

ANA HOLDINGS Financial Results for the Six Months Ended September 30, 2018

TOKYO, Nov. 2, 2018 – ANA HOLDINGS INC. (hereinafter “ANA HD”) today reports its financial results for the six months ended Sept. 30, 2018.

Overview

- 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 the occurrence of numerous natural disasters throughout Japan had an impact during the second quarter (July - September), underpinned by robust demand, strong performance in international passenger service and international cargo service resulted in operating revenues in Air Transportation 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 cost caused by the rise of the crude oil price.
- The ANA Group was again chosen by U.K. based SKYTRAX, a renowned industry rating company, as the best airline in two segments of the 2018 World Airline Awards: *Best Airline Staff in Asia* and *World's Best Airline Cabin Cleanliness* in addition to the 5-star award won for six consecutive years in March 2018.

Under these economic conditions, increased revenues mainly in Air Transportation resulted in operating revenues of 1,038.0 billion yen, while operating income was 105.2 billion yen and ordinary income was 102.9 billion yen due to an increase in operating expenses. As a result of the extraordinary income recorded during the previous fiscal year due to the inclusion of Peach Aviation Limited as a consolidated subsidiary, net income attributable to owners of the parent decreased year-on-year to 73.7 billion yen.

Consolidated Financial Performance

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

	First Half /FY2018	First Half /FY2017	Difference	% Comparison
Operating revenues	1,038.0	985.0	+53.0	+5.4
Operating expenses	932.8	869.9	+62.8	+7.2
Operating income	105.2	115.0	-9.8	-8.6
Non-operating expenses	-2.2	-2.3	+0.0	---
Ordinary income	102.9	112.7	-9.8	-8.7
Special gain	0.0	43.9	-43.9	-100.0
Net income attributable to owners of the parent	73.7	118.3	-44.6	-37.7

Performance by Business Segment

Unit: billion yen (rounded down)

	First Half /FY2018		First Half /FY2017		Difference	
	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
Air Transportation	915.8	101.0	865.4	109.2	+50.4	-8.1
Airline Related	145.2	7.6	141.5	6.8	+3.6	+0.7
Travel Services	79.7	0.6	83.5	2.2	-3.8	-1.5
Trade and Retail	75.0	1.7	69.1	2.2	+5.8	-0.4
Others	19.4	1.2	18.6	1.6	+0.7	-0.4

Air Transportation

1. Domestic Passenger Service

- In domestic passenger service, although efforts were made to capture steady business demand and robust inbound demand, both the number of passengers and revenues decreased year-on-year due to the impact of the Hokkaido Eastern Iburi earthquake and typhoons that wreaked more havoc than the previous year, the cancellation of flights due to inspection and maintenance of Rolls-Royce engines and the temporary closure of Kansai International Airport during the second quarter.
- In terms of the route network, efforts were made to capture demand by increasing flights on the Kansai-Miyako and Chubu-Okinawa routes, as well as a late-night flight (*Galaxy Flight*) on the Haneda-Okinawa route for a limited period in summer.
- In terms of sales and service, ANA renewed its fares and made an effort to improve convenience, such as by commencing the booking and sale of tickets 355 days in advance of the boarding date from September. In addition, ANA endeavored to improve convenience and comfort as a full service carrier by becoming the first Japanese airline to enhance its check-in kiosks enabling through check-in for passengers connecting from domestic to international flights in July, and installing wide boarding gates enabling smoother boarding by passengers using wheelchairs in Itami Airport and Fukuoka Airport ahead of deployment in airports nationwide.

As a result, revenues from domestic passenger service decreased by 2.8 billion yen (down 0.8% year-on-year).

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

Domestic Passenger Service	First Half /FY2018	First Half /FY2017	Difference	% Comparison
Revenues (billion yen)	352.3	355.1	-2.8	-0.8
Number of passengers (thousand)	22,340	22,499	-159	-0.7
Available seat km (million)	29,372	30,051	-679	-2.3
Revenue passenger km (million)	20,511	20,481	+30	+0.2
Passenger load factor (%)	69.8	68.2	+1.7 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 countries such as China.
- 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 terms of sales and service, in addition to renewing the wine and sake selection, provided in-flight from September, ANA endeavored to create an environment offering greater safety and comfort to passengers through efforts such as providing newly developed gluten-free rice bread to enable customers with food allergies to enjoy their meals with peace of mind.

As a result, revenues from international passenger service increased by 35.5 billion yen (up 12.0% year-on-year).

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

International Passenger Service	First Half /FY2018	First Half /FY2017	Difference	% Comparison
Revenues (billion yen)	331.0	295.5	+35.5	+12.0
Number of passengers (thousand)	5,172	4,761	+411	+8.6
Available seat km (million)	33,315	31,852	+1,462	+4.6
Revenue passenger km (million)	25,788	24,156	+1,631	+6.8
Passenger load factor (%)	77.4	75.8	+1.6 pt	---

3. Cargo Service

- In international cargo service, cargo from Japan to overseas destinations performed well backed by robust cargo demand centered on automotive parts and electronic components bound for North America and Europe. Regarding inbound cargo from overseas, in addition to cargo to Japan performing well, ANA endeavored to capture demand through steps such as chartering air freighter carriers. The cargo volume decreased year-on-year due to the decline in connecting cargo traffic via Japan, but revenues increased year-on-year as a result of strengthening yield management.

As a result, revenues from domestic cargo service decreased by 1.1 billion yen (down 7.6% year-on-year) and revenues from international cargo service increased by 9.3 billion yen (up 17.1% year-on-year).

(Except for % comparison, figures are rounded down)

Cargo Service		First Half /FY2018	First Half /FY2017	Difference	% Comparison
Domestic	Revenues (billion yen)	14.0	15.1	-1.1	-7.6
	Freight carried (thousand tons)	197	216	-18	-8.6
	Ton km (million)	205	222	-17	-7.7
International	Revenues (billion yen)	64.2	54.8	+9.3	+17.1
	Freight carried (thousand tons)	483	500	-16	-3.3
	Ton km (million)	2,253	2,222	+31	+1.4

4. LCC

- In the LCC segment, although the temporary closure of Kansai International Airport had an impact, both the number of passengers and revenues increased year-on-year due to the expansion of the route network and the capture of robust inbound travel demand.
- In the route network, Peach Aviation Limited expanded its network by beginning a new Okinawa-Kaohsiung route in April and the Kansai-Kushiro route in August, while Vanilla Air Inc. expanded its network by establishing the Narita-Ishigaki and the Okinawa-Ishigaki routes in July.
- In marketing, Peach Aviation Limited endeavored to stimulate demand through sales commemorating the launch of the new routes, and Vanilla Air Inc. also endeavored to capture inbound demand centered on Taiwan and Hong Kong by providing discounts for customers purchasing both domestic and international tickets at once.

As a result, revenues from the LCC segment increased by 4.1 billion yen (up 9.5% year-on-year).

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

LCC	First Half /FY2018	First Half /FY2017	Difference	% Comparison
Revenues (billion yen)	48.3	44.2	+4.1	+9.5
Number of passengers (thousand)	4,067	3,885	+182	+4.7
Available seat km (million)	6,000	5,842	+157	+2.7
Revenue passenger km (million)	5,228	5,111	+117	+2.3
Passenger load factor (%)	87.1	87.5	-0.3 pt	---

5. Others

- Other revenues in Air Transportation business, including revenues from the mileage program, in-flight sales revenue, and revenue from maintenance contracts, were 101.4 billion yen, while revenues for the same period a year ago were 96.2 billion yen (up 5.5% year-on-year).

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

- In Airline Related business, operating revenues were 145.2 billion yen (up 2.6% year-on-year) and operating income was 7.6 billion yen (up 11.3% year-on-year) because of an increase in contracts with various airlines for ground handling services such as at Fukuoka Airport, and an increase in in-flight catering contracts with foreign airlines.
- In domestic travel service, operating revenues decreased year-on-year due to the impact of the Hokkaido Eastern Iburi earthquake and typhoons. In overseas travel service, despite steady turnover in the Hawaii market where a focused effort was made to strengthen sales, operating revenues decreased year-on-year due to slow growth in customers in other regions. As a result, operating revenues were 79.7 billion yen (down 4.6% year-on-year) and operating income was 0.6 billion yen (down 69.5% year-on-year).
- Although operating revenues in Trade and Retail were 75.0 billion yen (up 8.5% year-on-year) due to the capture of inbound demand in the retail business including the *ANA DUTY FREE SHOP* (airport duty free stores) and an increase in turnover of fresh foods in the Food business, operating income was 1.7 billion yen (down 20.6% year-on-year) due to the impact of a decrease in income in the Aerospace & Electronics business and the Lifestyle Industry business.

- Although operating revenues were 19.4 billion yen (up 4.3% year-on-year) due to strong performance in the airline security business, operating income was 1.2 billion yen (down 26.5% year-on-year) due to a decrease in brokerage fees for land sales in the real estate business.

Consolidated Balance Sheet

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

	First Half /FY2018	FY2017	Difference
Total assets (billion yen)	2,626.6	2,562.4	+64.2
Debt (billion yen)	1,541.1	1,561.9	-20.7
Net assets (billion yen)	1,085.5	1,000.5	+84.9
Shareholder's equity (billion yen)*1	1,076.2	988.6	+87.5
Equity ratio (%)	41.0	38.6	+2.4 pt
Interest-bearing debt (billion yen)*2	793.5	798.3	-4.8
D/E ratio	0.7	0.8	-0.1

*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)

	First Half /FY2018	First Half /FY2017
Cash flows from operating activities	159.7	206.5
Cash flows from investing activities	-122.8	-210.8
Cash flows from financing activities	-40.8	67.1
Cash flows and cash equivalents at the end of the period	267.6	372.2
Depreciation and amortization	76.7	74.0

Outlook for the FY2018 (April 2018 - March 2019)

- The company has not revised the consolidated financial forecast because the currently strong air travel demand is expected to remain steady despite the cancellation of flights caused by inspection and maintenance of engines and the impact of numerous natural disasters in the six months ended Sept. 30, 2018.

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

Contact: ANA Corporate Communications, TEL +81-3-6735-1111, publicrelations@ana.co.jp



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 84 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/>