

Japan Airport Terminal Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2023

May 18, 2023

Event Summary

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[Participants]		
[Number of Speakers]	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

Moderator: Now that the time has arrived, we will now begin the briefing on the full-year financial results for the fiscal year ended March 31, 2023, of Japan Airport Terminal Co., Ltd. Thank you all very much for taking time out of your busy schedules to attend today's meeting. First of all, this event is held at the venue and is also streamed live online. I would now like to introduce today's participants. Mr. Isao Takashiro, Chairman and CEO.

Takashiro: I'm Takashiro. Thank you very much for coming.

Moderator: Mr. Nobuaki Yokota, President and COO.

Yokota: I'm Yokota. Thank you very much for coming.

Moderator: Mr. Masatoshi Akahori, Executive Vice President.

Akahori: I'm Akahori. Thank you very much for coming.

Moderator: Mr. Hiroshi Onishi, Executive Vice President.

Onishi: I'm Onishi. Thank you very much for coming.

Moderator: Mr. Kazuhito Tanaka, Senior Managing Director.

Tanaka: I'm Tanaka. Thank you very much for coming.

Moderator: That is all those present. I will continue with a check of today's materials. Presentation materials have been distributed to the audience. If you are watching the live webcast, you can download the presentation materials from the web page you are viewing, under the tab Presenters/Materials. Please use the materials.

Next, I will explain the contents of today's presentation. President Yokota will first give a 30-minute presentation with the presentation material. We will then take your questions. The event is scheduled to finish at 4:00 PM.

Let us now begin the presentation. President Yokota, please start your presentation.

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- 1. Review of Consolidated Financial Results for FY22**
- 2. Consolidated Financial Forecast for FY23**
- 3. Progress of the Medium-Term Business Plan**
- 4. Sustainability Initiatives**

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

Today, in our briefing on the financial results for the fiscal year ended March 31, 2023, I would like to present a summary of our consolidated financial results for the previous fiscal year, our consolidated earnings forecast for the current fiscal year, the progress of our medium-term management plan, and our sustainability initiatives.

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1. Review of Consolidated Financial Results for FY22

(1) Business Environment

Business Environment

- Although COVID-19 surged twice, social activities gradually returned to normal.
- The nationwide travel support program started in October, and immigration restrictions have also been significantly eased.
- Prices continued to rise due to high resource prices and the weak yen. Labor shortages have also become apparent in airport operations.

Number of Passengers (Haneda Airport)

- Domestic flights increased steadily from the fall, partly due to the nationwide travel support program, but slightly fell below the revised forecast due to a delayed recovery in business demand.
- International flights exceeded the revised forecast by about 20% as the recovery was accelerated due to an increase in passengers, especially overseas passengers (other than Chinese nationals), as a result of the significant easing of immigration restrictions and the weak yen.

FY22 passenger volumes

Airport	FY22 (10 thousands)	FY21 (10 thousands)	Rate of change (%)	Revised forecasts (10 thousands)	Revised forecast for comparison (%)	Target number * (10 thousands)	Rate of change (%)
Haneda - Domestic	5,247	2,887	81.8	5,373	-2.3	6,900	-23.9
Haneda - International	681	83	720.0	561	21.4	2,560	-73.4
Total Haneda	5,928	2,970	99.6	5,934	-0.1	9,460	-37.3
Narita	1,355	234	478.2	1,176	15.3		
Kansai	512	27	1,768.5	278	84.0		
Chubu Centrair	82	5	1,391.3	79	4.3		

* Target numbers are the estimated passenger volume for FY25.

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

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See page two. First, let me explain the situation in the previous fiscal year.

As for the business environment, although COVID-19 spread twice in the summer and winter, society as a whole has gradually returned to normal, and since the fall, nationwide travel support has started, and immigration restrictions have been greatly eased.

On the other hand, prices of commodities have continued to rise due to soaring resource prices and the weak yen, and a labor shortage has become apparent in airport operations.

Passenger volume at Haneda Airport increased significantly from the previous year, and domestic flights recovered steadily. However, business demand was slow to recover, and because of this, the volume was slightly lower than the revised forecast.

Passenger volume on international flights exceeded the revised forecast by about 20%, due to an increase mainly in non-Chinese inbound passengers.

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1. Review of Consolidated Financial Results for FY22

(2) Consolidated Financial Results

Overview

- Operating revenues increased in all segments from the same period in the previous fiscal year due to increase in operating revenues from merchandise sales and facility user charges revenue.
- Operating loss continued for three consecutive fiscal years on a consolidated basis, although it showed a significant improvement, due to the impact of a delayed recovery in the first half of the year.
- Both operating revenues and operating loss improved compared to the revised forecasts faster than expected recovery in international flights

Consolidated financial results for FY22

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

Items	1H			2H			Full year			Revised forecasts *1	Difference
	FY 22	FY 21	Change	FY 22	FY 21	Change	FY 22	FY 21	Change		
Operating revenues	43.6	25.8	17.7	69.4	31.1	38.2	113.0	57.0	55.9	105.9	7.1
(Facilities management)	(27.3)	(18.8)	(8.4)	(35.9)	(21.2)	(14.7)	(63.2)	(40.0)	(23.2)	(61.3)	(1.9)
(Merchandise sales)	(12.8)	(5.5)	(7.3)	(28.4)	(7.6)	(20.8)	(41.3)	(13.1)	(28.1)	(36.2)	(5.1)
(Food and beverage)	(3.4)	(1.5)	(1.9)	(5.0)	(2.3)	(2.6)	(8.4)	(3.8)	(4.5)	(8.4)	(0.0)
Operating loss	-9.2	-21.8	12.5	-1.3	-19.4	18.1	-10.5	-41.2	30.6	-14.3	3.7
Ordinary loss	-9.7	-24.3	14.5	-2.3	-19.5	17.2	-12.0	-43.8	31.7	-15.6	3.5
Net loss attributable to owners of parent	-3.3	-14.4	11.1	-0.5	-10.7	10.1	-3.9	-25.2	21.3	-4.6	0.6
Capital expenditures	1.1	3.4		10.8	1.2		12.0	4.7		14.0	
Depreciation expenses	14.4	15.8		14.5	15.8		28.9	31.7		29.0	
EBITDA	5.1	-5.9		13.2	-3.5		18.3	-9.5		14.7	
Annual dividend	¥0.0	¥0.0		¥16.0	¥0.0		¥16.0	¥0.0		To be determined	
Payout ratio	-	-		-	-		-	-		To be determined	

*1 Financial forecast announced in November 2022

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See page three. As shown in the red box in the document, consolidated results for the fiscal year ended March 31, 2023, are as follows: Net sales of JPY113 billion, operating loss of JPY10.5 billion, ordinary loss of JPY12 billion, and net loss of approximately JPY3.9 billion.

Compared to the previous fiscal year, sales increased in all segments as a result of an increase in merchandise sales and facility usage fee revenues due to a recovery in the number of passengers.

In the fall and thereafter, earnings improved significantly from the previous year, partly due to a rapid recovery in international flights, but the slow recovery up to H1 resulted in a consolidated loss for the third consecutive fiscal year.

On the other hand, compared to the revised forecast, both sales and P&L have exceeded the forecast, partly because the recovery of international flights has been faster than expected.

We have decided to resume dividend payments for the first time in three years, based on this situation, future prospects and other factors. The year-end dividend was JPY16 per share.

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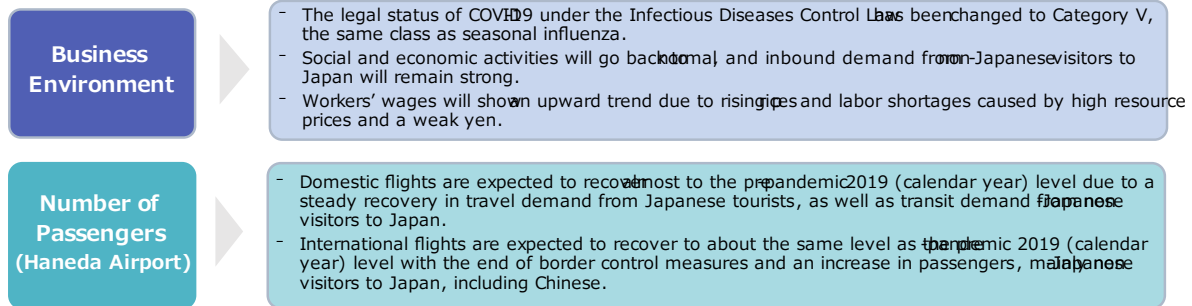
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2. Consolidated Financial Forecast for FY23

(1) Business Environment



■ The number of passengers forecast for FY23

Airport	FY23 Forecasts (10 thousands)	FY22 Results (10 thousands)	Rate of change (%)	Target number * (10 thousands)	Rate of change (%)	2019 calendar year result (10 thousands)	Rate of change (%)
Haneda - Domestic	6,564	5,247	25.1	6,900	-4.9	6,886	-4.7
Haneda - International	1,818	681	167.1	2,560	-28.9	1,853	-1.9
Total Haneda	8,383	5,928	41.4	9,460	-11.4	8,740	-4.1
Narita	2,374	1,355	75.1				
Kansai	1,549	512	202.0				
Chubu Centrair	311	82	276.9				

* Target numbers are the estimated passenger volume for FY25.

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Then see page four. Next, I will explain the forecast for the current fiscal year.

As for the business environment, COVID-19's status as an infectious disease has been reclassified to Class 5, the same as seasonal influenza, since May 8.

As we move toward the normalization of social and economic activities, we expect inbound demand from foreign visitors to Japan to remain strong.

In addition, wages of workers are on an upward trend due to labor shortages in addition to rising prices caused by high resource prices and a weak yen.

In terms of passenger volume at Haneda Airport, as for domestic flights, there is a steady recovery in demand from Japanese travelers. There is also demand from foreign visitors to Japan who are transferring between flights. We assume that the volume will recover to a level close to the level before COVID-19.

On the other hand, international flights saw an increase in passenger volume, especially among Chinese nationals, especially [inaudible] and business visitors from abroad to Japan, as a result of the end of border measures. We assume that the volume will recover to approximately the same level as before COVID-19.

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2. Consolidated Financial Forecast for FY23

(2) Consolidated Financial Forecast for FY23

Overview

- Operating revenues are expected to increase in all segments in line with recovery in passenger volume.
- Consolidated financial results are expected to improve significantly, resulting in a profit for the first time in four years
- Prompt response to rapidly recovering passenger demand will be the key to improved business performance in the future.

Consolidated financial forecast for FY23

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

Items	1H			2H			Full year		
	FY23	FY22	Change	FY23	FY22	Change	FY23	FY22	Change
Operating revenues	90.3	43.6	46.6	105.4	69.4	35.9	195.7	113.0	82.6
(Facilities management)	(42.4)	(27.3)	15.0	(45.6)	(35.9)	9.6	(88.0)	(63.2)	24.7
(Merchandise sales)	(40.6)	(12.8)	27.7	(52.2)	(28.4)	23.7	(92.8)	(41.3)	51.4
(Food and beverage)	(7.3)	(3.4)	3.8	(7.6)	(5.0)	2.5	(14.9)	(8.4)	6.4
Operating income (loss)	6.0	-9.2	15.2	9.4	-1.3	10.7	15.4	-10.5	25.9
Ordinary income (loss)	4.6	-9.7	14.3	8.5	-2.3	10.8	13.1	-12.0	25.1
Net income (loss) attributable to owners of parent	3.4	-3.3	6.7	5.6	-0.5	6.1	9.0	-3.9	12.9
Capital expenditures	4.0	1.1		26.0	10.8		30.0	12.0	
Depreciation expenses	13.9	14.4		14.4	14.5		28.3	28.9	
EBITDA	19.9	5.1		23.8	13.2		43.7	18.3	
Annual dividend	¥16.0	¥0.0		¥16.0	¥16.0		¥32.0	¥16.0	
Payout ratio	43.8%	-		26.6%	-		33.1%	-	

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Now please see page five. As shown in the red box, we forecast sales of JPY195.7 billion, operating income of JPY15.4 billion, ordinary income of JPY13.1 billion, and net income of JPY9 billion for the current fiscal year.

Sales are expected to increase in all segments as passenger volume recovers.

Consolidated financial results are expected to improve significantly and are expected to be profitable for the first time in four years.

On the other hand, promptly responding to rapidly recovering passenger demand will be the key to improving future performance.

In addition, we plan to pay a dividend of JPY32 per share, in line with our basic policy for returning profits to shareholders, which is to maintain stable dividends and aim for a payout ratio of 30% or more.

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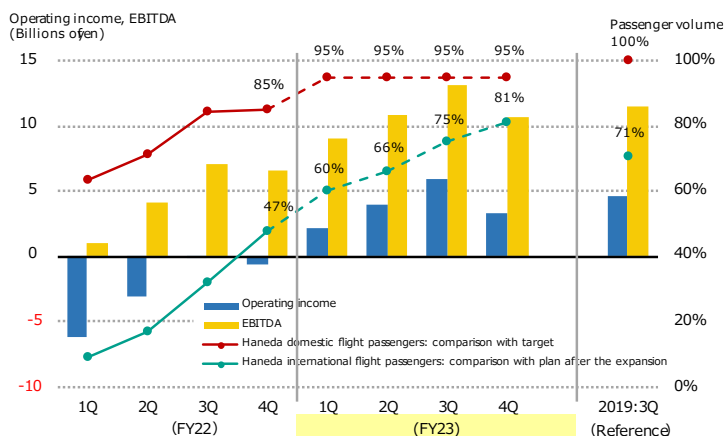
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2. Consolidated Financial Forecast for FY23

(3) Premises for Financial Forecast

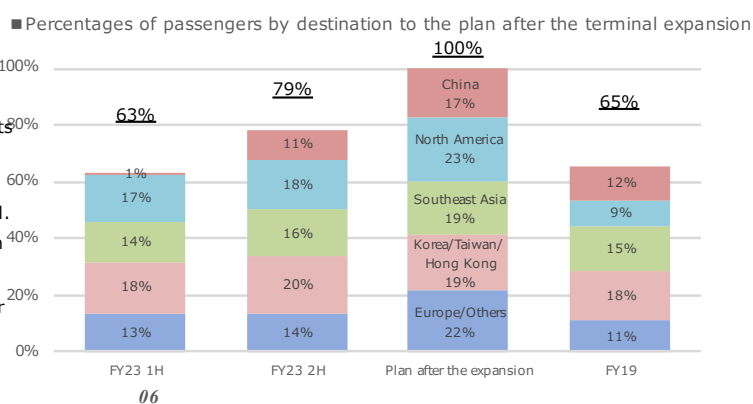
◆ Quarterly changes in operating income and EBITDA

- With the recovery in passenger volume, operating income is expected to return to profitability in 1Q and will steadily increase thereafter.
- In 4Q, profit is expected to temporarily decline due to an increase in expenses from construction work to be completed at the end of FY23 and other factors.



◆ Breakdown of international passengers by destination (Haneda Airport)

- The expansion of flight slots for international flights in March 2020 increased the shares of North American and European destinations.
- In the first half of the year, the number of flights to North America will exceed the pandemic level, and the overall number of passengers is expected to recover to FY19 levels, although the recovery of Chinese destinations will be delayed.
- Growth in European destinations will be sluggish due to the avoidance of flights over Russia, but Chinese destinations will fully recover from the second half of the year, and the overall number of passengers is expected to exceed FY19 levels.



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See page six. Here, we would like to explain the assumptions underlying our earnings forecasts.

First of all, I would like to show you the number of passengers on domestic and international flights at Haneda Airport and our consolidated quarterly results.

We expect that operating income will become profitable in Q1 and will improve steadily thereafter, but we expect profits to decline temporarily in Q4 due to an increase in expenses caused by one-time construction projects to be completed at the end of the fiscal year and others.

Next is a breakdown of international passenger volume by direction.

The second vertical axis from the right is the number of passengers after the expansion of arrival and departure slots in March 2020, which is taken as 100%. The numbers of passengers by direction are shown as a percentage. As of H1, we expect North American routes to be well ahead of the level before COVID-19. Although recovery has been slower in China, we expect the overall recovery to reach FY2019 levels.

While European routes will be sluggish due to the avoidance of flights over Russia, China routes are expected to recover in earnest from H2.

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2. Consolidated Financial Forecast for FY23

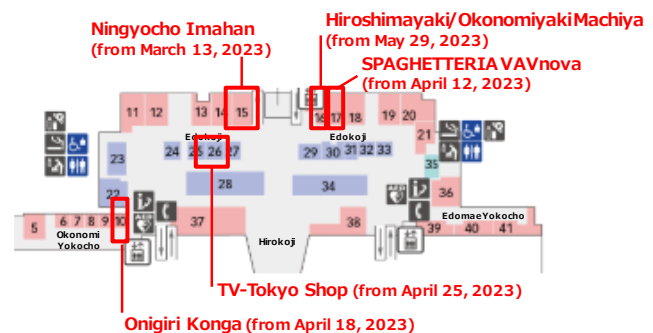
(4) Response to Rapidly Recovering Passenger Demand

- ◆ Resuming operation of Terminal 2 international flight facilities
 - Coordination is underway among the government, airlines, and other related parties to reopen dormant facilities to respond to increase in passenger volume.
 - The Medium-Term Business Plan assumed that operations would resume in FY24.
 - The current year's budget assumes resumption of operation from July 2023. For the time being, the facilities will operate only in the morning, and operating hours will be expanded from the second half of FY23.



- ◆ Reopening and rearrangement of stores
 - With the recovery of passenger volume stores are gradually reopening and expanding their operating hours for domestic and international flights
 - At Terminal 3, commercial facilities in the duty-free and lobby areas will be renewed and re-arranged to capture recovering passenger demand

Renewal of stores in the Terminal 3 commercial area (4th floor)



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See page seven. In order to accommodate future passenger growth, we are currently in discussions with the government, airlines, and other related parties to reopen the Terminal 2 international flight facilities, which were suspended due to COVID-19, as soon as possible.

Although the medium-term management plan anticipated that this facility would resume operations in FY2024, the budget for the current fiscal year assumed that it would resume operations in July.

In Terminal 3, we are working to capture recovering passenger demand by renovating and relocating commercial facilities in the duty-free and lobby areas, while reopening stores that had been closed and gradually reviewing their hours of operation.

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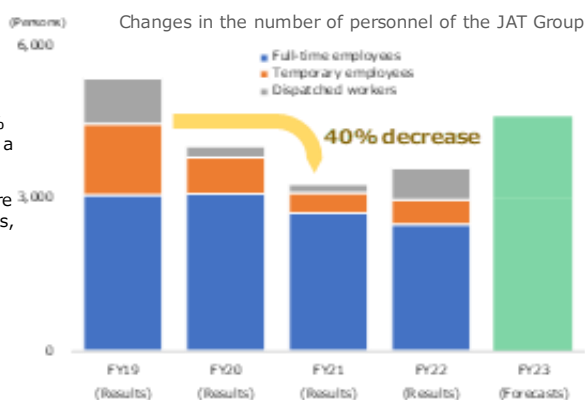
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2. Consolidated Financial Forecast for FY23

(5) Response to Labor Shortages

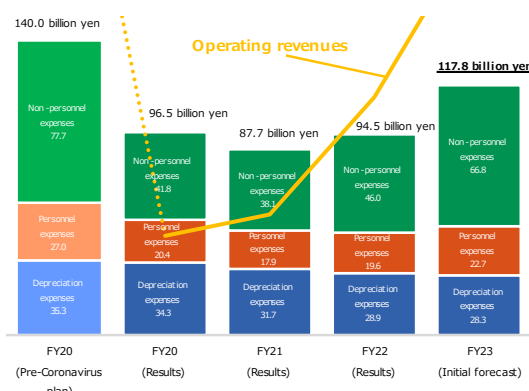
- During the COVID-19 pandemic, we have maintained the employment of full-time employees and promoted the use of internal resources for operations, however, approximately 40% of the total workforce decreased (through natural attrition and a decrease in non-regular employees).
- Due to the rapid recovery in airline demand since last fall, there was a shortage of staff at international terminal stores, lounges, etc. We will hold joint Group company briefing sessions to strengthen recruitment of new graduates as well as mid-career and non-regular employees.
- We aim to quickly restore the pre-pandemic stable operating structure by improving working conditions, such as increasing base pay and ending bonus cuts, to retain personnel.
- In the airline industry as a whole, there is a labor shortage in security inspection operations, etc., so we will actively work with the government, airlines, and other stakeholders to address this issue.



(6) Status of Selling, General and Administrative Expenses

◆ Cost-increasing factors(non-personnel expenses)

- Increase in variable costs accompanying increases in the passenger volume and operating revenue
- Increase in utilities (water, heating, energy) and other expenses due to rising prices
- Increase in maintenance and repairs expenses
- Reopening of Terminal 2 international flight facilities



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See page eight. I would like to explain the personnel situation in our company.

In the midst of a difficult business environment due to COVID-19 pandemic, we did everything we could in terms of compensation and strived to maintain the employment of full-time employees in anticipation of the time when demand will recover. During this period, we have made effective use of human resources by such means as bringing operations in-house, but due to natural attrition resulting from retirements and a decrease in the number of non-regular employees, the number of employees has decreased by approximately 40% of the total workforce.

On the other hand, demand for air travel has recovered rapidly since last fall, and we are experiencing a shortage of labor, especially in international flight stores and lounges. Therefore, we have been strengthening our recruitment of human resources, by holding joint group company information sessions and other measures. In addition to hiring new graduates, we will actively recruit mid-career employees and non-regular employees. We will also implement base increases to cope with rising prices, restore bonus levels that were reduced due to COVID-19 pandemic, and take other measures to improve compensation in order to retain personnel, aiming to quickly restore the stable operating structure that existed before COVID-19 pandemic.

The airline industry as a whole is experiencing a shortage of personnel for security inspections, etc. We will work proactively to address this issue in cooperation with the government and airline companies.

As for selling, general and administrative expenses, we expect various expenses to increase in association with increases in passenger volume, sales and prices, as well as maintenance and repair expenses to increase.

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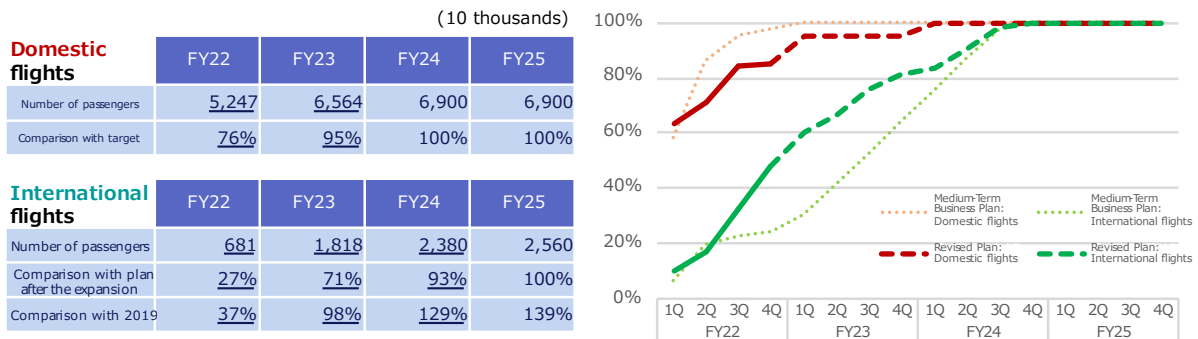
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3. Progress of the Medium-Term Business Plan

(1) Passenger Volume Forecast (Haneda Airport)



(2) FY25 Guidelines and the Target Profit and Loss

Indicator	Target level
Consolidated net income	16 billion yen or more
Cost reduction amount	2.5 billion yen
ROA (EBITDA)	12% or higher
Equity ratio	Aim to recover to the level of 40%
Payout ratio	30% or more
SKYTRAX evaluation ranking	World Best Airport TOP 3

	FY23 forecast	FY25 target
Operating revenues	195.7 billion yen	280.0 billion yen
Facilities management	87.9 billion yen	106.0 billion yen
Merchandise sales	92.8 billion yen	156.0 billion yen
Food and beverage	15.0 billion yen	18.0 billion yen
Operating income	15.4 billion yen	30.0 billion yen
Ordinary income	13.1 billion yen	27.0 billion yen
Net income	9.0 billion yen	16.0 billion yen

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See page nine. This section shows the passenger volume forecast to FY2025 and the guidelines for FY2025.

There is no change in the target for passenger volume for FY2025. For FY2024, we didn't change the target for domestic flights and raised the target for international flights.

We have set guidelines and target income/expenses, and for the current fiscal year, we expect to achieve half of the JPY30 billion operating income target for FY2025. Compared to the time when the medium-term plan was formulated, high resource prices and accompanying price hikes have exceeded expectations. However, we will work to achieve the goals by steadily implementing measures planned in the medium-term plan.

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3. Progress of the Medium-Term Business Plan

(3) Strategy Road Map

	2022	2023-2025
Sustainability	<ul style="list-style-type: none"> Develop the promotion system and create a Medium-Term Business Plan Disclose information in accordance with the TCFD recommendations 	<ul style="list-style-type: none"> Medium-term investment plan: 8 billion yen FY22 investment: 0.8 billion yen Promote business based on the Sustainability Basic Policy Implement the Medium-term Sustainability Plan and expand information disclosure
Facilities management	<ul style="list-style-type: none"> Promote operational excellence Take measures against vacant space Suppress a rebound in maintenance, guidance, and security costs Start T2 satellite construction Select a contractor for T1 satellite construction in August 	<ul style="list-style-type: none"> SKYTRAX 5Star Airport rating for nine consecutive years SNJ/ADO office relocation to an area of over 2,000 m² (scheduled for October 2023) FY22 maintenance, guidance, and security costs: -5 billion yen from FY19 T2 satellite construction progress rate: 2.9% (April 2023) Scheduled to start operation in FY25 Take measures against vacant space (attraction policies and utilization measures) Suppress a rebound in operation costs Respond to resumption of T2 international flight facilities Connect T2 satellite and the main building Newly open T1 satellite Renovate commercial zones Improve efficiency of and diversify store operations
Merchandise sales/ Food and beverage	<ul style="list-style-type: none"> Newly open and renew the Haneda T3 duty-free store area (Louis Vuitton, Dior, etc.) Develop Haneda-original products Hold the "Haneda Airport Selection" event Start "HANEDA PICK UP" airport store pick-up service and duty-free reservation service 	<ul style="list-style-type: none"> Eleven stores opened or renewed in FY21-FY22 in the Haneda duty-free store area New product development Domestic flight cost reduction effect: -0.3% Reorganize and renovate T1 Marketplace, etc. Develop "retailtainment" that provides experience value
New business/ Expertise business	<ul style="list-style-type: none"> Participate in Tokyo Creative Salon (event) Start operation of a new terminal of Aso Kumamoto Airport (preparation for opening, consulting on system introduction, etc.) 	<ul style="list-style-type: none"> New business sales target FY25: 10 billion yen Expand EC sales channels and merchandise Strengthen one-to-one marketing Utilize Haneda's value + utilize its expertise: Strengthen business development Research and develop new business seeds
DX promotion	<ul style="list-style-type: none"> Demonstration experiment for the provision of congestion and other information based on peopleflow analysis Expansion of HANEDA App member services 	<ul style="list-style-type: none"> Promote digital marketing Improve operational efficiency in the administration department Promote innovation in the aviation industry
Organization and personnel	<ul style="list-style-type: none"> Promote the empowerment of women and employment of people with disabilities Implement business/business collaboration (Shiseido Project) and business/academia collaboration (The University of Tokyo Project) Embed internal branding activities (Plus One Promotion) 	<ul style="list-style-type: none"> Rate of managerial posts being assumed by female personnel: 41% (March 2023) Achievement ratio of the legally mandated number of workers with disabilities: 125% (consolidated, April 2023) Ensure expertise and diversity of personnel Cultivate a corporate culture of "think and take on challenges on their own" Group structure according to strategy

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See page 10. This section shows the roadmap for each measure.

In the facility management and operation business, we will review operations and reduce maintenance and management costs by utilizing robots and other technologies to achieve both high quality and increased profits. In addition, we will work to increase revenues through renewal of commercial facilities and leasing of vacant parcels to raise rents and other revenues, and we will also consider appropriate pricing in light of the recent sharp rise in prices.

In the merchandise sales/restaurant business, the Company is implementing relocation of stores, including the introduction of top brands to duty-free stores. In addition, the Company will review its product mix, service, operations, and cost ratio, while expanding earnings through measures such as original product development. In addition, in response to the increase in the number of international passengers, we intend to expand our duty-free reservation service. We will also aim to develop new sales channels in cross-border e-commerce. We will expand our sales channels through our e-commerce business.

Furthermore, in order to respond to changing consumption trends, we will strengthen one-to-one marketing and work to uncover customer needs.

In terms of the organization, we will build a corporate culture that encourages people to think independently and take on challenges through ensuring diversity of human resources, inner branding activities, and plus one promotion.

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3. Progress of the Medium-Term Business Plan

(4) Investment Plan

- ◆ Estimated investment for the period of the Medium-Term Business Plan

	FY22	FY23	FY24	FY25	Total
Medium-Term Business Plan	15.0	29.0	34.0	27.0	105.0
<i>Actual/Budget</i>	<u>12.0</u>	<u>30.0</u>			

(Of the above, investment in satellite improvement)

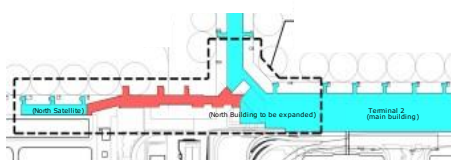
	FY22	FY23	FY24	FY25	Total
Medium-Term Business Plan	6.0	19.0	18.0	10.0	53.0
<i>Actual/Budget</i>	<u>6.4</u>	<u>15.0</u>			

- Sustainability-related investment

Construction of facilities related to CO₂ reduction (Total construction costs from FY22 to FY25)

- Construction to convert lighting to LEDs: 3.0 billion yen
- Construction to replace air conditioners: 5.0 billion yen
- * Planned investment amount: 8.5 billion yen

There may be additional investment due to full-scale efforts for CO₂ reduction.



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Facilities management 93.0 billion yen
 • T1/T2 satellite improvement construction, facility replacement construction, etc.

Merchandise sales/Food and beverage 5.0 billion yen
 • Store renovation construction, system renewal, etc.

New business/Expertise business 3.0 billion yen
 • HANEDA INNOVATION CITY, EC business, robot business, etc.

Management base and others 4.0 billion yen
 • DX investment, etc.

- Satellite improvement construction
 Respond to future expansion of airline demand and improve passenger convenience.
 Construction completion schedules: T1, FY25; T2, FY24



Exterior view of Terminal 2 extension (image)

See page 11. This section shows the status of capital investment.

Currently, there is no change in the investment amount of JPY105 billion for the plan period. About half of this amount, JPY53 billion, will be invested in domestic flight satellite improvement work to meet future growth in airline demand and to further improve passenger convenience through the funds raised by capital increase.

The work to connect the main building and the satellite of Terminal 2, which has already begun, is scheduled for completion in FY2024, and the construction of a new north satellite for Terminal 1, which will begin this fiscal year, will be completed in FY2025.

Other investments will amount to approximately JPY52 billion.

As for sustainability-related activities, we expect to spend JPY8 billion for facilities for CO₂ reduction, including one-time expenses, but additional investments may be required once the initiatives that we will consider go into full swing.

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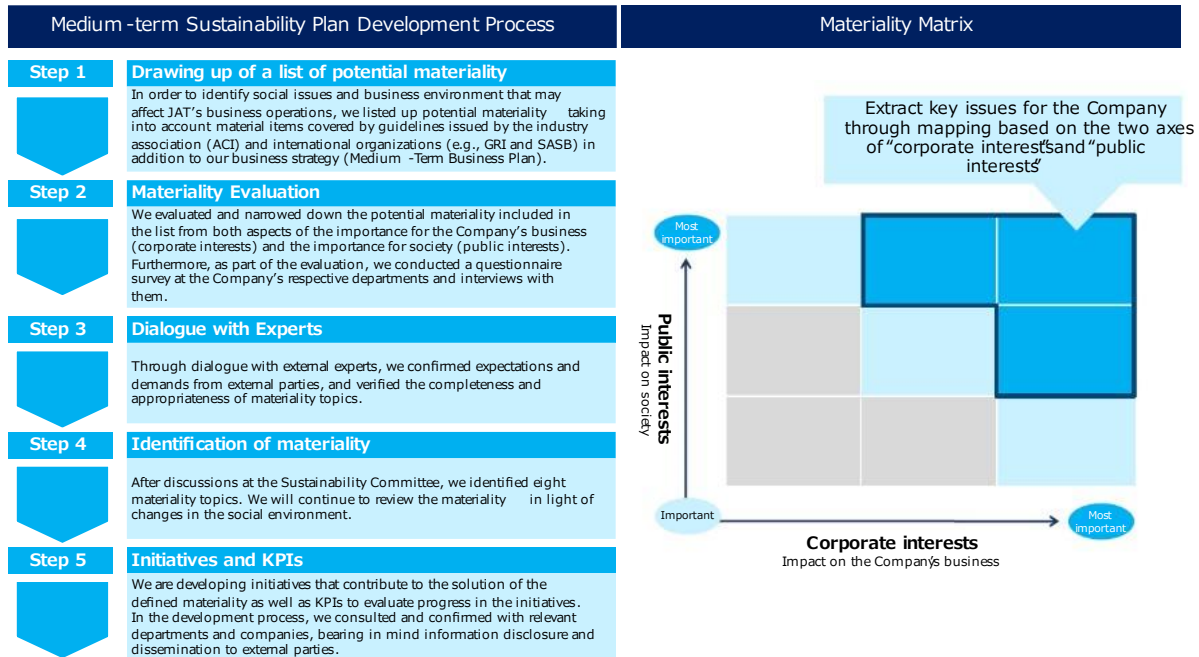
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4. Sustainability Initiatives

(1) Creating a Medium -Term Sustainability Plan

- We have developed the Medium-term Sustainability Plan based on materiality (key issues) and KPIs (key performance indicators).
- Regarding materiality, we drew up a list of potential materiality (key issues) based on the industry group guidance, sustainability-related guidelines, business strategies, etc., mapped them based on the two axes of "public interests" and "corporate interests," and identified them from the perspectives of both the JAT Group and its stakeholders.



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See page 12. We have positioned sustainability as the core of our strategy promotion, established a basic policy, and put in place a promotion system. In order to further evolve and promote sustainability management, we have recently formulated a mid-term sustainability plan with materialities, key issues, and KPIs as outlines.

First, in considering the materialities of our group, we selected 30 candidate items based on the guidelines of industry associations, international guidelines related to sustainability, and our business strategy.

After that, we mapped them with two axes of publicness and corporateness, which are important perspectives for our group. We evaluated importance by considering not only our own group but also the perspectives of our stakeholders and asked for opinions from outside experts to incorporate outside perspectives, and we have selected eight materialities.

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4. Sustainability Initiatives

(2) Materiality (Key Issues) and KPIs (Key Performance Indicators)

- We identified key issues (materiality) that should be addressed to realize our long-term vision, while setting plans, targets, and KPIs for progress tracking purposes.
- Going forward, under the sustainability promotion system, we are committed to implementing initiatives for the solution of material issues by tracking progress in the achievement of plans and targets against the KPIs.

Categories	Materiality	Initiatives	Major KPIs (Key Performance Indicators)	Target Year	Relevant Stakeholders	Vision for 2030	SDGs to be contributed	
E	Measures to combat climate change	Reduction of CO ₂ emissions	Reduction by 46% from the FY13 level (net zero by 2050) Receipt of ZEB Oriented certification for T.1 satellite in the terminal expansion project	2030 2025	Partners Global Environment	Safe and secure airport Eco airport		
		Effective use of limited resources	Introduction of eco-friendly materials and merchandise Waste reduction/resource recycling	Offering of ethical products at all directly managed (JAT's select) stores Introduction of wooden structure/interior decoration to T.1 satellite in the terminal expansion project Identification of issues for reducing food waste in the Group's restaurant business and set FY25 targets Closed-loop recycling of all PET bottles collected at terminals	2025 2025 2023 2025	Partners Global Environment	Safe and secure airport Eco airport	
	Development of a safe, comfortable and advanced airport	Enhanced terminal functionality	Continuous receipt of "5 Star Airport" rating from SKYTRAX (terminal expansion, smoother passenger flows, enhanced signage, diverse commercial facilities, etc.)	Every straight year				
		Assurance of safety and security	Continuous receipt of the 1st rating from SKYTRAX in the "Best Airport Terminal Cleanliness" category Continuous implementation of disaster drills, etc. (150 times/year, 3,000 local participants/year)	Every straight year Every straight year	Customers Partners Employees	World-leading hospitality Safe and secure airport Pleasant journey: stress-free		
Promotion of universal design		Continuous receipt of the 1st rating from SKYTRAX in the "Best PRM(Accessible Facilities)" category Completion of the initiative to introduce mobile electric carts and self-driving wheelchairs to all terminals	Every straight year 2025	Partners Local Communities Common				
Use of digital technology		A wider use of digital and robotic technologies in the five categories of (1) cleaning; (2) guidance/training; (3) mobility support; (4) security; and (5) retailing and food service	2025					
S	Contribution to local and regional communities	Creation of interaction with local communities	Installation of permanent local specialty stores in the premises of Haneda Airport within promotional campaigns at event spaces at least 24 times a year Provision of know-how acquired in the Haneda Airport and products (robots, etc.) installed therein to overseas airports and other facilities at the rate of 50 cases a year	Every straight year 2025	Partners Local Communities	Safe and secure airport Pleasant journey: stress-free		
		Benefit-sharing with local communities	Continued participation of at least 1,000 people, including local (Ota Ward) elementary and junior high school students, in the airport tours and work experience programs Grand opening of the HiCity (benefit sharing with local communities by providing medical services, creating vibrancy, offering a traffic hub, etc.)	Every straight year 2023	Partners Local Communities			
	Human resource development	Transformation of workforce into a group of real professionals	Active recruitment and development of human resources with diverse skills Creation of innovative businesses and improvement of business operations through cross-industry/industry-academia collaboration and secondment of personnel to outside entities	Performance monitoring Performance monitoring	Customers Employees	World-leading hospitality		
		Improved employee engagement	Embedding of internal branding activities (like One Promotion) into the mindset of all JAT Group executives to promote the development of "human resources who can't think and take on challenges on their own"	2025				
G	Promotion of diversity and inclusion and respect for human rights	Promotion of diversity and inclusion	Rate of childcare leave being taken by male workers: 100%; female personnel: 40% *Non-consolidated basis Employment rate of persons with disabilities: 6.6% *Non-consolidated basis	2027 2025	Customers Partners Employees Local Communities Common	World-leading hospitality Safe and secure airport		
		Implementation of human rights due diligence	Investigation of human rights risks and identification of issues and countermeasures	2023				
	Promotion of fair business activities	Ensuring of thorough compliance	Zero incidents of inappropriate behavior (serious misconduct/violations) in corporate activities Formulation of sustainable procurement guidelines and dissemination thereof to business partners	Every straight year 2023	Customers Partners Employees Shareholders, and investors Common	World-leading hospitality Safe and secure airport Pleasant journey: stress-free Eco airport		
Strengthening of risk management		Strengthening of sustainability governance	Dialogue with experts (twice a year)	Every straight year				
	Strengthening of risk management systems	Establishment of the Risk Management Committee and a PDCA cycle for priority risks	2023	Customers Employees Shareholders, and investors Common	World-leading hospitality Safe and secure airport Pleasant journey: stress-free Eco airport			
	Strengthening of cybersecurity	Zero incidents that result from a lack of adequate cybersecurity measures and have a serious impact on the terminal building operations	Every straight year					

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See page 13. The eight materialities are divided into three categories: E for environment, S for social, and G for governance.

Environment has two items: combatting climate change and effective use of limited resources.

Social has four items: Creation of safe, comfortable, and advanced airports, contribution to local and regional communities, human resources development, and promotion of diversity and inclusion and respect for human rights.

Governance has two items: The promotion of fair business activities and the strengthening of risk management.

For each materiality, we have organized the relationship between the Group's business and social issues and established 17 initiatives to resolve them.

Next, we set 27 KPIs to serve as evaluation indicators for progress management, and for each KPI we set a target year and a specific plan.

Under the sustainability promotion system, we will regularly manage the progress of the plan for KPIs and revise the plan as necessary to resolve materialities.

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4. Sustainability Initiatives

(3) Relationship between Materiality and Medium -Term Business Plan

- The materiality we identified earlier is in consistent with the strategic direction defined under the Medium -Term Business Plan for FY22–25, titled “To Be a World Best Airport 2025 - towards becoming one of the most advanced, human-and-eco-friendly airports by 2030.”
- By continuing to work on materiality, we will implement the strategies set forth in the MT BP and aim to realize the vision for 2030 of “becoming one of the most advanced, human-and-eco-friendly airports.”

Materiality and Corresponding Strategies Set Forth in Medium-Term Business Plan

Direction of strategies set forth in MT BP		Medium -term Sustainability Plan/Materiality (key issues)							
		Measures to combat climate change	Effective use of limited resources	Development of a safe, comfortable, and advanced airport	Contribution to local and regional communities	Human resource development	Promotion of D&I and Respect for Human Rights	Promotion of fair business activities	Strengthening of risk management
Reinforcement of earnings base	Establishing a foundation for regrowth Reform and Innovation (Change)	●	●	●					
	Growth of airport business Growth and Evolution (Grow)	●	●	●	●				
	Expansion of earnings base Facing Challenges (Expand)	●	●	●	●				
Enhance the management base	Improve and innovate by harnessing DX and new technologies			●			●		●
	Organization, personnel, and governance					●	●	●	●
	Financial strategy							●	●

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See page 14. This section shows the relationship between the strategic direction indicated in the mid-term business plan and the eight materialities.

By continuously working on the materialities, which are also consistent with the direction of our strategy, we will strive to realize the advanced airport 2030 that is friendly to people and the environment as stated in our mid-term management plan.

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4. Sustainability Initiatives

(4) Information Disclosure in Accordance with the Task Force on Climate - Related Financial Disclosures (TCFD) Recommendations

- The Company announced endorsement of the TCFD recommendation in September 2022 and has started to disclose information in accordance with the TCFD recommendations in May 2023.
- Going forward, we will recognize the business environment surrounding the Company, deepen our analysis of risks and opportunities to promote countermeasures, and continue to disclose related information.



Governance	<ul style="list-style-type: none"> ➢ Hold Sustainability Committee meetings chaired by the President and Representative Director at least twice a year. ➢ The Sustainability Committee takes the lead in formulating action policies and managing the progress of climate change-related initiatives as priority management issues, which are deliberated at Executive Committee meetings and then reported to the Board of Directors for resolution.
Strategy	<ul style="list-style-type: none"> ➢ Analyze two scenarios (1.5°C and 4.0°C) to assess the impact of climate change on the Group's business. ➢ Identify risks and opportunities based on the two scenarios, assess the impact, and develop measures to address the risks
Risk management	<ul style="list-style-type: none"> ➢ Established the Risk Management Committee on April 1, 2023 to enhance the Group-wide risk management system. ➢ Climate change-related risks that have a significant impact on the Company's business and performance are verified and assessed by the Risk Management Committee as priority risks, and the risk management is reviewed as necessary.
Indicators and targets	<ul style="list-style-type: none"> ➢ As KPIs in "Measures to combat climate change" of the Medium-term Sustainability Plan, we have set long-term targets on GHG emission reduction Scopes 1 and 2: reducing emissions by 46% from the 2013 level by 2030 and achieving carbon neutrality by 2050.

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See page 15. This section describes the disclosure of information based on the TCFD recommendations.

We think that climate change is also as an important business issue. In September last year, we expressed our support for the TCFD recommendations, and in May this year, we disclosed information on governance, strategy, risk management, and indicators and targets, which are items recommended for disclosure.

As for governance, the sustainability committee, chaired by the president, formulates policies, manages progress, and reports to the management conference and the Board of Directors.

For strategy, we have analyzed two scenarios, 1.5°C and 4°C, to assess the impact of climate change on our group's business. We have identified risks and opportunities for each scenario, evaluated the degree of impact, and established measures to address the risks.

Regarding risk management, the risk management committee established in April of this year will examine and evaluate climate change-related risks that have a significant impact on our business and performance as priority risks and review them as necessary.

As for the indicators and targets, we have set a long-term goal of reducing greenhouse gas emissions by 46% from FY2013 level by 2030 and achieving carbon neutrality by 2050.

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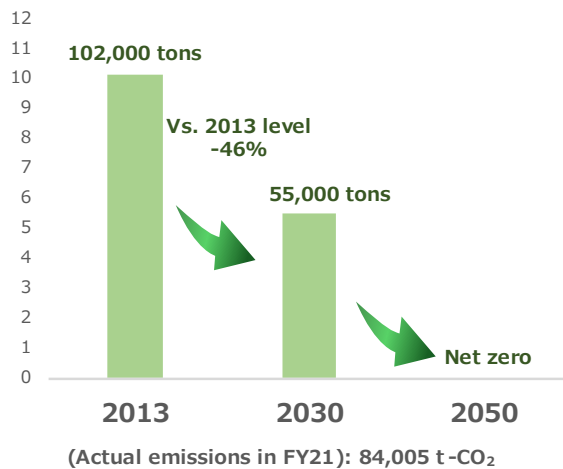


4. Sustainability Initiatives

(5) CO₂ Emission Reduction Targets

- In order to achieve the long-term target of becoming carbon neutral by 2050, we envision the following specific initiatives to reduce CO₂ emissions.

CO₂ emission (Scope 1, Scope 2) * reduction targets



Measures under consideration

Scopes 1 and 2	Energy Saving	<ul style="list-style-type: none"> Switching to LED lighting Renewal of air conditioners
	Renewable/ New Energies	<ul style="list-style-type: none"> Turning purchased electricity into renewable energy Exploring the possibility of on-site power generation using renewable energy Efficient use of heat sources Research and study for the use of new energies
	Others	<ul style="list-style-type: none"> Exploring the possibility of adopting sustainable constructions (including wooden structures and interior decoration) and ZEBs during the terminal construction work Use of carbon credits in the future
Scope 3 (Cooperation with stakeholders)		<ul style="list-style-type: none"> Understanding actual results/setting goals and roadmaps Consider undertaking various decarbonization measures at landside and airside, together with relevant stakeholders

* Scope of targets: The volume of CO₂ emitted by the Group in the premises of Haneda Airport (excluding emissions from airport vehicles owned by the Group in the Haneda Airport)

Scope of emissions: CO₂ derived from energy consumed in-house during business operations

For details, see the "Sustainability" section of our website: <https://www.tokyo-airport-bldg.co.jp/sustainability/>

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See page 16. The KPI for greenhouse gas emissions is the amount of energy-derived CO₂ emissions from the Group's own energy consumption in its operations at Haneda Airport.

We have been working with stakeholders at Haneda Airport to reduce our environmental impact within the framework of the Tokyo International Airport Council of the Ministry of Land, Infrastructure, Transport and Tourism.

On the other hand, since the effects of those energy-saving measures alone are limited, we are investigating and studying new energy fields such as the use of hydrogen. However, since the path to achieving carbon neutrality bears uncertainty, we will continue to flexibly consider various options, including future innovative technologies.

We will continue to recognize the business environment in which we operate, and in cooperation with our stakeholders, promote effective emission reductions at the airport as a whole, deepen our analysis of risks and opportunities related to climate change, promote measures to deal with climate change, and disclose relevant information.

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Lastly, with the normalization of socioeconomic activities, airline demand has entered a phase in which it has exceeded the level before COVID-19 in some areas. There are many issues that need to be addressed, such as soaring resource prices, labor shortages, the transition to a digital society, and the situation surrounding decarbonization. However, in this situation, we will firmly keep our long-term goals in mind and steadily implement necessary measures.

We would like to ask for your continued understanding and support. That is all for the explanation. Thank you very much.

Moderator: Thank you very much.

[END]

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