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Notice Regarding Financing through a Subordinated Syndicated Loan

ANA HOLDINGS INC. (“the Company”) is pleased to announce that we entered into a subordinated syndicated loan (“the subordinated loan”) agreement for an aggregate principal amount of JPY 400 billion today.

1. Purpose and Background of the subordinated loan

The spread of COVID-19 has caused a significant downturn in the demand for airline services and the Company is facing a harsh business environment. The Company will therefore carry out structural business reforms to improve earnings as quickly as possible by reducing fixed costs and similar in the short term, and also curtailing capital investment to help minimize the outflow of funds. Moreover, looking ahead to a return to normality after the COVID-19, the Company is focusing on returning to a path of growth in the medium to long term. Therefore, the Company has decided to raise funds through a subordinated loan at this time, in order to not only secure long-term funds to invest in growth, but also to maintain and improve its financial soundness.

2. Characteristics of the subordinated loan

The subordinated loan is a type of hybrid financing midway between equity and debt. Accordingly, while classified as debt, it has characteristics similar to equity. As a result, the subordinated loan will be eligible for recognition by credit rating agencies as having equity credit attributes to a certain extent, enabling the Company to strengthen its financial base without causing stock dilution. Therefore, it is expected that rating agencies (Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.) will assign an intermediate equity content of 50%.

3. Summary of the subordinated loan

	Tranche A	Tranche B
(1)Loan amount	JPY200billion	JPY200billion
(2)Date of agreement	October 27, 2020	
(3)Execution date	October 30, 2020	
(4)Maturity date (Term of the Loan)	October 29, 2055 (35 years)	October 31, 2057 (37 years)
(5)First early repayment date	31 October, 2025 (5 years after execution)	October 29, 2027 (7 years after execution)
(6)Interest rate	Base interest rate plus margin (floating rate) However, the margin will be increased by one per cent point on and after the first early repayment date	

(7)Use of proceeds	General corporate purpose, repayment of debt, and capital expenditure
(8) Replacement restrictions	<p>In case of the early repayment, the Company intends to replace the subordinated loan with financial products, whose equity credit is no less than that of the principal to be repaid approved by the credit agencies, within 12 months prior to the early repayment.</p> <p>However, if the early repayment is scheduled on or after the first repayment date, the Company can repay the subordinated loan with the amount which will be calculated by the way of ②, only if ① will be satisfied.</p> <p>① Substantial net debt/equity ratio (※1) ≤ 0.73 (※1) {Loans + Bonds + Finance lease obligations + off-balance Operating lease obligations} – (Cash and deposits + Negotiable certificates of deposits) / (Equity capital = Total net assets – Non-controlling interests)</p> <p>However, when the calculation for Tranche A, the amount of equity credit of Tranche B will be deducted from the numerator and, on the same time, added to the denominator.</p> <p>② (Reference value (※2)) – (Equity capital) (※2) JPY819.2bn for Tranche A, JPY919.2bn for Tranche B</p>
(9)Optional interest payment deferral	The Company may, at its discretion, defer all or part of the payment of interest on any interest paymant date.
(10)Subordination	Creditors of the subordinated loan have subordinated claim rights in the event of the Company entering into liquidation, bankruptcy, company reorganization, civil rehabilitation or similar proceedings under applicable law other than Japanese law. Terms of the agreement for the subordinated loan must not be changed to disadvantage any creditor of senior debt.
(11)Arrangers	Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
(12) Equity credit (expected)	Rating and Investment Information, Inc. : Class 3 / 50% Japan Credit Rating Agency, Ltd.: Medium / 50%

4. Financial management policy

The Company, as its financial management policy, will maintain adequate equity capital in order to adapt to various changes in the business environment. The Company will actively continue to utilize the hybrid finance, such as a subordinated loan and a subordinated bond, as necessary in the future.

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