

The 10th Business Term

Business Report

(From April 1, 2015
to March 31, 2016)

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the original shall prevail.

Tokyo International Air Terminal Corporation

Business Report

(From April 1, 2015
to March 31, 2016)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

During the fiscal year under review, the Japanese economy continued on a gradual recovery track in general, despite some weakness, as consumer spending remained steady partly due to the impact of the various policies of the government. While there were some disruptions in the financial market after 2016 started, the stock prices also started looking up from March and the markets have been regaining some calmness.

Overseas, though lacking in strength, the U.S. economy registered a gradual recovery led by consumption. The European economy also was gradually picking up albeit at a slower pace compared with other developed countries. By contrast, though business confidence continued to worsen in parts of Asia such as China and other emerging countries, the demand for inbound travel to Japan continued to be high throughout the year buoyed by the prolonged depreciation of the yen and the significant easing of visa regulations.

Under such circumstances, Haneda Airport added 12 international routes during day time between Japan and China from the winter schedule as an outcome of negotiations after resumption of the Japan-China air talks. Moreover, flights to Australia were started newly in the late night and early morning time slots from summer and a number of LCC flights also started service, enhancing routes to China and Taiwan.

As a result, both outbound and inbound passenger count in the fiscal year under review grew strongly by about 1.2 times compared with the previous fiscal year. The number of passengers per day marked a record in the summer peak season and it renewed the records one after another during the year-end and New Year holidays and Chinese New Year and at the fiscal year end.

Against this backdrop, as safety and security forms the basis of an international passenger terminal, the Company established a special structure from the disaster prevention and security aspect and enhanced security especially during the peak times such as Golden Week, summer vacation, Silver Week in autumn and year-end and New Year holidays in response to the increasing number of passengers. Further, given the recent terrorist incidents, the Company enhanced the number of security personnel and facilities from the perspective of strengthening precautions against terror attacks, reinforced patrolling and collected and offered information

appropriately as part of efforts to ensure safety of the customers.

In the fiscal year under review, the Company carried out a total of 15 drills on the assumption that a disaster has occurred in an area near the workplace of the employees in the terminal as part of a comprehensive disaster preparedness drill implemented throughout the entire International Passenger Terminal district. In addition, the Company separately held a drill to start up an emergency headquarters in a crisis management level 3 situation assuming an earthquake measuring lower 6 or above on the Japanese scale to improve disaster prevention and safety awareness at the airport.

In November and December, the Company cooperated in the operation assessment test of the advanced body scanner by collaborating with the Airline Operators' Committee as part of an initiative to upgrade the security check at airports promoted by the Japanese government as an anti-terrorism measure, in preparation for the full-scale introduction of the device in fiscal year 2016.

As for facilities, the Company continued to improve the various facilities in the terminal to improve convenience and comfort of customers.

In the departure lobby on the third floor of the terminal, it started a luggage wrapping service and installed a luggage weighing scale for use by customers. It also added pole-type charging facilities at 198 locations with lobby chairs in the security area offering charging facilities for the various electronic devices used by customers. In addition, it ingeniously installed relax chairs with partitions, so that customers can relax for a long period of time in the terminal.

Moreover, as for mailbox, for which there were many requests from customers, the Company installed a Haneda version mailbox near the center of the departure lobby on the third floor with the cooperation of Japan Post Co., Ltd. and it has been received well by the customers.

The Company added a total of 25 access points for free wireless LAN in duty free stores and restaurants to improve the environment for using the service at commercial outlets.

In terms of passenger service, the Company installed manned information counter at two locations in the departure concourse on the third floor in the security area and shifted the information counter in the arrival lobby on the second floor to the center of the access hall to improve customer convenience.

Further, a council was established during the fiscal year under review on the late night and early morning bus service that started as a demonstration experiment by the Japanese government in the previous fiscal year, and the Company has been participating in the experiment as a main member. As a result of additions in October 2015, there are 17 airport access bus services, operated on a total of seven routes and

they have become an important means of accessing the airport for customers during late night and early morning.

In order to maintain and improve the service quality, the Company conducted role playing contests and training in conversation with customers in English, Chinese and Korean on a regular basis targeting employees of the retail stores and service facilities in the terminal. In addition, it has been continuing with implementation of overall questionnaire surveys and anonymous investigations throughout the terminal.

As for entertainment offered to the customers, the Company decorated the building to project Japan's four seasons including winter illumination and carried out various campaigns. Among these campaigns, the Company held the Haneda Edo Matsuri event, which has established itself as an attraction offered by the Company, where people can get a feel of the Edo period, during the Golden Week, summer vacation and New Year holidays respectively in elaborate ways for each season and contributed significantly to increase the number of visitors to the terminal.

At TIAT Duty Free Shops, the Company increased the number of cashiers to avoid keeping customers waiting and reviewed merchandise layout.

The shops introduced security tamper evident bags, or STEBs, to improve the convenience of customers who transit at overseas airports and started offering liquid products such as liquor.

Moreover, in time with the opening of Japan's first airport-type duty free shop in Ginza downtown district, the Company set up a counter in the departure area of the terminal for customers to receive duty free products they purchased downtown to play a role in offering a new option to purchase duty free products not only to foreign travelers but also to Japanese travelers flying to overseas destinations.

At the general shops in the lobby areas, the Company further enhanced the lineup of hot-selling products in response to the enhanced consumption tax free system targeting foreign travelers from April 2015.

With respect to universal design, amid intensifying interest in Tokyo Olympic and Paralympic Games in 2020, the Company embarked on further improvement at its facilities based on the verification and assessment result following the spiral-up carried out in the previous fiscal year. In addition, it has been implementing a demonstration experiment of terminal guide using projection mapping, as well as optical ID that can be conveniently used in customer mobile terminals, and beacon, etc. with the cooperation of manufacturers to enhance the guiding function of the terminal by actively utilizing information and communications technology, or ICT. The Company plans to actually install it one after another in the terminal.

The Company plans to install several tablet terminals on the back side of the

information counter which has been moved to the center of the arrival lobby on the second floor to allow customers to operate them on their own and search the facilities and services in the terminal and offer services combining introduction of arrival traffic line in video and the optical ID function.

Moreover, the Company started a service to display translation of guidance using QR code at Haneda Nihonbashi, Festival Plaza and TIAT Sky Road as part of multilingual initiatives and utilizing the service in explaining exhibits to foreign tourists.

It is of great importance for the staff working at the International Passenger Terminal to share the CS philosophy and accumulate improvements through continuous implementation of CS activities to continue offering high quality services and hospitality to customers. To this extent, the Company again this year planned and operated the CS award system, held CS seminars and campaigns and issued CS information magazine at the Haneda Airport International Area Passenger CS Liaison Committee while enhancing its activities within the International Area as a whole. In addition, the Company increased the number of TIAT Communication Board installed in the previous fiscal year on the staff passageways to seven in total. It is utilizing the boards to disseminate information regarding the Company's various activities and information to the staff members working in the terminal and invite participants of events to promote their understanding of the Company's business together with so-called internal branding activities and lead to improvement of CS throughout the terminal.

As a result of these various efforts, the terminal along with the Domestic Passenger Terminal won the 5 Star Airport in the Global Airport Ranking by Skytrax for the second consecutive year. Further, it regained the World's Cleanest Airport tag at the end of the fiscal year, winning it for the third time.

It also won the Japan Toilet Award by the Minister of Land, Infrastructure, Transport and Tourism in the commendation system sponsored by the Cabinet Secretariat, and was also acclaimed for the planning, development and maintenance and operation of its toilet space.

As described above, as a result of the Company's implementation of measures to improve various services for customers, firm daily operation of the terminal and business execution with cost awareness combined with the increased customers reflecting the rise in the number of flights, the Company reported operating revenue of 70,819 million yen (up 23.5% compared with the previous fiscal year) in the fiscal year under review, operating income of 8,822 million yen (up 38.4%), and ordinary income of 4,639 million yen (up 101.2%). Net income came to 4,316 million yen (up 47.6%) achieving single fiscal year profit following the previous fiscal year.

Business performance by Division is as follows.

(Facilities Management Division)

At the International Passenger Terminal, passenger service facility charge, or PSFC, income which the Company receives from air travelers at departure and transit came to 15,627 million yen (up 17.1% compared with the previous fiscal year) due to the increased number of customers reflecting added flights.

Facility usage fee income from air transport service operators' use of facilities including boarding bridges, luggage handling system and gates dedicated for business jet airplanes totaled 3,428 million yen (up 9.1%).

Rent income from renting offices for airlines and shop spaces for tenants came to 4,520 million yen (up 7.5%).

As a result operating revenue of the Facilities Management Division was 23,576 million yen (up 13.9%).

(Direct Management Operations Division)

In the Merchandise Sales Division, sales of merchandise at TIAT Duty Free Shops and boutiques by fashion brands came to 42,227 million yen (up 30.5%) as the sales were strong during the period, registering record monthly sales since the opening of the terminal.

In the Food and Beverage Division, sales totaled 1,899 million yen (up 30.3%) due to the increased number of customers.

In addition, parking lot income was 1,459 million yen (up 0.4%) in line with the previous fiscal year, and other income including that from placing advertisements in lounges and the terminal totaled 1,656 million yen (up 19.8%).

As a result, operating revenue of the Direct Management Operations Division came to 47,242 million yen (up 28.9%).

(2) Status of Capital Investment

During the fiscal year under review, the Company made a capital investment of 2,551 million yen in total, which included 661 million yen for upgrade of the International Passenger Terminal building system equipment, 200 million yen for repair work of TIAT Duty Free Shop Central and 475 million yen for constructing a counter for handing over products purchased at a downtown duty free shop.

(3) Status of Fund Procurement

The loan of funds for expansion works of the International Passenger Terminal, etc. under the Limited Loan Contract Alteration Contract signed with the lenders as of March 21, 2012 has been completed in fiscal year 2014. In the fiscal year under review, the Company repaid 3,119 million yen on September 30, 2015 and 5,433 million yen on March 31, 2016. As a result, the balance of loans from the lenders stood at 101,645 million yen as of the end of the fiscal year under review.

(4) Issues to Be Addressed

The demand from foreign tourists planning to visit Japan is expected to increase reflecting the Japanese government's tourism-oriented strategy moving towards the Tokyo Olympic and Paralympic Games in 2020. As the discussion for further increasing the arrival and departure slots at Haneda Airport based on the government policy to strengthen the function of the airports in the Tokyo metropolitan area progresses, the Company's mission as a passenger flight terminal operator, and based on ensuring customer safety and security, is to enhance the alertness and security against possible terror attacks and take every possible step to prepare against earthquake and other disasters. Based on this premise, it is for the Company to continue with improvement of facilities for better convenience and comfort using its integrity even with limited resources, and it becomes important for the Company to steadily accumulate realization of such various measures for the foreseeable future.

To this extent, the Company believes it is integral to promptly share information not only with organizations concerned such as the government and lenders but also with business partners and shareholders and have meticulous and sufficient discussions and coordination.

The Company recognizes that it is an important task to introduce information universal design utilizing ICT as an advanced service ahead of other major international air terminals around the world after evaluating and analyzing in detail the outcome of the related demonstration experiment carried out in the fiscal year under review and making improvements so as to further increase the value of the Haneda Airport.

The Company fully recognizes Haneda Airport's role and significance as an international airport in the Tokyo metropolitan area, and it will continue to offer facilities and services of outstanding quality (safety, convenience and comfort) as it relentlessly makes efforts in daily operation and maintenance management and steadily addresses customers' voices and the outcome of questionnaire surveys and matters pointed out by Skytrax.

(5) Changes in Assets and Income

Category	The 7th term FY2012	The 8th term FY2013	The 9th term FY2014	The 10th term FY2015
Operating revenue (million yen)	31,934	35,844	57,357	70,819
Net income (loss) (million yen)	(1,812)	(2,217)	2,924	4,316
Net income (loss) per share (yen)	(577,937)	(627,043)	824,014	1,186,638
Net assets (million yen)	1,465	400	2,833	6,348

(6) Status of Employees

Number of employees: 56 (up 5 persons compared with the end of the previous fiscal year)

(7) Main Business

- 1) Management and operation of the international passenger terminal building
- 2) Leasing of offices and shop spaces for air transport service operators and businesses operating in the premises of the airport
- 3) Provision of various services including guiding the users of the international passenger terminal building, operation of lounges and rental meeting rooms and operation of parking lots
- 4) Sales of merchandise to the users of the international passenger terminal building
- 5) Operation of restaurants and coffee shops for the users of the international passenger terminal building

(8) Main Lenders

(million yen)

Lenders	Amount
Development Bank of Japan Inc.	23,311
Mizuho Bank, Ltd.	15,554
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,758
Sumitomo Mitsui Banking Corporation	6,360
The Bank of Yokohama, Ltd.	6,069
Shinkin Central Bank	5,973

2. Matters Regarding the Company's Shares

(1) Total Number of Shares Outstanding: 3,600 shares

(2) Number of Shareholders: 13

(3) Shareholders

Name of shareholder	Number of shares
Japan Airport Terminal Co., Ltd.	1,396
Japan Airlines Co., Ltd.	697
ANA Holdings Inc.	697
Narita International Airport Corporation	162
Tokyo Electric Power Company, Inc.	126
Secom Co., Ltd.	108
Tokyo Gas Co., Ltd.	108
Keikyu Corporation	72
Tokyo Monorail Co., Ltd.	72
NTT Data Corporation	54
Development Bank of Japan Inc.	36
Mizuho Bank, Ltd.	36
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36
Total	3,600

Note: The shares in the Company held by Tokyo Electric Power Company, Inc. have been inherited by TEPCO Energy Partner, Incorporated due to the company split that took effect on April 1, 2016.

(4) Other Important Matters Regarding the Shares

Of the Company's outstanding shares of 3,600 shares, the 36 shares each held by Development Bank of Japan Inc., Mizuho Bank, Ltd., and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are preferred shares with preference dividend payments.

3. Matters Regarding Company Executives

(1) Name, etc. of Directors and Auditors

Name	Title and areas in charge	Status of representing other corporate entity
Katsuji Doi	President & CEO (Representative Director)	
Shigeyuki Taguchi	Managing Director (Customer Services Department, Security and Disaster Prevention Department)	
Shin Suzawa	Managing Director (General Administration Department, Corporate Planning Department)	
Junichiro Kitamura	Managing Director (Finance Department)	
Takahiro Uehara	Managing Director (Facilities Department, Sales and Marketing Department, International Affairs Department)	
Masaki Saida	External Director	Senior Executive Vice President, Narita International Airport Corporation
Tomoaki Kobayakawa	External Director	Managing Executive Officer, Tokyo Electric Power Company, Inc.
Masakazu Owashi	Corporate Auditor	
Fumiya Akai	External Corporate Auditor	
Makoto Sugimachi	External Corporate Auditor	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.

Note 1. Directors Masaki Saida and Tomoaki Kobayakawa are external directors stipulated by Article 2-15 of Companies Act.

Tomoaki Kobayakawa retired as Managing Executive Officer of Tokyo Electric Power Company, Inc. as of March 31, 2016 and assumed the position of Representative Director and President of TEPCO Energy Partner, Incorporated as of April 1, 2016.

2. All of the three corporate auditors are external auditors stipulated by Article 2-16 of Companies Act.

Makoto Sugimachi assumed the position of Senior Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd. as of April 1, 2016.

3. Corporate Auditor Masakazu Owashi is a certified public accountant and has considerable knowledge regarding finance and accounting.
4. Corporate auditor Fumiya Akai, as a lawyer is well-versed in corporate law and has considerable knowledge regarding finance and accounting.
5. Kenichi Fukaya resigned as director at the close of the Extraordinary Shareholders Meeting held on August 5, 2015, while Masaki Saida was newly appointed as a director in the same meeting and took charge.

(2) Amount of Compensation, etc. for Directors and Auditors for the Fiscal Year under Review

12 directors	138 million yen	(of which, 4 external directors	8 million yen)
3 auditors	18 million yen	(of which, 3 external auditors	18 million yen)

Note: The amount of compensation, etc. for the directors includes the retirement bonuses paid to directors who retired at the close of the 9th General Shareholders Meeting and the Extraordinary Shareholders Meeting held on August 5, 2015.

(3) Matters Regarding External Officers

1. Director

Masaki Saida and Tomoaki Kobayakawa attend the board of directors meeting held every month and offer appropriate remarks such as necessary opinions and questions covering the overall management.

2. Auditor

Masakazu Owashi, Fumiya Akai and Makoto Sugimachi offer appropriate counseling and suggestions from the standpoint of ensuring legal compliance and fairness at the monthly board of directors meeting and the board of auditors meeting held as necessary.

4. Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) The Amount of Compensation, etc. for the Accounting Auditor for the Fiscal Year under Review

Audit and attestation services compensation in the Certified Public Accountants Act Article 2 Paragraph 1: 11 million yen

(3) Reasons for the Board of Auditors Consent to the Compensation, etc. of the Accounting Auditor

The Company's board of auditors, after considering the accounting auditor's audit plan details, the status of the accounting auditing job execution and the grounds for the quoted compensation calculation, consents under Paragraph 1, Article 399 of the Companies Act, to the amount of compensation, etc. for the accounting auditor.

(4) Policy on Dismissal or Refusal of Reappointment of the Accounting Auditor

The Company's board of auditors may, in accordance with various items of Paragraph 1, Article 340 of the Companies Act, dismiss the accounting auditor, and if appropriate auditing is deemed as difficult due to the occurrence of reasons that hinder the competence and independence of the accounting auditor, shall submit a proposal for dismissing or refusing the reappointment of the accounting auditor to the General Meeting of Shareholders based on a resolution of the board of auditors.

5. Company Structure and Policy

(1) Structure to Ensure That the Directors' Execution of Duties Conforms to the Laws and Regulations and the Articles of Incorporation and a Structure to Ensure the Appropriateness of Other Operations

- ①. Structure related to storage and management of information related to the execution of duties by directors

Information related to the execution of duties by directors is recorded, stored and managed in accordance with the Regulations of the Board of Directors and Document Management Regulations, and the stored and managed information is accessible to the directors and auditors at all times.

- ②. Regulations and other structures regarding management of risk of loss

- 1) Supervising segments will be established respectively for individual risks related to compliance, disaster, business, information security, etc. and build a risk management structure.
- 2) The Internal Audit will carry out internal audit of various departments regularly, point out any matters that need to be improved with respect to management of loss risks, and report the result to the president & CEO and corporate auditors.

- ③. Structure to ensure efficient execution of duties by directors

- 1) Regulations of the Board of Directors shall be established for the board of directors meeting, which as a rule will be held once a month and as needed to ensure

communication between the directors. The directors shall mutually monitor the execution of duties in accordance with laws and ordinances.

- 2) The important matters that have to be resolved at the board of directors meeting are stipulated in the Regulations of the Board of Directors, and will be resolved at the board of directors meeting after being discussed at the Executive Committee which comprises the president and the standing directors.
 - 3) Each organizational unit has a director in charge and the Company has drafted the Internal Regulation on Organizations and the Internal Regulation on Duties and Powers that specify the duty and authority of each organizational unit and employee.
- ④. Structure to ensure that the execution of the duties by directors and employees conforms to the laws and regulations and Articles of Incorporation
- 1) The director (in charge of General Administration Department) will be placed in charge of compliance, who will establish the compliance structure, strive to understand the issues and the General Administration Department will ensure the maintenance and improvement of the compliance structure.
 - 2) The Internal Auditing Department monitors the operational status of the compliance structure and reports the result regularly to the president & CEO and the board of auditors.
- ⑤. If the corporate auditors request the appointment of employees to assist in the duties, matters related to such employees
- 1) The president & CEO assigns employees, independent of the Execution of Operations Division, to assist the audit carried out by the board of auditors and the corporate auditors.
 - 2) As stipulated in the Regulations of the Board of Auditors, the employees mentioned in the above paragraph, appointed to assist in the duties of the corporate auditors, are engaged in the office work related to the operation of the board of auditors such as invitation-related work and preparation of the meeting minutes.
- ⑥. Matters concerning the independence of the employees assigned to assist in the duties of the corporate auditors from directors
- 1) The transfer and evaluation of the employees assigned to assist the corporate auditors' duties as stipulated in the above article are to be carried out after obtaining the consent of the board of auditors.
- ⑦. Structure to report to the corporate auditors including the structure for directors and employees to report to them
- 1) In addition to statutory matters, the Company will put in place a structure for the directors and the employees to make timely report regarding matters that could have significant impact on the Company to the board of auditors.
 - 2) As stipulated in the Regulations of the Board of Auditors, the board of auditors may seek reports as necessary from the accounting auditors, directors, and employees

from the Internal Audit Division, etc., and others.

⑧. Structure to ensure that the audit by the corporate auditors is carried out effectively

- 1) There is a structure in place where the corporate auditors attend the board of directors meeting and if necessary offer opinions and also attend important meetings including the Executive Committee to directly grasp the deliberation of important items and reporting items.
- 2) The board of auditors exchanges opinions with the CEO regarding matters to be addressed by the Company, the status of preparation of environment for audits by corporate auditors and important issues upon audit and make a request that is deemed necessary.

(2) Overview of the Operational Status of the Structure to Ensure the Appropriateness of Operations

The Company's board of directors is made up of seven directors (of which two are external directors), and the board meets once a month in accordance with the Regulations of the Board of Directors. The board of directors meeting is attended by the directors and corporate auditors, and each director reports the status of execution of business at the meeting, which also discusses and resolves important matters.

In the meetings, the external directors participate in the resolutions from an independent perspective and supervise and monitor the management, with the corporate auditors also monitoring the management in a similar manner.

The Company has in place a system where the corporate auditors not only attend the board of directors meeting but also other important meetings such as the Executive Committee, directly obtain the status of business execution from the directors and monitor on a daily operational basis the issues with the status of business execution and compliance so as to ensure the strengthening and improvement of the management monitoring function.



Note: The amounts stated in this Business Report are rounded down to the nearest unit.

Balance Sheet

(As of March 31, 2016)

(Thousands of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	40,944,542	Current liabilities	13,204,986
Cash and deposits	31,672,143	Accounts payable-trade	2,813,295
Accounts receivable - trade	3,999,921	Current portion of long-term loans payable (Preferred loan)	4,404,187 (4,404,187)
Merchandise	3,536,070	Accounts payable - other	1,641,071
Accounts receivable - other	703,098	Accrued expenses	3,007,210
Prepaid expenses	136,213	Income taxes payable	583,072
Deferred tax assets (current)	897,094	Accrued interest expenses	7,015
		Other current liabilities	749,134
Noncurrent assets	117,994,583	Noncurrent liabilities	139,386,058
Property, plant and equipment	116,860,088	Shareholder subordinated bonds	14,580,000
Buildings	101,760,007	Long-term loans payable (Preferred loan)	115,240,996 (97,240,996)
Structures	1,323,916	(Shareholder subordinated loans)	(18,000,000)
Machinery and equipment	6,057,240	Long-term lease deposited	475,917
Vehicles	11,051	Provision for directors' retirement benefits	49,825
Tools, furniture and fixtures	7,707,872	Interest rate swap liabilities	9,039,319
		Total liabilities	152,591,045
Intangible assets	61,647	Net assets	
Software	61,647	Shareholders' equity	15,387,400
		Capital stock	9,000,000
Investments and other assets	1,072,848	Capital surplus	9,000,000
Long-term prepaid expenses	62,839	Legal capital surplus	9,000,000
Deferred tax assets (noncurrent)	10,008	Retained earnings	(2,612,599)
Separately managed penalty in trust	1,000,000	Other retained earnings	(2,612,599)
		Retained earnings brought forward	(2,612,599)
		Valuation and translation adjustments	(9,039,319)
		Deferred gains or losses on hedges	(9,039,319)
		Total net assets	6,348,080
Total assets	158,939,126	Total liabilities and net assets	158,939,126

Income Statement

(From April 1, 2015 to March 31, 2016)

(Thousands of yen)

Account title	Amount	
Operating revenue		
Rents	4,520,710	
Facility rental income	19,055,807	
Sales of goods	42,227,491	
Restaurant sales	1,899,444	
Other revenue	3,116,034	70,819,488
Cost of sales		
Cost of goods sold		29,253,752
Operating gross profit		41,565,735
Selling, general and administrative expenses		32,742,970
Operating income		8,822,764
Non-operating income		
Interest income	6,722	
Miscellaneous income	293,876	300,599
Non-operating expenses		
Interest expenses	4,379,163	
Amortization of business commencement expenses	99,258	
Miscellaneous loss	5,285	4,483,707
Ordinary income		4,639,656
Extraordinary loss		
Loss on retirement of noncurrent assets	52,344	52,344
Income before income taxes		4,587,312
Income taxes-current		651,168
Income taxes-deferred		(380,073)
Net income		4,316,217

Statement of Changes in Net Assets

(From April 1, 2015
to March 31, 2016)

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance as of April 1, 2015	9,000,000	9,000,000	9,000,000	(6,928,816)	(6,928,816)	11,071,183
Changes during the period						
Net income	—	—	—	4,316,217	4,316,217	4,316,217
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	4,316,217	4,316,217	4,316,217
Balance as of March 31, 2016	9,000,000	9,000,000	9,000,000	(2,612,599)	(2,612,599)	15,387,400

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2015	(8,237,342)	(8,237,342)	2,833,840
Changes during the period			
Net income	—	—	4,316,217
Net changes of items other than shareholders' equity	(801,976)	(801,976)	(801,976)
Total changes during the period	(801,976)	(801,976)	3,514,240
Balance as of March 31, 2016	(9,039,319)	(9,039,319)	6,348,080

Notes to Non-consolidated Financial Statements

I. Notes on Matters Related to Important Accounting Policies

1. Criteria and methods for evaluating assets

(1) Derivatives Market value method

(2) Inventory assets Based on cost method using retail method (balance sheet values are calculated using method of reducing book value when the contribution of inventories to profitability declines)

2. Method of depreciation of noncurrent assets

(1) Property, plant and equipment Straight line method

(2) Intangible assets Straight line method

As for the software used in-house, the Company adopts the straight line method based on an expected usage period of five years for internal use.

3. Criteria for recording reserves

(1) Provision for directors' retirement benefits

The Company records required allowance as of the end of the term in accordance with internal rules on payment of directors' retirement benefits to prepare for the payment of retirement benefits to directors.

4. Treatment of consumption tax, etc.

The accounting treatment of consumption tax and local consumption tax is based on tax exclusion method.

5. Treatment of deferred assets

(1) Start-up cost Depreciated using straight line method for 5 years

6. Inclusion of interest payable, etc. in noncurrent assets acquisition cost

The interest payable and loan-related ancillary cost incurred during the construction of the passenger terminal building have been added to the acquisition cost (for the fiscal year under review – yen; cumulative at the end of the fiscal year under review 3,380,012,000 yen) and recorded as part of noncurrent assets.

7. Hedge accounting method

(1) Hedge accounting method Deferred hedge treatment

(2) Hedge procedure and hedge target

- Hedge procedure Derivative trading (interest swap trading)

- Hedge target Borrowings based on variable interest rate

(3) Hedge policy It is carried out with the aim of avoiding risks rising from future fluctuation of interest rate and the Company's policy is not to carry out any speculative transactions.

(4) Method to evaluate the hedge effectiveness

The assessment on the effectiveness is omitted, as the important conditions for hedge procedures and hedge target are the same and it is assumed in advance to fully offset the risk of interest rate fluctuations from the start of the hedge and continuously thereafter.

II. Notes on Balance Sheet

(Thousands of yen)

1. The amounts are rounded down to the nearest thousand.

2. Pledged assets

Assets pledged as collateral	Ordinary deposits	31,515,594
	Accounts receivable - trade	50,318
	Buildings	101,760,007
	Structures	1,323,916
	Machinery and equipment	6,057,240
	Separately managed penalty in trust	1,000,000

Liabilities corresponding to the above

Long-term loans payable 101,645,183

3. Total depreciation of property, plant and equipment 42,273,874

4. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable – trade	74,673
	Accounts receivable - other	12,853
Monetary obligations	Accounts payable - trade	2,813,295
	Accrued expenses	2,491,983
	Shareholder subordinated bonds	6,660,000
	Long-term loans payable	6,660,000
	Long-term lease deposited	250,634

III. Notes on Income Statement

(Thousands of yen)

1. The amounts are rounded down to the nearest thousand.

2. Transactions with subsidiaries and affiliates

Operating transactions	46,477,492
Non-operating transactions	300,521

IV. Notes on Statement of Changes in Net Assets

1. The amounts are rounded down to the nearest thousand.

2. Type and total number of the Company's shares outstanding as of the last day of the fiscal year under review

Common stock	3,492	shares
Preferred stock	108	shares

V. Notes on Tax Effect Accounting

Breakdown of main causes for deferred tax assets

(Deferred tax assets)	(Thousands of yen)
Accrued enterprise tax, etc.	70,775
Provision for directors' retirement benefits	15,375
Loss carried forward	1,141,953
Deferred losses on hedges	2,789,534
Other	214,133
Deferred tax assets subtotal	4,231,773
Valuation reserve	(3,324,670)
Deferred tax assets total	907,103

VI. Notes on Financial Instruments

1. Matters regarding the status of financial instruments

The Company manages funds only in short-term deposits and procures funds through loans from financial institutions such as banks as well as from the shareholders and corporate bonds issued to the shareholders.

The funds procured through loans and corporate bonds are mainly used as funds for capital investment and stabilizing the interest expenses by carrying out interest rate swap trading against the interest rate fluctuation risk of part of loans.

Derivative trading is limited to interest rate swap trading to avoid interest rate fluctuation risk of loans.

2. Matters regarding market value of the financial instruments

The values on the balance sheet, market value and the difference between them as of March 31, 2016 (the Company's account settlement date) are as follows.

Category	Value on the balance sheet (*)	(Thousands of yen)	
		Market value (*)	Difference
(1) Cash and deposits	31,672,143	31,672,143	—
(2) Shareholder subordinated bonds	(14,580,000)	(22,851,381)	8,271,381
(3) Long-term loans payable	(119,645,183)	(129,856,766)	10,211,582
(4) Derivative trading	(9,039,319)	(9,039,319)	—

(*) Items that are recorded as liability are shown in parenthesis ().

Note: Matters regarding the calculation method of market value of financial instruments and derivative trading

(1) Cash and deposits

They are settled in a short period of time and their market values are roughly equivalent to the book values. Therefore, the concerned book values are used.

(2) Shareholder subordinated bonds

The market value of shareholder subordinated bonds is calculated by discounting the sum of the principal and interest using the rate assumed in case of new issue.

(3) Long-term loans payable

The market value of long-term loans payable is calculated by discounting the sum of the principal and interest using the rate assumed in case of taking out new loans.

(4) Derivative trading

1) The trading for which hedge accounting is not applied: Not applicable.

2) The trading for which hedge accounting is applied: The amount equivalent to the principal stipulated by the contract amount or contract as of the settlement day for each hedge accounting method is as follows.

(Thousands of yen)

Method of hedge accounting	Type of derivative trading	Main target of hedging	Contract amount, etc.	Market value	Calculation method of the said market value
Fundamental processing method	Interest rate swap trading Fixed interest payment, variable receipt	Long-term loans payable	86,863,000	(9,039,319)	The price, etc. indicated by the financial institution

VII. Notes on Real Estate for Rent, etc.

1. Matters regarding the condition of the real estate for rent, etc.

The Company owns a passenger terminal building that includes office spaces and commercial facilities for rent as well as a multilevel, pay-by-the-hour parking lot in Haneda Kuko, Ota-ku, Tokyo.

2. Matters regarding the market value of the real estate for rent, etc.

(Thousands of yen)

Property that includes the portion that is used as real estate for rent, etc.	Value on the balance sheet	Market value
	109,141,164	195,000,000

Note 1. The value includes offices, etc. which the Company uses.

2. The market value of important properties as of the end of the fiscal year under review is the amount based on the actuary reports by real estate appraisers.

VIII. Notes on Related Party Transaction

(Thousands of yen)

Type	Name of the company, etc.	The ratio of voting rights, etc. in the Company	Relationship with the party	Transactions	Transaction value	Account title	Balance at the end of the period
Other related company	Japan Airport Terminal Co., Ltd.	38% direct	—	Fund procurement (Note 1)	—	Shareholder subordinated bonds	6,660,000
				Borrowing funds (Note 2)	—	Long-term loans payable	6,660,000
				Business consignment (Note 3)	14,699,015	Accrued expenses	2,491,983
				Procurement of goods (Note 4)	30,297,759	Accounts payable—trade	2,813,295
Main shareholder	Japan Airlines Co., Ltd.	19% direct	—	Fund procurement (Note 1)	—	Shareholder subordinated bonds	3,330,000
				Borrowing funds (Note 2)	—	Long-term loans payable	3,330,000
Main shareholder	ANA Holdings Inc.	19% direct	—	Fund procurement (Note 1)	—	Shareholder subordinated bonds	3,330,000
				Borrowing funds (Note 2)	—	Long-term loans payable	3,330,000

Terms and conditions of transactions and policy on deciding them

Note 1. Procurement conditions are in accordance with the Shareholder Subordinated Bond Agreement signed between the Company and its six shareholders including the above three companies on March 30, 2012 following the approval by the Board of Directors Meeting on February 23, 2012 (prepared based on the loan terms of the Shareholders Agreement agreed among the shareholders as of the establishment of the Company).

As for the repayment of the principal, it has been agreed that the order of the settlement of claims is after that of repayment of preferred loans from the lenders based on the Limited Loan Contract Alteration Contract signed with the lenders.

Note 2. Loan conditions are in accordance with the Shareholder Subordinated Loan Agreement signed between the Company and its nine shareholders including the above three companies on March 27, 2008 following the approval by the Board of Directors Meeting on March 18, 2008 (prepared based on the loan terms of the Shareholders Agreement agreed among the shareholders as of the establishment of the Company).

As for the repayment of the principal, it has been agreed that the order of the settlement of claims is after that of repayment of preferred loans from the lenders based on the Limited Loan Contract Alteration Contract signed with the lenders.

Note 3. The business consignment conditions are decided upon price negotiations taking into

consideration the prevailing market situation and a contract on the conditions is signed.
Note 4. The goods procurement conditions are decided upon price negotiations taking into consideration the prevailing market situation and a contract on the conditions is signed.

IX. Notes Regarding Per Share Information

1. Net assets per share	1,545,836.38 yen
2. Net income per share	1,186,638.18 yen

X. Matters Regarding Material Subsequent Events

Not applicable.

10th Business Term

Supplementary Statement

(From April 1, 2015
to March 31, 2016)

- I. Supplementary Statement to Business Report
- II. Supplementary Statement to Financial Statements

※ This document has been translated from the Japanese original, for reference purposes only.
If there is any discrepancy between this translated document and the Japanese original,
the original shall prevail.

Tokyo International Air Terminal Corporation

10th Business Term (from April 1, 2015 to March 31, 2016) Supplementary Statement

I Supplementary Statement to Business Report

1. Holding of an important position such as business executive director, etc. at another company

Category	Name	Concurrent position at	Details of the concurrently held position	Relationship
External Director	Masaki Saida	Narita International Airport Corporation	Senior Executive Vice President	
External Director	Tomoaki Kobayakawa	Tokyo Electric Power Company, Inc.	Managing Executive Officer	
External Auditor	Makoto Sugimachi	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Managing Executive Officer	

Note 1. Tomoaki Kobayakawa retired as Managing Executive Officer of Tokyo Electric Power Company, Inc. as of March 31, 2016 and assumed the position of Representative Director and President of TEPCO Energy Partner, Incorporated as of April 1, 2016.

2. Makoto Sugimachi assumed the position of Senior Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd. as of April 1, 2016.

II Supplementary Statement to Financial Statements

1. Details of property, plant and equipment and intangible assets

(Thousands of yen)

Category	Type of assets	Book value at the beginning of the period	Increase in the term under review	Decline in the term under review	Depreciation in the term under review	Book value at the end of the period	Total depreciation	Acquisition cost at the end of the period
Property, plant and equipment	Buildings	107,447,933	978,587	39,378	6,627,134	101,760,007	27,220,756	128,980,764
	Structures	1,476,632	3,350	—	156,066	1,323,916	556,189	1,880,106
	Machinery and equipment	6,411,302	118,151	—	472,213	6,057,240	1,923,610	7,980,850
	Vehicles	15,349	—	—	4,298	11,051	178,845	189,896
	Tools, furniture and fixtures	9,245,269	1,388,435	12,965	2,912,866	7,707,872	12,394,472	20,102,345
	(Subtotal)	(124,596,488)	(2,488,523)	(52,344)	(10,172,579)	(116,860,088)	(42,273,874)	(159,133,962)
	Construction in progress	—	—	—	—	—	—	—
Total	124,596,488	2,488,523	52,344	10,172,579	116,860,088	42,273,874	159,133,962	
Intangible assets	Software	28,445	62,691	—	29,490	61,647	284,974	346,621

Note 1. The main items contributing to the increase in the term under review include the upgrading of the terminal building system equipment 661,071,000 yen, repair work of TIAT Duty Free Shop Central 200,689,000 yen and construction of a counter for handing over products purchased at a downtown duty free shop 475,896,000 yen.

2. The decline during the term under review is the retirement of the existing outlet due to the construction of the above counter 52,344,000 yen.

2. Details of the allowance

(Thousands of yen)

Category	Balance at the beginning of the period	Increase during the term under review	Decline during the term under review		Balance at the end of the period
			Use for its purpose	Other	
Provision for directors' retirement benefits	76,275	18,626	45,076	—	49,825

Note: The reason for making the provision and the calculation method are described in 3. of I. Notes on Matters Related to Important Accounting Policies.

3. Details of selling, general and administrative expenses

(Thousands of yen)

Account title	Amount	Remarks
Directors' compensations	111,000	
Employees' salaries	283,679	
Provision for directors' retirement benefits	18,626	
Legal welfare expenses	11,167	
Welfare expenses	2,228	
Transportation expenses	47,960	
Supplies expenses	35,276	
Furniture and fixtures	63,569	
Utilities expenses	552,083	
Communication expenses	56,594	
Insurance expenses	331,316	
Repair expenses	1,277,095	
Rent expenses	1,696,120	
Conference expenses	8,553	
Entertainment expenses	24,944	
Taxes and public charges	1,245,975	
Advertising expenses	466,326	
Cleaning expenses	16,668	
Business consignment expenses	15,422,099	
Miscellaneous expenses	869,613	
Depreciation	10,202,070	
Total	32,742,970	