

HANEDA

Japan Airport Terminal



Japan Airport Terminal Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 17, 2023

Event Summary

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[Participants]		
[Number of Speakers]	5	
	Isao Takashiro	Chairman and CEO
	Nobuaki Yokota	President and COO
	Hiroshi Onishi	Executive Vice President
	Kazuhito Tanaka	Executive Vice President
	Masatoshi Akahori	President & CEO, Tokyo International Air Terminal Corporation

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Presentation

Moderator: Now that the time has come, we will now begin the financial results briefing for Q2 of the fiscal year ending March 31, 2024 of Japan Airport Terminal Co., Ltd. Thank you all for taking time out of your very busy schedules to attend today's meeting.

I would like to introduce today's attendees.

Mr. Isao Takashiro, Chairman and CEO.

Takashiro: My name is Takashiro. Thank you.

Moderator: Mr. Nobuaki Yokota, President and COO.

Yokota: My name is Yokota. Hello.

Moderator: Mr. Hiroshi Onishi, Executive Vice President.

Onishi: My name is Onishi. Thank you.

Moderator: Mr. Kazuhito Tanaka, Executive Vice President.

Tanaka: My name is Tanaka. Thank you.

Moderator: Mr. Masatoshi Akahori, President and CEO of Tokyo International Air Terminal Corporation.

Akahori: My name is Akahori. Nice to be here.

Moderator: That is all who are present.

Then, we would like to begin the presentation.

President Yokota, please begin.

Yokota: I am Yokota, President of the Company. Thank you for your time. We truly appreciate your continued understanding and support of our business operations.

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1. Review of Consolidated Financial Results for FY23 2Q

(1) Business Environment/Number of Passengers

Business Environment

- COVID-19 is now classified as Class V under Japan's Infectious Disease Control Law, the same class as influenza.
- Activity restrictions, including restrictions on emigration and immigration, were lifted, and the number of non-Japanese visitors to Japan continues to increase significantly.
- Prices continue to rise due to high resource prices and the weak yen, and labor shortages in the service industry are becoming more serious.

Number of Passengers (Haneda Airport)

- The number of passengers on domestic flights increased approximately 30% from the previous term due to a steady recovery in Japanese travel demand, etc., but was slightly less than 10% lower than the initial forecast due to a delayed recovery in business demand, etc. (approximately 90% of the FY19 level)
- The number of passengers of international flights was approximately five times that in the previous term due to strong inbound demand, exceeding the initial forecast by more than 10%. (Almost the same level as FY19)

Airport	FY23/1H (10 thousands)	FY22/1H (10 thousands)	Rate of change (%)	Initial forecast (10 thousands)	Change from the Initial forecast (%)	Target number* (10 thousands)	Rate of change (%)	FY19/1H (10 thousands)	Rate of change (%)
Haneda – Domestic	3,059	2,386	28.2	3,321	-7.9	3,490	-12.3	3,496	-12.5
Haneda – International	904	169	434.9	812	11.4	1,280	-29.3	934	-3.2
Total Haneda	3,964	2,555	55.1	4,133	-4.1	4,770	-18.9	4,430	-10.5
Narita	1,268	439	188.2	1,069	18.5				
Kansai	839	59	1309.4	677	24.0				
Chubu Centrair	128	18	588.4	121	5.5				

* Target number represents the number of passengers expected in 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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Please see page two first.

First, I would like to explain the situation in H1.

In the business environment, the number of foreign visitors to Japan continued to increase significantly due to the full elimination of behavioral restrictions, including immigration restrictions, following the reclassification of COVID-19 infection under the Act on the Prevention of Infectious Diseases.

On the other hand, the price of goods continues to rise due to high resource prices and the weak yen, and the labor shortage in the service industry is becoming more serious.

Under these circumstances, passenger volume at Haneda Airport increased by approximately 30% from the previous fiscal year on domestic flights due to a steady recovery in demand for travel by Japanese and other factors. However, this was less than 10% below the initial forecast due in part to a delayed recovery in business demand.

On the other hand, international flights were approximately five times higher than the previous fiscal year due to strong inbound demand, exceeding the initial forecast by more than 10%.

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1. Review of Consolidated Financial Results for FY23 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.
- Although operating expenses also increased significantly, consolidated results turned positive for the first time in four years, driven by an increase in sales.
- While operating revenues were significantly higher than the forecast due to strong international flights, utilities and repair expenses were lower than the forecast, resulting in a significant improvement in results.

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 *1	Difference	1Q Forecast *2	Difference
Operating revenues	100.1	43.6	56.5	129.6	90.3	9.8	94.6	5.5
(Facilities management)	(43.6)	(27.3)	16.3	59.9	(42.4)	1.2	(43.0)	0.6
(Merchandise sales)	(49.4)	(12.8)	36.6	284.5	(40.6)	8.8	(44.6)	4.8
(Food and beverage)	(6.9)	(3.4)	3.5	103.3	(7.3)	-0.3	(7.0)	-0.0
Operating income (loss)	13.5	-9.2	22.7	-	6.0	7.5	9.6	3.9
Ordinary income (loss)	12.4	-9.7	22.2	-	4.6	7.8	8.5	3.9
Quarterly net income (loss) attributable to owners of parent	8.2	-3.3	11.5	-	3.4	4.8	5.9	2.3

*1 Financial forecast announced in May 2023

*2 Financial forecast announced in August 2023

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Please see page three.

In this business environment, consolidated operating revenues for H1 of the fiscal year exceeded those of the previous year in all segments due to an increase in merchandise sales and facility usage fee revenues, etc., in line with an increase in the number of passengers.

Despite a significant increase in operating expenses, the increase in sales led to a consolidated income for H1 for the first time in four years. Compared to the initial forecast, sales were significantly higher due to strong international flights, while on the expense side, utilities and repair costs were lower than expected, resulting in a significant upward revision in profit and loss.

As a result, as shown in the red frame in the document, operating revenues were JPY100.1 billion, operating income was JPY13.5 billion, ordinary income was JPY12.4 billion, and net income was JPY8.2 billion.

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2. Consolidated Financial Forecast for FY23

(1) Business Environment/Number of Passengers

Business Environment

- Inbound demand from Chinese and other non-Japanese visitors to Japan will remain strong, partly due to the weak yen.
- Prices will continue to rise due to higher resource prices and the weak yen, as well as rising wages resulting from labor shortages.
- Careful attention must be paid to the impact of the future of the Chinese economy and the destabilization in the Middle East.

Number of Passengers (Haneda Airport)

- The number of passengers of domestic flights is assumed to be about 90% of pre-COVID-19 (calendar year 2019) levels, the same level as the results for the first half of FY23.
- The number of passengers of international flights is expected to continue to increase steadily, surpassing pre-COVID-19 (calendar year 2019) levels to a record high and increasing to approximately 80% of the target number (assumed number of passengers after expansion of flight slots).

Airport	Revised forecasts (10 thousands)	FY22 Results (10 thousands)	Rate of change (%)	Initial forecast (10 thousands)	Change from the initial forecast (%)	Target number* (10 thousands)	Rate of change (%)	2019 calendar year result (10 thousands)	Rate of change (%)
Haneda – Domestic	6,131	5,306	15.6	6,564	-6.6	6,900	-11.1	6,886	-11.0
Haneda – International	1,937	680	184.5	1,818	6.5	2,560	-24.3	1,853	4.5
Total Haneda	8,069	5,987	34.8	8,383	-3.7	9,460	-14.7	8,740	-7.7
Narita	2,682	1,355	97.8	2,374	13.0				
Kansai	1,794	513	249.2	1,549	15.8				
Chubu Central	322	82	290.4	311	3.6				

* Target numbers are the estimated passenger volume for FY25.

See page four. I would like to continue by explaining our full-year earnings forecast.

In terms of the business environment, we expect inbound demand from Chinese and other foreign visitors to Japan to remain strong, partly due to the weak yen.

In addition, price hikes are expected to continue due to higher resource prices and the weaker yen, as well as higher wages due to labor shortages.

In addition, we will continue to need to pay attention to the effects of concerns about the Chinese economy and the destabilizing situation in the Middle East.

As for passenger volume at Haneda Airport, we assume that the domestic flight volume will be approximately 90% of the pre-COVID-19 pandemic level, the same level as in H1.

On the other hand, international flights continue to increase strongly and are expected to exceed the pre-COVID-19 pandemic level to reach a new record high, approximately 80% of the target level.

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2. Consolidated Financial Forecast for FY23 (2) Consolidated Financial Forecast

Overview

- Operating revenues are expected to increase along with an increase in the number of passengers.
- Although expenses will increase in line with an increase in sales, operating income and ordinary income are expected to reach record highs.
- Results for international flights are expected to significantly outperform the initial forecasts and improve drastically, despite an increase in variable costs.

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

Items	FY23 1H			FY23 2H			FY23			Initial forecast *1	Difference	1Q Forecast *2	Difference
	Results	FY22 1H results	Change	Revised forecasts	FY22 2H results	Change	Revised forecasts	FY22 results	Change				
Operating revenues	100.1	43.6	56.5	111.3	69.4	41.9	211.5	113.0	98.4	195.7	15.8	200.0	11.5
(Facilities management)	(43.6)	(27.3)	16.3	(46.2)	(35.9)	10.2	(89.9)	(63.2)	26.6	(88.0)	1.9	(88.6)	1.3
(Merchandise sales)	(49.4)	(12.8)	36.6	(57.3)	(28.4)	28.8	(106.8)	(41.3)	65.4	(92.8)	14.0	(96.8)	10.0
(Food and beverage)	(6.9)	(3.4)	3.5	(7.8)	(5.0)	2.8	(14.8)	(8.4)	6.3	(14.9)	-0.1	(14.6)	0.2
Operating income (loss)	13.5	-9.2	22.7	11.1	-1.3	12.4	24.7	-10.5	35.2	15.4	9.3	19.0	5.7
Ordinary income (loss)	12.4	-9.7	22.2	10.3	-2.3	12.6	22.8	-12.0	34.8	13.1	9.7	17.0	5.8
Net income (loss) attributable to owners of parent	8.2	-3.3	11.5	6.9	-0.5	7.5	15.2	-3.9	19.1	9.0	6.2	11.5	3.7
Capital expenditures	2.1	1.1		30.8	10.8		33.0	12.0		30.0			
Depreciation expenses	13.9	14.4		14.3	14.5		26.3	28.9		26.3			
EBITDA	27.4	5.1		25.5	13.2		53.0	18.3		43.7			
Dividend	¥25.0	¥0.0		¥25.0	¥16.0		¥50.0	¥16.0		¥32.0			
Payout ratio	28.3%	-		33.4%	-		30.6%	-		33.1%			

*1 Financial forecast announced in May 2023

*2 Financial forecast announced in August 2023

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See page five.

As shown in the red box, we forecast operating revenues of JPY211.5 billion, an operating income of JPY24.7 billion, an ordinary income of JPY22.8 billion, and a net income of JPY15.2 billion for the full year.

Operating revenues are expected to increase in line with passenger volume growth, and operating income and ordinary income are projected to reach record highs. As for net income, it would be a record high if onetime extraordinary gains and losses in the fiscal year ended March 31, 2019 were excluded.

Compared to the initial forecast, we expect operating income to be significantly better than the original forecast, with international flights significantly exceeding the original forecast despite domestic flights falling short, and expenses increasing in fuel costs but limiting the increase in other expenses.

The Company has decided to increase the dividend in light of its basic policy for returning profits to shareholders, which is to maintain stable dividends and to target a payout ratio of 30% or more.

The Company plans to pay an interim dividend of JPY25 per share and a year-end dividend of JPY25 per share, for a total annual dividend of JPY50 per share.

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2. Consolidated Financial Forecast for FY23 (3) Financial Forecast by Segment

(Billions of yen)

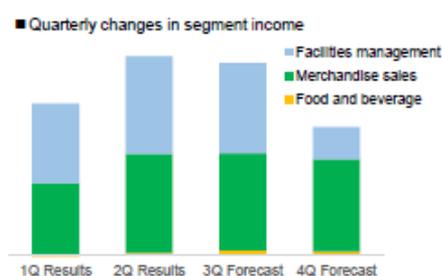
Items	1H Results	2H Forecast	Full Year Forecast
Operating revenues	100.1	111.3	211.5
Facilities management	45.1	48.3	93.5
Merchandise sales	50.1	58.1	108.3
Food and beverage	7.3	8.1	15.5
Inter-segment sales	-2.5	-3.2	-5.8
Operating expenses	88.6	100.1	186.8
Facilities management	35.9	41.9	77.9
Merchandise sales	41.3	48.2	89.6
Food and beverage	7.3	7.9	15.3
Elimination or unallocated	2.0	1.9	4.0
Operating income	13.5	11.1	24.7
Facilities management	9.2	6.3	15.6
Merchandise sales	8.8	9.8	18.7
Food and beverage	-0.0	0.2	0.2
Elimination or unallocated	-4.5	-5.2	-9.8

Note: Figures shown are rounded down to the nearest 100 million yen.

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Overview

- In the second half of FY23, sales are expected to increase in all segments, and the food and beverage business is expected to return to profitability as well.
- In the facilities management business, because of the nature of the business, expenses will increase, especially in the fourth quarter, due to construction work to be completed at the end of the fiscal year, etc., and therefore profits tend to deteriorate in the second half of the year.
- Furthermore, in FY23, some repair expenses will accrue in the second half instead of the first half.
- In the merchandise sales business and food and beverage business, income is expected to increase in the second half in line with an increase in sales.



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See page six. This section shows the forecasts by segment.

Comparing H1 with H2, net sales will improve in all segments, but operating income is expected to increase in the merchandise sales and food and beverage businesses but decrease in the facility management business.

In the current fiscal year, we are planning to install LED lighting, renew conveyor equipment, and others. The reason for this is that construction progress is concentrated at the end of the fiscal year as a seasonal factor, so costs will increase, and some repair expenses will be shifted from H1 to H2.

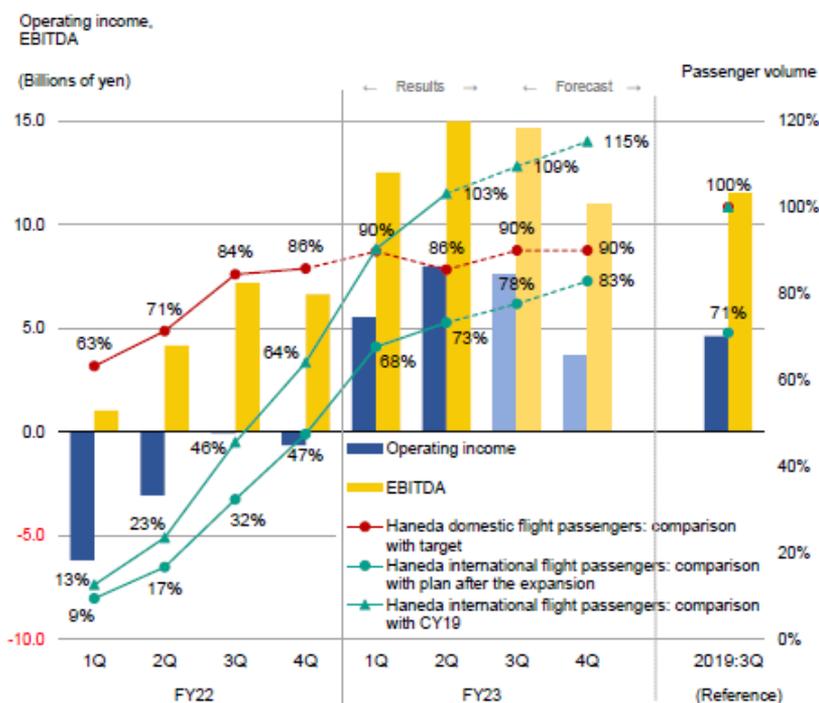
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2. Consolidated Financial Forecast for FY23

(4) Quarterly Changes in Number of Passengers, Operating Income, and EBITDA



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Overview

- Due to a sharp increase in the number of passengers of international flights and the impact of the weak yen, operating revenues increased significantly and expected to continue to be strong thereafter.
- Operating results returned to profit in the first quarter, reaching a record high in the first half of FY23.

Comparison with pre-COVID-19

- Expansion of terminals following the expansion of flight slots for international flights in March 2020, leading to an expansion in the operation scale
- After COVID-19, preparation for demand recovery by introducing new brands such as Louis Vuitton and the renovation and repositioning of stores, along with cost reductions
- Variable expenses increased in proportion to the number of passengers and operating revenues, but other expenses are expected to remain at a relatively restrained level.

See page seven. This section shows the number of passengers at Haneda Airport and our consolidated quarterly results.

The rapid recovery in the number of international passengers and the effect of the weak yen have led to a sharp increase in duty-free sales, and we expect sales to continue to be strong.

Compared to before the COVID-19 pandemic, the scale of use has increased due to the expansion of the terminal in conjunction with the increase in international arrival and departure slots in March 2020.

After the COVID-19 pandemic, we have cut costs and introduced new luxury brands, including the opening of the first Louis Vuitton store in a domestic airport last November, and we have been preparing for the recovery of usage along with store renovation and reallocation.

In terms of expenses, variable costs have increased in line with increases in passenger volume and revenues, but other expenses have remained at relatively controlled levels, which is also a part of the good performance of the current fiscal year.

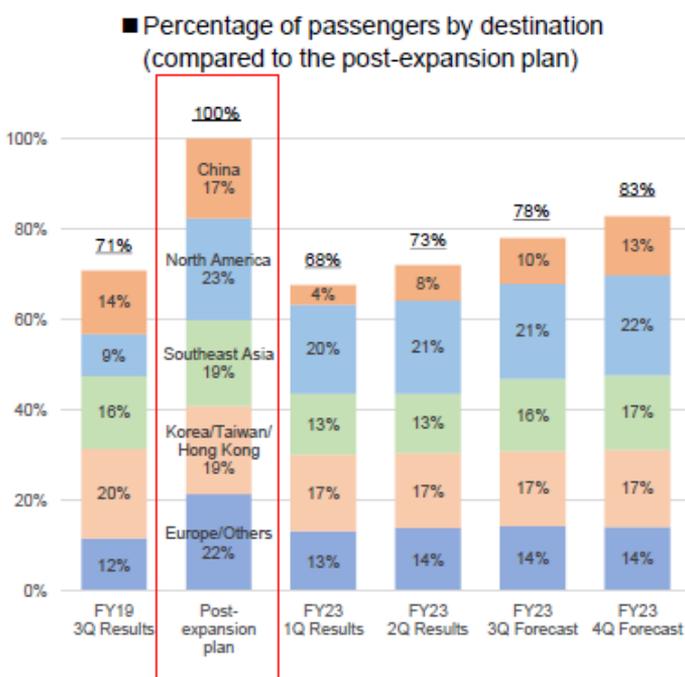
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2. Consolidated Financial Forecast for FY23

(5) Breakdown of Number of Passengers of International Flights at Haneda by Destination (Forecast)



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Overview

- The expansion of flight slots (by 1.4 times) in March 2020 resulted in a large increase in North American and European destinations in particular.
- The number of flights exceeded that before COVID-19 at the beginning of FY23, and the number of passengers also exceeded that before COVID-19 in the second quarter.
- The number of passengers is expected to increase in the future as well partially due to an increase in flights to/from China and other destinations in the winter timetable starting from the end of October.

Status of responses to increased passenger demand

- Re-opening of T2 facilities for international flights in July. Operations will be expanded from the winter timetable.
 - 1H: 5 departures (Morning)
 - ⇒ 2H: 16 departures (to 24-hour operation)
- Discussed the deployment of security check personnel, etc., with airlines and other parties to secure the number of personnel required for the winter timetable.
- Continue to consider strengthening the system in cooperation with airlines in preparation for further increases in flights.

Please continue to page eight. This section shows a breakdown of international passenger volume by direction.

The number of passengers by direction is shown as a percentage of the total number of passengers each quarter, with the number of passengers after the expansion of flight slots in March 2020 as 100%.

In Q2, the number of passengers exceeded the number of those before the COVID-19 pandemic, and we expect further growth in the future due to increased flights to China and other destinations in the winter timetable from the end of October onward.

Therefore, we are expanding the operation hours of the Terminal 2 international facilities to accommodate this change. During the summer timetable, the service was operated only in the morning, but during the winter timetable, we will take measures to make the service available 24 hours a day.

In addition, there was concern about the shortage of security check personnel due to the increase in passengers, but we have continued discussions with the airlines and other related parties and have expanded the number of contractors, so we now have enough personnel to handle the winter schedule.

We will continue to consider strengthening our system in cooperation with airlines to ensure stable operations in response to further flight increases.

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2. Consolidated Financial Forecast for FY23 (6) Status of Number of Staff and Selling, General and Administrative Expenses

◆ Response to labor shortages

- During the COVID-19 period, although the employment of full-time employees was maintained, the total workforce decreased by approximately 40% (natural decrease in full-time employees, decrease in non-regular employees, etc.).
- Due to the rapid recovery in airline demand since last fall, there was a shortage of staff at international terminal stores, etc. In addition to hiring new graduates, we will strengthen mid-career and non-regular employee hiring.
- In order to restore the stable operating structure we had before the COVID-19 period, we will continue aggressive recruitment this fiscal year as well as improve compensation to retain personnel, including base salary increases.

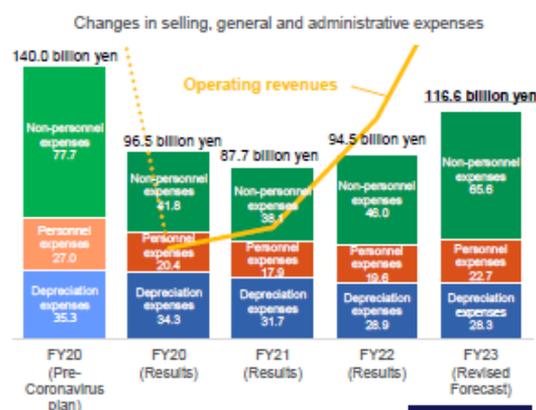
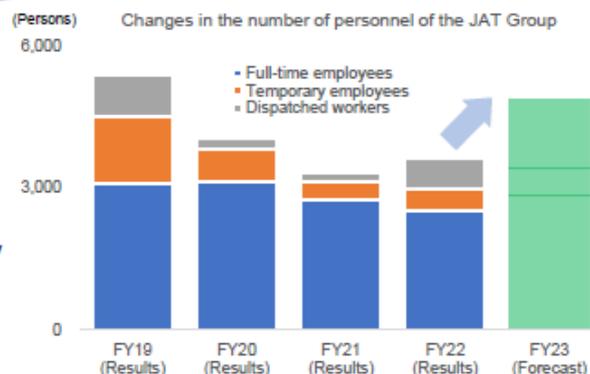
⇒ Steadily capture passenger demand by gradually extending operating hours of stores at international terminals, etc., accompanied with an increase in staff.

◆ Status of selling, general and administrative expenses (Reason for increase)

- Increase in variable costs accompanying increases in the passenger volume and operating revenue
- Increase in various expenses including labor costs resulting from rising prices
- Increase in maintenance and repair costs that had been constrained during the COVID-19 period

⇒ Maintain service quality through productivity improvement while controlling any rebound of costs

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See page nine. I would like to explain the personnel situation in our group.

Amid the severe business environment caused by the COVID-19 pandemic, we made efforts to maintain the employment of full-time employees in anticipation of a recovery in the flow of people, but due to natural attrition resulting from retirements and other factors, the number of employees decreased by approximately 40% of the total workforce.

As a result, the rapid recovery in airline demand since last fall has resulted in a shortage of personnel at international terminal stores and others.

As a response, we are strengthening our recruitment of human resources, actively hiring mid-career and non-regular employees in addition to new graduates, and at the same time, we are working to restore the stable operating structure that we had before the COVID-19 pandemic by improving compensation to retain our personnel.

We will also gradually expand the opening hours of international terminal stores to steadily capture passenger demand.

In addition, selling, general, and administrative expenses are expected to increase in line with increases in passenger volume, revenues, and prices, while maintenance and repair expenses are also expected to increase. We will continue to improve productivity to maintain service and quality while controlling cost rebound.

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3. Progress of the Medium-Term Business Plan (1) Forecast of Number of Passengers (Haneda Airport) and Target Results

(10 thousands)

Domestic flights	FY22	FY23	FY24	FY25
Number of passengers	5,308	6,131	6,900	6,900
Comparison with target	77%	89%	100%	100%

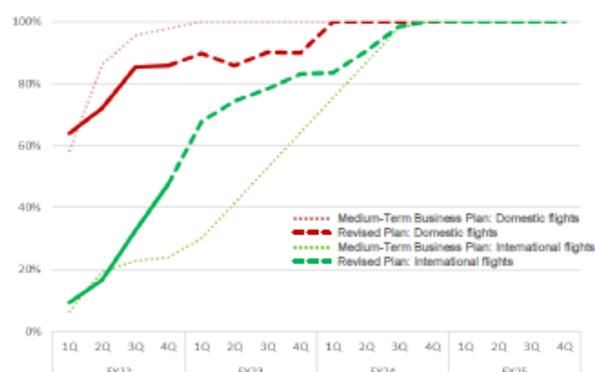
International flights

Number of passengers	680	1,937	2,380	2,560
Comparison with plan after the expansion	27%	75%	93%	100%
Comparison with 2019	37%	104%	129%	139%

Note: Number of passengers in and after FY24 is the forecast figures announced in May 2023.

	FY23 Revised forecasts	FY25 target	Achievement rate
Operating revenues	211.5 billion yen	280.0 billion yen	76%
Facilities management	89.9 billion yen	106.0 billion yen	85%
Merchandise sales	106.8 billion yen	156.0 billion yen	68%
Food and beverage	14.8 billion yen	18.0 billion yen	82%
Operating income	24.7 billion yen	30.0 billion yen	82%
Ordinary income	22.8 billion yen	27.0 billion yen	84%
Net income	15.2 billion yen	16.0 billion yen	95%

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◆ Forecast for FY24 and thereafter

(Achievement of KPIs for FY25)

- An increase in operating revenues is expected due to an increase in number of passengers on international flights.
- Duty-free sales, which have been growing more than passenger growth, may slow down.
- Various expenses including labor costs will increase in line with sustained rising prices (in particular, an increase in rent, which has decreased by 30% from the peak, is inevitable).

⇒ Steadily implement all measures indicated in the Medium-Term Business Plan to achieve the target operating income of 30 billion yen.

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Please continue to page 10.

Here, we have shown again the passenger volume forecast for Haneda Airport and the target figures for the final year of the medium-term business plan.

There is no change in passenger volume from the forecast announced in May for FY2024 onward. The target figure is expected to be achieved by approximately 80% this fiscal year, compared to the FY2025 target of JPY30 billion in operating income.

While passenger volume is expected to continue to increase in the next fiscal year and beyond, we see the possibility that duty-free sales, which are currently growing faster than passenger volume, may slow down.

On the expense side, we anticipate that overhead costs will increase in line with sustained price increases. In particular, rentals, which are 30% less than the peak for the current fiscal year, are expected to increase, as the performance-linked portion, which has not been accruing so far due to international flight losses, is certain to accrue from the next fiscal year onward.

Under these circumstances, we will aim to achieve our income targets by steadily implementing each of the measures set forth in the medium-term business plan in order to cover the higher-than-expected increase in expenses with higher revenues.

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3. Progress of the Medium-Term Business Plan (2) Our goals

Our goals for 2025				Our goals for 2030	
Facilities management	To achieve both high quality and profitability, we are reviewing terminal operations and promoting the functional strengthening 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.	Quantitative target		To become an airport terminal company trusted by all stakeholders Sustainability permeates throughout management and business promotion > Business promotion and management system in accordance with the Sustainability Basic Policy > The best hospitality in the world > Safe and secure airport > Comfortable travel that is stress free > Eco-Airport (Achieved the CO ₂ reduction target of -46%) Establish operational excellence > Ongoing efforts to improve quality and efficiency, including "Learning during the COVID-19 period" > Establish new usages of terminals through collaboration with airlines > Digital marketing contributes to the creation of new services and improvement of passenger satisfaction > DX and systemization improve productivity of administrative operations, etc. Establish airport functions with a vision for future increases in airline demand > Completion of expansion of T1 and T2 terminals with satellite development and operation promotion > Connection of JR East Haneda Airport Access Line and T2 terminal > Study and Investigation of terminal development in conjunction with the national government's Investigation of manmade ground development Establish a stable revenue source and financial base > Leverage increased airline demand to improve earnings in the merchandise sales, food and beverage, and service businesses > Grow newly developed businesses to play a role in the revenue base > Recovery of equity ratio to above 40% and maintenance of credit rating Further enhance organizational strength and governance > Create a corporate culture in which people think and take on challenges themselves and can play an active role, and where diverse human resources can support each other > Establish a group management system appropriate to the business environment > Establish governance that realizes a higher level of management transparency and fairness as well as the improvement of corporate value	
		Indicator	Target level		
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 (previous standard: 193 billion yen) and operating revenues from food and beverage sales of 18 billion yen (previous standard: 21 billion yen).	Operating income/ Consolidated net income	30 billion yen/18 billion yen or more	> Completion of expansion of T1 and T2 terminals with satellite development and operation promotion > Connection of JR East Haneda Airport Access Line and T2 terminal > Study and Investigation of terminal development in conjunction with the national government's Investigation of manmade ground development Establish a stable revenue source and financial base > Leverage increased airline demand to improve earnings in the merchandise sales, food and beverage, and service businesses > Grow newly developed businesses to play a role in the revenue base > Recovery of equity ratio to above 40% and maintenance of credit rating Further enhance organizational strength and governance > Create a corporate culture in which people think and take on challenges themselves and can play an active role, and where diverse human resources can support each other > Establish a group management system appropriate to the business environment > Establish governance that realizes a higher level of management transparency and fairness as well as the improvement of corporate value	
		Cost reduction amount	2.5 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.	ROA (EBITDA)	12% or higher	> Completion of expansion of T1 and T2 terminals with satellite development and operation promotion > Connection of JR East Haneda Airport Access Line and T2 terminal > Study and Investigation of terminal development in conjunction with the national government's Investigation of manmade ground development Establish a stable revenue source and financial base > Leverage increased airline demand to improve earnings in the merchandise sales, food and beverage, and service businesses > Grow newly developed businesses to play a role in the revenue base > Recovery of equity ratio to above 40% and maintenance of credit rating Further enhance organizational strength and governance > Create a corporate culture in which people think and take on challenges themselves and can play an active role, and where diverse human resources can support each other > Establish a group management system appropriate to the business environment > Establish governance that realizes a higher level of management transparency and fairness as well as the improvement of corporate value	
		Equity ratio	Aim to recover to the level of 40%		
Management Base	DX strategy	Organization, personnel, and governance	Financial strategy	> Completion of expansion of T1 and T2 terminals with satellite development and operation promotion > Connection of JR East Haneda Airport Access Line and T2 terminal > Study and Investigation of terminal development in conjunction with the national government's Investigation of manmade ground development Establish a stable revenue source and financial base > Leverage increased airline demand to improve earnings in the merchandise sales, food and beverage, and service businesses > Grow newly developed businesses to play a role in the revenue base > Recovery of equity ratio to above 40% and maintenance of credit rating Further enhance organizational strength and governance > Create a corporate culture in which people think and take on challenges themselves and can play an active role, and where diverse human resources can support each other > Establish a group management system appropriate to the business environment > Establish governance that realizes a higher level of management transparency and fairness as well as the improvement of corporate value	
	- Using technology with a focus on digital and AI - Digital integration of information and data - Evolution into a Smart Airport	- Recruitment of outside human resources, strengthening of exchanges with outside personnel - Ensure expertise and diversity of personnel - Cultivate a corporate culture of "think and take on challenges yourself"	- Rapid restoration of financial soundness - Establish a sophisticated business evaluation and management system - Appropriate investment in new business opportunities		Payout ratio: 30% or more SKYTRAX evaluation ranking: World Best Airport TOP 3

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Then, see page 11. This section shows the vision of each business in 2025 and the vision of the Group in 2030.

We have set our goals by 2025 for each of our businesses to become an airport terminal company that all stakeholders trust, which is our vision for 2030.

We will create a plan for each fiscal year toward the vision we aim for in 2025, check progress, and make revisions as needed according to the situation, as we work toward achieving our goals.

From this point on, we will explain our main initiatives for this fiscal year, business by business.

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3. Progress of the Medium-Term Business Plan (3) Facilities Management

Major implementation in FY23	<ul style="list-style-type: none"> ◆ Perspectives on operation and management <ul style="list-style-type: none"> ➢ Response to an increase in the number of passengers Re-opening of T2 international flight facilities, expansion of operations, securing of personnel ➢ Maintain a top 3 ranking in SKYTRAX World's Best Airports and continue to be a 5-star airport Develop Wi-Fi communication environment, implement disaster prevention measures, repair aging facilities, etc. Maintain efficient personnel allocation, control any rebound of costs ➢ Curb maintenance and management costs by utilizing robots and reviewing operations Deployment of WHILL, automatic driving wheelchair in T3, continuation of pilot operation of guide robots ◆ Profit improvement perspective <ul style="list-style-type: none"> ➢ Revitalization of commercial area Attract new tenants (HUB, Komeraku, stores in T3 lobby, etc.) ➢ Measures regarding office vacancy Increase of lease rate following SNJ/ADO integration and reorganization, etc. ➢ Revise rent for certain tenants to an appropriate level ◆ Facility infrastructure perspective <ul style="list-style-type: none"> ➢ Steady implementation of construction for connecting the T2 satellite with the main building ➢ Selection of a contractor for the T1 satellite construction work and conclusion of the contract 	 
Our goals for 2025	<p>To achieve both high quality and profitability, we are reviewing terminal operations and promoting the functional strengthening 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.</p> <p>[Strategic direction] - Efficient terminal operations - Review leasing and rent structure by enhancing real estate management - Strengthen functions in anticipation of 60 million non-Japanese visitors to Japan in 2030</p>	

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First, let's look at page 12, facility management.

From the viewpoint of operations management, the Company will continue to respond to increasing passenger demand and will sequentially carry out renovation work in preparation for major disasters and the replacement of equipment that has been installed for a number of years. At the same time, we will adhere to efficient staffing in security, guidance, and other areas to minimize cost rebound.

To this end, we are working on the use of robots to improve operational efficiency, and WHILL, the self-driving wheelchair that has already been installed on domestic flights, will be deployed in Terminal 3 starting this fall.

From the viewpoint of improving profitability, we are considering remodeling the area for stores to revitalize the commercial area, and by attracting tenants, such as airline offices and new stores, we are working to reduce vacancies and at the same time revising rents to appropriate levels for some of the tenants.

From the perspective of facility infrastructure, we will steadily implement our investment plans for the future, including the steady implementation of the construction of connection between the satellite building on the north side of Terminal 2 and the main terminal building, as well as the selection of a contractor for the construction of the satellite building on the north side of Terminal 1.

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3. Progress of the Medium-Term Business Plan (4) Merchandise sales/Food and beverage

Major implementation in FY23

- ◆ Perspectives on sales expansion
 - Elimination of missed sales and improvement of service through normalization of business hours, etc.
 - Store renewal
 - T3: Ferragamo, Loewe, Valextra (These are pop-up stores.)
Japan Mastery Collection
 - T1: **Haneda Sanchoku-Kan (shop directly from producers)**, preparation for future store renewal and reorganization

New and renewed stores in T3 after 2021
New: Shiseido (cosmetics), Saint Laurent, Dior (cosmetics and fashion), Louis Vuitton, Chanel (cosmetics), 7-Eleven
Relocated and renewed: Cartier, Omega, Rolex, Central (liquor and tobacco area)

- Expansion of original products development
THE GINZA x Globe-Trotter limited edition trolley case
Louis Vuitton Haneda limited service

- ◆ Perspective of profit structure
- Study of labor-saving stores, etc. for low-cost operations
Introduction of RFID linked cash registers and inventory management as well as robotic warehouses
- Maintenance of appropriate inventory





Image of Haneda Sanchoku-Kan

Our goals for 2025

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 (previous standard: 103 billion yen) and operating revenues from food and beverage sales of 18 billion yen (previous standard: 21 billion yen).

[Strategic direction] - Operation through research of new technology and development of new customers, review of cost ratio

- Review products, services, etc. through digital marketing
- Expand sales channels through e-commerce business, etc.

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See page 13. Next, we will explain about the merchandise sales and food and beverage businesses.

From the viewpoint of revenues expansion, the duty-free stores will return its operating hours to levels similar to those before the COVID-19 pandemic to eliminate missed sales and improve customer service. We continue to reposition our stores in Terminal 3, including the opening of pop-up stores for Ferragamo, Loewe, and others.

We are planning to open Japan Mastery Collection, a regional luxury brand, in December, and would like to develop a collection of products from various parts of Japan, including originals, from the perspectives of Japanese creators, traditional crafts, fashion, and sundries.

For the domestic terminal, we will open Haneda Sanchoku-kan in Terminal 1 in December. In addition to selling fresh primary and domestic products from all over Japan, we plan to set up a PR corner to promote regional cooperation and continuously communicate the attractiveness of each region from Haneda Airport.

From the perspective of improving profitability, the Company is improving operational efficiency through the introduction of RFID-linked cash registers, inventory management systems, and robotic warehouses.

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3. Progress of the Medium-Term Business Plan (5) New business/Expertise business/Management Base

	New business/Expertise business	Management base						
Major implementation in FY23	<ul style="list-style-type: none"> Perspectives on utilizing Haneda's value <ul style="list-style-type: none"> Strengthen EC business Renovation of website for domestic e-commerce, addition of new websites for cross-border e-commerce, start of locker pickup service for pre-order sales Grand opening of Haneda Innovation City Preparation for opening of Terminal.0 HANEDA 	<ul style="list-style-type: none"> DX strategy <ul style="list-style-type: none"> Demonstration experiment of human flow analysis, setting up demand forecasting model and starting test operation Expansion of services for application members using CRM, implementation of measures to improve sales Organization, personnel, and governance <ul style="list-style-type: none"> Continue to promote women's participation in the workforce and employment of people with disabilities Continue to implement industry-academia collaboration projects Continue to implement Plus One Promotion Expansion of education and training programs (professionalism and versatility) Financial strategy <ul style="list-style-type: none"> Examine optimal financing methods to secure alternative funding for the redemption of straight corporate bonds (10 billion yen) in March 2025 						
	<ul style="list-style-type: none"> Perspectives on expertise utilization <ul style="list-style-type: none"> Agency business (Radi-Cool, Robot) Expansion of business alliances with secondary agencies and sales agencies Participation in airport management Promotion overseas airport consulting business and business development at Kumamoto Airport 							
Our goals for 2025	<p>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.</p> <p>[Strategic direction] - Development of new businesses leveraging the value of Haneda Airport</p> <ul style="list-style-type: none"> Improve earnings based on our existing expertise regarding airport operations Acquire new technologies and expertise and create new businesses 	<table border="1"> <thead> <tr> <th>DX strategy</th> <th>Organization, personnel, and governance</th> <th>Financial strategy</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Using technology with a focus on digital and AI Digital integration of information and data Evolution into a Smart Airport </td> <td> <ul style="list-style-type: none"> Recruitment of outside human resources, strengthening of exchanges with outside personnel Ensure expertise and diversity of personnel Cultivate a corporate culture of "think and take on challenges yourself" </td> <td> <ul style="list-style-type: none"> Rapid restoration of financial soundness Establish a sophisticated business evaluation and management system Appropriate investment in new business opportunities </td> </tr> </tbody> </table>	DX strategy	Organization, personnel, and governance	Financial strategy	<ul style="list-style-type: none"> Using technology with a focus on digital and AI Digital integration of information and data Evolution into a Smart Airport 	<ul style="list-style-type: none"> Recruitment of outside human resources, strengthening of exchanges with outside personnel Ensure expertise and diversity of personnel Cultivate a corporate culture of "think and take on challenges yourself" 	<ul style="list-style-type: none"> Rapid restoration of financial soundness Establish a sophisticated business evaluation and management system Appropriate investment in new business opportunities
DX strategy	Organization, personnel, and governance	Financial strategy						
<ul style="list-style-type: none"> Using technology with a focus on digital and AI Digital integration of information and data Evolution into a Smart Airport 	<ul style="list-style-type: none"> Recruitment of outside human resources, strengthening of exchanges with outside personnel Ensure expertise and diversity of personnel Cultivate a corporate culture of "think and take on challenges yourself" 	<ul style="list-style-type: none"> Rapid restoration of financial soundness Establish a sophisticated business evaluation and management system Appropriate investment in new business opportunities 						

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See page 14. I would like to explain the new business, know-how business, and the management base.

First, in the EC business, we are working to improve usability by renovating our domestic EC site, expanding our channels to cross-border EC, sequentially promoting a locker pickup service for pre-ordered merchandise, and others.

In addition, the Haneda Innovation City adjacent to Haneda Airport had its grand opening yesterday. In this large-scale complex, we plan to open Terminal.0 HANEDA in January of next year as a research and development base that will work on cross-industrial collaboration to solve issues at the airport.

We are currently preparing to invite participating companies from various fields to conduct R&D together with us.

From the viewpoint of know-how utilization, with regard to the agency business for Radi-Cool, a radiative cooling material, and external sales of robots for efficiency and labor saving, we will conduct sales to regional airports based on the relationships we have cultivated while developing a secondary agency network to cultivate and expand business outside of airports, such as commercial facilities and office buildings.

The DX strategy also includes the use of infrared cameras and others to measure the flow of people in the building, which will be used to distribute congestion information via a Haneda application, as well as for demand forecasting and proper allocation of personnel.

In terms of organization and human resources, we will enhance our education and training systems to revitalize our existing human resources, and we will continue to implement industry-academia collaboration

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projects and hold seminars to promote women's activities, thereby reforming our corporate culture and promoting diversity and inclusion.

4. Sustainability Initiatives
(1) Sustainability Management Practices



2022

Positioning sustainability at the core of strategic promotion

- Establishment of Sustainability Basic Policy
- Development of a sustainability promotion system
- Endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Identification of materialities (important issues) and establishment of key performance indicators (KPIs)

2023

Sustainability management practices

- Work across the company to realize KPIs and manage progress every six months
- Prepare and distribute a Sustainability Handbook to raise awareness among all employees

Strengthen dissemination and disclosure of ESG information

- Announcement of the Medium-Term Sustainability Plan
- Disclosure of information based on the TCFD recommendations
- Disclose sustainability information in securities reports
- Respond to various ESG surveys conducted by CDP (a British environmental NGO), etc.
- Issuance of an integrated report for the first time in our Group

2024

Improve external evaluation

2025

Spreading of sustainability management

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See page 15.

Last year, we positioned sustainability as the core of our strategic promotion in the medium-term business plan and established a basic policy.

We have established a promotion system and formulated the medium-term sustainability plan with materiality, key issues, and KPIs as its framework.

To achieve this goal, from this fiscal year, we will work across the entire company to manage progress and create and distribute a sustainability handbook to promote sustainability management among all employees.

At the same time, we strive to disseminate and disclose ESG information by disclosing information based on TCFD recommendations and responding to various ESG surveys, such as CDP.

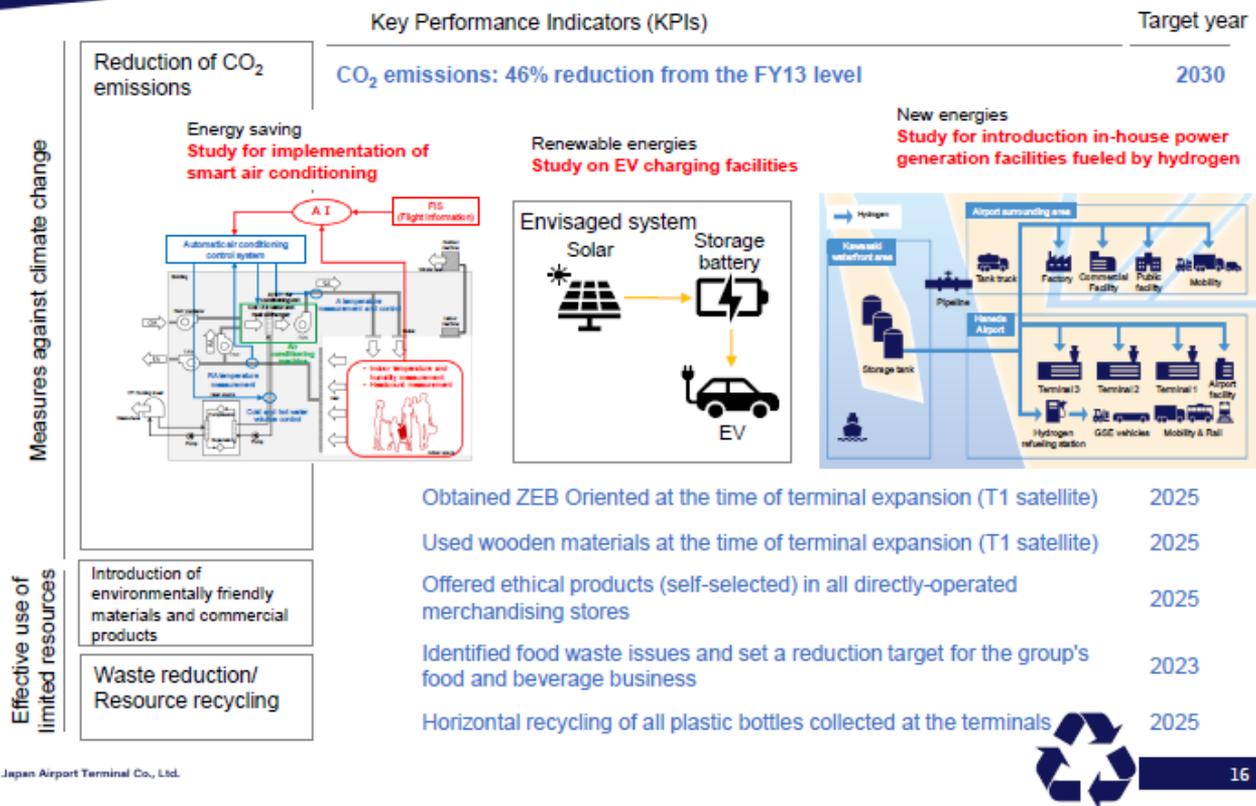
In addition, please take a look at the integrated report we published on our website last week, which explains in detail our approach to each materiality with regard to the sustainability management we are aiming for.

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4. Sustainability Initiatives (2) Initiatives to Reduce Environmental Impact



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See page 16. The KPIs for reducing environmental impact are listed here.

We believe that we need to persistently work on reducing CO₂ emissions, which is our biggest challenge, one by one by combining various means, and we would like to introduce some of them that are currently in the study stage.

In the area of energy conservation, we have been working to reduce power consumption by installing LED lighting, motion sensors, and the radiative cooling material Radi-Cool, updating air conditioning equipment, and others, and we will continue to study the implementation of smart air conditioning using AI.

In the area of renewable energy, we have installed additional solar panels and are currently studying EV recharging facilities combined with storage batteries.

In the field of new energy, we will investigate the introduction of private power generation facilities fueled by hydrogen, which does not emit CO₂ when used as energy.

Although the 46% reduction by 2030 is a high hurdle for us, we will continue to monitor the development of various technologies and the trends of other companies, and we will find a path toward achieving this goal by continuing to study it.

Last but not least, as we free ourselves from the COVID-19 pandemic and are returning to our daily lives, Haneda Airport has entered a phase in which the effects of the expansion of international arrival and departure slots, which was implemented in March 2020, will be realized.

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Although we celebrated our 70th anniversary in July of this year, we are facing a confusing business environment with soaring resource prices, China's economic trends, the global situation changes in Europe and the Middle East, and others.

In such an environment, each and every one of us is working on internal branding activities, Plus One Promotion, and the Company as a whole is steadily implementing the necessary measures with a frontier spirit and a long-term goal in mind.

We appreciate your understanding and look forward to your continued support.

That is all for the explanation. Thank you very much.

[END]

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