

# **The 11th Business Term**

## **Business Report**

( From April 1, 2016  
to March 31, 2017 )

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If there is any discrepancy between this translated document and the Japanese original,  
the original shall prevail.

**Tokyo International Air Terminal Corporation**

# Business Report

(  
From April 1, 2016  
To March 31, 2017  
)

## 1. Matters Concerning the Company's Status

### (1) Progress and Results of Operations

During the fiscal year under review, Japanese economy in general continued to recover gradually including the continuous recovery of consumer spending and improvement of corporate earnings despite delays seen in some respects. Among overseas economies, though emerging and some other economies show weak trends, the U.S. and European economies have gradually expanded, and China's economy indicated steady expansion despite a modest slowdown in its consumer spending growth. The global economy in general, including Japan, thus gradually recovered.

Under such circumstances, the number of outbound Japanese travelers exceeded the last year's number. The number of inbound foreign travelers, especially those from East Asia, continued to increase significantly, exceeding 24 million by 2016.

In response, Haneda Airport's international flights and routes have been expanded based on the outcome of U.S.-Japan civil aviation talks—including shifting services for existing routes and flights from late-night and early-morning time to daytime from winter and adding new flights bound to such cities as New York, Chicago and Minneapolis.

With the passenger demand increasing steadily for the new and other various destinations and routes, the actual number of inbound and outbound travelers in the fiscal year under review increased 16% year on year. Furthermore, both the monthly and daily numbers of travelers in March, the fiscal year-end, reached record high.

Against this backdrop, as safety and security forms the basis of an international passenger terminal, the Company established a special structure for disaster prevention and enhanced security especially during the Ise-Shima Summit period in May and 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, as part of efforts to ensure safety of customers, the Company further utilized new technologies including increasing security cameras and having its patrol guards use wearable cameras.

Given that crisis management necessitates preparations and drills for various emergency situations, the Company strived to enhance its readiness for contingency situations, including improving its emergency management manual and conducting stress tests with external experts' advice. Also, toward prompt on-site responses to the occurrence of fire, the Company held eight drills assuming fires occurring near the workplaces of employees working in the building as part of the general disaster prevention drills conducted in entire international terminal area. In addition, the Company leveraged meetings with its fire brigade's local team to increase awareness of employees working in the building about fire and disaster prevention.

In terms of aviation security, the Company introduced advanced body scanners in full scale in March in cooperation with Airline Operators' Committee (AOC) to upgrade the security check at airports as part of anti-terrorism initiatives promoted by Japanese government.

In terms of facilities, the Company continued to improve and enhance environment for customers' use of mobile devices, including strengthening wi-fi environment in the terminal building and adding pole-type electric outlets installed next to lobby chairs, for improved convenience and comfort of customers. Moreover, hot water dispensers, which many customers requested, are placed at 6 places in the building. As to direction boards in the building, two large-sized monitors have been installed next to the information counter on the third floor that show the floor layout of check-in counters. Also, logos of the airlines are shown above the check-in counter islands open for check-in. For arriving customers, the Company installed guidance monitors in the luggage

pick-up area that show videos of transit routes to domestic flights and local public transportation. Thus, the Company provides easy-to-understand guidance for both departing and arriving customers.

As to passenger services, the Company increased the frequency of free shuttle buses between domestic and international terminals from every 6 minutes to every 4 minutes for improving the convenience of transit customers transferring between terminals. Also, automatic coin exchange machines have been installed in the departing and arriving areas that provide a service to exchange extra coins from traveling to electronic money points.

As to the multilingual website that has provided flight information and information about facilities and services available in the international terminal in Japanese, English, Korean and simplified Chinese characters, the information is now offered in traditional Chinese characters, too. Furthermore, its smartphone-based browsability has been improved for mobile use including in the building.

Furthermore, to maintain and improve its service quality, the Company strives 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 customers at stores and service facilities in the building. It also continues to offer regular training in conversation with customers in English, Chinese and Korea and in cross-cultural understanding for improving customer services for travelers from overseas.

As part of customer entertainment, the Company decorated the building to project Japan's four seasons including winter illumination and carried out various campaigns in the fiscal year under review, too. Among them, 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 increasing the number of visitors to the building. Additionally, the Company run booths at tourism exhibitions held in Guangzhou, Bangkok and Kuala Lumpur for promoting the convenience of Haneda Airport and the attractiveness of its terminals, thus having started to take initiatives to encourage traveling to Japan and utilization of Haneda Airport.

In the commercial area, pick-up counters have been set up for duty-free items purchased at downtown stores, offering a new option for purchasing duty free items not only to foreign travelers but also to Japanese travelers visiting other countries. The applicable airport-type downtown duty-free stores have been expanded to two stores located in Ginza area. Among the restaurants, in response to a wide variety of needs indicated by customers including those from overseas, the Company opened a restaurant where all items on its menu are Halal-certified and, at the information counters and website for passengers, indicates those restaurants in the building that offer Halal and/or vegetarian dishes.

With respect to universal design (UD) that the Company has emphasized since its foundation, given that the fiscal year under review is the year for implementing the "spiral-up," the UD Committee comprised of academics, experts with their own disabilities, airport-related operators, and the Company's employees met, and on-site verification and evaluation were conducted from the perspectives of the use of wheelchairs and users with visual and hearing disabilities. Furthermore, as part of information UD initiatives utilizing information and communications technologies (ICT), demonstration experiment of guiding and multilingual functions offered in the building have been carried out in the fiscal year under review, too, in cooperation with the manufacturers. Based on these initiatives, guidance equipment has been introduced at security checkpoints etc. in full scale based on project mapping. Also, the concierge uses tablet terminal-based voice and hand-written translation and other communication tools for customer services.

The Company's employees working in the terminal building share our customer satisfaction (CS) philosophy and continuously implement CS activities for continuing to provide high quality services and hospitality. In the fiscal year under review, too, 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, it is developing “understanding and empathy among the crew” 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 those of government bodies relating to Haneda Airport’s international flights and of airport-related companies.

These various efforts and activities have been recognized by external rating agencies. Our International Terminal, together with our Domestic Terminal, ranked a 5 Star Airport in the Global Airport Ranking by Skytrax, a U.K.-based service research firm, for three consecutive years. Furthermore, our airport ranked second in the World’s Best Airport awards, a comprehensive evaluation of airports, in 2017 and, in awards by category, the first in the World’s Cleanest Airport for two consecutive years and for the fourth time. Furthermore, the Company’s environmentally-friendly initiatives taken toward developing an “eco-airport” since its foundation based on various energy-saving technologies led to the recognition by Kanto Bureau of Economy, Trade and Industry, Ministry of Economy, Technology and Industry with the “2016 Awarding of Excellent Energy Conservation Factory & Building.” The company continues to seek safety and comfort of customers at the terminal building and contribute to developing low-carbon society.

As a result of the Company’s implementation of measures described above to improve facilities and services, steady operation of the terminal, and business execution with cost awareness combined with the increased customers, the Company reported operating revenue of 77,847 million yen (up 9.9% year on year) in the fiscal year under review, operating profit of 10,834 million yen (up 22.8% year on year), and ordinary profit of 7,119 million yen (up 53.4% year on year). Net current profit reached 5,417 million yen (up 25.5% year on year) with net loss carried forward eliminated by the fiscal year under review.

Business performance by business segment is as follows:

<Facilities Management and Operation Business Segment>

The International Passenger Terminal generated passenger service facility charge, or PSFC, revenue which the Company receives from air travelers at departure and transit, of 18,201 million (up 16.5% year on year) reflecting increased passengers etc.

Facility usage fee revenue from air transport service operators’ use of facilities including boarding bridges, luggage handling system and gates dedicated for business jet airplanes totaled 3,495 million yen (up 2.0% year on year).

Rent revenue generated from renting offices for airlines and shop spaces for tenants was 4,682 million yen (up 3.6% year on year).

Consequently, the operating revenue of the Facilities Management and Operation Business Segment was 26,379 million yen (up 11.9% 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 were 45,433 million yen (up 7.6% year on year).

The sales from the Restaurant Business were 2,338 million yen (up 23.1% year on year).

Among other businesses, the revenues from parking lots business and other businesses such as lounge business and advertising in the building were, respectively, 1,590 million (up 8.9% year on year) and 2,105 million (up 27.1% year on year).

Consequently, the Directly-Managed Business Segment reported an operating revenue of 51,467 million yen (up 8.9% year on year.)

## **(2) Status of Capital Expenditure**

During the fiscal year under review, the Company made capital expenditures of 3,796 million yen in total, which included 536 million yen for the upgrade of BHS information system, 436 million yen for the installment of check-in countertop signs on the third floor, 258 million yen for the relocation of insurance counters and installment of additional check-in counters on the third floor, and 121 million yen for the construction of a new airline maintenance office in the first floor's restricted area.

## **(3) Status of financing**

The borrowing of funds for the work to extend the International Terminal etc. under the Limited Loan Contract Alteration Contract signed with the loan syndication as of March 21, 2012 was completed by fiscal year 2014. In the fiscal year under review, the Company repaid 3,626 million yen and 3,567 million yen, respectively, on September 30, 2016, and March 31, 2017. As a result, the outstanding balance of loan from the loan syndication stood at 94,450 million yen as of the end of the fiscal year under review.

## **(4) Issues to Be Addressed**

Against the backdrop of strong passenger demand, recognizing the maintenance and improvement of safety and service quality under congestion situations during high seasons and peak hours as issues to be addressed, the Company will further strengthen precautions and security in the terminal building, aviation security against terrorism, and disaster prevention measures including against large-scale disasters in order to further ensure customers' safety and security. It will also flexibly extend facility and service hours and increase personnel based on demand forecasts and make further efforts to strengthen the capacity of its facilities and functions for coping with the demand as well as to improve guidance and information provision to diversify traffic. Also, in regard to information universal design leveraging ICT, the Company seeks to adopt and implement such design for terminal guidance and transportation information services which is easy to understand for everyone, including customers with disabilities and foreign passengers.

In the medium-term, based on Japanese government's policy for strengthening the functions of the airports in Tokyo metropolitan area, discussions have been commenced about the review of flight paths and 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 passengers reflecting the increase in the number of flights, the Company will implement necessary improvements including extending the existing international terminal building and adding boarding bridges. Furthermore, to contribute to the smooth hosting of Tokyo Olympic and Paralympic Games in 2020, the Company will not only prepare without lapse for serving customers--who are visiting Japan during the period as participating athletes, officials and spectators--as a member of the Immigration Liaison Meeting of Tokyo Organizing Committee of the Olympic and Paralympic Games in cooperation with Japan Airport Terminal Co., Ltd. operating domestic terminals, it will also build legacy in terms of facilities and services in accordance with the Tokyo 2020 Accessibility Guideline including UD.

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 8th term FY2013	The 9th term FY2014	The 10th term FY2015	The 11th term FY2016
Operating revenue	35,844 million yen	57,357 million yen	70,819 million yen	77,847 million yen
Net income (loss (Δ))	Δ2,217 million yen	2,924 million yen	4,316 million yen	5,417 million yen
Net income (loss (Δ)) per share	Δ627,043 yen	824,014 yen	1,186,638 yen	1,491,682 yen
Net assets	400 million yen	2,833 million yen	6,348 million yen	15,843 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 building

**(7) Status of employees**

Number of employees	Increase/decrease from the end of the previous fiscal year
50 (16)	Increased by 2 (Increased by 7)

(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.	21,896
Mizuho Bank, Ltd.	14,713
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,055
Sumitomo Mitsui Banking Corporation	6,017
The Bank of Yokohama, Ltd.	5,542
Shinkin Central Bank	5,407

## 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	Katsuji Doi	Director, Japan Airport Terminal Co. Ltd.
Managing Director	Junichiro Kitamura	In charge of Finance Department
Managing Director	Takahiro Uehara	In charge of Facilities Department, Sales Department, and International Operation Office
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
External Director	Tomoaki Kobayakawa	Representative Director and President, TEPCO Energy Partners Incorporated; and Director, Tokyo Electric Power Company Holdings, Incorporated
External Director	Masaki Saida	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. Masaki Saida and Tomoaki Kobayakawa 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

9 directors	113 million yen	(of whom, 2 external directors:	4 million yen)
4 corporate auditors	19 million yen	(of whom, 4 external corporate auditors:	19 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 10th General Shareholders Meeting.

### (3) Matters Concerning External Officers

#### (i) Directors

Masaki Saida and Tomoaki Kobayakawa 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: 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 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.

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

## Balance Sheet

(As of March 31, 2017)

(Thousands of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	45,991,852	Current liabilities	15,010,177
Cash and deposits	36,388,760	Accounts payable-trade	—
Accounts receivable - trade	—	Current portion of long-term loans payable	—
Merchandise	—	(Preferred loan)	—
Accounts receivable - other	852,932	Accounts payable - other	—
Prepaid expenses	—	Accrued expenses	—
Deferred tax assets (current)	212,226	Income taxes payable	—
Other current assets	10,353	Accrued interest expenses	6,860
		Other current liabilities	1,270,766
Noncurrent assets	114,190,648	Noncurrent liabilities	129,328,665
Tangible assets	109,847,864	Shareholder subordinated bonds	—
Buildings	95,744,231	Long-term loans payable	—
Structures	1,286,359	(Preferred loan)	( 18,000,000)
Machinery and equipment	5,822,076	(Shareholder subordinated loans)	( 18,000,000)
Vehicles	6,895	Long-term lease deposit received	485,596
Tools, furniture and fixtures	6,251,926	Provision for directors' retirement benefits	—
Construction in progress	736,374	Interest rate swap liabilities	—
		Total liabilities	144,338,842
Intangible assets	1,121,299	Net assets	
Software	—	Shareholders' equity	20,804,448
		Capital stock	9,000,000
Investments and other assets	3,221,484	Capital surplus	9,000,000
Long-term prepaid expenses	15,709	Capital reserve	9,000,000
Deferred tax assets (noncurrent)	2,205,774	Retained earnings	2,804,448
Separately managed penalty in trust	1,000,000	Other retained earnings	2,804,448
		Retained earnings brought forward	2,804,448
		Valuation and translation adjustments	Δ 4,960,790
		Deferred gains or losses on hedges	—
		Total net assets	15,843,658
Total assets	160,182,500	Total liabilities and net assets	160,182,500

## Income Statement

( From April 1, 2016  
To March 31, 2017 )

(Thousands of yen)

Account title	Amount	
Operating revenue		
Rents	4,682,411	
Facility rental income	21,697,365	
Sales of goods	45,433,340	
Restaurant sales	2,338,587	
Other revenue	3,695,845	77,847,550
Cost of sales		
Cost of goods sold		31,601,355
Operating gross profit		46,246,195
Selling, general and administrative expenses		35,411,684
Operating income		10,834,510
Non-operating income		
Interest income	503	
Miscellaneous income	374,068	374,571
Non-operating expenses		
Interest expenses	4,088,289	
Miscellaneous loss	1,404	4,089,694
Ordinary income		7,119,388
Income before income taxes		7,119,388
Income taxes-current		1,113,409
Income taxes-deferred		588,930
Net income		5,417,048

## Statement of Changes in Net Assets

( From April 1, 2016  
to March 31, 2017 )

(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, 2016	9,000,000	9,000,000	9,000,000	Δ2,612,599	Δ2,612,599	15,387,400
Changes during the period						
Net income	—	—	—	5,417,048	5,417,048	5,417,048
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	5,417,048	5,417,048	5,417,048
Balance as of March 31, 2017	9,000,000	9,000,000	9,000,000	2,804,448	2,804,448	20,804,448

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2016	Δ9,039,319	Δ9,039,319	6,348,080
Changes during the period			
Net income	—	—	5,417,048
Net changes of items other than shareholders' equity	4,078,529	4,078,529	4,078,529
Total changes during the period	4,078,529	4,078,529	9,495,577
Balance as of March 31, 2017	Δ4,960,790	Δ4,960,790	15,843,658

## 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. 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 -- 2,706,000 yen; cumulative at the end of the fiscal year under review -- 3,382,719,000 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.



<Additional information>

[Application of Implementation Guidance on Recoverability of Deferred Tax Assets]

“Implementation Guidance on Recoverability of Deferred Tax Assets” (Corporate Accounting Standard Guideline No. 26, March 28, 2016) is applied from this fiscal year.

## 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	36,225,949
Accounts receivable - trade	59,300
Buildings	95,744,231
Structures	1,286,359
Machinery and equipment	5,822,076
Separately managed penalty in trust	1,000,000

Liabilities corresponding to the above

Current portion of long-term debt	5,292,525
Long-term loans payable	89,157,974

3. Total depreciation of property, plant and equipment 51,938,794

4. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable – trade	73,860
	Accounts receivable – other	14,756
Monetary obligations	Accounts payable – trade	2,916,163
	Accrued expenses	2,055,247
	Shareholder subordinated bonds	6,660,000
	Long-term loans payable	6,660,000
	Long-term lease deposited	261,639

## 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	49,185,707
Non-operating transactions	299,699

## 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.	92,398
Provision for directors' retirement benefits	13,226
Deferred losses on hedges	2,099,827
Other	225,775
Deferred tax assets subtotal	2,431,227
Valuation reserve	△13,226
Deferred tax assets total	2,418,001

## 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, 2017 (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	36,388,760	36,388,760	—
(2) Shareholder subordinated bonds	(14,580,000)	(21,805,249)	7,225,249
(3) Long-term loans payable	(112,450,499)	(121,370,560)	8,920,060
4) Derivative trading	(7,060,618)	(7,060,618)	—

(\*) 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	82,775,000	△7,060,618	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
	102,852,667	199,000,000

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

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-hatting of directors	Financing (Note 1);	—	Shareholder subordinated bonds;	6,660,000
				Borrowing of funds (Note 2);	—	Long-term loans payable;	6,660,000
				Business consignment (Note 3);	15,679,408	Accrued expenses;	2,055,247
				Procurement of goods (Note 4)	31,666,932	Accounts payable—trade	2,916,163
Main shareholder	Japan Airlines Co., Ltd.	19.36%; directly held	—	Financing (Note 1); Borrowing of funds (Note 2);	— —	Shareholder subordinated bonds;  Long-term loans	3,330,000  3,330,000
Main shareholder	ANA Holdings Inc.	19.36%; directly held	—	Financing (Note 1); Borrowing of funds (Note 2);	— —	Shareholder subordinated bonds;  Long-term loans	3,330,000  3,330,000

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

Note 6: The ratios of voting rights and other ownership are rounded down to the nearest two decimal places.

## 2. Directors, main individual shareholders, etc.

(Thousands of yen)

Type	Name of the person, company etc.	Business or profession	Ratio of voting rights and other ownership	Relationship with the party	Transactions	Transaction value	Account title	Balance at the term-end
Director	Tomoaki Kobayakawa	Director at our company; Representative Director and President, TEPCO Energy Partner, Incorporated	—	Borrowing of funds	Borrowing of funds (Note 1)	—	Long-term loans	1,260,000
Director	Masaki Saida	Director at our company; Representative Director and Senior Executive President, Narita International Airport Corporation	—	Borrowing of funds	Borrowing of funds (Note 2)	—	Long-term loans	1,620,000

### Terms and conditions of transactions and policy on determining them

Note 1: This transaction was conducted for a third party by Tomoaki Kobayakawa, director at our company, in the capacity of the representative of TEPCO Energy Partner Incorporated. The borrowing rate was determined rationally based on market interest rates and transaction terms and conditions.

Note 2: This transaction was conducted for a third party by Masaki Saida, director at our company, in the capacity of the representative of Narita International Airport Corporation. The borrowing rate was determined rationally based on market interest rates and transaction terms and conditions.

Note 3: Among the amounts indicated in the table above, transaction amounts do not include consumption tax.

## IX. Notes on data per share

1. Net asset per share: 4,170,443.98 yen
2. Current net profit per share: 1,491,682.82 yen

## X. Matters concerning important subsequent events

There are no applicable matters.

# **The 11th Business Term Supplementary Statements**

( From April 1, 2016  
To March 31, 2017 )

## **I. Supplementary Statement of the Business Report**

## **II. Supplementary Statement of the 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**

**Supplementary Statements for the 11th Business Term**  
**(from April 1, 2016 to March 31, 2017)**

**I. Supplementary Statement of the Business Report**

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

Category	Name	Concurrent positions held at	Description of the position concurrently held	Relationship
External Director	Tomoaki Kobayakawa	TEPCO Energy Partner Incorporated;  Tokyo Electric Power Company Holdings, Incorporated	Representative Director and President;  Director	
External Director	Masaki Saida	Narita International Airport Corporation	Representative Director and Senior Executive Vice President	
External Corporate Auditor	Tsutomu Terabayashi	Tokio 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	101,760,007	644,539	—	6,660,315	95,744,231	33,877,675	129,621,906
	Structures	1,323,916	119,980	—	157,536	1,286,359	713,726	2,000,086
	Machinery and equipment	6,057,240	249,493	—	484,656	5,822,076	2,408,267	8,230,344
	Vehicles	11,051	—	—	4,155	6,895	183,001	189,896
	Tools, furniture and fixtures	7,707,872	933,284	—	2,389,231	6,251,926	14,756,124	21,008,050
	(Subtotal)	(116,860,088)	(1,947,297)	( — )	(9,695,895)	(109,111,490)	(51,938,794)	(161,050,284)
	Construction in progress	—	736,374	—	—	736,374	—	736,374
	Total	116,860,088	2,683,672	—	9,695,895	109,847,864	51,938,794	161,787,592
Intangible assets	Software	61,647	1,112,415	—	52,763	1,121,299	337,738	1,459,037
Intangible assets	Software	61,647	1,112,415	—	52,763	1,121,299	337,738	1,459,037

Note 1: Main factors contributing to the increase in the term under review included 536,642 thousand yen for the upgrade of BHS information system, 436,300 thousand yen for the installment of check-in countertop signs on the third floor, 258,987 thousand yen for the relocation of insurance counters on the third floor and installment of additional check-in counters, and 121,688 thousand yen for the construction of a new airline maintenance office in the first floor's restricted area.



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	49,825	16,526	21,876	—	44,475

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	427,180	
Provision for directors' retirement benefits	16,526	
Legal welfare expenses	13,588	
Welfare expenses	3,646	
Transportation expenses	67,439	
Supplies expenses	48,273	
Furniture and fixtures	37,627	
Utilities expenses	434,651	
Communication expenses	95,217	
Insurance expenses	348,678	
Repair expenses	210,018	
Rent expenses	2,806,512	
Conference expenses	8,912	
Entertainment expenses	18,134	
Taxes and public charges	1,299,311	
Donation expenses	23,276	
Advertising expenses	588,532	
Cleaning expenses	19,363	
Business consignment expenses	18,303,834	
Miscellaneous expenses	781,300	
Depreciation	9,748,659	
Total	35,411,684	