

ANAHD Acquires NYK Subsidiary NCA—Limited Impact on Ratings of Both NYK and ANAHD

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the fact that Nippon Yusen Kabushiki Kaisha ("NYK," security code: 9101) and ANA HOLDINGS INC. ("ANAHD," security code: 9202) entered into a basic agreement to transfer of NYK's entire shares of Nippon Cargo Airlines Co., Ltd. ("NCA"), a wholly-owned subsidiary, to ANAHD.

- (1) On March 7, NYK and ANAHD announced that they had entered into the Basic Agreement, under which ANAHD will acquire all outstanding shares of NCA from NYK in a single transaction, and that the particular method of acquisition and other terms and conditions will be determined through continued discussions between the two companies. The date of the share acquisition is scheduled to be October 1, 2023, or a date to be separately agreed upon by the two companies, subject to the receipt of clearance under the Competition Act and other conditions.
- (2) NCA, as an international air cargo specialist, is responsible for the air cargo transportation business of NYK, which aims to become a comprehensive logistics company by sea, land, and air. Freight rates have remained high due to the tightening supply-demand situation under the COVID-19 pandemic, and NCA has contributed to NYK's improved performance since the fiscal year ended March 2021 (FY2020). However, NCA's performance before the occurrence of COVID-19 pandemic remained difficult, as it posted ordinary losses for two consecutive years in FY2018 and FY2019, and this had been a management issue for NYK. Although there will be no profit from the air cargo transportation business if this deal is realized, the impact on NYK's performance will be limited as NCA's profit is expected to be lower in FY2023 compared to FY2022. In addition, the downside risk of performance is expected to be reduced over the long term.
- (3) ANAHD has stated the expansion of its cargo business as one of its management strategies, and this transaction is expected to contribute to it. There is concern that increasing the number of large cargo planes may increase performance volatility. On the other hand, synergistic effects are expected from the utilization of its network and operational know-how, including international passenger flights. Although the share transfer price has not yet been determined, JCR assumes that it will not have a significant impact on ANAHD's financial position at this point. JCR will pay attention to the details of the discussions between the two companies and the profit trend of ANAHD's international cargo business after the acquisition.

Masayoshi Mizukawa, Seiya Nagayasu

<Reference>

Issuer: Nippon Yusen Kabushiki Kaisha

Long-term Issuer Rating: A+ Outlook: Positive

Issuer: ANA HOLDINGS INC.

Long-term Issuer Rating: A- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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