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Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024
Key Questions and Answers (Summary)

Q: How are the assumptions for unit purchase prices by nationality for Haneda duty free stores in the second half?

- Unit price per item by country for the first half of the year was 25,000 yen for China, 21,000 yen for Taiwan, 12,000 yen for Southeast Asia and North America, 7,000 yen for Europe, and 12,000 yen for the Japanese.
- The rough sales composition of the Terminal 3 duty free store is 40% brand stores, 40% CENTRAL store in the center of the duty-free area, and 20% others. The weak yen may have had some impact, but worldwide, luxury brands are selling well due to the backlash after Covid.
- The unit price for duty free stores as a whole in the first half was 15,000 yen, but in the second half, it will decrease by 10% to about 13,500 yen, which should be viewed as a risk.
- Chinese customers still account for 12-13% of foreign passengers, but they make up nearly 40% of sales. The unit price for Chinese passengers is remarkably high, but those who are traveling now are considered wealthy, and if passenger numbers increase in 2019, we expect the unit price to drop.
- As the unit price decreases, the number of customers must be increased, but the number of Inbound customers will increase, as the number of inbound customers reached more than 20 million this year and will exceed 30 million next year if this trend continues.
- The CENTRAL store, which is the main earner, is currently experiencing some opportunity loss due to the rapid increase in the number of customers, so simply improving traffic and eliminating opportunity loss will increase its potential.

Q: How is current business situation of the downtown duty-free store in Ginza Mitsukoshi?

- Two years ago, we made a decision as a management whether or not to continue in the extremely difficult situation with the Covid disaster.
- The situation was difficult, but we knew that there was a large inbound market

given the government's target of 60 million foreign visitors to Japan by 2030 and the attractiveness of Japan, and that we were the first to fully implement the business model of downtown duty-free shops, so we reduced the area by 40% and cut costs to continue.

- We aim to return to become profitable in a single fiscal year. We are recognizing the issue of whether the current floor space will be sufficient when the number of customers increases in the future. We are currently promoting the marketing of our merchandise in order to increase efficiency in a small area by providing full attendant services to wealthy customers, especially those from China, and having them select Haneda duty-free merchandise in the lounge of the Ginza store and purchase it at the Haneda duty-free shop as an add-on to their purchases.
- It is necessary to discuss as management how to consider the downtown duty-free business in the future.

Q: How does the merchandise sales segment expect to grow beyond the recovery in passenger volume?

- Until now, the assortment at domestic terminals has been centered on souvenir confections due to the characteristics of the airport.
  From now on, we will manage not only confectioneries but also lifestyle and thematic items in a unique way at Haneda, such as the Hawaii Fair in November and the Haneda Sanchoku Kan that opened in December, to create stores that attract customers to Haneda for that purpose.

Q: How does the FY 23 operating profit forecast compare with the forecast at the time the medium-term management plan was formulated?

- Although the medium-term plan does not indicate a quantitative target for FY23, both sales and profits are up due to the significant increase in international passenger volume in FY23, which is expected to be 65% of the 2019 level and 47% of the after-expansion plan, compared to this year's forecast of 19.37 million passengers, 104% of the 2019 level, and 75% of the after-expansion plan.
- SG&A expenses are down about 8.6 billion yen versus 2019 as we cut costs. Operating income was higher this fiscal year because staffing numbers have not returned to 2019 levels and some outsourcing and cleaning costs have not caught up with the rapid recovery in this fiscal year.

Q: Is it possible that the operating income target of 30 billion yen in the mid-term plan will be exceeded?

- In terms of costs, we are making the assumption that the construction of the Terminal 2 satellite connection will be completed next fiscal year, and the construction of the Terminal 1 north satellite will be completed in FY25. Both of these projects will involve connecting existing facilities, and a percentage of the investment will be repairing costs when construction is completed.
- For national land use fees, a percentage portion is expected to be incurred by TIAT in the next fiscal year.
- Since the utility rates were assumed to be lower than current unit costs, we recognize that the impact of the increase will continue in FY24-25.
- We will prepare a plan for the next fiscal year and beyond and will announce it in the near future.

Q: How are costs being controlled through the use of robots, etc.?
How is the progress in reducing costs by 2.5 billion yen in the mid-term plan?

- Robots are active in the passenger information service sector, and in the future, we would like to introduce them to the security sector as well.
- Regarding cost rebound, costs will rise in step with the increase in passenger volume, but we will review the specifications and try to control the rebound so that it does not return to 100% as much as possible.
- We are aiming for a quantitative reduction of 2.5 billion yen for FY 25, and we are on track at this point, but we are not yet in a position to tell how far we have come.

Q: How will high construction costs affect satellite construction and other repair costs?

- Although the cost of the Terminal 2 satellite was kept below the expected level, the cost of the Terminal 1 satellite expansion was considerably higher than expected.
- As for other repair work, due to issues such as inflation and the revision of labor laws next year, it is expected that the process will become longer, and the unit and total costs will increase.

Q: What is the outlook for security check staffing for future increases in the number of flights?

- A further increase in flights is anticipated for the summer schedule in late March next year.
- We need to act from now on, because the security inspection personnel cannot be

just anyone, and there is the issue of qualification. Since October, discussions have been held among concerned parties, and we are making arrangements to put in place a complete system.

<u>Q: What are the possibilities of expanding Haneda international flight capacity by converting from domestic flights and improving artificial ground?</u>

- Business travelers will be the remaining portion of domestic passenger volume to regain, but the growth rate will not be high due to the declining birthrate and aging population. There is a possibility of shifting domestic flight slots to international flights for inbound demand in the future.
- As for the artificial ground, the government has just started the survey between Terminal 1 and Terminal 2.
- The survey is expected to be conducted in order to respond to the various developments that are expected in the future.

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