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Development of the Medium-Term Business Plan (FY2010 through FY2012)

I. Introduction

The Japan Airport Terminal (JAT) Group has developed a medium-term business plan covering a three-year period from the fiscal year ending March 31, 2011 (FY2010) through the fiscal year ending March 31, 2013 (FY2012). Over this period, we envision the capacity expansion and internationalization of Tokyo International Airport (Haneda) (“Haneda Airport”), as well as changes in the operating environment for the airline industry. The JAT Group, therefore, will call upon all of the resources at its disposal to steadily address these changes.

II. Basic Business Philosophy

The JAT Group is a purely private-sector company overseeing the construction, management, and operation of passenger terminal buildings at Haneda Airport – a facility of enormous significance to the public. As such, our basic business philosophy is to harmonize the public good with business goals. Under this philosophy, we strive to provide for absolute safety within passenger terminal buildings, manage passenger terminal buildings from a passenger perspective, practice efficient management, and strengthen our own operations. The earnings generated from our business operations are appropriately distributed to airline companies, airport users, shareholders, the national government, and other stakeholders.

III. Changes in the Operating Environment

1. Significant Changes

The JAT Group envisions that the following changes in its operating environment will significantly impact its operations: 1) An extended period of economic weakness following the global financial crisis; 2) Changes in the operating environment for the airline industry; 3) Further internationalization of Haneda Airport and the scheduled opening of its fourth runway in October 2010; 4) Advancement of the national government's policies for promoting Japan as a tourism-based country; 5) Structural changes in consumer behaviour brought about by factors like a prolonged period of deflation, the falling birthrate, and an aging population; and 6) The possibility of increasing obligations to cut CO₂ emissions, the potential spread of H1N1 influenza or other diseases, and the impacts of capacity expansion at, and improved access to, Narita International Airport.

2. Passenger Volume Projections by Airport

Taking into account factors like economic conditions and capacity expansion of Haneda Airport, we have developed the following passenger volume projections for individual airports.

(Millions of passengers)

Airports		FY2010		FY2011		FY2012	
Haneda	Domestic	61.00	[3.0%]	61.60	[1.0%]	62.20	[1.0%]
	International	5.00	[80.2%]	8.00	[60.0%]	8.60	[7.5%]
Narita (Domestic and International)		33.10	[1.8%]	33.80	[2.1%]	34.50	[2.0%]
Kansai (International)		9.54	[(0.3)%]	9.54	[0.0%]	9.54	[0.0%]

Note 1: Figures within square brackets indicate the percentage change versus the previous fiscal year.

Note 2: Figures for passenger volume on international flights at Haneda Airport reflect forecasts by Tokyo International Air Terminal Corporation (FY2010 figures include an estimate of 1.8 million passengers at the current international passenger terminal). Figures for Narita International Airport are passenger forecasts made by Narita International Airport Corporation (announced in March 2010). The FY2010 figure for Kansai International Airport is a passenger volume forecast made by Kansai International Airport Co., Ltd., and JAT expects it to remain flat for FY2011 and FY2012.

IV. Theme of the New Medium-Term Business Plan

Steady Response to the Capacity Expansion and Further Internationalization of Haneda Airport and Changes in its Operating Environment

Capacity expansion of Haneda Airport is projected to continue through FY2013 (407,000 daytime aircraft movements and 40,000 midnight and early-morning aircraft movements), with both capacity, as well as importance as a domestic and international hub, expected to continue growing even beyond that point. Against this backdrop, critical elements of the medium-term business plan will be for us to take all possible measures to ensure the success of the new international passenger terminal (scheduled to open in October of this year), plans for the expansion and development of Terminals 1 and 2, and other companywide projects, while addressing the changes in the operating environment discussed in Section III above.

In addition, the JAT Group will enhance the skills and know-how it has developed over the past three years to enlarge its earnings base and achieve greater operational efficiencies in preparation for the development stage anticipated to begin in FY2013. As an operator of passenger terminal buildings, we will work to significantly strengthen cooperation and coordination with airline companies, and work seamlessly with the airline industry to contribute to a new stage of development for airports serving the metropolitan Tokyo area.

V. Details of Initiatives

Over the course of the medium-term business plan, the JAT Group will pursue the initiatives described below.

V-1. Business Strategy

1. Advancement of Companywide Projects

(1) Initiatives related to the opening of the new international passenger terminal

Making the most of our know-how regarding the construction, management, and operation of passenger terminal buildings at Haneda Airport, JAT will undertake a comprehensive commission to maintain and manage facilities related to the operation of the new international passenger terminal scheduled to open at the end of October 2010, plan and operate retail shops, provide passenger services, and perform all other principal activities in this regard. At the same time, we will also develop and operate merchandise, food and beverage, travel service, and other businesses.

(2) Moving forward with plans for the expansion and development work for Terminal 2

In preparation for the increased demand following the opening of Haneda Airport's fourth runway at the end of October this year, we will expand the main building of Terminal 2, establish the retail, service and other facilities for the new addition and improve their environments.

(3) Moving forward with plans for the renovation of Terminal 1

In light of the expansion work for Terminal 2 and the opening of the new international passenger terminal, renovation work will be performed on Terminal 1, with attention focused on addressing the building deteriorated over the sixteen years it has been in operation. Work will also include renovation of commercial facilities.

2. Strengthening the Earnings Bases of Individual Operations

For existing operations, steps will be taken to gradually adjust to changed circumstances in individual areas and actively expand sales through measures including initiatives outside airports. In addition, costs will be cut more thoroughly than in the past by revising and improving individual operations.

Key initiatives by segment are as described below.

(1) Facilities management operations

- 1) Promotion of effective space usage in domestic passenger terminal buildings
- 2) Implementation of a real estate management system for invigorating commercial facilities
- 3) Achievement of appropriate lifecycle costs in connection with facility management and operation
- 4) Participation as a leader in plans to expand the new international area and in plans regarding former Haneda Airport sites

(2) Merchandise sales operations

- 1) Merchandising of leading shops and rebuilding of operating formats to strengthen sales base
 - Recruitment of new business genres to and improvement of the efficiency of directly managed shops at Haneda Airport
 - Renovation of JAT's directly managed shops at Narita International Airport and Kansai International Airport
- 2) Lowering of cost percentages by developing original brands
- 3) Initiatives aimed at strengthening the JAT Group's wholesale operations
- 4) Advancement of initiatives aimed at developing new businesses outside airports and developing commercial enterprises at overseas airports (China)

(3) Food and beverage operations

- 1) Improvement of the profitability of food and beverage operations at Haneda Airport
 - Improvement of the efficiency of operating formats of existing restaurants, improvement of customer-drawing power, cost reductions, and shifting to in-house production of boxed meal
- 2) Strengthening of in-flight meal operations
 - Securing of demand for in-flight meals within Haneda Airport through a new business model which takes into account the internationalization of Haneda Airport
 - Development of new customers for in-flight meal operations at Narita International Airport

(4) Reduction of business operating costs

Reduction of business operating costs by revising the personnel systems of JAT and the JAT Group companies

- Rebuilding of business operation systems at JAT and the JAT Group companies to achieve greater efficiency
- Revision of hiring, personnel, pay, bonus, and other systems at JAT and the JAT Group companies

V-2. Organizational Strategy

With the opening of the new international passenger terminal, the JAT Group will undertake a commission to perform a large volume of work and will be monitored by a third party, which requires high standards of performance. The JAT will therefore develop organizational systems toward that end. We will also implement initiatives aimed at achieving companywide administrative efficiencies that will lead to lower operating costs.

V-3. Financial Strategy

It is anticipated that the JAT Group will experience difficult circumstances with regard to profitability over the medium term. In response, we will aim to secure appropriate results in terms of return on assets (ROA) and return on equity (ROE) by steadily implementing our business strategies. We will also strive to maintain sound financial strength and achieve appropriate performance in terms of various management indicators, while also preserving dividend payments to shareholders.

V-4. Meeting Corporate Social Responsibilities

With a growing interest in global environmental problems, the JAT Group, as an operator of passenger terminal buildings, which consume large volumes of energy, is working to implement environmental measures that make it possible to realize both the greatest cost-effectiveness and comfort and efficiency. Amid ongoing conditions threatening society both at home and abroad, we are also striving to take appropriate measures to prevent or minimize harm to lives and property from earthquakes, fire, terrorism, and other causes in airports and passenger terminal buildings.

VI. Investment Plan

1. Investments in the Development and Improvement of Passenger Terminal Buildings and Other Facilities

Projects	Term	Investment amount (Billions of yen)
Renovation of Terminal 1 at Haneda Airport (Development of its environment and commercial facilities)	FY2010 through FY2011	7.0
Third stage of the expansion of Terminal 2 at Haneda Airport (Expansion of the main building, establishment of facilities, designing of its environment, and development of directly managed shops)	Open in FY2010	19.0
Fourth stage of the expansion of Terminal 2 at Haneda Airport (Expansion of three spots of South Pier, renovation of existing part of the building)	Scheduled to open in FY2013	8.0
Renewal of facilities (Renewal of passenger boarding bridge (PBB) at Terminal 1 and facilities at Terminal 1 and 2 at Haneda Airport)	FY2010 through FY2012	9.8
Construction of P4 Multi-story Parking Garage	Open in FY2010	6.0
Demolishing and removal of the current international passenger terminal building	FY2011	0.6
Total		50.4

2. Business Development Investments

Projects	Investment period	Investment amount (Billions of yen)
Remodeling of shops (Remodeling of directly managed shops, development of new shops outside airports, and commercial enterprises at overseas airports (China))	FY2010 through FY2012	0.6
Establishment of food processing facilities of food and beverage subsidiaries; establishment of international in-flight meal supply base of in-flight meal subsidiaries at Haneda Airport	FY2010	1.3
Rebuilding of aging incineration plants of JAT's waste processing subsidiary	FY2012	1.8
Total		3.7

Note: The investment periods and amounts shown in Tables 1 and 2 above reflect JAT's plans as of the time this document was prepared.

VII. Quantitative Plan and Business Objectives

Objectives in terms of the revenue and expenditure plan and management indicators are as shown below.

1. Revenue and Expenditure Plan (Consolidated)

		(Billions of yen)				
		FY2009 (Results)	FY2010	FY2011	FY2012	Increase or decrease
Operating revenues	Facility Management	37.8	40.8	44.0	44.2	+16.7%
	Merchandise Sales	69.4	77.0	85.1	88.7	+27.7%
	Food and Beverage	13.6	15.6	18.3	19.2	+40.6%
Total		121.0	133.4	147.4	152.1	+25.7%
Operating income		5.1	4.2	4.2	6.3	+23.3%
Ordinary income		4.9	3.0	2.2	5.1	+2.2%
Net income		2.5	1.3	0.7	2.5	-3.3%

Note 1: Rates of increase or decrease reflect comparisons to actual results for FY2009.

Note 2: 1) Facilities management operations figures include passenger facility user charges adjusted for the expansion and development work for Terminal 2 (scheduled to open in October 2010) and based on construction cost plans and other information. (Authorization from the Minister of Land, Infrastructure, Transport and Tourism is required to raise the maximum level of user charges.)

2) The profits/losses of Tokyo International Air Terminal Corporation, which is constructing, and will manage and operate, the new international passenger terminal building scheduled to open in October 2010, have been accounted for in the plan in the form of JAT's equity share (34%) of that company's profits/losses.

2. Business Objectives

In order to maximize the return on capital and thoroughly adopt management that considers increase of shareholder value, the JAT Group will properly pursue the measures discussed under "V. Details of Initiatives," work to secure appropriate levels of earnings, and strive to improve its performance measured in terms of key management indicators, ROA and ROE. We also aim to maintain financial soundness by keeping our equity ratio at 50% or higher through the proper management of borrowings and other liabilities.

3. Risk Factors

The JAT Group is subject to business risks that could significantly impact its business results. These include, but are not limited to, changes in the international affairs; factors like natural disasters and the spread of the H1N1 influenza that could impact passenger volume on domestic and international flights and the business results of airline companies; and the airport management policy of the national government and regulating authorities, which establish and oversee airports.