# Japan Airport Terminal Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 16, 2025

# Event Summary

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|---|---|
| **[Company Name]** | Japan Airport Terminal Co., Ltd. |
| **[Company ID]** | 9706-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
| **[Event Name]** | Financial Results Briefing for the Fiscal Year Ended March 2025 |
| **[Fiscal Period]** | FY2025 Annual |
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| **[Time]** | 14:00 – 15:03<br>(Total: 63 minutes, Presentation: 28 minutes, Q&A: 35 minutes) |
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | |

| | | |
|---|---|---|
| **[Number of Speakers]** | 4 | |
| | Kazuhito Tanaka | President |
| | Hiroshi Onishi | Executive Vice President |
| | Isamu Jinguji | Senior Managing Executive Officer |
| | Masatoshi Akahori | President & CEO |
| **[Analyst Names]*** | Takuya Osaka | Morgan Stanley MUFG Securities |
| | Kouki Ozawa | SBI SECURITIES |
| | Mamoru Masumiya | Daiwa Securities |

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

## Presentation

**Moderator**: We will now begin the briefing on the financial results of Japan Airport Terminal Co., Ltd. for the fiscal year ending March 31, 2025. Thank you all very much for taking time out of your busy schedules to join us today. First, I would like to introduce today's attendees.

Mr. Kazuhito Tanaka, the President.

**Tanaka**: I am Tanaka. Thank you.

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

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

**Moderator**: Mr. Isamu Jinguji, Senior Managing Executive Officer, Senior Managing Executive Officer.

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

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

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

**Moderator**: These are today's attendees.

I will now explain the agenda for today. Presentation materials and other documents are available on the Company's website.

First, I would like to explain how we will proceed today. President Tanaka will begin his presentation with a 30-minute presentation. After the presentation we will then take your questions.

We will now begin our presentation. Please go ahead, President Tanaka.

**Tanaka**: I am Tanaka, the President. Thank you very much for your continued understanding and support of our business operations. We would also like to express our deepest apologies for any inconvenience and concern caused by the inappropriate compliance matters that have come to light. Today, I will be providing an overview of our consolidated results for FY2025, our consolidated earnings forecast for the current fiscal year, the progress of our medium-term management plan, and our approach to management with a focus on capital costs and share price.

## 1. Review of Consolidated Financial Results for FY2024

HANEDA Japan Airport Terminal

# (1) Business Environment and Number of Passengers

**Business Environment**

- The Japanese economy maintained its gradual recovery, while prices continued to increase due to supply restrictions such as labor shortages and high material prices.
- The yen remained weak in the foreign exchange market and the transition to a world with interest rates is progressing gradually.
- The number of foreigners visiting Japan reached a record high and there also was a steady recovery in Japanese people traveling in and outside the country.

**Number of Passengers (Haneda Airport)**

- The number of passengers on domestic flights was steady throughout the fiscal year and exceeded 90% of the level prior to the COVID-19 pandemic (calendar year 2019).
- The number of passengers on international flights grew strongly, rising about 20% from the previous fiscal year and posting a record high for the second consecutive year. (This increased to about 90% of the assumed number of passengers after the expansion of flight slots.)

| Airport | FY24 Results (10 thousands) | FY23 Results (10 thousands) | Rate of change (%) | Revised forecasts (10 thousands) | Rate of change (%) | Target Number (10 thousands) | Rate of change (%) | 2019 calendar year results (10 thousands) | Rate of change (%) |
|---|---|---|---|---|---|---|---|---|---|
| Haneda – Domestic | 6,417 | 6,184 | 3.8 | 6,283 | 2.1 | 6,900 | - 7.0 | 6,886 | - 6.8 |
| Haneda – International | 2,292 | 1,909 | 20.0 | 2,272 | 0.9 | 2,560 | -10.5 | 1,853 | 23.6 |
| Total Haneda | 8,709 | 8,094 | 7.6 | 8,555 | 1.8 | 9,460 | - 7.9 | 8,740 | - 0.4 |
| Narita | 3,337 | 2,744 | 21.6 | 3,211 | 3.9 | | | | |
| Kansai | 2,507 | 1,906 | 31.5 | 2,357 | 6.4 | | | | |
| Chubu Centrair | 491 | 322 | 52.4 | 489 | 0.4 | | | | |

*The target figures are the assumed numbers of passengers drawn up before COVID-19. (The target for domestic flights is for the calendar year 2019, while that for international flights is the figure after the expansion of slots for international flights.)

Note: Haneda Airport passenger volume is based on aggregate statistics of airport usage within the jurisdiction of the 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.





See page two. First, I would like to explain the situation in the previous fiscal year. As for the business environment, the domestic economy recovered moderately and prices continued to rise due to supply constraints such as labor shortages and high resource prices. The yen has been weakening against the US dollar and the monetary policy has been revised, gradually shifting to a world with interest rates. In this context, the number of foreign visitors to Japan reached a record high, and the steady recovery in Japanese domestic and international travel continued. Passenger volume at Haneda Airport exceeded the revised forecast for both domestic and international flights. Domestic flights remained strong throughout the fiscal year, recovering to more than 90% of the pre-COVID-19 level, and international flights exceeded the previous fiscal year by approximately 20%, reaching a record high for the second consecutive year.

## 1. Review of Consolidated Financial Results for FY2024

## (2) Consolidated Financial Results

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**Overview**

- The increase in international passengers was the main driver of performance. Merchandise sales were strong throughout the year, with a particularly significant increase in duty-free sales in the first half.
- While expenses increased due to factors such as the expansion of terminal operations, they were lower than the anticipated budget amount.
- Operating income and ordinary income reached record highs for two consecutive years, achieving the targets for the medium-term plan one year ahead of schedule.

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

| Items | 1H | | | 2H | | | Full year | | | Revised forecast *1 | Difference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY24 | FY23 | Change | FY24 | FY23 | Change | FY24 | FY23 | Change | | |
| **Operating revenues** | 1,317 | 1,001 | 316 | 1,381 | 1,174 | 207 | 2,699 | 2,175 | 523 | 2,673 | 26 |
| Facilities manageme | 512 | 436 | 75 | 543 | 480 | 62 | 1,055 | 917 | 138 | 1,048 | 7 |
| Merchandise sales | 723 | 494 | 228 | 752 | 616 | 136 | 1,476 | 1,111 | 364 | 1,462 | 14 |
| Food and beverage | 81 | 69 | 12 | 85 | 76 | 8 | 167 | 146 | 20 | 163 | 4 |
| **Operating profit** | 210 | 135 | 75 | 174 | 160 | 14 | 385 | 295 | 90 | 346 | 39 |
| **Ordinary profit** | 203 | 124 | 78 | 153 | 147 | 6 | 357 | 272 | 84 | 319 | 38 |
| **Net profit attributable to owners of parent** | 119 | 82 | 37 | 154 | 110 | 44 | 274 | 192 | 82 | 193 | 81 |
| **Capital expenditure** | 44 | 21 | | 217 | 296 | | 261 | 317 | | 335 | |
| **Depreciation expen** | 138 | 139 | | 143 | 142 | | 281 | 281 | | 283 | |
| **EBITDA** | 349 | 274 | | 317 | 302 | | 666 | 576 | | 629 | |
| **Dividend** | 35.0円 | 25.0円 | | 55.0円 | 42.0円 | | 90.0円 | 67.0円 | | 70.0円 | |
| **Payout ratio** | 27.2% | 28.3% | | 33.1% | 35.5% | | 30.5% | 32.4% | | 33.8% | |

*1 Financial forecast announced in November 2024

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Please refer to page three. As shown in the red box in the document, consolidated results for the fiscal year ending March 31, 2025 are as follows: operating revenue of JPY269.9 billion, operating profit of JPY38.5 billion, ordinary profit of JPY35.7 billion, and net profit attributable to owners of parent of JPY27.4 billion. The increase was mainly driven by growth in international passengers.

Sales of goods were strong throughout the year, but duty-free sales increased significantly, especially in H1. Although expenses increased due to the expansion of terminal operations and other factors, they were less than the budgeted amount that had been anticipated.

Operating profit and ordinary profit reached record highs for the second consecutive year, achieving the target figures of the medium-term management plan one year ahead of schedule. In addition, net profit attributable to owners of parent was significantly higher than the revised budget due to an increase in deferred tax assets at some subsidiaries.

In light of this situation, we have decided to raise the year-end dividend by JPY20 from the forecast made last November to JPY55 per share. As a result, the annual dividend was JPY90 per share, for a payout ratio of 31%.

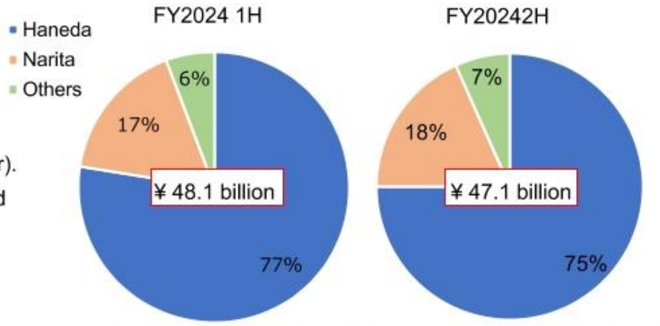
## 1. Review of Consolidated Financial Results for FY2024

## (3) Sales at Duty-Free Stores (Haneda Airport) 1

HANEDA Japan Airport Terminal

◆ **Breakdown of international terminal store sales by location**

- In the fiscal year under review, sales at international terminal stores in the merchandise sales segment were 95.2 billion yen*1 (up 36.0% from the previous fiscal year).
- While sales were very strong in the first half, they slowed down in the second half at Haneda Airport and fell compared with the first half.
- By location, stores at Haneda Airport accounted for almost 80% and those at Narita Airport and others in excess of 20%. The share for Haneda Airport declined slightly.




*1 Sales at international terminal stores (above diagram) are recognized in net after subtracting purchase costs from revenues from consignment buying, etc.

◆ **Purchase rate and per-unit purchases at duty-free stores (Haneda Airport)**

- Sales at duty-free stores*2 grew at a pace exceeding the increase in the number of passengers compared with the same period of the previous fiscal year and reached a record high for the full year.
- Per-unit purchases and the purchase rate both exceeded the levels in the previous year.
- In the first half, duty-free store sales as well as per-unit purchases and the purchase rate significantly increased on the back of the yen's depreciation.
- In the second half, the growth rate in duty-free store sales underperformed the rate of increase in the number of passengers, resulting in declines in both per-unit purchases and the purchase rate.

| | FY2024 1H | FY2024 2H | FY2024 full year | FY2023 full year | Rate of change |
|---|---|---|---|---|---|
| Sales at duty-free stores* (yen) | 56.4 billion | 52.1 billion | 108.5 billion | 81.4 billion | 33% |
| Number of passengers of international flights | 11.16 million | 11.75 million | 22.92 million | 19.09 million | 20% |
| Number of customers | 3.33 million | 3.42 million | 6.76 million | 5.32 million | 27% |
| Per-unit purchases (yen) | 16,900 | 15,200 | 16,000 | 15,300 | 5% |
| Purchase rate | 29.9% | 29.1% | 29.5% | 27.9% | +1.6pt |

*2 Sales at duty-free stores (above table) shows the transaction volume before calculation of the net amount.

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Please refer to page four. Here we will explain tax-exempt sales separately for the first and second half of the year.

International terminal stores in the goods sales business increased by approximately 1.4 times compared to the previous year. Sales were very strong in H1, but sales at Haneda slowed down in H2, resulting in lower sales than in H1. As a result, Haneda accounts for slightly less than 80% of sales by base, while Narita and others account for more than 20%, and the ratio of Haneda has declined slightly.

However, looking at the full year, duty free store sales at Haneda have increased more than the number of passengers over the previous year, reaching a new record high. The number of purchasing customers also increased more than the number of passengers, and in addition to an increase in the purchasing rate, the unit price per purchase, which is sales per purchasing customer, also increased.

In H1, duty-free store sales and both the unit purchase price and purchase rate rose significantly due to the weak yen, but in H2, the growth rate of duty-free store sales was lower than the growth rate of passenger volume, and both the unit purchase price and purchase rate were lower than the previous year.

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## (4) Sales at Duty-Free Stores (Haneda Airport) 2

### ◆ Per-unit purchases by nationality and share by product category

| Per-unit purchases (yen) | FY2024 1H | FY2024 2H | Rate of change |
|---|---|---|---|
| Japan | 11,400 | 11,200 | - 2% |
| China (including Hong Kong) | 27,500 | 25,400 | - 8% |
| Taiwan | 21,800 | 19,900 | - 9% |
| South Korea | 12,800 | 11,600 | - 9% |
| North America | 13,500 | 12,300 | - 9% |
| Southeast Asia | 14,100 | 14,300 | 1% |
| Europe and others | 8,700 | 7,600 | -13% |
| Overall | 16,900 | 15,200 | - 10% |

| Share by category | FY2024 1H | FY2024 2H | Change |
|---|---|---|---|
| Apparel, jewelry, watches, etc. | 43% | 38% | - 5pt |
| Perfumes and cosmetics | 25% | 26% | + 1pt |
| Alcohol and cigarettes | 14% | 16% | + 2pt |
| Food | 14% | 16% | + 2pt |
| Others | 4% | 4% | – |
| | 100% | 100% | |

*Sales at duty-free stores shows the transaction volume before calculation of the net amount
*Nationalities include estimates by the Japan Airport Terminal



- The share of Japanese customers in duty-free store sales remained steady at around 20% in both the first and second halves. In contrast, the proportion of Chinese customers (including those from Hong Kong) declined from about 50% in the first half to just over 40% in the second half.
- By nationality, per-unit purchases fell for most countries and regions in the second half compared with the first half, indicating a decline in appetite for shopping, which may be an impact of the strong yen.
- By product category, luxury brand products accounted for about more than 40% in the first half and below 40% in the second half, indicating a lull in sales of expensive products.

■ Haneda duty-free store sales by nationality


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See page five. In terms of sales composition by nationality, Japanese customers accounted for approximately 20% in both the first and second halves of the year, with no significant change observed. On the other hand, the number of Chinese visitors declined from about half in H1 to more than 40% in H2, probably due to the economic situation in China and changes in travelers' consumption preferences.

Unit price by nationality decreased from H1 to H2 in most countries and regions, possibly due to the strong yen, indicating a decline in purchasing power. By product category, sales of luxury brands were up over 40% in H1 and down under 40% in H2, with sales of high-end products approaching a plateau.

## 2. Consolidated Financial Forecast for FY2025

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## (1) Business Environment and Number of Passengers

**Business Environment**

- While the Japanese economy is expected to register a gradual recovery, a decline in consumer spending owing to price increases is a risk factor.
- There is a high level of uncertainty caused by factors such as the impacts of the U.S. trade policies on the foreign exchange market and the actual economy.
- While the number of foreigners visiting Japan is expected to increase, the stagnation of the Chinese economy and the volatile global situation are sources of concerns.

**Number of Passengers (Haneda Airport)**

- The number of passengers on domestic flights is expected to be 97% of the level before the COVID-19 pandemic (calendar year 2019) considering world expo-related and transit demand.
- The number of passengers on international flights is expected to rise to 92% of the target number of passengers after the expansion of slots as increases in new flights settles down.
- Compared with the Medium-Term Business Plan, the expected passenger figures of both domestic and international flights are roughly in line with the passenger figures revised last year.

| Airport | FY25 Forecast (10 thousands) | FY24 Results (10 thousands) | Rate of change (%) | FY25 Forecast as of May 2024 (10 thousands) | Rate of change (%) | Target Number (10 thousands) | Rate of change (%) | 2019 calendar year results (10 thousands) | Rate of change (%) |
|---|---|---|---|---|---|---|---|---|---|
| Haneda – Domestic | 6,704 | 6,417 | 4.5 | 6,700 | 0.1 | 6,900 | - 2.8 | 6,886 | - 2.7 |
| Haneda – International | 2,365 | 2,292 | 3.2 | 2,350 | 0.7 | 2,560 | - 7.6 | 1,853 | 27.6 |
| **Total Haneda** | 9,069 | 8,709 | 4.1 | 9,050 | 0.2 | 9,460 | - 4.1 | 8,740 | 3.8 |
| **Narita** | 3,396 | 3,337 | 1.8 | | | | | | |
| **Kansai** | 2,608 | 2,507 | 4.0 | | | | | | |
| **Chubu Centrair** | 531 | 491 | 8.1 | | | | | | |

*FY25 forecasts as of FY24 are the forecasts for FY2025 made in May FY2024.

The target figures are the assumed number of passengers drawn up before COVID-19. (The target for domestic flights is for the calendar year 2019, while that for international flights is the figure after the expansion of slots for international flights.)

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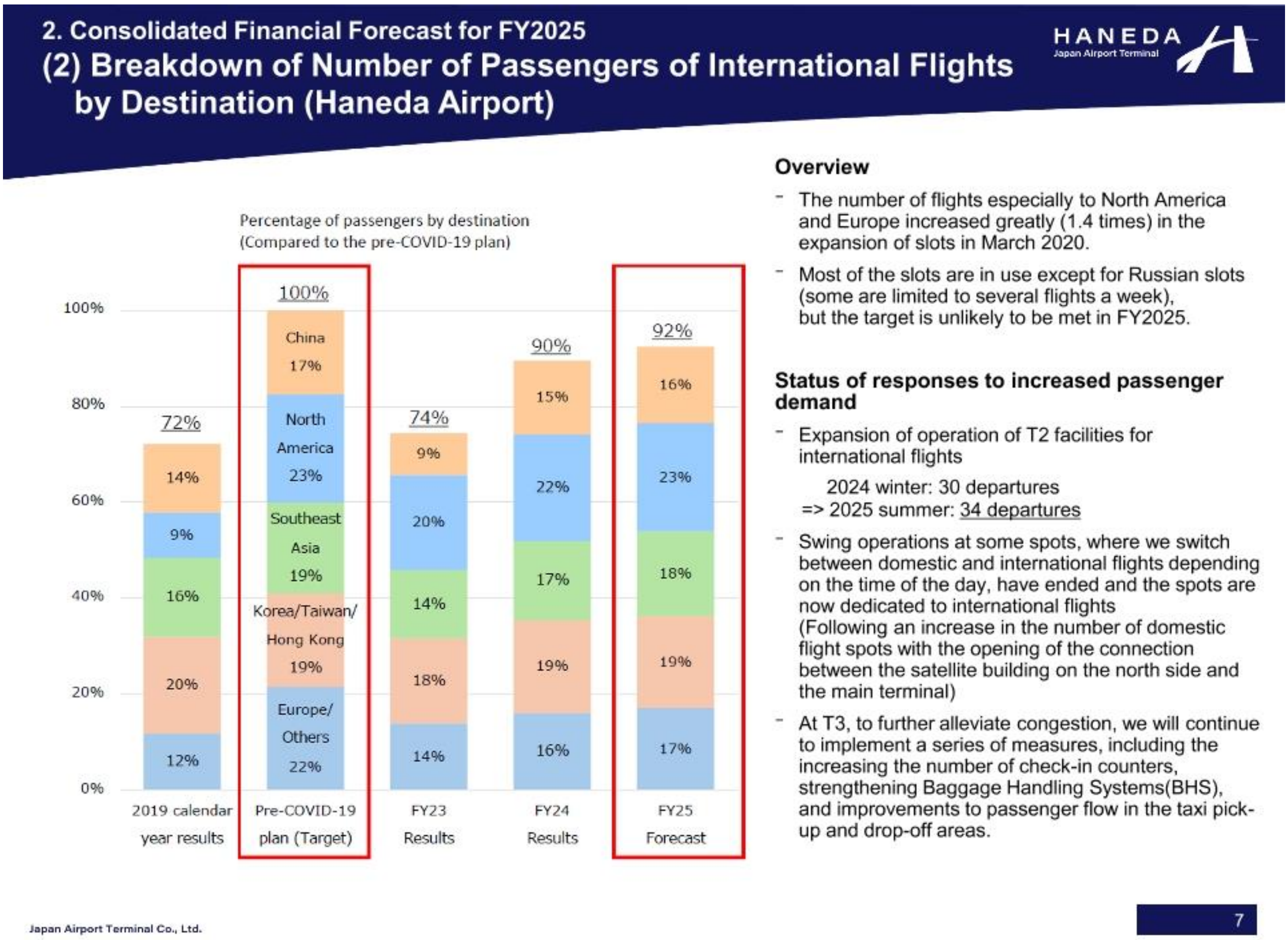
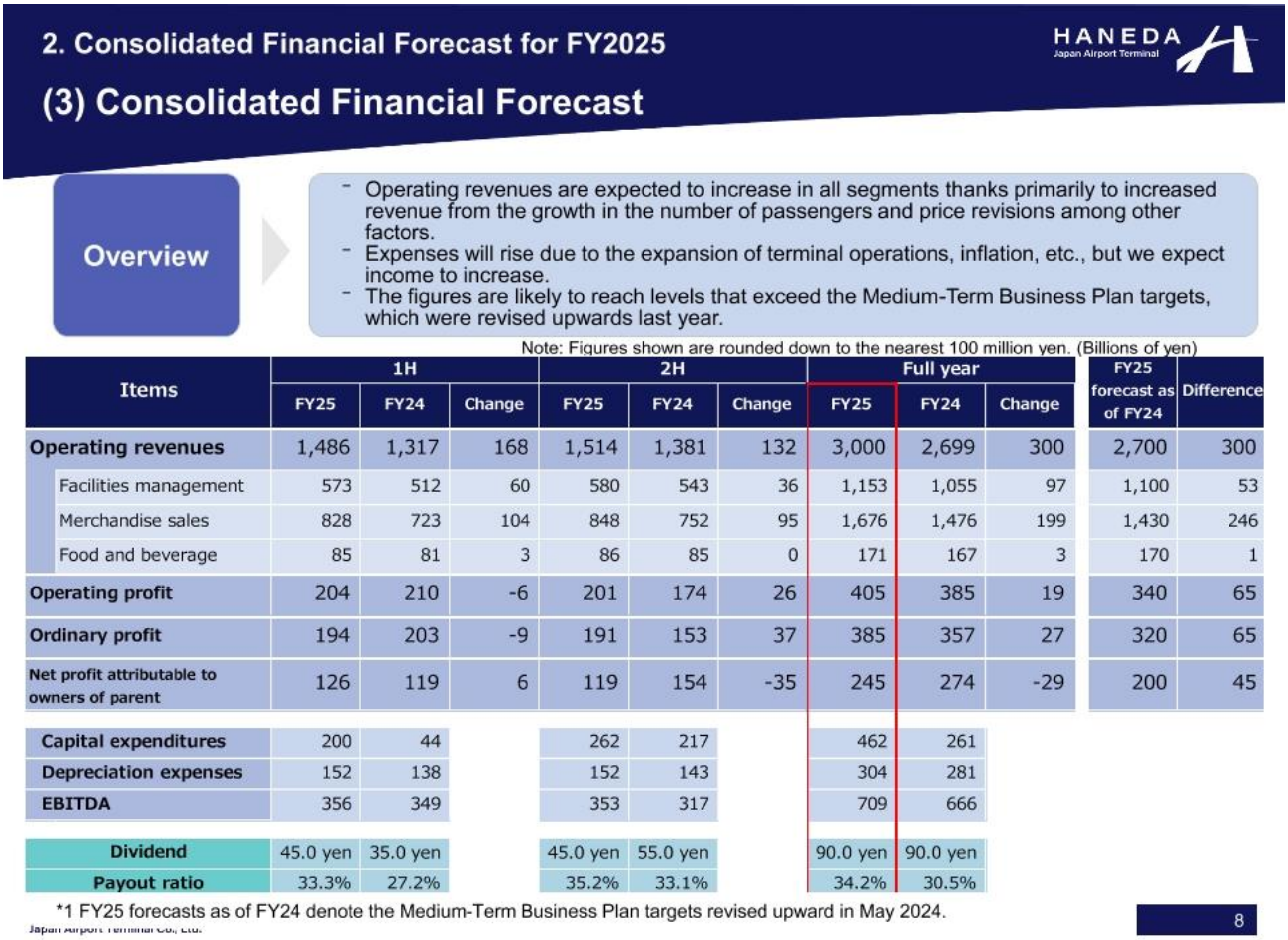
Please refer to page six. Next, I will explain our forecast for the current fiscal year. As for the business environment, we expect a moderate recovery in the domestic economy, but we see a risk that rising prices will depress personal consumption and reduce demand. In addition, there is a high degree of uncertainty regarding the impact of the US trade policy on the foreign exchange market and the real economy. Although the number of foreign visitors to Japan is expected to increase, the stagnant Chinese economy and unstable global situation are causes for concern.

As for passenger volume at Haneda Airport, for domestic flights, the highlight is Osaka. Taking into account the Kansai Expo, foreign transit demand, and other factors, we assume a recovery to the pre-COVID-19 level of 97%. International flights are expected to increase to 92% of the pre-COVID-19 planned target passenger volume after the expansion of slots, as new flight growth settles in. For the medium-term management plan, the forecasts for both domestic and international flights are almost in line with the passenger forecasts revised last year.




Please refer to page seven. This section shows a breakdown by direction of projected passenger volume on international flights. The number of passengers by direction is shown as a percentage by fiscal year, with the target number of passengers after the expansion of arrival and departure slots in March 2020 set at 100%. Currently, the arrival and departure slots other than the Russian slots are generally being used, but we assume that we will not reach our passenger volume target for the current fiscal year.

Additionally, the swing operation at certain spots in Terminal 2, where domestic and international flights were switched depending on the time of day, was discontinued. Starting with the summer schedule, those spots have been designated for exclusive international flight use to accommodate the increase in passenger traffic. To reduce congestion at Terminal 3, we will continue to gradually implement measures such as adding check-in counters, enhancing BHS, and improving passenger flow lines at the cab boarding and unloading areas.



## 2. Consolidated Financial Forecast for FY2025

## (3) Consolidated Financial Forecast

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**Overview**

- Operating revenues are expected to increase in all segments thanks primarily to increased revenue from the growth in the number of passengers and price revisions among other factors.
- Expenses will rise due to the expansion of terminal operations, inflation, etc., but we expect income to increase.
- The figures are likely to reach levels that exceed the Medium-Term Business Plan targets, which were revised upwards last year.

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

| Items | 1H | | | 2H | | | Full year | | | FY25 forecast as of FY24 | Difference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY25 | FY24 | Change | FY25 | FY24 | Change | FY25 | FY24 | Change | | |
| **Operating revenues** | 1,486 | 1,317 | 168 | 1,514 | 1,381 | 132 | 3,000 | 2,699 | 300 | 2,700 | 300 |
| Facilities management | 573 | 512 | 60 | 580 | 543 | 36 | 1,153 | 1,055 | 97 | 1,100 | 53 |
| Merchandise sales | 828 | 723 | 104 | 848 | 752 | 95 | 1,676 | 1,476 | 199 | 1,430 | 246 |
| Food and beverage | 85 | 81 | 3 | 86 | 85 | 0 | 171 | 167 | 3 | 170 | 1 |
| **Operating profit** | 204 | 210 | -6 | 201 | 174 | 26 | 405 | 385 | 19 | 340 | 65 |
| **Ordinary profit** | 194 | 203 | -9 | 191 | 153 | 37 | 385 | 357 | 27 | 320 | 65 |
| **Net profit attributable to owners of parent** | 126 | 119 | 6 | 119 | 154 | -35 | 245 | 274 | -29 | 200 | 45 |
| **Capital expenditures** | 200 | 44 | | 262 | 217 | | 462 | 261 | | | |
| **Depreciation expenses** | 152 | 138 | | 152 | 143 | | 304 | 281 | | | |
| **EBITDA** | 356 | 349 | | 353 | 317 | | 709 | 666 | | | |
| **Dividend** | 45.0 yen | 35.0 yen | | 45.0 yen | 55.0 yen | | 90.0 yen | 90.0 yen | | | |
| **Payout ratio** | 33.3% | 27.2% | | 35.2% | 33.1% | | 34.2% | 30.5% | | | |

*1 FY25 forecasts as of FY24 denote the Medium-Term Business Plan targets revised upward in May 2024.

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Please refer to page eight. As shown in the red box, our forecast for the current fiscal year is as follows: net sales of JPY300 billion, operating profit of JPY40.5 billion, ordinary profit of JPY38.5 billion, and net income of JPY24.5 billion. Revenues are expected to increase in all segments due to an increase in passenger volume and price revisions for facility usage fees and other items. Although expenses will increase due to the expansion of terminal operations and rising prices, we expect to secure an increase in income.

Against the medium-term management plan, this level is even higher than the target figure that was revised upward last year. As for dividends, in line with our basic policy on shareholder returns, namely, maintaining stable dividends and targeting a payout ratio of 30% or higher, we plan to maintain the dividend at JPY90 per share, the same as the previous fiscal year, with JPY45 as an interim dividend and JPY45 as a year-end dividend.

## 2. Consolidated Financial Forecast for FY2025

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Japan Airport Terminal

## (4) Financial Forecast by Segment

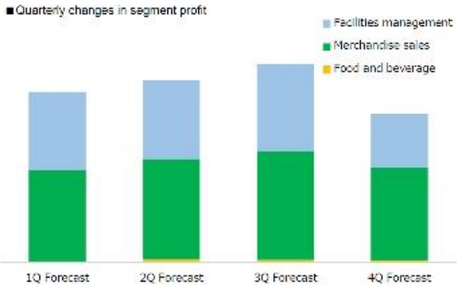
(Billions of yen)

| Items | FY25 (Forecast) | FY24 (Result) | Change |
|---|---|---|---|
| **Operating revenues** | 3,000 | 2,699 | 300 |
| Facilities management | 1,192 | 1,089 | 102 |
| Merchandise sales | 1,690 | 1,493 | 196 |
| Food and beverage | 179 | 176 | 2 |
| (Intersegment sales and transfers) | - 61 | - 60 | 0 |
| **Operating expenses** | 2,595 | 2,313 | 281 |
| Facilities management | 962 | 894 | 67 |
| Merchandise sales | 1,386 | 1,199 | 186 |
| Food and beverage | 173 | 171 | 1 |
| (Elimination or unallocated expense) | 74 | 48 | 25 |
| **Operating profit** | 405 | 385 | 19 |
| Facilities management | 230 | 194 | 35 |
| Merchandise sales | 304 | 293 | 10 |
| Food and beverage | 6 | 5 | 0 |
| (Adjustments) | - 135 | - 109 | - 25 |

**Overview**

- In the facilities management business, we expect rent revenue (management fees) and revision of facility user charges, while depreciation, the costs for terminal operation, etc. are likely to increase.
- Completion of construction works tend to be concentrated in the fourth quarter.
- In the merchandise sales business, both sales and income are expected to increase thanks to an increase in the number of passengers and sales measures such as relocation of stores, although we expect to see a decline in sales at duty-free stores from the previous fiscal year when they were especially strong.
- We cannot expect growth in sales at Haneda duty-free stores as before, but we plan to capture strong demand from foreign tourists at locations other than Haneda Airport (wholesale, etc.).

■Quarterly changes in segment profit

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Please refer to page nine. This section shows the forecast by segment. For facility management operations, while there will be price revisions for management fees and facility usage fees included in rent income, depreciation and terminal operation expenses are also expected to increase. In addition, the Company expects construction completions to be concentrated in Q4, resulting in lower profits than in other quarters.

Although the merchandise sales business is expected to face a reactionary decline due to the strong duty-free sales in the previous fiscal year, we aim for increased sales and profits by leveraging passenger growth and implementing operational measures such as store relocations. While we do not expect growth at Haneda Airport to match the levels seen in recent years, we will continue to capture strong inbound demand through initiatives such as wholesale operations to airports other than Haneda.

## 2. Consolidated Financial Forecast for FY2025
## (5) Exchange Rates and Duty-free Sales Assumptions (Haneda Airport)

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### ◆ Overview

- We expect the foreign exchange rate is assumed to remain at around 150 yen to the U.S. dollar despite uncertainties such as U.S. trade policies.
- Following the strong performance in the previous fiscal year, we expect revenue to increase partly owing to a growth in the number of passengers, although there will be an impact from the stagnation in the Chinese economy.
- Per-unit purchases are likely to decline slightly from the previous fiscal year to 15,700 yen.
- The purchase rate is forecast to improve from the previous fiscal year to 31.1%.

### ◆ Direction of the duty-free store business

- While sales of global luxury brand products are stagnant at brand boutiques, we aim to increase revenue through the introduction of new brands, refurbishment of stores, and extension of operating hours.
- We aim to raise the purchase rate at general duty-free stores by implementing measures to ease congestion (bolstering the reservation service, introduction of RFID-compatible cash registers, etc.).
- If the yen appreciates in the foreign exchange marketwe will respond by ensuring ample inventory of consumer goods that are relatively less affected by exchange rate fluctuations, such as perfumes and cosmetics, alcoholic beverages, tobacco, and food products.
- In the event that the United States raises tariffs, we see an opportunity for Japan to gain a relative advantage in purchasing. We will aim to expand sales by strengthening our marketing efforts targeted at U.S. customers.



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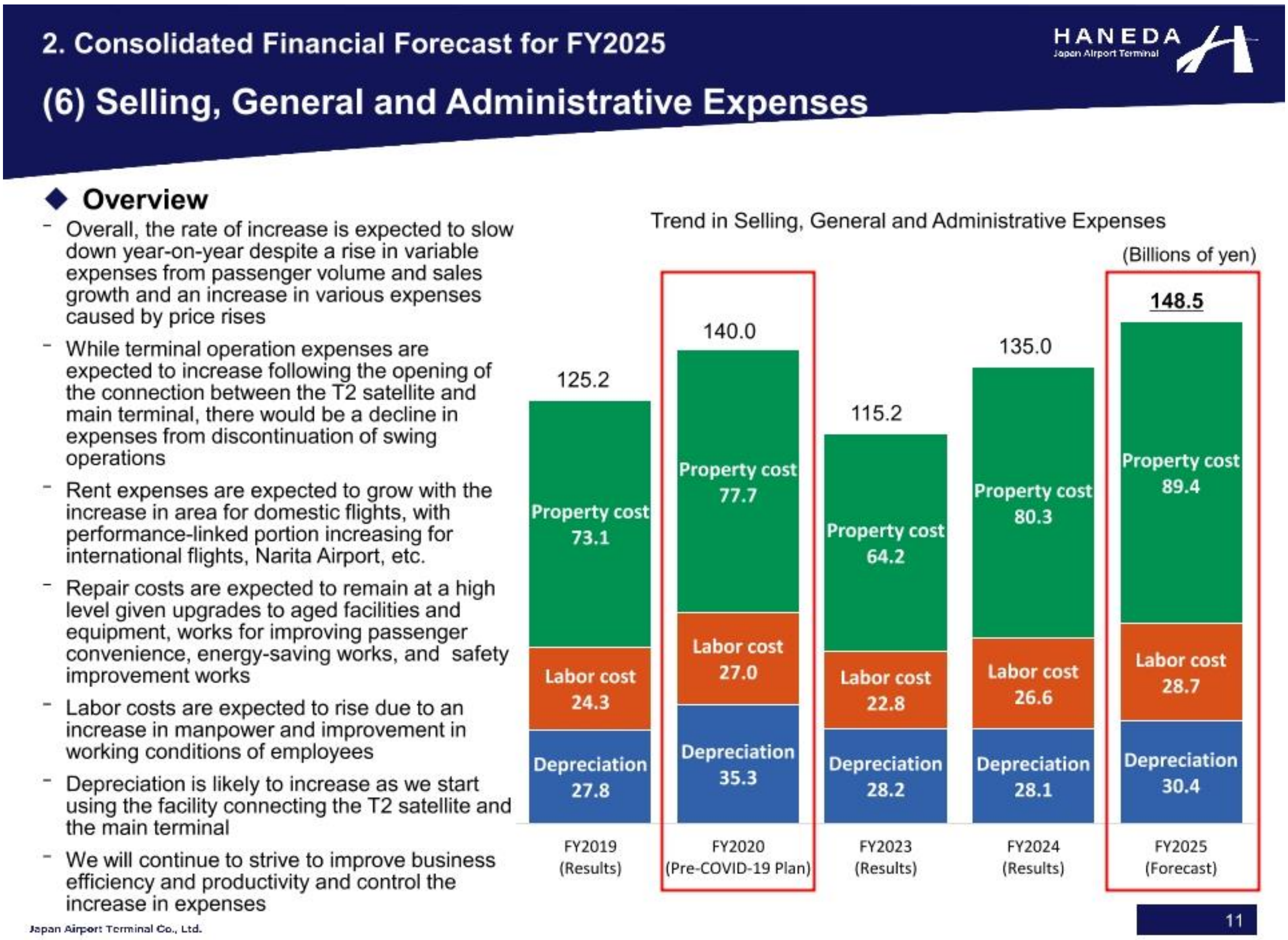
Please refer to page 10. Here we explain the exchange rate and tax-free sales assumptions. Although there are uncertainties such as US trade policy, we have based our assumptions on an exchange rate of JPY150 to the US dollar. While the unit purchase price is expected to decrease slightly from the previous year due to the impact of the sluggish Chinese economy and other factors, the purchase rate is expected to improve from the previous year due to various measures.

In brand boutique stores, sales of global luxury brands are stagnant, but we aim to increase revenue by reallocating duty-free stores and expanding operating hours, including brand replacement. At the general duty-free stores, we will eliminate missed sales and improve the purchase rate through measures to reduce congestion, such as enhancement of advance reservation services and introduction of RFID-enabled cash registers.

If the yen appreciates against the dollar, we will respond with an ample supply of consumer goods that are relatively unaffected by exchange rates, such as perfumes and cosmetics, alcohol and tobacco, and food products. We also see the possibility of a relative advantage for purchasing in Japan, although the impact of uncertainty surrounding US tariff policy is unpredictable.




Please refer to page 11. Here we explain the status of SG&A expenses. Overall, variable costs will increase in line with the increase in passenger volume and sales, and various expenses will increase in line with rising prices, but the rate of increase is expected to be less than in the previous fiscal year. Operating expenses will increase with the increase in terminal area due to the connection of the Terminal 2 satellite to the main building, but on the other hand, expenses are expected to decrease due to the termination of swing operations.

Rental expenses are expected to increase in area for domestic flights and in performance-linked portions for international flights and other airports. Repair expenses are expected to remain at a high level due to replacement of equipment and facilities that are years old after installation, construction to improve passenger convenience, energy conservation, and safety measures. In addition, personnel expenses are expected to increase due to an increase in headcount and improved compensation.

Under these circumstances, the Company will continue its efforts to improve operational efficiency and productivity in order to curb cost increases.

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

## (1) Goals and Key Initiatives

HANEDA Japan Airport Terminal

| | Our goals for 2025 | Results of key initiatives in FY2024 | Key initiatives in FY2025 |
|---|---|---|---|
| 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. | - Established high-quality and high-efficiency operations and optimized maintenance and management costs through full-scale introduction of robots, etc.<br>- Started renewal of commercial facilities. Plan to increase rent and other revenues by leasing vacant spaces<br>- Completed T2 satellite; started T1 satellite construction | - Establish high-quality and high-efficiency operations and optimize maintenance and management costs through full-scale introduction of robots, etc. and promotion of DX<br>- Improve attractiveness by leasing vacant spaces and reorganizing commercial facilities and increase revenue by appropriately revising prices<br>- Steadily implement construction work for the new T1 satellite |
| Merchandise sales Food and beverage | While reviewing the product range, services, operations, cost rates, etc., we will uncover customer needs where consumption trends have changed by taking advantage of digital marketing, and will aim for operating revenues from merchandise sales of 143 billion yen (previous standard: 219 billion yen) and operating revenues from food and beverage sales of 17 billion yen (previous standard: 21 billion yen) . | - Steadily implemented store renewal in T3 duty-free area, T1 marketplace, etc.<br>- Expanded development of original products and high-priced products to enhance the uniqueness of our stores<br>- Expanded services by strengthening one-to-one marketing and increasing the number of HANEDA members | - Steadily implement store renewal in T3 duty-free area, T1 marketplace, etc.<br>- Offer development of original products and those targeting highly receptive customers, enhance reservation-based sales, strengthen collaboration with various brands, and utilize marketing to provide highly satisfactory services and raise our uniqueness |
| New business Expertise business | These businesses are expected to be 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. | - Introduced new e-commerce service, improved warehouses, etc.<br>- Expanded business alliances with secondary agencies and sales agencies in the sales agency business<br>- Promoted overseas airport consulting<br>- Promoted co-creation research at terminal.0 in HICity | - Promote enhancement of e-commerce, improvement of warehouses, etc.<br>- Expand business alliances with secondary agencies and sales agencies in the sales agency business and strengthen merchandise<br>-Steadily pursue airport business projects in Japan and abroad<br>- Promote co-creation research at terminal.0 in HICity |
| Management base | **Digital transformation strategy**<br>- Using technology with a focus on digital and AI<br>- Digital integration of information and data<br>- Evolution into a Smart Airport<br>**Organization, personnel, and governance**<br>- Recruitment of outside human resources, strengthening of exchanges with outside personnel<br>- Ensure expertise and diversity of personnel<br>- Cultivate a corporate culture of "think and take on challenges yourself"<br>**Financial strategy**<br>- Rapid restoration of financial soundness<br>- Establish a sophisticated business evaluation and management system<br>- Appropriate investment in new business opportunities | ● Digital transformation strategy<br>- Continued operation optimization measures based on strengthening of the dissemination of congestion information and demand forecasts<br>- Promoted robotic warehousing, RFID inventory management, etc.<br>● Organization, personnel, governance<br>- Continued to promote women's participation in the workforce and employment of people with disabilities<br>- Continued to implement and expand industry-industry and industry-academia collaboration<br>- Continued to implement Plus One Promotion<br>● Financial strategy<br>- Considered and implemented ESG financing | ● Digital transformation strategy<br>- Continue operation optimization measures based on strengthening of the dissemination of congestion information and demand forecasts<br>- Introduce robotic warehousing, RFID inventory management, etc.<br>● Organization, personnel, governance<br>- Continue to promote women's participation in the workforce and employment of people with disabilities<br>- Continue to implement and expand industry-industry and industry-academia collaboration<br>- Continue to implement Plus One Promotion<br>● Financial strategy<br>-Hybrid loan repayment, capital policy consideration |

Japan Airport Terminal Co., Ltd.

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Please refer to page 12. This section outlines the vision for each business segment in FY2025, along with the key initiatives for FY2024 and FY2025.

In the facility management and operations business, we aim to enhance the appeal of our properties through leasing of vacant spaces and the reorganization of commercial facilities, while also reviewing pricing for lounges and advertising revenue to achieve increased revenue through appropriate price adjustments. In addition, we will steadily promote the construction of new Terminal 1 building satellites to enhance its function as airport infrastructure. Looking ahead, we are working in collaboration with the government and airlines to realize total airport management, which aims to optimize operations across the entire airport.

In the retail and food & beverage businesses, we are steadily advancing store renovations in areas such as the duty-free zone in Terminal 3 and the marketplace in Terminal 1. By expanding our lineup of original and high-sensitivity products, strengthening pre-order sales, enhancing collaboration with various brands, and leveraging marketing strategies, we aim to deliver highly satisfying services and further enhance our unique value proposition.

We are steadily implementing initiatives such as the installation of robotic warehouses, utilization of RFID tags, and expansion of e-commerce services, in order to drive sales growth.

## (2) Capital Spending Plan

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

(Billions of yen)

| | FY22 | FY23 | FY24 | FY25 | Total |
|---|---|---|---|---|---|
| Medium-Term Business Plan | 12.0 | 31.7 | 34.3 | 48.0 | 126.0 |
| ***Actual / Forecast*** | ***12.0*** | ***31.7*** | ***26.1*** | ***46.2*** | ***116.0*** |

(Of the above, satellite developments)

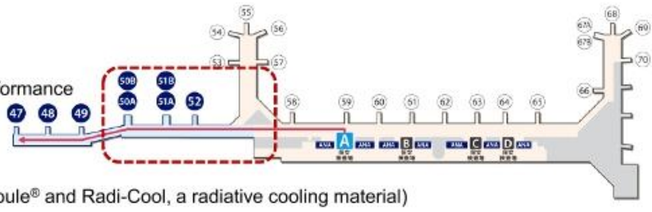
| | FY22 | FY23 | FY24 | FY25 | Total |
|---|---|---|---|---|---|
| Medium-Term Business Plan | 6.4 | 18.3 | 8.7 | 12.6 | 46.0 |
| ***Actual / Forecast*** | ***6.4*** | ***18.3*** | ***9.1*** | ***12.6*** | ***46.4*** |

**Direction of capital spending plan**

- Capital spending for domestic flights has been roughly in line with the expectation owing to a reduction in spending for long-term repair work and postponement of investment despite increases in spending caused by soaring material prices and a rise in labor costs as well as changes in delivery timing.
- For international flights, we will consider updating and adding facilities, maintenance and management, and store refurbishment together with investment recovery within the project period and implement them on a priority basis in order to address the aging of facilities, increase in passengers, and requests by airlines.

### ◆ Facility connecting the satellite building on the north side of Terminal 2 with the main terminal

- Made available for use in March 2025
- Newly constructed three stationary boarding bridges (five spots)
- Opened a convenience store and restaurants
- Aim to improve the convenience of customers and rate of on-time performance
  - The connection eliminated the need for bus rides
  - Introduction of iino, a multi-seater self-driving mobility service



- Environmentally friendly (adoption of glass integrated solar-cells Sunjoule® and Radi-Cool, a radiative cooling material)

(See press release on the Company's website for details: https://www.tokyo-airport-bldg.co.jp/site_resource/whats_new/pdf/000015899.pdf (in Japanese))

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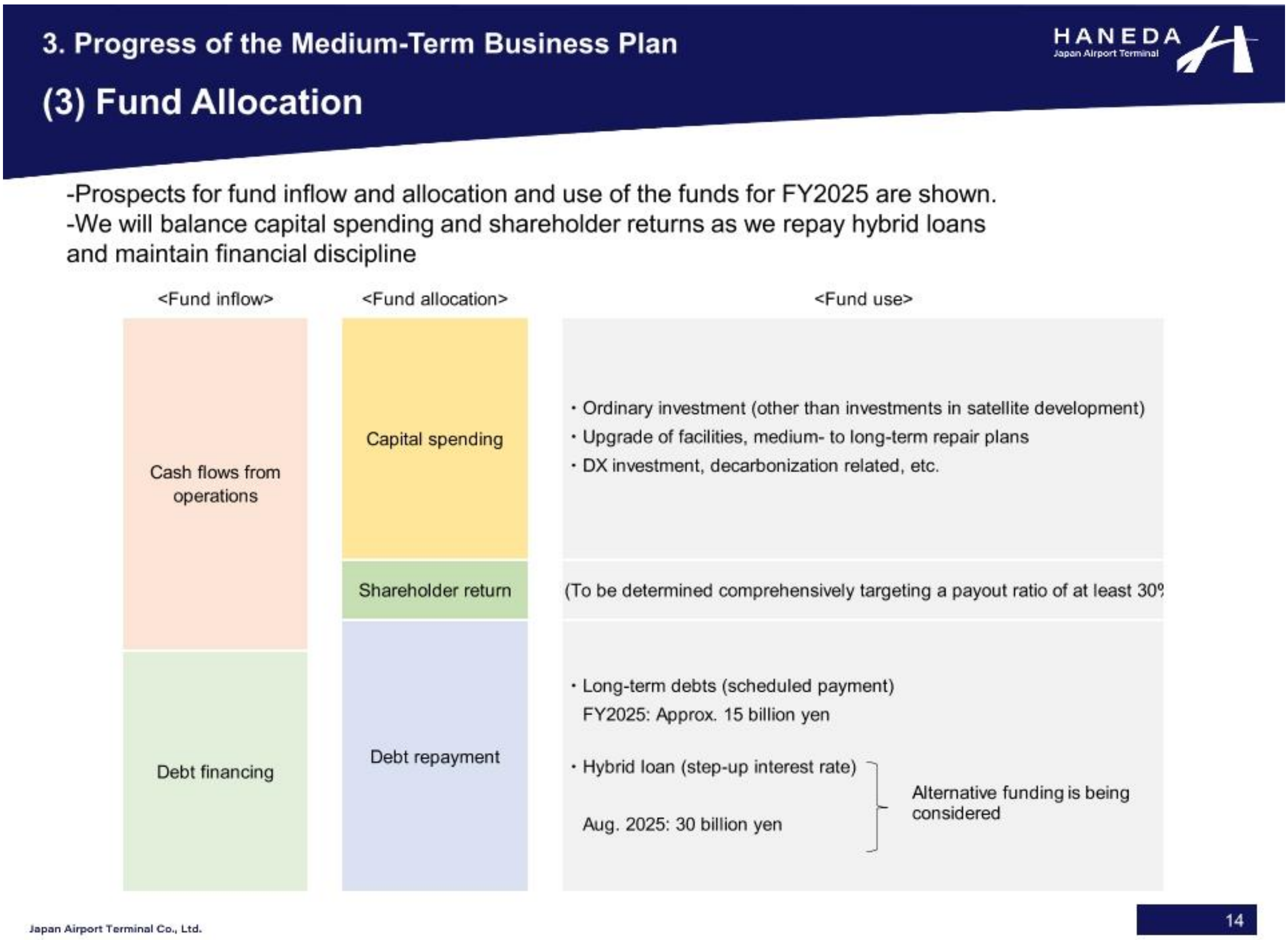
Please refer to page 13. This section describes the capital investment plan. Although there have been cost increases and schedule adjustments for domestic flights due to rising material prices and labor costs, the overall changes remain within our expected range, taking into account factors such as reductions in long-term repair work and deferral of certain investments.

On the other hand, for international flights, we are prioritizing and implementing equipment upgrades, facility expansions, maintenance, and store renovations to address aging infrastructure, increasing passenger numbers, and airline requests. These initiatives are being considered in conjunction with investment recovery within the project period.

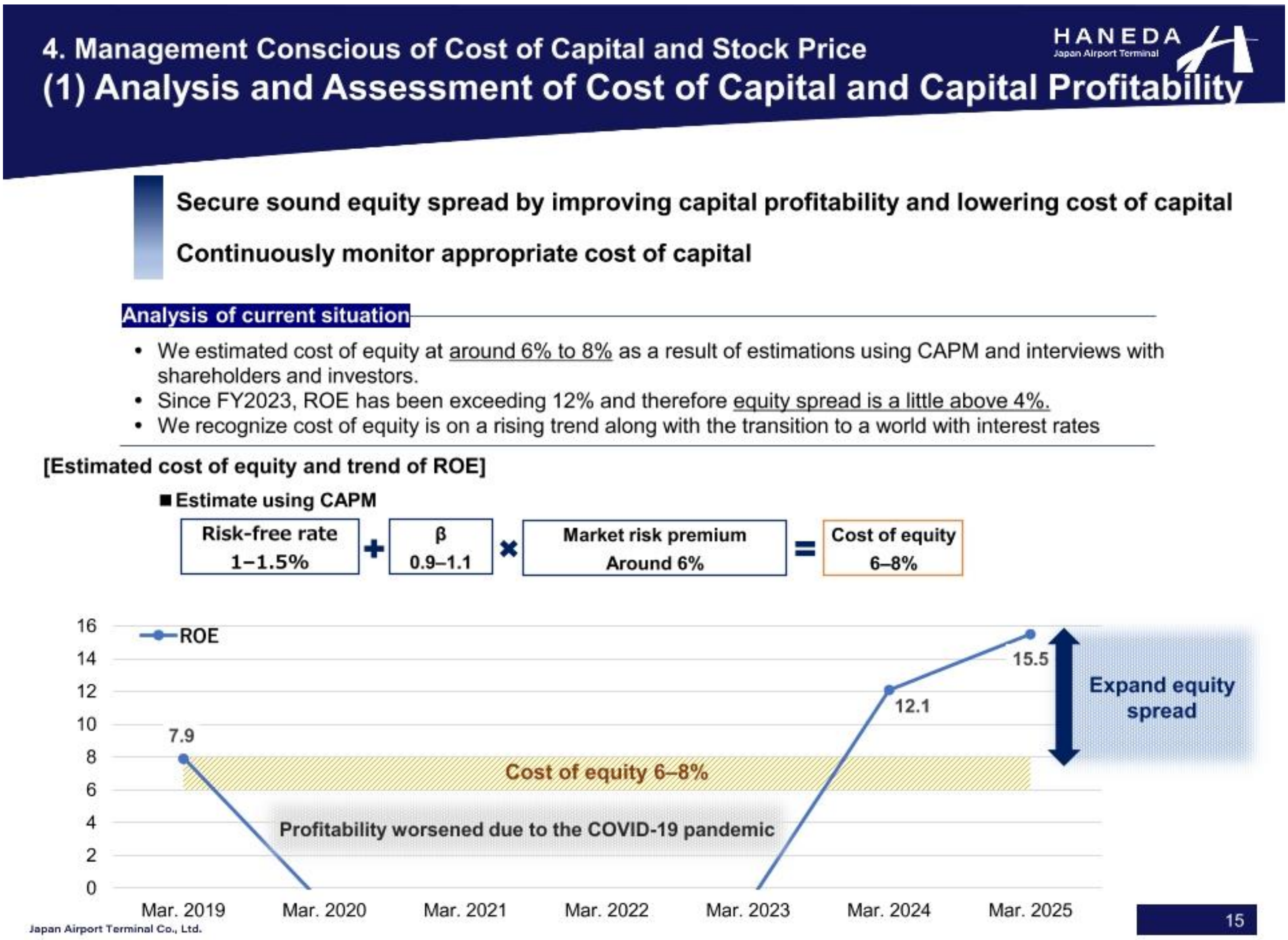
The connection work between the north satellite of Terminal 2 and the main building was completed in the previous fiscal year as scheduled. Three fixed boarding bridges have been newly constructed at the connection area, and we believe that this connection will eliminate the need for bus transportation, which was previously required of passengers, and contribute to improved passenger convenience and on-time operation rates.

We are also taking environmental considerations into account by adopting building-integrated photovoltaic glass Sungel® and the radiative cooling material Radi-Cool.



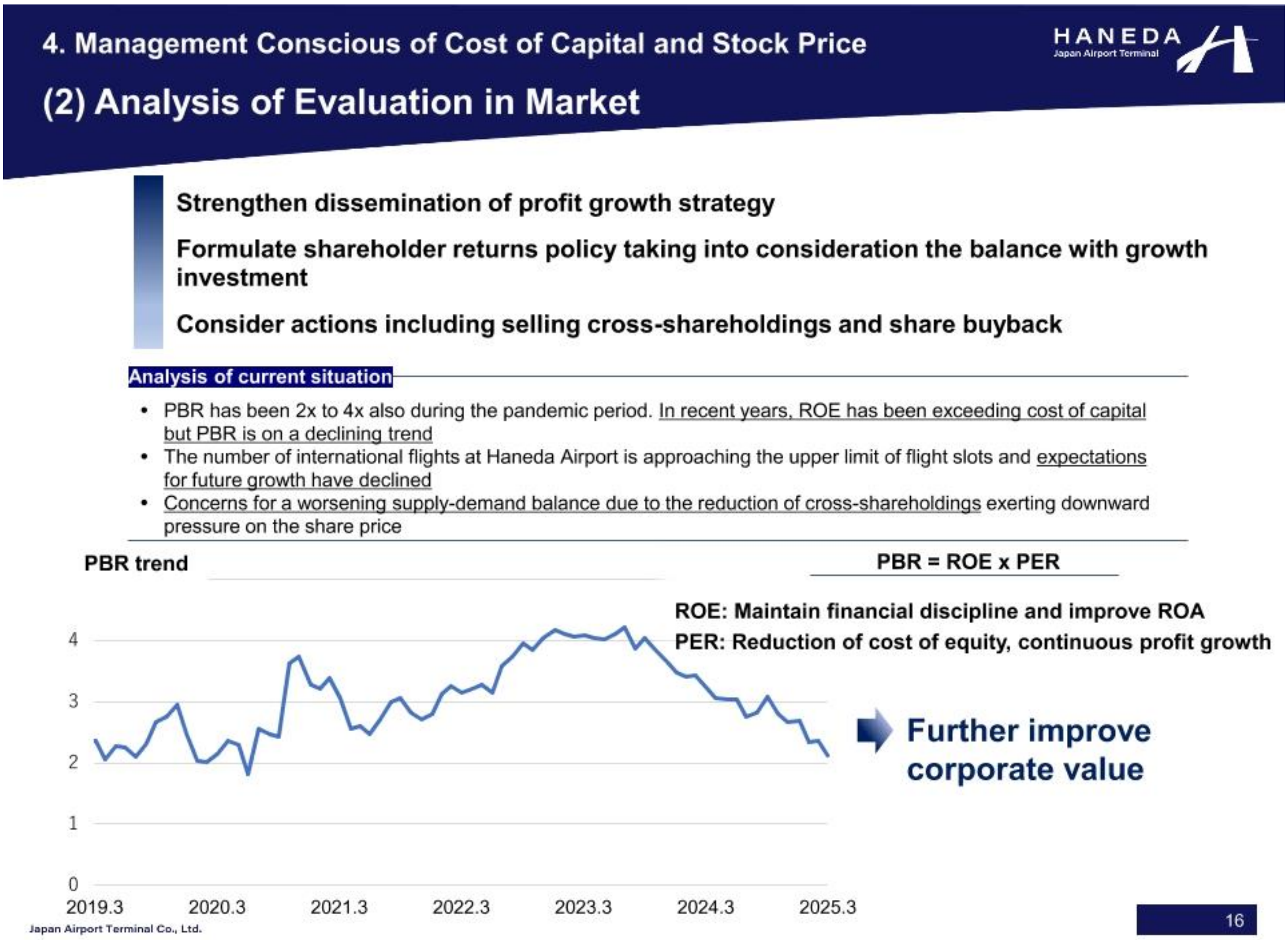

Please refer to page 14. This section outlines the projected cash inflows and allocations for the current fiscal year, along with an overview of how the funds will be used. With a step-up in interest scheduled for our hybrid loan this August, we have been working to strengthen our capital base in order to leverage the exception clause to the refinancing restrictions. At the same time, we are currently exploring refinancing options for the repayment. After repayment, we will consider the optimal capital structure, balancing capital investment and shareholder returns.

Regarding shareholder returns, we will make a comprehensive decision with a target payout ratio of 30% or more for the current fiscal year, as in the past, but will consider various possibilities in the next medium-term management plan.




Please refer to page 15. We will now explain management with an awareness of cost of capital and stock price. To begin with, our cost of capital is estimated to be in the range of 6% to 8%, derived from the CAPM as well as insights gathered from discussions with investors. Return on capital, on the other hand, has exceeded 12% ROE since FY2023, when the Company returned to profitability after COVID-19. Therefore, we estimate that the equity spread is about 4%.

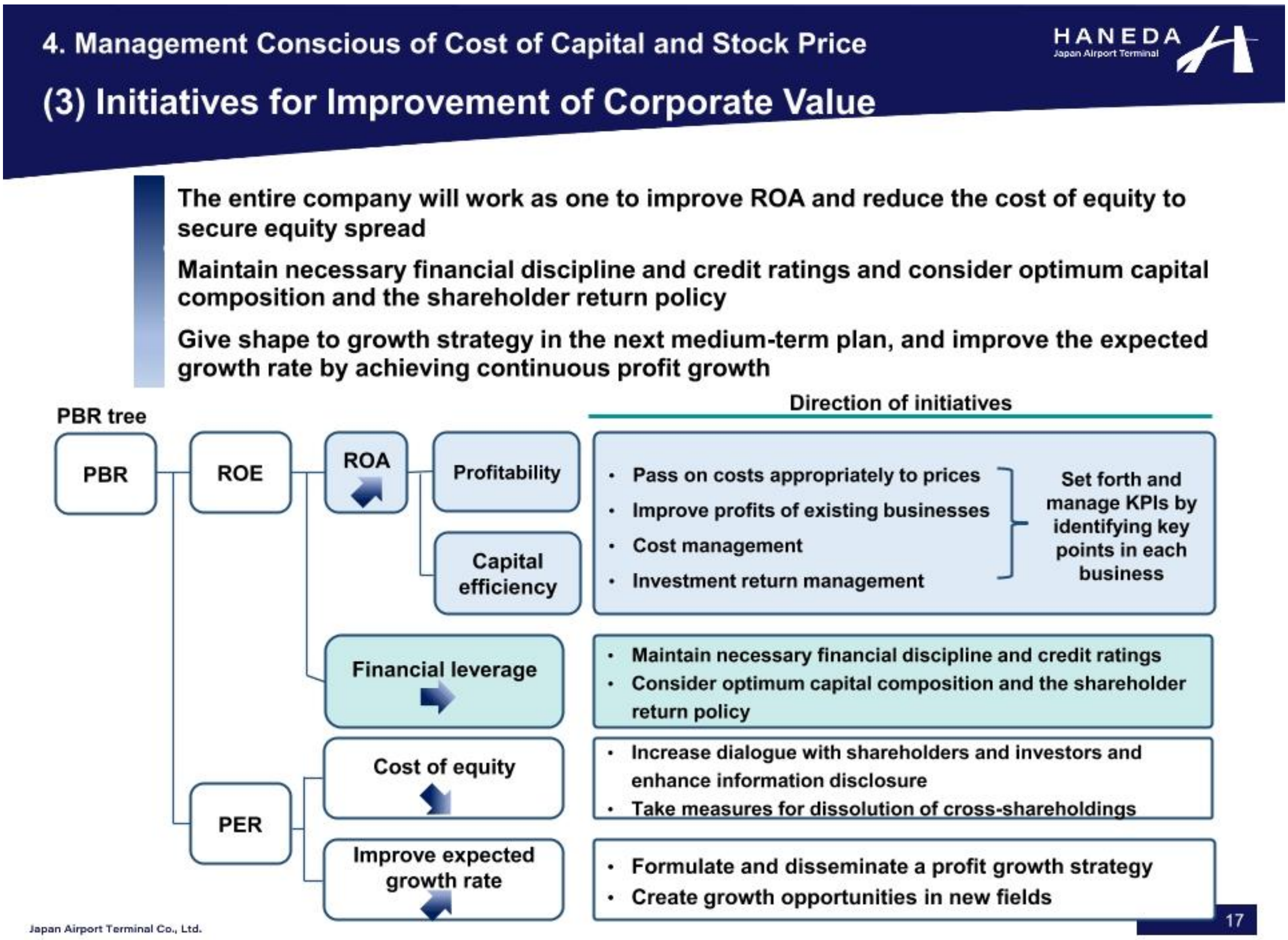
We recognize that, with the shift toward a world of rising interest rates, the cost of equity capital is trending upward. However, we believe it is essential to secure a healthy equity spread by further enhancing capital efficiency while also working to reduce our cost of capital. We will also continue to monitor the appropriate cost of capital.




Please refer to page 16. Here is an analysis of the market valuation. Over the past 10 years, including during the COVID-19 pandemic, our PBR has generally remained in the range of two to four times. However, despite our ROE exceeding the cost of equity capital over the past two years, the PBR has been on a declining trend.

We believe this is due to two main factors. The first is likely to be the decline in future growth expectations as the number of international flights at Haneda approaches the upper limit of its capacity. Secondly, with the theme of reducing policy shareholdings throughout Japan, concerns about the deteriorating supply-demand balance for the Company's shares are likely to put downward pressure on the share price.

In response to these issues, we will work to further enhance corporate value by strengthening the dissemination of our profit growth strategy, formulating a shareholder return policy that balances investment in growth, and considering the release of policy shareholdings, including share buybacks.




Please refer to page 17. Here, PBR is broken down into a tree structure to show the direction of each element's efforts. We will work to secure the equity spread through company-wide efforts to improve ROA and reduce the cost of shareholders' equity. Regarding financial leverage, we will consider the optimal capital structure and new shareholder return policy while maintaining the necessary financial discipline and credit ratings.

Specific details will be discussed over the next year in preparation for the next mid-term management plan, but we intend to build up our business plan so that we can achieve sustainable profit growth and increase the expected growth rate.

Lastly, our current medium-term management plan has been developed with a target year of 2030, under the vision of becoming an advanced airport that is friendly to both people and the environment. We have taken a back casting approach to shape this five-year plan. We have achieved our highest profits in the past five years due to steady growth in inbound sales and solid implementation of various growth policies. In the next five years, I believe it will be important to integrate financial and non-financial aspects, in other words, to further integrate sustainability strategies and business strategies.

As for the CO2 reduction target, a 46% reduction from the FY2013 level is approaching in five years. At the same time as the energy-saving measures we are currently working on, we believe it is necessary to position the measures we have been working on, including hydrogen, SAF supply, and the conversion of airport vehicles to EVs, as new business opportunities, and to promote them with even greater focus.

In addition, we will strive to maintain prompt decision-making through the early removal of governance problems. We need to accurately capture the growth of Haneda Airport and the expansion of international flights in the future. We will continue to promote total airport management in close collaboration with airlines, aiming to enhance operational sophistication and further improve on-time performance.

On the facilities side, to accommodate the growing number of international passengers, we are moving forward with preparations under the assumption that investments in Haneda will be ongoing. These efforts include strengthening the facilities at Terminal 3 and taking into account progress in national projects such as the connection between Terminals 1 and 2, as well as apron renovations and expansions.

As I mentioned earlier, we will be discussing the specifics of the next medium-term management plan, but we believe that the key points are to increase efficiency and add value. Regarding the first, efficiency, we are conscious of the proper allocation of resources based on the premise of capital cost management. We will also take into account the growing uncertainty in dealing with tariffs, the situation of increasing exchange rate fluctuations, and rising prices.

Each business unit will clarify its responsibilities and authority based on profitability and capital efficiency, with an awareness of ROA as shown in the logic tree shown earlier.

Regarding the second aspect of value-added enhancement, we will work on both creating added value in terminal operations and enhancing added value by leveraging the value and attractiveness of Haneda Airport. Creating added value in terminal operations is an initiative to create new added value at airports through total airport management, terminal 0 and marketing, as mentioned earlier.

We hope to not only improve customer convenience through operational efficiency, but also create time and space for our customers, which will lead to business opportunities.

As I mentioned earlier, our shareholder return policy was based on a payout ratio of 30% or more as an indicator. While we continue to keep this point in mind, we have also been working to improve our financial position, which had been impacted by the COVID-19 pandemic, with a target of achieving an equity ratio of over 40%. As of the end of the previous fiscal year, we have largely recovered to that 40% level. In light of this, we will consider and present our shareholder return policy, including share buybacks, taking into consideration the future capital adequacy level and the balance of investment for growth.

I have long been involved in corporate planning, accounting and finance divisions. With this experience, I would like to steer the Company through the process of formulating business strategies by clarifying the responsibility and authority of each department, so as not to miss the seeds of growth.

On the other hand, there are many employees onsite who understand the value of Haneda Airport better than anyone else and have strong aspirations to improve it. I believe that it is my mission to work with them on the path of growth and to keep their human capital alive for the future, and I am convinced that they are the biggest growth drivers for our company.

In the recent case, we were formally reprimanded by the Ministry of Land, Infrastructure, Transport and Tourism for a breakdown in our corporate governance functions, which was deemed to have undermined the trust of airport users. We take this action of caution very seriously and will make it our top priority to restore everyone’s trust through the steady implementation of measures to prevent a recurrence. Your understanding and support would be greatly appreciated.

That is all for the explanation. Thank you.

## Question & Answer

**Moderator [M]**: Thank you. Now I would like to take your questions.

Let us now introduce our first questioner. Mr. Osaka of Morgan Stanley MUFG Securities. Please go ahead.

**Osaka [Q]**: I am Osaka. Thank you. I would like to ask for three points.

The first point I'd like to ask about concerns your performance forecast for this fiscal year, specifically regarding the merchandise and facility-related segments. For merchandise, you're projecting a revenue increase of around JPY20 billion, but profit is only expected to grow by JPY1 billion. This suggests relatively weak marginal profitability, so could you explain the background behind this?

As for facility management, you're forecasting a JPY10 billion increase in revenue with a JPY3.5 billion increase in profit. Considering the impact of higher facility usage fees, it seems that there is limited profit growth from other areas. Could you provide a breakdown of the factors behind this increase and decrease? This is the first major one.

The second point relates to your stated intention to strengthen communication around your profit growth strategy. From an external perspective, Haneda already appears to be operating at full capacity, and with no [Inaudible] expansion plans in sight, it's a bit unclear how far the profit growth story can realistically be developed. I know the specifics will be in the next mid-term plan, but what are you considering in your strategy for profit growth? If you have any ideas, please let us know.

The third point is about your shareholder return policy, which you mentioned takes into account a balance with growth investments. The current year's policy is around JPY46 billion, and I get the impression that this year marks the peak, with a potential decline from next fiscal year onward. Is that a fair interpretation?

If that's the case, and as Mr. Tanaka mentioned earlier, considering that investment in Haneda Airport is essentially ongoing, I get the sense that your company has historically found it difficult to shift its focus toward strengthening shareholder returns. With the new management team in place, do you anticipate the need to significantly revise your shareholder return policy? I'd appreciate it if you could share your thoughts on that. That's all.

**Jinguji [A]**: I am Jinguji. To address your first point regarding the FY2025 segment performance, let me begin with the retail business. For FY2025, we are forecasting a revenue increase of JPY20 billion YoY, with operating profit expected to rise by JPY1 billion. As for income, there will be an increase in the cost ratio, which will have an impact on profits.

As for expenses, we are projecting an increase of JPY4.3 billion in SG&A and JPY14.2 billion in cost of goods sold. The main factors include approximately JPY600 million in additional depreciation resulting from store renovations, and another JPY600 million allocated to advertising and promotional expenses to strengthen our e-commerce operations.

In addition, commission-based rent, linked to revenue growth, is expected to increase by approximately JPY700 million. Additionally, we will be implementing congestion mitigation measures through the introduction of robotic warehouses and RFID tags. These types of investments will also contribute to the overall cost increase, resulting in a total operating profit increase of JPY1 billion.

Next, regarding the facility management and operations segment, we are forecasting a revenue increase of JPY9.7 billion and an operating profit increase of JPY3.5 billion compared to the previous fiscal year. Of the revenue growth, approximately JPY4.5 billion is attributable to the revision of PSFC unit rates, and around JPY500 million comes from adjustments to management fees in rental income.

On the expense side, depreciation is expected to increase by approximately JPY2 billion due to the completion of construction work related to the connection with the North Satellite. In addition, personnel expenses and national property usage fees are expected to increase by a combined total of JPY1.7 billion. Repair and maintenance expenses are also projected to increase by JPY1 billion. Although revenue growth is driven by the revised PSFC rates, the increase in these associated costs results in a net profit increase of JPY3.5 billion for the facility-related operations.

**Osaka [M]**: Thank you very much.

**Tanaka [A]**: Now the second one, from me. As you pointed out, given that the available slots are already nearly fully utilized, it is indeed difficult at this point to foresee further growth along the same recovery trajectory we saw following the COVID-19 pandemic.

On the other hand, there is still room for improvement in areas such as the recovery from the downsizing of aircraft during the COVID-19 pandemic and current load factors. We need to closely monitor and capture these opportunities. In this process, as I mentioned earlier, the key points of the next medium-term management plan are efficiency and added value, and I believe that we must take a dual approach of raising the profit margin and increasing earnings by adding more value.

As I mentioned earlier, investment in Haneda will not cease, and we are proceeding with that assumption in mind. In this context, with the national target of welcoming 60 million inbound tourists, the total number of slots at metropolitan area airports, including Narita, is expected to reach 1 million by 2029. Given this, discussions with the Civil Aviation Bureau will be essential, particularly regarding how these slots are allocated between international and domestic flights. I believe there will also be important discussions about whether that overall capacity will be sufficient.

At this point, it remains to be seen whether the discussions will deepen to that extent during the five years of this medium-term plan, but I believe that we need to take a firm stand on this issue.

On the other hand, with regard to the third policy of returning profits to shareholders, we have been maintaining a dividend payout ratio of 30%, which we have used as our main indicator. I have been talking about treasury stock for some time now, but the trend of reducing policy shareholdings is undeniable, and since it has not been apparent until this fiscal year, I do not believe that this in itself has had an impact on stock prices. However, we believe that this trend will continue to strengthen in FY2026 and beyond.

In that case, we have to consider the acquisition of treasury stock, along with the sale I mentioned earlier. At the same time, taking into account factors such as the total shareholder return ratio, we believe it will be necessary to consider measures such as regular share buybacks. This is something we intend to actively discuss within management going forward.

**Osaka [Q]**: Thank you very much. From a strategic standpoint, improving efficiency leads to higher profit margins, and pursuing added value essentially means raising unit prices. So, the question is, how do you plan to create and deliver that added value?

**Tanaka [A]**: I believe various efforts are already underway, but we often speak about leveraging the unique setting of Haneda Airport. Going forward, we need to further pursue initiatives such as partnering with those who truly understand the value of Haneda, developing new strategies to engage with the 80 million domestic and international passengers, and conducting research at locations such as Terminal 0. That said, while we don't yet have a clear [Inaudible] on what percentage of next year's projected JPY300 billion this will account for, we believe it is important to steadily move forward with these initiatives.

**Osaka [M]**: Okay. Thank you.

**Moderator [M]**: Thank you for your question. I will now call for the next person. Mr. Ozawa of SBI Securities, please speak.

**Ozawa [Q]**: I am Ozawa from SBI Securities. Three brief points from me, please.

My first question relates to the content on page four and page five of the presentation, where you discuss duty-free unit prices. It appears that unit prices declined in H2, and the materials cite factors related to China. Could you elaborate a bit more on your company's analysis of the causes behind this?

In Q2 of the previous fiscal year, the yen was relatively strong, and I'm also wondering whether the decline may be attributed to China's economic conditions. Additionally, as visa policies ease, it's often the affluent travelers who return first, followed later by more general consumers. Could this shift in traveler composition be contributing to the decline? Alternatively, could it be a shift in consumer behavior? For example, we used to see the 'bakugai' shopping sprees in the past, but that trend seems to have declined, and spending habits may now be more conservative. Also, there is talk of your company strengthening e-commerce, and I would like to know if there is any movement toward cross-border e-commerce, or if there is anything else that comes to mind in this area.

My second point relates to the mention of capacity limits at Haneda. In terms of capturing surrounding business opportunities, I'm wondering what potential areas you see. Since this is a medium-term plan, it may still be in the early stages, but looking back, there were initiatives like the Ciel et Grand project around the time of the Lehman crisis. Also, listed companies appear to be making some moves, including redevelopment around the old maintenance district. Within your company, even if not specifically in real estate, are there any potential new business opportunities you're currently considering or see as viable? As for AGP, it seems that JAL is planning to increase its stake. So, for my second point, I'd like to ask if there are any similar possibilities or potential developments your company is considering, including areas surrounding your core operations.

The last one is a simple one, and this is also about the expansion of Haneda, but it is about the artificial ground at Haneda that has been mentioned before. I think the MLIT seems to have budgeted for this, but I would appreciate any updates in this area. Thank you.

**Onishi [A]**: My name is Onishi. I will talk about the first part of the tax exemption, and Akabori is also here, so I would like Akabori to talk about any additional information afterwards.

As we have explained on several occasions, the average purchase amount per customer is typically around JPY15,000 to JPY16,000, and Chinese travelers continue to show higher spending, with their average remaining around JPY10,000 above that baseline. However, as you pointed out, there was some slight change in movement between the recent Q1 and H2. Particularly in Q2, when the yen appreciated somewhat, overall sales dropped a bit, and with the domestic economy in China itself becoming unstable, Chinese purchases dropped a bit. Most recently, there was the Chinese New Year, so looking at the numbers alone, it seems that things have returned to normal, but I think there has been a significant change in the way Chinese people are spending their money.

In the past, one-third of the money spent by Chinese visitors was for shopping, but this has now been reduced to less than 30%. Conversely, the way they spend money on hotels, food and beverages in rural areas has changed markedly, and we believe this may have some impact.

As for the future, the Chinese still account for half of our sales, so they continue to be a very large source of sales, but there is a great deal of uncertainty about what will happen to the Chinese economy itself. However, there is a great deal of instability in the Chinese economy itself, so we need to balance our sales to our growing North American and European customers. I feel that relying on 50% Chinese is a bit too much.

**Akahori [A]**: My name is Akabori. Let me add on. As President Tanaka mentioned earlier, first of all, the load factor is currently between 80% and 85% for flights to China, depending on the flight.

Looking ahead, both JAL and ANA have announced plans to introduce larger aircraft, which we expect will lead to an increase in passenger numbers. Additionally, there is still about 5% room for improvement in current load factors. Although we inquired specifically about the outlook for inbound travelers from China via JAL and ANA, since those are the only two carriers involved at this stage, the key point for us now is how to translate this anticipated increase in traffic into actual sales.

It may go without saying at this point, but last year, 88% of our customers were individual travelers and only 12% were group tours, so the vast majority were individual visitors. Together with Japan Airport Terminal Co., we've been conducting interviews in mainland China as well. While we've gathered some general qualitative insights, the common themes include the end of the so-called 'revenge spending' phase, a shift among the middle class from brand-centric purchasing to more rational consumption, and a broader transition into a low-growth economic phase. These negative developments aren't something we can simply accept as inevitable; we need to consider how to respond. I'd like to briefly touch on two specific points in that regard.

Changi Airport has reportedly seen a 10% increase in sales by using beacons and apps to offer personalized suggestions for dining, shopping, and entertainment based on passengers' preferences. In collaboration with Japan Airport Terminal, we are looking to move beyond broad DX concepts and begin implementing such targeted, individualized sales approaches within this fiscal year. The rest of the story is a bit too detailed, so I will end here.

**Tanaka [A]**: Regarding your second question, as mentioned earlier, one of the key themes in the next medium-term plan is the integration of sustainability and business. In that context, we see opportunities for revenue generation in areas such as the commercialization of hydrogen and EV vehicle-related businesses. While initiatives toward decarbonization do entail costs, we believe this is a field where we must actively focus in order to capture meaningful profit opportunities.

Another area we are looking into is the utilization of idle land. While we no longer have large-scale development opportunities like the previous Ciel et Grand project, much of that land has already been used, we are still considering ways to make effective use of the remaining idle spaces. In addition, tax refunds for downtown duty-free purchases are expected to be introduced next year. As such, discussions around how to handle duty-free operations and tax refund services at the airport are still in the early stages. I think we should closely monitor this area and consider commercializing it.

Regarding the artificial ground platform, while there hasn't been major progress yet, the government is continuing its evaluations. We will keep a close watch on these developments and aim to strengthen collaboration so that we can proceed with our own planning when the time comes. That is all from me.

**Ozawa [M]**: Okay. Thank you.

**Moderator [M]**: Thank you for your question. I will now call for the next person. Mr. Watanabe of Asuka Corporate Advisory, please go ahead.

**Watanabe [Q]**: Thank you. I am Watanabe from Asuka.

Let me begin with a question for Mr. Onishi. Following the discussion on Chinese tourists, there's been a lot of talk lately about the rise of experiential spending among both Western and Chinese travelers. I'd like to hear your perspective on that. I recall that experience-based consumption was a key focus even during your tenure as president at your previous company. In the context of Haneda Airport, are there any concrete ways your company is looking to capture revenue from this type of consumption? I would like to know if you have any creative tips to share. My final question is for President Tanaka. The recent changes in your management team appear to reflect a substantial generational renewal. Could you share your thoughts on how the newly appointed directors plan to engage with investors and the broader market? At present, I believe there is a general perception that your company has not been particularly engaged with the market. For example, former heads of IR were reportedly not included in Board meetings, and there has been little to no direct engagement, such as one-on-ones or small meetings, between Board members and either the buy-side or sell-side. As a result, the market tends to view the Company as largely indifferent to investor relations. I am just wondering if this is something we can expect to change in the future. These are my questions.

**Onishi [A]**: Thank you. I will now answer your first question.

Experience-based consumption is indeed a broad concept, and it's not something unique to Chinese tourists. This shift from product-based to experience-based spending has been a growing trend among both overseas visitors and Japanese consumers for many years. Initially, the rise in inbound sales was largely driven by shopping-focused spending. However, the shift in purchasing behavior was to some extent foreseeable, as consumer preferences have gradually evolved.

In response to your question about how we plan to promote experience-based consumption through Haneda, I believe there are two main approaches. The first is to offer engaging experiences within Haneda itself. We want to create experiences that encourage customers to come to Haneda not just for travel, but specifically to enjoy what the airport itself has to offer. For example, we've already held several events such as art exhibitions, photo exhibitions featuring famous Korean celebrities, and even Asian sports championships during the COVID-19 period in collaboration with D2I. When looking at things from a broader perspective, I believe the best way to encourage meaningful spending by international visitors is to guide them toward regional areas, where they can engage with local craftsmanship and cultural experiences. These types of encounters offer genuine value and contribute directly to the local economy.

In that sense, although it may be an indirect approach, the second point is our involvement in regional revitalization initiatives. Through these efforts, we aim to encourage travelers to experience local craftsmanship and discover high-quality Japanese products that have yet to be widely introduced. I believe this represents a more holistic approach to experience-based consumption. With spatial constraints at Haneda, we recognize the growing global appeal of games and character IPs, and it's something we need to carefully consider how to implement effectively within the airport environment. That is all.

**Watanabe [M]**: Thank you.

**Tanaka [A]**: I am Tanaka. Thank you for pointing this out. As mentioned earlier in the materials, we recognize that the recent decline in our PBR is, in a sense, attributable to a decline in PER. In this sense, we must reflect on the perception that our weak ability to communicate with the market has led to the decline in the PER.

In that sense, as we move forward with a stronger focus on capital cost-conscious management, lowering the cost of equity and achieving a higher PER will be important goals. To that end, active dialogue with our stakeholders will be essential, and we are committed to engaging more consciously on this front.

**Watanabe [M]**: Thank you. We are looking forward to having small meetings and other events.

**Moderator [M]**: Thank you for your question. No one is currently waiting to ask questions. We have about five minutes left, so if you have any questions, please let us know by pressing #7. We would like to accept one more person.

Thank you for your question. Mr. Masumiya of Daiwa Securities, please go ahead.

**Masumiya [Q]**: I am Masumiya from Daiwa Securities. Thank you. With the recent leadership transition, I'd like to ask whether there are any particular risks or concerns going forward. Given your company's relatively monopolistic business structure, I don't expect there to be significant threats from competitors, but are there any aspects that you believe require caution? That would be my first question, and I'd appreciate your thoughts on that point.

My second question relates to the purchasing trends mentioned earlier. According to your assumptions, the average spend per customer is expected to increase starting in Q2, while the purchasing rate temporarily rises in Q1 but then declines thereafter. Could you please provide some context or explanation behind these assumptions? Thank you.

**Tanaka [A]**: I will address the first point. This incident, which has caused us much inconvenience and concern, is not a problem with the operation of the airport terminal, but rather a violation of the compliance guidelines that we have set for ourselves in this area of governance failure. As I mentioned earlier, I firmly believe that our on-site operational teams have consistently delivered and will continue to deliver the same high standard of operations going forward. And I believe that's exactly what we must continue to ensure. In this sense, we will do our utmost not to have any impact on business performance, etc., as a result of this change in management structure.

**Onishi [Q]**: Regarding the reason behind the drop in the purchasing rate-

**Masumiya [Q]**: The assumption seems to be that the purchasing rate goes up in Q1 and then drops, does that match your projections?

**Onishi [Q]**: Q1 as in the very first quarter, right?

**Masumiya [A]**: Yes.

**Onishi [A]**: Let me briefly explain only the purchasing rate and the average spend per customer. First, regarding domestic flights, the average spend per customer has increased by around 20% over the past two to three years. This is not because we did nothing, but as a result of our reasonable pricing policy, the unit purchase price has been rising. The purchase rate for domestic flights has been around 30%. Regarding tax exemption, there is also the phenomenon of a slight drop in the unit purchase price when the yen appreciates slightly. As for the purchasing rate, it tends to be higher for international flights compared to domestic ones. That said, there can be fluctuations depending on the season. Paradoxically, when passenger numbers are high, the purchasing rate may appear lower, simply because the denominator increases.

Of course, these numbers reflect outcomes, but what's important is what actions we take to drive the purchasing rate higher. Although we're unable to go into the details today due to time limitations, it's true that the ongoing efforts to improve both purchasing rate and unit spend have started to bear fruit. That is all.

**Akahori [A]**: This is Akabori, but let me add. As noted on page 10, we've been working on initiatives such as extending store hours and easing congestion. In fact, just this month and last month, several top-brand store renovations were completed. While there are still one or two vacancies and some projects in progress, one notable point is that the newly renovated stores have been performing exceptionally well, significantly exceeding their sales targets.

Although we haven't pinpointed the reason yet, stores under renovation, those with less than half the typical floor area, are showing unexpectedly strong sales performance. We've been discussing this with the head office to try to understand why these pop-up-style stores are performing so well. While we haven't yet arrived at a clear qualitative or quantitative explanation, the fact remains, the results speak for themselves. European reports also indicate that pop-up store formats are showing strong results, similar to what we're observing. Going forward, we'll continue exploring these trends as we work to raise average transaction value and boost purchasing rates. Finally, hybrid store formats that integrate dining and retail are showing strong results globally in the duty-free space. We're looking into this model and would like to explore how we might implement similar concepts ourselves. Does this answer your question?

**Masumiya [Q]**: Thank you very much. Does the assumed increase in average spend from Q2 onward reflect the kinds of factors you just mentioned?

**Akahori [A]**: Yes, and as I mentioned earlier, congestion relief measures are already underway, particularly in general duty-free stores. For example, we've repositioned cash registers to reduce long queues, as we've seen cases where customers abandon their purchases due to long wait times, or even choose not to enter the store when it appears too crowded from the outside. These types of behaviors, often referred to as purchase hesitation, are what we're trying to address, and the airport terminal team has been working hard on these solutions. As has come up a couple of times today, we're implementing RFID-compatible registers. While I'll skip the technical details, the main benefit is that shorter checkout times per customer help drive increased sales. We now believe that this will come into effect in H2.

**Masumiya [M]**: I see, so in that sense, you can expect the exchange rate to go up even if it is constant. Understood.

**Moderator [M]**: Thank you all for your questions.

With that, we will conclude the question-and-answer session. Please contact the IR Section of the Corporate Planning Department for any further questions.

This concludes the presentation of the financial results for the fiscal year ended March 31, 2025 of Japan Airport Terminal Co., Ltd. Thank you very much for your time today.

[END]

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