

# Japan Airport Terminal Group's Risk Management Initiatives

## (Detailed version)

### Introduction

For the Japan Airport Terminal Group, which engages in the highly public business of constructing, managing, and operating passenger terminals, ensuring business continuity is the social mission. In a highly uncertain society in which new risks are forever emerging, we recognize the importance of ensuring and maintaining organizational resilience by understanding the risks surrounding our business environment and implementing countermeasures.

Based on this recognition, we ensure the proper conduct of business operations through an internal control system, and in our Medium-Term Sustainability Plan formulated in May 2023, we set out "Strengthening of Risk Management" as one of eight materialities (important issues). We are working to establish and steadily operate a risk management system, including by identifying risks that should be addressed as a priority and establishing a committee to manage risks.

We also provide regular training to our employees to instill a risk culture.

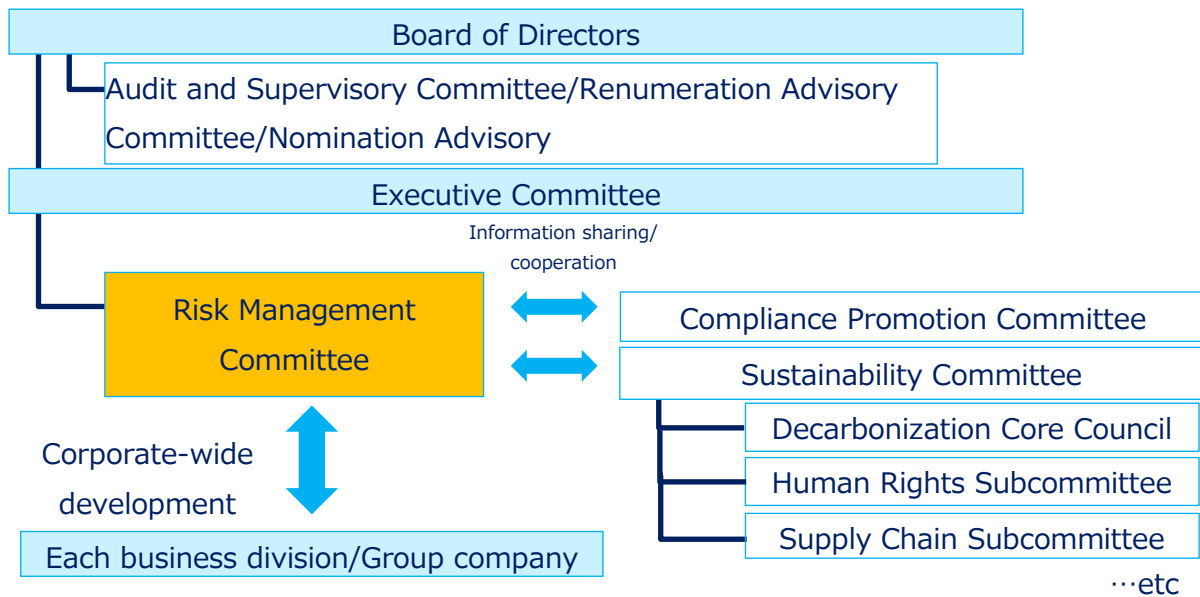
### Promotion system

In order to ensure the steady implementation of risk management, we have established a Risk Management Committee in April 2023, chaired by the President and COO and consisting of all other executive officers as members. The Risk Management Committee works in cooperation with related committees and departments, such as the Sustainability Committee, Compliance Promotion Committee, and Internal audit department, to ensure reliable risk management.

The Risk Management Committee is responsible for the following items:

1. Review and discussion of the overall policy and direction of risk management initiatives
2. Conducting regular risk investigation and identifying and revising priority risks
3. Confirmation of countermeasures against priority risks and progress management
4. Other important matters in risk management

If alignment with higher-level policies is required, the proposal will be reviewed by top management and then approved at the Executive Committee. The results are reported to the Board of Directors at least once every six months for supervision.



## Overall process of risk management

The overall process below is carried out once a year, with progress being checked semi-annually.



### 1. Conducting risk investigations

- (1) The Committee Secretariat will investigate the latest risk lists issued by research organizations, trends in environmental conditions related to the medium-term business plan, and trends in social and environmental issues related to materiality. Taking into account the status of responses to priority risks, the Committee will compile a list of candidate risk items, such as items that need to be added as new risks (emerging risks) and items that should be revised or deleted.
- (2) The Committee Secretariat will use the above information to conduct questionnaires and face-to-face risk surveys of each division and group company to identify priority risk candidates. Human rights and the environment are mandatory items in the risk survey, which will serve as both a

human rights risk survey in human rights due diligence and an environmental risk survey in environmental management.

## 2. Identifying priority risks and annual plans

- (1) The Risk Management Committee will deliberate on priority risk candidates based on a two-dimensional assessment of "the impact" and "the frequency of occurrence/rate of expansion," and identify items that should be designated as priority risks.
- (2) Priority risks are broadly categorized into "Pure risks" and "Strategic risks," and are further categorized into four sub-categories.

Major classification	Four classifications	Nature of risk
<b>Pure risks</b> *Risk of fluctuations only in the negative (loss) direction ⇒Risks to be managed within the business	I. Crisis management (external factors)	Risks that must be prevented from materializing and minimizing the impact through hardware(facilities and equipment), software (systems and plans), and human (training) measures.
	II. Business processes (internal factors)	
	III. Management infrastructure(Human Resources and Finance)	An inadequate framework for managerial functions may pose risks for the Company.
<b>Strategic risks</b> *Risk of fluctuations between positive (profit) and negative (loss) ⇒Risks to be managed during business strategy	IV. Changes in the business environment(Management strategy response to changes in the external environment)	Risks expected to materialize due to changes in the external environment and for which management strategies are required to prevent losses, or to expand or transform opportunities. In addition to individual responses, it is necessary to reflect this in strategies such as business plans.

(3) Decision of annual plan

The Risk Management Committee discusses priority risk candidates and the main countermeasures proposed by the departments responsible for those risks, and formulates annual plans. Each priority risk item is classified as follows based on its response status, and progress is managed.

New : Items added for the first time in the current fiscal year

Improvements : We are doing to achieve the desired management level.

Continuation : The desired management level has been reached and will be maintained.

For new risks, we will monitor progress in addressing them as "New" or "Improvement" items until the target management level is reached.

After the annual plan has been verified for consistency with other policies at the Executive committee, it is reported to and discussed by the Board of Directors for supervision.

3. Implementing and managing progress against priority risks

The Risk Management Committee checks the progress of countermeasures against priority risks every six months and revises or adds to measures as appropriate. The details of such measures will be reported to the Executive Committee and the Board of Directors for supervision.

4. Information disclosure

We will strive to disclose information on the overall risk management process and the status of major responses in our Integrated Report and corporate website in a timely and appropriate manner.

**18 priority risks identified through review in FY2023**

1. Pure risks

(1) Crisis management : (1) Terrorist acts and subversive activities

(2) Natural disasters (earthquakes, extreme weather events)

(3) Spread of serious infectious diseases (4) Inadequate cybersecurity measures

(2) Business processes : (5) Inadequate product management (food safety, excess inventories) (6) Inadequate supply chain management

(3) Management infrastructure : (7) Insufficient human resources, lack of training and low engagement (8) Inadequate Group governance (9) Insufficient

promotion of DEI, respect for human rights (10) Financial covenant violations  
(11) Acquisitions without consent

## 2. Strategic risks

Changes in the business environment : (12) Responses to environmental issues  
(13) Responses to changes in behavioral patterns and technological innovations  
(14) Changes in government policies (public regulations) (15) New businesses,  
acquisitions, and capital investments (16) Rapid, drastic changes in market  
conditions (17) Diversification of sales composition (less dependence on airlines)  
(18) Changes in international conditions

### <FY2023 Risk Management Committee Meeting Summary>

April 19th Four classifications of risks and formulation of annual action plans.

November 1<sup>st</sup> Setting response status and checking progress in the first half of the  
year (Held two times in FY2023)

## FY2024 Update and identification of priority risks

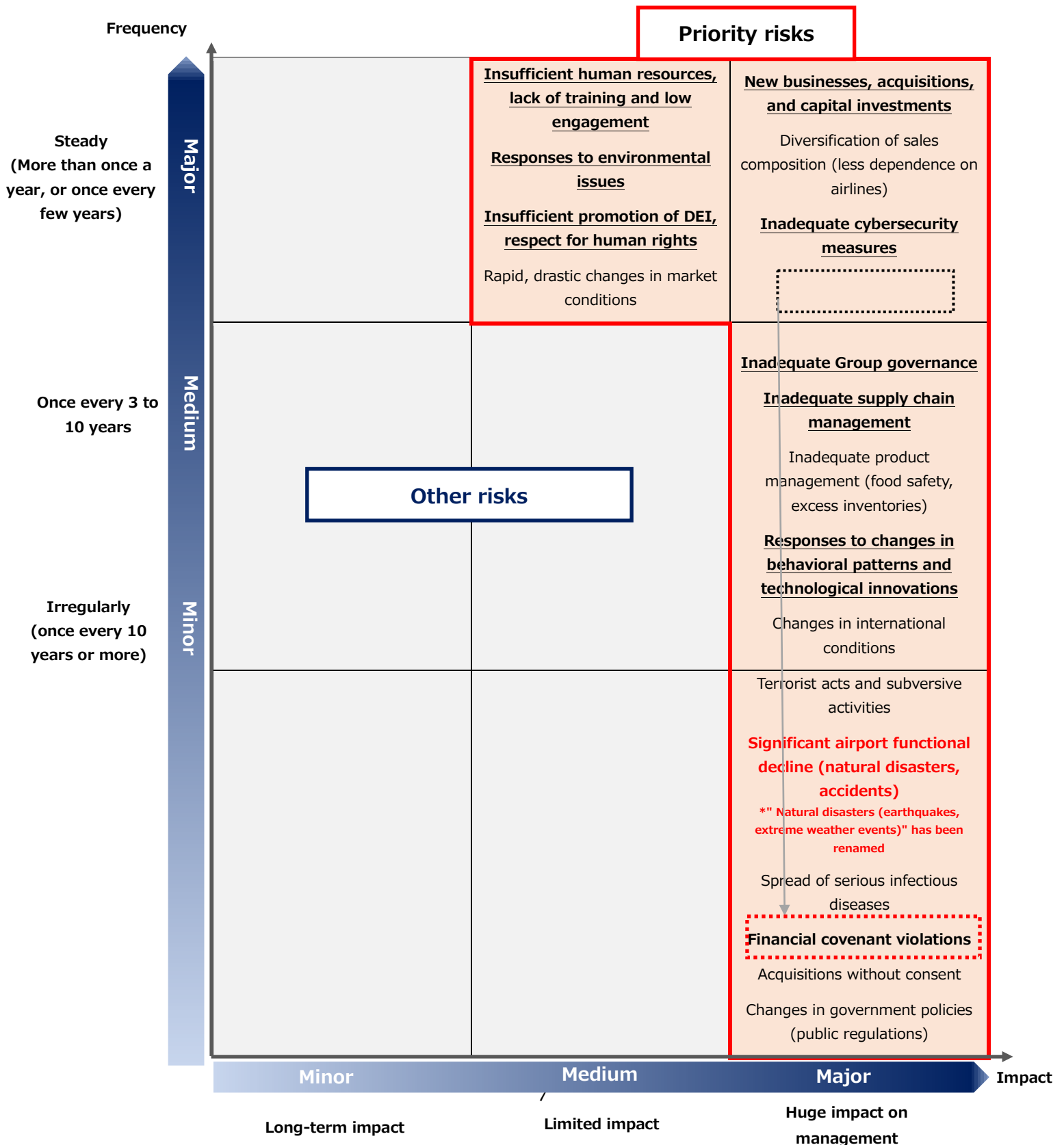
1. As a result of conducting a risk survey in preparation for FY2024, we confirmed that there are no additional priority risks to be added to the 18 items newly identified for FY2023. However, in light of the significant impairment of airport functions due to the aircraft collision accident that occurred at Haneda Airport on January 2, 2024, the category name has been changed to "**Significant airport functional decline (natural disasters, accidents)**" to combine it with " Natural disasters (earthquakes, extreme weather events)" which causes similar results. In addition, as the company has turned a profit after ending consecutive losses in its FY2023 financial results, we have downgraded the risk assessment of " Financial covenant violations " but continue to consider it a priority risk.
2. We will continue to strengthen our efforts to address the eight areas (underlined items in the diagram below) that require further improvement in order to reach a certain level of risk management.

### 3. Process of deliberation and decision

April: Risk Management Committee

May: Executive committee

June: Board of Directors



## Priority risks and main response status

The current status of responses to the 18 priority risks is as follows:

Major classification	Middle classification	Priority risks	Status	Response overview
Pure risks	Crisis management (external factors)	Terrorist acts and subversive activities	Continuation	Continue to implement various countermeasures, such as considering the introduction of image analysis cameras
		Significant airport functional decline (natural disasters, accidents)	Continuation	Long-term repair plans, BCP updates, training, and regulations are ongoing
		Spread of serious infectious disease	Continuation	Continue to implement existing countermeasures, including non-contact measures and strengthened infection prevention measures
		Inadequate cybersecurity measures	Improvement	Strengthening cyber security measures in stages based on IT-BCP visualization results
	Business processes (internal factors)	Inadequate product management (food safety, excess inventories)	Continuation	Strengthening hygiene measures, creating crisis management measures, and promoting inventory management
		Inadequate supply chain management	Improvement	Promoting sustainable procurement and enhancing supply chain management
	Management infrastructure (Human Resources and Finance)	Insufficient human resources, lack of training and low engagement	Improvement	Actively recruit and improve working conditions to alleviate labor shortages and improve productivity, and conduct employee engagement surveys
		Inadequate Group governance	Improvement	Expanded the Compliance Guidelines and thoroughly disseminated them throughout the company
		Insufficient promotion of DEI, respect for human rights	Improvement	Promoting DEI, strengthening human rights investigations, formulating a "Policy on Customer Harassment" and providing staff training to improve employee peace of mind and the quality of work.
		Financial covenant violations	Continuation	Manage progress of mid-term business plan and continuously check financial status
		Acquisitions without consent	Continuation	Consideration of how to respond
Strategic risks	Changes in the business environment (Management strategy response to changes in the external environment)	Responses to environmental issues	Improvement	Issue Integrated Report to manage progress on environmental KPIs and provide appropriate information
		Responses to changes in behavioral patterns and technological innovations	Improvement	Promoting business efficiency through the introduction of contactless technology and digital utilization
		Changes in government policies (public regulations)	Continuation	Focus on monitoring government trends, promoting Tota; Airport Management, and strengthening aviation security



		New businesses, acquisitions, and capital investments	<b>Improvement</b>	Promoting the introduction of capital cost-based business evaluation methods
		Rapid, drastic changes in market conditions	Continuation	Continue to implement measures to respond to market fluctuations and reduce inventory burden
		Diversification of sales composition (less dependence on airlines)	Continuation	Promoting progress management of mid-term business plan and expanding revenue that is not dependent on passenger traffic
		Changes in international conditions	Continuation	Keeping a close eye on international situations, promoting demand forecasting and safety information gathering

### Status of efforts to further improve response to new pure risks

#### 1. Business continuity plan (general crisis management)

Based on the "Guidelines for Managing the Risk of Loss and Basic Guidelines Related to Other Systems," which aim to ensure the continuity and stable development of business, which is important in the operation of passenger terminals, which are highly public in nature, we have envisioned specific crises that may occur in business operations and have laid out basic countermeasures in the "Crisis Management Implementation Guidelines."

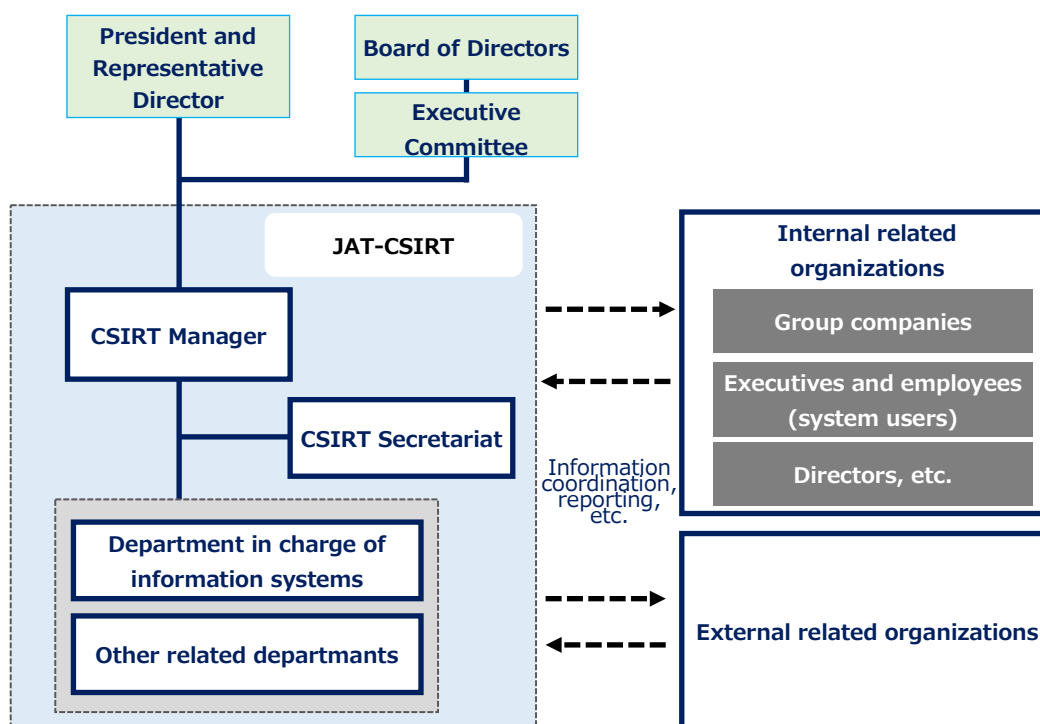
In addition, among the cases covered, we have established a "Business Continuity Plan (BCP)," which defines emergency operations outside of normal operations to be carried out in the event of a business interruption due to a disaster or other reasons, a "Business Continuity Plan (BCP) - Infectious Disease Response Version," which defines emergency operations outside of normal operations to be carried out in the event of a business interruption due to the spread of infection such as COVID-19, and an "IT System Operation Continuity Plan," which defines the efforts to minimize the impact on operations related to the use of information systems in the event of an emergency in which information systems are interrupted or disrupted, and we provide education and training regarding these plans.

<System diagram>

Guidelines for Managing the Risk of Loss and Basic Guidelines Related to Other Systems		
Crisis Management Implementation Guidelines		
Business Continuity Plan	Business Continuity Plan – Infectious Disease Response Version –	IT System Operation Continuity Plan (IT-BCP)

## 2. Cybersecurity Response

Based on our DX strategy, our Group is promoting the collection and utilization of various types of data, which raises concerns about the increased risk of cyber-attacks. Avoiding any significant impacts to passenger terminal operations is a social responsibility, and the Director in charge of the Digital Business Office is responsible for determining priorities and addressing issues identified in the areas of strategy, organization, technology, and emergency response based on the results of external audits based on the IT-BCP. In addition to ensuring stable IT system operations 24 hours a day, 365 days a year on-site monitoring system, in the event of an emergency, we will implement rapid initial responses and set up a CSIRT (a company-wide cybersecurity response system) based on our IT-BCP in order to ensure rapid recovery. In addition to providing security education and awareness-raising to employees through simulated email attacks, we also participate in incident response training hosted by the Cabinet Office and the Tokyo Metropolitan Police Department. These responses are also subject to internal audits, and recommendations are implemented and managed using the PDCA cycle.



## 3. Strengthening supply chain management

Under the Sustainability Committee, chaired by the President and COO, we have established a Supply Chain Subcommittee, which is made up of executives in charge of sustainability promotion, general affairs and human resources, and other

business divisions, to strengthen supply chain management, including promoting ESG programs for suppliers.

For details, please refer to "Japan Airport Terminal Group's Supply Chain Management Initiatives" (<https://www.tokyo-airport-bldg.co.jp/files/en/sustainability/social/JapanAirportTerminalGroupSupplyChainManagementInitiatives.pdf>)

#### 4. Addressing talent shortages, lack of training, and declining engagement

Our human resource development policy is to foster **"Think and take on challenges on their own,"** and we are committed to recruiting and developing personnel. In addition, we plan to conduct an employee engagement survey from FY2024 to understand employee thinking and improve engagement, as well as to manage the effectiveness of human resource measures using the PDCA cycle. For details, please refer to "Japan Airport Terminal Group's Human Capital Management Initiatives (Detailed Version)" ([https://www.tokyo-airport-bldg.co.jp/files/sustainability/human\\_capital\\_management\\_initiatives\\_en.pdf](https://www.tokyo-airport-bldg.co.jp/files/sustainability/human_capital_management_initiatives_en.pdf))

#### 5. Promoting DEI and respect for human rights

As part of our internal environment development policy, we have set the goal of **"Corporate culture enhances diverse human resources,"** and we are working to create a culture that respects diversity and to respect human rights through the implementation of human rights due diligence, etc. For details, please refer to "Japan Airport Terminal Group's Respect for Human Rights Initiatives" (<https://www.tokyo-airport-bldg.co.jp/files/en/sustainability/JapanAirportTerminalGroupHumanRightsInitiatives.pdf>)

#### 6. Strengthening Group Governance

We will promote the PDCA cycle for the establishment and operation of the Group's internal controls, and in FY2024, we will fully update the Code of Conduct in the Basic Compliance Guidelines established in 2005 and ensure that it is fully understood by all employees of Group companies. For details about our efforts to establish a compliance system, please refer to the Japan Airport Terminal Co., Ltd. Basic Compliance Guidelines (<https://www.tokyo-airport-bldg.co.jp/files/en/ir/compliance.pdf>).

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