

Mid-Term Management Plan

Mid-Term Management Plan ✈

We announced the company's mid-term management plan for the next three years (2004-2006). The objectives of the plan are to improve Narita's competitive edge as an international airport and provide the administrative fundamentals for it to continue to be one of the world's leading airports, and to prepare the essential requirements for public listing as early as possible.

Management Concept

NAA remains committed to ensuring that Narita International Airport maintains its status as one of the world's greatest airports, contributing to the ongoing growth of the global air transport network.

We will remain unwaveringly devoted to meeting increases in demand for air transport and offer safety and services of unparalleled quality as befits one of the world's most important international airports in the international civil aviation network. We will contribute to international economic and cultural relations by working to improve and increase the global air transport network. Through commitments such as these, we aim to earn a global reputation as one of the world's greatest airports.

Management Vision

1. A trusted airport where safety is paramount.

Safety is a fundamental requirement and transcends all others. We will pursue paramount airport safety and security through close attention to every aspect of our activities. In collaboration with our partners, we will remain steadfastly committed to aviation safety. These pursuits will earn confidence and trust in Narita Airport.

2. Customer satisfaction beyond expectations.

At all times, we will provide a level of service that satisfies the needs of our customers. Through innovative thinking and creativity, we will offer services that delight and inspire appreciation from our customers.

3. Environment friendly airport contributing to community growth.

We will aim for an environment friendly airport through a renewed commitment to environmental policies and contribute to the development of an affluent, vibrant regional community as a trusted member of that community.

4. Sound management through efficiency and transparency.

We will use our management resources efficiently and practice sound management by observing the law and regulations of society, and operating in a fair, transparent manner. While maintaining our existing activities as the core of our business, we will strive for growth through the development of new business ventures.

5. Alert, flexible, responsive to society's needs.

Every member will remain constantly alert for emerging changes and developments. With unwavering enthusiasm and a spirit of adventure, we will remain flexible in our thinking and rapid in our response to meet the needs of contemporary society.

Basic Management Guidelines

To enable Narita Airport to firmly establish itself as Asia's leading airport, NAA must improve its competitive strength as a major international airport by pursuing safety, reliability and economy at all times and by reducing user costs, improving services and expanding airport capacity. It must also strive to enhance its corporate value in readiness for full privatization, remain voluntarily committed to environment management and be respected for its management style. To achieve this, we have defined fiscals 2004–2006 as the period in which to establish and consolidate our own, independent management fundamentals, to set out key measures based on the following guidelines and put in place all of the essential requirements for public listing.

1. Business expansion through secure, customer-focused management

- Improve international competitiveness by offering customers higher quality services at lower cost. Ongoing commitment to complete safety and industry-leading services. Strive to reduce landing charges as soon as possible, dependent on business conditions.
- Strive to improve safety, service and profitability by extending Runway B (Parallel Runway) to 2,500 meters as soon as possible, and introducing the terminal reallocation plan. Additionally, hold discussions with the local community to expand airport capacity to 220,000 slots p.a. to meet steadily increasing demand.
- Sustained, stable growth in core aviation activities through customer-focused management practices, and consolidation of management fundamentals and sustained growth through increased non-aeronautical revenue and expansion into new business ventures.
- Continuation of the e-Airport project for improved safety and customer services and greater operational efficiency.

2. Commitment to environment management

- Commitment to sustained environmental and community integration activities in the area around the airport.
- Emphasis on global environmental issues as an

important management item and continuation of the natural resource recycling commitment.

3. Management efficiency

- Efficient, rapidly adaptable airport management through extensive changes in cost awareness and business objectives, and improvements to management supervisions system.
- Improved labor productivity through the selection of motivated, efficient human resources for new business activities and the introduction of an evaluation system to stimulate motivation.

4. Creation of a solid financial footing

- Creation of a solid financial structure to sustain a stable source of funds for the management and development of Narita International Airport.

5. Expansion of international activities

- Use of accumulated airport construction and operation skills to step up international activities and contribute to the growth of the global civil aviation network.

6. Consolidation of Group strength

- Creation of an influential corporate group for efficient airport operation and revenue expansion through group strength.

Management Targets

Turnover (NAA)	JPY 170 billion (FY2006)
Ordinary profit (NAA)	JPY 25 billion (FY2006)
Debt to EBITDA ratio (NAA)	Less than 10 Note: Liabilities will peak at JPY790 billion in fiscal 2006 after completion of reconstruction work in Terminal 1 and will then subside.
New business turnover (Group)	JPY 10 billion (FY2006)
Cost reductions	Minimum 10% over 3 years

*EBITDA: Earnings Before Interest Taxes Depreciation and Amortization (cash flow from corporate business activities)

NAA's turnover target in the final year of the plan is JPY170 billion with a projected ordinary profit of JPY25 billion. This is 16% more than its expected turnover for fiscal 2003 of JPY147 billion. New business activities by group subsidiaries are expected to be JPY10 billion.



Key Policies

Airport Operation

Business Development

1. Fundamental Airport Operations

Sustained stable growth in core business

- ▶ Provide quality services with safety and reliability
- ▶ Work to encourage visitors to Japan from Asia and other locations around the world (Cooperation with the Visit Japan campaign)
- ▶ Improve access to the airport (Stimulate development of the Narita Rapid Rail system)

Increase Airport Capacity

- ▶ Work to acquire needed properties, coordinate with related organizations, etc.

2. Passenger Terminal Operation

Provide quality services with comfort and convenience while also reducing costs

- ▶ Improve customer satisfaction with better passenger environment and signage
- ▶ Improve airport convenience through the advancement of the e-Airport concept

Expand profitability by responding to customer needs

- ▶ Review of shop zoning to better accommodate customer needs, reassessment of tenant mix and more shops on the airside
- ▶ Review of tenant management methods

Development of profitable, feasible new business ventures

- ▶ Establishment of new businesses, particularly in the south wing of Terminal 1
- ▶ Development of sales of duty-free, travel and souvenir products

Ease terminal congestion by increasing capacity and improve comfort by relocating airlines in the two terminals

3. Cargo Terminal Operation

Develop facilities to accommodate demand and use existing facilities more efficiently

4. Fuel Facility Operation

Ensure safety and stable supply

- ▶ Prevent leakage, fire and other accidents through safe maintenance, management and security

Customer Satisfaction

Create an airport that encourages customers to come again

- ▶ Understand customer needs through ongoing CS surveys
- ▶ Ongoing use of methods to improve and consolidate customer satisfaction awareness in employees through ezines and on-site experience
- ▶ Encourage customer satisfaction improvement strategies for Narita Airport overall through its CS Council

Information Technology

Promote the e-Airport concept to produce dramatic improvements in customer convenience and air travel safety, maximize airport operations efficiency and expand the travel market

- ▶ Adopt biometrics in the development of a unique check-in system (e-check in) as part of the international Simplifying Passenger Travel (SPT) concept
- ▶ Introduce radio frequency identification (RFID) tags in the development of a "hands free" travel system (e-tag) through the Advanced Airport Systems Technology Research Consortium (ASTREC)

Operations & Maintenance

Establishment of operations and maintenance systems reflecting cost awareness and providing greater safety at less cost

- ▶ Improve service through facility management with a user perspective
- ▶ Lifecycle reviews and planned maintenance in proportion to facility importance

Further improvements in safety and reliability

- ▶ Improve safety inspection systems using fundamental inspections at all levels
- ▶ Improve airport operations systems using inspections and safety inspections of airfield and air navigation facilities at all levels
- ▶ Improve operational crisis management systems by improving and expanding reporting and liaison structures and familiarization with initial response procedures
- ▶ Improved and more efficient airport security with the introduction of ICcard access and automated security systems

Eco-Airport Concept

Encourage a total company commitment to environmental issues as part of a corporate responsibility to ensure sustained development

Encourage the creation of an environment-friendly, eco-airport with a global perspective

- ▶ Establish an in-house environmental management promotion system as a fundamental starting point in the period covered by the mid-term management plan and formulate and promote a new fundamental eco-airport concept

Airport Development

Stringent selection of investment programs based on an overriding cost awareness to ensure a sound fiscal position and standardized investment practices to ensure stable funding sources

Expand airport capacity and make key investments in infrastructure essential for one of Asia's leading airports

- ▶ Overcome remaining obstacles to start construction on Runway B to full 2,500-meters as soon as possible
- ▶ Completion of reconstruction work on South Wing Satellite 4 & 5 in Terminal 1 and the north end of the main building in Terminal 2
- ▶ Further development of apron aircraft stands as required by demand and the southern cargo facilities and Airport Aviation Fuel Center 2

Reduce costs by introducing a private enterprise procurement system

- ▶ Review of contract formats and survey of market prices
- ▶ Establish a comprehensive cost management system

Step Up International Activities

A positive commitment to international activities and activities in other countries with accumulated airport construction and management expertise

- ▶ Establish a presence and actively participate in the Airports Council International (ACI) as a global forum for the exchange of information between major airports so that NAA's views are reflected in this and other international organizations such as the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA)
- ▶ Establish a leading role in policy proposals and administration in the East Asia Airports Alliance (EAAA)



Environment & Community Measures

Maintain open channels of communication with the local community with genuine responses to input

- ▶ Maintain strong relations with the local community

Faithful implementation of environment and community measures

- ▶ Faithful implementation of environment and community measures as set out in formal agreements

- ▶ Encourage discussion and coordination with the local community as set in formal agreements

Ongoing support for industry promotion and educational and cultural activities

- ▶ Study and implement successful methods of providing assistance for local industry promotion and educational and cultural activities

Management Systems, etc.

Management Systems

1. Corporate Governance

Balanced approach of speed and efficiency in operations and transparency guaranteed by appropriate auditing and control, implementing a style of acceptable corporate governance

Improve risk reassessment, management and disclosure

- ▶ Improve compliance system to ensure complete regulatory adherence
- ▶ Improve risk reassessment, control system and release of information

2. Management System

Establishment of controlling system to achieve management principles, targets and key policies

- ▶ Budgetary management based on financial results of monthly reporting to foster an accurate system of rapid, precise decision-making
- ▶ Study and introduce other management accounting indices
- ▶ Establish evaluation systems for each organization to continue drawing out organization-based will to commit to fundamental management principles and guidelines

Increased commitment to public listing & full privatization

- ▶ Forecast and assess capacities of new organizational structure and work towards the

development of a motivated, vital organization ready for public listing and full privatization

Work Practices Reform

Rationalization at all levels

- ▶ Review of outsourcing and other procurement practices and reassessment of work systems in accordance with project development

Acceleration and streamlining of work practices to reduce costs

- ▶ Reduce required task times and transfer authority to departmental heads

Human Resources Policies

Development, training and use of human resources required for attaining project strategies and goals (Mid to Long-Term Human Resources Development Program)

- ▶ Introduction of target management system in April 2005 geared to company, organization and individual goals

Assessment system designed to improve company performance, individual abilities and organization Vitality

- ▶ Introducing of a system in April 2005 to accurately assess ability in proportion to position and responsibility, process and results

Ongoing awareness innovation

- ▶ Ongoing awareness innovation programs and monitoring of levels of understanding to ensure that the NAA philosophy and vision are accepted and practiced at all levels

Fiscal Policies

Consolidation of private enterprise financial Fundamentals

- ▶ Focus on cash-flow management
- ▶ Limit interest-bearing debts and maintain credit rating
- ▶ Diversify funding sources

Establishment of suitable financial reporting system for public listing

- ▶ Early financial reporting
- ▶ Monthly and quarterly financial and group financial reporting
- ▶ Timely, accurate investor relations activities

Establishment of Group Management System

Group Management Principles

- ▶ Establishment of systems to enable the group as a whole to undertake airport operations efficiently and expand revenue so that profits generated by improved management and reduced costs are passed along to users.

Goals

- ▶ Reduce costs by a minimum of 10% over the 3 years between 2004 and 2006 by improving management systems governing all group affiliates.
- ▶ Gradual handover of outsourced facility operation, maintenance and management tasks to group companies where applicable.

Specific Policies

- ▶ Review of Capital Investment Ratio
Where possible, 100% direct investment in group companies (14 subsidiaries and 2 affiliates) until initial public offering to build a strong corporate group and prevent revenue outflow.
- ▶ Review of Group Company Scope of Activities
Define roles of group companies, review scopes of activity before transferring and reorganizing tasking.
- ▶ Review Outsourcing to Group Companies
Assist group company management by adopting a flexible approach to outsourcing from NAA to ensure that most projects are awarded to corporate group members while also maintaining cost efficiency and stable management in all companies.
- ▶ Improved Control Systems
Control of all group companies in accordance with capital investment ratio and role to consolidate and strengthen the group's strategic management capabilities.

