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Development of the Medium-Term Business Plan (FY2013 through FY2015)

I. Introduction

The Japan Airport Terminal (JAT) Group has developed a medium-term business plan covering a three-year period from the fiscal year ending March 31, 2014 (FY2013) through the fiscal year ending March 31, 2016 (FY2015).

This year marks the 60th anniversary of the founding of the JAT Group. We regard the following three year period as a time for facilitating ongoing evolution and development in order to cope with the changing environment.

II. Basic Business Philosophy

The JAT Group is a private-sector company that oversees the construction, management, and operation of passenger terminal buildings at Haneda Airport – a facility of enormous significance to the public. As such, our basic business philosophy is to harmonize the public good with our business goals. In keeping with this philosophy, we strive to ensure safety within passenger terminal buildings, operate passenger terminal buildings in a customer-oriented manner, practice efficient management, and strengthen our business foundation. We will ensure that the earnings generated from our operations are appropriately distributed to all stakeholders including airline companies, airport users, shareholders, the national government, and other stakeholders.

III. Changes in the Operating Environment

1. Operating Environment

The Japanese economy is expected to follow a path of gradual recovery supported by a number of factors including improvements in export conditions, an economic stimulus package, as well as monetary easing policy.

Nevertheless, the prospect of an economic downturn overseas still poses a risk that could weaken the economy.

An examination of our operating environment reveals that the airline industry is undergoing drastic changes. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is moving ahead with a growth strategy in the air transportation market which includes reforms in airport management, open sky agreements, and promotion of the entry of Low Cost Carriers (LCCs) into the market.

Domestic passenger volume, which supports our business foundation, is forecast to grow year-on-year primarily because of the increase of domestic landing-takeoff slots by 20,000. On the other hand, airline companies, our major customers, are making efforts to rationalize their businesses in a fierce competitive environment. This necessitates that the JAT Group also respond to their cost saving measures at airport terminals, including the reduction of rental office space.

International passenger volume is forecast to grow. In 2014, the internationalization of Haneda airport will move a step forward and its function will continue to be strengthened as a convenient airport operating 24 hours that is centrally located in the Tokyo metropolitan area. As the JAT Group is a core member of the operation of the international passenger terminal building, advancement of Haneda's internationalization will create valuable business opportunities for the group.

By steadily moving ahead with measures to achieve higher efficiency, we strive to be a company that creates value for the entire Haneda Airport facility and contributes to the advancement of air transportation in Japan.

2. Passenger Volume Projections by Airport

Taking into account factors like business conditions and the capacity expansion at Haneda Airport, we have developed the following passenger volume projections for each of the following major airports in Japan.

(Unit: 10 thousands passengers)

Airports		FY 2012 Result (Flash estimate)	FY 2013 Forecast	FY2014 Forecast	FY2015 Forecast
Haneda	Domestic	5,893	6,030 (2.3%)	6,090 (1.0%)	6,150 (1.0%)
	International	792	820 (3.6%)	1,270 (54.9%)	1,280 (0.8%)
Narita (International)		2,971	3,050 (2.7%)	3,070 (0.7%)	3,220 (4.9%)
Kansai (International)		1,142	1,110 (-2.8%)	1,150 (3.6%)	1,150 (-)

Note 1: Figures within the parentheses above indicate the percentage change versus the previous fiscal year.

Note 2: Figures for passenger volume are estimated by JAT.

IV. Theme of the New Medium-Term Business Plan

“Facilitate the Ongoing Evolution of Haneda Airport and Strengthen its Business Foundation to Ensure the Future Success of the Airport's Operation.”

The theme of the previous Medium-term Business Plan (FY2010-FY2012) involved a “Steady Response to the Capacity Expansion and Further Internationalization of Haneda Airport and Changes in its Operating Environment”. We have steadily implemented our company-wide projects, including the opening of the international terminal and investments in domestic passenger terminals.

On the other hand, the Great East Japan Earthquake which occurred during the previous plan's three-year period caused a significant drop in passenger volume. As a result, we did not achieve the financial targets originally planned, as evidenced by the fact that the Company recorded a loss in FY 2011 for the first time since

its stock listing.

Meanwhile, discussions have been proceeding regarding reforms in airport management. These are regarded as a key element in the growth strategy developed by the MLIT for the aviation industry. Under these circumstances, we must continue to enhance efficiency of airport operations, attract more users, and improve profitability.

Based on our achievements and the challenges encountered under the JAT Group's previous Medium-term Business Plan, we consider it our top priority to respond to the ongoing internationalization of Haneda airport. At the same time, we recognize that we need to strengthen our business base to ensure that it is solid, flexible, and sufficiently resilient in the face of event risks, such as a sudden drop in passenger volume. During the new business plan period, we will strive to transform our business structure qualitatively by thoroughly re-examining each business activity.

Based on our determination to be chosen as Haneda Airport's operator, regardless of how the ongoing discussion of reforms will impact the nature of airport management, we have set the theme of the JAT Group's new business plan to "Facilitate the ongoing evolution of Haneda Airport and strengthen its business foundation to ensure the future success of the airport's operation."

V. Business Strategy

1. Priorities and Basic Stances

- (1) Respond to the internationalization of Haneda Airport (Strengthening the integrated function of the domestic and international terminals)

By strengthening cooperation between businesses at domestic and international terminals and enhancing services essential to functioning as a hub for domestic-domestic and domestic-international connections, we will drive the demand for air transport in both domestic and international flights. These measures will enhance the value of the entire Haneda Airport and help to maximize our business opportunities.

- (2) Lay the groundwork to ensure the future of the airport's operation

We aim to transform the current structure of the airport's operation to create a scheme with a more transparent mechanism for appropriately distributing profits generated from operations to airline companies and airport users. Balancing between the investment and distribution of returns, we will seek to establish a new structure for the airport's operation that will enable us to generate stable profits.

- ✓ Reconstruct the mechanism for continuous profit-sharing primarily through revisions of facility user charges and rent structures
- ✓ Reduce our reliance on revenues from airline companies and transform our business structure so that we can take the initiative in creating demand
- ✓ Establish a business structure that is resilient in the face of event risks
- ✓ Participate in the operation of new airports and acquire valuable know-how

- (3) Improve the profitability of group businesses

To enable us to continue investments that enhance the value of Haneda Airport, we will strive to achieve efficiency by re-examining business structures, making decisions on unprofitable businesses, and reconstructing profit bases by raising organizational productivity.

2. Concrete Measures

Priorities		Concrete measures
Respond to the internationalization of Haneda Airport		<ul style="list-style-type: none"> ✓ Offer new services including a transfer facility between domestic and international terminals as well as a hotel ✓ Attract more users by expanding attractive commercial facilities and increase the outsourcing of business that our group will operate
Lay the groundwork for the future of airport operation	Better customer convenience and distribution mechanisms for airlines and passengers	<ul style="list-style-type: none"> ✓ Enhance the value of facilities by renewal of T1 ✓ Make necessary investment in maintenance for PBB, flight information and crime prevention facilities, and disaster prevention measures ✓ Reduce terminal operating costs (lowering facility user charges) ✓ Reduce airlines' costs through revision of rent structures
	Value creation for airport and revenue enhancement from non-airline sources	<ul style="list-style-type: none"> ✓ Develop business that takes advantage of the strengths of airline hub network (UHHA project) ✓ Promote Haneda as a base for global business and medical tourism ✓ Create a showroom for state-of-the-art technologies (special district for robot testing) ✓ Revitalize retail shops by redesigning optimal store locations
	Acquisition of know-how for the future of the airport operation	<ul style="list-style-type: none"> ✓ Utilize our know-how by participating in new businesses at overseas airports ✓ Develop dormant spaces in Haneda area that will enhance the value of the entire region ✓ Accumulate knowhow of ground handling operations and expansion of business scope

Reorganization of business foundation with a view toward increasing profits (sources for investment) which will enable us to continuously create value

Improve profitability	<ul style="list-style-type: none"> ✓ Improve profitability of stores (store renovation, merchandising, etc.) ✓ Reinforce emphasis on profitability in wholesale business ✓ Integrate procurement management and clarify divisional performances on a consolidated basis ✓ Establish systems for business evaluation and monitoring ✓ Improve organizational productivity
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VI. Organizational Strategy

We will implement organizational strategies that will enable us to facilitate the ongoing evolution of Haneda Airport and to strengthen its business foundation to ensure the future success of the airport's operation.

(1) Organizational reform

- ✓ To push ahead with our medium term business plan by utilizing the strengths of the JAT Group as a whole, we will transform the organizational structure of our headquarters with a view toward strengthening existing businesses at Haneda airport and accelerating the development of new businesses that will form our management bases in the future.

(2) Directions of organizational reform

- ✓ Simplification of organizational structure (downsize to 3 departments and 13 divisions as opposed to previous 5 departments and 16 divisions) to facilitate efficient management and prompt decision-making

- ✓ Clarification of roles of administration, planning, and operational departments
- ✓ Reallocation of human resources and reform of organizations in response to changing business environment

(3) Improvement in productivity of group companies

- ✓ Promote integration of group-wide back office operations in general affairs divisions and accounting divisions across JAT and group companies
- ✓ Integrate management of procurement operations
- ✓ Introduce group-wide human resource development and training system

VII. Meeting Corporate Social Responsibilities

- (1) Strengthen functions needed for the airport serving Tokyo metropolitan area and contribute to the growth of the Japanese economy through the development of air transportation
- (2) Implement initiatives as a base for evolving into a tourism-oriented country
- (3) Take initiatives to enhance the airport's environmental friendliness
 - ✓ Endeavor to reduce the environmental load primarily by measures for energy conservation at passenger terminal building
- (4) Strengthen crisis management system
 - ✓ Collaborative efforts by all airport staff in the case of various disasters
 - ✓ Alliance with the central government and neighboring municipalities to serve as the base for disaster prevention and evacuation
- (5) Utilize a universal design and barrier-free concept to ensure that the passenger terminal building facilities are user-friendly for and accessible by all people

VIII. Investment Plan

1. Investments in the Development and Improvement of Passenger Terminal Buildings and Other Facilities

Purpose	Investment	Term (Fiscal Year)	Investment amount (Billions of Yen)
Response to the internationalization of Haneda Airport	<ul style="list-style-type: none"> ✓ Transfer facility between domestic and international terminals ✓ New service facilities including a hotel ✓ Expansion and development of attractive commercial facilities 	2013	1.5
Enhancement of convenience, security, and safety	<ul style="list-style-type: none"> ✓ Continuous maintenance and renovation of passenger terminals ✓ Investments to strengthen and enhance safety of passenger terminals 	2013-2013	10
Creation of new value at the airport	<ul style="list-style-type: none"> ✓ Renovation of Terminal 1 and value enhancing investments ✓ Reallocation of commercial facilities and development of new stores 	2013-2015	9
The fourth investment of Terminal 2	Total amount of 7.6 billion yen	2013	2.7
Other investments		2013-2015	2.8
Total			26

2. Other Business Development

- ✓ Participation in development of dormant areas in Haneda property
- ✓ Participation in overseas airport business
- ✓ Participation in domestic regional airport business
- ✓ New business development

IX. Financial Targets and Financial Plan

1. Financial Targets

(1) Securing stable income

Targets in FY 2015 (on a consolidated basis)

- ✓ Operating income: 8 billion Yen
- ✓ EBITDA: 20.5 billion Yen
- ✓ Operating income to revenues: 5% or more

(2) Dividends

Dividends per share (annual): 13 Yen or more

(3) Financial soundness

Equity ratio: Above 50%

2. Financial Plan

		FY 2012 Result	FY 2013	FY2014	FY2015
Domestic passenger volume at Haneda airport		5,893	6,030	6,090	6,150
Operating revenues	Facilities Management	42.7	43.6	47.4	48.6
	Merchandise Sales	78.5	77.1	86.9	89.1
	Food and Beverage	14.8	15.2	15.7	16.3
	Total	136.1	135.9	150.0	154.0
Operating income		4.1	4.3	6.0	8.0
Ordinary income		3.6	3.2	5.0	7.0
EBITDA		17.4	17.7	19.0	20.5
Operating income to revenue		3.1%	3.2%	4.0%	5.2%

Passenger volume: 10 thousands passengers

Revenues and income: Billion Yen

EBITDA = Operating Income + Depreciation + Interest Income + Dividends Income

X. Risk Factors

The JAT Group is subject to business risks that could significantly impact its business results. These include, but are not limited to, changes in international affairs; factors like natural disasters and the spread of the H1N1 influenza that could impact passenger volume on domestic and international flights and the business results of airline companies; and the airport management policy of the national government and regulating authorities, which establish and oversee airports.