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IACT BULLETIN

THANK YOU FOR DOING
BUSINESS WITH INTERNATIONAL
AIR CARGO TERMINAL CO.,
LTD. (IACT).



IACT President
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1 - FY 2011 REPORT (IACT'S 49TH)

*Actual value

FY 2011 (2011.7.1 – 2012.6.30)

Import cargo handling volume: 203,499t (22.5% down / 262,712t in FY 2010)

Export cargo handling volume: 58,839t (73.4% up / 33,929t in FY 2010)

Gross income: 8.471 billion yen (0.3% down / 8.5 billion yen in FY 2010)

Our import cargo handling volume was offset imperceptibly because of new airline client gains and an increase in our cargo handling volume of air charters after the Great East Japan Earthquake, despite the fact that there was extreme decline due to the introduction of NCA's self-operated import warehouse at the end of FY 2010.

Our export cargo handling volume increased considerably because of a constant influx of cargo and new client gains in FY 2011.

Although cargo handling volume declined more than 20%, our gross income stayed about the same as FY 2010's gross income because our number of import cargo handling operations at other companies' warehouses increased; however, our net income decreased from FY 2010 because our income structure has changed significantly.

2 - FY 2012 OBJECTIVE

We predict this fiscal year, starting July 2012, may be worse due to poor freight demand.

We will keep maintaining our services to our existing customers and expanding them to our new clients as well as strengthening the competitiveness of our cost of services.

The changes in our airline clients from FY 2011 are as follows:

Obtained two clients; Garuda Indonesia Airline (in March 2012) and Turkish Airlines (ramp-handling service in March 2012 and import/export warehouse handling service in June 2012). In addition, starting January 2013, we will provide our import/export warehouse handling services to Lufthansa Cargo AG, Swiss International Air Lines Ltd., and Austrian Airlines AG.

Lost two clients; Hong Kong Airlines (in March 2012) and Air Bridge Cargo (in August 2012).

There were many air charters in demand after the Great East Japan Earthquake in FY 2011, but there is no such special need in FY 2012.

On account of sluggish Chinese economic growth and the European debt crisis, freight movement tends to be slow all over the world and export business in Japan has been decreasing. Despite having strong yen, import business has not been increasing since the Japanese economy is also in recession.

Due to those situations, as well as obtaining new clients, IACT's cargo handling goals are as follows:

- 1) Import cargo: 200,000 t/year
- 2) Export cargo: 75,000 t/year
- 3) Gross income: 8 billion yen

Satisfying our existing clients is just as important as acquiring new clients. We will strengthen our salesmanship while filling open positions with talented employees to fulfill our clients' exact needs/wants.

3 - OPERATIONAL PLAN

It is essential that we make a more flexible corporate structure to handle the severe business environment around us caused by our rapid business expansion over the past 3 years; thus, we have begun more efficient and suitable training for employees.

IACT, a warehouse operation company, has been teaching know-how to our employees mainly through on-the-job training (OJT). Although OJT is fundamental and will continue, we need to provide better opportunities for employees to improve their skill sets so that they can use these new skills to promote more aggressive operational reforms.

Consequently, the Operation Control Department was established in February 2011 and the Personnel Affairs Division was established in the General Affairs Department.

In the Operation Control Department we improve the consistency and efficiency of handling procedures by cross-analyzing, cross-reviewing, and cross-evaluating the business operations across all departments, as well as examining the ratio of employees in each department per each department's operational volume and maintaining an equal staffing level by allocating employees between departments.

For instance, we have started a new proposal system in order to let each employee propose his/her ideas based on their own day-to-day tasks for working improvement, reevaluation, and efficiency; the proposals from each division are accumulated and a weekly graph is given to all employees.

The division or employee who submits the best proposals is rewarded so that all employees are encouraged to always observe their working environment for any possible improvements.

In the Personnel Affairs Division, we are developing a new personnel plan to synchronize with our business expansion, manage personnel rotation, and plan personnel training.

One example of our personnel training is: employees with Functional Positions participate in training courses to find opportunities in potential business fields and give group presentations based on a specific theme to share the results of their study; employees with Main Positions (those who perform our company's basic function of handling cargo in our warehouses) obtain necessary licenses to improve their individual skills.

All IACT employees experience actual warehouse operations regardless of their age and/or academic background when starting to work for IACT. It is important to keep this practice because we believe that it helps to maintain our core strength.

We will complete this personnel system in which multi-skilled employees with experiences in various departments will be allocated efficiently based on staffing needs.

Client Airline

(As of November 2012)

| AIRLINE | IMPORT | EXPORT | RAMP | PASSENGER |
|---|--------|--------|------|-----------|
| AF Air France | ● | | | |
| AZ Alitalia - Compagnia Aerea Italiana S.p.A. | ● | ● | | |
| BA British Airways | ● | ● | | |
| CX Cathay Pacific Cargo | ● | | | |
| C8 Cargolux Italia S.p.A. | ● | | | |
| DL Delta Air Lines | ● | | | |
| FX Federal Express | ● | ● | | |
| GA Garuda Indonesia | ● | ● | | |
| HY Uzbekistan Airways | ● | | | |
| KL KLM Royal Dutch Airlines | ● | | | |
| LD AHK Air Hong Kong Limited. | ● | | | |
| NX Air macau | ● | | | |
| OZ Asiana Airlines | ● | | | |
| PO Polar Air Cargo | ● | ● | ● | |
| QR Qatar Airways | ● | ● | | |
| SB Air Caledonie International | ● | | | |
| SK Scandinavian Airlines | ● | | | |
| TK Turkish Airlines Inc. | ● | ● | ● | |
| TN Air Tahiti Nui | ● | | | |
| UL SriLankan Airlines Ltd. | ● | ● | ● | ● |
| Y8 Yangtze River Express | ● | | | |

※ alphabetical order

INCLUDES RAMP-HANDLING SERVICE, WAREHOUSE, AND AIRLINE DOCUMENT SERVICE

4 - NEW CARGO CONTROL SYSTEM

Development has begun on the new system and its implementation at IACT.

The current ACE system has been used for 7 years and is up for renewal soon. Therefore, the overview of the next generation's main system has been analyzed: essential functions for the import warehouse system at Narita Airport, ensured operational functions through business reform, advantages and disadvantages of systems used at other companies' warehouses, and necessity of introducing a new system for our export cargo handling.

We were also considering environmental changes surrounding IACT as well as evaluating IT vendors that could develop the next generation's cargo control system; we decided to adapt IBS's package software because of IACT's future business expansion, the users' union at Narita Airport that was launched to reduce IT costs, and IACT's opportunity to change.

We are planning to transition the current ACE system to the new system after validating the effectiveness of its functions and plan to launch the new system by summer 2014 when our contract with the main computer equipment (server, etc.) for the current ACE system will have expired.