

# **The 14th term**

## **Business Report**

( From April 1, 2019  
To March 31, 2020 )

- I. Business Report**
- II. Balance Sheet**
- III. Income Statement**
- IV. Statement of Changes to Shareholders' Equity**
- V. Notes**

**Tokyo International Air Terminal Corporation**

# Business Report

( From April 1, 2019  
To March 31, 2020 )

## 1. Matters Concerning the Company's Status

### (1) Progress and Results of Operations

During this fiscal year, even though the Japanese economy and overseas economies in general continued to recover gradually while weakening from the beginning of the fiscal year, due to the new coronavirus world pandemic originating in mainland China from late January, economic activities in the world including Japan, Asia, Europe and the U.S. have been stalled and restricted, resulting in a very difficult situation toward the end of the fiscal year.

Regarding Japan's inbound and outbound demand in 2019 (January - December), the number of outbound Japanese travelers reached 20.88 million people, the highest amount ever recorded, and even though the number of inbound international travelers showed a reduction against the backdrop of the worsening Japan-Korea relations, there was a steady increase from China and Southeast Asia, and an increase from Europe, the U.S., and Australia triggered by the Rugby World Cup 2019 in Japan, exceeding the previous year as a whole and reaching 31.88 million people in a year. However, from January, measures against infectious diseases including restriction or prohibition on entering or leaving countries including Japan and countries/areas overseas expanded globally, and the number of outbound Japanese travelers plummeted to 60% year-on-year, and the number of inbound international travelers plummeted to 51% year-on-year in the business term from January to March 2020.

Also regarding Haneda Airport's international flights, until late January, against the backdrop of the large inbound demand, the number of passengers had continued to exceed the previous year due to upsizing to a larger aircraft type in existing flights and routes, and an improvement of passenger load factors, etc., however they plummeted in all routes toward the end of the fiscal year, and the actual number of inbound and outbound travelers in the fiscal year decreased to 93% year-on-year, recording lower than the previous year.

Moreover, concerning Haneda Airport's international flights, new flights to 18 cities, mainly in Europe and the U.S. were planned due to an increase of about 50 aircraft landing slots in the summer flight schedule 2020 from March 29, the end of the fiscal year, but most of them were forced to suspend, cancel, or postpone their operations, as is also the case with cities currently serviced, therefore, cities for new flights were limited to seven cities, Seattle, Detroit, Dallas, Washington, D.C., Houston, Moscow, and Vladivostok. (Note: These new routes are also to be largely suspended or canceled from April)

Under these circumstances, in Haneda Airport, based on the Japanese government's policy for

strengthening the functions of the airports in the Tokyo metropolitan area, preparations were being conducted for flight path review and the enhancement of airport functions and facilities. In order to respond to the growth of international passengers accompanying an increase in aircraft landing slots, Tokyo International Air Terminal Corporation (hereinafter referred to as "the Company") has safely completed the renovation and reconstruction work for the Terminal 3 Building (former International Passenger Terminal Building: renamed on March 14), increased the floor space of the check-in counter floor on the departure floor and the baggage claim area on the arrival floor in the main terminal building, added two boarding bridges at the north-side satellite terminal, and gradually commenced services from December. Additionally, in the domestic area, Japan Airport Terminal Co., Ltd. has renovated and developed a facility for international flights on the south side of Terminal 2. The Company is going to rent the area dedicated for international flights of the facility, and manage it with Terminal 3. With the assistance and cooperation of the many people involved, the Company could commence services on March 29, 2020. (Note: The area dedicated for international flights in Terminal 2 has been closed since April 11)

Also during this fiscal year, regarding the management of terminals, the Company puts safety and security first in all cases, and in consideration of disaster prevention and safety, it has taken measures to prepare for terrorism and natural disasters. As a special response to the comings and goings of important persons, the Company increased their guard and exercised caution in the terminal building in response to requests from the police and relevant authorities for special events such as the U.S. president's visit to Japan in May, the Rugby World Cup 2019 in Japan from September to November, and the enthronement ceremony in October. In addition, when large-scale typhoons Faxai and Hagibis passed over the Tokyo metropolitan area, to say nothing of disaster prevention and maintenance of facilities, the Company strived to secure an environment where passengers could feel safe in case something happened by successively providing information about the current situation with public transport facilities to passengers staying in the building due to flight cancellations. Furthermore, in order to continue to prepare for such emergencies, the Company established a system to promptly convey information on the web in many languages, and prepared more stockpiles including emergency food.

Regarding crisis management, the Company has been striving to enhance its readiness for contingency situations by conducting stress tests in the assumption of fires and earthquakes occurring, while continuing to receive external expert advice. Also, to respond promptly in the workplace after disasters have occurred, the Company held drills assuming the occurrence of disasters near the workplaces of employees working in the terminal as part of the general disaster prevention drills conducted throughout the entire international terminal area. In addition, the Company dealt with increasing the readiness and awareness of fire and disaster prevention at the airport for employees working in the building, through meetings within the terminal with the local fire brigade team.

In terms of aviation security, the Company continues to confirm the awareness of crisis

management and fully disseminate security measures by conducting aviation security recurrent training for all employees working in the building. Besides this, based on the designation of the airport building as critical infrastructure by the Japanese government, while the enhancement of cyber security is required in order to protect from unexpected cyber attacks and rapidly response to such attacks, the Company established an internal and external cooperation system such as participation in the Cybersecurity Council organized by the government after establishing the Information Security Committee and CSIRT (Computer Security Incident Response Team), and enhanced daily management and monitoring by SOC (Security Operation Center), constructing a more robust system.

As measures against the new coronavirus infection, in order to prevent the infection from spreading through the building, in addition to recommending that employees working in the building and staff wear masks, for facilities, the Company has taken some measures with consideration for environmental hygiene, such as enhancement of the air-conditioning ventilation and enhancement of cleaning such as sterilizing door knobs and handrails (including moving walkways and escalators), buttons in elevators and baggage cart handles, as well as setting up alcohol-based hand sanitizers at various areas in the building.

Regarding facilities and equipment related to passenger services, when terminals were expanded including the extension and reconstruction of Terminal 3 and provision of the area dedicated for international flights in Terminal 2, the Company introduced various fast travel measures that provide smooth departure procedures without stress for passengers based on the government's policy, to say nothing of the fact that the developed facilities and services are a realization of the concept of universal design (UD) which the Company has emphasized since the foundation of the international terminal. In addition to newly introducing the latest self-service check-in machines and self-service baggage drop machines in both Terminal 2 and Terminal 3, the Company prepared displays to clearly show guidance information such as waiting times and items which are not permitted to be checked in or carried on board at security checkpoints, and established gates dedicated for confirming boarding passes before inspection areas, making passenger flow smooth. Furthermore, the Company introduced a new type of body scanner, CT-type X-ray inspection equipment for carry-on baggage, and smart lanes in full scale. This shortened passengers' waiting time, and enabled efficient and advanced inspections.

As international flights will be operated in the two terminals and an increase in passengers including inbound international travelers transiting from international flights to domestic flights is expected, the Company has introduced highly convenient guidance and leading/moving services that are easy to understand according to user purpose by once again perceiving Haneda Airport Terminal 1 to Terminal 3 integrally. After integrating websites for passengers which had previously been operated separately for domestic and international flights, the site was revamped as the "Haneda Airport" website which is easy to view and use even with a mobile terminal, and clearly shows information on domestic and international airlines, terminals in service, and transfer

information between terminals, along with all terminal information. Moreover, regarding transfers between terminals along with transit, the Company will newly operate buses for transit of international flights that connects two terminals in the limited area, have the regular free shuttle bus operate on a 24-hour schedule, and furthermore, increase the frequency of operations of the ramp bus which connects domestic flights and international flights with the shortest route in the limited area, improving convenience.

Regarding the commercial area, the Company reopened the general duty-free store, TIAT DUTY FREE CENTRAL in Terminal 3 at the end of March 2019 after renovation was completed, and expanded the product lineup. As a result, its sales increased steadily, such as Japanese brand products being popular with inbound international travelers. In addition, the Company opened a general duty-free store, a virtual boutique in which products including duty-free fashion items can be purchased using a digital catalog, and an arrival duty-free shop in Terminal 2, providing a lineup of attractive products and an opportunity to purchase duty-free items in the same way as Terminal 3. Moreover, while more customers from China, Southeast Asia, and Japan are requesting mobile billing methods, the Company has introduced the major billing systems of each country in stages, and is striving to make an environment for smooth shopping with good value.

To maintain and improve its service quality, the Company has strived 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. The Company holds role-playing contests for its employees who attend to customers at stores and service facilities in the building. It also continues to offer regular training in conversation with customers in English and Chinese, in order to improve customer service skills especially for overseas travelers, and also offers regular training in conversation with customers in Japanese to international employees.

In consideration of customer entertainment, also in the fiscal year, the Company has decorated the terminal to produce a four seasons effect, including illuminations, and has carried out various campaigns. For visitors including overseas customers, the Company and the Agency for Cultural Affairs/the National Museum of Japanese History co-hosted and conveyed the allure of Japanese culture/history. In addition, the Company and the head federation for the promotion of regional revitalization co-hosted "Waku Waku Nippon," and promoted local tourist resources unique to specific regions. The Company also strived to contribute to regional revitalization by stimulating the demand for domestic tourism using Haneda as a hub.

Not only to encourage people from overseas to use Haneda Airport as the gateway to Japan's local areas, but also to announce the expansion of the terminal to overseas markets, the Company provided information booths at international tourism expos held in Hong Kong, Guangzhou, and Ho Chi Minh this year as part of its efforts to stimulate inbound international customers' demand.

With respect to the universal design (UD) that the Company has emphasized, the Company continues to conduct evaluations and verifications carried out since its foundation while holding the UD Committee, comprised of academics, experts with their own disabilities, airport-related operators, and the Company's employees, every other year. Also in the fiscal year, the Company improved the visibility of existing tactile paving as a project for which issues were found through the committee in the previous fiscal year, steadily promoting improvements from the viewpoint of persons with their own disabilities and users.

As an effort to maintain and improve customer satisfaction, in the international terminal building since its opening, in order to continue to provide high quality services and hospitality, the employees working in the building have been continuously implementing customer satisfaction (CS) activities while sharing the CS philosophy. The Haneda Airport International Area Passenger CS Liaison Committee widely promoted CS activities while involving relevant organizations and employees by planning and operating the CS award system, holding CS campaigns, and issuing CS bulletins. During this year, in order to promote understanding of customers with disabilities and customers from overseas, the committee has been working to increase awareness and knowledge by holding CS seminars with themes such as "barrier-free" and "understanding of different cultures." In addition, the Company developed understanding and empathy among employees beyond organizational and operational frameworks, by continuing internal branding activities, "WE ARE TOKYO," through staff exchange meetings attended by employees working in the building and staff related to Haneda Airport's international flights. At the same time, the Company was working to convey a unified feeling and action of hospitality to the customers.

These various efforts and activities have been recognized by external rating agencies to facilities and services of the international terminals of Haneda Airport. Our international and domestic terminals have received the 5 Star Airport ranking in the Global Airport Ranking by Skytrax, a U.K.-based service research firm, for six consecutive years. Furthermore, our airport is ranked second in the "World's Best Airport," the comprehensive evaluation of airports in 2020, and in awards by category, our airport has been ranked first in the "World's Cleanest Airport" category for five consecutive years and seven times in total, and at the same time, our airport is also ranked first in two consecutive years in the category newly established this year, "Best PRM (Persons with Reduced Mobility)/Accessible Facilities."

As mentioned above, the Company has been implementing steady operation and business execution with cost awareness, while continuing to expand the functions of terminal facilities and improve services. As a result, the Company reported an operating revenue of 88,660 million yen (down 8.3% year-on-year) in the fiscal year, an operating profit of 9,217 million yen (down 31.9% year-on-year), an ordinary profit of 6,345 million yen (down 38.2% year-on-year), and a net current profit of 4,068 million yen (down 42.5% year-on-year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

In the international passenger terminal, the rent revenue generated from renting offices for airlines and shop spaces for tenants was 4,966 million yen (up 3.0% year-on-year).

Passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 19,368 million yen (down 7.9% year-on-year).

The facility usage fee revenue from air transport service operators' use of facilities, including boarding bridges, the luggage handling system, and gates dedicated for business jet airplanes, totaled 3,470 million yen (down 4.5% year-on-year).

Consequently, the operating revenue of the Facilities Management and Operation Businesses Segment was 27,805 million yen (down 5.7% year-on-year).

<Directly-Managed Business Segment>

In the Merchandise Sales Business, the sales of goods generated from general duty-free stores and branded boutiques totaled 53,177 million yen (down 10.4% year-on-year).

The sales from the Restaurant Business totaled 2,915 million yen (down 2.1% year-on-year).

Among other businesses, the revenues from parking lot business and other businesses, such as lounge business and advertising in the building, were, respectively, 1,718 million yen (down 1.5% year-on-year) and 3,042 million yen (down 2.0% year-on-year).

Consequently, the Directly-Managed Business Segment reported an operating revenue of 60,854 million yen (down 9.4% year-on-year).

**(2) Status of Capital Expenditure**

During the fiscal year, the Company made capital expenditures of 42,698 million yen in total, which included 21,582 million yen for renovation and reconstruction works for the Terminal 3 building, 10,218 million yen for construction works, etc. for the international facilities in Terminal 2, and new stores, 1,169 million yen for renovation works, etc. for existing stores.

**(3) Status of financing**

As the 3rd funds for work to extend and reconstruct the international passenger terminals, etc. under the “Limited Loan Contract Alteration Contract” signed with a loan syndication as of December 28, 2017, the borrowing of 4,000 million yen was conducted on January 29, 2020.

As a result, the outstanding balance of the loan from the syndication stood at 94,057 million yen as of the end of the fiscal year.

**(4) Issues to Be Addressed**

International flight passenger demand decreased significantly due to the new coronavirus pandemic. Also for international flights planned to depart from and arrive at Haneda Airport, the

difficult situation has been continuing as the area dedicated for international flights in Terminal 2 has been closed since April 11, and most of the flights are suspended or canceled.

Even under these circumstances, the Company will continue to provide the necessary facilities and services on the premise that the safety and security of customers using airplanes is ensured. Additionally, while the quarantine system on returning to/entering Japan is enhanced, the Company will cooperate and respond in accordance with the request by relevant ministries/organizations such as providing facilities and space which will be especially needed, and passenger flow.

While the government's anti-infection measures against new coronavirus and emergency economic measures are currently shown, regarding the management of the international passenger terminal business, from the viewpoint of preventing infection from spreading to passengers and employees working in the building, to lighten the management burden in situations hard to balance in terms of the Company and operators in the terminals such as airlines and tenants, on the premise that passengers' needs can be secured, the Company will temporarily/partially close or reduce facilities, stores and services in terminals, and at the same time, it will support business activities with some measures such as exempting operators in the terminals from facility rental fees/usage fees.

Moreover, toward the recovery period of international flight demand after a v-shaped recovery and demand stimulation for tourism and transportation, etc. after the pandemic ends, the Company will enter the phase where true value will be questioned regarding the terminal re-expansion project including the management system for two international terminals, fast travel measures and transit services, and while integrally perceiving Haneda Airport's domestic/international flights and all passenger terminals, the Company will strive to become skilled in and coordinate/improve the management of facilities and services. Furthermore, in the air transport/immigration processes, on the recognition that the Company will reach the phase requiring new standards which give full consideration to infection prevention, it will engage in the necessary measures as befits international terminals. Regarding the One ID service using face recognition technology for which preparations for implementation are currently underway as an expansive measure of fast travel, the Company regards the service as creating an environment for non-face-to-face/contactless services with the expanded deployment of self-service baggage drop machines, etc., and while developing and introducing these advanced technologies and facilities, it will continue promoting the smart airport with safety and security.

In order to steadily handle these issues and continue to function as an international terminal as normal, the Company will coordinate with Japan Airport Terminal Co., Ltd. as a PFI business representative company, the government, loan syndication and our shareholders, and would like to ask for the necessary support.

Fully recognizing Haneda Airport's roles and significance as an international airport located in the Tokyo metropolitan area, the Company will strive to provide facilities and services with outstanding safety, convenience and comfort as international terminals which contribute to achieving an advanced tourism country and the enhancement of the functions of the Tokyo



metropolitan area, including relentlessly making efforts in our daily operation and maintenance management, steadily responding to the opinions of customers and all stakeholders, and ensuring repeated communication.

## (5) Changes in Assets and Income

Category	The 11th term FY2016	The 12th term FY2017	The 13th term FY2018	The 14th term FY2019
Operating revenue	77,847 million yen	89,539 million yen	96,685 million yen	88,660 million yen
Net income	5,417 million yen	5,440 million yen	7,077 million yen	4,068 million yen
Current net profit per share:	1,491,682 yen	1,497,353 yen	1,383,905 yen	772,489 yen
Net assets	15,843 million yen	22,021 million yen	38,015 million yen	42,892 million yen

## (6) Important matters concerning the parent company

### (i). 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 the purchase transactions of items related to commodity sales, including duty-free items and the management of stores, etc.

### (ii). Transactions with the parent company

Regarding transactions which require notes in the Notes to Non-Consolidated Financial Statements for the fiscal year among transactions between the Company and Japan Airport Terminal Co., Ltd., there are financing, borrowing of funds, and procurement of goods from Japan Airport Terminal Co., Ltd., and business consignment and payment of interest to Japan Airport Terminal Co., Ltd.

#### (a) 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 the 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, 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.

- (b) 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 Company's board of directors meeting 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.

- (c) 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.

#### **(7) 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 business operators on 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

#### **(8) Status of employees**

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

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

**(9) Main lenders**

Lenders	Amount
Development Bank of Japan Inc.	22,218 million yen
Mizuho Bank, Ltd.	15,906 million yen
MUFG Bank, Ltd.	12,801 million yen
Japan Airport Terminal Co., Ltd.	6,660 million yen
Sumitomo Mitsui Banking Corporation	6,360 million yen
The Bank of Yokohama, Ltd.	5,377 million yen
Shinkin Central Bank	5,058 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	Special Adviser, Japan Airport Terminal Co., Ltd.
Managing Director	Hiroto Kuniwake	In charge of Facilities Department, Sales Department, and International Operation Office
Managing Director	Akira Asai	In charge of Passenger Service Department and Disaster Prevention and Security Department
Managing Director	Hiroki Kato	In charge of Administration Department and Planning Department
Managing Director	Shinsaku Yamaki	In charge of Finance Department
External Director	Toshihiro Kawasaki	Fellow, in charge of Promotion of Electrification, Tokyo Electric Power Company Holdings, Inc.
External Director	Akihiko Shiina	Representative Director and Senior Executive Vice President, Narita International Airport Corporation
Corporate Auditor	Masakazu Owashi	
External Corporate Auditor	Hiroshi Tobita	Tobita & Partners LPC
External Corporate Auditor	Hiroyuki Gotoh	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.

Note 1: Toshihiro Kawasaki and Akihiko Shiina are external directors stipulated in Article 2-15 of the Companies Act.

2. Director Toshihiro Kawasaki retired from Director of Tokyo Electric Power Company Holdings, Incorporated on June 26, 2019.
3. All three corporate auditors are external corporate auditors stipulated in Article 2-16 of the Companies Act.
4. Masakazu Owashi, Corporate Auditor, is a certified public accountant and has adequate knowledge about finance and accounting.
5. Hiroshi Tobita, External Corporate Auditor, is an attorney-at-law specializing in corporate law and has adequate knowledge about finance and accounting.

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

10 directors	110 million yen	(of whom, 3 external corporate directors : 6 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 13th General Shareholders Meeting.

### **(3) Matters Concerning External Officers**

#### **(i). Directors**

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

#### **(ii). Corporate Auditors**

Masakazu Owashi, Hiroshi Tobita and Hiroshi Gotoh 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 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' Execution of Duties in Compliance with the Laws and Regulations and the Articles of Incorporation 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 the 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.

(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 regular internal audits of departments, points out any matters that need to be improved with respect to the management of the 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, are 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.
- (vi). 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 above article, requires the 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 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 management, with the corporate auditors also monitoring management in a similar manner.

Full-time corporate auditors attend not only the board of directors meetings but also 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, 2020)

(Millions of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	62,969	Current liabilities	36,645
Cash and deposits	46,132	Accounts payable - trade	1,121
Accounts receivable - trade	1,547	Current portion of long-term loans payable	7,701
Merchandise	5,046	(Senior loan)	( 7,701)
Accounts receivable - other	9,199	Accounts payable - other	20,420
Prepaid expenses	730	Accrued expenses	1,464
Supplies	197	Income taxes payable	542
Other current assets	115	Accrued interest expenses	5
		Lease obligations (current)	0
Noncurrent assets	140,740	Special suspense account for reduction entry	4,890
Tangible fixed assets	136,170	Other current liabilities	499
Buildings	111,306	Noncurrent liabilities	124,171
Structures	1,449	Shareholder subordinated bonds	14,580
Machinery and equipment	13,535	Long-term loans payable	104,355
Vehicles	8	(Preferred loan)	( 86,355)
Tools, furniture and fixtures	6,773	(Shareholder subordinated loans)	( 18,000)
Lease assets	3	Long-term lease deposit received	471
Construction in progress	3,092	Provision for directors' retirement benefits	55
Intangible fixed assets	1,542	Interest rate swap liabilities	4,364
Software	1,542	Lease obligations (noncurrent)	2
		Asset retirement obligations (noncurrent)	341
		Total liabilities	160,817
Investments and other assets	3,026	Net assets	
Deferred tax assets	2,022	Shareholder's equity	45,920
Separately managed penalty in trust	1,000	Capital stock	13,265
Other investments	4	Capital surplus	13,265
		Capital reserve	13,265
		Retained earnings	19,390
		Other retained earnings	19,390
		Retained earnings brought forward	19,390
		Valuation and translation ε	△ 3,028
		Deferred gains or losses on hedges	△ 3,028
		Total equity	42,892
Total assets	203,709	Total liabilities and net assets	203,709

## Income Statement

( From April 1, 2019  
To March 31, 2020 )

(Millions of yen)

Account title	Amount	
Operating revenue		
Rents	4,966	
Facility rental income	22,839	
Sales of goods	53,177	
Restaurant sales	2,915	
Other revenue	4,761	88,660
Cost of sales		
Cost of goods sold		37,173
Operating gross profit		51,486
Selling, general, and administrative expenses		42,269
Operating income		9,217
Non-operating income		
Interest income	0	
Miscellaneous income	473	474
Non-operating expenses		
Interest expenses	3,306	
Miscellaneous loss	40	3,346
Ordinary income		6,345
Extraordinary income		
Gain on sales of fixed assets	109	
Government subsidy	99	208
Extraordinary loss		
Loss on retirement of fixed assets	727	
Loss on reduction of fixed assets	44	771
Income before income taxes		5,782
Income taxes - current		1,480
Income taxes – for prior periods		441
Income taxes - deferred		△ 207
Net income		4,068

## Statement of Changes to Shareholders' Equity

( From April 1, 2019 to March 31, 2020 )

(Millions of yen)

	Shareholder's equity					
	Capitalization	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earning Retained earnings brought forward	Total retained earnings	
Balance as of April 1, 2019	13,265	13,265	13,265	15,322	15,322	41,852
Changes during the period						
Net income	—	—	—	4,068	4,068	4,068
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	4,068	4,068	4,068
Balance as of March 31, 2020	13,265	13,265	13,265	19,390	19,390	45,920

	Valuation and translation adjustments		Total equity
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2019	△ 3,836	△ 3,836	38,015
Changes during the period			
Net income	—	—	4,068
Net changes of items other than shareholders' equity	808	808	808
Total changes during the period	808	808	4,876
Balance as of March 31, 2020	△ 3,028	△ 3,028	42,892

## Notes to Non-Consolidated Financial Statements

### **I. 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 the retail method (balance sheet values are calculated using the 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) Lease assets: The 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  
Provision for directors' retirement benefits: The Company records the required allowance as of the end of the term in accordance with internal rules on the 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 the 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 -- 217 million yen; cumulative at the end of the fiscal year under review -- 4,517 million yen) and recorded as part of noncurrent assets.
  
6. Hedge accounting method:
  - (1) Hedge accounting method: Deferred hedge treatment
  - (2) Hedge procedure and hedge target  
Hedge procedure: Derivative trading (interest swap trading)  
Items hedged: Borrowings based on variable interest rate
  - (3) Hedge policy: It is carried out with the aim of avoiding risks rising from future fluctuation of 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.

## 7. Additional information

Accounting estimates regarding the impact of the spread of the new coronavirus infection

Regarding the determination, etc. of the recoverability of deferred tax assets, scenarios are planned and evaluated in light of accessible information based on external sources of information when the financial statements are prepared. As certain assumptions, assuming that the recovery of the number of travelers which affects operating revenue, etc. due to the new coronavirus infection will take a period of about four years, accounting estimates are reflected in the accounting treatment.

## II. Notes on Balance Sheet (Millions of yen)

1 The amounts are rounded down to the nearest million.

### 2 Pledged assets

Assets pledged as collateral	Ordinary deposits	45,997 million yen
	Accounts receivable - trade	68 million yen
	Buildings	105,051 million yen
	Structures	1,449 million yen
	Machinery and equipment	1,843 million yen
	Separately managed penalty in trust	1,000 million yen
Liabilities corresponding to the above	Current portion of long-term loans payable	7,701 million yen
	Long-term loans payable	86,355 million yen

3 The amount of reduction entry that is directly reduced from the acquisition price

Buildings	44 million yen
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4 Total depreciation of property, plant and equipment 79,976 million yen

### 5 Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable - trade	733 million yen
	Accounts receivable - other	10 million yen
Monetary obligations	Accounts payable - trade	1,121 million yen
	Accounts payable - other	3,808 million yen
	Accrued expenses	647 million yen
	Shareholder subordinated bonds	13,320 million yen
	Long-term loans payable	13,320 million yen
	Long-term lease deposit received	259 million yen

## III. Notes on Income Statement

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

### 2. Transactions with subsidiaries and affiliates

Operating transactions	62,865 million yen
Non-operating transactions	601 million yen

#### IV. Notes on Tax Effect Accounting

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

(Deferred tax assets)	(Millions of yen)
Accrued enterprise tax, etc.	121 million yen
Provision for directors' retirement benefits	16 million yen
Deferred losses on hedges	1,336 million yen
Asset retirement obligations	104 million yen
Other	586 million yen
Deferred tax assets subtotal	2,166 million yen
Valuation reserve	△ 39 million yen
Deferred tax assets total	2,126 million yen
 (Deferred tax liabilities)	
Asset retirement obligations	104 million yen
Deferred tax liabilities total	104 million yen
Subtraction: Net amount of deferred tax assets	2,022 million yen

#### V. Notes on Related Party Transaction

##### 1. Main corporate shareholders etc. (Millions of yen)

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% (direct)	Procurement of goods, consignment of operation of stores, etc. and borrowing of funds	Financing (Note 1)	—	Shareholder subordinated bonds	6,660
				Borrowing of funds (Note 2)	—	Long-term loans payable	6,660
				Business consignment (Note 3)	19,869	Accrued expenses	646
				Procurement of goods (Note 4)	42,996	Accounts payable – trade	1,121
				Payment of interest	601	Accrued interest expenses	—
Main shareholder	Japan Airlines Co., Ltd.	16.87% (direct)	Borrowing of funds	Financing (Note 1)	—	Shareholder subordinated bonds	3,330
				Borrowing of funds (Note 2)	—	Long-term loans payable	3,330
				Payment of interest	300	Accrued interest expenses	—

Main shareholder	ANA Holdings Inc.	16.87% (direct)	Borrowing of funds	Financing (Note 1)	—	Shareholder subordinated bonds	3,330
				Borrowing of funds (Note 2)	—	Long-term loans payable	3,330
				Payment of interest	300	Accrued interest expenses	—
Director	Akihiko Shiina Director Narita International Airport Corporation Representative Director Senior Executive Vice President	-	Borrowing of funds	Borrowing of funds (Note 2) (Note 5)	—	Long-term loans payable	1,620
				Payment of interest	73	Accrued interest expenses	—

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, other terms and conditions for 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.

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 Akihiko Shiina, a director at our company, in his capacity as a representative of Narita International Airport Corporation.

Note 6: Among the amounts indicated in the table above, transaction amounts do not include consumption tax.

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



## VI. Notes on data per share

- |    |                               |                  |
|----|-------------------------------|------------------|
| 1. | Net asset per share:          | 8,072,268.32 yen |
| 2. | Current net profit per share: | 772,489.56 yen   |

## VII. Matters concerning important subsequent events

### Borrowing of a large amount of funds

The Company decided to borrow funds as follows in the board of directors meeting held on August 24, 2017, and borrowed funds on April 28, 2020.

- |     |                          |                                                                      |                                                                |
|-----|--------------------------|----------------------------------------------------------------------|----------------------------------------------------------------|
| (1) | Purpose of the funds     | Financial arrangements for construction costs, etc. (The 4th, final) |                                                                |
| (2) | Lenders                  | (Lead arranger)                                                      | Mizuho Bank, Ltd.                                              |
|     |                          | (Lead arranger)                                                      | Development Bank of Japan Inc.                                 |
|     |                          | (Lead arranger)                                                      | MUFG Bank, Ltd. and others, 20 financial institutions in total |
| (3) | Amount of money borrowed | 25,452 million yen                                                   |                                                                |
| (4) | Borrowing rate           | TIBOR (6 months) + spread                                            |                                                                |
| (5) | Borrowing execution date | April 28, 2020                                                       |                                                                |
| (6) | Final deadline           | September 30, 2037                                                   |                                                                |
| (7) | Pledged assets           | Buildings, structures, machinery and equipment, and rent credits     |                                                                |

# **The 14th term**

## **Annexed detailed statements to Business Report**

( From April 1, 2019  
To March 31, 2020 )

**Tokyo International Air Terminal Corporation**

1. Details of our company executives who hold a position as an executive director in another company

Refer to "3. Status of Company Executives" in the Business Report and "VIII. Notes on Related Party Transaction" in Notes to Non-Consolidated Financial Statements.

# **The 14th term**

## **Annexed detailed statements to financial statements**

( From April 1, 2019  
To March 31, 2020 )

**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 in the term under review	Depreciation in the term under review	Book value at the end of the period	Total depreciation	Acquisition cost at the end of the period
Property, plant and equipment:	Buildings	89,328	29,053	70	7,004	111,306	54,054	165,361
	Structures	1,054	600	8	197	1,449	1,250	2,699
	Machinery and equipment	5,648	8,560	-	672	13,535	4,109	17,645
	Vehicles	2	7	-	1	8	188	197
	Tools, furniture and fixtures	5,411	3,408	33	2,012	6,773	20,371	27,145
	Leased assets	-	4	-	0	3	0	4
	(Subtotal)	(101,444)	(41,635)	(112)	(9,889)	(133,077)	(79,976)	(213,054)
	Construction in progress	15,560	19,475	31,943	-	3,092	-	3,092
	Total	117,004	61,111	32,056	9,889	136,170	79,976	216,147
Intangible assets	Software	797	1,062	-	317	1,542	-	1,542

Note: The main factors contributing to the increase in the term include 21,582 million for renovation and reconstruction work for the Terminal 3 building, 10,218 million yen for construction works, etc. for the international facilities in Terminal 2 and new stores, 1,169 million yen for renovation works for existing stores.

2. Details of the reserves

(Millions 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	57	16	19	-	55

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" of "Notes to Non-Consolidated Financial Statements."

3. Details of selling, general and administrative expenses

(Millions of yen)

Account Title	Amount	Remarks
Directors' compensations	111	
Employees' salaries	606	
Provision for directors' retirement benefits	16	
Legal welfare expenses	16	
Welfare expenses	3	
Transportation expenses	47	
Supplies expenses	30	
Furniture and fixtures	266	
Utilities expenses	641	
Communication expenses	97	
Insurance expenses	443	
Repair expenses	93	
Rent expenses	5,318	
Conference expenses	7	
Entertainment expenses	17	
Taxes and public charges	1,373	
Donations	5	
Advertising expenses	597	
Cleaning expenses	23	
Fees payable	78	
Temporary staffing expenses	23	
Educational and training expenses	25	
Business consignment expenses	22,104	
Miscellaneous expenses	110	
Depreciation	10,206	
Total	42,269	