

The 17th Term

Business Report

From April 1, 2022 to March 31, 2023

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Tokyo International Air Terminal Corporation

(Attachments)

Business Report

(From April 1, 2022
To March 31, 2023)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

There remains no sign of an end to the Russian invasion of Ukraine that began in February 2022, or of the resulting tight global supplies of resources, such as energy and food. This has had major impacts on the air travel industry as well, including forcing cancellations, cutbacks, and route changes affecting flights to and from Europe as well as continued high fuel surcharges.

The prevalence of the Omicron variant led to global growth in the COVID-19 pandemic. While the high infectivity of Omicron resulted in massive increases in case numbers, the variant's risk of complications was low, and immigration restrictions were eased in stages.

In addition, the trend toward easing immigration restrictions involving conditions, such as vaccinations and negative PCR test results accelerated. Immigration restrictions were discontinued in Europe and North America, in particular, while Japan too eased and abolished immigration caps and restrictions on activities in stages. Beginning in October, the cap on the number of entrants to Japan was abolished, the prohibition on individual travelers was revoked, and visa waivers were resumed as containment measures were also eased substantially.

While conditions of demand for international travel to and from Japan in the fiscal year under review remained challenging, with demand down 71% from pre-COVID FY 2019 figures, demand was up 1,049% from FY 2021 to 25.86 million travelers. Conditions have recovered rapidly since October, in particular, when containment measures were eased significantly.

This gradual easing of immigration restrictions and containment measures resulted in a continual increase and recovery in the number of travelers using international flights serving Haneda Airport. An increasing trend in travelers was apparent in April, thanks in part to the transfer of assignments of resident staff overseas and the entry of international trainees in specific job skills. The numbers of travelers have increased further since June as containment measures eased (e.g., by eliminating the requirement for COVID-19 testing before entry for travelers from "blue"-listed countries), the maximum number of travelers admitted to the country (from 10,000 to 20,000 per day) increased, the acceptance of foreign tourists (and tour groups) resumed, and flights between Haneda and Seoul resumed. In response to the large-scale easing of restrictions beginning in October, airlines have progressively resumed and increased flights since the winter schedule as the numbers of flights and travelers recovered in the second half to above 70% their pre-COVID levels.

Summer flight schedules adopted at the end of March 2023 call for further resumption of and increases in flight numbers as well as resumption of flights between Haneda Airport and China. The number of flights exceeds the figure from prior to the COVID-19 pandemic (2019), and the recovery in passenger numbers has advanced further.

As a result, the number of travelers (including travelers in transit) in the fiscal year was up 700% from FY 2021 to 7.25 million/year. Steady growth is projected to continue in the future as well. Despite the continuing impact of geopolitical risks, such as those concerning the situation in Ukraine, the number of passengers can be expected to increase further.

Under such conditions, again this year, the focus of terminal management was safety and stability as efforts continued to stop the spread of COVID-19 among terminal users and employees along with full cooperation in providing the facilities and spaces needed for the Japanese government's enhancement of airport quarantine measures.

As it had in FY 2021, this year as well Haneda Airport provided facilities and spaces, including 10 departure and arrival gate lounges and a concourse inside the North Satellite of Passenger Terminal 3 in cooperation with the Japanese government's COVID-19 containment measures. However, these facilities and spaces were returned in stages as containment measures were eased. As of the end of the fiscal year, the airport was providing two gate lounges and a part of the arrival concourse in the North Satellite for such uses, while also improving immigrant flows and convenience and enhancing the Wi-Fi environment in the arrival concourse in response to the digitalization of immigration procedures.

In addition to cooperation in containment measures, since FY 2021, we have also been leasing approximately 900 square meters, including a space next to Counter N in the departure lobby as a vaccination center for Japanese residents overseas (returning temporarily to Japan).

At the returned gates, we took steps to enhance interior facilities to respond steadily to recovering passenger demand while also restoring various functions to adapt appropriately to the recovering and increasing numbers of airline flights.

To reduce operating costs in light of the large-scale decreases in the numbers of flights and travelers due to continued international travel restrictions during the COVID-19 pandemic, the international flight facilities and areas in Passenger Terminal 2 were closed in their entirety, while reduced facilities and services continued to be provided in Passenger Terminal 3. However, in response to the rising numbers of flights and travelers, the passenger facilities, shops in retail areas, and interterminal transport services, among other services, are resuming operation and extending their service hours. Together with maintaining and recovering service provision in ways that prevent any loss of passenger convenience or comfort, we have taken steps to make the airport even more convenience by opening new stores, such as new Dior and Louis Vuitton brand boutiques, and opening convenience stores. Some efforts also continued on the reduction and exemption of costs, such as rents and facilities usage charges, in cooperation with airlines and tenants.

Haneda Airport's passenger terminals have earned the highest Five-Star Airport rating for nine consecutive years in the Skytrax (U.K.) Global Airport Ratings. It also secured first place for the 10th time and the eighth consecutive year in the World's Cleanest Airports category of Skytrax' world airport ratings in 2023 as well as first place for the fifth consecutive year in the World's Best PRM/Accessible Facilities category for passenger terminals making outstanding efforts on behalf of travelers who require mobility assistance. In these ways, the quality of both our facilities and staff services are highly regarded in various categories, thanks to our efforts to ascertain accurately passenger needs, which have grown increasingly

diverse with environmental changes over the three years of COVID-19, and to pursue convenience and comfort.

In addition, the new gate dedicated to international business jet flights that opened in July 2021 in response to expected growth in demand for business jets greatly improved convenience and processing capacity through its design with an emphasis on a flat structure to enable smooth immigration flows and on privacy. In the fiscal year under review, this terminal saw a considerable increase in use as it served an average of 126 flights (total of arrivals and departures) per month and was used to meet increasingly diverse demand, including diplomacy and athletic organizations in addition to wealthy and business travelers.

Recovering passenger volumes led to numerous cases of congested departure security checkpoints causing lines to form that extend into the departure lobbies on certain days of the week and at certain hours of the day. We are striving to ensure passenger convenience through such means as assigning guides to guide passengers and to organize wait lines.

Arrivals and departures by prominent personalities have increased with growing numbers of flights and passengers. In response to increasing cases of disruption by fans gathering in lobbies awaiting the arrival of such personalities, we have taken steps to enhance maintenance and security to maintain order inside the terminals through such means as setting up special routes for prominent personalities. In addition, in light of the importance of education and training in order to be prepared for emergencies at all times as part of international terminal risk management, drills were conducted to enable terminal employees to respond immediately to accidents near their workplaces as part of general disaster drills conducted throughout the international passenger terminal zone, and air security recurrent training was conducted again this fiscal year for all employees in the terminals as part of continuous efforts to verify awareness of crisis management and ensure thorough understanding of security measures.

In addition, efforts to enhance cybersecurity have been implemented in light of the Japanese government's designation of airport buildings as important infrastructure. Amid the rising risk of cyberattacks spurred by Russia's invasion of Ukraine, the structure for monitoring for unauthorized access and cyberattacks was strengthened, and related systems were enhanced, centered on the Information Security Committee, through internal and external cooperation, including participation in the National Cybersecurity Council.

Since its founding, the Company has stressed the universal design (UD) concept. During the fiscal year under review, the UD Study Committee, whose membership includes experts, such as academics and experienced practitioners, as well as experts experienced with disabilities, airport-related businesses, and Company employees, met in February to review efforts to make the airport easier to use for people with hidden disabilities (i.e., disabilities that are not readily apparent, such as cognitive disabilities and autism, learning disabilities, anxiety disorders, mental disorders, and visual and hearing impairments). In addition, in March a seminar was held on customer service for people with hidden disabilities in cooperation with airport operators and airlines from across Japan. As we had done in FY 2021, we also published on our website our Specific Plan on Mobility Facilitation Measures under the Barrier Free Act and continued distributing on a trial basis in March

Hidden Disabilities Sunflower straps to make it easier to receive guidance and support inside the facilities.

The Company will continue efforts to identify issues and implement related improvements and enhancements through repeated verification on the theme of making the airport usable for all.

In the area of initiatives to maintain and increase customer satisfaction (CS), continual CS efforts are underway based on a shared CS philosophy among employees inside the terminal, in order to deliver high-quality service and hospitality. Once again this fiscal year, the Haneda Airport International Area Passenger CS Liaison Committee carried out CS improvement activities for relevant internal and external organizations and employees through means that included publishing CS bulletins. It also endeavored to increase CS through environmental beautification through cleaning activities by employees inside the terminals as part of internal CS activities.

In these ways, despite continued challenging circumstances, the numbers of flights and passengers are recovering rapidly. The Company strived to carry out business operations while maintaining and enhancing the functions of terminal facilities, ensuring disaster prevention and air security, and improving facilities and services while also implementing cost-saving measures. As a result, in this fiscal year the Company reported operating revenue of 28,623 million yen (up 202.3% year-on-year), an operating loss of 12,235 million yen (vs. an operating loss of 25,263 million yen in the previous year), an ordinary loss of 16,700 million yen (vs. an ordinary loss of 30,854 million yen in the previous year), and a net loss of 16,709 million yen (vs. a net loss of 30,994 million yen in the previous year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

In the international passenger terminal, despite continued rent reductions intended to help lessen the burden of operating costs and provide support for tenants in FY2021, rent revenue generated from renting offices for airlines and shop spaces for tenants was 6,092 million yen due in part to rent on the use of spaces for COVID-19 vaccination of Japanese residing overseas and growth in new tenants.

Passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 8,687 million yen due to revision of the PSFC rate in March 2022 and a recovery in the numbers of travelers as immigration restrictions were eased.

The facility usage fee revenue from air transport service operators' use of facilities, such as boarding bridges and the luggage handling system, totaled 1,945 million yen due to a recovery in passenger numbers, although fixed-rate usage fees were collected at a reduced amount due to the decrease in numbers of passengers compared to pre-COVID figures.

As a result, the operating revenue of the Facilities Management and Operation Businesses Segment was 16,725 million yen.

Costs were reduced through partial terminal closures and revisions to operation methods in accordance with passenger trends conducted in order to address the impact of the decrease in revenues that has continued since FY 2021.

<Directly-Managed Business Segment>

In the Merchandise Sales Business, sales of goods generated from general duty-free stores and branded boutiques totaled 10,118 million yen as passenger numbers recovered compared to FY 2021, the lineup of duty-free brands was adjusted, and shops were remodeled. Sales from the Restaurant Business totaled 49 million yen while revenues from the parking lot business were 989 million yen.

Revenues from other businesses were 741 million yen due mainly to increased lounge use as passenger numbers recovered and to increased advertising. Consequently, the Directly Managed Business Segment reported operating revenue of 11,898 million yen.

In the area of costs, business consignment costs were reduced through continued reductions in merchandise inventories, closure of some shops and shortening of business hours, and other revisions to operation methods conducted in order to address the impact of decreased revenues that has continued since the previous fiscal year.

(2) Status of Capital Expenditure

During the fiscal year under review, the Company made capital expenditures of 676 million yen in total. This figure includes 581 million yen in construction related to terminal facility maintenance and 59 million yen in construction to remodel shops in duty-free areas.

(3) Status of financing

Effective March 28, 2023, we requested an interest-free loan for the airport development business from the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to support the necessary facility improvements to adapt to the recovering and growing demand for air travel. We borrowed 643 million yen under this program. The outstanding balance of syndicate loans stood at 109,952 million yen as of the end of the fiscal year.

(4) Issues to Be Addressed

In May 2023, COVID-19 was recategorized a class 5 infectious disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases. This is expected to spur resumption of and increases in flights by airlines and a recovery in demand for international travel. Under these conditions, in addition to maintaining and improving passenger convenience and comfort and enhancing necessary facilities and services, all while giving top priority to the safety and security of passengers on international flights using Haneda Airport, we also will strengthen the structures of Merchandise Sales and other aspects of the Directly Managed Business Segment to increase sales. At the same time, we will continue existing cost controls in collaboration with subcontractors.

In the area of operation of terminal facilities and services, in addition to enhancement of individual facilities and services and responding steadily to airlines' resumption of and increases in flights, we also have begun preparing for resumption of operation of the facilities for international flights in the Terminal

2 building.

To adapt in a timely and appropriate manner to changes in containment measures and quarantine systems, including Japan's designation of COVID-19 as a class 5 infectious diseases and changes to China's zero-COVID policy, we will cooperate on further improvements in provision of facilities and spaces and customer flows through close collaboration with related government agencies and institutions.

We also plan to resume facility operation and enhance services in response to rapid growth in flights and passengers. At the same time, however, airlines and airport-related businesses are facing severe challenges in hiring and securing human resources. We intend to monitor the state of hiring and securing human resources in all aspects related to the airport, including at subcontractor firms, and to cooperate as appropriate.

(5) Important developments etc. related to the going-concern assumption

As a result of lengthy restrictions on international travel and other measures implemented by the Japanese government in response to the global COVID-19 pandemic, Company liabilities exceeded assets as a result of recording considerable sums of operating losses and net losses continually since two fiscal years ago. As such, there are developments or situations leading to material doubts about the going-concern assumption.

To resolve these developments or situations, in the area of revenues, we are striving to capture demand through means that include extending the business hours of duty-free shops and opening three new airport duty-free shops, including the first Louis Vuitton and Dior airport duty-free outlets in Japan, as the number of international travelers recovers. In addition, the revision to the passenger service facility charge (PSFC) in March 2022 has had a major positive effect on revenues in excess of the rate of growth in travelers as restrictions have been eased since October.

At the same time, with regard to costs, we mainly have implemented such measures as reducing fixed costs through revisions to terminal maintenance operation methods and controlling rebounds in costs associated with recovering sales. We also are striving to secure liquidity on hand through means that include borrowing funds under the Japanese government's interest-free lending program for the airport development business in March 2023.

Based on reasonable expectations for international air travel demand, including expectations concerning the timing of COVID-19 coming under control, under our fund-raising plan reflecting the effects of the above measures, we expect to be able to have sufficient funding through March 31, 2024. Accordingly, we do not see any material uncertainties regarding the going-concern assumption.

(6) Changes in Assets and Income

Category	The 14th term FY2019	The 15th term FY2020	The 16th term FY2021	The 17th term FY2022
Operating revenue	88,660 million yen	8,383 million yen	9,468 million yen	28,623 million yen
Net income (loss)	4,068 million yen	-34,348 million yen	-30,994 million yen	-16,709 million yen
Net income (loss) per share	772,489 yen	-6,618,710 yen	-5,962,823 yen	-3,214,582 yen
Net assets	42,892 million yen	7,971 million yen	-21,610 million yen	-37,370 million yen

(7) Important matters concerning the parent company

(a) Matters concerning the parent company

The Company's parent company, Japan Airport Terminal Co., Ltd., owns 2,706 shares (51%) of Company stock. The Company and Japan Airport Terminal Co., Ltd. are in a consignment and entrustment relationship regarding purchase of goods for retail sale, including duty-free items, management of stores, etc. and in a leasing relationship for the international facilities in Terminal 2.

(b) Transactions with the parent company

Among transactions between the Company and Japan Airport Terminal Co., Ltd., transactions that must be noted in the Notes to Non-Consolidated Financial Statements for the fiscal year consist of financing, borrowing of funds, procurement of goods, and leasing of real estate from Japan Airport Terminal Co., Ltd., and business consignment and payment of interest to Japan Airport Terminal Co., Ltd.

1) Matters noted not to harm the interests of the Company when carrying out the transactions

The Company is a special-purpose company that operates the PFI business, therefore regarding transactions with its parent company such as financing, borrowing, and payment of interest, the Company properly determines terms and conditions of transactions according to the contracts with the government, financial institutions, and shareholders.

Additionally, regarding goods to be sold at stores in the terminal, the Company procures goods from Japan Airport Terminal Co., Ltd. Prices and other terms and conditions for transactions are determined after negotiations with a reference to market prices.

Furthermore, rents on the international terminal facility in Terminal 2 are determined based on the facility's maintenance and management costs, costs for use of state-owned property, etc. in addition to the amount invested by Japan Airport Terminal Co., Ltd. and the amount of remodeling necessary for existing terminal facilities.

Furthermore, prices, other terms and conditions for the business consignment are determined after consultations between both companies while taking into consideration details of business

with a reference to general terms and conditions, etc.

- 2) The board of directors meeting's decision and the reason as to whether the transactions will harm the Company's income

For the transactions, the board of directors meeting of the Company makes a final decision independent of its parent company based on internal regulations, and it has decided that the transactions will not harm the Company's income.

- 3) The opinions in the case where the decision of the board of directors meeting is different from opinions of external directors

There are no applicable matters.

(8) Main Businesses

- (a) Management and operation of the international passenger terminal building
- (b) Leasing of offices and shop spaces for air transport service operators and business operators on the premises of the airport
- (c) 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
- (d) Sales of merchandise to the users of the international passenger terminal building
- (e) Operation of restaurants and coffee shops for the users of the international passenger terminal

(9) Status of employees

Number of employees	Increase/decrease from the end of the previous fiscal year
58 (4)	decreased by 2 (increased by 1)

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

(10) Main lenders

Lenders	Amount
Development Bank of Japan Inc.	32,289 million yen
Mizuho Bank, Ltd.	25,567 million yen
MUFG Bank, Ltd.	12,683 million yen
Japan Airport Terminal Co., Ltd.	8,510 million yen
Sumitomo Mitsui Banking Corporation	6,592 million yen
The Bank of Yokohama, Ltd.	4,802 million yen
Shinkin Central Bank	4,309 million yen

2. Status of the Company's shares

(1) Total Number of Shares Outstanding: 5,306 shares

(2) Number of shareholders: 13

(3) Shareholders

Shareholder name	Number of shares owned
Japan Airport Terminal Co., Ltd.	2,706 shares
Japan Airlines Co., Ltd.	895 shares
ANA Holdings Inc.	895 shares
Narita International Airport Corporation	162 shares
TEPCO Energy Partners Incorporated	126 shares
Secom Co., Ltd.	108 shares
Tokyo Gas Co., Ltd.	108 shares
Keikyu Corporation	72 shares
Tokyo Monorail Co., Ltd.	72 shares
NTT Data Corporation	54 shares
Development Bank of Japan Inc.	36 shares
Mizuho Bank, Ltd.	36 shares
MUFG Bank, Ltd.	36 shares
Total	5,306 shares

(4) Other Important Matters Regarding the Shares

Among the Company's 5,306 outstanding shares, the 36 shares held by Development Bank of Japan Inc., Mizuho Bank, Ltd., and MUFG Bank, 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	Hiroki Kato	In charge of Administration Department and Planning Department
Managing Director	Shinsaku Yamaki	In charge of Finance Department
Managing Director	Toshimichi Suzuki	In charge of Facilities Department, Sales Department, and International Operation Office
Managing Director	Takao Nannichi	In charge of Passenger Service Department and Disaster Prevention and Security Department
Directors	Akihiko Shiina	Representative Director and Senior Executive Vice President, Narita International Airport Corporation
Directors	Nobuhide Akimoto	Representative Director and President, TEPCO Energy
Corporate Auditor	Teruo Miyamoto	External Corporate Auditor, Bourbon Corporation
External Corporate Auditor	Hiroshi Tobita	Tobita & Partners LPC
External Corporate Auditor	Seita Matsuda	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.

Notes:

1. Akihiko Shiina and Nobuhide Akimoto 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. Standing Corporate Auditor Teruo Miyamoto possesses considerable knowledge of finance and accounting after having served as a representative managing director of the Japan Audit & Supervisory Board Members Association and a member of the Audit Subcommittee of the Financial Services Agency's Business Accounting Council.
4. Corporate Auditor Hiroshi Tobita is an attorney at law and possesses considerable knowledge of legal matters as a specialist in internal controls and corporate governance.

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

7 directors 84 million yen (of whom, 2 external directors: 4 million yen)

4 corporate auditors 42 million yen (of whom, 4 external directors: 42 million yen)

Note: Amounts of compensation etc. of directors and auditors include the retirement benefits paid to corporate auditors who retired at the closure of the 16th General Shareholders Meeting.

(3) Matters Concerning External Officers

(a) Directors

Akihiko Shiina and Nobuhide Akimoto attend the board of directors meeting held every month and offer appropriate remarks including necessary opinions and questions concerning the Company's overall management.

(b) External Corporate Auditor

Teruo Miyamoto, Hiroshi Tobita and Seita Matsuda 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: 16 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 the 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 makes decisions on the proposals for submittal to the general meeting of shareholders on the dismissal or refusal of reappointment of the accounting auditor as it judges necessary in such cases as when the accounting auditor is impeded from performing its duties. In addition, in a case recognized to meet any of the descriptions under the subparagraphs of Paragraph 1 of Article 340 of the Companies Act, the board of auditors may dismiss the accounting auditor with the consent of all corporate auditors. In such a case, a corporate auditor chosen by the board of auditors shall report to the first general meeting of shareholders held after the dismissal of the accounting auditor concerning the fact of and the reasons for such dismissal.

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 as well as the Appropriateness of Other Operations

(a) 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, and is to establish the compliance structure and strive 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.
- (b) 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.
- (c) 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 regular internal audits of departments, 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
- (d) 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.
- (e) 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 with 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.
- (f) Matters concerning the independence of the employees assigned to assist in the duties of the corporate auditors from the directors
- 1) The transfer and evaluation of the employees assigned to assist in the corporate auditors' duties, as stipulated in the preceding article, requires the consent of the board of auditors.
- (g) 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.
- (h) 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 makes 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, attended by the directors and corporate auditors, each director reports the status of business execution. The board of directors meetings also discusses and resolves 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, 2023)

(Millions of yen)

Assets		Liabilities	
Account Title	Amount	Account Title	Amount
Current assets	42,441	Current liabilities	42,823
Cash on hand and deposits	35,302	Accounts payable – trade	2,427
Accounts receivable - trade	4,576	Current portion of long-term loans payable (Senior loan)	9,389
Merchandise	1,728		(9,389)
Accounts receivable - other	571	Accounts payable - other	828
Prepaid expenses	17	Accrued expenses	24,098
Supplies	209	Income taxes payable	3
Other	45	Accrued interest expenses	5,384
Allowance for doubtful accounts (current)	△9	Lease obligations (current)	12
		Other	677
Noncurrent assets	107,950	Noncurrent liabilities	144,939
Property, plant and equipment	105,917	Shareholder subordinated bonds	21,030
Building	91,822	Long-term loans payable (Senior loan)	121,757
Structures	1,041		(101,207)
Machinery and equipment	8,896	(Shareholder subordinated loans)	(20,550)
Vehicles	4	Long-term lease deposit received	481
Tools, furniture and fixtures	4,101	Unearned revenue	21
Leased assets	48	Provision for directors' retirement benefits	57
Construction in progress	3	Interest-rate swap liabilities	1,238
Intangible assets	1,024	Lease obligations (non-current)	12
Software	1,024	Asset retirement obligations (non-current)	341
		Total liabilities	187,762
Investments and other assets	1,008	Net assets	
Separately managed	1,000	Shareholder's equity	△36,132
penalty in trust	8	Capitalization	100
Other	8	Capital surplus	26,430
		Legal capital surplus	26,430
		Retained earnings	△ 62,662
		Other retained earnings	△ 62,662
		Retained earnings brought forward	△ 62,662
		Valuation and translation adjustments	△ 1,238
		Deferred gains or losses on hedges	△ 1,238
		Total equity	△ 37,370
Total assets	150,392	Total liabilities and net assets	150,392

Income Statement

From April 1, 2022 to March 31, 2023

(Millions of yen)

Account Title	Amount	
Operating revenue		
Rents	6,092	
Facility rental income	10,633	
Sales of goods	10,118	
Restaurant sales	49	
Other revenue	1,730	28,623
Cost of sales		
Cost of goods sold		5,071
Operating gross profit		23,552
Selling, general, and administrative expenses		35,788
Operating loss		△ 12,235
Non-operating income		
Interest income	0	
Miscellaneous income	332	332
Non-operating expenses		
Interest expenses	4,765	
Fees payable	30	
Miscellaneous losses	1	4,797
Ordinary loss		△ 16,700
Extraordinary loss		
Loss on retirement of non-current assets	4	4
Loss before income taxes		△ 16,705
Income taxes - current	3	3
Net loss		△ 16,709

Statement of Changes to Shareholders' Equity

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Shareholder's equity					
	Capitalization	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at beginning of current period	13,265	13,265	13,265	△ 45,952	△ 45,952	△ 19,422
Changes during the period						
Net loss	—	—	—	△ 16,709	△ 16,709	△ 16,709
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Capital reduction	△ 13,165	13,165	13,165	—	—	—
Total changes during the period	△ 13,165	13,165	13,165	△ 16,709	△ 16,709	△ 16,709
Balance at end of current period	100	26,430	26,430	△ 62,662	△ 62,662	△ 36,132

	Valuation and translation adjustments		Total equity
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	△ 2,187	△ 2,187	△ 21,610
Changes during the period			
Net loss	—	—	△ 16,709
Net changes of items other than shareholders' equity	949	949	949
Capital reduction	—	—	—
Total changes during the period	949	949	△ 15,760
Balance at end of current period	△ 1,238	△ 1,238	△ 37,370

Notes

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 (not including leased assets): Straight line method
- (2) Intangible assets (not including leased 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) Leased assets: Straight-line method, using the term of the lease as the useful life and a residual value of zero, is used.

3. Criteria for recording reserves

- (1) Allowance for doubtful accounts: In preparation for losses from default on claims, the Company records the anticipated unrecoverable amount for specific claims such as those considered at risk of default, considering the possibility of recovery for each claim individually.
- (2) Provision for directors' retirement benefits: The Company records the 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. 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 -- million yen; cumulative at the end of the fiscal year under review -- 4,517 million yen) and recorded as part of noncurrent assets.

5. 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 the

interest rate and the Company's policy not to carry out any speculative transactions.

(4) Method to evaluate the hedge effectiveness

The assessment on the effectiveness is conducted by comparing the cumulative amount of market movements of hedge procedures and the cumulative amount of market movements of hedge target.

Hedges to which the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR is applied

Among the above hedge transactions, for all hedges included in the scope to which Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (Accounting Standards Board of Japan [ASBJ] Practical Solution No. 40; March 17, 2022) the exceptional treatment specified in that Practical Solution is applied.

6. Standards for recording of important revenues and expenses

The Company does business in two segments: the Facilities Management and Operation Business Segment and the Directly-Managed Business Segment. Matters such as the details of our main performance obligations in each of these businesses and the time at which the Company normally fulfills such performance obligations are reviewed below.

For revenues etc. related to backdating of payment to suppliers for the proportion of goods actually sold and consignment shops, in transactions in which the Company's role qualifies as that of an agent in provision of goods or services to customers revenues are recognized in the net amount of the amount received from the customer minus the amount payable to the supplier.

(1) Facilities Management and Operation Business Segment

The Facilities Management and Operation Business Segment involves mainly leasing of offices for airlines use and shops for tenant use in international passenger terminals, passenger handling, and rental of facilities to air transport service providers, among other businesses.

Rent revenues consist mainly of revenues on rental of office and shops, which are recorded as revenues pursuant to the Accounting Standard for Lease Transactions (ASBJ Statement No. 13; March 30, 2007).

Passenger service facility charge (PSFC) revenues are collected from passengers under the Tokyo International Airport Terminal Passenger Service Facility Charge (PSFC) Agreement. The Company is obligated to allocate PSFC revenues to costs related to facilities provided for use by all passengers and to maintain and manage the passenger terminals appropriately. These performance obligations are satisfied upon completion of passenger air transport services provided by air transport service providers, and revenues are recognized at the time of completion of passenger air transport services.

Regarding revenues from facility usage fees, the Company is obligated to provide services mainly related to use of facilities and equipment such as boarding bridges, the luggage handling system, and dedicated gates for business jets. Revenues are recognized upon completion of service provision in cases in which performance obligations are satisfied at a single point in time and over the period of service provision when they are satisfied over a certain period.

(2) Directly-Managed Business Segment

The Directly-Managed Business Segment mainly involves operation of shops selling merchandise, restaurants, and bars. In sales of merchants, performance obligations are judged to be satisfied upon delivery of merchandise to customers, and revenues are recognized as of that point in time.

In operation of restaurants and bars, performance obligations are judged to be satisfied upon provision of food and beverage services to customers, and revenues are recognized as of that point in time.

7. Additional information

Impact of the COVID-19 pandemic

Regarding prospects for a recovery from the effects of COVID-19 in numbers of air travelers, international flights are expected to recover to pre-COVID-19 levels of FY2019 during FY2023.

II. Notes on revenue recognition

Basic information for understanding revenues

Basic information for understanding revenues is described under Note 7, "Standards for recording of important revenues and expenses," in "I. Notes on Matters Related to Important Accounting Policies."

III. Notes on Balance Sheet

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

2. Pledged assets

Assets pledged as collateral	Ordinary deposits	35,118 million yen
	Accounts receivable - trade	81 million yen
	Building	86,556 million yen
	Structures	1,041 million yen
	Machinery and equipment	458 million yen
	Separately managed penalty in trust	1,000 million yen
Liabilities corresponding to the above	Current portion of long-term loans payable	9,389 million yen
	Long-term loans payable	100,563 million yen

3. Total depreciation of property, plant and equipment: 110,706 million yen

4. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable - trade	2,800 million yen
	Accounts receivable - other	4 million yen
Monetary obligations	Accounts payable – trade	2,427 million yen
	Accounts payable - other	426 million yen
	Accrued expenses	21,654 million yen

Shareholder subordinated bonds	18,890 million yen
Long-term loans payable	15,170 million yen
Long-term lease deposit received	267 million yen

IV. Notes on Income Statement

1. Reported amounts are rounded down to the nearest million yen.
2. Transactions with subsidiaries and affiliates

Operating transactions	30,826 million yen
Non-operating transactions	1,291 million yen

V. Notes on the Statement of Changes in Equity

1. Reported amounts are rounded down to the nearest million yen.
2. Classes and total numbers of shares of stock issued and outstanding as of the ending date of this fiscal year

Common stock	5,198 shares
Preferred stock	108 shares

VI. Notes on Tax Effect Accounting

Breakdown of main causes for deferred tax assets and deferred tax liabilities

[Deferred tax assets]

Retained loss	28,386 million yen
Excess depreciation loss	463 million yen
Deferred losses on hedges	428 million yen
Asset retirement obligations	118 million yen
Disapproval of accrued enterprise tax payable	26 million yen
Revision to accounts receivable - trade for previous fiscal years	25 million yen
Provision for directors' retirement benefits	19 million yen
Allowance for doubtful accounts	3 million yen
Other	26 million yen
Deferred tax assets subtotal	29,498 million yen
Valuation reserve	-29,402 million yen
Deferred tax assets total	96 million yen

[Deferred tax liabilities]

Asset retirement obligations	93 million yen
Other	2 million yen
Deferred tax liabilities total	96 million yen
Subtraction: Net amount of deferred tax liabilities	- million yen

VII. Notes concerning financial instruments

1. Matters related to the state of financial instruments

The Company's funds management is restricted to short-term deposits etc., and it raises funds through borrowing from banks and other financial institutions and from shareholders and through bonds issued to shareholders.

Funds raised through borrowing and through bonds are used mainly as funding of capital investment. In response to risks of interest-rate fluctuations on some borrowing, the Company executes interest-rate swap transactions intended to stabilize the interest it pays.

Derivative transactions are limited to interest-rate swap transactions intended to avoid risks of interest-rate fluctuations on borrowing.

2. Matters related to fair market values of financial instruments etc.

Amounts recorded to the Balance Sheet as of March 31, 2023 (the date of settlement of accounts for this period), fair market values, and differences between them are shown below.

(Millions of yen)

Category	Balance Sheet amount (*1)	Fair market value (*1)	Difference
(1) Cash on hand and deposits	35,302	35,302	-
(2) Shareholder subordinated bonds	(21,030)	(18,087)	-2,942
(3) Long-term loans payable	(*2) (130,502)	(127,246)	-3,255
(4) Derivatives	(1,238)	(1,238)	-

*1: Amounts recorded as liabilities are indicated in parentheses.

*2: Long-term loans payable include 9,389 million yen in current portion of long-term loans payable.

Note: Matters concerning derivative transactions and methods of calculating fair market value of financial instruments

(1) Cash on hand and deposits

Since these are settled over the short term, their fair market values are largely equivalent to their book values. Accordingly book values are used.

(2) Shareholder subordinated bonds

Fair market value of shareholder subordinated bonds is calculated through discounting by the rate assumed to apply in the event of new issue of the bonds for the total amount of principal and interest.

(3) Long-term loans payable

Fair market value of long-term loans payable is calculated through discounting by the rate assumed to apply in the event of new borrowing through similar means in the total amount of principal and interest.

(4) Derivatives

- Those to which hedge accounting does not apply: Not applicable.

- Those to which hedge accounting applies: Contractual amounts or amounts corresponding to principal under the contracts as of the date of settlement of accounts for each method of hedge accounting are shown below.

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main subject of hedging	Contractual amount etc.	Fair market value	Method of calculating fair market value
Processing method (in principle)	Fixed payments/variable receipts on interest-rate swaps	Long-term loans payable	57,458	-1,238	Using prices etc. provided by the counterparty financial institution

VIII. Notes on leased and other real estate

1. Matters related to the state of leased and other real estate

The Company owns passenger terminal buildings that include leased offices and leased retail facilities and multistorey parking facilities rented by the hour at Haneda Airport, Ota-ku, Tokyo, Japan.

2. Matters related to fair market value etc. of leased and other real estate

(Millions of yen)

Real estate including portions used as leased and other real estate	Balance Sheet amount	Fair market value
	87,599	198,579

Notes:

1. This amount includes offices and other facilities used by the Company itself.
2. For major properties, fair market value at the end of this fiscal year is based on a real estate appraisal report issued by a real estate appraiser.

IX. Notes on Related Party Transaction

1. Main corporate shareholders etc.

Type	Name of the company etc.	Ratio of voting rights and other ownership	Relationship with the party	Transactions	Transaction amount (Millions of yen)	Account Title	Balance at the end of the period (Millions of yen)
Parent company	Japan Airport Terminal Co., Ltd.	51.00% directly held	Payments for goods, consignment of operation of shops etc., borrowing of funds, and rent on real estate	Financing (Note 1)	-	Shareholder subordinated bonds	8,520
				Borrowing of funds (Note 2)	-	Long-term loans payable	8,510
				Business consignment (Note 3)	8,706	Accrued expenses	21,652
				Procurement of goods (Note 4)	12,879	Accounts payable – trade	2,427
				Interest expenses	1,291	Accrued interest expenses	2,577
				Rent expenses on real estate (Note 8)	9,240		
Main shareholder	Japan Airlines Co., Ltd.	16.87% directly held	Borrowing of funds	Financing (Note 1)	-	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Interest expenses	410	Accrued interest expenses	971
Main shareholder	ANA Holdings Inc.	16.87% directly held	Borrowing of funds	Financing (Note 1)	-	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Interest expenses	410	Accrued interest expenses	971
Director	Nobuhide Akimoto Director TEPCO Energy Partners Incorporated Representative Director and President & CEO	-	Borrowing of funds	Borrowing of funds (Note 2) (Note 5)	-	Long-term loans payable	1,610
				Interest expenses	77	Accrued interest expenses	183
Director	Akihiko Shiina Director Narita International Airport Corporation Representative Director and Senior Executive President	-	Borrowing of funds	Financing (Note 1) (Note 6)	-	Shareholder subordinated bonds	450
				Interest expenses	99	Long-term loans payable	1,620
						Accrued interest expenses	235

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 loan syndication based on the Limited Loan Contract Alteration Contract signed with the loan syndication.

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 loan syndication based on the Limited Loan Contract Alteration Contract signed with the loan syndication.

Note 3: Prices, and other terms and conditions for business consignment are determined through negotiation between both companies taking into consideration details of the businesses.

Note 4: The prices, terms and conditions for procurement of goods are determined after negotiations with a reference to market prices.

Note 5: This transaction was conducted for a third party by Nobuhide Akimoto 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 Akihiko Shiina, a director at our company, in the capacity of a representative of Narita International Airport Corporation.

Note 7: The ratios of voting rights and other ownership are rounded down to the nearest two decimal places.

Note 8: Rents on the international terminal facility in Terminal 2 are determined based on the facility's maintenance and management costs, costs for use of state-owned property, etc. in addition to the amount invested by Japan Airport Terminal Co., Ltd. and the amount of remodeling necessary for existing terminal facilities. In addition, the Company reports rents to the Japanese government and obtains its approval, based on an agreement with the government concerning the facility. Payment of rents has been deferred until Company financial results have stabilized, as a measure to support the Company.

X. Notes on data per share

1. Net asset per share: -7,403,031.90 yen
2. Net loss per share: -3,214,582.96 yen

XI. Matters concerning important subsequent events

There are no applicable matters.

The 17th Term

**Annexed Detailed Statements to
Business Report**

From April 1, 2022 to March 31, 2023

Tokyo International Air Terminal Corporation

1. Details of our company executives who concurrently serve as an executive director in another company
Refer to "3. Status of Company Executives" in the Business Report and "XI. Notes on Related Party Transaction."

The 17th Term

**Annexed Detailed Statements to
Financial Statements**

From April 1, 2022 to March 31, 2023

Tokyo International Air Terminal Corporation

1. Details of tangible and intangible non-current assets

(Millions of yen)

Category	Type of assets	Book value at the beginning of the period	Increase in the term under review	Decline during the term under review	Depreciation in the term under review	Book value at the end of the period	Total depreciation	Acquisition cost at the end of the period
Property, plant and equipment	Building	99,196	481	—	7,855	91,822	77,853	169,675
	Structures	1,225	—	—	183	1,041	1,821	2,862
	Machinery and equipment	9,822	51	—	978	8,896	6,933	15,829
	Vehicles	5	—	—	1	4	194	198
	Tools, furniture and fixtures	4,850	412	2	1,159	4,101	23,831	27,932
	Leased assets	73	—	—	24	48	73	122
	(Subtotal)	(115,173)	(945)	(2)	(10,203)	(105,914)	(110,706)	(216,620)
	Construction in progress	337	406	740	—	3	—	3
	Total	115,511	1,351	742	10,203	105,917	110,706	216,623
Intangible assets	Software	1,375	66	—	417	1,024	—	1,024

Note: The main causes of increases in the term under review were 581 million yen in construction work related to terminal facility maintenance and 59 million yen in construction work on the remodeling of stores in duty-free areas.

2. Details of the reserves

(Millions of yen)

Category	Starting balance	Increase in 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	68	16	26	—	57
Allowance for doubtful accounts	41	-	—	31	9

Note: The reason for recording reserves and the calculation method for the amounts are described in item 3 under section I "Notes on Matters Related to Important Accounting Policies."

3. Details of selling, general and administrative expenses

(Millions of yen)

Account Title	Amount	Remarks
Directors' compensations	102	
Employees' salaries	478	
Provision for directors' retirement benefits	16	
Legal welfare expenses	9	
Welfare expenses	1	
Transportation expenses	7	
Supplies expenses	6	
Furniture and fixtures	7	
Utilities expenses	946	
Communication expenses	82	
Insurance expenses	488	
Repair expenses	36	
Rent expenses	11,339	
Conference expenses	0	
Entertainment expenses	1	
Taxes and public charges	1,223	
Donations	0	
Advertising expenses	4	
Cleaning expenses	11	
Fees payable	3	
Temporary staffing expenses	14	
Educational and training expenses	1	
Business consignment expenses	10,330	
Miscellaneous expenses	49	
Depreciation	10,622	
Total	35,788	