

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## JCR's Rating Review of Air Transportation Companies

Issuer	Code	Long-Term Issuer Rating		Outlook
Japan Airlines Co., Ltd.	9201	<Affirmation>	A	Stable
ANA HOLDINGS INC.	9202	<Affirmation>	A	Stable

(See page 3 and beyond for details about ratings on individual bonds, etc.)

### Rating Viewpoints

- (1) JCR has reviewed long-term issuer ratings for air transportation companies and affirmed them for both Japan Airlines Co., Ltd. and ANA HOLDINGS INC. with Stable outlook, based on views that their business performance will remain solid and they can keep a good financial structure. JCR upgraded ratings for the 2 companies by 1 notch in the rating review in 2017. Since the review, their business results have been steady and their financial indicators have been stable. Their medium-term management plans announced in 2018 are consistent with their previous policies such as enhancement of international passenger service. They will develop their businesses in consideration of financial risk.
- (2) The 2 companies' medium term management plans are considered as plans for prior investments in anticipation of addition of slots at Haneda Airport. Given this, their business performance may level off. Their costs are expected to increase, but JCR assumes that they can cover those increasing costs by increasing productivity through use of IT and introduction of new system as well as by favorable passenger demand. JCR will closely watch whether they can further promote their profit expansion and enhancement of financial base by steadily implementing policies including enhancement of international passenger service. In the medium and long term, JCR will also pay attention to how they can control a decline of profit in a phase where shift of demand occurs by demonstrating their capabilities to adjust supply and demand conditions.
- (3) Their financial indicators are at a good level. Although it is still necessary to keep an eye on event risks such as war potential, terrorism, disease outbreaks, and the like, their financial tolerance has improved, as their equity capital and equity ratio have significantly improved as compared with them before Lehman Shock. In the medium term, they will increase aircraft investments for future growth and take more measures to return their profits to their shareholders. Given that the 2 companies specified numerical targets including keeping equity ratio at above a certain level, JCR sees that it is highly likely that they will take these policies in consideration of financial soundness.
- (4) The world air transportation industry is enjoying a favorable earnings environment where burden of jet fuel costs were reduced as compared with the past in the midst of the increasing number of passengers. In accordance with Air Transport Statistics for 2017 published by the Ministry of Land, Infrastructure, Transport and Tourism in March 2018, both the actual number of passengers for domestic scheduled air transport and that for international air transport (by domestic air carriers) have been increasing since 2012. The passenger demand will remain solid going forward thanks to gradual recovery of world economy and hosting of the 2020 Tokyo Olympic and Paralympic Games. In terms of business environment, JCR will pay attention to allocation of slot additions at Haneda Airport scheduled for around 2020. Considering that an increase of flights departing and arriving at Haneda Airport with high convenience will help strengthen earnings capacity of the 2 companies, JCR will watch the allocation.

## Rationale

Issuer: Japan Airlines Co., Ltd.

### <Affirmation>

Long-term Issuer Rating: A  
Outlook: Stable

- (1) Japan Airlines Co., Ltd. (the "Company") is one of the nation's 2 major airline companies. Its business base is stable for the domestic flight service, which is under the oligopolistic control of the 2 companies. For international flights, JAL has a wide service network as a member of the "oneworld" global airline alliance and also through tie-ups with other leading airlines. It filed a petition for commencement of corporate reorganization proceedings in 2010 and was relisted on the Tokyo Stock Exchange in 2012, following conclusion of these proceedings in 2011. The proceedings have helped streamline the assets and totally revamp the earnings structure, making the Company a highly profitable company.
- (2) Although the Company decreased its profit level as compared with the highest ever recorded profit for the fiscal year ended March 2016 due to the fully increasing personnel and maintenance expenses, it retains a good profit level and a high profit margin. JCR considers that the Company will be able to steadily strengthen its earnings capacity by focusing on an increase of customer satisfaction and obtaining high-yield passengers, focusing on profitability. Its financial structure is sound. Assuming that the Company will promote the planned aircraft investments and measures to return profits to shareholders, while securing flexibility of cash flows, JCR considers it is less likely that its financial indicators will worsen. Taking the above into consideration, JCR affirmed rating for the Company with Stable outlook.
- (3) Given the Company's estimated ordinary income of 158 billion yen for the fiscal year ended March 2018 (FY2017), it is considered that the Company has decreased its ordinary income for the 2 years in a row for FY2017. JCR sees that it has secured high profitability with the ratio of ordinary income to net sales being a percentage range between 10% and 11%. It is highly likely that the income will recover in FY2018 thanks to factors including termination of burden of upfront expenses such as those for startup of new system and expansion of international passenger service. JCR will closely watch progress of an increase of profitability through acquisition of overseas passenger demand and effects from system investment.
- (4) The Company has been enjoying an effective debt free status since it was relisted. Its financial indicators are good as shown by the equity ratio of a percentage between 50% and 60% since FY2013. Securing an amount of 50 billion yen for the special growth investment in addition to the total amount of 660 billion yen for the capital investments, it plans to take further steps to return profits to shareholders during FY2018 to FY2020. Its operating cash flow has been more than 200 billion yen since FY2012. JCR sees that the Company will be able to maintain a current level of financial structure in light of the future cash flow generation capacity and large ready liquidity.

Issuer: ANA HOLDINGS INC.

### <Affirmation>

Long-term Issuer Rating: A  
Outlook: Stable  
Bonds: A

- (1) ANA HOLDINGS INC. (the "Company") is a holding company controlling ALL NIPPON AIRWAYS CO., LTD. ("ANA"), one of Japan's 2 major airline companies. It has functions such as raising funds, holding aircraft and allocating management resources for the group companies. With strong group unity, JCR reflects the group's overall creditworthiness in the Company's ratings. ANA has stable business bases with the largest share held in the domestic market for the available seat-kilometers and the number of passengers. Being a member of the world's largest international flight alliance "Star Alliance," it also enjoys a high share for the flight routes to/from the convenient Haneda Airport. The Company announced in March 2018 an integration of the already consolidated subsidiary Vanilla Air Inc. and Peach Aviation Limited, which became its consolidated subsidiary in April 2017.
- (2) Given the advanced enhancement of its earnings capacity, JCR sees that the Company will be able to keep a solid business performance and a good financial structure going forward. While its domestic passenger service has been moving in a solid manner, its international passenger

service will continue to boost the overall business expansion, supported by expansion of international route network. Bringing Peach Aviation Limited into the Group will enable the Company to develop more diversified business and strengthen its earnings base. The aircraft investments for future earnings growth, on the other hand, will be accelerated. Given the increased cash flow generation capacity under the management policy in consideration of financial soundness, however, JCR sees that the Company will be able to control financial risks. Taking the above into consideration, JCR affirmed rating for the Company with Stable outlook.

- (3) Given the Company's estimated ordinary income of 150 billion yen for the fiscal year ended March 2018 (FY2017), it is considered that the Company has recorded a record ordinary income for 3 years in a row. It will take measures in FY2018 to respond to demand for inter-connecting services linking North America and the Asian continent such as Haneda-Jakarta and Narita-Los Angeles routes, for which the number of flights was increased in FY2017. It is highly likely that the Company will be able to maintain solid business results by taking in strong business passenger demand departing from Japan and also strong demand for inbound travel to Japan. JCR will closely watch progress of acquisition of overseas passenger demand and effects from the integration of the group's 2 LCCs.
- (4) Its equity ratio increased to 40.7% as of December 31, 2017 from 18.3% as the most recent bottom as of March 31, 2009. It plans 390 billion yen centering on aircraft purchase as the capital investment in FY2018. It will continue more than 300 billion yen in and after FY2019 for the capital investment. Despite an expected negative free cash flow for FY2018, the Company plans to turn it into the black in and after FY2019. An expected increase of interest-bearing debt will be limited to a temporary increase. It is assumed that it will secure approximately 40% for the equity ratio over a medium term thanks to a progress of income accumulation.

Masayoshi Mizukawa, Tadashi Ono

### Rating

Issuer: Japan Airlines Co., Ltd.

<Affirmation>

Long-term Issuer Rating: A Outlook: Stable

Issuer: ANA HOLDINGS INC.

<Affirmation>

Long-term Issuer Rating: A Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.26	JPY 10	June 3, 2008	June 1, 2018	2.45%	A
bonds no.29	JPY 30	Mar. 6, 2014	Mar. 6, 2024	1.22%	A
bonds no.30	JPY 15	Sept. 18, 2014	Sept. 18, 2026	1.20%	A
bonds no.31	JPY 30	June 22, 2015	June 21, 2019	0.376%	A
bonds no.32	JPY 20	June 9, 2016	June 9, 2036	0.99%	A
bonds no.33	JPY 20	Sept. 12, 2016	Sept. 11, 2020	0.258%	A
bonds no.34	JPY 10	June 8, 2017	June 8, 2037	0.880%	A

Rating Assignment Date: April 4, 2018

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "JCR's Rating Methodology" (November 7, 2014), "Air Transportation" (December 7, 2011), "Rating Methodology for a Holding Company" (January 26, 2015) and "Rating Viewpoints on Pure Holding Companies (Domestic Industrial Corporations)" (July 1, 2003) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

### Japan Credit Rating Agency, Ltd.

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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.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

## Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Japan Airlines Co.,Ltd.
Rating Publication Date:	April 9, 2018

**1** The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

**2** The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

**3** The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

**A) Business Bases**

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

**B) Financial Grounds and Asset Quality**

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

**C) Liquidity Positions**

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

### C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

### D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's

business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

## 12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

## 13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Japan Airlines Co., Ltd.	Issuer(Long-term)	January 30, 2015	A-	Stable
Japan Airlines Co., Ltd.	Issuer(Long-term)	March 4, 2016	A-	Positive
Japan Airlines Co., Ltd.	Issuer(Long-term)	July 7, 2017	A	Stable

## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Mikiya Kubota, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

窪田 幹也

Mikiya Kubota

General Manager of Corporate Rating Department I

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

## Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	ANA HOLDINGS INC.
Rating Publication Date:	April 9, 2018

**1** The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

**2** The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

**3** The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

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**B) Financial Grounds and Asset Quality**

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

**C) Liquidity Positions**

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

### C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

### D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's

business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

## 12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

## 13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the order of seniority in repayment of interests and principal. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

**Japan Credit Rating Agency, Ltd.**

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
ANA HOLDINGS INC.	Issuer(Long-term)	January 16, 2007	BBB+	Positive
ANA HOLDINGS INC.	Issuer(Long-term)	October 11, 2007	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	October 22, 2008	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	October 5, 2009	A-	Negative
ANA HOLDINGS INC.	Issuer(Long-term)	December 14, 2010	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	January 16, 2012	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	December 27, 2012	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	April 1, 2013	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	December 24, 2013	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	December 26, 2014	A-	Stable
ANA HOLDINGS INC.	Issuer(Long-term)	March 4, 2016	A-	Positive
ANA HOLDINGS INC.	Issuer(Long-term)	March 31, 2017	A	Stable
ANA HOLDINGS INC.	Shelf Registration	April 8, 2016	A-	
ANA HOLDINGS INC.	Shelf Registration	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.26	May 27, 2008	A-	
ANA HOLDINGS INC.	Bonds no.26	October 22, 2008	A-	
ANA HOLDINGS INC.	Bonds no.26	October 5, 2009	A-	
ANA HOLDINGS INC.	Bonds no.26	December 14, 2010	A-	
ANA HOLDINGS INC.	Bonds no.26	January 16, 2012	A-	
ANA HOLDINGS INC.	Bonds no.26	December 27, 2012	A-	
ANA HOLDINGS INC.	Bonds no.26	April 1, 2013	A-	
ANA HOLDINGS INC.	Bonds no.26	December 24, 2013	A-	
ANA HOLDINGS INC.	Bonds no.26	December 26, 2014	A-	
ANA HOLDINGS INC.	Bonds no.26	March 4, 2016	A-	
ANA HOLDINGS INC.	Bonds no.26	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.29	February 28, 2014	A-	
ANA HOLDINGS INC.	Bonds no.29	December 26, 2014	A-	
ANA HOLDINGS INC.	Bonds no.29	March 4, 2016	A-	
ANA HOLDINGS INC.	Bonds no.29	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.30	September 11, 2014	A-	
ANA HOLDINGS INC.	Bonds no.30	December 26, 2014	A-	
ANA HOLDINGS INC.	Bonds no.30	March 4, 2016	A-	
ANA HOLDINGS INC.	Bonds no.30	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.31	June 5, 2015	A-	
ANA HOLDINGS INC.	Bonds no.31	March 4, 2016	A-	
ANA HOLDINGS INC.	Bonds no.31	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.32	June 3, 2016	A-	
ANA HOLDINGS INC.	Bonds no.32	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.33	August 26, 2016	A-	
ANA HOLDINGS INC.	Bonds no.33	March 31, 2017	A	
ANA HOLDINGS INC.	Bonds no.34	June 2, 2017	A	

## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Mikiya Kubota, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

窪田 幹也

Mikiya Kubota

General Manager of Corporate Rating Department I

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