



Returning to the spirit of our founders, coming together as a group to overcome the COVID-19 pandemic and create a strong, resilient Group business structure.

**Shinya Katanozaka**

President & Chief Executive Officer

## The Impact of COVID-19 on Our Businesses

First, I want to express my sincere gratitude for your continued support.

I also want to express my deepest sympathies to the people around the world who have been affected by COVID-19.

The ANA Group has been pursuing growth strategies, mainly through the International Business, in line with our FY2018–2022 ANA Group Corporate Strategy, which we formulated in February 2018. During fiscal 2019, All Nippon Airways Co., Ltd. (ANA) introduced new routes from Narita to Perth, Chennai, and Vladivostok. The Company also put ultra-wide body aircraft into service as part of a Hawaii Strategy. The Cargo Business adopted wide-body freighters for Shanghai and Chicago routes to strengthen our ability to capture demand for not only special items including oversize cargo but also trilateral cargo. The merger of Peach Aviation Limited and Vanilla Air Inc. in our LCC Business has resulted in a more efficient business structure to confront tough global competition in the future. To further enhance basic quality for greater competitiveness, we have been persistent in addressing the engine component issues related to the Boeing 787, while at the same time, we made up-front investments in safety, quality and services as well as human resources, including the active recruitment of employees who will lead us into the future. As a result of these activities, we continued to generate record-high operating revenues on a consolidated basis through the third quarter of fiscal 2019.

However, once we entered the fourth quarter, we began seeing the impact of the spread of COVID-19 during the second half of January. Passenger numbers began to decrease gradually on routes to China and Asia. As a company that plays a role in social and transportation infrastructure, we have continued to operate at the highest level possible, monitoring route trends in detail, including the needs for Japanese citizens overseas to return home. In so doing, we remained focused on the safety of our customers, our employees, and other stakeholders.

However, the spread of infection around the world led to stronger immigration restrictions in every country beginning in March. Naturally, we were forced to cancel or reduce flights on international routes. In Japan, the national government declared a state of emergency on April 7 and local governments requested voluntary restraints on unnecessary travel outside the home. These developments led to a sharp decrease of passengers flying on domestic routes. As a result, the ANA Group posted an operating loss of ¥58.8 billion for the stand-alone fourth quarter, which was the largest loss we have ever recorded on a quarterly basis. Although we secured net operating income of ¥60.8 billion for the full year, we truly regret that we canceled dividends for fiscal 2019 in light of the business environment and our inability to predict when the COVID-19 pandemic will end.

Strict immigration regulations continue in force around the world, and international flights have been restricted heavily. In Japan, we saw a second rise in the number of COVID-19 infections beginning in July. Some prefectures are pushing for another call for citizens to refrain from travel. Given this environment, we have seen a rise in new work styles and lifestyles, including online conferences, telework, and demand for non-contact services. We expect consumers to shy away from air travel for the time being. It is extremely difficult for us to imagine the type of continued demand we incorporated when we formulated our corporate strategy.

Looking at our past, we know that the Group's businesses have not always been smooth sailing. Since the start of the 21st century, we have encountered numerous challenges, including the September 11 terrorist attacks, SARS, the Lehman Shock, the Great East Japan Earthquake, and U.S.–China trade frictions. With every challenge, our officers and employees have put their minds together to overcome the circumstances, even when such policies have included difficult consequences. It may not be an overstatement to say that we now face the greatest challenge since our founding, which will be 70 years in just two years from now. Even so, we are willing to overcome these challenges and put our businesses back on a growth vector. To this end, I wish to explain my thoughts on how we plan to deal with the challenges at hand.



## Our Initiatives since the Outbreak of COVID-19

When COVID-19 first emerged, we set about on our financial response immediately. We began discussions with financial institutions to secure cash on hand. Supported by the financial foundation we accumulated through the past several years of results, we were able to establish a plan during April to secure the funds needed for ongoing business operations for the time being. By the end of June, we executed loans and expanded our commitment line, securing access to the level of ¥1 trillion.

In parallel with securing cash on hand, we implemented effective business measures that included reducing the number of flights in line with the decrease in passenger demand, adjusting personnel operations, and optimizing services. At the same time, I instructed the presidents of all Group companies to engage in emergency cost-reduction measures. We have asked the Scheduled Airlines Association of JAPAN to provide support in approaching the government and related agencies to obtain deferments and exemptions related to taxes and public fees for the airlines industry. In this and other ways, we are working together with other airlines to respond to the crisis.

However, the COVID-19 pandemic has showed no signs of waning, and the outlook for our business had become even more uncertain. As this difficult situation continued, in March, I issued a message to the 45,000 ANA Group employees, declaring my intention to protect their jobs. I believed that the Group would come together to respond to the crisis if we could

do away with internal concerns and foster a sense of security. We are a business that ensures the safety of the skies. Therefore, we absolutely had to avoid situations in which employees were forced to engage in their work while worrying about infection, unemployment, or other concerns. I shared my thoughts candidly about our commitment to ongoing training and education looking ahead to a recovery in operating scale. I discussed how we would move forward in work-style diversity while complying with laws and regulations. I also addressed how we planned to engage in labor-management negotiations to revise compensation in a way to protect both our employees and the Company.

We experienced the lowest point of passenger demand for our Domestic Business in May. At the same time, we needed to introduce new procedures to prevent COVID-19 infections. As a group, we pursued exhaustive measures to create an environment in which customers and employees could feel safe and secure. President Hirako of ANA was proactive in his response to provide peace of mind to our customers as quickly as possible, and he unveiled the *ANA Care Promise* on June 1 as the ANA policy to prevent infections. The new standard of air travel proposed by ANA is *the same comfort and enjoyment as ever, now with even greater peace of mind*. Peach also pursued necessary measures, including the publishing of a special page on the company's website to communicate aircraft procedures in response to the new normal of the with-COVID-19 era. As a group, we will continue to provide clean and hygienic environments, striving to relieve passenger anxiety and inspire confidence in boarding our aircraft as we leverage these policies into new brand power.

**P.38** ANA Group Response to COVID-19

## Business Structure Reform in Anticipation of the Post-COVID-19 Era

Our corporate strategy to date has called for growth through network expansion in the ANA and Peach brands to generate operating revenues and profits on par with the global top-tier airlines. We are faced now, however, with the urgent need to modify our business policies flexibly in response to changes in behavior of people caused by the COVID-19 pandemic.

The following topics are urgent issues for the ANA Group under the current situation:

- 1) Reduce costs and control investment
- 2) Pursue business structure reform

With respect to 1) reducing costs and controlling investment, we reduced capacity significantly in line with demand trends, trimmed personnel expenses based on negotiations with the union, and engaged in other cost-reduction measures in terms of both variable and fixed costs. We reduced costs by a total ¥162.5 billion during the first quarter of fiscal 2020. And we will continue to expand into other areas for reduction and delve deeper into reduction impacts. With respect to investment, we continue to negotiate with aircraft manufacturers and other parties, reflecting our intent to significantly curb capital expenditures by postponing the timing of aircraft delivery.

We also plan to 2) pursue business structure reform in bold measures for the future. The current demand structure in the airline industry is about to change in major ways. We expect to

see a gradual recovery on Domestic Business that will reflect a change in quantity with respect to passenger numbers. Over the medium term, we believe the emergence of vaccines and other factors will lead to a moderate pace of recovery in demand on International Business, while continued globalization will spur a return to air travel. On the other hand, even as the impact of COVID-19 continues, we expect leisure demand to recover first, growing steadily over the medium term, reflecting a change in mixture based on passenger class. We also expect to see a recovery in inbound travelers visiting Japan. We must also consider how changes in work styles affect business travel demand, as more companies report weaker earnings, conduct business through online meetings, and make other changes.

Our plans for reform are measures responding to changes in passenger numbers and class. Our first approach to pushing past COVID-19 is to reduce the scope of our operations in conjunction with the change in passenger numbers. At the stage we see a recovery in demand over the medium term, we will re-expand the scope of our business toward a growth trajectory. To respond to changes in passenger class, we plan to change how we capture demand throughout the Group by offering products and services tailored to the needs of new markets.

The following matters represent specific actions for us to achieve these plans.

### Basic Policies on Business Structure Reform: Business Model Changes\*

- 1) **Short Term: Change business structure toward surplus in profit in Air Transportation Business**
  - a. Optimize Air Transportation Business portfolio strategy
  - b. Engage in resource-related tactics to reduce fixed costs
- 2) **Medium Term: Establish a resilient Group business structure that creates consistent, steady value**
  - a. Strengthen Air Transportation Business portfolio strategy
  - b. Establish a second pillar of earnings with our Non-Air Business

As a short-term initiative, we plan to change our Air Transportation Business structure toward balanced profitability. We will pursue a two-pronged portfolio strategy through ANA and Peach, bringing to bear the brand strengths of each in a post-COVID-19 world. At the same time, the ANA Group will reduce fixed costs in terms of fleet and human resources. Over the medium term, deepen our portfolio strategy toward building a strong Group business structure that creates consistent, steady value. While doing so, we will also establish our Non-Air Business as a second pillar of revenue to stand alongside our Air Transportation Business. The ANA Group aims to be a corporate group capable of withstanding the return of a pandemic, returning to stable and continuous dividends through improved corporate value.

Our aim is to not only reduce the scope of our business through restructuring but also achieve growth in the post-COVID-19 era, becoming an airline group essential to the people of the world. Now that the external business environment has changed so significantly, we must be proactive in adapting to the new normal. The ANA Group will pursue reform with a sense of urgency, securing a path to sustainable growth that we will be able to hand over to the next generation.

### / P.24- Business Progress

\* Disclosures as of July 29, 2020

▼ For the most up-to-date information, please visit our corporate website: Financial Results Presentation Materials: <https://www.ana.co.jp/group/en/investors/irdata/supplement/>

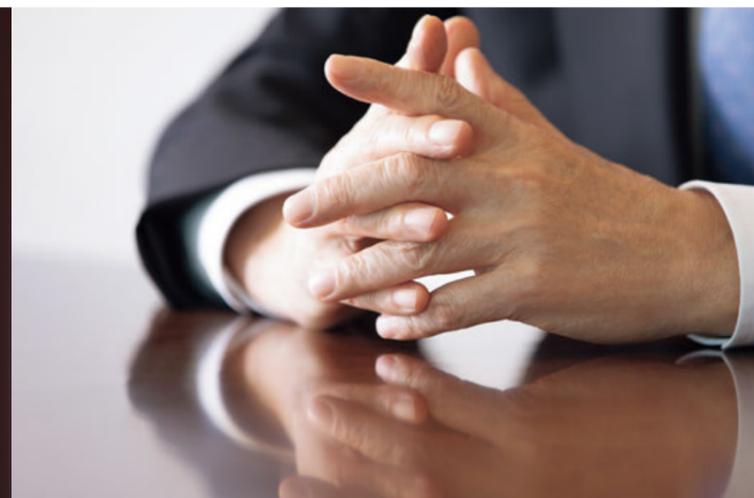
## What Will Never Change: Our Pursuit of ESG Management

Travel restrictions were tightened around the world in conjunction with the spread of COVID-19. The Japanese government declared a state of emergency in April 2020. During that time, I experienced for myself just how keen people were to go outside. I think that latent needs for air travel will never change in the future. People will still want to return to their hometowns, travel overseas, and use aircraft for other travel needs. The spread of remote work and other factors could increase the potential for weak business travel demand temporarily. On the other hand, new location-independent work styles could give rise to new demand for *workations* and other travel.

Others have pointed out that travel restrictions could have an impact on the nature of the airline business. Now is the time that we must communicate the meaning and significance of the ANA Group to society. The road to recovery will by no means be smooth. When travel by air begins to increase with the development and distribution of a vaccine, the ANA Group will play an important role in social infrastructure. We will help revitalize economies, trade, and other social activities, as we aid the movement of people, goods, and cultural interactions. This aligns with our Group Mission Statement: *The wings within ourselves help to fulfill the hopes and dreams of an interconnected world.* The ANA Group will continue to value personal relationships and empathy, connecting the world to bring about a brighter, more abundant future.

To grow sustainably with society, companies must pursue not only economic value, such as operating revenues and profits, but also social value, which includes a response to social issues facing modern society on a global scale. As a member of society, the ANA Group desires to share value for the sustainable development of our stakeholders, including our customers, shareholders and investors, employees, business partners, and local communities. We have pursued environmental, social, and governance (ESG) management, which has become even more important in the face of the COVID-19 pandemic. We are determined to approach medium- and long-term issues seriously and from a global perspective.

### / P.44-45 ANA Group ESG Management



Environmental issues are issues that truly impact our stakeholders, and the environment has become an even greater topic of concern across the world. Climate change is a common global challenge. Addressing climate change has become a responsibility for companies entrusted with the future, and the airline industry has become subject to stricter regulations to reduce CO<sub>2</sub> emissions from aircraft operations. Recently, airline industry CO<sub>2</sub> emissions are down due to cancellations and flight reductions stemming from COVID-19. However, as our Air Transportation Business recovers in the near future, we must take appropriate measures to ensure CO<sub>2</sub> emissions do not return to the same level as in the past. Therefore, we have created new long-term targets for the year 2050. We intend to strengthen our efforts to address climate change, reducing CO<sub>2</sub> emissions from aircraft operations by 50% compared to 2005.

**P.46-49** Further Promotion of ESG Management

The new goals we created will not be easy to achieve. We must respond in tangible ways through our aircraft, jet fuel technology innovations, and more. We must also respond in intangible ways through steady efforts that involve human intervention. Social issues other than those related to the environment that require ongoing efforts include business activities and supply chain management that respect human rights. Stakeholder engagement is an essential part of gaining an appropriate understanding of and responding to these trends. In addition to using dialogue to understand potential opportunities and risks surrounding the Group, we also plan to engage in management that incorporates the environment, society, and governance. Here, we will do even more to gain an accurate understanding of social awareness and behavioral changes, reflecting this understanding in our corporate strategy. In the future, the ANA Group will make the process for achieving our goals more visible and provide appropriate disclosures of our results through annual reports, websites, and other communication channels.

## Entrusting Our Future to New Generations

Beginning in January, Wuhan, China, experienced a dramatic increase in COVID-19 infections. At that time, ANA organized a total of five charter flights to ensure Japanese citizens in the area could travel back to Japan. While the threat of COVID-19 was still not recognized fully in Japan, many of our employees worked side-by-side with the risk of infection. Despite the challenges, we helped a total of 828 Japanese citizens return home, as each employee fulfilled their role with dedicated action. Later, some employees remarked that they became even more aware than usual of our mission as a public transportation provider. Others stated how completely focused they became in helping return passengers safely to their homes in Japan. We fulfilled our responsibilities as an airline with the support of the Japanese government and many others. On June 23, we received a letter of appreciation from the Japanese Minister of Foreign Affairs.

As part of our social contribution activities, we asked for employee volunteers in April to support medical gown sewing. The response of Group employees was far beyond our expectations. After hearing from employees of their desire to serve society and do whatever they could to help, I was again impressed that human resources are the true treasure of our Group. While we cannot see when the COVID-19 pandemic will end, I want to express how truly proud I am of our employees who even now work in airports, on-board aircraft, and in a variety of other locations to fulfill our responsibilities as social and transportation infrastructure.

**P.76-77** Unique ANA Group Initiatives

Our true capabilities come to the fore when times are tough, requiring calm thinking, passionate action, and self-awareness in achieving responsibilities together with colleagues. One of the spirit of our founders is to be a *Business with Integrity*. This reflects an emphasis on the public interest rather than on profits. Our employees united in their sense of mission to fulfill their roles properly and without fanfare when they supported the Wuhan charter flights and the medical gown sewing project. Every employee demonstrated their sense of responsibility to take a personal role in this mission. The ANA Group possesses *wings within ourselves* that help us overcome difficulties together. Our DNA is rooted in values handed down to us from those who came before, and this DNA will never change at any time in the future. I am convinced that the corporate culture we



have cultivated over our 68 years of history will be the driving force behind overcoming the current crisis.

*Hardship now, yet hope for the future* were the famous words of Masuichi Midoro, our founder. Using these words, successive generations of management have continued working together single-mindedly with employees to serve society through a foundation of safety. ANA's predecessor, Japan Helicopter and Aeroplane Transports Co., Ltd. began with only two helicopters, 28 employees, and big dreams. Since that time, we have continued to grow with effort and a spirit of taking on new challenges. We have faced many difficulties due to changes in our business environment. But we have always come through such crises reborn and stronger than ever. We will overcome COVID-19 through the comprehensive capabilities of the Group. My dream is for us to build even stronger wings that spread out to connect the people of world and take us forward. Dreams come true, if one makes the effort. With this in mind, and as the top manager of ANA HOLDINGS INC.,

I intend to steer firmly ahead to ensure we become an inspiring airline group.

I ask for your continued support of the ANA Group.

September 2020

**Shinya Katanozaka**

President & Chief Executive Officer