Kansai International Airport Co., Ltd.
New Mid-term Management Plan

FY2006 ~ FY2008

April, 2006
Kansai International Airport Co., Ltd. (KIAC)
Ⅰ. Basic Aim

- To help developing global exchange of people and goods by aiming for establishment of the major gateway airport for West Japan and East Asia, which cleared the global standard of an international airport for the first time in Japan with multiple long runways and 24-hour operation.

- To pursue “Customer First” principle by strictly keeping the essential customer’s needs of “Safety & Security,” “Convenience” and “Comfort,” in our mind so that we would be evaluated as the CS No. 1 Airport.

Ⅱ. Financial Policy

- With the event of commencement of the second phase runway limited operation during this mid-term, we seek for the business development with maximum utilization of whole facilities including the first phase runway.

- We altogether endeavor to make our management foundation absolutely firm, being based on the Consent between Finance and Transport Ministers dated on December 18, 2004, which prescribes that keeping strictly in their mind the purport of the Government subsidy, which has been decided to provide with the aim of KIAC’s establishing the firm management foundation so that it could securely redeem debts with interest, KIAC would further enhance its management reform, secure constant surplus and consequently establish the firm management foundation so that it would not need to rely on Government subsidy or Government guarantee bonds.
II. Strategy for Business Development

Our Basic Theme: To make our utmost efforts in order to smoothly commence the Second Phase Runway limited use in 2007, and to add the greatest value with maximum utilization of the resources including the First Phase facilities.

Objectives

(1) To secure due progress of the second phase construction and to operate two runways safely and efficiently.

(2) To vigorously push forward airport sales & marketing activities by fully utilizing advantage of multiple runways.

(3) To establish firm position as one of key air logistics centers in Japan.

(4) To upgrade commercial services which should comply with passenger increase and meet diversified customer's needs.

(5) To reinforce capacity of facilities and improve service quality in order to keep and raise CS (Customer Satisfaction) level.

(6) To cut down expenses to the maximum extent in order to secure ordinary profit even after commencing the second runway limited use.

(7) To develop overall power of human resources by stepping up basic staff training and promoting towards diversification of staff skills.
In-depth Descriptions of Each Objectives

(1) To secure due progress of the second phase construction and to operate two runways safely and efficiently.

- To secure due progress of the second phase construction
  * Carrying out and completing the construction work safely and surely keeping strictly the work schedule towards commencement of the limited use of the second phase facilities.

- To operate two runways safely and efficiently
  * Operating runways and aircraft-stands safely and at the same time taking customer's convenience into consideration by well coordinating with the related agencies and organizations.

(2) To vigorously push forward airport sales activities by fully utilizing advantage of multiple runways.

- To invite more passenger flights by making full use of increased capacity
  * Carrying out aviation sales activities by top Management in order to promote flight increase and new route development.
  * Concentrating our efforts on the targeted new airlines to request them to enter service.
  * Expanding domestic network in order to facilitate transfer passengers.
  * Maintaining and expanding domestic network by smoothly accepting shifted-from-Itami flights.
  * Inviting chartered flights as the first step to phase them up to scheduled flights in the future.
  * Cultivating new business jet market.

- To enhance tourism
  * Planning and cooperating to make tours with special features which meet diversified customer's needs.
  * Developing more passenger flights during early morning or mid-night and improving access to suit those flights.
  * Promoting market of business class passengers by getting support of local economic circles.
  * Inviting conventions and events and promoting market of school excursion trips through Kansai Airport.
  * Launching "KNANKU CLUB CARD" membership system to provide specialized services exclusively for frequent users of Kansai Airport.
(3) To establish firm position as one of key air logistics centers in Japan.

- To invite more cargo flights and promote demand by making full use of our advantage of 24 hours operation
  * Carrying out aviation sales activities by top Management in order to promote flight increase and new route development.
  * Enhancing utilization of mid-night slots by freighters with advantage of genuine 24 hour operation.
  * Keeping good coordination with the Strategic Team for Global Logistics formed together by private industries, academic institutions and local governments.

- To reinforce overall cargo handling capacity which suit forwarder’s needs
  * Inviting more forwarders by preparing attractive facilities for international cargo handling which satisfy their requirements.

(4) To step up commercial services in order to suit expected increase of passengers and to meet diversified customer’s needs.

- To manage commercial business development totally by fully utilizing existing facilities and idle ones and by taking profitability into consideration
  - Re-developing commercial facilities of PTB.
    * Renewing totally north block of food & beverage service zone on 2nd floor of PTB to be a totally coordinated food court style.
    * Checking feasibility of same renewal for other blocks.
  - Checking feasibility of effective use of assets such as Aeroplaza.
    * Developing new line-up of food and beverage service shops by taking improved evaluation of their location into consideration when the second phase facilities have started to be utilized.
    * Considering how to utilize the site of former Takashimaya Department.
  - Promoting Advertising Space Retail Business.
    * Changing GSA system with Kansai Airport Agency Co., Ltd. as a sole GSA.
    * Developing more attractive space and further promoting sales activities.
  - Promoting passenger and visitor’s flow to Airport site.
    * Planning promotion accelerating ideas at each shop working together with Airport events when held.
To re-develop the “Transit Area” in order to facilitate passengers and at the same time generate more revenues there. *Considering re-development of air-side including “Transit Area” from the angles of providing better facilities to spend time comfortably and developing new line-up of shops keeping higher profitability in mind.

(5) To reinforce capacity of facilities and improve service quality in order to keep and raise CS (Customer Satisfaction) level.

In order to accommodate increase of demand without deteriorating service quality.

- Reinforcing existing (1st phase) terminal facility to meet increase of demand
  * Full utilization of existing terminal facilities until completion of 2nd phase terminal
    - Increase of check-in counters, Installation of In-line screening system of international checked-in baggage, increase of carry luggage screening booths and etc.
  - Examining future model of airport operation which could fully meet customer’s expectations, recognizing the correct timing when increasing demand would be reaching the capacity of 1st phase terminal.
    * At the same time we enhance full utilization, we vigorously proceed the examination.

In order to improve service standards of overall airport operations so that customers could make use of Kansai Airport comfortably at their ease.

- Managing and operating by making assurance double sure of “Operational Safety” and “Public Security.”
  * Resurfacing of the 1st phase runway and implementing earth-quake resistant device on overpasses structure in the airport island.
  * Ensuring the security system by complying with “National Security Program of Civil Aviation” and “Standards of Aviation Security Measures” which has been introduced to cope with the heightened security level after 9.11 terrorism.
  - Installation of in-line screening system of international checked-in baggage, and introduction of explosive detecting device for cargo and etc.
Developing facilities and providing services with the aim of improving level of “Customer Satisfaction.”

* Up-grading capacity of displayed data volume of PIS (Passenger Information System) to provide customers with sufficient information of increased flights including code-sharing operation.
* Taking protective measures against wind on an access bridge in order to minimize chances to stop railway operation.
* Enhancing barrier-free facilitation in order to care for the aged or handicapped persons.
* Trial introduction of small-size carts to air-side, improvement of lavatory facilities in order that they may suit for ostomates, for instance.

(6) To cut down expenses to the maximum extent in order to secure ordinary profit even after commencing the second runway limited use.

Continuing our best efforts to curtail fixed cost and making every effort to control possible increase of expenses for aging degradation and commencement of the second phase facilities limited use.

* Cutting down fixed cost with below target.

Targeted Cost Deduction 3 billion Yen (25 million US Dollars)
(Worked out to be 10% of targeted costs of FY2004 and additional costs for commencement of the second phase facilities limited use.)

* While depreciation cost has been decreased and it contributed a lot for financial improvement with such favorable factors as increase of fully depreciated assets after 10 years since opening and as maximum and successful control of new investments for renewal, other operation costs is expected to increase due to aging degradation and commencement of the second phase facilities limited use. Under such circumstances, we need to continuously endeavor to control costs.

Enhancing financial efficiency in a body with subsidiary companies.

* Establishing efficient operational system together with subsidiary companies about the works entrusted to them by paying attention to level up sales & marketing activities as a group and to improve the level of service for customers.
* Examining work devolution from the head office (KIAC) to subsidiary companies and jointly studying more efficient method of business management, including control of production cost, service standard, procurement and etc.
* Stepping up financial management system of consolidated accounts by adequate fund management as a whole group with unified accounting system throughout consolidated group companies.
Properly stationing personnel by basically controlling the number of total staff and by strategically staffing to sales & marketing departments in order to reinforce power of execution.

* Making continuous efforts to reduce the number of total staffs with below target by promoting further efficiency in business development.

**Targeted number of staff reduction** 40 staffs
(Worked out to be 10% of FY 2005 prescribed number. In FY 2007, during which year the second phase facilities limited use will be commenced, further reduction to be considered.

* While controlling the total number of staffs, sales & marketing departments to be staffed strategically considering the needs to reinforce the power of execution in that area.

(7) To develop overall power of human resources by stepping up basic staff training and promoting towards diversification of staff skills.

**Increasing proportion of proper staffs and training them to be involved in core business.**
* Driving forward proportion of proper staffs.
* Giving higher priority to expansion of staff’s skill, spread of CS principle and level-up of managers.
* Paying attention to create a favorable environment for each staff in order to bring his/her ability into full play by considering the best way of evaluation, posting and etc.

**Making up such organization as is possible to take a many-sided viewpoint by the best mixture of staffs with varied experience.**
* Establishing well-balanced personnel composition by the way of an interchange of personnel between lines of clerical work and engineering.

**Studying the personnel management system preparing for the entire privatization in the future.**
## Target of Financial Achievements (Non-consolidation Basis)

<table>
<thead>
<tr>
<th>[FY2006 Business Plan]</th>
<th>[FY2008 Targeted Achievements]</th>
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<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>106.7 billion Yen (0.9 billion US Dollars)</td>
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<td><strong>Operating Profit</strong></td>
<td>24 billion Yen (200 million US Dollars)</td>
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<td><strong>Ordinary Profit</strong></td>
<td>11 billion Yen (90 million US Dollars)</td>
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<tr>
<td><strong>Aircraft Movements</strong></td>
<td>119,000 times</td>
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