

Fiscals 2013-2015
NAA Group Mid-Term Management Plan

Innovative Narita 2015

- Aiming to be the “Chosen One” -

April, 2013
NARITA INTERNATIONAL AIRPORT CORPORATION

WORLD
SKY GATE _
NARITA

Introduction

Narita International Airport will celebrate its 35th anniversary in 2013. During these 35 years since its opening in 1978, it has served as Japan's foremost international gateway airport, extending its international air services network to countries around the world. With the overall airport safety as its topmost priority, Narita has played its role as an international hub airport and a key element of social infrastructure of Japan.

Since its privatization in 2004, the NAA Group has developed its business activities under the management philosophy of "serving as a key international hub, aiming to be one of the world's leading airports, and contributing to the growth of the global transport network." The current Narita Evolution Plan was drawn up in March 2010 for fiscals 2010 through 2012. During the projected time, we remained committed to the three cornerstone policies of: Improved Airport Functions, Improved Airport Convenience and Fortifying Group Financial Fundamentals, with the aim of further evolving as the international hub airport of the Greater Tokyo Capital Area as well as the East Asia Region.

As a result, we have gained the support and concurrence of the community to expand our capacity up to 300,000 movements a year, increasing the capacity in stages over three years from 220,000 to 270,000. Under the initiative to become a multifunction airport catering to diversifying aviation needs, we have upgraded our airport functions by building a dedicated terminal for corporate jets along with domestic facilities at the north and south ends of Terminal 2 to accommodate low cost carriers (LCCs), and will shortly commence work to construct a stand-alone budget terminal for such low cost carriers. In the meantime, the Narita Sky Access railroad line was opened, providing access between Tokyo and the airport in a little over 30 minutes. We have also focused our efforts on cash-flow intensive management with extensive investment controls to pave the way for the next stage of Narita's evolution.

Together with the 2013 summer schedule, Narita International Airport will see the advent of the open skies environment. From a global perspective, we see continued development of mega-scale international hub airports in Asia against the backdrop of rapid economic growth in the region, and competition among airports is intensifying day after day. Under such circumstances, it is imperative that we adopt resilient global strategies and act in a speedy manner to overcome this rivalry.

Although perhaps the greatest change in the history of our airport, the NAA Group sees the coming of open skies as an enormous opportunity. As the nation's gateway to the world, we continue to expand our networks and will step forward into a new era in which we are committed to be the preferred airport of popular choice for customers around the world, from all walks of life.

With this in mind, the NAA Group has earmarked the next three years as the first stage of the age of open skies in which to lay groundwork to become the preferred airport of our customers.

As a start, we have formulated the NAA Group mid-term management plan for fiscals 2013-2015 under the banner of “Innovative Narita 2015 – Aiming to be the ‘Chosen One’ –”.

The NAA Group will focus its combined effort to maximize available management resources at Narita International Airport in order to adapt swiftly and flexibly to changes in the business environment, and will implement the policies as set out below:

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I Management Environment

Despite uncertainties for the future associated with the ongoing debt crises in Europe, fiscal issues in the US and some concerns about the resilience of the Chinese economy, the business climate in Asia has begun to show signs of renewed growth and expansion while the global business confidence is gradually increasing and glimpses of a mild recovery can be seen. Meanwhile in Japan, there still remains some risk that the downward swing in the business environment abroad may suppress Japan's business climate but the recessing trend appears to have ended by now, and the future looks set for a gradual recovery as a result of improvements in the export environment as well as economic and monetary policy measures.

In the aviation industry, we expect growth in global demand to continue, particularly in the emerging economies in the Asia-Pacific, Latin America and the Middle East. However, the industry is susceptible to external factors and events such as international conflicts and economic fluctuations and, with the emergence of LCCs' new business models, competition has become increasingly intense. It is in this environment that the legacy full service airlines (FSAs) have embarked on joint ventures and collaborations through airline alliances and reconfiguration of their networks to increase their competitive power. The LCCs have already established markets in Europe and in the US and, together with the economic growth in Asia, are rapidly achieving growth in Southeast Asia through their all-out pursuit of low costs. They are now set to expand their market in East Asia as well. At the same time, some of the FSAs have established their own LCC subsidiaries and, with the resulting tie-ups between FSAs and LCCs, we may expect further diversification of the aviation industry to follow.

The aviation authorities in Japan have been actively pursuing their open skies policy that includes the airports in the Greater Tokyo Capital Area. This will come into effect under the 2013 summer schedule when the capacity at Narita Airport will increase to accommodate 270,000 annual movements. With the 2014 summer schedule, Haneda Airport will have an additional 30,000 daytime international slots a year, giving it room for 90,000 annual international movements, including late night and early morning. Meanwhile, in Asia, expansion and improvement of airport capacity and functions continue. This includes constructions of a second passenger terminal at Incheon Airport in Korea and a third runway at Hong Kong's Chek Lap Kok Airport. As such, we are now facing an increasingly intense competition among major international hubs where airlines may freely choose airports they want to operate at. In other words, it is now the airlines' call to choose the airports but not the other way around, where the key to success depends, for one thing, on the quality and scale of the air services network that airports can offer. This in turn means that a fierce competition awaits us to entice and introduce new routes to add to the value of our network product.

Under such severe business environment, we believe that the well balanced world-wide air services network which we have been building up since Narita's opening is something we can proudly offer, as it is not only our valuable asset but may be regarded as one of the nation's important assets. We take pride in the important role we play in Japan's future by further enhancing the functions of our airport and by continuing to expand this international network that is so crucial to the sustainable development of the nation's economy, in order to ensure that Narita becomes the customers' preferred airport.

II Traffic Targets

Taking advantage of the open skies arrangement commencing from the 2013 summer schedule and of the projected expanded capacity of 300,000 annual movements, we aim to achieve handling of 260,000 aircraft movements and 37 million passengers p.a. in fiscal 2015 by creating one of the most prominent networks in Asia, encouraging the three airline alliances and LCCs to establish their bases at the airport and by active marketing to solicit new international and domestic routes and services to Narita.

III Business Objectives

The NAA Group will steadily proceed with construction of facilities needed to accommodate 300,000 annual aircraft movements while pushing ahead with a range of initiatives designed to ensure that Narita is the airport of choice. It will strive to achieve the following business objectives for fiscal 2015 and remains committed to improving the soundness of its finances.

1. Minimum of 4.2% consolidated return on assets (ROA: percentage of operating income as compared to total assets) = Consolidated operating income of JPY36 billion or more
2. Maximum consolidated long-term debt balance of JPY520 billion
3. Consolidated long-term debt balance to operating cash flow ratio of 8.0 times or less

* While striving to achieve the above goals, the NAA Group will continue to maximize revenue and improve its operational efficiency, with a long-term (approximately 10 years) view to meet the following objectives based on profit levels and other performance indices of publicly listed infrastructure companies.

1. Consolidated ROA of between 6% and 7%
2. Maximum consolidated long-term debt balance of JPY400 billion
3. Consolidated long-term debt balance to operating cash flow ratio of less than 7.0 times

IV Our Vision

As a multifunction airport capable of meeting the diverse needs for air transport in the Greater Capital Area of Tokyo, Narita aims to attain the position of key international hub airport of East Asia well into the future, to be the airport that is relied, trusted, favored and preferred by the customers.

V Core Strategies

In the three years between fiscals 2013 and 2015, the NAA Group will strive to become the customer users' preferred airport by continuing to expand its capacity and network in the age of open skies, while pursuing cash-flow intensive management and continuing to improve fiscal integrity through management efficiency. The following three core strategies will form the foundation for that effort:

1. Endless Pursuit of Safety

- Safety is a basic and paramount requirement for us and comes before everything else. Narita International Airport will continue in its commitment to an improved crisis management setup as well as flight/ground operational safety and security structures in its pursuit of achieving the world's top-level of safety and security to become a trusted airport.

2. Creating an Airport of Popular Choice

(1) A user-friendly airport

- We will achieve this objective by building the facilities capable of handling 300,000 aircraft movements a year in fiscal 2014, working towards further expansion of our international and domestic networks, expanding and improving airport functions and achieving greater operational efficiency.

(2) Lower airport costs

- We will aim to reduce overall airport-related costs by such means as introducing lower user charges, introduction of incentive schemes and reduction of our operational costs, to create a superior competitive airport.

(3) Improved comfort and convenience for users

- With the application of the world's cutting-edge technology such as non-stop gates at the airport entrances and advances in i-Airport strategies, combined with the traditional hospitality of Japan to welcome our customers, Narita Airport will offer even greater comfort and convenience with services to exceed the customer expectations.

(4) Contribution to the local community

- By contributing to the development of the local region and community, we will aim to be an airport that exists and prospers together, side by side, with the community.

3. Building Corporate Strength

(1) Increasing non-aeronautical revenue

- Through various initiatives to increase the number of visitors to the airport and to expand retail floor space, we will seek to increase our non-aeronautical revenue from our retail and F&B outlets to a target of JPY80 billion in sales.

(2) Management efficiency improvements

- While continuing to push ahead with the development of facilities to meet such elements as volatile changes in our business environment and to accommodate an increased capacity of 300,000 annual movements for future growth, we will introduce further efficiency into our business management, improve asset performance and achieve further reductions in our outstanding liabilities, in pursuit of a greater corporate value.

(3) IPO

- We will continue to closely monitor the process of the government's decision-making, and prepare for our public listing.

VI Specific Initiatives

1. Endless Pursuit of Safety

(1) Enhancement of crisis management setup

- The NAA Group will work to further consolidate its organizational structures for dealing with major earthquakes, influenza pandemics, aircraft and other serious accidents, to ensure security against acts of international terrorism, extremist activities and illegal trespassing, and enhance its overall crisis management setup.

(2) Strengthening flight/ground operational safety and security structures

- The Group will strengthen its flight/ground operational safety and security structures, improve safety through its safety management system activities, continue to ensure best facility maintenance practices, consistently promote practices in line with ICAO¹ and the government safety guidelines, share safety information and prevent recurrences of safety incidents while fostering a culture, climate and awareness of safety.

2. Creating an Airport of Popular Choice

[1] User-friendly airport

(1) Airport capacity expansion

① Capacity expansion to 300,000 annual aircraft movements

- The NAA Group will build a dedicated LCC terminal, along with aircraft parking spots in front of the LCC terminal and at the southern end of Satellite 5 in Terminal 1 to accommodate the increased capacity of 300,000 annual movements in fiscal 2014.

② Future development plans

- The Group will carefully monitor the global economic trends as well as the traffic demand trends in Japan and the Greater Tokyo Capital Area to examine future development plans for Narita Airport during the term of this management plan.

(2) Further network expansion

In addition to further upgrading its well-balanced international network of mid- and long-haul routes which is one of the main advantages of Narita International Airport, the

¹ ICAO: International Civil Aviation Organization

NAA Group will promote initiatives to increase short-haul Asian routes within a 4,000-kilometer range, where there is room for future expansion, as well as domestic routes.

* The Group will use Available Seat Kilometers (ASK) by airport as an indicator to express possible network expansion targets set by Narita International Airport and to assess the airport's network capabilities in terms of flight stage length and fleet size, and will strive to be the No. 1 airport in Asia.

① Meeting hub requirements of the three major alliances

- The NAA Group will construct additional aircraft parking spots at the south end of Satellite 4 at Terminal 1 and at the south end of Terminal 2 to facilitate more efficient operations during peak periods.
- The inbound passport control and the customs inspection areas will be expanded along with upgrading of the BHS² to increase the passenger processing capability at the South Wing in Terminal 1.
- In the North Wing at Terminal 1, additional BHS will be installed and improvements will be made to the functions and services of the check-in and Fast Track³ systems to increase the passenger processing capability.
- As part of a facility upgrade in Terminal 2, the arrivals hall will be refurbished and a new corridor will be constructed between the main terminal and the satellite building.
- Contact gates in Satellite 5 at Terminal 1 and at the south end of the Terminal 2 Main Building will be extended.
- Functional improvements will be made to transit facilities with additional installation of the transit-area security screening lanes and of BHS.
- Additional mid- and long-term development of facilities will be planned to meet future alliance growth.

② Meeting hub requirements of the LCCs

- A dedicated LCC terminal will be constructed by the end of fiscal 2014.

③ Accommodating diverse needs of the airlines

- With the understanding and support of the local community, we are moving carefully forward with our initiative to conditionally relax the late-night operating restrictions.

² BHS: Baggage Handling System

³ Fast Track: Priority lane for premium passengers

- The NAA Group will work closely with the relevant authorities and organizations on moves to expand the hourly aircraft movement capacity during peak hours.
- Additional facilities to accommodate new large aircraft such as the Airbus A380 will be provided.
- The Group will improve the functions of the airport's domestic facilities with more bus gates and other ancillaries as a means of further enhancing domestic services.
- Streamlining efforts will continue to ease congestion in the cargo areas and to facilitate the flow of goods in order to improve overall air logistics functions. The Group will also draw up facility development plans which will include the relocation of warehouses to meet the future air cargo demand.
- To promote use of the airport by corporate jets, the Group will launch active drives via a number of channels to publicize and market the airport to operators both in Japan and overseas.
- Airline business department will be established within NAA to accurately understand the airline customers' needs and swiftly respond to them. At the same time, we will step up our marketing and promotional activities, actively encourage opening of new routes and engage airports and other entities overseas to work together on strategies to stimulate demand for air transport.

[2] Lower airport costs

- Effective from April 2013, international landing and BHS charges at Narita will be reduced and additional tonnage discount on international landing charges will be introduced as part of our incentive scheme.
- The Group will closely examine the way airport user charges should be implemented, including the domestic passenger service facility charge, from the viewpoint of optimizing the balance of charges and benefits.
- The LCC terminal slated for completion in fiscal 2014 will be designed to minimize construction and operating costs to provide an economically viable environment enabling low cost operations for airlines.
- Under the prevailing competitive environment, the NAA Group will continue to work on reducing airport costs.

[3] Improved comfort and convenience for users

- To facilitate entry to the airport for visitors and travelers, a new mechanized system will be installed at airport entry points to improve the quality of security as a first step prior to formal introduction of "non-stop" gates.
- Free Wi-Fi areas will be expanded, and our internet environment will be further upgraded.

- To provide airport users with the best practical information in the most legible format, cutting-edge information and communication technology (ICT) will be fully utilized in our “i-Airport” strategies.
 - (a) In order to provide easy-to-understand information as widely as possible, we will expand our services to smartphones and other devices in multiple languages and add greater precision to the location information services throughout our terminals.
 - (b) To provide the best usable information, we will employ the already available digital signage, and will also introduce "digital concierges".
 - (c) Displays showing passenger processing time from security screening checkpoints to outbound passport control will be installed for the convenience of passengers on the move.
- The NAA Group is working with the relevant organizations and actively supporting initiatives such as automated check-in procedures (IATA’s Fast Travel), streamlined security screening (IATA’s Checkpoint of the Future) and automated passport control gates (Ministry of Justice Japan) to facilitate necessary airport formalities.
- The Group is committed to improving passenger experiences with the introduction of more Fast Track and VIP/CIP lanes.
- The Group will roll out services designed for added convenience of passengers on late-night and early-morning flights.
- We will work closely with bus and other ground transport service companies to further improve road access to/from the airport which includes the extension of the Ken-O Expressway. The Group is also committed to improving railway, bus and other ground transport information services as well as airport parking services.
- We will continue to work closely with businesses and organizations within the airport on promoting the CS Awards⁴ and the Oasis Projects in an effort to enhance customer satisfaction awareness among the airport employees.

[4] Contribution to the local community

- We will use our best effort to apply and implement various measures for the purpose of co-existence/co-prosperity with the local community and of environment protection as we expand the airport’s capacity to 300,000 annual movements and further improve the airport functions by means of conditional relaxation of the night-time restrictions. We will continue to foster the relationship of trust we have built up with the community, while pushing forward with various other initiatives in line with the objectives of the community-airport co-existence and co-prosperity.

⁴ CS Awards: A system of recognizing and commending airport staff, companies and organizations

- (a) NAA will continue to expand and improve soundproofing work in the residential area surrounding the airport on a perpetual basis.
- (b) We will continue to make information publicly available on night-time operations during restricted hours and on flight tracks.
- (c) We will use the airport as a leverage to support regional promotion efforts of the surrounding municipalities and drive forward with initiatives for mutual prosperity of the community and the airport.
- By participating in the Narita Airport Utilization Council (a provisional designation), which was established at the recommendation of the Grade Up "Narita" Utilization Strategies Council⁵, we will support those activities which will capitalize on growing business expansion opportunities arising since the epoch-making agreement to expand the airport capacity and lead to further economic revitalization of not only the local municipalities surrounding the airport but also of the entire Chiba Prefecture.
- Under the conceptual banner of "The World's Leading Eco-Airport", we will promote the environmental initiatives set out in our Eco-Airport Master Plan (Fiscals 2011-2015). The NAA Group will also work with airport-related businesses and organizations on promoting environmental initiatives and on enlightening environmental awareness under the auspices of the Narita International Airport Eco-Airport Development and Planning Council.

3. Building Corporate Strength

(1) Increasing non-aeronautical revenue

(a) Retailing Business

- ① More visitors to the airport
 - We will work to encourage more of the general public to visit Narita Airport in addition to the growing number of departing and arriving passengers as the airport's aircraft movements increase.
- ② Wider retail space
 - We will expand and improve the shopping areas in the LCC terminal and in Terminals 1 and 2. We will also continue to explore new ideas and strategies for airport duty-free shopping and other retail activities for the benefit and convenience of our customers.

⁵ Chiba Prefectural Government acts as the secretariat for the Grade Up "Narita" Utilization Strategies Council. The council comprises members of the public and private sectors with the objective of channeling new trends at Narita Airport into growth and development in the prefecture. It studied the strategies needed to revitalize the economy and released its recommendations in October 2012.

③ Higher turnover

- The Group will continue to revamp and refurbish existing shops and forge closer ties with the shops to make the airport's retail areas attractive and unique to Narita Airport.

(b) Overseas Business, etc.

- We will promote our overseas airport business including consulting based on our experiences and expertise in airport management and operations.

(2) Management efficiency

- NAA's corporate structure will be re-organized and consolidated with the objective of creating an efficient and streamlined management system.
- While introducing uniform business processes among the Group's subsidiaries, we will re-define the mission of each company and review its scope of business. The Group will withdraw from unprofitable ventures, and consolidate and restructure its subsidiaries.
- We will take advantage of our expertise in airport construction and operations and utilize external consultants to reduce the cost of facility development and operations.
- Cost Reduction Promotion Committee (a provisional designation) chaired by the President & CEO will be established, to develop an overall cost-cutting framework for the entire Group and to achieve sustainable management efficiency.

(3) IPO

- We will continue to closely monitor the process of the government's decision-making, and prepare for our public listing.

VII Facility Investment Plan

JPY145 billion (consolidated) will be invested in facilities during fiscals 2013 to 2015 in our enduring pursuit of safety, as a strategic investment to create an airport to be chosen, and to increase our non-aeronautical revenue as a key measure in enhancing our corporate strength. This investment will be covered by the operating cash flow.

1. Pursuit of safety: JPY55 billion
2. Creating a preferred airport: JPY86 billion
3. Enhancing corporate strength: JPY4 billion

End