Financial Results 2022

Fiscal 2021 (Year ended March 2022)

ANA HOLDINGS INC.

Contents

Consolidated Financial Statements

Consolidated Balance Sheet

ANA HOLDINGS INC. and its consolidated subsidiaries
As of March 31, 2022

As of March 31	Yen (Millions) 2022	2021	U.S. dollars (Thousands) (Note 2) 2022
ASSETS			
Current assets:			
Cash and deposits (Notes 18 and 24)	¥ 452,679	¥ 464,739	$ 3,698,660
Marketable securities (Notes 6 and 18)	498,310	500,980	4,071,492
Notes and accounts receivable (Note 18)	149,437	107,573	1,220,990
Accounts receivable from and advances to unconsolidated subsidiaries and affiliates	3,787	3,763	30,942
Lease receivables and investments in leases (Note 9)	17,628	19,112	144,031
Inventories (Notes 7, 9 and 26)	44,074	38,855	360,111
Prepaid expenses and other	128,251	91,511	1,047,887
Allowance for doubtful accounts	(245)	(231)	(2,001)
Total current assets	1,293,921	1,226,302	10,572,113
Property and equipment:			
Land (Note 9)	44,385	48,748	362,652
Buildings and structures (Note 9)	260,000	301,266	2,124,356
Aircraft (Note 9)	1,783,736	1,943,795	14,574,197
Machinery and equipment	99,234	101,014	810,801
Vehicles	33,353	33,525	272,514
Furniture and fixtures	60,933	64,772	497,859
Lease assets (Note 15)	10,612	10,660	86,706
Construction in progress	176,446	198,389	1,441,670
Total	2,468,699	2,702,169	20,170,757
Accumulated depreciation	(1,118,362)	(1,255,862)	(9,137,690)
Net property and equipment	1,350,337	1,446,307	11,033,066
Investments and other assets:			
Investment securities (Notes 6 and 18)	113,968	129,930	931,187
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 8)	31,632	34,245	258,452
Lease and guaranty deposits	15,003	15,526	122,583
Deferred tax assets (Note 13)	273,452	219,618	2,234,267
Goodwill	20,230	22,346	165,291
Intangible assets	73,050	87,839	596,862
Other assets	46,840	25,770	382,711
Total investments and other assets	574,175	535,274	4,691,355
TOTAL (Note 21)	¥3,218,433	¥3,207,883	$26,296,535

As of March 31	Yen (Millions) 2022	2021	U.S. dollars (Thousands) (Note 2) 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans (Notes 9 and 18)	¥ 100,070	¥ 100,070	$ 817,632
Current portion of long-term debt (Notes 9 and 18)	136,832	72,966	1,117,999
Accounts payable (Note 18)	126,273	182,241	1,031,726
Accounts payable to unconsolidated subsidiaries and affiliates	3,322	2,508	27,142
Advance ticket sales	—	44,718	—
Contract liabilities	256,023	—	2,091,862
Accrued expenses	25,174	39,286	205,686
Income taxes payable	2,908	10,696	23,760
Other current liabilities (Note 12)	37,287	50,920	304,657
Total current liabilities	687,889	503,405	5,620,467
Long-term liabilities:			
Long-term debt (Notes 9 and 18)	1,513,206	1,482,416	12,363,804
Liability for retirement benefits (Note 10)	157,395	160,885	1,286,011
Deferred tax liabilities (Note 13)	1,498	222	12,239
Asset retirement obligations (Note 12)	1,550	1,153	12,664
Other long-term liabilities	53,480	47,482	436,963
Total long-term liabilities	1,727,129	1,692,158	14,111,683
Contingent liabilities (Note 17)			
Equity (Note 16):			
Common stock:			
Authorized – 1,020,000,000 shares;			
Issued – 484,293,561 shares in 2022 and 484,293,561 shares in 2021	467,601	467,601	3,820,581
Capital surplus	407,328	407,329	3,328,115
Retained earnings (Accumulated deficit)	(113,228)	145,101	(925,140)
Treasury stock – 13,956,694 shares in 2022 and 13,950,901 shares in 2021	(59,350)	(59,335)	(484,925)
Accumulated other comprehensive income:			
Unrealized gain on securities	32,311	38,468	264,000
Deferred gain (loss) on derivatives under hedge accounting	72,167	21,652	589,647
Foreign currency translation adjustments	3,688	2,666	30,133
Defined retirement benefit plans	(13,268)	(16,249)	(108,407)
Total	797,249	1,007,233	6,514,004
Non-controlling interests	6,166	5,087	50,379
Total equity	803,415	1,012,320	6,564,384
TOTAL	¥3,218,433	¥3,207,883	$26,296,535

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2022

Year Ended March 31	Yen (Millions) 2022	Yen (Millions) 2021	U.S. dollars (Thousands) (Note 2) 2022
Operating revenues (Note 21)	¥1,020,324	¥ 728,683	$ 8,336,661
Cost of sales (Notes 10 and 26)	1,049,414	1,000,000	8,574,344
Gross loss	(29,090)	(271,317)	(237,682)
Selling, general and administrative expenses (Notes 10 and 22)	144,037	193,457	1,176,869
Operating loss (Note 21)	(173,127)	(464,774)	(1,414,551)
Other income (expenses):			
Interest income	297	663	2,426
Dividend income	988	1,446	8,072
Foreign exchange gain, net	2,540	4,143	20,753
Gain on sales of assets	4,256	3,422	34,774
Gain on donation of non-current assets	653	2,405	5,335
Subsidies for employment adjustment	23,955	43,470	195,726
Interest expenses	(25,343)	(16,689)	(207,067)
Equity in losses of unconsolidated subsidiaries and affiliates	(2,031)	(3,630)	(16,594)
Loss on sales of assets	(677)	(2,825)	(5,531)
Loss on disposal of assets	(7,974)	(5,609)	(65,152)
Commission fee	–	(7,742)	–
Loss on valuation of derivatives	–	(8,044)	–
Grounded aircraft expense	(12,697)	–	(103,742)
Gain on sales of property and equipment	20,032	2,834	163,673
Impairment loss (Note 25)	(9,357)	(4,231)	(76,452)
Business restructuring expense	–	(86,350)	–
Loss on cancellation of contracts	(4,055)	–	(33,131)
Other, net (Note 26)	7,166	(3,861)	58,550
Other income (expenses), net	(2,247)	(80,598)	(18,359)
Loss before income taxes	(175,374)	(545,372)	(1,432,911)
Income taxes (Note 13):			
Current	2,682	3,990	21,913
Deferred	(35,817)	(141,672)	(292,646)
Total income taxes	(33,135)	(137,682)	(270,732)
Net loss	(142,239)	(407,690)	(1,162,178)
Net income (loss) attributable to non-controlling interests	1,389	(3,066)	11,348
Net loss attributable to owners of the parent	¥ (143,628)	¥ (404,624)	$ (1,173,527)

Year Ended March 31	Yen 2022	Yen 2021	U.S. dollars (Note 2) 2022
Per share of common stock (Notes 3, 16 and 23):			
Basic net loss	¥(305.37)	¥(1,082.04)	$(2.50)
Cash dividends applicable to the year	–	–	–

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, 2022 and 2021.
See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2022

Year Ended March 31	Yen (Millions) 2022	Yen (Millions) 2021	U.S. dollars (Thousands) (Note 2) 2022
Net loss	¥(142,239)	¥(407,690)	$(1,162,178)
Other comprehensive income (loss) (Note 14):			
Unrealized (loss) gain on securities	(6,104)	16,253	(49,873)
Deferred gain on derivatives under hedge accounting	50,438	36,242	412,108
Foreign currency translation adjustments	1,142	31	9,330
Defined retirement benefit plans	2,954	1,606	24,135
Share of other comprehensive income in affiliates	45	323	367
Total other comprehensive income (Note 14)	48,475	54,455	396,069
Comprehensive loss	¥ (93,764)	¥(353,235)	$ (766,108)
Total comprehensive (loss) income attributable to:			
Owners of the parent	¥ (95,267)	¥(350,452)	$ (778,388)
Non-controlling interests	1,503	(2,783)	12,280

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2022

	Thousands	Yen (Millions)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	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 equity
Balance at March 31, 2020	334,519	¥318,789	¥258,470	¥ 550,839	¥(59,435)	¥1,068,663	¥22,120	¥(14,595)	¥2,668	¥(17,828)	¥ (7,635)	¥ 7,842	¥1,068,870
Issuance of new shares	135,795	148,812	148,812			297,624							297,624
Net loss attributable to owners of the parent				(404,624)		(404,624)							(404,624)
Purchase of treasury stock (Note 16)	(5)				(13)	(13)							(13)
Disposal of treasury stock (Note 16)	32		(1)		113	112							112
Change in the parent's ownership interest due to transactions with non-controlling interests			48			48							48
Changes in scope of consolidation				(660)		(660)							(660)
Changes in scope of equity method				(454)		(454)							(454)
Net changes in the year						–	16,348	36,247	(2)	1,579	54,172	(2,755)	51,417
Total changes during the fiscal year		148,812	148,859	(405,738)	100	(107,967)	16,348	36,247	(2)	1,579	54,172	(2,755)	(56,550)
Balance at March 31, 2021	470,342	467,601	407,329	145,101	(59,335)	960,696	38,468	21,652	2,666	(16,249)	46,537	5,087	1,012,320
Cumulative effects of changes in accounting policies				(114,656)		(114,656)							(114,656)
Restated balance		467,601	407,329	30,445	(59,335)	846,040	38,468	21,652	2,666	(16,249)	46,537	5,087	897,664
Issuance of new shares													
Net loss attributable to owners of the parent				(143,628)		(143,628)							(143,628)
Purchase of treasury stock (Note 16)	(6)				(16)	(16)							(16)
Disposal of treasury stock (Note 16)			(1)		1	0							0
Change in the parent's ownership interest due to transactions with non-controlling interests													
Changes in scope of consolidation				(45)		(45)							(45)
Changes in scope of equity method													
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		0	(1)	(143,673)	(15)	(143,689)	(6,157)	50,515	1,022	2,981	48,361	1,079	(94,249)
Balance at March 31, 2022	470,336	¥467,601	¥407,328	¥(113,228)	¥(59,350)	¥ 702,351	¥32,311	¥ 72,167	¥3,688	¥(13,268)	¥94,898	¥6,166	¥ 803,415

	Thousands	U.S. dollars (Thousands) (Note 2)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	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 equity
Balance at March 31, 2021	470,342	$3,820,581	$3,328,123	$ 1,185,562	$(484,802)	$ 7,849,464	$314,306	$176,909	$21,782	$(132,764)	$380,235	$41,563	$8,271,263
Cumulative effects of changes in accounting policies				(936,808)		(936,808)							(936,808)
Restated balance		3,820,581	3,328,123	248,753	(484,802)	6,912,656	314,306	176,909	21,782	(132,764)	380,235	41,563	7,334,455
Issuance of new shares													
Net loss attributable to owners of the parent				(1,173,527)		(1,173,527)							(1,173,527)
Purchase of treasury stock (Note 16)	(6)				(130)	(130)							(130)
Disposal of treasury stock (Note 16)			(8)		8	0							0
Change in the parent's ownership interest due to transactions with non-controlling interests													
Changes in scope of consolidation				(367)		(367)							(367)
Changes in scope of equity method													
Net changes in the year							(50,306)	412,737	8,350	24,356	395,138	8,816	403,954
Total changes during the fiscal year			(8)	(1,173,894)	(122)	(1,174,025)	(50,306)	412,737	8,350	24,356	395,138	8,816	(770,071)
Balance at March 31, 2022	470,336	$3,820,581	$3,328,115	$ (925,140)	$(484,925)	$ 5,738,630	$264,000	$589,647	$30,133	$(108,407)	$775,373	$50,379	$6,564,384

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2022

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
Year Ended March 31	2022	2021	2022
Cash flows from operating activities:			
Loss before income taxes	¥(175,374)	¥ (545,372)	$(1,432,911)
Adjustments for:			
Depreciation and amortization (Note 21)	157,505	176,352	1,286,910
Impairment loss (Note 25)	9,357	75,575	76,452
Amortization of goodwill (Note 21)	2,116	2,115	17,288
(Gain) loss on disposal and sales of property and equipment	(15,637)	10,759	(127,763)
Loss on cancellation of contracts	4,055	–	33,131
(Gain) loss on sales and valuation of investment securities	(2,941)	8,058	(24,029)
Increase (decrease) in allowance for doubtful accounts	770	(251)	6,291
Increase (decrease) in liability for retirement benefits	664	(44)	5,425
Interest and dividend income	(1,285)	(2,109)	(10,499)
Interest expenses	25,343	16,689	207,067
Subsidies for employment adjustment	(23,955)	(43,470)	(195,726)
Foreign exchange (gain)	(3,404)	(2,454)	(27,812)
(Increase) in notes and accounts receivable	(44,964)	(5,107)	(367,382)
Decrease in other current assets	20,687	52,880	169,025
Increase (decrease) in notes and accounts payable	2,473	(25,160)	20,205
Decrease in advance ticket sales	–	(67,109)	–
Increase in contract liabilities	15,445	–	126,194
Other, net	(43,432)	49,496	(354,865)
Subtotal	(72,577)	(299,152)	(592,997)
Interest and dividends received	1,682	2,427	13,742
Interest paid	(26,081)	(12,466)	(213,097)
Proceeds from subsidy income	26,046	38,001	212,811
Income taxes (paid) refunded	(5,483)	749	(44,799)
Net cash (used in) operating activities	(76,413)	(270,441)	(624,340)
Cash flows from investing activities:			
Increase in time deposits	(655,500)	(372,626)	(5,355,829)
Proceeds from withdrawal of time deposits	635,713	162,300	5,194,158
Purchases of marketable securities	(253,889)	(437,280)	(2,074,426)
Proceeds from redemption of marketable securities	539,230	154,870	4,405,833
Purchases of property and equipment	(120,591)	(134,174)	(985,301)
Proceeds from sales of property and equipment	87,055	54,415	711,291
Purchases of intangible assets	(12,773)	(22,536)	(104,363)
Purchases of investment securities	(2,975)	(7,168)	(24,307)
Proceeds from sales of investment securities	12,806	746	104,632
Proceeds from withdrawal of investments in securities	1,670	2,527	13,644
Other, net	(727)	3,167	(5,940)
Net cash provided by (used in) investing activities	230,019	(595,759)	1,879,393
Cash flows from financing activities:			0
Increase in short-term loans, net	–	97,747	–
Proceeds from long-term loans	–	827,988	–
Repayment of long-term loans	(72,702)	(98,949)	(594,019)
Proceeds from issuance of bonds	169,799	–	1,387,360
Repayment of bonds	–	(20,000)	–
Repayment of finance lease obligations	(3,011)	(4,668)	(24,601)
Proceeds from issuance of shares	–	296,098	–
Proceeds from share issuance to non-controlling shareholders	–	318	–
Net decrease (increase) of treasury stock	(16)	99	(130)
Other, net	(424)	(461)	(3,464)
Net cash provided by financing activities	93,646	1,098,172	765,144
Effect of exchange rate changes on cash and cash equivalents	3,626	2,649	29,626
Net increase in cash and cash equivalents	250,878	234,621	2,049,824
Cash and cash equivalents at beginning of year	370,322	135,937	3,025,753
Net (decrease) resulting from changes in scope of consolidation	(163)	(236)	(1,331)
Cash and cash equivalents at end of year (Note 24)	¥ 621,037	¥ 370,322	$ 5,074,246

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2022

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 ¥122.39 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2022. 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

(1) Consolidation

The consolidated financial statements as of March 31, 2022 include the accounts of the Company and its 55 (56 in 2021) 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 14 (14 in 2021) 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 106 (97 in 2021) 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.

(2) 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 operations.

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 equity 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 equity.

(3) 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 equity. Non-marketable securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. See Note 6 "Marketable securities and investment securities" for additional information.

(4) 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.

(5) 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 7 "Inventories" and Note 26 "Supplementary information for the consolidated statement of operations" for additional information.

(6) 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	9–25 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 25 "Impairment loss" for additional information.

(7) 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.

(8) 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 equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over the average remaining service years of employees.

(9) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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 13 "Income taxes" for additional information.

(10) 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.

(11) Derivatives

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

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

(12) Revenue recognition

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

STEP 1: Identify the contract with the customer

STEP 2: Identify the performance obligations

STEP 3: Determine the transaction price

STEP 4: Allocate the transaction price to the obligations

STEP 5: Recognize revenue when the obligations are satisfied

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

1. 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.
2. 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.
3. 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 has 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.
4. Trade and Retail	Revenue is earned from import/export of aviation-related materials, shops and mail-order, etc. Revenue is recognized when the Group fulfills performance obligations primarily by delivery of goods to customers.
5. Others	Revenue is earned from building management dispatching, personnel training business, etc. Revenue is recognized over a period of time as the service is provided.

(13) 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 24 "Supplementary cash flow information" for additional information.

(14) Per share information

Basic net loss per share is computed by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net loss per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net loss per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted net loss per share is not presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

(15) 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 equity. The book value was ¥608 million for the previous fiscal year and ¥608 million for the current fiscal year. The number of shares was 178 thousand shares for the previous fiscal year and 178 thousand shares for the current fiscal year.

4. 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:

Revenue recognition of the Company's point program

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, equity was ¥897,664 million, and total assets increased by ¥37,352 million to ¥3,245,235 million. In addition, net sales for the current consolidated 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 Note 18 “Financial instruments and related disclosures,” the Group has decided to make a note regarding matters related to the breakdown of financial instruments by the three-level hierarchy for fair value measurements.

5. Significant accounting estimates

(1) Recoverability of deferred tax assets

1. Amount recorded in the consolidated financial statements

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Deferred tax assets	¥273,452	¥219,618	$2,234,267

2. Other information of accounting estimates

The Group recorded deferred tax assets of ¥273,452 million ($2,234,267 thousand) related to tax loss carryforwards, 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

1. Amounts recorded in the consolidated financial statements

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Aircraft to be sold	¥4,299	¥7,713	$35,125
Land, buildings and structures, etc. to be sold	–	8,664	–

2. 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 collectable 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

1. Amount recognized in the consolidated financial statements

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Goodwill related to the Air Transportation	¥20,001	¥22,002	$163,420

2. 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

1. Amounts recorded in consolidated financial statements

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Contract liability	¥161,533	–	$1,319,821

2. 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.

6. Marketable securities and investment securities

Marketable and investment securities at March 31, 2022 and 2021 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Current:			
Negotiable certificates of deposits	¥498,310	¥500,980	$4,071,492
Other	–	–	–
Total	¥498,310	¥500,980	$4,071,492
Non-current:			
Marketable equity securities	¥ 92,160	¥106,657	$ 753,002
Other	21,808	23,273	178,184
Total	¥113,968	¥129,930	$ 931,187

The costs and aggregate fair values of marketable and investment securities at March 31, 2022 and 2021 were as follows:

	Yen (Millions)			
As of March 31, 2022	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	¥498,310	¥ –	¥ –	¥498,310
Marketable equity securities	47,037	46,269	(1,146)	92,160
Held-to-maturity	1,855	–	(37)	1,818

	Yen (Millions)			
As of March 31, 2021	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	¥500,980	¥ –	¥ –	¥500,980
Marketable equity securities	51,583	55,610	(536)	106,657
Held-to-maturity	1,855	3,061	–	4,916

	U.S. dollars (Thousands)			
As of March 31, 2022	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	$4,071,492	$ –	$ –	$4,071,492
Marketable equity securities	384,320	378,045	(9,363)	753,002
Held-to-maturity	15,156	–	(302)	14,854

The proceeds, realized gains, and realized losses on the available-for-sale securities sold during the years ended March 31, 2022 and 2021 were as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Proceeds	¥12,926	¥746	$105,613
Gain on sales	8,278	37	67,636
Loss on sales	–	–	–

The breakdown of securities for which fair value cannot be reliably determined at March 31, 2022 and 2021 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Available-for-sale	¥19,953	¥21,418	$163,028

The redemption schedule of available-for-sale securities with maturities and held-to-maturity securities at March 31, 2022 and 2021 is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Bonds:			
Within 1 year	¥ –	¥ –	$ –
Over 1 year to 5 years	–	–	–
Over 5 years to 10 years	–	–	–
Over 10 years	1,855	1,855	15,156
Other securities with maturities:			
Within 1 year	498,310	500,980	4,071,492
Over 1 year to 5 years	2,971	2,837	24,274
Over 5 years to 10 years	3,816	2,222	31,179
Over 10 years	–	–	–
Total:			
Within 1 year	¥498,310	¥500,980	$4,071,492
Over 1 year to 5 years	2,971	2,837	24,274
Over 5 years to 10 years	3,816	2,222	31,179
Over 10 years	1,855	1,855	15,156

7. Inventories

Inventories at March 31, 2022 and 2021 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Inventories (Merchandise)	¥ 9,218	¥11,625	$ 75,316
Inventories (Supplies)	34,856	27,230	284,794
Total	¥44,074	¥38,855	$360,111

8. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2022 and 2021 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Investments in capital stock	¥26,311	¥29,346	$214,976
Advances	5,321	4,899	43,475
Total	¥31,632	¥34,245	$258,452

9. Short-term loans and long-term debt

Short-term loans and current portion of long-term debt at March 31, 2022 and 2021 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Short-term loans	¥100,070	¥100,070	$ 817,632
Current portion of long-term loans	62,775	69,443	512,909
Current portion of bonds	70,000	–	571,942
Current portion of finance lease obligations	4,057	3,523	33,148
Total	¥236,902	¥173,036	$1,935,631

The weighted-average interest rates on the above short-term loans were 1.16% and 0.47% per annum in 2022 and 2021, respectively.

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Bonds:			
1.22% notes due 2024	¥ 30,000	¥ 30,000	$ 245,118
1.20% notes due 2026	15,000	15,000	122,559
0.99% notes due 2036	20,000	20,000	163,412
0.88% notes due 2037	10,000	10,000	81,706
Convertible bonds with stock acquisition rights due 2022	70,000	70,000	571,942
Convertible bonds with stock acquisition rights due 2024	70,000	70,000	571,942
0.82% notes due 2038	10,000	10,000	81,706
0.47% notes due 2028	10,000	10,000	81,706
0.27% notes due 2026	5,000	5,000	40,853
0.84% notes due 2039	15,000	15,000	122,559
0.27% notes due 2025	30,000	30,000	245,118
0.28% notes due 2029	10,000	10,000	81,706
0.69% notes due 2039	10,000	10,000	81,706
0.48% notes due 2026	20,000	–	163,412
Convertible bonds with stock acquisition rights due 2031	150,000	–	1,225,590
	475,000	305,000	3,881,036
Long term debt principally from banks:			
The weighted-average interest rates were 2.26% and 2.26% per annum in 2022 and 2021, maturing in installments through 2057	1,164,993	1,237,695	9,518,694
Finance lease obligations:			
Finance lease agreements expiring through 2031	10,045	12,687	82,073
	1,650,038	1,555,382	13,481,804
Less current portion	136,832	72,966	1,117,999
Total	¥1,513,206	¥1,482,416	$12,363,804

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 ($46.78) per share
Total issue price	¥70,000 million ($632,282 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, 2022, 13,757,050 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 ($46.06) per share
Total issue price	¥70,000 million ($632,282 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, 2022, 13,972,892 shares of common stock would have been issued.

	Zero coupon convertible bonds due 2031
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥2,883 ($23.55) per share
Total issue price	¥150,000 million ($1,225,590 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	December 24, 2021 through November 26, 2031

If all of these outstanding warrants had been exercised at March 31, 2022, 52,029,136 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, 2022 and 2021:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Assets at net book value:			
Aircraft (including aircraft spare parts included in inventories)	¥733,474	¥832,114	$5,992,924
Land and buildings	2,234	2,588	18,253
Lease receivables and investments in leases	9,878	11,012	80,709
Others	8,319	11,875	67,971
Total	¥753,907	¥857,591	$6,159,874

The aggregate annual maturities of long-term debt after March 31, 2022 are as follows:

Years ending March 31	Yen (Millions)	U.S. dollars (Thousands)
2023	¥ 136,832	$ 1,117,999
2024	116,343	950,592
2025	145,165	1,186,085
2026	96,635	789,566
2027	101,159	826,529
Thereafter	1,053,904	8,611,030
Total	¥1,650,038	$13,481,804

10. 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.

(1) The changes in the defined benefit obligation for the years ended March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Balance at the beginning of the fiscal year	¥224,180	¥225,286	$1,831,685
Service cost	10,513	10,628	85,897
Interest cost	1,692	1,702	13,824
Actuarial (losses) gains	(1,609)	4,467	(13,146)
Benefits paid	(16,746)	(18,474)	(136,824)
Other	(71)	571	(580)
Balance at the end of the fiscal year	¥217,959	¥224,180	$1,780,856

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Balance at the beginning of the fiscal year	¥64,064	¥62,717	$523,441
Expected return on plan assets	807	831	6,593
Actuarial (losses) gains	(523)	3,171	(4,273)
Employer contributions	2,346	2,619	19,168
Benefits paid	(5,170)	(5,272)	(42,242)
Other	–	(2)	–
Balance at the end of the fiscal year	¥61,524	¥64,064	$502,688

(3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of the defined benefit obligation and plan assets at March 31, 2022 and 2021 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Funded defined benefit obligation	¥ 68,136	¥ 71,964	$ 556,712
Plan assets at fair value	(61,524)	(64,064)	(502,688)
	6,612	7,900	54,024
Unfunded defined benefit obligation	149,823	152,216	1,224,144
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥156,435	¥160,116	$1,278,168
Liability for retirement benefits	¥157,395	¥160,885	$1,286,011
Asset for defined benefits	(960)	(769)	(7,843)
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥156,435	¥160,116	$1,278,168

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Service cost	¥10,513	¥10,628	$ 85,897
Interest cost	1,692	1,702	13,824
Expected return on plan assets	(807)	(831)	(6,593)
Recognized actuarial losses	2,094	2,947	17,109
Amortization of past service cost	872	851	7,124
Net periodic benefit costs	¥14,364	¥15,297	$117,362

Note: Additional severance for the voluntary retirement scheme is recorded as a part of special loss (business restructuring expense) besides the above table in the previous fiscal year.

(5) Amounts recognized in other comprehensive income (before income tax effect) related to the defined retirement benefit plans for the years ended March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Past service cost	¥ 872	¥ 851	$ 7,124
Actuarial gains	3,180	1,651	25,982
Total	¥4,052	¥2,502	$33,107

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) related to the defined retirement benefit plans at March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Unrecognized actuarial losses	¥(12,548)	¥(15,730)	$(102,524)
Unrecognized past service cost	(6,557)	(7,427)	(53,574)
Total	¥(19,105)	¥(23,157)	$(156,099)

(7) Plan assets

1. Components of plan assets

Plan assets at March 31, 2022 and 2021 consisted of the following:

	2022	2021
Bonds	40%	45%
General accounts	14	13
Stocks	13	11
Cash and deposits	3	4
Other	30	27
Total	100%	100%

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.

(8) Assumptions used for the years ended March 31, 2022 and 2021 are set forth as follows:

	2022	2021
Discount rates	0.1 – 1.2%	0.1 – 1.2%
Expected rates of return on plan assets	1.0 – 2.5%	1.0 – 2.5%

1. Defined contribution pension plans

The contributions to the defined contribution pension plans of the Company and certain consolidated subsidiaries were ¥3,884 million ($31,734 thousand) and ¥4,467 million for the years ended March 31, 2022 and 2021, respectively.

11. Stock options

Consolidated subsidiary: avatarin Inc.

Compensation expense for employee stock options are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment."

(1) Items and amounts of related expenses presented in the consolidated accounts

There are no applicable items.

(2) Amount recorded as profit due to expiration of non-exercise of rights

There are no applicable items.

(3) Description of stock options, movement of stock options and status of related changes

1. Description of stock options

	1st subscription rights to share
Category and number of people eligible to be granted stock options	Executive officers in the consolidated subsidiary: 2 people
Number of stock options granted by type of stock	Common shares: 27,500 shares (*1)
Granted date	February 1, 2022
Vesting conditions	Listing of the consolidated subsidiary on domestic or overseas financial instruments exchanges, etc.
Vesting period	No relevant service period has been established.
Exercise period	From February 1, 2022 to December 28, 2036

	2nd subscription rights to share
Category and number of people eligible to be granted stock options	Employee in the consolidated subsidiary: 27 people
Number of stock options granted by type of stock	Common shares: 20,235 shares (*1)
Granted date	February 1,2022
Vesting conditions	Listing of the consolidated subsidiary on domestic or overseas financial instruments exchanges, etc.
Vesting period	No relevant service period has been established.
Exercise period	From February 1, 2022 to December 28, 2031

(*1) Options are presented after conversion to the number of the consolidated subsidiary shares.

2. Movement of stock options and status of related changes

With respect to stock options existing during the fiscal year ended March 31, 2022, the number of stock options is converted into the number of shares:

1) Number of stock options

	1st subscription rights to share	2nd subscription rights to share
Share subscription rights which are not yet vested		
Outstanding as of March 31, 2021	¥ —	¥ —
Granted	27,500	20,235
Canceled	—	—
Vested	—	—
Unvested balance	27,500	20,235

2) Price information

	1st subscription rights to share	2nd subscription rights to share
Exercise price (yen)	¥11,150	¥11,150
Weighted average exercise price (yen)	—	—
Fair value at the granted date (yen)	—	—

	1st subscription rights to share	2nd subscription rights to share
Exercise price (U.S dollars)	$91.10	$91.10
Weighted average exercise price (U.S dollars)	—	—
Fair value at the granted date (U.S dollars)	—	—

(4) Method of estimating the fair value of stock options

At the time of granting the 1st and 2nd subscription rights to share, the consolidated subsidiary was a private company. It depends on the method of estimating intrinsic value per unit of stock options, instead of the method of estimating the fair valuation unit price of stock options. In addition, the valuation method for the company's stock, which is the basis for calculating the intrinsic value per unit, uses the price calculated by using both the Discounted cash flow method and the transaction case method.

(5) Method of estimating the number of vested stock option rights

Because reasonable estimation of the number of rights to be canceled in the future is difficult, the method which reflects only the actual number of rights canceled is used.

(6) Total intrinsic value at the end of the current consolidated fiscal year when calculated based on the intrinsic value per unit of stock options and total intrinsic value of stock options exercised in the current consolidated fiscal year on the exercise date

1. Total intrinsic value at the end of the current consolidated fiscal year (million yen)	–
2. Intrinsic value of stock options exercised in the current consolidated fiscal year on the exercise date (million yen)	–

12. Asset retirement obligations

(1) 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, 2022 and 2021:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Balance at the beginning of the fiscal year	¥2,763	¥1,255	$22,575
Liabilities incurred due to the acquisition of property and equipment	100	42	817
Accretion expense	15	14	122
Liabilities settled	(903)	(104)	(7,378)
Other	1,607	1,556	13,130
Balance at the end of the fiscal year	¥3,582	¥2,763	$29,267

1. 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 offices 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, etc. 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.

13. 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 30.62% for the years ended March 31, 2022 and 2021.

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, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards (*2)	¥220,887	¥145,675	$1,804,779
Liability for retirement benefits	48,907	49,763	399,599
Contract liabilities of the Company's point program	48,622	–	397,271
Prepaid expenses	10,975	10,242	89,672
Loss on investment in subsidiaries	6,142	5,879	50,183
Loss on valuation of assets	4,920	5,630	40,199
Long-term unearned revenue	4,753	4,419	38,834
Unrealized gain on inventories and property and equipment	3,851	4,364	31,464
Impairment loss	3,235	19,824	26,431
Accrued bonuses to employees	3,128	1,311	25,557
Other provisions	1,112	8,429	9,085
Other	29,840	27,743	243,810
Total gross deferred tax assets	386,372	283,279	3,156,891
Valuation allowance for tax loss carryforwards (*2)	(44,789)	(17,312)	(365,953)
Valuation allowance for the sum of deductible temporary differences, etc.	(20,207)	(16,997)	(165,103)
Subtotal of valuation allowances (*1)	(64,996)	(34,309)	(531,056)
Total net deferred tax assets	321,376	248,970	2,625,835
Deferred tax liabilities:			
Deferred gain on hedging instruments	(31,508)	(9,299)	(257,439)
Unrealized gain on securities	(14,342)	(16,717)	(117,182)
Retained earnings of subsidiaries and affiliates	(1,597)	(1,809)	(13,048)
Other	(1,975)	(1,749)	(16,136)
Total gross deferred tax liabilities	(49,422)	(29,574)	(403,807)
Net deferred income taxes	¥271,954	¥219,396	$2,222,027

(*1) Valuation allowances increased by ¥30,687 million ($250,731 thousand). The main reason for the increase in valuation allowances is an increase ¥27,477 million ($224,503 thousand) in the valuation allowance for tax loss carryforwards.

(*2) Tax loss carryforwards and associated deferred tax assets by deadline of carryforward:

As of March 31, 2022

	Yen (Millions)						
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*a)	¥–	¥–	¥–	¥20	¥–	¥220,867	¥220,887
Valuation allowance	–	–	–	–	–	(44,789)	(44,789)
Deferred tax assets (*b)	¥–	¥–	¥–	¥20	¥–	¥176,077	¥176,097

As of March 31, 2021

	Yen (Millions)						
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*a)	¥–	¥–	¥–	¥–	¥ 201	¥145,474	¥145,675
Valuation allowance	–	–	–	–	(201)	(17,111)	(17,312)
Deferred tax assets	¥–	¥–	¥–	¥–	¥ –	¥128,363	¥128,363

As of March 31, 2022

	U.S. dollars (Thousands)						
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*a)	**$–**	**$–**	**$–**	**$163**	**$–**	**$1,804,616**	**$1,804,779**
Valuation allowance	**–**	**–**	**–**	**–**	**–**	**(365,953)**	**(365,953)**
Deferred tax assets (*b)	**$–**	**$–**	**$–**	**$163**	**$–**	**$1,438,655**	**$1,438,818**

(*a) Tax loss carryforwards reflect the amounts resulting from multiplying the statutory tax rate.

(*b) The Group recorded deferred tax assets of ¥176,097 million ($1,438,818 thousand) related to tax loss carryforwards due to a significant decrease in demand for airline passengers associated with the spread of COVID-19, etc.

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".

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, 2022 and 2021 is as follows:

	2022	2021
Normal effective statutory tax rate	**30.62%**	30.62%
Reconciliation:		
Amortization of goodwill	**(0.37)**	(0.12)
Expenses not deductible for income tax purposes	**(0.05)**	(0.02)
Inhabitants tax per capita levy	**(0.11)**	(0.04)
Income taxes for prior periods	**0.09**	0.02
Changes in valuation allowance	**(12.29)**	(3.87)
Other, net	**1.00**	(1.34)
Actual effective income tax rate	**18.89%**	25.25%

The changes in valuation allowance includes the changes between the valuation allowance at the beginning of the period and the valuation allowance at the end of the period due to the application of Accounting Standard for Revenue Recognition.

14. 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, 2022 and 2021:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Unrealized gain (loss) on securities:			
Amount arising during the fiscal year	**¥ (267)**	¥ 13,936	**$ (2,181)**
Reclassification adjustments to profit or loss	**(8,213)**	8,058	**(67,105)**
Amount of unrealized gain (loss) on securities before tax effect	**(8,480)**	21,994	**(69,286)**
Tax effect	**2,376**	(5,741)	**19,413**
Total	**(6,104)**	16,253	**(49,873)**
Deferred gain (loss) on derivatives under hedge accounting:			
Amount arising during the fiscal year	**96,255**	57,286	**786,461**
Reclassification adjustments to profit or loss	**(23,797)**	(4,925)	**(194,435)**
Amount of deferred gain (loss) on derivatives under hedge accounting before tax effect	**72,458**	52,361	**592,025**
Tax effect	**(22,020)**	(16,119)	**(179,916)**
Total	**50,438**	36,242	**412,108**
Foreign currency translation adjustments:			
Amount arising during the fiscal year	**1,142**	31	**9,330**
Total	**1,142**	31	**9,330**
Defined retirement benefit plans:			
Amount arising during the fiscal year	**1,086**	(1,296)	**8,873**
Reclassification adjustments to profit or loss	**2,966**	3,798	**24,234**
Amount of defined retirement benefit plans before tax effect	**4,052**	2,502	**33,107**
Tax effect	**(1,098)**	(896)	**(8,971)**
Total	**2,954**	1,606	**24,135**
Share of other comprehensive income (loss) in affiliates:			
Amount arising during the fiscal year	**157**	227	**1,282**
Reclassification adjustments to profit or loss	**(112)**	96	**(915)**
Total	**45**	323	**367**
Total other comprehensive income (loss)	**¥ 48,475**	¥ 54,455	**$ 396,069**

15. Leases

As lessee

(1) 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 (10) "Leases."

(2) Operating leases

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

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Current portion of operating lease obligations	**¥ 67,161**	¥ 65,907	**$ 548,745**
Long-term operating lease obligations	**276,297**	295,600	**2,257,512**
Total	**¥343,458**	¥361,507	**$2,806,258**

As lessor

(1) Operating leases

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

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Current portion of operating lease receivables	**¥ 2,164**	¥ 2,169	**$ 17,681**
Long-term operating lease receivables	**11,535**	13,269	**94,247**
Total	**¥13,700**	¥15,438	**$111,937**

16. Supplementary information for the consolidated statement of changes in equity

Supplementary information for the consolidated statement of changes in equity for the year ended March 31, 2022 consisted of the following:

(1) 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

There are no applicable items.

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

There are no applicable items.

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.

(2) Type and number of outstanding shares

As of March 31, 2022 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	484,293	–	–	484,293
Total	484,293	–	–	484,293
Treasury stock:				
Common stock (*1, *2)	13,950	6	0	13,956
Total	13,950	6	0	13,956

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

As of March 31, 2021 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 (*1)	348,498	135,795	–	484,293
Total	348,498	135,795	–	484,293
Treasury stock:				
Common stock (*2, *3, *4)	13,978	5	32	13,950
Total	13,978	5	32	13,950

(*1) The increase of 135,795 thousand shares of common stock is the total of 126,310 thousand shares issued through a public offering with the subscription payment date on December 14, 2020; and 9,485 thousand shares issued through a third-party allotment with the subscription payment date on January 13, 2021, as the allotment to be taken in relation to the offering due to over-allotment.
(*2) The increase of 5 thousand shares of treasury stock is that the Company purchased from holders of fractional shares.
(*3) The decrease of 32 thousand shares of treasury stock is the total of 1 thousand shares that the Company sold to the holders of fractional shares at their request; and 31 thousand shares in the Company that were sold by the Trust for Delivery of Shares to Directors.
(*4) Treasury stock includes 178 thousand shares held by the Trust for Delivery of Shares to Directors.

17. Contingencies

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥562 million ($4,591 thousand) at March 31, 2022.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,111 million ($49,930 thousand) at March 31, 2022.

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥982 million ($8,870 thousand) at March 31, 2021.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,111 million ($55,198 thousand) at March 31, 2021.

18. Financial instruments and related disclosures

(1) Overview

1. 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.

2. 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.

Bonds are mainly for the purpose of redemption of corporate bonds and capital investment, and convertible bonds with stock acquisition rights are used for capital investment funds and interest-bearing debt repayment.

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.

3. 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 19 "Derivatives and hedging activities" are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet at March 31, 2022 and 2021, 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).

As of March 31, 2022	Yen (Millions) Carrying value (*1)	Fair value (*2)	Differences
Assets:			
Investment securities	¥ 94,015	¥ 93,978	¥ (37)
Total assets	¥ 94,015	¥ 93,978	¥ (37)
Liabilities:			
Bonds	¥ 185,000	¥ 176,764	¥ (8,236)
Convertible bonds with stock acquisition rights	290,000	291,770	1,770
Long-term debt	1,164,993	1,157,007	(7,986)
Total liabilities	¥1,639,993	¥1,625,541	¥(14,452)
Derivatives	¥ 103,405	¥ 103,405	¥ –

(*1) 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.
(*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.
(*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

As of March 31, 2021	Yen (Millions) Carrying value (*1)	Fair value (*2)	Differences
Assets:			
Investment securities	¥ 108,512	¥ 111,573	¥ 3,061
Total assets	¥ 108,512	¥ 111,573	¥ 3,061
Liabilities:			
Bonds	¥ 165,000	¥ 153,833	¥ (11,167)
Convertible bonds with stock acquisition rights	140,000	135,520	(4,480)
Long-term debt	1,237,695	1,890,992	653,297
Total liabilities	¥1,542,695	¥2,180,345	¥637,650
Derivatives	¥ 31,177	¥ 31,177	¥ –

As of March 31, 2022	U.S. dollars (Thousands) Carrying value (Note 1)	Fair value (Note 2)	Differences
Assets:			
Investment securities	$ 768,159	$ 767,856	$ (302)
Total assets	$ 768,159	$ 767,856	$ (302)
Liabilities:			
Bonds	$ 1,511,561	$ 1,444,268	$ (67,293)
Convertible bonds with stock acquisition rights	2,369,474	2,383,936	14,461
Long-term debt	9,518,694	9,453,443	(65,250)
Total liabilities	$13,399,730	$13,281,648	$(118,081)
Derivatives	$ 844,881	$ 844,881	$ –

(*1) 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.
(*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.
(*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.: $227,396 million

As of March 31	Yen (Millions) 2022	2021	U.S. dollars (Thousands) 2022
Unlisted stocks	¥19,953	¥21,418	$163,028

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 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.

1. Financial assets and financial liabilities that are recorded on the balance sheet at fair value

Classification	Yen (Millions) 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

Classification	U.S. dollars (Thousands) Fair Value LEVEL 1	LEVEL 2	LEVEL 3	Total
Investment securities				
Other securities				
Equity securities	$753,002	$ –	$—	$ 753,002
Derivative				
Currency	—	433,082	—	433,082
Commodity	—	411,798	—	411,798
Total assets	$753,002	$844,881	$—	$1,597,883

2. Financial assets and financial liabilities that are not recorded on the balance sheet at fair value

Classification	Yen (Millions) 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

Classification	U.S. dollars (Thousands) Fair Value LEVEL 1	LEVEL 2	LEVEL 3	Total
Investment securities				
Other securities				
Equity securities	$118,359	$ —	$ —	$ 118,359
Held-to-maturity securities				
Bonds	—	—	48,909	48,909
Total assets	$118,359	$ —	$ 48,909	$ 167,268
Bonds	$ —	$ 1,444,268	$ —	$ 1,444,268
Convertible bonds with stock acquisition rights (including Convertible bonds scheduled to be redeemed within one year Corporate bonds with stock acquisition rights)	—	2,383,936	—	2,383,936
Long-term debt (including Current portion of long-term debt)	—	6,185,203	3,268,240	9,453,443
Total liabilities	$ —	$10,013,407	$3,268,240	$13,281,648

3. Description of the valuation techniques and inputs used to determine fair values

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.

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.

4. The redemption schedule for receivables and available-for-sale and held-to-maturity securities with maturities at March 31, 2022 and 2021 is summarized as follows:

	Yen (Millions)			
As of March 31, 2022	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	¥ 451,947	¥ –	¥ –	¥ –
Notes and accounts receivable	149,437	–	–	–
Held-to-maturity bonds	–	–	–	1,855
Other securities with maturities	498,310	2,971	3,816	–
Total	¥1,099,694	¥2,971	¥3,816	¥1,855

	Yen (Millions)			
As of March 31, 2021	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	¥ 464,010	¥ –	¥ –	¥ –
Notes and accounts receivable	107,573	–	–	–
Held-to-maturity bonds	–	–	–	1,855
Other securities with maturities	500,980	2,837	2,222	–
Total	¥1,072,563	¥2,837	¥2,222	¥1,855

	U.S. dollars (Thousands)			
As of March 31, 2022	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	$3,692,679	$ –	$ –	$ –
Notes and accounts receivable	1,220,990	–	–	–
Held-to-maturity bonds	–	–	–	15,156
Other securities with maturities	4,071,492	24,274	31,179	–
Total	$8,985,162	$24,274	$31,179	$15,156

5. The redemption schedule for bonds, loans, and other interest-bearing liabilities at March 31, 2022 and 2021 is summarized as follows:

	Yen (Millions)			
As of March 31, 2022	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	¥100,070	¥ –	¥ –	¥ –
Bonds	–	100,000	20,000	65,000
Convertible bonds with stock acquisition rights	70,000	70,000	150,000	—
Long-term debt	62,775	284,689	248,237	569,291
Total	¥232,845	¥454,689	¥418,237	¥634,291

	Yen (Millions)			
As of March 31, 2021	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	¥100,070	¥ —	¥ —	¥ —
Bonds	—	60,000	40,000	65,000
Convertible bonds with stock acquisition rights	—	140,000	—	—
Long-term debt	69,443	290,219	272,127	605,906
Total	¥169,513	¥490,219	¥312,127	¥670,906

	U.S. dollars (Thousands)			
As of March 31, 2022	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	$ 817,632	$ –	$ –	$ –
Bonds	—	817,060	163,412	531,089
Convertible bonds with stock acquisition rights	571,942	571,942	1,225,590	—
Long-term debt	512,909	2,326,080	2,028,245	4,651,450
Total	$1,902,483	$3,715,082	$3,417,248	$5,182,539

19. 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 at March 31, 2022 and 2021 for which hedged accounting has been applied.

(1) Derivative transactions to which hedge accounting is applied

1. Currency-related transactions

		Yen (Millions)		
		Notional amount		
As of March 31, 2022		Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:	USD	¥ 120	¥ –	¥ (3)
	EUR	–	–	–
	Other	–	–	–
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:	USD	396,486	188,389	48,296
	EUR	5	–	0
	Other	0	–	0
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:	USD (Put)	50,108	32,802	(553)
Buy:	USD (Call)	55,108	36,045	5,265
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:	USD	916	–	(*)
	EUR	–	–	(*)
	Other	–	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:	USD	8,315	–	(*)
	EUR	17	–	(*)
	Other	1	–	(*)
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY				
Total		¥511,081	¥257,238	¥53,005

As of March 31, 2021		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	¥ 56	¥ –	¥ (1)
	EUR	30	–	0
	Other	–	–	–
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:	USD	364,685	195,023	22,562
	EUR	103	–	8
	Other	0	–	0
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:	USD (Put)	48,186	31,039	(421)
Buy:	USD (Call)	53,145	34,181	2,667
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:	USD	82	–	(*)
	EUR	10	–	(*)
	Other	–	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:	USD	7,279	–	(*)
	EUR	2,772	–	(*)
	Other	0	–	(*)
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY		–	–	(*)
Total		¥476,352	¥260,244	¥24,815

As of March 31, 2022		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	**$ 980**	**$ –**	**$ (24)**
	EUR	**–**	**–**	**–**
	Other	**–**	**–**	**–**
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:	USD	**3,239,529**	**1,539,251**	**394,607**
	EUR	**40**	**–**	**0**
	Other	**0**	**–**	**(0)**
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:	USD (Put)	**409,412**	**268,012**	**(4,518)**
Buy:	USD (Call)	**450,265**	**294,509**	**43,018**
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:	USD	**7,484**	**–**	**(*)**
	EUR	**–**	**–**	**(*)**
	Other	**–**	**–**	**(*)**
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:	USD	**67,938**	**–**	**(*)**
	EUR	**138**	**–**	**(*)**
	Other	**8**	**–**	**(*)**
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY				
Total		**$4,175,839**	**$2,101,789**	**$433,082**

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 18 "Financial instruments and related disclosures" for additional information.

2. Interest-related transactions

As of March 31, 2022	Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	**¥35,608**	**¥21,509**	**(*)**

As of March 31, 2021	Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	¥53,413	¥35,608	(*)

As of March 31, 2022	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	**$290,938**	**$175,741**	**(*)**

(*) 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, 2022		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		**¥ 75,094**	**¥32,826**	**¥34,319**
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	**33,678**	**18,002**	**4,917**
Buy:	Crude oil (Call)	**45,264**	**24,094**	**11,163**
Total		**¥154,037**	**¥74,923**	**¥50,400**

As of March 31, 2021		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		¥ 50,519	¥23,618	¥5,063
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	26,806	12,045	(281)
Buy:	Crude oil (Call)	35,258	16,211	1,579
Total		¥112,584	¥51,875	¥6,362

As of March 31, 2022		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		**$ 613,563**	**$268,208**	**$280,406**
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	**275,169**	**147,087**	**40,174**
Buy:	Crude oil (Call)	**369,834**	**196,862**	**91,208**
Total		**$1,258,575**	**$612,166**	**$411,798**

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

20. Notes to revenue recognition

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

As of and for the year ended March 31, 2022	Yen (Millions) Reportable Segments (*1) Air Transportation	Airline Related	Travel Services	Trade and Retail
International routes				
Passenger Revenues	¥ 70,151	¥ –	¥ –	¥ –
Cargo Revenues	328,750	–	–	–
Mail Revenues	5,448	–	–	–
Subtotal	404,349	–	–	–
Domestic routes				
Passenger Revenues	279,877	–	–	–
Cargo Revenues	24,932	–	–	–
Mail Revenues	2,666	–	–	–
Subtotal	307,475	–	–	–
LCC Revenues	37,813	–	–	–
Airline Related Revenues	–	206,806	–	–
Revenues from domestic package products	–	–	26,243	–
Revenues from international package products	–	–	171	–
Revenues from Trade and Retail	–	–	–	81,694
Other	135,459	–	19,868	–
Total	¥885,096	¥206,806	¥46,282	¥81,694
Revenue from contracts with customers				
Revenue from other (*3)				

As of and for the year ended March 31, 2022	Yen (Millions) Other (*2)	Subtotal	Adjustments	Total
International routes				
Passenger Revenues	¥ –	¥ 70,151	¥ –	¥ –
Cargo Revenues	–	328,750	–	–
Mail Revenues	–	5,448	–	–
Subtotal	–	404,349	–	–
Domestic routes				
Passenger Revenues	–	279,877	–	–
Cargo Revenues	–	24,932	–	–
Mail Revenues	–	2,666	–	–
Subtotal	–	307,475	–	–
LCC Revenues	–	37,813	–	–
Airline Related Revenues	–	206,806	–	–
Revenues from domestic package products	–	26,243	–	–
Revenues from international package products	–	171	–	–
Revenues from Trade and Retail	–	81,694	–	–
Other	38,130	193,457	–	–
Total	¥38,130	¥1,258,008	¥(237,684)	¥1,020,324
Revenue from contracts with customers				¥1,004,220
Revenue from other (*3)				¥ 16,104

As of and for the year ended March 31, 2022	U.S. dollars (Thousands) Reportable Segments (*1) Air Transportation	Airline Related	Travel Services	Trade and Retail
International routes				
Passenger Revenues	$ 573,175	$ –	$ –	$ –
Cargo Revenues	2,686,085	–	–	–
Mail Revenues	44,513	–	–	–
Subtotal	3,303,774	–	–	–
Domestic routes				
Passenger Revenues	2,286,763	–	–	–
Cargo Revenues	203,709	–	–	–
Mail Revenues	21,782	–	–	–
Subtotal	2,512,255	–	–	–
LCC Revenues	308,954	–	–	–
Airline Related Revenues	–	1,689,729	–	–
Revenues from domestic package products	–	–	214,421	–
Revenues from international package products	–	–	1,397	–
Revenues from Trade and Retail	–	–	–	667,489
Other	1,106,781	–	162,333	–
Total	$7,231,767	$1,689,729	$378,151	$667,489
Revenue from contracts with customers				
Revenue from other (*3)				

As of and for the year ended March 31, 2022	U.S. dollars (Thousands) Other (*2)	Subtotal	Adjustments	Total
International routes				
Passenger Revenues	$ –	$ 573,175	$ –	$ –
Cargo Revenues	–	2,686,085	–	–
Mail Revenues	–	44,513	–	–
Subtotal	–	3,303,774	–	–
Domestic routes				
Passenger Revenues	–	2,286,763	–	–
Cargo Revenues	–	203,709	–	–
Mail Revenues	–	21,782	–	–
Subtotal	–	2,512,255	–	–
LCC Revenues	–	308,954	–	–
Airline Related Revenues	–	1,689,729	–	–
Revenues from domestic package products	–	214,421	–	–
Revenues from international package products	–	1,397	–	–
Revenues from Trade and Retail	–	667,489	–	–
Other	311,545	1,580,660	–	–
Total	$311,545	$10,278,682	$(1,942,021)	$8,336,661
Revenue from contracts with customers				$8,205,082
Revenue from other (*3)				$ 131,579

(*1) The amount in the reportable segments is the amount before the intersegment consolidation elimination.
(*2) "Other" refers to all business segments that are not included in the 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

1. 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 ($914,020 thousand).

2. 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 ($2,091,862 thousand).

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)	U.S. dollars (Thousands)
As of March 31, 2022	The Current consolidated fiscal year	
Within a year	¥143,293	$1,170,790
Over 1 year and within 2 years	41,788	341,433
Over 2 years and within 3 years	27,022	220,786
Total	¥212,103	$1,733,009

21. Segment information

(1) 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.

(2) Methods of measurement for the amounts of operating revenues, profit or loss, 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 revenue or loss. Intersegment sales and transfers are based on current market prices.

(3) Information about operating revenues, profit or loss, assets, and other items

	Yen (Millions)				
	Reportable Segments				
As of and for the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	¥ 857,460	¥ 43,613	¥32,130	¥72,380	¥1,005,583
Intersegment revenues or transfers	27,636	163,193	14,152	9,314	214,295
Total	¥ 885,096	¥206,806	¥46,282	¥81,694	¥1,219,878
Segment profit (loss)	¥ (162,932)	¥ (660)	¥ (2,105)	¥ 549	¥ (165,148)
Segment assets	2,963,742	141,202	32,543	51,323	3,188,810
Other items:					
Depreciation and amortization	140,553	5,050	134	1,093	146,830
Amortization of goodwill	2,001	–	–	115	2,116
Increase in property and equipment and intangible assets	130,531	150	407	452	131,540

	Yen (Millions)			
	Reportable Segments			
As of and for the year ended March 31, 2022	Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	¥14,741	¥1,020,324	¥ –	¥1,020,324
Intersegment revenues or transfers	23,389	237,684	(237,684)	–
Total	¥38,130	¥1,258,008	¥(237,684)	¥1,020,324
Segment profit (loss)	¥ 1,388	¥ (163,760)	¥ (9,367)	¥ (173,127)
Segment assets	25,590	3,214,400	4,033	3,218,433
Other items:				
Depreciation and amortization	498	147,328	–	147,328
Amortization of goodwill	–	2,116	–	2,116
Increase in property and equipment and intangible assets	395	131,935	1,429	133,364

Notes:
1. "Other" refers to all business segments that are not included in the reportable segments, such as facility management, business support, and other operations.
2. Adjustments to segment profit or loss consist of corporate expenses. The amount of company-wide assets included in the adjustment amount of segment assets is ¥(158,814) million, the main of which is long-term investment funds (investment securities) of consolidated subsidiaries.
3. Segment profit or loss is reconciled to operating loss on the consolidated statement of operations.
4. Matters concerning changes in reporting segments, etc.
As described in (Changes in Accounting Policy), revenue recognition accounting standards, etc. will be applied from the beginning of the current consolidated fiscal year to recognize revenue. Due to a change in the accounting method for the method for measuring profit or loss in a business segment has been changed as well. The change mainly affected operating revenues and segment losses in the Air Transportation segment.

	Yen (Millions)				
	Reportable Segments				
As of and for the year ended March 31, 2021	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	¥ 571,709	¥ 36,162	¥39,453	¥68,883	¥ 716,207
Intersegment revenues or transfers	32,305	185,977	5,597	11,075	234,954
Total	¥ 604,014	¥222,139	¥45,050	¥79,958	¥ 951,161
Segment profit (loss)	¥ (447,894)	¥ 3,691	¥ (5,084)	¥ (4,282)	¥ (453,569)
Segment assets	2,935,753	141,530	31,681	52,548	3,161,512
Other items:					
Depreciation and amortization	168,952	5,073	516	1,367	175,908
Amortization of goodwill	2,001	–	–	114	2,115
Increase in property and equipment and intangible assets	151,196	1,564	134	1,202	154,096

	Yen (Millions)			
	Reportable Segments			
As of and for the year ended March 31, 2021	Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	¥12,476	¥ 728,683	¥ –	¥ 728,683
Intersegment revenues or transfers	24,167	259,121	(259,121)	–
Total	¥36,643	¥ 987,804	¥(259,121)	¥ 728,683
Segment profit (loss)	¥ (34)	¥ (453,603)	¥ (11,171)	¥ (464,774)
Segment assets	24,930	3,186,442	21,441	3,207,883
Other items:				
Depreciation and amortization	444	176,352	–	176,352
Amortization of goodwill	–	2,115	–	2,115
Increase in property and equipment and intangible assets	974	155,070	1,640	156,710

Notes:
1. "Other" refers to all business segments that are not included in the reportable segments, such as facility management, business support, and other operations.
2. Adjustments to segment profit or loss consist of corporate expenses. The amount of company-wide assets included in the adjustment amount of segment assets is ¥(175,565) million, the main of which is long-term investment funds (investment securities) of consolidated subsidiaries.
3. Segment profit or loss is reconciled to operating loss on the consolidated statement of operations.

	U.S. dollars (Thousands)				
	Reportable Segments				
As of and for the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	$ 7,005,964	$ 356,344	$ 262,521	$591,388	$ 8,216,218
Intersegment revenues or transfers	225,802	1,333,385	115,630	76,100	1,750,919
Total	$ 7,231,767	$1,689,729	$ 378,151	$667,489	$ 9,967,137
Segment profit (loss)	$(1,331,252)	$ (5,392)	$ (17,199)	$ 4,485	$ (1,349,358)
Segment assets	24,215,556	1,153,705	265,895	419,339	26,054,497
Other items:					
Depreciation and amortization	1,148,402	41,261	1,094	8,930	1,199,689
Amortization of goodwill	16,349	–	–	939	17,288
Increase in property and equipment and intangible assets	1,066,516	1,225	3,325	3,693	1,074,761

	U.S. dollars (Thousands)			
	Reportable Segments			
As of and for the year ended March 31, 2022	Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	$120,442	$ 8,336,661	$ –	$ 8,336,661
Intersegment revenues or transfers	191,102	1,942,021	(1,942,021)	–
Total	$311,545	$10,278,682	$(1,942,021)	$ 8,336,661
Segment profit (loss)	$ 11,340	$ (1,338,017)	$ (76,534)	$(1,414,551)
Segment assets	209,085	26,263,583	32,952	26,296,535
Other items:				
Depreciation and amortization	4,068	1,203,758	–	1,203,758
Amortization of goodwill		17,288	–	17,288
Increase in property and equipment and intangible assets	3,227	1,077,988	11,675	1,089,664

Notes:
1. "Other" refers to all business segments that are not included in the reportable segments, such as facility management, business support, and other operations.
2. Adjustments to segment profit or loss consist of corporate expenses. The amount of company-wide assets included in the adjustment amount of segment assets is $(1,264,653) thousand, the main of which is long-term investment funds (investment securities) of consolidated subsidiaries.
3. Segment profit or loss is reconciled to operating loss on the consolidated statement of operations.
4. Matters concerning changes in reporting segments, etc.
As described in (Changes in Accounting Policy), revenue recognition accounting standards, etc. will be applied from the beginning of the current consolidated fiscal year to recognize revenue. Due to a change in the accounting method for the method for measuring profit or loss in a business segment has been changed as well. The change mainly affected operating revenues and segment losses in the Air Transportation segment.

(4) Information about geographical areas

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2022 and 2021 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Japan	¥ 737,522	¥546,616	$6,025,998
Overseas	282,802	182,067	2,310,662
Total	¥1,020,324	¥728,683	$8,336,661

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.

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

	Yen (Millions)						
	Reportable Segments						
For the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	¥9,357	¥–	¥–	¥–	¥–	¥–	¥9,357

	Yen (Millions)						
	Reportable Segments						
For the year ended March 31, 2021	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	¥73,742	¥–	¥1,172	¥661	¥–	¥–	¥75,575

	U.S. dollars (Thousands)						
	Reportable Segments						
For the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	$76,452	$–	$–	$–	$–	$–	$76,452

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

	Yen (Millions)						
	Reportable Segments						
As of and for the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	¥ 2,001	¥–	¥–	¥115	¥–	¥–	¥ 2,116
Balance at the end of the fiscal year	¥20,001	¥–	¥–	¥229	¥–	¥–	¥20,230

	Yen (Millions)						
	Reportable Segments						
As of and for the year ended March 31, 2021	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	¥ 2,001	¥–	¥–	¥114	¥–	¥–	¥ 2,115
Balance at the end of the fiscal year	¥22,002	¥–	¥–	¥344	¥–	¥–	¥22,346

	U.S. dollars (Thousands)						
	Reportable Segments						
As of and for the year ended March 31, 2022	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	$ 16,349	$–	$–	$ 939	$–	$–	$ 17,288
Balance at the end of the fiscal year	$163,420	$–	$–	$1,871	$–	$–	$165,291

22. Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Commissions	¥18,827	¥39,125	$153,827
Advertising	3,079	5,943	25,157
Employees' salaries and bonuses	30,357	31,299	248,034
Provision of allowance for doubtful accounts	44	47	359
Provision for accrued bonuses to employees	2,031	1,098	16,594
Retirement benefit expenses	3,053	2,866	24,944
Depreciation	25,379	26,968	207,361
Outsourcing expenses	24,122	28,580	197,091

23. Amounts per share

Amounts per share at and for the years ended March 31, 2022 and 2021 are as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥1,695.06	¥ 2,141.49	$13.85
Net loss per share	(305.37)	(1,082.04)	(2.50)

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, 2022 and 2021.
2. Effects of Accounting Standard for Revenue Recognition, etc.
As described in (Changes in Accounting Policy), Accounting Standard for Revenue Recognition, etc. are applied, and the transitional treatment stipulated in the proviso of Section 84 of "Accounting Standards for Revenue Recognition" is followed.
As a result, equity per share decreased by 209.67 yen and net loss per share decreased by 34.11 yen in the current consolidated fiscal year.

The basis for calculating net income per share is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
Year ended March 31	2022	2021	2022
Net loss attributable to common shareholders	¥(143,628)	¥(404,624)	$(1,173,527)
Amount not attributable to common shareholders	–	–	
Net loss attributable to common stock	(143,628)	(404,624)	(1,173,527)
Weighted-average number of shares outstanding during the fiscal year (in thousands)	470,339	373,945	3,842,952

The basis for calculating net assets per share is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
As of March 31	2022	2021	2022
Net assets	¥803,415	¥1,012,320	$6,564,384
Amounts deducted from total net assets:			
Non-controlling interests	(6,166)	(5,087)	(50,379)
Net assets attributable to common stock at the end of the fiscal year	¥797,249	¥1,007,233	$6,514,004
Number of shares of common stock at the end of the fiscal year used to determine net assets per share (in thousands)	470,336	470,342	

The average number of shares of the Company held by the Trust for Delivery of Shares to Directors for the years ended March 31, 2022 and 2021 were 178 thousand and 183 thousand, respectively. The shares held by the trust were deducted from the weighted-average number of shares outstanding during each of the years ended March 31, 2022 and 2021.

The number of shares of the Company held by the Trust for Delivery of Shares to Directors at March 31, 2022 and 2021 were 178 thousand and 178 thousand, respectively. The shares held by the trust were deducted from the number of shares of common stock at the end of each of the years ended March 31, 2022 and 2021, which were used to determine net assets per share.

24. Supplementary cash flow information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheet at March 31, 2022 and 2021 and cash and cash equivalents in the consolidated statement of cash flows is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Cash and deposits	¥ 452,679	¥ 464,739	$ 3,698,660
Time deposits with maturities of more than three months	(261,292)	(241,397)	(2,134,912)
Marketable securities	498,310	500,980	4,071,492
Marketable securities with maturities of more than three months	(68,660)	(354,000)	(560,993)
Cash and cash equivalents	¥ 621,037	¥ 370,322	$ 5,074,246

25. Impairment loss

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2022 and 2021. As a result, the Group recognized impairment losses of ¥9,357 million ($76,452 thousand) and ¥75,575 million, included in other expenses, for the years ended March 31, 2022 and 2021, respectively. The details are as follows:

For the year ended March 31, 2022

Application	Location	Category	Yen (Millions) Impairment loss
Assets expected to be sold	Tokyo	Aircraft-related assets	¥8,196
Other assets	Chiba	Buildings, furniture and fixtures	1,161
		Total	¥9,357

For the year ended March 31, 2021

Application	Location	Category	Yen (Millions) Impairment loss
Assets expected to be sold	Tokyo	Aircrafts, buildings, other assets	¥71,344
Dormitory / company housing	Tokyo, Chiba	Land, buildings, other assets	2,159
Business assets	Tokyo, Chiba, other	Software, buildings, furniture and fixtures, other assets	2,072
		Total	¥75,575

For the year ended March 31, 2022

Application	Location	Category	U.S. dollars (Thousands) Impairment loss
Assets expected to be sold	Tokyo	Aircraft-related assets	$66,966
Other assets	Chiba	Buildings, furniture and fixtures	9,486
		Total	$76,452

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. Regarding aircraft-related assets of ANA HOLDINGS INC. and ALL NIPPON AIRWAYS CO., LTD., we have retired some of the aircrafts, based on the updated business plan. As a result, an impairment loss of ¥8,196 million ($66,966 thousand) was recognized. Regarding business assets, the air passenger facility in Chiba went into an idle state and were written-down to recoverable amount. Details are as follows: ¥1,150 million ($9,396 thousand) for buildings-related assets, ¥10 million ($81 thousand) for furniture and fixtures, ¥0 million ($0 thousand) for structures. The recoverable amount of aircraft-related assets was measured at its net selling price. The net selling price is determined by estimates of selling cost and selling price. Regarding business assets, we recognized that recovery of the amount invested will not be possible and memorandum value as recoverable amount.

26. Supplementary information for the consolidated statement of operations

(1) 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)
2022	2021	2022
¥815	¥4,172	$6,659

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

(2) Other income (expenses), net

	Yen (Millions)		U.S. dollars (Thousands)
	2022	2021	2022
Employment adjustment subsidy	¥23,955	¥43,470	$195,726
Compensation payments received	–	1,770	–
Gain on sales of investment securities	8,278	31	67,636
Valuation loss on investments in securities	(5,337)	(8,384)	(43,606)
Other	24,257	5,556	198,194
Other, net	¥51,153	¥42,443	$417,950

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ANA HOLDINGS INC.:

Opinion

We have audited the consolidated financial statements of ANA HOLDINGS INC. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated 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 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
1	<u>Reliability of Information Technology ("IT") systems related to revenue recognition in the air transportation business and the reasonableness of estimates related to the Group's points system (miles)</u> As disclosed in Note 21, Segment information—Information about operating revenues, profit or loss, assets and other items, the Group recorded operating revenues of JPY 885,096 million in the air transportation segment for the year ended March 31, 2022, which accounted for 72.5% of total operating revenues of all combined reportable segments. The operating revenues in the air transportation segment mainly consisted of revenues from the domestic and international passenger operations, which are core businesses for the Group and amounted to JPY 279,877 million and JPY 70,151 million, or 22.9% and 5.7% of total operating revenues of all combined reportable segments, respectively. In addition, contract liabilities in the amount of JPY 256,023 million were recorded on the Group's consolidated balance sheet. These liabilities represented advance considerations received from customers for air transportation services, as well as deferred liabilities identified as distinct performance obligations. The Group records contract liabilities upon the receipt of consideration for the revenue from its passenger operations and recognizes revenue when it provides air transportation services. Furthermore, the Group operates a membership program known as the ANA Mileage Club and confers points (miles) on members of this program in response to using its air transportation services or services of one of its alliance companies. The miles conferred to these members can be exchanged for goods or services provided by either the Group or one of its alliance companies (which include partner airline companies). The Group identifies the performance obligation related to option which enables future purchases of additional goods or services different from the performance obligation related to air transportation services. The Group allocates the transaction price to such performance obligation and recognizes that amount as a contract liability. Based on above, the Group recognizes revenue when the goods or services received in exchange for these miles are used or when these miles expire.	Our audit procedures performed to test the reliability of IT systems related to revenue recognition and the reasonableness of estimates related to the Group's point system (miles) included the following, among others: • We identified automated controls over revenue recognition in domestic and international passenger operations, such as the creation of sales data, the matching of the sales data with the boarding data and the creation of revenue data transferred into the accounting system. We also identified automated controls related to processing miles, such as the accumulation of miles that are conferred when a customer boards one of the Group's flights, the redemption of miles in exchange for bonus tickets and the generation of data related to the expiration of miles. We then evaluated the design and operating effectiveness of these automated controls by inspecting system designs and other documents and reperforming controls using data extracted from the systems to determine whether the IT systems are functioning effectively. • We evaluated the design and operating effectiveness of general IT controls, which supported the consistent operation of automated controls throughout the audit period, by inspecting test results for program changes made to the relevant IT systems and evidence of approval for granting access rights to data and other information resources. • We evaluated whether general IT controls that exist at service organizations over the IT systems, and that were outsourced could be relied upon by obtaining the report on controls over outsourced operations that was prepared by a service auditor independent from the user entity and reading descriptions of the scope, period and procedures to test general IT controls.

	(1) Reliability of IT systems related to revenue recognition in the air transportation business Operating revenue is an important metric to the Group, and revenues from the domestic and international passenger operations comprise a significant portion of this metric. On a daily basis, a large volume of reservations, ticketing, boarding, billing and other transactions related to passenger operations are processed, which is dependent on automated processing or system interfaces using multiple IT systems, including systems outsourced to service organizations. There is a wide range of goods and services that can be provided in exchange for miles. These include goods and services provided within the Group, such as bonus tickets, seat upgrades and sky coins, as well as goods and services from alliance companies including partner airline companies. Miles can also be exchanged for electronic money. Basic data associated with the accumulation and redemption of contract liabilities is processed based on information generated by multiple IT systems. In order for these account balances and classes of transactions to be properly processed in accordance with the Group's accounting policy, IT systems need to be consistently operating effectively and relevant information is to be appropriately secured. Moreover, a large portion of inputs for these transactions are inputs through websites by customers, devices at travel agencies, or data linked from boarding gates, so the physical evidence of these transactions are limited to financial institutions' transaction records and the transaction records from alliance companies that are involved with the exchange of miles for goods and services. Therefore, our audit procedures are highly dependent on information (such as number of passengers, sales and revenue data and actual data related to the accumulation/redemption of miles) generated from the automated processing or system interfaces using IT systems.	• We tested the accuracy and completeness of information and data (such as the number of passengers, sales and revenue data and actual data related to the accumulation/redemption of miles) generated from the IT systems used in our audit procedures by reading descriptions of system design and other documents and by reperforming procedures using data extracted from the systems. • We tested whether the revenue data generated from IT systems were consistent with the revenue amounts recorded into the accounting systems with respect to revenue recognition of domestic and international passenger operations. In addition, we tested the consistency of the revenue data and the sales data, which forms the basis of the revenue data, with transaction records from financial institutions. • We recalculated the contractual liabilities that accompanied the accumulation and redemption of miles based on past data generated from IT systems related to the accumulation and redemption of miles, stand-alone selling prices and redemption price per mile, and tested whether those were consistent with the amounts recorded. In addition, we tested whether the accumulation of miles accompanying the use of an alliance company's services and the redemption of miles, in which they were exchanged for an alliance company's goods and services, were consistent with the third party evidence that accompanied the detailed calculations made with alliance companies. • We tested the reasonableness of assumptions about the proportion of goods and services selected by member customers using their miles and the future miles expiration rate, which were used by management to estimate the stand-alone selling prices for miles, by evaluating past historical trends and the effect of the COVID-19 pandemic.

	(2) Reasonableness of estimates related to the Group's point system (miles) As disclosed in Note 5, Significant accounting estimates, a stand-alone selling price must be estimated for miles when allocating a transaction price to the performance obligation tied to air transportation services and miles. The stand-alone selling price is estimated by considering the proportion of goods and services selected by member customers when using their miles, as well as the future miles expiration rate. These estimates also take into account how the COVID-19 pandemic affects the proportion of miles used and the future miles expiration rate. However, there is a high degree of uncertainty involved with the assumptions used in these estimates, which are dependent on management's judgment. Accordingly, we identified the consistent effectiveness of automated processing by the IT systems related to the recognition of revenue from domestic and international passenger operations, the reliability of information generated by those systems and the reasonableness of the estimates related to the Group's point system (miles) as a key audit matter.	
2	<u>Reasonableness of future plans as a basis of accounting estimates</u> Primarily in response to the significant reduction in passenger air travel demand due to the COVID-19 pandemic, the Group recorded an operating loss of JPY 173,127 million in the consolidated statement of operations, and recorded net cash outflows in operating activities of JPY 76,413 million in the consolidated statement of cash flows for the year ended March 31, 2022. Under such circumstances, management concluded that a material uncertainty did not exist over the Group's ability to continue as a going concern since the Group had procured funds necessary to secure liquidity on hand. The Group also recorded deferred tax assets of JPY 273,452 million on the consolidated balance sheet as of March 31, 2022, which were determined based on the estimate of future taxable income. As disclosed in Note 13, Income taxes, a material portion of that amount related to deferred tax assets recognized for tax losses carried forward in the amount of JPY 220,887 million.	Our audit procedures performed to test significant assumptions used in the future plans, which was a basis to evaluate whether a material uncertainty existed in the going concern assumption and the recoverability of deferred tax assets, included the following, among others: • We compared the Group's assumptions regarding the duration of the COVID-19 pandemic convergence, the speed of air travel demand recovery and the market growth rate in the post COVID-19 environment with those in market outlook publications and other related industry reports from external institutions. We obtained an understanding of and considered the assumptions used in the external market outlooks and other reports, and compared them to each other. We also assessed the historical relationships of the seat occupancy rate and revenue per passenger with passenger carrying capacity and air travel demand. We then evaluated whether the assumptions reflecting the changes expected to occur in the post COVID-19 environment fell within a reasonable range.

Independent Auditor's Report

	Management's assessment over the going concern assumption and judgment on the recoverability of deferred tax assets were based on the Group's future plans that included the COVID-19 pandemic's impact on demand for passenger air travel. Specifically, assumptions used in the future plans below involve a high degree of uncertainty, which are dependent on management's judgment. Therefore, we identified these accounting estimates as a key audit matter. • As disclosed in Note 5, Significant accounting estimates—Recoverability of deferred tax assets, the recoverability of deferred tax assets is determined based on the business plans of ANA HOLDINGS INC. and ALL Nippon Airways Co., Ltd.; these business plans were developed using the assumptions that by the end of the fiscal year ending March 2024, demand for international passengers will approximately recover compared to the level in 2019 and by the end of the fiscal year ending March 2023, demand for domestic passengers will recover by 90% compared to the level in 2019. In this respect, management estimates of the severity and duration of the impact of the COVID-19 pandemic on demand for passenger air travel involve a high degree of uncertainty. • The assumptions related to the market growth rate, seat occupancy rate and revenue per passenger in the post COVID-19 environment used in developing the future plans involve a high degree of uncertainty in the estimate because the Group may not be able to utilize previous experience from before the COVID-19 pandemic as a basis for these estimates. • Aircraft investment plans and headcount plans, which support passenger carrying capacity in the future plans, involve uncertainty because they are difficult to predict. • The Group has developed various expense reduction plans responding to the changing business environment and included them in the future plans. These expense reduction plans are dependent on management's decisions and the Group's ability to execute such plans. The feasibility of such plans also has a significant impact on the estimates for the future plans. • Fuel comprises a material portion of the Group's expenses or cost of sales and has significant price fluctuation risks due to a characteristic of its airline business, and greater than expected fuel price fluctuations would have a significant impact on the estimates for the futures plans. However, estimates for fuel prices involve uncertainty due to supply-and-demand factors, and are also affected by geopolitical risks, such as the situation in Russia and Ukraine.	• We tested the reasonableness of aircraft investment plans by comparing them with passenger carrying capacity in the future plans. We also inspected the documents related to advance payments for aircraft that had an existing contract. In addition, we tested the feasibility of the headcount plans by determining whether they were consistent with passenger carrying capacity in the future plans and comparing them with the historical number of employees hired. • In addition to obtaining an understanding of specific expense reduction plans, we tested whether the assumptions used in the future plans were consistent with the actual results from plans that had already been implemented. • For the fuel price outlook, which is another significant assumption, we considered how the supply-and-demand factors, as well as geopolitical risks, would have an impact on fuel prices. We then compared the Group's outlook with market predictions, along with available external and historical data.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

August 25, 2022

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