



## **Japan Airport Terminal Co., Ltd.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 18, 2022

## Event Summary

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<b>[Company Name]</b>	Japan Airport Terminal Co., Ltd.	
<b>[Company ID]</b>	9706-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2023	
<b>[Fiscal Period]</b>	FY2022 Q2	
<b>[Date]</b>	November 18, 2022	
<b>[Number of Pages]</b>	22	
<b>[Time]</b>	14:00 – 14:27 (Total: 27 minutes, Presentation: 27 minutes)	
<b>[Venue]</b>	Dial-in	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	5	
	Isao Takashiro	Chairman and CEO
	Nobuaki Yokota	President and COO
	Masatoshi Akahori	Executive Vice President
	Hiroshi Onishi	Executive Vice President
	Kazuhito Tanaka	Senior Managing Director

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## Presentation

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**Moderator:** Thank you very much for waiting. The meeting will now begin.

Thank you for taking time out of your busy schedules today to participate in this conference call with Japan Airport Terminal Co., Ltd. This conference call will be conducted using materials posted on our website. If you do not have the materials at hand, please visit our website.

Now, let me introduce today's attendees. Mr. Isao Takashiro, Chairman and CEO of Japan Airport Terminal Co., Ltd.

**Takashiro:** My name is Takashiro. Thank you.

**Moderator:** Mr. Nobuaki Yokota, President and COO.

**Yokota:** I am Yokota. Thank you.

**Moderator:** Mr. Masatoshi Akahori, Executive Vice President.

**Akahori:** My name is Akahori. Hello.

**Moderator:** Mr. Hiroshi Onishi, Executive Vice President.

**Onishi:** My name is Onishi. Hello.

**Moderator:** Mr. Kazuhito Tanaka, Senior Managing Director.

**Tanaka:** This is Tanaka. Hello.

**Moderator:** Now, President Yokota will give a 30-minute presentation, and then we will move on to your questions. The end time is scheduled to be 15:00.

We will now move on to the presentation. Please go ahead, President Yokota.

**Yokota:** I am Nobuaki Yokota, President and COO. Thank you very much for your continued understanding and support of our business operations.

Today, I would like to explain our consolidated financial results for H1 of the fiscal year ending March 31, 2023, our consolidated earnings forecast for the current fiscal year, the progress of our medium-term business plan, and our sustainability initiatives.

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# 1. Review of Consolidated Financial Results for FY22 2Q

## (1) Business Environment

**Business Environment**

- COVID-19 spread during the summer, leading to the seventh wave.
- No restrictions on behavior were imposed domestically and immigration restrictions were eased in stages.
- Domestic prices are gradually rising due to soaring resource prices and the yen's depreciation.

**Number of Passengers (Haneda Airport)**

- Domestic flights increased steadily and recovered to about 70% of the pre-COVID-19 level, about double the level of the same period in the previous fiscal year, but the pace of recovery slowed after the summer and was less than 10% below the initial forecast.
- International flights were about 4 times that of the same period in the previous fiscal year, almost in line with the initial forecast, due to the easing of immigration restrictions.

### Fiscal year first-half passenger volumes

Airport	FY22 (10 thousands)	FY21 (10 thousands)	Rate of change (%)	Initial forecast (10 thousands)	Change from the initial forecast (%)	Reference number * (10 thousands)	Rate of change (%)
Haneda – Domestic	2,359	1,127	109.2	2,574	-8.3	3,490	-32.4
Haneda – International	169	39	328.7	166	1.3	1,280	-86.8
<b>Total Haneda</b>	<b>2,528</b>	<b>1,167</b>	<b>116.6</b>	<b>2,741</b>	<b>-7.8</b>	<b>4,770</b>	<b>-47.0</b>
<b>Narita</b>	<b>439</b>	<b>93</b>	<b>370.6</b>	<b>332</b>	<b>32.3</b>		
<b>Kansai</b>	<b>58</b>	<b>11</b>	<b>395.0</b>	<b>89</b>	<b>-34.6</b>		
<b>Chubu Centrair</b>	<b>18</b>	<b>1</b>	<b>911.4</b>	<b>22</b>	<b>-15.9</b>		

\* Reference numbers are those before the impact of COVID-19 for domestic flights, and estimated passenger volume after the expansion of flight slots for international flights.

Note: Haneda Airport passenger volume is based on aggregate statistics of airport usage within the jurisdiction of East Japan Civil Aviation Bureau, available on the website of the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

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Please turn to page two. First, let me explain the situation in H1.

The business environment continued to be severely affected by the COVID-19 crisis, and although a seventh wave was recorded during the summer, no restrictions were placed on domestic activities, and foreign entry restrictions were also eased in stages. On the other hand, soaring resource prices and a weakening yen have led to a gradual rise in domestic prices.

Against this backdrop, passenger volume at Haneda Airport increased significantly from the previous year, with domestic flights recovering to approximately 70% of the pre-COVID-19 level, but the pace of recovery slowed after the summer, falling short of the initial forecast by less than 10%. On the other hand, international flights increased significantly from the previous year due to the easing of entry restrictions and are in line with the initial forecast.

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# 1. Review of Consolidated Financial Results for FY22 2Q

## (2) Consolidated Financial Results

### Overview

- Operating revenues increased in all segments from the same period in the previous fiscal year due to increases in operating revenues from merchandise sales and facility user charges revenue.
- The amount of loss was significantly reduced from the same period in the previous fiscal year due to increased operating revenues and thorough cost management, resulting in a profit at JAT on a non-consolidated basis.
- Operating income exceeded the forecast due to controlling costs, although operating revenue was lower than the forecast due to sluggish passenger growth.

### Consolidated financial results for FY22 1H

Note: Figures shown are rounded down to the nearest 100 million yen. (Billions of yen)

Items	1H Results		LY Results		Change amount	Rate of change (%)	Initial forecast		Difference
		Amount affected due to TIAT consolidation		Amount affected due to TIAT consolidation			*1	Amount affected due to TIAT consolidation	
<b>Operating revenues</b>	43.6	-0.1	25.8	-3.0	17.7	68.4	45.4	-1.3	-1.7
(Facilities management)	( 27.3 )	( -1.4 )	( 18.8 )	( -3.8 )	8.4	45.1	( 27.5 )	( -1.7 )	-0.1
(Merchandise sales)	( 12.8 )	( 1.3 )	( 5.5 )	( 0.8 )	7.3	132.1	( 14.5 )	( 0.4 )	-1.6
(Food and beverage)	( 3.4 )	( - )	( 1.5 )	( - )	1.9	125.1	( 3.4 )	( - )	0.0
<b>Operating income (loss)</b>	-9.2	-11.0	-21.8	-14.2	12.5	-	-10.5	-11.6	1.2
<b>Ordinary income (loss)</b>	-9.7	-12.6	-24.3	-17.0	14.5	-	-11.0	-13.3	1.2
<b>Quarterly net income (loss) attributable to owners of parent</b>	-3.3	-5.0	-14.4	-8.3	11.1	-	-4.0	-5.3	0.6

\*1 Financial forecast announced in May 2022

Please turn to page three.

In this business environment, consolidated results for H1 of the fiscal year were higher than that of the previous year in all segments due to an increase in merchandise sales and income from facility usage fees.

In this environment, due to the impact of increased revenues and thorough cost control, the deficit from the previous year narrowed significantly, and the Company returned to profitability mainly in the domestic routes business, on a stand-alone basis.

Compared to the initial forecast, net sales fell short due to the impact of sluggish passenger growth on domestic routes since the summer, but operating income exceeded the forecast due to cost control.

As a result, as shown in the red box in the document, net sales were JPY43.6 billion, operating loss was JPY9.2 billion, ordinary loss was JPY9.7 billion, and net loss for the quarter was JPY3.3 billion.

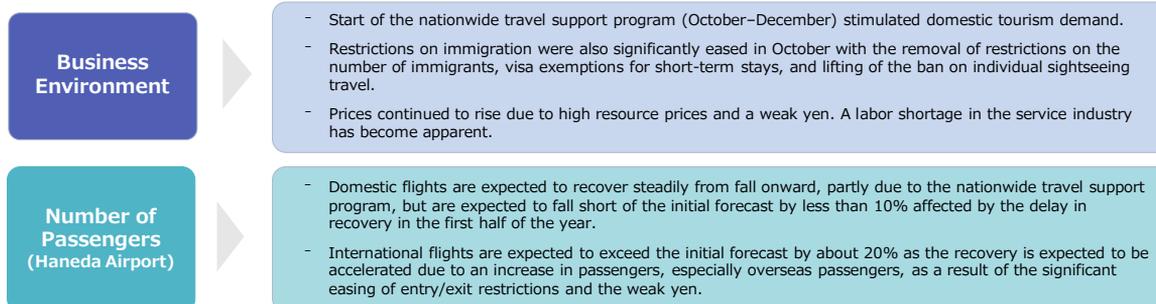
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## 2. Consolidated Financial Forecast for FY22

### (1) Business Environment



■ The number of passengers forecast for FY22

Airport	Revised forecasts (10 thousands)	FY21 Results (10 thousands)	Rate of change (%)	Initial forecast (10 thousands)	Change from the initial forecast (%)	Reference number * (10 thousands)	Rate of change (%)
Haneda – Domestic	5,373	2,887	86.1	5,852	-8.2	6,900	-22.1
Haneda – International	561	83	575.6	466	20.4	2,560	-78.1
<b>Total Haneda</b>	<b>5,934</b>	<b>2,970</b>	<b>99.8</b>	<b>6,318</b>	<b>-6.1</b>	<b>9,460</b>	<b>-37.3</b>
<b>Narita</b>	<b>1,176</b>	<b>234</b>	<b>401.6</b>	<b>889</b>	<b>32.3</b>		
<b>Kansai</b>	<b>278</b>	<b>27</b>	<b>915.4</b>	<b>281</b>	<b>-1.0</b>		
<b>Chubu Centrair</b>	<b>79</b>	<b>5</b>	<b>1,330.4</b>	<b>70</b>	<b>12.3</b>		

\* Reference numbers are those before the impact of COVID-19 for domestic flights, and estimated passenger volume after the expansion of flight slots for international flights.

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Please turn to page four. We will now explain our full-year earnings forecast.

As for the business environment in H2 of the fiscal year, domestic tourism demand has been revitalized with the start of nationwide travel subsidies. Restrictions on immigration have also been substantially eased, including the removal of restrictions on the number of visitors, visa exemptions for short-term stays, and the lifting of the ban on independent tourism.

On the other hand, prices continue to rise due to high resource prices and a weak yen, and concerns about labor shortages in the service industry are growing.

Passenger volume on domestic routes is expected to be slightly less than 10% below the initial forecast due to the delayed recovery in H1. However, a steady recovery is expected from the fall onward, partly due to the impact of nationwide travel subsidies.

We expect international flights to exceed our initial forecast by about 20% due to an increase in inbound passengers and a faster recovery due to a significant easing of entry restrictions and a weaker yen.

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## 2. Consolidated Financial Forecast for FY22

### ◆ Premises for passenger volume forecasts for FY22: Outlook for the recovery of Haneda Airport passenger numbers

#### Domestic flights

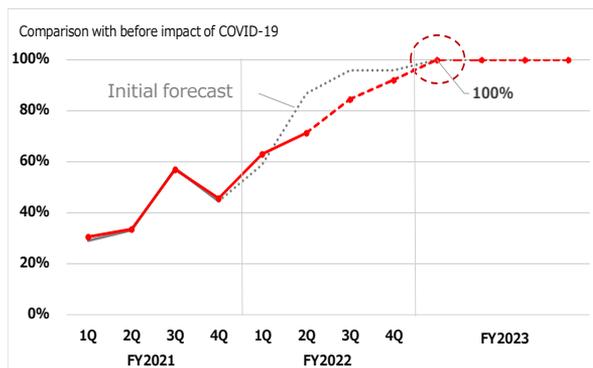
Will recover to the levels before the impact of COVID-19 (\*) **at the beginning of FY23**

\* Before the impact of COVID-19:  
FY19 results (Apr.–Jan.) + Our forecasts (Feb.–Mar.)

(10 thousands)

	FY21	FY22	FY23
Number of passengers	2,887	5,373	6,900
Comparison with before impact of COVID-19	42%	78%	100%

Assumed to be about 69 million a year in FY23 and beyond.



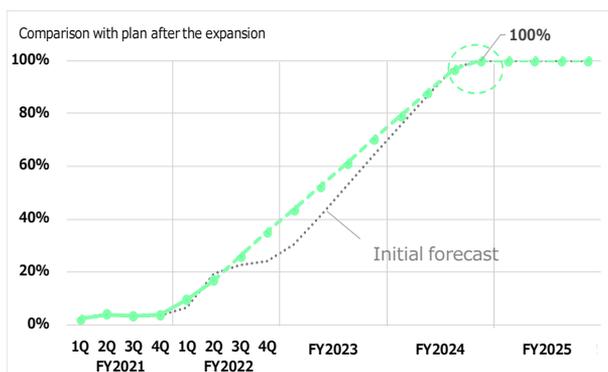
#### International flights

Will recover to the level planned for after the expansion of flight departures and arrivals **within FY24**

\* It will take several years to recover due to continued restrictions on behavior in China and delays in returning flights by overseas airlines.

(10 thousands)

	FY21	FY22	FY23	FY24	FY25
Number of passengers	83	561	1,460	2,340	2,560
Comparison with before impact of COVID-19	3%	22%	57%	91%	100%
Comparison with 2019	4%	30%	79%	126%	139%



Please turn to page five. The graph here shows the outlook for passenger recovery at Haneda Airport. Passenger volume figures are based on IATA's passenger forecast and take into account the unique characteristics of Haneda Airport.

As a key airport, domestic flights are in high demand and are expected to recover by the beginning of 2023, to the level before the impact of COVID-19 became more serious.

On the other hand, it is expected to take some time for international flights to recover due to continued restrictions on activities in China and delays in the return of flights by overseas airlines. We expect to reach the level planned for after the expansion of arrival and departure slots by the end of FY2024 and expect to recover to about 40% by March 2023, the end of the current fiscal year, half the level of March 2019.

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## 2. Consolidated Financial Forecast for FY22

### (2) Consolidated Financial Forecast for FY22

#### Overview

- Operating revenues increased in line with passenger recovery, and operating profit/loss improved significantly from the previous fiscal year due to thorough cost control.
- Although JAT remained profitable on a non-consolidated basis and the international flight business was on the road to recovery, consolidated results showed a loss.
- Compared to the initial forecast, the delay in the recovery of the domestic flights was made up for by the international flights, and operating profit/loss improved partially due to cost reductions.

#### Consolidated financial forecast for FY22

Note: Figures shown are rounded down to the nearest 100 million yen. (Billions of yen)

Items	FY22 1H			FY22 2H			FY22			Initial forecast *1	Difference
	Results	FY21 1H results	Change	Revised forecasts	FY21 2H results	Change	Revised forecasts	FY21 results	Change		
Operating revenues	43.6	25.8	17.7	62.2	31.1	31.1	105.9	57.0	48.8	105.6	0.3
Operating income	-9.2	-21.8	12.5	-5.0	-19.4	14.4	-14.3	-41.2	26.9	-16.6	2.3
Ordinary income	-9.7	-24.3	14.5	-5.8	-19.5	13.7	-15.6	-43.8	28.2	-18.1	2.5
Net income attributable to owners of parent	-3.3	-14.4	11.1	-1.2	-10.7	9.4	-4.6	-25.2	20.6	-5.7	1.1
Capital expenditures	1.1	3.4		12.8	1.2		14.0	4.7		15.0	
Depreciation expenses	14.4	15.8		14.5	15.8		29.0	31.7		29.0	
EBITDA	5.1	-5.9		9.5	-3.5		14.7	-9.5		12.4	
Dividend	¥0.0	¥0.0		To be determined	¥0.0		To be determined	¥0.0		To be determined	
Payout ratio	-	-		To be determined	-		To be determined	-		To be determined	

\*1 Financial forecast announced in May 2022

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Please turn to page six.

As shown in the red box, the full-year forecasts for the present fiscal year are net sales of JPY105.9 billion, operating loss of JPY14.3 billion, ordinary loss of JPY15.6 billion, and a net loss of JPY4.6 billion.

Revenues are expected to increase with the recovery of passenger volume, and profitability will improve significantly from the previous year through continued strict cost control, but the Company expects to post a consolidated loss.

Sales are expected to increase by JPY300 million against the initial forecast, as the delay in the recovery of domestic routes will be made up for by international routes. Due in part to cost reductions, we expect operating income to improve by JPY2.3 billion.

As for dividends, no interim dividend will be paid, and the year-end dividend is undecided.

There is no change in our basic policy of returns for shareholders, which is to continue to pay stable dividends, but we will continue to focus on improving profitability.

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## 2. Consolidated Financial Forecast for FY22

### (3) Consolidated Financial Forecast for FY22 (Amount affected due to consolidation of TIAT)

#### International Flight Situation

- Duty-free sales are expected to increase due to an increase in international passengers and the impact of the weak yen.
- Review duty-free store business hours and promote the introduction of new brands to capture recovering demand.
- Promote efficient operation by securing products and personnel to avoid missing sales opportunities.

#### Consolidated financial forecast for FY22

Note: Figures shown are rounded down to the nearest 100 million yen. (Billions of yen)

Items	Full year						Initial forecast		Difference
	Revised forecasts	Amount affected due to TIAT consolidation	Previous fiscal year results	Amount affected due to TIAT consolidation	Change	Rate of change (%)	*1	Amount affected due to TIAT consolidation	
Operating revenues	105.9	2.1	57.0	-6.3	48.8	85.6	105.6	-1.3	0.3
(Facilities management)	( 61.3)	( -1.1)	( 40.0)	( -8.4)	( 21.2)	53.1	( 60.6)	( -2.9)	( 0.7)
(Merchandise sales)	( 36.2)	( 3.1)	( 13.1)	( 2.0)	( 23.0)	174.8	( 37.0)	( 1.6)	( -0.8)
(Food and beverage)	( 8.4)	( 0.1)	( 3.8)	( -)	( 4.5)	118.0	( 8.0)	( -)	( 0.4)
Operating income (loss)	-14.3	-19.1	-41.2	-28.7	26.9	-	-16.6	-21.4	2.3
Ordinary income (loss)	-15.6	-22.5	-43.8	-33.3	28.2	-	-18.1	-24.9	2.5
Net income (loss) attributable to owners of parent	-4.6	-8.9	-25.2	-16.4	20.6	-	-5.7	-9.8	1.1

\*1 Financial forecast announced in May 2022

Japan Airport Terminal Co., Ltd.

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Please turn to page seven. This section shows the impact of TIAT consolidation.

On international routes, in addition to an increase in the number of foreign passengers, we expect an increase in duty-free store sales due to the weak yen, and we expect the deficit to narrow significantly.

Against this backdrop, we will strive to capture the recovering demand by increasing duty-free store hours, introducing new brands, securing merchandise and personnel, and improving operational efficiency.

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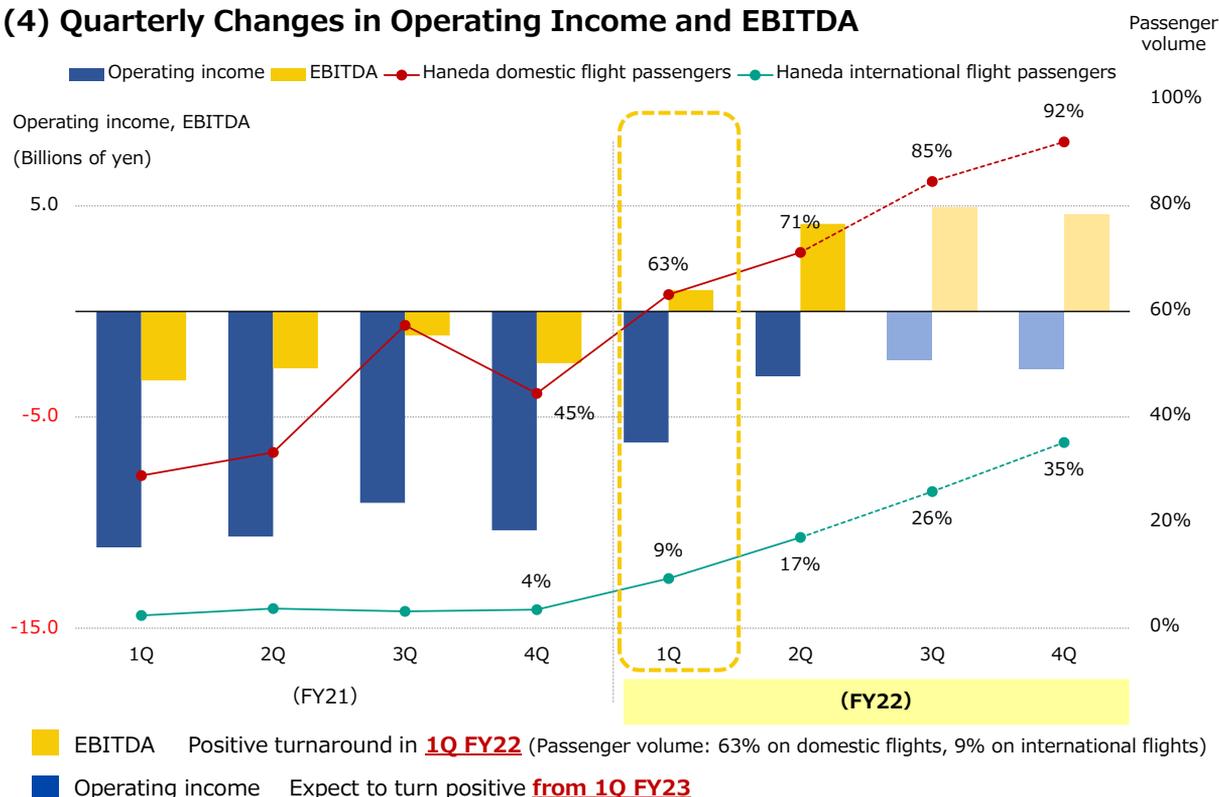
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## 2. Consolidated Financial Forecast for FY22

### (4) Quarterly Changes in Operating Income and EBITDA



\* Passenger volume (%): Percentage of the level before the impact of COVID-19 for domestic flights; percentage of the planned volume after the expansion of departures and arrivals for international flights

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Please turn to page eight. This section shows the number of domestic and international passengers at Haneda Airport and our quarterly operating income and EBITDA.

Although EBITDA turned positive in Q1, earlier than originally forecasted, we do not expect operating income to turn positive until Q1 of the next fiscal year.

Although Q4 will see a temporary decline in earnings due to a large number of expenses, we expect that earnings will steadily improve as the number of passengers from international routes increases in the future.

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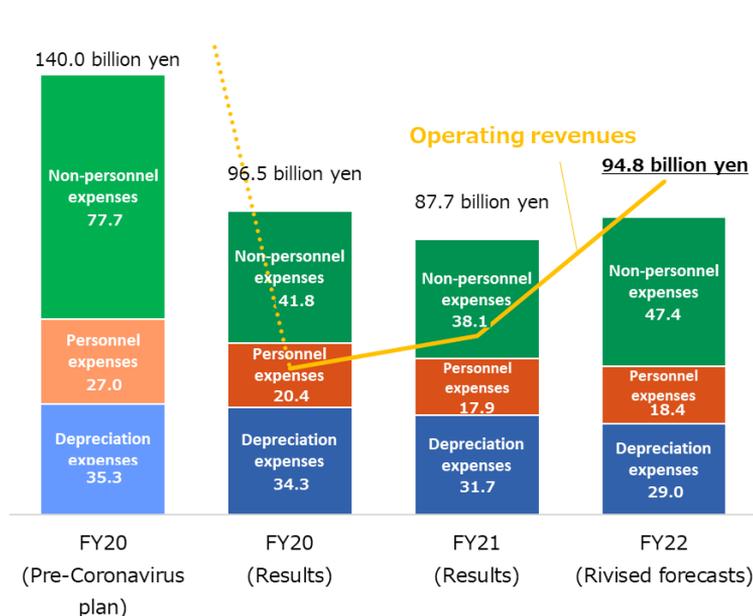
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## 2. Consolidated Financial Forecast for FY22

### (5) Status of Selling, General and Administrative Expenses



#### ◆ Cost Management

- ✓ Cost increase factors
  - Increase in variable costs accompanying increases in the passenger volume and operating revenue
  - Increase in utilities costs accompanying rising fuel prices
  - Securing personnel to prepare for increasing workloads
  - Increase in minimal maintenance and repair expenses
- ✓ Cost reduction efforts
  - Review of the long-term repair plan
  - Curb facility maintenance and management costs by reviewing work contents and specifications
  - Continue to reduce depreciation costs by curbing capital investment

**Increase in expenses accompanying recovery in demand**



**Responding to changing environment**



**Minimize rebound**

Japan Airport Terminal Co., Ltd.

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Please turn to page nine. This section describes the status of selling, as well as general and administrative expenses.

In addition to the increase in various expenses associated with the recovery in passenger volume and sales, utility costs are expected to increase due to rising fuel prices.

As for repair expenses, we have been limiting them for the past two years, and although there will be a slight increase in repairs this fiscal year, we are keeping them to the minimum necessary.

In addition, since the volume of work is expected to increase with the recovery in business, we will promote recruitment activities to secure personnel and further retain them.

At the same time, we will continue to control facility maintenance and management costs by reviewing methods and frequency, with the aim of minimizing the rebound of costs and shifting to a more flexible cost structure.

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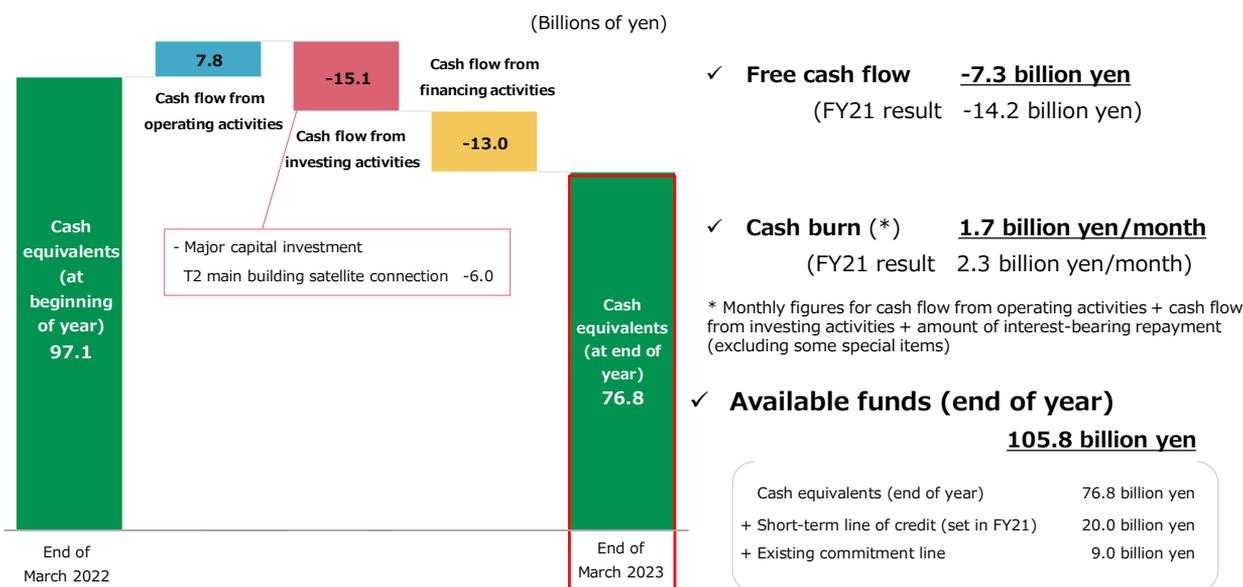
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## 2. Consolidated Financial Forecast for FY22

### (6) Status of Funds

#### ◆ Cash flow estimate



Secure capital investment funds



Uncertain external environment



**Continue holding a sufficient balance of cash and cash equivalents**

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Please turn to page 10. Here we would like to explain the status of our funds for the current fiscal year.

First, operating cash flow increased by JPY2.4 billion from the initial forecast to plus JPY7.8 billion due to the recovery in business performance. Although satellite development will begin this fiscal year, investment cash flow was minus JPY15.1 billion, with JPY1.5 billion less than the initial forecast due to the narrowing of investments in other areas. Financial cash flow is expected to remain unchanged from the initial forecast at minus JPY13 billion.

As a result of the above, both free cash flow and cash burn are expected to improve steadily, at minus JPY7.3 billion and JPY1.7 billion per month, respectively.

We will continue to maintain sufficient cash and cash equivalents for future capital investment funds and to take into account the uncertain external environment.

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### 3. Progress of the Medium-Term Business Plan

#### (1) Direction of Strategy and Our Goals for 2025



Our goals for 2025	Facilities management	To achieve both high quality and profitability, we are reviewing terminal operations and promoting the functional strength of airport infrastructure toward increasing the number of non-Japanese visitors to Japan in 2030, while striving to reduce maintenance and management costs and increase revenues such as rents.
	Merchandise sales/Food and beverage	While reviewing the product mix, services, operations, cost rates, etc., we will uncover customer needs where consumption trends have changed by taking advantage of digital marketing, and aim for operating revenues from merchandise sales of 156 billion yen and operating revenues from food and beverage sales of 18 billion yen.
	New business/Expertise business	These businesses are expected to part of the earnings base in 2030. By utilizing Haneda's value and networks, and airport operational expertise, and through acquiring management resources we currently do not have, we aim to generate operating revenues of 10 billion yen in 2025.

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Please turn to page 11. This section reiterates the strategic direction presented in the medium-term business plan announced in May, as well as the vision of each business segment in 2025.

The three pillars of our management strategy are establishment of a foundation for re-growth, which is the result of the fundamental review of the COVID-19 crisis; growth of airport business to capture future aviation demand; and expansion of earnings base through new business developments. These are expressed by the keywords change, grow, and expand, respectively.

From the next page, we will explain the main initiatives for this fiscal year in the following order: facilities management, merchandise sales/food and beverage, new business/expertise business, and management base.

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### 3. Progress of the Medium-Term Business Plan

#### (2) Facilities Management

<p style="text-align: center; color: red;"><b>Change</b></p> <p><b>Establishing a foundation for regrowth</b></p>	<p>◆ <b>Efficient terminal operations based on the cost structure reviewed in the face of COVID-19</b></p> <ul style="list-style-type: none"> <li>• Continue to <b>suppress a rebound in maintenance and management costs</b> by flexibly allocating personnel in response to passenger trends, internalizing operations, etc.</li> <li>• Improve services and reduce manpower through <b>the use of technology including robots</b> <ul style="list-style-type: none"> <li>↳ Further installation of Mini Mork, a remote guidance robot, at various locations throughout the terminal</li> </ul> </li> </ul> 
<p style="text-align: center; color: red;"><b>Grow</b></p> <p><b>Growth of airport business</b></p>	<p>◆ <b>Enhance functions as airport infrastructure with a view toward capturing future airline demand</b></p> <ul style="list-style-type: none"> <li>• <b>T2 main building satellite connection</b> that contributes to optimizing passenger traffic routes and improving on-time flight rates <ul style="list-style-type: none"> <li>↳ Select a contractor to start construction by the end of this year</li> </ul> </li> <li>• Provide services that meet diverse needs of airport users <ul style="list-style-type: none"> <li>↳ Promote universal design of terminal facilities</li> <li>↳ Introduce escort services for domestic flights</li> <li>↳ Install private working space for business use before boarding the plane</li> </ul> </li> </ul>    
<p style="text-align: center; color: red;"><b>Expand</b></p> <p><b>Expansion of earnings base</b></p>	<p>◆ <b>We are aiming to improve performance at domestic airports as a whole by acquiring new technologies</b></p> <ul style="list-style-type: none"> <li>• Strengthen distribution business referring to the results of introduction at Haneda Airport</li> </ul> <div style="border: 1px solid red; padding: 5px; display: inline-block; color: red; text-align: center;"> <p><b>New business/ Expertise business</b></p> </div>

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Please turn to page 12. For change in Facilities management, we are reviewing work content and methods, as well as flexibly changing personnel plans for security, guidance operations, and cleaning operations in response to passenger trends, to achieve both cost and quality.

At the same time, we have added more guidance robots and are seeking a cooperative system between humans and robots to improve the efficiency of our operations.

In grow, a contractor has been selected to construct the connection between the main building of Terminal 2 and the satellite, and preparations are underway for the start of construction in December.

In addition, we are advancing safety and security initiatives, such as renovations to prepare for major disasters and the installation of additional security cameras, while at the same time improving our facilities by switching to LED lighting and improving our Wi-Fi environment.

In addition, we have introduced an escort service on domestic flights for the convenience and comfort of passengers who are unfamiliar with airports and passengers with small children and have installed private work boxes throughout the terminal for business use.

For expand, the details will be explained in the new businesses section.

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### 3. Progress of the Medium-Term Business Plan

#### (3) Merchandise sales/Food and beverage

<p><b>Change</b></p> <p><b>Establishing a foundation for regrowth</b></p>	<p>◆ <b>Reviewing the product mix, services, operations, cost rates</b></p> <ul style="list-style-type: none"> <li>• <b>Improve efficiency of store operations</b> <ul style="list-style-type: none"> <li>↳ Deploy self-checkout and contactless tester tools</li> <li>↳ Reduce stagnant inventory accompanying decrease in operating revenue caused by COVID-19</li> </ul> </li> <li>• <b>Efforts to reduce cost rate</b> <ul style="list-style-type: none"> <li>↳ Reduce merchandise procurement costs, jointly purchase food materials</li> <li>↳ Expand market share of Haneda's original products [Haneda Airport selection]</li> </ul> </li> </ul>	<p>(Billions of yen)</p> <p>[Changes in inventory]</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Inventory at end of period (Billions of yen)</th> <th>Length of months inventory is held</th> </tr> </thead> <tbody> <tr> <td>20.3</td> <td>~11.5</td> <td>~50</td> </tr> <tr> <td>20.9</td> <td>~12.5</td> <td>~55</td> </tr> <tr> <td>21.3</td> <td>~9.5</td> <td>~35</td> </tr> <tr> <td>21.9</td> <td>~8.5</td> <td>~25</td> </tr> <tr> <td>22.3</td> <td>~7.5</td> <td>~20</td> </tr> <tr> <td>22.9</td> <td>~6.5</td> <td>~15</td> </tr> </tbody> </table>	Period	Inventory at end of period (Billions of yen)	Length of months inventory is held	20.3	~11.5	~50	20.9	~12.5	~55	21.3	~9.5	~35	21.9	~8.5	~25	22.3	~7.5	~20	22.9	~6.5	~15
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<p><b>Grow</b></p> <p><b>Growth of airport business</b></p>	<p>◆ <b>Capture recovering demand to expand operating revenues</b></p> <ul style="list-style-type: none"> <li>• <b>Introduce top-brand merchandise in the T3 duty-free shop</b> <ul style="list-style-type: none"> <li>↳ Opening of LOUIS VUITTON, Dior (Fashion), and Dior (Beauty)</li> </ul> </li> <li>• Develop <b>ethical products</b> due to growing demand           <ul style="list-style-type: none"> <li>↳ At T1, renewal of Samantha Thavasa and deployment of upcycled products</li> </ul> </li> <li>• <b>Developing the farm-fresh business</b> and organizing nationwide products &amp; tourism fairs</li> </ul>																						
<p><b>Expand</b></p> <p><b>Expansion of earnings base</b></p>	<p>◆ <b>Earn revenue not dependent on passengers, expand sales channels through the EC business, etc.</b></p> <ul style="list-style-type: none"> <li>• Enhance functions of HANEDA Shopping, an EC site</li> <li>• Develop Click &amp; Collect by utilizing the airport site</li> </ul>	<p><b>New business/ Expertise business</b></p>																					

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Please turn to page 13. For change in the merchandise sales/food and beverage, we are promoting initiatives aimed at improving efficiency, including the use of self-checkout systems in store operations and the trial introduction of non-contact tester tools.

Regarding the purchase management system, although we have been working to reduce inventories in accordance with passenger levels since the COVID-19 crisis, we will shift our recovery plan as soon as possible in anticipation of increased duty-free sales in the future.

In addition, while the prices of various items are currently rising, we are passing on the higher purchase prices to the product prices at our domestic route stores. Duty-free stores will consider placing orders and changing transportation methods in consideration of lot efficiency, while the food and beverage business will review joint procurement of food materials and products.

For grow, this fall, we opened the first Louis Vuitton airport duty-free store in Japan, as well as two Dior fashion and beauty boutiques in Terminal 3, to promote the introduction of high brands. We will continue to further enhance the attractiveness of the duty-free area at Haneda Airport.

In addition, for domestic routes, two Samantha Thavasa stores selling upcycled products were reopened, and events such as product and tourist fairs were actively held to capture the recovering passenger demand.

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### 3. Progress of the Medium-Term Business Plan

#### (4) New business/Expertise business

Expand

**◆ Develop new businesses that leverage the value of Haneda and improve revenues by utilizing the know-how of operating the airport**

- Further strengthen **EC business**
  - ↳ Enhanced functions of HANEDA Shopping, an EC site
  - ↳ Started Click & Collect service for Haneda domestic flights and duty-free pre-order sales service at the T3 Business Jet Gate
- **Strengthen cooperation with surrounding areas and acquire earnings opportunities**
  - ↳ Exhibited at Haneda Smart City EXPO at HICity
  - ↳ Provided in-flight meal and beverage service and sold airport limited products at the Haneda Airport presents Air and Travel Products Exhibition held at Keikyu Department Store
- **Strengthen distribution business** on the basis of actual results of introduction at Haneda Airport
  - ↳ Sold Radi-Cool, a radiant cooling material that contributes to CO<sub>2</sub> emissions reduction, to other airports in Japan, etc.
  - ↳ Introduced WHILL, a self-driving wheelchair, at other airports in Japan and conducted demonstration tests of guidance robots, cleaning robots, etc.









**◆ Create new businesses to acquire new technologies and know-how**

- **Conduct aggressive R&D and introduce new technologies** that increase passenger convenience
  - ↳ Demonstration test of self-driving vehicle (mobility) at Haneda Airport



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For new business/expertise business, we will continue to enhance the functionality of our e-commerce site to improve its recognition, as well as link our e-commerce site and brick-and-mortar stores, and promote Click&Collect. We have also started the preorder of duty-free items, not only for general travelers but also for business jet users, whose use is expanding. In addition, we are steadily expanding our revenue base by selling in-flight meals and boxed lunches at department store events, senior citizen facilities, and other venues.

In particular, we see the momentum toward building a decarbonized society as a business opportunity and are increasing installations of Radi-Cool, our cooling material which contributes to reducing CO<sub>2</sub> emissions, mainly at other airports in Japan.

In addition, to promote the use of robotic technology in guidance operations and cleaning services in anticipation of future labor shortages, a common issue at airports in Japan, we have conducted proof-of-concept tests in cooperation with other airports in Japan. We conducted a proof-of-concept test of self-driving mobility this summer, and we are now working with related companies to grow and introduce robotic technology into security and logistics operations, considering the characteristics of terminal operations.

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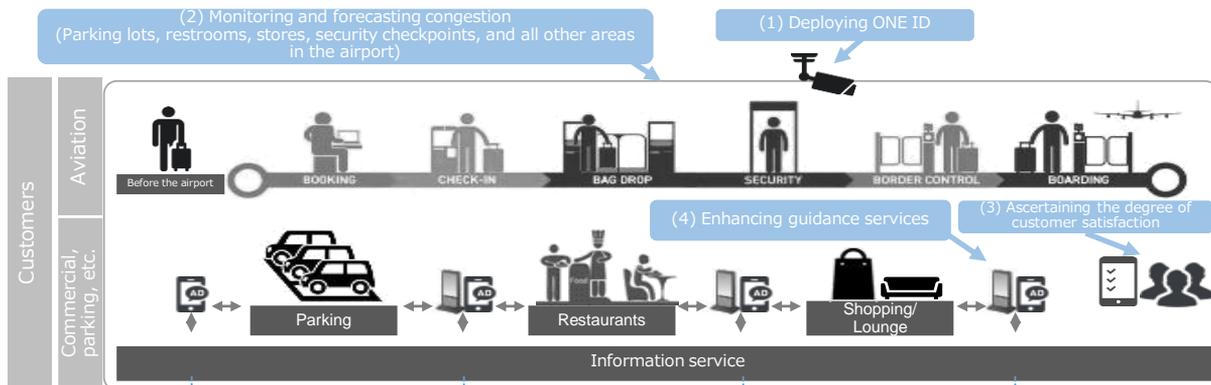
### 3. Progress of the Medium-Term Business Plan

#### (5) Management Base

##### ◆DX Strategy

- Clarify strategies and promote data-driven management
- Enhance functions of HANEDA application for building a digital platform

[DX strategy covering the entire airport (image)]



##### ◆Organization, Personnel, and Governance

- Build a corporate culture of “Think by oneself and take on challenges”
  - ↳ Implement cross-industry and industry-university collaborative projects
  - ↳ Promote inner branding activities
- Secure a diverse range of personnel
  - ↳ Conduct D&I seminars for all employees
  - ↳ Promote employment of people with disabilities



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Regarding management base, the direction of our digital transformation strategy is to promote data-driven management, centered on using both mass data and personal data, as well as changing behavior through data.

Specifically, by linking various information and data, we aim to realize highly accurate congestion forecasts in terminals and increase customer satisfaction, create new services and products, and optimize inventory items, operating hours, etc.

To do this, we will develop a data-driven infrastructure through the enhancement of the HANEDA application currently used by our customers, as well as through the construction of various databases and digital platforms.

In the area of organization, human resources, and governance, we are working to build a corporate culture that encourages employees to think by themselves and take on challenges, by enhancing training programs and developing professional human resources, as well as engaging in industry-industry and industry-academia collaboration projects.

Furthermore, while promoting diversity and inclusion initiatives, such as hiring people with disabilities, we will also promote internal branding activities and strengthen internal and external communications, such as by starting a YouTube channel.

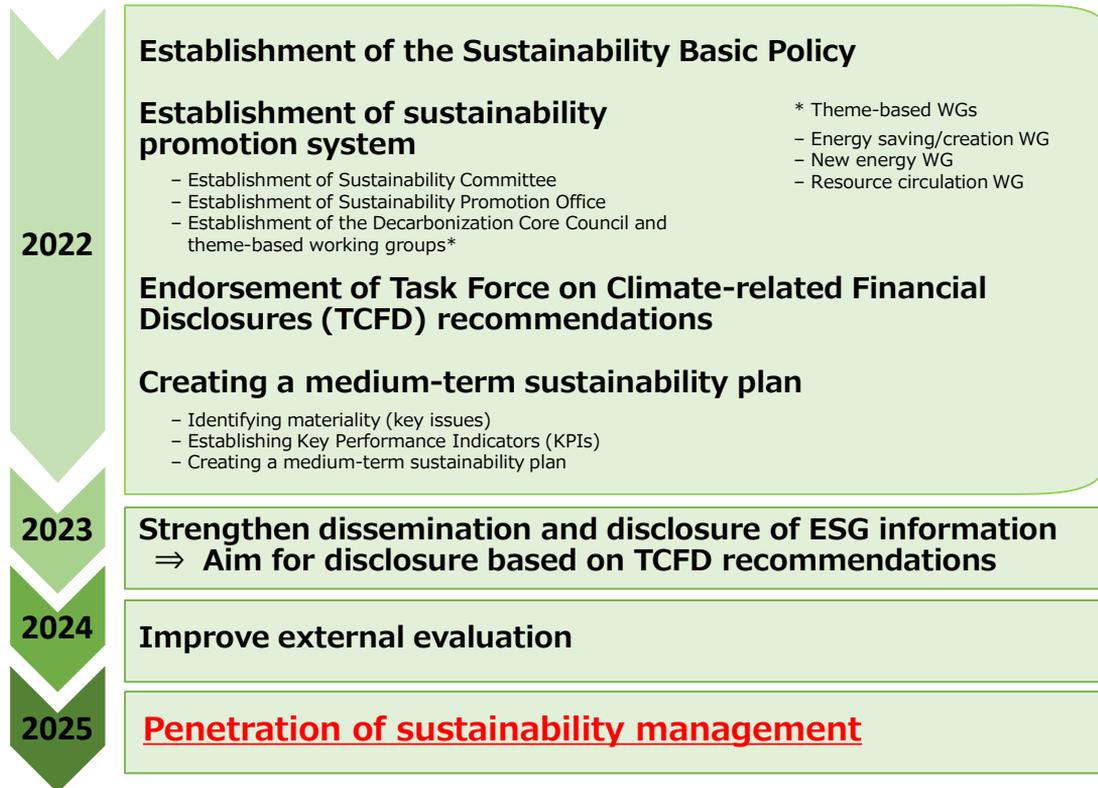
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## 4. Sustainability Initiatives

### (1) Direction of Initiatives



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Please turn to page 16. Here we show the direction of our sustainability efforts.

So far this fiscal year, we have formulated a basic policy on sustainability, put in place a system for promoting sustainability, and expressed our support for the TCFD recommendations. We plan to identify materiality for our company, set KPIs based on that materiality, and formulate a mid-term sustainability plan this fiscal year.

From the next fiscal year onward, we will enhance the dissemination and disclosure of ESG information with the aim of disclosing information based on the TCFD recommendations.

In addition, we will take sequential steps to improve the evaluation of our company by external evaluation agencies, aiming to have sustainability management permeate the entire company by FY2025.

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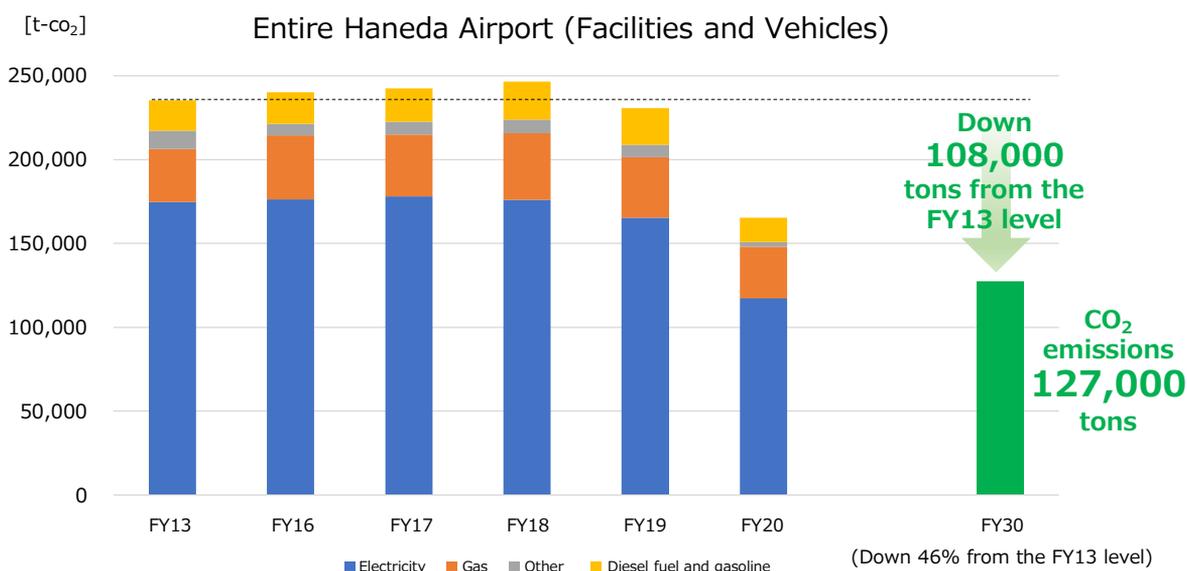
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## 4. Sustainability Initiatives

### (2) Changes in CO<sub>2</sub> Emissions at Haneda Airport

- The Ministry of Land, Infrastructure, Transport and Tourism aims to reduce CO<sub>2</sub> emissions at each airport by 46% or more from the FY13 level in FY30.
- **If that target is applied to Haneda Airport, CO<sub>2</sub> emissions in FY30 will need to be reduced to 127,000 tons, down 108,000 tons from the FY13 level.**



Source: Prepared based on the Tokyo International Airport Implementation Status Report (FY2006–2020), Ministry of Land, Infrastructure, Transport and Tourism website.

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Please turn to page 17.

Although this is a different story from the goal of disclosure based on the TCFD recommendations mentioned on the previous page, this graph shows the transition of CO<sub>2</sub> emissions not only for our company but for Haneda Airport as a whole.

In promoting CO<sub>2</sub> reduction in the airport sector, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) aims to reduce CO<sub>2</sub> emissions at each airport by at least 46% from the 2013 level by FY2030.

If this target is simply applied to Haneda Airport, CO<sub>2</sub> emissions for the airport as a whole will need to be reduced by 108,000 tons from FY2013 to 127,000 tons by FY2030.

To achieve this lofty goal, we, as a member of the Tokyo International Airport Eco-Airport Council, have been working to reduce the environmental impact in the terminal and will continue to consider various methods in cooperation with other members, surrounding municipalities, and the national government.

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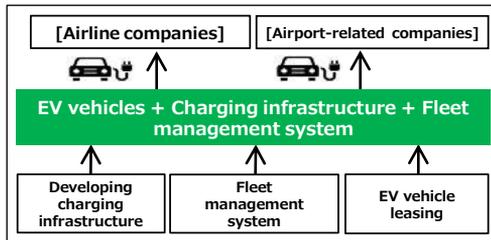
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## 4. Sustainability Initiatives

### (3) Initiatives to Reduce CO<sub>2</sub>

- ◆ Study on converting airport vehicles to EV and developing charging facilities

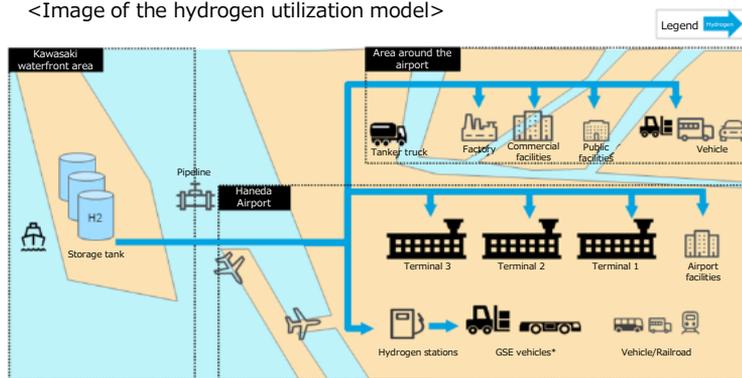


- ◆ Installing Radi-Cool radiant cooling material on terminal connecting bridges



- ◆ Investigating utilizing hydrogen at the Haneda Airport and surrounding areas

<Image of the hydrogen utilization model>



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- ◆ Promoting LED lighting



Please turn to page 18. As indicated on the previous page, this section introduces some of our specific efforts to reduce CO<sub>2</sub> emissions, which is a pressing issue.

Currently, we are making installations such as LED lighting in terminals, as well as Radi-Cool, a radiation-cooling film, on fixed bridges, sequentially. Since it is expected that more and more airport vehicles will be electrically powered in the future, we will consider installing power facilities around the terminal to enable these vehicles to charge.

In the Kawasaki waterfront area, located on the other side of the Tama River from Haneda Airport, a number of hydrogen-related projects are currently being promoted and a large-scale hydrogen supply chain is being constructed. Therefore, we have begun a survey of the potential demand for hydrogen energy at and around Haneda Airport, with the assumption that hydrogen will be supplied to Haneda Airport and the surrounding area.

With a view to hydrogen being supplied through pipelines in the future, we will work together with surrounding municipalities and companies to build a sustainable society.

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Finally, after the three-year-long COVID-19 crisis, aviation demand is now entering a recovery phase to pre-COVID-19 levels, as social activities move toward normalization.

Although the business environment does not allow for optimism, with soaring resource prices, the yen's historic depreciation, future labor shortages, and decarbonization initiatives, we will continue our efforts to improve profitability and return to profitability in the next fiscal year, while steadily implementing the necessary measures with a firm focus on our long-term goals.

We appreciate your continued understanding and support.

This concludes my presentation. Thank you very much.

[END]

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