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Financial Results Briefing for the Fiscal Year Ending March 31, 2023

Key Questions and Answers (Summary)

Q: Why is the increase in operating income only 12.7 billion yen, although the Facilities Management segment is expected to increase revenues by 24.7 billion yen in FY23?

- Revenues will exceed FY18, which was a record year, but the profit level will not go as far. This is because the depreciation cost of the international area of Terminal2, which opened in March 2020, is approximately 4 billion yen higher than at that time.

Q: Why is the marginal profit margin for the Merchandise Sales segment higher in FY23 than in the past?

- The operating profit margin is very high at 15.6%, and the most significant factor is that the company recognizes the gross profit equivalent of sales for digested purchases due to the application of the revenue recognition accounting standard.

Q: Will merchandise sales recover in proportion to the recovery in passenger volume, or will there be a timing lag?

- For the past year, we have been targeting a sales target of 10% added to the recovery in passenger volume, and while our domestic stores have almost achieved the target, our international stores have fallen about 5% short of the target.
- Due to the rapid recovery of passengers on international flights, the number of stores and hours of operation have not yet returned to normal, but we believe it will be possible to recover once we are operating at full capacity.

Q: How has the domestic flight unit price changed compared to the pre-Covid level and how do you see it changing in the future?

- The unit price per purchase at domestic stores has risen 10% from the pre-Covid price of 1,900 yen and now exceeds 2,000 yen.
- By implementing a pricing policy and having a proper product lineup, there is potential to further increase the unit price by 10% to 15%, and we consider 2,200 yen to 2,300 yen to be the target.

Q: How do you see the international stores' unit price in comparison to the pre-Covid level in FY2023 and beyond?

- The unit price per purchase at duty-free stores was less than 10,000 yen before Covid, but recently it has been around 14,000 yen.
- Currently, the Luxury brand is selling extremely well, but we do not expect this situation to continue indefinitely.
- We have set a target unit price of 13,000 yen for this fiscal year, but we see room for growth.
- The average unit price for Chinese customers was 1.6 to 1.7 times that of other countries before Covid, so we expect the unit price to increase by about 10% when Chinese customers return in the second half of the year and thereafter.

Q: I expect that there is room for improvement in the unit price per tsubo of merchandise sales compared to shopping malls and department stores, please tell us about specific measures, policies, and ideas to improve the unit price per customer beyond the market recovery.

- Retail sales, including food and beverage, total more than 100 billion yen, but considering Haneda Airport's extremely favorable location and traffic, we believe there is still a lot of potential to be realized by implementing measures.
- In commercial facilities such as shopping centers and department stores, one-stop shopping is a major factor in sales. In the case of airports, the terminals are long and narrow for the purpose of boarding airplanes, and it is difficult to take the measure of shopping around from one end of the terminal to the other.
- We believe that making Haneda an attractive place even for those who do not fly will enhance our corporate value.

Q: How do you see the manpower shortage being resolved in response to the increase in the number of international flights?

- For international facilities, exceeding the planned 117 departures per day would result in more than 12 flights per hour, which would be inconvenient for customers. Therefore, a part of Terminal2 is being internationalized with the concept that operations will not be overloaded if the number of flights more than the planned limit is deployed at a different location.
- Currently, inbound demand is strong, with 123 flights now, but as the number of flights increases more and more, the shortage of personnel may become a bottleneck at this point.

- The airlines are aware that the shortage of personnel for aircraft handling and security inspections is a pressing issue nationwide, and in order to cope with the future increase in flights, we are discussing the shortage of personnel with the government and airlines and are planning joint recruitment, so we expect that the problem will gradually be resolved.

Q: After staffing recovers to some extent in the second half of the year, will cost increases be as high as inflation?

- We will strive to resolve the current staffing shortages by the end of this fiscal year.
- There will be an increase in staffing, including hiring next year, so we need to anticipate an increase in costs in FY24 as well.

Q: How is the impact of rising utility costs and the possibility of passing on prices to PSFC as a result of these increases?

- The unit cost of utilities has already gone up considerably, but as reported in the newspaper, it is said that the cost of electricity for residential use will increase by about 15%-16% beginning in June.
- The overall electricity usage for the terminal is composed of about half by tenants, about 40% by the public lobby, and the remainder for private use.
- Regarding tenants' electricity bills, tenants will be responsible for the portion of the rate increase as a passing through account.
- Increases in electricity and other charges for the public lobby area will be determined at the time of the triennial review of the PSFC unit price, whether or not to raise the price, while carefully checking the increase or decrease in variable costs in the cost accounting.

Q: What are the positive and negative factors for the medium-term goal of 30 billion yen in operating income for FY2025?

- Utility costs have risen considerably from the time the mid-term plan was formulated. This fiscal year, the international areas of Terminal2 will be used from July, which, combined with the increase in usage, will result in a considerable increase in utility costs.
- Personnel expenses will also increase from the time the mid-term plan was formulated due to the base increase this fiscal year, as well as efforts to improve staff compensation.
- On the other hand, a positive factor is that the current mid-term plan incorporates

cost reductions through efficiency improvements as a target, which we will further promote. In addition to raising the unit price of merchandise sales, we have set a sales target of 10 billion yen in new businesses, and we are working to achieve 10 billion yen in the EC business alone, with the goal of achieving 30 billion yen through these efforts.

Q: I get the impression that international flights are recovering faster than expected, but is there a possibility of additional international facilities being built?

- Currently, there are no specific plans for further expansion. It is assumed that flights will be resumed first, and beyond that, MLIT has not officially announced anything at this time.
- As for the government, it is strengthening the functions of airports in the Tokyo metropolitan area, and how Haneda and Narita will tackle the future increase in demand of 60 million inbound passengers by 2030 is currently under consideration.
- Turning to domestic flights, we suppose it is possible to reduce the number of domestic flights and divert them to international flights in the face of a declining population.

Q: How about the impact of the opening of Sumitomo Realty & Development's Haneda Airport Garden?

- As a hotel and commercial facility directly connected to the international terminal of Haneda Airport, we are taking appropriate measures to provide information to customers.
- We do not feel that our store and the Royal Park Hotel, another hotel adjacent to the international terminal at Haneda Airport, have been particularly affected.
- It is true that Haneda Airport has become livelier as a whole, and has gained a high reputation among inbound travelers, so we feel that these facilities are necessary to enliven Haneda Airport together.

Q: The company will continue takeover defense measures; do you have any concerns?

- We have been entrusted by the government to operate the highly public infrastructure of the Haneda Airport passenger terminal, and we intend to continue our takeover defense measures for now in order to operate the terminal in a way that does not damage the public nature of the terminal as much as possible.

Q: The stock price is now over 7,000 yen, but what are you focusing on to raise it further?

- Although the stock price changes greatly depending on investor trends, economic conditions, and other factors, we believe it is our responsibility to increase our corporate value. In addition to the real estate business, we will further improve the quality of various services at the airport, including retail sales of goods, to make the airport more attractive, and we will take measures for sustainability so that the airport will be recognized as a good airport by the public.

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