Message from the President

Employees with high aspirations and management will work as one to pursue the "Harmony between the Business and the Society," further enhancing the potential of Haneda Airport

Kazuhito Tanaka
President

I am Kazuhito Tanaka, and I have recently assumed the position of president. First and foremost, I sincerely apologize for the significant inconvenience and concern caused to our shareholders, customers, business partners, and all other stakeholders involved as a result of the inappropriate actions taken in the selection of business partners for our subsidiaries, which violated our Company's established compliance guidelines. Above all, on behalf of the management, I deeply apologize to our employees who support Haneda Airport daily and their families for the significant anxiety and burden this has caused them.

As a member of the previous management team, I deeply recognize my significant responsibility for failing to prevent this situation, particularly regarding the lack of effective internal checks and balances. With this awareness, I pledge to never look away from past incidents, to reflect deeply, and to prioritize implementing measures to prevent recurrence and restore trust.

Guided by the strong resolve to never allow this situation to recur, I will first and foremost reflect deeply on my own conduct and thoroughly commit to exemplary conduct as a model for our employees.

Thoroughly strengthening governance and reforming organizational culture to become a company trusted by society once again

To restore trust, we will embark on comprehensive reforms without exception. The Special Investigation Committee's report highlighted fundamental issues in corporate management: a lack of compliance awareness among top executives, ineffective governance, absence of checks and balances, and an organizational culture lacking psychological safety.

To restore public trust and rebuild our oversight functions, we have restructured our Board of Directors to include a majority of outside directors. Concurrently, we have strengthened the Audit & Supervisory Committee by adding a director serving as a full-time Audit & Supervisory Committee member to monitor daily operations. Simultaneously, it is imperative that we transform into an organization with a high level of psychological safety where every employee feels secure speaking up. The internal whistleblowing system, previously criticized for its dysfunction, will be restructured. This includes adding an external law firm, completely independent from management, as a reporting channel, and implementing a system where information reaches Audit & Supervisory Committee members directly. This is a crucial step toward transforming into an organizational culture where self-cleansing mechanisms function effectively.

To ensure these reforms are not merely formalities or temporary measures, and to monitor the progress of recurrence prevention measures, we have established a Management Improvement Committee that includes frontline employees. My vision is a relationship of "Trust and Co-Creation" where the sound voices of employees are actively incorporated into management, and where executives and employees alike mutually trust each other, working together toward the same goal. Using this new committee as a forum for dialogue, we will unite the entire Company and resolutely build a company that regains society's trust.

Employees who work with high aspirations are the source of corporate growth
Becoming a world best airport through the power of our human resources

What we must strive for goes beyond merely revising systems. It is about building a workplace where every employee not only speaks up but also advances toward shared goals while trusting one another. Through my experience, I have come to realize that dialogue rooted in the field and relationships built on trust are paramount to achieving this.

What I value most in my work is digging deep into information and building trust with the front lines. Throughout my long tenure in management and planning departments, I have always prioritized deepening my understanding of the front lines and building trust. I have followed a career path unusual for someone in our Company's management: I have never worked directly at Haneda Airport. Reflecting on my own career path, apart from my initial assignment to the Narita Airport duty-free shop and involvement in establishing the Osaka office, I have worked in human resources, accounting and finance, and corporate planning. While these departments gathered extensive information, I often found it frustrating to obtain frontline insights from behind a desk, even when I wanted to understand the background. Therefore, from my early days, I frequently visited various departments to ask questions like, "Why does the sales structure look this way?" and "Why is this report structured this way?" and eagerly listened to their perspectives. By digging deeper into the information I gathered and adopting a stance of understanding things from their roots, I feel my comprehension of the Company's business structure and segments grew significantly. On the other hand, those actively working on the front lines understand their operations best. I have also valued respecting their insights, building mutual trust, and working together as one team toward the same goals.

Through these experiences, I have come to realize that every employee holds high aspirations and takes pride in their work. Therefore, I firmly believe that our human resources are the source of growth and the pride of Japan Airport Terminal Group. This is precisely why we aim to create an optimal working environment for our employees, share common goals, and utilize our human capital so that each individual can realize their diverse aspirations and high ambitions. The employee engagement survey conducted in FY2024 showed a high engagement index of 82.5 points. This demonstrates that each individual consistently holds strong aspirations and finds fulfillment in enhancing the value of Haneda Airport and our business.

It is precisely through the strength of such human resources that we believe our long-term vision, "To Be a World Best Airport," can be realized. Moving forward, to regain our customers' trust, we intend to continue deepening discussions with our employees on our fundamental principle: "Harmony between the Business and the Society." We wish to return to our founding roots and engage in serious, profound dialogue with each and every one of you about this fundamental question: "What exactly is 'the public interest'?" Our new challenges begin from there.

FY2024 saw record profits driven by increased passenger traffic both domestically and internationally Investments anticipating future aviation demand are also progressing steadily

In FY2024, we successfully seized the significant business opportunity presented by the rapid recovery from the COVID-19 pandemic. We achieved record profits for the second consecutive year and met the targets of our medium-term business plan one year ahead of schedule. This accomplishment is the result of the dedicated efforts of every employee working on the front lines at our airports amid constantly changing circumstances, and we express our heartfelt gratitude.

Looking back at the business environment, the number of foreign visitors to Japan reached a record high, while Japanese outbound travel and domestic passenger numbers continued their steady recovery. Passenger traffic at Haneda Airport remained robust throughout the fiscal year, with domestic flights recovering to over 90% of pre-pandemic levels. International flights surpassed the previous year's record high by 20%, exceeding revised forecasts for both domestic and international passenger numbers.

Within this context, the strong performance was driven by the increase in international passenger numbers, coupled with rising purchase rates and average spending per passenger against the backdrop of yen depreciation. Meanwhile, although operating costs increased due to factors such as the expansion of passenger terminal operations, they remained below the budgeted amount. As a result, FY2024 consolidated financial results can be broken down into operating revenues of ¥269.9 billion, operating income of ¥38.5 billion, ordinary income of ¥35.7 billion, and net income of ¥27.4 billion. Due to this strong performance, the financial foundation damaged during the COVID-19 period recovered, and the target equity ratio of 40% for FY2024 was largely achieved.

In terms of infrastructure, the connecting structure between the Terminal 2 north satellite and the main terminal building was completed and commenced operations in March this year. This development was part of efforts to enhance the airport's infrastructure, anticipating future growth in aviation demand driven by Haneda Airport's functional expansion and aiming to further improve passenger convenience. The installation of three new fixed jet bridges in the connecting section eliminates the need for bus transfers, enhancing passenger convenience and improving on-time performance rates. Furthermore, aiming to balance convenience and environmental consideration, we introduced and adopted the self-driving Mobility Service "iino," as well as the integrated building material solar power generation glass "SUNJOULE®" and the radiative cooling material "Radi-Cool." As part of the investment plan to reliably capture future aviation demand, construction of the Terminal 1 north satellite is also progressing steadily. Furthermore, terminal.0 HANEDA, our cross-industry R&D hub established within the adjacent HANEDA INNOVATION CITY, celebrated its first anniversary. Under the theme "Everything an airport can do to move people's hearts," research and experimentation for future airport development are beginning to yield results. For example, the self-driving Mobility Service "iino" underwent repeated verification tests here before being introduced at Terminal 2.

Passenger Volume and Consolidated Financial Results

Category	FY2024	FY2023	Change	Rate of change
Haneda passenger volume	87.91 million	80.94 million	6.97 million	8.6%
Domestic	64.99 million	61.84 million	3.15 million	5.1%
International	22.92 million	19.09 million	3.83 million	20.1%
Operating revenues	¥269.9 billion	¥217.5 billion	¥52.3 billion	24.1%
Operating income	¥38.5 billion	¥29.5 billion	¥9.0 billion	30.6%
Ordinary income	¥35.7 billion	¥27.2 billion	¥8.4 billion	31.2%
Net income attributable to owners of the parent	¥27.4 billion	¥19.2 billion	¥8.2 billion	42.7%

In pursuing sustainability, we are advancing measures to reduce CO_2 emissions by 46% by 2030 compared to FY2013 levels. Alongside energy-saving measures at each facility, we are collaborating with business partners to realize the supply of electricity and heat through hydrogen power cogeneration and the utilization of SAF (Sustainable Aviation Fuel). We are also promoting the electrification of airport vehicles, launching a service at Haneda Airport that provides both EVs and charging infrastructure as an integrated package.

Furthermore, in FY2024, we reviewed workplace environments and reorganized workspaces at our headquarters to create a more employee-friendly environment. We plan to continue improving workplace conditions for airport employees as well.

Ensuring airport safety and security is our social mission. To this end, we rigorously conduct safety management training and implement stringent countermeasures against risks surrounding our operations, including terrorism, natural disasters, infectious disease outbreaks, and cybersecurity vulnerabilities. Additionally, we conduct airport-wide drills, such as evacuation guidance exercises conducted jointly with airlines, simulating scenarios like aircraft accidents.

These initiatives, the dedication of our on-site staff, and the work of everyone employed at the airport have been recognized. Haneda Airport Passenger Terminal has achieved the highest global standard, the 5-Star Airport rating, in the UK-based SKYTRAX World Airport Star Rating system for 11 consecutive years. This honor reflects the evaluation of Haneda Airport as a whole and is certainly not something we achieved solely through our own efforts. We extend our deepest gratitude to everyone involved: the Ministry of Land, Infrastructure, Transport and Tourism; the airlines; the tenants providing outstanding products and services; the cleaning and security staff maintaining the comfort of the passenger terminal; and all the staff supporting the safe operation of aircraft. This recognition is possible only because of the professional work of every single person working at this airport.

New challenges include handling increased passenger traffic and changing consumer behavior
We are advancing our response swiftly and expect increased revenue and profits this fiscal period

The significant increase in international passenger numbers during FY2024 brought us many benefits, but it also highlighted various challenges that had previously been hidden beneath the surface. First is handling the surge in passengers. Regarding facilities and equipment, we are deeply sorry for the frequent occurrences of congestion at immigration checkpoints and situations where passengers face long waits at BHS (baggage handling systems) during certain times. This is an urgent issue requiring immediate resolution.

Additionally, in terms of merchandise sales, we are seeing a shift in the consumption behavior of foreign visitors to Japan. There is a move away from consuming “goods” (like luxury brands) toward “experiences” (like hotels and dining). In that sense, we believe we need to incorporate various perspectives within Haneda Airport as well. Indeed, sales of high-priced items at duty-free shops have reached a plateau. There has also been a change in the target customer base. Chinese customers, who previously accounted for about half of the market share, showed a declining trend in the latter half of the year. We believe this is due to the slowdown in the Chinese economy and changes in the consumption preferences of travelers. Going forward, we plan to strengthen our appeal to the increasing number of customers from North America and Europe to improve the share balance.

Furthermore, securing revenue streams independent of air passenger traffic is a critical challenge for future growth. We must not only expand revenue from our developed e-commerce business but also advance research and development of new ventures that leverage Haneda Airport’s value and expertise, such as services for the electrification of airport vehicles.

Regarding the business environment, while the Japanese economy is expected to recover gradually, we believe the risk lies in a potential decline in personal consumption due to rising prices. Furthermore, the impact of U.S. trade policies on foreign exchange markets and the real economy remains highly uncertain. Concerns also include the slowdown in the Chinese economy and unstable global conditions, and we must closely monitor changes to the government’s consumption tax exemption system.

On the other hand, passenger volume projections for FY2025 anticipate domestic flights recovering to 97% of pre-COVID levels due to factors like the Osaka Expo, while international flights are expected to increase to 92% of the projected passenger volume following the expansion of flight slots. Therefore, for international flights, measures to alleviate congestion—such as adding check-in counters and enhancing BHS (baggage handling systems)—will be implemented to resolve these challenges. Duty-free shops will also focus on congestion reduction. Plans include strengthening advance reservation services, introducing RFID-enabled registers that eliminate the need to scan each item individually, and rearranging layouts to prevent missed sales.

Based on these factors, the performance forecast for FY2025 anticipates increased revenue, driven by rising passenger numbers and the facility usage fee price revision implemented this April. While operating expenses are expected to increase due to expanded passenger terminal operations and rising prices, a profit increase is projected.

However, while our current performance remains strong, a long-term view of the business environment reveals a new challenge: achieving sustainable profit growth. A major constraint on our sustainable growth is the limited number of international flight slots. While Haneda Airport’s international flight slots were expanded by 1.4 times in 2020 to enhance the capital region’s airport capacity, passenger numbers have already increased to over 90% of the post-expansion target by FY2024. With international flight slots approaching capacity limits and limited room for further growth in international passenger numbers, the key challenge moving forward is how to achieve sustainable growth. Countermeasures are already under consideration and will be detailed in the next medium-term business plan.

The next medium-term business plan will pursue sustainable growth through “efficiency and added value” with sustainability at its core

The current medium-term business plan concludes in FY2025, with a new medium-term business plan commencing the following fiscal year. The current plan was formulated and executed by backcasting from our 2030 vision: “human- and eco-friendly advanced airport 2030.” The next five years will be the culmination of our efforts to achieve these goals, and the next medium-term business plan will further advance the integration of our sustainability strategy and business strategy.

Japan Airport Terminal Co., Ltd. was originally established at the government’s request to operate passenger terminal services with private capital. This founding spirit of “fulfilling a public mission and contributing to society” is the very essence of sustainability. We take pride in having guided our operations by this principle long before sustainability and the SDGs became widespread benchmarks.

Recently, the impact of typhoons and torrential rain disasters caused by global warming on our operations has been significant, and we strongly feel the need to devote our full efforts to countermeasures. Therefore, in the next medium-term business plan, we will connect our founding spirit of sustainability with our business strategy to contribute to the realization of a sustainable society through our operations.

Furthermore, in discussions regarding the next medium-term management plan, we consider “enhancing efficiency and added value” to be a key focus. Through this, we aim to achieve sustainable profit growth even as international flight slots approach capacity limits.

While specific discussions are forthcoming, regarding “efficiency,” we will prioritize capital cost management and focus on the optimal allocation of resources. Additionally, to increase ROE, we will enhance ROA across each business division and improve profit margins. Therefore, for unprofitable divisions, we plan to conduct thorough reviews, including making tough decisions to reevaluate their very existence from the perspective of “Harmony between the Business and the Society.” That said, we will invest generously in challenges to create new value. We will enhance asset efficiency and boldly reinvest the generated capital into creating new value that will open up the future. That is what I mean by “efficiency.”

Regarding “enhancing added value,” we will pursue two approaches: creating added value in passenger terminal operations and leveraging Haneda Airport’s value and appeal to enhance added value, thereby driving revenue growth. Regarding added value in passenger terminal operations, we are considering further advancing initiatives like our ongoing “Total Airport Management.” This initiative aims to optimize the entire airport in collaboration with the government and airlines. We will enhance airport functionality and passenger convenience by improving flight punctuality and alleviating passenger congestion based on data forecasting.

The added value leveraging Haneda Airport’s appeal and charm involves providing memorable experiences for passengers before and after their flights. At terminal.0 HANEDA, alongside facility and service enhancements, we are researching and developing ways to enhance the airport’s comfort using all five senses, including sound and scent. My vision of the ultimate service is not so much about delivering deeply moving experiences that shake the soul, but rather about providing comfortable spaces as a matter of course. It’s about creating such comfort that passengers feel no need for special accommodations or nervousness, allowing them to simply be themselves. I aim to provide a sense of amazement at Haneda Airport, in the sense that passengers can experience a higher level of comfort as something natural and expected. Furthermore, I strive to give back to society by making the new value offered at Haneda Airport implementable in other locations. Through these efforts, I hope to establish Haneda Airport as a development hub for new services and systems, thereby contributing to the creation of new added value.

Transforming earning power into market trust: aiming for a virtuous cycle of growth and giving back

Despite our strong recent performance, our stock price has been struggling to gain momentum. Particularly concerning is that it has now fallen below the price at which we raised capital with your support during the severe challenges of the COVID-19 pandemic. As the person responsible for management, I take this fact extremely seriously and feel a strong sense of urgency that we must resolve this situation at all costs.

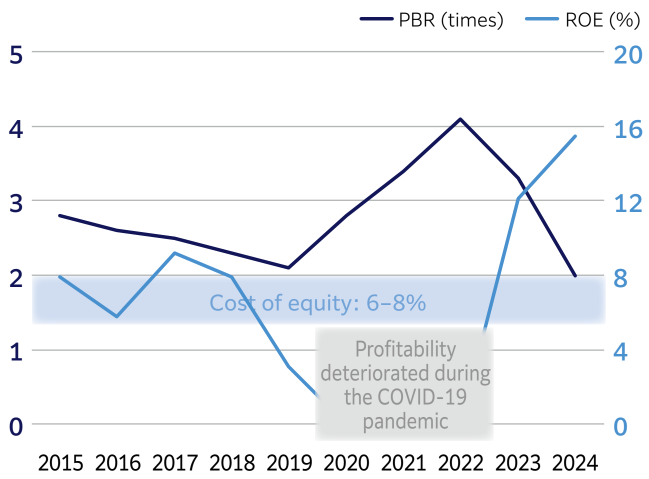
While our PBR currently rarely falls below 2x, considering that it hovered around 4x during strong periods over the past decade, it can be said to be trending downward over the medium to long term. On the other hand, ROE continues to exceed the cost of equity. Despite this situation, where market valuation should naturally be rising, the stagnation in PBR is a cause for concern, and I believe action is necessary.

Why does the market fail to recognize our high profitability? We identified two key factors. First, expectations for growth potential have weakened somewhat as Haneda Airport's international flight slots approach capacity limits. Second, amid Japan's broader trend of reducing cross-shareholdings, concerns over deteriorating supply-demand dynamics for our stock may be weighing on the share price. To address this, we are considering measures such as enhancing communication of our profit growth strategy, formulating a shareholder return policy that balances growth investments, and responding to the release of cross-shareholdings, including through share buybacks.

Furthermore, we sincerely acknowledge the feedback from investors that our information disclosure has been insufficient and will strengthen our IR activities. In addition to quarterly information releases, we will actively create opportunities to directly communicate our thinking not only to institutional investors but also to individual investors.

Regarding shareholder returns, within the current medium-term business plan, we continue to target a dividend payout ratio of 30% or higher for this fiscal year. Furthermore, as part of our capital policy considering the supply-demand balance in the stock market, we recognize that, given the recent trend of reducing cross-shareholdings, it will be necessary to consider share buybacks in conjunction with future sales. For the next medium-term business plan, we intend to review and present our shareholder return policy from various perspectives, including share buybacks considering the total payout ratio and cash allocation within capital cost management.

PBR and ROE



Deeply exploring the potential of Haneda Airport and enhancing corporate value through Group-wide collaboration

Since its opening, Haneda Airport has served as Japan's gateway to the skies, connecting people, industries, and cultures, welcoming visitors from around the world and across Japan. The Japan Airport Terminal Group has cultivated Haneda Airport's unique value as a place and its network into something truly one-of-a-kind. I hope to see a cycle where we provide the value of our experiences at Haneda Airport to external parties such as other airports, and where the recognition gained there then returns to enhance Haneda Airport's own value.

The role demanded of airports going forward is to create connections between people and regions and communicate their appeal. Already, the Haneda Sanchokukan in Terminal 1's departure lobby maximizes the value of its location as a metropolitan airport connecting to all of Japan. It sells specialty products from across the country and conducts city promotions in collaboration with local governments. Additionally, the Japan Mastery Collection in the departure area of Terminal 3 utilizes its position as a touchpoint for both domestic and international passengers departing from Japan to showcase exceptional products from across the country. By connecting the appeal of local regions with passengers from around the world using the airport as a base, it fosters exchanges of people, things, and events, enhancing passenger experience value and contributing to regional revitalization. Furthermore, Haneda Airport's proximity to the city center and excellent accessibility make it a valuable gathering place, leading to increased use for events such as art exhibitions.

And it is our young employees—the very embodiment of our future—who believe in and embody these infinite possibilities more than anyone else. Every time I meet them at job interviews, their eyes shining as they declare, "Haneda Airport is where people make their first impression of Japan," I feel my heart stir intensely. At the same time, as a business leader, it makes me feel a renewed sense of responsibility. They understand Haneda Airport's value better than anyone and are committed to its improvement with lofty aspirations. I firmly believe that creating an environment where our employees can sustain this passion, growing together with them and continuously leveraging their invaluable human capital, is our greatest driver of growth. In our next medium-term business plan, we will work alongside our employees to further deepen Haneda Airport's value and appeal, striving as one company to realize our vision: "To Be a World Best Airport."

The government has set a target of 60 million international visitors to Japan by 2030 as part of its vision to become a tourism-oriented nation. To achieve this, Haneda Airport must undergo further evolution, including enhancing its passenger terminals. Within this context, the Japan Airport Terminal Group will unite all its officers and employees to reliably capture the expanding demand for travel to Japan, improve profitability, strive to enhance the airport's value, and create an airport that moves people's hearts and is a source of pride worldwide.

We wish to join hands firmly with all of you—our customers, partner companies, local communities, shareholders, and everyone reading this message—in the spirit of "Trust and Co-creation."

The new value created at Haneda Airport will spread throughout society, enrich people's lives, and its recognition will once again become our pride. I want to keep this wonderful cycle of value creation turning, together with all of you.

From renewal to creating the future. Please look forward to the Japan Airport Terminal Group's new challenges as we strive to realize "To Be a World Best Airport."