

Retail Business

Since privatization in 2004, expansion and improvement of non-aeronautical business have been earmarked as one of NAA's most important policies. As part of that drive, NAA has established new retailing subsidiaries to expand the group's retail activities and offer customers higher quality services by carrying out major renovations in the concourses and departure lobbies to expand and create additional commercial areas.

The three new retailing subsidiaries established by NAA are: NAA Retailing Corporation, NAA & ANA Duty Free Corporation and NAA & JAL-DFS Corporation. These mainly operate duty-free shops and fashion boutiques at "narita nakamise" in Terminal 1 which opened in June 2006 and at "Narita 5th Avenue" in Terminal 2 which was commissioned in April 2007, as well as several other general merchandise stores. Collectively, the three companies have a sales target of 27.5 billion yen for fiscal 2009.

Tenant Status and Shop Strategies

Narita Airport's commercial areas are divided into the public area and the airside. The public area accommodates a large number of stores with a lineup ranging from restaurants and cafes, clothing, cosmetics, jewelry and accessories to books, medicines, daily commodities and travel goods, and is used not only by our customers but by around 50,000 airport employees. The airside beyond passport control, meanwhile, is lined with duty-free shops that offer authentic quality-guaranteed exclusive fashion items and products that cannot be found anywhere else in Japan except at Narita to offer our customers an out of the ordinary shopping experience in comfortable surroundings.

The two main airside shopping zones (duty-free exclusive brand malls) at Narita Airport are called "narita nakamise" and "Narita 5th Avenue". In contrast to the essence of Japanese "Wa" incorporated in "narita nakamise" in Terminal 1, the entire "Narita 5th Avenue" mall in Terminal 2 imparts a Western feel and is designed under a "Timeless Modern" concept, to produce a completely different image at each terminal.

"narita nakamise" and "Narita 5th Avenue" house some of the only and some of the largest airport duty free haute couture boutiques in Japan and duty-free shops with extensive product line-ups specializing in cosmetics, alcohol and tobacco as well as popular shops such as the AKIHABARA store, which is popular

for its wide variety of souvenirs to choose from for both Japanese and non-Japanese customers based on the concept of "one-stop shopping".

Airport haute couture boutiques are not as expensive as their city counterparts and have products that are not sold elsewhere. Customers generally feel at ease visiting boutiques even if they are dressed casually and the staffs cater to various languages. For these reasons, they have the advantage of being less intimidating and easier to use than boutiques in town. Therefore, a purchase at the airport affords customers a good opportunity to get to know the merits of a product so that they will be prompted to make a purchase at other shops in town or on their next visit to the shop. From this perspective, airport boutiques are ideal venues for generating new customers and raising brand awareness.

Sales figures have been somewhat slow due to falls in air passenger numbers and consumer spending caused by the recent downturn in the global economy and also due to conservative buying trends as a result of yen appreciation that especially hit the boutiques hard. However, the purchasing power of Japanese and Asian customers who make up the vast majority of Narita's passenger traffic remain strong. Chinese tourists in particular are eager to buy brand items and souvenirs and many of them buy tobacco, alcoholic beverages and packaged confectionery in great quantities. They have become very important clients at Narita Airport's commercial facilities.

Other commercial facilities on the airside include relaxation facilities such as oxygen bars, shower rooms & dayrooms and reflexology salons as well as food courts and cafes.

A strong sales point of the retail areas is that they have a wide selection of items that are popular among Japanese customers which are ready to use at their travel destinations. We, therefore, strive to offer a new style in travel which we call "Narita Shopping", which includes a full range of shops in the public area as well as on the airside where airport users can shop to their hearts' content and view the airport as not just a transit point but a destination.



Sales Promotion Activities

The customer base for the commercial area associated with Narita Airport includes not only passengers but also approximately 50,000 employees working at the airport as well as local residents.

Information provided via the NAA website is one of our methods for promoting sales. The website is designed so that details on shops, products and services at the airport can be searched by objective. It provides simple explanations on recommended products and services and also has an advanced purchase service run by duty-free shops (reservations and purchases for passengers only).

Furthermore, as part of a drive to attract more customers, NAA publishes a quarterly journal, Narita International Airport SMART BOOK, mainly for its Japanese customers. The journal features articles on restaurants, souvenirs and shops and it doubles as a guidebook for visitors to plan what they will buy, eat and do at the airport. Suggestions are offered on how to make the best use of their time at the airport by introducing popular gifts, recommended restaurant menus, scenic spots and services. Non-travelers can also enjoy the journal to simply admire the atmosphere of traveling or plan their next trip, so it helps encourage travel demand.

The journal is available at key stations for railways, buses and other public transport modes, nearby hotels and regional airports across Japan, and is distributed to TRAVEL CAFE stores in Tokyo as well as local

municipal offices and libraries around the airport.

Through these proactive advertising efforts, NAA has had steady success in drawing attention to its commercial facilities and in attracting repeat customers.

Future Outlook

Although Narita's commercial area already features a wide scope of business categories and products from food & beverage and general merchandise shops to duty-free shops, in the years ahead, NAA plans to focus more attention on theme type product lines and facility development rather than old standbys.

Narita Airport is a world class airport both in terms of passenger numbers and aircraft movements. Its biggest challenge lies in converting these 'passengers' into 'customers' for its commercial area, and transforming the area into an attractive shopping zone that will be used freely not only by passengers but by local residents and airport employees.

NAA is committed to further improvements to its commercial facilities in response to customer needs by boosting product appeal and remodeling its concessions with the cooperation of existing tenants.