



October 27, 2020

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Notice of Transformative Measures to a New Business Model

In response to the spread of COVID-19 infections, ANA HOLDING INC. (“The Company”) has swiftly implemented various efforts such as drastic reduction of flights and cost cutting measures. The Company formulated the comprehensive structural reform plan to build resilience toward any future global risk such as the return of infectious disease because the quantity and quality of aviation demand is expected to change due to the transformation of people’s behavior caused by COVID-19. The Company would like to announce the transformative plan to a new business model is resolved at the meeting of Board of Directors held on October 27, 2020 as follows.

**Please refer to the attached file for details.**

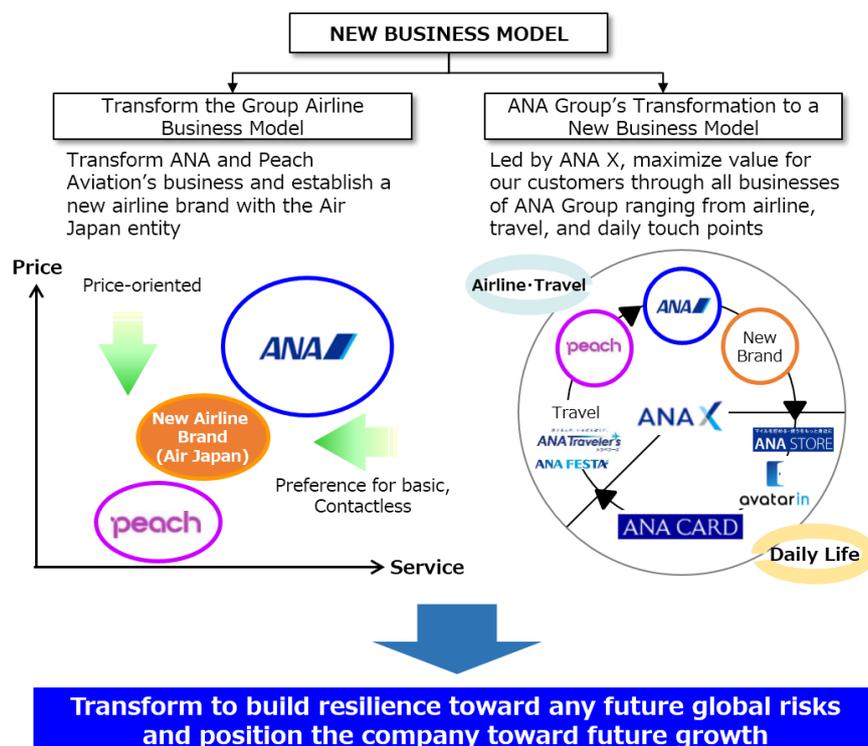
## ANA HOLDINGS Announces Transformative Measures to a New Business Model

**TOKYO, October 27, 2020** – ANA HOLDINGS INC. (hereinafter “ANA HD”) is announcing today the transformative measures to a new business model, designed to strengthen the company’s operations and position itself for future growth. Through the ongoing crisis, ANA has taken steps to independently maintain our business operations, ranging from the suspension of flights to cost cutting measures. However, as the outbreak of COVID-19 is yet to settle, the ANA Group will carry out structural business reforms to address how travel has changed to build resilience toward any future global risks.

### Overview

#### Qualitative and Quantitative Shifts in Air Travel Demand

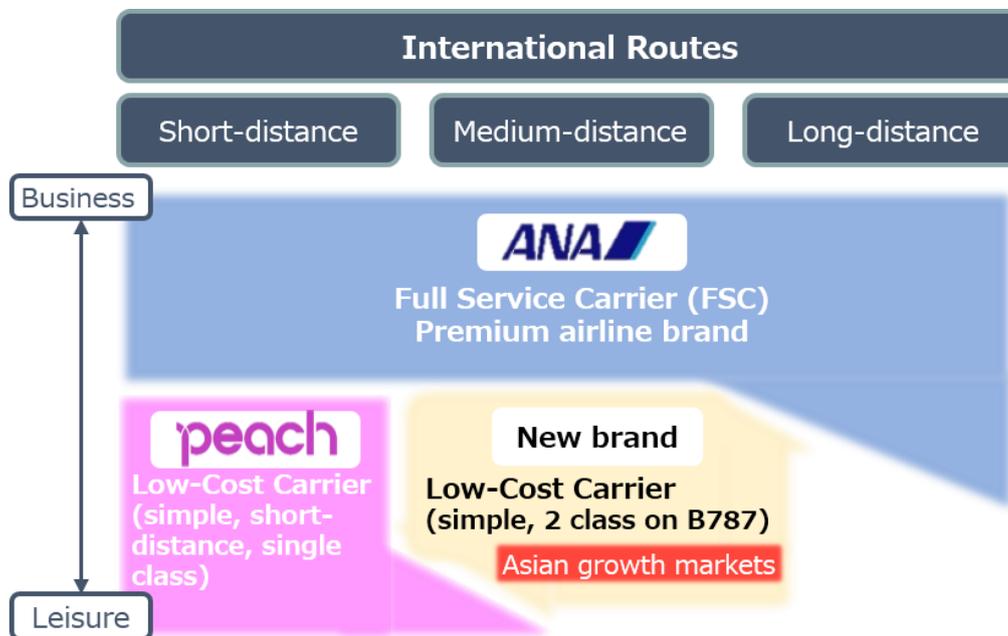
- ① Demand from business travel will decrease and likely not fully return to previous levels due to changes to the nature of work, such as the widespread popularity of online conferences and meetings.
- ② Demand for leisure and visiting friends and relatives (VFR) will likely continue to remain robust, with potential growth from new segments including new working environments and multiple residency.
- ③ New potential for demand is expected from untapped markets with preference for greater hygiene during travel, airlines with high ESG policies, adoption of contactless and automated options, simplistic services as well as more customization options.



“ANA HD is embarking on an ambitious transformation that will strengthen operations and position it for long term growth and success in a market still reeling from COVID-19,” said Shinya Katanozaka, President and Chief Executive Officer of ANA HOLDINGS INC. “As we work to fully account for the current situation, we will introduce a new business structure based on two major strategies. This comprehensive transformation initiative is not simply about cutting costs, instead it will address how travel has changed so that ANA HD has a framework for an entirely new, future-oriented operational strategy.”

## 1. Transform the Group Airline Business Model

- In addition to ANA and Peach Aviation Limited, establish a third airline brand based on the Air Japan unit, and pursue sustainable growth through transforming the services of the Group's airlines to cater to a wider range of customer needs in price range and services.
- Transform the services of each airline to match the values of the “new normal” during and post COVID-19, and through strengthening the cooperation in its marketing activities and smooth migration among the brands, actively promote measures to maximize the lifetime value of our customers.



### ① ANA brand

- As the premium airline brand of the ANA Group, transform into an airline that places an emphasis on “universal service” by providing new products and services that meet the needs of the post-COVID customers as a brand that is considerate to the well-being of people and the environment.
- Utilizing digital technology, promote integrated services with a focus on “personalization” and “customized service.”
- Realize a growth model that can continuously generate profits in the post-COVID era by improving productivity with more automated operations and improving work efficiency.

### ② Peach Aviation

- In addition to the existing leisure demand, expand the customer base to business passengers and families through wider cooperation in marketing with ANA through the addition of initiatives such as the exchange of ANA mileages to Peach Aviation's points.
- Further develop the Peach Aviation business by increasing cooperation with regional entities on new work and vacation styles and the utilization of customer information in promoting social media activity.
- With its relocation to Terminal 1 at Narita Airport on October 25, expand demand through its improved convenience and synergies with ANA for travelers around the Tokyo metropolitan area.
- Expand the medium-distance international routes with new A321LR aircraft-based products/services.
- Enter the air cargo business in collaboration with ANA and ANA Cargo (ACX).

### ③ New Airline Brand

- ANA Group will establish a third airline brand around fiscal 2022, to raise profits by targeting demand for low-cost, medium-distance flights to destinations in Southeast Asia and Oceania.
- By using the current Air Japan entity as the foundation, the brand will be capable of responding to sudden changes in demand and begin operations quickly after its establishment.
- Low unit cost operations will be delivered on this brand through the utilization of the 787 aircraft configured with 300+ seats.

## 2. ANA Group's Transformation to a New Business Model

- ANA Group will launch a data platform business based on the point-of-contact with all of our customers that we engage with in the airline business, travel business and business from our ANA branded credit cards to increase profits from our non-airline operations.
- Through employing the strategies ANA Group has accumulated for more than 10 years from its regional and metropolitan businesses, redefine the business in regional areas and by making use of a wide range of resources, deliver value to both the local regions and ANA.

### ① Realization of a New Data-Driven Platform Business

- Led by ANA X, create a data platform business that best utilizes the customer data accumulated from the ANA apps, website and other digital touchpoints of the ANA Group.
- With a focus on the airline, travel and ANA branded credit card business with transaction volume of approximately 4 trillion yen (based on 2019 figures), create value beyond the airline operations by maximizing the lifetime value of our customers through all businesses of the ANA Group.



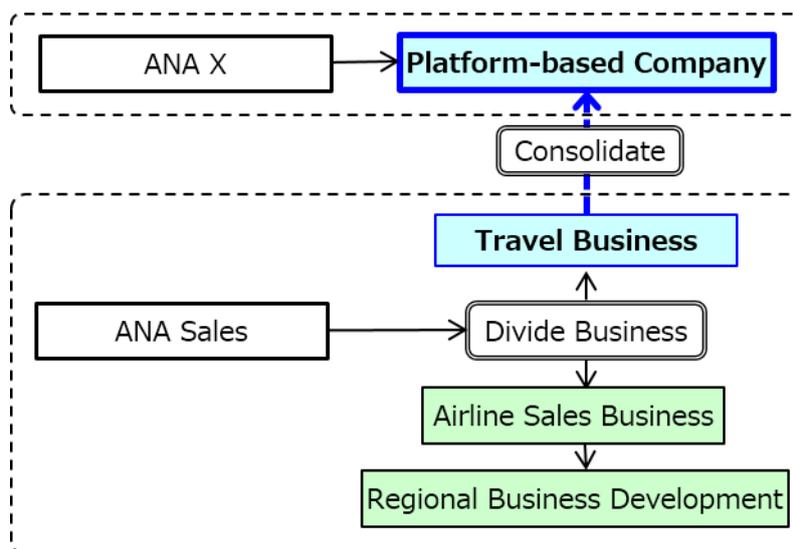
### ② Reorganization and Digitization of the Travel Business

- ANA Sales Co., Ltd. will be split off, and its travel business unit will be merged with ANA X Co., Ltd., to build a data-driven platform business unit (aimed to launch in April 2021).

- Digitizing the travel business will help the customers be introduced to ANA Group’s platform business.

③ **Evolve the Airline Sales Business to a Regional Business Development Entity**

- The efficiency of the airline sales business at ANA Sales will be improved and in addition, the unit will evolve into a regional business company that will serve a range of trade purposes and raise the presence of the ANA Group and develop new attractions in regional areas. The unit will develop goods and services for a digital platform in each local area and deliver ANA Group goods and services to each region simultaneously as well.



**3. Temporary Downsizing of Operations, and Other Measures to Offset the Impact of COVID-19**

- Through reviewing the cost structure to overcome the COVID-19 crisis, ANA Group will strategically plan a profitable route network and temporarily reduce the scale of the airline operations by further cost cuts centered on fixed costs such as reducing the aircraft fleet.
- To transform into a new business model and position us for future growth, we will implement various measures to protect jobs.
- The cost reduction effects is expected to be approximately 150 billion yen\* for this fiscal year, and approximately 250 billion yen\* in fiscal 2021.

\*Comparison with our initial plan for FY2020 with total cost cut impact from reducing fixed costs.

**1 ) Review and adjust the scale and route network of the Group’s airline operations**

① **ANA brand**

- International route network: Based on the immigration control, public health quarantine measures and passenger demand, resume operations on routes from Haneda Airport. Position Narita airport as a key location as well, and gradually resume operations.
- Domestic route network: Prioritize the operations and business centered around destinations with higher demand, and manage the scale of operations through utilizing smaller aircrafts.

② **Peach Aviation brand**

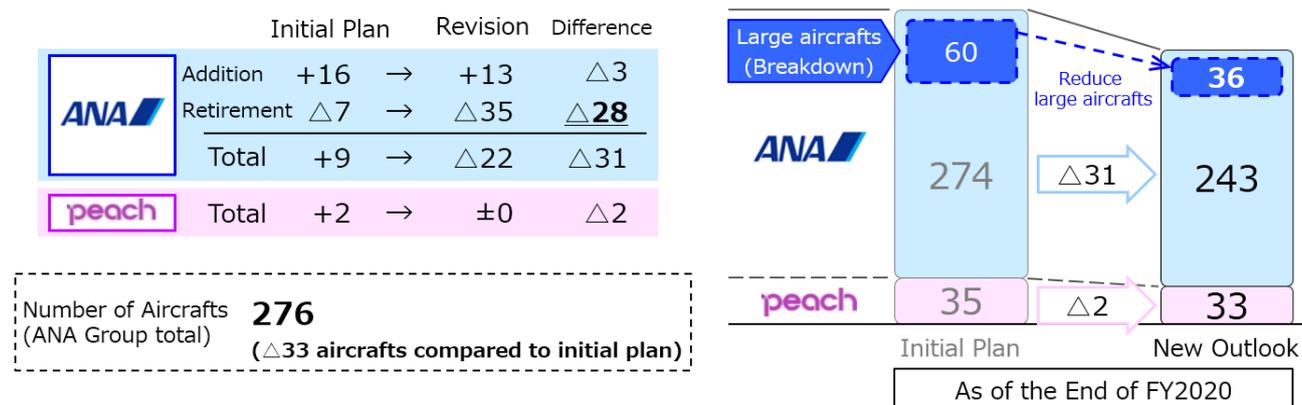
- International route network: Resume operations flexibly based on trends in demand.
- Domestic route network: Through maximizing the strengths as a LCC and strategically differentiating with ANA, prioritize the operations and business centered around Kansai and Narita. In December

2020, expand network at Chubu airport.

## 2 ) Reform the Cost Structure Focusing on Fixed Costs

### ① Downsize fleet through reducing large-sized aircrafts

- ANA will retire a total of 35 aircraft in 2020, an addition of 28 aircraft from its initial plan of seven.
- Out of the 35 aircrafts to be retired, 22 are the Boeing-777 models. The delayed delivery is for one Boeing-777 and one A380 aircraft, resulting in a reduction of 24 large-sized aircrafts compared to the initial plan for the end of FY2020.
- The entire ANA Group's fleet, including Peach Aviation, will be reduced by 33 aircraft compared to the initial plan for the end of FY2020.
- Investments on capital expenditure will be reduced or delayed for preexisting orders of aircrafts.



### ② Cost reduction in procurement

- Centralize procurement functions on goods for inflight services, maintenance components, vehicles and expendable goods to cut costs and raise efficiency in the negotiation and purchasing process.
- Through centralizing the procurement functions, improve the accuracy in purchasing, delivery, and warehouse management.

### ③ Cost reduction in office space rent

- Reduce office space rent by downsizing and consolidating offices based on the usage level of each office from the changed work styles.

### ④ Review unprofitable businesses and assets

- Dissolve the PanAM International Flight Academy in USA.

### ⑤ Increase cooperation among the maintenance units

- Deepen the cooperation between ANA, Peach Aviation and partner airlines to build a productive maintenance structure.

## 3 ) Measures to Maintain Employment for Future Growth

ANA Group will reduce labor costs through shifting outsourced business to in-house development and temporarily relocating employees internally and externally, and protect the laborforce for future growth.

### ① Shift outsourced business to in-house development

- Shift to in-house management of previously outsourced tasks such as the maintenance of aircrafts and engines, ground handling at airports and maintenance facilities.

### ② Reorganization and relocation of staff within the ANA Group

- Maximize efficiency and productivity through the relocation of staff among different airports, locations and business units.
- ③ **Dispatch ANA Group employees to external entities**
  - Dispatch employees to improve hospitality and service skills to companies with a laborforce shortage.
  - The jobs at the external entities will be call center work, hotel concierge, reception and secretarial jobs, and by December 2020, we plan to dispatch about 100 employees to 10 companies. We will continue to expand the scale and expect more than 400 employees to be dispatched by next spring.
- ④ **Measures related to wages**
  - Curb wage-related costs through a proposal to the labor union on reducing wages, bonuses, expansion of unpaid leaves and other measures.

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**About ANA**

Founded more than 60 years ago in 1952 with just two helicopters, All Nippon Airways (ANA), has become the largest airline in Japan, serving 46 international destinations and 50 domestic destinations (as of December 2019).

ANA HOLDINGS Inc. (ANAHD) was established in 2013 as the largest airline group holding company in Japan comprised of 78 companies including ANA and Peach Aviation Limited, the leading LCC in Japan. With a fleet of more than 300 aircraft (as of March 2020), ANAHD has more than 43,000 employees and serves more than 54 million passengers a year, making ANA and its subsidiaries the 15th largest carrier in the world by daily flight volume.

ANA is a launch customer and the biggest operator of the Boeing 787 Dreamliner, making ANAHD the biggest Dreamliner owner in the world. A member of Star Alliance since 1999, ANA has Joint Venture agreements with United Airlines, Lufthansa Airlines, Swiss International Airlines, Austrian Airlines and Brussels Airlines— giving it a truly global presence.

The 78 companies organized under the ANAHD umbrella operate in a diverse range of markets, including air transportation, travel services and trade, and retail embody ANAHD's shared values of exceptional service, responsible corporate citizenship and investment in the communities where they operate.

Supplementing its operations in commercial aviation, ANAHD has led the development of the innovative haptic robotics program, through its avatarin Inc. company, and its involvement in space with its partnership with JAXA, and other space related companies such as Astroscale and PD Aerospace.

The airline's legacy of superior service has helped it earn SKYTRAX's respected 5-Star rating every year since 2013, making ANA the only Japanese airline to win this prestigious designation and for eight consecutive years. ANA also has been recognized by Air Transport World as "Airline of the Year" three times (2007, 2013 and 2018); it is one of a select few airlines to win this prestigious award multiple times.

For more information, please refer to the following link:

<https://www.ana.co.jp/group/en/>