

Human potential sparks new value, greater business collaboration

Isao Takashiro
Chairman and Chief Executive Officer

CEO message

Passing on our philosophy: Harmony between the Business and the Society

Japan Airport Terminal Co., Ltd., was established at the request of the Japanese government in 1953, shortly after the end of WW II. At the time, Japan had few financial resources. Thus JAT was set up as a 100% private entity, with no funding from national or local governments.

It is for this reason that costs associated with overall airport operations can be kept relatively low. We apply the rational concepts and methods used by private companies, returning to airlines and other stakeholders profits from the sale of merchandise, food and beverages, as well as other non-aeronautical businesses. We do so by, for example, adjusting rents.

This reflects our philosophy: Harmony between the Business and the Society. Moreover, it shows that the spirit of our first president, Toru Akiyama, has been passed down to the present day. From the start, he sought to build ties of mutual prosperity between airlines and other stakeholders.

For JAT, a public entity that operates airport passenger terminals, to ensure absolute safety at these terminals is the cornerstone of our business and something that management cannot overlook. Thus, in preparation for a worst-case scenario, preconceptions must be eliminated, all aspects of operations confirmed, and daily training undertaken diligently.

I always think of a company as being synonymous with its people. Our philosophy and having absolute safety are the results of human effort. Starting at the welcome ceremony for new employees, I communicate our basic philosophy and management policies, and as opportunities arise, I also discuss the importance of having compassion for others and working to understand their feelings. My sense is that these concepts have been widely disseminated among employees and are well understood.



CEO addresses new employees at this year's induction ceremony.

Business Policy

- Establish absolute safety in passenger terminals
- Operate passenger terminals for the benefit of customers (for convenience, comfort, and functionality)
- Operate passenger terminals stably and efficiently
- Reinforce corporate structure and improve competence of Group companies

The Plus One mindset and challenges of a new era

When I joined the Company, I worked in an airport store. I still recall how happy I was when our first president came to inspect it—and remembered my name. When I joined JAT, I was full of curiosity and always tried new things, so perhaps the president noticed me because of this.

The airline industry has grown steadily to date. In fact, there was a time when growth was possible without the need to take on new challenges. One only had to adapt to prevailing conditions.

However, having seen the airport lobby empty of customers due to the pandemic, I believe it is time for us to return to our founding spirit and for all employees to work together to take on challenges.

At present, although inbound demand (foreign tourists visiting Japan) is higher than had been expected, domestic passenger numbers have not yet returned to pre-pandemic levels, due to lifestyle changes and other factors.

At the same time, there are numerous global social issues that require tackling. These include environment-related matters related to corporate sustainability and the SDGs. In recent years, the value that society looks for in corporations has been changing dramatically, with companies now expected to contribute to the realization of a sustainable society in

addition to making a profit.

In this era of change, if social issues are to be addressed through business activities, it is important that we be determined to change and that we transform ourselves.

Developments in any business environment present challenges and opportunities. Recognizing this, we started promoting the Plus One Promotion to transform employee awareness and behavior. We wanted our human resources to be able to think for themselves and autonomously take on challenges.

I, personally, am committed to promoting the program. Whether at work or in one's personal life, I believe it is important to seek to improve oneself and be even better tomorrow than today. If each individual can adopt this way of thinking and make it a habit, many new ideas will emerge and employees will be able to think and act on their own.

I would like to add to the program the need to constantly think about new challenges to existing values that should be passed down in the Company through our corporate DNA. If we can do this, our business will continue to evolve.

To meet national and user expectations for a convenient and pleasing airport, I believe we must develop employees who are always willing to adapt to

changes and meet new challenges.

Since it would be difficult for our Company alone to take on social issues, we must deepen our collaboration with industry, academia, and business partners. But, since such collaboration is also necessary for our own evolution, it would be beneficial were employees to talk to people outside the Company. By comparing their own management methods with those of teams at other organizations, they can see where they stand.

When I was in charge of human resources, I once had a chance to attend a training camp where I interacted with people from other companies. I was shocked when found that what I learned there was

Reforms steady, spirit of challenge emerging

During the pandemic, we faced the previously unimaginable situation of planes not flying. Moreover, we realized that we needed a pillar of business other than stores. For this reason, we have been developing businesses in new areas, such as e-commerce.

We are planning to incorporate external capabilities through collaboration, in order to revitalize our entire organization and bring about changes. For example, we have entered into a collaborative agreement with ENEOS Corporation, a Japanese petroleum company, to jointly promote research and development aimed at realizing the use of CO₂-free hydrogen energy. We have also agreed to jointly explore the creation of a supply chain with Euglena Co., Ltd., which is engaged in the research, development, and production of sustainable fuels. Together, we aim to commercialize the supply and



Employees give a presentation as part of an industry-academia collaboration project.

completely different from what I had thought was required of human resources. But the experience helped me grow later on. So, while we are giving staff the chance to gain experience and take on challenges, it is my hope that they might become able to seek out such opportunities themselves.

Mechanical automation and AI certainly are important, but it is changes in ourselves and how we meet challenges that are even more so. To ensure that staff acquire the necessary ability to respond flexibly in these highly uncertain times, we thus are implementing the Plus One Promotion and accelerating the pace of change.

sale of sustainable aviation fuel. Younger members of our management team are putting a lot of thought into, and promoting, these efforts. We also are looking at possibilities, other than hydrogen, as energy sources that can meet demand.

In February this year, we launched the open innovation facility terminal.0 HANEDA inside Haneda Innovation City. There we are conducting joint research and development, and generating ideas and brainstorming with the 32 companies, one organization, and two universities that are participating in the project. Young employees are taking the lead, and I feel that a desire to change and evolve is spreading among them.

All the initiatives that were conceived during the pandemic are starting to bear fruit. The steady implementation of reforms is helping to instill the spirit of challenge.

Further, since 2020, The University of Tokyo and young JAT employees have been considering various industry-academia collaborations and enthusiastically developing ideas aimed at making the airport more appealing and enjoyable. The senior management team is watching to see how far the team can take their proposals and turn them into concrete measures.

Leveraging a world-class location to be a “fun airport”

In order to optimize the whole airport through total airport management, the JAT Group will work with airlines and the Ministry of Land, Infrastructure, Transport and Tourism to streamline airport operations. We are hoping that, by 2030, Haneda Airport will be among the most advanced, human- and eco-friendly airports.

Japanese airports still lack a sense of fun. All have the same lineup of duty-free shops and brand-name stores which is, of course, necessary. But I would like to take it a step further and create an airport that highlights country and regional characteristics.

As part of our effort to contribute to regional revitalization, we have created the Haneda Sanchokukan mall. On sale there are products shipped directly from the source, while exhibits are changed periodically to maintain a fresh and appealing atmosphere. The Japan Mastery Collection, which features a selection of Japanese traditional crafts and other products in duty-free shops, has been very well received, especially by overseas customers.

We want to build a reputation as a fun airport that people want to visit at least once and, preferably, more often. We are currently looking into how we might incorporate elements of entertainment at the airport,

and I am hoping that the Plus One mindset will continue generating ideas that lead to the creation of new value.

As Japan’s population continues to decline, demand for international flights will, naturally, eclipse domestic flights. One challenge then will be how to separate the different spaces. In this sense, there is plenty of room for us to take on new challenges.

Haneda ranks among the world’s leading airports, with one of the most advantageous locations of any airport in the world. It is ideally positioned near the city center, with convenient transportation links. The strong reputation it enjoys among Japanese and international customers is largely due to its excellent location.

As we have been entrusted with such a valuable space, we are obliged to make the most of the favorable conditions. At the same time, it is also important to consider ways to deepen cooperation and promote collaboration among airports to address challenges related to the demand for, and frequency of, flights in the Tokyo metropolitan area, which cannot be handled by Haneda Airport alone.

As the Japan Airport Terminal Group moves boldly forward, we each find ourselves embodying the spirit of challenge.



Focusing on Sustainable Growth

Nobuaki Yokota

President and Chief Operating Officer

COO message

FY2023 Record Income Driven by Inbound Demand

Following the lifting of restrictions and the ongoing normalization of society in the wake of COVID-19, passenger numbers finally are rising. They have recovered to about 90% of prepandemic levels on domestic flights, and recorded an all-time high on international flights, increasing to 75% of the number of passengers assumed based on the flight slots expanded before the COVID-19 pandemic.

Reflecting these conditions, FY2023 consolidated financial results can be broken down into operating revenues of ¥217.5 billion, operating income of ¥29.5 billion, ordinary income of ¥27.2 billion, and net income of ¥19.2 billion.

In addition to having returned to profitability for the first time in four fiscal years, we also recorded a record-high operating income and ordinary income.

The results are indicative of the substantial increase in inbound demand at a time when the yen has been weak. Facility user revenues rose to reflect the reversal in the declining number of visitors from China, while there was significant growth in duty-free sales on international flights. As a result, operating revenues exceeded those of FY2022 in all segments.

I believe the excellent results are due not only to external factors, but also to the hard work of our employees. In the early stages of the pandemic, the

airport lobby was completely empty, everyone's morale inevitably dropped, and it was hard to maintain motivation.

Nevertheless, reflecting the founding spirit of our Company and without fear of failure, we have sought to enhance staff awareness and behavior through our in-house promotion, Plus One. This entailed re-evaluating the essential job of airports, making improvements, taking on new challenges to provide unprecedented value, and considering what one might do to take the next step.

Even now, at Executive Committee meetings, we constantly discuss how we can transform staff awareness in order to unite the Company under a Plus

Responding to consumer trends and social change

But the situation is not entirely positive; domestic passenger numbers are recovering only slowly. There are several possible reasons for this. First, demand for business-related flights has declined, due to changed workstyles including remote work.

Second, the tourism industry as a whole, including lodging facilities, is yet to fully recover from the effects of the pandemic and remains understaffed.

Third, strong inbound demand, combined with soaring lodging and other costs, appears to be suppressing demand for domestic travel. Moreover, given Japan's projected population decline, we do not expect a significant expansion in demand for domestic flights.

Another factor adversely affecting international demand involves concern about geopolitical risks, including armed conflicts arising from unstable global conditions. An example of this is the avoidance of flights

Medium-term business plan targets

In light of the aforementioned business environment, we have revised our forecast for the number of passengers who will make use of Haneda Airport in fiscal 2025. Our forecast for domestic flights is down from 69 million to 67 million passengers, and that for international flights is down from 25.6 million to 23.5 million passengers. In addition, rising labor costs and other expenses reflecting rising prices will be major factors driving profits lower.

At the same time, in the belief that such positives as

One mindset. I am convinced that a spirit of challenge has been instilled in our employees. They are becoming increasingly self-motivated, and their efforts are starting to bear fruit.

Until 2023, we had a reduced number of employees onsite. This led to insufficient staffing, which inconvenienced customers. However, now that employee numbers have grown, we have more than 1,200 onsite staff across the Group, and shortages are being resolved.

In terms of infrastructure, international flight facilities at Terminal 2 have reopened for the first time in three years, and we have been able to start work on facility improvements that had been postponed due to the pandemic. I see this as a good start.

into Russian airspace, which is expected to result in some flight slots not being used.

Further, the issue of personnel shortages has not been completely resolved. Although the inconvenience caused staff by the need to commute to Haneda Airport places us at a disadvantage when recruiting, we have managed to secure 90% of our recruitment target for the entire Group.

However, it is not easy to achieve the required number of staff for ground handling* and airport security positions, because of the qualification requirements. We need to work on this over the medium to long term, and to request that the Ministry of Land, Infrastructure, Transport and Tourism ease the relevant regulations and hold more qualifying exams.

* This involves a series of ground support operations, performed from the time an airplane lands at the airport until its next flight. The work includes guiding aircraft, maintaining cabins, providing information to passengers, loading and unloading baggage and cargo, and refueling.

firm inbound demand and a weaker yen will continue to work in our favor, we have raised our FY2025 forecast for consolidated net income from ¥16.0 billion to over ¥20.0 billion, up approximately ¥4.0 billion. We also see capital investments growing ¥20 billion, reflecting rising material prices, higher labor costs, and the undertaking of repair and renovation work that was halted in the face of the pandemic.

In fiscal 2023, there were in excess of 30 million

inbound tourists, and the Japanese government has set a target of 60 million for fiscal 2030. With visitors arriving at Haneda able to transfer to domestic flights to other parts, we believe that demand to meet such needs and provide the requisite services will mushroom. Of course, a major challenge for the tourism industry is how to handle a huge wave of demand while bearing in mind the potential problems that may arise from overtourism.

If we are to reach the ambitious goal of 60 million passengers, we must expand our capacity as an airport. Starting with the 2024 summer schedule and following the reopening of international flight facilities at Terminal 2, we have been able to raise the number of daily international departures from 16 to 26.

Haneda Airport operates around the clock, so there is still room for more flights. However, the site has almost reached its limit, so we need to work with the national government to tackle operational issues and formulate a solution.

To improve our earnings base, we should also deal with the vacant spaces within our facilities. Among the ways we plan to maximize our real estate value is by improving the appeal of commercial facilities that, if left as they are, inevitably will become outdated. Although we regularly carry out renovations and incorporate the

Human capital management and innovation

After discussions with CEO Isao Takashiro, it was decided that bold investment was necessary to secure human resources, so we raised the base pay 6% and significantly hiked starting salaries for university graduates for the second consecutive year. To develop human resources, we introduced evaluation and specialist systems to advance careers. Also as part of our workstyle reforms, we adopted a new system for side businesses and second jobs, and expanded employee benefits, including childcare support.

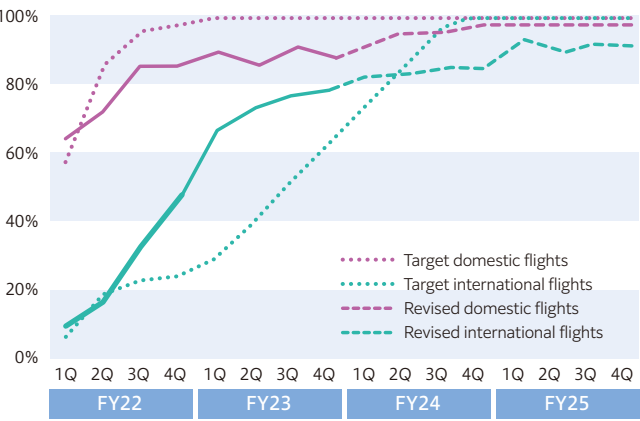
By investing in people, we are creating an environment in which a range of human resources can thrive. Thus, the ratio of women in management positions now is 38.8%; people with disabilities account for 3.6% of our staff; and while no men took childcare leave in fiscal 2021, 89% did in fiscal 2023.

Significant increases in labor and outsourcing costs mean that we cannot haphazardly add to personnel

latest trends, from now on we will have to listen more carefully to customer suggestions and make our facilities more exciting. In addition, we will make better use of vacant rooms and spaces by, for example, expanding the food court and renovating lodging facilities.

In focusing on our e-commerce business, we have just released a new e-commerce app for China. But, so as not to rely solely on the China market, we also are expanding that business to Southeast Asia using various channels. We hope to achieve an operating revenue of ¥10.0 billion by fiscal 2025.

Passenger Volume Forecast for Fiscal 2025



numbers. We thus need to review specifications and improve our operational efficiency. That said, how might we most appropriately select staff and concentrate their efforts most efficiently? I believe the key lies in using IT, digital transformation, and robots.

Currently, we are developing robotic warehouses and RFID-compatible cash registers, one of our main focuses being the development of self-driving wheelchairs, through the WHILL Autonomous Service developed by WHILL, INC. Haneda Airport is spread out, which can make moving about stressful at times. But, as we expand the scope of the service and it becomes possible for the wheelchairs to move between floors automatically, we will be able to provide an even more stress-free and comfortable travel experience. Moreover, as WHILL develops, it may be possible for it to be introduced at other airports, so we have assembled a young team of employees to take the lead in tackling this challenge.

COO message



In February 2024, we opened terminal.0 HANEDA, an inter-industry collaborative research and development center engaged in resolving issues facing Haneda Airport. One of our research themes is security checkpoints, which are nerve-wracking areas that can be stressful for those in charge. If we can come up with

ideas to make the areas more comfortable, we hope that not only will customer stress be reduced, but also a better staff working environment result.

Sustainable development and social responsibility

As a Company that prides itself on being a leading airport enterprise, we believe it only natural that we take the lead in promoting sustainability.

Management is monitoring progress in line with materiality initiatives formulated in 2023 and, thus far, efforts are proceeding according to plan. One of the biggest issues is eliminating CO₂ emissions. By using only conventional approaches, it will be hard for us to realize the national goal of carbon neutrality by 2050. This is true even were we to make every effort to cut back on the drivers of climate change by installing solar power generation facilities, promoting the use of LED lighting, and introducing smart air conditioning.

For this reason, we must take drastic steps, including the exploration of hydrogen energy. With this in mind, we are examining and collaborating on the use of new hydrogen technologies with several business partners and the ENEOS Corporation, a Japanese provider of petroleum products and services. We are also in discussions with government departments at the national and the Tokyo metropolitan levels. Our goal is to spark innovation based on unconventional ideas.

As our Company is responsible for all waste disposal at Haneda Airport, resource recycling and a circular economy are also important. We will promote efforts in this direction throughout the airport, as we work with business partners and ask users to cooperate in the careful separation of trash.



Artist's rendition of the collaboration agreement with ENEOS Corporation

recommendations of the Taskforce on Nature-related Financial Disclosures, a market-led, science-based, and government-supported global initiative. At the Japan Airport Terminal, our top priority is to reduce the environmental impact of our business activities. Seeking to create harmony between business and society, we plan to follow a comprehensive strategy designed to safeguard regional biodiversity. In this connection, we will continue to analyze the risks and opportunities we face, while striving to improve our countermeasures, indicators, and targets.

* TNFD: Taskforce on Nature-related Financial Disclosures

Although we have taken steps in response to the risk of disasters that have become a mounting concern in recent years, it is difficult to predict when there will be an earthquake or torrential rain. For this reason, we are making every effort to put in place a business continuity plan for managing risks in the event of a disaster. We must also be prepared for the possibility that Haneda Airport will be used as a temporary evacuation center, as it was during the Great East Japan Earthquake in 2011.

It is also important to have regular practical training; advanced security operations in place that leave open the possibility of introducing security robots; as well as cybersecurity measures. Airport operations are an integral part of safety and security, the ensuring of which are top priorities for us.

According to its World Airport Star Rating system, the London-based international air transportation rating organization, Skytrax, has awarded the Tokyo Haneda Airport a 5-Star Airport Rating for the 10th consecutive year. As we seek to realize our long-term vision, To Be a World Best Airport, we will not rest as we aim for further progress. Japan Airport Terminal Co., Ltd., and the Japan Airport Terminal Group will work as one to improve and reform our business, and resolve social issues with a spirit of challenge.