

**Fiscals 2016-2018**

**NAA Group Mid-term Management Plan**

# **Innovative Narita 2018**

**- Aiming to be the Airport of the World's Highest Standards -**

April, 2016

Narita International Airport Corporation



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## I. Operating Environment

The global economy is likely to remain in a gradual upturn, despite some future uncertainty arising from the economic deceleration in China and other emerging economies, and sluggish resource markets. A gradual upturn continues in the Japanese economy as well, with steadily improving labor and income conditions, and positive effects from government economic policies.

In these environments, demand for air transportation is expected to continue to grow. For Asia in particular, the growth should be dramatic, as the region is leading the growth of the world air transport market overtaking North America. To quickly capture shares of the growing market, the major airports in the Asia region will carry out large-scale capacity expansions between 2017 and 2019, as competition intensifies for routes between the international airports in the surrounding markets.

Airlines are also striving to retain their positions in an increasingly competitive environment. Full-service carriers are improving their transit conveniences and reorganizing route network as they consolidate their alliance strategies, and bringing in new-generation aircraft. Low-cost carriers are cultivating new markets for cost-conscious travelers, and some are pursuing a new business model by strengthening on-board services and tying-up with other airlines to expand connectivity. For both airlines and airports, the operating environment is clearly entering a challenging period.

Japan is strongly promoting to become a popular tourist destination with world-class appeal, and the government has set new targets for foreign visitor numbers and is developing a new tourism strategy to achieve them. Increases are anticipated in the number of foreign visitors flying to our country. Meanwhile, the airlines and airports connecting Japan to the world will take on very important roles as the eyes of the world are drawn to Japan for the 2020 Tokyo Olympic and Paralympic Games.

To meet those expectations and associated challenges, one of the policies the Japanese government has adopted for strengthening the international competitiveness of Greater Tokyo Capital Area is to support further functional improvements of its airports (Haneda and Narita). For Narita, the technical options under consideration in consultation with relevant parties are the extension of the existing runway, construction of an additional runway and relaxation of night-time flight operation restrictions.

The recent situation at Narita Airport includes a record level of aircraft movements with expanding new routes and additional flights, and although there has been a continuing slackening of demand for overseas travel among the Japanese nation, the number of foreign visitors to Japan using Narita as their gateway to Japan, especially from China and East and Southeast Asia has steadily increased to a record high level, supported by the elimination or easing of Japanese visa requirements, the expansion of consumption tax exemption, and the weakening of the yen. Foreign visitors to Japan are expected to increase further in the mid to long-term and with this increase, we can also anticipate growth in demand for tourism to regional cities and towns in Japan.

The NAA Group, in response to the challenging operating environment described thus far, will further strengthen for ample and well-balanced global air transport network to/from Narita that has

been built up since its opening. While continuing to serve as a strategic transfer point for the air services network of the Asia-Pacific region, and to fulfill the missions of supporting further economic growth and regional revitalization of Japan by taking appropriate steps to serve the expected increase of Tokyo-area air service demand and, as the international hub airport of Greater Tokyo Capital Area and thus as the gateway to Japan, providing the most advanced technology and the finest hospitality for athletes and visitors to the 2020 Tokyo Olympic and Paralympic Games in order to support the safe and smooth hosting of the games.

As explained above, during the period of 2016-2018 mid-term management plan, in addition to our continued commitment towards offering the world's highest safety and service standards and preparing for further airport functional improvements and supporting airline network expansion, we will build necessary resilient management fundamentals to strengthening functionalities for the Narita Airport's future, so we would become capable of responding flexibly and promptly to meet any challenges. We will pursue fullest management efficiency in order to steadily and expeditiously implement our policies.

## II. Narita Airport's Vision for its Future

The NAA Group will endeavor to make Narita Airport more competitive among the major Asian airports undertaking large-scale expansions. Also, for the 2020 Tokyo Olympic and Paralympic Games which will draw global attention, as the key international hub airport of Greater Tokyo Capital Area and thus the gateway to Japan, we will commit to provide the most advanced technology and the finest hospitality for athletes and visitors in order to support the safe and smooth hosting of the games.

To bind these efforts to the ongoing growth and development of Narita Airport in the future and achieve its position as the leading airport of Asia, we envision the following for the three fiscal years 2016 to 2018.

- ◆ We will pursue to become an airport of the world's highest standards to drive for customer acknowledgement to be offering the finest level in the world by making endless challenges for safety and service quality.
- ◆ We will pursue to retain and reinforce our position as the top class international hub airport in Asia through expanding air services network by serving the needs of the airlines with enhancing airport functionalities, along with initiated further functional improvements to support sustainable growth and development of Narita Airport.

### III. Strategic Policies and Goals

The NAA Group regards the coming three fiscal years 2016 to 2018 as a period to improve competitiveness among other major Asian airports, laying the groundwork for further rapid progress, and making full preparations to support the safe, smooth hosting of the 2020 Tokyo Olympic and Paralympic Games. Toward realizing our vision for Narita Airport's future, we will steadily but expeditiously work toward the targets of the following five strategic policies.

#### Strategic Policy 1. Bringing Safety and Operating Stability to the World's Highest Standards

- The endless pursuit for world's highest level of safety and operating stability takes priority over everything else, and is the mission of the NAA Group.

##### Key Initiatives and Targets;

- Perfecting risk management and safety control systems in cooperation with relevant organizations to ensure assurance for every airport users, and building a safety culture in which all airport staff regards safety as the highest priority and make unflagging efforts
- Strengthening of security systems, including utilization of the latest AIT. <sup>1</sup>

#### Strategic Targets

##### "Three Zeroes" for Airport Operation

- Zero aircraft accidents, with sound precision airport operations <sup>2</sup>
- Zero malfunctions in facilities which can seriously affect airport operation
- Zero hijacking or terrorism incidents, with solid security measures

<sup>1</sup> Advanced imaging technology, including body scanners and other equipment.

<sup>2</sup> Precision monitoring of air navigation aid (visual and radio) operations along with their security and inspection, as well as ramp control (control of taxiing on aprons and assignment of aircraft stands), and reliable operation of the Safety Management System (SMS), which collects and analyzes incidents, and shares that information with relevant personnel in order to initiate preventative action.

## Strategic Policy 2. Improving Airport Functionalities and Partnership with the Local Community

- Improving functionality is the foundation and starting point to enhance airport competitiveness.

### Key Initiatives and Targets;

- Amid intensifying competition among major Asian airports, further expanding the air services network to/from Narita Airport by enhancing the hourly aircraft movement capacity to meet airline needs during peak periods.
- Pursuing consultations with relevant stakeholders toward realization of runway extension as well as construction of an additional runway and relaxation of night-time flight operation restrictions.
- Deepening the partnership with the local community for co-existence, mutual prosperity and stronger environmental protection.
- Reducing the environmental impact under the Eco-Airport Master Plan.

### Strategic Targets

- Hourly aircraft movements\* during peak periods: 72<sup>3</sup> (by the end of fiscal 2018)  
\*Movements of aircraft takeoffs and landings
- Annual aircraft movement target : 270,000 (in fiscal 2018)
- Reduce greenhouse gas (CO<sub>2</sub>) emissions: 7% below fiscal 2015 level  
(Per aircraft movement, by the end of fiscal 2020)

<sup>3</sup> At the end of fiscal 2015, the maximum hourly aircraft movement during peak periods was 68.

### Strategic Policy 3. Thoroughly Enhancing Air Services Network

- Expansion of the air services network is a key factor for airport competitiveness.

#### Key Initiatives and Targets;

- We will further strengthen the extensive, balanced network extending around the world which we have developed since Narita Airport opened, by enthusiastically promoting our airport with marketing activities including effective promotions by way of studies of passenger trends and markets.
- We will concentrate on opening new routes in the dramatically growing Asian market including new routes to inland China and Southeast Asian cities currently not directly served, while reinforcing our position as the central hub linking Asia with North America by improving transit functions and convenience which will enable us to maintain or reduce connection times.
- We will also strive to open new routes serving destinations in Europe, Africa, and Latin America.
- We will strive to add more domestic routes in Japan, not only to serve Japan resident travelers but also to meet the needs of the growing numbers of foreign visitors to Japan.
- Meeting airline needs in order to encourage the three major airline alliances to use Narita as their key hub airport, by adding security lanes and implementing new high-efficiency security check system, and adding baggage handling facilities and bus gates to make Narita Airport facilities more attractive.
- Leveraging the only dedicated LCC passenger terminal in Greater Tokyo Capital Area to attract the LCC airlines offering short-haul routes in Asia and within Japan.
- Expanding cargo services network to increase the value of Japan's largest air cargo port as a distribution hub.

#### Strategic Targets

##### Air Services Network :

- Overseas destinations served: 130 cities or more (by the end of fiscal 2018)
- Domestic destinations served: 20 cities or more (by the end of fiscal 2018)
- LCC flight share\*: 30% or higher (in fiscal 2018) \*LCC proportion in passenger flights

##### Flight Volume

- Annual total passenger volume: 43 million passengers (in fiscal 2018)
  - International flights: 35.5 million passengers  
(Foreign passengers including transits: 22.6 million passengers)
  - Domestic flights: 7.5 million passengers
- Annual air freight volume: 2.1 million tons (in fiscal 2018)



## Strategic Policy 4. Increasing Customer Satisfaction by Providing the World's Highest Service Standards and Creating More Attractive Retail Spaces

- It is absolutely essential that Narita Airport is seen and recognized by the customers as their airport of choice that customers look forward to using and are glad they have used, and are hoping to use again.

### Key Initiatives and Targets;

- Working with relevant authorities, airlines and other parties in promoting the automated “self-service” passenger travel procedures (Fast Travel<sup>4</sup>) at the airport to shorten passenger processing and waiting times as much as possible. Along with this, we wish to introduce Airport Collaborative Decision Making (A-CDM)<sup>5</sup> to increase overall airport utilization efficiency and improve on-time flight operation which is the reference point of transport service.
- Providing attractive retail spaces and enhancing the pre-boarding experience so passengers can make more enjoyable and meaningful use of the time saved by the shortening of processing and waiting times which could raise satisfaction level for the increasing numbers of foreign visitors to Japan as well.
- Using the most advanced information and communications technologies to create a smart airport will work hand in hand with the creation of attractive retail spaces to surprise and impress passengers.
- Thoroughly reviewing all airport functions and services, with emphasis on more stress-free, barrier-free accessibility and hospitality, in preparation for supporting the safe, smooth hosting of the 2020 Tokyo Olympic and Paralympic Games.

### Strategic Targets (by the end of fiscal 2018)

- On-time flight operation rate: the world's top level  
(Specific targets to be determined in consultation with airlines and other parties)
- Percentage of passengers utilizing self-service options<sup>6</sup>: 80% or higher
- Length of processing time:
  - Departures, time to reach duty-free shops area: within 10 minutes  
\*Departure lobby check-in to duty-free shops area
  - Arrivals, time to reach arrival lobby: within 30 minutes  
\*Disembarkation to arrival lobby \*IATA targets processing time
- SKYTRAX World Airport Rating<sup>7</sup>: Target to obtain five-star airport rating (top level)

<sup>4</sup> The IATA Fast Lane Program recommends the automation of passenger procedures (self-service) and the introduction of common-use facilities. It is designed to provide shorter waiting times for passengers, more efficient and better on-time service rates for airlines, and higher handling capacity and less passenger terminal congestion for airports.

<sup>5</sup> The Airport Collaborative Decision Making initiative promotes precise, timely sharing of predictive data on aircraft operation and airport utilization among airport partners (ATC, airlines, airport operators, etc.), to increase airport operating capacities through best use of personnel, aircraft, facilities and other resources.

<sup>6</sup> Proportion of departing passengers able to use the self-service processing facilities classed by IATA as most important in its Fast Travel recommendations including check-in, baggage drop and flight rebooking. IATA has set a target of making these self-service processing facilities available to 80% of passengers throughout the world by 2020.

<sup>7</sup> Airline research firm SKYTRAX, based in the United Kingdom and founded in 1989, posts ratings of airports on its website. (www.worldairportawards.com) SKYTRAX awards one to five stars on the basis of airport facilities, customer service, security inspections, passport control, retail shops, etc. which are recognized as the global benchmark of airport quality.

## Strategic Policy 5. Reinforcing NAA Corporate Group Management Strength and Competitiveness

- Reinforcing the management strength of the NAA corporate group that administers and operates the airport is indispensable for achieving our vision.

### Key Initiatives and Targets;

- Respond to the diversifying customer needs especially of the increasing number of foreign visitors to Japan and capture the airport retail sales opportunities to improve NAA corporate group's financial platform for the management strength and competitiveness.
- Prepare for potential event risks such as a major disaster, terror incident or infectious disease, and placing priority on securing a steady cash flow for continuous sound management.

### Strategic Targets (in fiscal 2018)

- Revenue from airport duty-free shops, merchandise outlets and restaurants: JPY150 billion

### Financial Targets (in fiscal 2018)

- Consolidated operating profit: JPY49 billion or higher
- Consolidated return on assets: 5.5% or higher
- Consolidated long-term debt: Low JPY450 billion
- Ratio of consolidated long-term debt balance to consolidated operating cash flow: 6.2 or less

#### IV. Specific Initiatives

Note regarding statement of target dates:

- ✓ The target date for achievement of each measure, noted in [brackets], is the date by which availability or completion is intended, and from which operation or performance is intended.
- ✓ Items for which no target date for achievement is listed are ongoing initiatives or are intended to be available or completed by the end of fiscal 2018.

#### **1. Bringing safety and operating stability to the world's highest standards**

##### **(1) Strengthening the risk management system**

- We will build even closer ties with airlines, medical institutions and other relevant organizations to more speedily make appropriate responses in the event of aircraft accident, major disaster or pandemic outbreak. We will also strengthen the risk management system for the NAA Group as a whole.
- We will strengthen the security system by installing next-generation equipment at security check areas and utilizing other leading-edge technologies.
- To improve the crisis response capabilities of the airport as a whole, various scheduled drills for hypothetical emergencies will be carried out.
- We will heighten awareness for security level at the entire NAA Group by following the latest procedures for thorough defense against cyberattacks and maintaining information security systems and regulations conforming to the cyberattack countermeasure standards of the Japanese government.

##### **(2) Total safety and operating stability**

- To maintain total safety and stability in the operation of airport facilities, we will consistently carry out scheduled inspections and degradation diagnoses for all equipment in our scheduled equipment replacement programs.
- We will make continuous efforts to prevent large-scale shutdowns of the key facilities that are indispensable to stable operation of the airport, by determining reference values for equipment operating ratios and failure recovery times, managing equipment under thorough plan-do-check-act practices, and reviewing the procedures for rapid recovery.
- We will pursue thorough safety education by adding new training programs for all airport employees, to enhance safety awareness and accident prevention at every workplace.

## **2. Improving airport functionalities and partnership with local community**

### **(1) Promotion of airport functional improvements**

#### **(To expand hourly capacity to 72 aircraft movements)**

- Bearing in mind the available capacity of 300,000 aircraft movements per year, in order to accommodate more flights during Narita's peak hour periods, we will reconfigure the high-speed exit taxiways<sup>8</sup> on Runways A and B to allow for hourly capacity to 72 aircraft movements.
- Along with the increase to 72 aircraft movements per hour, we will augment other airport facilities.
  - We will install additional baggage handling facilities for departures in the South Wing in Terminal 1.
  - We will provide additional departure bus gates in Terminal 1.
  - We will connect Terminals 1 and 2 and install additional fixed gates. [By the end of fiscal 2019]
  - We will provide an aircraft holding bay<sup>9</sup> on the north side of Runway A. [By the end of fiscal 2019]
  - We will move forward with the addition of 13 new aircraft parking stands. [By the end of fiscal 2019]

#### **(Additional functional improvements)**

- Based on recommendations for additional functional improvements by the Subcommittee on Tokyo Metropolitan Airports Functional Enhancement for Technical Review of the Japan Ministry of Land, Infrastructure, Transport and Tourism, we will consult with relevant parties on the basis of technical options for the realization of extension of the existing runway, construction of an additional runway, and relaxation of night-time flight operation restrictions.

### **(2) Improved co-existence and mutual prosperity policies which has taken root with the local community alongside environment countermeasures, and contribution to local growth and development**

- We will take community co-existence and mutual prosperity policies which has taken root to another level alongside environment countermeasures while deepening the relationship of trust between the two parties by ensuring that the local community remains fully informed on all aspects so that the community and the airport can exist and prosper together.
- We will participate in the regional development policy study team within the Regional Government Council on Narita Airport comprising the nine municipalities around the airport<sup>10</sup> and actively contribute to initiatives designed to encourage regional development.
- Under the concept of creating the world's leading eco-airport, we will steadily implement the environmental initiatives in the Eco-Airport Master Plan including steps to reduce greenhouse gas (CO<sub>2</sub>) emissions and alleviate the environmental impact.

<sup>8</sup> Taxiways that allow aircraft to more quickly leave the runway after landing.

<sup>9</sup> A taxiway at the end of the runway where an aircraft waits for takeoff.

<sup>10</sup> The cities of Narita, Tomisato, Katori and Sanmu and the towns of Sakae, Kozaki, Tako, Shibayama and Yokoshiba-Hikari.

### **3. Thoroughly enhancing air services network**

#### **(1) Promotion of air-services route development**

- We will undertake vigorous marketing programs including promotions based on passenger movements and market surveys.
- Toward expansion along the dramatically growing Asian routes, especially new routes to inland China and Southeast Asian cities currently not directly served, we will liaise with the operators of the prospective airports and actively encourage airlines to consider new route planning to Narita.
- We will also strive to open new routes serving destinations in Europe, Africa, and Central and South America.
- Toward expansion of the domestic network in Japan, we will actively approach the airlines cooperating with the regional governments and Narita's destination airports that are also seeking to attract airlines.
- Toward expansion of the cargo services network, we will collaborate with currently serving carriers and warehouse companies to attract new cargo services, and target cargo carriers with promotions at cargo-related forums and other events.
- We will lobby the Japanese government to pursue further Open Skies agreement.
- To maintain and expand the air services network, we will move forward with strategic fee and charge systems including deepening the incentive schemes.

#### **(2) Encouraging airlines to establish hub operations at Narita**

##### **Measures to support hub operations by the three major airline alliances**

- We will implement initiatives based on the needs of the airlines and airline alliances to encourage the three major airline alliances to utilize Narita as an operation hub.
  - We plan to work together with the airlines to introduce systems that will support more efficient check-in counter operations. [By the end of fiscal 2017]
  - We will expand the passenger security check areas in Terminals 1 and 2 and open new high-efficiency screening lanes (Smart Security Program).
  - We will install additional baggage handling facilities for departures in South Wing in Terminal 1. (Previously mentioned)
  - We will provide additional departure bus gates in Terminal 1. (Previously mentioned)
  - We will consider providing baggage services for passengers unable to through-check between connecting airlines and passengers with tight transit connections. We will also work to improve transit convenience, including smoother security screening to shorten the time needed for connections.
  - We will work to devise an efficient operating system for ramp-side buses and ensure that there is sufficient bus transport capacity available during the peak hour period at Narita.

##### **Measures to encourage LCC hub operations**

- To encourage LCCs to use Narita for hub operations, we will push forward with initiatives for enhancing the convenience and increasing the capacity of Terminal 3.
  - We will expand the Terminal 3 check-in counter capacity through such measures as

enabling some domestic counters to be switched over for use for international flights.  
[By the end of fiscal 2016]

- We will make Terminals 2 and 3 more accessible by shortening the route of the terminal shuttle buses. [By the end of fiscal 2016]
- We will add aircraft parking-stands to the apron on the north side of the Terminal 3 satellite building.

#### **Enhancing the airport's value as an air cargo logistics center**

- We will expand fixed temperature warehouse<sup>11</sup> capacity in order to enhance the quality of cargo handling. [By the end of fiscal 2017]
- We will hold Forklift and Pallet Building Competitions<sup>12</sup> to stimulate improvement of the quality of cargo handling work at the airport.
- We will contribute to initiatives promoting exports of agricultural products and foodstuffs through participation in the Narita Wholesale Market Exports Logistics Center Promotion Council comprising Narita City Municipal Government, producers and logistics operators; and the Council for the Export of Agricultural Products from the Area around Narita International Airport made up of the nine municipalities around the airport.

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<sup>11</sup> Facilities equipped to keep temperature and humidity within fixed ranges, for storage of cargo such as fresh fish or medical supplies which require temperature control.

<sup>12</sup> To raise the safety awareness and work quality of airport employees, competitions involving basic forklift operation and cargo stacking (pallet building) are held with the goals of establishing safe work practices and helping to prevent workplace accidents.

#### **4. Increasing by providing the world's highest standards and creating more attractive retail spaces**

##### **(1) Pursuing more efficient facility operations including Fast Travel implementation**

- With coordination and cooperation with relevant authorities, airlines and other parties, we will pursue initiatives reduce customer processing and waiting times as much as possible, to let customers to complete the necessary airport procedures stress-free.
  - We will support encouraging the use of off-airport check-in, which allows passengers to check in before arriving at the airport. [From fiscal 2016]
  - In addition to the previously introduced automatic self-check-in machines, we will expedite the introduction of automatic bag drop kiosks. [From fiscal 2016]
  - We will expand the passenger security check areas in Terminals 1 and 2 and open new high-efficiency screening lanes (Smart Security Program). (Previously mentioned)
  - We will cooperate toward expanded use of automatic gates for passport control.
- We will pursue optimization of the terminal signage, including unification of concept and an emphasis on designing for ease of understanding, to assist passengers move smoothly through the terminals without confusion.
- We will monitor passenger flow through the airport and introduce optimization techniques to increase the operating efficiency of airport facilities.
- We will work with the relevant authorities, airlines and other parties involved in airport operations to introduce Airport Collaborative Decision Making (A-CDM) to facilitate on-time flight operations in coordination with Fast Travel and other initiatives.

##### **(2) Creating attractive retail spaces**

- To create attractive retail spaces meeting the needs of diverse customers including the growing number of foreign visitors to Japan, we will open shops with innovation and contemporary flair, and shops that project the distinctive character of Japan and Narita Airport, and offer product lineups that will satisfy our customers, including products available only at Narita Airport.
  - We will expand the “Narita 5th Avenue” exclusive brand mall and duty-free shops in Terminal 2. [Opening in November 2016]
  - We will renovate the food court area on the landside, on the fourth floor in Terminal 1. [By December 2016]
  - We will open new shops on the airside, mainly in the Central Building on the third floor in Terminal 1. [From fiscal 2016]
  - We will continue renovating the “Airport Mall” on the landside, on the fourth floor in Terminal 2. [From fiscal 2016]
  - We will utilize unused spaces and vacant sections to open new shops and expand the floor space of existing shops.

##### **(3) Providing services with comfort and pleasure**

- We will pursue initiatives to allow airport customers to have more comfortable experiences and enjoyable use of the time saved by the shortening of processing and waiting times.
  - We will renovate the toilets in Terminals 1 and 2 to provide hygienic, pleasant facilities. [Terminal 1: by the end of fiscal 2019, Terminal 2: by September 2018]

- We will install richly varied seating for customers to relax while waiting to board their flights. [From fiscal 2016]
- We will equip seats with electric plugs and provide power chargers in gate lounges, so customers can freely use computers and other portable devices before boarding. [By the end of fiscal 2017]
- We will enhance the Wi-Fi environment with new entertainment services, transmitting appealing content including multimedia programs for enjoyment on wearable devices. [By December 2016]
- We will present appealing daily events and exhibits providing information and experiences of Japanese culture on the landside and airside areas. [Exhibits: monthly, events: daily]
- We will create Japanese cultural atmosphere in the passenger terminals. [By fiscal 2016]
- We will pursue optimization of the terminal signage, including unification of concept and an emphasis on designing for ease of understanding, to help customers move smoothly through the terminal without confusion. (Previously mentioned)
- We will continue providing lounges and other facilities on the airside to allow transit passengers to pass their time at the airport more enjoyably.
- We will advance the studies of the possibilities of introducing pre-clearance<sup>13</sup> for entry into the United States to allow completion of entry formalities at the airport of departure (Narita).
- To provide more convenient airport access for customers accessing by car, we will carry out road improvements (more lanes) around Terminal 1 and convert Car Park P1 into a multistory car park.
- We will redesign the airport website to offer customers using the airport with more easily obtain the information they need. [By December 2016]

#### **Towards service enhancement for VIPs and other special guests**

- We will facilitate the completion of Fast Lane installed by the Japanese government, to provide faster immigration processing for foreigners attending conferences, VIPs, etc.
- We will develop plans for expansion of facilities related to business jets, to provide greater convenience for the users.

#### **In preparations for the 2020 Tokyo Olympic and Paralympic Games**

- On the basis of consultations with relevant parties, we will prepare for procedures to support the safe, smooth movements of athletes and officials during the games, including dedicated lanes, procedures for handling their large amounts of baggage, and designated passageways for groups of people in wheelchairs. [By the end of fiscal 2019]
- To ensure customers to reach where they want to go at the airport smoothly and without stress, we will expand the use of universal design in the airport from the three standpoints

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<sup>13</sup> The pre-clearance system allows completion at the airport of departure of some of the procedures involved in passport control upon arrival in the US. The US has already instituted pre-clearance at 15 airports in six countries including Canada. In May 2015, the US Department of Homeland Security announced plans to introduce pre-clearance at ten additional airports, including Narita, in nine countries.



of user friendly facilities, offer of comfort with peace of mind, and ease of obtaining necessary information. [By the end of fiscal 2019]

#### **Promoting Japan as an attractive tourist destination**

- We will make the airport a more welcoming environment in line with government tourism policies and customer needs.
- In coordination with tourism-related organizations, we will undertake promotions and measures to stimulate higher demand toward increasing the use of Narita Airport.
- To support the development of the airport, we will take steps including functional improvements to stimulate the economy of Chiba Prefecture, and work with tourism organizations on policies to promote the use of Narita airport and encourage regional development together.

#### **(4) Creating a smart airport of the world's highest standards with the most advanced information and communications technologies**

- To provide a stress-free environment for electronics use, we will install a free high-speed wireless network using WiGig®, a system designed to the highest standards in the world.
- To provide customers with a one-stop source for complete information, we will install next-generation interactive digital signage with capacity for automated responses in multiple languages. [Partial installation by fiscal 2017, full installation by fiscal 2018]
- As an additional service for guiding customers toward their destinations within the airport, we will introduce autonomous mobile robots equipped with a collision prevention function.
- We will develop and deploy new assistance robots to increase the efficiency of such airport operations as cleaning and the loading, unloading and transfer of baggage.
- We are developing information system to transmit guidance to customer's mobile gadgets to show customers the best route to reach where they want to go within the airport, based on high-precision positional measurement technology. [By fiscal 2017]
- We will install systems utilizing the most advanced information and communications technology to make airport signages, information and restaurant menus easily readable in multiple languages, so customers can easily obtain all the information they need without the frustration of language barriers. [Technical specification by the end of fiscal 2016]

#### **(5) Providing more convenient access to/from the airport**

- We plan to extend railway and bus operating hours (to late night and in early morning) and attract new service route operators for the bus network.
- We will increase the availability of airport information for customers and disseminate publicity about the more convenient access of Narita, via such bodies as the Liaison Council for Improving Accessibility at Narita Airport, etc., which is made up of NAA, government agencies, transport operators and other relevant parties.
- To ensure smooth operation of additional scheduled and chartered buses, we will work towards optimization of airport facility management on a basis of extending the curbside facilities at the passenger terminals.

## **5. Reinforcing NAA corporate group management strength and competitiveness**

### **(1) Strengthening of corporate profitability with emphasis on retail business**

- We will strengthen our revenue base by adapting to diverse customer needs, linking air travelers, especially the growing number of foreign visitors to Japan, to generate and steadily increase retail sales.

#### **Preparations for expansion of retail space**

- We will expand the “Narita 5th Avenue” exclusive brand mall and duty-free shops in Terminal 2. [Opening November 2016] (Previously mentioned)
- We will open new shops on the airside, mainly in the Central Building on the third floor in Terminal 1. [From fiscal 2016] (Previously mentioned)
- We will utilize unused spaces and vacant sections to open new shops and expand the floor space of existing shops. (Previously mentioned)

#### **Toward improvement of sales efficiency**

- We will renovate the food court area on the landside, on the fourth floor in Terminal 1. [By December 2016] (Previously mentioned)
- We will continue renovating the “Airport Mall” on the landside, on the fourth floor in Terminal 2. [From fiscal 2016] (Previously mentioned)
- We will open new shops tailored to the needs of visitors to Japan from overseas, and work with relevant parties to create new services and businesses.

#### **Attracting more visitors to the airport**

- Not only to increase customers departing or arriving by plane, we will encourage the general public to consider Narita Airport as a place they are always welcome to visit and enjoy.
- To encourage visitors to Japan from overseas to make more purchases, we will organize tie-ups with overseas travel agents and utilize internet sites to carry out sales promotions online. [From fiscal 2016]
- To encourage greater number of foreign travelers to visit Japan and stimulate Japan resident demand for overseas travel, we will work with the relevant parties to publicize the new duty-free shopping style of downtown duty-free shops, and work to expand the duty-free sales market in Japan.

### **(2) Strengthening management efficiency across the entire group, and forging a flexible financial strategy**

- We review operating procedures on an ongoing basis, to improve business practices, increase operating efficiency, and enhance productivity.
- We will work toward total safety, improved business systems and better quality in our contractor subsidiaries. Our retail facilities will adapt to changes in the business environment and initiate improvements. We will set the mission and business scope of each subsidiary, and follow up with its appropriate reorganization and integration.
- To further reduce costs across the entire group, we will establish study teams on open procurement (generic goods and use of open technology) and energy conservation, with the

inclusion of external experts.

- We will work toward stronger financial fundamentals to introduce further functional improvements with total management efficiency across the entire corporate group while also moving forward with the diversification of financing arrangements.
- We will take measures to ensure continuous sound management, including the use of operating cash flow to finance capital expenditure, and ongoing management emphasis on cash flow.

**(3) Building a corporate culture that actively makes challenges**

- Toward realization of the Narita Airport's vision for its future, we will actively implement personnel exchanges programs and cross training opportunities with non-NAA group companies in order to foster and secure good human resources, including mid-career recruiting, so that they can respond quickly to changes without merely following accepted practices and approaches and who can seize the initiative from different perspectives.
- We will energize our corporate structure through ongoing programs to activate communication between employees and executives and to sustain pleasant workplace environments, while also assessing our organization periodically.

**(4) International cooperation to provide expertise on airport construction and operation overseas**

- We are making steady progress with the technical assistance project for the New Ulaanbaatar International Airport.
- For the future, we are seeking opportunities to provide management and operating expertise for overseas airports.

**(5) Public listing**

- We will continue to prepare for the public listing of company stock, while monitoring the progress of government consideration.

## V. Capital Investment Plan

- During this plan period (fiscals 2016 to 2018) we will make capital investment of JPY160 billion (consolidated). The capital investment will be financed by operating cash flow.

Bringing safety and operating stability to the world's highest standards	JPY55 billion
Improving airport functionalities and partnership with the local community	JPY60 billion
Thoroughly enhancing air services network	JPY20 billion
Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces	JPY20 billion
Reinforcing NAA corporate group management strength and competitiveness	JPY5 billion

End



Fiscals 2016-2018 NAA Group Mid-term Management Plan

# Innovative Narita 2018

— Aiming to be the Airport of the World's Highest Standard —

April, 2016

WORLD SKY GATE \_ NARITA



- ➔ **Management Environment  
Surrounding Narita Airport** **P.2**
- ➔ **Overview of the  
New Mid-term Management Plan** **P.8**

# **1. Management Environment Surrounding Narita Airport**

# Summary of the Previous Mid-term Management Plan

## Main Results of Fiscals 2013 to 2015

- During the previous mid-term management plan period, initiatives to become the airport of customers' choice included the **expansion of airport capacity to 300,000 aircraft movements a year, introduction of non-stop security at airport gates** and the **opening of Terminal 3. Narita Promotional Incentives** were also introduced, exempting eligible airlines from landing fees for a period of up to 1 year.
- Management targets were set at a **consolidated return on assets of 4.2% or higher, consolidated long-term debt balance of 520 billion yen or less, ratio of consolidated long-term debt balance to consolidated operating cash flow of 8.0 or less**; and handling volume targets were set at **260,000 aircraft movements, 37 million passengers** and **revenue from airport duty-free shops, merchandise outlets and restaurants of 80 billion yen**. All targets, except for aircraft movements, are expected to be achieved.
- Aircraft movements are expected to reach at around 235,000, owing in part to changes in the industry environment such as the increase of direct flights between Asia and North America and the slower than anticipated deployment of international services by LCCs.

## Management Target Achievement Progress

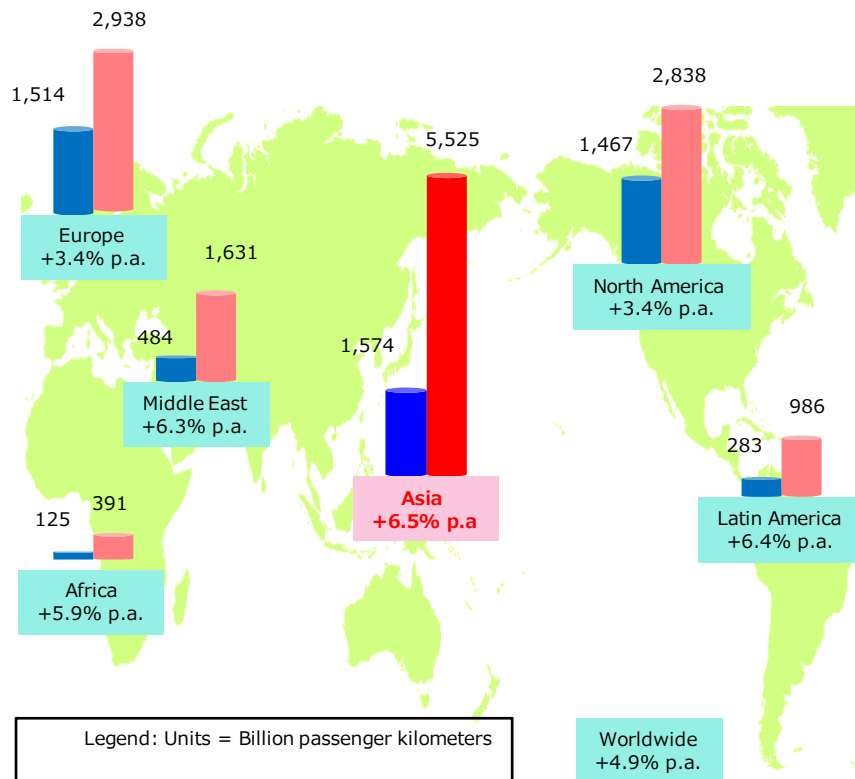
Category		Target	FY2015 Forecast
Handling volume targets	Aircraft movements	260,000	235,000 (Actual figures until Feb, March figures are estimates)
	Passenger numbers	37 million pax.	37.9 million pax. (As above)
Management targets	Consolidated ROA	4.2% or better	Approx. 4.7% (FY2015 interim forecast for full year)
	(Consolidated operating income)	JPY36 billion or more	JPY40.4 billion (As above)
	Consolidated long-term debt balance	JPY520 billion or less	Approx. JPY480 billion (As above)
	Ratio of consolidated long-term debt balance to consolidated operating cash flow	8.0 or less	Approx. 7 (As above)
	Revenue from airport duty-free shops, merchandise outlets and restaurants	JPY80 billion	JPY116.6 billion (As above)
Capital investment	Capital investment program (fiscals 2013 to 2015, cumulative)	JPY145 billion	JPY132.7 billion (As above)



# Changes in the Management Environment Surrounding Narita Airport

- As the future unfolds, the powerhouse of growth in the global air services market is passenger trends in Asia.
- The competition to capture the market has already begun and the major airports in Asia and the Middle East are racing to tap into growth in the region, including the growth in cargo traffic.
- In the prevailing circumstances, Narita Airport has already been swept up in the intense competition between the major airports in Asia.

Global Airport Passenger Traffic Estimates (2013 - 2033)

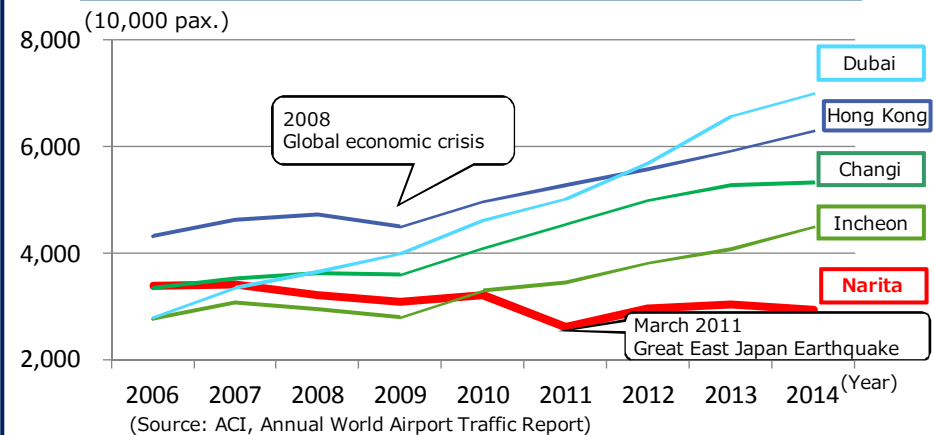


Legend: Units = Billion passenger kilometers



(Source: Japan Aircraft Development Corporation)

International Passenger Traffic at Major Airports in Asia & Middle East



Trends in Foreign Visitors to Japan and at Narita Airport



# Changes in the Management Environment Surrounding Narita Airport

- Major Asian airports are expected to complete large scale facility development projects between 2017 and 2019 and competition for routes between international airports is expected to escalate further.

Beijing Daxing International Airport:  
24-hour operation

- 2019: Opening of airport (4 runways)
- 2025: Completion of fifth and eighth runways



	Present	Planned
Aircraft Movements p.a.	—	Unspecified
Passengers p.a.	—	130 million
No. of runways	—	8

Incheon International Airport:  
24-hour operation

- 2018: Opening of Terminal 2
- Completion of cargo terminal expansion
- Completion of apron expansion



	Present	Planned
Aircraft Movements p.a.	290,000	740,000
Passengers p.a.	45.66 million	100 million
No. of runways	3	5

Changi Airport: 24-hour operation

- 2017: Opening of Terminal 4
- Early 2020s: Completion of third runway
- 2025: Opening of Terminal 5



	Present	Planned
Aircraft Movements p.a.	350,000	Unspecified
Passengers p.a.	54.09 million	Unspecified
No. of runways	2	3

Hong Kong International Airport: 24-hour operation

- 2015: Completion of midfield concourse
- 2023: Completion of third runway
- Completion of Terminal 2 expansion



	Present	Planned
Aircraft Movements p.a.	400,000	602,000
Passengers p.a.	63.12 million	97.00 million
No. of runways	2	3

Shanghai Pudong International Airport: 24-hour operation

- 2015: Opening of fourth runway
- 2019: Completion of satellite hall and associated facilities
- Fifth runway planned



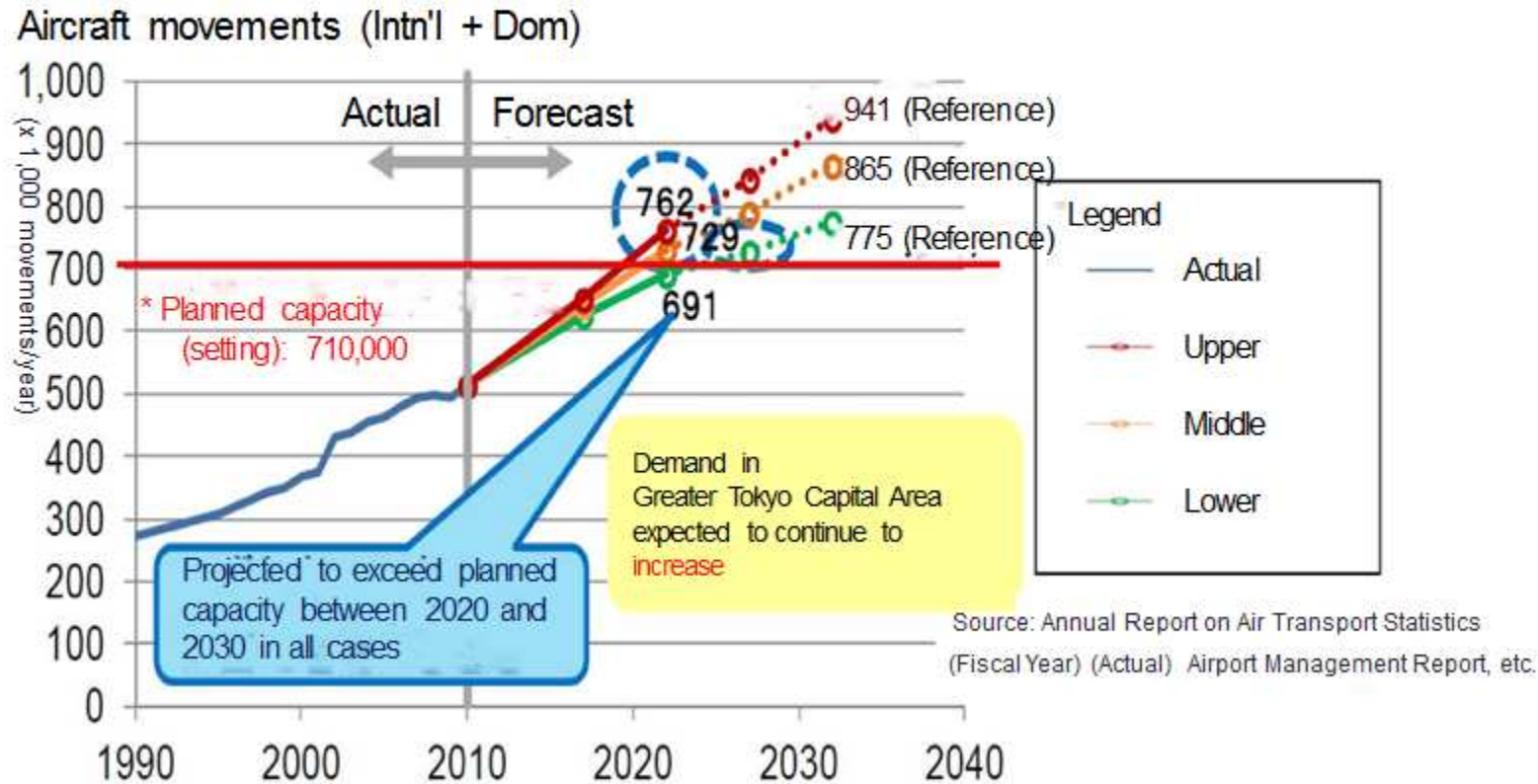
	Present	Planned
Aircraft Movements p.a.	400,000	Unspecified
Passengers p.a.	51.69 million	100 million
No. of runways	4	5

# Changes in the Management Environment Surrounding Narita Airport

- According to projections by the Ministry of Land, Infrastructure, Transport and Tourism, the capacity of the airports in Greater Tokyo Capital Area as planned at the moment, will near its limit by the 2020's.
- Given that situation, Narita Airport is tasked with honing the international competitive edge of the nation and Greater Tokyo Capital Area and further improving its functionality in view of greater numbers of visitors to Japan.

## Air services demand projections for airports in Greater Tokyo Capital Area (Number of aircraft movements)

○ The number of aircraft movements (domestic + international) is expected to exceed planned capacity in fiscal 2022 in the upper and middle cases and in 2027 in the lower case (780,000 to 940,000 aircraft movements are expected in fiscal 2032).





# Narita Airport's Vision for its Future

To achieve our position as the leading airport of Asia, the NAA Group envisions the following for the three fiscal years 2016 to 2018.

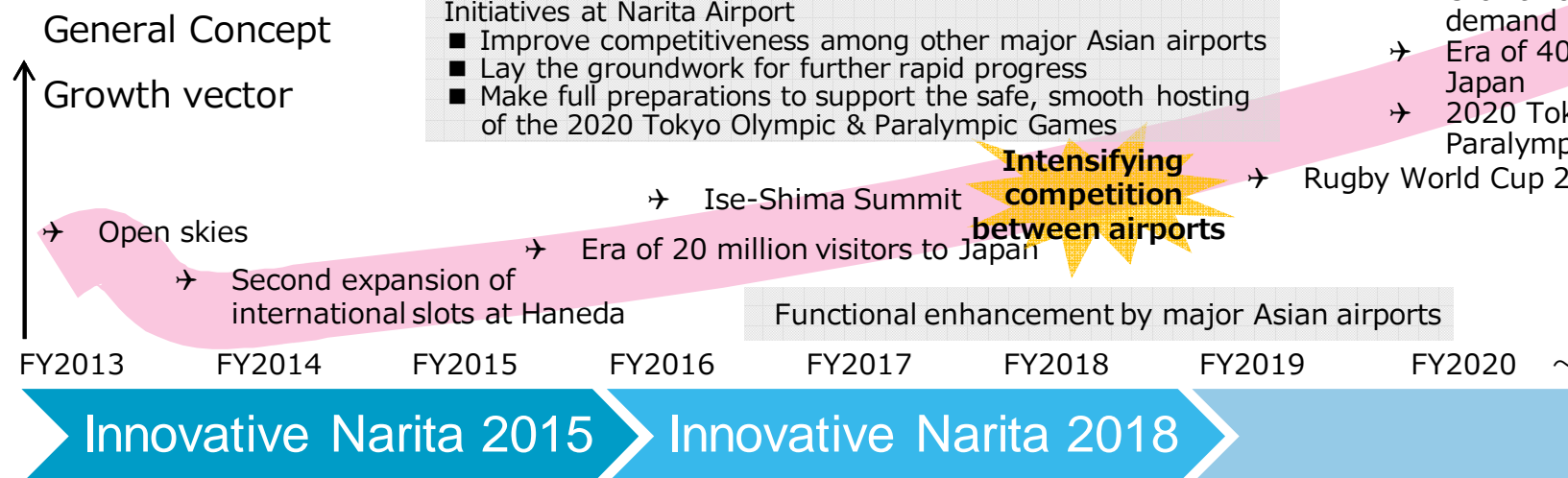
- ➔ We will pursue to become an airport of world's highest standards to drive for customer acknowledgement to be offering the finest level in the world by making endless challenges for safety and service quality.
- ➔ We will pursue to retain and reinforce our position as the top class international hub airport in Asia through expanding air services network by serving the needs of the airlines with enhancing airport functionalities, along with initiated further functional improvements to support sustainable growth and development of Narita Airport.

## 2. Overview of the New Mid-term Management Plan

# Priorities of the New Mid-term Management Plan

Pressure on supply and demand for air services in Greater Tokyo Capital Area

- Growth of air transport demand in Asia
- Era of 40 million visitors to Japan
- 2020 Tokyo Olympic and Paralympic Games
- Rugby World Cup 2019



## Priorities

- We regard the coming three fiscal years 2016 to 2018 as **a period to improve competitiveness among other major Asian airports, laying the groundwork for further rapid progress, and making full preparations to support the safe, smooth hosting of the 2020 Tokyo Olympic and Paralympic Games.** Toward realizing our vision for Narita Airport's future, we will steadily but expeditiously work toward the targets of the following five strategic policies.

## 5 Strategic Policies

1. **Bringing safety and operating stability to the world's highest standards** (utmost priority)
2. **Improving airport functionalities and partnership with the local community** (foundation of airport competitiveness)
3. **Thoroughly enhancing air services network** (key factor for airport competitiveness)
4. **Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces** (truly become the airport of choice)
5. **Reinforcing NAA corporate group management strength and competitiveness** (continuous sound management)



# Bringing safety and operating stability to the world's highest standards

## Key Initiatives

- Enhance risk management and safety control systems in cooperation with relevant organization and build a safety culture
- Strengthen security systems through utilization of the latest AIT\*  
\* Advanced imaging technology, including body scanners and other equipment.

### Strengthening the Risk Management System

- Strengthen the risk management system of the entire NAA Group
- Introduce next-generation screening equipment  
Strengthen security systems through utilization of the latest AIT.
- Enhance defense against cyberattacks  
Introduce cutting-edge safety measures and information security systems.



### Total Safety and Operating Stability

- Carry out planned equipment replacement
- Determine reference values for equipment operating ratios and failure recovery times, and managing equipment under thorough PDCA practices
- Enhance safety culture among all staff working at the airport  
Pursue thorough safety education by adding new training programs for all airport employees.



## Strategic Targets: “Three Zeroes” for Airport Operation

- Zero aircraft accidents, with sound precision airport operations
- Zero malfunctions in facilities which can seriously affect airport operation
- Zero hijacking or terrorism incidents, with solid security measures

# Improving airport functionalities and partnership with the local community

## Key Initiatives

- ➔ Further expand the air services network by increasing peak hour periods capacity
- ➔ Pursue consultations with relevant stakeholders toward further functional improvement at Narita
- ➔ Deepen the partnership with the local community for co-existence, mutual prosperity and stronger environmental protection
- ➔ Reduce the environmental impact under the Eco-Airport Master Plan

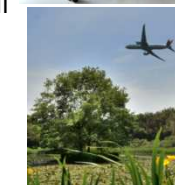
### Promotion of Airport Function Improvements

- ➔ **Expanding hourly capacity to 72 aircraft movements**  
Reconfigure the high-speed exit taxiways on Runways A and B and augment other necessary facilities.
- ➔ **Additional functional improvements at Narita Airport**  
Consult with relevant parties on options for additional functional improvements including extension of the existing runway, construction of an additional runway, and relaxation of night time flight operation restrictions.



### Co-existence and Mutual Prosperity Policies, and Contribution to Local Development

- ➔ **Co-existence and mutual prosperity with local community**  
Take community co-existence and mutual prosperity policies which has taken root to another level while deepening the relationship of trust between the two parties by ensuring that the local community remains fully informed on all aspects so that the community and the airport can exist and prosper together.
- ➔ **Creating an eco-airport**  
Steadily implement the environmental initiatives in the Eco-Airport Master Plan including steps to alleviate the environmental impact.



## Strategic Targets

- ➔ Hourly movement capacity (including aircraft takeoffs and landings) during peak periods: 72 (by the end of fiscal 2018)
- ➔ Aircraft movements (annual): 270,000 (in fiscal 2018)
- ➔ Greenhouse gas (CO2) emissions: 7% below fiscal 2015 level (per aircraft movement, by the end of fiscal 2020)



# Thoroughly enhancing air services network

## Key Initiatives

- ➔ Add further strength to our air services network by pushing forward enthusiastically with marketing activities
- ➔ Reinforce our position as the key hub airport linking Asia with North America by opening new routes to Asia and improving transit convenience
- ➔ Add domestic routes to serve Japan resident travelers as well as the growing numbers of foreign visitors to Japan
- ➔ Meet airline and airline alliance needs to encourage hub use by the three major airline alliances
- ➔ Encourage hub operations for LCCs offering short-haul routes in Asia and within Japan
- ➔ Enhance Narita's value as an air cargo logistic center to expand cargo services network

### Promotion of Route Development

- ➔ Push forward with marketing activities
- ➔ Further expand dramatically growing Asian routes



### Encouraging Airlines to Establish Hub Operations at Narita

- ➔ Measures to support hub operations by the three major airline alliances
- ➔ Measures to encourage LCC hub operations
- ➔ Enhance the airport's value as an air cargo logistics center



## Strategic Targets

Destinations served (by the end of fiscal 2018)	Overseas: 130 cities or more	Domestic: 20 cities or more
LCC flight share (in fiscal 2018)	30% or higher (LCC proportion of passenger flights)	
Passenger numbers (in fiscal 2018)	43 million	
	International flights: 35.5 million (Foreign passengers including transits: 22.6 million)	Domestic flights: 7.5 million
Air cargo volume (in fiscal 2018)	2.1 million tons	

## Strategic Policy 4

# Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces

## Key Initiatives

- ➔ Improve on-time flight operation through promotion of Fast Travel and introduction of Airport CDM \*
- ➔ To create attractive retail spaces meeting the needs of the growing numbers of foreign visitors to Japan, provide enhanced pre-boarding environment
- ➔ Use the most advanced ICT to create a smart airport to surprise and impress passengers
- ➔ Prepare to support the safe, smooth hosting of the 2020 Tokyo Olympic and Paralympic Games

Airport CDM: Airport Collaborative Decision Making

Initiative to promote precise, timely sharing of predictive data on airport utilization among airport partners (ATC, airlines, airport operators, etc.), to increase airport operating capacities through best use of resources.

## Specific Initiatives

- (1) Pursuing more efficient facility operations including Fast Travel implementation
- (2) Creating attractive retail spaces
- (3) Providing services with comfort and pleasure
- (4) Creating a smart airport of the world's highest standards with the most advanced information and communications technologies
- (5) Providing more convenient access to/from the airport

Refer to  
subsequent  
pages for  
details



## Strategic Targets (by the end of fiscal 2018)

- ➔ On-time flight operation rate ⇒ The world's top level
- ➔ Percentage of passengers utilizing self-service options ⇒ 80% or higher
- ➔ Processing time ⇒ Departures: <sup>\*1</sup> within 10 minutes ; Arrivals: <sup>\*2</sup> within 30 minutes
- ➔ SKYTRAX World Airport Rating  
⇒ Acquisition of 5-star airport rating (the highest level in the world)

\*1 Departure lobby to duty-free shop area

\*2 Disembarkation to arrival lobby

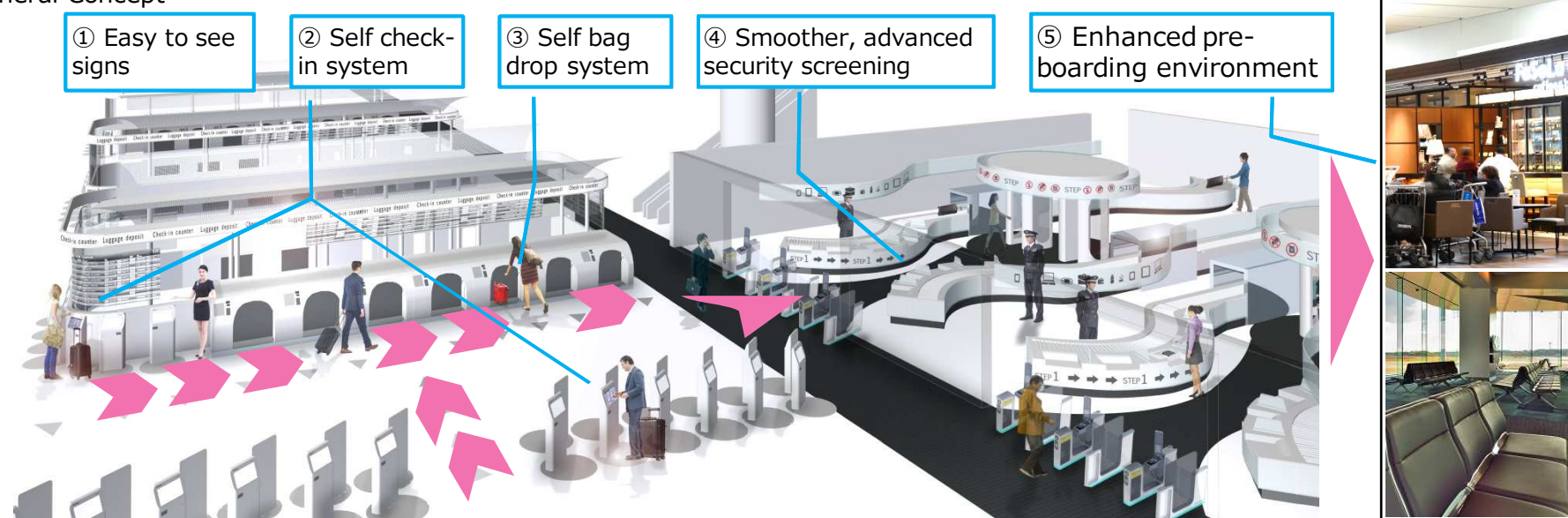
## Strategic Policy 4

# Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces

## (1) Pursuing more efficient facility operations including Fast Travel implementation

- ➔ Fast Travel\* is designed to provide shorter waiting times for passengers, more efficient and better on-time flight operation rates for airlines, and higher handling capacity and less passenger terminal congestion for airports.

General Concept



\* The IATA Fast Travel Program recommends the automation of passenger procedures (self-service) and the introduction of common-use facilities.

## Strategic Targets (by the end of fiscal 2018, previously mentioned)

- ➔ **On-time flight operation rate** ⇒ The world's top level
- ➔ **Percentage of passengers utilizing self-service options** ⇒ 80% or higher
- ➔ **Processing time** ⇒ Departures:<sup>\*1</sup> within 10 minutes ; Arrivals:<sup>\*2</sup> within 30 minutes

<sup>\*1</sup> Departure lobby to duty-free shop area

<sup>\*2</sup> Disembarkation to arrival lobby

## Strategic Policy 4

**Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces**

### Specific Initiatives for Retailing

#### Strategic Policy 4: (2) Creating attractive retail spaces

Adapt to diverse customer needs, and open shops with innovation and contemporary flair, and shops that project the distinctive character of Japan and Narita Airport, to create retail spaces that are more attractive.

#### Strategic Policy 5: (1) Strengthening of corporate profitability with emphasis on retail business

Strengthen revenue base by linking air travelers, especially the growing numbers of foreign visitors to Japan, to retail sales.

##### ① For expansion of retail space

⇒ Expand the "Narita 5th Avenue" exclusive brand and duty-free mall in Terminal 2, open new shops on the airside of Terminal 1, etc.



##### ② For improvement of sales efficiency

⇒ Renovate the food court area in Terminal 1 to introduce new shops, renovate the "Airport Mall" in Terminal 2, etc.



##### ③ To attract additional visitors to the airport

⇒ In addition to departing and arriving passengers, encourage the general public to visit Narita Airport, hold sales promotions targeting visitors to Japan, etc.



### Strategic Targets for Retailing (in fiscal 2018)

➔ **Revenue from airport duty-free shops, merchandise outlets and restaurants ⇒ : JPY150 billion (From Strategic Policy 5)**



## Strategic Policy 4

# Increasing customer satisfaction by providing the world's highest service standards and creating more attractive retail spaces

### (3) Providing services with comfort and pleasure

- ➔ Pursue initiatives to allow airport customers to make more comfortable and enjoyable use of the time saved by the shortening of processing and waiting times.
- ➔ Provide new services for VIPs and other special guests, and prepare for the 2020 Tokyo Olympic and Paralympic Games.

- ➔ Renovate the toilets in Terminals 1 and 2 to provide hygienic, pleasant facilities
- ➔ Install richly varied seating to help customers relax while waiting
- ➔ Equip seats with electric plugs and provide power chargers
- ➔ Enhance entertainment services, transmitting appealing content
- ➔ Present appealing daily events and exhibits providing information and experiences of Japanese culture
- ➔ Optimize terminal signage designs, etc.



- ➔ Facilitate the completion of Fast Lane installed by the Japanese government, to provide faster immigration processing for foreigners attending conferences, etc.
- ➔ Prepare frameworks to support the safe, smooth transfer of athletes and officials during the 2020 Tokyo Olympic and Paralympic Games, etc.

### (5) Providing more convenient access to/from the airport

- ➔ Extend railway and bus operating hours to late night and in early morning, and publicize Narita Airport's accessibility



- ➔ Extend railway and bus operating hours (to late night and in early morning)  
Attract new route operators for the bus network
- ➔ Increase the availability of information for customers and disseminate publicity via such bodies as the Liaison Council for Improving Accessibility at Narita Airport, etc.

## (4) Creating a smart airport of the world's highest standards with the most advanced information and communications technologies

### ① Installation of free high-speed wireless network (WiGig®) designed to the highest standards in the world

⇒ Provide a stress-free environment enabling high-speed download of large-volume contents using the short time available while waiting for flights, etc.



### ② Installation of next-generation interactive digital signage with capacity for automatic responses in several languages

⇒ Provide customers with a one-stop source for complete information



### ③ Introduction of autonomous mobile robots equipped with collision prevention function

⇒ Provide innovative service for guiding customers to their destinations within the airport



### ④ Development and deployment of assistance robots

⇒ Develop and deploy new assistance robots to increase the efficiency of such airport operations as cleaning and the loading, unloading and transfer of baggage



### ⑤ Development of route guide service using high precision positional measurement technology

⇒ Develop service to show customers the best route within the airport, and upon arriving Narita Airport to their destinations, portable devices based on high-precision positional measurement technology



# Reinforcing NAA corporate group management strength and competitiveness

## Key Initiatives

- Consolidate revenue base through retail operations and strengthen financial fundamentals through total commitment to management efficiency
- Place management priority on securing a steady cash flow for continuous sound management

### (1) Strengthening of corporate profitability with emphasis on retail business (Previously mentioned)

Adapt to diverse customer needs and consolidate the revenue base by solidly linking the growing number of overseas visitors to Japan to retail sales.

### (2) Strengthening management efficiency across the entire group, and forging a flexible financial strategy

Increase operating efficiency and enhance productivity to strengthen management efficiency, use operating cash flow to finance capital expenditure, and work towards stronger financial fundamentals to introduce further functional improvements. Also move forward with the diversification of capital procurement.

### (3) Building a corporate culture that actively makes challenges

Enhance personnel exchange and cross training programs and implement mid-career recruitment to secure and foster human resources who do not merely follow accepted practices.

### (4) International cooperation to provide expertise on airport construction and operation overseas

Make steady progress with the technical assistance project for the New Ulaanbaatar International Airport, and seek opportunities to provide expertise to overseas airports.

### (5) Public listing

Continue to prepare for the public listing of company stock, while monitoring the progress of government consideration.

## Strategic and Financial Targets (Fiscal 2018)

Strategic Targets	Revenue from airport duty-free shops, merchandise outlets and restaurants (previously mentioned)	JPY150 billion
	Consolidated operating income	JPY49 billion or higher
Financial Targets	Consolidated ROA	5.5% or higher
	Consolidated long-term debt balance	Low JPY450 billion
	Ratio of consolidated long-term debt balance to consolidated operating cash flow	6.2 or less

# Relations between Strategic Policies and Targets

Strategic Policy	Strategic and Financial Targets	Present	Target Date	Strategic Targets
Bringing safety and operating stability to the world's highest standards	Incidence of aircraft accidents, with sound precision airport operations	Zero (as of fiscal 2015)	During the term	Zero
	Incidence of malfunctions in facilities which can seriously affect airport operation	Zero ( " )	During the term	Zero
	Incidence of hijacking or terrorism, thanks to solid security measures	Zero ( " )	During the term	Zero
Improving airport functionalities and partnership with the local	Hourly aircraft movements during peak periods	68 (present)	By the end of FY2018	72
	Aircraft movements (annual)	235,000 (actual figures until Feb + estimates for Mar)	FY2018	270,000
	Greenhouse gas (CO2) emissions (compared to FY2015, per aircraft movement)	Reference: CO2 emissions per aircraft movement: 4.35 t (FY2014 figures)	By the end of FY2020	7% reduction
Thoroughly enhancing air services network	Overseas destinations served	107 (as of Mar 24) * 106 according to announcement at beginning of winter schedule	By the end of FY2018	130 or more
	Domestic destinations served	17 (as of Mar 24) * Including Kita-Kyushu as a transit point for international flight	By the end of FY2018	20 or more
	LCC flight share (LCC proportion of passenger flights)	Approx. 25% (actual figures until Feb + estimates for Mar)	FY2018	30% or higher
	Passenger number (annual, total)	37.9 million (actual figures until Feb + estimates for Mar)	FY2018	43 million
	Passenger number (annual, international flights)	31 million (actual figures until Feb + estimates for Mar)	FY2018	35.5 million
	Passenger number (annual, foreign passengers on international flights including transits)	18 million (actual figures until Feb + estimates for Mar)	FY2018	22.6 million
	Passenger number (annual, domestic flights)	6.9 million (actual figures until Feb + estimates for Mar)	FY2018	7.5 million
Increasing customer satisfaction by providing the world's highest level service standards and creating more attractive retail spaces	Air cargo volume (annual)	2 million tons (actual figures until Feb + estimates for Mar)	FY2018	2.1 million tons
	On-time flight operation rate	83.7% (Dec 2015 Flight Stats data) → See margin notes	By the end of FY2018	World's top level
	Percentage of passengers utilizing self-service options	Zero * Assessed as being "Not Implemented" because there is no self-service bag drop, which is an essential project	By the end of FY2018	80% or higher
	Processing time (departures)	Terminal 1: 23 to 33 mins.; Terminal 2: 20 to 23 mins. (FY2014 Passenger Movement Analysis Survey)	By the end of FY2018	10 mins. or less
	Processing time (arrivals)	Terminal 1: 27 to 28 mins.; Terminal 2: 26 mins. ( " )	By the end of FY2018	30 mins. or less
Reinforcing NAA corporate group management strength and competitiveness	SKYTRAX World Airport Rating	4-star rating (FY2015 1st Half SKYTRAX Audit)	By the end of FY2018	5-star rating
	Revenue from airport duty-free shops, merchandise outlets and restaurants	JPY116.6 billion (FY2015 forecast at release of interim financial report)	FY2018	JPY150 billion
	Consolidated operating income	JPY40.4 billion (FY2015 forecast at release of interim financial report)	FY2018	JPY49 billion or more
	Consolidated ROA	Approx. 4.7% (FY2015 forecast at release of interim financial report)	FY2018	5.5% or higher
	Consolidated long-term debt balance	Approx. JPY480 billion (FY2015 forecast at release of interim financial report)	FY2018	Low JPY450 billion
	Ratio of consolidated long-term debt balance to consolidated operating cash flow	Approx. 7 (FY2015 forecast at release of interim financial report)	FY2018	6.2 or less

\* Flight Stats is a US-based research company. Its website provides real-time information on flight status and routes of airlines around the world, as well as on-time performance statistics for each airport, and has over 3 million monthly users. Data supplied by Flight Stats is widely used and cited by foreign media, etc.



# Capital Investment Plan (Fiscals 2016 to 2018)

## Capital investment plan for each strategic policy (consolidated, JPY160 billion total)

➔ Operating cash flow will be used to finance the following capital expenditure in fiscal 2016 to 2018 for continuous sound management.

### 1. Bringing safety and operating stability to the world's highest standards

JPY55 billion

Construction relating to introduction of AIT, construction to maintain runway and taxiway capacities, upgrade work on other existing facilities, etc.

### 2. Improving airport functionalities and partnership with local community

JPY60 billion

Facility development to expand hourly capacity to 72 aircraft movements, configuration of high-speed exit taxiways and expansion of aprons, etc.

### 3. Thoroughly enhancing air services network

JPY20 billion

Measures to support alliance hub operations (expansion of security check areas), improvement of Terminal 3 accessibility, etc.

### 4. Increasing customer satisfaction by providing the world's highest service standards and creating attractive retail spaces

JPY20 billion

Renovation of toilets, measures to address congestion on airport roads and in car parks, preparations for 2020 Tokyo Olympic and Paralympic Games, facility development for CS improvement, etc.

### 5. Reinforcing NAA corporate group management strength and competitiveness

JPY5 billion

Expansion of "Narita 5th Avenue" in Terminal 2, renovation of 4th floor food court in Terminal 1, development of lounge area and opening of shops in unused areas on the airside, etc.