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Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025
Key Questions and Answers (Summary)

Q: What is the sales forecast for duty-free shops when the yen depreciates?

- Based on past trends, a 10-yen appreciation of the yen tends to decrease monthly sales by approximately 1 to 1.5 billion yen.
- Currently, sales in both domestic and international flights are progressing steadily in October. However, the uncertainty surrounding the Chinese economy makes it difficult to accurately predict the sales of luxury brands. We would like to monitor the situation further to understand how things will unfold.

Q: What is the performance outlook for the next fiscal year and the growth strategy moving forward?

- We believe there is still room for growth in passenger numbers next fiscal year compared to the current year. As of now, our outlook remains as presented in May: domestic flights are expected to reach 97% of pre-COVID levels, while international flights are unlikely to return to full capacity next fiscal year due to the inability to fully utilize the Russian flight slots.
- The performance outlook for the next fiscal year is currently under review. However, the upward revision for the current fiscal year was largely driven by factors such as increased sales at international flight stores in the first quarter and higher-than-expected passenger numbers on international flights, which contributed to higher revenue from PSFC (Passenger Service Facility Charges).To continue growing next fiscal year, we aim to diligently pursue various initiatives toward the final year of the current mid-term plan.
- Regarding the future, this mid-term plan was developed by backcasting from our vision for 2030 to outline plans for 2025. For 2030, we consider major societal shifts such as welcoming 60 million inbound tourists and achieving decarbonization. With ongoing inbound demand, we recognize the importance of addressing international flight needs, including infrastructure developments like the artificial ground currently under government consideration.
- While investments for fiscal 2026 and beyond are still under consideration, we do not see the potential for passenger growth as being entirely exhausted or reaching its limit. Therefore, we aim to carefully formulate a robust growth strategy.

Q: Regarding the trend of dissolving cross-shareholdings, could you explain how management is responding, considering factors such as capital costs and stock prices?

- Regarding the dissolution of cross-shareholdings, we have received a request for a sale from a corporation that is a shareholder in the last fiscal year.
- Since the Company was established by raising funds from a wide range of the business community, the ratio of corporate holdings was originally high, but in recent years, listed companies in particular have been forced to reduce their cross-shareholdings, so we are discussing where to sell it.
- In the future, when cross-shareholdings are dissolved, the basic policy will be to respond by presenting something that investors can understand, including capital cost management.
- As disclosed in the Corporate Governance Report, the KPIs for capital efficiency under the current medium-term management plan are 12% of ROA (EBITDA) of 12% and capital adequacy ratio of 40% or more.
- The cost of capital is estimated using generally accepted calculation methods, and efforts are made to grasp the appropriate level by conducting interviews with securities firms, etc. In FY2023, ROE was 12% and ROA (EBITDA) was 12.7%, which is higher than the typical cost of equity.
- In order to further link it with our business strategy, we are considering the business units to be managed, investment decision criteria and targets, etc., but it is difficult to say when we will be able to make an announcement at this time.
- In addition, since we are conscious of the capital adequacy ratio of 40% in order to improve our financial position damaged by the coronavirus pandemic, we believe that the repurchase of treasury shares will be discussed after we achieve that target.

Q: Please explain the impact of inflation on capital expenditures and repair costs, and the possibility of passing that impact on to the PSFC unit price.

- Regarding construction costs, for properties with signed contracts, the amount remains as agreed. However, regarding repair costs, due to the rising prices of goods, labor, and materials, we will have no choice but to accept some degree of price increases for future projects. This will be the case next fiscal year as well, and the construction details announced in the mid-term plan will generally proceed as planned.
- As for PSFC, domestic flights are currently under internal review, so we expect to provide an explanation at the next earnings presentation.
- For international flights, 15 years have passed out of the 30-year term for TIAT's business, and we are at the halfway point. PSFC was originally designed with the

aim of minimizing the burden on users, so we cannot easily raise the price. We plan to consult with stakeholders and the government on this matter.

Q: Please explain the potential for increased revenue, such as through retail developments in the satellite area, before the artificial ground is completed.

- The connection between Terminal 1 and Terminal 2 with the artificial ground has not yet been realized. With the completion of the studies by the Ministry of Finance and the Ministry of Land, Infrastructure, Transport and Tourism, if concrete discussions begin, we naturally intend to participate in those discussions.
- We recognize that it is not only necessary to build the satellite, but also to expand commercial facilities.

Q: What is the company's approach to M&A as part of its growth strategy?

- Our basic approach to M&A, acquisitions, and investments in companies is that if there are companies with which we can collaborate effectively and create a win-win situation, we are actively willing to pursue them in order to enhance our corporate value.

Q: What is the relationship between China's economic sentiment and the sales at duty-free shops?

- China's economic sentiment is generally understood to be challenging, based on the information flowing through various sources, including companies that have entered the Chinese market.
- The proportion of Chinese passengers at Haneda International Airport is about 15%, but their share of duty-free shop sales is 50%.
- There are two main risks. One is the possibility that the economic sentiment worsens further, leading to a decline in the number of Chinese visitors. The other is the noticeable change in Chinese spending behavior.
- Before the pandemic, 70% to 75% of Chinese spending was on shopping. Now, shopping has decreased to 50%, while spending on dining and travel to regional areas has increased, with a trend towards more Western-style behavior.
- Although duty-free shop sales are heavily reliant on Chinese customers, we believe there is greater potential in the markets of Europe, the U.S., and Southeast Asia, and we aim to gradually shift towards these regions as a way to hedge against risks.

<u>Q: What are the strategies and challenges for further strengthening product offerings in the merchandise business?</u>

- Since about two years ago, for domestic flights, we have adopted a pricing strategy that shifts from the most popular price range to higher-priced items.
- We believe that we need to cultivate new valuable categories beyond the traditional souvenir offerings of Western and Japanese sweets. "Haneda-sanchokukan" and "Hokkaido Dosanko Plaza," which focus on fresh produce, have already reached a sales scale of over 1 billion yen annually, and we aim to grow that to 2 billion or 3 billion yen going forward.
- Currently, we are holding Disney-themed events, and by collaborating with character IPs and promoting Haneda-exclusive products, we want to develop events more intentionally in the Terminal 1 marketplace area to further drive growth.
- For international flights, while exchange rates are often discussed, we are advancing product strategies that can cover fluctuations of up to 10 yen in the exchange rate.
- From the perspective of developing buyers, we are sending young employees to local farms through initiatives, allowing them to gain buying experience. We believe that as these employees grow, they will be able to further demonstrate their buying capabilities in the future.

<u>Q: What steps are being taken to address the parking shortage in order to further expand non-passenger dependent sales?</u>

- We recognize that congestion avoidance is an urgent issue, given the presence of both air passengers and general visitors, as well as airport fans. To address this, we are working closely with airlines and engaging in discussions with authorities on both short-term and long-term solutions.
- As a short-term measure, we are collaborating with the government to open up vacant land and create temporary parking lots during peak periods. However, fundamental improvement can only be achieved by increasing capacity. Although space within the airport is limited, we are exploring the possibility of increasing capacity in other areas.
- Since parking fees at Haneda Airport are relatively low, we will continue to deepen discussions on this aspect as well.

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