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## Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2023

### Key Questions and Answers (Summary)

#### **Q: How accurate is your full-year passenger volume forecast?**

- Domestic flights are slightly above forecast at the moment. The effect of the national travel support is expected to be about 10% positive. The impact of the 8th wave is uncertain, but if it continues, we expect it to be favorable.
- For international flights, we expect that by the end of the fiscal year, we may see a recovery to about 60% of the pre-Covid level. However, due to China's zero-Covid policy, it is difficult to predict exactly what will happen.

#### **Q: What is the breakdown of the upward revision of 2.3 billion yen in operating income?**

##### **Is it correct to assume that the cost reduction is a mid- to long-term reduction?**

- The number of international passengers has been reviewed and increased by approximately 20%, and increased revenues from PSFC and merchandise sales will contribute to profits.
- Cost reductions amounted to 1.4 billion yen, and in addition to SG&A expenses, cost of sales was also lower than originally forecast.
- The reduction in cost of sales was due to better-than-expected progress in the disposal of duty-free inventory.
- Although it will be necessary to increase the number of employees in the future, we are committed to the reduction target of 2.5 billion yen set forth in the medium-term plan.

#### **Q: Non-personnel expenses are 0.8 billion yen lower than originally projected, but what is going down while utility costs are increasing?**

- Utility expenses were initially estimated at 5.0 billion yen, but have been increased by 0.5 billion yen for the full year based on 1H results.
- The total is minus 1.7 billion yen after reviewing repair and other expenses, plus 0.5 billion yen for utilities, and plus 0.4 billion yen for variable expenses on international flights, for a total of minus 0.8 billion yen.

**Q: Will the increase in utility costs be reflected in the price of rental income or facility fee income?**

- Utility costs are on a pass-through account to tenants, and the price increase will be borne by them as is.
- Utility costs for public areas such as lobbies and gate lounges are included in the cost calculation of facility fee revenues. This revision is basically every three-year and will be recalculated along with various other expenses in the next round.

**Q: With the number of passengers returning, what is the status of rent reductions and exemptions?**

- For domestic terminal, the situation has been resolved with some exceptions.
- For international terminal, we continue rent reductions and exemptions since the number of passengers is still low.

**Q: What are the trends, actual results, and future outlook for average customer spend on domestic terminal stores and duty-free stores?**

- Compared to the pre-Covid period, the average selling price has risen about 10% at both the domestic terminal stores and duty-free stores.
- Although the selling price has risen in part due to higher purchase costs, we would like to consciously raise the average selling price by proposing high value products in the future.

**Q: Have there been any operational problems due to staff shortages at Haneda in the first half of the year? What are the risks going forward?**

- We have reduced the number of temporary employees due to the Covid-19 disaster. So, it is currently recruiting to meet the staffing needs for the reopening of stores and lounges in time for the recovery of international flights.
- In hiring, we are working to increase the number of staff, mainly temporary employees, so that they can respond flexibly to passenger fluctuations. We are also working to improve overall personnel efficiency by adjusting administrative departments to a more appropriate number of employees.

**Q: Regarding capital expenditure, is there a possibility of additional investment if the international flight recovery is quicker, or is there any change in the outlook for the medium-term plan?**

- For the current fiscal year, we have reduced it to the minimum under the current

circumstances. Store remodeling and international flight facility renovations have been reduced and some items have been postponed.

- We are not deviating from the medium-term plan at this point, which is the 105-billion-yen scale of investment, and we are closely examining the future outlook because a certain amount of repairs will occur in the future due to passenger recovery and operational revitalization.

**Q: What is your vision for future growth strategies?**

- The passengers of the Haneda Airport were more than 80 million before Covid-19, and no other airport in Japan has such a large number of visitors. The potential is extremely high if this asset can be utilized for data-driven management in the future.
- The current profit structure is supported by the airport business. For the future, we recognize that the challenge is to change our business portfolio in the non-passenger business.
- In the merchandise sales business, there is still room to improve sales and profit margins by offering value to customers; the EC business can be improved by changing items, pricing policies, merchandise policies, and system structure.
- In any case, we believe that our mission is to achieve the goals of the medium-term plan for FY2025.

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