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Maximizing the Potential of Multiple Airports in a Region

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Agenda

1. Central Regional Management of Multiple Airports
2. Central Management of Airports in the Kansai Region
3. Restoration of Downsized Network

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1. Central Regional Management of Multiple Airports

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1. Central Regional Management of Multiple Airports

1) Benefits of central management of regional airports

- ◆ Maximization of airport capacity in the overall region (effective use of time slots at multiple airports, charge settings based on convenience)
- ◆ Optimization of routes at each airport
- ◆ Reduction of airport management expenses
- ◆ Improved education and treatment of airport personnel
- ◆ Stabilization of airport management (earnings fluctuate greatly when operating international services only)

2) Issues relating to central regional management

- ◆ Fewer selection options for airlines (loss of user convenience, increased burden on users)
- ◆ Regional or nationwide central management (29 airports managed by Japan Government)

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2. Central Regional Management of Airports in the Kansai Region

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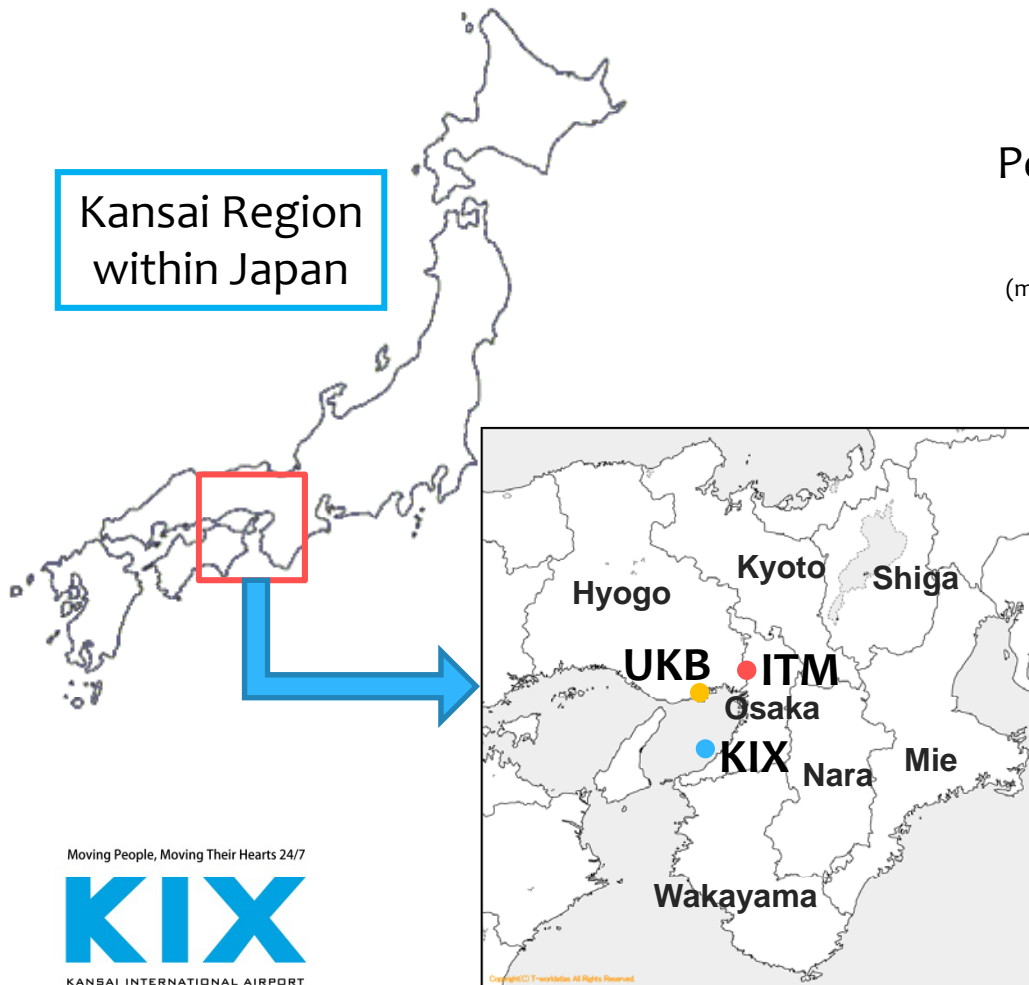
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The Kansai Region within Japan

<diagram 1>

The size of Kansai's population and GDP is equivalent to that of New York and Australia

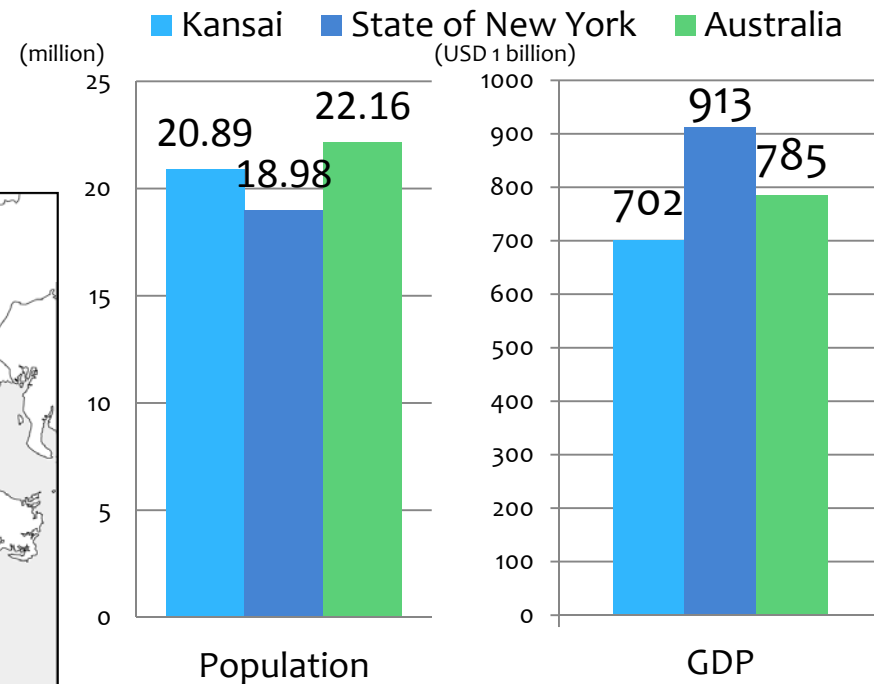


Kansai Region within Japan

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Population and GDP of the Kansai Region



Equivalent to New York and Australia

※2006 data

※source: IMF, Department of commerce, Cabinet Office, Government of Japan

2. Central Management of Airports in the Kansai Region

1) Current situation

Kansai International Airport, Osaka International (Itami) Airport, Kobe Airport, other

2) Central management of Kansai (KIX) and Itami (ITM) airports

① Current situation at KIX

- a. 24-hour airport with multiple 4,000-meter class runways
- b. Relatively less crowded time slots
- c. Loss-making operations in real terms (enormous debts and high airport usage charges)
- d. Less convenient compared to Itami (access time, expenses)

② Current situation at ITM

- a. Curfews and aircraft & flight restrictions due to serious environment problems in the surroundings
- b. Separate management body for primary facilities and terminal facilities (airport site owned by Japan Government)
- c. Profit-making operations (no debts for primary facilities)
- d. Vast expanse of unused and underutilized land

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Profit & Loss

Operating Revenues	89.4
Operating Expenses	70.3
Operating Income	19.0
Non-Operating Revenues	7.9
Non-Operating Expenses	18.6
Current Profits	8.3

Balance Sheet

(unit: JPY 1 billion)

Current Assets	18.1	Current Liabilities	191.6
Fixed Assets	1875.3	Long-Term Liabilities	1094.0
		Total Liabilities	1285.6
		Equity	607.8
Total Assets	1893.4	Total Liabilities & Equity	1893.4



3) Privatization of Itami Airport and Integration with KIAC

① Purpose

- a. Streamline airport operations
- b. Improve Balance Sheet and Profit and Loss
- c. Bolster profitability by using unused and underutilized land at Itami Airport
- d. Improve Balance Sheet further by selling off concessions

② Issues

Handling of terminal facilities at Itami Airport

3. Restoration of Downsized Network

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3. Restoration of Downsized Network

- How airports will address the situation -

1) Airports and airline companies share the same destiny

Conflict → Strategically complementary relationship

2) Downsizing of national airlines

① Decline in the number of domestic passengers

② Withdrawal from international services

3) How will airports address the situation?

① Redress competitive conditions with overseas airports (jet fuel tax, regulations)

② Review charging system (from indirect to direct levying system)

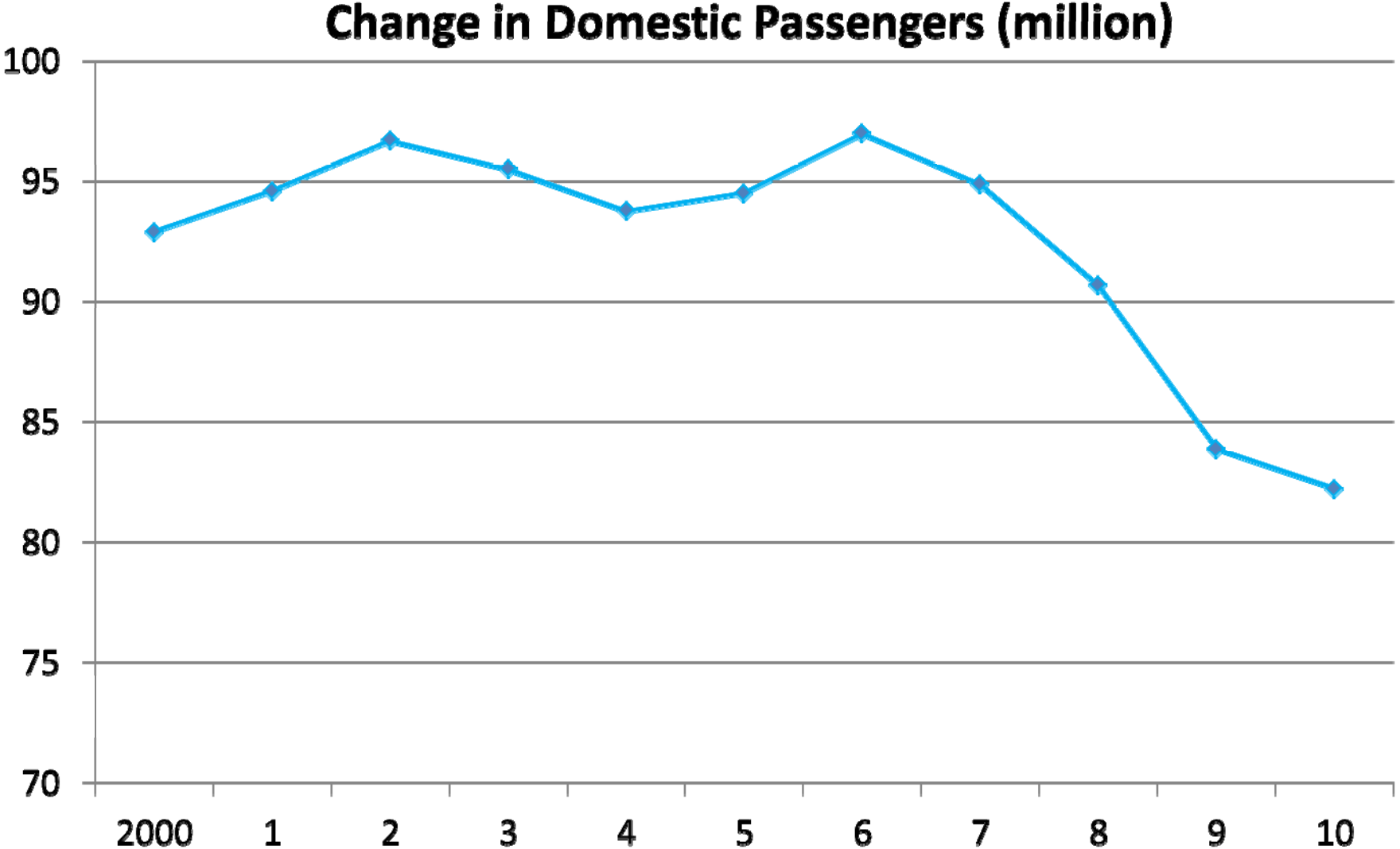
4) How will Japanese airlines address the situation?

① Rigorous management rationalization and corporate revival

② Count on success of Japanese LCCs

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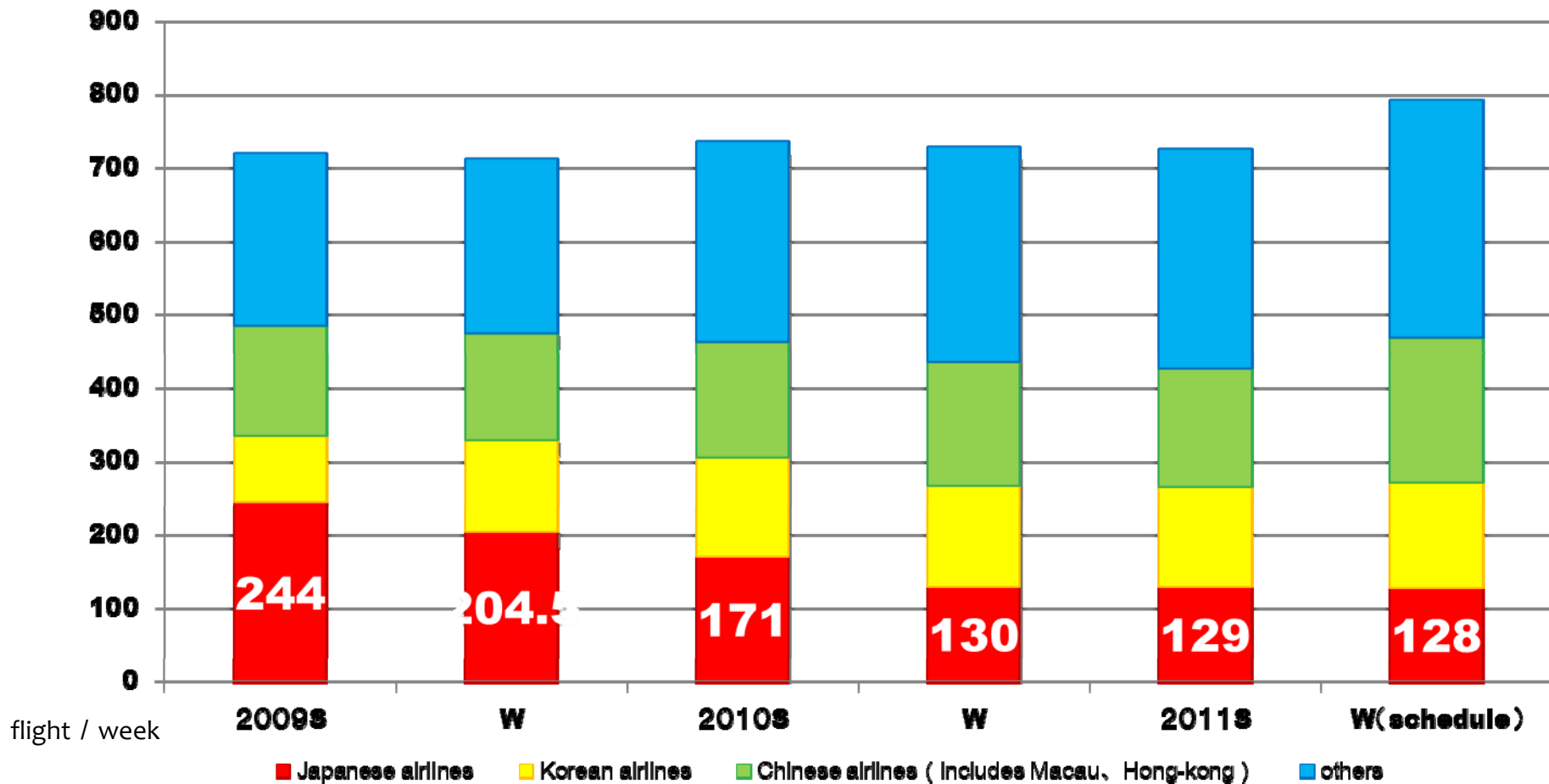
(source: Ministry of Land, Infrastructure, Transport and Tourism)

(FY)

Downsizing of National Airlines

<graph 2>

To date, Kansai has seen national carriers pull out one after the other. The openings were filled by new and additional services by foreign carriers.



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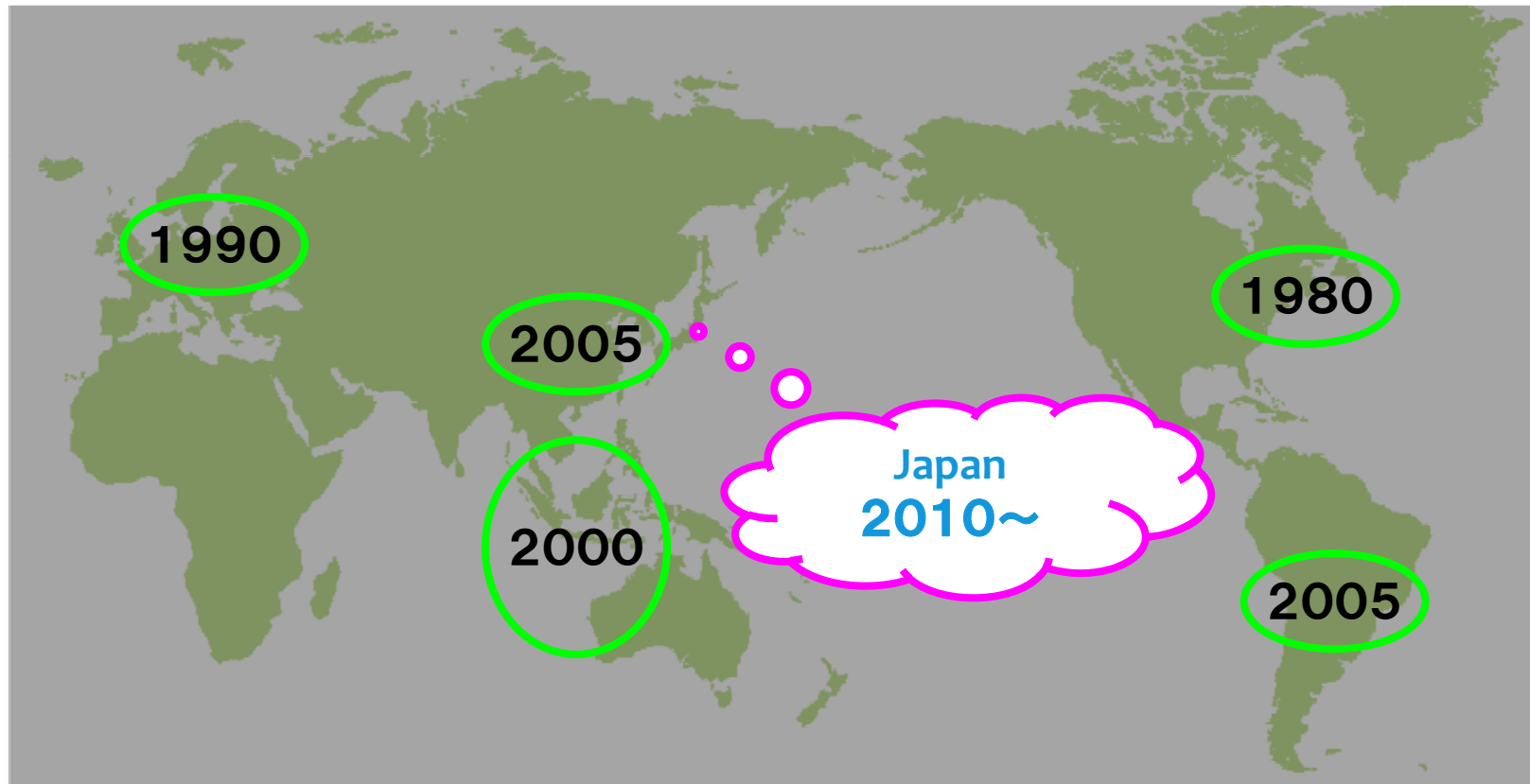


Source: Kansai International Airport Co., Ltd.

LCC Business Around the World

The tide of expansion in the LCC market which originated in the US reached Japan after 30 years.

A succession of Japanese LCCs will be launched this year.



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Japanese LCCs

Peach Aviation Limited

- ⊙ Invested by All Nippon Airways (ANA), First Eastern Aviation Holdings Limited (Hongkong), Innovation Network Corporation of Japan (INCJ)
- ⊙ Promotes Hub-LCC business by domestic and International route at KIX.

Business Outline

- ◆ Low cost operation, unification of aircraft type, simple services, efficiency of operation & productivity.
- ◆ Unbelievable low prices almost equivalent to rail and bus fares.



Future Plan

- To Fukuoka, Sapporo from March 2012. To Incheon from May.
Airfare: to Fukuoka JPY3,780-11,780, to Sapporo JPY4,780-14,780
- Further Expansion to Nagasaki, Kagoshima, Okinawa, Hong Kong and Taipei

16 sets of A320 will be operated in five years.
Assumed 6 mil. Passengers a year.

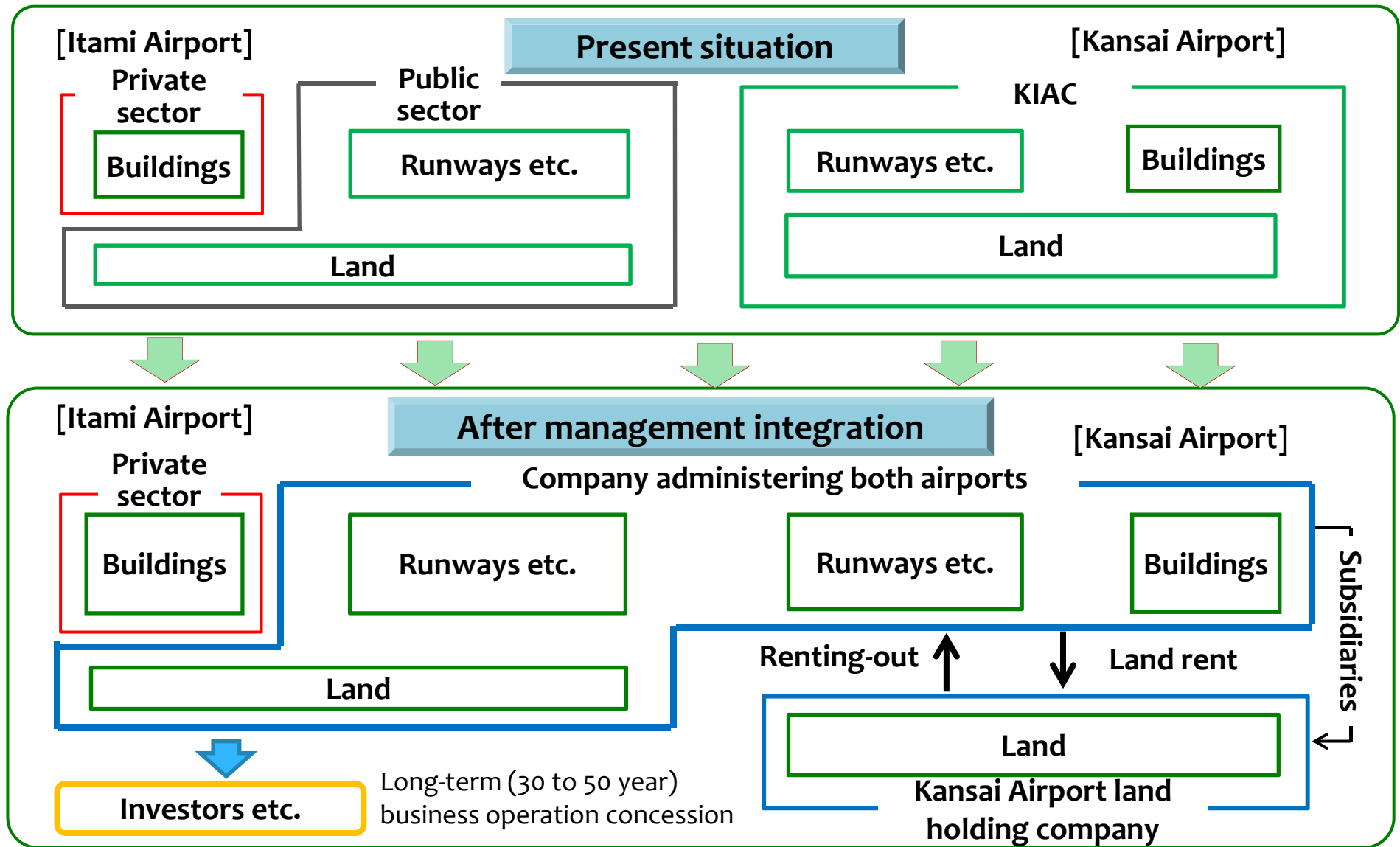


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Source: Kansai International Airport Co., Ltd.

Management integration with Itami Airport

~ Conceptual schema of the integration ~



Thank you for your attention!

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