

Foreword



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Japan's economy in fiscal 2008 was influenced by the global economic slowdown arising from the worldwide financial crisis that began in the US. Shares fell and corporate revenue plummeted while unemployment grew worse and the domestic business environment deteriorated rapidly.

In Narita International Airport's business environment, the slowdown in the real economy has affected the demand for air transport. Japanese passenger traffic declined due to spiraling fuel surcharges and the worsening business climate, while non-Japanese passenger traffic also fell as a result of the global economic slowdown and the appreciating yen. As a result of these factors, operational figures were down on the previous fiscal year in all areas. Aircraft movements fell 1.4% to 191,331, passengers were down 7.7% at 32,649,000, as was the case with cargo which decreased by 15.4% to

1,881,000 tonnes and fuel by 7.3% to 5,211 kiloliters.

In these difficult fiscal conditions, NAA has strived to generate any available profit by introducing even more cost cutting, and reinvest that profit to benefit its customers.

We will endeavor to keep safety and quality service close to heart as we continue in our concerted quest for further improvements in these areas.

Here are the consolidated results for fiscal 2008. Operating revenue saw a 5.2% year-on-year decline to JPY189.4 billion. Similarly, operating income fell 28.7% to JPY23.4 billion increases in expenses for relocation compensation associated with the northern extension of the parallel runway, while ordinary income dropped 39.9% to JPY14.1 billion and net income also dropped 45.5% to JPY5.9 billion.

By segment, in airport operations, revenue from airport usage charges comprising landing and parking fees fell 5.7% due to a decline in aircraft movements and an increase in the use of smaller aircraft.

Furthermore, revenue from passenger service facility charges also dropped 8.7% due to dwindling passenger figures while fuel facility charges also declined 7.3% as a result of a fall in average fuel volumes.

As a result of the above, operating revenue fell by 6.7% to JPY104.6 billion resulting in an operating loss of JPY3.8 billion.

In retailing, income from tenancy fees has dropped 11.0% while retailing and food and beverage revenue has dropped 4.1%. Therefore, operating revenue from retailing activities was down 4.5% to JPY51.6 billion and operating profit was down 11.8% to JPY14.8 billion.

In facility leasing, revenue from land and building leasing fell 3.5% due to, among other reasons, the return of airline cargo warehouses.

Consequently, operating revenue from facility leasing declined 1.4% to JPY32.9 billion and operating income dropped 2.7% to JPY13.0 billion.

Narita Rapid Rail Access Co., Ltd., the main entity in the Narita New Rapid Railway Project, is pushing ahead with the project with a scheduled opening date in 2010. Low passenger figures continue to affect the Shibayama Railway operated by Shibayama Railway Co., Ltd., and there has been little improvement in operating profit and loss.

Operating revenue in this sector dropped 2.2% to JPY201 million, producing an operating loss of JPY656 million.

In contrast, airport operations at Narita International Airport will undergo some dramatic improvements this fiscal year which

will become major milestones in the airport's history. One of the most important of these is the extension of Runway B to 2,500 meters. This project has made excellent progress and will open ahead of time on October 22 this year. The new longer runway will enable Narita to expand its capacity by 20,000 slots a year from 200,000 to 220,000. Airlines are already queuing to make use of the extra slots to introduce new and additional services. While this will significantly enhance Narita's network, it will also bring a welcome boost to revenues for the airport operator, its subsidiaries and businesses operating within the airport. At the same time, it will consolidate Narita's role as one of the world's most important hubs and contribute to the development and growth of the international air transport network and the aviation industry.

Another momentous development is the construction of the Narita Rapid Railway, linking Narita Airport and central Tokyo in 36 minutes. This is slated to be completed next year and will significantly improve airport access and offer greater convenience.

At Narita Airport, we are working diligently to give top priority to safety, maintain a customer's perspective in airport management and to work with each and every employee at the airport to provide quality service. On the environment front too, NAA will drive ahead with initiatives to promote co-existence and co-prosperity with the local community and to create an environment-friendly airport that is cherished by our users. In this regard, we ask for your continued support and understanding.

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President & CEO

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