Growth Strategies and Materiality

Updated Version to the FY2016–20 ANA Group Corporate Strategy was established in April 2017.
The Group will advance the growth strategies while addressing the material issues (materiality) identified to guide efforts to create economic and social value.
Solidify management platform, transition to stage of further business expansion

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

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

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

Implement measures based on each business strategy

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

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

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

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

International Passenger

(1) Building upon Dual Hub Network Strategy
   • Utilizing Haneda late night / early morning slots and Narita slots
(2) Enhancing products and services
   • Expanding routes operated by Boeing 787-9s
(3) Promoting resort strategy

Domestic Passenger

(1) Pursuing efficiency through the “Dynamic Fleet Assign Model”
   • Selecting aircraft to optimize supply to demand (Airbus A321 x 7)
(2) Cultivating new customers

International Cargo

(1) Reorganizing network to control capacity increase
   • FY2017 freighter ATKs: Down approx. 10% YoY
(2) Developing cross-border e-commerce business within the Group
Air Transportation Business (LCC Brands)

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

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

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

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

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

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

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### Purpose for Consolidation of Peach Aviation Limited

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

### Number of Seats in Asia*

<table>
<thead>
<tr>
<th>Year (CY)</th>
<th>FSC (Millions)</th>
<th>LCC (Millions)</th>
<th>Seat Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>70</td>
<td>69</td>
<td>11% (89%)</td>
</tr>
<tr>
<td>2012</td>
<td>169</td>
<td>101</td>
<td>19% (81%)</td>
</tr>
<tr>
<td>2016</td>
<td>287</td>
<td>218</td>
<td>23% (77%)</td>
</tr>
</tbody>
</table>

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

### Seat Share among Japanese LCCs

<table>
<thead>
<tr>
<th>Year (FY2016)</th>
<th>Seat Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>52%</td>
</tr>
</tbody>
</table>

Japanese LCC market growth driven by the ANA Group

(Source: OAG Aviation Worldwide Limited)
Focus on balance between “investment in safety and human resources” and “implementation of further cost management”

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

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

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

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

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

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

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

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

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

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

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

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

**FY2018–20 New Medium-Term Corporate Strategy**

*Disclosed on January 29, 2016*
Management Resources Allocation

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

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

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

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

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

Opportunities and Risk in Relation to Strategies

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

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

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

Expand Airline Business Domains [Major Initiative 1]

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Business</td>
<td>Population aging and birth rate decline</td>
</tr>
<tr>
<td>International Business</td>
<td>Geopolitical risks</td>
</tr>
<tr>
<td>LCC Business</td>
<td>紧固化制度（外国為替，燃料）</td>
</tr>
</tbody>
</table>

The Olympic and Paralympic Games Tokyo 2020

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

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection and Concentration of Existing Businesses</td>
<td>Response to business diversification</td>
</tr>
<tr>
<td>Apply Tangible / Intangible Assets from Inside and Outside the Group</td>
<td>Risks of information security</td>
</tr>
</tbody>
</table>

- Adoption of cutting-edge ICT
- Generation of synergies through partnership with other industries
- Utilization of customer assets
Identification of Materiality

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

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

Figure 1  Materiality Identification Diagram

Figure 2  Investigation Steps

Figure 3  Materiality for the ANA Group

Impact on the businesses of the ANA Group (Mission Statement, Management Vision, direction of corporate strategy, business opportunities and risks)
Materiality and Economic / Social Value

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

<table>
<thead>
<tr>
<th>Related Area</th>
<th>Material Issues (Materiality)</th>
<th>Major Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Environment</td>
<td>Controlling of CO2 emissions, Introduction of bio jet fuel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Human rights / D&amp;I</td>
<td>Human rights</td>
<td>Human rights due diligence, Education and training for Group employees</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>D&amp;I</td>
<td>Development and introduction of services based on customer diversity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Education and training for Group employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitalization of local communities</td>
<td>Strategic usage of Group resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social contributions in overseas regions that ANA flies to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Governance</td>
<td>Compliance with Japan’s Corporate Governance Code</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Disclosure of information for ESG-minded investors</td>
</tr>
</tbody>
</table>

External Recognition

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

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

Diversity
- Ministry of Economy, Trade and Industry: New Diversity Management Selection 100
- Ministry of Economy, Trade and Industry and Tokyo Stock Exchange: Nadeshiko Brand
  (2nd consecutive year, 3rd time for inclusion)
- work with Pride (voluntary organization): Gold at PRIDE INDEX 2016
At the same time, the Group will contribute to the accomplishment of the United Nations Sustainable Development Goals (SDGs) as a responsible global company.

<table>
<thead>
<tr>
<th>Value for the ANA Group</th>
<th>Value for Society</th>
<th>Contribution to the SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control fuel costs</td>
<td>Reduce environmental impact</td>
<td>Value for the ANA Group</td>
</tr>
<tr>
<td>Reduce expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for future emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>credit purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve reputation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for mitigating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve reputation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for mitigating</td>
<td></td>
<td></td>
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<tr>
<td>human rights risks</td>
<td></td>
<td></td>
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<tr>
<td>Improve profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>resulted from demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>creation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance ability to serve customers</td>
<td>Realize a society in which human rights are respected</td>
<td></td>
</tr>
<tr>
<td>achieved by providing services that address their issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>resulted from inbound</td>
<td></td>
<td></td>
</tr>
<tr>
<td>travel demand creation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the Domestic Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expand profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the International Business</td>
<td>Realize an inclusive society</td>
<td></td>
</tr>
<tr>
<td>Implement sound</td>
<td></td>
<td></td>
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<tr>
<td>and efficient business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop stock markets</td>
<td></td>
<td></td>
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<tr>
<td>soundness</td>
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</tbody>
</table>

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

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

**On-Time Performance**
- FlightStats
  - No. 3 in Asia-Pacific Major Airlines Category
Greetings, my name is Yuji Hirako, and I assumed the position of President & Chief Executive Officer of ALL NIPPON AIRWAYS CO., LTD. (ANA), in April 2017.

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

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

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

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

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

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

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

Aggressively expand network to drive the ANA Group’s growth

Performance in Fiscal Year 2016

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

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

Initiatives for products and services in fiscal year 2016 included the introduction of full-flat business class seats and premium economy services on all European and North American routes (excluding Honolulu) and certain Asian routes. We also held events and conducted promotional campaigns in overseas markets, which contributed to a steady rise in the recognition of the ANA brand and consequently drove a rise in inbound travelers to Japan and passengers connecting on international flights.

Due to the above, available seat-kilometers (ASKs) in the International Passenger Business increased 9.9% year on year and revenue passenger-kilometers (RPKs) rose 12.2%. Unit prices were impacted by yen appreciation and a reduction in fuel surcharge revenues. However, operating revenues were up 0.2% year on year, to ¥516.7 billion, due to meticulous yield control.
Controlling of CO₂ Emissions from Introduction of Fuel-Efficient Aircraft

Approximately 98% of the CO₂ emitted by the ANA Group is attributable to fossil fuels used for aircraft operation. The most effective means of reducing fuel usage and consequently controlling CO₂ emissions is to introduce fuel-efficient aircraft into our fleet. Our flagship medium-body aircraft, the Boeing 787, uses roughly 20% less fuel than the Boeing 767, for example*1.

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

*1. Calculated on a per ASK basis on the Nanta-Singapore route with full capacity
*2. ANA brand only
Domestic Passenger Business

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

Performance in Fiscal Year 2016

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

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

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

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

As for services, we refurbished the departure counter at Domestic Terminal No. 2 of Haneda Airport in April 2016 and revamped the website (ANA SKY WEB) and mobile site (ANA SKY MOBILE) for our domestic reservations system in September, improving visibility and operability. Furthermore, it was made possible to pay for the ANA Wi-Fi Service with ANA Mileage on domestic flights in December 2016. Also, the number of channels on the ANA SKY LIVE TV Service was increased in efforts to enhance in-flight entertainment.

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

Performance of the Domestic Passenger Business

(Index) Fiscal year 2013 = 100

- Revenues
- ASKs
- RPKs
Initiatives in Fiscal Year 2017

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

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

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

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

Furthermore, a new ANA SUITE LOUNGE, ANA’s finest lounges for premium members, is scheduled to be established for use by passengers on domestic flights at New Chitose Airport in September 2017. By enhancing the services we offer to Premium Class customers, we will raise the value of ANA as an FSC.

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

Vitalization of Local Communities through Stimulation of Inbound Travel Demand

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

As a result of these initiatives, inbound travelers to Japan accounted for approximately 3% of all passengers on domestic flights in fiscal year 2016, indicating a steady increase.
In the Domestic Cargo Business, cargo volume was down year on year due to the sluggish overall demand for domestic cargo transportation seen through fiscal year 2016 as well as a reduction in perishable cargo handled out of Hokkaido resulted from poor weather. We sought to improve revenues by raising unit prices and offering chartered cargo flights. However, operating revenues decreased 2.8% year on year, to ¥30.8 billion, regardless of these efforts.

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

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

Due to the above, total ATKs for belly space and freighters rose 9.0% year on year while revenue ton-kilometers (RTKs) were up 17.5%. Although unit price increased in the second half of the fiscal year, operating revenues were down 17.7%, to ¥93.3 billion.

Factors behind this decrease included yen appreciation, a decline in fuel surcharge revenues, and the fact that the revenues from the abolishment of the International Cargo Agency Commission were offset by expenses.

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

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

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

As a result of the above initiatives, we are projecting a 5.0% year-on-year increase in total operating revenues from Cargo and Mail from both Domestic and International Cargo businesses, which is forecast to come to ¥139.0 billion in fiscal year 2017.
Vanilla Air Inc. established international routes including the Kansai–Taipei (Taoyuan) route in April 2016, the Taipei (Taoyuan)–Ho Chi Minh City route and the Okinawa–Taipei (Taoyuan) route in September, and the Narita–Cebu route in December. New domestic routes included the Narita–Hakodate route and the Narita–Kansai route established in February 2017 and the Kansai–Hakodate route and Kansai–Amami Oshima route launched in March. As a result of actively opening new routes in this manner, Vanilla Air’s network consisted of 7 domestic routes and 7 international routes on March 31, 2017, and it was operating these routes with 12 Airbus A320-200s.

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

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

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

Having been consolidated into the ANA Group, Peach Aviation Limited will accelerate its growth, utilizing late night and early morning slots at Haneda Airport and domestic hubs to enhance its route network. In addition, Peach will begin utilizing Sendai Airport in September 2017 as a hub along with Kansai Airport and Naha Airport. This move will involve the opening of routes from Sendai Airport to Sapporo and Taipei.

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

In these manners, Vanilla Air and Peach will strive to secure the leading share in the Japanese LCC market for the ANA Group and to create new demand in the Japanese market and capture robust inbound travel demand.
Performance in Fiscal Year 2016 and Initiatives in Fiscal Year 2017

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

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

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

Performance in Fiscal Year 2016 and Initiatives in Fiscal Year 2017

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

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

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

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

Through these initiatives, in fiscal year 2017 we expect to achieve a 5.8% year-on-year increase in operating revenues, to ¥170.0 billion, and a 20.3% jump in operating income, to ¥4.5 billion.
In the retail business, ANA DUTY FREE SHOP and ANA FESTA airport shops achieved strong sales amid changes in the purchasing behavior of inbound travelers resulted from the strong yen and a hike in custom taxes by China. This outcome was largely due to an increase in passengers on international services and the enhancement of our lineups of products matched to the changing preferences of inbound travelers. In the food business, revenues from fresh foods were solid while sales of processed foods declined. Meanwhile, semiconductor-related orders were down in the aerospace & electronics business.

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

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

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

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

Birth of ANA X—Creation of Unprecedented Value

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

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

By evolving marketing practices centered on ANA Mileage Club members, ANA X will generate synergies with the Group’s airline operations while giving rise to a business model that involves forming an ANA economic sphere. This constitutes ANA X’s approach toward improving the Group’s competitiveness.
The LCC Business will be crucial to efforts to “expand airline business domains,” one of the main initiatives of the FY2016–20 ANA Group Corporate Strategy.

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

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

Purpose of Consolidation of Peach

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

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

Unique Positioning of Three Airline Brands

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

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

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

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

Brand positioning map

Domestic Services
- Trunk routes
- Local routes

International Services (Flights To / From Japan, Connecting Flights)
- Short distance
- Mid distance
- Long distance

Grow demand centered on International Business
Accelerate initiatives to incorporate resort demand

Uncover new demand in various areas

Optimize portfolio comprised of three brands

Inspiration of JAPAN

ANA

Vanilla Air

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

Message from Peach Aviation Limited

■ Peach’s Corporate Philosophy and Brand Concept

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

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

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

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

■ Peach’s Customers

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

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

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

Shinichi Inoue, Representative Director & CEO and cabin attendants
Peach’s Business

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

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

Peach’s goal is to go beyond simply transporting customers to their destination in order to function as an engine driving the vitalization of local communities. We believe it is possible to contribute to the ongoing energization of the regions connected by our network through collaboration with local stakeholders (municipal governments, industries, airports, providers of non-air transportation to and from airports, and airlines) to uncover the appeal of these regions. As we first commenced initiatives based on this collaborative model in the Kansai region, we refer to this model as the “Kansai model.” Initiatives using the Kansai model are currently under way in Okinawa, and we plan to introduce this model into the Tohoku region, Hokkaido, and other regions across Japan going forward. Through such collaboration with local communities, we aim to vitalize industries in a manner that is fundamentally different from the temporary tourism booms previously targeted by such initiatives.

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

Environment

As an airline group centered on the air transportation business, we are working to control CO₂ emissions.

### Basic Approach

With the conclusion of the Paris Agreement in 2015 at the 21st session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, the Japanese government set its own targets related to the reduction of greenhouse gas emissions. In addition, following decisions at the International Civil Aviation Organization (ICAO) General Assembly in 2016, from 2021, carbon neutral growth, with no increase in CO₂ emissions from international aviation, has become an international pledge. Accordingly, airlines are increasingly aware of CO₂ emission reductions.

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

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

### Promotion System

Under the CSR, Risk Management, and Compliance Promotion Committee, the ANA Group has established the Eco-First Subcommittee for initiatives dealing with aircraft flight operations and the Ground Energy Subcommittee for initiatives dealing with ground operations. These committees are implementing specific activities to reduce environmental burden. In particular, we have positioned the controlling of CO₂ emissions from flight operations as our most important issue. The Group will pursue the creation of both economic and social value through controlling fuel expenses and reducing environmental burden.

### ANA Group Environmental Principles
(formulated in 1998)

1. We will precisely grasp and analyze the impact of our business activities on the environment, and disclose it to society.
2. We will promote environmental preservation in line with social needs that go above and beyond the pertinent laws and regulations, through widespread conversations with stakeholders.
3. We will promote measures to reduce the environmental impact in all related businesses and operations, and actively pursue possibilities of new technologies and services for this purpose.
4. We will constantly pay close attention to the environmental consideration of supply-chains, and promote the environment-conscious procurement.
5. We will intensify the “3R” (Reduce, Reuse, Recycle) activities and waste management in an effort to contribute to the creation of a recycling society.
6. We will encourage our workforce to engage in environmental preservation activities, raising each and every employee’s awareness and consciousness.

### ANA Group Environmental Policies
(formulated in June 2017)

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

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### Value for the ANA Group

- Control fuel costs
- Reduce expenses for future emissions credit purchases
- Improve reputation for mitigating environmental risks

### Value for Society

- Reduce environmental impact

### Contribution to the SDGs

"ANA FLY ECO 2020"
Medium- to Long-Term Environmental Plan for FY2012–2020
Initiatives to Control CO₂ Emissions

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

Flight Operation Initiatives
Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was adopted at the ICAO General Assembly in 2016, and is a growth scheme for international airlines that is not accompanied by increases in CO₂ emissions from 2021. To control emissions, there will be a need for technical innovation related aircraft, improvements in operations, use of bio jet fuel, and utilization of emissions credits. The ANA Group has started preparations for CORSIA.

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

Ground Operations Initiatives
Utilizing energy management standards that we formulated independently, we have taken steps to reduce energy use at all worksites. As a result, we have been successful in reducing energy usage by more than 1% each year, which is the goal described in the Law Concerning the Rational Use of Energy. Since fiscal year 2016, the Company has been listed on the website of the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry as an S-rank company for exhibiting energy conservation excellence due to its ability to reduce energy consumption by more than 1% a year on average over the past five years. Currently, to advance consideration of greenhouse gas reduction measures for all Group companies in light with the Paris Agreement, we are taking steps to make key environmental/energy data clearly visible.

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

Bio Jet Fuel Introduction Initiatives

The use of bio jet fuel is the focus of research and development initiatives in countries around the world, and preparations for the introduction of this fuel are under way. In Japan, the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Olympic and Paralympic Games Tokyo 2020 has been established. The ANA Group is working together with the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure, Transport and Tourism; the Scheduled Airlines Association of Japan; the Petroleum Association of Japan; the New Energy and Industrial Technology Development Organization; and airport refueling companies to resolve this issue. In addition, we are supporting the development and commercialization of bio jet fuels refined from Euglena (microalgae).

Certified Eco-First Company

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

In addition, we endorse the principles of the “COOL CHOICE” national movement spearheaded by the Ministry of the Environment to encourage smart choices (“cool choices”) for contributing to global warming countermeasures. Our smart choices include awareness-raising activities utilizing ANA’s in-flight magazine and videos.
The ANA Group is actively promoting efforts to respect human rights with an emphasis on stakeholder engagement.

### Basic Approach

The ANA Group Policy on Human Rights was established in April 2016 based on the International Bill of Human Rights (the Universal Declaration of Human Rights and two International Covenants), the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. In addition, the ANA Group has established Social Responsibility Guidelines, a code of conduct that provides a clear understanding of what is expected of every Group executive and employee in relation to human rights. This enables each staff member to “do the right thing” in day-to-day duties.

### Promotion System

At the ANA Group, timely discussions on human rights promotion policies and initiative progress are held at meetings of the CSR, Risk Management, and Compliance Promotion Committee under the guidance of the Chief CSR Promotion Officer in charge of CSR. In addition, coordination is pursued with the CSR Promotion Leaders positioned in each Group company and department in order to advance educational activities targeting Group employees and other initiatives for encouraging respect for human rights.

### Education and Training for Group Employees

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

### Stakeholder Engagement Programs

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

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Human Rights Due Diligence

The ANA Group has established a framework for conducting human rights due diligence based on the United Nations Guiding Principles on Business and Human Rights. In fiscal year 2016, through this framework, we identified priority themes for preventing human rights risks based on assessments of the potential impacts of the risks present in all countries in which the ANA Group operates.

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

![Figure 1: Compiled by the Company under the guidance of Verisk Maplecroft and Caux Round Table Japan](image)

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

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

Advice from Experts

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

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

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

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

### Basic Approach

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

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

### Major Initiatives

Looking forward to 2020 and the future aging of society, the Group is implementing initiatives to remove barriers to accessing our services in terms of both facilities and services. This objective is being pursued by coordinating with companies possessing specialized insight and actively developing new products and services that incorporate the latest technologies. At the same time, we adhere to the Tokyo 2020 Accessibility Guidelines issued by the Tokyo Organising Committee of the Olympic and Paralympic Games in order to improve customers’ safety and security and convenience throughout all areas related to our services.

### Promotion System

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

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

### Major Initiatives Value for the ANA Group

- Improve profitability resulted from demand creation
- Enhance ability to serve customers achieved by providing services that address their issues

### Value for Society

Realize an inclusive society

### Contribution to the SDGs


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1. Different Difficulties and Needs

- A person using a cane
- A person using a wheelchair
- An elderly person
- An expectant mother or a person with small children
- A person with an assistance dog, etc.

These people may want assistance. They may also want to be as independent as possible.

Different people have different approaches and needs.

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Improvement of customers’ safety and security and convenience from before boarding to after deplaning
Facility Legacy of Diversity

Facility-related initiatives for responding to the needs of diverse customers include the use of plastic wheelchairs “morph” that help passengers move easily around check-in areas, through security checkpoints, and onboard aircraft. The ANA Group has also introduced passenger boarding bridge adaptors for turbo-prop aircraft to allow for comfortable boarding and deplaning by all customers, even on rainy, windy, or snowy days. Furthermore, electronic communication support boards that are compatible with 17 languages are used to facilitate easy communication in airports and onboard aircraft. In addition, certain narrow-body aircraft (Airbus A320neo and A321 aircraft) feature restrooms that are easy to use by customers in wheelchairs.

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

Service Legacy of Diversity

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

To this end, we conduct learning courses designed to foster understanding among employees with regard to the need to remove implicit barriers to access by differently abled individuals. These courses encourage employees to actively seek out means of removing such barriers themselves. In addition to discussion sessions between members of front-line staff responsible for training and external experts, we also invite NPOs, university representatives, and Paralympians on an ongoing basis to conduct lectures on removing implicit access barriers. Through these efforts, the ANA Group aims to cultivate human resources that can drive the movement to make Japan an implicit barrier-free society for all.

Transformation into an Airline Group Supportive of the LGBT Community

In April 2015, the Group formulated the ANA Group Diversity & Inclusion Declaration, inspiring us to address issues faced by members of the LGBT community.

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

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

Major Initiatives

- Strategic usage of Group resources
- Social contributions in overseas regions that ANA flies to

Value for the ANA Group

- Improve earnings resulted from inbound travel demand creation
- Ensure profitability in the Domestic Passenger Business
- Expand profit in the International Passenger Business

Value for Society

- Vitalize regional economies
- Facilitate international exchanges

Contribution to the SDGs

Basic Approach

Traditional Japanese charms and tourism resources are now attracting global attention. Conversely, Japan faces concerns with regard to the depopulation of regional cities and the decline of traditional industries. As a bridge that transmits the values of Japan to the world, the ANA Group aims to work together with other companies, NGOs / NPOs, municipal government agencies, and other organizations to contribute to the vitalization of local communities across Japan and foster air traffic demand over the long term. In addition, through social contribution activities in the countries where ANA operates, the Group will work to build good relationships with stakeholders in each region and to resolve social issues.

Promotion System

In April 2017, with the objective of strategically advancing initiatives targeting the achievement of vitalization of local communities, we established the Group Local Vitalization Committee. This committee is supervised by the Company's department in charge of CSR. Participants include not only related departments, such as corporate planning, marketing, and sales, but also ANA Strategic Research Institute Co., Ltd. (ARI), which conducts support operations for local community vitalization. By regularly sharing information related to local community vitalization and tourism promotion in Japan as well as social contribution activities in Japan and overseas, the committee will conduct local community vitalization activities that leverage the comprehensive strengths of the Group.

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

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

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

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

Resolving Social Issues through Tourism

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

In the course of these initiatives, the ONSEN & Gastronomy Tourism Association has been established with cooperation of the Japan Travel and Tourism Association, and ARI as a core member, provides tourists with the opportunity to experience Japan’s Onsen (hot springs), thereby promoting vitalization of communications among regions and long-stay tourism.
The ANA Group is working to address a variety of social issues by leveraging our distinctive characteristics as an airline group.

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

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

With the development of coral revival techniques by local parties and the support of government entities, such as the Ministry of the Environment, Okinawa Prefecture, and Onna Village, approximately 7,000 heads of coral have been planted to date, contributing to the revival of the coral. As a result, the project was given the Minister’s Prize, the Ministry of Agriculture, Forestry and Fisheries (fisheries and environmental conservation category) at the 32nd National Meeting for the Healthy Ocean in 2012, and first prize, the Environment Minister’s Award, in the 3rd Good Life Awards in 2015.* As of July 2017

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

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

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

### Ongoing Support for Recovery from Disaster Damage

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

Educational Support in Myanmar

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

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

Preserving Tourism Resources in Cambodia

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

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

Limiting Food Waste in Singapore

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

From October 2016, ANA’s Singapore branch / airport office and the Asia / Oceania Office have worked in cooperation with the catering company that handles in-flight meal preparation and loading and unloading, as well as related government offices. We are working in cooperation with Food BANK, a Singapore NGO, to accept food that would otherwise be thrown away and deliver it to people in need. For example, in-flight snacks that were not used on a flight but can still be stored for a fixed period of time are donated to a local childcare center. In these ways, the Group is working to limit food waste.
On the path to 2020 and beyond, the ANA Group will work toward sustainable growth by connecting Japan to the rest of the world and pursuing a wide range of business opportunities together with local communities, organizations, and other companies in its Air Transportation and other businesses.

**HELLO BLUE, HELLO FUTURE—Let’s Make 2020 Our Runway**

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

**Participation in the Blue Number Initiative bluenumber**

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

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

**Creation of an Inclusive Society**

**Collaboration with the Japan Blind Football Association**

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

**Sponsoring Belgian Olympic and Paralympic Committees**

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

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

Furthermore, ANA will receive service feedback from the Paralympians so that necessary improvements may be implemented to its universal services.
ANSA’s Olympic Promotion System

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

<table>
<thead>
<tr>
<th>Subcommittee</th>
<th>Activities</th>
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<tbody>
<tr>
<td>Airport Ground Handling Subcommittee</td>
<td>Development of airport ground handling service systems centered on Haneda and Narita. Promotion of universal services in terms of both facilities and services.</td>
</tr>
<tr>
<td>Sales Subcommittee</td>
<td>Promotion of measures for capturing demand from athletes, related parties, and inbound travelers.</td>
</tr>
<tr>
<td>Promotion Subcommittee</td>
<td>Implementation of promotion activities as official airline partner of the Tokyo 2020 Games.</td>
</tr>
<tr>
<td>Internal Understanding Cultivation Committee</td>
<td>Cultivation of internal understanding and desire to participate in initiatives and promotion of growth of people and organization.</td>
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Tokyo Olympic and Paralympic Games Promotion Headquarters
(Director: Senior Executive Vice President, Representative Director of ANA)

2020 and Beyond

HELLO 2020 JET

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

Sports for the Future

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

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

High Expectations for ANA Contributions

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

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

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