

ANA HOLDINGS' Announcements on Earnings forecasts for FY2020 and Raising of Funds by Subordinated Loan—No Immediate Impact on Rating, but JCR Will Closely Watch Future Business Trend

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on ANA HOLDINGS INC. (security code: 9202)'s earnings forecasts for the fiscal year ending March 31, 2021 and raising of funds by subordinate loan.

- (1) ANA HOLDINGS INC. (the "Company") announced on October 27 the earnings forecasts for the fiscal year ending March 31, 2021 (FY2020), which had been undetermined, along with the financial results for the 2nd quarter of FY2020. It forecasts for FY2020 that it will record an operating loss of 505 billion yen (operating income of 60.8 billion yen for FY2019) and a net loss attributable to owners of the parent of 510 billion yen (net income attributable to owners of the parent of 27.6 billion yen for FY2019). Major reason for the losses is a significant decline of passenger demand due to the COVID-19 pandemic impact. The Company announced at the same time its raising of funds amounting to 400 billion yen by subordinated loan. JCR evaluates the equity content of the subordinated loan at "medium" or 50." (Please refer to JCR's press release 20-D-0817 dated October 27 2020)
- (2) JCR announced on July 3 the revision of the rating outlook of the Company's long-term issuer rating from Stable to Negative, reflecting prospects that its business performance and financial structure would significantly worsen due to the continued severe business environment for the time being. Given that uncertainties about recovery of passenger demand are strong, JCR considered it was necessary to closely watch the impact on the business performance and financial structure.
- (3) Although the number of passengers for domestic flights is gradually increasing, the number for international flights have been weak. Consequently, recovery of passenger demand has been slow. The net loss for FY2020 will reach as much as a little less than 50% of the equity capital as of March 31, 2020 (1,061 billion yen). Significant worsening of financial indicators will be inevitable due partly to the increase of interest-bearing debt. Meanwhile, the Company is taking various kinds of measures to improve its earnings to respond to the worsening business environment. In addition, it plans to carry out cost reduction centering on reduction of fixed expenses. Furthermore, through the subordinated loan, it will reduce impairment of equity capital and maintain appropriate equity capital against business risks going forward. With no changes to the attitudes of the financial institutions for support, there are no particular concerns about the financing. In light of these factors, JCR consider it is not necessary to immediately change the ratings on the Company. JCR will confirm trend of passenger demand and prospects for recovery of business performance and financial foundation and reflect the results in the rating.

Hiroyuki Chikusa, Masayoshi Mizukawa

<Reference>

Issuer: ANA HOLDINGS INC.

Long-term Issuer Rating: A Outlook: Negative



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

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.