your support of the ANA Group.

Fiscal 2018 saw groupwide operating revenues surpassing ¥2 trillion for the first time. Operating income marked a new high for the fourth consecutive year. These results are largely due to the positive performance in our mainstay Air Transportation Business. The ANA International Passenger Business has made steady progress in building demand, supported by our superior and growing network of routes from/to Haneda Airport. The ANA Domestic Passenger Business has pursued higher unit prices through the introduction of a new fare structure. Our LCC Business has continued to make progress in the lead-up to the Peach Aviation Limited and Vanilla Air Inc. merger. We have followed through with plans to invest in safety, quality and services, as well as human resources, to solidify our management platform for future business growth.

In the peak summer season, we conducted planned flight cancellations primarily on our domestic routes. These cancellations were part of our response to engine issues with Boeing 787 aircraft, or B787. Though it was a difficult decision, safety is always our top priority. We took receipt of upgraded and improved parts from the manufacturer beginning January 2019 to implement a permanent resolution to this technical issue. Engine part replacements have proceeded on schedule. From the beginning of fiscal 2020, all B787s should be in operation and playing a well-secured role in our business.

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Our Dedication to Continued Safety

Extending Airline Business Domains to Create Greater Corporate Value

Though the ANA international business drives growth for our Group, the voyage has not always been smooth. In March 1986, ANA launched our first regular international flight operations. These flights ran at a loss for the first 17 years, leading to a number of internal calls for ANA to withdraw from international routes. We reached a turning point in 1999, when we joined Star Alliance. This was the moment that began our journey toward expertise in a working partnership with overseas partner airlines for increased revenues. This alliance also entailed adopting the Passenger Revenue Optimization System (PROS). Then, our International Passenger Business posted a profit for the first time in fiscal 2004. Our second turning point came in fiscal 2014 as we expanded our international route network. We were one of the first to leverage the new B787 worldwide, adding several new destinations, mostly along medium- and long-range routes. By leveraging this state-of-the-art aircraft, its greater fuel efficiency and comfort, we took a first-mover advantage and differentiated ourselves. ANA created a competitive advantage. Looking back on the five years between fiscal 2014 and fiscal 2018, we see that ANA's International Passenger Business available seat-kilometers (ASK) grew by 1.6 times. This growth paralleled revenue passenger-kilometers (RPK) demand, which grew 1.7 times over the same period.

In March 2012, Peach Aviation became the first LCC to offer services in Japan. Peach has established routes across Japan and Asia promoting a core concept of being a "flying train," introducing a greater number of customers to the joy of traveling through the skies at reasonable prices. Peach Aviation provides its own contribution to regional revitalization through building new demand separate from the ANA brand. This contribution includes opening routes that connect cities outside of the Tokyo metropolitan area with airports overseas. By the end of October 2019, Peach Aviation will merge with Vanilla Air, the number two LCC of the Group and a Narita-based operator of domestic and international routes. This merger is our bid into the mid-range markets in Asia.

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ANA President Message

→ P.41-45
Overview by Business Segment

Our ANA brand and LCC performance is already beginning to show positive results in this core Air Transportation Business. Average operating income for the last three fiscal years (FY2016 to FY2018, consolidated) has reached nearly ¥158 billion, with average net income of approximately ¥118 billion. When compared to our performance in fiscal 2013, before expansion of ANA's international network, operating income jumped about ¥100 billion, showing a steady rise in the level of corporate value generated by the Group.

Fiscal 2019: A Year of Finishing Touches Ahead of Growth in Fiscal 2020

Looking overseas, we see several airline groups that have secured higher profitability than the ANA Group and which have become a familiar part of the lives of many. We also see powerful LCCs that have captured and expanded service routes across several markets in Europe, North America, and Asia, all over the span of less than ten years. The ANA Group has bolstered our presence in Asia, pushed by a strong tailwind of growing inbound tourists to Japan. Even so, we feel we must continue to press ahead by forging a presence capable of going toe-to-toe with even the most iconic global airline groups.

In fiscal 2020, Tokyo metropolitan area airports will expand slots further. The same year will see the Tokyo 2020 Olympic and Paralympic Games. Even as these will be major business opportunities for the Group, we must pursue further growth to survive the accelerating wave of overseas airlines making headway in Japanese routes. To achieve this growth, we will be putting the finishing touches on safety, quality and services during fiscal 2019 ahead of growth in fiscal 2020. Though we will enter a phase of aircraft and human resources-related expenses ahead of sustainable growth, these expenses are a necessary part of building a groundwork for the future. Our plan is to implement these measures and achieve an operating income of at least ¥200 billion in fiscal 2020. I firmly believe we can achieve our management vision by consolidating the strength of our Group employees, making further expansions of our network in the Tokyo metropolitan area airports.

→ P.26-35
FY2019–2022 ANA Group Corporate Strategy Update

We will publish an updated version of our FY2018–2022 ANA Group Corporate Strategy in the second half of fiscal 2019. Other industries, such as the finance and automotive sectors, have faced disruptive changes breaking down their existing growth models as lifestyles and consumption habits change. Those of us in the airline business must continue to pursue greater value as we consider whether we can grow under the same business model for the next ten or 20 years by leveraging our existing management infrastructure. Beyond our network expansion in fiscal 2020, we intend to offer our view of company management, working to meet the expectations of our investors with respect to future strategic direction, dividend policies, and the use of capital.

Safety and Human Resources: The Foundation of Our Group

Safety is our promise to the public and is the foundation of our business. These words are part of our Group Safety Principles and all who serve in the ANA Group are asked to remember these principles every day.

At our yearly new hire orientation ceremony, I make sure to talk about past aircraft accidents. Today, almost no officers or employees, myself included, have experienced a loss-of-life accident in the Group. Safety is the foundation of our business, and our duty. Although building experience is important, the one thing we must never experience is an aircraft accident. Therefore, we must take the lessons learned from past accidents and the importance of safety, passing this knowledge to the next generation. And what is truly the key resource of our Group that underpins this safety?

That resource is our people. Today is a time of human resources diversity. Females, males, senior citizens, international citizens, LGBT persons, persons with disabilities, and more all make up the workforce. In fiscal 2018, the Group conducted our employee awareness survey (ANA's Way Survey) twice. We have introduced a mechanism linking the results of this survey to the evaluation of management-track personnel and senior management at each Group company. Under the ANA Group Health Management Declaration, we will continue to cultivate a company culture that allows employees to have a vibrant work life, coming together in unity to ensure customer satisfaction.

I believe that this fusion of hard-working, ambitious human resources and mindfulness toward safety plants the seeds for sustainable Group growth. In April 2019, we began operations at ANA Group Training Center, *ANA Blue Base*. Trainees will gain knowledge about past accidents and learn about human error. *ANA Blue Base* also features learning facilities that provide employees with lessons they can apply in their daily activities. The facility leverages the latest technologies to help firmly entrench a culture of safety, serving as a platform for cultivating human resources capable of competing on the global stage.

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Actions for Safety and Human Resources

Rationale for Group Promotion of ESG Management

For us to become an airline group contributing to society on a global scale, we must become indispensable to, and grow along with, the people of the world. As a world-wide organization, we consider our coexistence with the natural environment both over the long term and on a global scale. We also monitor social issues, including climate change, food supply, resources, disparity, and education. In my observation of Group history, I have noted that the world has cultures and trade practices vastly different from those in Japan. At the same time, I learned the need to consider environments and societies where we serve to ensure the smooth continuity of our business. As we expand throughout diverse regions of the world, we must incorporate this perspective of existing and growing with society into our business strategy. This perspective has led us to pursue ESG management.

In October 2018, we were the first airline in the world to issue Green Bonds. In May 2019, we were the first Social Bond issuer as a non-financial company in Japan. While we pursue our corporate strategy, we procure capital through means focused on the environment and society. Our pursuit is

→ P.46-49
Discussion: ESG Management and Contributing to the SDGs

→ P.50-65
Environment, Social

not simply for economic value. We conduct proactive management with an eye toward balance between social and economic values, leading to sustainable growth and, by extension, contribution to the achievement of the SDGs.

In March 2019, we became the first Japanese airline company to express support for the Task Force on Climate-related Financial Disclosures (TCFD). Corporate information disclosure is becoming more critical. First, we will set long-term ESG-related targets during fiscal 2019. We will also make processes toward goal achievement easier to track and conduct regular evaluations of our progress.

Improving Governance and Demonstrating the Functions of a Holding Company Structure

The finishing touches we will perform in fiscal 2019 will not be limited to preparing for the expansion of our ANA international network. We will also seek to establish an infrastructure within which we can strategically allocate management resources and advance business portfolios across the entire Group from the vantage point of ANA HOLDINGS INC.

In fiscal 2013, the ANA Group transitioned to a holding company structure in response to our operating environment. This structure has served to advance our corporate strategy, focusing on our Air Transportation Business. Though our first task is to grow our business in the Tokyo metropolitan area airports, I feel we can build a foundation from which we can generate reliable value even outside our airline business. To achieve this growth, we will create a more well-defined structure in which individual companies like ANA and Peach Aviation can execute their own strategies under the business portfolio definitions established by ANA HOLDINGS. Though it goes without saying, we move forward on the assumption that we will achieve plan targets based on our corporate strategy. However, it is also very important to allocate management resources in balance between social and economic value. Governance plays a critical role in this process. We believe that in respecting management autonomy, that group companies should be given the authority and responsibility for their businesses. At the same time, we believe in providing a strong group oversight function through a holding company structure.

To ensure this balance, we continue to enhance the effectiveness of and improve our board of directors. These initiatives to bolster the board's oversight function have included changes to the board's authority and large-scale transfers of decision-making authority to the Group Management Committee. Most recently, our board of directors has received presentations from major Group companies related to our corporate strategy, discussed medium- and long-term issues in our Air Transportation Business, and held direct discussions among directors and teams working in the front lines. These and other measures advance our agenda. We have also discussed several issues beyond the scope of matters included in our corporate governance report. These issues include the study of plans related to succession candidates and cross-shareholdings. We continued to incorporate the PDCA cycle in management. Moreover, we strive to ensure transparency and fairness in our management. Our Personnel Advisory Committee and Remuneration Advisory Committee each support the board of directors in an advisory capacity, and each committee consists of a majority of outside directors.

As we advance these various initiatives, we steadily raise awareness among members of the board, leading to more lively discussions. We continue to adapt to the changing environment around us, and we will pursue qualitative enhancement of governance, practicing management that contributes to creation of corporate value.

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Corporate Governance

→ P.98-101
Discussion: Strengthening Governance for Further Corporate Value Growth

Looking to the Future

Forty years ago, when I was just a new hire at ANA, I submitted my dream to our internal corporate newsletter. I wrote, “Even though ANA may only be a domestic airline today, someday we will expand internationally, and maybe even offer space travel in the future.” Today, ANA operates 172 of daily international passenger flights (as of August 1, 2019). And, our eyes are already set on the stars, as we sow the seeds of future businesses. Forty years from now, I imagine that the wings of ANA will extend to the stars as a matter of course.

Though our Group had once sought to be the No.1 airline in Asia, I want to raise our sites to operate on a global scale. Through the expertise and brand power we have grown over the last nearly 60 years, and through the hospitality that is a particular strength of airlines in Japan, we will shine bright on the world stage, uncovering value that has lain dormant until now. Advances in innovation, including AI, will allow us to exercise speedy management. Setting our goals and working hard every day will enable us to certainly fulfill our dreams. As the head of the management team, I will spare no effort in leading our Group toward becoming an airline group that is indispensable to the people of the world.

I ask for your continued support of the ANA Group.

August 2019

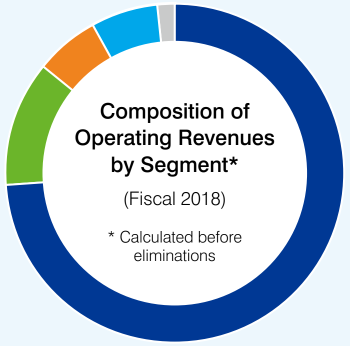
Shinya Katanozaka

President & Chief Executive Officer

The ANA Group at a Glance

The ANA Group leverages a global network and worldwide customer platform to operate air transportation and other businesses.
ANA HOLDINGS INC. is the holding company responsible for raising sustainable group value through effective management resource allocation and support for the independent management of group companies.

Fiscal 2018 Results



(¥ Billions)

	Operating Revenues	Operating Income (Loss)
Air Transportation	1,814.4	160.5
Airline Related	291.0	13.1
Travel Services	150.7	0.6
Trade and Retail	150.6	3.7
Others	40.9	2.2
Adjustments	(389.5)	(15.3)
Total (Consolidated)	2,058.3	165.0

ANA HOLDINGS INC.

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Air Transportation

Composition of Operating Revenues

74.1%

As the core of the ANA Group, we own and operate the full service carrier (FSC) ANA brand and the low cost carrier (LCC) brands Peach Aviation Limited and Vanilla Air Inc., leveraging the strengths of each entity to grow our airline business.

We plan to complete the merger of our two LCC companies during fiscal 2019.

We will continue to pursue an optimized business portfolio as an Air Transportation Business.

Full Service Carriers (FSCs)

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

Inspiration of JAPAN

Low Cost Carriers (LCCs)

Peach Aviation Limited

Vanilla Air Inc.

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Airline Related

Composition of Operating Revenues

11.9%

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.

This business seeks to grow and deepen group businesses through contract services for overseas airlines, new value creation through the effective use of customer data, and other means.

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

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Travel Services

Composition of Operating Revenues

6.2%

As the sales and marketing division of the ANA Group, ANA Sales Co., Ltd. provides airline sales services including ANA air tickets, and travel services which plans and sells travel products combining air tickets, accommodations, and other options.

We offer a wide variety of travel services, including travel packages such as *ANA Sky Holiday, ANA Hallo Tour, ANA Wonder Earth*, and dynamic package *Tabisaku* as well as travel savings plans.

ANA Sales Co., Ltd., and more

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Trade and Retail

Composition of Operating Revenues

6.1%

ALL NIPPON AIRWAYS TRADING Co., Ltd., and group companies perform aircraft parts procurement, conduct aircraft trading (import, export, leasing, sales), operate airport shops (*ANA DUTY FREE SHOP* and *ANA FESTA*) across Japan, and manage other businesses related to air transportation. The Group also trades in non-airline products (paper, pulp, food import and sales; semi-conductor and electronic component import / export), provides advertising agency services, and operates the ANA online shopping site.

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

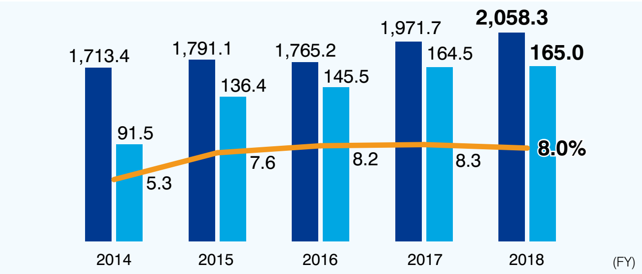
Financial and Non-Financial Summary

Financial Data

Operating Revenues / Operating Income / Operating Income Margin

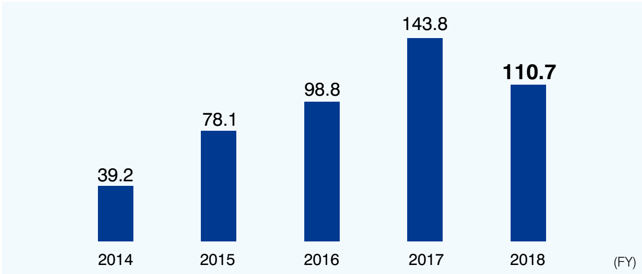
■ Operating Revenues (¥ Billions) ■ Operating Income (¥ Billions)
━ Operating Income Margin (%)

Operating Income Margin **8.0%**



Net Income Attributable to Owners of the Parent

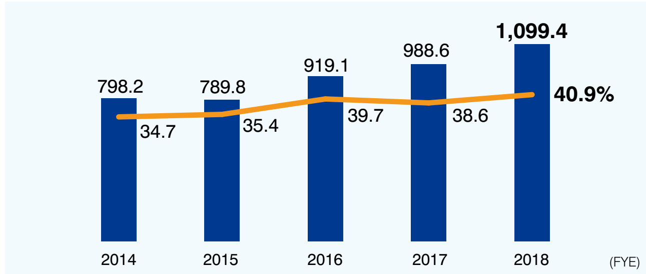
Net Income Attributable to Owners of the Parent **¥110.7 billion**



Shareholders' Equity / Shareholders' Equity Ratio

■ Shareholders' Equity (¥ Billions) ━ Shareholders' Equity Ratio (%)

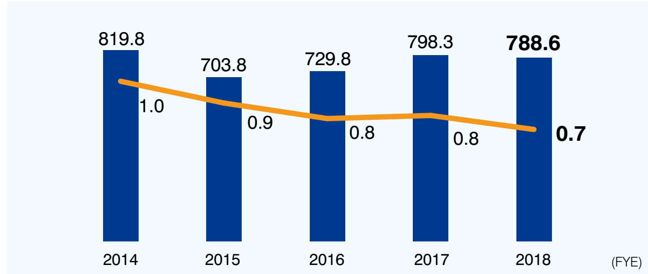
Shareholders' Equity Ratio **40.9%**



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

■ Interest-Bearing Debt (¥ Billions) ━ Debt/Equity Ratio (Times)

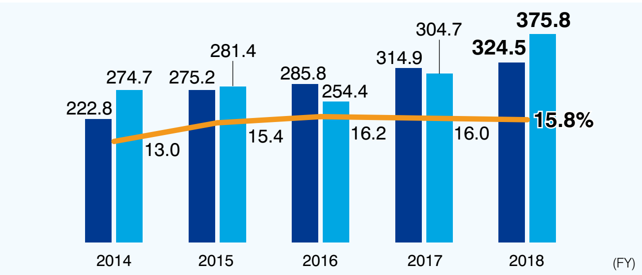
Debt/Equity Ratio **0.7 times**



EBITDA*2 / Capital Expenditures / EBITDA Margin*3

■ EBITDA (¥ Billions) ■ Capital Expenditures (¥ Billions)
━ EBITDA Margin (%)

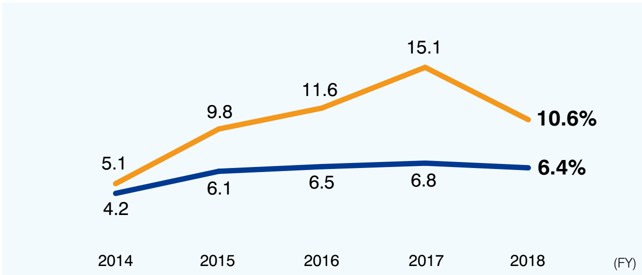
EBITDA Margin **15.8%**



ROA / ROE

━ ROA (%) ━ ROE (%)

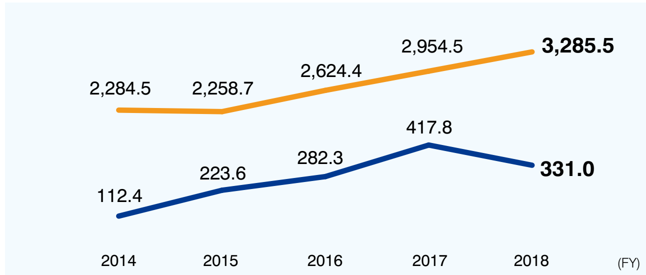
ROE **10.6%**



Earnings per Share*4 / Book Value per Share*4

━ Earnings per Share (¥) ━ Book Value per Share (¥)

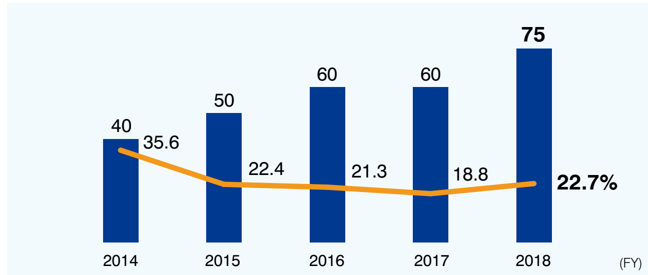
Earnings per Share **¥331.0**



Dividends per Share*4 / Payout Ratio*5

■ Dividends per Share (¥) ━ Payout Ratio (%)

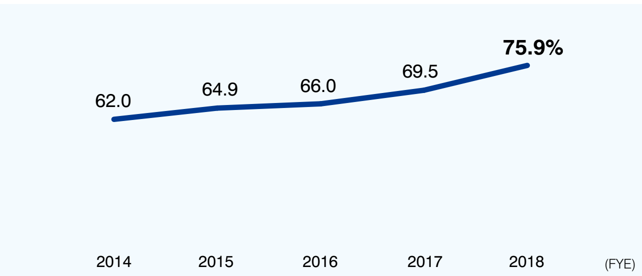
Payout Ratio **22.7%**



ESG Data

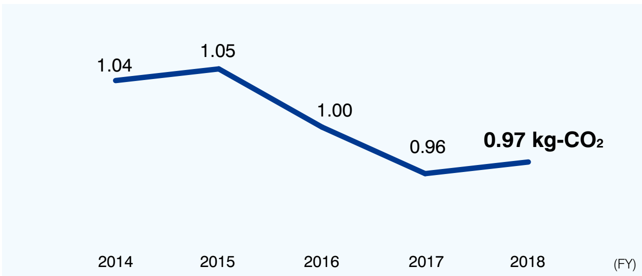
Ratio of Fuel-Efficient Aircraft*6

75.9%



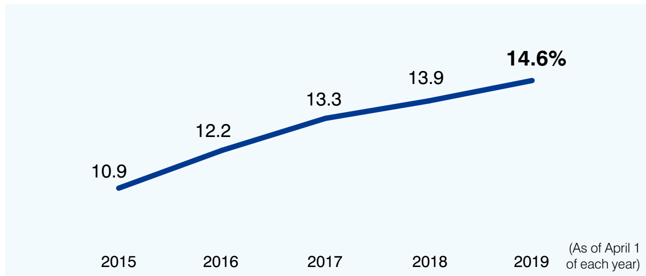
Aircraft CO_2 Emissions per RTK

0.97 kg-CO_2



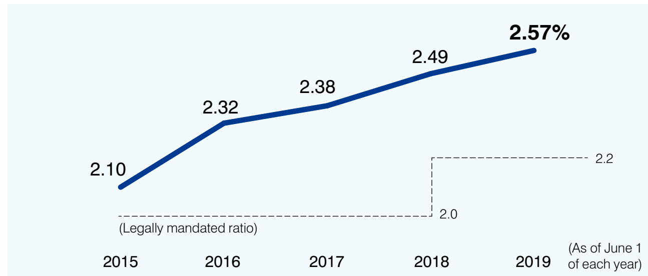
Ratio of Female Managers*7

14.6%



Ratio of Employees with Disabilities*8

2.57%



*1 Excluding off-balanced lease obligations
*2 EBITDA = Operating income + Depreciation and amortization
*3 EBITDA margin = EBITDA ÷ Operating revenues
*4 Calculated assuming reverse stock split at the beginning of fiscal 2014 (a 1-for-10 ordinary share reverse stock split was conducted on October 1, 2017)
*5 Fiscal 2017 payout ratio calculation excludes special gains related to consolidation of Peach Aviation
*6 Boeing 777, 787, 737-700/-800; Airbus A320neo, A321neo (ANA brand jet aircraft only)
*7 ANA only; excluding individuals 60 years old and over
*8 Total of ANA HOLDINGS INC., ANA, and qualified ANA Group companies (total of 12 companies including 1 special subsidiary)

Fiscal 2018 Highlights

Economic Value

June

Introduced the ANA Baggage Drop, an automated machine for baggage drop, at Fukuoka Airport

July

ANA Business Jet Co., Ltd., established

November

Changed officer system ahead of LCC merger

February

Invested in PAL Holdings Inc.

November

MRO Japan Co., Ltd., began service at Okinawa's Naha Airport

February

New Haneda–Vienna route opened

March

First Airbus A380 received in Japan

Initiatives to Reduce Labor, Automate

October

Began field testing ahead of implementing new technology for moving / towing operations

January

Conducted field testing of self-driving buses in Haneda Airport's restricted areas

March

Conducted the first-ever self-driving tests of tow tractors in Japan

March

Kyushu Saga International Airport designated an innovation hub

May

ANA selected as a 2018 Competitive IT Strategy Company Stock

July

Awarded top honors in two categories of the SKYTRAX World Airline Awards

① Best Airline Staff in Asia
② World's Best Airline Cabin Cleanliness

September

Selected as a stock in the Dow Jones Sustainability World Index (a global standard indicator for socially responsible investment, or SRI) for the second consecutive year

October

Issued first-ever Green Bonds for an airline company

January

Recognized as the No.1 Asia-Pacific Major Airline (Network Category) in on-time arrival by the CIRIUM On-time Performance Service Awards

March

Awarded 5-Star rating for a seventh consecutive year by the SKYTRAX World Airline Star Rating

Social Value

April

Launched the *Japan Travel Planner*, a new website for tourists visiting Japan

July Safety Human Resources

Re-purposed a retired aircraft for use as a maintenance training jet

September D&I

Began offering ANA original gluten-free rice bread for allergy sufferers

December Safety

Updated in-flight safety video

January Environment

Decided to purchase biojet fuel at San Francisco International Airport

March D&I Human Resources

Selected as a Certified Health & Productivity Management Organization Recognition Program —White 500— company

Awarded the J-Win Diversity Award for 2019

March Safety Human Resources

Introduced VR in-flight training for ANA cabin attendants

Regional Revitalization

Tastes of Japan by ANA
– Explore the regions –

April–May

① Hokkaido

June–November

② Kyushu

December 2018–May 2019

③ Chugoku / Shikoku region

Anshin (Trustworthy)

We are sincerely and single-mindedly devoted to safety as our top priority.
By earning the trust of our customers and of society, we identify peace of mind with our corporate brand.

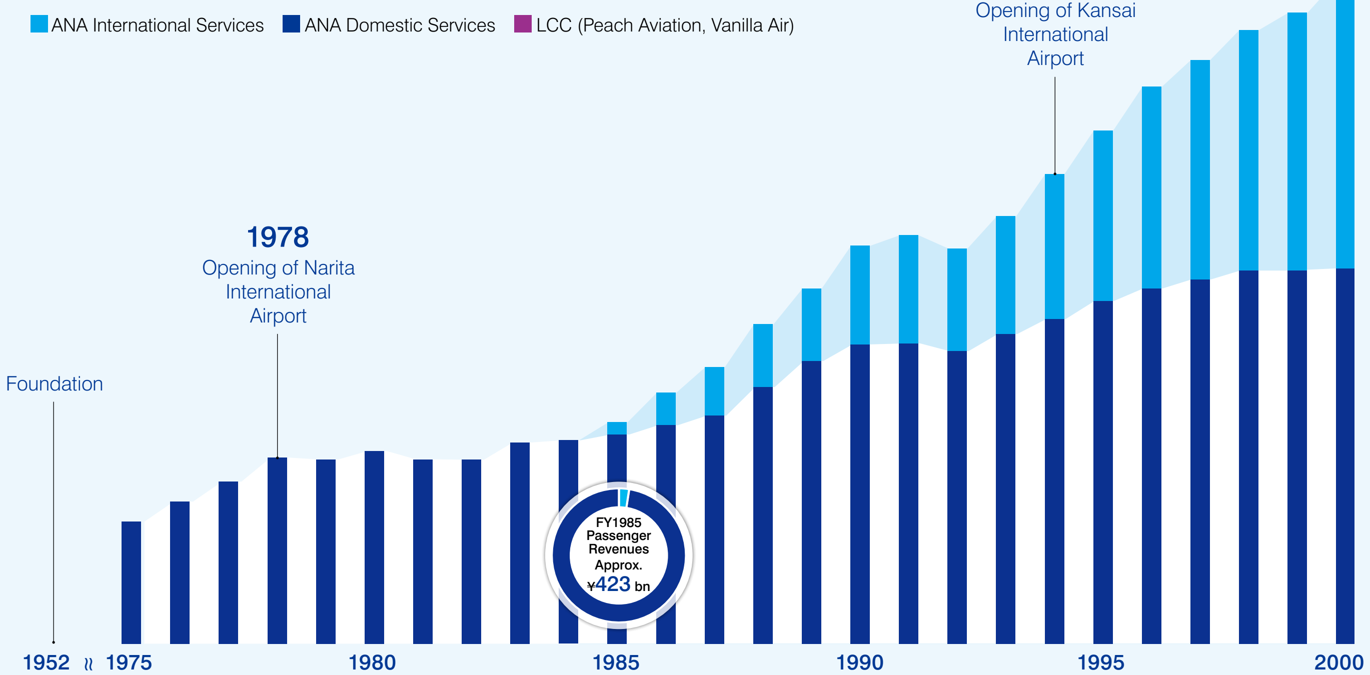
How We Create Value

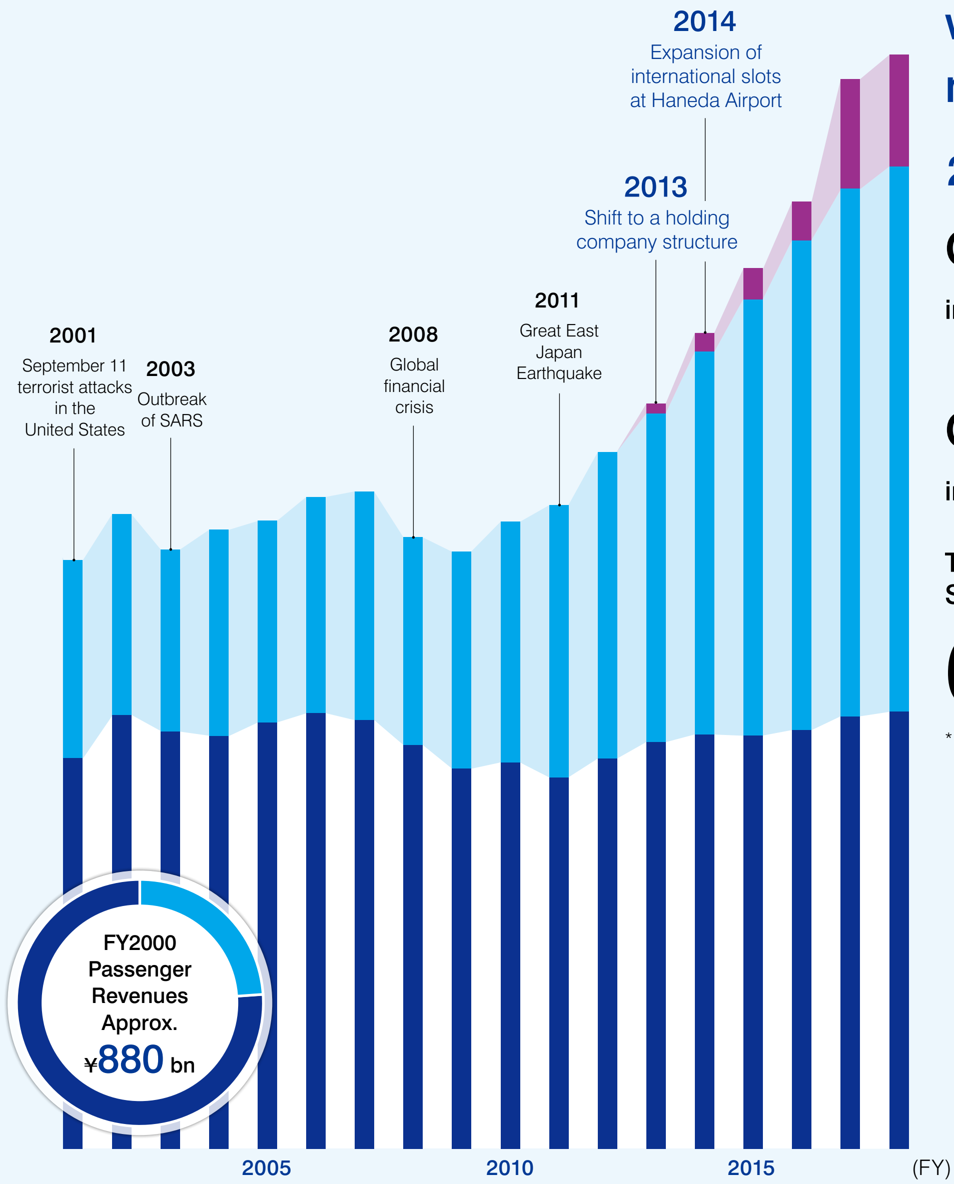
The ANA Group simultaneously creates social and economic value through our business activities. As we build corporate value, we also contribute solutions to global issues.

Progress of the ANA Group

The ANA Group has continued to provide air transportation services with safe operations as our top priority since our foundation in 1952. Today, we have grown into a world-class airline group serving more than 62.5 million passengers yearly. Our founding philosophy stressed integrity and independence, and this philosophy remains an integral part of the very DNA of the ANA Group and our own unique strength.

Revenue Passenger-Kilometers (RPK)





The airline group with the largest network in Japan

2018

Global No. 10*

in ANA domestic network passengers

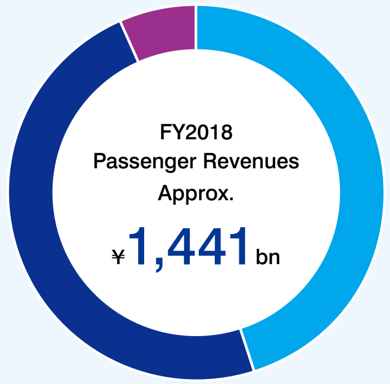
Global No. 15*

in ANA passengers served worldwide

Total ANA Group Passengers Served (FY2018)

62.5 million

* Source: International Air Transport Association (IATA), 2019



ANA Group's Strengths, Built Over a Rich History

1952–

Starting 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 domestically produced aircraft in the postwar era. 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

ANA focused predominately on domestic flights due to restrictive government policies, although we operated an international charter between Tokyo and Hong Kong in 1971. In 1976, we reached the milestone of a cumulative 100 million passengers. This was also the era in which we adopted the Boeing 747-SR, our first jumbo jet.

1986–

Regular operation of international flights

Entering the era of full-fledged competition between airlines in Japan, we finally achieved our dream to begin regular international flight operations, starting with the Tokyo–Guam route, introduced on March 3, 1986. We introduced Tokyo–Los Angeles and Tokyo–Washington routes in the same year. As our network continued to grow, we introduced many other routes, including Tokyo–New York in 1991.

1999–

Expansion of overseas network

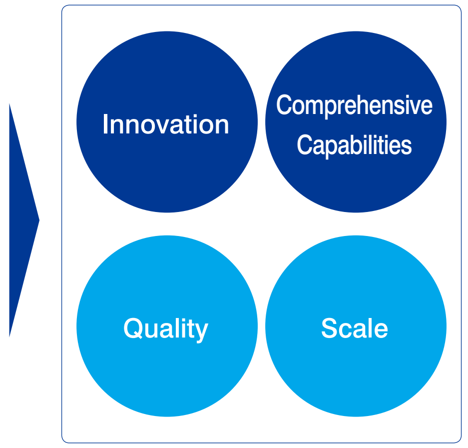
ANA became the ninth member to join Star Alliance, the world's first and largest global airline alliance, in 1999. We continued to improve customer convenience and grow our International Business thereafter. Overcoming the event risks that materialized on a global scale around this time, the International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

2013–

Bold advance on to the global stage

To improve competitiveness on the global stage, the Group transitioned to a holding company structure allowing independent Group management beginning in fiscal 2013. We will continue to achieve sustainable growth in 2020 and beyond, becoming the world's leading airline group in customer satisfaction and value creation.

ANA Group's Strengths



Our Four Greatest Strengths

The ANA Group has risen to meet every challenge in our path, developing strengths unique to the Group. We will remain true to the ANA Group identity, creating synergies between and among our strengths, while further reinforcing them to secure our position as the world's leading airline group.

Cultivate Strengths

"Hardship Now, Yet Hope for the Future"

(Quotation by Masuichi Midoro, the first President of ANA)

No matter the difficulty we face, we have to believe in and devote ourselves to a brighter tomorrow.

With this spirit handed down to us from our founder, we will always create value, overcoming every challenge in customs, accepted paradigms, and organization.

Innovation

- Early adoption of state-of-the-art aircraft
- Leading-edge products and services
- Active incubation of non-airline businesses

Comprehensive Capabilities

- Decision-making independence for group companies along with business portfolio
- Network of nearly 43,000 group employees
- Cost management focusing on optimum group structure

"*Wakyo* (Close Cooperation)"

(Quotation by Masuichi Midoro, the first President of ANA)

We act with strength, *to harmonize, but not necessarily agree*. Through patient, careful discussions we reach positive outcomes, striving as one to achieve goals once a decision is made.

This spirit of *wakyo*, using individual qualities to uplift each other, brings greater strength to the Group as a whole.

We seek new challenges by embodying the essence of team spirit, embracing the support of our stakeholders around the world, who have responded to our obsessive focus on quality and our extensive network.

Each ANA Group company relies on its own expertise to contribute to our overall strategy. These companies develop innovative businesses, products, and services, raising our organization to higher levels of quality and creating more revenue opportunities.

Quality

- History and culture of safety
- Commitment to on-time operations
- Products and services tailored to diverse needs

Scale

- Rapidly growing international network
- Solid domestic network
- Customer segment coverage by full service carrier and LCC
- Large and growing existing customer platform

Anshin, Attaka, Akaruku-genki! (Trustworthy, Heartwarming, Energetic!)

To be the airline group of choice among many companies, we must always strive to see from our customers' perspective, creating the highest levels of value as we demonstrate the ANA Group identity.

Japan's Largest Air Transport Network

In the 60 years since we went into business with just two helicopters, the ANA Group has prospered and become an airline group serving more than 62.5 million passengers in a year.

And we will continue to grow, using both ANA and LCC brands.

Generate Strengths

The ANA Group Value Creation Process

We strive to create both social value and economic value by maximizing the four strengths of the ANA Group through a solid foundation of safety and our human resources, the driver of our business. Our efforts are based on the opportunities, risks, and the ANA Group issues arising in response to medium- and long-term megatrends.

This process is the core strategic engine behind not only the achievement of our Management Vision but also our contribution to the Sustainable Development Goals (SDGs) through sustainable gains in corporate value.

Sustainable Corporate Value Enhancement

SUSTAINABLE DEVELOPMENT GOALS

Achieving Our Management Vision

Opportunities and Risks for Airlines in Response to Medium- and Long-Term Megatrends	ANA Group Issues	Created Value: Economic Value	Created Value: Social Value
Economic Growth in Asia-Pacific Opportunities • Increasing demand for air transport (passenger and cargo) Risks • Increasing competition between airlines	• Growth strategies leveraging expansion of slots at Tokyo metropolitan area airports • Controlling unit cost through increased capacity	• Expanding top-line • Improving cost-competitiveness	• Boosting the use of air travel across all customer segments • Providing smart, comfortable travel
Changing Social Structures in Japan and Overseas Opportunities • Tourism nation / Regional revitalization • Increasing inbound tourists • Expected increase in non-Japanese laborers Risks • Maturing domestic air transportation market • Shrinking labor population	• Revitalizing Japan's outlying regions (encourage tourism demand) • Creating demand, including LCCs • Securing human resources • Responding to human rights issues • Supporting women's success	• Creating more business opportunities • Developing demand in new customer segments	• Promoting Japan as a tourism nation, encourage inbound tourism • Promoting diversity • Realizing a world that respects human rights
Advancing Technology Opportunities • New business opportunities • Efficient operations via automation Risks • Greater risks related to information security	• Introducing work-style reform • Using customer databases to create revenue opportunities • Applying IoT to reduce or eliminate labor • Strengthening security	• Pursuing both improved convenience and efficiency • Generating new business	• Providing personalized services • Raising employee job satisfaction
Climate Change and Resource Shortages Opportunities • Environmentally responsible business growth Risks • Stricter environmental regulations • Rising resource costs	• Controlling CO_2 emissions • Reducing environmental impact across our businesses	• Controlling cost increases (primarily fuel expenses)	• Reducing environmental impact

Strengths Brought to Bear

Innovation ⇄ Compre-hensive Capabilities

Quality ⇄ Scale

Available Resources

People / Expertise | Aircraft and Network | Financial Soundness | Relationship with Society

Management Foundation

- Human Resources Strategy Empowering Every Employee: ANA's Way
- Corporate Governance
- Safety
- Mission Statement

Attaka (Heartwarming)

We want always to be a familiar presence
to our customers and our team.
This closeness and happiness will bring Japan
and the world closer together.

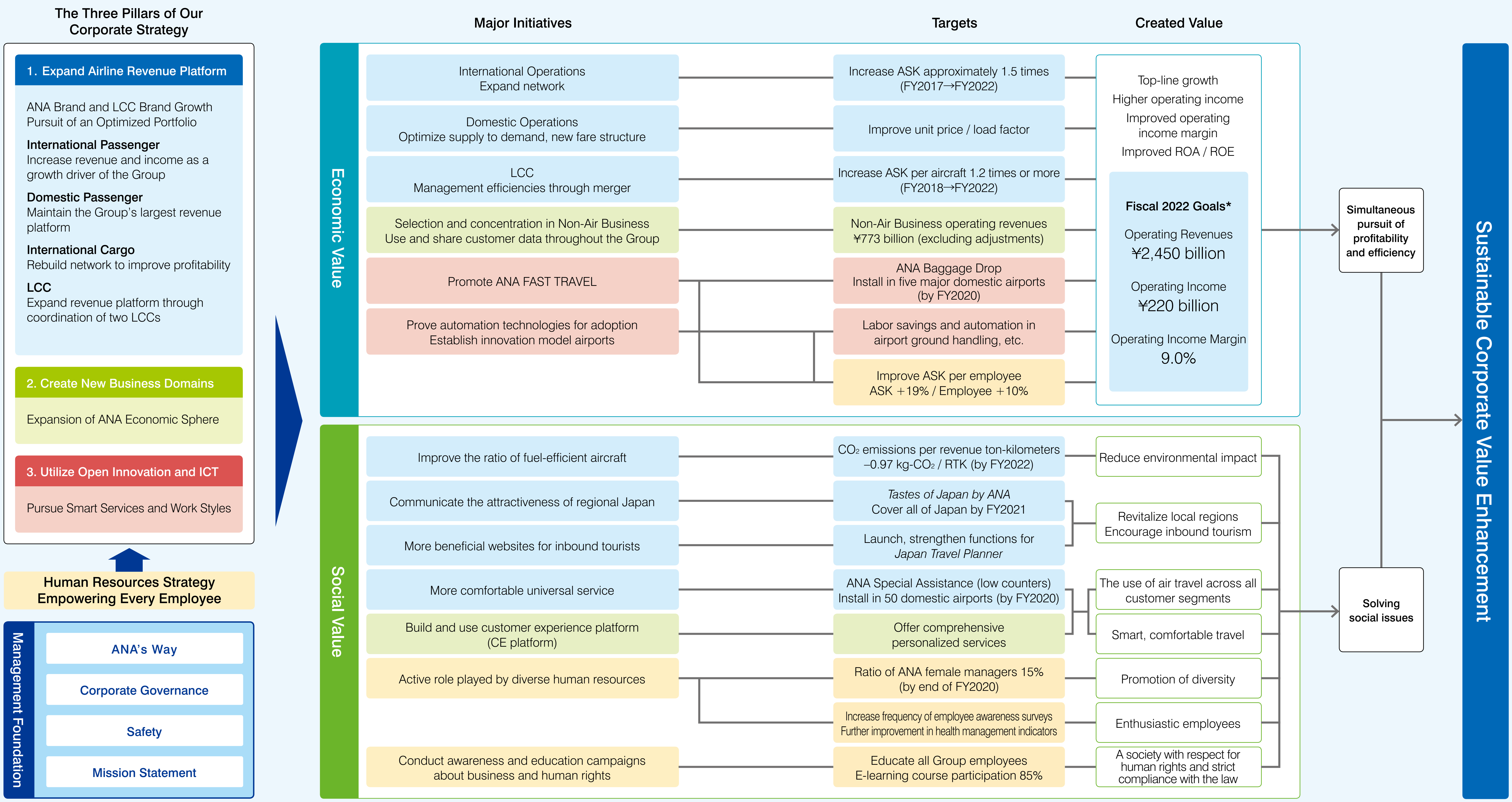
Value Creation Under the ANA Group Corporate Strategy

The ANA Group sees the slot expansion at Tokyo metropolitan area airports as our greatest business opportunity. We will pursue sustainable growth built on a solid management foundation ahead of fiscal 2020. At the same time, we will respond flexibly to changes in our management environment.

Value Creation Roadmap for the ANA Group Corporate Strategy

The current ANA Group Corporate Strategy defines three strategic pillars. We are pursuing the simultaneous creation of social and economic value through the promotion of each business. We aim to achieve value creation targets and ESG-related targets in fiscal 2022, linking these targets to sustainable corporate value enhancement.

* Published in February 2018, FY2018–2022 ANA Group Corporate Strategy



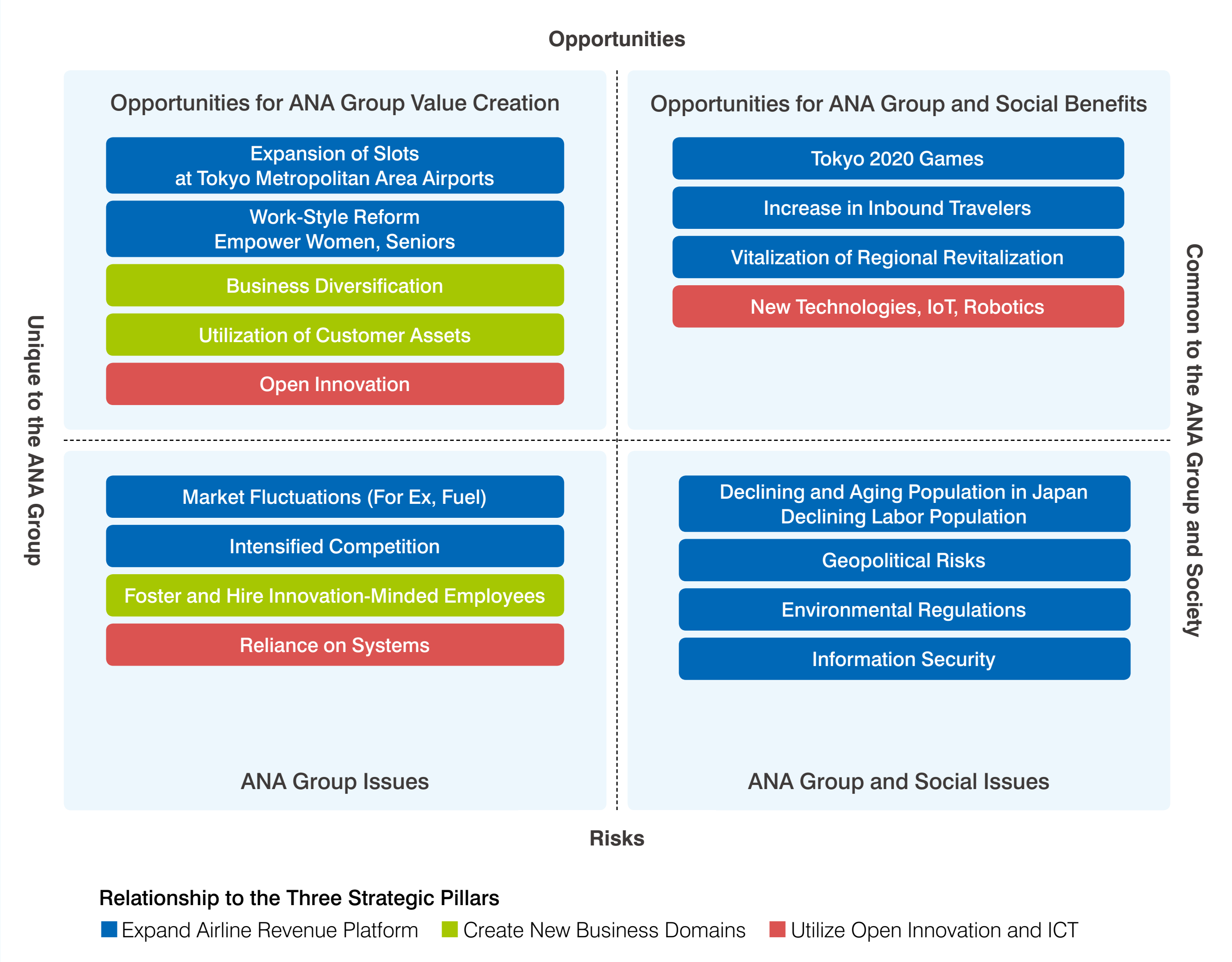
ANA Group Corporate Strategy Update (FY2019–2020)

Opportunities and Risks in Executing the ANA Group Corporate Strategy

The ANA Group is 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 Tokyo 2020 Olympic and Paralympic Games, as well as anticipation surrounding measures for stimulating inbound travel demand and initiatives for supporting the development of a Japan brand.

At the same time, we must anticipate risks that may impact air transportation demand adversely, including domestic and international politics, economic trends, and more.

The ANA Group aims to gain an accurate understanding of the surrounding opportunities and risks, adapting this understanding into our strategies. In so doing, we will build a resilient corporate constitution capable of responding to changes in the global business environment through aggressive and speedy management.



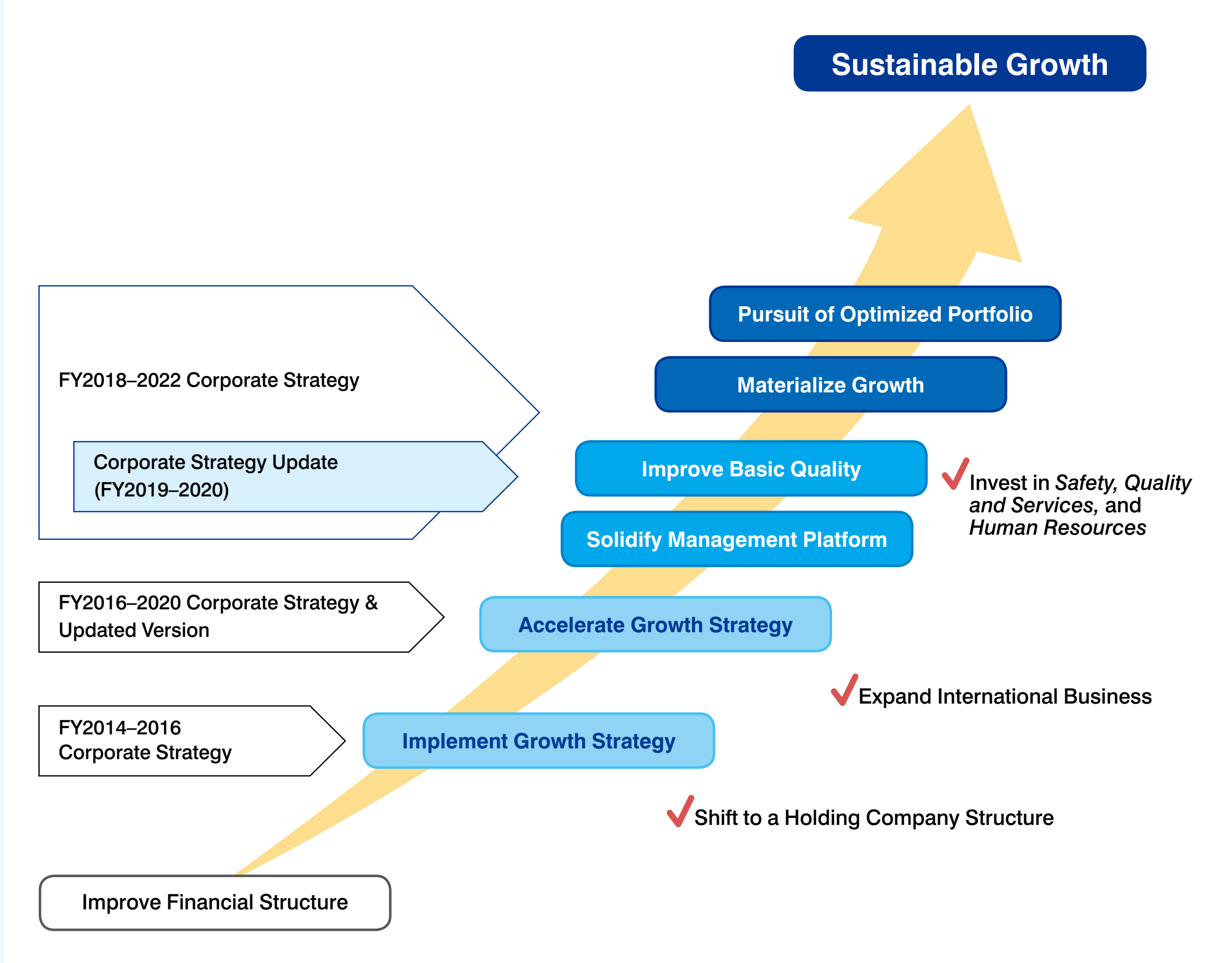
A Review of Our Corporate Strategy to Date

Solidifying Our Management Platform and Materializing Growth

The ANA Group adopted a holding company structure in fiscal 2013. Since fiscal 2014, we have been managing ANA international business growth. Peach Aviation Limited and Vanilla Air Inc. have been creating new demand also. We have pursued a growth strategy through both the ANA and LCC brands. At the same time, we launched an initiative in fiscal 2017 to solidify our management platform in response to a tight labor market in Japan and other environmental changes.

At present, we are executing our FY2018–2022 ANA Group Corporate Strategy in pursuit of future sustainable growth. In January 2019, we published the ANA Group Corporate Strategy Update (FY2019–2020) in accordance with this strategy, as we continue to invest in *safety, quality and services* and *human resources* to improve basic quality.

See the following for more about the FY2018–2022 ANA Group Corporate Strategy (including financing strategies).
Annual Report 2018: https://www.ana.co.jp/group/en/investors/irdata/annual/
Presentation Materials: https://www.ana.co.jp/group/en/investors/irdata/supplement/



Role of the ANA Group Corporate Strategy Update (FY2019–2020)

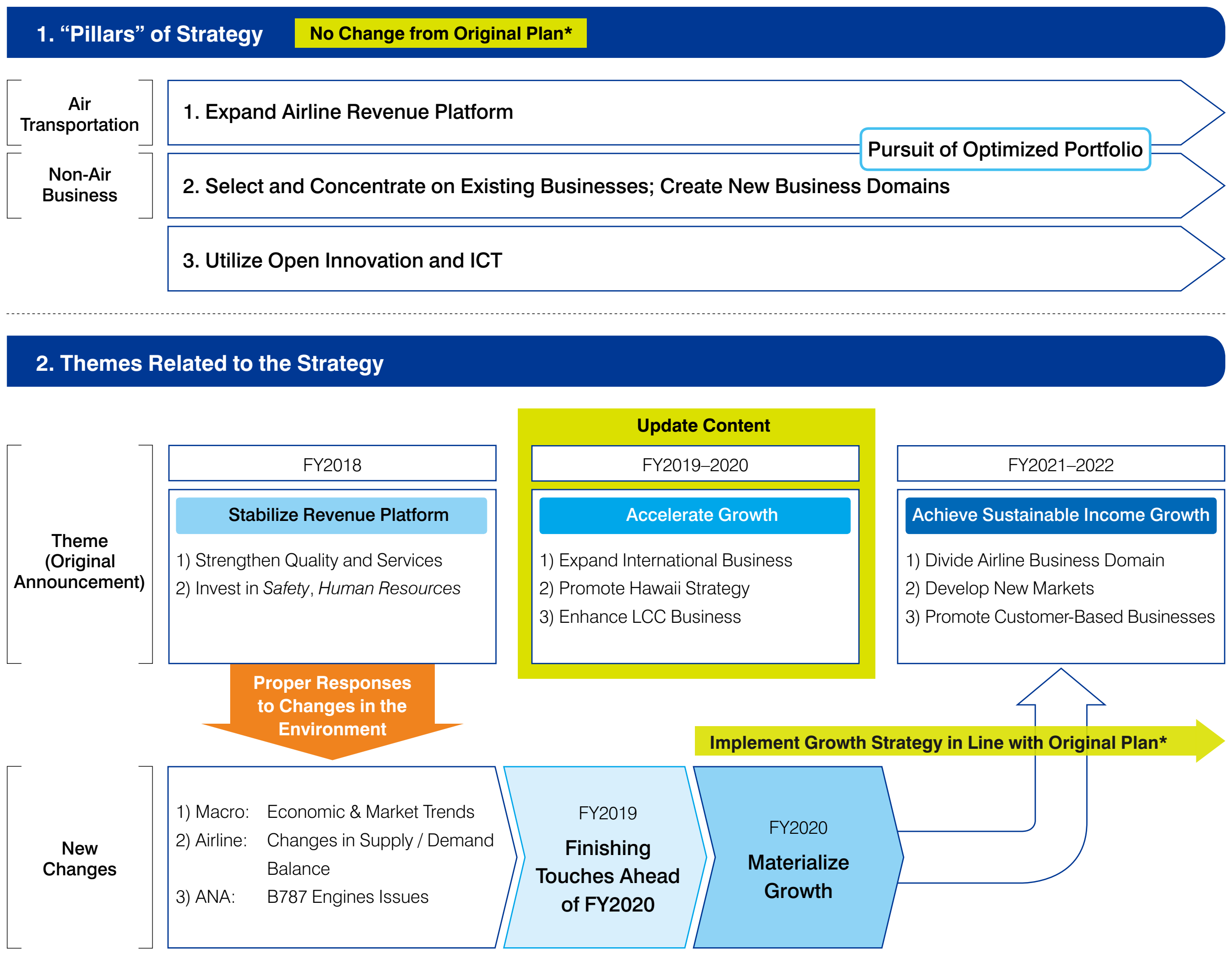
FY2019 Is the Year to Complete Finishing Touches on Safety and Quality Ahead of FY2020

Our current corporate strategy stands on three strategic pillars. We see the fiscal 2020 expansion in slots at Haneda Airport as a tremendous business opportunity, and we intend to execute our plan according to the themes for each phase.

At the same time, recent macro environmental issues have caused concern over uncertainties in global politics and economics. In terms of the business environment, demand for inbound travel to Japan continues to be firm. However, Asian carriers and other overseas airlines are expanding the capacity of their Japan routes. Further, we must deal with an issue unique to the ANA Group, namely the engine issues of the Boeing 787s.

Given this environment, we plan to put the finishing touches on *Safety, Quality and Services* heading toward fiscal 2020. Having perfected these areas, we will then materialize growth moving forward.

* FY2018–2022 ANA Group Corporate Strategy, formulated in February 2018



Air Transportation Business (1) ANA

Expand Capacity in FY2020 According to Plans Outlined in Corporate Strategy

International Passenger Business: We intend to expand our business in the Tokyo metropolitan area, leveraging opportunities at Narita Airport in fiscal 2019 and at Haneda Airport in fiscal 2020. For fiscal 2019, we expect ASK to grow approximately 8% year on year. This figure should rise in excess of 20% year on year for fiscal 2020, representing 1.35 times growth compared to fiscal 2017.

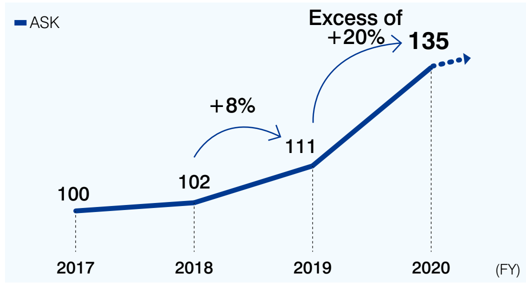
Domestic Passenger Business: We intend to utilize smaller aircraft in optimizing supply to demand, while at the same time strengthening products and services to improve profitability further. ASK through fiscal 2020 should remain generally level with fiscal 2017 results.

International Cargo Business: During the year, we adopted wide-body freighters and leveraged alliances with other freighter companies to bolster hub functions in the Tokyo metropolitan area. We are looking to optimize the scale of our Okinawa hub network, balancing supply and demand. We expect to grow our International Cargo Business capacity in step with our International Passenger Business.

ASK / ATK (FY2017 Results = 100)

Strategy Points (FY2019–2020)

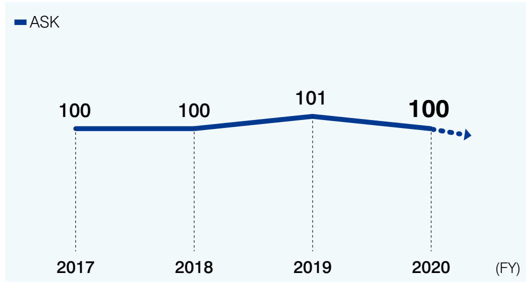
International Passenger



Group Growth Driver; Revenue and Profit Driver

1) Expand Business in the Tokyo Metropolitan Area
   a. Haneda: Make Maximum Use of Expanded Slots
   b. Narita: Capture Greater Share of Connection Demand
2) Advance Hawaii Strategy

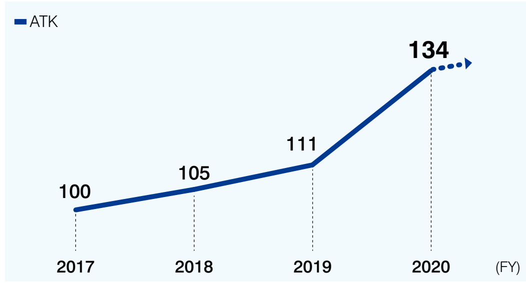
Domestic Passenger



Strengthen Largest Group Revenue Platform

1) Maintain Profitability Mainly in Haneda or Itami Network
2) Utilize Smaller Aircraft (Optimize Supply to Demand)
3) Strengthen Products and Services

International Cargo



Rebuild Network to Accelerate Profitability Improvements

1) Strengthen Hub Functions at Tokyo Metropolitan Area Airports
   a. Introduce Wide-Body Freighters
   b. Strengthen Alliances with Other Freighter Companies
2) Optimize Scale of Okinawa Hub Network

Air Transportation Business (1) ANA

Establish New Routes and Form Alliances with Other Airlines to Enhance Network Competitiveness

As part of our fiscal 2019 business plan, we will introduce Narita–Perth service in September and Narita–Chennai service in October. Here, ANA will enjoy a first-mover advantage in developing new demand.

Further, our Narita–Singapore and Narita–Bangkok routes introduced Boeing 787-10 service, offering state-of-the-art wide-body aircraft. In so doing, we will expand supply while maintaining comfort for the major routes in Asia, which feature strong demand for connections to North America. At the same time, we also intend to capture higher unit price demand.

ANA HOLDINGS will invest US$95 million in PAL Holdings Inc. PAL Holdings is the parent of Philippine Airlines Inc., a code share and mileage partner with ANA. This is another step forward in expanding our strategic alliances. As with Vietnam Airlines, with whom we concluded an operating and equity partnership in 2016, we are creating stronger win-win relationships with major airlines in Asia.

These new routes, state-of-the-art aircraft, and strategic alliances will expand ANA's coverage throughout Asia / Oceania, raising our competitive advantage.

1. FY2019 Business Plan (to Asia / Oceania)

1) Establish New Routes
   a. Narita–Perth (September 1 Start)
   b. Narita–Chennai (Scheduled October 27 Start)

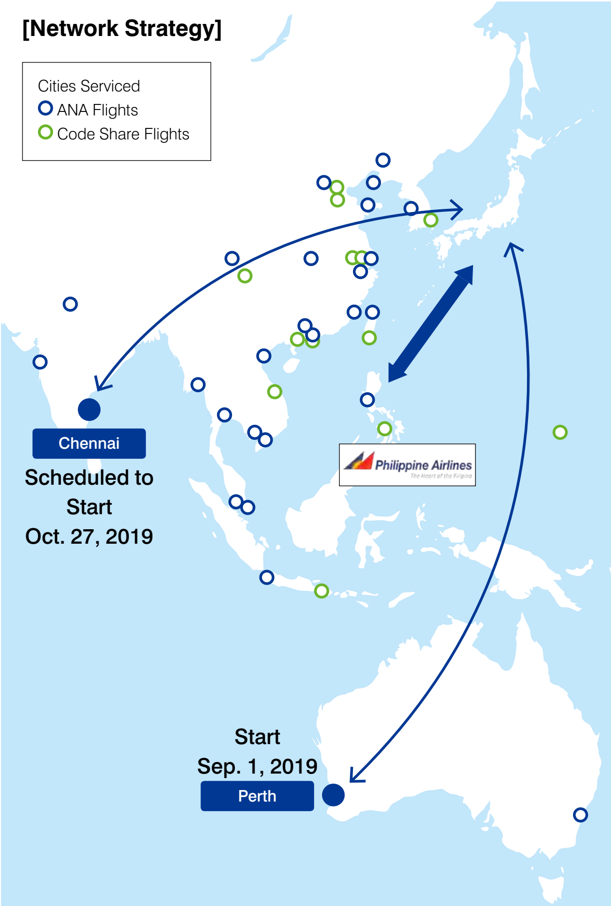
2) Introduce Boeing 787-10
   a. Narita–Singapore (April 26 Start)
   b. Narita–Bangkok (July 1 Start)

3) Strengthen Alliances with Other Companies

[Strategic Alliance with Philippine Airlines]
Capture Air Travel Demand (Japan–Philippines)

1) Investment	US$95 million (Approx. ¥10.5 billion)
2) Alliance	a. Director-Level Personnel Dispatch b. Code Share c. Mileage Program Partnership d. Contract Airport Operations

Expand ANA Coverage across Entire Asia / Oceania Region



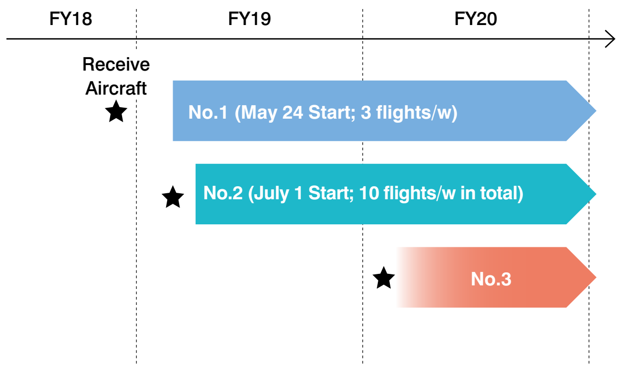
Air Transportation Business (1) ANA

Leverage New Aircraft to Expand Group Revenues and Profits

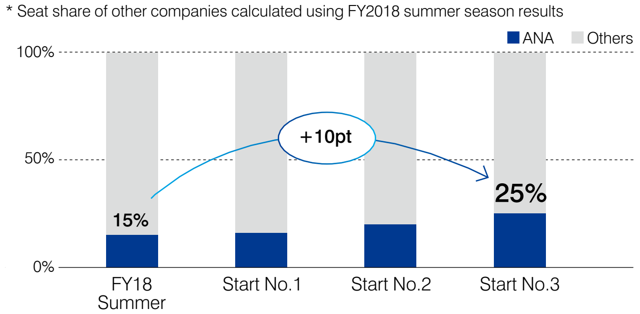
Airbus A380 Aircraft:
On May 24, 2019, we began Airbus A380 service on our Narita–Honolulu route. In July, we introduced a second aircraft to the route, operating a total of 10 flights per week on A380 aircraft. The fiscal 2018 load factor for ANA Tokyo–Honolulu routes (from/to Haneda and Narita) was approximately 91%, including non-revenue passengers. We have continued to experience steady demand for the service during fiscal 2019. ANA introduced ultra-wide body aircraft as a game changer in advancing our Hawaii Strategy and capturing wider customer segments.

Boeing 777F Aircraft (Wide-Body Freighters):
In July of this year, we introduced Narita–Shanghai service, which will be followed by Narita–Chicago service scheduled to begin at the end of October. We will leverage our existing cargo network to strengthen our ability to capture trilateral cargo between China/Asia and North America. We also intend to actively pursue a variety of products, including oversize items, hazardous materials, special items, and other items.

2. "Hawaii Strategy" Utilizing Airbus A380

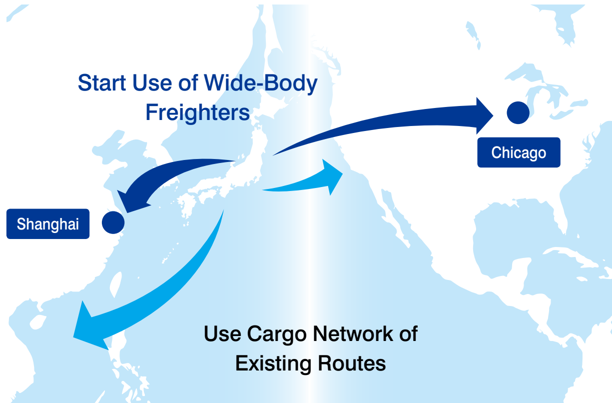


[Japan–Hawaii Seat Share]
* Seat share of other companies calculated using FY2018 summer season results

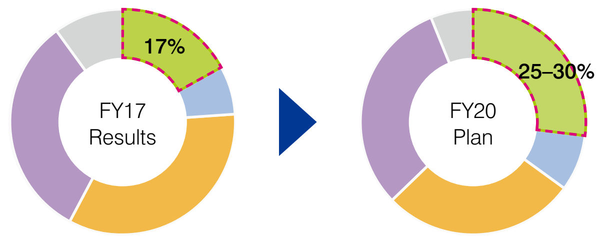


ANA expects to secure a seat share of almost 25% in fiscal 2020 and beyond.

3. Introduce Boeing 777F (Wide-Body Freighters)



[AT Ratio by Destination] * Includes alliances with other companies



ANA plans to introduce wide-body freighters and strengthen alliances with other freighter companies to raise North America cargo ratio to between 25% and 30% of total

North America / Europe / Asia / Oceania / China / Other

Air Transportation Business (2) LCC

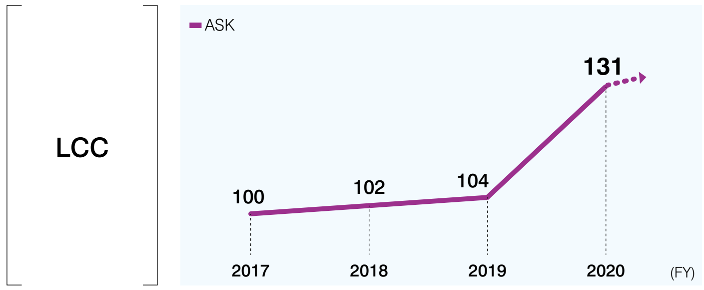
Merger for Higher Efficiencies; To be the Leading LCC in Asia

We plan to complete the centralization of flight operations between Peach Aviation Limited and Vanilla Air Inc. by the end of October 2019. In fiscal 2019, total capacity for the two airlines will rise marginally year on year; however, we expect fiscal 2020 ASK to be about 1.3 times more than fiscal 2017.

In March 2019, Vanilla Air employees began transferring to Peach Aviation. In addition, we are both converting aircraft and transferring flight operations for Vanilla routes gradually to Peach. Once the merger is complete, we plan to expand our routes based in Kansai and Narita airports, entering the mid-range international routes to/from China and Asia in fiscal 2020.

While Peach Aviation has established a unique marketing presence in the Kansai and neighboring Asian service areas, Vanilla Air has gained recognition in the Tokyo metropolitan area. In the future, we will be able to capture demand across a wider range of prices, expanding routes under an integrated brand. Our aim is to generate higher efficiencies, while becoming the leading LCC in Asia.

ASK (FY2017 Results = 100)

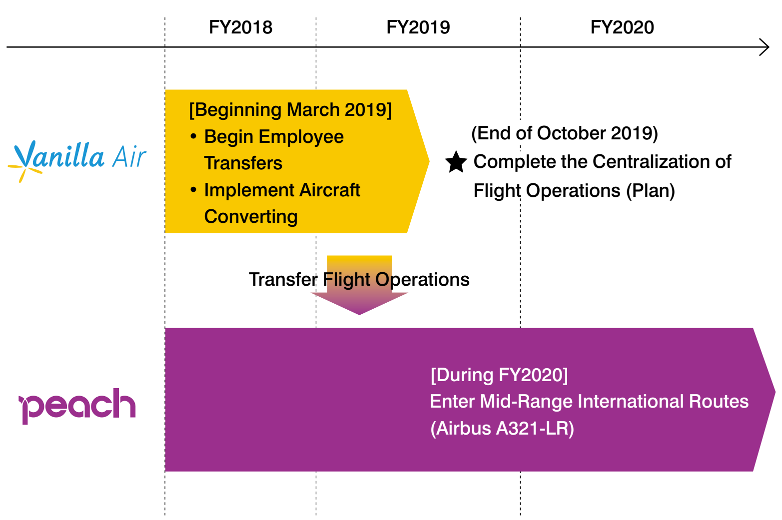


Strategy Points (FY2019–FY2020)

Leverage Merger Synergies to Expand Business

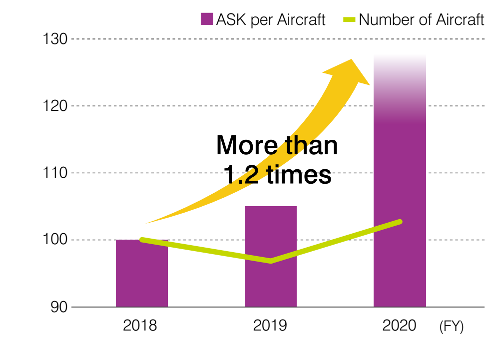
1) Complete the Centralization of Flight Operations by the End of October 2019
2) Expand Routes Based in Kansai and Narita Airports
   a. Capture Leisure / Inbound, Including Regional Cities
   b. Enter Mid-Range International Routes during FY2020

Merger Schedule



[ASK per Aircraft]

(Index) Total for Both Companies; FY2018 = 100



Plan calls for fiscal 2020 ASK per aircraft planned at more than 1.2 times vs. fiscal 2018
(Pursuit of efficient aircraft operations via resource integration)

Resource Strategy

Secure Aircraft and Pilots in Stable Manner to Support Future Growth

Fleet Plan:
By the end of fiscal 2020, we forecast a total of around 320 aircraft. We intend to follow our plan in securing the aircraft necessary for executing our future strategy.

Pilot Resources:
The three ANA brand airlines (ANA, ANA WINGS CO., LTD., and Air Japan Co., Ltd.) are currently developing pilots based on long-term staffing plans looking ahead 10 years. Our policy is to secure and develop a stable base of personnel.

Our LCC Business has a pressing need for pilots. Here, we have implemented captain promotion training for first officers, initiating in-house development beginning in fiscal 2019. Our merger in this business will deliver results that include improved labor utilization and more efficient training.

Aircraft and Pilots

	1) Fleet Plan			2) Pilot Resources
	Approx. 320 (End of FY2020)	Main Aircraft	Routes	
ANA	Wide-Body 60	A380 B777	Major Routes	1) Continue Stable Adoption (In-House Development, Civil Aviation College) 2) Diversify Resources Used (College, Self-Defense Force, etc.) 3) More Efficient Training
	Mid-Body 115	B787 B767	Mid- & Long-Range Routes New Routes	
	Narrow-Body 80	A321 A320 B737 MRJ	Short-Range Routes Local Routes	
	Regional 25			
peach	Narrow-Body 40	A321 A320	Short- & Mid-Range Routes	1) Captain Promotion Training for First Officers 2) Begin In-House Development (FY2019–)

Cost Management

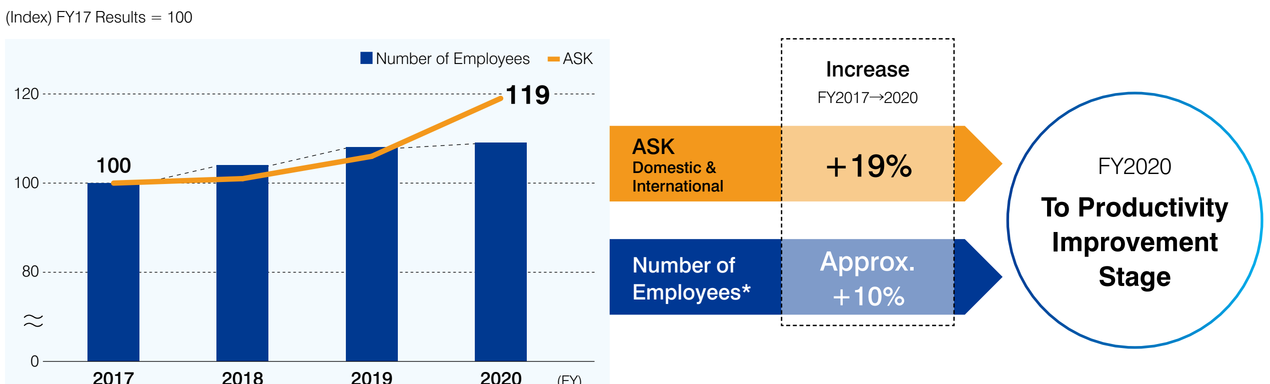
Secure Personnel to Support Expansion while Improving Productivity to Reduce Unit Cost

Graph 1 below shows ASK and group employee numbers, excluding LCC operations. Compared to the fiscal 2017 results, our plan for fiscal 2020 calls for a 19% increase in ASK for the combined ANA domestic and international operations.

On the other hand, we must secure enough pilots and flight attendants to match ASK. We expect to increase personnel as a whole by approximately 10%. Over the past several years, we have been hiring personnel ahead of capacity increase. However, fiscal 2020 will be a stage of productivity improvement in response to significant growth in the scope of our business.

Our unit cost in this context should begin improving in fiscal 2020. In the future, we will use AI and IoT for automation and detailed cost management.

1. ASK and Group Employees (Excluding LCC)



* Calculated based on initial employees at beginning of each Fiscal Year

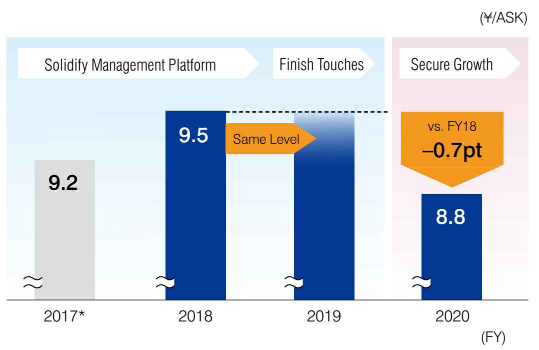
2. Unit Cost (Cost of ASK)

1) FY2018→2019: Unit Cost Level with Prior Year (Finish Touches ahead of FY2020)

2) FY2019→2020: Unit Cost Reduction (Expand International Business)

* Definition of Unit Costs (ANA)

$$\frac{\text{Total Operating Expenses} - (\text{Cargo \& Mail Revenues} + \text{Other Revenues})}{\text{Domestic Passenger ASK} + \text{International Passenger ASK}}$$



* Including the impact of enrollment in the Maintenance Outsourcing Program

Value Creation Targets

Creating Value Worthy of the World's Leading Airline Group

The results of our strategies to date have increased profit levels steadily over the past several years. Having expanded our international network, our operating income averaged approximately ¥158 billion and net income averaged approximately ¥118 billion between fiscal 2016 and fiscal 2018.

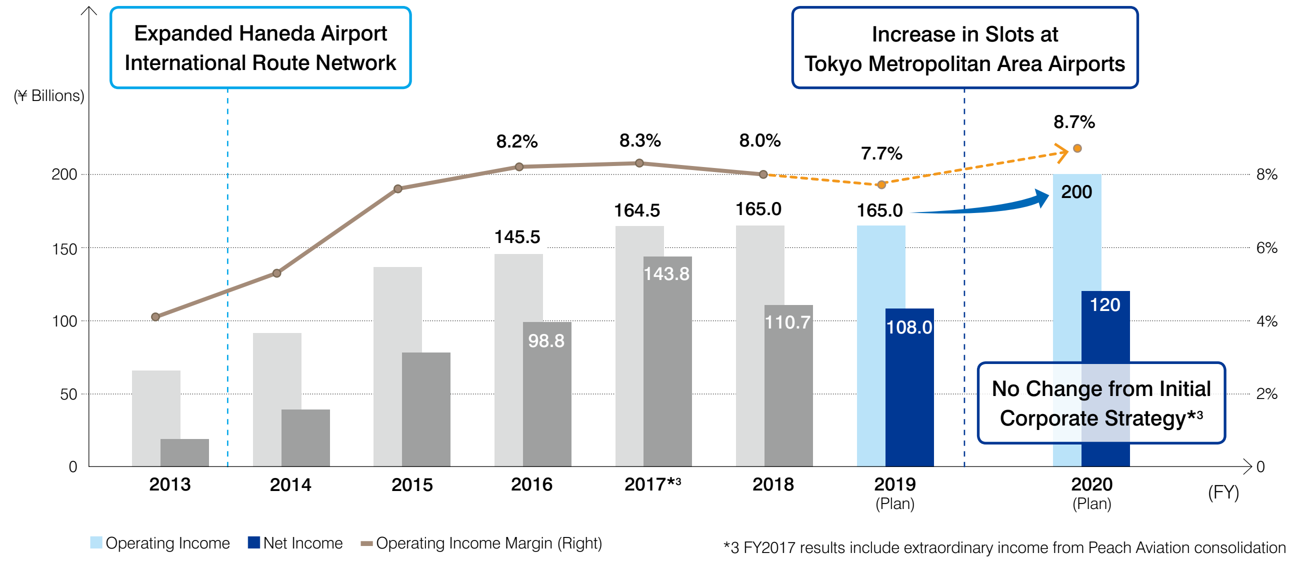
We will use fiscal 2019 as a period to complete the finishing touches prior to fiscal 2020. For fiscal 2020, we will leverage expanded slots at Tokyo metropolitan area airports into greater revenues. Our goals for fiscal 2020 are operating income of more than ¥200 billion and net income of more than ¥120 billion.

We plan to introduce a rolling update to the ANA Group Corporate Strategy through the second half of fiscal 2019, assuming the allocation of slots at Haneda Airport will be clarified by then. The ANA Group is creating value worthy of the world's leading airline group, steadily increasing profitability as we respond flexibly to any change in our environment.

*1 Calculation excludes special gains from Peach Aviation consolidation
*2 FY2018–2022 ANA Group Corporate Strategy, formulated in February 2018

	Average FY2013–2015	Average FY2016–2018	FY2020 Plan*2
Operating Income	Approx. ¥100 billion	Approx. ¥158 billion	More than ¥200 billion
Net Income	Approx. ¥45 billion	Approx. ¥118 billion	More than ¥120 billion
Operating Income Margin	4–7% range	Approx. 8.2%	More than 8.7%
ROE	Approx. 6%	Approx. 11.3%*1	More than 10%

Global Top-Tier Profitability



*3 FY2017 results include extraordinary income from Peach Aviation consolidation

Special Feature

The ANA Hawaii Strategy

The ANA Hawaii Strategy uses ultra-wide body aircraft as a game changer to capture wider customer segments and further raise the competitive posture of our international network.

On May 24, 2019, we put the long-awaited Airbus A380 into service for Narita–Honolulu. In July, we introduced a second A380 to the route, operating a total of 10 flights per week using this aircraft. In this feature, ANA executive officers in key divisions discuss the objectives and impact of our Hawaii Strategy.

Akihiko Miura
Executive Vice President, Member of the Board
ALL NIPPON AIRWAYS CO., LTD.

From ANA Corporate Planning

As the largest international network carrier in Japan, ANA is seeking to further embed our dual hub network strategy, leveraging each function provided by the Haneda and Narita airports. To date, we have grown our network through a focus on routes having a strong demand for business travel. More recently, we have incorporated the Airbus A380 into our Narita–Honolulu route as part of our Hawaii Strategy. Here, our aim is to capture more demand in resort-destination travel.

Objective 1

Leverage overwhelming seat capacity to grow our share of the Japan–Hawaii market

Hawaii holds a special meaning as a resort destination for Japanese travelers, enjoying stable, long-term demand. While ANA has been using mid-body aircraft for Honolulu flights, we have recently introduced ultra-wide body aircraft as part of a major reinvention of the ANA business model for this resort destination, which includes innovative services for our customers.

With the introduction of the Airbus A380, we have significantly expanded capacity aimed at growing the ANA seat share for our Hawaii routes, which was less competitive compared to other carriers. In conjunction with the slot expansion at Tokyo metropolitan area airports in fiscal 2020, we plan to increase the dominance of the ANA international network even further as we pursue our growth strategy.

Objective 2

Utilize expansive cabin space to provide new products and services

Our newly introduced Airbus A380 features a total of 520 seats, offering a platform for services that take advantage of the expansive interior. ANA is rolling out new in-flight services not possible until now.

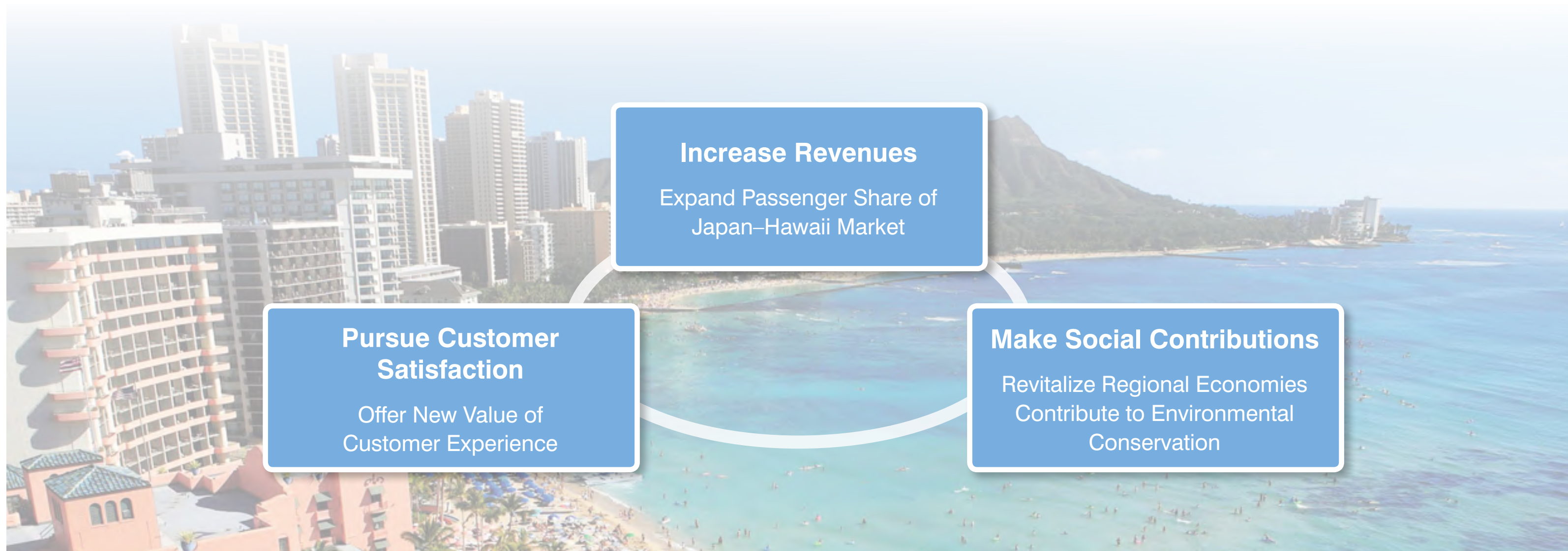
The new Airbus A380 configuration allows ANA to offer new products and services, including a first-class cabin, *ANA COUCHii* couch seats, and new in-flight services available only on the Hawaii route. Now, ANA targets customers that we could not reach in the past, expanding our coverage of demand. What we learn from rolling out these new products and services will also be quite useful in improving ANA customer satisfaction in the future.

Objective 3

Contribute to social initiatives, including regional economic growth and environmental conservation activities

We call our Airbus A380 the *Flying Honu*, meaning a flying sea turtle. Sea turtles are sacred creatures to the Hawaiians, and locals have been active in programs to save these animals and other endangered species.

While the ANA Group contributes to the regional economy of Hawaii through our new ultra-wide body aircraft, we also create opportunities to focus on the area's natural environment, communicating the beautiful nature of Hawaii to future generations and contributing to the environmental conservation of a resort destination beloved by all.



Mitsuo Tomita
Senior Vice President
ALL NIPPON AIRWAYS CO., LTD.

From ANA Marketing

The ANA Honolulu route has enjoyed stable demand even around the time of the Lehman Shock in 2008, recording high load factors over the long-term. More recently, we have introduced the Airbus A380 to the route as a game changer in our Hawaii Strategy. We expect to see more than a 1.4-times increase in our Honolulu route seating for fiscal 2019 as compared to fiscal 2018. Moving forward, we will create more options in our group sales strategy, including school excursions and other group travel, as well as selling tour packages through travel agents.

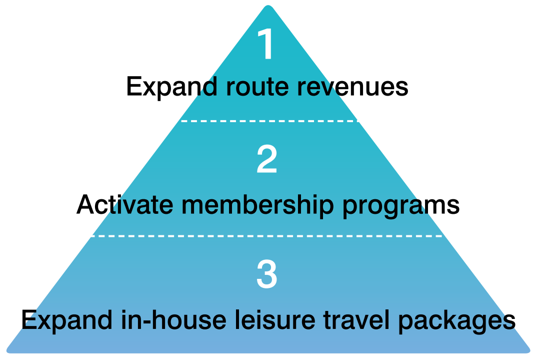
The Hawaii route is popular across a broad range of customers, such as wealthy travelers and families. To meet the needs of a diverse customer base, we plan to offer new products and services, as well as provide different price ranges according to seat availability. This approach should allow us to capture demand on a sustained basis. Our new *ANA Traveler's* brand is one example of an ANA Group product for which we have created a broad lineup of options, utilizing plentiful seating and new classes for families, honeymooners, and many more customer segments. This fiscal year, we will sponsor the local ANA Honolulu Music Week. This event encourages cultural and educational interchange, while also providing yet another reason to enjoy Hawaii. We believe this event will expand and create new customers for travel from Japan to the islands.

We are expanding opportunities for ANA Mileage Club members to use their award tickets and improve mileage services in Hawaii. These services increase convenience and foster higher levels of customer satisfaction. Examples include reservations for Premium Economy seating, mileage upgrades, and optional tours paid using mileage with award tickets, as well as the ANA Express Bus (free of charge) and the Mahalo Lounge benefits available locally for mileage members. Expanded services go beyond in-flight perks. Customers can enjoy other ANA-only services during their stay in Hawaii, with a growing lineup of mileage partner shops and restaurants.

Increasing availability for the Hawaii route through the introducing of the Airbus A380 was just a start. By adding new products and services, as well as offering more opportunities to use mileage and improving leisure travel packages, we aim to build the competitive posture of the ANA network as a whole, while growing group revenues. Look for more exciting things to come from our Hawaii Strategy.

Sales Strategy

Strengthen the Competitive Posture of the Overall ANA Network



ANA Express Bus

ANA Honolulu Route Passenger Performance

* Daily averages (round-trip basis, includes non-revenue passengers)

Hideki Kunugi
Executive Vice President, Member of the Board
ALL NIPPON AIRWAYS CO., LTD.

From ANA Customer Experience Management

The ANA Honolulu route serves a variety of customer needs, including honeymooners, couples, travel with friends and family, and more. The ANA Group carefully considers in-flight products and services for our customers, planning and developing uniquely ANA style offerings in line with concept keywords *a little luxury, fun and excitement,* and *new discoveries.*

From Narita to Honolulu, ANA flies the world's largest aircraft, the Airbus A380, decorated with a special livery selected by the general public. The aircraft interior features a design and special lighting evoking scenes from Hawaii. From the instant customers board, they feel as if they have been transported to a luxury resort.

This flight offers First Class service (a first for this route) to meet the needs of customers looking for an elevated Hawaii travel experience. First Class accommodations include an amenity kit developed through a first-ever collaboration between an airlines and Globe-Trotter of the UK. Business Class has pair-seat arrangements, allowing customers to sit next to travel partners. Meanwhile, Premium Economy offers a first-for-ANA custom-meal service for the class to provide a thoughtful touch for a little luxury. Economy Class meals are a special ANA collaboration with the popular restaurant, *bills*. The rear area of Economy Class offers *ANA COUCHii* couch seating, the first of its type by a Japanese airline and a new idea in the shape of Hawaii travel. In addition, every class has its own bar counter and a multi-purpose room for breastfeeding, diaper changing, freshening up, changing, or other needs. In all, the Narita–Honolulu flight provides unprecedented comfort for customers in-flight.

At the Daniel K. Inouye International Airport, ANA has installed our first-ever overseas lounge where customers can relax while waiting for their flight. Every detail of customer convenience has been considered, including a direct connection from our lounge to the upper deck on the Airbus A380.

We will continue to focus passionately on customer experience in the future, using these and other initiatives to make ANA synonymous with Hawaii. I encourage you to look ahead to even more exciting developments from ANA. We are waiting for you on board the *Flying Honu*.

Economy Class In-Flight Meal
Special Collaboration with a Popular Restaurant, *bills*

First Class
For the First Time, ANA is Offering First Class on the Honolulu Route

Daniel K. Inouye International Airport Lounge
Newly Constructed, First-Ever ANA Overseas Lounge

Air Transportation

“Go for it!” In this spirit of encouraging action, ANA is preparing for growth in fiscal 2020.

Yuji Hirako

Member of the Board of Directors,
ANA HOLDINGS INC.

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

I always tell our employees to “Go for it!” stressing the importance of trial-and-error and taking action to put ideas in practice. I ask them to find issues and take solutions-oriented action to improve the front-line skills that ANA values so highly and to drive the engine that generates new concepts and ideas.

The ANA Group has made fiscal 2019 a year to complete the finishing touches on safety, quality and services.

Safety is the foundation of our business. We demand that every employee embrace a spirit of personal accountability and take self-directed action. Through front-line skills and digital technologies, we are raising the level for quality and service. The ANA Group was selected as a *Competitive IT Strategy Company 2019* and for the newly established *DX Grand Prix*. We will continue to listen to feedback from our customers as clues leading to future innovations. Looking ahead to the Tokyo 2020 Olympic and Paralympic Games, our Group is aiming to provide world-class inclusive and universal services through initiatives in both facilities and services.

We chose a sea turtle livery for the Airbus A380 that we introduced to our Hawaii route in May. This livery represents our desire to help conserve the environment by protecting species such as sea turtles. We are working toward unprecedented quality in anticipation of customers from all across the world visiting Japan in 2020. At the same time, we are accelerating environmental conservation activities. These are two ways in which we are striving to be an airline that makes a positive contribution to society.

Air Transportation Business operating revenues for fiscal 2018 amounted to ¥1,814.4 billion, up 4.8% year on year. Operating income rose 2.3%, to ¥160.5 billion. This positive performance was mainly due to our capturing strong demand within the ANA international business for passenger and cargo service. For fiscal 2019, we expect to grow top-line revenues mainly through our international business supported by our efforts to complete finishing touches on safety, quality and services.

International Passenger Business

Pursuing a Deeper Dual Hub Network Strategy and Hawaii Strategy to Strengthen Network Competitive Advantage

International Passenger Business operating revenues for fiscal 2018 rose 9.1% year on year, to ¥651.5 billion. Passengers rose 3.6% year on year, to 10.09 million, surpassing the 10 million mark for the first time ever. These results reflected the expansion of our ANA network during fiscal 2018, including increasing the Haneda–Bangkok service to five round trips daily (June 2018) and launching a new Haneda–Vienna service (February 2019). Leveraging the competitive advantage we created through our Tokyo metropolitan area airport network, we have been able to capture higher-priced business travel demand out of Japan, as well as strong demand for inbound travel.

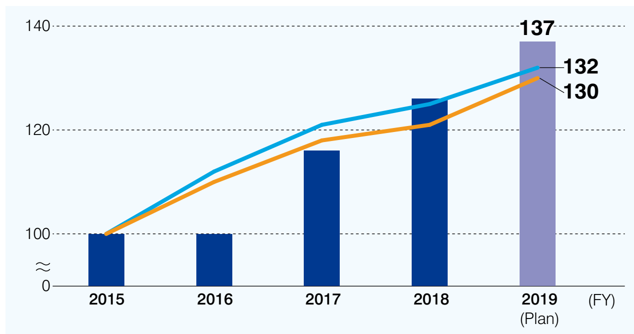
Our fiscal 2019 plan calls for International Passenger Business operating revenues of ¥707 billion, an 8.5% increase over fiscal 2018. We plan to continue our focus on business and inbound demand, while pursuing nonstop service from Narita Airport to as-yet unserved markets. In September and October, we plan to begin Narita–Perth service and Narita–Chennai service, respectively. These flights will heighten the ANA presence in the Asia / Oceania market.

In May, we began adding the *Flying Honu* Airbus A380 aircraft to the Narita–Honolulu route to capture demand between Japan and Hawaii in a stable manner throughout the year. We plan to bolster the competitive advantage of the ANA network by raising what had been a relatively low resort route seat share. At the same time, we intend to enclose customers through more opportunities to use mileage award tickets.

Further, ANA began adding state-of-the-art wide-body Boeing 787-10 aircraft into service on Narita–Singapore and Narita–Bangkok routes to capture as much demand as possible for connections to North America.

Coinciding with the Tokyo 2020 Olympic and Paralympic Games, our fiscal 2020 plan calls for us to increase capacity significantly with the slot expansion at Haneda airport. We will continue to increase top-line revenue for International Passenger Business as a driver of growth for the ANA Group.

Performance of the International Passenger Business



New Haneda–Vienna Route

Boeing 787-10 Aircraft

Domestic Passenger Business

Optimizing Supply to Demand for Aircraft and Schedules, Revising Fare Structures to Build a Stable Revenue Platform

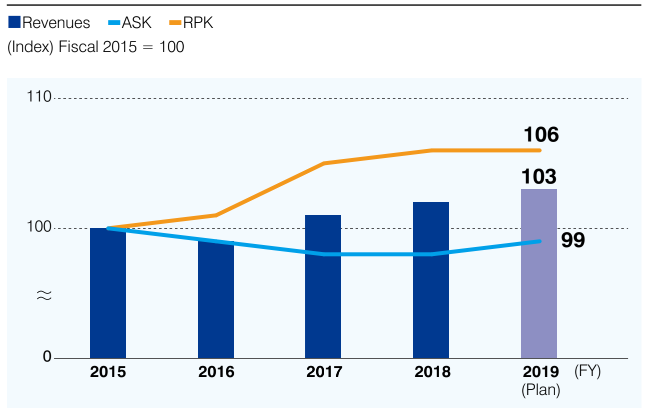
Our Domestic Passenger Business recorded fiscal 2018 operating revenues of ¥696.6 billion (1.0% year-on-year increase), supported by 44.32 million passengers (0.4% increase). In fiscal 2018, ANA converted the Nagoya (Chubu)–Miyako and Fukuoka–Ishigaki routes from summer-only to full-year service, expanding access to southern islands in Okinawa such as Ishigaki and Miyako from major corners of Japan via nonstop service. The objective here is to capture a greater share of high-priced leisure travel demand. Despite the impact of successive natural disasters and planned flight cancellations due to maintenance of Rolls-Royce engines, ANA captured strong business and leisure demand, as well as demand for Japanese travel among inbound tourists. In October, ANA unveiled a simpler fare lineup, allowed reservations and ticket sales up to 355 days prior to departure, and introduced other fare structure innovations.

We plan for fiscal 2019 Domestic Passenger Business operating revenues of ¥705 billion, which will be a 1.2% increase over fiscal 2018. We forecast continued strong demand for air travel in fiscal 2019 in response to business and leisure demand, as well as more chances for leisure for employees due to the advancement of work-style reform and major long holidays in connection with the change in era (new Japanese emperor). The ANA Group will take advantage of a diverse fleet to set optimal schedules and otherwise optimize supply to demand, supporting and increasing profitability.

As one fiscal 2019 initiative, ANA increased the number of Narita–Nagoya (Chubu) flights to three round trips daily in May. Making the Narita airport international-domestic connection more convenient will allow us to capture a greater share of regional leisure travel and demand for inbound tourists. Further, we intend to recover steadily from the contraction in operations scope caused by planned flight cancellations in the prior fiscal year. At the same time, we will take advantage of the impact of fare structure reforms for flexible yield management, introducing even more improvements to unit revenues.

During the fiscal year, ANA added other customer conveniences and comforts as a full-service carrier. These measures included introducing the ANA Baggage Drop, a self-serve, automated baggage drop service at the Naha Airport (Okinawa) and installing new touch panel personal monitor-equipped seats in the major aircraft used in our domestic fleet (Boeing 777-200, Boeing 787-8).

Performance of the Domestic Passenger Business




New Seats Equipped with Touch Panel Personal Monitor

Operations and Equity Alliance with PAL Holdings

ANA HOLDINGS INC. acquired 9.5% of the outstanding shares of PAL Holdings for US$95 million (approximately ¥10.5 billion). PAL Holdings is the parent company of Philippine Airlines, the largest carrier in the Philippines. Even among the high-growth countries of Asia, the Philippines has maintained a remarkably high economic growth rate and strong expectations for growth in demand for air travel. Under this operations and equity alliance, ANA HOLDINGS INC. will assign directors to PAL Holdings, expanding code share flights and mutual airport operations contract services toward building an even stronger relationship.

Together with the operations and equity alliance formed in 2016 with Vietnam Airlines, we plan to deepen our strategic alliances with other airlines, secure competitive advantage in Asia / Oceania, and expand our revenue base.

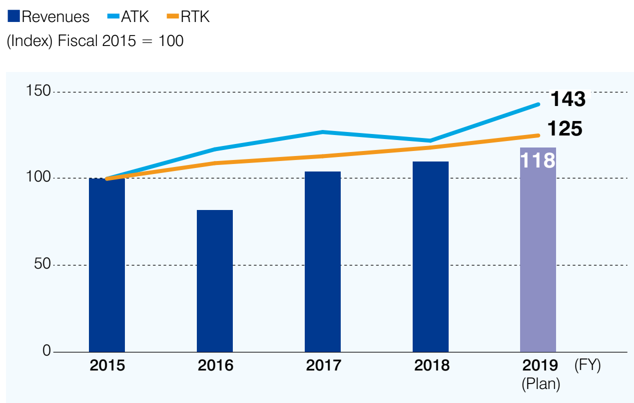
Cargo and Mail Business

New Products Using Wide-Body Freighters and Flexible Supply Control Using Wide-Body Freighters in Pursuit of Improved Profitability

Fiscal 2018 cargo volume underperformed the prior fiscal year, mainly due to the impact of U.S.–China trade friction in the fourth quarter, which resulted in a decreased demand for cargo to/from China. However, operating revenues were higher year on year, driven by stronger yield management and airline charters (cargo charter flights using aircraft owned by other companies). For fiscal 2019, we plan for ¥169 billion in operating revenues, which represents a 5.1% year-on-year increase.

During fiscal 2019, we intend to introduce Boeing 777-F aircraft in July and capture demand for new products, including oversize cargo and special items. By expanding available capacity on Japan–North America routes—a bottleneck to date—we will be able to capture more trilateral cargo demand between Asia and North America. Despite a slowdown in demand, we forecast continued strong demand for automobile-related cargo and high-tech cargo associated with the spread of AI, IoT, robots, and other next-generation technologies. We will ascertain demand trends and adjust available capacity flexibly as necessary in our pursuit of even greater revenues.

Performance of the International Cargo Business



LCC Business

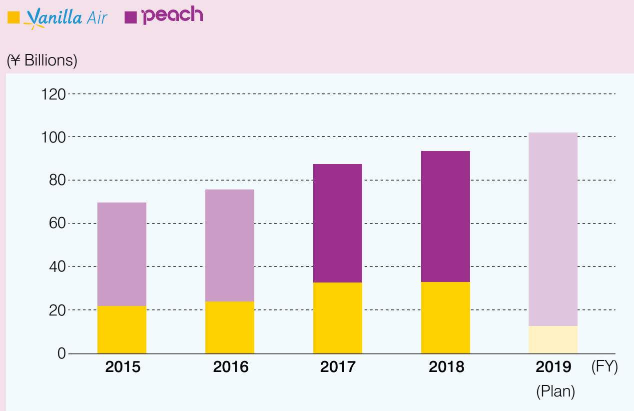
Increase Utilization of Aircraft and Crew via Merger, Creating a New Air Transportation Pillar Second Only to the ANA Brand

The ANA Group began preparations for the Peach Aviation and Vanilla Air merger in fiscal 2018. At the same time, we began planning for LCC network expansion as we streamline the routes of both companies. Peach Aviation introduced service between Okinawa (Naha)–Kaohsiung and Osaka (Kansai)–Kushiro, while Vanilla Air launched Narita–Ishigaki and Okinawa (Naha)–Ishigaki routes.

Our fiscal 2019 plan calls for LCC Business operating revenues of ¥102 billion, representing an increase of 9.0% compared to fiscal 2018. In April 2019, Peach Aviation will begin a Sapporo–Seoul service as we expand our LCC network and capture highly active inbound demand. At the same time, we intend to create new leisure travel demand. The aircraft and human resources of Vanilla Air will be transferred in stages to Peach Aviation in anticipation of a scheduled late-October centralization of flight operations.

By improving utilization of aircraft and crew post-merger in fiscal 2020 and beyond, we expect to both expand our capacity and increase revenues. The strength of the Peach brand developed to date will support stronger competitiveness in Asia, as the Group strives to become the leading LCC in Asia in terms of customer satisfaction and market share.

LCC Business: Operating Revenues



* Peach Aviation was consolidated in fiscal 2017
(Peach Aviation reference figures for FY2015–2016 are based on publicly announced information)

Non-Air Business

Future Revenue Sources through Innovating Business Models and Creating New Profitable Domains

Airline Related

For fiscal 2019, our Airline Related Business plans to generate ¥292 billion in operating revenues (0.3% increase) and ¥10.5 billion in operating income (20.3% decrease). As the number of visitors to Japan continues to increase, we anticipate more Japan routes among foreign carriers. We intend to boost revenues at airports in Japan where the ANA Group has already established networks. Here, we will contract services with other airlines, mainly for passenger and cargo ground handling services and in-flight meal production.

We intend to accelerate hiring and training in our airport handling companies, looking ahead to Haneda network expansion in fiscal 2020. Our aim will be to raise the support structure and quality of ANA Group flights.

Airline Related Business: Operating Revenues

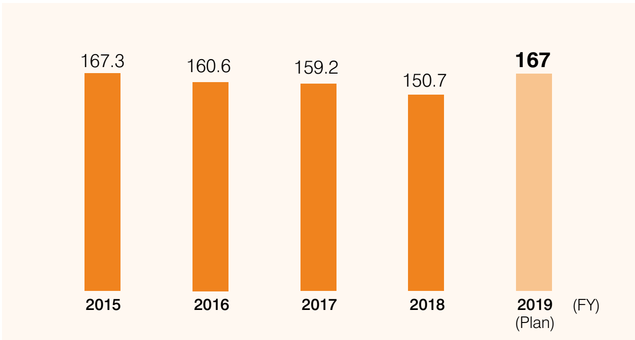
(¥ Billions)

Travel Services

Travel Services plans to generate fiscal 2019 operating revenues of ¥167 billion and operating income of ¥2.5 billion, representing increases of 10.8% and 312.5%, respectively. Under our new *ANA Traveler's* brand, we intend to grow direct sales, sell *Tabisaku* dynamic packages, and otherwise strive to boost our ability to compete. As this segment offers products reflecting customer needs and improves communications in response to individual preferences, we also intend to focus on Hawaii routes and the newly adopted Airbus A380 aircraft, as well as the inbound demand that continues to grow each year.

Travel Services: Operating Revenues

(¥ Billions)

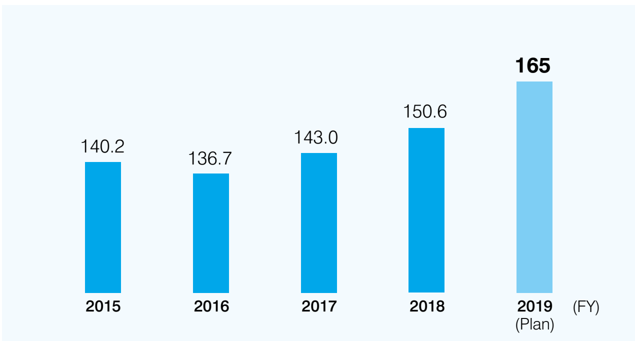


Trade and Retail

Our fiscal 2019 plan for Trade and Retail calls for operating revenues of ¥165 billion (9.5% increase) and operating income of ¥5 billion (34.9% increase). Here, the segment will focus on stronger one-to-one marketing tailored to individual consumer needs and purchase history. The food business will strengthen revenue capacity through stable sourcing of its mainstay banana product, production cost reductions, and other means. In addition, the aerospace and electronics business will foster the newly established aircraft engine lease business into a core business driver. We intend to identify the most promising growth fields, exercising selection and concentration to strengthen existing businesses and create new businesses. At the same time, we also plan to secure greater revenue growth by generating and growing businesses in global markets.

Trade and Retail: Operating Revenues

(¥ Billions)



Non-Air Business Initiatives

ANA X Inc. https://www.ana-x.co.jp/en/

Launched in 2016, ANA X serves as the ANA Group's customer asset business. This company uses Big Data accumulated across a variety of touch points to communicate effectively with each individual customer. This is an evolution in a one-to-one marketing platform that raises the level of the ANA mileage program and other services.

We have seen a rapid rise in corporate groups that compete in economic spheres using their own Big Data. We intend to maximize our use of group customer data, including the nearly 34.59 million ANA Mileage Club members (as of the end of March 2019), to actively create new businesses and services.

ANA Ecosystem Marketing Platform
https://www.ana-x.co.jp/en/about/

MRO Japan Co., Ltd. www.mrojpn.co.jp/en/

MRO Japan was established in 2015 as a specialist in aircraft Maintenance, Repair, and Overhaul (MRO). In January 2019, the company moved offices to Okinawa. As overseas airlines contract low-cost MRO to various countries, MRO Japan provides heavy maintenance services, leveraging its superior technical capabilities. In this way, the company contributes to the Japanese airlines industry, as well as to regional and societal development.

Okinawa serves as a base to compete with overseas MRO contractors, given the popularity as a destination among numerous airlines, which allows to save air transportation costs. With demand for aircraft maintenance likely to grow in Asia, MRO Japan intends to take advantage of the geographic convenience of Okinawa, maximizing the company's performance and supporting air travel safety.

MRO Japan Conducting Aircraft Maintenance for Peach Aviation

ANA Business Jet Inc. https://www.anabj.co.jp/en/

ANA Business Jet

ANA Business Jet was established in 2018 as a joint venture with Sojitz Corporation to arrange business jet charters. Many business leaders in Europe and the U.S. charter business jets to access cities not served by regular flights or to fly outside regular airline schedules. To secure business opportunities that may change moment-to-moment, more business leaders in Asia / Pacific are using business jets as a means to travel confidentially.

ANA Business Jet also plans to offer on-demand charters, using connections to the ANA international network and other travel means as a lever to become the preferred service provider for customers in Japan.

Discussion: Future-Oriented ESG Management and Contributing to the SDGs through Corporate Activities

Shinya Katanozaka
ANA HOLDINGS INC.
President &
Chief Executive Officer

The ANA Group aims for sustainable growth through the simultaneous creation of social value and economic value. At the same time, interest is rising in ESG (environment, social, and governance) investment.
We invited Professor Norichika Kanie from Keio University Graduate School, and leading authority on research into the SDGs, to once again talk with Shinya Katanozaka, President & CEO of ANA HOLDINGS INC. This year, Messrs. Kanie and Katanozaka discussed co-existence and co-prosperity in future society (including contributions to the SDGs) and a deeper global-scale commitment to ESG management at ANA HOLDINGS.

Developments since the Previous Year

Kanie Over the past year, I have sensed a significant rise in interest in the relationship between ESG investment and the SDGs. The Japanese government, banks, and securities firms have shown a more positive attitude toward stable investments from a long-term viewpoint. Even financial products targeting individual investors are focusing more on stable long-term returns as they live longer post-retirement.

Katanozaka In April of this year, I accompanied a Keidanren mission to New York and Washington, D.C. together with senior managers in banking and securities firms. We conducted seminars for investors and the most welcome message I received was about the importance of growing long-term profits and long-term value. I felt keenly the critical nature of ESG management and long-term investment. Motivated by this experience, we added a section about non-financial indicators to our earnings reports, where our IR materials had focused mainly on financial indicators in the past. As you can see, our annual report now contains more content about ESG management, our contribution to the SDGs, and our response to climate change than we have provided in prior years.

Kanie More entities in the financial sector are evaluating companies from the standpoint of ESG management and the contribution to the SDGs. This reflects an emphasis on investing in companies that one can trust over the long term.

Specific ANA Group Initiatives

Katanozaka The 2016 ICAO General Assembly adopted an international commitment to generate carbon-neutral growth (CNG 2020) with no increase in CO_2 emissions after the year 2021. One of our most important initiatives is to control CO_2 emissions from our aircraft. ANA is very proactive in adopting fuel-efficient aircraft and biojet fuel to replace fossil fuels. We are also cooperating in developing algae as a raw material for Japanese-produced biojet fuel. Preventing illegal wildlife trade and human trafficking via aircraft are two major issues we are tackling in the air travel industry. We are working closely with government agencies, NGOs, NPOs, and other companies in our industry to address these issues. On-site staff receive training on specific content to become more familiar and more well-versed in these matters.

Universal service is another concept steadily gaining traction within the Group. For instance, we are widening our boarding gates for easier access to customers using wheelchairs and families with strollers. We have also upgraded our internet reservation system accessible for visually impaired persons. We plan to invest approximately ¥5 billion to improve facility accessibility. Promoting universal service allows any customer to use our businesses with confidence, and that will bring us benefits as we make advancements in this area. I believe it is important to discuss social value and economic value as a paired set in this way.

Kanie I have always said that there is no real sustainability without economic activity. Lately, I feel the reality of this statement even more. I feel very encouraged to know you have the same opinion as a top management.

Katanozaka One of the material issues with which we are engaged is regional revitalization. Revitalizing outlying regions by promoting tourism and increasing non-resident populations will lead us to profit as well. We have signed comprehensive partnership agreements with several prefectures in Japan. Our promotion of tourism and sales of local products revitalizes regional economies. We also work closely with local governments for disaster relief support, provide education to the next generation of citizens, and engage in other activities. More recently, we have launched projects utilizing the innovative technologies of Society 5.0*[1]. One such project involves the ANA Avatar*[2] teleportation technology for education, medical treatment, welfare, and other means to resolve social issues in outlying regions. I want to emphasize that these kinds of regional revitalization initiatives are intertwined with value creation.

Kanie Many regional governments are searching for good partners. I look forward to seeing more activities in the communities the ANA Group serves.

Katanozaka I want to follow up on the food loss discussion from last year. Recently, we began a pre-order service for in-flight meals serving international business class customers. This service helps us meet passenger requests for in-flight meals. At the same time, we eliminate the need to load extra meals. This service improves customer satisfaction, while reducing costs and food loss.

Kanie I get the impression there are things you may be unconscious of or unaware of that may offer benefits to a variety of stakeholders. Employee awareness leads to more efficient operations and elimination of waste. I think this results in greater customer satisfaction as well.

Norichika Kanie
Keio University Graduate School of Media and Governance Professor

Katanozaka We still have many in management and front-line positions who equate ESG with social contribution. ESG is meant to raise corporate value and make a company more attractive to investors. We need to do a better job of communicating this. Last October, we became the first airline in the world to issue Green Bonds. We were recognized for the environmentally friendly standards of construction in our new training center, which includes rooftop greening and solar power equipment among other facilities. This May, we issued Social Bonds to fund capital expenditures for universal service initiatives. I want to make sure investors are aware of our initiatives here.

Kanie I believe that linking benefits to society and to the future with corporate profits is highly important. Investors are also positive about this approach, and I would like to see the ANA Group expand even further on initiatives to date.

*1 Society 5.0: A human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space. Society 5.0 was proposed in the 5th Science and Technology Basic Plan as a future society that Japan should aspire to. It follows the hunting society (Society 1.0), agricultural society (Society 2.0), industrial society (Society 3.0), and information society (Society 4.0). (Source: Cabinet Office website https://www8.cao.go.jp/cstp/english/society5_0/index.html)
*2 ANA Avatar:
A new mode of instantaneous transportation that will enable humanity to connect limitlessly. Integrating multiple exponential technologies ranging from robotics to haptics, real-world avatars will allow anyone to teleport their presence, consciousness, knowledge, and skills to a remote location.

Discussion: Future-Oriented ESG Management and Contributing to the SDGs through Corporate Activities

Japanese-Style ESG Management

Katanozaka I believe there is a such thing as Japanese-style ESG management and contribution to the SDGs. In ancient times, Japanese used the phrase *Sampo Yoshi*, which means *good for everyone*. I think Japanese companies have always had a willingness to increase engagement while dealing with a variety of stakeholders.

Kanie I think we can add one more idea to this *Sampo Yoshi* that you mentioned when considering this current era and the dizzying pace of change. This idea is *Mirai Yoshi* (good for the future). There may have been a time when companies didn't have to think so much about the future. But I think today, society is looking for *Sampo Yoshi Plus One,* which is *good for everyone plus good for the future*.

Katanozaka Here, we are adding a time axis to the concept. When Wangari Maathai won the Nobel Peace Prize in 2004, she introduced the Japanese word *mottainai* (respect and gratitude for the resources around us) to the rest of the world. Similarly, I think we can introduce other words to the world that reflect Japanese-style customs and consciousness.

Kanie Even though the terms ESG and the SDGs are used in all manner of situations throughout Japan, it's Europe and the Americas that are taking the lead globally. Japan must insinuate itself into the global decision-making process, playing the role in creating various standards.

Katanozaka When we talk about ESG and the SDGs, these concepts tend heavily toward Western standards and philosophies.
If Japan were to participate from the standards creation phase, these standards could also reflect traditional Japanese values.

Kanie The ANA Group is an airline group that conducts business globally. I expect to see the Group demonstrate initiative during the creation of global standards and indicators, taking the leadership to make ANA Group standards global standards.

Enhanced Information Disclosure and Future-Oriented Goals

Katanozaka From among your comments, the viewpoint of the future stands out as very important. I truly sense that the future is changing, even in terms of the course of typhoons and other changes in the climate. Climate change is shifting the location of industry, including the best regions to grow rice and fruit. Airline companies must also shift their business to meet future changes. I think the impact of climate change on corporate management will be significant.

Kanie Even the SDGs, such as Goal 1 (end poverty), are impacted by climate change. The effects of climate change can destroy houses through flooding or be a trigger that eliminates jobs, causing people to fall into poverty. Assuming that climate change and other elements combine to change the future, we must steer a proper course while looking ahead to what the world might be like 10 or 20 years from now.

Katanozaka We must look toward the future and tailor our approach to a new era, even for those initiatives we have been pursuing for some time. Soon, we plan to begin discussions about our management plans for fiscal 2020. One key phrase on which we intend to focus is *what to do now for a world that will have changed in 10 years from now?* From the early stages of our Group Management Committee, we have addressed the creation of social value. Even this topic has changed in nature over the years.

Kanie What had been supplementary topics have now become a central issue for management. We are now in an era in which management must consider the future in any decision making.

Katanozaka Although top management tends to be short-term oriented, the times demand a more long-term approach. Going forward, we will determine the ANA Group key performance indicators (KPIs) related to ESG and be more proactive in disclosing non-financial information. As one measure, we decided to declare our support for the Task Force on Climate-related Financial Disclosures (TCFD) in March of this year. I just mentioned the major impact that climate change will have on business. Our policy is to analyze the opportunities and risks for corporate strategy presented by climate change and to disclose the impact on our finances. As we provide more visibility to our environmental and social initiatives, as well as the related processes and results, we will rise in the estimation of our investors. And, while I don't believe KPIs are something to change every year, we should review them as appropriate in the face of a rapidly changing world.

Kanie I believe it is effective to set major goals across a longer time frame. For example, where you want to be as a company by the year 2050. Declaring major goals communicates a stance and a vision of the future to stakeholders. People say that the SDGs emphasize qualitative targets, but I believe it is important to also set targets for goals that cannot be measured quantitatively.

Katanozaka Although our management plan includes feedback from the front lines of our organization, the main drivers are directors and general managers who are at least in their 50s. However, we have started to solicit the opinions of a broad range of younger employees to define the ideal form of the ANA Group 20 and 30 years from now. This includes the young Generation Z employees who have just joined our company, millennials in their 30s, and employees in their 40s.

Kanie When a company's organization and thinking becomes homogenized, so do its weak points. But diversity gives rise to a resilience capable of withstanding a one-point attack. This type of involvement raises awareness among the younger generation of employees. It also creates a positive cycle for a positive future.

Expectations for the ANA Group and the Resolve of Senior Management

Kanie I have high expectations for the ANA Group to participate and show leadership in the creation of global standards and indicators. Through stronger sustainability initiatives, I believe your group can have a positive impact throughout your entire value chain, including your vendors. I am particularly excited to see your initiatives related to human rights and food loss make their way through the supply chain.

Katanozaka For fiscal 2019, we have set goals to communicate ESG management and the SDGs throughout the Group. However, out of the 17 goals of the SDGs, our current Group medium-term corporate strategy only addresses seven specific initiatives: gender equity, clean energy, decent work, industry innovation, reduced inequalities, sustainable communities, and climate action. I have stated in our Group Management Committee that we should take the time to create initiatives related to all 17 goals. I will move even further forward with ESG management and the SDGs in the same fashion as our current initiatives. It is important that we raise awareness to consider the future of the earth. The future of the earth is also the future of our company.

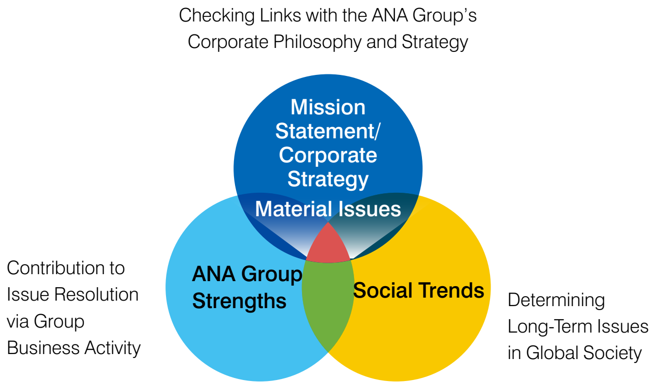
Materiality in the Present Medium-Term ANA Group Corporate Strategy Period

The ANA Group has targeted becoming the world's leading airline group. We believe that we should be a corporate citizen that develops in tandem with society by resolving global issues in a way that is commensurate with the ANA Group identity. We have identified material issues for the Group to address, and is working to resolve these through incorporation in business strategies, plans, etc.

Identification of Materiality

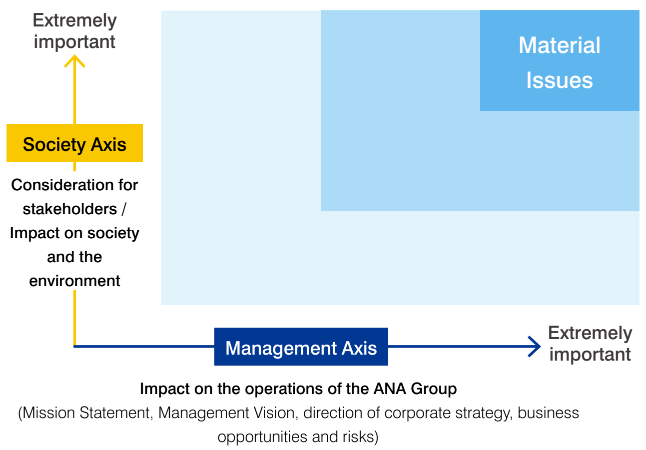
When defining material issues to be addressed by the Group, we refer to our Mission Statement and Corporate Strategy, ANA Group strengths, and social trends, identifying long-term issues in global society and determining whether these issues are consistent and constant with our vision and strategy and whether we can contribute solutions through our business activities.

Identifying Materiality



We use a two-axis analysis to determine importance for each issue: the degree of impact on our business (management axis), and the degree of impact on and interest from society (society axis).

Society and Management Axes



We identified material issues that are subject to scrutiny and determination of their validity through a continuous cycle of steps which included information collection and discussions with external persons.

Confirmation Steps

STEP 1 **Comprehending / Identifying Issues**
Understanding Global Trends Regarding Social Issues

STEP 2 **Assigning Issue Priorities**
Wide-Ranging Stakeholder Engagement

STEP 3 **Validity Confirmation**
Discussion with Outside Experts and among Management

Materiality in the Present Medium-Term ANA Group Corporate Strategy Period

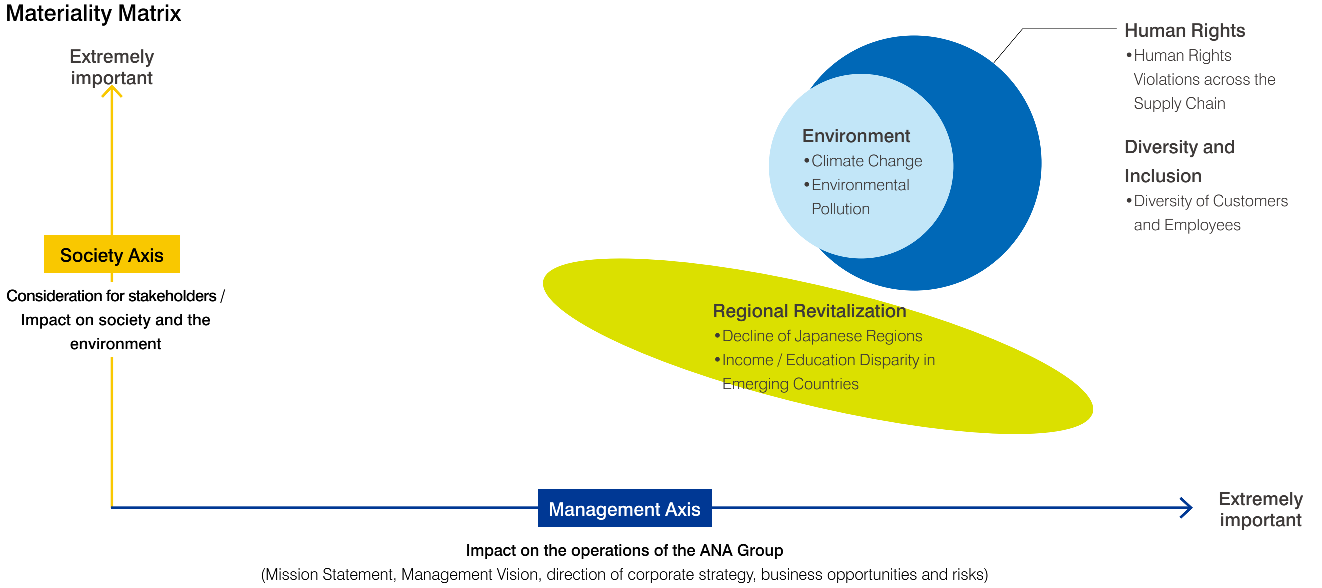
In the current ANA Group Corporate Strategy, the ANA Group explored material issues in the drafting of its strategy in the assumption that it would target sincere promotion of its ESG management and simultaneous creation of social and economic value in the execution of its strategy. Specifically, we have used a process of understanding the opportunities and risks in executing our corporate strategy and taking the specific identification and confirmation steps laid out on the opposite page to identify material issues given a multifaceted perspective of global trends for societal issues, the economic conditions for our own company, and expectations from stakeholders.

Opportunities and Risks in Executing the ANA Group Corporate Strategy

→ P.26

	Unique to the ANA Group	Common to the ANA Group and Society
Opportunities	Opportunities for ANA Group Value Creation	Opportunities for ANA Group and Social Benefits
Risks	ANA Group Issues	ANA Group and Social Issues

Materiality Matrix



Rationale for Identification as Material Issues

		For the ANA Group	For Society	Major Initiatives
Environment	P52	• Suppression of fuel expenses • Suppression of future emissions credit purchasing costs • Maintaining / improving evaluations by avoiding environmental risk	• Reducing environmental footprint	• Introduction of fuel-efficient aircraft • Introduction of biojet fuel
Regional Revitalization	P56	• Improving profitability by generating new inbound tourism demand • Maintaining / improving profitability of domestic airline business • Improving profits of international airline business	• Revitalize regional economies • Promoting international exchange	• Strategic use of group resources • Social contribution activities in international and domestic service regions
Human Rights	P58	• Maintaining / improving evaluations through avoiding human rights risk	• Realizing a world that respects human rights	• Executing human rights due diligence • Developing and training group employees
Diversity and Inclusion	P60	• Improving profitability by generating new demand • Providing an issue resolution system to strengthen capacity to respond to customers	• Realizing an inclusive society	• Developing / implementing services focusing on customer diversity • Developing and training group employees

Environment

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/environment/

As an airline group centered on the air transportation business, we are working to control CO_2 emissions.

Major Initiatives	Created Value	Contribution to the SDGs
• Introduction of fuel-efficient aircraft • Introduction of biojet fuel	• Reduction of environmental impact	

Basic Approach

In response to the Paris Agreement signed at the 2015 United Nations Climate Change Conference (COP21), the Government of Japan set its own targets related to the reduction of greenhouse gas emissions for 2020 and beyond.

The aviation industry is showing an increasing awareness about controlling CO_2 emissions. Based on the resolutions of the 2016 General Assembly of the International Civil Aviation Organization (ICAO), global airline companies have made an international commitment to generate carbon-neutral growth (CNG2020) in the year 2021 and beyond.

The ANA Group has created the ANA Group Environmental Principles and the ANA Group Environmental Policies. These principles and policies build on the ANA FLY ECO 2020 medium- to long-term environmental plan from fiscal 2012 to fiscal 2020 and include initiatives for becoming an environmental leading airline group and reducing environmental impact. We are also working to develop medium- to long-term targets for after 2020.

ANA Group Environmental Principles
(formulated in 1998)

- The mindset to value the environment starts with the recognition of the burden we place on the Earth.
- We will use natural resources and energy with care, and contribute to attaining a prosperous and sustainable society.
- We will take initiative in environment conservation activities and share our care for the Earth with people around the world.

ANA Group Environmental Policies
(formulated in June 2017)

ANA Group, recognizing the global environmental issues, including climate change and the conservation of biodiversity, as a quintessential management task, aims to be an "Environmental Leading Airline Group" through all engaged activities.

ANA FLY ECO 2020 Medium- to Long-Term Environmental Plan for FY2012–2020

Implementation Structure

The Group CSR / Risk Management / Compliance Committee oversees two subcommittees dedicated to initiatives reducing our environmental impact: The Eco-First Subcommittee (dealing with aircraft flight operations), and the Ground Energy Subcommittee (dealing with ground operations).

The Eco-First Subcommittee seeks to control CO_2 emissions from aircraft, while the Ground Energy Subcommittee seeks to reduce overall energy usage in Group facilities.

Group CSR / Risk Management / Compliance Committee
↕ Eco-First Subcommittee
↕ Ground Energy Subcommittee

Declaration of Our Support for TCFD

As of March 2019, the ANA Group has become the first airline group in Japan to declare support for the Task Force on Climate-related Financial Disclosures (TCFD). We will analyze the risks and opportunities that climate change brings to our business, reflecting this analysis in our corporate strategy and working to disclose more relevant information.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Evaluation by the Carbon Disclosure Project (CDP)

Evaluation by CDP seeks to disclose data and information about company strategy related to greenhouse gas emissions and climate change in response to stakeholders demands. As of 2016, the ANA Group has categorized its greenhouse gas emissions into Scope 1, 2, and 3 in accordance with the standards set by the Act on the Rational Use of Energy. This environmental data has been verified by third parties, and that verification has been disclosed. The Group's rating in 2018 was B. (The industry average is C.)

Certified Eco-First Company

In 2008, ANA became the first-ever company in the airline and transport industry certified by the Minister of the Environment as an Eco-First Company. We received this honor in recognition of our commitment to social responsibility.

The ANA Group supported and began awareness activities for COOL CHOICE, a program led by the Ministry of the Environment to take measures against global warming. Further, we participated in the Plastics Smart forum in 2018. This forum is another initiative of the Ministry of the Environment aiming to reduce marine plastic litter.

ECO FIRST COOL CHOICE Plastics Smart

Issuance of Green Bonds

In October 2018, ANA HOLDINGS became the world's first airline group to issue Green Bonds.

The funds raised from these bonds were allocated to construction funds for *ANA Blue Base*, a green (eco-friendly) building housing a general training center and a Group initiative toward the environment, one of our material issues in management. The ANA Group pursues sustainable growth through ESG management from dual perspective of business and financial strategies.

→ P.68 Establishment of *ANA Blue Base* to Train Human Resources Who Support Safety, Quality and Services

Please visit our website for more details.
https://www.ana.co.jp/group/en/csr/environment/greenbond/

Use of Proceeds

Proceeds from the bonds were used for part of the construction fees of *ANA Blue Base*
[Major Environmental Consideration]
Solar Power Generation Systems / LED Lighting / High Thermal Insulation and Airtight Pair Glass / Rooftop Greening / Natural Ventilation / High-Efficiency Heat Source Equipment / Building Energy Management Systems

Status of funds allocation

Items	Amount (¥ Millions)
Funds procured (value of the bonds issued minus bond issuance expenses)	9,940
Expenditure for fiscal 2018 (actual)	–7,547
Balance as of End of fiscal 2018	2,393
Expenditure for the first quarter of fiscal 2019 (actual)	–2,393
Balance as of End of the first quarter of fiscal 2019	—

Impact Reporting (impact evaluation report)

1. Results for the ANA Blue Base	FY2018 Results
• Energy consumption (Crude oil equivalent: 10,000 kl)	Reports to be disclosed as of FY2020 results when all facilities are in operation
• Actual energy usage by type (electricity in kWh: gas in cubic meter: m³)	
• CO_2 emissions (t)	
• Solar Power Generated (kWh)	
• Water consumption (m³)	

2. Environment-Related Indicators in the Air Transportation Business (ANA Brand)	FY2018 Results
• Ratio of fuel-efficient aircraft of the whole aircraft (%, as of end of fiscal year)	69
• CO_2 Emissions per revenue ton kilometer (kg-CO_2/RTK, total for domestic & international routes)	0.97

Environment

Controlling CO_2 Emissions

Aircraft Flight Operations Initiatives

Progress toward Targets

Reduction of CO_2 Emissions per RTK
(Total of domestic and international services)

Target: Reduce by **20%** from FY2005 to FY2020

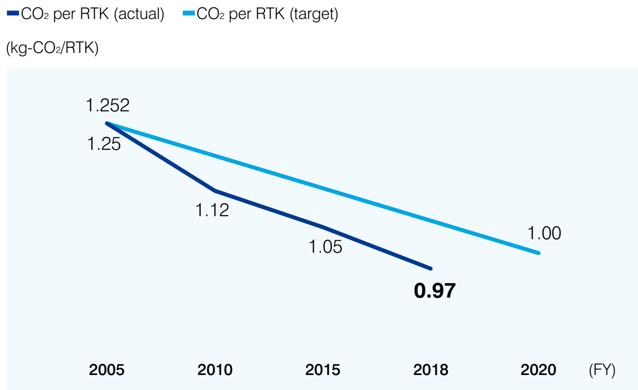
FY2018: Reduced by **23%**

CO_2 Emissions on Domestic Services

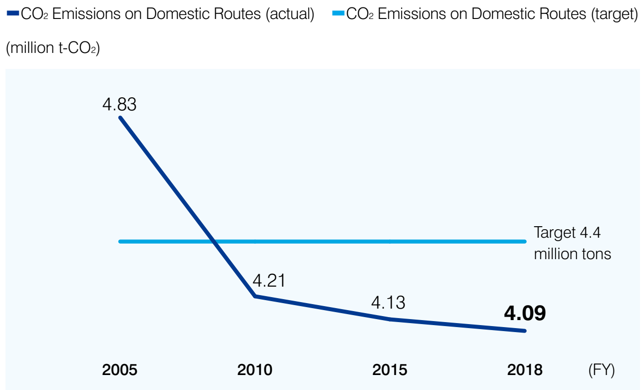
Target: Control emissions to under **4.4** million tons / year average

FY2018: **4.09** million tons

CO_2 Emissions per RTK



CO_2 Emissions on Domestic Services



Introduction of Fuel-Efficient Aircraft

The ANA Group is making operations-related improvements to control CO_2 emissions from our aircraft. One of our most effective measures is the introduction of fuel-efficient aircraft. As of March 31, 2019, 75.9% of the ANA Group fleet consists of fuel-efficient aircraft models such as Boeing 787 or Airbus A320neo / A321neo (69.5% in the previous fiscal year).

ICAO CORSIA Initiatives

The 2016 General Assembly of ICAO adopted the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Under CORSIA, global airline companies have made an international commitment to generate carbon-neutral growth (CNG2020) in the year 2021 and beyond. Airlines are required to report the amount of CO_2 emissions to the Ministry of Land, Infrastructure and Transport beginning in 2019. The ANA Group has established a mechanism for collecting and sending fuel consumption data from aircraft to a ground-based system in order to measure CO_2 emissions. The use of biojet fuel and emissions credits are other initiatives we have adopted to reduce our environmental impact.

Introduction of Biojet Fuel

In January 2019, we purchased approximately 265 kl of biojet fuel manufactured and refined by World Energy at the San Francisco International Airport. This volume of biojet fuel can reduce CO_2 emissions by nearly 150 tons compared to regular jet fuel (fossil fuel).

In June 2019, we made an agreement with LanzaTech of the United States to purchase biojet fuel. In Japan, we are a participant in the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Olympic and Paralympic Games in Tokyo 2020. We are also working with government agencies, facilities, and other businesses in initiatives for the regular use of biojet fuel.

Ground Operation Initiatives

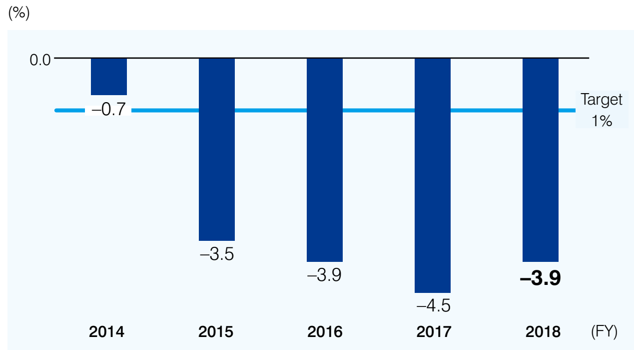
Progress toward Targets

Ground Energy Consumption

Target: Reduce by **1%** annually (year on year)

FY2018: **3.9%** reduction

Ground Energy Consumption Intensity, Year on Year



The ANA Group has set our own energy management standards, based on which we strive to reduce energy consumption across Group facilities. As a result, ANA, ANA CATERING SERVICE CO., LTD., and ANA FOODS CO., LTD. (specified business operators under the Act on the Rational Use of Energy) achieved more than 1% reduction in energy consumption, receiving the Excellence in Energy Efficiency Award (S Class) certification under the Act on the Rational Use of Energy of the Ministry of Trade, Economy and Industry for a fourth consecutive year.

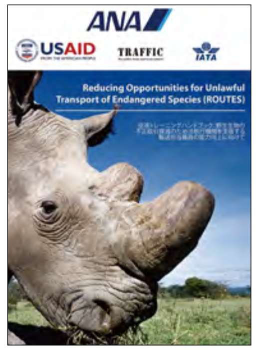
We have adopted an environmental data integrated management system called *ANA Eiims*, which has improved our accuracy in monitoring environmental data and analysis.

In addition, we promote 3R activities (Reduce, Reuse, Recycle) for waste generated in-cabin, at the airport, and in our offices. At the same time, we have implemented proper management of industrial waste through the e-Waste Management industrial waste management system.

Preserving the Environment and Ecologies: Signatory to the Buckingham Palace Declaration

In March 2018, ANA became the first Japanese airline to sign the United for Wildlife Transport Taskforce, Buckingham Palace Declaration, a plan to eradicate illegal trade in wildlife recommended by IATA.

In December 2018, we conducted workshops for employees to raise awareness and study about wildlife trafficking, in cooperation with TRAFFIC*1, an NGO that surveys and monitors the wildlife trade at WWF Japan*2. We made an exclusive program for our employees, working with ROUTES*3 and its instructor came to direct workshops.



We will continue to promote an understanding and awareness of the illegal wildlife trade, sharing information in cooperation with related parties and promoting initiatives to conserve the environment and ecosystems in Japan and overseas.

*1 TRAFFIC: NGO that surveys and monitors wildlife trade. A joint venture between the World Wildlife Fund (WWF) and the International Union for Conservation of Nature (IUCN). TRAFFIC sponsors activities through a global network, mainly through bases in ten countries. https://www.trafficj.org/

*2 WWF: Environmental preservation public interest corporation located in approximately 100 countries (https://www.wwf.or.jp/eng/) WWF Japan adopts the nature-centric view that human beings exist as a part of greater nature. The organization works on issues within Japan and international issues related to Japan.

*3 ROUTES: Abbreviation of Reducing Opportunities for Unlawful Transport of Endangered Species. ROUTES is an international collaborative platform for dealing with criminal activities involving the illegal trade of wild animals. The organization implements a variety of programs, mainly in countries / regions where illegal transactions occur frequently.

Regional Revitalization

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/regional_creation/

The ANA Group is committed to regional revitalization through increasing non-resident populations and economic revitalization in the regions in which we operate.

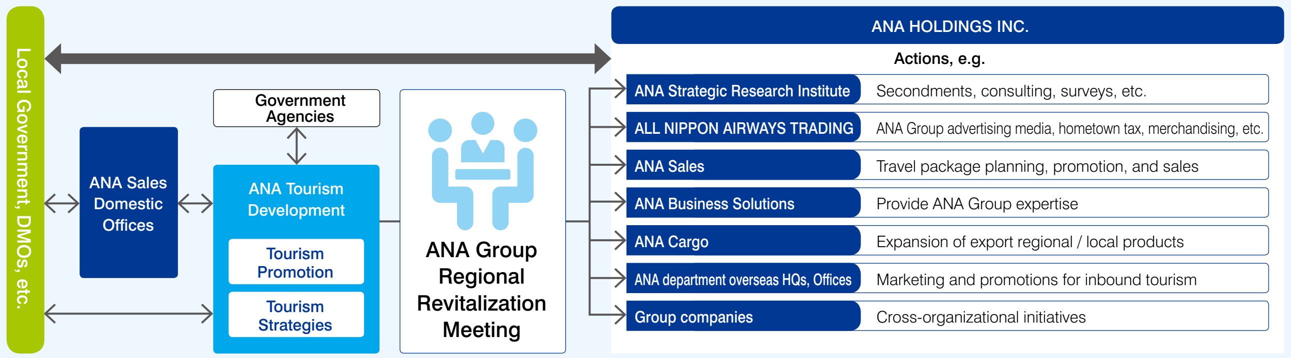
Major Initiatives	Created Value	Contribution to the SDGs
• Strategic use of group resources • Social contribution activities in international and domestic service regions	• Regional revitalization • Inbound tourism promotion	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES

Basic Approach

Japan is famous for its traditional culture and tourism attractions. On the other hand, Japan faces concerns about falling populations in rural areas and the gradual decline of traditional industries. The ANA Group works together with corporations, NGOs, NPOs, local governments, and others in order to bring in more inbound tourists to Japan and stimulate a flow of domestic travelers. We also seek to expand our sales channels within our Non-Air Businesses through stronger partnership with Group companies, contributing to a Regional Revitalization through Tourism Promotion. Through social contribution activities in the regions where we serve, we seek to build productive relationships with stakeholders and resolve social issues.

Implementation Structure

ANA Holdings supervises the Group's regional revitalization while Tourism Development, Marketing and Sales of ANA, integrates initiatives across the entire Group to maximize effectiveness. Tourism Development is the primary driver of the ANA Group Regional Revitalization Meeting, which strategically advances regional revitalization actions through tourism promotion.



Major Initiatives

Regional Revitalization through Tourism Promotion

- Offer consulting services leveraging ANA Group human resources
- Discover and market tourism resources throughout Japan
- Develop, distribute, and sell local products
- Establish systems to host foreign visitors to Japan
- Stage promotional campaigns involving air transportation services
- Promote domestic / international tourism via ANA flights
- Develop training programs incorporating ANA Group expertise

Social Contribution

- Participation in reconstruction activities (Supporting regional recovery after large-scale disasters)
- Support environmental and biodiversity conservation programs (Project to conserve coral reefs in Okinawa, etc.)
- Develop next-generation education programs (Aviation Class, career training, etc.)
- Social contribution programs in overseas areas we serve (Educational support, tourism resource conservation, etc.)

Partnership with Local Governments

The ANA Group enters into partnership agreements with local governments in order to promote regional economic revitalization and resolution of social issues. As of July 2019, the ANA Group has signed agreements with nine prefectures (Mie, Shizuoka, Hokkaido, Kochi, Tokushima, Oita, Miyazaki, Miyagi, and Kagawa). We will continue to collaborate with them in a wide range of areas, such as tourism, culture, next-generation education, increasing non-resident populations, partnership with overseas businesses, and support during disasters. The comprehensive partnership agreement signed in April 2019 with Kagawa Prefecture includes a provision for promotion of innovation by use and application of leading-edge technology. We at the ANA Group are exploring the ways we can leverage the technological innovations we drive in a variety of fields, such as medicine, welfare, and tourism.

Comprehensive partnership agreement with Kagawa Prefecture


Example of Innovative Technology: The AVATAR Cafe, where persons with disabilities operate robotic waitstaff remotely (e.g., from home or hospital) to serve customers

Regional Revitalization with Comprehensive Specialties of the Group

Our *Tastes of Japan by ANA* program showcases food, drinks, and desserts featuring specialties from the various regions of Japan. Customers experiencing these delights onboard our aircraft or in our lounges may also find tourism information about the places where these specialties originated, providing an appealing glimpse into the regions of Japan. We develop our regional revitalization through our air transportation services, including travel campaigns to entice visitors to the various regions, leveraging in-flight media, and shipping regional specialties via our cargo services. We are also working to gauge the needs of each region and appropriately leverage the specialties of our Group companies, including travel, advertising, logistics, research studies, training, and personnel dispatch, in regional revitalization initiatives.

Tastes of Japan by ANA Website

Pamphlet (Sample)

Initiatives to Stimulate Inbound Demand

As part of regional revitalization through inbound tourism, the ANA Group launched the *Japan Travel Planner* website in April 2018, a travel information site for visitors to Japan. The website, linked seamlessly with the ANA flight booking site, entices visitors to the country's various regions with information provided in 11 languages. In October 2018, ANA Strategic Research Institute Co., Ltd. and Sumitomo Mitsui Finance and Leasing Co., Ltd., jointly founded the Regional Revitalization and Inbound Tourism Council. This council's members include business operators and organizations connected to inbound business and regional revitalization, and as of July 2019 boasts membership from 42 companies and 23 local governments / auxiliary organizations. Participating companies combine their unique strengths and know-how to create comprehensive proposals in partnership with local governments.

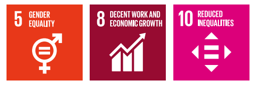
Japan Travel Planner Website

地域創生インバウンド協議会
Regional Revitalization and Inbound Tourism Council

Human Rights

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/human_rights/

The ANA Group values communication with its stakeholders and work to advance initiatives that respect human rights.

Major Initiatives	Created Value	Contribution to the SDGs
• Human rights due diligence • Develop and train group employees	• Legal compliance • Realizing a world that respects human rights	

Basic Approach

The ANA Group is committed to upholding human rights in accordance with the global standards provided in the United Nations Guiding Principles on Business and Human Rights. In April 2016, we established the ANA Group Policy on Human Rights. We based this policy 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. We also encourage our contractors and suppliers to adopt similar policies.

We will continue human rights initiatives, recognizing that respect for human rights lies at the very foundations of the philosophy of the SDGs, which is to leave no one behind.

Implementation Structure

Our Chief CSR Promotion Officer serves as a supervisor in progress in policies and initiatives regarding human rights issues. These policies and initiatives are discussed in the Group CSR / Risk Management / Compliance Committee. Our initiatives for human rights advance in partnership with the CSR Promotion Leaders in each Group company and department.

Stakeholder Engagement

We engage actively with stakeholders to understand their expectations and demands, and to incorporate such into our initiatives.

Communication with Our Employees

To deepen an understanding of respect for human rights among our employees, we conduct e-learning courses on Business and Human Rights for all Group employees. A full 94% of Group employees took the e-learning course during the three months period.

Influencing Business Partners

We inform all contractors and suppliers of the ANA Group Purchasing Guidelines. We work together to ensure their workplace environments uphold respect for human rights.

Disclosure of Appropriate Information (Report Disclosures)

In May 2018, we created and published a "Human Rights Report" to proactively disseminate information on respect for human rights. We are currently preparing to publish our fiscal 2019 edition.

Communication with Overseas Government Entities, NGOs, and NPOs

In June 2019, we observed work conditions in the fisheries industry in Thailand. We also engaged with international institutions, NGOs, NPOs, consumer groups, and others, exchanging ideas about human rights issues.

Dialogue with Overseas ESG Investors

In July 2018, we met with Aviva Investors*1, a constituent member of the Advisory Council that governs the Corporate Human Rights Benchmark (CHRB)*2. At the Aviva offices in London, we discussed their thoughts as institutional investors and how CHRB's activities will develop in the future.

*1 Aviva Investors: An investment company within the Aviva Group. Aviva is a major insurance firm in the United Kingdom. The company provides services to external customers as well, with total assets under management of over £300 billion.
*2 CHRB: An international initiative evaluating and ranking corporations on their actions regarding human rights, linking these to investor activity in order to promote corporate initiatives dealing with human rights issues.

Discussion with Steve Waygood, Chief Responsible Investment Officer, Aviva Investors

Responding to Human Rights Issues Identified through Risk Assessments

In 2016, we conducted a review to identify potential risks to human rights related to business activities across ANA Group and at all locations where we serve. Our evaluation identified the following key issues for risk prevention.

Understanding the Workplace Environment of Foreign Workers in Japan

Following last year's discussion with ground handling staff at airports, we secured the cooperation of our contractors and an independent third-party institution (Caux Round Table Japan*3) in fiscal 2018 to conduct interviews with non-Japanese workers in catering services.

Strengthening In-Flight Meal Supply Chain Management

We used our participation in the Bluenumber Initiative*4 (in 2017, ANA HOLDINGS was the first Japanese company to join) to register more than 200 partners and producers connected to the ingredients in our in-flight meals. We also conducted a test registration of more than 2,000 articles. We seek to build a highly transparent food supply chain that includes respect for human rights and environmental conservation in the production process.

Preventing Human Trafficking via Air Transportation

In April 2019, we began a program to report potential cases of human trafficking found in-flight to ground facilities. We also conducted an e-learning course for all Group employees to promote a better understanding to prevent human trafficking.

E-Learning Course about Human Trafficking

Anti-Bribery

We sponsored seminars at overseas Group branches on anti-bribery.

*3 Caux Round Table Japan: The Caux Round Table is a global network of business leaders working to realize a fair, free, and transparent society through business.
*4 The Bluenumber Initiative is a global program to establish food supply chain platforms by Bluenumber Foundation.

Regular Reviews with Human Rights Experts

The ANA Group holds advisory meetings with human rights experts on a regular basis. In September 2018, we invited two human rights experts from the Danish Center for Human Rights*5 and the Institute for Human Rights and Business*6 to evaluate the responses of the ANA Group to the advice received last year. The experts provided advice and reference cases about the need to broadly consider the groups and stakeholders that may be impacted by our activities in advancing future initiatives. These experts also advised us on the need to respond to issues related to non-Japanese national employees.

Review With Human Rights Experts

*5 The Danish Center for Human Rights was established by the Danish Parliament to gather information and develop tools related to human rights and business.
*6 Founded in 2009, the Institute for Human Rights and Business is an international think-tank active in the field of business and human rights. This Institute is a leading driver of initiatives in this field.

Diversity and Inclusion

We create and lead an inclusive society that values and welcomes all people.

Major Initiatives	Created Value	Contribution to the SDGs
•Development and implementation of services focused on customer diversity •Develop and train group employees	•Usage of air travel across all customer segments •Smart, comfortable travel •Promote diversity	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Basic Approach

As we approach the year 2020 and our customers continue to diversify globally, continuing to be chosen and trusted by customers will be crucial for the future of ANA Group growth. We believe our responsibility as a public transportation entity is to serve an inclusive society in which we can all move forward together. To create a sustainable society, the ANA Group respects the diversity of all customers. We will accelerate initiatives aimed at providing world-class inclusive and universal services.

Implementation Structure

We created a policy for inclusive and universal services to reflect our shared values. Under this policy, we carry out programs to improve our facilities and services.

ANA Group's Goal for Inclusive and Universal Services

Excerpt from the policy

Our promise

Excellence in Quality

Provide services that can easily be accessed by all people

Respect for the Individual

Create an environment that supports and meets the needs of every customer

Collaboration

Create new experiences and enjoyment together

Our Goals

• Maximize comfort and convenience in all aspects of the customer's travel experience
• Create new value by providing services that respect the diversity of our customers

Initiatives

Facilities
• Compliance with the Tokyo 2020 Accessibility Guidelines
• Advance universal services responding to the needs of a super-aging society and the success of women

Services
• Activities for all employees that encourage the implementation of barrier-free mindsets
• Expand universal experience training to back office staff

Facility Legacy of Diversity

We will continue to create facilities and equipment offering even greater comfort in any scenario, from pre-departure through final destination.
We will deploy new equipment in airports and onboard aircraft throughout Japan until March 2020.

Website

• Development of an environment that can be used by visually impaired individuals

Airports (Information)

• Remote sign-language services at counters
• *Morph* resin wheelchairs

Airports (Facilities)

• Installation of low counters at check-in counters and lounge reception areas
• Wider boarding gates

Aircraft

• Special on-board wheelchairs
• Wheelchair-accessible restrooms on selected narrow-body aircraft (Airbus A320 neo/A321)

Service Legacy of Diversity, Implementation of Barrier-Free Mindsets

We have implemented a range of initiatives to ensure that every employee embraces a barrier-free mindset in society and allow us to offer world-class inclusive and universal services. At the same time, we are working to create a framework that will allow our customers to use our services with peace of mind.
The ANA Group is working to foster people capable of leading the movement toward a barrier-free mindset within society.

Blind Football Workshop

1,350 participants

• We developed and rolled out our own training program across all locations in Japan, calling in instructors from the Japan Blind Football Association.

Japan Walk

500 participants

• ANA Group employees walked alongside Olympic and Paralympic athletes to learn more about sports and disabled people at an official event sponsored by the Tokyo Organizing Committee of the Olympic and Paralympic Games.

Expanded Universal Training to all Employees

• All employees now required to participate in universal service training for front-line personnel
• Promote awareness of diversity among all staff involved in product / service planning and development

Flight Boarding Experience for Developmentally Disabled Children

• Joint initiative with Narita International Airport
• Designed to relieve the stress of the boarding process for children and their families

Classes (*Sora-Pass* Classes) at Special Needs Schools

• Alleviates the anxieties of children traveling on ANA flights for school trips
• Added as a program during fiscal 2019; for continuing implementation

Created *Sora-Pass* Books and Videos

• Explains issues that may be unsettling when flying
• Available for viewing / downloading from our website

Becoming an LGBT-Friendly Airline Group

Based on the April 2015 ANA Group Diversity and Inclusion Declaration, we work to deepen employee understanding of LGBT issues, as well as endeavor to facilitate understanding and encourage an environment accepting of customer diversity and LGBT issues within our company. The ANA Group pursues initiatives toward an inclusive society, offering a comprehensive range of training and materials appropriate to LGBT issues for our employees. This training includes the ANA Group LGBT Booklet we distributed in June 2018.
The ANA Group was honored for the third successive year with the highest level of Gold in PRIDE Index 2018, an index that evaluates LGBT-related initiatives, by the volunteer work with Pride* organization.

work with Pride Gold 2018

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

Diversity and Inclusion

Creating a Legacy for 2020 and Beyond

The ANA Group aims to contribute to the revitalization of local communities and resolve social issues by connecting the world with all regions of Japan through our businesses, particularly through air transportation.

Looking to 2020 and beyond, we intend to become an airline group that provides the finest inclusive and universal services, leveraging diversity for continued sustainable growth as a presence leading the way to the creation of a society in which anyone can live with ease.

The ANA Group's Goals

- Make community contributions leading up to 2020
- Create an invigorated, inclusive society
- Exercise collective strengths
- Increase the ANA Group's presence

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

HELLO BLUE, HELLO FUTURE

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.

Our Dreams for Universal Services

With 500 days until opening ceremonies of the Tokyo 2020 Olympic and Paralympic Games, in March 2019 we produced a video introducing the progress of ANA's universal services. The video presents our initiatives to create skies that value and welcome all people, where anyone can experience air travel comfortably and with peace of mind. The video expresses our desire to align ourselves with our customers to create new experiences and happiness together.

Please visit our website for more details.
https://www.ana.co.jp/hbhf/promotion/universal/anamo/

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

Initiatives Toward an Integrated Society

In June 2019, we established ANA Blue Academy *Tomoni-Tsukuru*, a new education program for the next generation, targeting elementary and middle school students and their parents. In this program, which was jointly developed with the Japan Blind Football Association, employees of ANA Group companies and currently active blind football players serve as teachers. By experiencing blind football, participants learn how to consider other points of view when communicating and to understand the importance of empathy for their surroundings. These experiences help youth to think about an inclusive society in which it is easy for everyone to live together.

In fiscal 2019, we plan to expand this program to eight locations around Japan. The ANA Group supports the idea of *connecting to tomorrow*, one of the visions of the Tokyo 2020 Olympic and Paralympic Games. Through this program, we learn together with children, while creating the hopes and dreams of an interconnected world as defined in our mission statement and contributing to the achievement of the SDGs.

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

ANA Blue Academy ともにつく〜る

Program

Learn about Inclusive Society
Learn about how diversity is important in societies in which a diverse range of people live, especially in 2020 and beyond.

Blind Football Workshop
Have fun and experience the importance of communicating, listening, and empathy.

Consider the Idea of Skies That Value and Welcome All People
Participants make statements about their important values and actions.

Eigo Matsuzaki
Specified Non-Profit Corporation Japan Blind Football Association
Executive Director

From the Japan Blind Football Association

The Japan Blind Football Association signed a partnership agreement with ANA in June 2016 to pursue initiatives to create a society that encourages diversity. As part of these efforts, we have started *Tomoni-Tsukuru* together with the ANA Group. By playing soccer while wearing eye masks, participants experience a world without sight and all its difficulties. This allows participants to reach beyond an objective understanding of what it means to be disabled, experiencing and finding what's important inside. This program is the first step in our vision of using blind-folded soccer to achieve a society in which those with disabilities mingle with those without disabilities as a matter of course. We look forward to creating a wave of social change together with the ANA Group.

The First Social Bonds Issuer as a Non-Financial Company in Japan

The Company issued social bonds in May 2019 as an initiative towards Diversity and Inclusion, which are material issues of the ANA Group. We issued bonds for use as capital investment for universal services to our customers and universal support to our employees. We respect diversity among our customers and employees, and enhance initiatives toward further accessibility to contribute to an inclusive society that values and welcomes all people.

Please visit our website for more details.
https://www.ana.co.jp/group/en/csr/customer_diversity/socialbond/

Use of Proceeds

To provide universal services to our customers

1. Allocate certain funds to website revisions (Update ANA's website to meet global W3C accessibility guidelines)
2. Allocate certain funds to improvements in domestic airport facilities and equipment
   (1) Check-in counter improvements (installation of low counters for customers who need assistance)
   (2) Lounge improvements (installation of low counters at reception, widening of doors and passageways, establishment of priority areas for wheelchair users, etc.)
   (3) Boarding gate improvements (widening of ticket gates)

To provide universal support for our employees

1. Allocate certain funds to improvements in facilities and equipment at our offices in Japan. Install parking spaces for wheelchair users, install multi-purpose toilets, and widen doors and passageways

Status of funds allocation

Item	Amount (¥ Millions)
Funds procured (value of the bonds issued minus bond issuance expenses)	4,968
Expenditure for fiscal 2018 (actual)	–910
Expenditure for fiscal 2019 to 2021 (planned)	–4,058

Impact Reporting (impact evaluation report)

Results to be disclosed beginning fiscal 2019

1. Output indicators
- Website functions upgraded for universal compatibility (overview)
- Number of airports where universal facilities and equipment renovations have been completed
- Number of office buildings where universal facilities and equipment renovations have been completed

2. Outcomes measure
- Number of customers with disabilities who use ANA brand flights (year-on-year)
- Ratio of employees with disabilities (total of ANA and qualified ANA Group companies)

→P11/P158

3. Impact (qualitative targets)
The ANA Group respects diversity among our customers and employees and contributes to an inclusive society that values and welcomes all people.

Responsible Dialogue with Stakeholders

The ANA Group conducts business activities through our relationships with stakeholders. We engage in ongoing dialogue with stakeholders to build trust and offer peace of mind. As we do so, we increase the effectiveness of our strategies by incorporating the opinions and requests of stakeholders into our businesses.

Dialogue with Shareholders and Investors

Toward improving shareholder value, we strive for timely, appropriate information disclosure and shareholder engagement.

The 74th ordinary general meeting of shareholders:
Number of attendees 1,972 people / Voting rights exercise ratio 64.0%

IR large meetings / small meetings (for institutional investors / analysts) 6 times

Dialogue with institutional investors / analysts:
225 times (in Japan: 123 times; overseas: 102 times)

Presentations for private investors:
16 times / Total: 2,543 people (including IR fairs)

Aircraft maintenance center tours for private shareholders:
12 times / Total: 714 people

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.

Participation in an international conference on the environment:
14 times (Canada, Switzerland, Germany, Singapore, Malaysia)

Dialogue with human rights organizations Overseas:
1 time (Thailand)

Participation in international conferences on human rights:
8 times (Thailand, Switzerland, United States, Belgium, Japan)

Dialogue with overseas ESG investors:
4 times (UK, Switzerland)

Communication with Our Employees

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

FY2019 ANA Group Corporate Strategy Action Plan:
(February 15 to March 20, 2019) 22 times / 1,163 attendees

Dialogue with Business Partners

The ANA Group offers tours of hangars and facilities to help customers and business partners understand more about safety and security.

ANA aircraft hangar tours: Approximately 59,000 people

ANA in-flight meal factory tours: 53 times / 1,300 people

Dialogue with Overseas ESG Investors

In July 2019, we exchanged views with ESG investors and stewardship providers (Hermes EOS, etc.) in London about the latest status on ESG investments, responses required of corporations, and expectations for the ANA Group.


©Caux Round Table Japan

Comments on the ANA Group (Excerpt)

- We gained an understanding of the ideas and mechanisms for creating social and economic value simultaneously. While executing its corporate strategy, the ANA Group should continue activities as a leading company in setting ESG-related KGIs and KPIs.
- We hope the Group sets long-term goals and draws a future roadmap for a strategic story and the achievement thereof. We also expect the Group to improve in terms of corporate governance.
- To build mutual trust, we would like to see more efforts in regular disclosure and opportunities for direct dialogue.

Dialogue with Experts on the Environment

In June 2019, we exchanged opinions on the ANA Group's environmental initiatives with experts who commented on their expectations of the ANA Group.


©Caux Round Table Japan

Participating Experts
Yuji Fujiwara, Country Manager, IATA JAPAN
Yasuyoshi Kobayashi, Campaign Manager, IATA JAPAN
Sadayosi Tobai, Conservation Director, WWF Japan
Yasushi Hibi, Vice President, CI Japan

Comments on the ANA Group (Excerpt)

- We would like to see information disclosure that depicts an overall story of efforts to reduce environmental impact.
- In addition to the introduction of fuel-efficient aircraft as a measure to control CO_2 emissions, we also expect to see biofuels and emission credits used effectively in coordination with your business models.
- We hope that the ANA Group will step up efforts to prevent illegal trade in wildlife, engaging in stronger industry cooperation, passenger edification, and systems for reporting to customs, police, and other authorities.

External Recognition

Inclusion in Socially Responsible Investment (SRI) Indexes
- Dow Jones Sustainability World Index
- Dow Jones Sustainability Asia Pacific Index
- FTSE4Good Index Series
- FTSE Blossom Japan Index
- MSCI Japan Empowering Women Index

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM
FTSE4Good
FTSE Blossom Japan

Management Strategy
- Ministry of Economy, Trade and Industry
  New Diversity Management Selection 100
- Japan Health Conference, Ministry of Economy, Trade and Industry
  Certified Health and Productivity Management Organization Recognition Program~White 500~
  (ANA HOLDINGS INC., ANA AIRPORT SERVICES Co., Ltd., ANA CHUBU AIRPORT CO., LTD.)
- Ministry of Economy, Trade and Industry and Tokyo Stock Exchange
  2019 Competitive IT Strategy Company Stock
  DX Grand Prix 2019
- 2019 J-Win Diversity Award
  Advanced Achievement Award (ANA)
- Japan Data Management Consortium
  Data Management Grand Prize (ANA)

DIVERSITY MANAGEMENT SELECTION 100 2016
2019 攻めのIT経営銘柄
DXグランプリ2019

Quality
- SKYTRAX (ANA)
  World Airline Rating 5-STAR AIRLINE
  Categories
  World's Best Airport Services
  Best Business Class Onboard Catering
- JCSI (Japan Customer Satisfaction Index) Survey
  International Aviation Division, 1st Place for Customer Satisfaction

5 STAR AIRLINE SKYTRAX

On-Time Performance
- Cirium (ANA)
  No. 1 in Asia-Pacific Major Airlines Network Category
  No. 3 in Major International Airlines Network Category

Universal Services
- Tokyo Metropolitan Government Barrier-Free Support Company (ANA)
  Tokyo Metropolitan Government Barrier-Free Success Company (ANA)

Other
- Japan Sports Agency Sports Support Company 2018
  (ANA / ANA TELEMART CO., LTD.)
- Tokyo Metropolitan Government Tokyo Sports Promotion Model Company 2018 (ANA)

Akaruku-genki! (Energetic!)

We will never fall complacent, but move forward with a vibrant spirit of endeavor. At the same time, we will treasure our roots as the upstart challenger and continue to create new value and grow in new ways.

Foundation Supporting Corporate Activities

Forming Strengths

Our aspiration is to be the world's leading airline group. To this end, we continue to refine our future vision and direction, strengthening the foundations of our business to support value creation for all stakeholders.

A Platform for Achieving Sustainable Growth

—Actions for Safety and Human Resources—

The ANA Group is to complete the comprehensive review of our safety, quality and services in fiscal 2019, and is improving initiatives for safety and human resources.
Looking ahead to fiscal 2020 and beyond, we will work to cultivate personnel who will lead sustainable growth, also creating new value that combines the strengths of people and ICT.

01 Establishment of *ANA Blue Base* to Train Human Resources Who Support Safety, Quality and Services

In April 2019, operation of an integrated training center for the ANA Group, *ANA Blue Base*, has started. With an area spanning more than 30,000 m², this is one of the largest training facilities in Japan, combining the training and educational functions scattered around Haneda Airport into one. This new training center will allow the Group to cope with the increased training requirements that accompany the expansion of our businesses.

Our policy is to offer state-of-the-art training equipment, an environment that fosters innovation, and facilities for training of all kinds. This policy improves the ability of *ANA Blue Base* to function as a center for cultivating people who go out into the world, to communicate the safety culture that is the foundation of our business, and to improve quality and services.

In June 2020, we plan to open a general tour area on-site. This area will allow people to view an array of training facilities that utilize the latest digital devices and mobility equipment, and will offer tours that allow visitors to enjoy themselves while learning about the history of the ANA Group.

→ For more, see
https://www.ana.co.jp/group/pr/201905/20190529-2.html

ANA Blue Base Exterior


General Tour Area Entrance (Artist Conception)


Yoshiko Ishijima
ANA Blue Base
Vice President,
Planning and Administration

We chose the name *ANA Blue Base* by soliciting suggestions from ANA Group employees around the world. The word "Blue" reflects the ANA Group corporate color, and "Base" is our wish for *ANA Blue Base* to serve as a platform and center for the growth of every group employee.

Here, we provide training in all of the occupations associated with operating aircraft (flight crew, cabin attendants, aircraft mechanics, ground staff, ground handling staff, and freight staff), continually raising awareness and professional expertise. At *ANA Blue Base*, all employees learn Endeavor, one aspect of ANA's Way. The facility serves as a base for the development of personnel who will create innovation and reform work styles.

Human resources are the most important capital a business has and are essential to achieving sustainable growth. In this facility, we pursue safety, as our business foundation, continually refining our heartfelt service, and living up to our motto of Anshin, Attaka, Akaruku-genki! as we seek to grow to be the world's top airline group.

Facility Overview

A Base for Improving Excellence In Quality

- Installed the most advanced training equipment and technology (MR / VR) in the world, including the first Motion Mock-Up to be deployed in Japan, offering realistic reproductions of the vibrations and shaking felt during flight
- Utilization of information technology allows more experiential training and facilitates transmission of the skills of veteran employees, without using actual machinery or airport facilities
- All divisions responsible for aircraft operations combine to recreate an airport, allowing training in situations that require cross-divisional cooperation

Full Flight Simulator

Engine maintenance training mock-up

The *Wakyoan* tea-room where employees learn Japanese hospitality

A Facility for Communicating the ANA Group Identity

ANA's Way Training Facility

Communicating ANA's Way

A Facility for Building a Culture of Safety

Safety Education Center

Learn about past incidents and human error

A Base for Creating Innovation

Environments at this facility similar to the inside of an aircraft or airport are used to test ideas that cannot be tested in a real aircraft or airport. We consider this to be an innovation test field integrated with training facilities.

Promoting Open Innovation

Innovation Garage

Facilitates for open innovation and joint development

Promoting Work-Style Reform

Communication Lounge

Used as a satellite office and base for tele-working

A Platform for Achieving Sustainable Growth

—Actions for Safety and Human Resources—

02 Leveraging Human Resource and Digital Technology to Achieve the ANA Group Version of Society 5.0 (Super-Smart Society)

Today's airline industry must address environmental changes, which include expanded slots at Tokyo metropolitan area airports planned for fiscal 2020, helping meet government targets of 40 million foreign visitors to Japan, and contributing to the SDGs, which have been designed to solve social issues.

In response, the ANA Group is improving the quality of services that leverage our imagination, ability to act, innovative technologies, and open innovation. Further, we aim to achieve digital transformation (DX)* through work-style reform. In April 2019, we were selected as a Competitive Information Technology (IT) Strategy Company for a second consecutive year, recognized as a business that is making strategic use of IT. We were also awarded as the only DX Grand Prix winner, which is an award not restricted to the confines of any specific industry. The ANA Group will continue to utilize a combination of human resource development and digital technology to create new value for our customers, employees, and society, through which we aim to achieve sustainable growth.

* DX: The process of a company responding to rapid changes in the business environment creating products, services, and new business models based on customer and social needs through the use of data and digital technologies. At the same time, the Company redesigns business processes, organizations, operations, and culture to ensure competitive advantage.

1 Construction of a Digital Platform for Our Customers

At ANA, we divide the customer journey into 13 scenes ranging from reservations to arriving at the airport, entering the aircraft, and finally reaching the end of a trip. We aim to offer a seamless, stress-free experience that is consistent throughout these scenes in a one-to-one service that addresses the potential needs any of our customers may have.

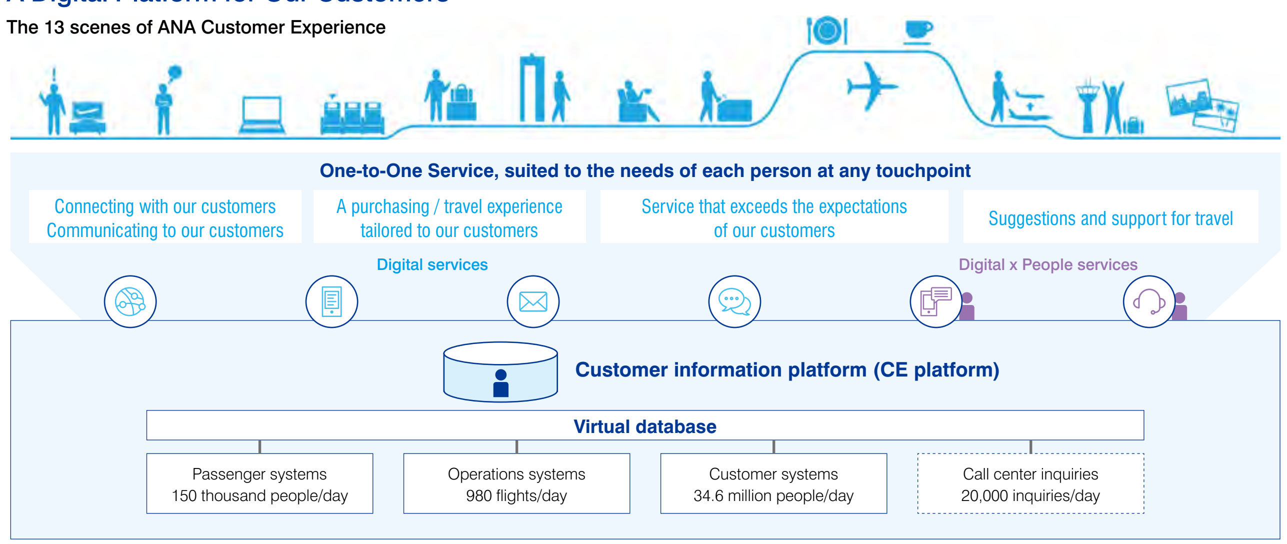
In autumn 2018, we constructed the Customer Experience (CE) Platform. This is a digital platform that links customer information with operational information. By integrating multiple systems virtually, this platform allows customer information and operational information stored separately at each division to be aggregated across the entire company. In this way, information required at each stage can be accessed in a timely manner.

The services provided by the CE platform (digital) and by people (human resources) complement each other, allowing ANA to offer a more finely detailed service that maintains and improves customer satisfaction and the value of the experience we offer.

Project Team Members
ALL NIPPON AIRWAYS CO., LTD.
(From left) Motohiro Inoue, Masako Kato, Keisuke Yamamoto, Takashi Ioka

A Digital Platform for Our Customers

The 13 scenes of ANA Customer Experience



In July 2019, ANA standardized data across the 13 scenes of the ANA CE and put in place an organization to promote MaaS, including scenes from before and after transport. We intend to create a seamless travel experience from the start of the journey to the destination. Our vision is for disparate transport operators to cross industry borders in cooperation, using digital technology to connect data and services.

2 Toward Simple & Smart Airport Operation

The needs of customers who use airlines are diversifying. More people stress the value of time and expect recognition of their individual requests. Accordingly, airlines must provide nuanced, high-quality services that are aligned with each customer.

Conversely, as the decline in working-age population makes it more difficult to secure necessary people in labor-intensive industries, businesses must make workplaces more comfortable and easier for anyone to work in, with less people and effort.

To respond to these environmental changes, the ANA Group is re-examining the combinations and roles of people and technology in every airport scenario. By offering "Simple & Smart" airport services and operations to customers and employees, we aim to maximize the value of the experience we offer each, while finding new innovative improvements in staff productivity.

Currently we have designated Kyushu Saga International Airport as an innovation model airport for testing, gathering, and connecting advanced technologies. We are conducting projects to evaluate and implement work-style reforms using new technologies. Based on the status of operations here, we will select and improve operational issues, rolling out new technologies to other airports.

Simple & Smart

Customers			Re-examine combinations and roles of people and technology	Employees		
Improve the value of customer experiences Achieve simple, convenient travel				Innovative work-style reforms Creating workplaces that are easy and comfortable for all		
Recognition of individual needs	Stress-free	Time-value improvements	Improving excellence in quality, constructing stable production systems	Workload reduction	De-specialization	Improving certainty

Examples of Initiatives (As of August 1, 2019)

Autonomous freight towing tractor
In verification testing
Increasing efficiency of container towing operations

Self-driving buses within the airport
In verification testing
Increasing efficiency in customer and employee transportation

Remotely controlled aircraft towing car
Began operating in July 2019
Increasing efficiency of aircraft movement / towing operations

Facial recognition boarding model
Under joint development
Using facial recognition to achieve smooth boarding procedures

Automatic luggage loading robot
In verification testing
Increasing efficiency in loading luggage into containers

Wait-time prediction for security inspection points
Began operating in April 2019
Reduce customer stress by offering advance guidance on waiting times at inspection points

Robotic suits
Began operating in April 2018
Reduction of workload for transport and loading of heavy items

Safety

Strengthening Safety as a Business Foundation, Passing Down Safety as a Culture

Safety is the unequivocal mission of every business in the ANA Group.

An Unwavering Commitment

Safety is the absolute value underlying every ANA Group corporate activity. Safety is the bedrock of everything we do. We strive to ensure safe aircraft operations as a matter of course. Our dedication to safety extends to every part of our group businesses, including food services, cargo, and information. Our everyday efforts to improve safety, and conscientious response to customer expectations build confidence and trust with society.

An environment of mutual understanding and trust form relationships among employees across various job descriptions to support safe aircraft operations and other aspects of the ANA Group business. In every workplace, we post the ANA Group Safety Principles and Course of ANA Group Safety Action, which are pledges shared by all ANA Group employees.

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 reoccurrence.
⑥ Lessons learned from experiences and increased skills for risk awareness.

Fostering People Who Carry on and Build Our Culture of Safety

The ANA Group engages in ongoing programs to preserve the memory of past accidents and hijackings in our unblinking pursuit of safety.

Development Initiatives

Safety Caravan

Location
23 ANA Group Workplaces

Participants
864

The CEO and board members visited offices in Japan and overseas, sharing a culture of safety with employees of ANA Group and outsourcing companies.

ANA Group Safety Education Center (ASEC)

Visited by **10,485**
ANA employees and others

We offer a heightened awareness of safety and education about past accidents and human error through displays of aircraft involved in accidents and similarly themed multimedia.

Education / Training

Emergency Evacuation Training

ANA Group Employees
(as of end of FY2018)
100% Participation Rate

Critical training to prepare and teach all Group employees about how to assist passengers in an emergency and rescue procedures during emergency evacuations.

Aviation Safety and Security Month

Held yearly in July, featuring presentations by guest lecturers and presentations of / commendations for initiatives executed at offices. These activities keep memories of incidents, hijackings, and other incidents in mind.

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/safe/

A Foundation for Ongoing Safety Adherence

The ANA Group has adopted a PDCA cycle for safety management not only for aircraft operation, but also for passengers, employees (front-lines), and security.

Four Axes of Safety Risk Management

Operations	Passengers	Employees (front-lines)	Security
Preventing accidents / major incidents	Preventing harm to the bodies and lives of customers from departure to arrival	Preventing dangers to ANA Group employees and others	Advance risk identification and prevention for illegal acts, such as terrorism and hijacking incidents

The Group sets yearly quantitative targets for safety in these four areas. At the monthly Group Safety Promotion Committee, which holds final decision-making authority within our safety implementation structure, attendees report on high-risk events and issues, discuss countermeasures and risk reduction, and review safety targets and achievement rates for each fiscal year. These safety-related initiatives are compiled and presented in our annual Safety Report, which is published on the corporate website.

At the end of 2018, the ANA Group updated our IATA Operational Safety Audit (IOSA), an audit by the International Air Transport Association (IATA) meant to check whether an airline's safety management systems are functioning effectively. The Group received certification under the audit in May of 2019.

IOSA Certification

(Report) FY2018 Safety Target Performance (ALL NIPPON AIRWAYS CO., LTD., ANA WINGS CO., LTD., and Air Japan Co., Ltd.)

In FY2018, we experienced one aircraft accident (June 6, 2018) and zero serious incidents.

Details on the aircraft incident are as follows.

June 6, 2018 Aircraft Incident
ANA Flight 834 to Narita Airport from Tan Son Nhat International Airport (Ho Chi Minh City, Vietnam), operated by Air Japan Co., Ltd. The Boeing 767-300 executed a sudden brake during ground taxing before takeoff, injuring flight attendants aboard. Vietnam's Civil Aviation Authority classified this event as an *aircraft accident*. After this event, Air Japan launched an internal investigation committee. The committee findings prompted a number of measures, including warnings and presentation of precedent cases to flight crew and attendants. Note that the Vietnamese authorities issued a report in February 2019 after inquiry into the event. All actions and recommendations by those authorities have been completed at Air Japan.

Details are available on our corporate website.
https://www.ana.co.jp/ana-info/ana/lounge/safety/190704.pdf

Prevention: For a Stronger Safety Infrastructure

The FY2018–2022 ANA Group Medium-Term Safety Promotion Plan identifies prevention as a key component of safety risk management. Under this plan, we identify factors (hazards) that lead to risk and strengthen measures that reduce the severity of these factors.

Unsafe events do not simply happen out of the blue. There are reasons and precursors that can be foreseen through daily operations. This foresight is made possible by setting safety performance indicators (SPI), which are used as management indicators by a number of other firms such as IATA, Star Alliance, and other leading global companies.

The ANA Group began testing SPI implementation as of fiscal 2018, striving to evaluate relative safety in air transport and provide more granular advance predictions using new SPIs. SPIs are also being used to help shed light on the work processes and expertise of skilled team members, spreading this knowledge to others and thereby strengthening preventative initiatives for developing a more robust foundation of safety and trust.

Human Resources

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/human_resources/

Capitalizing on the Talents of Our People for Sustainable Growth

Employee diversity is what enables us to bring the Group's power to bear.

Approach to Human Resources

The ANA Group considers human resources our greatest assets and the source of our ability to win against global competition. We aim to achieve continued, sustainable growth as a leading global airline group. One important component is our medium-term human resources strategy, built on the foundation of the ANA's Way guidelines, work-style reforms, and health management. This human resources strategy consists of three key elements: Talent Management, Diversity & Inclusion and Globalization, and Innovation.

By maximizing the group employees' potential, combining the power of people and the power of ICT to bring our comprehensive capabilities to bear, we will create new value for society through our businesses and secure our position as the world's leading airline group.

Creating an Organization and People Who Practice ANA's Way

We work to instill an understanding of our Mission Statement, Management Vision, and the ANA's Way guidelines in our people. At the same time, we are developing and evolving ANA's Way to be at the same level as our corporate culture. The ANA Group pursues organizational and human development, continuing to adopt initiatives that pass on the *Team Spirit and Challenge* and *Endeavor in the Group's DNA* handed down to us over the 60 years since our founding. In parallel, we encourage proactive, self-starting action that breathes life and vibrancy into our organization.

The annual ANA's Way Survey (employee awareness survey) is one tool we use to observe, analyze, and improve workplace attitudes and job satisfaction among our employees. A total of 40,177 people across the 46 ANA Group companies responded to the fiscal 2018 survey, representing a response rate of 96.5%.

ANA's Day Training and ANA's Way Ambassador Activities

100% Participation

Our training serves as a launchpad for our employees to journey ahead, learning and passing on the ANA Group's DNA as these individuals consider the future of the Group.

As of fiscal 2015, ANA's Way Ambassadors pass on shared values to employees at all our overseas offices.

The New ANA Book

In April 2019, we updated our ANA Book, a compendium of the thoughts and feelings of group employees developed when the ANA's Way guidelines were established in 2013.

Workshops are held for all Group executives and employees. These workshops are designed to help each person determine what ANA's Way means to them and to put this into practice every day. Workshops also help Group employees work to build a better future in keeping with who they are today.

Fostering a Culture of Recognition and Praise: The ANA's Way AWARDS

The ANA's Way AWARDS is open to all group employees worldwide. The awards have become a mechanism to celebrate examples of best practices in local workplaces, initiating our culture of recognizing and praising each other.

Work-Style Reforms

At the ANA Group, we work hard to develop work-style reform that helps our diverse employee pool be healthy and enthusiastic in their work, allowing employees to improve their own abilities and achieve peak performance. In fiscal 2018, we shared processes for reform, which led to improvements in employee work styles and greater productivity.

We encourage telework and flexible work time systems, reducing limitations on the place and time that people work and promoting a shift to more productive work styles. In conjunction, we have accelerated the process of making work more efficient through digital devices, RPA*, and other digital technologies.

We have also instilled *kaizen* (continuous improvement) activities, originally advanced in our ANA operations department, our Headquarters department, and the Marketing & Sales Department. We have done this to establish *kaizen* as a style of working within the ANA Group. Nearly 3,000 initiatives were conducted to remove waste, unevenness, and overburden (*muda, mura, muri*) in our operations. Our employees are taking a bold, voluntary first step to create a comfortable office environment and an efficient work structure. We have also assigned a *kaizen* consultant role within the Company to help identify cross-functional issues for better quality and work efficiency. At the same time, we are fostering a pool of employees who evangelize *kaizen* within our organization.

As we continue to bring a better work-life balance and higher satisfaction to our employees, we are creating smart working styles and *kaizen*, which provide employees room to breathe physically and mentally. This room serves as fertile ground for the seeds of innovation, which leads to new aspirations and the creation of added value.

* Robotic Process Automation (RPA): Technology automating regular tasks using software robots

Ikuboss Training

Every year since 2015, the ANA Group has held *Ikuboss* seminars. The *Ikuboss* program trains managers to support subordinates in their careers and lives for a better work-life balance, as well as to improve team performance, while also setting a personal example of balance in satisfaction from work and home life.

Ikuboss Training

ANA Group Internal Nursery Schools

In August 2018, we opened the 'OHANA Nursery School Naha in Okinawa after opening 'OHANA Nursery School Haneda in April. Both serve as internal nurseries and were built in response to employee requests and proposals. These nursery schools provide monthly, regular care for dependents, as well as ad-hoc care for parents to discuss returning to work. These efforts to improve the work environment help Group employees feel secure in the knowledge they can pursue both career and family life.

'OHANA Nursery School Naha

Human Resources

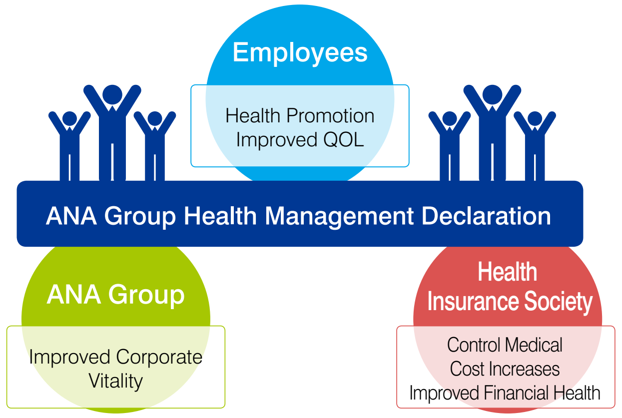
See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/human_resources/

Health Management

The engine that drives sustainable growth for the ANA Group and society is reflected in our employees who embody the motto, "Anshin, Attaka, Akaruku-genki!" We believe that happy employees make happy customers, and in that spirit, we announced the ANA Group Health Management Declaration in April 2016.

The ANA Group has appointed a chief wellness officer, a director responsible for group health management, and wellness leaders at each group company. Through this leadership, the ANA Group ensures that group employees, companies, and health insurance associations work in unison for health management.

In February 2019, three Group companies (ANA HOLDINGS INC., ANA AIRPORT SERIVCES Co., Ltd., and ANA CHUBU AIRPORT CO., LTD.) were selected as Certified Health & Productivity Management Organization Recognition Program—White 500—companies by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi for their practice of notably superior health management. ANA has been selected three years consecutively since 2016.



1 Health management initiatives
- Set group standard categories for regular physical examinations
- Set health management offices in each major location in Japan
- Adopt a health management system accessible to all group employees

2 Disease prevention initiatives
- Implement lifestyle disease prevention
  (Body composition measurement campaigns, smoking cessation seminars)
- Measures addressing illnesses specific to women
  (Add echo mammogram as a standard physical examination category, display breast cancer palpation models in workplaces)

3 Mental health initiatives
- Appoint an ANA Group mental health advisor (Psychiatrist)
- Implement a stress check system

4 Initiatives for safety and health activities
- ANA Group physical exercise program

Creating Value through Human Resources

Promoting Diversity and Inclusion (D&I)

In accordance with our 2015 Diversity & Inclusion declaration, the ANA Group values the strengths of our individuals and diversity in our organizations. We seek to leverage these individual differences and build systems that create new value.

Fourth Annual Group D&I Forum

Our fourth annual D&I Forum was held in November 2018, attended by about 200 managers from across the Group. The main topic of the forum was, "Inclusion, it's for Everyone! Respecting Diversity."

The forum featured lectures and workshops on diversity and inclusion and workshops led by outside experts, providing opportunities for attendees to learn more about the importance of mutual respect and how to encourage diversity and inclusion in one's own workplace.

Major D&I Initiatives

In March 2019, ANA was awarded the prestigious J-Win Diversity Award's Advanced Achievement Award by the Japan Women's Innovative Network (J-Win) NPO. ANA was commended for three areas within the overarching area of support for the success of women: senior management commitment and strong implementation structures, improving men's awareness, and work-style reforms.

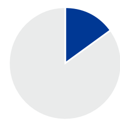
Women constitute more than half of ANA's employees, and we are endeavoring to build an environment that leverages diverse value systems and strengths for the growth of the group. To that end, we have set quantitative targets for the number of female officers, ratios in manager positions, etc.

Support for the Success of Women: ANA Quantitative Targets (up to the end of fiscal 2020)

Target 1:
At least **two** female officers
(excluding outside directors)

Female officers as of April 2019: **5**

Target 2:
Ratio of female managers: **15**%
(excluding outside directors)



Ratio as of April 2019: **14.6**%

Target 3:
Ratio of female managers in general office work / cabin attendant positions:
30%

Ratio as of April 2019: **27.6**%

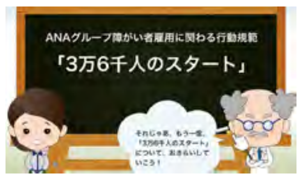
Support for the Success of Women
- Bolstering policies, including training and systems working with staff in charge of support for the success of women at each Group company
- Stronger Group network of female managers (ANA WINDS)
- Support for both work and child-rearing/nursing care, support for the participation of men in child-rearing

Globalization
- Greater inclusivity in overseas and domestic hiring (more overseas assignments / training opportunities)
- Improved language abilities (e.g., setting requirements for promotion and providing language training)
- Stronger hiring of foreign nationals domestically in Japan

Senior Employees
- Messages from leaders incorporating their expectations for active employment of people 60 and over
- Leveraging ample experience and expertise in a wider range of areas, turning them into a true competitive edge
- Enhancing career training for experienced people and seniors

Employment of People with Disabilities
- Further adoption of the 36K-Employee Kickoff Group code of conduct
- Conducting stratified training, conferences with persons in charge of human resources, e-learning courses for all Group employees, and other educational activities
- Establishing workplaces in which all employees can play an active role, regardless of disabilities

Initiatives for Employing People with Disabilities



More than 830 employees in the ANA Group with disabilities play active roles and provide a competitive advantage across our businesses in duties related to safe flight operations, customer service, office work, and many other responsibilities. We aim to create workplace environments where people can work without hindrance, regardless of disabilities. Accordingly, we are working to spread the adoption of the 36K-Employee Kickoff (Group code of conduct for hiring disabled persons) throughout the Group. At the same time, we are pursuing initiatives to systematically expand our hiring of persons with disabilities.

The ANA Group also participates as a corporate member of the Accessibility Consortium of Enterprises (ACE).

Employee Athletes

To date, we have hired 27 active athletes via the *Ath-navi* employment support service for top athletes provided by the Japan Olympic Committee (JOC). We will continue to support the activities of these athletes in the future. As employees, these athletes serve as a beacon for continued struggle and challenge on the world stage, inspiring all of our Group employees. Our unified support for athletes is a shining example of our team spirit.

CSR Management

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

The ANA Group strives for sustainable growth, pursuing initiatives that address more material issues to the Group and to society, while incorporating the opinions of our stakeholders.

Basic Approach to CSR

The ANA Group's CSR aims to fulfill its social responsibility by communicating with various stakeholders (customers, employees, shareholders, investors, business partners, national and local governments, local committees, etc.), allowing us to accurately identify social needs and take suitable measures towards them. Moreover, it aims to ensure the security interest of society as well as our own sustainable growth, thereby creating social and economic value concurrently in order to continue contributing to the creation of future society.

Based on this philosophy, the ANA Group pursues CSR according to the following tenets:

(1) We will demonstrate sound business management by conducting all of our business activities with the utmost priority on safety and under strict compliance, while ensuring thorough risk management that enables accurate and immediate action to be taken in times of crisis.

(2) We will strive to address environmental and social issues through our corporate activities and contribute to the development of a sustainable society.

In 2008, the ANA Group joined the United Nations Global Compact (UNGC). The UNGC is a movement joined voluntarily by companies and organizations to build a global framework for achieving sustainable growth. We identify opportunities and risks through engagement with stakeholders in Japan and around the world, pursuing initiatives toward the creation of social and economic value from a global perspective.

WE SUPPORT

CSR Activity Themes by Stakeholder Group

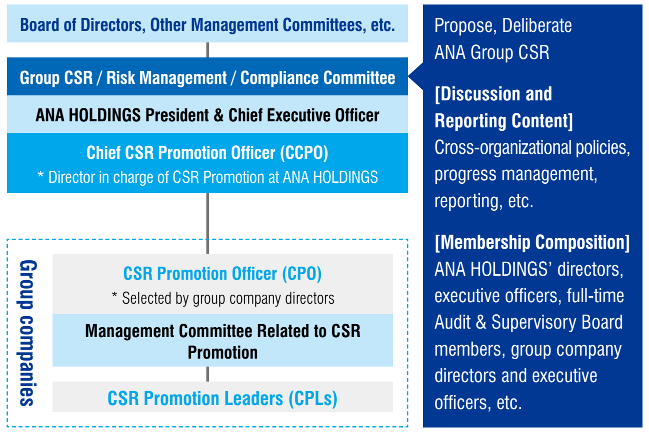
Stakeholder Group	Major Themes of CSR Activities		
Customers	Pursuit of safety and security	Respect for human rights	Improvement of safety, convenience, and comfort / Provision of universal services
Shareholders and investors			Accomplishment of value creation targets, issuance of shareholder returns / 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 and inclusion
Environment			Controlling CO_2 emissions and other environmental burdens
Communities			Stimulating economies through regional revitalization, performing social contribution activities in the areas where we operate

CSR Promotion System

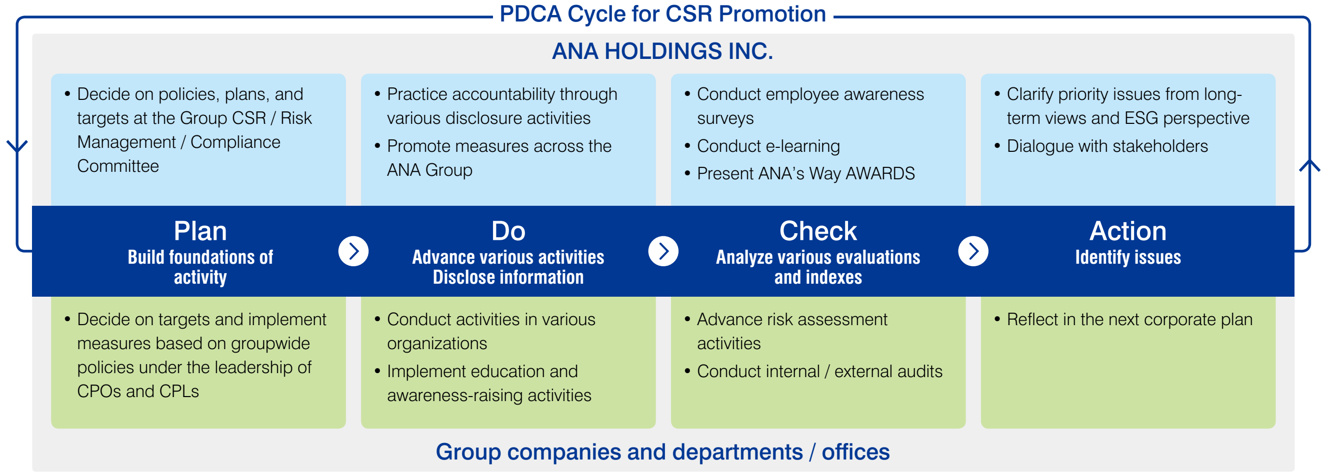
We established the Group CSR / Risk Management / Compliance Committee according to the ANA Group CSR Regulations. This committee, which operates under the guidance of the president, consists of the Chief CSR Promotion Officer (CCPO) as chair, ANA HOLDINGS and the group company directors, executive officers, and full-time Audit & Supervisory Board members of ANA HOLDINGS. The committee establishes core policies, formulates proposals, and deliberates matters related to CSR. After deliberations, important matters are elevated to the board of directors, the Audit & Supervisory Board, and the Group Management Committee, ensuring the smooth promotion of CSR within the group.

Based on these regulations, each group company has an appointed CSR Promotion Officer (CPO) as a supervisor of CSR promotion and CSR Promotion Leaders (CPLs) to lead their organization's CSR activities.

CSR Promotion System



See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/basic_approach/



Social Responsibility Guidelines

We established the Social Responsibility Guidelines to serve as a mandatory rule for group executives and employees. These guidelines reinforce the foundations of the ANA Group ESG management. We also use these guidelines as a code of conduct to educate employees in contributing to a better, more sustainable society with honesty and integrity.

Self-check lists and employee satisfaction surveys confirm employee understanding and commitment, as well as check whether employees are practicing these guidelines.

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 our 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 Guidelines by referencing international social responsibility guidelines, such as ISO 26000. Based on this policy, we share our Supplier Management Policy and CSR Guidelines with our business partners.

In fiscal 2018, we built a mechanism in conjunction with ESG management for the central management of transaction conditions between ANA and suppliers based on company identification codes. We also began third-party evaluations of ANA suppliers and other initiatives to strengthen our supply chain management.

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

Risk Management

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/basic_approach/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 Group CSR / Risk Management / Compliance Committee (CSR Promotion, General Administration, and Legal & Insurance), CPOs assigned to companies and divisions, and CPLs facilitate risk management activities. The role of CPLs 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 independent 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 implements measures to address issues faced by the Group and confirms progress through the Group CSR / Risk Management / Compliance 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 the operation of the ANA Group's aircraft including accidents and hijacking, and the Crisis Management Manual (CMM) provides responses to other crises including system failures, information leaks, and risks from external sources.

Information Security

Recent cyberattacks via the internet have become more advanced across the globe. Today, cyberterrorism via computer viruses, large-scale information leakage incidents, business email fraud, and other vectors have become much more potent threats.

As a corporate group responsible for important air transportation infrastructure, the ANA Group has created an information security management system based on the ANA Group Information Security Management Regulations. Through this system, we strive every day to improve information systems functions and take measures by defence in depth.

We also work with outside entities to train our security specialists and actively participate in information sharing with other corporate groups. In this way, we are raising the level of our expertise, preparing against incidents, and structuring a prompt initial response system. Other measures include response exercises coordinated with each department as a means to minimize the impact of an incident. We communicate the importance of information security to employees by distributing an IT security system handbook and providing related e-learning courses. We also conduct seminars for overseas branches and group companies.

Security Export Control*

The ANA Group exports the parts, chemicals, apparatuses, and other articles necessary for aircraft maintenance to overseas airports and aircraft maintenance centers. Certain articles have the potential to be adapted to create weapons. Accordingly, we practice rigorous security export control of exported articles.

A stringent security export 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 involved due to handling customs clearance and other transportation-related processes.

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

Business Continuity Management Initiatives for Crisis Events: What We Learned from the Fiscal 2018 Natural Disasters

Fiscal 2018 was a year of numerous natural disasters in Japan. June saw the northern Osaka earthquakes, July, the heavy rains in western Japan, and in September, both Typhoon No. 21 and the Hokkaido Eastern Iburi earthquake. These and other disasters caused significant damage in areas near airport facilities. The storm surge of Typhoon No. 21 in September resulted in flooding at the Kansai International Airport that caused major damage to the runway, power generation equipment, and other airport facilities. Many aircraft were unavailable for use for an extended period of time, interrupting customers and logistics. The Hokkaido Eastern Iburi earthquake, also in September, damaged airport facilities and caused power outages throughout Hokkaido.

The ANA Group has created overall group business continuity plan (BCP) during these times of disaster to meet our mission as a public transportation provider. One aim of this plan is to prioritize safety while resuming aircraft operations as quickly as possible. With this latest round of incidents, the ANA Group is striving to update our BCP measures in such event of a crisis, continuing to improve our capacity to respond at the front lines of our businesses and train our people.

Hideki Tanaka
ANA KANSAI AIRPORT CO., LTD.
General Administration

Kansai International Airport

Typhoon No. 21 caused flooding of certain ground support equipment and several vehicles. We regret that we should have been much more aware of potential flooding since Typhoon No.21 was unusually large. We took this lesson to heart. As Typhoon No.24 approached, we moved ground support equipment and vehicles to Terminal 2, which is on ground seven meters higher than Terminal 1.

Communications over Wi-Fi and mobile phone continued to be difficult. Computers connected by LAN cable and fixed-line phones were still operable, which prompted us to review and update our BCP to use this older technology.

Left: Flooded cargo operations area at Kansai International Airport. Cargo containers were submerged and high winds damaged the roofs of boarding ramp vehicles.
Right: Import cargo shed shutters were damaged by high winds, while heavy rain and storm surge caused flooding.

Takeshi Hirose
ANA NEW CHITOSE AIRPORT CO., LTD.
General Administration

New Chitose Airport

The Hokkaido Eastern Iburi earthquake caused power outages across Hokkaido. Power around the airport recovered on the night after the earthquake, which allowed us to resume aircraft operations on the following day. However, traffic signals in Chitose City were not operating in the immediate aftermath of the earthquake. The dangerous driving conditions caused Japan Railway and buses to cease service, making it difficult for many of our employees to report to work. We realized the need to plan a groupwide response if the same type of situation occurred in the Tokyo metropolitan area or other regions. We also recognized the critical need for backup emergency generators and wireless communications devices, since our communications depend almost entirely on electricity.

Left: A fallen panel near the New Chitose Airport No. 5 gate counter
Right: Items in disarray in the ANA lounge back room

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 incidents that could diminish corporate value.

Compliance Implementation Structure

The ANA Group has developed a compliance system based on the ANA Group Compliance Regulations to promote compliance with laws, regulations, and other standards related to business activities. CPLs are the driving force behind creating stronger awareness of compliance across the ANA Group. CPLs have been assigned to each of the Group's companies under the Group CSR / Risk Management / Compliance Committee, which serves in an advisory function to the board of directors.

Major Initiatives

Legal Compliance Education

The Group has created an educational handbook and e-learning course for anti-bribery laws around the world based on the ANA Group Anti-Bribery Rules. Our education is designed to prevent incidents that could degrade corporate value. Here, the personnel at Legal & Insurance conduct education in Japanese and English at our overseas offices in conjunction with education about competition laws, minimizing legal risks on the global level.

Further, the ANA Group seeks to bolster compliance structures across the entire group. To this end, we ensure clear establishment of points of contact between Group companies and Legal & Insurance, enabling easy two-way communication. Education for the Group related to a variety of laws and regulations, including those covering air transportation businesses, competition, and labor issues is provided as well.

Seminars

Seminars are conducted periodically by Legal & Insurance to enhance the legal knowledge of employees and officers on laws and regulations related to air transport, contracts, and labor affairs.

Further, Legal & Insurance holds dispatch seminars at Group companies, with content adjusted to meet the specific needs of the participants.


Seminar in Japan

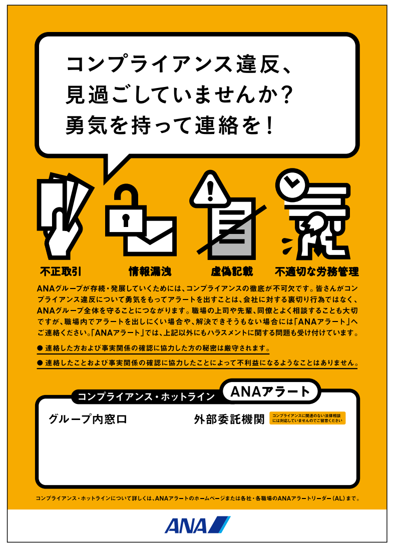
Coordination with Overseas Branches

The Company has clearly identified venues for communicating between the Legal & Insurance 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 among all Group executives and employees, including those working overseas. To this end, we hold legal compliance seminars at overseas branches.


Seminar at an Overseas Branch

Internal Reporting System

Founded on the ANA Group Rules for Handling Internal Reporting, we have established a point of contact (ANA Alert) for internal and external reporting (external law firm, entrusted overseas report reception team). Our efforts here are to grasp compliance-related information and resolve issues. These reporting systems are available to all group executives, employees, and temporary personnel involved in operations. ANA Group retirees and officers and employees of our business partners may also use these reporting systems. We protect the privacy of the caller and other relevant parties, and the Group assures that no punitive measures will be taken against those that seek consultation or cooperate in confirming facts. This helps us obtain internal risk-related information promptly and aids in self-correction. Our various initiatives and efforts to provide information about compliance with laws and regulations advances compliance management and contributes to greater corporate value. We also provide education and dissemination of information to the Group in the interest of bolstering this function by preparing surveys of best practices and sharing information about our activities with Audit & Supervisory Board members.

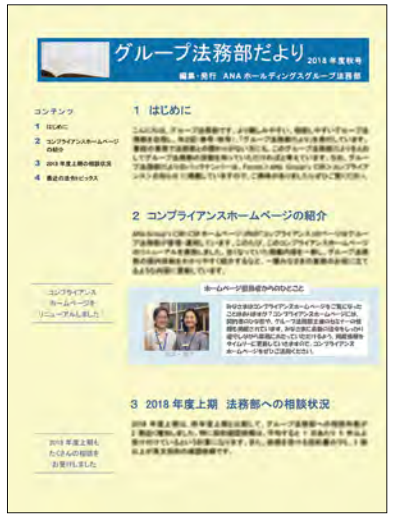


ANA Alert Poster (in Workplaces)

Information Dissemination

A monthly e-mail newsletter covering important legal topics, revisions to laws and regulations, labor or contract issues, and frequently asked questions to Legal & Insurance is sent to the employees and officers concerned. We also issue newsletters presenting legal topics in an easy-to-understand approach twice a year.

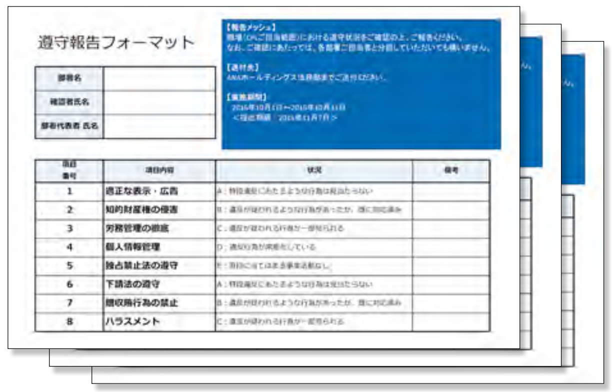
The Group intranet has a dedicated compliance website that features manuals and guidelines related to various laws, regulations, and rules. We work to improve compliance by group employees and officers by promoting use of the various information tools.



Newsletter

Group Companies Compliance Survey

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. We conduct follow-ups with each company based on survey results as necessary in the interest of resolving issues.



Legal compliance survey

Our Dedication to Continued Safety

1. Strengthening Our Alcohol-Related Safety Management System

First, we sincerely apologize once again for the concerns and inconveniences caused to our customers due to alcohol-related issues occurring during and after October 2018.

ALL NIPPON AIRWAYS CO., LTD., Air Japan Co., Ltd., and ANA WINGS CO., LTD. received administrative guidance from the Ministry of Land, Infrastructure, Transport and Tourism in connection with these issues.

The ANA Group has established the ANA Group Alcohol Compliance Committee. Under the leadership of our management, we have formulated and are conducting strict measures to prevent a recurrence of these issues. As always, we strive for continued safe operations, and every employee of the ANA Group stands united to regain the public trust.

Issues since October 2018

Date/Airport	Operating Company	Overview	Administrative Guidance
October 25, 2018 Ishigaki	ANA WINGS CO., LTD.	Due to the excessive consumption of alcohol past the specified time on the prior evening, the captain was not allowed to pilot the scheduled flight, causing a total delay of five flights as arrangements were made for replacement crew.	December 21, 2018 Administrative Warning Letter
November 2018 Haneda	ALL NIPPON AIRWAYS CO., LTD.	A witnessed inspection by the Civil Aviation Bureau determined that of the alcohol inspection records over the preceding 12 months, approximately 400 tests were not performed due to inattention.	December 21, 2018 Administrative Warning Letter
January 3, 2019 Osaka/Itami	ANA WINGS CO., LTD.	Due to the excessive consumption of alcohol past the specified time on the prior day, the captain failed an alcohol breath test before operating a flight. As a result, five flights were delayed as arrangements were made for replacement crew.	February 1, 2019 Business Improvement Advisory
February 1, 2019 Narita	Air Japan Co., Ltd.	Due to the excessive consumption of alcohol during the prior day, the first officer failed an alcohol breath test before operating a flight. As a result, the individual was not able to operate the scheduled flight. Locating replacement personnel did not result in any flight delays.	March 8, 2019 Administrative Warning Letter
February 19, 2019 Kobe	ALL NIPPON AIRWAYS CO., LTD.	Due to the consumption of alcohol past the specified time on the prior day, the first officer failed an alcohol breath test before operating a flight. As a result, the scheduled flight was delayed for one-hour and thirty-nine minutes as arrangements were made for replacement crew.	April 9, 2019 Business Improvement Advisory
March 15, 2019 Haneda	Air Japan Co., Ltd.	Due to the excessive consumption of alcohol during the prior day, the first officer failed an alcohol breath test before operating a flight. As a result, the scheduled flight was delayed for nine minutes as arrangements were made for replacement crew.	April 9, 2019 Business Improvement Advisory

Response (Summary)

① Establishment of the ANA Group Alcohol Compliance Committee

The ANA Group has established the ANA Group Alcohol Compliance Committee. Under the leadership of our management, we have formulated and are conducting thorough training for measures to prevent a recurrence of these issues.

② Establishment of Strict Alcohol Testing System for Flight Crew

- Stricter test standards: Individual suspended from flight if any level of alcohol is detected by the test equipment
- Higher-precision equipment: Placement of high-accuracy straw-equipped testing device in all domestic and overseas airports
- More reliable testing: Require a third party (besides flight crew) to witness test; record and retain test results
- Establish industry-standard alcohol testing systems: Demonstrate leadership in developing an industry standard

③ Alcohol Response Measures for Employees Other than Flight Crew

- Cabin attendants, operations management, maintenance crew: Begin alcohol checks for each position
- Airport facility drivers: Begin alcohol checks for drivers prior to driving

④ Raise Awareness among All Group Employees

- Enhance training programs: Revise educational curriculum for employees
- Work site activities: Bottom-up awareness via individual interviews, group meetings, and other discussions
- Organizational support for self-management among flight crew: Lend test equipment to individuals; establish alcohol counseling desk
- Ongoing educational activities regarding responsible alcohol consumption for all ANA Group employees

2. Scheduled Flight Cancellations Due to Maintenance in Connection with Rolls-Royce Engines

Prioritizing safety above other considerations, ANA has conducted enhanced inspections and maintenance for Rolls-Royce Trent 1000 engines used on Boeing 787 aircraft since early fiscal 2018. As a result, we were forced to cancel certain scheduled domestic and international flights between July and October 2018.

We apologize once again for the inconvenience to passengers.

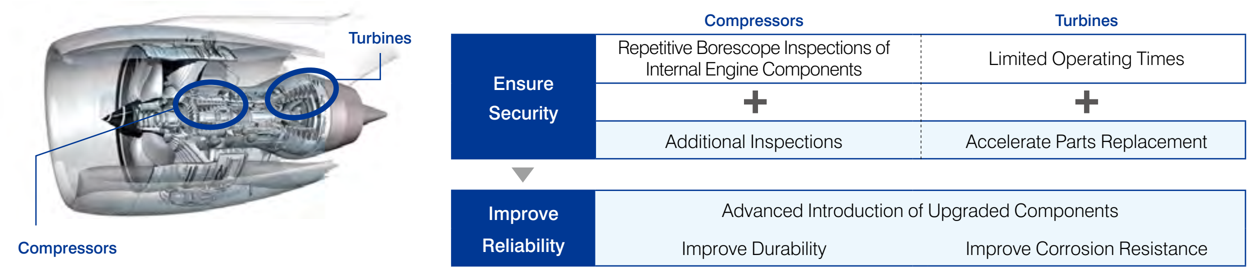
Background

In rare cases, engines in question showed earlier-than-anticipated deterioration in specific compressor and turbine components. Prioritizing safety above all other considerations, ANA have advanced inspection and repair for these parts. However, in early fiscal 2018 the engine manufacturer and the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism amended technical guidance via Airworthiness Directive to strengthen inspection frequency (April) and expanded scope (July).

As a result of securing maintenance slot for more frequent inspections and the temporary spike in engines requiring repair, we experienced insufficient aircraft resources to support our scheduled flights. In response, we were forced to decide cancellations for certain regularly scheduled flights.

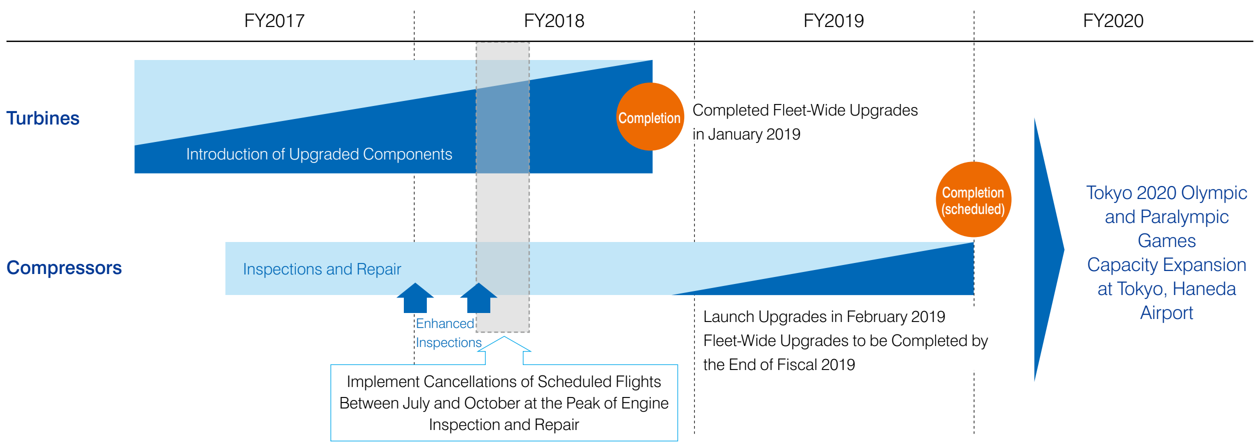
Response

ANA conducted the inspections and permanent reliability improvement measures as instructed / recommended by the Civil Aviation Bureau and the engine manufacturer. In addition, giving priority to safety and security above all other considerations, we introduced more frequent inspections and parts replacement ahead of the instructed schedule. ANA was ahead of other airlines in advancing the introduction of upgraded components.



Future Outlook

We see both the Capacity Expansion at Tokyo, Haneda International Airport and the Tokyo 2020 Olympic and Paralympic Games as enormous business opportunities. We intend to complete terminate actions by the end of fiscal 2019 to maximize the utilization of our flagship Boeing 787 aircraft and meet fiscal 2020 well prepared.



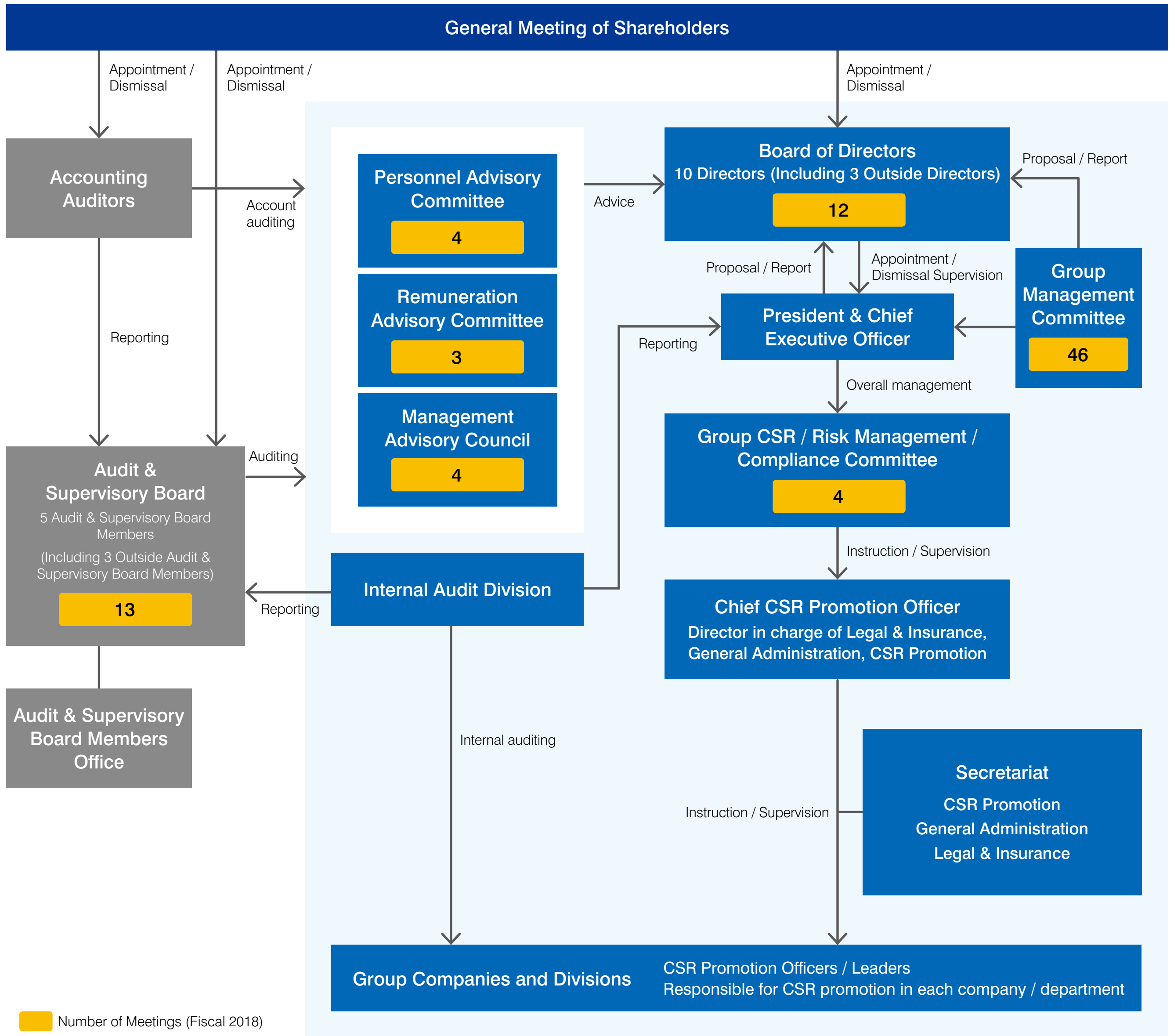
Corporate Governance System

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.

The ANA Group has adopted a holding company structure whereby our group practices management that contributes to value creation for our various stakeholders in accordance with our Mission Statement. This structure supports swift decision-making in each group company, as well as supervisory and monitoring functions over the execution of group company businesses, to promote sustainable growth and enhance corporate value over the long term. To accomplish the lead role in Group management for overall policies and goal-setting, ANA HOLDINGS INC. pursues transparent, fair, prompt, and effective decision-making. We have built a corporate governance system and work continuously to enhance governance within the ANA Group.

Corporate Governance System



ANA HOLDINGS Corporate Governance System

Corporate Governance Structure

Organization	Company with Audit & Supervisory Board
Directors (including outside directors)	Ten (three)
Audit & Supervisory Board Members (including outside Audit & Supervisory Board members)	Five (three)
Independent Directors / Audit & Supervisory Board Members	Six
Director Term of Service	One Year (also applies to outside directors)
Audit & Supervisory Board Member Term of Service	Four Years (also applies to outside Audit & Supervisory board members)
Corporate Executive Officer System	Yes
Body Supporting President & CEO	Group Management Committee
Voluntarily Established Board of Directors' Committees	Personnel Advisory Committee, Remuneration Advisory Committee, Management Advisory Council

Holding Company Structure

The ANA Group has adopted a holding company structure in response to the critical need for management capable of remaining competitive in any challenging business environment. Under this holding company structure, each group company is guided by experienced and highly specialized directors who are delegated authority to operate their respective businesses. This structure encourages functional and effective business execution.

Company with Audit & Supervisory Board Members

The Company has adopted company with Audit & Supervisory Board Member system. The board of directors and members of the Audit & Supervisory Board oversee and audit the execution of duties by directors. We strengthen the supervisory function of the board of directors by appointing multiple outside directors. We also strengthen the audit function of members of the Audit & Supervisory Board by appointing full-time outside members.

Corporate Executive Officer System

The Company has adopted a Corporate Executive Officer system to promote efficient decision-making and to clarify responsibilities and authority in the execution of duties. Under this system, management and executive functions are separated, with directors responsible for supervising management decision-making and the execution of duties, while Corporate Executive Officers execute the day-to-day business.

Voluntarily Established Committees

The Company has established the Personnel Advisory Committee, the Remuneration Advisory Committee, and the Management Advisory Council to serve as advisory bodies to the board of directors. Through these committees, we strive to improve the transparency and impartiality of our corporate governance system.

Auditing Functions

Audits by the Audit & Supervisory Board

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.

Internal Audit

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 Audit & Supervisory Board members when needed.

Audits by the 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.

Management Members: Directors

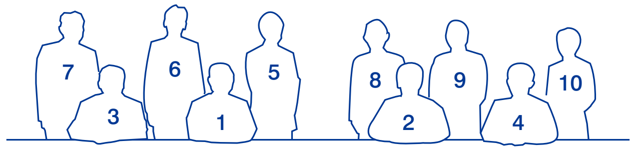
As of July 31, 2019

1 Shinichiro Ito

Chairman of the Board
Chairman of the Board of Directors

Major concurrent position
Outside Director, Mitsui Fudosan Co., Ltd.

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 (present)



2 Shinya Katanozaka

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

Major concurrent position
Vice Chair, Keidanren (Japan Business Federation)

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

3 Toyoyuki Nagamine

Senior Executive Vice President,
Representative Director
In charge of Corporate Communication and Branding, Group IT Management, Facilities Planning, Digital Design Lab, Corporate Strategy, and Okinawa Region

Major concurrent positions
Outside Director, Japan Airport Terminal Co., Ltd.
Outside Director, Airport Facilities Co., Ltd.

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

4 Yuji Hirako

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

Major concurrent position
Chair, The Scheduled Airlines Association of Japan

2015: Member of the Board of Directors (present)

5 Naoto Takada

Executive Vice President
In charge of Executive Secretariat and Human Resources Strategy

2017: Member of the Board of Directors (present)

6 Yutaka Ito

Executive Vice President
Chairman of Group CSR / Risk Management / Compliance Committee
In charge of Legal & Insurance, General Administration, and CSR Promotion

2019: Member of the Board of Directors (present)

7 Ichiro Fukuzawa

Executive Vice President.
Director of Finance, Accounting, Investor Relations, and Business Management

2019: Member of the Board of Directors (present)

8 Shosuke Mori*

Outside Director

Major concurrent positions
Senior Advisor, Kansai Electric Power Co., Inc.
Outside Director, Hankyu Hanshin Holdings, Inc.
Outside Director, The Royal Hotel, Ltd.
Outside Director, Iwatani Corporation

2006: Outside Director (present)

9 Ado Yamamoto*

Outside Director

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

2013: Outside Director (present)

10 Izumi Kobayashi*

Outside Director

Major concurrent positions
Outside Director, Mitsui & Co., Ltd.
Outside Director, Mizuho Financial Group, Inc.

2013: Outside Director (present)

* Independent directors

Appointment of Directors

Approach to Selection of Director Candidates

The Company selects directors from among candidates inside and outside the Company who have impeccable character, extensive experience, broad insight, and advanced expertise. Ideal candidates have the potential to contribute to improved policy-making, decision-making, and oversight befitting a global airline group with widespread businesses centered on the Air Transportation Business. Our selection is made without regard to gender, nationality, or other such factors, and falls within the scope of the Civil Aeronautics Act and other relevant laws.

We select a multiple number of outside directors who possess practical viewpoints based on extensive experience in corporate management, or who possess unique global or regional viewpoints. These individuals must be independent from the Company, and able to offer objective and expert opinions based on a sophisticated knowledge of social and economic trends.

Personnel Advisory Committee

The Personnel Advisory Committee discusses the selection of director candidates and the dismissal of directors, reporting to the board of directors. The Personnel Advisory Committee, chaired by an outside director, consists of three outside directors and one inside director to ensure transparency and impartiality in the selection process of directors.

Reasons for Appointment of Directors

- The following director candidates were selected based on the judgment that their abundant experience, performance, and insight would be to crucial to achieving sustainable increases in the Group's corporate value.
- These director candidates assumed their positions after being appointed at the 74th Ordinary General Meeting of Shareholders.

Director	Title	Career Highlights	Reasons for Appointment
Shinichiro Ito	Chairman of the Board Chairman of the Board of Directors	Sales, Human Resources	Shinichiro Ito has extensive experience in sales, human resources, and other disciplines. After being appointed president & CEO of ANA HOLDINGS INC. in April 2009, Mr. Ito guided the ANA Group through the challenging business environment left in the wake of the Lehman Shock, introducing management reforms and expanding the Group's revenue base to support a successful performances recovery. Since April 2015, Mr. Ito has served as chairman of the board of directors, working to strengthen the functions of the board by promoting proceedings that encourage free, open-minded, and constructive discussions and exchange of opinions
Shinya Katanozaka	President & Chief Executive Officer, Representative Director	Sales, Human Resources, Corporate Planning	Shinya Katanozaka has extensive experience in sales, human resources, corporate planning, and other disciplines. He was appointed representative director and president & CEO of ANA HOLDINGS INC. in April 2015. Under his strong leadership, energy, uncompromising stance on safety, emphasis on global business, and relentless focus on our front lines, Mr. Katanozaka has established a stronger foundation for group business management. At the same time, the Group has made steady progress toward the profit goals defined in the ANA Group Corporate Strategy. At board meetings, Mr. Katanozaka strives to enhance corporate governance, including bolstering decision-making and supervisory functions. He also contributes to active engagement with shareholders and institutional investors.
Toyoyuki Nagamine	Senior Executive Vice President, Representative Director	Operations, Labor Relations, Corporate Planning	Toyoyuki Nagamine has extensive experience in flight operations, labor relations, corporate planning, and other disciplines. He was appointed director in June 2015, striving in Group management roles. Mr. Nagamine has played a central role in implementing Group management strategies, including growth in the Group's revenue domains. Since being appointed vice president of ANA HOLDINGS INC. in April 2017, Mr. Nagamine has provided appropriate support to the president and contributed to steady progress toward the profit goals defined in group management strategies.
Yuji Hirako	Member of the Board of Directors (President & Chief Executive Officer of ALL NIPPON AIRWAYS CO., LTD.)	Sales, Finance, Corporate Planning (Professional experience in the United States)	Yuji Hirako has extensive experience in sales, finance, and other disciplines. In April 2012, Mr. Hirako was appointed representative for businesses across the United States. In June 2015, he was also appointed director, overseeing financial strategies to enhance corporate value. Since being appointed president & CEO of ALL NIPPON AIRWAYS CO., LTD. in April 2017, Mr. Hirako has guided the company with an uncompromising stance on safety and a focus on global business, leading the company toward becoming the world's leading airline.
Naoto Takada	Executive Vice President, Member of the Board	Labor Relations, Industrial Policy, Corporate Communications	Naoto Takada has extensive experience in labor relations, industrial policy, public relations, and other disciplines. Since being appointed director in June 2017, Mr. Takada has focused on Group public relations, CSR activities, risk management, and active communications with individual investors. Through these duties, Mr. Takada has endeavored to create a wider brand awareness of the ANA Group. Since April 2019, Mr. Takada has been in charge of Group human resources development.
Yutaka Ito	Executive Vice President, Member of the Board	Legal Affairs, Finance, Product Strategy (Professional experience in Europe and the United States)	Yutaka Ito has extensive experience in the legal, finance, and other disciplines. He studied in and has been stationed in Europe and the United States for many years throughout his career. Since April 2013, Mr. Ito has served as representative of the European operations of ALL NIPPON AIRWAYS CO., LTD. In April 2016, Mr. Ito took charge over the CS and Product Services Office, striving to improve ANA competitiveness by raising customer satisfaction. In April 2019, Mr. Ito was given overall responsibility for ANA Group CSR, a post in which he has endeavored to create a foundation for sustainable growth together with society.
Ichiro Fukuzawa	Executive Vice President, Member of the Board	Finance, Investor Relations	Ichiro Fukuzawa has extensive experience in finance and investor relations. Since April 2017, he has served as an executive officer and chief financial officer for ANA HOLDINGS, implementing financial strategies, including efficient capital restructuring and securing a stable financial base for the Group. In addition to active engagement with institutional investors in Japan and overseas, Mr. Fukuzawa assists the president appropriately with respect to each of the Group's businesses. Mr. Fukuzawa is actively engaged in ESG, including playing a central role in our being the first airline in the world to issue Green Bonds.
Shosuke Mori	Independent Outside Director	–	Shosuke Mori has a wealth of experience and expertise in managing companies that deal with public issues. At meetings of the board of directors, Mr. Mori offers the benefit of his background to provide opinions and advice on risk management, the promotion of safety measures, enhancing Group management strategy, improving customer satisfaction, and strategic investment. Mr. Mori was appointed as a member of the Remuneration Advisory Committee in February 2011 and later chairman of the Committee in June 2013. He was appointed to the Personnel Advisory Committee in June 2016 and later chairman of the Committee in August 2016.
Ado Yamamoto	Independent Outside Director	–	Ado Yamamoto has a wealth of experience and expertise in transportation industry management. At meetings of the board of directors, Mr. Yamamoto offers the benefit of his background to provide opinions and advice about Group management strategy, risk management, enhancing human resources development, organizational management, and the promotion of safety measures. Mr. Yamamoto was appointed as a member of the Remuneration Advisory Committee and the Personnel Advisory Committee in June 2016.
Izumi Kobayashi	Independent Outside Director	–	Izumi Kobayashi has a wealth of experience and expertise in private financial institutions and international development and finance institutions. At meetings of the board of directors, she offers the benefit of her background to provide opinions and advice from a global perspective on group management strategy, risk management, stronger strategic investment, promoting safety measures, and organizational management. Ms. Kobayashi was appointed as a member of the Remuneration Advisory Committee in July 2013 and a member of the Personnel Advisory Committee in June 2016.

Management Members: Audit & Supervisory Board Members

As of July 31, 2019

Akihiko Hasegawa	Kiyoshi Tonomoto	Nozomu Kano	Shingo Matsuo*	Eiji Ogawa*
Audit & Supervisory Board Member	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member

* Independent Audit & Supervisory Board members

Approach to Selection of Candidates for Audit & Supervisory Board Member

Audit & Supervisory Board Members

To ensure healthy development and to earn greater levels of trust from society through audits, the Company appoints individuals to Audit & Supervisory Board members from inside and outside the Company who possess extensive experience and the advanced expertise required to conduct audits. Our selections do not consider gender, nationality, or other factors. The Company appoints at least one individual who possesses appropriate levels of knowledge related to finance and accounting.

Outside Audit & Supervisory Board members are selected from among candidates who have advanced levels of knowledge in a variety of areas and who are independent of the ANA Group. These individuals include candidates who are well-versed in corporate management, candidates who have sophisticated knowledge of social and economic trends, and candidates who have advanced knowledge in finance, accounting, or legal matters.

Mr. Kiyoshi Tonomoto and Mr. Akihiko Hasegawa were elected at the 72nd General Meeting of Shareholders.
Mr. Shingo Matsuo was elected at the 71st General Meeting of Shareholders.
Mr. Eiji Ogawa was elected at the 73rd General Meeting of Shareholders.

Reasons for Appointment of Audit & Supervisory Board Members

Mr. Nozomu Kano was elected at the 74th General Meeting of Shareholders.

Nozomu Kano

Outside Audit & Supervisory Board Member

2019 Audit & Supervisory Board Member (present)

Nozomu Kano has extensive experience serving as an executive officer for government financial institutions and as a director in private companies. He possesses a wealth of management experience and knowledge. Striving for sustainable growth in the Group's corporate value, we have nominated Mr. Kano as an independent outside Audit & Supervisory Board member. This nomination is based on Mr. Kano's experience and expertise in finance and accounting, banking, and legal affairs, as well as our confidence in his ability to strengthen the audit function within the Group.

Board of Directors

Role of the Board of Directors

The board of directors of holding company ANA HOLDINGS INC. 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 board of directors is chaired by the chairman of the board. All directors, including outside directors, and all members of the Audit & Supervisory Board, including outside members, participate in board meetings.

Committees Supporting the Board of Directors

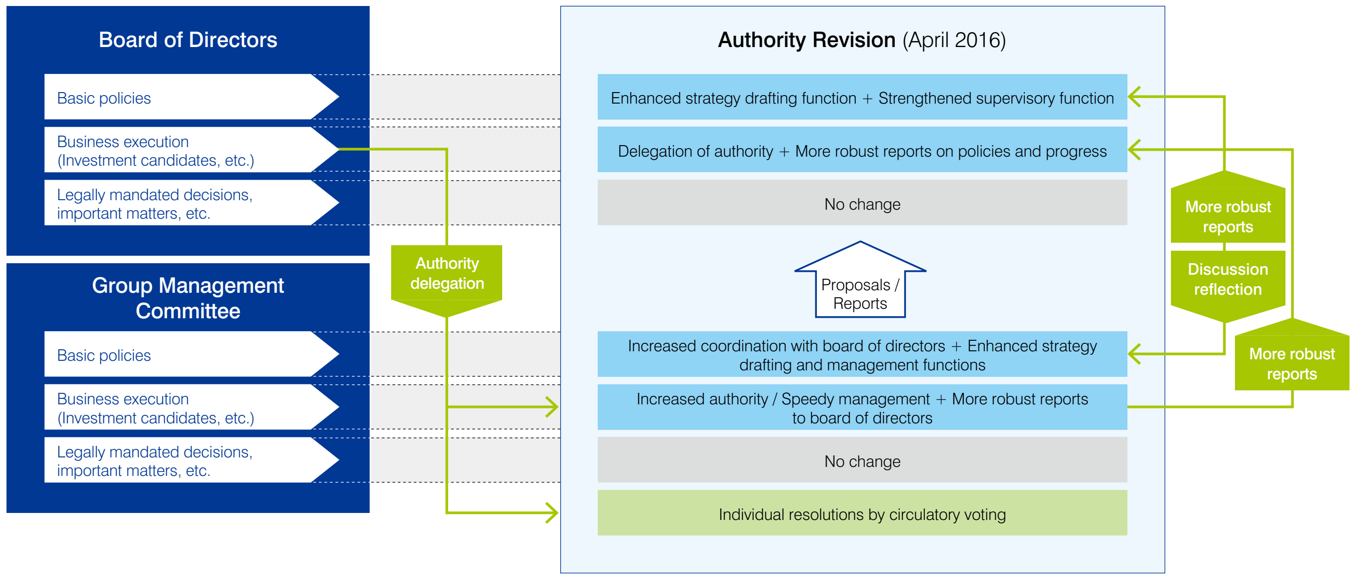
Group Management Committee

Chaired by the president and CEO, the Group Management Committee consists of full-time directors, full-time Audit & Supervisory Board members, and other individuals. The role of the committee is to provide more timely and detailed discussions of management matters. In April 2016, the Company transferred a significant amount of decision-making authority related to material matters of business execution from the board of directors to the Group Management Committee. These matters include the selection and management of capital investing projects.

Management Advisory Council

We have established the Management Advisory Council as a separate council from legally mandated bodies. This council consists of seven experts (six men, one woman) across various industries. The role of the council is to offer opinions and advice about Group management.

Board of Directors and Group Management Committee



Strengthening of board of directors' supervision function and aggressive and speedy management

Board of Directors

Board of Director Activities

Major Agenda Items for the Board of Directors (Fiscal 2018)

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 General Meetings of Shareholders**
   - Repurchases of stock
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
    - Bond issuances
11. **Items Related to Corporate Governance**
    - Internal audit plans and results reports
    - Overview of the proceedings of the Group CSR / Risk Management / Compliance Committee
    - Valuation of cross-shareholdings
12. **Other Items**

Board Discussions Related to Corporate Strategy

Example: 622nd Ordinary Meeting of the Board of Directors (March 26, 2019)
Agenda Item: ANA medium-term human resources strategy

One of the most important topics within the ANA Group Corporate Strategy is our human resources strategy. Here, the director in charge of ANA human resources reported on the state of human resources, followed by an active discussion, which included outside directors and outside members of the Audit & Supervisory Board.

Opinions Discussed (excerpt)

1 Development and Utilization of Human Resources who are Expert in the Use of Digital Technology

- The ANA Innovation KAIZEN Office works to improve the productivity of current operations. The Digital Design Lab takes the lead in promoting innovation in our organization.
- While it is important to use Big Data to improve customer satisfaction, we need human resources who can analyze delay factors and perform other investigations into ANA operations.
- Digital human resources do not necessarily need to be hired from outside the Company. We have many talented human resources in the Company who can grow into digital human resources if trained to think independently.

2 Human Resource Development and Retirement Extensions

- To develop human resources, we must communicate the importance of the work of each individual, instilling a feeling and teaching the social importance of our work. We must create policies that motivate people to work for our company and create an organization worthy of this desire.
- OJT is important for improving individual skills. However, the education plans of many companies leave the details to managers on the front lines. We should be able to do better in formalizing OJT.
- Japanese companies should take a serious look at extending the retirement age. If we are to continue, our company must exercise strict-but-fair selection rather than extending employment little-by-little making work conditions less tolerable over time.

Analysis and Evaluation of Effectiveness of the Board of Directors

Method of Evaluation during Fiscal 2018

Every director and Audit & Supervisory Board member received a questionnaire to be returned no later than January 2019. The questionnaire solicited responses regarding progress and assessments related to issues identified by each director through past analyses and evaluations of board effectiveness.

Outside directors and Audit & Supervisory Board members, as well as the chairman of the board, president & CEO, and the senior executive vice president, were interviewed between February and March 2019 to delve deeper into the results of the surveys. A report was presented to the board of directors in March 2019, providing a detailed analysis of survey and interview results. In response, the Company established a PDCA cycle to enhance further effectiveness of the board of directors through operational changes toward new solutions. We will continue to conduct evaluations and analyses of this type as we strive for further improvement in the effectiveness of the board of directors.

Fiscal 2018 Initiatives and Goals Based on Fiscal 2017 Survey and Interview Results

Goals	Initiatives
Share and discuss information about important corporate issues (safety, customer satisfaction, alliances, human resources strategy, etc.)	• Regularly (almost every month) shared information at board meetings on safety issues, as well as details and progress of initiatives. • Set time aside for explanations and discussions from ANA directors related to strategic management issues (alliance strategy, human resources strategy, etc.).
Provide direct interactions between outside directors and employees who work at airports and sales offices	• Conduct direct talks between outside directors and outside Audit & Supervisory Board members with section managers at the ANA Engineering & Maintenance Center and maintenance departments within Group companies. Topic of talks include human resource development and other matters. • To deepen the understanding of outside directors and outside Audit & Supervisory Board members about operations under their current portfolio, we provided opportunities to attend and observe pre-flight briefings for flight crew members and flight attendants, as well as pre-flight inspections and pre-departure briefings.
Share corporate strategies and progress of ANA Group companies regularly	• We provided time for explanations and discussions from the president of ANA Sales Co., Ltd. on the management strategy and progress of travel services operator ANA Sales.
Make board meetings more efficient by organizing the meeting agenda, revising operating rules, reducing the number of documents handed out, and providing more detailed explanations prior to the meeting	• Review and revise operating rules to improve the efficiency of the board meetings. • Provide detailed explanations prior to meetings for more effective discussions.

Major Topics Covered by the Board Effectiveness Survey

(1) The performance of board functions (decision-making, supervision of business execution)
(2) Response to issues identified in the prior year's survey
(3) Management of board meetings
  i. Discuss board deliberations, including dissenting opinions, at other internal meetings
  ii. Provide balance among agenda item explanations, questions and answers, and time for discussions
  iii. Content (time, quality) for explanations to outside directors prior to meetings
  iv. Materials (quantity, quality) handed out during board meetings

Notable Opinions Stemming from the Fiscal 2018 Questionnaires / Interviews

- Board content and discussions are more substantial, stemming from a focus on more active board meetings.
- Time has been secured to explain the status of Group companies and ANA business strategies. At the same time, regular reports have been simplified and the quality of discussions has improved.
- Difficult to balance time allocation to address complex issues.
- It may be a good idea to re-visit areas that have been observed once in the past. Having heard various information in board meetings, we might see something new if we go back again.
- Discussions narrowed in focus to a single topic during direct talks is effective.

Future Initiatives

- A column to write a summary of internal meetings should be implemented on board meeting documents for matters other than regularly addressed items to enhance efficiency of meeting discussions.
- The board should increase the frequency of pre-meeting briefings or provide time for explanations and questions for outside directors, separate from board meetings, with respect to the ANA Group Corporate Strategy.
- Hold interviews with outside directors about their interests and aspirations to improve the content of observations and direct talks related to their area of responsibility

Toward Stronger Governance

Basic Approach

In 2013, we transitioned to a holding company structure and realigned the authority of the board of directors and the Group Management Committee to build a foundation supporting aggressive and speedy management. We will continue to pursue better quality in governance by encouraging discussions in board meetings, providing meaningful dialogue with stakeholders, and introducing other measures to implement management policies that contribute to the creation of corporate value.

Training for Directors and Audit & Supervisory Board Members

The Company implements training and individual coaching tailored to the knowledge and experience of internal directors. This training will include outside seminars dealing with finance, accounting, compliance, and other disciplines. To provide directors with information and knowledge necessary for their duties, we intend to offer regular group training for directors, as well as lectures and discussions led by outside experts. Internal Audit & Supervisory Board members also have opportunities for training in audit methodology, CSR, risk management, compliance, and other topics, according to the member's knowledge and experience.

We provide opportunities for outside directors and outside Audit & Supervisory Board members to learn more about the ANA Group and the airline industry. These opportunities include on-site visits at airport handling, maintenance, flight operations, in-flight services, and other departments. Other training provides basic knowledge about the airline industry and presentations on the businesses of group companies.

Compliance with Japan's Revised Corporate Governance Code

The Japanese Corporate Governance Code was revised in June 2018, as was the final version of *Guidelines for Investor and Company Engagement*. With these changes, our board of directors discussed and confirmed a number of matters that we will include in our corporate governance report. These matters included an examination of cross-shareholding policy, initiatives in human resources and operations toward functioning as corporate pension fund asset owners, and procedures for the dismissal of management members. We also discussed matters other than disclosures for our corporate governance report. These matters included CEO succession planning, CEO selection and dismissal, methods to verify the appropriateness of cross-shareholdings, business portfolio revisions based on an accurate understanding of the cost of capital, management resource allocation (capital investment, etc.), ensuring diversity on the board of directors, and more.

We recognize the need for greater activity and diversity among our board of directors to reach higher levels of governance. We plan to enhance the effectiveness of the board (greater use of PDCA cycle) as we proceed.

Cross-Shareholdings

ANA HOLDINGS engages in cross-shareholding when we deem such holdings to contribute to improved corporate value over the medium to long term from the viewpoint of continuing smooth business, maintaining business alliances, and growing profits through strengthening business relationships.

It is difficult to quantitatively calculate the direct or indirect amount of contribution of cross-shareholdings to our business. Therefore, the amount of investment in each cross-shareholding is regarded as the amount of capital invested in each respective stock. We multiply this amount by our costs of capital (weighted-average cost of capital) and deduct this amount from the post-tax dividend provided for each holding. If the amount is negative and we determine that the business contributions expected to be obtained through the holdings will not offset the negative amount for a discernible period of time and further will not contribute to sustainable growth, we reduce our holdings in said stock. We will also reduce the amount of a holding if the market value of the holding in question is significantly below acquisition value with no prospect of recovery in our estimation.

Every year, the board of directors conducts a comprehensive review of individual cross-shareholdings. The board evaluates the significance of holdings and the benefits and risks associated. At this time, the Company has determined there are no cross-shareholdings that should be subject to reduction. In addition, the exercise of voting rights associated with cross-shareholdings will be judged based on the results of dialogues with the company in question after examining the medium- to long-term improvement of the corporate value and the impact on the Group's business.

Director and Audit & Supervisory Board Member Remuneration

1. Basic Policies for Director Remuneration

The basic policies for director remuneration are as follows.

- Ensure the transparency, fairness, and objectivity of remuneration and establish a remuneration level worthy of his/her roles and responsibilities
- Reinforce incentives for achieving management objectives by introducing performance-linked remuneration combining a diverse range of indicators to clarify roles and responsibilities for company results.
- Establish a remuneration system that achieves our social responsibilities as a company, while allowing the Company to share profits with shareholders through raising medium- to long-term corporate value.

2. Procedures for Determining Remuneration

The board of directors decides 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.

3. Remuneration Advisory Committee

The Remuneration Advisory Committee consists of a majority of outside directors, Audit & Supervisory Board members, and outside experts to ensure appropriate and transparent process of decision-making related to director remuneration. The committee is in charge of the director remuneration system and director remuneration standards, conducting discussions based on surveys of director remuneration at other companies provided by outside experts.

4. Remuneration System

(1) Internal directors

- In addition to a fixed basic remuneration, remuneration for directors includes an annual variable 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 ratio of fixed basic remuneration and bonus/share remuneration for total remuneration is 1:0.67 fixed to variable, if annual performance targets have been accomplished. The ratio of variable remuneration ranges from 0.0 to 1.0 times according to the degree of achievement for annual performance targets.

i. Bonuses

We use net income, safety, and customer satisfaction as indicators that reflect the performance and substance for a single fiscal year. The Remuneration Advisory Committee and the board of directors have previously determined the target values for each indicator and a table for corresponding payment levels. This table determines payment amounts based on the performance on each indicator.

ii. Share remuneration

We use return on equity (ROE), return on assets (ROA), and operating income margin as indicators for improved corporate value over the medium to long term and sustainable growth. The Remuneration Advisory Committee and the board of directors determine the amount of payment through a combination of payment levels determined by the board and the respective indicators.

Key Fiscal 2018 Performance Indicators and Results

Indicator	Target	Result
Net Income Attributable to Owners of the Parent	¥102.0 billion	¥110.7 billion
Return on Equity (ROE)	9.9%	10.6%
Return on Assets (ROA)	6.4%	6.4%
Operating Income Margin	8.1%	8.0%

(2) Outside directors

- Remuneration for outside directors consists of fixed compensation (monthly compensation) without a performance-linked portion. This compensation encourages outside directors to exercise their supervisory functions from an independent standpoint.

(3) Audit & Supervisory Board members

- Remuneration for both inside and outside Audit & Supervisory Board members consists of fixed compensation (monthly compensation) without a performance-linked portion. This compensation encourages those members to exercise their supervisory functions from an independent standpoint.
- Remuneration levels for members of the Audit & Supervisory Board are determined in line with remuneration at other companies and in consultation with outside experts.

Remuneration of Directors and Audit & Supervisory Board Members (Fiscal 2018)

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	466	336	76	53	10
(Outside directors)	(40)	(40)	(—)	(—)	(3)
Audit & Supervisory Board members	116	116	—	—	5
(Outside Audit & Supervisory Board members)	(53)	(53)	(—)	(—)	(3)
Total	582	452	76	53	15

Notes:

1. It was resolved at the 66th Ordinary General Meeting of Shareholders of the Company, held on June 20, 2011, that the maximum amount of remuneration of directors per year would be ¥960 million.
2. It was resolved at the 60th Ordinary General Meeting of Shareholders of the Company, held on June 28, 2005, that the maximum amount of remuneration of Audit & Supervisory Board members per month would be ¥10 million. It was resolved at the 74th Ordinary General Meeting of Shareholders of the Company, held on June 21, 2019, that Audit & Supervisory Board member remuneration would be revised from a monthly basis to an annual basis and that the maximum amount of remuneration of Audit & Supervisory Board members per year would be revised to ¥180 million.
3. 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.
4. In the abovementioned amounts, figures of less than ¥1 million are truncated.

Discussion Between the Chairman of the Board and Outside Director

Strengthening Governance for Further Corporate Value Growth

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

Shosuke Mori
Outside Director
ANA HOLDINGS INC.

The ANA Group believes that stronger governance is an indispensable part of the pursuit of sustainable growth. Outside Director Shosuke Mori offered his opinions on initiatives and the current state of ANA HOLDINGS board of directors in connection with corporate governance. Mr. Mori offers the benefit of his extensive experience in senior management in the electric power industry.

1. Evaluation of the Effectiveness of the Board of Directors

It is extremely important to maintain a willingness to incorporate diverse opinions and different values across the Group (Mori)

Ito Moving forward, the board of directors will be required to play an even stronger role to further strengthen governance in support of corporate value growth. We have continued to provide materials and explanations to outside directors prior to board meetings, which has improved the function of these meetings. What is your impression, particularly as a participant who has served as an outside director for many years?

Mori When I first began serving as an outside director, the board of directors did not set aside much time to discuss any outside opinions offered. Board meetings were also very short at times. Today, meetings are completely different. I have opportunities to participate in board meetings at other companies, and I think that the functions of the ANA HOLDINGS' board are very substantial and that the board is steadily reaching higher levels of effectiveness. In particular, Chairman Ito and other participating members seem to be constantly looking for ways to improve board effectiveness. The support staff demonstrate through their efforts how serious they take this stance. The office sends questionnaires to directors and conducts interviews to find suggestions for improvement. Staff make efforts to prepare concise meeting documents with supplementary materials for clearer understanding of the main points. More recently, corporate strategy discussions have been very informative, reflecting considerable research into the operating environment. I appreciate the deep research into and summarization of information forming the basis of discussions.

Ito Active discussions are a welcome development; however, some meetings have become rather long. I believe we still have room to improve our meeting management skills. Meanwhile, we have been receiving much valuable input from our outside directors, leading to more intense board meetings. I think our meetings reflect an even greater acknowledgment that we must raise the level of management transparency while approaching discussions from the standpoint of our stakeholders. In this sense, I think ANA HOLDINGS board of directors is making improvements in a very positive direction.

Mori Our outside directors have management experience in industries other than air transport. I feel extremely gratified that our opinions are taken seriously and are incorporated into various policies and resolutions. While there is no end goal defining perfect board of director effectiveness, it is important to maintain a willingness to reflect diverse opinions and different values across the Group.

2. Initiatives for Stronger Governance

Learning the front lines provides a background for understanding beyond what is possible through documents and explanations (Mori)

Ito We provide opportunities for outside directors to learn the Group business through site observations, interviews with employees, and other direct interactions on our front lines. Operating aircraft requires harmony and cooperation across a variety of jobs. It is important for outside directors to observe a variety of departments, and this is a policy we believe should continue.

Mori It is also important to understand the front lines when discussing corporate strategy. Even a brief understanding of the front lines provides a greater understanding including the general circumstances when listening to the first draft of a proposed strategy. For example, when you watch a baseball game on TV, you might see the batter hit a ground ball to third, while the third baseman throws the batter out at first. The TV screen only shows the third baseman picking up a grounder and the first baseman catching the ball. However, people who have experienced watching the game in person at the stadium have a different perspective. They can imagine the second baseman and the right fielder sprinting to back up the play, even when those movements are never shown on TV. It's a similar situation with the board of directors. By knowing the front lines, we can imagine circumstances not fully communicated through documents and explanations.

3. Proper Governance in Businesses of a Highly Public Nature

We must provide greater visibility to management activities that prevent actions in violation of rules (Mori)

Ito We are an airline group functioning mainly in the Air Transportation Business. We must approach governance from the stance of a corporate group with highly public elements.

Mori The electric power business is another industry that places top priority on safety, including the safe operations of nuclear power plants. The Air Transportation Business is responsible for the safety of millions of people, and safety is properly viewed as management's top priority. It is important to conduct management and governance that encourages all employees to have this same attitude toward safety.

Ito That's exactly right. We conduct ongoing initiatives to ensure all group employees packed with awareness of our safety principle that states *Safety is our promise to the public and is the foundation of our business*. Last fiscal year, the board of directors spent quite a bit of time discussing the Boeing 787 engine issue, the alcohol-related issue among pilots, and others. Our outside directors made several pointed observations that I felt we should always keep foremost in mind.

Mori As I stated in one of the board meetings, rather than commanding employees to obey rules or threatening them with punishment, we must provide greater visibility to management activities that prevent actions in violation of rules. The Corporate Governance Code includes numerous matters related to safety. The current content of the code is designed to facilitate decisions by investors in Europe and the United States. Perhaps rather than responding to all matters in the same way, we should be distinguishing which is an area of management focus and which is an area calling for explanation rather than compliance per se. This is the idea of *Sampo Yoshi* (good for everyone), or perhaps management theory has always been a part of business in Japan. It should be enough to identify the truly important matters and to take committed action for achieving the ANA Group Mission Statement and Management Vision.

4. Cultivating Directors and Qualities of the Ideal Successor

More than 80% of ANA Group employees work on the front lines; it's important to have a solid understanding of on-site operations (Ito)

Ito With the recent revision to the Corporate Governance Code, many companies in Japan have started to discuss succession plans and other matters. ANA HOLDINGS is not alone in the need to evolve our process to cultivate senior managers and senior manager candidates. What is your opinion about the qualities desired for future managers?

Mori The environment surrounding the air transportation industry changes with astonishing speed. The industry is particularly susceptible to global events, which is why managers in this sector must not only have expertise in air transportation but also an understanding of general global economics and the ability to be flexible in adapting to change. This is why I believe candidates should experience a wide variety of business fields early in their careers. Still, a company cannot be built solely on the back of generalists. Companies need leaders with high levels of expertise who can hold a broad vision beyond their own fields of interest.

We must offer an education and training system that cultivates leaders regardless of gender and promotes the most talented and experienced professionals (Mori)

Ito The ANA Group is heavily end-service oriented, which means more than 80% of our employees work on the front lines. It's important to have a solid understanding of on-site operations.

Mori That's true. A capacity for understanding is important. Many can say they know, but the details change with the times. This is why understanding current operations is important, rather than relying on past knowledge and stating stubborn opinions based on outdated experience.

Ito Many women in the ANA Group work mainly as flight attendants. More recently, we are in an era where women are executive officers in charge of sales divisions at our Tokyo, Osaka, and Nagoya branches, for example. We are being challenged to develop talented employees of all genders while maximizing the advantages of front-line experience.

Mori Fortunately, the ANA Group is well known as a company that students aspire to join after graduation. We have the groundwork for attracting talented individuals. The next task is how to cultivate them. I think promoting someone just because of their gender is insulting to the individual. What is important is that we offer an education and training system that supports the cultivation of leaders regardless of gender and promotes the most talented and experienced professionals.

ANA's Way Survey Provides Stronger Communications between Management and Employees

Following the principles of Japan's Corporate Governance Code, we conduct a twice-yearly survey (ANA's Way Survey) to determine whether ANA Group employees understand and comply with ANA's Way, our group code of conduct. The results of this survey are reported to the board of directors who discuss ways to resolve the issues identified.

A total of 46 ANA Group companies participated in the fiscal 2018 survey, accounting for an employee response rate of 96.5%. The most recent survey indicated an emerging need for more active communications between management and employees. In response, the Group has created opportunities for not only inside directors but also outside directors to interact directly with on-site personnel. We have also made efforts to promote mutual understanding between management and employees.

Outside Directors Speaking Directly with ANA Engineering & Maintenance Center Employees

Consolidated 11-Year Summary

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

	Yen (Millions)											U.S. dollars (Thousands) (Note 2)
(Years ended March)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2019
For the Year												
Operating revenues (Note 3)	**2,058,312**	1,971,799	1,765,259	1,791,187	1,713,457	1,601,013	1,483,581	1,411,504	1,357,653	1,228,353	1,392,581	**18,545,022**
Operating expenses	**1,893,293**	1,807,283	1,619,720	1,654,724	1,621,916	1,535,027	1,379,754	1,314,482	1,289,845	1,282,600	1,384,992	**17,058,230**
Operating income (loss)	**165,019**	164,516	145,539	136,463	91,541	65,986	103,827	97,022	67,808	(54,247)	7,589	**1,486,791**
Income (loss) before income taxes	**154,023**	196,641	139,462	131,064	77,983	36,391	70,876	63,431	35,058	(95,593)	(4,445)	**1,387,719**
Net income (loss) attributable to owners of the parent	**110,777**	143,887	98,827	78,169	39,239	18,886	43,140	28,178	23,305	(57,387)	(4,260)	**998,080**
Cash flows from operating activities	**296,148**	316,014	237,084	263,878	206,879	200,124	173,196	214,406	203,889	82,991	(39,783)	**2,668,240**
Cash flows from investing activities	**(308,671)**	(324,494)	(194,651)	(74,443)	(210,749)	(64,915)	(333,744)	(166,323)	(139,619)	(251,893)	(111,139)	**(2,781,070)**
Cash flows from financing activities	**(46,480)**	(29,989)	3,349	(133,257)	(30,424)	(85,569)	84,549	16,171	(10,596)	173,791	114,504	**(418,776)**
Free cash flow	**(12,523)**	(8,480)	42,433	189,435	(3,870)	135,209	(160,548)	48,083	64,270	(168,902)	(150,922)	**(112,829)**
Substantial free cash flow (Note 4)	**(18,028)**	61,410	39,655	88,035	(22,350)	38,929	54,256	52,043	27,870	(123,902)	(150,922)	**(162,429)**
Depreciation and amortization	**159,541**	150,408	140,354	138,830	131,329	136,180	123,916	119,268	118,440	113,806	112,881	**1,437,435**
EBITDA (Note 5)	**324,560**	314,924	285,893	275,293	222,870	202,166	227,743	216,290	186,248	59,559	120,470	**2,924,227**
Capital expenditures	**375,864**	304,707	254,425	281,416	274,702	183,739	162,752	196,881	211,698	209,937	145,709	**3,386,467**
At Year-End												
Total assets	**2,687,122**	2,562,462	2,314,410	2,228,808	2,302,437	2,173,607	2,137,242	2,002,570	1,928,021	1,859,085	1,761,065	**24,210,487**
Interest-bearing debt	**788,649**	798,393	729,877	703,886	819,831	834,768	897,134	963,657	938,819	941,691	897,236	**7,105,586**
Shareholders' equity (Note 6)	**1,099,413**	988,661	919,157	789,896	798,280	746,070	766,737	549,014	520,254	473,552	321,883	**9,905,514**
Per Share Data (Yen, U.S. dollars) (Note 7)												
Earnings per share	**331.04**	417.82	28.23	22.36	11.24	5.41	13.51	11.22	9.29	(24.67)	(2.19)	**2.98**
Book value per share	**3,285.46**	2,954.47	262.44	225.87	228.45	213.82	218.41	218.24	207.35	188.93	166.50	**29.60**
Cash dividends	**75.00**	60.00	6.00	5.00	4.00	3.00	4.00	4.00	2.00	—	1.00	**0.67**
Average number of shares during the year (Thousand shares)	**334,632**	344,372	3,500,205	3,496,561	3,492,380	3,493,860	3,192,482	2,511,841	2,507,572	2,326,547	1,945,061	
Management Indexes												
Operating income margin (%)	**8.0**	8.3	8.2	7.6	5.3	4.1	7.0	6.9	5.0	(4.4)	0.5	
Net income margin (%)	**5.4**	7.3	5.6	4.4	2.3	1.2	2.9	2.0	1.7	(4.7)	(0.3)	
ROA (%) (Note 8)	**6.4**	6.8	6.5	6.1	4.2	3.2	5.1	5.1	3.7	(2.8)	0.6	
ROE (%) (Note 9)	**10.6**	15.1	11.6	9.8	5.1	2.5	6.6	5.3	4.7	(14.4)	(1.1)	
Shareholders' equity ratio (%)	**40.9**	38.6	39.7	35.4	34.7	34.3	35.9	27.4	27.0	25.5	18.3	
Debt/equity ratio (Times) (Note 10)	**0.7**	0.8	0.8	0.9	1.0	1.1	1.2	1.8	1.8	2.0	2.8	
Asset turnover (Times)	**0.8**	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.8	
Payout ratio (%)	**22.7**	14.4	21.3	22.4	35.6	55.5	29.6	35.7	21.5	—	—	
Number of employees	**43,466**	41,930	39,243	36,273	34,919	33,719	32,634	32,884	32,731	32,578	33,045	
Operating Data												
Domestic Passenger Operations												
Passenger revenues	**696,617**	689,760	678,326	685,638	683,369	675,153	665,968	651,556	652,611	630,976	699,389	**6,276,394**
Available seat-km (Millions)	**58,475**	58,426	59,080	59,421	60,213	61,046	58,508	56,756	56,796	57,104	59,222	
Revenue passenger-km (Millions)	**40,704**	40,271	38,990	38,470	38,582	37,861	36,333	34,589	35,983	35,397	37,596	
Number of passengers (Thousands)	**44,325**	44,150	42,967	42,664	43,203	42,668	41,089	39,020	40,574	39,894	42,753	
Load factor (%)	**69.6**	68.9	66.0	64.7	64.1	62.0	62.1	60.9	63.4	62.0	63.5	
Unit revenues (¥)	**11.9**	11.8	11.5	11.5	11.3	11.1	11.4	11.5	11.5	11.0	11.8	
Yield (¥)	**17.1**	17.1	17.4	17.8	17.7	17.8	18.3	18.8	18.1	17.8	18.6	
International Passenger Operations												
Passenger revenues	**651,587**	597,446	516,789	515,696	468,321	395,340	348,319	320,066	280,637	214,124	291,077	**5,870,682**
Available seat-km (Millions)	**65,976**	64,376	60,148	54,710	49,487	41,451	37,947	34,406	29,768	26,723	27,905	
Revenue passenger-km (Millions)	**50,776**	49,132	45,602	40,635	35,639	30,613	28,545	25,351	22,430	20,220	19,360	
Number of passengers (Thousands)	**10,093**	9,740	9,119	8,167	7,208	6,336	6,276	5,883	5,168	4,666	4,432	
Load factor (%)	**77.0**	76.3	75.8	74.3	72.0	73.9	75.2	73.7	75.3	75.7	69.4	
Unit revenues (¥)	**9.9**	9.3	8.6	9.4	9.5	9.5	9.2	9.3	9.4	8.0	10.4	
Yield (¥)	**12.8**	12.2	11.3	12.7	13.1	12.9	12.2	12.6	12.5	10.6	15.0	
LCC Passenger Operations (Note 11)												
Passenger revenues	**93,611**	87,555	—	—	—	—	—	—	—	—	—	**843,418**
Available seat-km (Millions)	**12,052**	11,832	—	—	—	—	—	—	—	—	—	
Revenue passenger-km (Millions)	**10,394**	10,212	—	—	—	—	—	—	—	—	—	
Number of passengers (Thousands)	**8,153**	7,797	—	—	—	—	—	—	—	—	—	
Load factor (%)	**86.2**	86.3	—	—	—	—	—	—	—	—	—	
Unit revenues (¥)	**7.8**	7.4	—	—	—	—	—	—	—	—	—	
Yield (¥)	**9.0**	8.6	—	—	—	—	—	—	—	—	—	
Domestic Cargo Operations												
Cargo revenues	**27,454**	30,710	30,860	31,740	32,584	32,116	32,231	33,248	32,413	31,829	33,097	**247,355**
Cargo volume (Tons)	**393,773**	436,790	451,266	466,979	475,462	477,081	463,473	467,348	453,606	458,732	475,014	
International Cargo Operations												
Cargo revenues	**125,015**	118,002	93,301	113,309	124,772	104,736	86,589	87,978	86,057	55,750	69,069	**1,126,362**
Cargo volume (Tons)	**913,915**	994,593	954,027	810,628	841,765	710,610	621,487	570,684	557,445	422,449	354,251	

Notes: 1. As of March 31, 2019, there were 62 consolidated subsidiaries and 16 equity-method subsidiaries and affiliates.
2. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥110.99=US$1, the approximate exchange rate as of March 31, 2019.
3. Effective from the fiscal year ended March 2015, revenue of jet fuel which is resold to airlines outside the Group is offset by its purchasing cost and the net amount is recorded in operating revenues.
4. Substantial free cash flow is excluding purchase and redemption of marketable securities (time deposits and negotiable deposits of more than three months).
5. EBITDA = Operating income + Depreciation and amortization
6. Total shareholders' equity = Shareholders' equity + Accumulated other comprehensive income
From the fiscal year ended March 2014, the Accounting Standard for Retirement Benefits (May 17, 2012) has been applied and the amount affected by liabilities for retirement benefits has been adjusted to be recorded in remeasurements of defined benefit plans.
7. The Group conducted a 1-for-10 reverse stock split effective October 1, 2017. Calculations have been made assuming a reverse stock split at the beginning of the fiscal year ended March 2018.
8. ROA = (Operating income + Interest and dividend income) / Simple average of total assets
9. ROE = Net income attributable to owners of the parent / Simple average of shareholders' equity
10. Debt/equity ratio = Interest-bearing debt / Shareholders' equity
11. Revenues of LCC Passenger Operations include ancillary income.
* Yen amounts are rounded down to the nearest million yen and percentages are rounded to the nearest one decimal place. U.S. dollar amounts are truncated.

Management's Discussion and Analysis

Economic Conditions

General Economic Overview

The Japanese economy experienced a gradual recovery during fiscal 2018 (April 1, 2018 to March 31, 2019), supported by rising consumer spending in response to ongoing improvements in corporate earnings and employment. The airline industry enjoyed firm demand in general, mainly due to an ongoing gradual recovery in the Japanese and global economies and increasing number of inbound travelers to Japan.

The future economy is expected to experience a continued gradual recovery, supported by improving employment, rising income levels, and the positive impact of government policies. However, we must keep a careful eye on risks, including a potential overseas economic downturn, trade issues, and other factors that may have a negative impact on business.

Fuel Price Trends

The average price for Dubai crude oil was $69.4 per barrel during fiscal 2018. During the first half of the year, Dubai crude ranged around $70 per barrel, due to a number of factors including the decision to defer production increases among OPEC and major non-member state oil producers such as Russia, a firm recovery in demand for petroleum, and a cautious outlook with respect to geopolitical risk. While the market price for Dubai crude fell as low as $60 per barrel in the second half, prices rose to $66.9 per barrel by the end of fiscal 2018.

The market price of Singapore kerosene tracked the price of crude oil. The average price for the fiscal year was $82.2 per barrel, ending at $78.0 per barrel on March 31, 2019.

Foreign Exchange Market

The Japanese yen averaged ¥110.9 to the U.S. dollar for fiscal 2018, ending the year at ¥111.0 per U.S. dollar. The yen continued to weaken compared to the U.S. dollar throughout the first half of the fiscal year due to a spreading interest rate gap between the two countries stemming from steady interest-rate increases in the United States. The value of the yen rose slowly throughout the second half of the year in response to concerns about intensifying trade friction and the resulting impact on the global economy.

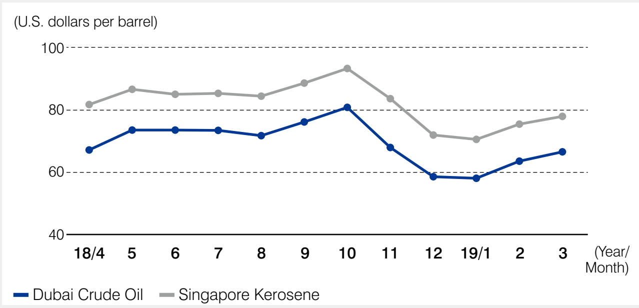
Air Transport Traffic Trends

International Air Transport Association (IATA) member airlines reported 1,810 million passengers on scheduled international flights in 2018 (7.0% increase year on year). Passengers on scheduled domestic flights numbered 2,560 million (6.8% increase). At the same time, scheduled global air cargo volume increased 2.9%. (Source: IATA World Air Transport Statistics, 2019).

In Japan, passengers on trunk routes* decreased 0.5% to 43.44 million for fiscal 2018. The number of passengers on local routes* increased 3.4% to 60.47 million. In total, Japanese air transport passengers numbered 103.9 million, an increase of 1.7%. Domestic cargo volume decreased 9.0% to 0.82 million tons. The number of passengers carried by Japanese airlines on international services increased 4.5% to 23.40 million, while the volume of international cargo handled by Japanese airlines decreased 18.0% to 1.44 million tons. (Source: Ministry of Land, Infrastructure, Transport and Tourism preliminary report)

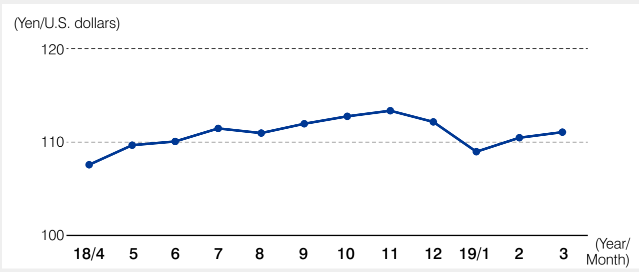
* Trunk routes refer to routes connecting Sapporo (New Chitose), Tokyo (Haneda), Tokyo (Narita), Osaka (Itami), Kansai, Fukuoka, and Okinawa (Naha) airports with one another. Local routes refer to all other routes.

Monthly Prices for Dubai Crude Oil and Singapore Kerosene



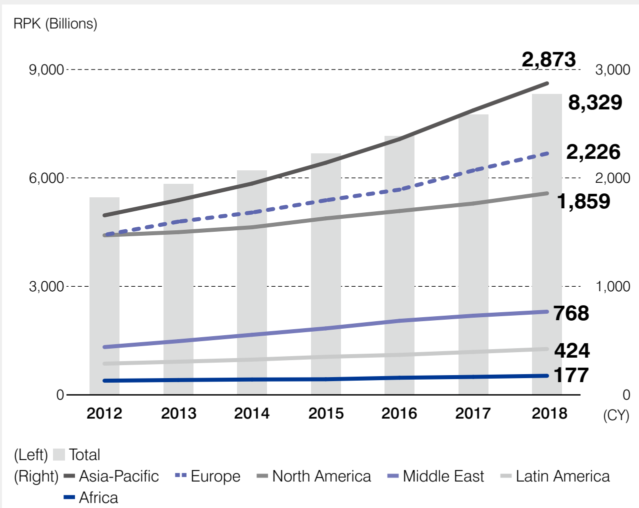
Source: Bloomberg

Monthly Yen-Dollar Exchange Rate



Source: Bloomberg

Global Air Transportation Passenger Volume by Region



Source: International Air Transport Association (IATA), 2019

Performance for Fiscal 2018

Overview of the ANA Group

As of March 31, 2019, the ANA Group ("the Group"), led by holding company ANA HOLDINGS INC., consists of 128 subsidiaries (including ALL NIPPON AIRWAYS CO., LTD.) and 44 affiliates. A total of 62 companies are treated as consolidated subsidiaries, with another 16 treated as equity-method subsidiaries and affiliates. The Group had 43,466 employees as of March 31, 2019, up 1,536 employees year on year.

During fiscal 2018, we executed the FY2018–22 ANA Group Corporate Strategy (published February 1, 2018), while asserting our fundamental dedication to safety. We focused on three major strategies during the year: (1) Expand airline revenue platform and pursue optimized portfolio; (2) Select and concentrate on existing business, create new business domains; and (3) Utilize open innovation and ICT. We pursued Safety, Quality and Services, while at the same time making forward progress in human resources and capital expenditures toward the 2020 slot expansions at Tokyo metropolitan area airports.

Consolidated Operating Revenues, Operating Expenses, and Operating Income

Fiscal 2018 operating revenues amounted to ¥2,058.3 billion, a ¥86.5 billion (4.4%) increase year on year. This increase was mainly due to positive trends in our mainstay Air Transportation Business, as well as increased revenues in Airline Related, Trade and Retail, and Others segments.

Operating expenses increased 4.8%, or ¥86.0 billion, to ¥1,893.2 billion. As we looked ahead to slot expansions at Tokyo metropolitan area airports, we gave priority to investments in safety, human resources, aircraft, and other equipment. At the same time, we engaged in a number of cost management measures.

As a result, operating income rose ¥0.5 billion (0.3%) compared to the prior fiscal year, reaching ¥165.0 billion.

Review by Segments

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

Segment Information

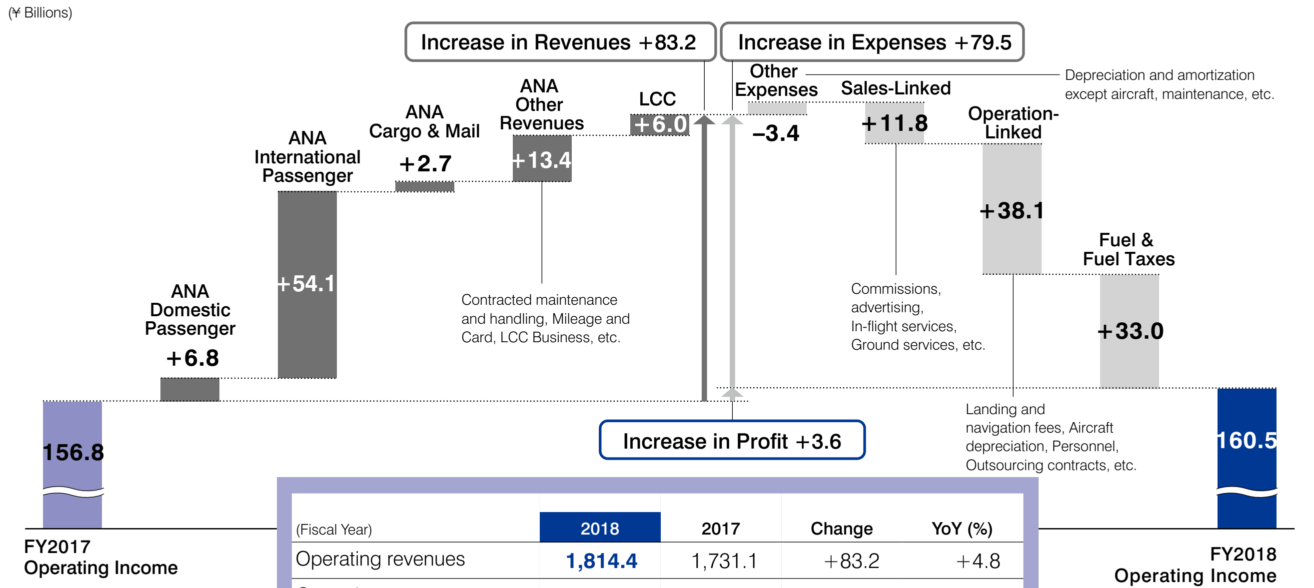
(¥ Millions)

	Operating Revenues			Operating Income			EBITDA		
(Fiscal Year)	2018	2017	Change	2018	2017	Change	2018	2017	Change
Air Transportation	¥1,814,417	¥1,731,173	¥83,244	¥160,556	¥156,873	¥ 3,683	¥313,504	¥301,097	¥12,407
Airline Related	291,051	284,331	6,720	13,178	10,635	2,543	17,674	15,000	2,674
Travel Services	150,746	159,289	(8,543)	606	3,745	(3,139)	1,113	4,026	(2,913)
Trade and Retail	150,679	143,039	7,640	3,706	4,506	(800)	5,060	5,821	(761)
Others	40,958	38,708	2,250	2,275	2,767	(492)	2,511	2,990	(479)
Adjustments	(389,539)	(384,741)	(4,798)	(15,302)	(14,010)	(1,292)	(15,302)	(14,010)	(1,292)
Total (Consolidated)	¥2,058,312	¥1,971,799	¥ 86,513	¥165,019	¥164,516	¥ 503	¥324,560	¥314,924	¥ 9,636

Notes: 1. "Others" includes facility management, business support, and other operations.
2. Adjustments of segment profit represent the elimination of intersegment transactions, group management expenses of ANA HOLDINGS INC., and other certain items.
3. Segment operating income is reconciled with operating income in the consolidated financial statements.
4. EBITDA = Operating income + Depreciation and amortization

Air Transportation Business

Changes in Operating Income (FY2018 vs FY2017)



(Fiscal Year)	2018	2017	Change	YoY (%)
Operating revenues	**1,814.4**	1,731.1	+83.2	+4.8
Operating expenses	**1,653.8**	1,574.3	+79.5	+5.1
Operating income	**160.5**	156.8	+3.6	+2.3

Air Transportation Business operating revenues amounted to ¥1,814.4 billion, a year-on-year increase of ¥83.2 billion (4.8%). This increase was mainly due to steady international passenger business supported by active demand. Operating income rose ¥3.6 billion (2.3%) to ¥160.5 billion. Although expenses related to aircraft and human resources in anticipation of slot expansion at Tokyo metropolitan area airports rose, we have engaged in steady cost management measures.

Results by business were as follows.

ANA International Passenger Business

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

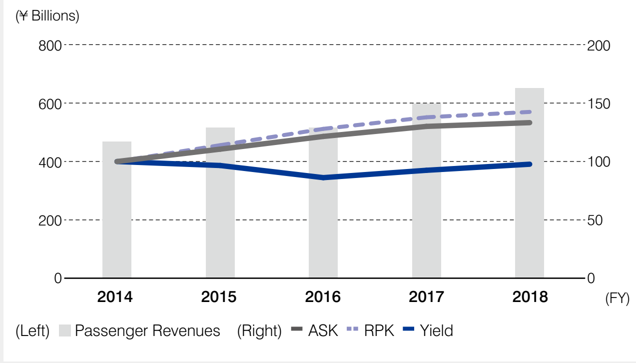
A total of 10.09 million passengers used the ANA network in fiscal 2018 (3.6% increase), while unit price rose 5.3% to ¥64,556. Operating revenues rose 9.1% year on year to ¥651.5 billion. We recorded a 2.5% increase in available seat-kilometers (ASK) and saw an increase in revenue passenger-kilometers (RPK) of 3.3%. Load factor increased 0.6 points to 77.0%. ANA expanded its route network throughout fiscal 2018. In June, ANA added flights to the Haneda–Bangkok route (three flights per day total), while in October, we began a code-share flight with Alitalia. In February 2019, we introduced service to Vienna.

Supported by solid business conditions in Japan and overseas, business demand was firm throughout the year, allowing us to strengthen yield management. We captured demand for leisure travel both into and out of Japan through a variety of discount fares. We also bolstered promotional activities to encourage greater demand among inbound travelers.

ANA International Passenger Business Results

(Fiscal Year)	2018	2017	YoY (%)
ASK (Millions)	**65,976**	64,376	+2.5
RPK (Millions)	**50,776**	49,132	+3.3
Number of passengers (Thousands)	**10,093**	9,740	+3.6
Load factor (%)	**77.0**	76.3	+0.6*
Passenger revenues (¥ Billions)	**651.5**	597.4	+9.1
Unit revenues (¥)	**9.9**	9.3	+6.4
Yield (¥)	**12.8**	12.2	+5.5
Unit price (¥)	**64,556**	61,336	+5.3

* Difference



* Figures for ASK, RPK, and Yield are indexed using the figures for fiscal 2014 as 100.

ANA Domestic Passenger Business

The ANA Domestic Passenger Business outperformed prior fiscal year in both passenger numbers and revenues. Although we experienced the negative effects of several natural disasters and Rolls-Royce engine maintenance during the first half of the year, strong business demand and our capture of inbound travel, as well as fare discounts matched to demand, combined to drive performance in passenger numbers and revenues higher. ASK grew 0.1% year on year, while RPK rose 1.1%. Load factor was 69.6%, an increase of 0.7 points. Passenger numbers grew 0.4% to 44.32 million and unit price rose 0.6% to ¥15,716. Operating revenues were up 1.0% to ¥696.6 billion.

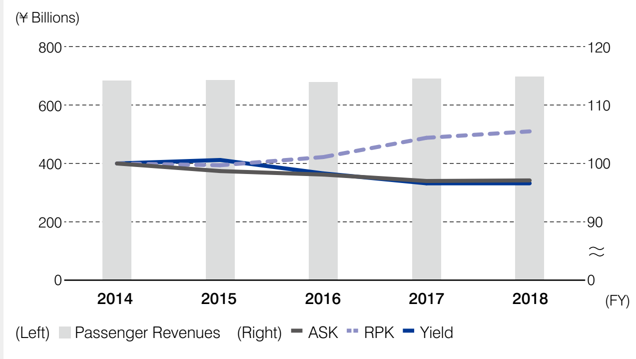
In fiscal 2018, ANA converted Chubu–Miyako and Fukuoka–Ishigaki routes from summer-only to full-year service, capturing demand while expanding access to southern islands in Okinawa such as Ishigaki and Miyako from major areas of Japan via nonstop service.

In October, ANA unveiled a simpler fare lineup, allowed reservations and ticket sales up to 355 days prior to departure, and introduced other fare structure innovations. We launched a *Let's Go to Hokkaido* project to support recovery in disaster areas and a promotional campaign for travel to Kansai International Airport for inbound tourists. These promotions and policies resulted in encouraging demand for travel both in Japan and overseas. ANA added many service improvements during the year. In April 2018, ANA introduced free on-board Wi-Fi and the adoption of more A321neo aircraft with monitor-equipped seats in all classes. We also renovated our domestic lounges at Itami, Fukuoka, and Naha airports.

ANA Domestic Passenger Business Results

(Fiscal Year)	2018	2017	YoY (%)
ASK (Millions)	**58,475**	58,426	+0.1
RPK (Millions)	**40,704**	40,271	+1.1
Number of passengers (Thousands)	**44,325**	44,150	+0.4
Load factor (%)	**69.6**	68.9	+0.7*
Passenger revenues (¥ Billions)	**696.6**	689.7	+1.0
Unit revenues (¥)	**11.9**	11.8	+0.9
Yield (¥)	**17.1**	17.1	– 0.1
Unit price (¥)	**15,716**	15,623	+0.6

* Difference



* Figures for ASK, RPK, and Yield are indexed using the figures for fiscal 2014 as 100.

ANA Cargo and Mail Business

The ANA Cargo and Mail Business recorded fiscal 2018 operating revenues of ¥160.7 billion, a year-on-year increase of 1.7%. The International Cargo Business recorded operating revenues of ¥125.0 billion, up 5.9% compared to the prior fiscal year. Available ton-kilometers (ATK) rose 4.6% and revenue ton-kilometers (RTK) decreased 3.5%. Although cargo demand through the third quarter for automobile parts, electronic components, and other products for North America and Europe was strong, the decline in demand for cargo to and from China during the fourth quarter had a negative impact. Even though we experienced an 8.1% decrease in cargo volume to 910,000 tons, stronger yield management, the use of airline charters (cargo charter flights using aircraft owned by other companies), and other measures buoyed our results. Optimizing the scope of our Okinawa hub network beginning with the winter schedule and converting some routes to direct flights also helped improve profitability.

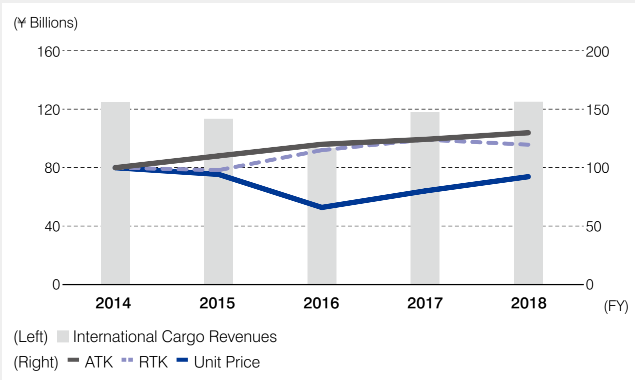
Domestic Cargo Business operating revenues decreased 10.6% to ¥27.4 billion, reflecting a 9.8% decline in cargo volume to 390,000 tons and a 0.8% drop in unit price. While we made efforts to grow revenues by setting non-scheduled extra cargo flights for the Okinawa–Haneda route during peak demand for flowers, air cargo demand overall was weak throughout the year. Also, we experienced the negative impact of flight cancellations due to natural disasters and Rolls-Royce engine maintenance. These factors combined to decrease ATK by 1.1% and RTK by 8.9% year on year.

ANA Cargo and Mail Business Results

(Fiscal Year)		2018	2017	YoY (%)
Cargo and mail services revenues (¥ Billions)		160.7	158.0	+1.7
International cargo	ATK (Millions)	7,122	6,809	+4.6
	RTK (Millions)	4,318	4,474	–3.5
	Cargo volume (Thousand tons)	913	994	–8.1
	Cargo revenues (¥ Billions)	125.0	118.0	+5.9
	Unit price (¥/kg)	137	119	+15.3
	Mail revenues (¥ Billions)	5.1	5.9	–14.1
Domestic cargo	ATK (Millions)	1,720	1,739	–1.1
	RTK (Millions)	408	448	–8.9
	Cargo volume (Thousand tons)	393	436	–9.8
	Cargo revenues (¥ Billions)	27.4	30.7	–10.6
	Unit price (¥/kg)	70	70	–0.8
	Mail revenues (¥ Billions)	3.2	3.3	–4.7

International Mail Business operating revenues decreased 14.1% to ¥5.1 billion, while Domestic Mail Business operating revenues were 4.7% lower at ¥3.2 billion.

International Cargo Business Results



Figures for ATK, RTK and Unit price are indexed using the figures for fiscal year 2014 as 100.

LCC Business

The LCC Business recorded ¥93.6 billion in operating revenues, a 6.9% increase year on year, supported by a 4.6% increase in passenger numbers at 8.15 million and a 2.3% increase in unit price to ¥11,482. ASK rose 1.9% and RPK rose 1.8%. Load factor was 86.2%, which was a 0.1-point decrease compared to the prior fiscal year. This performance was supported by our expansion of routes and capture of the active inbound demand.

Our domestic and international networks offered expanded service for our customers. Peach Aviation introduced service between Okinawa (Naha)–Kaohsiung (April) and Osaka (Kansai)–Kushiro (August). Vanilla Air launched Narita–Ishigaki and Okinawa (Naha)–Ishigaki routes (July), as well as more frequent flights between Okinawa (Naha) and Taipei (October).

Looking toward the upcoming merger, Peach Aviation and Vanilla Air worked to capture demand, including a special co-promotion, *Peach and Vanilla are a Sweet Combination: Joint Discounts on All Routes*.

LCC Business Results
(Total of Peach Aviation Limited and Vanilla Air Inc.)

(Fiscal Year)	2018	2017	YoY (%)
ASK (Millions)	12,052	11,832	+1.9
RPK (Millions)	10,394	10,212	+1.8
Number of passengers (Thousands)	8,153	7,797	+4.6
Load factor (%)	86.2	86.3	–0.1*
Passenger revenues (¥ Billions)	93.6	87.5	+6.9
Unit revenues (¥)	7.8	7.4	+5.0
Yield (¥)	9.0	8.6	+5.0
Unit price (¥)	11,482	11,228	+2.3

* Difference

Others

Others recorded ¥211.8 billion in operating revenues, a 6.8% increase year on year. This figure includes incidental revenues from mileage memberships, in-flight sales, contracted maintenance, etc.

Operating Expenses

Air Transportation Business operating expenses increased ¥79.5 billion (5.1%) year on year to ¥1,653.8 billion. Specific expense amounts and reasons for year-on-year changes are described below.

Breakdown of Operating Revenues and Expenses

(¥ Millions)

(Fiscal Year)			2018	2017	Change
Segment operating revenues			¥1,814,417	¥1,731,173	¥83,244
	Domestic	Passenger	696,617	689,760	6,857
		Cargo	27,454	30,710	(3,256)
		Mail	3,230	3,388	(158)
	International	Passenger	651,587	597,446	54,141
		Cargo	125,015	118,002	7,013
		Mail	5,100	5,934	(834)
	LCC revenues		93,611	87,555	6,056
	Other revenues		211,803	198,378	13,425
Segment operating expenses			1,653,861	1,574,300	79,561
	Fuel and fuel tax		333,709	300,642	33,067
	Landing and navigation fees		121,606	122,434	(828)
	Aircraft leasing fees		123,419	110,443	12,976
	Depreciation and amortization		152,948	144,224	8,724
	Aircraft maintenance		157,058	166,991	(9,933)
	Personnel		207,801	201,927	5,874
	Sales commissions and promotion		107,810	102,636	5,174
	Contracts		239,630	223,634	15,996
	Others		209,880	201,369	8,511
Segment operating income			¥ 160,556	¥ 156,873	¥ 3,683

<Fuel and Fuel Tax>

Fuel and fuel tax expenses amounted to ¥333.7 billion, a ¥33.0 billion (11.0%) increase year on year. This expense accounted for 20.2% of segment operating expenses, compared with 19.1% in the previous fiscal year. This ¥33.0 billion increase was mainly due to increases in ANA price factors (including hedging effectiveness) of approximately ¥30.0 billion, a decrease in ANA consumption volume factors of approximately ¥1.5 billion, and an increase in LCC Business of approximately ¥4.5 billion.

Fuel consumption volume increased due to the expansion of international services. The ANA Group is working to control fuel consumption volume increases by introducing fuel-efficient aircraft and other measures, including the adoption of efficient flight operations. During fiscal 2018, we engaged in the same measures of fuel tax reduction as we followed in the previous fiscal year.

<Landing and Navigation Fees>

Landing and navigation fees amounted to ¥121.6 billion, down ¥0.8 billion (0.7%) year on year. Passenger aircraft flights (excluding Peach Aviation and Vanilla Air flights) on ANA domestic operations decreased 1.0%, while ANA international flights increased 0.8% and freighter flights decreased 14.5%. We also experienced the impact of natural disasters and planned flight cancellations due to Rolls-Royce engine maintenance.

<Aircraft Leasing Fees>

Aircraft leasing fees increased ¥12.9 billion (11.7%) year on year to ¥123.4 billion. This increase was mainly due to the use of airline charters for international cargo operations and an increase in leased aircraft in service from 86 at the end of the previous fiscal year to 97 as of March 31, 2019.

<Depreciation and Amortization>

Depreciation and amortization expenses increased ¥8.7 billion (6.0%) to ¥152.9 billion. This increase was mainly due to putting more Boeing 787-10 and Airbus A380 aircraft into service during the fiscal year as we continued to update the owned fleet.

<Aircraft Maintenance>

Aircraft maintenance expenses decreased ¥9.9 billion (5.9%) year on year to ¥157.0 billion. Although engine maintenance outsourcing and other expenses rose year on year, we did not incur expenses to participate in Maintenance Outsourcing Programs for which we recorded approximately ¥25 billion in the previous fiscal year.

<Personnel>

Personnel expenses increased ¥5.8 billion (2.9%) year on year to ¥207.8 billion. This increase reflected the impact of hiring more employees, particularly ahead of the 2020 slot expansion at Tokyo metropolitan area airports.

<Sales Commissions and Promotion>

Sales commissions and promotion expenses increased ¥5.1 billion (5.0%) year on year to ¥107.8 billion. This increase was mainly due to an increase in demand in our International Passenger Business and mileage program-related expenses.

<Contracts>

Contract expenses increased ¥15.9 billion (7.2%) year on year to ¥239.6 billion. This increase was mainly due to ASK / ATK capacity-related increases in operations outsourcing associated with the upcoming 2020 slot expansion at Tokyo metropolitan area airports.

<Others>

Others increased ¥8.5 billion (4.2%) year on year to ¥209.8 billion. This result was mainly due to increased expenses related to airport lounges and in-flight services.

Management's Discussion and Analysis

Airline Related Business

Fiscal 2018 segment operating revenues increased ¥6.7 billion (2.4%) year on year to ¥291.0 billion. Operating income increased ¥2.5 billion (23.9%) to ¥13.1 billion. These increases were mainly due to increased contracts for airport ground support work (check-in procedures, baggage handling, etc.) at Fukuoka Airport and other airports. We also saw an increase in contracts for in-flight meal-related services from overseas airlines.

Performance in the Airline Related Segment

(¥ Millions)

(Fiscal Year)	2018	2017	Change
Segment operating revenues	¥291,051	¥284,331	¥6,720
Segment operating expenses	277,873	273,696	4,177
Segment operating income	¥ 13,178	¥ 10,635	¥2,543

Travel Services

Travel Services fiscal 2018 operating revenues amounted to ¥150.7 billion, an ¥8.5 billion (5.4%) decrease year on year. Operating income decreased ¥3.1 billion (83.8%) to ¥0.6 billion, mainly due to increased costs stemming from upgrading travel systems. Domestic travel services operating revenues amounted to ¥119.3 billion, a ¥7.7 billion (6.1%) decrease year on year. While we recorded strong results stemming from demand for advanced purchased of *Tabisaku* dynamic packages, our *ANA Sky Holiday* product experienced weak sales due to natural disasters and struggled to attract customers in Okinawa.

Overseas travel services operating revenues decreased ¥0.6 billion (3.1%) to ¥20.9 billion. While guided tour products attracted customers effectively in Europe, our *Tabisaku* dynamic package struggled.

Inbound travel sales were strong in China and Korea. However, natural disasters and other factors resulted in weak customer attraction. Accordingly, operating revenues included in other revenues declined slightly, amounting to ¥10.4 billion.

Performance in the Travel Services Segment

(¥ Millions)

(Fiscal Year)	2018	2017	Change
Segment operating revenues	¥150,746	¥159,289	¥(8,543)
Domestic package products	119,362	127,065	(7,703)
International package products	20,979	21,658	(679)
Other revenues	10,405	10,566	(161)
Segment operating expenses	150,140	155,544	(5,404)
Segment operating income	¥ 606	¥ 3,745	¥(3,139)

Trade and Retail

Fiscal 2018 operating revenues in our Trade and Retail business increased ¥7.6 billion (5.3%) year on year to ¥150.6 billion. Operating income decreased ¥0.8 billion (17.8%) to ¥3.7 billion.

Operating revenues increased year on year at our airport *ANA DUTY FREE SHOP* retail locations, as we captured demand among inbound travelers. Transaction volume for perishable foods in our food business rose as well, contributing to this result. On the other hand, operating income was lower, mainly due to lower profits in our aerospace and electronics businesses, as well as in our lifestyle industries business.

Performance in the Trade and Retail Segment

(¥ Millions)

(Fiscal Year)	2018	2017	Change
Segment operating revenues	¥150,679	¥143,039	¥7,640
Segment operating expenses	146,973	138,533	8,440
Segment operating income	¥ 3,706	¥ 4,506	¥ (800)

Others

Operating revenues in the Others segment increased ¥2.2 billion (5.8%) year on year to ¥40.9 billion. Meanwhile, operating income decreased ¥0.4 billion (17.8%) to ¥2.2 billion. Despite revenue contributions from firm performance in our airport security business, our real estate-related business saw lower commissions accompanying sales transactions, which led to an overall profit decline for the segment.

Performance in the Others Segment

(¥ Millions)

(Fiscal Year)	2018	2017	Change
Segment operating revenues	¥40,958	¥38,708	¥2,250
Segment operating expenses	38,683	35,941	2,742
Segment operating income	¥ 2,275	¥ 2,767	¥ (492)

Non-Operating Income / Expenses

Net non-operating expenses amounted to ¥10.9 billion for fiscal 2018 against net non-operating income of ¥32.1 billion in fiscal 2017. This result is due to the recording of special gains in the previous fiscal year for gains on step acquisition related to Peach Aviation, which was consolidated during fiscal 2017.

Non-Operating Income / Expenses

(¥ Millions)

(Fiscal Year)	2018	2017	Change
Interest and dividend income	¥ 2,926	¥ 2,014	¥ 912
Interest expenses	(6,995)	(8,676)	1,681
Foreign exchange gain/loss, net	(1,761)	(1,234)	(527)
Gain on sales of assets	2,554	3,408	(854)
Loss on sales/disposal of assets	(11,758)	(4,313)	(7,445)
Impairment loss	(1,997)	(6,061)	4,064
Equity in earnings of unconsolidated subsidiaries and affiliates	1,559	1,485	74
Gain on sales of investment securities	—	1,311	(1,311)
Gain on step acquisition	—	33,801	(33,801)
Compensation payments received	6,810	—	6,810
Litigation settlement fees related to anti-trust law claims	(6,423)	—	(6,423)
Loss on sales of shares of subsidiaries and affiliates	(343)	—	(343)
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	—	(577)	577
Gain on sales of property and equipment	—	9,623	(9,623)
Gain on donation of non-current assets	2,512	1,134	1,378
Loss on sales/disposal of property and equipment	—	(748)	748
Other, net	1,920	958	962
Total	¥(10,996)	¥32,125	¥(43,121)

Net Income Attributable to Owners of the Parent

The preceding factors combined to decrease income before income taxes by ¥42.6 billion (21.7%) year on year, to ¥154.0 billion. After income taxes, municipal taxes, business taxes, and other adjustments, net income attributable to owners of the parent decreased ¥33.1 billion (23.0%) to ¥110.7 billion. Earnings per share were ¥331.04 compared with ¥417.82 for the previous fiscal year.

Comprehensive income decreased ¥20.8 billion (12.8%) to ¥141.6 billion, mainly due to the decrease in net income attributable to owners of the parent.

Cash Flows

Fundamental Approach

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

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

The Group's primary means of raising funds are borrowings from banks and bond issuances. The Group has also concluded commitment lines totaling ¥153.6 billion with major domestic financial institutions to ensure reliable access to working capital in case of emergency. Commitment lines were unused as of the end of March 2019.

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

Overview of Fiscal 2018

Free cash flow resulted in expenditures of ¥12.5 billion (sum of cash flows from operating activities and investing activities). Net cash used in financing activities totaled ¥46.4 billion. As a result, cash and cash equivalents decreased ¥58.6 billion from the beginning of the fiscal year, amounting to ¥211.8 billion at the end of the fiscal year.

Cash Flows from Operating Activities

After adjusting the ¥154.0 billion in income before income taxes for depreciation and amortization and other non-cash items, net cash provided by operating activities amounted to ¥296.1 billion, down ¥19.8 billion year on year. This result was mainly due to an increase in income tax payments.

Interest Coverage Ratio*

(Times)

(Fiscal Year)	2018	2017
Interest coverage ratio	41.3	36.1

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

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥308.6 billion, down ¥15.8 billion year on year. This result was mainly due to payments for purchases of property and equipment related to payments upon delivery of aircraft, purchases of spare parts, and advance payments for aircraft to be put into service in the future. Payments were also made for intangible assets, including investments in software. Net cash used in investing activities amounted to ¥314.1 billion when excluding cash movements that resulted in net proceeds of ¥5.5 billion related to the acquisition and sale of time deposits and negotiable deposits of more than three months.

Free Cash Flow

As mentioned above, net cash provided by operating activities totaled ¥296.1 billion. Since net cash used in investing activities was ¥308.6 billion, free cash flow for fiscal 2018 amounted to a net expenditure of ¥12.5 billion, an increase of ¥4.0 billion compared to the previous fiscal year. Substantial free cash flow decreased ¥79.4 billion year on year to ¥18.0 billion when excluding cash movements associated with the acquisition and sale of time deposits and negotiable deposits of more than three months.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥46.4 billion, up ¥16.4 billion year on year. This result was mainly due to funds raised from the issuance of bonds, etc., offset by dividend payments and loan repayments.

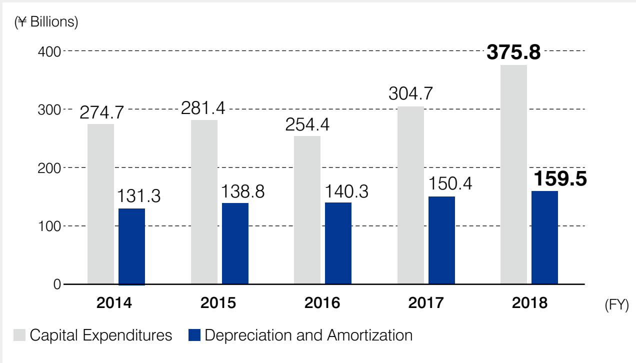
Capital Expenditures and Aircraft Procurement

Capital Expenditures

ANA Group capital expenditures are based on an approach of selection and concentration. We invest to strengthen safety, increase our competitiveness, and improve profitability. These expenditures primarily include the acquisition of aircraft, spare engines, and aircraft parts, as well as information systems and facilities expenditures. Among other investments during fiscal 2018, the ANA Group invested in aircraft for our Air Transportation Business and in the construction of *ANA Blue Base*, ANA Group training center. As a result, capital expenditures for fiscal 2018 amounted to ¥375.8 billion, an increase of 23.4% compared to the prior fiscal year.

By segment, Air Transportation Business capital expenditures increased 26.9% year on year to ¥370.7 billion. Airline Related expenditures decreased 84.0% to ¥1.8 billion, while Travel Services expenditures decreased 71.3% to ¥0.2 billion. Trade and Retail expenditures increased 15.1% to ¥1.1 billion, and Others expenditures decreased 32.9% to ¥0.2 billion.

Capital Expenditures* / Depreciation and Amortization



* Capital expenditures contains only fixed assets.

Fundamental Approach to Aircraft Procurement

Aircraft are major investments used over the long term (10-plus years). Decisions regarding the selection of aircraft types suited to routes and networks and the pursuit of the best fleet composition are among the most important issues for airline management. The ANA Group fleet strategy is based on three basic policies: (1) Strengthening cost competitiveness by introducing fuel-efficient aircraft; (2) Optimizing supply to demand by increasing the ratios of narrow- and medium-body aircraft; and (3) Enhancing productivity by integrating aircraft types.

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

Aircraft Procured in Fiscal 2018

Based on our fleet strategy, aircraft totaled 304 as of the end of fiscal 2018, an increase of 12 compared to the end of the previous fiscal year.

During the fiscal year, the ANA Group purchased 27 new aircraft. These consisted of one Boeing 787-10, two Boeing 787-9s, four Boeing 737-800s, one Airbus A380-800, nine Airbus A321-200neos, six Airbus A320-200neos, and four Airbus A320-200s. Meanwhile, the group sold a total of 15 aircraft consisting of one Boeing 777-200, five Boeing 767-300s, seven Boeing 737-500s, and two Airbus A320-200s. Of the aircraft numbered above, four were used to increase the Peach Aviation fleet.

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

Changes in the Number of Aircraft in Fiscal 2018

( ) changes

Aircraft	Number of Aircraft as of March 31, 2019	Owned	Leased
Airbus A380	1 (+1)	1 (+1)	
Boeing 777-300	29	26 (+1)	3 (–1)
Boeing 777-200	20 (–1)	16 (+1)	4 (–2)
Boeing 787-10	1 (+1)	1 (+1)	
Boeing 787-9	30 (+2)	26 (+1)	4 (+1)
Boeing 787-8	36	31	5
Boeing 767-300	29 (–5)	20 (–3)	9 (–2)
Boeing 767-300F (Freighter)	12	9 (+1)	3 (–1)
Airbus A321-200neo	11 (+9)		11 (+9)
Airbus A321-200	4		4
Airbus A320-200neo	9 (+6)	9 (+6)	
Airbus A320-200	44 (+2)	5 (–2)	39 (+4)
Boeing 737-800	40 (+4)	25 (+1)	15 (+3)
Boeing 737-700	7	7	
Boeing 737-500	7 (–7)	7 (–7)	
Bombardier DHC-8-400	24	24	
Total	304 (+12)	207 (+1)	97 (+11)

Figures for Airbus A320-200s included 39 aircraft (all leased) operated by Peach Aviation Limited. and Vanilla Air Inc. (35 as of March 31, 2018).
Separate from the figures above, as of March 31, 2019, 19 aircraft were leased outside the Group (18 as of March 31, 2018).

Aircraft Procurement Plan for Fiscal 2019

The ANA Group plans to add a total of 17 aircraft. We will expand our international business, including leisure travel demand, and optimize supply to demand in our domestic business as we shift to narrow-body aircraft. Our plans call for purchasing one Airbus A380-800, six Boeing 777-300s, two Boeing 777 freighters (for cargo flights), one Boeing 787-10, five Boeing 787-9s, and two Airbus A320-200neos. Meanwhile, the Group plans to retire 18 aircraft, consisting of five Boeing 767-300s, three Boeing 767-300 freighters, five Boeing 737-500s, and five Airbus A320-200s.

Financial Position

Assets

Total assets as of March 31, 2019 amounted to ¥2,687.1 billion, an increase of ¥124.6 billion compared to March 31, 2018.

Total current assets amounted to ¥700.2 billion as of March 31, 2019, down ¥23.2 billion from one year earlier. Cash and deposits amounted to ¥68.3 billion, a decrease of ¥9.7 billion compared to the end of the previous fiscal year. Marketable securities decreased ¥54.1 billion to ¥225.3 billion. As a result, liquidity on hand amounted to ¥293.6 billion, down ¥63.9 billion year on year.

Total non-current assets at the end of the fiscal year stood at ¥1,986.3 billion, up ¥147.9 billion from one year earlier. This increase was mainly due to an increase in property and equipment through the acquisition of aircraft and the purchase of investment securities.

Liabilities

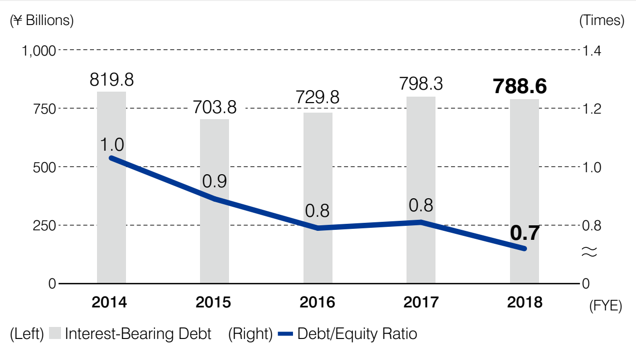
Total liabilities as of March 31, 2019 amounted to ¥1,577.8 billion, up ¥15.8 billion compared to the end of the previous fiscal year.

Current liabilities totaled ¥685.9 billion at the end of the fiscal year, an increase of ¥37.8 billion. This result was primarily due to an increase in advance ticket sales.

Long-term liabilities amounted to ¥891.8 billion as of March 31, 2019, a decrease of ¥21.9 billion compared to the end of the previous fiscal year.

Interest-bearing debt, including finance lease obligations, decreased ¥9.7 billion year on year to ¥788.6 billion. This change was the result of Green Bond issuances which were more than offset in amount by a steady schedule of loan repayments. Debt/equity ratio decreased 0.1 points from March 31, 2018 to 0.7 times.

Interest-Bearing Debt / Debt/Equity Ratio*



* Excluding off-balanced lease obligations

Interest-Bearing Debt

(¥ Millions)

(End of Fiscal Year)	2018	2017	Change
Short-term debt:	¥112,987	¥100,125	¥ 12,862
Short-term loans	336	176	160
Current portion of long-term loans	77,883	84,738	(6,855)
Current portion of bonds	30,000	10,000	20,000
Finance lease obligations	4,768	5,211	(443)
Long-term debt*:	¥675,662	¥698,268	¥(22,606)
Bonds	115,000	125,000	(10,000)
Convertible bonds with stock acquisition rights	140,000	140,000	—
Long-term loans	406,830	418,185	(11,355)
Finance lease obligations	13,832	15,083	(1,251)
Total interest-bearing debt	¥788,649	¥798,393	¥ (9,744)

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

Net Assets

Net assets amounted to ¥1,109.3 billion as of March 31, 2019, an increase of ¥108.7 billion compared to the end of the previous fiscal year.

Shareholders' equity increased ¥80.9 billion to ¥1,066.6 billion at the end of the fiscal year as a result of an increase in retained earnings stemming from net income.

Total accumulated other comprehensive income amounted to ¥32.7 billion, an increase of ¥29.8 billion compared to the end of the previous fiscal year. This result was mainly due to increases in unrealized gain on securities and deferred gain on derivatives under hedge accounting.

As a result, total shareholders' equity increased ¥110.7 billion from the previous fiscal year-end, standing at ¥1,099.4 billion. Shareholders' equity ratio increased 2.3 points to 40.9%.

Book value per share (BPS) at the end of the fiscal year was ¥3,285.46, up from ¥2,954.47 at the end of the previous fiscal year.

Bond Ratings

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

Bond ratings as of March 31, 2019 were as follows:

Bond Ratings

	JCR	R&I
Issuer rating	A	A–
Outlook	Stable	Stable

Retirement Benefit Obligations

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

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

Retirement Benefit Obligation and Related Expenses

(¥ Millions)

(Fiscal Year / End of Fiscal Year)	2018	2017
Retirement benefit obligation	¥(223,723)	¥(227,114)
Plan assets at fair value	65,990	70,661
Unfunded retirement benefit obligation	(157,733)	(156,453)
Liability for retirement benefits	(158,209)	(156,765)
Asset for retirement benefits	476	312
Net liability and asset for retirement benefits in the consolidated balance sheet	(157,733)	(156,453)
Retirement benefit expenses of defined benefit corporate pension plans	15,474	15,519
Main basis for actuarial calculations		
Discount rates	0.1–1.2%	0.1–1.2%
Expected rates of return on plan assets	1.0–2.5%	1.5–2.5%
Contribution to defined contribution pension plans	¥ 4,423	¥ 4,062

Fuel and Exchange Rate Hedging

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

The Group conducts fuel hedging (for ANA brands) three years in advance of the applicable period after considering fuel surcharge revenues. As of March 31, 2019, ANA had a hedge ratio of approximately 30% for fiscal 2019, approximately 15% for fiscal 2020, and approximately 5% for fiscal 2021.

The Group hedges (for ANA HOLDINGS and ANA brands) U.S. dollar payments for fuel expenses three years in advance and U.S. dollar payments associated with capital expenditures for aircraft and other items five years in advance of the payment periods. Based on a balance of foreign currency revenues, revenues linked to foreign exchange market fluctuations, and foreign currency expenses with respect to U.S. dollar payments, the Group uses forward exchange agreements to hedge any portion of foreign currency expenses in excess of foreign currency revenues. As of March 31, 2019, the Company and ANA had a hedge ratio for U.S. dollar ordinary expenditures compared to overall foreign currency-denominated expenditures of approximately 20% for fiscal 2019, approximately 10% for fiscal 2020, and approximately 5% for fiscal 2021.

Fuel Expense Sensitivity

ANA calculated fuel expense sensitivity to fluctuations in crude oil prices for fiscal 2019 (calculated at the beginning of the fiscal year, excluding hedging) as follows:

- Fuel expenses: Approximately ¥3.3 billion per year (Change of $1/bbl of crude oil, ANA brand only)

Foreign Currency Cost Sensitivity

The Company and ANA calculated foreign currency cost sensitivity to foreign exchange market fluctuations for fiscal 2019 (calculated at the beginning of the fiscal year, excluding hedging*) as follows:

- Foreign currency costs: Approximately ¥5.0 billion per year (Fluctuation of ¥1/U.S. dollar*, ANA brand only)

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

Allocation of Profits

Basic Policy on Allocation of Profits

Shareholder returns are an important management priority for the Group.

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

Dividends for Fiscal 2018 and Plans for Fiscal 2019

The Group paid fiscal 2018 cash dividends of ¥75.0 per share, ¥5.0 higher than the initial plan and a ¥15.0 increase compared to the previous fiscal year. This dividend reflects due consideration of factors that include fiscal year earnings, financial condition, and future outlook of the business environment.

For fiscal 2019, the Group expects to pay cash dividends of ¥75.0 per share, level with fiscal 2018 dividends. This amount is based on our earnings forecast announced April 26, 2019.

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, 2019.

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

2. Risks Related to Airport Slots

The Group has made various investments and operational changes to take advantage of significant business opportunities created by the expansion of slots at Haneda and Narita airports. Around fiscal 2020, slots are expected to increase from 447,000 to 486,000 per year at Haneda Airport, and from 300,000 to 340,000 at Narita Airport. However, if the number or the timing of the slot allocation 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 the oil-producing nations of the Middle East, the shale oil production structure in the U.S., 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 conducts hedge transactions against changes in the price of crude oil to mitigate risk. 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 fuel expenses 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 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 the Group's profit 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 fuel expenses and impact the Group's ability to enjoy the full benefits of the 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.

Company subsidiary ALL NIPPON AIRWAYS CO., LTD. has been investigated by the United States Department of Justice for suspected price adjustments related to international air cargo and passenger transport services. Upon overall consideration of various circumstances, the Company reached a plea bargain agreement. With respect to class action civil litigation related to international passenger transport services, the Company agreed in January, 2019 to settle under terms of a US$58 million payment. Accordingly, the Company recorded ¥6.4 billion in settlement payments for fiscal 2018, posted as litigation settlement fees related to anti-trust law claims under other expenses.

(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.

(10) Risks Related to Environmental Regulations

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

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

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

(12) Risks Related to Competition

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

(13) Risks Related to Ineffective Strategic Alliances

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

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

(14) Risks Related to Flight Operations

1. Aircraft Accidents

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

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

2. Technical Circular Directives

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

An unanticipated flaw or technical issue with aircraft owned and operated by the Group could profoundly affect the Group's performance.

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

The Group holds a large amount of information relating to customers, such as that pertaining to the approximately 34.59 million members (as of the end of March 2019) 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 consolidated fiscal year because passenger service sales typically increase during summer.

(18) Risks Related to IT Systems

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

(19) Risks Related to Personnel and Labor

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

(20) Risk of Inability to Secure Required Personnel

The growth of our LCC Business and other factors have increased demand for flight crews and other personnel. A certain period of time is required to cultivate and train flight crews and other personnel. Inability to secure the required number of competent flight crews and other personnel in a timely manner could affect the Group's performance. In addition, a change of the supply-demand balance, etc., 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, turmoil in capital and financial markets, changes in the tax system or governmental financial 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 assets, the Group may be required to recognize asset impairment losses or loss on sales of property and equipment in the future.

(22) Risk of Inability to Secure Aircraft Fuel

The Group sees the slot expansions at Tokyo metropolitan area airports as a major business opportunity. As we plan for business growth, aircraft fuel consumption volume is expected to increase. If we are not able to secure appropriate volumes of aircraft fuel, this development could have an effect on Group aircraft operations.

Consolidated Financial Statements

Consolidated Balance Sheet

ANA HOLDINGS INC. and its consolidated subsidiaries
As of March 31, 2019

ASSETS	Yen (Millions) 2019	2018	U.S. dollars (Thousands) (Note 2) 2019
Current assets:			
Cash and deposits (Notes 15 and 20)	¥ 68,301	¥ 78,036	$ 615,379
Marketable securities (Notes 4 and 15)	225,360	279,540	2,030,453
Notes and accounts receivable (Note 15)	187,529	174,211	1,689,602
Accounts receivable from and advances to unconsolidated subsidiaries and affiliates	4,204	3,324	37,877
Lease receivables (Note 7)	26,491	27,310	238,679
Inventories (Note 5, 7 and 22)	62,130	62,470	559,780
Prepaid expenses and other	126,672	99,081	1,141,292
Allowance for doubtful accounts	(457)	(479)	(4,117)
Total current assets	700,230	723,493	6,308,946
Property and equipment:			
Land (Note 7)	54,270	55,786	488,962
Buildings and structures (Note 7)	268,082	265,891	2,415,370
Aircraft (Note 7)	1,961,881	1,856,178	17,676,196
Machinery and equipment	105,594	107,900	951,383
Vehicles	30,858	29,381	278,025
Furniture and fixtures	56,015	52,952	504,685
Lease assets (Notes 7 and 12)	12,330	13,594	111,091
Construction in progress	286,635	202,328	2,582,529
Total	2,775,665	2,584,010	25,008,243
Accumulated depreciation	(1,228,595)	(1,150,909)	(11,069,420)
Net property and equipment	1,547,070	1,433,101	13,938,823
Investments and other assets:			
Investment securities (Notes 4 and 15)	120,619	83,871	1,086,755
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 6)	42,790	40,274	385,530
Lease and guaranty deposits	24,330	21,845	219,208
Deferred income taxes (Note 10)	85,307	93,376	768,600
Goodwill	51,132	55,336	460,690
Intangible assets	104,048	99,902	937,453
Other assets	11,596	11,264	104,477
Total investments and other assets	439,822	405,868	3,962,717
TOTAL (Note 17)	¥ 2,687,122	¥ 2,562,462	$ 24,210,487

LIABILITIES AND NET ASSETS	Yen (Millions) 2019	2018	U.S. dollars (Thousands) (Note 2) 2019
Current liabilities:			
Short-term loans (Notes 7 and 15)	¥ 336	¥ 176	$ 3,027
Current portion of long-term debt (Notes 7 and 15)	112,651	99,949	1,014,965
Accounts payable (Note 15)	229,712	225,889	2,069,663
Accounts payable to unconsolidated subsidiaries and affiliates	4,544	4,545	40,940
Advance ticket sales	218,950	181,353	1,972,700
Accrued expenses	60,590	65,805	545,905
Income taxes payable	21,374	37,709	192,575
Other current liabilities (Note 9)	37,776	32,654	340,354
Total current liabilities	685,933	648,080	6,180,133
Long-term liabilities:			
Long-term debt (Notes 7 and 15)	675,662	698,268	6,087,593
Liability for retirement benefits (Note 8)	158,209	156,765	1,425,434
Deferred income taxes (Note 10)	110	94	991
Asset retirement obligations (Note 9)	3,371	1,196	30,372
Other long-term liabilities	54,524	57,507	491,251
Total long-term liabilities	891,876	913,830	8,035,642
Contingent liabilities (Note 14)			
Net assets (Note 13)**:**			
Common stock:			
Authorized – 510,000,000 shares;			
Issued – 348,498,361 shares in 2019 and 2018	318,789	318,789	2,872,231
Capital surplus	258,448	268,208	2,328,570
Retained earnings	548,439	457,746	4,941,337
Treasury stock – 13,868,935 shares in 2019 and 13,866,101 shares in 2018	(59,032)	(59,015)	(531,867)
Accumulated other comprehensive income:			
Unrealized gain on securities	37,622	24,467	338,967
Deferred gain (loss) on derivatives under hedge accounting	10,636	(3,471)	95,828
Foreign currency translation adjustments	2,873	3,201	25,885
Defined retirement benefit plans	(18,362)	(21,264)	(165,438)
Total	1,099,413	988,661	9,905,514
Non-controlling interests	9,900	11,891	89,197
Total net assets	1,109,313	1,000,552	9,994,711
TOTAL	¥2,687,122	¥2,562,462	$24,210,487

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2019

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) (Note 2) 2019
Operating revenues (Note 17)	¥2,058,312	¥1,971,799	$18,545,022
Cost of sales (Note 22)	1,559,876	1,481,881	14,054,203
Gross profit	498,436	489,918	4,490,818
Selling, general and administrative expenses (Notes 8 and 18)	333,417	325,402	3,004,027
Operating income (Note 17)	165,019	164,516	1,486,791
Other income (expenses):			
Interest income	767	623	6,910
Dividend income	2,159	1,391	19,452
Equity in earnings of unconsolidated subsidiaries and affiliates	1,559	1,485	14,046
Gain on sales of assets	2,554	3,408	23,011
Gain on donation of non-current assets	2,512	1,134	22,632
Gain on step acquisition	–	33,801	–
Interest expenses	(6,995)	(8,676)	(63,023)
Foreign exchange loss, net	(1,761)	(1,234)	(15,866)
Loss on sales of assets	(641)	(161)	(5,775)
Loss on disposal of assets	(11,117)	(4,152)	(100,162)
Impairment loss (Note 21)	(1,997)	(6,061)	(17,992)
Other, net (Note 22)	1,964	10,567	17,695
Other income (expenses), net	(10,996)	32,125	(99,071)
Income before income taxes	154,023	196,641	1,387,719
Income taxes (Note 10)**:**			
Current	47,354	61,650	426,651
Deferred	(5,168)	(10,647)	(46,562)
Total income taxes	42,186	51,003	380,088
Net income	111,837	145,638	1,007,631
Net income attributable to non-controlling interests	1,060	1,751	9,550
Net income attributable to owners of the parent	¥ 110,777	¥ 143,887	$ 998,080

	Yen 2019	Yen 2018	U.S. dollars (Note 2) 2019
Per share of common stock (Notes 3, 13 and 19)**:**			
Basic net income	¥331.04	¥417.82	$2.98
Cash dividends applicable to the year	75.00	60.00	0.67

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, 2019 and 2018.
See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2019

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) (Note 2) 2019
Net income	¥111,837	¥145,638	$1,007,631
Other comprehensive income (Note 11)**:**			
Unrealized gain on securities	13,115	3,788	118,163
Deferred gain on derivatives under hedge accounting	14,115	8,334	127,173
Foreign currency translation adjustments	(382)	(149)	(3,441)
Defined retirement benefit plans	2,930	4,944	26,398
Share of other comprehensive income (loss) in affiliates	15	(60)	135
Total other comprehensive income (Note 11)	29,793	16,857	268,429
Comprehensive income	¥141,630	¥162,495	$1,276,060
Total comprehensive income attributable to:			
Owners of the parent	¥140,613	¥160,825	$1,266,897
Non-controlling interests	1,017	1,670	9,162

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, 2019

	Thousands	Yen (Millions)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding*	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total net assets
Balance at April 1, 2017	350,230	¥318,789	¥283,249	¥334,880	¥ (3,756)	¥ 933,162	¥20,636	¥(11,799)	¥3,364	¥(26,206)	¥(14,005)	¥ 5,018	¥ 924,175
Net income attributable to owners of the parent				143,887		143,887							143,887
Cash dividends ¥60.00 per share (Note 13)*				(21,021)		(21,021)							(21,021)
Purchase of treasury stock (Note 13)	(16,257)				(70,165)	(70,165)							(70,165)
Disposal of treasury stock (Note 13)	3,803		1,096		1,410	2,506							2,506
Termination of employee stock ownership trust			(2,641)			(2,641)							(2,641)
Retirement of treasury stock	(3,144)		(13,496)		13,496	–							–
Net changes in the year						–	3,831	8,328	(163)	4,942	16,938	6,873	23,811
Total changes during the fiscal year		–	(15,041)	122,866	(55,259)	52,566	3,831	8,328	(163)	4,942	16,938	6,873	76,377
Balance at March 31, 2018	334,632	318,789	268,208	457,746	(59,015)	985,728	24,467	(3,471)	3,201	(21,264)	2,933	11,891	1,000,552
Net income attributable to owners of the parent				**110,777**		**110,777**							**110,777**
Cash dividends ¥60.00 per share (Note 13)*				**(20,084)**		**(20,084)**							**(20,084)**
Purchase of treasury stock (Note 13)	**(10)**				**(41)**	**(41)**							**(41)**
Disposal of treasury stock (Note 13)	**7**				**24**	**24**							**24**
Change in the parent's ownership interest due to transactions with noncontrolling interests			**(9,760)**			**(9,760)**							**(9,760)**
Net changes in the year						**–**	**13,155**	**14,107**	**(328)**	**2,902**	**29,836**	**(1,991)**	**27,845**
Total changes during the fiscal year		**–**	**(9,760)**	**90,693**	**(17)**	**80,916**	**13,155**	**14,107**	**(328)**	**2,902**	**29,836**	**(1,991)**	**108,761**
Balance at March 31, 2019	**334,629**	**¥318,789**	**¥258,448**	**¥548,439**	**¥(59,032)**	**¥1,066,644**	**¥37,622**	**¥ 10,636**	**¥2,873**	**¥(18,362)**	**¥ 32,769**	**¥ 9,900**	**¥1,109,313**

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

	Thousands	U.S. dollars (Thousands) (Note 2)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total net assets
Balance at March 31, 2018	334,632	$2,872,231	$2,416,505	$4,124,209	$(531,714)	$8,881,232	$220,443	$ (31,273)	$28,840	$(191,584)	$ 26,425	$107,135	$9,014,794
Net income attributable to owners of the parent				**998,080**		**998,080**							**998,080**
Cash dividends $0.54 per share (Note 13)*				**(180,953)**		**(180,953)**							**(180,953)**
Purchase of treasury stock (Note 13)	**(10)**				**(369)**	**(369)**							**(369)**
Disposal of treasury stock (Note 13)	**7**				**216**	**216**							**216**
Change in the parent's ownership interest due to transactions with noncontrolling interests			**(87,935)**			**(87,935)**							**(87,935)**
Net changes in the year						**–**	**118,524**	**127,101**	**(2,955)**	**26,146**	**268,817**	**(17,938)**	**250,878**
Total changes during the fiscal year		**–**	**(87,935)**	**817,127**	**(153)**	**729,038**	**118,524**	**127,101**	**(2,955)**	**26,146**	**268,817**	**(17,938)**	**979,917**
Balance at March 31, 2019	**334,629**	**$2,872,231**	**$2,328,570**	**$4,941,337**	**$(531,867)**	**$9,610,271**	**$338,967**	**$ 95,828**	**$25,885**	**$(165,438)**	**$295,242**	**$ 89,197**	**$9,994,711**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2019

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	**¥ 154,023**	¥ 196,641	**$ 1,387,719**
Adjustments for:			
Depreciation and amortization (Note 17)	**159,541**	150,408	**1,437,435**
Impairment loss (Note 21)	**1,997**	6,061	**17,992**
Amortization of goodwill (Note 17)	**4,031**	4,031	**36,318**
Loss (gain) on disposal and sales of property and equipment	**9,204**	(7,970)	**82,926**
Gain on sales and valuation of investment securities	**(149)**	(1,170)	**(1,342)**
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	**–**	446	**–**
Loss on sales of shares of subsidiaries and affiliates	**343**	–	**3,090**
Increase in allowance for doubtful accounts	**51**	339	**459**
Increase in liability for retirement benefits	**4,801**	6,430	**43,256**
Interest and dividend income	**(2,926)**	(2,014)	**(26,362)**
Interest expenses	**6,995**	8,676	**63,023**
Foreign exchange (gain) loss	**(534)**	261	**(4,811)**
Gain on step acquisition	**–**	(33,801)	**–**
Increase in notes and accounts receivable	**(7,195)**	(14,201)	**(64,825)**
Increase in other current assets	**(20,788)**	(19,784)	**(187,296)**
Increase in notes and accounts payable	**3,355**	37,149	**30,227**
Increase in advance ticket sales	**37,597**	22,949	**338,742**
Other, net	**12,694**	2,742	**114,370**
Subtotal	**363,040**	357,193	**3,270,925**
Interest and dividends received	**3,447**	2,906	**31,056**
Interest paid	**(7,175)**	(8,763)	**(64,645)**
Income taxes paid	**(63,164)**	(35,322)	**(569,096)**
Net cash provided by operating activities	**296,148**	316,014	**2,668,240**
Cash flows from investing activities:			
Increase in time deposits	**(45,811)**	(28,265)	**(412,748)**
Proceeds from withdrawal of time deposits	**30,794**	25,705	**277,448**
Purchases of marketable securities	**(176,060)**	(159,970)	**(1,586,269)**
Proceeds from redemption of marketable securities	**196,582**	92,640	**1,771,168**
Purchases of property and equipment	**(336,807)**	(265,531)	**(3,034,570)**
Proceeds from sales of property and equipment	**84,917**	75,807	**765,086**
Purchases of intangible assets	**(39,057)**	(39,176)	**(351,896)**
Purchases of investment securities	**(18,978)**	(3,539)	**(170,988)**
Proceeds from sales of investment securities	**153**	2,379	**1,378**
Payment for purchases of investments in subsidiaries with changes in scope of consolidation	**–**	(19,476)	**–**
Other, net	**(4,404)**	(5,068)	**(39,679)**
Net cash used in investing activities	**(308,671)**	(324,494)	**(2,781,070)**
Cash flows from financing activities:			
Increase in short-term loans, net	**156**	111	**1,405**
Proceeds from long-term loans	**69,710**	35,078	**628,074**
Repayment of long-term loans	**(87,903)**	(95,170)	**(791,990)**
Proceeds from issuance of bonds	**19,876**	149,863	**179,079**
Repayment of bonds	**(10,000)**	(20,000)	**(90,098)**
Repayment of finance lease obligations	**(5,602)**	(6,187)	**(50,473)**
Payment for purchases of investments in subsidiaries with no changes in scope of consolidation	**(11,326)**	–	**(102,045)**
Net increase of treasury stock	**(17)**	(67,652)	**(153)**
Payment for dividends	**(20,084)**	(21,021)	**(180,953)**
Other, net	**(1,290)**	(5,011)	**(11,622)**
Net cash used in financing activities	**(46,480)**	(29,989)	**(418,776)**
Effect of exchange rate changes on cash and cash equivalents	**332**	(80)	**2,991**
Net decrease in cash and cash equivalents	**(58,671)**	(38,549)	**(528,615)**
Cash and cash equivalents at beginning of year	**270,509**	309,058	**2,437,237**
Cash and cash equivalents at end of year (Note 20)	**¥ 211,838**	¥ 270,509	**$ 1,908,622**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2019

1. Basis of presenting consolidated financial statements

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

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

2. Translation of financial statements

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of readers outside of Japan, have been translated into U.S. dollars at the rate of ¥110.99 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2019. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at that or any other rate. Translations of U.S. dollars are rounded down to the nearest thousand and, therefore, the totals shown in tables do not necessarily agree with the sums of the individual amounts.

3. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements as of March 31, 2019 include the accounts of the Company and its 62 (64 in 2018) significant subsidiaries (collectively, the "Group").

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

Investments in 16 (16 in 2018) unconsolidated subsidiaries and significant affiliates are accounted for by the equity method.

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

Investments in 94 (91 in 2018) subsidiaries and affiliates which are not consolidated or accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

(b) Foreign currency translation

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

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

(c) Marketable securities and investment securities

Marketable securities and investment securities are classified into three categories: trading, held-to-maturity or available-for-sale. Under the accounting standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. See Note 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 is less than book value. See Note 5 "Inventories" and Note 22 "Supplementary information for the consolidated statement of income" for additional information.

(f) Property and equipment (excluding leased assets)

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

Buildings	Straight-line method
Aircraft	Straight-line method

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

Buildings	3–50 years
Aircraft	9–20 years

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

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. The assets of the Group are grouped by individual property in the case of rental real estate, assets determined to be sold and idle assets, and by management accounting categories in the case of business assets. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. See Note 21 "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.

(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 10 "Income taxes" for additional information.

(j) Leases

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

Notes to Consolidated Financial Statements

(k) Derivatives

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

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

(l) Revenue recognition

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

(m) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and negotiable certificates of deposit, all of which mature or become due within three months of the date of acquisition. See Note 20 "Supplementary cash flow information" for additional information.

(n) Per share information

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

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

(o) Share remuneration plan for directors

The Company has transactions for delivery of the Company's treasury stock through a trust as a share remuneration plan (the "Trust for Delivery of Shares to Directors") in order to improve its operating performance, increase its corporate value, and raise the directors' awareness of shareholder-oriented management.

(1) Transaction outline

Trust for Delivery of Shares to Directors is a system in which funds are contributed by the Company, and shares acquired are distributed to the Company's directors in accordance with the Company's operating performance, etc.

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

The Company's treasury stock remaining in the trust is recorded at book value (excluding associated expenses) of the trust and is reflected as treasury stock in net assets. The book value was ¥360 million for the previous fiscal year and ¥340 million for the current fiscal year. The number of shares was 114 thousand shares for the previous fiscal year and 107 thousand shares for the current fiscal year.

(p) Unapplied new accounting standard

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

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

(1) Overview

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

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

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

(2) Application date

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

4. Marketable securities and investment securities

Marketable and investment securities as of March 31, 2019 and 2018 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Current:			
Negotiable certificates of deposits	¥225,360	¥279,540	$2,030,453
Other	–	–	–
Total	¥225,360	¥279,540	$2,030,453
Non-current:			
Marketable equity securities	¥ 88,385	¥ 58,395	$ 796,333
Other	32,234	25,476	290,422
Total	¥120,619	¥ 83,871	$1,086,755

The costs and aggregate fair values of marketable and investment securities at March 31, 2019 and 2018 were as follows:

As of March 31, 2019	Yen (Millions)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	¥225,360	¥ –	¥ –	¥225,360
Marketable equity securities	35,574	52,916	(105)	88,385
Held-to-maturity	–	–	–	–

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

As of March 31, 2019	U.S. dollars (Thousands)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	$2,030,453	$ –	$ –	$2,030,453
Marketable equity securities	320,515	476,763	(946)	796,333
Held-to-maturity	–	–	–	–

The proceeds, realized gains, and realized losses on the available-for-sale securities sold during the years ended March 31, 2019 and 2018 were as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Proceeds	¥559	¥2,379	$5,036
Gain on sales	333	1,311	3,000
Loss on sales	–	–	–

The breakdown of securities for which fair value cannot be reliably determined at March 31, 2019 and 2018 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Available-for-sale	¥32,234	¥25,476	$290,422

Notes to Consolidated Financial Statements

The redemption schedule of available-for-sale securities with maturities and held-to-maturity securities as of March 31, 2019 and 2018 is summarized as follows:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Bonds:			
Within 1 year	¥ –	¥ –	$ –
Over 1 year to 5 years	–	–	–
Over 5 years to 10 years	–	–	–
Over 10 years	–	–	–
Other securities with maturities:			
Within 1 year	225,360	279,540	2,030,453
Over 1 year to 5 years	–	139	–
Over 5 years to 10 years	6,389	3,062	57,563
Over 10 years	–	164	–
Total:			
Within 1 year	¥225,360	¥279,540	$2,030,453
Over 1 year to 5 years	–	139	–
Over 5 years to 10 years	6,389	3,062	57,563
Over 10 years	–	164	–

5. Inventories

Inventories at March 31, 2019 and 2018 consisted the following:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Inventories (Merchandise)	¥13,707	¥12,364	$123,497
Inventories (Supplies)	48,423	50,106	436,282
Total	¥62,130	¥62,470	$559,780

6. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2019 and 2018 consisted of the following:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Investments in capital stock	¥38,565	¥36,091	$347,463
Advances	4,225	4,183	38,066
Total	¥42,790	¥40,274	$385,530

7. Short-term loans and long-term debt

Short-term loans and current portion of long-term debt at March 31, 2019 and 2018 consisted of the following:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Short-term loans	¥ 336	¥ 176	$ 3,027
Current portion of long-term loans	77,883	84,738	701,711
Current portion of bonds	30,000	10,000	270,294
Current portion of finance lease obligations	4,768	5,211	42,958
Total	¥112,987	¥100,125	$1,017,992

The average interest rates on the above short-term loans were 2.42% and 1.37% per annum in 2019 and 2018, respectively.

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Bonds:			
2.45% notes due 2018	¥ –	¥ 10,000	$ –
1.22% notes due 2024	30,000	30,000	270,294
1.20% notes due 2026	15,000	15,000	135,147
0.38% notes due 2019	30,000	30,000	270,294
0.99% notes due 2036	20,000	20,000	180,196
0.26% notes due 2020	20,000	20,000	180,196
0.88% notes due 2037	10,000	10,000	90,098
Convertible bonds with stock acquisition rights due 2022	70,000	70,000	630,687
Convertible bonds with stock acquisition rights due 2024	70,000	70,000	630,687
0.82% notes due 2038	10,000	–	90,098
0.47% notes due 2028	10,000	–	90,098
	285,000	275,000	2,567,798
Loans, principally from banks:			
Secured, bearing interest from 0.13% to 2.11% in 2019 and 0.15% to 2.11% in 2018, maturing in installments through 2039	281,235	295,227	2,533,876
Unsecured, bearing interest from 0.46% to 2.23% in 2019 and 0.46% to 3.54% in 2018, maturing in installments through 2030	203,478	207,696	1,833,300
	484,713	502,923	4,367,177
Finance lease obligations:			
Finance lease agreements expiring through 2029	18,600	20,294	167,582
	788,313	798,217	7,102,558
Less current portion	112,651	99,949	1,014,965
Total	¥675,662	¥698,268	$6,087,593

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

	Zero coupon convertible bonds due 2022
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥5,180 ($46.67) per share
Total issue price	¥70,000 million ($630,687 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	October 3, 2017 through September 2, 2022

If all of these outstanding warrants had been exercised at March 31, 2019, 13,513,513 shares of common stock would have been issued.

	Zero coupon convertible bonds due 2024
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥5,100 ($45.95) per share
Total issue price	¥70,000 million ($630,687 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	October 3, 2017 through September 5, 2024

If all of these outstanding warrants had been exercised at March 31, 2019, 13,725,490 shares of common stock would have been issued.

The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events.

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

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2019 and 2018:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Assets at net book value:			
Aircraft (including aircraft spare parts included in inventories)	¥497,719	¥529,637	$4,484,358
Land and buildings	2,678	3,013	24,128
Lease receivables	7,805	16,543	70,321
Others	17,810	10,146	160,464
Total	¥526,012	¥559,339	$4,739,273

The aggregate annual maturities of long-term debt after March 31, 2019 are as follows:

Years ending March 31	Yen (Millions)	U.S. dollars (Thousands)
2020	¥112,651	$1,014,965
2021	100,372	904,333
2022	66,029	594,909
2023	125,290	1,128,840
2024	79,875	719,659
Thereafter	304,096	2,739,850
Total	¥788,313	$7,102,558

8. Retirement benefit plans

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

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

(a) The changes in the defined benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Balance at the beginning of the fiscal year	¥227,114	¥227,979	$2,046,256
Service cost	10,036	9,843	90,422
Interest cost	1,711	1,763	15,415
Actuarial gains	(76)	(1,950)	(684)
Benefits paid	(12,342)	(11,734)	(111,199)
Accrued prior service cost	0	238	0
Decrease due to transition to the defined contribution pension plans	(2,827)	–	(25,470)
Other	107	975	964
Balance at the end of the fiscal year	¥223,723	¥227,114	$2,015,704

(b) The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Balance at the beginning of the fiscal year	¥70,661	¥72,563	$636,642
Expected return on plan assets	834	1,288	7,514
Actuarial (losses) gains	(421)	182	(3,793)
Employer contributions	2,455	1,721	22,119
Benefits paid	(5,253)	(5,093)	(47,328)
Decrease due to transition to the defined contribution pension plans	(2,827)	–	(25,470)
Other	541	–	4,874
Balance at the end of the fiscal year	¥65,990	¥70,661	$594,558

(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, 2019 and 2018 is as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Funded defined benefit obligation	¥ 77,533	¥ 85,042	$ 698,558
Plan assets at fair value	(65,990)	(70,661)	(594,558)
	11,543	14,381	104,000
Unfunded defined benefit obligation	146,190	142,072	1,317,145
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥157,733	¥156,453	$1,421,146
Liability for retirement benefits	¥158,209	¥156,765	$1,425,434
Asset for defined benefits	(476)	(312)	(4,288)
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥157,733	¥156,453	$1,421,146

(d) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Service cost	¥10,036	¥ 9,843	$ 90,422
Interest cost	1,711	1,763	15,415
Expected return on plan assets	(834)	(1,288)	(7,514)
Recognized actuarial losses	3,676	4,379	33,120
Amortization of prior service cost	885	822	7,973
Net periodic benefit costs	¥15,474	¥15,519	$139,417

(e) Amounts recognized in other comprehensive income (before income tax effect) related to the defined retirement benefit plans for the years ended March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Prior service cost	¥ (885)	¥ (584)	$ (7,973)
Actuarial losses	(3,331)	(6,511)	(30,011)
Total	¥(4,216)	¥(7,095)	$(37,985)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) related to the defined retirement benefit plans as of March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	2018	U.S. dollars (Thousands) 2019
Unrecognized actuarial losses	¥17,277	¥20,718	$155,662
Unrecognized prior service cost	9,169	9,944	82,611
Total	¥26,446	¥30,662	$238,273

(g) Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2019 and 2018 consisted of the following:

	2019	2018
Bonds	44%	42%
General accounts	12	11
Stocks	11	10
Cash and deposits	2	6
Other	31	31
Total	100%	100%

Notes to Consolidated Financial Statements

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

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

(h) Assumptions used for the years ended March 31, 2019 and 2018 are set forth as follows:

	2019	2018
Discount rates	**0.1 – 1.2%**	0.1 – 1.2%
Expected rate of return on plan assets	**1.0 – 2.5%**	1.5 – 2.5%

(i) Defined contribution pension plans

The contributions to the defined contribution pension plans of the Company and certain subsidiaries were ¥4,423 million ($39,850 thousand) and ¥4,062 million for the years ended March 31, 2019 and 2018, respectively.

9. 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, 2019 and 2018:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Balance at the beginning of the fiscal year	**¥1,319**	¥1,074	**$11,883**
Liabilities incurred due to the acquisition of property and equipment	**67**	1	**603**
Accretion expense	**389**	14	**3,504**
Liabilities settled	**(320)**	(31)	**(2,883)**
Other	**2,398**	261	**21,605**
Balance at the end of the fiscal year	**¥3,853**	¥1,319	**$34,714**

(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.

10. Income taxes

The Company and certain of its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.62% and 30.86% for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 are as follows:

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting,” which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥27,678 million which were previously classified as current assets as of March 31, 2018 have been reclassified as investments and other assets of ¥93,376 million in the accompanying consolidated balance sheet.

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Deferred tax assets:			
Liability for retirement benefits	**¥ 48,750**	¥ 48,276	**$ 439,228**
Accrued bonuses to employees	**13,105**	14,488	**118,073**
Prepaid expenses	**8,356**	7,452	**75,286**
Long-term unearned revenue	**6,309**	6,460	**56,842**
Loss on investment in subsidiaries	**5,305**	400	**47,797**
Other provisions	**4,898**	3,546	**44,130**
Unrealized gain on inventories and property and equipment	**4,597**	4,728	**41,418**
Loss on valuation of inventories	**3,687**	2,041	**33,219**
Accrued enterprise tax	**1,646**	2,528	**14,830**
Deferred loss on hedging instruments	**–**	3,138	**–**
Other	**24,527**	22,531	**220,983**
Total gross deferred tax assets	**121,180**	115,588	**1,091,810**
Less valuation allowance	**(11,373)**	(7,050)	**(102,468)**
Total net deferred tax assets	**109,807**	108,538	**989,341**
Deferred tax liabilities:			
Unrealized gain on securities	**(16,134)**	(10,315)	**(145,364)**
Deferred gain on hedging instruments	**(4,735)**	(1,728)	**(42,661)**
Retained earnings of subsidiaries and affiliates	**(2,283)**	(2,316)	**(20,569)**
Other	**(1,458)**	(897)	**(13,136)**
Total gross deferred tax liabilities	**(24,610)**	(15,256)	**(221,731)**
Net deferred income taxes	**¥ 85,197**	¥ 93,282	**$ 767,609**

Changes in the valuation allowance were mainly deductions from deferred tax assets of Vanilla Air Inc. due to the integration of Peach Aviation Limited and Vanilla Air Inc., and an increase in loss on valuation of inventories.

A reconciliation of the difference between the normal effective statutory tax rate and the actual effective income tax rate for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Normal effective statutory tax rate	**30.62%**	30.86%
Reconciliation:		
Amortization of goodwill	**0.80**	0.63
Expenses not deductible for income tax purposes	**0.46**	0.38
Inhabitants tax per capita levy	**0.14**	0.11
Income taxes for prior periods	**(1.78)**	(0.93)
Loss on investment in subsidiaries	**(5.57)**	–
Gain on step acquisition	**–**	(5.30)
Changes in valuation allowance	**2.81**	0.20
Other, net	**(0.09)**	(0.01)
Actual effective income tax rate	**27.39%**	25.94%

11. 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, 2019 and 2018:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Unrealized gain on securities:			
Amount arising during the fiscal year	¥19,155	¥ 6,563	$172,583
Reclassification adjustments to profit or loss	(221)	(1,180)	(1,991)
Amount of unrealized gain on securities before tax effect	18,934	5,383	170,591
Tax effect	(5,819)	(1,595)	(52,428)
Total	13,115	3,788	118,163
Deferred gain on derivatives under hedge accounting:			
Amount arising during the fiscal year	9,585	28,205	86,359
Reclassification adjustments to profit or loss	10,671	(16,308)	96,143
Amount of deferred gain on derivatives under hedge accounting before tax effect	20,256	11,897	182,502
Tax effect	(6,141)	(3,563)	(55,329)
Total	14,115	8,334	127,173
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(382)	(149)	(3,441)
Total	(382)	(149)	(3,441)
Defined retirement benefit plans:			
Amount arising during the fiscal year	(345)	1,894	(3,108)
Reclassification adjustments to profit or loss	4,561	5,201	41,093
Amount of defined retirement benefit plans before tax effect	4,216	7,095	37,985
Tax effect	(1,286)	(2,151)	(11,586)
Total	2,930	4,944	26,398
Share of other comprehensive income (loss) in affiliates:			
Amount arising during the fiscal year	102	(30)	919
Reclassification adjustments to profit or loss	(87)	(30)	(783)
Total	15	(60)	135
Total other comprehensive income	¥29,793	¥ 16,857	$268,429

12. Leases

As lessee

(a) Finance leases

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

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

(b) Operating leases

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

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Current portion of operating lease obligations	¥ 54,866	¥ 51,117	$ 494,332
Long-term operating lease obligations	265,832	237,363	2,395,098
Total	¥320,698	¥288,480	$2,889,431

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)
	2019	2018	2019
Current portion of operating lease receivables	¥ 949	¥ 500	$ 8,550
Long-term operating lease receivables	6,983	4,101	62,915
Total	¥7,932	¥4,601	$71,465

13. 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, 2019 consisted of the following:

(a) Dividends

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

(1) Dividends paid to shareholders

			Yen (Millions)	U.S. dollars (Thousands)		Yen	U.S. dollars		
Date of approval	Resolution approved by	Type of shares	Amount	Amount	Paid from	Dividends per share	Dividends per share	Shareholders' cut-off date	Effective date
June 28, 2018	Ordinary General Meeting of Shareholders	Common stock (*1)	¥20,084	$180,953	Retained earnings	¥60.00	$0.54	March 31, 2018	June 29, 2018

(*1) The total amount of dividends does not include ¥7 million ($63 thousand) in dividends to be paid to the subsidiaries and affiliates. This is because the shares held by subsidiaries and affiliates are recognized as treasury stock.

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

			Yen (Millions)	U.S. dollars (Thousands)		Yen	U.S. dollars		
Date of approval	Resolution approved by	Type of shares	Amount	Amount	Paid from	Dividends per share	Dividends per share	Shareholders' cut-off date	Effective date
June 21, 2019	Ordinary General Meeting of Shareholders	Common stock (*1)	¥25,105	$226,191	Retained earnings	¥75.00	$0.67	March 31, 2019	June 24, 2019

(*1) The total amount of dividends does not include ¥9 million ($81 thousand) in dividends to be paid to the subsidiaries and affiliates. This is because the shares held by subsidiaries and affiliates are recognized as treasury stock.

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

(b) Type and number of outstanding shares

As of March 31, 2019 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	**348,498**	**–**	**–**	**348,498**
Total	**348,498**	**–**	**–**	**348,498**
Treasury stock:				
Common stock (*1, *2, *3)	**13,866**	**10**	**7**	**13,868**
Total	**13,866**	**10**	**7**	**13,868**

(*1) The increase of 10 thousand shares of treasury stock is 10 thousand shares that the Company purchased from holders of fractional shares.
(*2) The decrease of 7 thousand shares of treasury stock is the total of 0 thousand shares that the Company sold to the holders of fractional shares at their request; and 6 thousand shares that were sold by the Trust for Delivery of Shares to Directors.
(*3) Treasury stock includes 107 thousand shares held by the Trust for Delivery of Shares to Directors.

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

(*1) The increase of 16,257 thousand shares of treasury stock is the total of 16,214 thousand shares, which are issued shares subsequently purchased by the Company; 38 thousand shares, which the Company purchased from holders of fractional shares; and 4 thousand shares, which is the increase associated with changes of ownership ratios of affiliates which have the Company's stock.
(*2) The decrease of 3,803 thousand shares of treasury stock is the total of 3,144 thousand shares, which is retirement of treasury stock; 3 thousand shares, which the Company sold to the holders of fractional shares at their request; 637 thousand shares, which were sold by the ESOT during the current fiscal year; and 17 thousand shares, which were sold by the Trust for Delivery of Shares to Directors. Additionally, the ESOT was terminated in July 2017.
(*3) Treasury stock includes 114 thousand shares held by the Trust for Delivery of Shares to Directors.
(*4) Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the current fiscal year.

14. Contingencies

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥2,685 million ($24,191 thousand) at March 31, 2019.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,111 million ($55,059 thousand) at March 31, 2019.

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

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

15. Financial instruments and related disclosures

Overview

(a) Group policy for financial instruments

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

(b) Types of financial instruments and related risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value estimates. In addition, the notional amounts of derivatives presented in Note 16 "Derivatives and hedging activities" are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet as of March 31, 2019 and 2018, and their estimated fair values, are shown in the following tables. The following tables do not include financial instruments for which fair value cannot be reliably determined (Please refer to Note 2 below).

	Yen (Millions)		
As of March 31, 2019	Carrying value	Fair value	Differences
Assets:			
Cash and deposits	¥ 68,301	¥ 68,301	¥ –
Notes and accounts receivable	187,529	187,529	–
Marketable securities and investment securities	313,745	313,745	–
Total assets	¥569,575	¥ 569,575	¥ –
Liabilities:			
Accounts payable	¥229,712	¥ 229,712	¥ –
Short-term loans	336	336	–
Bonds	145,000	148,798	(3,798)
Convertible bonds with stock acquisition rights	140,000	142,625	(2,625)
Long-term loans	484,713	494,238	(9,525)
Total liabilities	¥999,761	¥1,015,709	¥(15,948)
Derivatives*	¥ 15,639	¥ 15,639	¥ –

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

	U.S. dollars (Thousands)		
As of March 31, 2019	Carrying value	Fair value	Differences
Assets:			
Cash and deposits	$ 615,379	$ 615,379	$ –
Notes and accounts receivable	1,689,602	1,689,602	–
Marketable securities and investment securities	2,826,786	2,826,786	–
Total assets	$5,131,768	$5,131,768	$ –
Liabilities:			
Accounts payable	$2,069,663	$2,069,663	$ –
Short-term loans	3,027	3,027	–
Bonds	1,306,424	1,340,643	(34,219)
Convertible bonds with stock acquisition rights	1,261,374	1,285,025	(23,650)
Long-term loans	4,367,177	4,452,995	(85,818)
Total liabilities	$9,007,667	$9,151,355	$(143,688)
Derivatives*	$ 140,904	$ 140,904	$ –

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

Notes:

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

Assets

(a) Cash and deposits

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

(b) Notes and accounts receivable

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

(c) Marketable securities and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from financial institutions 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) Accounts payable

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

(b) Short-term loans

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

(c) Bonds

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

(d) Long-term loans

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

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

	Yen (Millions)		U.S. dollars (Thousands)
As of March 31, 2019	2019	2018	2019
Unlisted stocks	¥32,234	¥25,476	$290,422

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, 2019 and 2018 is summarized as follows:

	Yen (Millions)			
As of March 31, 2019	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	¥ 67,546	¥–	¥ –	¥–
Notes and accounts receivable	187,529	–	–	–
Held-to-maturity bonds	–	–	–	–
Other securities with maturities	225,360	–	6,389	–
Total	¥480,435	¥–	¥6,389	¥–

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

	U.S. dollars (Thousands)			
As of March 31, 2019	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	$ 608,577	$–	$ –	$–
Notes and accounts receivable	1,689,602	–	–	–
Held-to-maturity bonds	–	–	–	–
Other securities with maturities	2,030,453	–	57,563	
Total	$4,328,633	$–	$57,563	$–

4. The redemption schedule for bonds, loans and other interest-bearing liabilities as of March, 2019 and 2018 is summarized as follows:

	Yen (Millions)			
As of March 31, 2019	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	¥ 336	¥ –	¥ –	¥ –
Bonds	30,000	50,000	25,000	40,000
Convertible bonds with stock acquisition rights	–	70,000	70,000	–
Long-term loans	77,883	239,514	126,097	41,219
Total	¥108,219	¥359,514	¥221,097	¥81,219

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

	U.S. dollars (Thousands)			
As of March 31, 2019	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	$ 3,027	$ –	$ –	$ –
Bonds	270,294	450,491	225,245	360,392
Convertible bonds with stock acquisition rights	–	630,687	630,687	–
Long-term loans	701,711	2,157,978	1,136,111	371,375
Total	$975,033	$3,239,156	$1,992,044	$731,768

16. Derivatives and hedging activities

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

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

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

Summarized below are the notional amounts and estimated fair values of the derivative financial instruments outstanding as of March 31, 2019 and 2018 for which hedged accounting has been applied.

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

(1) Currency-related transactions

		Yen (Millions)		
		Notional amount		
As of March 31, 2019		Total	Maturing after one year	Fair value
Forward foreign exchange contracts:				
Sell:				
	USD	¥ –	¥–	¥–
	EUR	–	–	–
	Other	166	–	0
Buy:				
	USD	5,540	–	2
	EUR	–	–	–
	Other	355	–	0
Total		¥6,061	¥–	¥2

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

		U.S. dollars (Thousands)		
		Notional amount		
As of March 31, 2019		Total	Maturing after one year	Fair value
Forward foreign exchange contracts:				
Sell:				
	USD	$ –	$–	$ –
	EUR	–	–	–
	Other	1,495	–	0
Buy:				
	USD	49,914	–	18
	EUR	–	–	–
	Other	3,198	–	0
Total		$54,608	$–	$18

(b) Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

		Yen (Millions)		
		Notional amount		
As of March 31, 2019		Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:				
	USD	¥ 6,165	¥ –	¥ (64)
	EUR	0	–	0
	Other	77	–	0
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:				
	USD	334,460	169,059	7,843
	EUR	188	–	(8)
	Other	138	–	(2)
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	45,366	32,274	1,575
Buy:				
	USD (Call)	41,012	29,221	(643)
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	302	–	(*)
	EUR	48	–	(*)
	Other	39	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	17,931	–	(*)
	EUR	999	–	(*)
	Other	4	–	(*)
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY		–	–	(*)
Total		¥446,729	¥230,554	¥8,701

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

As of March 31, 2019		U.S. dollars (Thousands) Notional amount Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:				
	USD	**$ 55,545**	**$ –**	**$ (576)**
	EUR	**0**	**–**	**0**
	Other	**693**	**–**	**0**
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:				
	USD	**3,013,424**	**1,523,191**	**70,664**
	EUR	**1,693**	**–**	**(72)**
	Other	**1,243**	**–**	**(18)**
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	**408,739**	**290,782**	**14,190**
Buy:				
	USD (Call)	**369,510**	**263,275**	**(5,793)**
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	**2,720**	**–**	**(*)**
	EUR	**432**	**–**	**(*)**
	Other	**351**	**–**	**(*)**
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	**161,555**	**–**	**(*)**
	EUR	**9,000**	**–**	**(*)**
	Other	**36**	**–**	**(*)**
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY		**–**	**–**	**(*)**
Total		**$4,024,948**	**$2,077,250**	**$78,394**

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 15 "Financial instruments and related disclosures" for additional information.

(2) Interest-related transactions

As of March 31, 2019	Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	**¥111,253**	**¥82,333**	**(*)**

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

As of March 31, 2019	U.S. dollars (Thousands) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	**$1,002,369**	**$741,805**	**(*)**

(*) 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.

(3) Commodity-related transactions

As of March 31, 2019		Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		¥ 74,591	¥29,073	¥5,234
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	34,350	17,211	(445)
Buy:	Crude oil (Call)	44,114	21,989	2,147
Total		¥153,055	¥68,273	¥6,936

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

As of March 31, 2019		U.S. dollars (Thousands) Notional amount Total	Maturing after one year	Fair value
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		$ 672,051	$261,942	$47,157
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	309,487	155,068	(4,009)
Buy:	Crude oil (Call)	397,459	198,116	19,344
Total		$1,378,998	$615,127	$62,492

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

17. Segment information

(a) Description of reportable segments

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

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

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

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

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

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

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

As of and for the year ended March 31, 2019	Yen (Millions) Reportable Segments Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	¥1,728,645	¥ 51,783	¥140,805	¥122,454	¥2,043,687
Intersegment revenues or transfers	85,772	239,268	9,941	28,225	363,206
Total	¥1,814,417	¥291,051	¥150,746	¥150,679	¥2,406,893
Segment profit	¥ 160,556	¥ 13,178	¥ 606	¥ 3,706	¥ 178,046
Segment assets	2,409,579	148,288	60,163	61,019	2,679,049
Other items:					
Depreciation and amortization	152,948	4,496	507	1,354	159,305
Amortization of goodwill	3,889	28	–	114	4,031
Increase in property and equipment and intangible assets	370,778	1,838	241	1,156	374,013

As of and for the year ended March 31, 2019	Yen (Millions) Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	¥14,625	¥2,058,312	¥ –	¥2,058,312
Intersegment revenues or transfers	26,333	389,539	(389,539)	–
Total	¥40,958	¥2,447,851	¥(389,539)	¥2,058,312
Segment profit	¥ 2,275	¥ 180,321	¥ (15,302)	¥ 165,019
Segment assets	23,434	2,702,483	(15,361)	2,687,122
Other items:				
Depreciation and amortization	236	159,541	–	159,541
Amortization of goodwill	–	4,031	–	4,031
Increase in property and equipment and intangible assets	269	374,282	1,582	375,864

Notes:
1. "Other" refers to all business segments that are not included in reportable segments, such as facility management, business support and other operations.
2. Adjustments are as follows:
(a) Adjustments to segment profit consist of the elimination of intersegment transactions of ¥(8,937) million and corporate expenses of ¥(6,365) million.
(b) Adjustments to segment assets consist of long-term investments (investment securities and stocks of subsidiaries and affiliates) in consolidated subsidiaries of ¥171,058 million and eliminations of intersegment transactions of ¥(186,419) million.
(c) Adjustments to increase in property and equipment and intangible assets mainly consist of the elimination of intersegment transactions.
3. Segment profit is reconciled to operating income on the consolidated statement of income.

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

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

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

As of and for the year ended March 31, 2019	U.S. dollars (Thousands) Reportable Segments: Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	$15,574,781	$ 466,555	$1,268,627	$1,103,288	$18,413,253
Intersegment revenues or transfers	772,790	2,155,761	89,566	254,302	3,272,420
Total	$16,347,571	$2,622,317	$1,358,194	$1,357,590	$21,685,674
Segment profit	$ 1,446,580	$ 118,731	$ 5,459	$ 33,390	$ 1,604,162
Segment assets	21,709,874	1,336,048	542,057	549,770	24,137,751
Other items:					
Depreciation and amortization	1,378,034	40,508	4,567	12,199	1,435,309
Amortization of goodwill	35,039	252	–	1,027	36,318
Increase in property and equipment and intangible assets	3,340,643	16,560	2,171	10,415	3,369,790

As of and for the year ended March 31, 2019	U.S. dollars (Thousands): Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	$131,768	$18,545,022	$ –	$18,545,022
Intersegment revenues or transfers	237,255	3,509,676	(3,509,676)	–
Total	$369,024	$22,054,698	$(3,509,676)	$18,545,022
Segment profit	$ 20,497	$ 1,624,659	$ (137,868)	$ 1,486,791
Segment assets	211,136	24,348,887	(138,399)	24,210,487
Other items:				
Depreciation and amortization	2,126	1,437,435	–	1,437,435
Amortization of goodwill	–	36,318	–	36,318
Increase in property and equipment and intangible assets	2,423	3,372,213	14,253	3,386,467

(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, 2019 and 2018 are summarized as follows:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Japan	¥1,676,226	¥1,604,604	$15,102,495
Overseas	382,086	367,195	3,442,526
Total	¥2,058,312	¥1,971,799	$18,545,022

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

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

For the year ended March 31, 2019	Yen (Millions) Reportable Segments: Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	¥–	¥1,997	¥–	¥–	¥–	¥–	¥1,997

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

For the year ended March 31, 2019	U.S. dollars (Thousands) Reportable Segments: Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	$–	$17,992	$–	$–	$–	$–	$17,992

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

As of and for the year ended March 31, 2019	Yen (Millions) Reportable Segments: Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	¥ 3,889	¥28	¥–	¥114	¥–	¥–	¥ 4,031
Balance at the end of the fiscal year	¥50,557	¥ 3	¥–	¥572	¥–	¥–	¥51,132

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

As of and for the year ended March 31, 2019	U.S. dollars (Thousands) Reportable Segments: Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	$ 35,039	$252	$–	$1,027	$–	$–	$ 36,318
Balance at the end of the fiscal year	$455,509	$ 27	$–	$5,153	$–	$–	$460,690

18. Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are as follows:

	Yen (Millions) 2019	Yen (Millions) 2018	U.S. dollars (Thousands) 2019
Commissions	¥105,678	¥96,991	$952,139
Advertising	12,813	13,132	115,442
Employees' salaries and bonuses	39,760	38,976	358,230
Provision for accrued bonuses to employees	7,913	8,693	71,294
Retirement benefit expenses	3,462	3,462	31,191
Depreciation	24,828	22,014	223,695

Notes to Consolidated Financial Statements

19. Amounts per share

Amounts per share as of and for the years ended March 31, 2019 and 2018 are as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥3,285.46	¥2,954.47	$29.60
Net income per share	331.04	417.82	2.98

Notes: 1. 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, 2019 and 2018.
2. Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the previous fiscal year.
3. The basis for calculating net income per share is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
Years ended March 31	2019	2018	2019
Net income attributable to common shareholders	¥110,777	¥143,887	$998,080
Amount not attributable to common shareholders	–	–	–
Net income attributable to common stock	¥110,777	¥143,887	$998,080
Weighted-average number of shares outstanding during the fiscal year (in thousands)	334,632	344,372	334,632

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

	Yen (Millions)		U.S. dollars (Thousands)
As of March 31	2019	2018	2019
Net assets	¥1,109,313	¥1,000,552	$9,994,711
Amounts deducted from total net assets:			
Non-controlling interests	(9,900)	(11,891)	(89,197)
Net assets attributable to common stock at the end of the fiscal year	¥1,099,413	¥ 988,661	$9,905,514
Number of shares of common stock at the end of the fiscal year used to determine net assets per share (in thousands)	334,629	334,632	334,629

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, 2018 were 137 thousand. Also, the average number of shares held by the Trust for Delivery of Shares to Directors for the years ended March 31, 2019 and 2018 were 108 thousand and 116 thousand, respectively. The shares held by those trusts were deducted from the weighted-average number of shares outstanding during each of the years ended March 31, 2019 and 2018.

The number of shares of the Company held by the Trust for Delivery of Shares to Directors as of March 31, 2019 and 2018 were 107 thousand and 114 thousand, respectively. The shares held by those trusts were deducted from the number of shares of common stock at the end of each of the fiscal years ended March 31, 2019 and 2018, which were used to determine net assets per share.

20. Supplementary cash flow information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheet as of March 31, 2019 and 2018 and cash and cash equivalents in the consolidated statement of cash flows is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Cash and deposits	¥ 68,301	¥ 78,036	$ 615,379
Time deposits with maturities of more than three months	(26,103)	(11,097)	(235,183)
Marketable securities	225,360	279,540	2,030,453
Marketable securities with maturities of more than three months	(55,720)	(75,970)	(502,027)
Cash and cash equivalents	¥211,838	¥270,509	$1,908,622

21. Impairment loss

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2019 and 2018. As a result, the Group recognized impairment losses of ¥1,997 million ($17,992 thousand) and ¥6,061 million, included in other expenses, for the years ended March 31, 2019 and 2018, respectively. The details are as follows:

For the year ended March 31, 2019			Yen (Millions)	U.S. dollars (Thousands)
Application	Location	Category	Impairment loss	
Assets expected to be sold	Miami, Florida	Machinery, intangible assets, lease assets, and other assets	¥1,997	$17,992
		Total	¥1,997	$17,992

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. Business assets in Miami, Florida were written-down to recoverable amounts, based on the updated business plan. As a result, an impairment loss of ¥1,997 million ($17,992 thousand) was recognized. Details are as follows: ¥1,433 million ($12,911 thousand) for machinery, ¥410 million ($3,694 thousand) for Intangible assets, ¥49 million ($441 thousand) for lease assets, and ¥103 million ($928 thousand) for other assets.
The recoverable amount of the above assets was measured at its net selling price as determined by estimates of selling cost and selling price.

For the year ended March 31, 2018			Yen (Millions)
Application	Location	Category	Impairment loss
Company housing	Osaka	Land, buildings and structures	¥2,232
Company housing	Chiba	Land, buildings, structures, tools, furniture and fixtures	2,144
Company housing	Kanagawa	Land, buildings, structures, tools, furniture and fixtures	1,319
Business assets, stores and other assets	Thailand, domestic airports, etc.	Machinery, buildings, structures, etc.	366
		Total	¥6,061

Note: The Group grouped its operating assets for impairment testing based on management accounting categories, and also grouped lease assets, assets to be disposed of by sale and idle assets on an individual basis. Company housing in Osaka was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥2,232 million was recognized. Details are as follows: ¥1,192 million for land and ¥1,040 million for buildings and structures. Company housing in Chiba was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥2,144 million was recognized. Details are as follows: ¥1,883 million for land, ¥258 million for buildings and structures, and ¥3 million for tools, furniture and fixtures. Company housing in Kanagawa was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥1,319 million was recognized. Details are as follows: ¥907 million for land, ¥407 million for buildings and structures, and ¥5 million for tools, furniture and fixtures.
The recoverable amount of the above assets was measured at its net selling price as determined by estimates of selling cost and selling price.

22. Supplementary information for the consolidated statement of income

(a) Write-downs of inventories

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

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

Yen (Millions)		U.S. dollars (Thousands)
2019	2018	2019
¥5,779	¥1,189	$52,067

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

(b) Other income (expenses), net

	Yen (Millions)		U.S. dollars (Thousands)
	2019	2018	2019
Gain on sales of property and equipment (other than aircraft-related)	¥ –	¥ 9,623	$ –
Gain on sales of investment securities	–	1,311	–
Loss on disposal of property and equipment	–	(748)	–
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	–	(577)	–
Compensation payments received	6,810	–	61,356
Litigation settlement fees related to anti-trust law claims	(6,423)	–	(57,870)
Other	1,577	958	14,208
Other income (expenses), net	¥ 1,964	¥10,567	$ 17,695

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ANA HOLDINGS INC.:

We have audited the accompanying consolidated balance sheet of ANA HOLDINGS INC. and its consolidated subsidiaries as of March 31, 2019, 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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 21, 2019

Member of
Deloitte Touche Tohmatsu Limited

Glossary

Passenger Business Terms

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

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

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

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

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

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

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

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

Cargo Business Terms

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

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

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

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

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

Airline Industry and Company Terms

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

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

Star Alliance
Established in 1997, Star Alliance was the first and is the world's largest airline alliance. ANA became a member in October 1999. As of July 2019, 28 airlines from around the world 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.

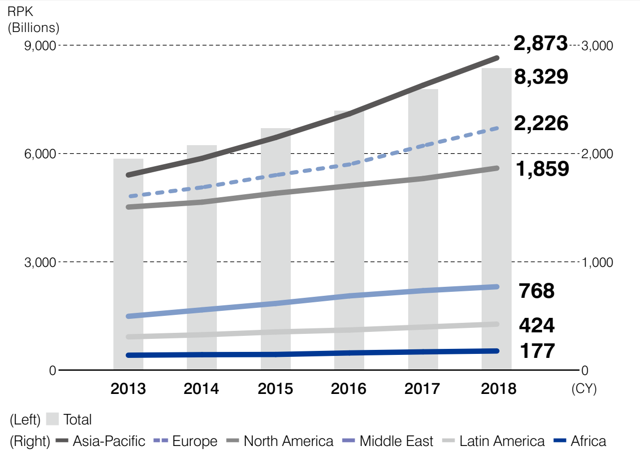
Dual Hub Network Strategy
A strategy for using the two largest airports in the Tokyo metropolitan area (Haneda and Narita) for different yet complementary strategic aims and functions. At Haneda, which offers excellent access from central Tokyo, the strategy targets overall air travel demand in the Tokyo 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 2019 can be downloaded from the ANA Group corporate website in PDF format.
https://www.ana.co.jp/group/en/investors/irdata/annual/

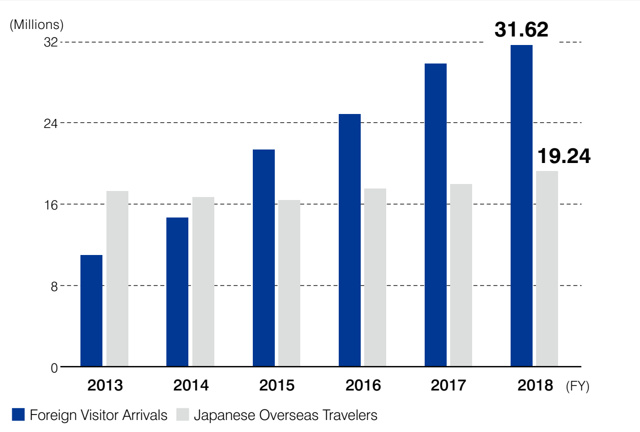
International Passenger Market

Global Air Transportation Passenger Volume by Region



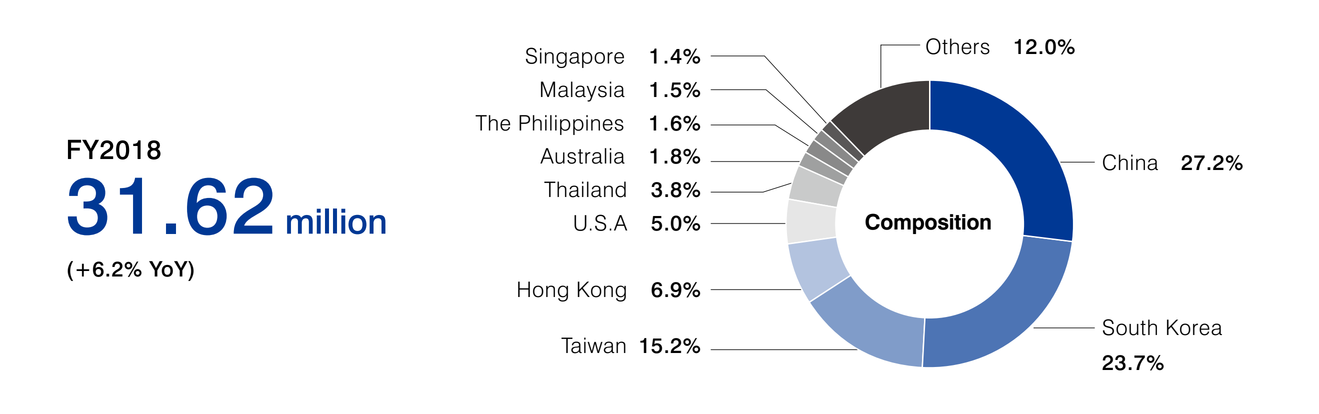
Source: International Air Transport Association (IATA), 2019

Foreign Visitor Arrivals / Number of Japanese Overseas Travelers



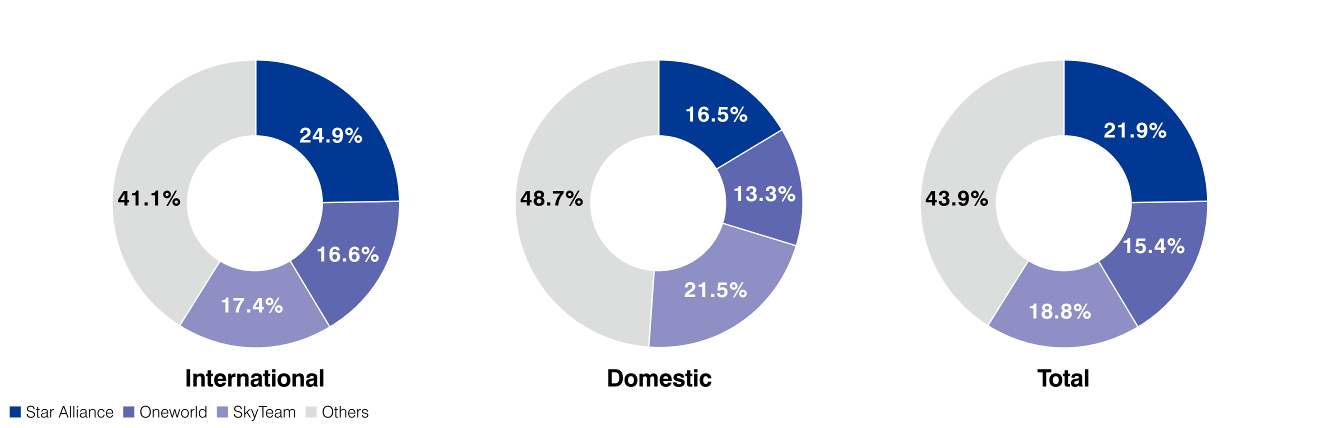
Source: Japan National Tourism Organization (JNTO), 2019

Foreign Visitor Arrivals by Country / Region



Source: Japan National Tourism Organization (JNTO), 2019

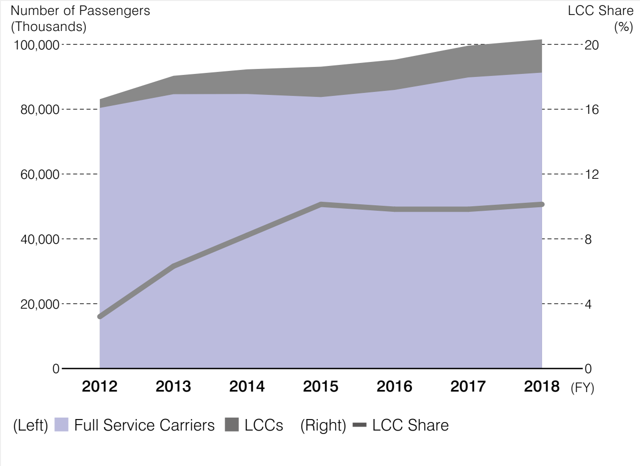
Shares by Alliance (RPK)



Source: International Air Transport Association (IATA), 2019

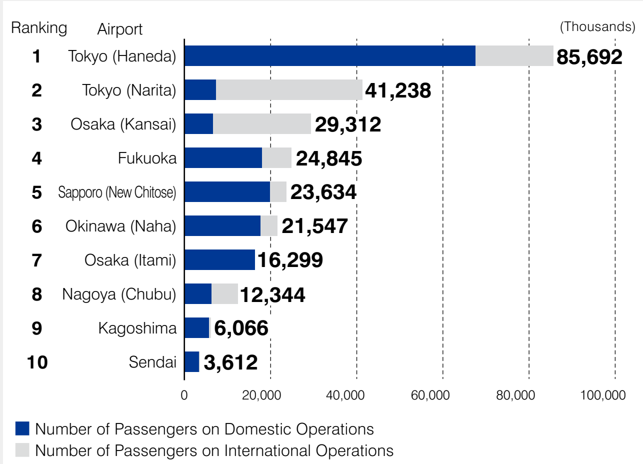
Domestic Passenger Market

Number of Domestic Passengers and LCC Share



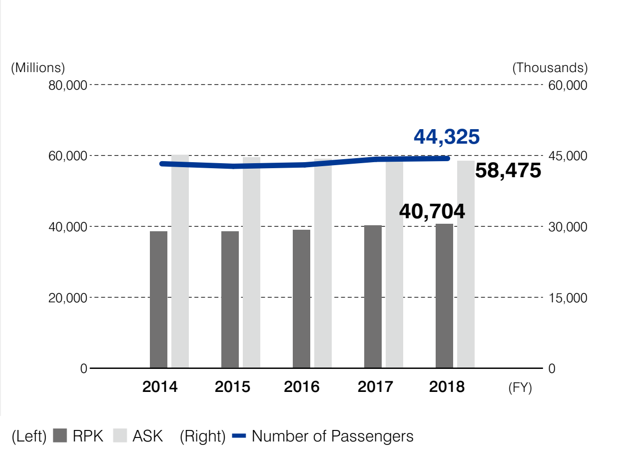
Source: Ministry of Land, Infrastructure, Transport and Tourism, fiscal 2018

Top 10 Airports in Japan by Number of Passengers

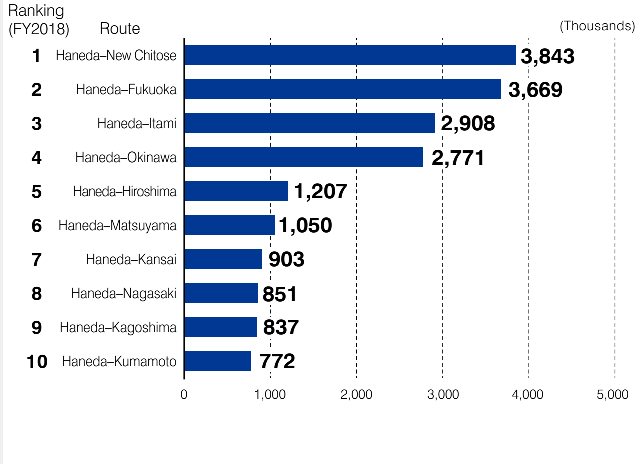


Note: Compilation from reports on Status of Airport Operations, fiscal 2018
Source: Ministry of Land, Infrastructure, Transport and Tourism, fiscal 2018

ANA Domestic Passenger Business: ASK, RPK, and Number of Passengers

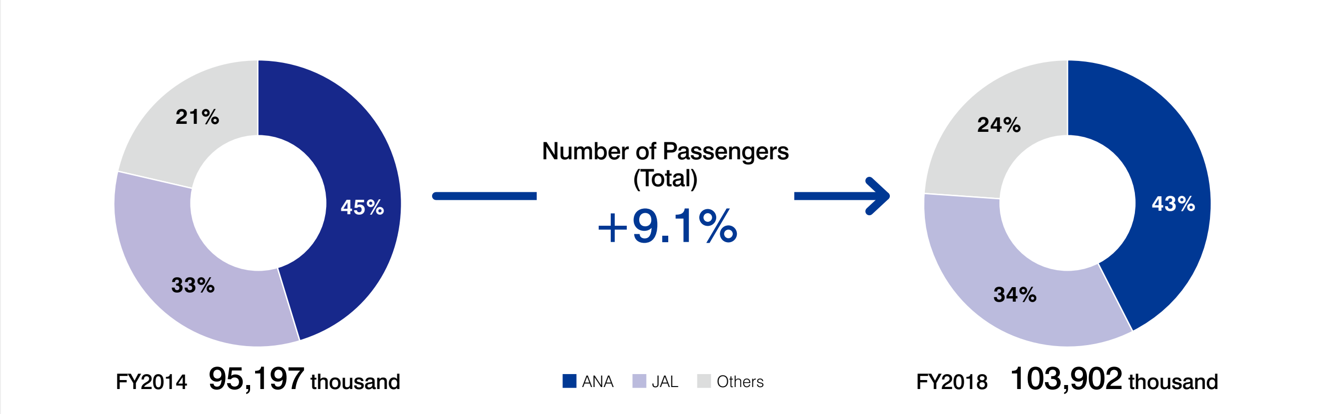


ANA's Top 10 Domestic Scheduled Flights by Number of Passengers



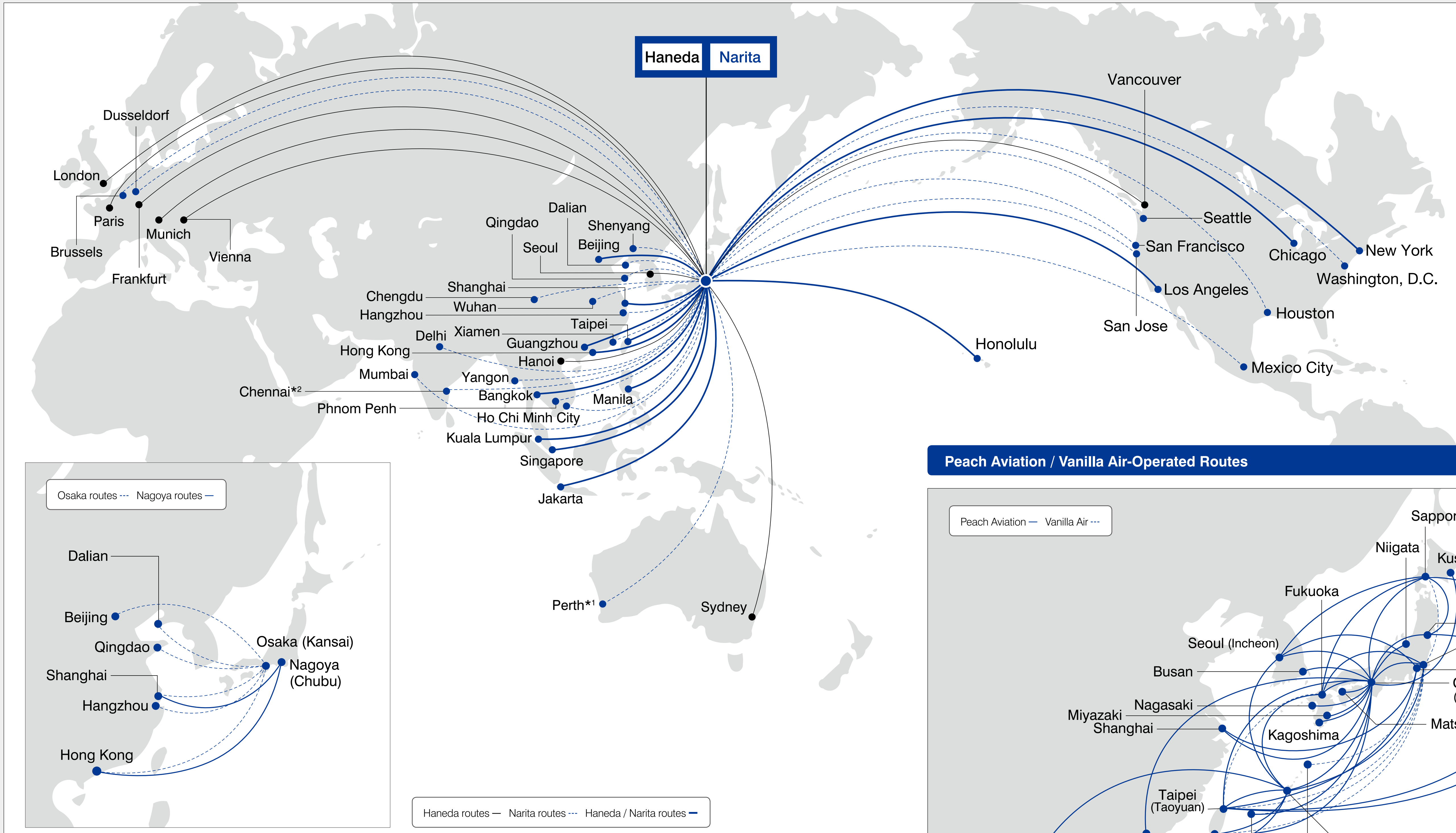
Note: Figures include revenue passengers on ANA flights and code-share flights operated by partner airlines.

Share of Passengers on Domestic Operations by Airline



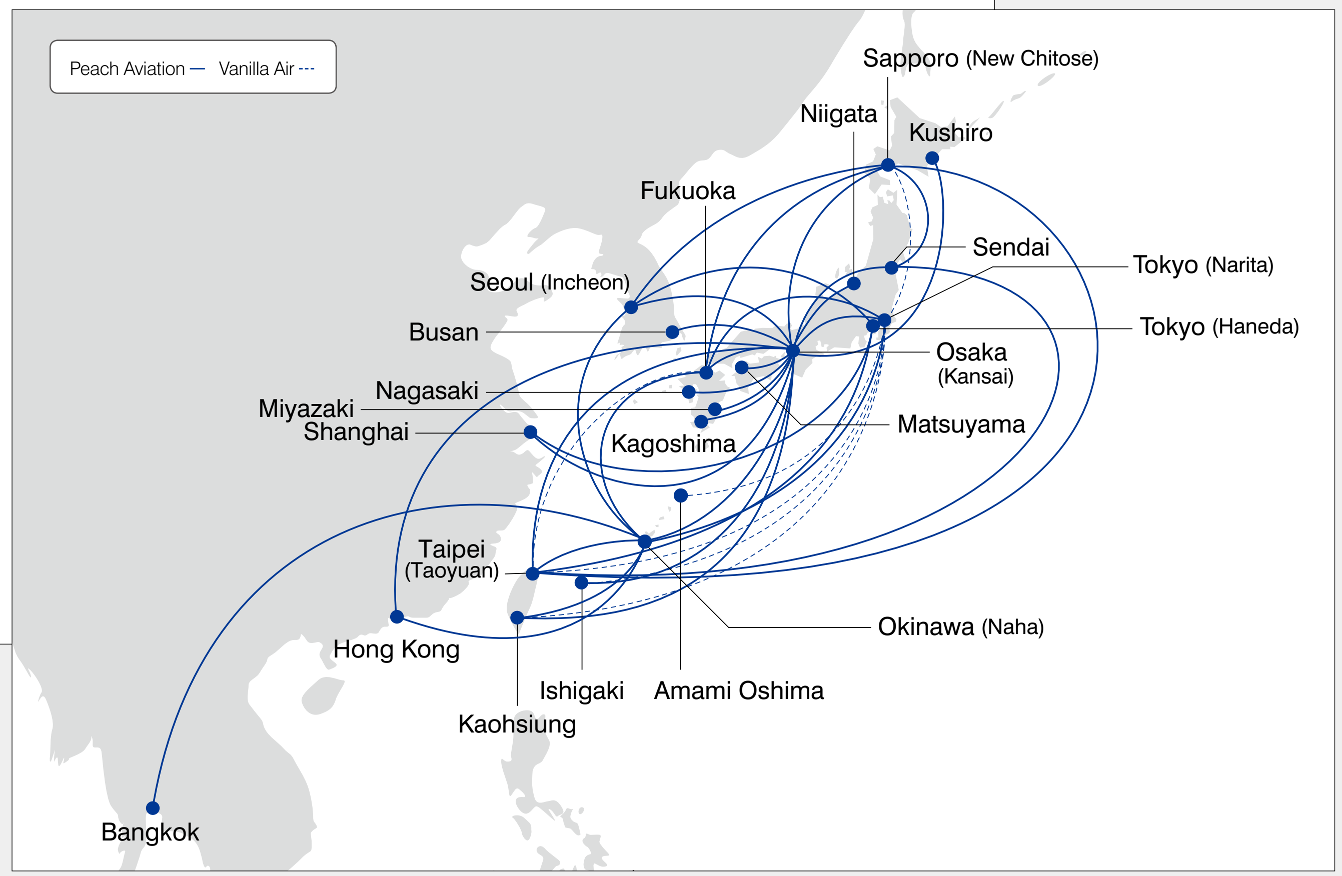
Note: Figures for ANA exclude Vanilla Air Inc. and Peach Aviation Limited
Sources: 1. Figures for ANA, JAL: The companies' annual securities reports (consolidated basis)
2. Figures for total: Ministry of Land, Infrastructure, Transport and Tourism, a preliminary report for fiscal 2018

ANA-Operated International Routes



*1 Narita–Perth service planned to begin September 1, 2019
*2 Narita–Chennai service planned to begin October 27, 2019

Peach Aviation / Vanilla Air-Operated Routes



Compilation by ANA HOLDINGS INC. (As of August 1, 2019)

Social Data

Human Resources Data (ANA)

	Unit	2015	2016	2017	2018	2019
Number of employees (As of March 31 of each year)	People	12,360	12,859	13,518	13,928	14,242
Number of employees hired overseas (As of March 31 of each year)	People	1,341	1,387	1,454	1,475	1,442
Average age of employees (As of March 31 of each year)	Years	36.0	36.0	37.4	37.4	37.5
Average years worked (As of March 31 of each year)	Years	10.0	10.0	13.3	13.8	14.2
Ratio of female managers (As of April 1 of each year, excluding individuals 60 years old and over)	%	10.9	12.2	13.3	13.9	14.6
Ratio of female directors (As of April 1 of each year)	%	10.5	10.5	10.5	10.0	11.9
Number of employees on pregnancy or childcare leave / Male (As of March 31 of each year)	People	595/5	586/5	545/13	587/19	629/20
Number of employees on nursing care leave (As of March 31 of each year)	People	8	12	14	15	16
Ratio of employees with disabilities*1 (As of June 1 of each year)	%	2.10	2.32	2.38	2.49	2.57
Work-related accidents (As of March 31 of each year)		77	66	109	82	111
Ratio of employees with healthy BMI*2 (As of March 31 of each year)						
Male	%	—	63.1	69.1	70.2	72.9
Female	%	—	75.2	69.8	72.0	72.6
Ratio of employees that smoke (As of March 31 of each year)						
Male	%	—	22.9	19.4	19.1	17.2
Female	%	—	4.9	4.0	3.9	3.7
Employee obesity rate*3 (As of March 31 of each year)						
Male	%	—	13.4	14.9	15.7	11.1
Female	%	—	0.9	1.2	1.3	1.4

*1 Total of ANA HOLDINGS INC., ANA, and qualified ANA Group companies (total of 12 companies including 1 special subsidiary)
*2 Ratio of employees with BMI of 18.5%–25.0%
*3 Changing calculation standards from 2018
Before 2017: Ratio of employees receiving guidance from designated healthcare professionals
2018 and later: Ratio of employees meeting criteria for metabolic syndrome

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

(FY)	Unit	2014	2015	2016	2017	2018
In-service rate	%	98.9	98.9	98.9	98.8	98.2
On-time departure rate*4	%	91.4	91.9	89.4	88.0	88.4
On-time arrival rate*4	%	87.6	88.7	86.1	84.8	86.5

*4 Delays of 15 minutes or less, excluding canceled flights

Customer-Related Data

(FY)	Unit	2014	2015	2016	2017	2018
Number of customer feedback reports		70,472	73,688	73,892	114,273	105,723
[Breakdown by route type]						
Domestic	%	47.8	46.1	48.3	56.0	62.4
International	%	38.5	39.5	37.4	40.1	34.8
Other	%	13.8	14.5	14.3	3.9	2.7
[Breakdown by report type]						
Complaint	%	32.2	35.8	43.4	41.1	45.8
Compliment	%	20.6	21.2	16.8	18.5	19.8
Comment/Request	%	27.9	26.1	21.5	20.8	16.5
Other	%	19.3	16.9	18.3	19.5	17.8

See the ANA Group corporate website for more:
https://www.ana.co.jp/group/en/csr/data/

Environmental Data

Environmental data is from fiscal 2018 and was compiled from ANA and certain consolidated subsidiaries (those responsible for air transportation, aircraft maintenance, ground handling, vehicle maintenance, building management, etc.).
Increase in ground equipment and vehicle CO_2 emissions, ground energy consumption due to increase in number of consolidated companies beginning fiscal 2017

Climate Change Countermeasures

(FY)	Unit	2014	2015	2016	2017	2018
Carbon dioxide (CO_2) emissions						
Total	10,000 tons	1,031	1,074	1,126	1,161	1,156
[Breakdown]						
Aircraft		1,016	1,062	1,114	1,148	1,143
Passenger		(961)	(1,005)	(1,058)	(1,097)	(1,098)
Cargo		(55)	(57)	(56)	(50)	(45)
Ground equipment and vehicles		14.3	11.5	11.8	13.5	12.7
[Scope 1/2/3]						
Scope 1		1,021	1,065	1,118	1,152	1,147
Scope 2		9.8	8.3	8.3	9.2	8.5
Scope 3		—	0.1	0.4	0.4	0.4
Aircraft CO_2 emissions per RTK	kg-CO_2	1.04	1.05	1.00	0.96	0.97
Total energy consumption						
Total	Crude oil equipment: 10,000 kl	397	414	434	448	445
Aircraft energy consumption		390	408	428	441	439
Ground energy consumption		6.5	5.5	5.5	6.5	6.4
Fuel-efficient aircraft (ANA-brand jet aircraft only)*						
Number of fuel-efficient aircraft	Aircraft	132	148	155	162	183
Ratio of fuel-efficient aircraft	%	62.0	64.9	66.0	69.5	75.9
Ozone depletion						
Fluorocarbon (Aircraft)	kg	—	16.4	8.8	5.3	9.4
Halon	kg	—	8.3	29.4	5.0	28.8

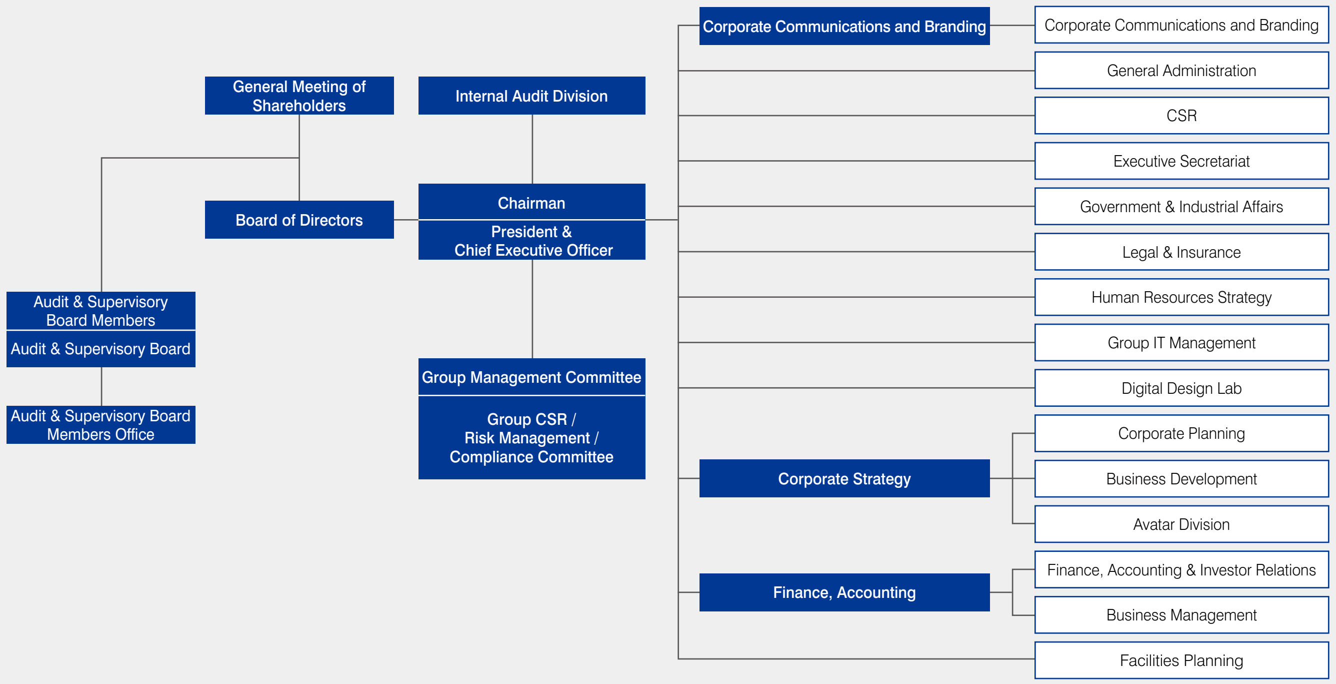
* Boeing 777, 787, 737-700, -800, Airbus A320neo, and A321neo

Resource Savings

(FY)	Unit	2014	2015	2016	2017	2018
Waste produced						
Total	1,000 tons	28.9	28.9	36.8	37.5	34.3
[Breakdown]						
General waste (Cabin waste and sewage included)		21.8	22.4	28.7	31.5	28.4
General waste (Ground waste included)		2.6	2.9	3.0	2.6	2.7
Industrial waste		4.5	3.6	5.1	3.4	3.2
Total paper consumption	1,000 tons	4.7	4.7	4.6	4.0	3.2
Total water consumption						
Clean water	10,000 kl	53.5	51.5	57.8	61.4	51.5
Non-potable water	10,000 kl	6.9	6.3	7.2	9.4	7.6
Total waste water	10,000 tons	14.6	16.3	16.0	12.7	13.2

The ANA Group Profile

ANA HOLDINGS INC. Organization (As of July 1, 2019)



Number of Subsidiaries and Affiliates (As of March 31, 2019)

Operating segment	Total of subsidiaries	of which, consolidated	of which, equity method	Total of affiliates	of which, equity method
Air Transportation	5	5	—	3	1
Airline Related	48	36	—	5	2
Travel Services	5	4	—	3	1
Trade and Retail	61	9	—	3	1
Others	9	8	1	30	10
Total	128	62	1	44	15

Major Subsidiaries (As of March 31, 2019)

Company name	Amount of capital (¥ Millions)	Ratio of voting rights holding (%)	Principal business
Air Transportation			
ALL NIPPON AIRWAYS CO., LTD.	25,000	100.0	Air transportation
Air Japan Co., Ltd.	50	100.0	Air transportation
ANA WINGS CO., LTD.	50	100.0	Air transportation
Peach Aviation Limited	7,515	77.9	Air transportation
Airline Related			
ANA Cargo Inc.	100	100.0	Cargo operations
Overseas Courier Service Co., Ltd.	100	91.5	Express shipping business
ANA Systems Co., Ltd.	80	100.0	Innovation and operation of IT systems
Travel Services			
ANA Sales Co., Ltd.	1,000	100.0	Planning and sales of travel packages, etc.
Trade and Retail			
ALL NIPPON AIRWAYS TRADING Co., Ltd.	1,000	100.0	Trading and retailing

Note: No specified wholly owned subsidiaries as of the end of the fiscal year under review.

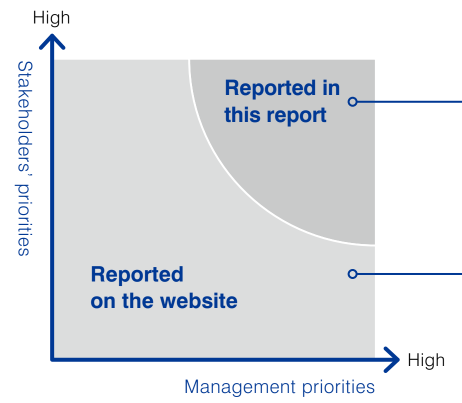
Corporate Data (As of March 31, 2019)

Corporate Profile

Trade Name ANA HOLDINGS INC.
Date of Foundation December 27, 1952
Head Office Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku Tokyo 105-7140, Japan
Number of Employees 43,466 (Consolidated)
Paid-In Capital ¥318,789 million
Fiscal Year-End March 31
Number of Shares of Common Stock Authorized: 510,000,000 shares
Issued: 348,498,361 shares
Number of Shareholders 485,514
Stock Listing Tokyo
Ticker Code 9202

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

Scope of This Report



Annual Report (Hard Copy and PDF)
PDF version https://www.ana.co.jp/group/en/investors/irdata/annual/

For Further Information (Website)
Corporate Profile https://www.ana.co.jp/group/en/about-us/
Investor Relations https://www.ana.co.jp/group/en/investors/
CSR https://www.ana.co.jp/group/en/csr/

Fact Book 2019
Fact Book 2019 can be downloaded from the Company's corporate website in PDF format. This document contains financial data and information on the domestic and international markets and LCC status.
https://www.ana.co.jp/group/en/investors/irdata/annual/

Forward-Looking Statements
This report contains statements based on the ANA Group's current plans, estimates, strategies, and beliefs; all statements that are not statements of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Group's management based on currently available information. Air Transportation Business, the Group's core business, involves government-mandated costs that are beyond the Company's control, such as airport utilization fees and fuel taxes.
In addition, conditions in the markets served by the ANA Group are subject to significant fluctuations. Factors that could affect actual results include, but are not limited to, economic trends, sharp changes in exchange rates, fluctuations in the price of crude oil, and disasters.
Due to these risks and uncertainties, the Group's future performance may differ significantly from the contents of this report. Accordingly, there is no assurance that the forward-looking statements in this report will prove to be accurate.

Contact
ANA HOLDINGS INC.
Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7140, Japan
Investor Relations E-mail: ir@anahd.co.jp

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