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(From April 1, 2021 to March 31, 2022)

ANA HOLDINGS INC.

"System for Ensuring the Appropriateness of Business Operations," "Outline of the Status of Operation of System for Ensuring the Appropriateness of Business Operations," "Consolidated Statement of Changes in Net Assets," "Notes to Consolidated Financial Statements," "Nonconsolidated Statement of Changes in Net Assets" and "Notes to Nonconsolidated Financial Statements" are provided to our shareholders through our Website (https://www.ana.co.jp/group/en/investors/) pursuant to laws and regulations, and Article 17 of our Articles of incorporation.

System for Ensuring the Appropriateness of Business Operations
(From April 1, 2021 to March 31, 2022)

System for ensuring the appropriateness of business operations

The outline of the matters determined regarding the system for ensuring that the performance of duties by the Directors is in compliance with laws and the articles of incorporation and the system for ensuring that the business of the Company is otherwise operated in an appropriate manner is as described below (last modified on May 17, 2022).

(i) System for ensuring Directors and employees compliance with laws and the articles of incorporation

* We established the "ANA Group Compliance Rules" and the "Group ESG Management Promotion Committee" consisting of Full-time Directors and Full-time Audit & Supervisory Board Members. In these committees, important policies and matters concerning compliance are discussed, drafted and promoted under the supervision of the President and CEO of the Company. In addition, these committees have established the "CSR Guidelines" as a code of conduct to which the ANA Group Directors and employees must adhere when performing their duties, and created an environment in which the said "CSR Guidelines" are accessible by all of the members.

* We have set up a "Compliance Hot-line (ANA Alert)" as a consultation and report desk addressing compliance issues within the ANA Group, and created the "Group Internal Audit Division" which conducts group internal audits to develop a system to ensure compliance.

* We aim to raise awareness of compliance by assigning "ESG Promotion Officers" as the people in charge of ESG activities and by assigning "ESG Promotion Leaders" as promoters of ESG activities to the Company and its subsidiaries in order to educate executives and employees on their compliance obligations and by establishing a special website on the Intranet of the Group.

(ii) System for maintaining and managing information relating to the performance of duties by Directors

* Information relating to the performance of duties by Directors, such as important decision-making by the Board of Directors or reports to Directors, is maintained and managed in accordance with the laws and "Document Management Rules" concerning the preparation, organization, storage and disposal of documents, irrespective of the recorded media. Such information is stored in a system which enables Directors and employees to access the information at any time.

* Important documents relating to the performance of duties are circulated to, and are accessible by Audit & Supervisory Board Members at any time.

* The "Group Internal Audit Division" conducts internal audits with respect to the maintenance and management of documents in order to ensure effective maintenance and management.

(iii) Rules and other systems regarding the management of risk of loss

* The "ANA Group Total Risk Management Rules" stipulate the basic rules for total risk management in the ANA Group, and the "Group ESG Management Promotion

Committee," consisting of Full-time Directors and Full-time Audit & Supervisory Board Members, has been established. In these committees, important policies and matters concerning total risk management are discussed, planned and facilitated under the supervision of the President and CEO of the Company.

* The "ESG Promotion Officers" as the people in charge of ESG activities and the "ESG Promotion Leaders" as a promoter of ESG activities are assigned to the Company and its subsidiaries in order to facilitate risk management activities.

(iv) System for ensuring efficient execution of Director's duties

* In order to clarify the significance of our existence and the role of the ANA Group, we have established the corporate philosophy for our Group. Under the corporate vision of our Group, we share a common future goal of the Group.

* In order to achieve the corporate vision for our Group, we have established a Group Corporate Plan and we are introducing a system in which all employees set their own business goals using these Plans. We believe the system will help employees clarify their own goals that might very well overlap with each other. In addition, we make sure that all goals and plans are reviewed regularly in order to conduct our business more adequately and efficiently.

* In order to clarify the range of authorization and discretion of executives, we have established regulations such as the "Regulation of Segregation of Duties" and the "Regulation of Authority of Management" to stipulate the division of roles, the authority and responsibility of the conduct of duties and the system of command and order, etc.

* Through adopting the Corporate Executive Officer System, we promote prompt decision making. In addition, important matters in the course of execution of business are carefully deliberated by the "Group Management Committee" using a collegial system.

(v) System for ensuring appropriateness of the business operations of the ANA Group comprised of the Company and its subsidiaries

a. System of reporting to the Company matters regarding the performance of duties by directors and other officers of subsidiaries

i. The status of business operations at subsidiaries needs to be reported to the "Group Management Committee." Also, the status of audits conducted by audit & supervisory board members of subsidiaries needs to be reported to the "Group Audit & Supervisory Board Members Liaison Meeting."

b. Rules and other systems regarding the management of risk of loss at subsidiaries

i. Based on the "ANA Group Total Risk Management Rules," the Company has increased its management stability and efficiency through the establishment of the risk and crisis management system across the Group.

ii. The status of the risk and crisis management system needs to be reported to the "Group ESG Management Promotion Committee" to manage progress.

iii. The "ESG Promotion Leaders" being promoters of ESG activities at subsidiaries hold meetings of the "ESG Promotion Leaders Meeting" on a regular basis to share information and get education on the risk and crisis management.

c. System for ensuring efficient execution of duties of directors and other officers of subsidiaries

i. Based on the ANA Group's corporate philosophy, the Company has established the "Group Corporate Governance Rules" as fundamental principles governing the management of subsidiaries.

ii. Pursuant to the "Group Corporate Governance Rules," the Company has executed the "Group Management Rules" with each of its subsidiaries in order to exercise necessary control over their management in the aim of attaining their respective operational goals.

d. System for ensuring compliance with laws and the articles of incorporation by directors, other officers and employees of subsidiaries

i. The Company promotes education on and raises awareness of compliance based on the "ANA Group Compliance Rules."

ii. The Company has established the "Group Internal Audit Division" in charge of group internal audits, which conducts audits of operations and accounting at the Company and each group company.

(vi) Matters regarding employees who assist the duties of Audit & Supervisory Board Members where the Audit & Supervisory Board Members request that such employees be appointed

* Directors have established the "Audit & Supervisory Board Members Office," which is an organization that assists with the Audit & Supervisory Board Members' duties, upon the request of the Audit & Supervisory Board Members, and assigned a requisite number of employees to it.

(vii) Matters regarding the independence of the employees described in the preceding Item (vi) from Directors and matters regarding ensuring effectiveness of instructions given by Audit & Supervisory Board Members to these employees

* Employees who belong to the Audit & Supervisory Board Members Office shall comply with the instructions and orders of Audit & Supervisory Board Members, and Directors shall make decisions on personnel matters regarding these employees through consultation with Audit & Supervisory Board Members.

(viii) System of reporting to Audit & Supervisory Board Members

a. System of reporting from Directors and employees to Audit & Supervisory Board Members

i. Directors and employees report to Audit & Supervisory Board Members on important matters regarding the management and business operations of the Company including matters relating to compliance, risk management and internal control, as well as their performance of duties, etc., through important internal meetings such as a meeting of the Board of Directors and the "Group Management Committee."

ii. Employees make reports on the operation of the business to Audit & Supervisory Board Members by means of an internal document sent around for managerial approval in accordance with the "Rules for Request for Decision."

b. System of reporting from directors, audit & supervisory board members, executive officers and employees of subsidiaries or those who received a report from any of the foregoing to the Audit & Supervisory Board Members

i. Any material event occurred at a subsidiary is required to be reported to the Company pursuant to the "ANA Group Total Risk Management Rules," and information so reported is communicated to Audit & Supervisory Board Members.

ii. Full-time Audit & Supervisory Board Members and audit & supervisory board members of respective subsidiaries hold meetings of the "Group Audit & Supervisory Board Members Liaison Meeting" on a regular basis to report and exchange information on the auditing results.

iii. "Group Internal Audit Division" and Independent Auditor make reports to, and exchange information with, Audit & Supervisory Board Members on the auditing results of subsidiaries as necessary.

iv. Consultations and reports brought to the "Compliance Hot-line (ANA Alert)" from employees and others of subsidiaries are summarized, and material issues are escalated to the "Group ESG Management Promotion Committee" and Audit & Supervisory Board Members.

(ix) System for ensuring that persons who made a report under the preceding Item (viii) will not be treated disadvantageously as a result of making the report

* "ANA Group Rules on Handling of Whistleblowing" provides that it is prohibited to treat persons who made a report under the preceding Item (viii) disadvantageously for the reason of making the report.

(x) Matters regarding treatment of costs or debts incurred by Audit & Supervisory Board Members in performing their duties

* Directors assist Audit & Supervisory Board Members in audits, and allocate a budget for audit costs in order to secure the effectiveness of audits.

(xi) Other systems for securing the effectiveness of auditing by Audit & Supervisory Board Members

* Directors and Audit & Supervisory Board Members have regular meetings in order to increase communication, and Audit & Supervisory Board Members attend important meetings including the meeting of the Board of Directors and "Group Management Committee" where they directly comment on the performance of duties by Directors.

Directors have cooperated in the establishment of a system that can enhance the effectiveness of audits through coordination between Audit & Supervisory Board Members and the "Group Internal Audit Division."

Outline of the Status of Operation of System for Ensuring the Appropriateness of Business Operations

(From April 1, 2021 to March 31, 2022)

Outline of the status of operation of system for ensuring the appropriateness of business operations

The outline of the status of operation of the system for ensuring the appropriateness of business operations is as described below.

(i) Overall internal control system

The Company is a company with audit & supervisory board members (*kansayaku setchi-gaisha*). The Board of Directors and the Audit & Supervisory Board are responsible for supervising and auditing the performance of duties by Directors. To strengthen their supervising and monitoring functions, the Company includes Outside Directors and Full-time Outside Audit & Supervisory Board Members in the Boards' composition.
The Company adopts a holding company structure because, in the current challenging business environment, it is essential to have a management system that enables the Company to fully exercise its competitive advantages. Also, the Company has appointed personnel with substantial experience and high degree of expertise as directors and other officers of its subsidiary group companies, and delegated operational powers to them. This enables the Company and its subsidiaries to operate functionally and effectively.
The Board of Directors of the Company, the holding company in the Group, establishes management policies and goals for the Group overall and is responsible for supervising business operations at respective group companies. The Chairman of the Board presides over meetings of the Board of Directors. All Directors including Outside Directors and all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members attend meetings of the Board of Directors. During the Fiscal Year, the Board of Directors held 14 meetings.
In addition to statutorily required bodies, the Company also has the "Group Management Committee" chaired by the President and CEO, Representative Director, which has a role to supplement the Board of Directors and is tasked with discussing agendas more speedily and thoroughly. The Group Management Committee consists of 7 Full-time Directors and 3 Full-time Audit & Supervisory Board Members as well as presidents of respective group companies and others designated by the chairman. During the Fiscal Year, there were 78 Group Management Committee meetings.
Full-time Directors and Full-time Audit & Supervisory Board Members also hold meetings of the "Group ESG Management Promotion Committee" where they discuss, plan and promote important policies and matters concerning total risk management and compliance (held four times during the Fiscal Year), and meetings with the "ESG Promotion Leaders" as promotors of ESG activities at the Company and respective group companies (held twice during the Fiscal Year), under the supervision of the President and CEO of the Company.

In addition to the above, the Company has established the "CSR Guidelines" as a code of conduct to which the ANA Group directors and employees must adhere, and created an environment in which the said "CSR Guidelines" are accessible by all Group directors and employees through a dedicated website.

(ii) Risk management

The Company has established the "ANA Group Total Risk Management Rules" and has promoted a risk management system focusing on increasing the ANA Group's management stability and efficiency. For material issues that may affect the entire Group, the Company has put in place enhanced risk countermeasures to address them individually. To counter various business risks to which the ANA Group has been exposed, the Company has set up and operated a system consisting of the following 2 functions: "Risk Management" function that is designed to prepare in advance for and manage risks; and "Crisis Control" function that is designed to deal with materialized risks.
As part of the preventive "Risk Management" function, the Company has established risk management cycles (i.e. risk identification → analysis → assessment → study and implementation of controls and counter measures → monitoring) aiming at minimizing risks, and applies these cycles across the Group. As for the "Crisis Control" function to deal with materialized risks, the Company has prepared the "Crisis Management Manual (CMM)" describing responsive systems for the Group overall. The Company has also drawn up the "Emergency Response Manual (ERM)" as a manual subordinated to the CMM, in order to respond in particular to any crisis that may affect aircraft operations directly. Based on the ERM, the Company has conducted practical emergency drills in preparation for accident and hijacking every year since 2002. The Company held accident drills twice during the Fiscal Year.
In addition, the Company has prepared the “Business Continuity Plan (BCP)” as a plan subsidiary to the CMM, in order to prepare for large-scale natural disasters such as the Tokyo Inland Earthquake. Further, the Company has installed large secondary batteries and implemented flood control measures on power sources, devices and equipment in case of loss of commercial power at major airports in order to enhance the Company's ability to cope with natural disasters that occur more frequently in recent years including typhoons. Regarding measures to prevent the infection of COVID-19, which is the major risk event since 2020, the Company causes its employees to strictly follow basic preventive measures including wearing masks, hand-sanitation and avoidance of Three Cs (Closed spaces, Crowded places and Close-contact setting) in order to prevent any adverse effect on the Group's business operation as a result of mass infection of employees, and the Company also widely notifies within the Group and strictly complies with any appropriate infection preventive measures issued by the government and other relevant authorities.
With respect to "information security," the Company has established "ANA Group Information Security Management Regulations" that provide for our policies on the promotion of information security in line with the ISO 27001 (ISMS) and bylaws containing specific operational rules. These are applicable to the entire Group. While raising awareness of information security within the Group by distributing handbooks, providing e-learning and email newsletters, and making use of the intranet webpages, the Company has also set up a system to monitor compliance. In this way, the Company has enhanced its measures to ensure information security. During the Fiscal Year, the Company delivered one e-learning session for employees of the Group, issued information and warnings on the intranet webpages four times, tasked all business units of each group company to run a self-check, and caused a division in charge of information security to assess compliance at three locations. Furthermore, in preparation for the Tokyo 2020 Olympic and Paralympic Games, the Company conducted a comprehensive inspection of the systems of the entire Group and took corrective measures in advance. The Company also shared and utilized Aviation-

ISAC (Information Sharing and Analysis Center), Transportation ISAC and threat intelligence (early warning data on cyberattacks) to protect in advance against viruses that had caused actual damage outside the Company. As a result of these efforts, the Company was not significantly damaged or affected through the end of the Games. The Company plans to continue to utilize the Cybersecurity Framework established by the U.S. National Institute of Standards and Technology (NIST) to review the measures to ensure cloud security and the supply chain security management. Results of these activities are reported to the "Group ESG Management Promotion Committee" each time.

In addition, in order to respond to the amended Act on the Protection of Personal Information that has become fully effective as of April 1, 2022, the Company has revised privacy policies and internal regulations of the Company and each group company, and provided their employees with education on privacy.

(iii) Compliance

To promote compliance with laws and other regulations governing its business activities, the Company has established a compliance system based on the "ANA Group Compliance Rules." Under the oversight of the "Group ESG Management Promotion Committee," controlled by the President and CEO, Representative Director, the Company has been committed to raising awareness of compliance across the ANA Group, being led by the "ESG Promotion Leaders" assigned to the Company and respective group companies.

As part of anti-bribery measures, the Company has established the "ANA Group Anti-Bribery Rules" to address anti-bribery laws of various countries and is engaged in educating its employees through the distribution of a guidance book titled the "ANA Group Anti-Bribery Rules Handbook" which explains the "ANA Group Anti-Bribery Rules," and gives specific examples applicable thereto, and the implementation of e-learning.

In addition, for the purpose of strengthening the Group-wide compliance system, the Company has clarified contact points between the Legal & Insurance division and respective group companies to develop and operate a structure to facilitate two-way communications. Also, the Company has educated members of all group companies on an ongoing basis about various laws and regulations including aviation, anti-trust and labor laws and regulations.

As for the whistleblowing system, the Company has set up report desks both in the Company and outside (at a law firm) pursuant to the "ANA Group Rules on Handling of Whistleblowing" in an effort to collect information concerning, and solve, compliance issues. Further, besides educating and providing information to members of all group companies, the Company has improved methods of investigation and a system to share information with Audit & Supervisory Board Members in the aim of strengthening its functions to collect information concerning, and solve, compliance issues. Results of these activities are reported to the "Group ESG Management Promotion Committee" each time.

(iv) Internal audit

The "Group Internal Audit Division" (consisting of 12 members as of March 31, 2022) directly reporting to the President and CEO conducts operational audits, accounting audits and evaluations of the "Internal Controls over Financial Reporting" required under the Financial Instruments and Exchange Act for the Company and respective group companies from an independent and objective standpoint. There are two types of audit: "regular audit" that is conducted in accordance with an annual plan prepared in response to risk analysis results; and "special audit" that is conducted as necessary at the instruction or request of the management. Audit results are reported to the President and CEO monthly, and any material issues are communicated to Audit & Supervisory Board Members as appropriate. The audit results are also reported to the Board of Directors semiannually. Any material accounting and/or financial findings from audits are notified to the Independent Auditor through the Finance Division as necessary. In this way, the Company has enhanced mutual cooperation with the Independent Auditor.

During the Fiscal Year, the Group Internal Audit Division audited 36 locations within the Group according to the Division's decision to focus on: the consistency between the Group Management Plan and respective divisions' action plans; and management of operations at respective divisions. As for the "Internal Controls over Financial Reporting" required under the Financial Instruments and Exchange Act, the Group Internal Audit Division conducted the evaluation of the validity of the Company Level Control, Operational Process Control, Accounting and Financial Reporting Process Control and IT General Control, both at the Company and at each group company.

(v) Audit by Audit & Supervisory Board Members

5 Audit & Supervisory Board Members (among which 3 are Outside Audit & Supervisory Board Members) including 3 Full-time Members conduct audits by audit & supervisory board members (*kansayaku kansa*). Each of the Audit & Supervisory Board Members attends meetings of the Board of Directors, and Full-time Members attend other important meetings, too. By attending these meetings, Audit & Supervisory Board Members examine the process of making important decisions and the status of business operations. At these meetings, they state their opinions about Directors' performance of duties. At meetings of the Board of Directors, Group Management Committee and other important meetings where the Audit & Supervisory Board Members attend, they also receive reports on material issues relating to corporate management and business operations of the Company and respective group companies from Directors and employees.

Each Audit & Supervisory Board Member conducts audits of the Company and respective group companies in accordance with an audit plan, and then report to and share with Representative Directors the results of the audits at a regular meeting with them (held four times during the Fiscal Year). Audit & Supervisory Board Members also have a regular meeting with Directors (four times during the Fiscal Year), the Independent Auditor (nine times during the Fiscal Year), the Group Internal Audit Division (fourteen times during the Fiscal Year) and audit & supervisory board members of respective group companies (called the Group Audit & Supervisory Board Members Liaison Meeting; held two times during the Fiscal Year). Through these meetings, Audit & Supervisory Board Members share information and exchange opinions more broadly, seeking to improve their audit practices and the effectiveness of audits.

During the Fiscal Year, Audit & Supervisory Board Members held 13 meetings, where they reported, discussed or resolved their audit policies and material audit issues.

The Company also has the "Audit & Supervisory Board Members Office" that directly reports to the Audit & Supervisory Board and is independent from business units. Employees exclusively assigned to support Audit & Supervisory Board Members follow their instructions and orders. Personnel matters relating to these employees are determined in consultation with Audit & Supervisory Board Members.

Any material issues reported through the whistleblowing system are escalated to the "Group ESG Management Promotion Committee" and Audit & Supervisory Board Members on a regular basis. The Company expressly provides for the protection of whistleblowers in its internal rules, which are enforced in an appropriate manner.

Audit & Supervisory Board Members' claims for costs incurred in performing their duties have been properly dealt with in accordance with the relevant provisions of the Companies Act, and thus, the effectiveness of audits has been secured.

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

Yen (Millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the year	467,601	407,329	145,101	(59,335)	960,696
Cumulative effects of changes in accounting policies			(114,656)		(114,656)
Restated balance	467,601	407,329	30,445	(59,335)	846,040
Changes during the fiscal Year					
Net loss attributable to owners of the parent			(143,628)		(143,628)
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		(1)		1	0
Changes in scope of Consolidation			(45)		(45)
Net changes in the year					—
Total changes during the fiscal year	—	(1)	(143,673)	(15)	(143,689)
Balance at the end of the year	467,601	407,328	(113,228)	(59,350)	702,351

Yen (Millions)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
Balance at the beginning of the year	38,468	21,652	2,666	(16,249)	46,537	5,087	1,012,320
Cumulative effects of changes in accounting policies							(114,656)
Restated balance	38,468	21,652	2,666	(16,249)	46,537	5,087	897,664
Changes during the fiscal Year							
Net loss attributable to owners of the parent							(143,628)
Purchase of treasury stock							(16)
Disposal of treasury stock							0
Changes in scope of consolidation							(45)
Net changes in the year	(6,157)	50,515	1,022	2,981	48,361	1,079	49,440
Total changes during the fiscal year	(6,157)	50,515	1,022	2,981	48,361	1,079	(94,249)
Balance at the end of the year	32,311	72,167	3,688	(13,268)	94,898	6,166	803,415

Notes to Consolidated Financial Statements

(From April 1, 2021 to March 31, 2022)

This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the latter shall prevail in all respects.

Notes to Consolidated Financial Statements

1. Notes on material matters which constitute the basis for preparation of the consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 55
- Names of major consolidated subsidiaries: ALL NIPPON AIRWAYS CO., LTD.
  Air Japan Co., Ltd.
  ANA WINGS CO., LTD.
  Peach Aviation Limited
  ANA Cargo Inc.
  Overseas Courier Service Co., Ltd.
  ANA Systems Co., Ltd.
  ANA X INC.
  ALL NIPPON AIRWAYS TRADING CO., LTD.
- Change in the scope of consolidation
  Excluded: 1 ANA TOURS CHINA CO. LTD.
  ANA TOURS CHINA CO. LTD. has been excluded since it is in the process of liquidation and its significance has declined.

(ii) Nonconsolidated subsidiaries

- Number of nonconsolidated subsidiaries: 79
- Name of major nonconsolidated subsidiary: ANA Digital Gate, Inc.
- Reason for exclusion from the scope of consolidation: The nonconsolidated subsidiary has been excluded from the scope of consolidation, since it is small in size, and none of its total assets, operating revenues, net income / loss (amount equivalent to equity), nor retained earnings (amount equivalent to equity) have a material impact on the consolidated financial statements.

(2) Matters concerning the application of the equity method

(i) Nonconsolidated subsidiaries or affiliates accounted for by the equity method

- Number of nonconsolidated subsidiaries or affiliates accounted for by the equity method: 14
- Names of major companies: AIRPORT FACILITIES CO., LTD.
  JAMCO CORPORATION

(ii) Nonconsolidated subsidiaries or affiliates which are not accounted for by the equity method

- Number of nonconsolidated subsidiaries or affiliates which are not accounted for by the equity method: 106
- Name of major company: ANA Digital Gate, Inc.
- Reason for non-application of the equity method: The nonconsolidated subsidiaries and affiliates which are not accounted for by the equity method have been excluded from the scope of application of the equity method since they are small in size, and none of their total assets, operating revenues, net income / loss (amount equivalent to equity), nor retained earnings (amount equivalent to equity) have any material impact on the consolidated financial statements.

(3) Matters concerning the fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year end of Pan Am Holdings, Inc. and three (3) other subsidiaries is December 31, and the fiscal year end of Fujisey Co., Ltd. is February 28. As the difference between these fiscal year ends and the consolidated fiscal year end does not exceed three (3) months, ANA HOLDINGS INC. (the "Company") consolidates the financial statements of each company (December 31 or February 28), and if significant transactions arise between such fiscal year end dates and the consolidated fiscal year end, the Company will make necessary adjustments for consolidation purposes.

(4) Matters concerning accounting standards

(i) Valuation standards and methods for material assets

a. Held-to-maturity securities:	Amortized cost method (straight-line method)
b. Other securities	
・Other than nonmarketable equity securities:	Recorded using the fair market value method based on the market prices, etc., as at the end of the fiscal year (valuation differences are recorded in the Net assets section (direct net asset adjustment method), and the cost of marketable securities sold is calculated using the moving-average method).
・Nonmarketable equity securities:	Mainly stated at cost, method based on the moving-average method
c. Derivatives:	Recorded using the fair market value method.
d. Inventories:	Mainly stated at cost, determined by the moving-average method (values presented on the Consolidated Balance Sheet are determined by the net selling value).

(ii) Depreciation methods for material depreciable assets

a. Property and equipment (excluding lease assets)	
Buildings and structures:	Mainly the straight-line method. The estimated useful lives range mainly from three (3) to fifty (50) years.
Aircraft:	Mainly the straight-line method The estimated useful lives range mainly from nine (9) to twenty five (25) years.
Other:	Mainly the straight-line method
b. Intangible assets (excluding lease assets):	Mainly the straight-line method Software for internal use is amortized by the straight-line method mainly over five (5) years, the estimated useful life of software.
c. Lease assets:	Lease assets arising from transactions under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero (0) by the straight-line method over the lease term.

(iii) Accounting standards for significant allowances

a. Allowance for doubtful accounts:	The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
b. Accrued bonuses to employees:	Provisions are estimated for bonus payments for employees of the Company.
c. Accrued corporate executive officers' retirement benefits:	To prepare for benefit expenditures for allowances for the corporate executive officers, the payment amount required at the end of the fiscal year is recorded in accordance with the regulations for retirement benefits for corporate executive officers.

(vi) Accounting standards for recognition of revenue and expense

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. from the beginning of the current consolidated fiscal year and recognizes revenue when (or as) it satisfies a performance obligation by transferring promised goods or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The Group recognizes as revenue the amount expected to be received upon Air transportation, Airline related, Travel services, Trade and retail, and Others.

The Group recognize revenue based on the five-step approach

STEP1: Identify the Contract with a Customer
STEP2: Identify the Performance Obligations
STEP3: Determine the Transaction Price
STEP4: Allocate the Transaction Price to the Obligations
STEP5: Recognize revenue when the Obligations is satisfied

The details of the main performance obligations and the normal points of time for recognizing revenue in major services are as follows.

a. Air Transportation

Passenger revenue

Revenue is earned mainly from passenger transportation services by air. The Group is obliged to provide international and domestic air transportation services to customers based on the terms of carriage, etc., and revenue is recognized when the transportation services are provided. On sales, because the Group may carry out sales discounts and pay rebates according to sales performance, the consideration for the transaction is subject to change. In addition, transaction consideration is usually received prior to the fulfillment of performance obligations.

Cargo and Mail revenue

Revenue is earned mainly from cargo and mail transportation services, The Group is obliged to provide cargo and mail transportation services for international and domestic flights based on the conditions of carriage, etc., and revenue is recognized when the transportation services are provided. When selling, The Group will pay a rebate according to the sales performance. Therefore, the consideration for the transaction may fluctuate. In addition, the consideration for the transaction is received after the completion of the air transportation service of cargo and mail.

Others

The Group operates the membership program "ANA Mileage Club". This program awards points (miles, sky-coin etc.) to member customers depending on the use of our flights and the services of partner companies, and the miles awarded can be redeemed for goods and services provided by the Group or partner companies.

The main element of points is miles, which separately identify performance obligations as an option to purchase additional goods or services in the future. As a result, the transaction price allocated to the miles will be recognized as a contract liability at the time the miles are granted, and the revenue will be recognized when the goods or services exchanged for the miles are used or when the miles expires.

The transaction price is allocated based on the proportion of the independent selling price for each performance obligation included in the contract, and the independent selling price of miles is estimated by taking into account the composition ratio of goods and services that the customers select when using miles and the expected to expire.

b. Airline Related

The Group is obliged to provide services such as airport ground support services, aircraft maintenance and system development that accompany air transportation based on contracts with air carriers. Revenue is recognized mainly

		over a certain period of time as the service is provided.
c.	Travel Services	Revenue is earned from planning and sales of domestic and overseas travel. The Group plans travel products based on standard travel agency agreements. And the Group have an itinerary management obligation to arrange for travelers to receive transportation, accommodation and other travel services. Revenue is recognized over a certain period of time as the service is provided. Transaction consideration is primarily received prior to fulfilling performance obligations.
d.	Trade and Retail	Revenue is earned from import/export of aviation-related materials, shops and mail-order, etc. Revenue is recognized when the Group fulfill performance obligations primarily by delivery goods to customers.
e.	Others	Revenue is earned from building management dispatching, and personnel training business, etc. Revenue is recognized over a period of time as the service is provided.

(v) Accounting for deferred assets

a.	Bond issuance cost:	Bond issuance cost is amortized by the straight-line method over the redemption period of the corporate bonds.
b.	Share issuance cost:	Share issuance cost is amortized by the straight-line method over three (3) years.

(vi) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. The foreign currency exchange gain or loss from translation is recognized in the consolidated statement of operations.

All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year, and translation adjustments are included in Accumulated Other Comprehensive Income in the balance sheet.

(vii) Significant method of hedge accounting

a.	Method of hedge accounting:	Deferred hedge accounting. However, monetary receivables and payables denominated in foreign currencies with forward exchange contracts, etc., are translated at the corresponding contract rates. A special accounting treatment has been adopted for interest rate swaps which meet such accounting requirements.
b.	Hedging instruments and hedged items:	Hedging instruments: Derivative transactions (mainly forward exchange contracts, interest rate swaps, commodity swaps, and commodity options) Hedged items: Loans, aviation fuel, foreign-currency-denominated forecasted transactions denominated in foreign currencies
c.	Hedging policy:	The Company and its consolidated subsidiaries enter into derivative transactions to hedge risks arising from the fluctuation in foreign currency exchange rates, interest rates, and commodities in accordance with their internal management regulations, which provide for transaction authority and limits on transaction amounts, and do not enter into derivative transactions for speculative or trading purposes.
d.	Evaluation of effectiveness of hedging transactions:	The assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically by comparing the cumulative changes in cash flows from, or

the changes in fair value of, hedged items with the corresponding changes in the hedging instruments.
However, the evaluation of effectiveness is omitted for interest swaps which are accounted for by special treatment.

(viii) Matters concerning the amortization of goodwill
Goodwill is evenly amortized over ten (10) to fifteen (15) years from the year of accrual.

(ix) Accounting methods for retirement benefits

a. Accounting method to allocate the projected retirement benefit obligations: In calculating retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits until the end of the current consolidated fiscal year.

b. Accounting method for actuarial gains and losses and prior service costs: Prior service costs are amortized as incurred by the straight-line method over a certain period which is less than the average remaining service years of eligible employees.
Actuarial gains and losses are amortized from the subsequent fiscal year in which the gain or loss is recognized by the straight-line method over a certain period which is less than the average remaining service years of employees at the time of recognition.

(x) Other material matters which constitute the basis for preparation of the consolidated financial statements

a. Application of the consolidated tax return system: The Company and certain of its domestic consolidated subsidiaries adopt the consolidated tax return system.

b. Application of tax effect accounting on transition from the consolidated tax return system to the group tax sharing system: The Company and certain of its domestic consolidated subsidiaries will make the transition from the consolidated tax return system to the group tax sharing system in the following fiscal year.
With regard to the transition to the group tax sharing system introduced by the "Act Partially Amending the Income Tax Act, etc." (Act No. 8 of 2020) and items under the Nonconsolidated tax return system reviewed in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020), the Company and certain of its domestic consolidated subsidiaries applied the provisions of the Tax Act before the revisions in determining the amount of deferred tax assets and liabilities instead of applying Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).
From the beginning of the following fiscal year, the Company and certain of its domestic consolidated subsidiaries will apply the "Practical Solution No.42, Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System"(ASBJ PITF No. 42, August 12, 2021), which stipulates the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system.

2. Notes to changes in accounting policies

(1) Application of Accounting Standard for Revenue Recognition, etc.

The Group has applied the "Accounting Standard for Revenue Recognition, etc. from the beginning of the current consolidated fiscal year and recognizes revenue when (or as) it satisfies a performance obligation by transferring promised goods or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The Group recognizes as revenue the amount expected to be received upon air transportation, airline related, travel services, trade and retail, and others. The major changes due to the application of Accounting Standard for Revenue Recognition, are as follows:

<u>Revenue Recognition of the Company's point program</u>

Previously, to prepare for the use of the miles awarded, the estimated future expenditure was recorded as operating expenses and operating accounts payable. The miles awarded individually identify performance obligations as an option for future purchase of additional goods or services. As a result, the transaction price allocated to the miles will be recognized as a contract liability at the time the miles are granted, and the revenue will be recognized when the goods or services exchanged for the miles are used or when the miles expire.

The transaction price is allocated based on the proportion of the independent selling price for each performance obligation included in the contract, and the independent selling price of miles is estimated by taking into account the composition ratio of goods and services that the customers select when using miles and the expected to expire.

The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the proviso Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current consolidated fiscal year was added to or subtracted from the beginning balance of retained earnings of the current consolidated fiscal year, and thus the new accounting policy was applied from the beginning balance. As a result, the balance of retained earnings at the beginning of the period decreased by ¥114,656 million, and equity were ¥897,664 million, and total assets increased by ¥37,352 million to ¥3,245,235 million. In addition, net sales for the current consolidated cumulative fiscal year decreased by ¥11,723 million, and operating income, ordinary income and net income before adjustment for taxes increased by ¥22,932 million, respectively.

In the previous consolidated fiscal year, the advance consideration received from customers regarding air transportation services was represented as "Advance ticket sales" of current liabilities, but from the current consolidated fiscal year, it is included in "Contract liabilities". As a result, at the end of the current consolidated fiscal year, advance ticket sales decreased by ¥92,695 million.

In accordance with transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(2) Application of Accounting Standard for Fair Value Measurement, etc.

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019; hereinafter, "Fair Value Accounting Standards") and others from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Group has applied prospectively a new accounting policy prescribed by Fair Value Accounting Standards and others. This has no effect on the consolidated financial statements.

In addition, in the "8. Note to Financial Instruments", the group have decided to make a note regarding matters related to the breakdown of financial instruments by the three-level hierarchy for fair value measurements.

3. Changes in presentation method

Not applicable

4. Notes to Accounting Estimates

(Significant Accounting Estimates)

(1) Recoverability of deferred tax assets

(i) Amount recorded in consolidated financial statements

Deferred tax assets	¥273,452 million

(ii) Other information of Accounting estimates

The Group recorded deferred tax assets of ¥273,452 million related to tax loss carried forward, etc. for the current consolidated fiscal year due to a significant decrease in demand for airline passengers associated with the spread of the novel coronavirus (COVID-19)

The Company and certain domestic consolidated subsidiaries apply the consolidated corporate-tax system, and the corporations subject to the consolidated corporate-tax system make judgements on the recoverability based on the future taxable income, etc. of the consolidated taxpayer with regard to corporate taxes (national taxes), and make judgements on the recoverability of deferred tax assets based on the future taxable income, etc. of each corporation with regard to local taxes. With respect to tax loss carried forward, based on the estimated future taxable income, the Company schedule the expected year and amount to be deducted from tax loss carried forward, and record the amount expected to be recovered as deferred tax assets.

Regarding of judgment of recoverability of deferred tax assets by the consolidated taxpayers, the future taxable income of ANA Holdings Inc. and All Nippon Airways Co., Ltd., which constitutes a significant portion of the future taxable income is estimated based on a future plan that assumes "By the end of the fiscal year ending March 2024, demand for international passengers will approximately recover to the level in 2019 and by the end of the fiscal year ending March 2023, demand for domestic passengers will recover to the 90% level in 2019 ".

These assumptions are highly uncertain, and if the COVID-19 or the other impacts are prolonged, those may have a significant impact on the consolidated financial statements for the following fiscal year or thereafter.

(2) Impairment of the assets to be sold

(i) Amounts recorded in consolidated financial statements

Aircraft to be sold	¥4,299 million

(ii) Other information of Accounting estimates

During the current consolidated fiscal year, the Company identified indicators of impairment for aircraft to be sold, and recognized an impairment loss of ¥8,196 million for certain aircraft, using net realizable value as correctable amount. Net realizable value of aircraft is calculated by deducting estimated disposal costs from the estimated realizable value reasonably calculated based on the Company’s most recent actual sales results.

(3) Goodwill impairment related to the Air Transportation Business

(i) Amount recognized in the consolidated financial statements

Goodwill related to the Air Transportation Business	¥20,001 million

(ii) Other information of Accounting estimates

During the current consolidated fiscal year, due to the significant decline in air travel demand resulting from the impact of COVID-19, the Company identified indicators of impairment with respect to the goodwill that occurred when the Company made Peach Aviation Limited a consolidated subsidiary in April 2017. With respect to such goodwill, the Company determined that no impairment loss was recognized because the undiscounted future cash flows from Peach Aviation's air transportation business exceeded the book values.

These undiscounted future cash flows were determined by the management's best estimate and judgment, based on the business plan with the assumption that the negative impact of COVID-19 on the growth rate and the unit price of passenger revenue, etc. will decrease after 2022.

This assumption may be affected by the changes in uncertain economic conditions in the future and, if review of such assumption becomes necessary, it may have a material effect on the consolidated financial statements for subsequent consolidated fiscal years.

(4) Revenue Recognition of the Company’s point program

(i) Amounts recorded in consolidated financial statements

Contract liability	¥161,533 million

(ii) Other information of Accounting estimates

The Group operates the membership program "ANA Mileage Club". This program awards points (miles and sky-coin etc.) to member customers depending on the use of our flights and the services of partner companies.

The miles awarded individually identify performance obligations as an option for future purchase of additional goods or services provided by the Group or partner companies. The transaction price allocated to the miles is recognized as a contract liability at the time the miles is granted, and the revenue is recognized when the goods or services exchanged for the miles are used or when the miles expire. The transaction price is allocated based on the proportion of the independent selling price for each performance obligation included in the contract, and the independent selling price of miles is estimated by taking into account the composition ratio of goods and services that the customers select when using miles and the expected to expire. This assumption is highly uncertain, and if the composition ratio of goods and services that customers select and the expected expiration amount are changed, it may have a significant impact on the consolidated financial statements for the following fiscal year or thereafter.

5. Additional information

(Share remuneration plan for directors)

The Company has been conducting transactions to deliver its own stock through a trust as a share remuneration plan (the "Trust for Delivery of Shares to Directors") in order to improve its operating performance, increase its corporate value, and raise the directors' awareness of shareholder-oriented management.

(1) Transaction outline

The 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 own stock remaining in the trust

The Company's own stock remaining in the trust is recorded at the book value (excluding associated expenses) of the trust and is reflected as treasury stock in Net assets. The book value is ¥608 million for the previous fiscal year and ¥608 million for the current fiscal year. The number of shares is 178 thousand shares for the previous fiscal year and 178 thousand shares for the current fiscal year.

(3) The book value of loans payable is recorded by adopting the gross amount method

Not applicable

6. Notes to the Consolidated Balance Sheet

(1) Details of trade notes and accounts receivable

	Yen (Millions)
Notes receivable	192
Accounts receivable	148,750
Total	148,942

(2) Assets pledged as collateral

	Yen (Millions)
Buildings	2,234
Aircraft (including aircraft spare parts included in inventories)	733,474
Investment securities	4,718
Lease receivables	9,878
Long-term receivables	3,030
Other	571
Total	753,907

The above assets are pledged as collateral for long-term debt (including the current portion of long-term debt) of ¥627,893 million and other liabilities of related companies.

(3) Accumulated depreciation of property and equipment ¥1,118,362 million

(4) Debt guarantees

Debt guarantees of borrowings from financial institutions

Employees (housing loans, etc.)	¥51 million
Overseas Courier Service (Deutschland) GmbH	¥88 million
OCS Korea Co., Ltd.	9 million
SHANGHAI EASTERN INTERNATIONAL LOGISTICS CO., LTD.	¥413 million

Debt guarantee of performance of stock purchase reservation agreement

Fukuoka Airport Holdings Co., Ltd.	¥6,111 million

7. Notes to the Consolidated Statements of Changes in Equity

(1) Matters concerning the total number of outstanding shares

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	484,293 thousand shares	-	-	484,293 thousand shares

(2) Matters concerning the number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	13,950 thousand shares	6 thousand shares	0 thousand shares	13,956 thousand shares

(Notes)
1. The increase of 6 thousand shares of treasury stock is that the Company purchased from holders of fractional shares.
2. The decrease of 0 thousand shares of treasury stock is 0 thousand shares in the Company that were sold by the Trust for Delivery of Shares to Directors.
3. Treasury stock includes 178 thousand shares held by the Trust for Delivery of Shares to Directors.

(3) Matters concerning dividends

(i) Dividends paid

Not applicable

(ii) Dividends whose record date falls in the current fiscal year, but whose effective date falls in the next fiscal year

Not applicable

8. Notes to financial instruments

(1) Matters concerning the status of financial instruments

ANA Group limits fund management to short-term deposits, etc., and raises funds through borrowings from banks and other financial institutions and bond issuances.

The Group makes its best effort to reduce customer credit risk concerning accounts receivable in accordance with the internal rules, etc., of each ANA Group company. Investment securities consist mainly of shares, and fair values of listed shares are calculated quarterly.

Funds raised by borrowings and bonds are mainly used for capital expenditures, funds raised by convertible bond-type bonds with stock acquisition rights are used for capital expenditures and interest-bearing debt repayments, and derivatives are executed within the scope of actual demand pursuant to the internal management rules.

(2) Matters concerning fair values of financial instruments

The carrying values of financial instruments in the consolidated balance sheet, estimated fair values, and their differences as of March 31, 2022 are as follows:

Yen (Millions)

	Carrying value (Note 1)	Fair value (Note 2)	Differences
Investment securities (Note 4)	112,448	112,632	184
Bonds	(185,000)	(176,764)	(8,236)
Convertible bond-type bonds with stock acquisition rights (including the current portion of bonds)	(290,000)	(291,770)	1,770
Long-term debt (including the current portion of long-term debt)	(1,164,993)	(1,157,007)	(7,986)
Derivative transactions	103,405	103,405	—

(Note 1) Liabilities are presented in parentheses.

Net receivables and payables arising from derivative transactions are recorded net, and items which, in aggregate, become net payables are presented in parentheses.

(Note 2) “Cash and deposits”, “Notes and accounts receivable”, “Securities (Certificate of deposit)”, “Notes and accounts receivable”, “Accounts payable”, and “Short-term loans”

As these are Cash and settled within a short period of time, the book values are almost equal to the fair values and thus, those records are omitted.

(Note 3) Nonmarketable equity securities

These are excluded from “Investment securities” in the above table. The carrying value of these financial instruments in the consolidated balance sheet is as follows:

Non-listed shares etc., ¥27,831 million

(Note 4) Allowance for doubtful accounts, which are each investment securities, are deducted.

(3) The three-level hierarchy for fair value measurements

The market value of financial instruments is classified into the following three levels according to the observability and importance of the inputs used to calculate the fair value.

LEVEL 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

LEVEL 2: Market value calculated using directly or indirectly observable inputs other than Level 1 inputs.

LEVEL 3: Inputs to the valuation methodology which are significant to the fair value measurement are unobservable.

An investment’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(i) Financial assets and financial liabilities that are recorded on the balance sheet at fair value

Yen (Millions)

Classification	Fair Value			
	LEVEL 1	LEVEL 2	LEVEL 3	Total
Investment securities				
Other securities				
Equity securities	92,160	—	—	92,160
Derivative				
Currency	—	53,005	—	53,005
Commodity	—	50,400	—	50,400
Total assets	92,160	103,405	—	195,565

(ii) Financial assets and financial liabilities that are not recorded on the balance sheet at fair value

Yen (Millions)

Classification	Fair Value			
	LEVEL 1	LEVEL 2	LEVEL 3	Total
Investment securities				
Other securities				
Equity securities	14,486	—	—	14,486
Held-to-maturity securities				
Bonds	—	—	5,986	5,986
Total assets	14,486	—	5,986	20,472
Bonds	—	176,764	—	176,764
Convertible bonds with stock acquisition rights (including Convertible bonds scheduled to be redeemed within one year Corporate bonds with stock acquisition rights)	—	291,770	—	291,770
Long-term debt (including Current portion of long-term debt)	—	757,007	400,000	1,157,007
Total liabilities	—	1,225,541	400,000	1,625,541

(iii) Description of the valuation techniques and inputs used to determine fair values

Assets

Investment securities

As shares are traded on active markets, the fair values are classified as Level 1. Fair values of bonds are calculated by the discounted cash flow method based on the estimated future cash flows and interest rates of appropriate indices, such as yields on government bonds, plus credit spread, etc. Since the impact of unobservable inputs on the fair values is significant, the fair values are classified as Level 3.

Derivative

Fair values of interest rate swaps and other derivatives are calculated by the discounted cash flow method using observable inputs, such as interest rates, and classified as Level 2.

Liabilities

Bonds

Fair values of bonds issued by the Company are calculated based on the present value obtained by discounting the sum of their principal amounts and interest by the interest rate determined in light of the remaining period and the credit risk of the bonds, and classified as Level 2.

Convertible bonds with stock acquisition rights

Fair values of convertible bonds with stock acquisition rights issued by the Company are calculated based on the prices offered by financial institutions, and classified as Level 2.

Long-term debt

Fair values of long-term debt are based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. Long-term debt with floating interest rates is subject to special treatment for interest rate swaps (see “Derivative” above), and the fair values are based on the present value of the total of principal and interest, which have been treated as a unit with such interest rate swaps, discounted by the reasonably estimated interest rate to be applied if similar new borrowings were entered into. Accordingly, the fair values are classified as Level 2. However, the fair values of some of the long-term debt are classified as Level 3 because the impact of unobservable inputs, such as contract terms and credit spread, on the fair values is significant.

9. Notes to revenue recognition

(1) Information of the revenue from contracts with customers on a disaggregated basis

Yen（Millions）

	Reportable Segments (*1)				Other (*2)	Subtotal	Adjustments	Total
	Air Transportation	Airline Related	Travel Services	Trade and Retail				
International routes								
Passenger Revenues	70,151	—	—	—	—	70,151	—	—
Cargo Revenues	328,750	—	—	—	—	328,750	—	—
Mail Revenues	5,448	—	—	—	—	5,448	—	—
Subtotal	404,349	—	—	—	—	404,349	—	—
Domestic routes								
Passenger Revenues	279,877	—	—	—	—	279,877	—	—
Cargo Revenues	24,932	—	—	—	—	24,932	—	—
Mail Revenues	2,666	—	—	—	—	2,666	—	—
Subtotal	307,475	—	—	—	—	307,475	—	—
LCC Revenues	37,813	—	—	—	—	37,813	—	—
Airline Related Revenues	—	206,806	—	—	—	206,806	—	—
Revenues from domestic package products	—	—	26,243	—	—	26,243	—	—
Revenues from international package products	—	—	171	—	—	171	—	—
Revenues from Trade and Retail	—	—	—	81,694	—	81,694	—	—
Other	135,459	—	19,868	—	38,130	193,457	—	—
Total	885,096	206,806	46,282	81,694	38,130	1,258,008	(237,684)	1,020,324
Revenue from contracts with customers								1,004,220
Revenue from other(*3)								16,104

*1. The amount in the reportable segments is the amount before the intersegment consolidation elimination.

*2. “Other” represents all business segments that are not included in reportable segments, such as facility management, business support and other operations.

*3. Other Revenue includes rent income based on the “Accounting Standard for Lease Transactions (ASBJ statement No.13, March 30,2007)”.

(2) Information that is the basis for understanding revenue

Information that is the basis for understanding revenue is stated in the notes to consolidated financial statements "1. Notes on material matters which constitute the basis for preparation of the consolidated financial statements (4) Matters concerning accounting standards (vi) Accounting standards for revenue and expense recording".

(3) Matters for understanding the amount of revenue for the current consolidated period and the following period

(i) Balance of contract liabilities, etc.

Contract liabilities relate primarily to consideration received in advance from customers for air transportation and travel contracts, for which revenue is recognized as the services are provided, and to unexercised miles awarded for the use of the Company's flights, business partners' services, etc.

Revenue recognized for the current consolidated fiscal year that was included in the contract liabilities balance at the beginning of the year was ¥111,867 million.

(ii) Transaction price allocated to residual performance obligations

The total transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the current consolidated fiscal year was ¥256,023 million.

Expected periods of revenue recognition within the next three years from the transaction price, etc. allocated to the remaining performance obligations for consideration received in advance from customers and miles that are expected to be exercised by customers in the future are as follows.

Yen（Millions）

	The Current consolidated fiscal year
Within a year	143,293
Over 1 year and within 2 years	41,788
Over 2 years and within 3 years	27,022
Total	212,103

10. Notes to business combination

Not applicable

11. Notes concerning per share information

(1) Net assets per share ¥1,695.06

(2) Net (loss) per share ¥(305.37)

12. Notes concerning material subsequent events

Not applicable

Nonconsolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

Nonconsolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

Yen (Millions)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury Stock	Total Shareholders' equity
		Capital reserve	Other capital surplus	Total capital Surplus	Other retained earnings Retained earnings Carried forward	Total retained earnings		
Balance at the beginning of the year	467,601	402,625	14,146	416,771	350,919	350,919	(58,328)	1,176,965
Changes during the fiscal year								
Net income					26,940	26,940		26,940
Purchase of treasury stock							(16)	(16)
Disposal of treasury stock			(1)	(1)			1	0
Net changes in the year								—
Total changes during the fiscal year	—	—	(1)	(1)	26,940	26,940	(15)	26,925
Balance at the end of the year	467,601	402,625	14,146	416,771	377,860	377,860	(58,342)	1,203,890

Yen (Millions)

	Valuation and translation adjustments			Total net assets
	Unrealized gain (loss) on securities	Deferred gain on derivatives under hedge accounting	Total	
Balance at the beginning of the Year	35,343	12,155	47,499	1,224,464
Changes during the fiscal year				
Net loss				26,940
Purchase of treasury stock				(16)
Disposal of treasury stock				0
Net changes in the year	(6,254)	11,778	5,523	5,523
Total changes during the fiscal Year	(6,254)	11,778	5,523	32,449
Balance at the end of the year	29,088	23,934	53,022	1,256,913

Notes to Nonconsolidated Financial Statements

(From April 1, 2021 to March 31, 2022)

This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the latter shall prevail in all respects.

Notes to Nonconsolidated Financial Statements

1. Notes on matters concerning significant accounting policies

(1) Valuation standards and methods for securities

(i) Held-to-maturity securities:	Amortized cost method (straight-line method)
(ii) Investments in subsidiaries and affiliates:	Stated at cost, determined by the moving-average method
(iii) Other securities	
・Other than nonmarketable equity securities:	Recorded using the fair market value method based on the market prices, etc., at the end of the fiscal year (valuation differences are recorded in the net assets section (direct net asset adjustment method), and the cost of marketable securities sold is calculated using the moving-average method).
・Nonmarketable equity securities:	Stated at cost, determined by the moving-average method

(2) Valuation standards and methods for derivatives, etc.

Derivatives:	Market value method

(3) Depreciation methods for fixed assets

(i) Property and equipment (excluding lease assets)	
Buildings:	Straight-line method The estimated useful lives range mainly from three (3) to fifty (50) years.
Aircraft:	Straight-line method The estimated useful lives range mainly from nine (9) to twenty five (25) years.
Other:	Mainly straight-line method
(ii) Intangible assets (excluding lease assets):	Straight-line method Software for internal use is amortized by the straight-line method mainly over five (5) years, which is the estimated useful life of software.
(iii) Lease assets:	Lease assets arising from transactions under finance lease contracts which do not transfer ownership of the assets to the lessee are depreciated to a residual value of zero (0) by the straight-line method over the lease term.

(4) Accounting standards for allowances

(i) Allowance for doubtful accounts:	The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.
(ii) Accrued corporate executive officers' retirement benefits:	To prepare for the payment of retirement benefit expenditures for allowances for corporate executive officers, the payment amount required at the end of the fiscal year is recorded in accordance with the regulations for retirement benefits for corporate executive officers.

(5) Accounting standards for recognition of revenue and expense

(i) Rent income	Rent income is mainly from the rental of aircraft and real estate to the significant subsidiary company, All Nippon Airways Co., Ltd., and is recognized as revenue in accordance with the “Accounting Standard for Lease Transactions (ASBJ statement No.13, March 30, 2007)”.
(ii) Dividends from subsidiaries and affiliates	Revenue is recognized on the effective date of the

dividend.

(6) Accounting methods for deferred assets

(i) a Bond issuance cost: Bond issuance cost is amortized by the straight-line method over the redemption period of the corporate bonds.

b Share issuance cost: Share issuance cost is amortized by the straight-line method over three (3) years.

(7) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. The foreign currency exchange gain or loss from translation is recognized in the nonconsolidated statement of income.

(8) Method of hedge accounting

(i) Method of hedge accounting: Deferred hedge accounting. However, monetary receivables and payables denominated in foreign currencies with forward exchange contracts, etc., are translated at the corresponding contract rates.

A special accounting treatment has been adopted for interest rate swaps which meet such accounting requirements.

(ii) Hedging instruments and hedged items: Hedging instruments:

Derivative transactions (mainly forward exchange contracts and interest swaps)

Hedged items:

Loans and forecasted transactions denominated in foreign currencies

(iii) Hedge policy: The Company enters into derivative transactions to hedge risks arising from the fluctuation in currencies and interest rates in accordance with its internal regulations, "Risk Management Regulations on Hedge Transactions" and "Risk Management Guidelines for Hedge Transactions," and does not enter into derivative transactions for speculative or trading purposes.

(iv) Evaluation of effectiveness of hedge transactions: The assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments.

However, the evaluation of effectiveness is omitted for interest rate swaps which are accounted for by special treatment.

(9) Other material matters which constitute the basis for preparation of financial statements

(i) Application of the consolidated tax return system: The Company adopts the consolidated tax return system.

(ii) Application of tax effect accounting on transition from the consolidated tax return system to the group tax sharing system: The Company will make the transition from the consolidated tax return system to the group tax sharing system in the following fiscal year.

With regard to the transition to the group tax sharing system introduced by the “Act Partially Amending the Income Tax Act, etc.” (Act No. 8 of 2020) and items under the Nonconsolidated tax return system reviewed in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), the Company applied the provisions of the Tax Act before the revisions in determining the amount of deferred tax assets and liabilities instead of applying Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

From the beginning of the following fiscal year, the Company will apply the "Practical Solution on the Treatment of Accounting and Disclosure for the Application of the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which stipulates the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system.

2. Changes in accounting policies

(1) Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. effective from the beginning of the current fiscal year. There is no impact from the application of this standard.

(2) Application of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No30, July 4,2019), etc. effective from the beginning of the current fiscal year. In accordance with the Accounting Standard or Fair Value Measurement Item19, and transitional measures are made on "Accounting standard for Financial Instruments "(ASBJ Statement No.10, July 4,2019) Item44-2, the Company has applied new accounting policy based on Accounting Standard for Fair Value Measurement,etc. prospectively. There is no impact from the application of this standard.

3. Notes to Accounting Estimates

(Significant Accounting Estimates)

Recoverability of deferred tax assets

(i)Amount recorded in nonconsolidated financial statements

Deferred tax assets	¥41,840 million

(ii)Amount recorded in nonconsolidated financial statements

Aircrafts to be sold	¥4,102 million

The Company identified indication of impairment on the aircraft that the Company decided to sell, and recorded an impairment loss of ¥8,112 million.

(iii)Other information of Accounting estimates

Other information that contributes to the understanding of users of financial statements regarding the content of estimates is stated in the notes to consolidated financial statements "4. Notes to Accounting Estimates".

4. Additional information

(Share remuneration plan for directors)

The notes concerning the share remuneration plan for directors regarding the content of estimates is stated in the notes to consolidated financial statements "5. Additional Information".

5. Notes to the Nonconsolidated Balance Sheet

(1) Assets pledged as collateral

	Yen (Millions)
Buildings	2,234
Aircraft	663,323
Investment securities	4,718
Lease receivables	9,878
Long-term receivables	3,030
Total	683,184

The above assets are pledged as collateral for long-term debts (including the current portion of long-term debt) of ¥626,943 million and other liabilities of the subsidiaries and affiliates.

(2) Accumulated depreciation of property and equipment ¥818,671 million

(3) Debt guarantees

Debt guarantees of borrowings from financial institutions

ALL NIPPON AIRWAYS CO., LTD. ¥276 million

Debt guarantee of performance of stock purchase reservation agreement

Fukuoka Airport Holdings Co., Ltd. ¥6,111 million

(4) Monetary receivables and payables to subsidiaries and affiliates

(i) Short-term monetary receivables ¥28,297 million

(ii) Short-term monetary payables ¥109,636 million

(iii) Long-term monetary receivables ¥813,120 million

(iv) Long-term monetary payables ¥123 million

6. Notes to the Nonconsolidated Statement of Income

Transactions with subsidiaries and affiliates

(1) Operating revenues ¥188,209 million

(2) Operating cost ¥2,905 million

(3) Other expenses ¥4,376 million

7. Notes to the Nonconsolidated Statement of Changes in Equity

Matters concerning the number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	13,819 thousand shares	6 thousand shares	0 thousand shares	13,825 thousand shares

(Notes)

1. The increase of 6 thousand shares of treasury stock is that the Company purchased from the holders of fractional shares.
2. The decrease of 0 thousand shares of treasury stock is the total of 0 thousand shares that were sold to the holders of fractional shares at their request during the current fiscal year.
3. Treasury stock includes 178 thousand shares in the Company held by the Trust for Delivery of Shares to Directors.

8. Notes to tax effect accounting

Breakdown of the major temporary differences of tax effect accounting that give rise to a significant portion of the deferred tax assets and liabilities

	Yen (Millions)
Deferred tax assets	
Investments in subsidiaries and affiliates associated with corporate division	43,336
Valuation loss on investments in subsidiaries and affiliates	6,258
Long-term unearned revenue	4,753
Impairment loss	2,708
Other	13,263
Subtotal: deferred tax assets	70,320
Valuation allowance	(3,911)

Total: deferred tax assets	66,409
Deferred tax liabilities	
Net unrealized holding gain on securities	(13,339)
Deferred gain on hedging instruments	(10,563)
Other	(665)
Total: deferred tax liabilities	(24,568)
Net deferred tax assets	41,840

9. Notes to transactions with related parties

Subsidiaries and affiliates, etc.

<table>
<tr><th>Type</th><th>Name of the company</th><th>Percentage of the voting rights owned or held by the Company</th><th>Relationship with the related parties</th><th>Transaction details</th><th>Transaction amount Yen (Millions)</th><th>Account</th><th>Balance at the end of the fiscal year Yen (Millions)</th></tr>
<tr><td rowspan="7">Subsidiary</td><td rowspan="7">ALL NIPPON AIRWAYS CO., LTD.</td><td rowspan="7">Percentage owned: 100%, direct</td><td rowspan="7">Lease of business assets

Debt guarantee

Borrowing and lending of funds

Acceptance of collateral

Concurrent officers</td><td>Lease fee of aircraft and spare engines, etc. (Note 1)</td><td>150,322</td><td>Accounts receivable</td><td>14,807</td></tr>
<tr><td>Debt guarantee (Note 2)</td><td>276</td><td></td><td>—</td></tr>
<tr><td>Repayment of funds</td><td>4,500</td><td rowspan="2">Long-term loans (including the current portion of long term loans)</td><td rowspan="2">6,750</td></tr>
<tr><td>Receipt of interest (Note 3)</td><td>72</td></tr>
<tr><td>Transaction volume (Note 4)</td><td>651,628</td><td rowspan="2">Long-term loans (Note 4)</td><td rowspan="2">737,516</td></tr>
<tr><td>Receipt of interest (Note 4)</td><td>3,812</td></tr>
<tr><td>Acceptance of collateral (Note 5)</td><td>70,150</td><td>—</td><td>—</td></tr>
<tr><td>Subsidiary</td><td>Peach Aviation Co., Ltd.</td><td>Percentage owned: 77.9%, direct</td><td>Lease of business assets

Borrowing and lending of funds</td><td>Transaction volume (Note 4)</td><td>59,394</td><td>Long-term loans (Note 4)</td><td>68,500</td></tr>
</table>

Terms and conditions and policies for deciding the terms and conditions, etc.

(Notes) 1. The Company and ALL NIPPON AIRWAYS CO., LTD. have entered into a Flight Equipment

Lease Agreement and have decided on the lease fee for aircraft, etc., upon negotiation.

2. The Company guarantees debts arising from the jet fuel derivative transactions mainly of ALL NIPPON AIRWAYS CO., LTD.
3. The interest rate on the loans has been determined by taking market interest rates into account.
4. Transactions are implemented within the CMS (Cash Management System) that centrally manages funds within the ANA Group. The interest rate has been reasonably determined by taking market rates into account. The transaction volume is the average balance during the period.
5. Collateral is provided for borrowings from financial institutions.

10. Notes to revenue recognition

The notes "revenue recognition" is stated in the notes to consolidated financial statements "9. Notes to revenue recognition".

11. Notes to per share information

(1) Net assets per share	¥2,671.62
(2) Net income per share	¥57.26

12. Notes concerning material subsequent events

Not applicable

END