

ANA HOLDINGS Financial Results for the Three Months Ended June 30, 2018

TOKYO, July 31, 2018 – ANA HOLDINGS INC. (hereinafter “ANA HD”) today reports its financial results for the three months ended June 30, 2018.

Overview

- Supported by robust demand, strong performance in international passenger service and international cargo service resulted in operating revenues in Air Transportation business increasing year-on-year. Meanwhile, operating income decreased year-on-year due to factors such as increased expenses caused by the investment for safety, quality, and personnel, and the rising fuel prices.
- In the first quarter of fiscal year 2018 (April 1, 2018 - June 30, 2018), Japan's economy has continued to experience a gradual recovery with personal consumption picking up in accordance with continued improvements in corporate earnings and the employment environment. Although there are concerns about the risk of a downturn in the economy due to the impact of trade issues on the global economy and a slump in some overseas economies, the economic outlook for the future is expected to be a continued, gradual recovery due to improvements in the employment and income environment and the effect of various government policies.
- ANA was chosen as “2018 Competitive IT Strategy Companies” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for being an enterprise actively engaged in the utilization of IT.

As a result of the above, revenues mainly in Air Transportation business increased and resulted in operating revenues of 484.8 billion yen, while operating income was 20.0 billion yen and ordinary income was 19.4 billion yen caused by an increase in operating expenses. Due to the extraordinary income recorded during the previous fiscal year resulting from the inclusion of Peach Aviation Limited as a consolidated subsidiary, net income attributable to owners of the parent decreased to 16.1 billion yen.

Consolidated Financial Performance

Unit: billion yen (Except for % comparison, rounded down)

	1Q/FY2018	1Q/FY2017	Difference	% Comparison
Operating revenues	484.8	451.7	+33.1	+7.3
Operating expenses	464.8	426.2	+38.5	+9.0
Operating income (loss)	20.0	25.4	-5.3	-21.1
Non-operating expenses	-0.6	-0.6	+0.0	---
Ordinary income	19.4	24.7	-5.3	-21.6
Special gain	0.0	35.5	-35.5	-100.0
Net income attributable to owners of the parent	16.1	51.0	-34.9	-68.5

Performance by Business Segment

Unit: billion yen (rounded down)

	1Q/FY2018		1Q/FY2017		Difference	
	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
Air Transportation	426.4	18.3	396.8	23.1	+29.5	-4.8
Airline Related	69.9	4.2	65.8	4.2	+4.1	-0.0
Travel Services	36.0	-0.0	36.3	0.6	-0.2	-0.7
Trade and Retail	36.9	0.7	33.5	0.9	+3.3	-0.2
Others	9.3	0.6	8.8	0.5	+0.5	+0.0

Air Transportation

1. Domestic Passenger Service

- In domestic passenger service, both the number of passengers and revenues increased year-on-year as a result of capturing steady business and inbound travel demand, in addition to the establishment of various discount fares to match the demand.
- In terms of the route network, in addition to the Chubu-Miyako, and the Fukuoka-Ishigaki routes that have changed from being limited to the summer timetable to year-round operation, efforts were also made to capture demand by resuming the Fukuoka-Miyako route beginning in June and expanding direct flights to Ishigakijima and Miyakojima from various locations throughout Japan.
- In the area of services, enhancements to in-flight services were made by introducing the free in-flight Wi-Fi service from April and by increasing entertainment content to over 100 items. *ANA Baggage Drop* automatic baggage check-in kiosks were installed in Fukuoka Airport in June, making it the third Japan domestic airport to utilize them. In addition, ANA endeavored to improve convenience and comfort as a full service carrier by installing wheelchair-accessible restrooms, which were previously installed in medium and large aircraft, in small aircraft as well, with some exceptions, with the aim of improving services for passengers with reduced mobility and by that providing all customers a greater safety and comfort.

As a result, revenues from domestic passenger service increased by 2.2 billion yen (up 1.5% year-on-year).

(Except for % comparison and passenger load factor, rounded down)

Domestic Passenger Service	1Q/FY2018	1Q/FY2017	Difference	% Comparison
Revenues (billion yen)	156.8	154.6	+2.2	+1.5
Number of passengers (thousand)	10,668	10,353	+315	+3.0
Available seat km (million)	14,551	14,410	+140	+1.0
Revenue passenger km (million)	9,669	9,296	+372	+4.0
Passenger load factor (%)	66.4	64.5	+1.9 pt	---

2. International Passenger Service

- In international passenger service, both the number of passengers and revenues increased year-on-year due to strong business demand originating in Japan and the capture of robust inbound demand from China and other parts of Asia.
- In terms of the route network, the number of flights on the Haneda-Bangkok route was increased to three per day from June, bringing the total number of flights to five per day when combined with the Narita-Bangkok route as ANA strengthened its efforts to capture business and leisure demand to and from the Tokyo Metropolitan Area.
- In the area of services, ANA endeavored to create an environment enabling all customers to use aircraft in greater safety and comfort through steps such as deploying new wheelchairs for in-cabin use, providing greater comfort and easier movement and maneuver within the confined space of an aircraft in order to provide enhanced services for passengers with reduced mobility.

As a result, revenues from international passenger service increased by 16.7 billion yen (up 12.0% year-on-year).

(Except for % comparison and passenger load factor, rounded down)

International Passenger Service	1Q/FY2018	1Q/FY2017	Difference	% Comparison
Revenues (billion yen)	156.2	139.4	+16.7	+12.0
Number of passengers (thousand)	2,509	2,246	+262	+11.7
Available seat km (million)	16,608	15,759	+848	+5.4
Revenue passenger km (million)	12,509	11,608	+900	+7.8
Passenger load factor (%)	75.3	73.7	+1.7 pt	---

3. Cargo Service

- In international cargo service, cargo from Japan to overseas destinations performed well backed by robust demand centered on automotive parts bound for North America and Europe. Regarding inbound cargo from overseas to Japan, in addition to shipments such as automotive parts and electronic components performing well, ANA endeavored to capture demand through steps such as chartering air freighter carriers from North America to transport special shipments such as American cherries.

As a result, revenues from domestic cargo service decreased by 0.1 billion yen (down 2.4% year-on-year) and revenue from international cargo service increased by 5.1 billion yen (up 19.0% year-on-year).

(Except for % comparison, figures are rounded down)

Cargo Service		1Q/FY2018	1Q/FY2017	Difference	% Comparison
Domestic	Revenues (billion yen)	7.0	7.2	-0.1	-2.4
	Freight carried (thousand tons)	96	101	-5	-5.3
	Ton km (million)	100	104	-4	-4.4
International	Revenues (billion yen)	32.0	26.8	+5.1	+19.0
	Freight carried (thousand tons)	245	243	+2	+0.9
	Ton km (million)	1,134	1,098	+36	+3.3

4. LCC

- In the LCC segment, both the number of passengers and revenues increased year-on-year due to factors such as the capture of robust inbound demand.
- In terms of route network, Peach Aviation Limited expanded its network by establishing a new Okinawa-Kaohsiung route from April.
- In the area of marketing, a special website communicating the appeal of domestic destinations in Japan was established for the purpose of further increasing the number of inbound passengers.

(Except for % comparison and passenger load factor, rounded down)

LCC	1Q/FY2018	1Q/FY2017	Difference	% Comparison
Revenues (billion yen)	21.1	19.3	+1.7	+9.2
Number of passengers (thousand)	1,997	1,837	+159	+8.7
Available seat km (million)	2,947	2,832	+114	+4.1
Revenue passenger km (million)	2,547	2,418	+129	+5.3
Passenger load factor (%)	86.4	85.4	+1.0 pt	---

5. Others

- Other revenues in Air Transportation business, including revenues from the mileage program, in-flight sales revenues, and revenues from maintenance contracts, were 50.7 billion yen, while revenues for the same period a year ago were 47.0 billion yen (up 7.8% year-on-year).

Airline Related, Travel Services, Trade and Retail, and Other

- In Airline Related business, operating revenues were 69.9 billion yen (up 6.3% year-on-year) and operating income was 4.2 billion yen (down 1.1% year-on-year) because of an increase in contracts with various airlines for ground handling services including passenger check-in and baggage handling at Kansai and Fukuoka airports.
- In the domestic travel service, operating revenues decreased year-on-year due to slow growth in customers of *ANA Sky Holidays*, primarily bound for Okinawa. In overseas travel service, operating revenues of *ANA Hallo Tours* increased year-on-year due to a focused effort being made to strengthen sales in Hawaii, in addition to steady turnover in guided tour products to Europe. Also, operating income decreased year-on-year to record an operating loss due to an increase in expenses for the newly operating travel system. As a result, operating revenues were 3.6 billion yen (down 0.7% year-on-year) and operating loss was 0.0 billion yen while operating income in the same period a year ago was 0.6 billion yen.
- Operating revenues in Trade and Retail centered on *ANA DUTY FREE SHOP* and *ANA FESTA* (airport merchandise stores) were 36.9 billion yen (up 10.1% year-on-year) as a result of an increase in international passengers and the enhancement of products in the retail business. However, operating income was 0.7 billion yen (down 26.3% year-on-year) due to the impact of a decrease in income in the aerospace and electronics sector and the lifestyle industries sector.
- In Other business, operating revenues were 9.3 billion yen (up 6.1% year-on-year) and operating income was 0.6 billion yen (up 4.5 % year-on-year) due to strong performance in the real estate, and the airline security businesses.

Consolidated Balance Sheet

(Except for Equity ratio and D/E ratio, figures are rounded down)

	1Q/FY2018	FY2017	Difference
Total assets (billion yen)	2,594.2	2,562.4	+31.7
Debt (billion yen)	1,579.8	1,561.9	+17.9
Net assets (billion yen)	1,014.3	1,000.5	+13.8
Shareholder's equity (billion yen)*1	1,005.3	988.6	+16.7
Equity ratio (%)	38.8	38.6	+0.2 pt
Interest-bearing debt (billion yen)*2	823.4	798.3	+25.0
D/E ratio	0.8	0.8	+0.0

*1: For shareholder's equity, assets of non-controlling interests are deducted from net assets

*2: Interest-bearing debt doesn't include off-balanced lease obligation

Consolidated Statement of Cash Flow

unit: billion yen (rounded down)

	1Q/FY2018	1Q/FY2017
Cash flows from operating activities	81.0	95.6
Cash flows from investing activities	-60.9	-120.4
Cash flows from financing activities	-10.5	-7.2
Cash flows and cash equivalents at the end of the period	280.3	276.6
Depreciation and amortization	37.6	36.6

Outlook for the FY2018 (April 2018 - March 2019)

- The results of the three months ended June 30, 2018, were generally in line with the consolidated outlook announced on April 27, 2018. Therefore, there is no change to the consolidated outlook for the FY2018.

Consolidated Financial Forecast

unit: billion yen (rounded down)

	Forecast for FY2018	FY2017	Difference
Operating revenues	2,040.0	1,971.7	+68.2
Operating income	165.0	164.5	+0.4
Ordinary income	158.0	160.6	-2.6
Net income attributable to owners of the parent	102.0	143.8	-41.8

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About ANA

Following the “Inspiration of Japan” high quality of service, ANA has been awarded the respected 5-Star rating every year since 2013 from SKYTRAX. ANA is the only Japanese airline to win this prestigious designation six years in a row. Additionally, ANA has been recognized by *Air Transport World* as “Airline of the Year” three times in the past 10 years - 2007, 2013 and 2018, becoming one of the few airlines winning this prestigious award for multiple times.

ANA was founded in 1952 with two helicopters and has become the largest airline in Japan, as well as one of the most significant airlines in Asia, operating 85 international routes and 119 domestic routes. ANA offers a unique dual hub model which enables passengers to travel to Tokyo and connect through the two airports in the metropolitan Tokyo, NARITA and HANEDA, to various destinations throughout Japan, and also offers same day connections between various North American, Asian and Chinese cities.

ANA has been a member of Star Alliance since 1999 and has joint venture partnerships with United Airlines, Lufthansa German Airlines, Swiss International Airlines and Austrian Airlines.

Besides the full service and award winner carrier ANA, the ANA Group has two LCCs as consolidated subsidiaries, Vanilla Air Inc. and Peach Aviation Limited. The ANA Group carried 53.8 million passengers in FY2017, has approximately 39,000 employees and a fleet of 260 aircraft. ANA is a proud launch customer and the biggest operator of the Boeing 787 Dreamliner.

For more information, please refer to the following link.

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