

**Shinya Katanozaka**

President & Chief Executive Officer



The ANA Group is taking a step into the future, creating new value for sustainable growth and striving to be the world's leading airline group.



## ➤ Targets Under the Fiscal 2018-2022 ANA Group Corporate Strategy

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

For those of you affected by the Heavy Rain Event of July 2018 in western Japan, know that you are in our thoughts.

### Fiscal 2017 in Review

Fiscal 2017 was not only a year of solidifying our management platform for future growth; the ANA Group set record profits for a third consecutive year.

The ANA international business was a significant driver of top-line revenues. We have expanded our network over the past several years, resulting in our International Passenger Business recording fiscal 2017 revenues 1.5 times greater than fiscal 2013, the year prior to expanding our routes out of Haneda Airport. The ANA name is growing steadily as a recognized brand overseas. A full 50 percent of our

→ **P.54-57***Special Feature:**LCC Business Merger*

recent sales of passenger seats consists of overseas sales. Since adopting a policy to control capacity in our Domestic Passenger Business in fiscal 2014, the business has nevertheless grown steadily as we optimize supply to demand. As sales have grown, so has profitability. Meanwhile, in April 2017, we consolidated Peach Aviation into the ANA Group. Peach Aviation and Vanilla Air have been pioneers in building the low cost carrier (LCC) market in Japan. During fiscal 2019, we intend to merge these two companies to create the leading LCC in Asia.

We have reached nearly ¥1 trillion in shareholders' equity as of the end of fiscal 2017, adding support to our A credit rating and reflecting a solid financial platform to meet our current goals. In September 2017, we issued convertible bonds to secure funds for future growth, as well as to shift from a capital policy of capital accumulation to one of improving capital efficiency.

### Corporate Strategy for Sustainable Growth

Indeed, fiscal 2017 was a year of success for both business strategy and financial strategy. Having connected previous strategies to results, we published the ANA Group Corporate Strategy in February 2018 to accelerate future growth. We see numerous opportunities on the horizon. More slots at Tokyo metropolitan area airports, more inbound traveler traffic, the Tokyo 2020 Olympic and Paralympic Games. We will seize these opportunities to build sustainable profit growth for the future.

Our new strategy consists of three strategic pillars. The first is to expand our airline revenue platform. We intend to build a stronger revenue platform and pursue an optimized business portfolio for the Group as a whole, raising basic quality for the ANA and LCC businesses. The second strategic pillar is to select and concentrate on existing businesses, while creating new business domains. Here, we will find growth through selection, concentration, and winning the challenge to build new businesses in non-airline sectors. The third pillar is to utilize open innovation and information and communications technology (ICT). The ANA Group will contribute to a super-smart society by improving the competitiveness of our products, by promoting work-style reform, and by incorporating the use of artificial intelligence (AI). As we execute initiatives aligned with these strategies, we will secure our position as the world's leading airline group.

→ **P.28-43***FY 2018-22 ANA Group**Corporate Strategy*

### Fiscal 2018:

#### A Year to Finish Solidifying Our Business Platform

Fiscal 2018 will be our first year executing this new strategy. We will continue to invest in the safety, quality, services, and human resources initiatives launched last fiscal year, solidifying our revenue platform.

Safety lies as the very core of our group management. As a group, ANA, Peach Aviation, and Vanilla Air operate nearly 1,100 flights on a daily basis. I continually emphasize to our employees that safety is our first and most important priority. At the group new-hire orientation this year, I stood before nearly 2,700 new employees, repeating the message that safety is everything. Safety is not just the responsibility of our crew, maintenance workers, and other personnel on the front lines. We must foster a corporate culture in which we build safety as a group, foremost in the minds of every single employee. The cornerstone of creating value in the future will be the trust of our customers and other stakeholders.

→ P.44-47

*How We Ensure Safety and Develop Stellar People*

We have introduced a number of work arrangements, mainly for female and senior employees, supporting employee needs to balance child and nursing care with their jobs. As a result, the average years worked for an ANA employee in fiscal 2017 was more than 10 percent longer than five years ago. Today, Japan struggles with a shortage of labor. For our group to continue to grow, we must recruit and train a stable pool of personnel, who represent the source of our competitive ability. We are not simply looking for numbers. We must improve our basic service quality, such as our ability to handle unexpected irregularities in operations, all while building our ability to compete toe-to-toe with overseas airlines on cost. To do this will require work-style reform and AI, raising our productivity per employee.

Once we have strengthened our revenue platform in terms of safety, quality, services, and human resources, and begin executing our current strategy, our next order of business is to implement policies for achieving our Management Vision for fiscal 2020.

→ P.16-19

*Our Four Greatest Strengths and Value Creation Cycle*

### The Value Creation Cycle

The ANA Group has not always voyaged through smooth seas. We have endured poor economies, risks, and other negative impacts on our earnings. We have faced our share of crises. But, having overcome numerous difficulties, the ANA Group has been able to create new levels of unique value and corporate culture. To continue to grow, we will execute our strategy on the wings of our four greatest strengths: Innovation, Quality, Scale, and Comprehensive Capabilities. At the same time, we must ensure that our Value Creation Cycle functions correctly.

One testament to the success of our initiatives has been our economic value over the past several years. We have reached a level of operating income at between ¥150 and ¥160 billion, net income of ¥100 billion, and an ROE of around 10 percent. Still, we have room to strengthen our capacity for social value if we are to move forward steadily into the future. As we pursue sustainable growth, we must speed our initiatives for environmental, social, and governance (ESG). We must do this from the approach of collaborative value creation, having clearly defined the connection between the ANA Group business model and our strategy.

## → Pursuing Sustainable Growth Through ESG Management

### Building ESG Management Into Corporate Strategy

Over the past several years, we have seen a number of international rules and guidelines established to secure a future sustainable society. One of the most prominent of these new guidelines is the Sustainable Development Goals (SDGs) promulgated by the United Nations in 2015. This framework provides corporate activities for achieving certain goals by the year 2030.

We believe corporate ESG initiatives help a company reduce reputation risk, raise brand value, and contribute to the achievement of the SDGs. To achieve these initiatives, the ANA Group has identified matters having an impact on society, incorporating these matters into our corporate strategy. We plan to strengthen our ESG management to tie the social value created through our business activities to ANA Group economic value.

→ P.20-21

*Creating Value Under Our Current Group Strategy*

For example, we plan to increase our total number of aircraft (ANA and LCC) by nearly 40 planes between fiscal 2017 and fiscal 2022. Expanding our network and improving in-flight products and services relate directly to improving the economic value of our businesses. At the same time, we intend to incorporate fuel-efficient aircraft into our fleet to reduce CO<sub>2</sub> emissions per revenue passenger-kilometer (RPK). In this way and others, we will secure our standing as an environmentally friendly airline group.

The ANA universal service policy ensures we achieve higher levels of convenience for our customers in every possible situation. In the future, we plan to create barrier-free environments (both soft and hard aspects) at every airport in Japan that services ANA flights. While this will require some investment on our part, we believe responding to customer diversity and providing better accessibility is part of creating a harmonious society.

We have defined four material issues and incorporated them into our latest strategy: Environment, Human Rights, Diversity and Inclusion, and Regional Revitalization. I believe we will fulfill our ESG management responsibilities by making real progress in these four issues.

As we expand globally, our strategies must be tied to improved value for all stakeholders. Contributing to the achievement of the SDGs is a mission that we must achieve, if we are to be considered a top-tier global airline group.

**→ P.60-68***Material Issues***Stronger Governance**

Sustainable corporate growth requires an ongoing commitment to stronger corporate governance. In fiscal 2013, the ANA Group transitioned to a holding company structure, engaging in portfolio management aimed at growing our profit domains. ANA HOLDINGS INC. will continue to fulfill its role as holding company, only as we build a stronger structure supporting corporate governance.

We have made several major business decisions recently, including our new corporate strategy and merging our LCC companies. During fiscal 2017, we provided for better discussions prior to our Group Management Committee meeting. This measure was the result of feedback received through questionnaires sent to every member of the board of directors and Audit & Supervisory Board in fiscal 2016. Through better reporting standards required in communication between the Group Management Committee and the board of directors, we have ensured sufficient deliberations at board of director meetings. We have strengthened the oversight functions of the board of directors, reflecting company-wide strategies that include providing more opportunities to receive advice on various topics from outside directors.

As competition intensifies with overseas airlines, we must make the right decisions on material issues, including our business portfolio and the allocation of management resources. Making the right decisions requires the support of a solid corporate governance structure, as we remain aware of and respond to changes in our business environment. One way in which we are improving the effectiveness of our board of directors is to hold individual interviews with board members and members of the Audit & Supervisory Board. These interviews also help us identify measures for ongoing improvement.

**→ P.76-79***Board of Directors**Toward Stronger Governance*



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### Heading Into the Future

The subtitle of our corporate strategy is “Strengthening the Foundations of the Business and Looking Into the Future.” The short-term opportunities of inbound travelers and the 2020 Tokyo Olympics will be a tailwind pushing ANA Group growth. We are looking even further into the future. For example, contributing to the achievement of the SDGs by the year 2030 is one of our major goals. Creating both social value and economic value at the same time is a responsibility demanded of a global business, and we will exercise ESG management to meet this duty.

The ANA Group mission is to use the management platform we have created to identify our direction as a global company, leaving a legacy of flexible, adaptive thinking to the next generation. I am taking a step into the future to ensure the ANA Group creates new value and achieves sustainable growth as we become the world’s leading airline group.

July 2018

*Shinya Katanozaka*

President & Chief Executive Officer