Japan Airport Terminal Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

November 14, 2025

Event Summary

[Company Name]	Japan Airport Terminal Co., Ltd.	
[Company ID]	9706-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2026	
[Fiscal Period]	FY2026Q2	
[Date]	November 14, 2025	
[Number of Pages]	25	
[Time]	14:00 – 14:49 (Total: 49 minutes, Presentation: 28 minutes, Q&A: 21 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Kazuhito Tanaka	President
	Isamu Jinguji	Senior Managing Director
	Takeshi Fujino	Senior Managing Director
[Analyst Names]*	Takuya Osaka	Morgan Stanley MUFG Securities
	Kouki Ozawa	SBI Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: Thank you very much for your patience. We will now begin the Q2 financial results briefing for the fiscal year ending March 31, 2026, of Japan Airport Terminal Co., Ltd. Thank you all very much for taking time out of your very busy schedules to attend today's briefing.

First, I would like to introduce today's attendees. President Kazuhito Tanaka.

Tanaka: My name is Tanaka. Thank you.

Moderator: Mr. Isamu Jinguji, Senior Managing Officer.

Jinguji: My name is Jinguji. Thank you.

Moderator: Mr. Takeshi Fujino, Senior Managing Officer.

Fujino: My name is Fujino. Thank you.

Moderator: That is all who are present.

Continuing on, I will explain today's materials. The presentation materials and other documents are available on the Company's website. If you are watching the live webcast, you will be able to download the presentation materials from the Explainers/Materials tab on the screen you are viewing. Please utilize it.

Next, I will explain today's proceedings. First, the Company will give a 30-minute presentation based on the presentation materials. We will then accept any questions you may have via phone. Please note that we cannot accept questions via the web.

Let us now begin the presentation. Please begin, President Tanaka.

Tanaka: I am Kazuhito Tanaka, President.

We sincerely thank you all for your continued understanding and support in the operation of our company's business.

Today marks the interim period for our fiscal year ending March 2026. First, Jinguji will explain our consolidated results for H1 and our full-year consolidated earnings forecast. After that, I will explain the direction of the next medium-term business plan and the strengthening of governance. Thank you.

1. Financial Results for the Second Quarter (Interim Period) of FY2025

(1) Number of Passengers

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- The number of passengers on both domestic and international flights increased from the same period of the previous fiscal year given airline companies' measures to stimulate demand and the increasing number of foreign tourists visiting Japan.
- The number of passengers on domestic flights fell slightly short of the initial forecast, while that on international flights exceeded the forecast and reached 95% of the target.

(10 thousands)

Airport	FY2025 1H	FY2024 1H	Rate of change (%)	Initial forecast 1H	Rate of change (%)	Target Number	Achievement rate (%)
Haneda – Domestic	3,305	3,108	6.3	3,358	- 1.6	3,490	94.7
Haneda – International	1,215	1,116	8.9	1,173	3.6	1,280	95.0
Total Haneda	4,521	4,225	7.0	4,532	- 0.2	4,770	94.8

* Haneda Airport passenger volume is based on aggregate statistics of airport usage within the jurisdiction of the East Japan Civil Aviation Bureau (monthly version), available on the website of the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

*Targets are based on semi-annual conversion of passenger assumptions in the Medium-Term Business Plan announced in May 2022: domestic = calendar year 2019; international = post-slot expansion.

Airport	FY2025 1H	FY2024 1H	Rate of change (%)	Initial forecast 2Q	Rate of change (%)
Narita	1,715	1,601	7.1	1,684	1.8
Kansai	1,384	1,195	15.8	1,316	5.2
Chubu Centrair	268	230	16.6	264	1.8

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Jinguji: Okay, I, Jinguji, will explain from here.

See page two. I would like to explain the passenger volume status in H1.

The number of passengers at Haneda Airport remained steady, exceeding that of the previous year on both domestic and international flights. Domestic flights increased 6% from the previous year due to measures taken by airlines to stimulate demand. International flights increased 9% from the previous year, mainly due to an increase in foreign tourists visiting Japan.

Compared to the forecast, domestic flights were slightly weaker, but international flights exceeded the forecast and increased to 95% of the target passenger volume after the expansion of arrival and departure slots.

1. Financial Results for the Second Quarter (Interim Period) of FY2025

(2) Consolidated Financial Results Overview

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- **Vs. FY2024: All segments recorded revenue growth, driven by the growth in the number of passengers, price revisions, and higher wholesale sales.**
- **Vs. Initial forecast: Merchandise sales fell short of expectations due to a slowdown in duty-free store sales.**
- **Operating income and ordinary income reached record highs for the third consecutive year, driven by cost control and other factors.**

Note: Figures shown are rounded down to the nearest 100 million yen. (Billions of yen)

(100 million yen)	FY2025 1H	FY2024 1H	Change	Change of Rate(%)	Revised forecast 1H	Change	Change of Rate(%)
Operating revenues	141.5	131.7	9.7	7.4%	148.6	-7.0	95.3%
Facilities management	57.8	51.2	6.6	13.0%	57.3	0.5	101.0%
Merchandise sales	74.8	72.3	2.4	3.4%	82.8	-7.9	90.4%
Food and beverage	8.8	8.1	0.6	8.1%	8.5	0.3	104.0%
Operating profit	21.4	21.0	0.3	1.7%	20.4	1.0	105.1%
Ordinary profit	20.3	20.3	0.0	0.2%	19.4	0.9	105.0%
Net profit attributable to owners of parent	13.4	11.9	1.4	11.8%	12.6	0.8	106.4%

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See page three. The consolidated financial results for the interim period are as shown in the red box on the slide.

Operating revenues were JPY141.5 billion, operating income was JPY21.4 billion, ordinary income was JPY20.3 billion, and interim net income was JPY13.4 billion. Operating revenue increased in all segments compared to the previous year, thanks in part to an increase in the number of passengers and the effect of price revisions.

Although operating revenues fell short of the initial budget in the merchandise sales business, cost controls and other measures enabled the Company to exceed its profit target, which was expected to decrease, and the profit was higher than in the previous year.

As a result, for H1, operating income and ordinary income reached record highs for the third consecutive year.

1. Financial Results for the Second Quarter (Interim Period) of FY2025

(3) 1H Financial Results by Segment

- **Facilities management: Revenue and profit increased due to higher passenger numbers and price revisions, with profit exceeding the initial forecast through cost reductions.**
- **Merchandise sales: Gross profit margin declined due to lower duty-free store sales and higher-cost wholesale growth, resulting in higher revenue but lower profit year on year.**

(Billions of yen)

Items	FY2025 1H	FY2024 1H	Change	Initial forecast	Change
Operating revenues	141.5	131.7	9.7	148.6	- 7.0
Facilities management	59.3	52.8	6.5	59.1	0.2
Merchandise sales	75.6	73.2	2.3	83.6	- 7.9
Food and beverage	9.3	8.6	0.7	8.9	0.4
(Elimination or unallocated)	- 2.7	- 2.9	0.1	- 3.0	0.2
Operating expenses	120.0	110.6	9.4	128.2	- 8.1
Facilities management	45.6	42.1	3.5	46.9	- 1.2
Merchandise sales	62.6	57.9	4.6	68.8	- 6.1
Food and beverage	8.8	8.4	0.4	8.7	0.1
(Elimination or unallocated)	2.8	2.0	0.8	3.8	- 0.9
Operating income	21.4	21.0	0.3	20.4	1.0
Facilities management	13.7	10.6	3.0	12.2	1.5
Merchandise sales	12.9	15.2	- 2.3	14.8	- 1.8
Food and beverage	0.4	0.1	0.2	0.2	0.2
(Elimination or unallocated)	- 5.6	- 5.0	- 0.6	- 6.8	1.1

	Vs. FY2024	Vs. Initial forecast
Domestic terminal stores	0.7	△ 0.3
International terminal stores	**△ 0.9**	**△ 3.8**
Other sales	2.6	△ 3.7

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Note: Figures shown are rounded down to the nearest 100 million yen.

See page four. I would like to explain our H1 performance by segment.

First of all, the YoY comparison shows increases in facilities management, passenger numbers, as well as rental revenue from domestic flights, and revisions to administrative expenses. Additionally, the effect of price revisions that passed on costs previously difficult to recover during the COVID-19 pandemic—such as facility usage fees, paid lounge fees, and parking fees—exceeded the increased expenses from inflation and terminal expansion, leading to increased profits.

In the merchandise sales business, although revenue from international terminal stores declined, growth in other sales secured an increase in revenue, but the increase in wholesale sales led to an increase in cost of sales and a decline in the gross profit margin, resulting in a decrease in income.

In the food and beverage business, despite the impact of soaring food prices and rising personnel expenses, both revenue and income increased due to an increase in passenger volume, the lifting of the previous year's shortened business hours, and the extension of business hours. Compared to the initial budget, revenue fell short in the merchandise sales business. However, cost control at the company-wide level reduced expenses, and the profit budget for H1 was achieved.

The initial revenue forecast for the merchandise sales business was somewhat optimistic regarding the growth rate of international terminal stores and other sales, reflecting the strong performance of the previous period, partly due to the assumption of a weaker yen. As we will explain later, we have also revised our forecast for H2 of the fiscal year.

In the merchandise sales business, the situation of duty-free stores at Haneda Airport, which have a particularly large impact on our business performance, is explained on the next slide.

1. Financial Results for the Second Quarter (Interim Period) of FY2025

(4) Sales at Duty-Free Stores 1

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- The main reason for falling short of the initial forecast was the slow recovery of brand boutiques, with both unit prices and purchase rates below expectations.
- Year on year, Sales at duty-free stores in Haneda declined compared with the strong results posted in the same period a year earlier. The rate of decline, however, narrowed in the 2Q (down 17% in 1Q -- down 2% in 2Q). Sales at duty-free stores in Narita and Ginza grew compared with the previous year due to growth in inbound passengers.

	1H initial forecast	1H Results	Change
Per-unit purchases	15,300 yen	14,500 yen	△ 800 yen
Purchase rate	31.5 %	28.8 %	△ 2.7pt
yen / usd	150 yen/ $	146 円/ $	△ 4yen

*Purchase rate = Number of customers who made a purchase / Number of passengers of international flights

◆ Duty-free store sales

(millions of yen)	FY2025 1Q	FY2024 2Q	Rate of change	FY2025 1Q	FY2024 2Q	Rate of change	FY2025 1H	FY2024 1H	Rate of change
Haneda duty-free stores	24,928	29,907	-17%	26,083	26,497	-2%	51,012	56,404	-10%
yen / usd	144	156	-7%	149	148	-1%	146	152	-4%
Narita duty-free stores	3,743	3,461	8%	3,896	3,448	13%	7,638	6,908	11%
Ginza duty-free store	1,606	1,093	47%	1,787	1,065	68%	3,393	2,159	57%

*Sales are based on total transactions and are different from the amounts recorded on income statement.

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See page five. Sales at Haneda Airport duty-free stores in H1 of the fiscal year declined in reaction to the strong sales in the previous fiscal year, although the initial forecast was for an increase in sales.

The table below shows the difference between the initial forecast and actual results for the average spend per purchase, purchase rate, and exchange rate for H1. Regarding duty-free sales, Q1 saw exceptionally strong performance at brand boutiques due to the previous year's weak yen and last-minute demand before price revisions. In contrast, this year's stronger yen caused both average spend per purchase and purchase rates to fall below expectations. Although passenger numbers increased, sales declined compared to the previous year.

In Q2, the decline in sales was also smaller than in Q1, due in part to the weaker yen this year, whereas the yen appreciated in the previous year.

By location, sales at Haneda Airport decreased from the previous year, but sales at Narita Airport and Ginza duty-free stores, which are mainly general duty-free stores, increased due to an increase in the number of foreign visitors to Japan.

The sales figures here are based on the total sales price at the stores to facilitate understanding of the actual situation. Please note that this is not the same as the amount of sales on the income statement.

(5) Sales at Duty-Free Stores 2

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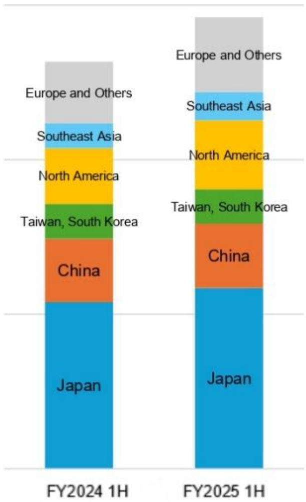
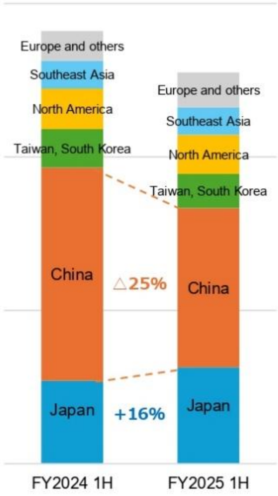
- By nationality, sales from Japanese passengers grew due to higher passenger numbers and increased unit prices, while sales from the Chinese customers, the main contributor, declined significantly..
- Among Chinese customers, although passenger numbers slightly increased, sales at brand boutiques declined due to a rebound from the previous year, leading to a drop in purchase unit prices.

◆ Haneda international passenger numbers by nationality



◆ Haneda duty-free store sales by nationality



◆ Haneda duty-free store per-unit purchases by nationality and share by product category

Per-unit purchases (yen)	FY2025 1H	FY2024 1H	Rate of change
Japan	12,400	11,400	9%
China (including Hong Kong)	22,500	27,500	-18%
Taiwan	20,300	21,800	-7%
Korea	12,300	12,800	-4%
North America	11,400	13,500	-16%
Southeast Asia	14,200	14,100	1%
Europe and others	7,600	8,700	-13%
Overall	14,500	16,900	-14%

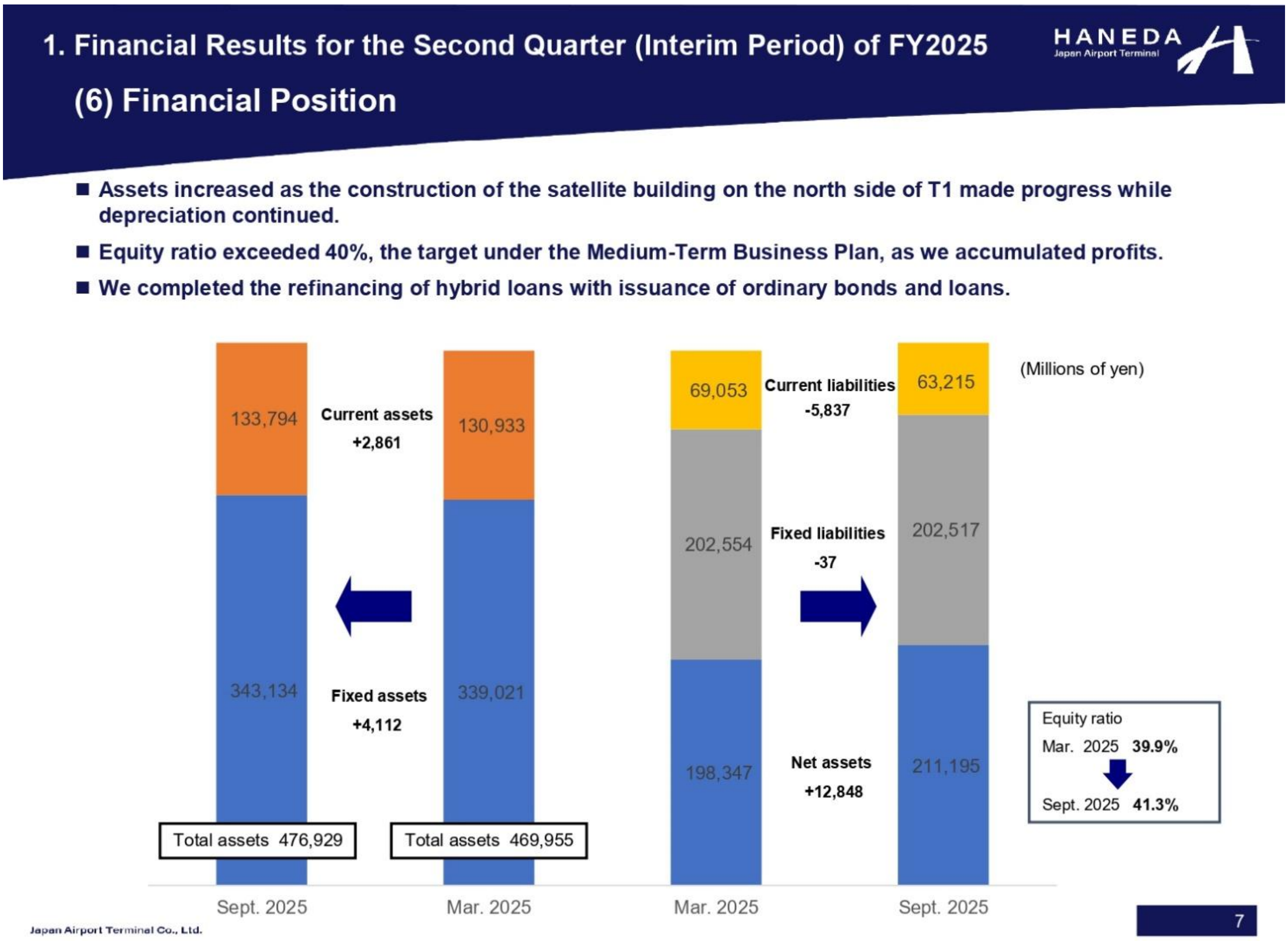
Share by category	FY2025 1H	FY2024 1H	Change
Apparel, jewelry, watches, etc.	37%	43%	-6 pt
Perfumes and cosmetics	26%	25%	1 pt
Alcohol and cigarettes	16%	14%	2 pt
Food	15%	14%	2 pt
Others	5%	4%	1 pt
	100%	100%	

*Sales are based on total transactions and are different from the amounts recorded on income statement.
Passenger numbers by nationality are estimates based on actual results through August.
Nationalities include estimates by the Japan Airport Terminal

See page six. The following table compares the number of passengers by nationality at Haneda Airport and the percentage of duty-free sales between the previous and current fiscal years.

While passenger numbers increased steadily, duty-free sales were negative due to a large decrease in sales from Chinese customers. Meanwhile, sales from Japanese passengers have increased more than passenger growth. Even when looking at average spend per purchase by nationality, the impact of the strong yen has led to an increase for Japanese visitors and a decrease for foreign visitors, such as Chinese tourists.

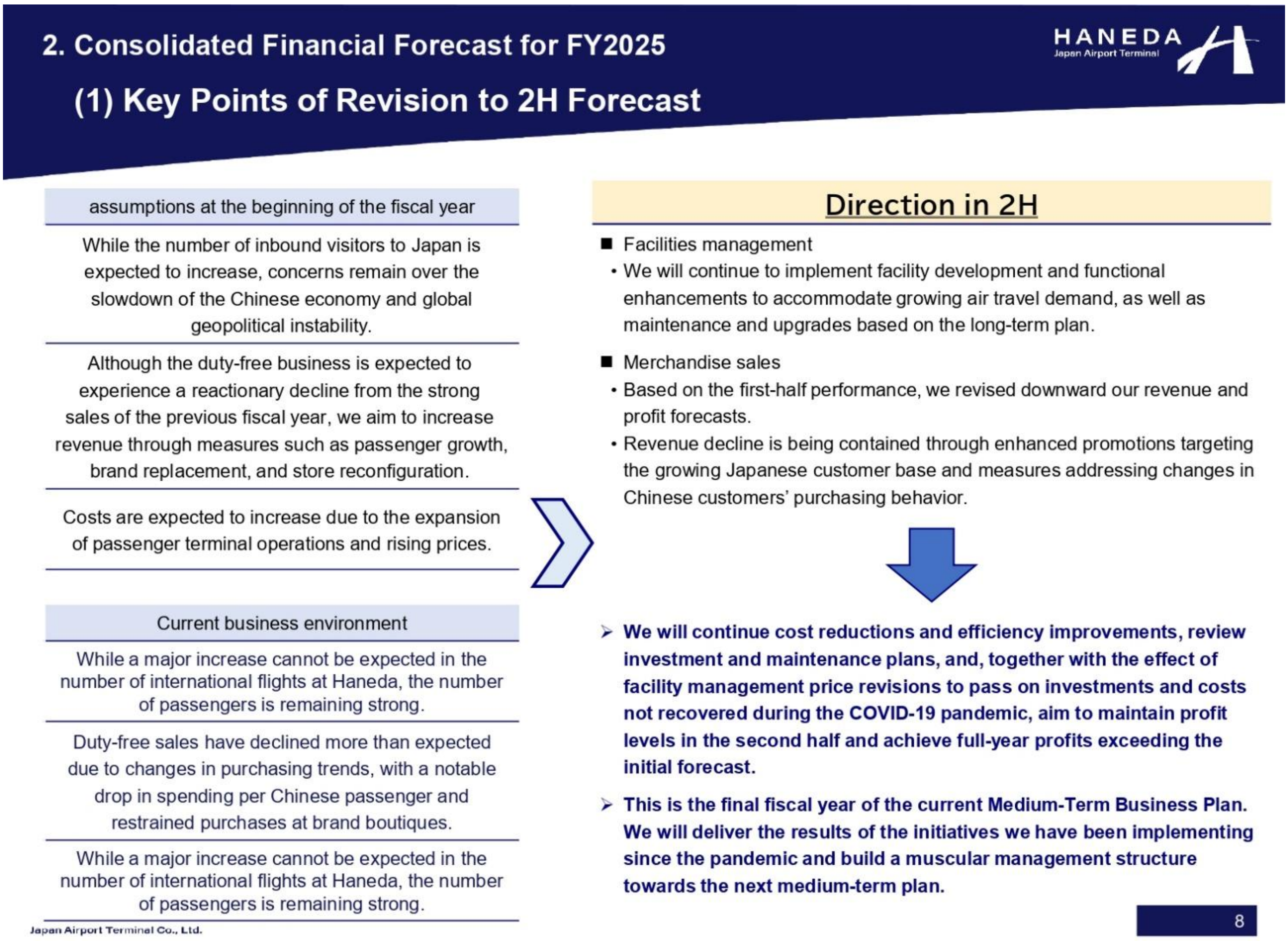
In terms of share by product category, luxury brands with relatively high average spend per purchase accounted for more than 40% in the previous period and less than 40% in the current period, indicating a change in purchasing trends from the previous period to the current period. Although we renovated our Chanel and Hermes stores, this was not enough to make up for the decline in sales from Chinese passengers.



See page seven. This section shows the financial position as of the end of September.

Total assets increased despite progress in depreciation, mainly due to an increase in construction in progress as a result of the construction of the satellite building on the north side of Terminal 1. With regard to liabilities, the Company raised funds through ordinary bonds and loans, and completed the refinancing of JPY30 billion in hybrid loans.

With regard to net assets, although dividends were paid, we were able to build up equity capital. The equity ratio was 41%, achieving the target level of 40% for establishing a strong financial base set forth in the medium-term business plan.



See page eight. Regarding the full-year forecast, I will first explain the key points of the revised forecast.

We expect the business environment to continue as it was in H1, with the following three main factors.

First, passenger volume has remained strong even as international flight arrivals and departures are approaching the upper limit. Second, there is a slowdown in duty-free sales due to changes in Chinese purchasing trends. Third, inflation has taken hold, and construction costs continue to rise.

As part of our primary initiatives, we will continue to enhance our facilities and functions to accommodate growing air travel demand, while also implementing equipment and machinery upgrades based on long-term plans, including disaster prevention and environmental measures.

In the merchandise sales business, both revenue and income were reduced from the initial forecast based on the situation in H1 of the fiscal year. However, we will work to minimize the reduction in duty-free sales by strengthening sales promotions for the growing Japanese customer base and by implementing campaigns for Chinese customers.

In response to rising prices, we will continue to cut costs and improve efficiency, review investment and maintenance plans, and maintain profit levels in H2, combined with the effect of price revisions in the facilities management business, to achieve higher profits than initially forecast for the full-year.

As it is the final year of the current medium-term business plan, we will realize the results of the initiatives we have promoted since the COVID-19 pandemic and aim to achieve a more muscular management structure for the next medium-term business plan.

2. Consolidated Financial Forecast for FY2025

(2) Forecast for Number of Passengers

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- **The number of passengers for domestic flights slightly fell short of the initial forecast in the first half, but we have retained the second-half forecast taking the gradual recovery into consideration.**
- **For international flights, we revised up the forecast given the first half result that exceeded the initial forecast and reflecting the information regarding the increase in number of flights.**

(10 thousands)

Airport	FY2025 Revised forecasts	FY2024 Results	Rate of change (%)	Initial forecast	Change from the initial forecast (%)	Target Number	Achievement rate (%)	Change rate in the 2H (%) Vs. FY2024	Change rate in the 2H (%) Vs. Initial forecast
Haneda – Domestic	6,650	6,417	3.6	6,704	- 0.8	6,900	96.4	1.1	0.0
Haneda – International	2,447	2,292	6.8	2,365	3.5	2,560	95.6	4.7	3.3
Total Haneda	9,098	8,709	4.5	9,069	0.3	9,460	96.2	2.1	0.9

* Haneda Airport passenger volume is based on aggregate statistics of airport usage within the jurisdiction of the East Japan Civil Aviation Bureau (monthly version), available on the website of the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

* Targets are passenger assumptions in the Medium-Term Business Plan announced in May 2022: domestic = calendar year 2019; international = post-slot expansion.

Airport	FY2025 Revised forecasts	FY2024 Results	Rate of change (%)	Initial forecast	Change from the initial forecast (%)
Narita	3,521	3,337	5.5	3,396	3.7
Kansai	2,793	2,507	11.4	2,608	7.1
Chubu Centrair	560	491	14.2	531	5.6

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See page nine. The revised forecast for the number of passengers at Haneda Airport is for a continued increase.

Domestic flights were slightly below the forecast in H1, but the forecast for H2 remains unchanged based on a gradual recovery. For international flights, the forecast is revised upward to reflect the better-than-expected results in H1 and subsequent information on increased flights. International flight slots are currently being utilized for all regions except Russia. Reflecting robust passenger boarding rates on routes to Asia, North America, and Europe, we anticipate passenger numbers for this period will increase to 96% of the target.

As a result, we expect to reach 66 million passengers on domestic flights and 24 million passengers on international flights, for a total of 90 million passengers for Haneda Airport as a whole.

2. Consolidated Financial Forecast for FY2025

(3) Consolidated Financial Forecast

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- **Vs. FY2024: All segments are expected to see revenue growth, supported by continued strong passenger numbers and price revision effects.**
- **Vs. Initial forecast: While revising down the retail business forecast based on 1H trends, we aim to maintain 2H profits.**
- **Operating income and ordinary income are expected to reach record highs.**

Note: Figures shown are rounded down to the nearest 100 million yen. (Billions of yen)

Items	2H					Full year				
	FY25	FY24	Change	Initial forecast	Change	FY25	FY24	Change	Initial forecast	Change
Operating revenues	146.7	138.1	8.5	151.4	-4.6	288.3	269.9	18.3	300.0	-11.7
Facilities management	58.6	54.3	4.3	58.0	0.6	116.5	105.5	10.9	115.3	1.2
Merchandise sales	78.8	75.2	3.5	84.8	-5.9	153.7	147.6	6.0	167.6	-13.9
Food and beverage	9.2	8.5	0.7	8.6	0.6	18.1	16.7	1.3	17.1	1.0
Operating profit	20.1	17.4	2.5	20.1	0.0	41.5	38.5	2.9	40.5	1.0
Ordinary profit	19.5	15.3	4.1	19.1	0.4	39.9	35.7	4.1	38.5	1.4
Net profit attributable to owners of parent	11.9	15.4	-3.4	11.9	0.0	25.4	27.4	-2.0	24.5	0.9
Capital expenditures						36.6	26.1		46.2	
Depreciation expenses						29.8	28.1		30.4	
EBITDA						71.3	66.6		70.9	
Dividend (yen)						90	90		90	
Payout ratio						33.0%	30.5%		34.2%	

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See page 10. The full-year forecast is shown in the red box.

We forecast operating revenues of JPY288.3 billion, operating income of JPY41.5 billion, ordinary income of JPY39.9 billion, and net income of JPY25.4 billion.

Operating revenues are expected to increase from the previous year in all segments, although the initial forecast was lowered to reflect the trend in H1. The initial forecast for operating income for H2 of the fiscal year remains unchanged, as the decline in the merchandise sales business will be offset by a review of expenses.

As a result, operating income and ordinary income for the full-year are expected to reach record highs for the third consecutive year.

The initial dividend forecast remains unchanged.

2. Consolidated Financial Forecast for FY2025

(4) 2H Financial Forecast by Segment

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- **Facilities management: Profit increased significantly due to price revision effects and other factors, with further growth achieved through cost control.**
- **Merchandise sales: Duty-free sales turned positive year on year. While revenue and profit forecasts were revised down from the initial plan, profits are maintained through contributions from other segments.**

(Billions of yen)

Items	FY2025 2H revised forecast	FY2024 2H result	Change	Initial forecast	Change
Operating revenues	146.7	138.1	8.5	151.4	- 4.6
Facilities management	60.6	56.0	4.5	60.1	0.5
Merchandise sales	79.4	76.1	3.3	85.4	- 5.9
Food and beverage	9.5	9.0	0.5	9.0	0.5
(Elimination or unallocated)	- 2.9	- 3.0	0.1	- 3.1	0.1
Operating expenses	126.7	120.7	5.9	131.3	- 4.5
Facilities management	47.8	47.2	0.5	49.3	- 1.4
Merchandise sales	66.3	62.0	4.3	69.8	- 3.4
Food and beverage	9.0	8.6	0.3	8.6	0.4
(Elimination or unallocated)	3.5	2.7	0.7	3.6	0.0
Operating income	20.1	17.4	2.5	20.1	0.0
Facilities management	12.7	8.8	3.9	10.8	1.9
Merchandise sales	13.1	14.1	- 0.9	15.6	- 2.4
Food and beverage	0.5	0.3	0.1	0.4	0.1
(Elimination or unallocated)	- 6.4	- 5.8	- 0.5	- 6.7	0.2

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Note: Figures shown are rounded down to the nearest 100 million yen.

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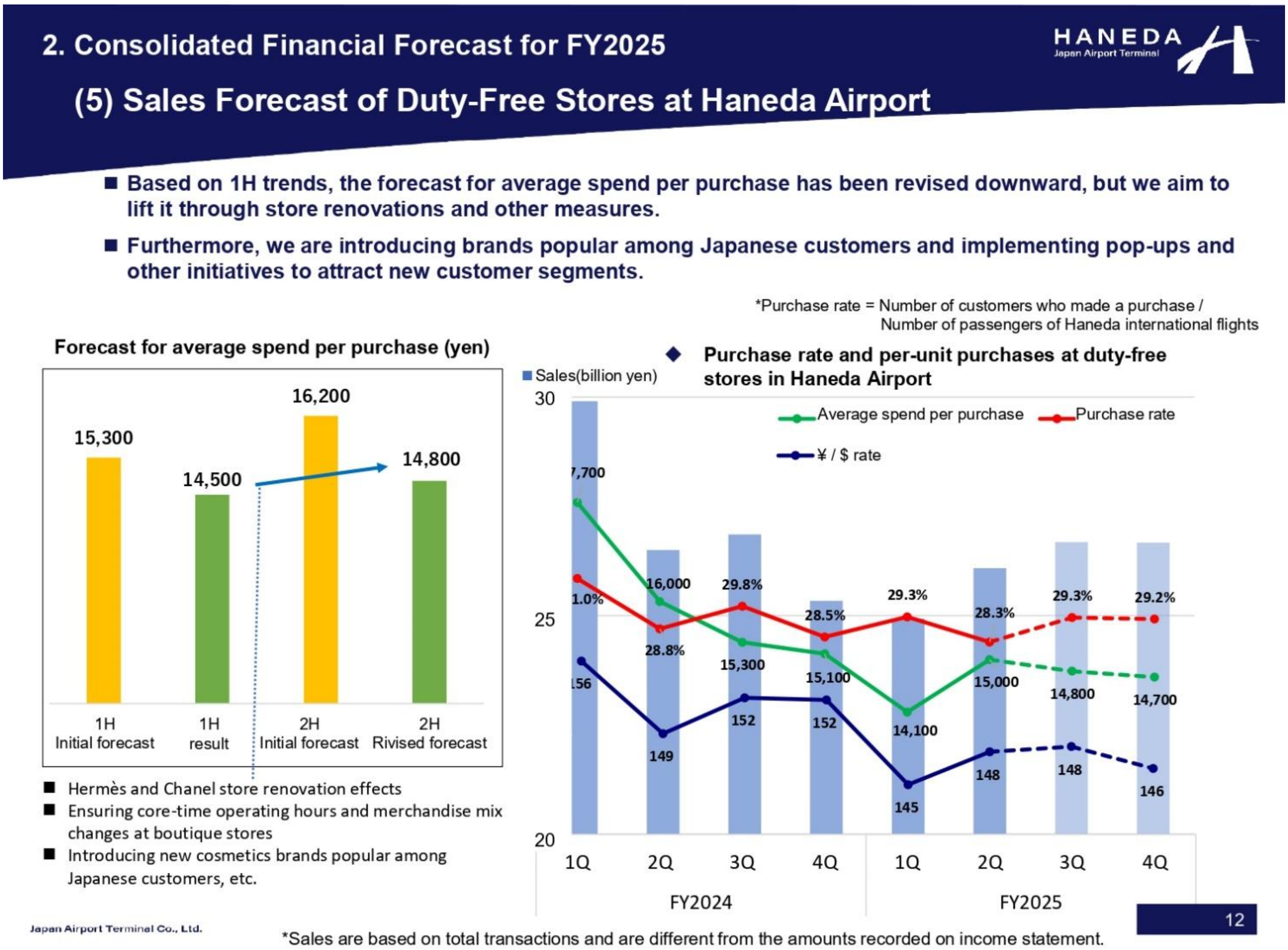
See page 11. This section shows the forecast by segment for H2.

The overall trend remains consistent with H1, but compared to the previous period, facilities management is expected to see increased revenue and income, while merchandise sales will see increased revenue but decreased income. However, the Company as a whole plans to secure increased profit. Duty-free stores are also expected to turn positive compared to the previous year.

Compared to the initial forecast, sales in the merchandise sales business will be lower, but operating income will remain unchanged due to the high proportion of variable costs and cost reductions throughout the Company.



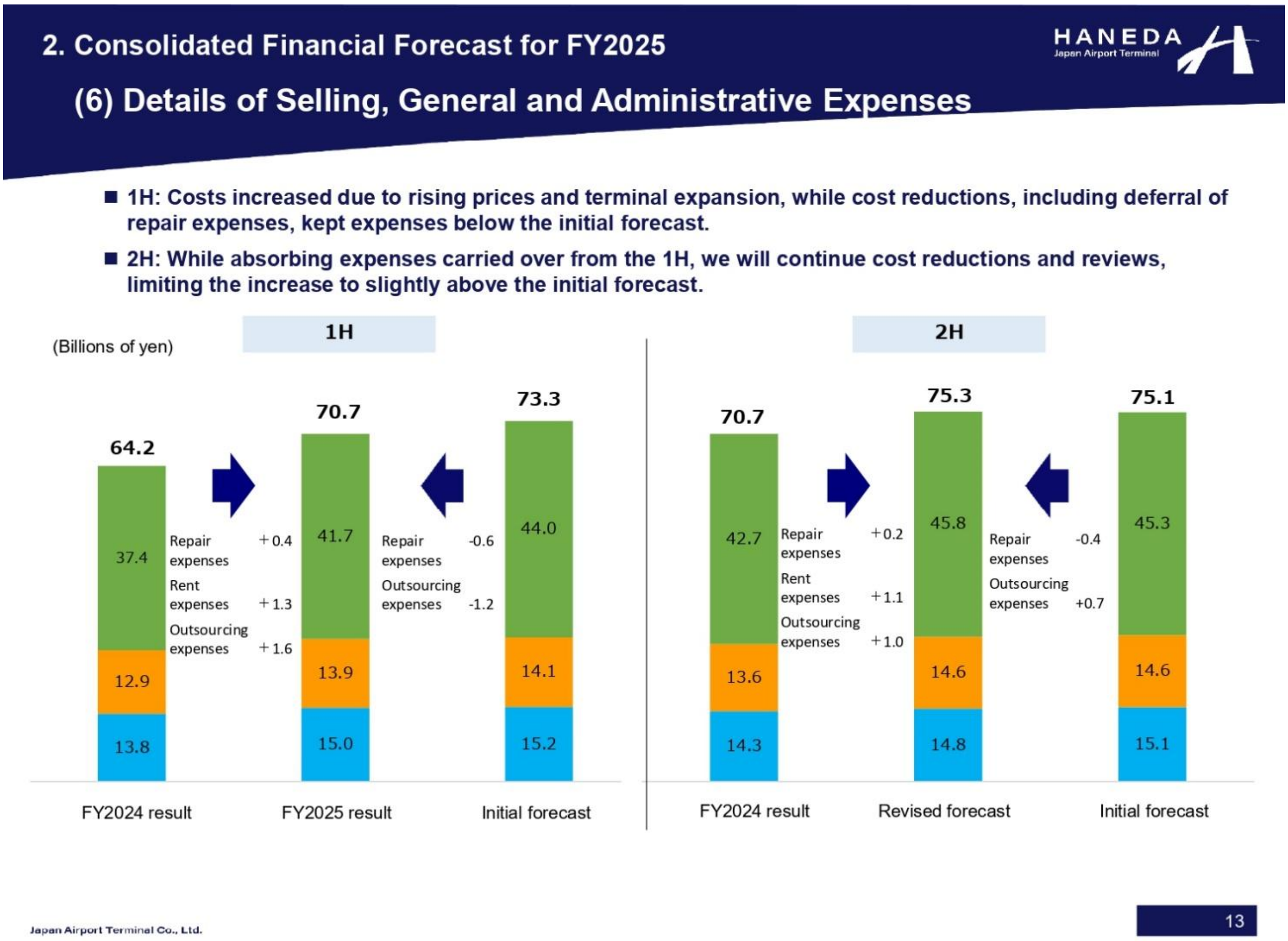
See page 12. I would like to explain the sales forecast of duty-free stores at Haneda Airport.

The forecast for the average spend per purchase for H2 of the fiscal year was prepared by adding the effects of various measures to the actual results for H1. The graph shows sales, average spend per purchase, purchase rate, and the exchange rate for each quarter.

In reaction to a particularly strong Q1 last year, sales as of H1 of this year were negative compared to the previous quarter. Although we have lowered our forecast for H2 in light of the H1 situation, we expect passenger volume to increase steadily and sales to bottom out in Q1.

Amid declining purchase volume and average spend per purchase among Chinese tourists, we will strengthen our merchandising strategy in H2. This includes introducing new cosmetic brands popular with Japanese tourists and utilizing pop-ups to attract a broader customer base beyond existing customers, focusing on products less susceptible to currency fluctuations. Additionally, we will negotiate with brands to secure core time business hours, balancing store operating costs and staffing optimization with sales growth. This approach aims to enhance customer satisfaction while ensuring the well-being of our sales staff.

The foreign exchange rate assumptions for H2 of the fiscal year are based on the H1 trends, but with the recent depreciation of the yen, we believe that the assumptions are relatively firm.



See page 13. This section shows SG&A expenses separately for H1 and H2.

SG&A expenses for H1 increased JPY6.5 billion from JPY64.2 billion in the previous period to JPY70.7 billion this period. Personnel expenses increased by JPY1 billion due to increased staffing and base pay raises, while depreciation expenses rose by JPY1.2 billion due to the commencement of operations at the connecting facility between the North Satellite of Terminal 2 and the main building. In addition to price increases, property expenses increased by JPY4.3 billion due to rental and outsourcing expenses associated with terminal expansion.

On the other hand, while the budget was reduced by JPY2.6 billion compared to the initial budget, we achieved cost reductions by decreasing variable expenses due to lower-than-expected sales, along with reviewing and cutting travel and transportation expenses, consumables, and entertainment expenses, among other traditional cost items.

Additionally, there was a timing discrepancy of approximately JPY700 million related to renovation and renewal work, but these are scheduled to be carried out in H2 of the fiscal year. Meanwhile, we have re-examined repair plans and other factors regarding construction projects scheduled for H2 of the fiscal year, resulting in a reduction of JPY2.4 billion in full-year SG&A expense projections compared to the initial forecast.

2. Consolidated Financial Forecast for FY2025

(7) Capital Spending

HANEDA Japan Airport Terminal

- Capital spending in FY2025 have been revised and reduced, reflecting rising construction costs and changes in purchasing trends, which are expected to worsen profitability of the investment plans.
- During the Medium-Term Business Plan period, capital spending has increased due to rising construction costs and renovation works associated with aging facilities.
  We plan to complete construction of the satellite building on the north side of Terminal 1 in FY2026.

◆ Revision of capital spending for FY2025

Initial forecast		Revised forecast
¥46.2 billion	-¥9.6 billion	¥36.6 billion

Key revision items

Expansion works for international terminal lounges and other facilities	-	¥4.7 billion
Store construction work at the international terminal	-	¥1.7 billion
Renovation and maintenance of international terminal	-	¥1.8 billion
Construction of the satellite building on the north side of T1	-	¥0.5 billion
Extension work of the satellite building on the north side of T2	+	¥1.9 billion

◆ Amount of capital spending for the period of the Medium-Term Business Plan

(Billions of yen)

	FY2022	FY2023	FY2024	FY2025	Total
Medium-Term Business Plan	15.0	29.0	34.0	27.0	105.0
Actual / Budget	*12.0*	*31.7*	*26.1*	*36.6*	*106.4*

(Of the above, satellite improvement)

	FY2022	FY2023	FY2024	FY2025	Total	(FY2026)
Medium-Term Business Plan	6.0	19.0	18.0	10.0	53.0	-
Actual / Budget	*6.4*	*18.3*	*7.5*	*12.1*	*44.3*	*(15.7)*

Japan Airport Terminal Co., Ltd.

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See page 14. This section shows the status of capital spending.

Capital spending for the current fiscal year was originally projected at JPY46.2 billion, but due to soaring construction costs, the amount was revised downward to JPY36.6 billion, mainly by reducing investments in international flights, after carefully examining the return on investment. The amount of capital spending within the current medium-term plan period is also shown.

The satellite building construction was originally scheduled for completion this fiscal year, but due to the delay in the start of construction, a portion of the completion date has been pushed back to the next medium-term business plan period.

Furthermore, while the overall level of capital spending has risen compared to times before the COVID-19 pandemic—due to the rebound effect from curtailing repairs and limiting capital outflows during the pandemic, combined with the aging of various facilities, equipment, and terminals themselves, as well as investments for earthquake disaster preparedness, energy conservation, and barrier-free accessibility—we will continue to carefully evaluate the content and timing of investments from the perspective of effectiveness and efficiency, incorporating them into our plans.

2. Consolidated Financial Forecast for FY2025

(8) Initiatives for Improving Governance

HANEDA Japan Airport Terminal

■ **Steadily promoting measures to ensure effectiveness of audits, strengthen oversight of management, and enhance internal control functions of Japan Airport Terminal and group companies.**

	Recurrence prevention measures announced on June 12, 2025	Implementation status
(1)	Reorganization of management structure	• Appointed eight outside directors (forming a majority) • Abolished senior advisor system and positions of directors with special titles
(2)	Formulation of a succession plan for the top executive, transparency in the nomination process, and review of the role of the Nomination Advisory Committee	• The Nomination Advisory Committee discussed the introduction of a mandatory retirement age for executives taking into account the formulation of a succession plan, which the Board of Directors approved
(3)	Enhancement of supervisory functions for overseeing top management	• Established the Office of Audit & Supervisory Committee to assist the duties of the committee members • Assigned part-time Audit & Supervisory Board members of group companies to the Audit & Supervisory Committee Office to build an information-sharing and operation support structure.
(4)	Reform of organizational climate	• Established an external compliance whistleblower hotline • Established the Japan Airport Terminal Group Management Regulations by revising the Rules for Management of Affiliated Companies.
(5)	Establishment of a Management Improvement Committee	• Established a Management Improvement Committee • Held five committee meetings in 1H
(6)	Establishment of a Corporate Governance Committee	• Established a Corporate Governance Committee
(7)	Continuous monitoring	• Reported progress to the Board of Directors
	Other items on the action plan	• Reinforcement of the internal control promotion structure and revision of the Basic Policy on the Internal Control System • Deliberation on improvement of the procurement process and improvement of transparency

Japan Airport Terminal Co., Ltd.

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Tanaka: I am President Tanaka. I will explain from here.

See page 15. As a measure to prevent recurrence of the inappropriate practices concerning the selection of business partners that came to light recently, we are working to strengthen our corporate governance. We would like to report on the progress made since our previous announcement on August 7.

As for item number two shown in the materials, regarding the formulation of a succession plan and transparency of the nomination process, we have resolved to introduce a retirement system for directors and officers based on the formulation of a succession plan.

For item number three, regarding the strengthening of overseeing top management, we have already introduced full-time auditors to enhance the Audit and Supervisory committee. Furthermore, we have newly established the Audit and Supervisory Committee's Office to assist these committee members in their duties. To strengthen internal control functions, including those of group companies, we have established the Audit and Supervisory Committee's Office alongside the third line of defense—the Audit Office and the Internal Control Promotion Office—thereby expanding our personnel structure.

Regarding item number five, the Management Improvement Committee was established in July. During H1 of the fiscal year, the committee held five meetings to gather opinions and discuss measures to reform the organizational culture with executives and employees.

In line with these efforts, we are continuing to work on a sound and highly transparent governance structure by revising and abolishing related rules and guidelines.

Now, please see page 16. Here, I would like to give you a head start on the direction of the next medium-term business plan.

As you can see, regarding our current medium-term business plan, we have established the vision for FY2030 as outlined in the upper left: a human and environmentally-friendly advanced airport, and an airport terminal company trusted by all stakeholders. Working backward from this vision, we have formulated and implemented initiatives through FY2025.

In the next medium-term business plan, we are going to update the plan in light of the current business environment, although the vision we aim for in 2030 will remain essentially the same. In preparing this update, we are advancing our deliberations from both perspectives: forecasting based on the current business environment and backcasting from a long-term outlook looking toward around 2040.

From a backcasting perspective, we are starting by taking Haneda Airport as the subject and envisioning its ideal future state, the vision for Haneda in 2040. Airports are the point of contact between the region and the world, the gateway to the Asian economy, and the key to relief efforts in times of disaster. It is also the core of tourism and industry.

As Japan’s gateway, airports are the key to the revitalization of Japan's overall mobility, and we intend to add breadth and depth to our business domain by redefining the great mission of the airport as a pillar of our public mission and harmony between public and corporate nature, which is our basic philosophy.

Considering the situation after 2030, we would like to imagine a scenario in which the maximum utilization of airports in the Tokyo metropolitan area will create a virtuous cycle of capturing economic growth in Asia and creating demand for travel throughout Japan, and we would like to incorporate such an idea into our corporate management.

We are now in the process of promoting such discussions with young employees who will lead the next generation, while also beginning a dialogue with management. Based on these ideas, we intend to communicate widely with our stakeholders in the future based on trust and co-creation.

From a forecasting perspective, as we have said in the past, we believe it is necessary to respond to the change from quantitative growth to qualitative growth. With Haneda Airport approaching its slot limit, we believe that we are now at the stage of transitioning from a phase of rapid recovery from the COVID-19 pandemic to a phase of stable growth. In order to continue profitable growth amid continuing inflation, we believe it is necessary to strengthen our ability to generate cash flow based on these keywords: efficiency, value-added, and co-creation.

To this end, we will promote capital cost management, select and focus on businesses, and increase profitability based on KPI management set for each business segment. At the same time, we are simultaneously considering cash allocation, taking into consideration the balance between future capital spending, capital efficiency, and returns to shareholders.

As a company that plays an important role in social infrastructure, we are committed to integrating financial and non-financial aspects of our operations in order to link our sustainability initiatives to enhance our corporate value.

Last but not least, the business environment surrounding the Japanese economy is changing rapidly as the yen continues to weaken and the Nikkei Stock Average exceeds JPY50,000.

We are continuing our search for new ways to operate more flexibly and efficiently, taking advantage of the lessons learned from the COVID-19 pandemic. At the same time, we are firmly aware of the role we must play and will work to enhance our business value so that the added value we create can be appropriately returned to all of our stakeholders. Your understanding and support would be greatly appreciated.

That is all for the explanation. Thank you very much.

Moderator: Thank you very much.

Question & Answer

Moderator [M]: We would now like to take your questions.

Thank you for waiting. Now, I will call your name. When you are called on, please state your company name and name, and ask your questions.

Mr. Osaka from Morgan Stanley MUFG Securities, it is your turn.

Osaka [Q]: My name is Osaka from Morgan Stanley. Thank you very much for your time today. I have three questions.

First, regarding duty-free merchandise, the H2 forecast is shown on page 12 in the materials. The current exchange rate is significantly diverging from the assumed rates of JPY148 and JPY146, with the yen weakening beyond JPY150. While the initial assumption was based on a JPY150 rate, leading to an estimated purchase price of JPY16,000, given that the exchange rate is now approaching that level, is the current outlook still valid? Or, despite the current situation, is this forecast still appropriate? Could you please explain this?

The second question is about the trend of income from facilities management for the full-year. Compared to the beginning of the fiscal year, sales have not changed that much, but operating income alone has been revised upward by JPY3.4 billion. I wonder if you could tell us again the background behind the upward revision of the income from facilities management.

Additionally, based on the current fiscal year projections, the profit margin for facilities management stands at 23%. Looking at the data, this is likely a record high, as it has never exceeded 20% before. Was this increase achieved by a temporary reduction of costs? Or, as mentioned earlier regarding the shift towards qualitative improvements in the next medium-term plan, could insights relevant to your company's future management be hidden within this data? Please explain this background context as well.

And lastly, you mentioned selection and concentration of businesses in capital cost management for the next medium-term plan, but I wonder if you can do that in the first place. It states that you will be reevaluating cash allocation. While I believe this necessitates having a specific medium-term plan, could you please share what specific aspects you are considering for this reevaluation, within the scope you are able to disclose? That is all.

Fujino [A]: Thank you for your questions. I will answer your first question, on page 12, regarding average spend per purchase.

Initially, we expected an average spend per purchase of JPY16,200 in H2. This formulation was created around March of this year, when duty-free sales were still strong. The difference in average spend per purchase between H1 and H2 stems from trends such as significant travel of Chinese customers during H2, including the National Day of China in October, the year-end and New Year period, and the Chinese New Year in February. We have set the average spend per purchase to increase as a result of this. The revised budget is currently set at JPY14,800.

However, as is the case today, the yen is weakening as it is about JPY154 yen to the dollar. As a result, the current average spend per purchase is approximately JPY15,000, which is slightly higher than the JPY14,800 we currently expect. Therefore, if the yen continues to depreciate, we expect the average spend per purchase to rise, albeit slightly.

So, this is my answer to your question regarding page 12.

Jinguji [A]: Continuing on, I would like to answer the second question.

Regarding the full-year results for facilities management, I understand your question pertains to the details of the upward revision in facilities management and whether this trend will continue going forward.

This is divided into two aspects. The first is the income aspect, where we believe the price revisions are having an effect. In particular, parking fees were revised on August 1. Also, paid lounge fees were revised in April. The number of customers has increased beyond expectations, and taking that into account, the price revisions for facility-related services are progressing smoothly.

On the other hand, the cost of repairs and outsourcing has been better controlled than originally planned, and the upward revision is a result of the positive effects of income and expenses.

Tanaka [A]: I would like to explain the current question about cost control and future implications, along with a bit of supplementary information from my side, along with your third question.

The contents I showed you on page 16 began with the idea of what Haneda should look like in the future, up to about 2040. As you all understand, the background is that, in preparation for the projected 60 million visitors to Japan by 2030, Narita Airport is currently advancing projects, such as the construction of new runways, as the metropolitan area's airport.

Given this situation, the question arises: what happens next? Currently, Haneda serves over 50 international cities and Narita over 100. Within this context, one key focus is the need to strengthen the role of the Tokyo metropolitan area as a hub for international flight transfers in this context.

On the other hand, looking at Haneda Airport, airlines are facing a particularly challenging situation for domestic flights right now. Furthermore, considering the advancing aging and declining birthrate beyond 2030, we need to strengthen domestic flight demand—currently low at 2% to 4% of inbound passenger utilization—by enhancing the transfer function from international flights to domestic flights. This initiative is being pursued with the underlying aim of ultimately revitalizing mobility across Japan as a whole, as it was mentioned earlier.

In that case, naturally, we must consider both the hardware and software aspects of what Haneda Airport should be. And we are discussing what we should do in this context.

This is a bit of a long story, but returning to the topic of our facilities, naturally, when considering future facility improvements, we are, of course, reviewing the long-term maintenance plan annually. Regarding this year's budget formulation, we have also re-examined the approach to the maintenance plan, taking these factors into account.

Looking forward, I think it will be after 2030, but we, ourselves, should still be aware of and think about the investment in Haneda first. In that context, I believe we must proactively take various actions to ensure that such discussions evolve into efforts to redirect future Haneda Airport slots toward international flights. Therefore, we are in the process of reviewing our maintenance plans, etc., in light of this.

Of course, we cannot disclose at this point what plans will be made for the next fiscal year and beyond. However, when considering the future—and this relates to the third question—rather than focusing on high-profile measures for unprofitable businesses, we intend to examine each business individually. We aim to enhance efficiency to strengthen cash flow generation, pursue value-added improvements, and strive for appropriate cash allocation. That is all.

Osaka [M]: Thank you for the detailed explanation. I am looking forward to the medium-term plan.

Moderator [M]: Thank you. Now, any other questions?

We will accept the next questions. Mr. Ozawa from SBI Securities, it is your turn.

Ozawa [Q]: I am Ozawa from SBI Securities. Two questions from me, please.

The printed materials and the projected slides might be off by one page. First, on page 14 of the printed materials, under the review of capital spending, even in your answer just now, there was talk about re-examining investments while looking ahead. Here, you're reducing the capital spending plan by JPY9.6 billion. Since this is likely profit-focused, is it acceptable not to be overly concerned about the resulting loss of income?

T1 and T2 are domestic terminals, so perhaps there's a plan to gradually expand domestic-international flights to T2. However, regarding international flights, there's the earlier mention of paid lounge price increases, and duty-free merchandise sales might be weak. I would like to ask again about the cost-effectiveness of the review process for my first question.

My second question is about how the average spend per purchase of duty-free merchandise is increasing due to the exchange rate for overseas customers, including those from China, and the recent increase in the number of Japanese customers. Since this is probably for Japanese customers, I don't think foreign exchange rates are directly related. Regarding the items Japanese customers are buying, like cosmetics and various other things, should we assume there's still room for the average to grow? Regarding the previously discussed measures, such as improving the ease of purchase through initiatives like changing the register system, I would like to ask if there are any further strategies to increase the average spending per Japanese customer. Thank you.

Tanaka [A]: I would like to answer the first question about capital spending.

As you can see on page 14, the largest portion of this review is for JPY4.7 billion for the expansion of international lounges and other facilities. As you pointed out, the demand for lounges has been increasing very rapidly among airlines and credit card companies alike, and in fact, at the planning stage, we had planned to build a new building in the vicinity of Terminal 3.

However, amid soaring prices, the initial investment costs have nearly doubled. Even if we expand the lounge, not all airlines will be able to use it—only those with the needs. Recouping these costs by passing them on to rental fees would be extremely difficult. After negotiating with the operators who requested it, we have decided to suspend this plan for now.

In order to respond to this need, we are currently in the phase of examining existing spots in terminals that can be converted to meet the needs.

That is all.

Fujino [A]: Next, I, Fujino, will answer the question regarding duty-free.

As measures targeting Japanese customers, one is the renewal of the Hermes boutique, which is popular among Japanese people, in April this year. We have introduced high-priced shoes that we had not previously handled. As a result, spending per customer increased, and sales of Hermes alone exceeded the previous year's level by more than 30%.

Also, you asked about changing the cash registers, etc. Currently, the ratio of cash to non-cash is 15% cash and 85% cashless. As a result, checkout at the register is now proceeding very quickly, and it also connects to point rewards for our customers.

Additionally, depending on the time of day, there are periods when stores can become extremely crowded. In response to this, we created a separate section for food stores. By doing so, we aim to improve the purchase rate by dispersing customers and eliminating the so-called waiting time. Therefore, we are currently promoting measures to ensure that our customers, not only Japanese, can comfortably shop.

Ozawa [M]: Okay. Thank you very much.

Moderator [M]: Thank you. Now, Mr. Miyazaki from Goldman Sachs, it is your turn.

Miyazaki [Q]: Thank you very much for your help. I am Miyazaki from Goldman Sachs. Thank you for your explanation. I would like to ask just one question.

I would like to know what your thoughts are on the optimal capital structure in the next medium-term plan. I think that up until now, you have set a target capital adequacy ratio of around 40%, so I wonder if the KPI and the sense of level seen in this area can be changed. I am wondering if there is room to increase the debt ratio for the next medium-term plan, and I would be very interested to hear your thoughts if you have any. Thank you.

Tanaka [A]: It is difficult to give a clear answer at this point, but we achieved a 40% equity ratio in these interim financial results. Given this background, the 40% increase this time is, of course, intended to build up capital reserves in response to the extremely difficult situation faced during the COVID-19 pandemic. Additionally, we were strongly focused on allocating 40% toward repaying the hybrid loan we had secured at that time.

Therefore, as I mentioned earlier, we are in the process of examining our optimal capital structure for the future. In that sense, we are not strongly committed to 40%. Naturally, within our capital cost management framework, we intend to consider various perspectives, including ROE and cash allocation, as we evaluate our approach.

Miyazaki [M]: Okay. Thank you very much.

Moderator [M]: Thank you. Now, any other questions?

Thank you all for your questions. There is still time before the end of the briefing, but since there are no more questions, we will conclude the Q&A session. For any further questions, please contact the Investor Relations Division of the Corporate Planning Division.

This concludes the Q2 financial results briefing for the fiscal year ending March 31, 2026, of Japan Airport Terminal. Thank you all very much for joining us today.

Tanaka [M]: Thank you very much.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [inaudible].

2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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