

Pursuing *Business Structure Reform* to rebuild as a resilient corporate group, aiming to return to a growth trajectory in the post-COVID-19 era.

I wish to express my deepest condolences to the people around the world who have lost loved ones due to COVID-19. I also pray for the earliest possible recovery for all who are suffering from COVID-19 today. In addition, I want to express my deepest gratitude to the professionals who are working every day to prevent and control the spread of infections.

ANA Group passenger demand began to decline in the fourth quarter of fiscal 2019 due to the impact of COVID-19. Fiscal 2020 was supposed to be a breakthrough year for the airline industry, driven by the Tokyo 2020 Olympic and Paralympic Games and an increase in the number of visitors to Japan. However, the global pandemic led to significant restrictions on social and economic activities. As a result, the ANA Group was forced to change our growth strategies.

In my message here, I want to look back on how we came to this place, dealing with COVID-19 under my leadership. I also want to discuss what we intend to do to return to a growth trajectory in the future.



KATANOZAKA Shinya
President & Chief Executive Officer

The Impact of COVID-19 on Our Businesses

In January 2020, China experienced a sharp increase in the number of people infected with COVID-19. This spread of infection began to affect cross-border traffic gradually, and in the second half of January, the ANA Group began seeing an impact on passenger numbers for international flights. In April, Japan declared a first state of emergency, and the number of passengers on domestic routes declined immediately.

Our first act in response was to secure cash on hand. We procured bank loans of approximately ¥530 billion in total during the first half of the fiscal year, establishing a foundation to continue our business in a stable manner. Next, we declared our position on protecting employee health and jobs, putting into place a complete program to deal with COVID-19. Our employees are responsible for ensuring safety. To ease employee concerns and distractions of COVID-19 or news of mass layoffs among overseas airlines, we adopted measures with employees and all ANA Group stakeholders in mind.

In terms of aircraft operations, we expanded cargo flight capacity significantly to meet the demand for medical product and personal protective equipment (PPE) transportation. We adopted the *ANA Care Promise*, outlining our new initiatives to ensure hygiene for passengers and employees. In this way and more, we implemented numerous measures in parallel, all while monitoring domestic and international socioeconomic trends. We approached this process from the perspective of consistent, comprehensive risk management. Rather than relying on wishful thinking, we prepared multiple options in advance, implemented necessary measures proactively, while anticipating the changing tides of the situation.

Despite the best efforts of our entire group, passenger demand remained sluggish due to the impact of immigration restrictions in various countries and the multiple declarations of a state of emergency in Japan. These factors combined to create a net loss in excess of ¥400 billion for fiscal 2020. Nevertheless, our efforts, including groupwide cost reductions of ¥590 billion, allowed us to narrow net loss by more than ¥100 billion compared to the full-year forecast we published on October 27, 2020.

We have also taken measures that will lead to a return to growth in the future.

The first measure was *Business Structure Reform*, which we formulated at the end of October 2020. The pursuit of a group airline model is one of the main topics in our Air Transportation Business. Here, we intend to change our service model for post-COVID-19 demand characteristics and customer needs. We will also continue to restructure the group business portfolio across our entire group. Reducing resources (aircraft, human resources) is an essential component to achieve this restructuring, and we completed resource reduction measures by the end of fiscal 2020. We created a plan to return to profitability in fiscal 2021, engaging in cost reduction measures mainly dealing with fixed costs.

▶ P.24 Overview of *Business Structure Reform* and Fiscal 2021 Plan

The second measure was to strengthen our financial foundation. During the second half of fiscal 2020, we executed a subordinated loan and a public offering of new shares to secure financial flexibility in terms of both liquidity on hand and capital. In this way, we created a management environment allowing us to focus on our pursuit of *Business Structure Reform*. We plan to use the funds raised through the public offering to fund investments in aircraft required over the medium term to maintain and improve our global competitive advantage.

▶ P.25 Initiatives to Overcome the COVID-19 Pandemic

The third measure was our 2050 Environmental Targets and 2030 Environmental Targets, which we published in April 2021. As many other organizations are responding to global climate change, the ANA Group has decided to strengthen our own measures toward decarbonization. We intend to resolve social issues from a global and long-term perspective in the post-COVID-19 era, and beyond.

▶ P.51 Environmental Goals and Targets

Today, we live in a time in which the only corporations that will survive are the ones that are agile in responding to changes in the external environment. We saw these challenges as a perfect opportunity to make changes, and we implemented management decisions ranging far beyond the COVID-19 pandemic.

The ANA Group History of Overcoming Challenges

The ANA Group has faced many crises throughout our history. Numerous crises in the 21st century alone include the terrorist attacks on the United States in 2001, the Iraq War in 2003, SARS in 2003, the Lehman Shock in 2008, and the Great East Japan Earthquake in 2011. We have also faced technical problems with the Boeing 787, the ANA flagship aircraft, including battery problems in 2012, and engine component issues in 2018. But we have overcome these problems through various structural reforms.

Turning a crisis into an opportunity is a common expression. But it is easier said than done. Over the years, ANA Group management has established a track record of implementing reforms in the face of challenging situations. These reforms have led to the growth of future generations, defining a clear vision of where we aimed to be as a company once we overcame the issue at hand. For example, fiscal 2003 passenger demand was very slow due to the Iraq War and SARS. At the same time, we felt the impact of integration at our domestic competitors. We fought our way back to profitability by reorganizing our international flight network and by accelerating cost reduction measures. We resumed dividend payments for the first time in seven years,

as we stated in our initial plan for the fiscal year. During the recovery from the Lehman Shock, we implemented Cost Reduction Initiatives over a six-year period beginning in fiscal 2011. As a result, we controlled the increase in expenses by a total of ¥138 billion. We improved cost competitiveness and pursued growth strategies focused on our international business, generating consolidated operating income of ¥165 billion for fiscal 2017 and 2018.

Established as the first private airline in 1952, the ANA Group has overcome numerous crises in our 69 years of airline business. Our culture of pulling together to overcome challenges has been handed down to us from our predecessors, and this spirit is instilled in the hearts of every employee as part of the ANA Group DNA. The section in this report on page 10, *A Philosophy Inherited from Our Founder*, describes our focus and our mission during the COVID-19 pandemic. As the world undergoes major changes, we must come back even stronger. We are currently executing our *Business Structure Reform*, and we intend to overcome these challenges, while responding agilely to the changes in customer needs and social issues.





experiences, group diversity will improve, as will the resilience of our organization. Establishing a third brand in our Air Transportation Business and creating a platform business leveraging our customer data assets are two major programs under *Business Structure Reform*. To this end, we pursue the transformation (diversification) of our business portfolio as we make use of new concepts generated by the diverse base of our human resources.

The third theme is *to address environmental issues*, which should be understood in a framework broader than simple decarbonization efforts. For example, Sustainable Aviation Fuel (SAF) is expected to contribute to the reduction of CO₂ emissions in a significant way. Setting up a stable procurement scheme for SAF is an urgent issue as we look to the future. Here, the ANA Group is leading the industry and lobbying related parties to educate the industry and create a system for mass production. Fostering mass production of commercial SAF in Japan will lead to the greater development of our country as a whole. Foreign airlines that fly to/from Japan will be an essential part of

attracting visitors to Japan again. For this to happen, we must create an environment in which these airlines can procure SAF at major airports in Japan. I am calling for SAF as a major management issue, because SAF will play a role in establishing a solid position for Japan as a tourism nation. I hope to take this issue head-on in cooperation with the government and relevant agencies, as well as with the cooperation of the other domestic airline companies.

What these three themes have in common is our ability to create a future filled with hopes and dreams beyond the framework of the interests of our group. Faced with the COVID-19 pandemic, our group has significantly limited opportunities to bring happiness to passengers and customers through our services. One day, we will be able to talk about this pandemic as a thing of the past. But today, our generation must take responsibility to solve the issues we face, so the next generation will not have the same struggle. I believe fulfilling our mission inspired by the idea to serve our stakeholders and to serve the future will naturally lead to sustainable growth for the ANA Group.

Making Changes toward the Post-COVID-19 Era

Some industries in the world have grown steadily, even during the COVID-19 pandemic. The IT industry, telecommunications, pharmaceuticals, biotechnology, home delivery, and e-commerce are such examples. These industries are experiencing an expansion in business domains adapted to changing customer needs. Products and services in the airline industry must respond to changing customer needs in areas such as ESG, hygiene and cleanliness, contactless operations, self-service, simplification, and personal customization. We identified three themes to embody as we move toward the future. Under these themes, we intend to change the conventional practices in which our group has engaged for so many years.

The first theme is *to pursue services and business models compatible with the new normal*. This is an important management focus looking ahead to the post-COVID-19 era. Here, we plan to improve cost competitiveness in our Air Transportation Business, while we change our paradigms and operational flow. For example, we want to replace human airport operations with digital technologies where possible to meet the needs for self-service and personal customization. We will continue to scrutinize areas within our

services that should be performed by our staff and those that should be digitized, finding the best mix that ensures our business structure is compatible with leading world trends. In this way, we will provide new value to society and achieve greater productivity.

The second theme is *to expand diversity*. In the process of growing our international business, we have encountered many overseas cultures and business practices. Doing business overseas means accepting cultures that are different from our own. What makes this possible is our people. The airlines business is about people (i.e., passengers and customers) primarily. The people (i.e., employees) who support this business are a key element in creating sustainable added value, and they serve as a driving force for expanding our business domains. One of our strengths as a group is that we have employees of various age groups working around the world, representing a wide range of attributes, including gender, nationality, and employment models. As of August 2021, the ANA Group has seconded a cumulative total of 1,200 employees to entities outside the group. I expect that as we gather more employees representing various values based on their own

What We Must Protect for the Future

We will continue to change in response to the changing needs of our customers and social issues. At the same time, however, there are some things that we must never change. Things that underpin our management foundation and that we must protect for the future. I am talking about *Safety and Human Resources*.

Safety is our promise to the public and is the foundation of our business. As an airline group, and as critical social infrastructure, safety is absolutely essential. We place the highest priority on safety, even as times change. The ANA Group engages in a culture of safety at all times, including a culture of reporting, a culture of fairness, a culture of flexibility, and a culture of learning. We will spare no investment in handing down this culture of safety to the next generation.

For example, we include details of past incidents of aircraft accidents, hijackings, and other unsettling events in our regular internal education and training programs at different employee ranks. This year marks the 50th anniversary of the Shizukuishi accident that occurred on July 30, 1971. We conduct various educational activities to keep the memory of this accident alive in our company. One example is an exhibit of aircraft parts and passenger seats that were deformed as a result of the incident. Another is having employees read the memoirs and messages

of bereaved families. Employees discuss how to prevent accidents and incidents, which raises our awareness of safety. As we build an atmosphere of mutual trust and support across different roles within the group, we are more able to embody safe behavior. As the impact of COVID-19 continued throughout fiscal 2020, we are devising and implementing ways for trainees to participate more proactively. This includes group-wide online training programs. On July 30 of this year, the ANA Group observed a moment of silence and renewed our commitment to safety. But a culture of safety is not built overnight. We will continue our diligent efforts, together with our employees.

Our pursuit of safety is not limited to aircraft operations, but extends to numerous other fields such as food safety and information security. Positioning hygiene as a new value reflects the importance of offering peace of mind to our passengers and customers. And we intend to feature hygiene as a new component of service quality in the post-COVID-19 era as quickly as possible. We will also work with related parties to introduce new operating practices, including digital proof of vaccination, to create an environment in which every passenger can travel between Japan and overseas with peace of mind.

In Japan, vaccinations have been progressing rapidly over the past few months. The ANA Group was the first company in Japan to begin vaccinating employees at work. This is the year in which our group will make a contribution to society by mobilizing the wisdom and efforts of humankind to bring a conclusion to COVID-19. In so doing, we will restore safety and security to our daily lives.

What we must also not forget, however, is our human resources. As I mentioned in our 2020 report, as the COVID-19 infection began spreading around the world in late January 2020, we operated charter flights for persons in Wuhan, China, who wanted to return to Japan. Even before the full extent of COVID-19 was known, a large number of our employees took the initiative to operate the flights at their own risk. This represents just one typical response, and we continued our efforts to overcome the COVID-19 pandemic, driven by our sense of mission as humans engaged in the airline industry. In this sense, it is no exaggeration to say that we pushed through fiscal 2020 supported by the power of our people. Immediately after the emergence of COVID-19, I declared my intent to *protect the jobs of our employees*. The ANA Group employs 46,000 people around the world—people who work diligently on a daily basis to ensure the safety of our aircraft and operations. I am proud of our employees who fulfill their roles in dealing with COVID-19, even as we operate under declarations of a state of emergency in Japan.

Eliminating officer bonuses and reducing pay are a natural response to the situation at hand. After struggling with the decision, we also asked our employees for their cooperation and patience in pay and bonus reductions. The understanding and cooperation of the labor unions will be a great help in overcoming COVID-19. Amid the ongoing hardships, we value

dialogue more than ever. Dialogue is one tool for employees to connect with one another, sharing concerns and uncertainties as we strive to overcome this crisis. During fiscal 2020, ANA executives held a total of 1,667 town meetings, direct dialogue with employees. The management teams of group companies, including myself, spoke with a total of about 32,000 employees. We listened to concerns about the ongoing impact of the COVID-19 pandemic. Employees are concerned about deserted airport counters that once were crowded with passengers. Some raised questions about airport handling changes due to suspended and/or reduced flights. We endeavored to dispel individual worries as much as possible by talking directly with employees. We share hope with them, while conveying our ideas in detail about overcoming the COVID-19 pandemic.

During the course of repeated dialogues, employees began to express a variety of opinions. We collected more than 1,600 ideas for new initiatives in this time of crisis. Ideas included sightseeing flights using the Airbus A380, e-commerce sales of in-flight meals and aircraft goods, opening restaurants using our aircraft, hosting weddings, and more. From the standpoint of management, my only question has been, “Are we going to do it or not?” Once decided, I provide my support with a sense of urgency to collect the relevant departments together. Now is the time for us to embrace our founding spirit of *Wakyo** (close cooperation) and gather momentum as a group to overcome the COVID-19 pandemic.

* *Wakyo*: No matter who you are, have the confidence to voice your opinions. We base our actions on the results of thorough discussion and take decisive action as one.

diminished one iota. As we introduce service models tailored to the new normal and transition to new business models, we will raise the value we create as the ANA Group to higher levels than ever before.

We announced our first quarter financial results for fiscal 2021 on July 30, amid the ongoing impact of COVID-19. While we felt the impact of the declaration of a state of emergency in late April, we grew revenue in our cargo business and engaged in consistent cost management, narrowing operating loss by a significant margin compared to the same period in the previous fiscal year. This result confirms the steady progress of our internal reforms as we build on a number of other measures. Passenger demand for domestic operations has been recovering steadily. We see more passengers at airports and in our aircraft, eyes sparkling at the opportunity to travel after so long. I am happy to see a return to the bustling activity and smiling faces of our crew, airport staff, and other frontline

employees. I think we can say there is a light at the end of the long tunnel. What lies ahead is not the old world, but a new world we have yet to see. We are an airline group that has grown together with our passengers and customers, overcoming challenges over the 69 years since our founding. We will continue aiming for a return to growth in the post-COVID-19 era, striving to continue as the airline of choice by our stakeholders. As the top management of the ANA Group, I am committed to carrying on the spirit of the words of our founder, “Hardship Now, Yet Hope for the Future.”

I ask for your continued support of the ANA Group.

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KATANOZAKA Shinya

President & Chief Executive Officer

Our Future Direction — My Commitment —

During the third quarter of fiscal 2020, the number of people infected with COVID-19 in Japan subsided temporarily. At the time, we saw a rapid recovery in domestic passengers, driven by the *GoTo Travel Campaign*. We also received many applications for the Airbus A380 sightseeing flights. We believe that demand for air travel will recover rapidly in response to a trigger of some kind. Many customers sent messages of support, expressing their desire to board a plane and travel as soon as possible. We know that customers are eager to travel by air.

In the year and a half since we began responding to the COVID-19 pandemic, I have pondered the significance of the ANA Group and of our existence. In the post-COVID-19 era, some business travel will likely be replaced by online methods. But I believe the value of traveling and experiencing a destination with one's own five senses, of meeting people face-to-face, is becoming greater than ever. Our group mission statement describes *the wings within ourselves* that we use to fulfill the hopes and dreams of an interconnected world. I am convinced that this role has not

