
ANA
Inspiration of

FY2018–22

ANA Group Corporate Strategy

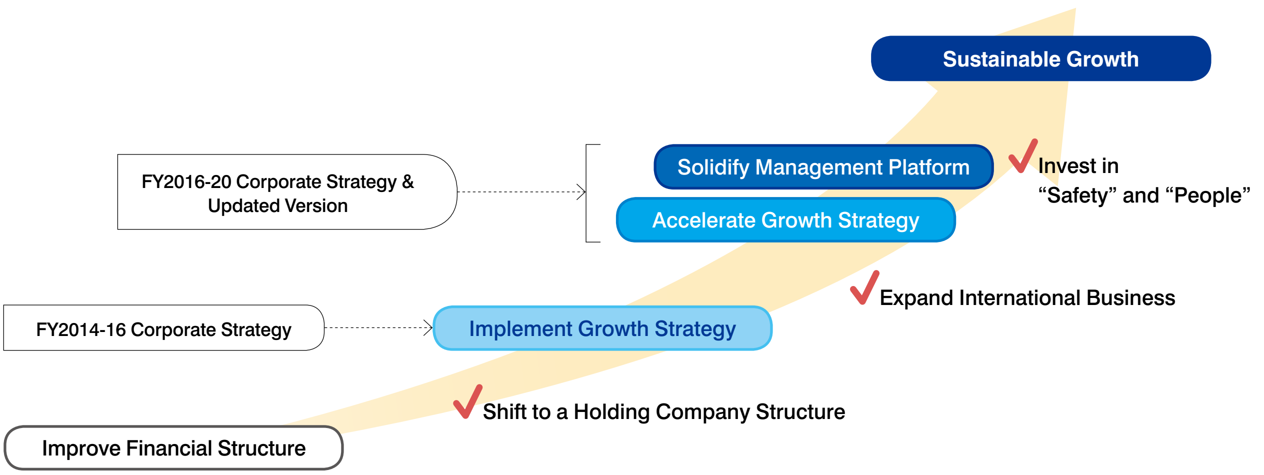
We finalized our FY2018–22 ANA Group Corporate Strategy in February 2018. Under this strategy, we intend to leverage every business opportunity as a tailwind, propelling us toward our management vision of becoming the world's leading airline group, and ongoing sustainable growth.

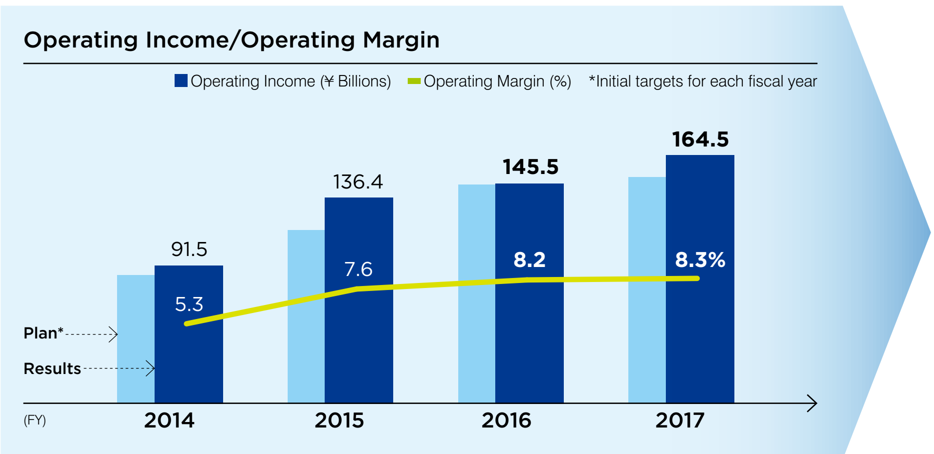
Review of FY2016–20 Corporate Strategy

Implemented corporate strategy to steadily enhance profitability

The ANA Group adopted a holding company structure in fiscal 2013, under which the Group has thrived, driven mainly by the ANA international business. In the meantime, we established Vanilla Air and consolidated Peach Aviation, building a business portfolio featuring both ANA and LCC businesses.

Over the past several years, operating income results have outperformed original plan in each fiscal year, reaching record highs for three consecutive years since fiscal 2015. Having delivered successes under past strategies, we decided to plan the direction of our businesses beyond fiscal 2020. The result was our new corporate strategy, which will drive the ANA Group toward sustainable growth.





1) Secured income that exceeded initial target in each fiscal year

2) Project record high income for 3 consecutive years

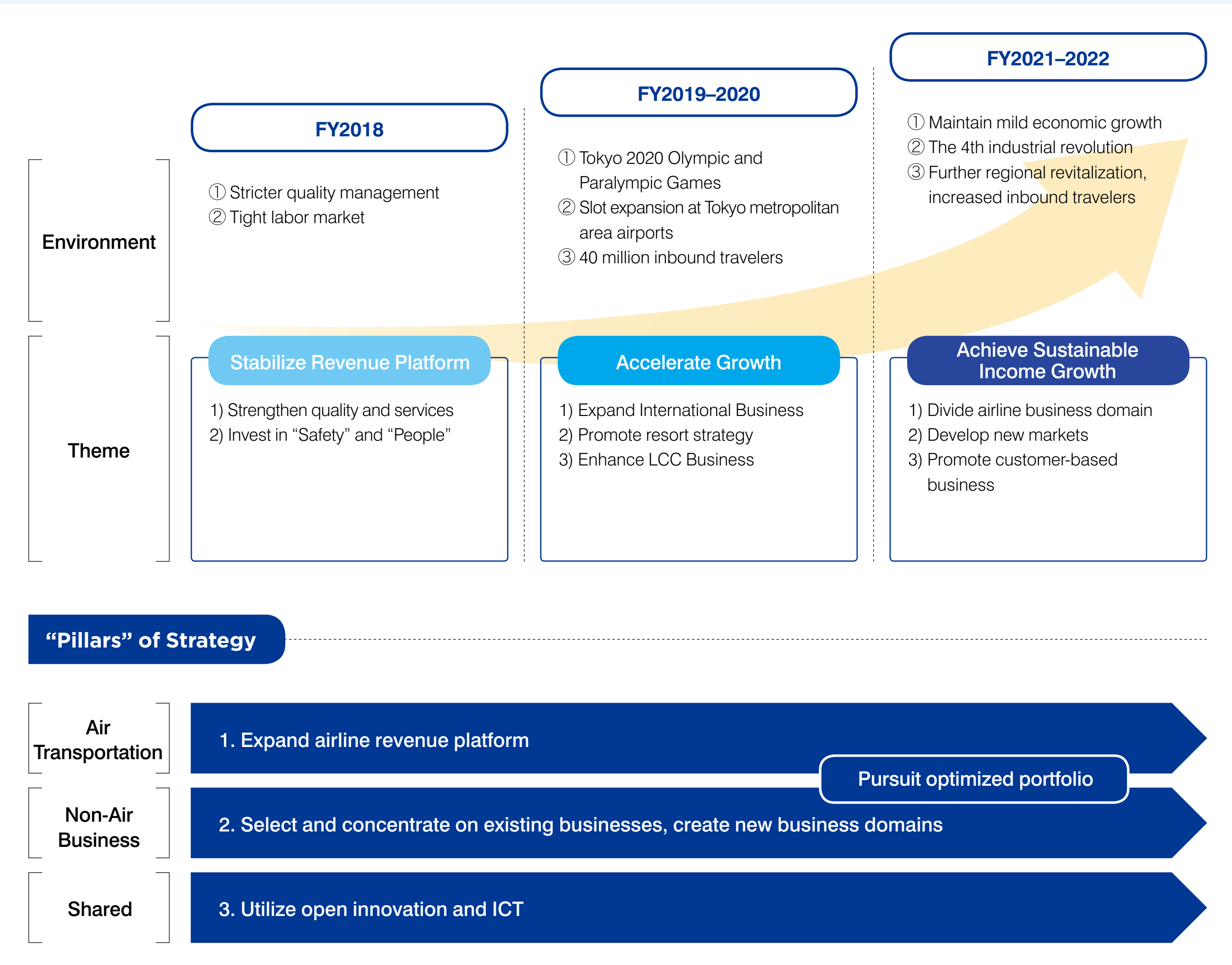
"Pillars" of New Corporate Strategy

Solidify current business platform and move towards the future

We look forward to several major business opportunities for the ANA Group. These opportunities include rising demand for air travel among the emerging economies of Asia and elsewhere, increasing demand for travel to Japan, and an increase in slots at Tokyo metropolitan area airports in 2020. Fiscal 2018 marks the second year of our comprehensive review of safety, quality, and services. As we focus obsessively on safety and basic quality, which are the bedrock of our management, we plan to invest heavily in human resources (the source of our competitive ability) and growth businesses. The first task is to solidify our business platforms. From these platforms, we will generate momentum for growth and sustainable profits, mainly through our International Business.

The ANA Group identified three pillars (see below) in our new corporate strategy to accomplish these goals. The first pillar is to *expand our airline revenue platform*. Here, we will build a stronger revenue platform by pursuing an optimized business portfolio for the Group as a whole, raising basic quality for our ANA and LCC businesses. The second pillar is to *select and concentrate on existing businesses, while creating new business domains*. Supported by this pillar, we will grow our revenue base, accelerating our investments in customer assets and other growth businesses. The third pillar is to *utilize open innovation and information and communications technology (ICT)*. Here, we will contribute to a super-smart society by improving the competitiveness of our products and promoting work-style reform.

We will engage in stronger ESG management, contribute to achievement of the SDGs, and create value worthy of the world's leading airline group. To do this will require a firm footing and using every business opportunity as a tailwind to propel us into the future.



Air Transportation Business (1) Network Strategy

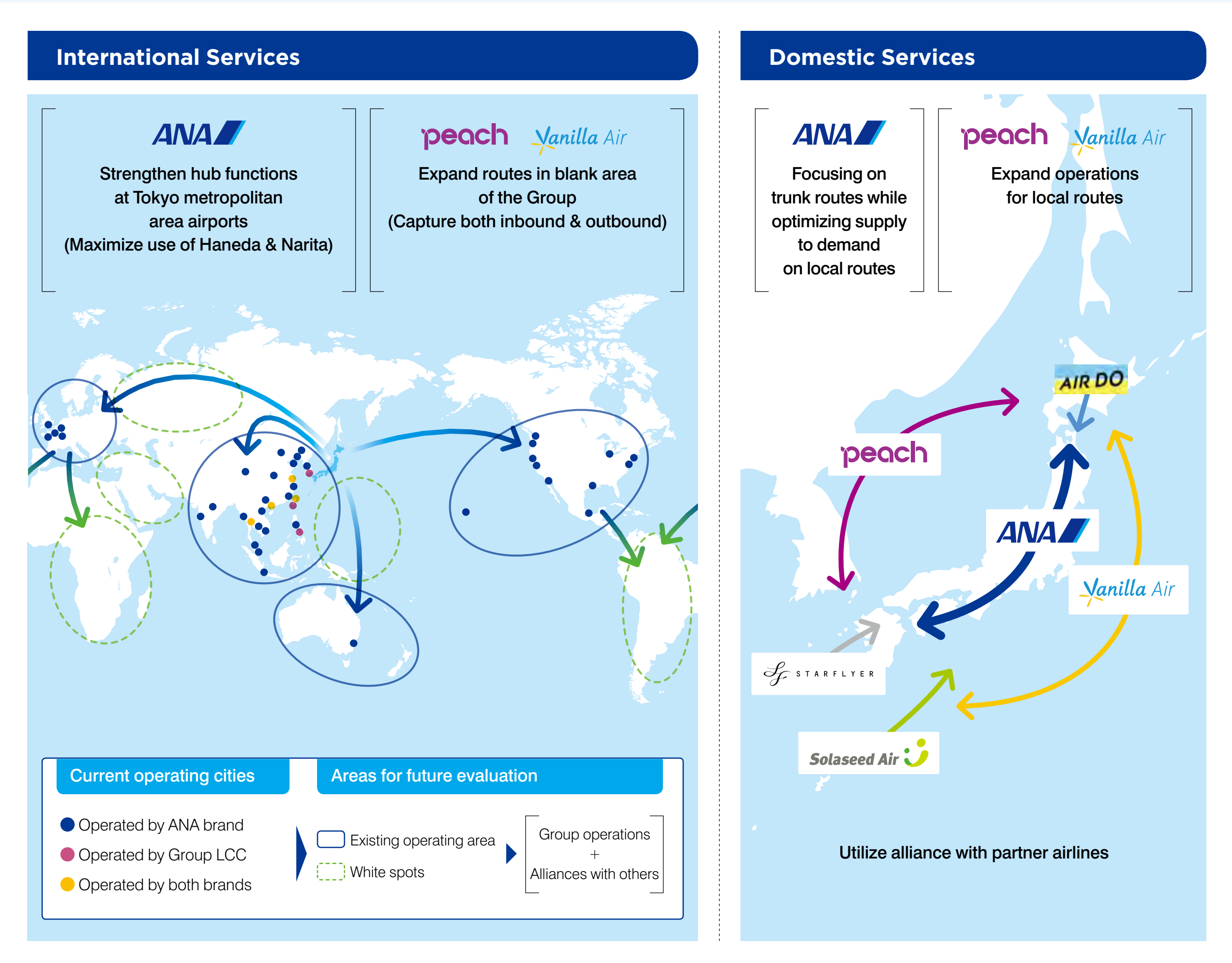
Strengthen marketing with both ANA and LCC brands, expand network by entire Group

The ANA Group network strategy calls for growing our overall group business domain by offering greater convenience to our customers through our ANA and LCC businesses.

One part of this strategy is to further strengthen our hub functions in the Tokyo metropolitan area for ANA international services. Once fully realized, this Tokyo Metro Dual Hub Model will allow us to maximize the benefit of both Haneda and Narita airports. Our LCC Business will remain based in the Narita and Kansai airports, while we grow our operations at other regional airports as well.

Strong leisure travel demand in Japan and inbound travelers represent prime targets to grow our business for flights to and from Japan, which will contribute to regional revitalization.

Trunk routes will continue to form the bulk of ANA domestic services, while we optimize supply to demand for local routes. We will also use our alliances with partner airlines as another measure to secure advantage as the air transportation market leader. In parallel with these moves in the ANA brand, we plan to expand the number of local routes offered in our LCC Business.



Air Transportation Business (2) Fleet Strategy

Secure fleet to support business expansion, pursuit appropriate fleet composition with both brands

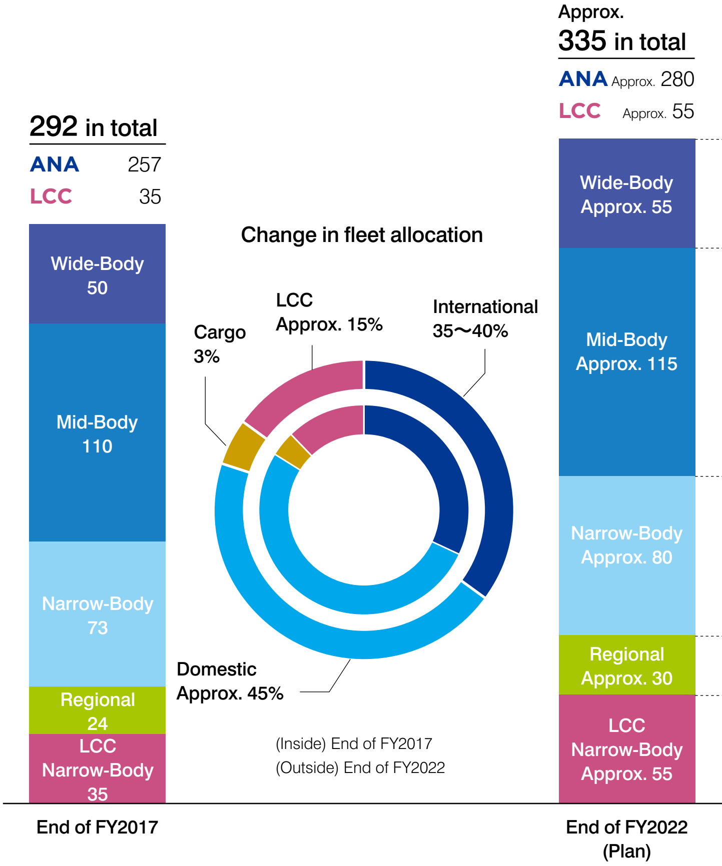
The ANA Group fleet strategy includes raising the number of groupwide aircraft to around 335 at the end of fiscal 2022, an increase of 40 compared to the end of fiscal 2017.

We will upgrade ANA aircraft while adding more over the course of time to execute our strategy. ANA domestic services will use more narrow-body aircraft, while we will add a wide range of aircraft for international services.

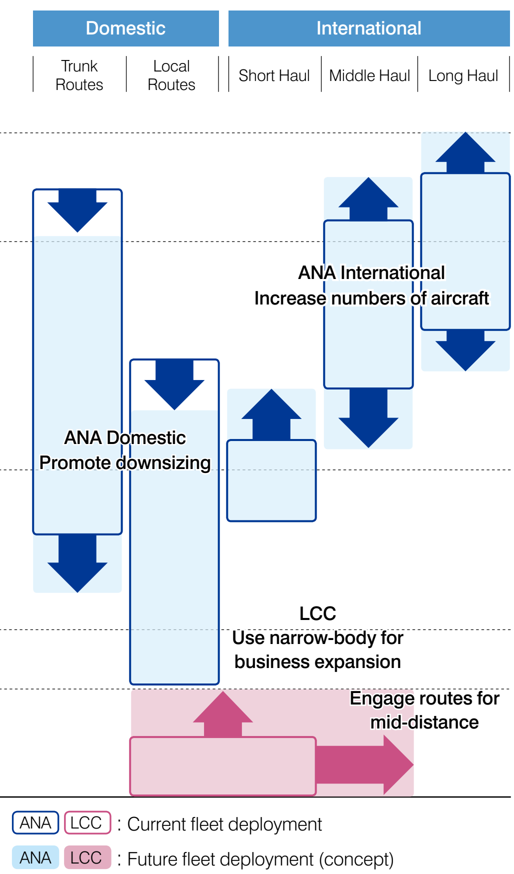
In our LCC Business, we plan to increase aircraft by 50 percent compared to the end of fiscal 2017. The LCC Business will continue to grow through domestic and short-distance international routes, entering the middle-distance international market in 2020. In the future, our LCC Business could potentially take over certain routes currently operated by ANA.

In addition to network and fleet strategies, we are studying proposals for a long-term cross-industry pilot development program to address the shortage of pilots in Japan's air transport industry. This program could become part of our organization-wide resource strategy to ensure stable growth in the future.

Fleet Plan



Approach to Fleet Deployment



Air Transportation Business (3) ANA Brand

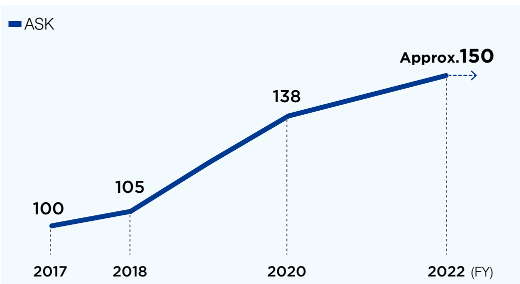
Operating from Tokyo metropolitan area airports, the ANA International Passenger Business is one of our core growth drivers. The Tokyo–Honolulu route will feature the new Airbus A380 aircraft beginning spring 2019 as part of our resort strategy. We will also evolve our alliances with overseas airlines to extend our network to regions we do not currently serve. Under current plans, ASK (available seat-kilometer) capacity for fiscal 2022 should be 50 percent higher than fiscal 2017, assuming increased slots at Haneda Airport beginning in fiscal 2020.

The ANA Domestic Passenger Business will optimize supply to demand, mainly on local routes, serving as the Group's largest revenue platform. We are rolling out seat monitors and free on-board Wi-Fi, moving forward with product and service improvements to offer a refreshed and refreshing domestic flight experience. We project a slightly lower fiscal 2022 ASK capacity compared to fiscal 2017.

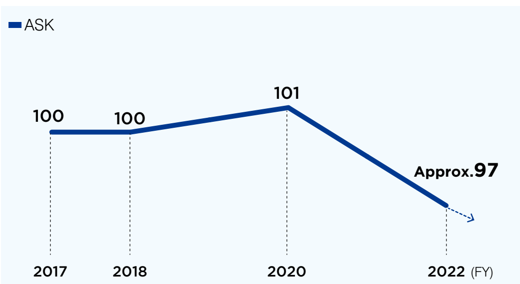
Our plans for the ANA International Cargo Business call for network restructuring, leading to better profitability over the medium term. We will adopt the Boeing 777F to capture more cargo demand on Asia–North America routes, where we expect significant growth. This tactic will be part of our strategy to strengthen our hub functions in Tokyo metropolitan area airports. Meanwhile, we will optimize our Okinawa hub network further in consideration of the future competitive environment and demand within Asia. As with the ANA International Passenger Business, fiscal 2022 ATK (available ton-kilometer) capacity for the ANA International Cargo Business should rise 50 percent compared to fiscal 2017.

ASK/ATK Plan (FY17=100)

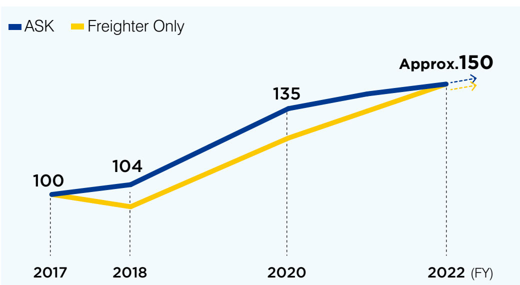
International Passenger



Domestic Passenger



International Cargo



Points of Strategy

Increase revenue and income as a growth driver of the Group

1) Expand business focusing on Tokyo metropolitan area airports
2) Enhance resort strategy
3) Promote alliance strategy, advance into white spots

Maintain Group's largest revenue platform

1) Maintain profitability mainly on Haneda and Itami (Osaka) routes
2) Promote downsizing to optimize supply to demand
3) Enhance quality of products and services

Rebuild network to improve profitability

1) Tokyo metropolitan hubs (Narita, Haneda):
• Deploy wide-body freighters to capture demand between Asia and North America
2) Okinawa hub:
• Continue network optimization

Air Transportation Business (4) LCC Brand

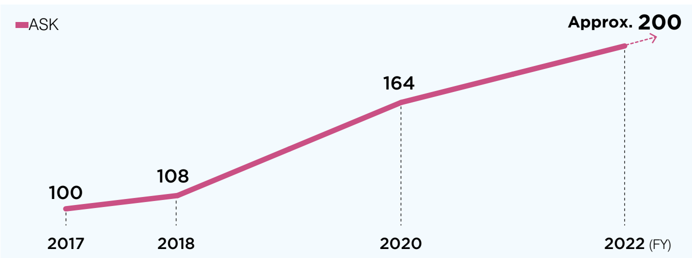
In March 2018, we announced the merger of Vanilla Air and Peach Aviation, scheduled for fiscal 2019. We believe combining the strengths and resources of the two companies, as well as solidifying the LCC Business platform, will speed our LCC growth strategy.

Since fiscal 2011, our LCC passenger numbers have continued to grow, reaching nearly 8 million between Vanilla Air and Peach Aviation for fiscal 2017. In the future, our LCC Business will enter the market for middle-distance international routes to capture the growing demand for air travel expected in Asia. Here, we plan to use longer range narrow-body aircraft to increase choice in the cities in which we operate, allowing us to capture inbound traveler and leisure demand from a broader segment of customers. Our goal is to put these aircraft in service beginning fiscal 2020 to play a role in ANA Group growth strategy.

We plan to double ASK capacity in fiscal 2022 as compared to fiscal 2017 between Vanilla Air and Peach.

LCC (Vanilla & Peach)

ASK Plan (FY17=100)



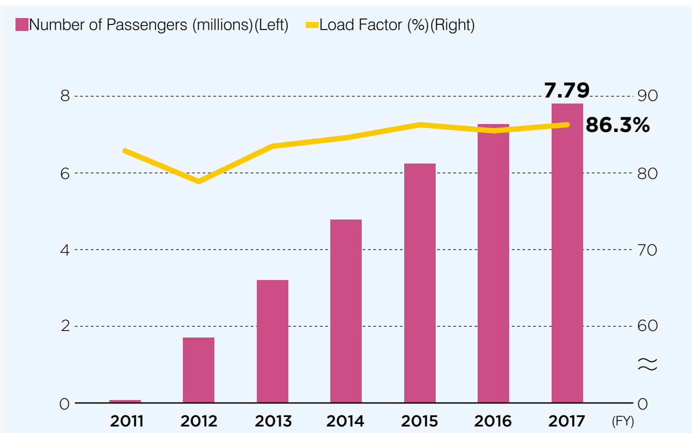
Points of Strategy

Expand revenue platform by utilizing two LCCs

1) Domestic routes:
   - Develop demand with focus on local routes
2) International routes:
   - Expand routes mainly on Narita and Kansai
   - Engage in blank area of the Group

Number of Passengers* Domestic & Int'l in Total

Passengers increasing steadily since FY2011



Develop Mid-Distance Routes

1) Utilize narrow-body aircraft with a capability of middle-distance operation
2) Capture inbound/leisure demand broadly

Non-Air Business

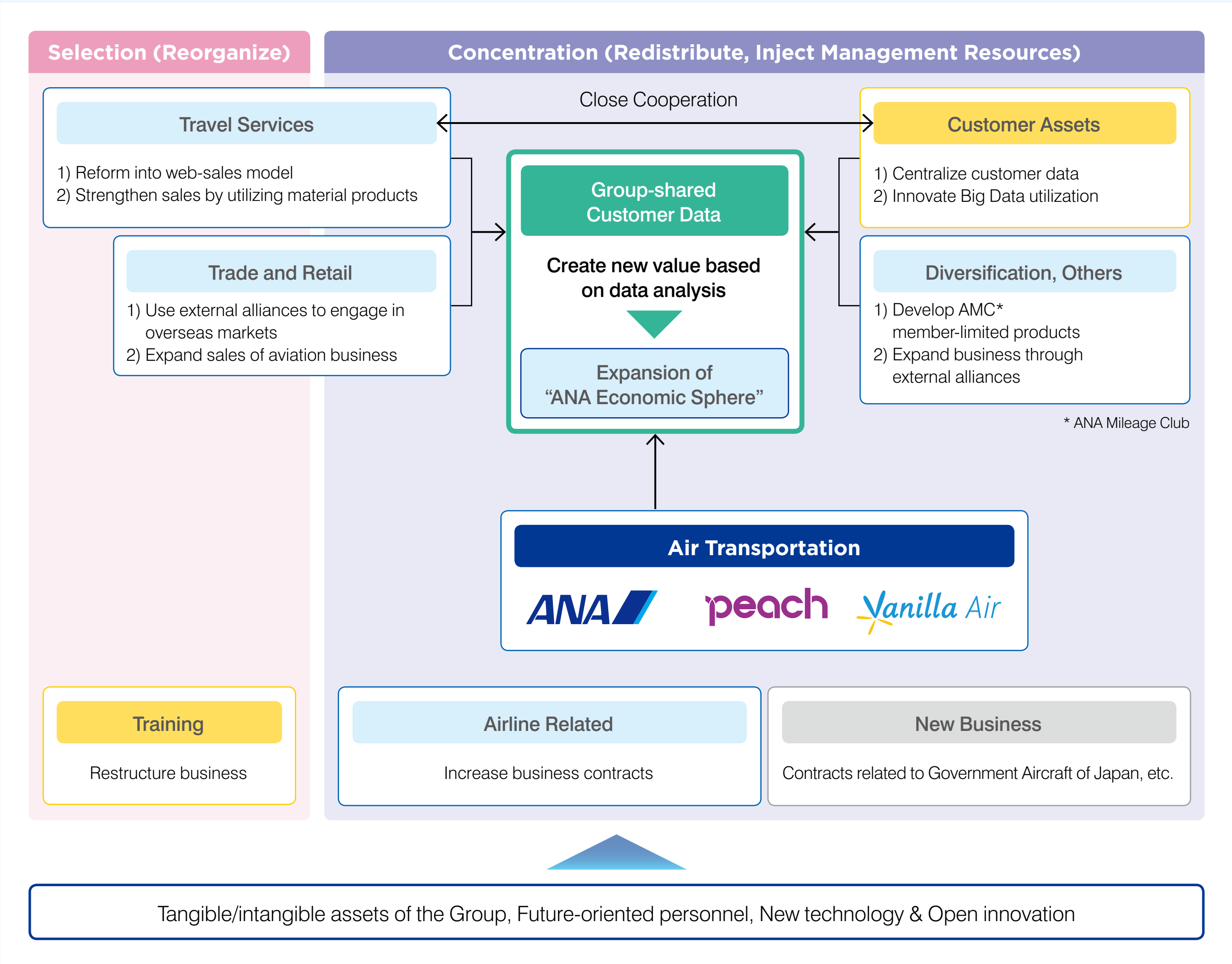
Accelerate selection and concentration with focus on customer base to rebuild portfolio

We intend to leverage our customer platform in our Non-Air Business in executing our new strategy.

The ANA Group owns significant brand recognition, expertise, technology, and other tangible and intangible assets built over many years. One example is our ANA Mileage Club membership, which has surpassed 32 million people as of March 2018. Using Big Data to unearth latent demand among this membership should allow us to grow our business.

ANA X Inc., which we established in October 2016, will take the lead in coordinating analysis and use of customer data across the Group, creating new value to expand the ANA economic sphere.

We intend to restructure our Non-Air Business portfolio, combining our storehouse of data and expertise with new technologies to grow group profits.



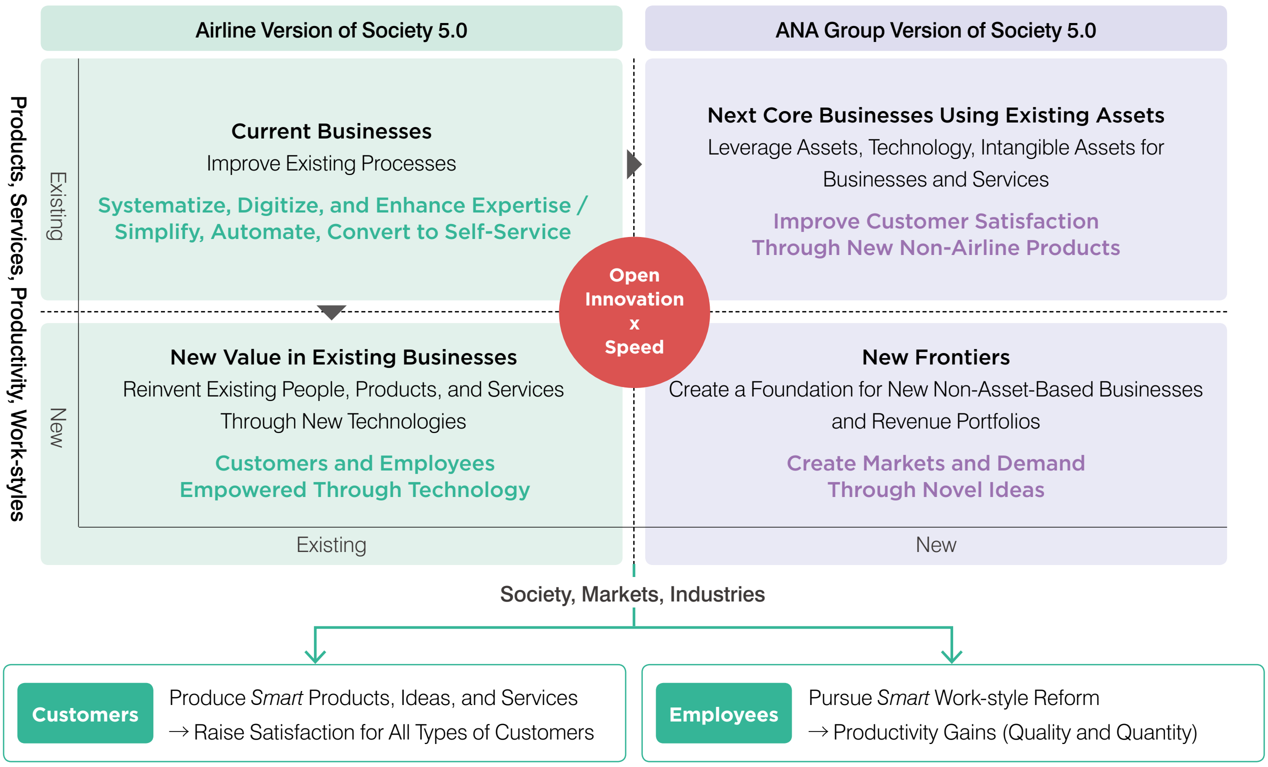
Society 5.0

A super-smart society built on breakthrough technology and open innovation

The ANA Group uses our tangible and intangible assets to address social issues and the ever-changing future. We combine these assets with ICT and open innovation to quickly develop new products and services, as well as foster our human resources, contributing to *Society 5.0* (the super-smart society).

We envision a future that struggles with population decline and labor shortages, even as we encourage more women and seniors to be active in society. Meanwhile, new business models are emerging that incorporate IoT, robotics, Big Data, and other new technologies to make society friendlier for living and working.

This vision of the future drives us to strive for greater customer satisfaction and higher levels of productivity made possible through employee work-style reform, bringing to bear the conceptual ability and force of action unique to an airline group.



Contributing to the Advent of Society 5.0 (Super-Smart Society)*

* Solving social issues through services tailored to each individual through innovative technologies. Creating new demand, revolutionizing productivity

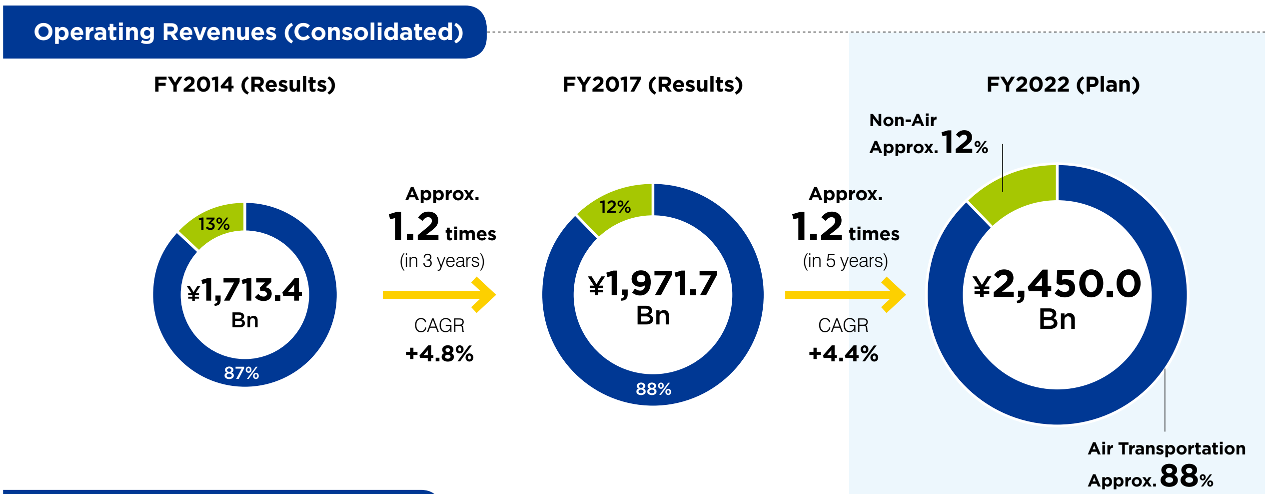
Operating Revenues & Operating Income (Consolidated)

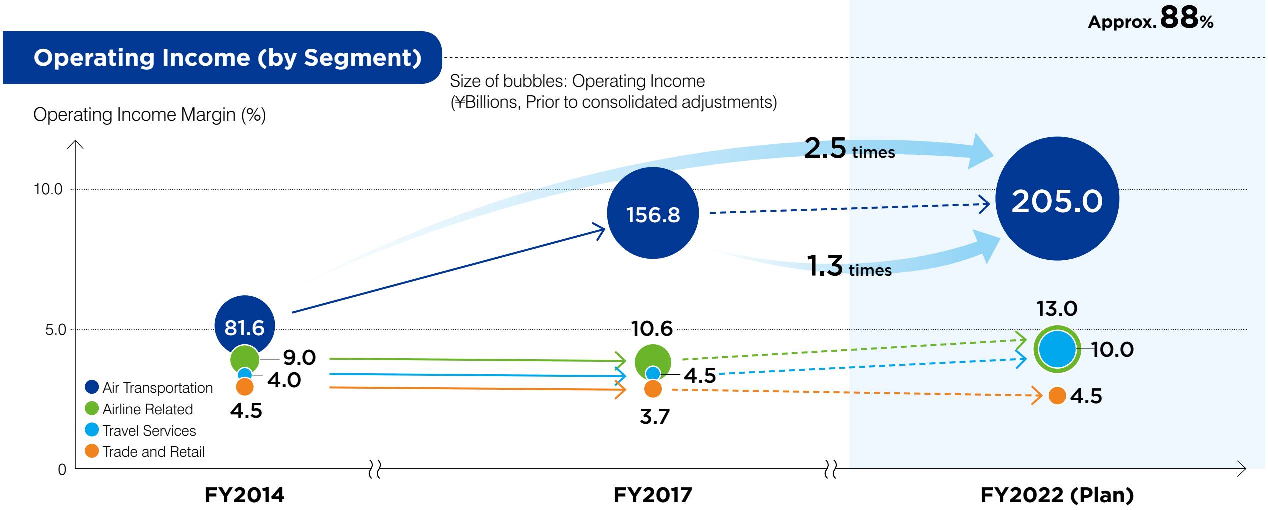
Move into revenue and income growth stage based on past track

Between fiscal years 2014 and 2017, ANA Group operating revenues averaged 4.8 percent growth annually. Based on this track record, our new plans outline a 4.4 percent annual growth rate over the next five years, reaching ¥2,450 billion for fiscal 2022.

Our goal for fiscal 2022 Air Transportation operating income is ¥200 billion. This figure is 2.5 times greater than fiscal 2014 operating income and about 30 percent greater than fiscal 2017. At the same time, we are aiming for an operating income margin in excess of 10 percent.

In our Non-Air Business, we will exercise selection and focus to pursue revenue and profit growth across all segments.





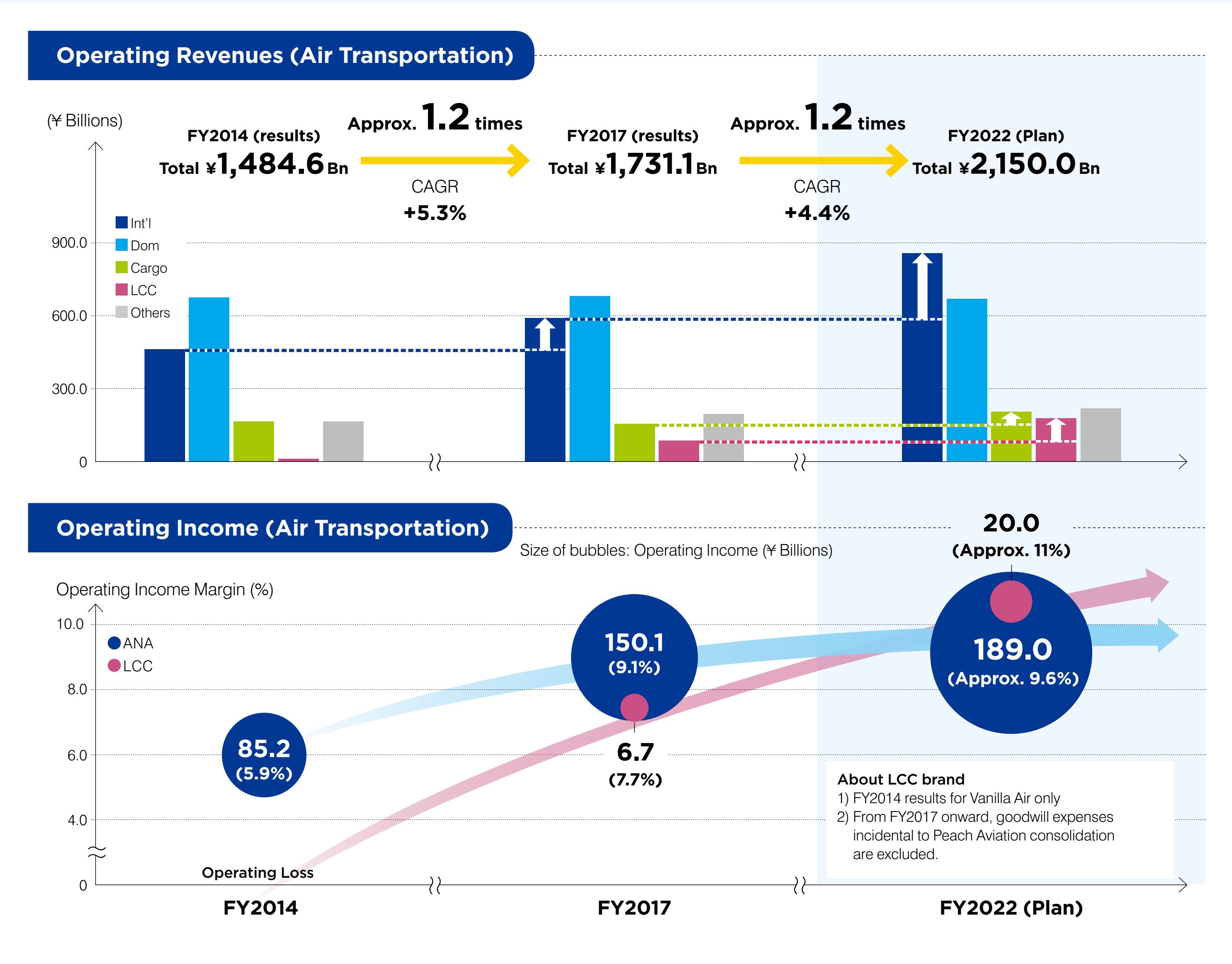
Operating Revenues & Operating Income (Air Transportation Business)

Drive topline growth and improve profitability by utilizing international business and LCC

Our goal for fiscal 2022 International Passenger Business operating revenues is ¥870 billion, or more than 80 percent higher compared to fiscal 2014 results. We also plan to grow operating revenues in our Cargo and Mail Business and LCC Business.

The target for ANA fiscal 2022 operating income is ¥189 billion.

Over the past several years, our LCC Business has delivered improved profits, leading us to set a target of ¥20 billion in operating income for fiscal 2022. Our advantageous low-cost structure, combined with Japanese LCC product and service quality, should help us grow both revenues and profits in the business.



Cost Management

Promote cost management by utilizing ICT

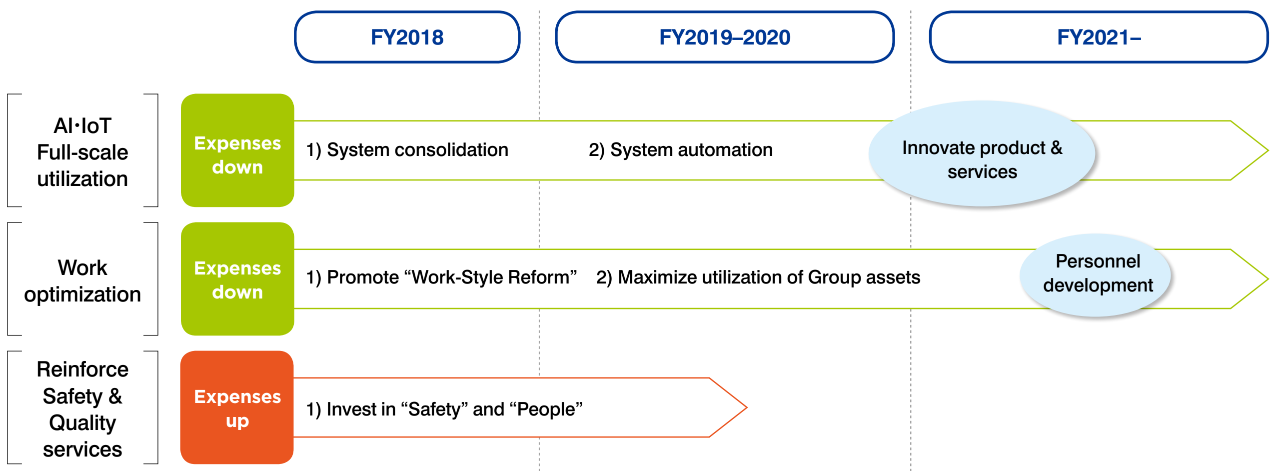
In fiscal 2010, unit cost in the ANA Air Transportation Business was ¥10-plus per ASK. Unit cost has decreased nearly 10 percent since fiscal 2011, the result of six years of work and an equivalent of ¥138 billion in cumulative Cost Restructuring Initiatives.

Our new corporate strategy will incorporate AI, IoT, robotics, and other technologies heavily, encouraging work-style reform to improve productivity and add even more strength behind our cost competitiveness.

Examples include self-driving vehicles in our airport ground equipment, call center quality improvements through voice recognition technology, AI-based aircraft parts and maintenance tool management, and numerous other ways to incorporate the latest technologies in non-traditional formats. Adding more fuel-efficient aircraft to our fleet will help us control fuel cost increases.

Of course, adopting new technologies goes beyond cost reductions. These technologies will lead to greater revenues and improved basic quality when used to develop new ANA Group businesses and foster our human resources.

As we continue to invest in safety, quality, services, and our people, we expect unit costs to rise temporarily for fiscal 2018. However, unit cost should decrease ¥0.6 by fiscal 2022 to ¥8.8 according to plan as we implement appropriate cost management.

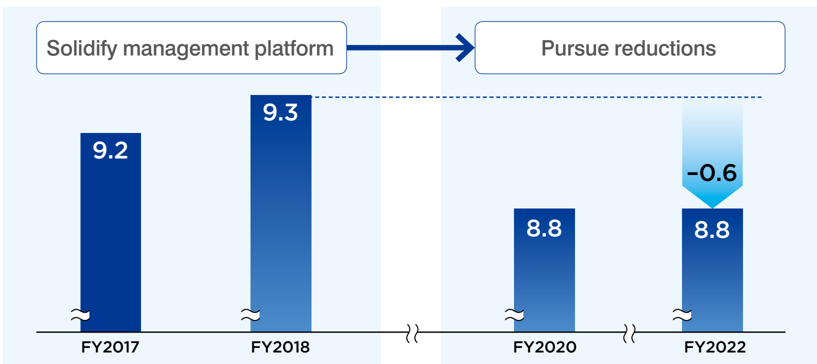


Unit Cost Plan

* Definition of Unit Cost (ANA brand only)

$$\frac{\text{Op. Expense (Total)} - (\text{Cargo \& Mail Revenues} + \text{Other Revenues})}{\text{Domestic Passenger ASK} + \text{Int'l Passenger ASK}}$$

(¥/ASK)



Financial Platform

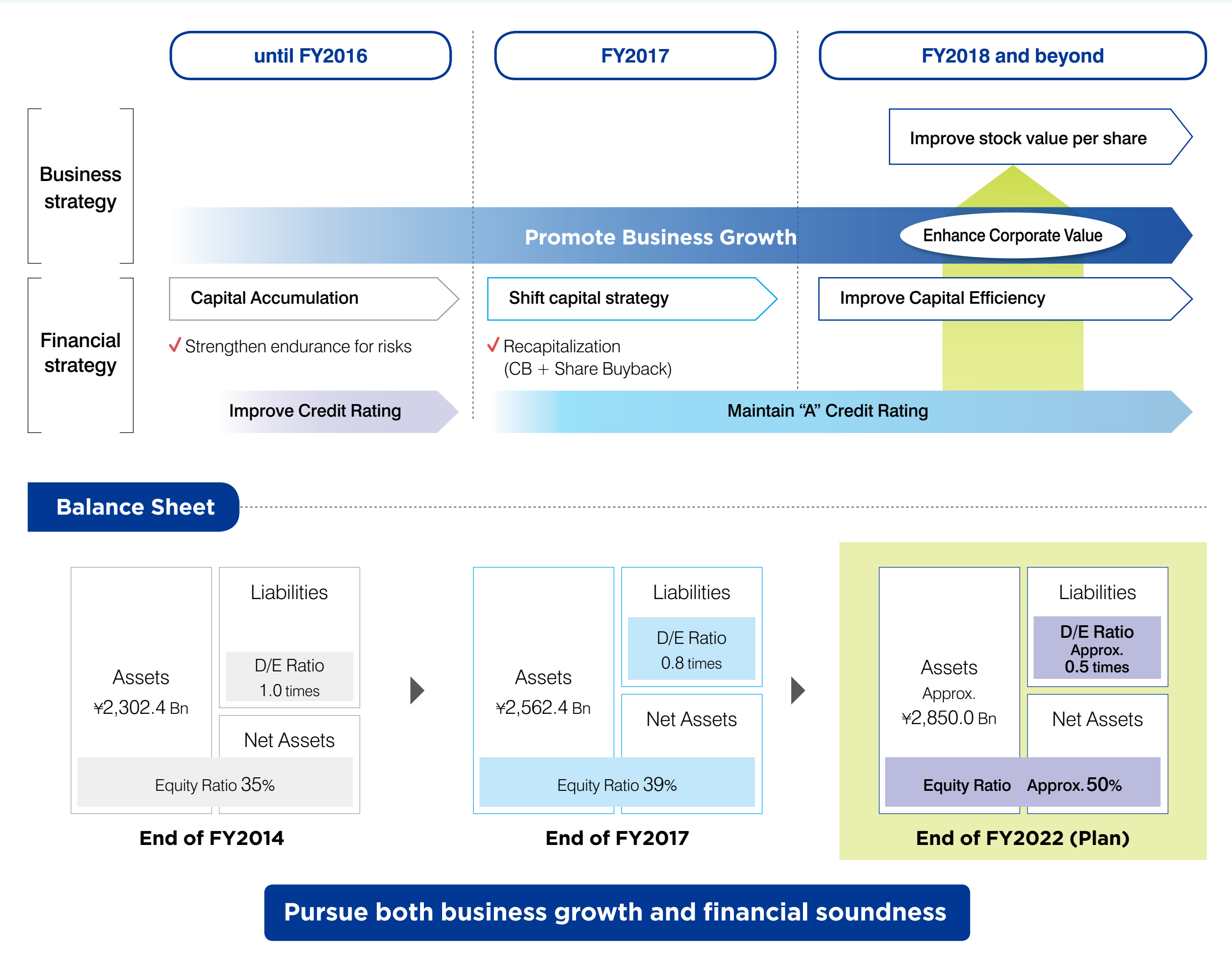
Use optimal financial platform to accelerate business strategy, enhance corporate value

Our consistent business performance over the past several years has strengthened our financial foundation, earning us an A credit rating.

Looking ahead, we will work to improve stock value per share, while balancing growth strategy and financial soundness.

During the year, we successfully pursued both business growth and recapitalization through a financial and capital deal implemented in September 2017. Not only did we secure capital to invest in aircraft important to our revenue growth, we also transitioned to a financial policy to improve capital efficiency through the repurchase of shares. We selected convertible bond with clauses for limited conversion, in consideration of our existing shareholders.

We concluded our share repurchase program as of March 2018, and we will aim for greater capital productivity in the future, balancing shareholders' equity and profits appropriately over the medium and long terms.



Cash Flow

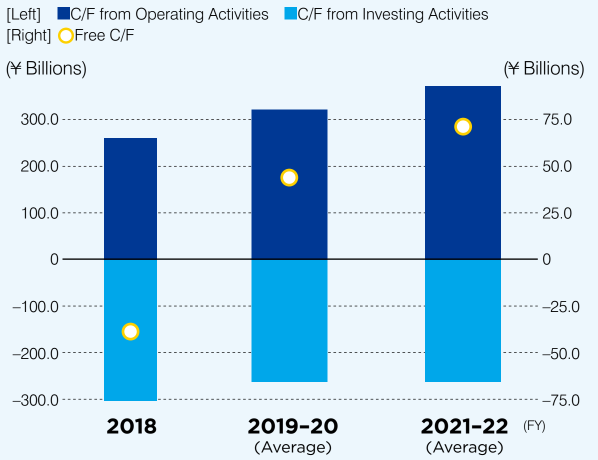
Shift to the stage where we take benefits from past investments

The ANA Group target for the five years between fiscal 2018 and fiscal 2022 is to secure free cash flow totaling ¥195 billion.

Although we will continue to make large capital investments, EBITDA levels during the period covered by our new strategy will be higher than capital investment amounts. Our plans call for free cash flow levels to improve significantly beginning fiscal 2021.

Capital investments through fiscal 2018 will include investments in aircraft, as well as major investments in assets other than aircraft. One such investment will involve construction costs for the ANA Group Training Center (working name). Our plan is to consolidate facilities located in different areas near Haneda Airport into one for greater efficiency and higher levels of safety, which is the very foundation of our business. Other investments will relate to developing our people, who are the backbone of our quality and services as a business.

Cash Flow Plan



Free C/F

FY2018–2022 (in 5 years)
Total ¥195.0 Bn

3-year total ¥50.0 Bn

2-year total ¥145.0 Bn

1) EBITDA, Interest-Bearing Debt / EBITDA

(¥ Billions)

(FY)	2017	2018	2019–20 (Average)	2021–22 (Average)
EBITDA	314.9	326.0	365.0	Approx. 415.0
Interest-Bearing Debt/EBITDA	2.5	2.4	2.2	Approx. 1.8

* Excluding off-balanced lease obligation in interest-bearing debt.

2) Capital Expenditures

(¥ Billions)

(FY)	2017	2018	2019–20 (Average)	2021–22 (Average)
Aircraft	184.6	261.0	230.0	Approx. 190.0
Others	131.7	170.0	125.0	Approx. 120.0
Total	316.4	431.0	355.0	Approx. 310.0

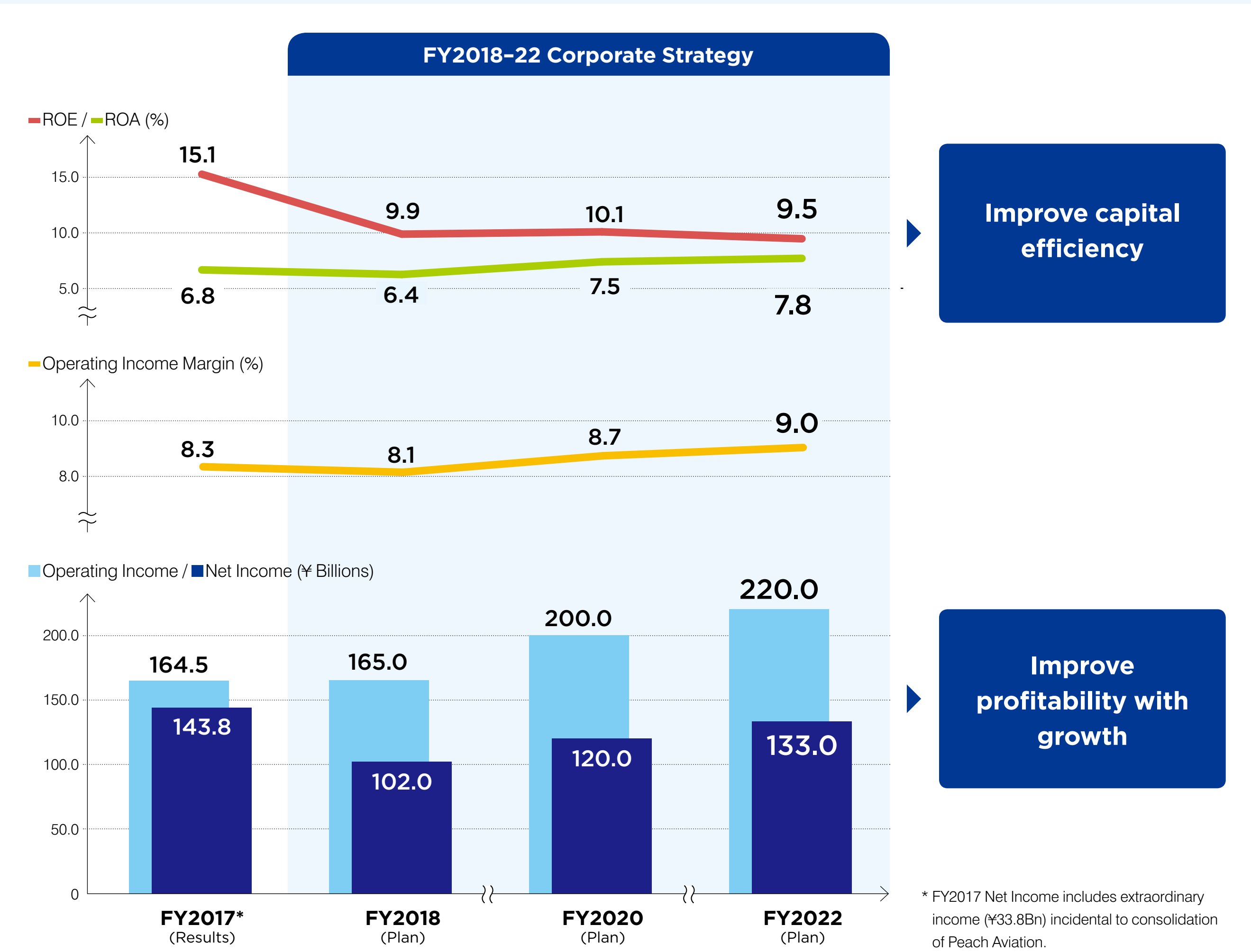
Continuous generation of cash flow

Value Creation Targets

Pursue optimal portfolio to become a top-tier airline group in profitability

The FY2016–20 Corporate Strategy formulated in January 2016 included a fiscal 2020 operating income goal of ¥200 billion. Our updated corporate strategy, however, aims for even higher levels of corporate value.

Our new plan calls for operating income of ¥220 billion and net income of ¥133 billion in fiscal 2022. Operating income margin has been added as a value creation goal to ensure profitability rises together with profit increases. We expect to maintain an ROE of around 10 percent throughout the course of our new strategy; however, we will look for ways to secure greater capital efficiency as we go.



* FY2017 Net Income includes extraordinary income (¥33.8Bn) incidental to consolidation of Peach Aviation.

Management Resources Allocation

Continue growth investments, shift to the stage for gradually enhancing shareholder returns

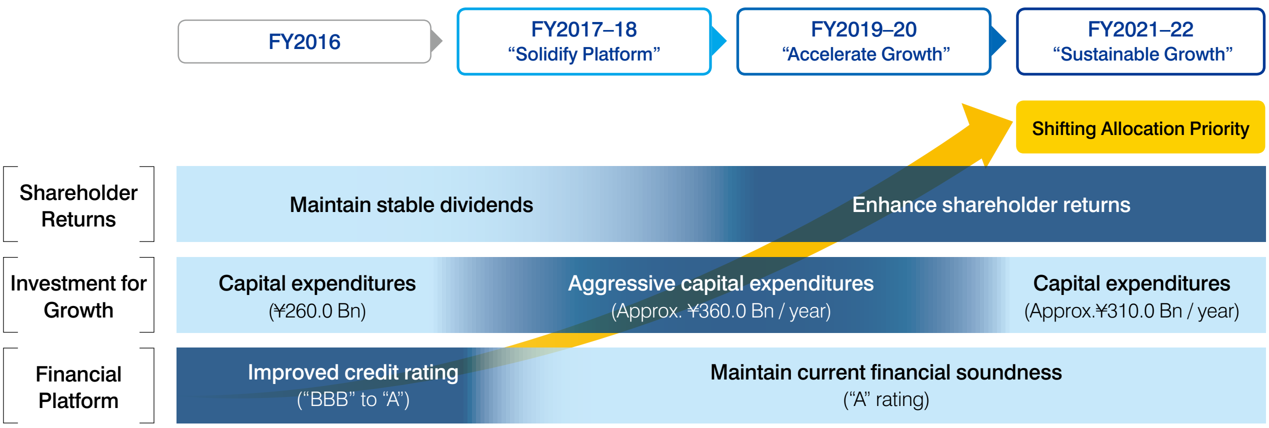
Allocation of management resources will change in conjunction with advancements in our businesses and rising levels of free cash flow as we move through the stages of the business management cycle.

We intend to retain our A credit rating as we address our financial foundation.

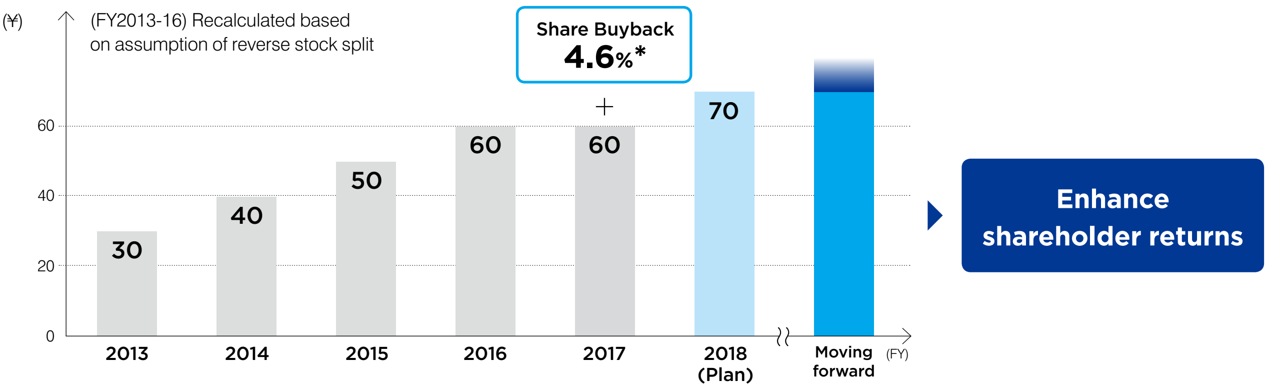
Growth investments will continue heavily through fiscal 2020, after which we expect the scale of investment to level.

In terms of shareholder returns, we plan to increase fiscal 2018 dividends by ¥10 to ¥70 per share. Dividends will remain within a scope that represents a payout ratio of between 20 percent and 30 percent. During the period covered by our new strategy, we hope to transition gradually away from the current policy that allocates management resources heavily to growth investments toward a policy emphasizing shareholder returns, answering the expectations of our investors.

Business Management Cycle



Shareholder returns



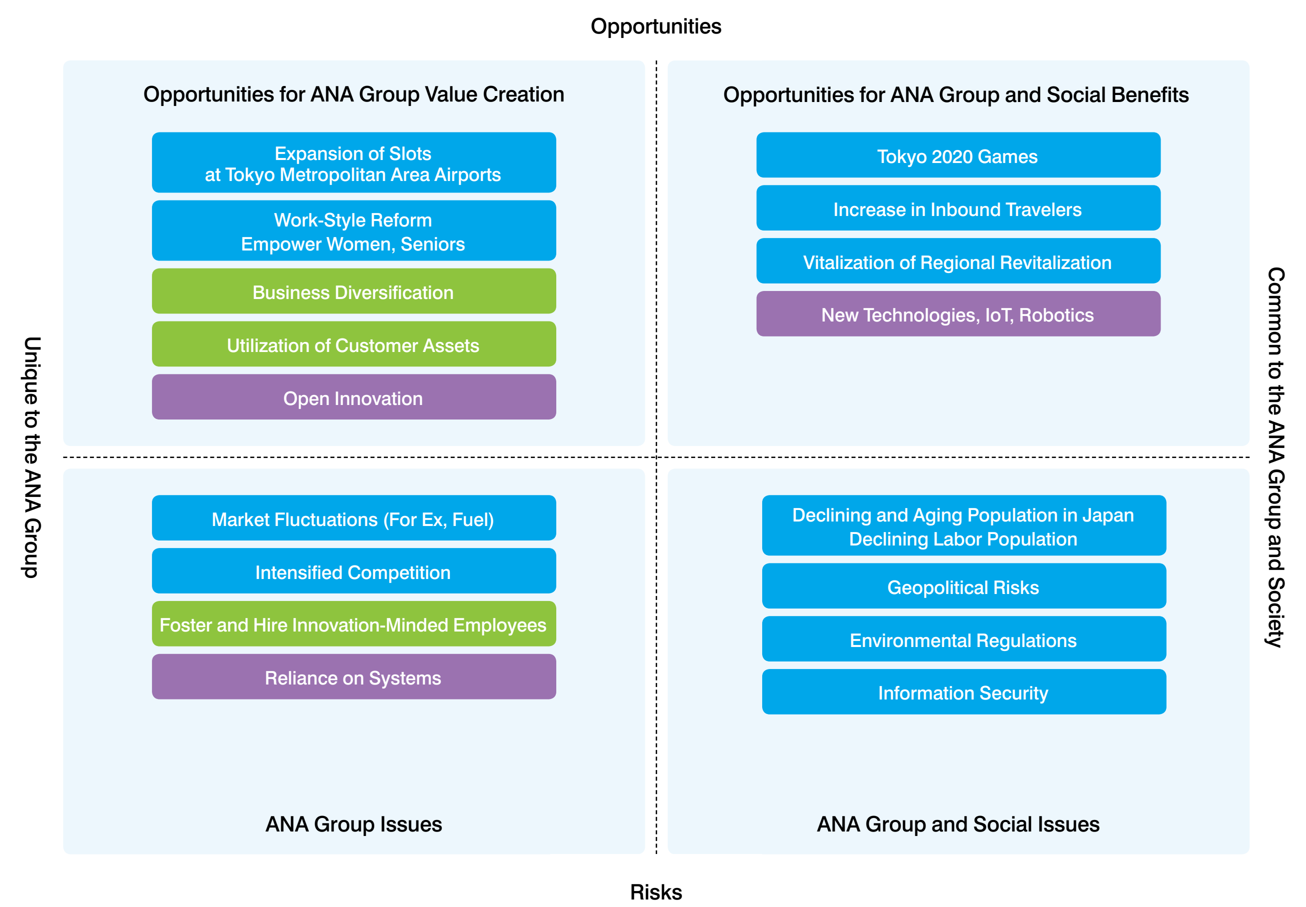
Opportunities and Risks Recognized by the ANA Group

Pursue sustainable growth, responding to changes in the global business environment

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

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.



Relationship to the Three Strategic Pillars

Expand Airline Revenue Platform / Create New Business Domains / Utilize Open Innovation and ICT

How We Ensure Safety and Develop Stellar People

The ANA Group is pursuing a policy of *Solidifying Our Business Management Platform* through fiscal 2018, conducting a comprehensive review of our safety, quality, and services. We are investing heavily in safety and human resources to draw out the skills of every group employee, combining the strengths of our people with ICT to build new value and sustainable growth.

Case 1

Mechanics Worldwide Utilizing Mobile Devices

Connecting the World and Raising Maintenance Quality Standards Through ICT

The ANA Group issued mobile devices to every flight attendant in 2012. Since then, our mobile technology program has been rolled out to pilots, maintenance crew, and airport staff. This technology allows faster and more precise communication, providing timely information for passengers and better in-flight service. In addition, we have received the benefits of more efficient training and paperless manuals.

Our maintenance department uses mobile devices to access manuals and tap into an expansive knowledge base of maintenance techniques. If a maintenance issue is identified during an aircraft inspection at an airport, maintenance crew and staff must assess the situation quickly to organize service or repairs in a way that minimizes disruption of scheduled flights. We are currently developing a new system that will result in further improvements in maintenance and operation quality. This system will be available for daily service aircraft maintenance, allowing local staff to share images and details with off-site personnel in real-time to prepare maintenance work and receive instructions quickly.

The new system will use ICT to create a global network boosting maintenance quality, and ensuring safety, on-time operations, and comfortable flights for ANA customers around the world.

Project Team Members
ANA Engineering & Maintenance Center,
e-TPS & Innovation Office
(L to R) Kenichiro Shigenobu, Yasuo Kurakazu, Jiro Morita, Hidetaka Ohura

Key Benefits of Mobile Technology

1. Instant access to updated maintenance manuals
2. Improved maintenance quality by sharing the aircraft condition promptly
3. Better cross-divisional cooperation

Case 2

Retired Aircraft Used as a Maintenance Training Jet

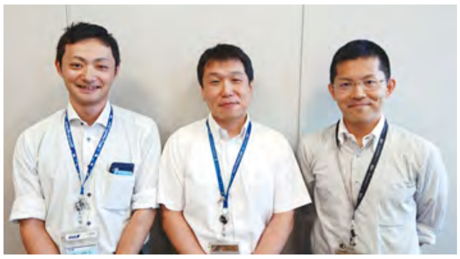
Accelerating Maintenance Crew Training, Raising Standards for Personnel and Quality

The growth of our Air Transportation Business creates a pressing need to train more aircraft maintenance crew to keep service standards at the highest level.

In August 2018, the ANA Group began using a retired Boeing 737-500 aircraft as a maintenance training jet. Our aim here is to improve the education and training environment for newly hired employees, helping them develop skills as quickly as possible.

Newly hired technical staff receive basic training on maintenance work (aircraft systems, maintenance procedures, etc.), followed by training using mock-ups of different sections of the aircraft. Previously, maintenance crew would work on service aircraft as they came into the hangar to develop practical skills, which was a very slow process. Having a dedicated maintenance training jet provides more hands-on experience, allowing for a more effective and practical training experience.

Using a maintenance training jet in this way, we are developing our maintenance crews more quickly and with more consistent quality, improving the safety and security of our flights.



Project Team Members
ANA Engineering & Maintenance Center, Education & Training Division
(L to R) Takeshi Kubota, Isao Kobayashi, Morio Otomo

Key Benefits Maintenance Training Jet

1. Early experience with actual aircraft, learning from mistakes in a low-risk environment
2. More opportunities to test knowledge on actual aircraft
3. Train larger numbers of personnel at one time

Boeing 737-500 Maintenance Training Jet

Training Using a Maintenance Training Jet

Initiatives for Strengthening Safety and Fostering Human Resources

Case 3

World's First Video-Based Flight Review Application, *"Furikaeri"*

Using Big Data to Help Pilots Fly Safer and Improve Skills

As the world's first, the ANA Group has introduced an application that allows pilots to watch a video review of their performance post-flight via tablet. Post-flight reviews assist pilots in flying safer and polishing their technical skills.

This review application immediately analyzes Big Data collected from on-board sensors and other sources, combining this data with animations of flight conditions, gauges, and ground topography for a visual reproduction of the flight. Pilots can use their own mobile devices to review their flight performance at any time. The cutting-edge technology behind the video review was created by a project team made up of some 50 experts drawn from various companies and divisions within the ANA Group, as well as consultants from outside.

Conceptual Image of the Post-Flight Video Review Application

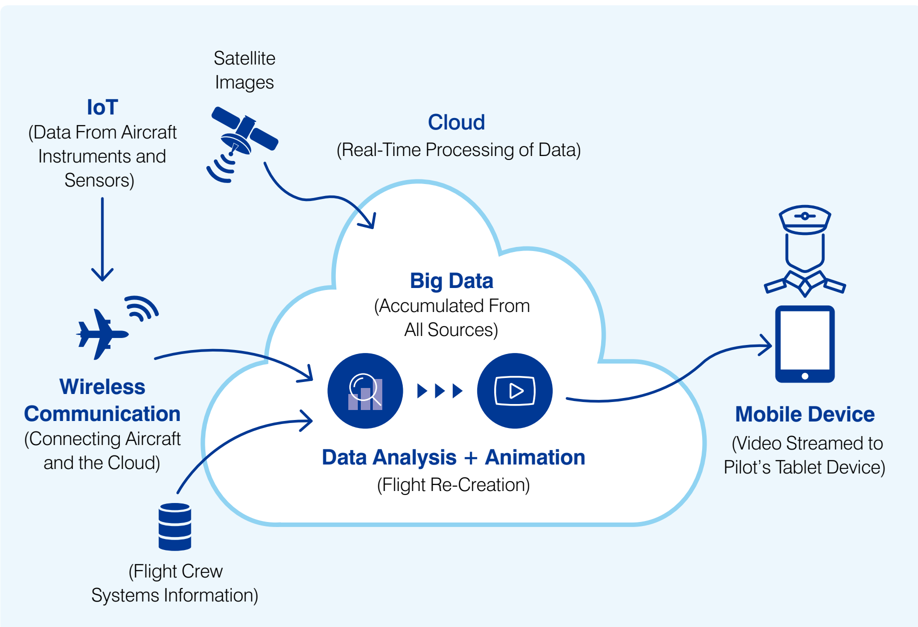
The major global airlines have been emphasizing unanticipated risk as an important safety concept alongside traditional incident avoidance and the prevention of recurrence. At the same time, aircraft technology is rapidly advancing through IoT, networking, and data processing.

Globalization is allowing more freedom of movement and demand for air travel, which is leading to a pilot shortage now noted even among greater society. Obviously, pilot recruiting and training is critical for future airline business growth.

With an evolving aviation industry and diverse work-styles among pilots, the ANA Group is aware of the need for an environment that supports ongoing skills development for pilots. This environment must include personal mentorship and the use of data to be effective and sustainable.

The post-flight review video application aids in the training of already experienced and skilled pilots. This tool also fosters a culture of communication among pilots in a new format, helping the ANA Group become even more unified behind safe flight operations.

Post-Flight Review Video Application



Benefits of Big Data

1. AI-based predictive analysis for improved flight operation and safety
2. Improved fuel consumption and reduced environmental impact via correlation analysis of flight rules and fuel consumption
3. Effective training through feedback

Case 4 Preventing Falling Debris From Aircraft

Safety is our promise to the public and is the foundation of our business. In keeping with this safety principle, the ANA Group is committed to eliminating all forms of aircraft debris*.

* Aircraft debris is defined as frozen solids or parts and/or components that have fallen to the ground (except where this occurs within the confines of an airport). We have implemented a reporting system for missing parts.

1 Background

A spate of aircraft debris incidents in August and September 2017 (panel, engine fragments, etc.) caused considerable public concern about falling objects. In one incident, the exterior panel section an overseas airline flight fell and caused damage to a vehicle on the ground. The Japanese Ministry of Land, Infrastructure, Transport and Tourism declared this accident a Serious Incident, causing a further increase in public concern.

As new flight paths are being considered to strengthen the utility of Tokyo metropolitan area airports, airlines must demonstrate their commitment to the highest standards of safety, particularly with respect to aircraft debris.

Boeing 767 With Missing Panel

2 ANA Group Aircraft Debris Initiatives

Individual Division Initiatives

To better recognize even the smallest warning signs of potential aircraft debris, the ANA Group has established a mechanic inspection program, while striving to make pilots and other staff working around aircraft more aware of the issue. We are also working with aircraft manufacturers on technical solutions and other initiatives to prevent aircraft debris.

Diagrams Showing Typical Sources of Aircraft Debris
Left: For airport ground staff   Right: For Mechanic

Adopting Recommendations From the Committee on Aircraft Debris Prevention

The Committee on Aircraft Debris Prevention was inaugurated on November 6, 2017, consisting of experts and other members drawn from academia, government, airlines, and airport management companies. The ANA Group is an active member of the committee and committee working groups. The ANA Group is committed to adopting recommendations issued by this Committee.

Companywide Awareness Education

- Distribution of email magazine and instructional video
- Posters in the workplace
- Awards related to prevention activities

The ANA Group will continue to work closely with aircraft manufacturers and other airlines on these and other initiatives to ensure we safely operate our aircraft in a way that meets the expectations of customers and the general public.

Air Transportation

Becoming the World's Leading Airline: Pursuing Safety and Quality Through Obsessive Focus on Our Front Lines

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

Since being named ANA president and chief executive officer in April 2017, my complete focus has been on the front lines of our business. How can we take our existing strengths in our front lines and make them even stronger? As often as I can, I visit the airports and other workplaces, taking the opportunity to interact directly with our employees. There, my conversations help me identify everyday operational issues and call for a review and response as quickly as possible. Repeating this pattern has generated a movement toward the greater pursuit of safety and quality across our entire organization. Nothing is a higher priority than safety. My engagement with employees provides hints and ideas about what to include in my monthly corporate message. My message includes a system to receive employee feedback, which is creating a new culture of open and frank discussion about improving our safety and quality.

Looking back on fiscal 2017, we see that our performance was supported by strong demand. Financially, we set record-high results in operating income, ordinary income, and net income. Our focus on the front lines and initiatives for quality improvement during fiscal 2017 led to international recognition. SKYTRAX of the U.K. certified ANA with the maximum 5-Star Rating on customer satisfaction for the sixth consecutive year. Air Transport World of the U.S. awarded us Airline of the Year 2018, their most prestigious award.

We at ANA operate under the brand concept, *Inspiration of JAPAN*. We strive to share the excitement and fun of travel to our customers through our innovative spirit, leading-edge technology, and the heartfelt service representing the manners and courtesy for which Japan is known. I have shared the illustration at the top of the next page with our employees as a visual representation of the ideal to which we aspire. I encourage every employee to design their own action plan toward realizing this ideal. When every employee is willing to take on new challenges without fear of failure, this will be the engine driving ANA services to the next stage.

Looking ahead to the year 2020 and beyond, we have been aggressively adopting new digital technologies. Here, the most important thing is to separate the jobs of humans from the jobs of machines. We should automate those tasks best performed by

machines, while allowing humans to perform those tasks only humans can do. We must combine digital technologies with the attention to detail and inspiration that ANA has developed through the cumulative expertise and knowledge of every employee working at the front lines of our business. This will lead to new ideas that become the platform for ANA services of the next era.

Japan is preparing diligently for the Tokyo 2020 Olympic and Paralympic Games. Government-led tourism and regional revitalization projects will likely increase inbound tourist traffic to even higher levels than today. At the same time, plans are under way to expand slots at the Tokyo metropolitan area airports. Our International Business will be a driver of future growth, and we intend to continue with our dual hub network strategy, which leverages the distinct advantages of the Haneda and Narita airports. We have plans of our own to introduce new products and services, including putting the Airbus A380 into service for our Hawaii route beginning spring 2019. We are also aiming to lead in eco-friendly operations, adopting the latest, most fuel-efficient aircraft available.

Moving forward, we intend to seize the big opportunities that lie in front of us, securing our position as the world's leading airline. We will exercise obsessive focus on the front lines of our business to raise safety and quality, continuing to provide air transportation that inspires customers to say, "I'm glad I chose ANA!"

In July 2018, ANA canceled a limited number of flights to perform inspection and maintenance on engines made by Rolls-Royce Holdings Plc used in Boeing 787 aircraft. We sincerely regret the inconvenience to our customers and everyone else involved, and we want to ensure everyone that we spare no effort or expense when it comes to safety. Thank you for your understanding.

August 2018

Air Transportation

Operating revenues of Air Transportation Business for fiscal 2017 amounted to ¥1,731.1 billion, up 12.7% year on year. Operating income rose 12.4% to ¥156.8 billion. This positive performance was mainly due to our capturing strong demand within our international business for passenger and cargo service, as well as to the consolidation of Peach Aviation in our LCC Business. Our targets for fiscal 2018 operating revenues and operating income are ¥1,805 billion (4.3% increase) and ¥160 billion (2.0% increase), respectively. We expect to grow top line revenues through our international business and other operations, supported by a solidifying management platform.

INTERNATIONAL PASSENGER BUSINESS

Building Network Competitive Advantage Through a Deepening Dual Hub Network Strategy and Strengthening Product and Services

International Passenger Business fiscal 2017 operating revenues rose 15.6% year on year to ¥597.4 billion. Passengers rose to 9.74 million for the year, representing a 6.8% increase. These results reflected strong demand for higher-priced business travel out of Japan, as well as active inbound tourist traffic. We expanded our products and services offerings during the year, adding flights to our Haneda–Jakarta route in August and to our Narita–Los Angeles route in late October. We also pursued an ambitious schedule for adding more Boeing 787-9 aircraft into service. Our analysis suggests that these results stem from the competitive advantage of our network, which we have worked to expand over the past several years.

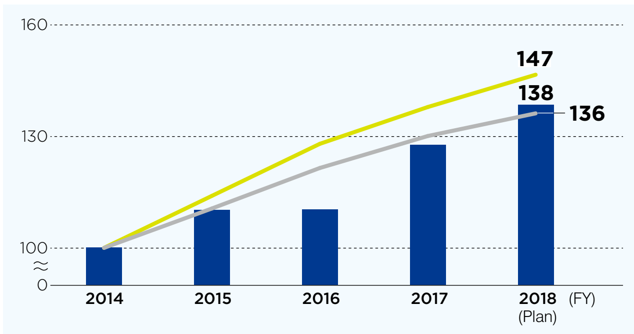
Our fiscal 2018 plan calls for International Passenger Business operating revenues of ¥648 billion, an 8.5% increase over fiscal 2017. We also plan to commit further to our Dual Hub Network Strategy, taking advantage of our late-night slots at Haneda. Although we expect available seat-kilometers (ASK) to increase 4.7%, this will be the slowest growth rate since fiscal 2014. However, we will strive to capture more demand and increase yield.

In June, we added flights on our Haneda–Bangkok route. We now offer five round-trip flights between Tokyo (Haneda/Narita) and Bangkok. Strengthening our presence in Asia, we plan to capture demand connecting to North American routes in the region, in addition to demand for departures and arrivals in the Tokyo metropolitan area. We will begin code-sharing with Alitalia Airlines in October to expand our Europe-bound network and services. Our fleet development plans call for putting Boeing 787-9 aircraft into service on the Narita–Bangkok route and the Narita–Kuala Lumpur route. In addition to providing full-flat seats in business class, we will be offering premium economy services.

We plan to introduce the Airbus A380 aircraft to our Tokyo–Honolulu route in spring 2019.

We will offer entirely new services to take advantage of the A380's roomy, full two-deck configuration, including couch seating and other amenities. We will also be offering ANA-branded lounges, which will be the only directly operated lounges in overseas airports. These new services will strengthen our engagement with leisure travelers, including our more affluent customers.

Performance of the International Passenger Business



Adding Flights on the Haneda–Jakarta Route

Airbus A380

DOMESTIC PASSENGER BUSINESS

Maintaining a Stable Earnings Platform Through Optimized Routes Utilizing Narrow-Body Aircraft, Fare Structure Reformulation

Our Domestic Passenger Business recorded fiscal 2017 operating revenues of ¥689.7 billion (1.7% year-on-year increase), supported by 44.15 million passengers (2.8% increase). In June, we introduced a new Chubu–Miyako route, added a late-night Haneda–Okinawa flight (limited period), and added flights to our Haneda–Hiroshima route. These new routes and added flights captured demand dictated by the nature of the routes in question. We also added the Airbus A321neo aircraft to our fleet as part of these efforts, working to optimize supply to demand.

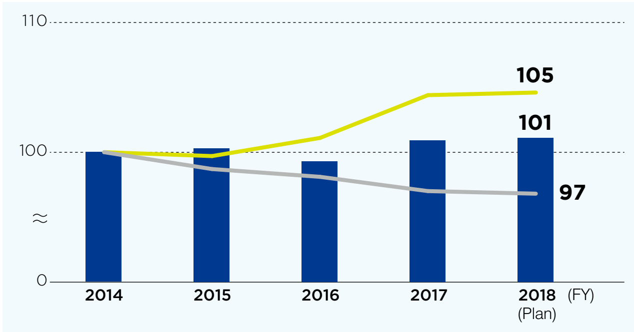
We plan for fiscal 2018 Domestic Passenger Business operating revenues of ¥691 billion, which will be a 0.2% increase over fiscal 2017. We intend to maintain a strong revenue platform, offering the improved convenience and comfort of a full service carrier, including the addition of the Airbus A321neo (with personal monitors in all seats) and onboard free Wi-Fi.

Despite a decreasing population, changes in work-style reforms are providing the Japanese people with more leisure time. At the same time, we are seeing more inbound visitors traveling within Japan. These and other factors point to solid fiscal 2018 demand for our domestic business.

ANA will take advantage of our diverse fleet to promote optimization of supply to demand, as well as to boost our profitability. We opened the Fukuoka–Miyako route in June as a new fiscal 2018 initiative. Along with the year-round Chubu–Miyako route and the Fukuoka–Ishigaki route launched in March 2018, we are expanding nonstop service from points in Japan to the Sakishima Islands (islands south-west of Okinawa) to respond to high-value leisure travel demand. Our fleet development plan calls for new narrow-body aircraft coinciding with the retirement of the Boeing 777s we have been operating on our domestic business. We will optimize our network with a focus on regional routes, while continuing to control production capacity over the medium term. In October, we will begin to reformulate our domestic fares.

We will see even greater improvement in unit revenues as we exercise flexible yield management through innovations in fare structure (reservations and sales up to 355 days prior to date of departure, etc.).

Performance of the Domestic Passenger Business



New Chubu–Miyako Route Launched in June 2017

New Airbus A321neo (Interior) Provides a Personal Monitor in Each Seat

Self-Service Baggage Check-in Machine "ANA Baggage Drop"

ANA now uses the ANA Baggage Drop system at Haneda, Sapporo (New Chitose), and Fukuoka airports as part of the ANA Fast Travel program to simplify the domestic flight boarding process. We have cut average waiting time by more than half for our passengers by increasing the number of locations where passengers can drop off their checked luggage (including counters with service agents). Freed from baggage handling tasks, reallocated airport staff are able to provide even higher-level customer services in airport lobbies. We provide guidance in English, Chinese (traditional and simplified), and Korean for our passengers from overseas. We plan to deploy these services at other major airports across Japan soon.

ANA Baggage Drop

CARGO AND MAIL BUSINESS

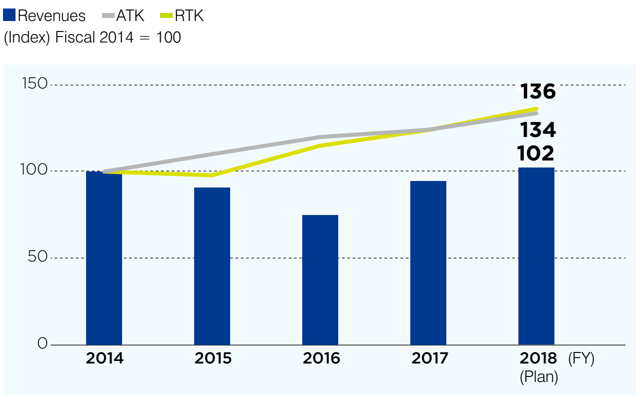
Pursuing Profitability via Utilizing Alliances / Charters and Optimizing Freighter Capacity

During fiscal 2017, our Cargo and Mail Business captured growing demand mainly in international routes, while improving unit prices via fare raises. We saw strong demand for flights from Japan to North America and Europe, and both international cargo volume and revenues surpassed the prior fiscal year.

For fiscal 2018, we plan for ¥168 billion in operating revenues, which represents a 6.3% year-on-year increase. We anticipate strong demand for cargo transportation originating in Japan during the year. Automotive parts (associated with increasingly stringent environmental regulations) and semiconductors (associated with AI and IoT) are likely to be the major drivers of demand. As we optimize the size of our Okinawa Cargo Hub Network, we will draw on the resources of other companies on North American routes to capture demand for cargo with higher unit prices.

During fiscal 2019, we will phase in the Boeing 777F to capture more business for large-sized and other cargo. We intend to leverage our current network to improve connections, winning a larger share of the cargo demand between Asia and North America.

Performance of the International Cargo Business



LCC BUSINESS

Merger and Network Optimization: Creating a New Air Transportation Pillar Second Only to the ANA Brand

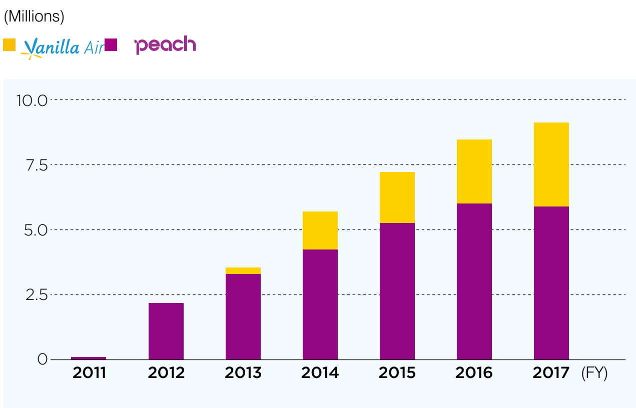
During fiscal 2017, we consolidated Peach Aviation (April 2017) and expanded our LCC network including Vanilla Air. Vanilla Air introduced a new Fukuoka–Taipei route, while Peach Aviation opened domestic routes for Sendai–Sapporo, Sapporo–Fukuoka, and Kansai–Niigata. Peach also launched new international routes between Sendai–Taipei and Sapporo–Taipei.

Our fiscal 2018 plan calls for LCC Business operating revenues of ¥100 billion, representing an increase of 14.2% compared to fiscal 2017. Both Vanilla and Peach will expand their route networks during the year, focusing mainly on regional airports within Japan. In July, Vanilla Air introduced Narita–Ishigaki and Naha–Ishigaki routes. At the end of April, Peach Aviation launched a Naha–Kaohsiung route, followed by a new Kansai–Kushiro route in August. We intend to make Sapporo (New Chitose) Airport a new operating base this year, expanding our routes from Hokkaido and other locations.

We plan to merge Vanilla and Peach in fiscal 2019, while at the same time continuing to optimize our network. This entity will drive the Japanese LCC market, aiming to become Asia's leading LCC in customer satisfaction and market share.

LCC Business: Number of Available Seats

(Domestic and International in Total)



Non-Air Business

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

AIRLINE RELATED BUSINESS

For fiscal 2018, our Airline Related Business plans to generate ¥288 billion in operating revenues and ¥11 billion in operating income, representing year-on-year increases of 1.3% and 3.4%, respectively.

As the number of visitors to Japan continues to increase, we anticipate that foreign carriers will have more opportunities to open Japan routes. We intend to boost revenues at airports in Japan where the ANA Group has already established networks. Here, we will contract services from other airlines, primarily for passenger and cargo ground handling services and in-flight meal production.

Airline Related Business: Operating Revenues

TRAVEL SERVICES

Travel Services plans to generate fiscal 2018 operating revenues of ¥164 billion and operating income of ¥1 billion. While we expect revenues to grow 3.0% year on year, operating income is budgeted to decline 73.3%.

During the year, we are scheduled to adopt a new reservation and sales system, by means of which we expect to increase our ability to compete. This new system will facilitate direct sales and dynamic packages, among other advantages. We will also improve coordination between our inbound customer system (launched in 2017) and systems at overseas travel agencies to capture more inbound demand.

Travel Services: Operating Revenues

TRADE AND RETAIL

Our fiscal 2018 plan for Trade and Retail calls for operating revenues of ¥155 billion (8.4% increase year on year) and operating income of ¥5 billion (11.0% increase).

We will open an arrivals side duty-free store at the Kansai International Airport as one measure to increase retail earnings. Our food business will begin selling bananas to China and the Middle East, while our aerospace and electronics business will establish stronger sales of semiconductors to China. We intend to identify the most promising growth fields, exercising selection and concentration to strengthen existing businesses. At the same time, we plan to create new businesses that contribute to greater revenue growth.

Trade and Retail: Operating Revenues

Special Feature: LCC Business Merger

Massing the Strengths and Resources of Peach Aviation and Vanilla Air; Expanding the LCC Business Revenue Platform

March 22, 2018 Merger Announcement

The ANA Group Corporate Strategy identifies *expanding our airline business* as one strategic pillar for growth. As we execute this corporate strategy, we intend to establish in our LCC Business a revenue platform second only to the ANA brand.

At present, Peach Aviation Limited and Vanilla Air Inc. operate separately as low cost carriers within the ANA Group. We have decided to merge these two companies in fiscal 2019. In this special feature, we discuss the events leading up to this decision, our objectives, and the enthusiasm that the LCC leaders have for this change.

From ANA HOLDINGS INC.

Toyoyuki Nagamine

Senior Executive Vice President,
Representative Director
ANA HOLDINGS INC.

Peach Aviation and Vanilla Air have grown their respective businesses by creating new demand independent of the ANA brand. These companies are responsible for establishing the LCC market in Japan, and they have done much for regional revitalization in Japan. Peach began service slightly more than six years ago. In the past several years, we have seen more overseas LCCs begin servicing routes from and to Japan. At the same time, we face other challenges, including consistent hiring, training, and cost competitiveness. To beat the LCC competition in Asia and grow rapidly via narrow-body aircraft operations, we must first solidify the management infrastructure of our group LCCs. We decided a merger between Peach and Vanilla Air would be the best way to leverage the strengths of each firm, as well as to improve aircraft and crew operating efficiencies.

Overseas, more than one-third of all passenger volume is serviced by LCCs in the major air travel markets of Europe, North America, and Southeast Asia. All of the main LCCs operate in each region, growing as they serve a separate consumer segment compared to the full service carriers. In Japan, we deal with several factors not present in overseas markets. These factors include special airport requirements and competition with rail travel. The LCC share of total passenger volume in Japan languishes at around 10 percent. Further, the Japanese government has set a goal to receive 40 million inbound travelers annually by the year 2020 and 60 million by the year 2030. LCCs will have to play an important role in achieving these goals, and we must prepare for expansion beginning now, working faster than ever.

We intend to leverage economies of scale to become more cost competitive, while we move into mid-distance routes. Our fiscal 2020 targets for the newly merged company will be ¥150 billion in operating revenues and ¥15 billion in operating income. The new firm will achieve these goals through innovative marketing separate and distinct from the ANA brand, as well as through unique network strategies.

We will continue to respect the independence of LCC decision makers, while providing support as a holding company to help this new entity grow into a revenue platform within our Air Transportation Business second only to the ANA brand.

Objectives

1. Leverage the strengths of both firms to improve competitiveness
2. Strengthen the LCC operating platform to support route expansion
3. Pursue business portfolio optimization as quickly as possible

Become the Leading LCC in Asia

1) Accelerate Growth
a. Expand narrow-body aircraft operations
b. Enter mid-distance routes

2) Maintain Independence
a. Operate from Narita and Kansai airports
b. Utilize innovative marketing

Company Merger (Scheduled for Fiscal 2019)
a. Combine resources
b. Pursue efficiencies
c. Compensate for crew member shortages

peach | Vanilla Air

Special Feature: LCC Business Merger

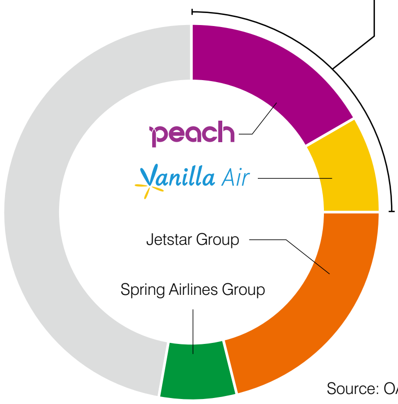
Massing the Strengths and Resources of Peach Aviation and Vanilla Air;
Expanding the LCC Business Revenue Platform

Share of Seat Capacity

Fiscal 2017 LCC Business: No. of Available Seats

(Total Domestic and International)

Combined, Peach Aviation and Vanilla Air represent nearly **25** percent share (No.1) of the seat capacity in Japan's LCC market



Source: OAG

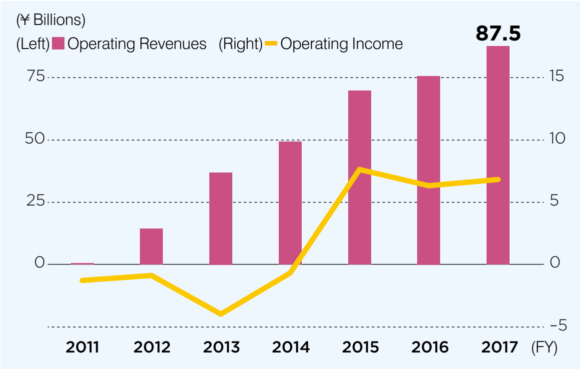
Post-merger, we intend to grow our share, driving the LCC market in Asia

Financial Performance

Operating Revenues/Operating Income

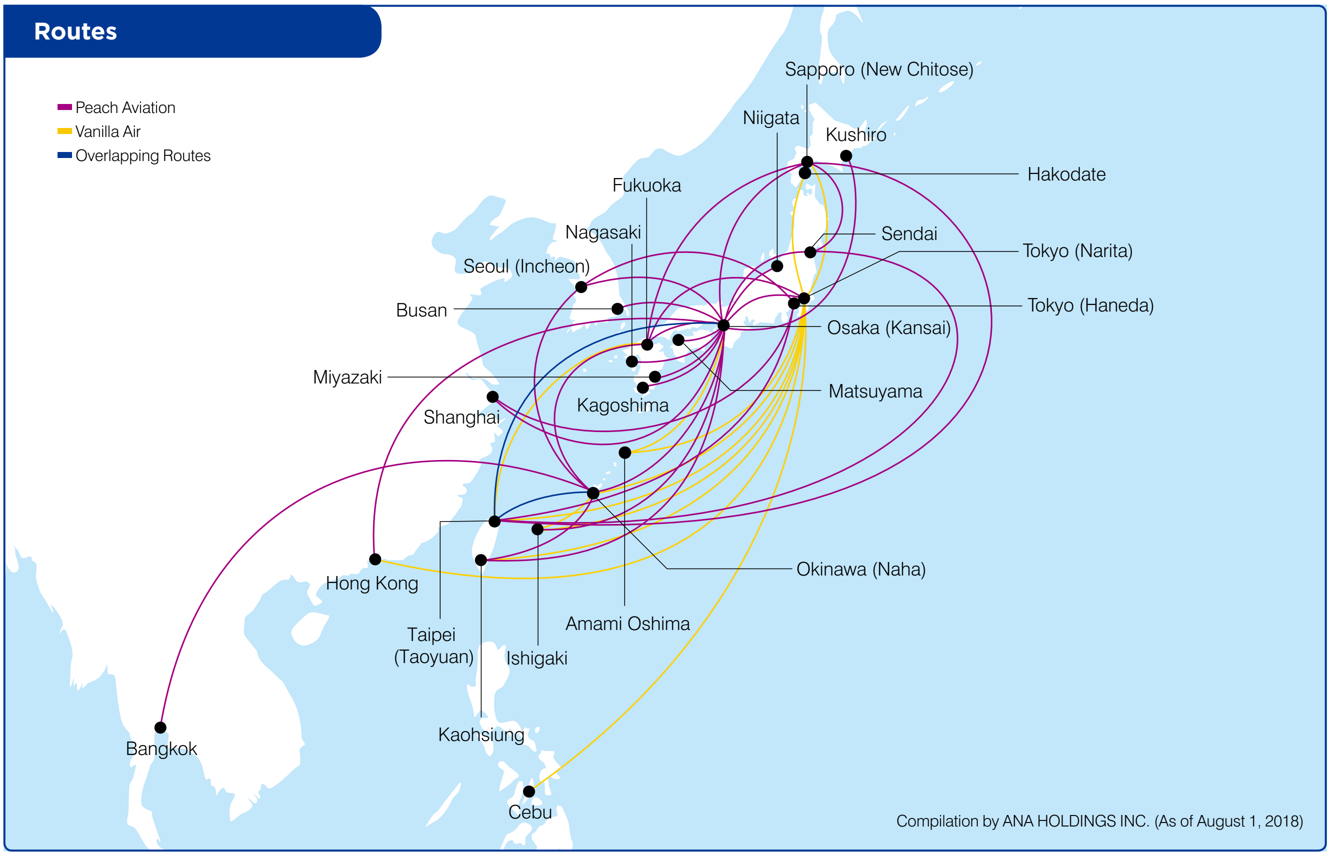
(Peach Aviation and Vanilla Air Combined)

Fiscal 2012 → Fiscal 2017
Average **43** percent, or **six**-fold, operating revenue growth over five years
Stable operating income levels since fiscal 2015



The merger will be an opportunity to turn our LCC Business into a pillar of our Air Transportation Business, second only to the ANA brand

Routes



Compilation by ANA HOLDINGS INC. (As of August 1, 2018)

Messages from LCC Top Management

Shinichi Inoue

Representative Director & CEO
Peach Aviation Limited

Company Profile (As of July 31, 2018)

Company name:	Peach Aviation Limited
Representative:	Shinichi Inoue, Representative Director & CEO
Founded:	February 10, 2011
Capital:	¥7,515,050,000
Aircraft:	Airbus A320-200
Number of aircraft in service:	21
Shareholders:	ANA HOLDINGS INC. 77.9%
	First Eastern Aviation Holdings Limited 7.0%
	Innovation Network Corporation of Japan 15.1%

In March 2012, Peach became Japan's first full-scale LCC, providing service based on Osaka. In the following seven years, we have enjoyed the support of our many customers and others. We are rolling out routes quickly, growing our business under the concept of a "flying train," offering safety as a top priority, easy access, and the fun of travel by air. Our aim now is to be the main bridge across Asia. We have introduced several innovations to the airline industry, creating customer value through such services as a day trip tour from Japan to Korea, tailored to female customers. Asia and the rest of the world have recognized the value represented by Peach. In 2015, we were the first-ever LCC in Japan and Northeast Asia to receive the Asia Pacific LCC of the Year, presented by leading aviation industry think tank, CAPA.

A sound financial footing is also critical for sustainable business growth. Since the beginning, we operated under the concept, "No Profit, No Business," generating profits just 25 months after launching our service and sweeping clean all cumulative losses in our fifth year. Peach was honored as the only airline selected as member of the Council for the Development of a Tourism Vision to Support the Future of Japan, guided under the chairmanship of Japan's prime minister in fiscal 2015. We are involved in a number of other initiatives related to government tourism strategies and regional revitalization, as well.

I believe this merger with Vanilla Air will be an important step to building an overwhelming competitive position and management infrastructure unmatched in our industry, even as the competitive environment becomes more challenging. Employees representing 27 different nationalities work at Peach today. Their work, combined with Vanilla Air's strengths and experience will result in business growth beyond the traditional framework of airlines, leading to higher levels of unique experienced value. We will continue in our quest to be the leading LCC in Asia, pursuing operational safety as we go.

Look forward to another exciting chapter in the Peach story.

Katsuya Goto

President
Vanilla Air Inc.

Company Profile (As of July 31, 2018)

Company name:	Vanilla Air Inc.
Representative:	Katsuya Goto, President
Founded:	August 31, 2011
Capital:	¥7,500,000,000
Aircraft:	Airbus A320-200
Number of aircraft in service:	15
Shareholders:	ANA HOLDINGS INC. 100.0%

We at Vanilla Air have been serving passengers out of Narita since December 2013. As an LCC within the ANA Group, we have worked to secure new sources of demand, as well as inbound traveler demand, in the Tokyo metropolitan area.

We pride ourselves on our quality of operations, convenient website, and friendly services. We have contributed to regional revitalization around Japan, as embodied by the "Vanilla Effect" experienced by the island of Amami Oshima. Raising our profile in Taiwan and other overseas markets, we have served a cumulative 8.5 million travelers as of July 2018. Truly, we feel proud of this accomplishment, which owes much to our unwavering commitment to safe operations and our unified team approach.

We have determined that we must leverage the strengths of Vanilla Air, operating out of Narita Airport, and Peach, operating out of Kansai Airport, to generate economies of scale and build out our route network. In doing so, we will raise our competitive posture, winning out over the competition and capturing rapidly growing demand in Asia. By massing the talents of each employee in Vanilla and Peach, I believe we will be successful in entering the market for mid-distance routes and growing into the leading LCC across all of Asia.