

The 12th Business Term

Business Report

(From April 1, 2017
to March 31, 2018)

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Tokyo International Air Terminal Corporation

Business Report

(From April 1, 2017
To March 31, 2018)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

During this fiscal year, the Japanese economy in general continued to recover gradually including the continuous recovery of consumer spending and improvement of corporate earnings. Among the overseas economies, the U.S. economy is continuing to recover steadily, the European economy has also gradually recovered, and China's economy is continuing to get better. The global economy including Japan has continued to gradually recover as a whole. Under such circumstances, while the number of outbound Japanese travelers exceeded last year's number, the number of inbound international travelers, especially those from East Asia, continued to increase significantly and approached 30 million people a year.

Regarding international flights and routes, new flights to Oakland have been added and flights for existing routes to New York, London, Jakarta, etc. have been increased, while the passenger demand has increased steadily, the actual number of inbound and outbound travelers in the fiscal year increased to 109% year-on-year, and as a result, the monthly number of travelers in March, the fiscal year-end, reached a record high.

Against this backdrop, in the interest of the management of international passenger terminals and putting safety and security first in all cases, and in consideration of disaster prevention and safety, Tokyo International Air Terminal Corporation (hereinafter referred to as "the Company") established a special structure to enhance security during the period when the president of the U.S. came to Japan in November and during high seasons, 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. Moreover, the Company has been striving to secure the safety of customers while increasing security cameras and expanding the areas in which patrol guards use wearable cameras. Given that crisis management necessitates preparations and drills for various emergency situations, the Company has been striving to enhance its readiness for contingency situations, conducting stress tests in the assumption of acts of terrorism and fires while continuing to receive external expert advice. Also, in pursuance of prompt on-site responses to the occurrence of disasters, the Company held 23 drills assuming the occurrence of disasters near the workplaces of employees working in the terminal as part of the general disaster prevention drills conducted throughout the entire international terminal area. In addition, the Company has been dealing with increasing the awareness of fire and disaster prevention at the airport for employees working in

the building through meetings within the terminal with its local fire brigade team. In terms of aviation security, in order to confirm the awareness of crisis management and fully disseminate security measures to all employees working in the building, the Company conducted education/training for newly appointed employees, and re-education/training for existing employees regarding aviation security. Additionally, the Company is promoting the introduction of advanced inspection equipment with the Airline Operators' Committee (AOC) in an effort to upgrade security checks at airports as part of the anti-terrorism initiatives promoted by the Japanese government. In the fiscal year, body scanner type inspection equipment at security checkpoints that connect between international flights has been installed, and furthermore CT (computed tomography) type inspection equipment for carry-on baggage also has been installed at the north security checkpoint and security checkpoints that connect between international flights. This is in preparation for the development of smart security on a full-scale basis from the next fiscal year.

In terms of facilities related to passenger services, the Company continues to improve and enhance environments for the use of mobile devices as many customers, especially inbound international travelers, have requested such services, including strengthening the Wi-Fi environment in the terminal building, in order to continuously improve the convenience for and comfort of customers. Moreover, increasing the amount of flight information boards in seating areas/restaurant food courts in the departure area has enabled customers who are relaxing before departure to easily check flight information.

Furthermore, to maintain and improve its service quality, the Company continues to strive to identify and take response measures for issues by regularly conducting comprehensive customer surveys evaluating a wide range of aspects from the building facilities and services to customer services and anonymous investigations. In addition, the Company holds role-playing contests for its employees attending to customers at stores and service facilities in the building. It also continues to offer regular training in conversation with customers in English, Chinese and Korean and in cross-cultural understanding for improving customer services for travelers from overseas.

In consideration of customer entertainment, the Company decorated the terminal to produce Japan's four seasons, including winter illuminations, and carried out various campaigns. In the summer, under the theme of Japanese traditions and culture in the Edo period, the Company and the National Museum of Japanese History co-hosted an exhibition of paintings on folding screens and picture scrolls, and events in which customers were exposed to the lifestyle and leisure activities of the Edo period. Moreover, in the beginning of the year, various activities unique to Haneda Airport were prepared for customers to enjoy the New Year season, such as performances and hands-on attractions set in an immersive Edo atmosphere in the event called "New Year Haneda Edo Festival."

Furthermore, as part of an effort to stimulate inbound international customers' demand, providing information booths at international tourism expos held in Beijing, Jakarta, Taipei, Manila, and

Paris has encouraged people to use Haneda Airport as the gateway to Japan's local tourist resources. In order to increase demand for international travel, in cooperation with the Japan Association of Travel Agents (JATA), the "Travel abroad more in 2018! From Haneda to the world" event, which included exhibitions and travel seminars from 23 countries and regions worldwide, as well as airlines/government agencies, was held in the building.

With respect to the universal design (UD) that the Company has emphasized since its foundation, the UD Committee, comprised of academics, experts with their own disabilities, airport-related operators, and the Company's employees, has continued to conduct evaluations and verifications, and also in the fiscal year, the Company has steadily engaged in the improvement of various new issues which were brought up from the perspective of the use of wheelchairs and users with visual and hearing disabilities in the "Spiral-up" which was implemented last year. In consideration of upgrading and diversifying the guidance in the building, which has been using information and communications technologies (ICT) as information UD since fiscal year 2015, the Company has made efforts for demonstration experiments and the full-scale introduction of various measures. Regarding display guidance by projection mapping for congestion levels at security checkpoints, the accuracy was improved by automatically discriminating passenger dynamics with camera images, etc. Based on the demonstration experiments, voice articulation technologies which guide visually-impaired people through the building's facilities have been adopted and introduced in the current year for the purpose of automated voices in restrooms in certain parts of the building. In addition, since fiscal year 2015, the Company has been conducting demonstration experiments with technologies that enable customers to obtain more detailed intra-building guidance information simply by having the customers themselves take photos of direction boards with their smartphones or other mobile devices, and in this fiscal year, the Company expanded the experiment targets to items on restaurant menus and exhibits in the terminal building, and is making efforts to verify the results in order to improve the convenience for passengers.

In the terminal building, in order to continue to provide high-quality services and hospitality, the employees working in the building continuously implement customer satisfaction (CS) activities while sharing the CS philosophy. Also in the fiscal year, the Haneda Airport International Area Passenger CS Liaison Committee planned and operated the CS award system, held CS seminars and campaigns, and issued CS bulletins, promoting relevant activities throughout the international terminal area. In addition, the Company has been developing understanding and empathy among employees beyond organizational, occupational and operational frameworks by further promoting internal branding activities through staff exchange meetings attended by employees working in the building as well as activities involving government bodies related to Haneda Airport's international flights and airport-related companies. At the same time, the Company has been working to convey a unified feeling of hospitality to the customers. Also in the fiscal year, an exhibit featuring scenes of various working employees with the slogan, "WE ARE TOKYO," created a synergistic effect in our internal branding activities.

These various efforts and activities have been recognized by external rating agencies. Our international and domestic terminals have received the 5 Star Airport ranking in the Global Airport Ranking by Skytrax, a U.K.-based service research firm, for four consecutive years. Furthermore, in awards by category, our airport ranked first in the World's Cleanest Airport category for three consecutive years and five times in total.

While terminal business management was expanding against the backdrop of strong passenger demand, the second TIAT building was built in the location next to the first existing TIAT building and its construction was completed in December of the fiscal year. Regarding the second TIAT building, the Company responded to an increased demand for office spaces used by airlines, outsourcing contractors, etc., and at the same time, in order to improve the work environment for employees working in the building, the Company expanded the infrastructure system for terminal building management including the addition of facilities such as break rooms for employees.

As a result of the Company's above-mentioned implementation measures to improve facilities and services, the steady operation of the terminal, and business execution with cost awareness combined with the increase in customers, the Company reported an operating revenue of 89,539 million yen (up 15.0% year-on-year) in the fiscal year, an operating profit of 12,484 million yen (up 15.2% year-on-year), an ordinary profit of 7,970 million yen (up 12.0% year-on-year), and a net current profit of 5,440 million yen (up 0.4% year-on-year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

The international passenger terminal generated a passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, of 19,856 million yen (up 9.1% year-on-year), reflecting an increase in passengers, etc.

The facility usage fee revenue from air transport service operators' use of facilities, including boarding bridges, the luggage handling system, and gates dedicated for business jet airplanes, totaled 3,557 million yen (up 1.8% year-on-year).

The rent revenue generated from renting offices for airlines and shop spaces for tenants was 4,808 million yen (up 2.7% year-on-year).

Consequently, the operating revenue of the Facilities Management and Operation Businesses Segment was 28,221 million yen (up 7.0% year-on-year).

<Directly-Managed Business Segment>

In the Merchandise Sales Business, the sales of goods generated from general duty-free stores and branded boutiques totaled 54,217 million yen (up 19.3% year-on-year).

The sales from the Restaurant Business totaled 2,749 million yen (up 17.6% year-on-year).

Among the other businesses, the revenues from the parking lot business and other businesses, such as the lounge business and advertising in the building, were, respectively, 1,631 million yen (up

2.6% year-on-year) and 2,719 million yen (up 29.1% year-on-year).

Consequently, the Directly-Managed Business Segment reported an operating revenue of 61,317 million yen (up 19.1% year-on-year).

(2) Status of Capital Expenditure

During the fiscal year, the Company made capital expenditures of 14,382 million yen in total, which included 8,119 million yen for renovation and reconstruction works for the international passenger terminals, etc., 2,326 million yen for the new construction of the second TIAT building, 465 million yen for the upgrade construction work for the integrated backbone network equipment, 216 million yen for the upgrade construction work for the ITV facility equipment, and 207 million yen for the installation construction work for the CT type inspection equipment for carry-on baggage, etc.

(3) Status of financing

As the funds for the work to extend and reconstruct the international passenger terminals, etc. under the Alteration Contract of Limited Loan Contract signed with the loan syndication as of December 28, 2017, the borrowing of 12,050 million yen was conducted on January 25, 2018. As a result, the outstanding balance of the loan from the syndication stood at 98,952 million yen as of the end of the fiscal year.

(4) Issues to Be Addressed

Against the backdrop of strong passenger demand, as the maintenance and improvement of safety and service quality under congested situations during high seasons and peak hours has been recognized as an issue to be addressed, the Company will further strengthen precautions and security in the terminal building, aviation security against terrorism, and disaster prevention measures, including measures against large-scale disasters, in order to further ensure customers' safety and security. Moreover, accompanying the designation of critical infrastructure of the airport building by the Japanese government, the Company will further improve and enhance cyber security measures.

In Haneda Airport, based on the Japanese government's policy for strengthening the functions of the airports in the Tokyo metropolitan area, consideration and preparation are being conducted for the review of flight paths and the enhancement of airport functions and facilities with the aim to increase Haneda Airport's capacity by approx. 39 thousand arrivals/departures by 2020. To cope with an increase in international passengers reflecting the increase in the number of flights, the Company is proceeding with a plan to expand the international passenger terminal building, and started construction to extend the existing international terminal building and add boarding bridges in January this year. The Company continues to maintain its service level and quality, while also expanding all possible means to secure safety during the construction period. In addition, as part of the financing project required for expanding the facility, after formulating a project to finance the expansion by issuing new shares to shareholders as the third-party allocation

of shares, the project was approved in the extraordinary general meeting of shareholders on October 26 in the fiscal year and the payments were completed on April 27, 2018. The shareholding of Japan Airport Terminal Co., Ltd. representing the shareholders of the Company increased to 51% due to the recent underwriting of capital increase, which changed the status of the Company to a consolidated subsidiary of Japan Airport Terminal Co., Ltd. Also, in the domestic area of Haneda Airport, Japan Airport Terminal Co., Ltd. is promoting the renovation of a facility for international flights on the south side of the international terminal building in Terminal 2 with the aim of opening in March 2020. The Company is planning to manage the international passenger terminal business with the current international passenger terminal building after renting the facility. Upon expanding the international terminal business based on our status change to a consolidated subsidiary of Japan Airport Terminal Co., Ltd., in order to further improve the service level of Haneda Airport as a whole by leveraging hub functions for domestic and international flight networks, which are Haneda Airport's major advantage, and to contribute to strengthening the international competitiveness of the airports in the Tokyo metropolitan area, the Company will further promote the facility development and the management plan while building an integrated relationship in the terminal business between the domestic flights and international flights.

Furthermore, in order to contribute to smooth and safe hosting of the Tokyo Olympic and Paralympic Games in July 2020, as a member of the Immigration Liaison Meeting of the Tokyo Organizing Committee of the Olympic and Paralympic Games, the Company will not only prepare incessantly for serving the customers who are visiting Japan during the period as participating athletes, officials, and spectators, but we will also build a legacy in terms of the facilities and services in accordance with the Tokyo 2020 Olympic and Paralympic Accessibility Guideline, including UD and hospitality.

The Company will share information more closely than ever not only with the government, loan syndication and other related parties but with related companies and our shareholders and ensure detailed and sufficient consultation and coordination to robustly handle these tasks.

Fully recognizing Haneda Airport's roles and significance as an international airport located in Tokyo metropolitan area, the Company will continue to provide facilities and services of outstanding quality (safety, convenience and comfort), including relentlessly making efforts in daily operation and maintenance management and steadily responding to customers' opinions, feedback surveys and matters pointed out by Skytrax.

(5) Changes in Assets and Income

Category	The 9th term FY2014	The 10th term FY2015	The 11th term FY2016	The 12th term FY2017
Operating revenue	57,357 million yen	70,819 million yen	77,847 million yen	89,539 million yen
Net income	2,924 million yen	4,316 million yen	5,417 million yen	5,440 million yen
Net income per share	824,014 yen	1,186,638 yen	1,491,682 yen	1,497,353 yen
Net assets	2,833 million yen	6,348 million yen	15,843 million yen	22,021 million yen

(6) Main Businesses

- (i) Management and operation of the international passenger terminal building
- (ii) Leasing of offices and shop spaces for air transport service operators and businesses operating in the premises of the airport
- (iii) 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
- (iv) Sales of merchandise to the users of the international passenger terminal building
- (v) Operation of restaurants and coffee shops for the users of the international passenger terminal

(7) Status of employees

Number of employees	Increase/decrease from the end of the previous fiscal year
55 (11)	Increased by 5 (Decreased by 5)

(Note) The numbers indicate employed workforce. The numbers in parentheses are those of non-regular employees and not included in the numbers before them.

(8) Main lenders

(Millions of yen)

Lender	Amount
Development Bank of Japan Inc.	22,994
Mizuho Bank, Ltd.	15,752
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,831
Sumitomo Mitsui Banking Corporation	6,404
The Bank of Yokohama, Ltd.	5,800
Shinkin Central Bank	5,608

2. Status of 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
TEPCO Energy Partners Incorporated	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

(4) Other Important Matters Regarding the Shares

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

3. Status of Company Executives

(1) Directors and corporate auditors

Corporate position	Name	Supervising area; and important position held concurrently
Representative Director and President & CEO	Katuji Doi	Director, Japan Airport Terminal Co. Ltd.
Managing Director	Junichiro Kitamura	In charge of Finance Department
Managing Director	Arata Yasujima	In charge of Passenger Service Department and Disaster Prevention and Security Department
Managing Director	Kensuke Oyama	In charge of Administration Department and Planning Department
Managing Director	Hiroto Kuniwake	In charge of Facilities Department, Sales Department, and International Operation Office
External Director	Toshihiro Kawasaki	Representative Director and President, TEPCO Energy Partners Incorporated; and Director, Tokyo Electric Power Company Holdings, Incorporated
External Director	Futoshi Osada	Representative Director and Senior Executive Vice President, Narita International Airport Corporation
Corporate Auditor	Masakazu Owashi	
External Corporate Auditor	Fumiya Akai	
External Corporate Auditor	Tsutomu Terabayashi	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.

Notes:

1. Toshihiro Kawasaki and Futoshi Osada are external directors stipulated in Article 2-15 of the Companies Act.
2. All three corporate auditors are external corporate auditors stipulated in Article 2-16 of the Companies Act.
3. Masakazu Owashi, Corporate Auditor, is a certified public accountant and has adequate knowledge about finance and accounting.
4. Fumiya Akai, External Corporate Auditor, is an attorney-at-law specializing in corporate laws and has adequate knowledge about finance and accounting.

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

10 directors	100 million yen	(of whom, 4 external directors:	7 million yen)
3 corporate auditors	18 million yen	(of whom, 3 external directors:	18 million yen)

Note: The above-mentioned compensations etc. include the retirement benefits paid to directors and corporate auditors who retired at the closure of the 11th General Shareholders Meeting.

(3) Matters Concerning External Officers

(i) Directors

Toshihiro Kawasaki and Futoshi Osada attend the board of directors meeting held every month and offer appropriate remarks including necessary opinions and questions concerning the Company's overall management.

(ii) Corporate auditors

Masakazu Owashi, Fumiya Akai and Tsutomu Terabayashi 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 stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act: 14 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 work executed and the grounds for the calculation of quoted compensation amount, 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 provisions stipulated in items of Paragraph 1, Article 340 of the Companies Act, dismiss the accounting auditor, and if appropriate auditing is deemed difficult due to the occurrence of situations 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 the Directors' and Employees' Execution of Duties in Compliance with the Laws and Regulations and the Articles of Incorporation and as well as the Appropriateness of Other Operations

(i) Structure to Ensure the Directors' and Employees' Execution of Duties in Compliance with the Laws and Regulations and the Articles of Incorporation

- 1) The director in charge of Administration Department is placed in charge of compliance, who establishes the compliance structure, strives to understand the issues. The Administration Department ensures the maintenance and improvement of the compliance structure.
- 2) The Internal Audit Department monitors the operational status of the compliance structure and reports the result regularly to the representative director and president & CEO and the board of corporate auditors.

(ii) Structure related to storage and management of information concerning 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.

(iii) Regulations and other structures concerning the management of risk of losses

- 1) A risk management structure will be established, with supervising departments determined respectively for individual risks related to compliance, disaster, business, information security, etc.
- 2) The Audit Department conducts internal audit of departments regularly, points out any matters that need to be improved with respect to the management of risk of losses, and reports the results to the representative director and president & CEO and corporate auditors

(iv) Structure for ensuring efficient execution of duties by directors

- 1) With the Regulations of the Board of Directors established, the board of directors meeting is held, in principle, once a month and when needed to ensure communication between the directors and mutually monitor the execution of duties in accordance with laws and ordinances.
- 2) The important matters that must be resolved at the board of directors meeting are stipulated in the Regulations of the Board of Directors. Such matters will be resolved at the board of directors meeting after being deliberated at the Managing Directors' Meeting, which comprises the president & CEO and the standing directors.
- 3) A supervising director is assigned to each of the organizational units. Organizational Regulations and Regulations for Official Authority have been established that specify the duties and authorities of organizational units and employees.

- (v) Matters relating to employees who assist corporate auditors in their duties in the case of such request made by the corporate auditor
 - 1) The representative director and president & CEO assigns employees, who are independent of business execution departments, to assist the audit conducted by the board of auditors and the corporate auditors.
 - 2) Pursuant to the Regulations of the Board of Auditors, the employees appointed to assist in the duties of the corporate auditors in accordance with the provisions stipulated in the preceding paragraph conduct administrative work related to the operation of the board of auditors such as convocation-related work and the preparation of minutes of meetings.
- (vi) 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 in the corporate auditors' duties as stipulated in the above article require a consent of the board of auditors.
- (vii) Structure of reporting to the corporate auditors, including the structure of reporting by directors and employees to them
 - 1) In addition to statutory matters, the Company is establishing a structure where directors and employees report any matters that might have a significant impact on the Company to the board of auditors in a timely manner.
 - 2) Pursuant to the Regulations of the Board of Auditors, the board of auditors may seek reports as necessary from accounting auditors, directors, and employees in the internal audit departments etc., and others.
- (viii) Structure to ensure the effectiveness of audits conducted by the corporate auditors
 - 1) The Company has a structure in place where the corporate auditors attend the board of directors meeting and, when necessary, offer opinions. They also attend important meetings including the Managing Directors' Meeting to directly grasp important matters deliberated and/or reported.
 - 2) The board of corporate auditors exchanges opinions with, and make requests deemed necessary to, the representative director regarding matters to be addressed by the Company, the status of readiness for audits by corporate auditors, and important audit-related issues.

(2) Overview of the Operational Status of the Structure for Ensuring the Appropriateness of Operations

The Company's board of directors is comprised of seven directors (of whom two are external directors) and meets once a month in accordance with the Regulations of the Board of Directors. At the board of directors meetings, which are attended by the directors and corporate auditors, each director reports the status of business execution. The board of directors meetings also discuss and resolve important matters.

At 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.

Corporate auditors attend not only the board of directors meetings but other important internal

meetings such as the Managing Directors' Meetings. Furthermore, they directly interview directors regarding the status of business execution and monitor on a daily operational basis any issues concerning the status of business execution and compliance. With these structures in place, the Company seeks to strengthen and improve its management monitoring function.

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

Balance Sheet

(As of March 31, 2018)

(Thousands of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	54,374,119	Current liabilities	17,262,779
Cash and deposits	44,231,832	Accounts payable-trade	3,563,357
Accounts receivable - trade	5,143,493	Current portion of long-term loans payable	5,796,700
Merchandise	3,350,135	(Preferred loan)	(5,796,700)
Accounts receivable - other	1,264,720	Accounts payable - other	989,433
Prepaid expenses	109,559	Accrued expenses	3,862,287
Deferred tax assets (current)	256,740	Income taxes payable	2,142,648
Other current assets	17,639	Accrued interest expenses	26,475
		Other current liabilities	881,876
Noncurrent assets	117,271,019	Noncurrent liabilities	132,360,677
Tangible assets	113,252,645	Shareholder subordinated bonds	14,580,000
Buildings	92,749,669	Long-term loans payable	111,155,690
Structures	1,169,401	(Preferred loan)	(93,155,690)
Machinery and equipment	5,819,450	(Shareholder subordinated loans)	(18,000,000)
Vehicles	3,150	Long-term lease deposit received	484,176
Tools, furniture and fixtures	5,391,613	Provision for directors' retirement benefits	53,725
Construction in progress	8,119,359	Interest rate swap liabilities	6,087,085
		Total liabilities	149,623,457
Intangible assets	1,036,763	Net assets	
Software	1,036,763	Shareholders' equity	26,244,902
Investments and other assets	2,981,610	Capital stock	9,000,000
Deferred tax assets (noncurrent)	1,981,610	Capital surplus	9,000,000
Separately managed penalty in trust	1,000,000	Capital reserve	9,000,000
		Retained earnings	8,244,902
		Other retained earnings	8,244,902
		Retained earnings brought forward	8,244,902
		Valuation and translation adjustments	△ 4,223,220
		Deferred gains or losses on hedges	△ 4,223,220
		Total net assets	22,021,681
Total assets	171,645,139	Total liabilities and net assets	171,645,139

Income Statement

(From April 1, 2017
To March 31, 2018)

(Thousands of yen)

Account title	Amount	
Operating revenue		
Rents	4,808,114	
Facility rental income	23,413,865	
Sales of goods	54,217,715	
Restaurant sales	2,749,667	
Other revenue	4,350,393	89,539,756
Cost of sales		
Cost of goods sold		37,730,822
Operating gross profit		51,808,933
Selling, general and administrative expenses		39,324,100
Operating income		12,484,833
Non-operating income		
Interest income	406	
Miscellaneous income	327,062	327,468
Non-operating expenses		
Interest expenses	3,813,555	
Miscellaneous loss	1,027,784	4,841,339
Ordinary income		7,970,962
Extraordinary loss		
Loss on retirement of noncurrent assets	17,763	17,763
Income before income taxes		7,953,199
Income taxes-current		2,569,058
Income taxes-deferred		△ 56,311
Net income		5,440,453

Statement of Changes in Net Assets

(From April 1, 2017
to March 31, 2018)

(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, 2017	9,000,000	9,000,000	9,000,000	2,804,448	2,804,448	20,804,448
Changes during the period						
Net income	—	—	—	5,440,453	5,440,453	5,440,453
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	5,440,453	5,440,453	5,440,453
Balance as of March 31, 2018	9,000,000	9,000,000	9,000,000	8,244,902	8,244,902	26,244,902

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2017	Δ4,960,790	Δ4,960,790	15,843,658
Changes during the period			
Net income	—	—	5,440,453
Net changes of items other than shareholders' equity	737,570	737,570	737,570
Total changes during the period	737,570	737,570	6,178,023
Balance as of March 31, 2018	Δ4,223,220	Δ4,223,220	22,021,681

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
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. 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 – 742.909 million yen; cumulative at the end of the fiscal year under review -- 4,125.623 million yen) and recorded as part of noncurrent assets.
6. Hedge accounting method
 - (1) Hedge accounting method: Deferred hedge treatment
 - (2) Hedge procedure and hedge target
Hedge procedure: Derivative trading (interest swap trading)
Items hedged: 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

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

2. Pledged assets		(Thousands of yen)
Assets pledged as collateral		
	Ordinary deposits	43,987,666
	Accounts receivable – trade	51,668
	Buildings	92,749,669
	Structures	1,169,401
	Machinery and equipment	5,819,450
	Separately managed penalty in trust	1,000,000
Liabilities corresponding to the above		
	Current portion of long-term loans payable	5,796,700
	Long-term loans payable	93,155,690
3. Total depreciation of property, plant and equipment		61,156,337
4. Monetary claims and obligations to subsidiaries and affiliates		
Monetary claims	Accounts receivable – trade	400,367
	Accounts receivable – other	21,822
Monetary obligations	Accounts payable – trade	3,563,357
	Accrued expenses	3,173,463
	Shareholder subordinated bonds	6,660,000
	Long-term loans payable	6,660,000
	Long-term lease deposit received	262,321

III. Notes on Income Statement

(Thousands of yen)

1. Reported amounts are rounded down to the nearest thousand yen.

2. Transactions with subsidiaries and affiliates	Operating transactions	58,845,493
	Non-operating transactions	446,676

IV. Notes on Statement of Change 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.	133,542
Provision for directors' retirement benefits	16,450
Deferred losses on hedges	1,863,865
Other	240,942
Deferred tax assets subtotal	2,254,801
Valuation reserve	△16,450
Deferred tax assets total	2,238,350

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, 2018 (the Company's account settlement date for the relevant fiscal year) are as follows.

(Thousands of yen)

Category	Value on the balance sheet (*)	Market value (*)	Difference
(1) Cash and deposits	44,231,832	44,231,832	—
(2) Shareholder subordinated bonds	(14,580,000)	(20,739,145)	6,159,145
(3) Long-term loans payable	(116,952,390)	(124,556,267)	7,603,877
(4) Derivative trading	(6,087,085)	(6,087,085)	—

(*) 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

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

(ii) 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 items hedged	Contract amount, etc.	Market value	Calculation method of the said market value
Fundamental processing method	Interest rate swap trading: Fixed interest payment, variable interest receipt	Long-term loans payable	86,388,200	△6,087,085	The price, etc. indicated by the counterparty 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
	93,919,071	158,770,000

Note 1. The value includes offices, etc. used by the Company.

Note 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

1. Main corporate shareholders etc.

(Thousands of yen)

Type	Name of the company etc.	Ratio of voting rights and other ownership	Relationship with the party	Transactions	Transaction value	Account title	Balance at the term-end
Other related company	Japan Airport Terminal Co., Ltd	38.78% directly held	Procurement of goods and consignment of operation of stores etc.: and double-hattin g of directors	Financing (Note 1)	-	Shareholder subordinated bonds	6,600,000
				Borrowing of funds (Note 2)	-	Long-term loans payable	6,660,000
				Business consignment (Note 3)	19,451,541	Accrued expenses	3,137,463
				Procurement of goods (Note 4)	37,642,607	Accounts payable—trade	3,563,357
Main shareholder	Japan Airlines Co., Ltd.	19.36% directly held	-	Financing (Note 1)	-	Shareholder subordinated bonds	3,330,000
				Borrowing of funds (Note 2)	-	Long-term loans	3,330,000
Main shareholder	ANA Holdings Inc.	19.36% directly held	-	Financing (Note 1)	-	Shareholder subordinated bonds	3,330,000
				Borrowing of funds (Note 2)	-	Long-term loans	3,330,000
Director	Toshihiro Kawasaki Representative Director and President, TEPCO Energy Partner, Incorporated	-	Borrowing of funds	Borrowing of funds (Note 2) (Note 5)		Long-term loans	1,260,000
Director	Futoshi Nagata Representative Director and Senior Executive President, Narita International Airport Corporation	-	Borrowing of funds	Borrowing of funds (Note 2) (Note 6)		Long-term loans	1,620,000

Terms and conditions of transactions and policy on determining them

Note 1: Financing terms and 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 terms and 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 terms and conditions are determined as in the cases of any other similar transactions conducted generally.

Note 4: The terms and conditions for procurement of goods are determined as in the cases of any other similar transactions conducted generally.

Note 5: This transaction was conducted for a third party by Toshihiro Kawasaki, a director at our company, in the capacity of a representative of TEPCO Energy Partner, Incorporated.

Note 6: This transaction was conducted for a third party by Futoshi Osada, a director at our company, in the capacity of a representative of Narita International Airport Corporation.

Note 7: Among the amounts indicated in the table above, transaction amounts do not include consumption tax.

Note 8: The ratios of voting rights and other ownership are rounded down to the nearest two decimal places.

IX. Notes on data per share

- | | |
|----------------------------------|------------------|
| 1. Net asset per share: | 5,872,767.18 yen |
| 2. Current net profit per share: | 1,497,353.71 yen |

X. Matters concerning important subsequent events

(Issuance of Shares for Subscription by a Third-Party Allotment)

The Company decided to issue shares for subscription by a third-party allotment in an extraordinary general meeting of shareholders held on October 26, 2017. Moreover, in the board of directors meeting held on the same day, the allotment of shares for subscription was resolved, and the payment was completed on April 27, 2018. As a result, the capital stock and the total number of shares outstanding respectively amounted to 13,265 million yen and 5,306 shares.

Moreover, Japan Airport Terminal Co., Ltd. came to own 51.00% of the voting rights of the Company due to capital increase through third-party allocation, and the Company became a consolidated subsidiary of a related company and an equity method affiliate of Japan Airport Terminal Co., Ltd.

- | | |
|---|---|
| 1. Type and number of shares to be issued | : Common stock 1,706 shares |
| 2. Issuance price | : 5 million yen per share |
| 3. Total issue amount | : 8,530 million yen |
| 4. Amount of capital incorporation | : 4,265 million yen |
| 5. Payment date | : April 27, 2018 |
| 6. Allottee and number of shares to be allotted | : Japan Airport Terminal Co., Ltd. 1,310 shares |
| | Japan Airlines Co., Ltd. 198 shares |
| | ANA Holdings Inc. 198 shares |

7. Purpose of funds
The funds will be applied to renovation and reconstruction works for the international passenger terminals, etc. and repair works to improve the function of existing facilities.

Supplementary Statements for the 12th Business Term

(From April 1, 2017
To March 31, 2018)

I . Supplementary Statement of the Business Report

II . Supplementary Statement of the Financial Statements

Tokyo International Air Terminal Corporation

Supplementary Statements for the 12th Business Term

(from April 1, 2017 to March 31, 2018)

I Supplementary Statement of the Business Report

1. Important positions, such as business executive director, held at another company

Category	Name	Concurrent position held at	Description of the position concurrently held	Relationship
External Director	Toshihiro Kawasaki	TEPCO Energy Partner Incorporated; Tokyo Electric Power Company Holdings, Incorporated	Representative Director and President; Director	
External Director	Futoshi Osada	Narita International Airport Corporation	Representative Director and Senior Executive Vice President	
External Corporate Auditor	Tsutomu Terabayashi	Tokyo Marine & Nichido Fire Insurance Co., Ltd.	Managing Executive Officer	

II Supplementary Statement of the Financial Statements

1. Details of tangible and intangible non-current 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
Tangible assets	Buildings	95,744,231	3,739,581	26,712	6,707,430	92,749,669	41,734,243	134,483,913
	Structures	1,286,359	52,644	—	169,603	1,169,401	847,803	2,017,205
	Machinery and equipment	5,822,076	498,879	—	501,505	5,819,450	2,767,732	8,587,182
	Vehicles	6,895	—	—	3,744	3,150	165,313	168,464
	Tools, furniture and fixtures	6,251,926	1,027,222	31,122	1,856,412	5,391,613	15,641,243	21,032,857
	(Subtotal)	(109,111,490)	(5,318,327)	(57,835)	(9,238,696)	(105,133,285)	(61,156,337)	(166,289,623)
	Construction in progress	736,374	8,894,989	1,512,004	—	8,119,359	—	8,119,359
	Total	109,847,864	14,213,316	1,569,840	9,238,696	113,252,645	61,156,337	174,408,983
Intangible assets	Software	1,121,299	169,578	291	253,823	1,036,763	591,556	1,628,324

Note 1: The main factors contributing to the increase in the term include 8,119 million yen for the work to extend and reconstruct the international passenger terminal building, etc., 2,326 million yen for the new construction of the second TIAT building, 465 million yen for the upgrade construction work for the integrated backbone network equipment, 216 million yen for the upgrade construction work for the ITV facility equipment, and 207 million yen for the installation construction work for the CT type inspection equipment for carry-on baggage, etc.

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
			Used for the relevant purpose	Other	
Provision for directors' retirement benefits	44,475	16,338	7,088	—	53,725

Note: The reason for the provisioning and the calculation method for the amounts are described in the item 3 under the section I “Notes on Matters Related to Important Accounting Policies” of “Notes to Non-Consolidated Financial Statements.”

3. Details of selling, general and administrative expenses

(Thousands of yen)

Account title	Amount	Remarks
Directors' compensations	111,000	
Employees' salaries	467,304	
Provision for directors' retirement benefits	16,338	
Legal welfare expenses	16,479	
Welfare expenses	4,135	
Transportation expenses	64,152	
Supplies expenses	20,448	
Furniture and fixtures	23	
Utilities expenses	71,299	
Communication expenses	580,034	
Insurance expenses	93,089	
Repair expenses	350,416	
Rent expenses	313,209	
Conference expenses	4,430,498	
Entertainment expenses	11,999	
Taxes and public charges	19,512	
Donation expenses	1,287,013	
Advertising expenses	10	
Cleaning expenses	602,469	
Business consignment expenses	20,842	
Miscellaneous expenses	20,906,345	
Depreciation	444,958	
Total	39,324,100	