

ANA Group's Next Mid-term Corporate Strategy update

ANA Holdings (hereafter "ANA HD") today set out the direction of its next mid-term Corporate strategy as a guideline for achieving further growth, despite a competitive environment. We will provide a further corporate strategy update by the end of January.

Business conditions surrounding the ANA Group are challenging, impacted by increased costs due to the prolonged weakness of the yen and high fuel prices and by falling unit prices due to intense competition.

That said, 'Abenomics' measures are expected to support a recovery in corporate performance and Japan is expected to see resurgence in foreign travelers to the country.

ANA Group's objective is to continue maximizing group profitability, whilst ensuring tight management of the cost base. The company will also work to optimize its business portfolio with the expansion of international slots at Haneda Airport in 2014, the greatest business opportunity for the foreseeable future, which will serve as the catalyst for broader growth across Japan and Asia.

ANA HD will also take advantage of the growth opportunities presented by enhancements to airports in the Tokyo area, improved industry competitiveness in Japan and the Government's target of achieving 20 million foreign visitors to Japan, all of which have been accelerated in preparation for the Tokyo 2020 Olympics.

1. Optimizing Business Portfolio

(1) Full Service Carrier : ANA

① International Passenger Services

ANA will take advantage of the opportunity presented by the expansion of slots at Haneda to build a network from/to/via the Tokyo metropolitan area capturing demand from high value customers by utilizing ANA's unique position as Haneda's largest international route network carrier. ANA will also:

- Increase connections with North America and Asia by building its network from Narita, including best use of Star Alliance and joint venture partner, United.
- Continue to differentiate itself as a full service carrier by providing leading products and services.
- Strengthen its overseas marketing in order to expand overseas sales to provide resilience against exchange rate fluctuations.

② Domestic Passenger Services

Our priority is to respond to the competitive domestic passenger environment, impacted by the 'Shinkansen' bullet train and low cost carriers, focusing on retaining profitability. This includes:

- Adjust capacity and aircraft size to match the demand and control operating costs.
- Introduce a strategic fare structure to reflect uncontrollable factors after self-help effort .

(2) Cargo Services

Our aim is to develop cargo services into a business unit commensurate with our passenger services division. By combining freighter and passenger aircraft we will bolster the overall strength of ANA HD, supported by the launch of ANA Cargo as an operating company. We intend to build our cargo services business by:

- Moving the freighter business to a profitable position in the near term, via network expansion and improving operation frequency of the aircrafts.
- Strengthening alliances with airlines such as NCA and Lufthansa, etc. and logistics firms such as Yamato Holdings and etc.

(3)LCC Business

We will use our experiences in LCCs to capitalize on demand in the East Asian LCC market and drive profits from this business.

- AirAsia Japan will be re-launched as Vanilla Air on November 1, and intend to drive profitability through expansion of international resort routes. In addition to Sapporo/Okinawa/Seoul/Taipei routes, Vanilla Air will consider services to Hong Kong and Micronesia.
- Peach, based in the Kansai area, will continue to strengthen the business base by expanding the network.

(3)Diversified Business

ANA HD intends to diversify its business portfolio to minimize the volatility risk of the airline business. Each company under ANA HD will strive to expand income from outside of the group and improve cost competitiveness to contribute maximizing group profitability.

(4) Airline Related Business (Strategic Investments)

Air transport demand is not the only thing expected to grow in Asia, where high economic growth is projected. The number of airlines and the number of aircrafts are also expected to increase dramatically. In order to leverage that latent demand ANA HD will make strategic investments, predominantly within Asian region, to strengthen its business.

- **Pan Am International Flight Academy**

In addition to its pilot training business in North and South America, ANA HD intends to capture the burgeoning demand for that in Southeast Asia by opening a new training center in Bangkok. The center will be run jointly with Pan Am International Flight Academy and Assumption University in Thailand. According to Boeing research, demand for roughly 200,000 new pilots is projected for Asia Pacific region over the next 20 years.

- **Asian Wings Airways**

ANA HD acquired a 49 per cent stake in the Myanmar-based airline Asian Wings Airways (AWA) during the first half of FY2013, as part of its stated strategy to expand into new international markets. As part of the investment ANA will work with AWA to improve its operational and on-time performance and support its expansion into markets outside Myanmar. Improved connectivity with onward flights to key cities in Myanmar is expected to contribute to ANA's own network.

- **Maintenance, Repair, and Operations (MRO)**

Demand for aircraft maintenance is projected to rise dramatically in line with expansion of the airline business in Asia. To capitalize on this, ANA HD will launch a full-scale aircraft maintenance business at the Airport in Okinawa.

2. Completing Cost Restructuring to Improve Competitiveness

In order to achieve the cost reduction target of ¥100 billion by the end of fiscal 2014 which is detailed in the current mid-term strategy, ANA will continue to evaluate each element.

Having transitioned to a holding company structure, management has greater oversight of the cost base:

- Management will ensure each company within ANA HD operates in a cost-competitive manner compared with others in the industry.
- ANA intends to redeploy 30 per cent of staff in back office functions to direct operational roles to support the expansion of the business.
- ANA HD will optimize overall costs by concentrating on investments that will contribute to an increase in brand value with a "scrap-and-build" perspective.

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About ANA Holdings Inc.

ANA Holdings Inc. is an aviation group with global operations and a total of 64 consolidated subsidiaries and 18 equity method affiliates. It is divided into passengers and cargo business segments as well as airline related business such as Catering and IT Services.

ANA Holdings Inc. formed in April 2013 and is the parent company of ANA; full service carrier and Vanilla Air; LCC. ANA Holdings Inc. promotes a multi-brand strategy to leverage the strength of ANA brand and stimulate demand in markets not completely covered by its full-service airline offering, while expanding market share for the Group as a whole, leading to enhanced value.

ANA Holdings Inc. has 238 aircraft flying to 81 destinations and carrying more than 44 million passengers. It is number one in Asia and eighth in the world, based on revenue (2011).

Management vision of ANA Holdings Inc. is “It is our goal to be the world’s leading airline group in customer satisfaction and value creation.”

ANA is a member of Star Alliance.