

The 16th Term

Business Report

From April 1, 2021 to March 31, 2022

- 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, 2021 to March 31, 2022

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

International travel restrictions continued over a lengthy period, as COVID-19 variants led to the fourth (India variant), fifth (Delta variant), and sixth (Omicron variant) waves of the global pandemic.

While demand for international travel to and from Japan in the fiscal year under review was up by 60% from the previous fiscal year to 2.25 million travelers, due in part to the trend toward easing of international travel restrictions, conditional on vaccination, certification of negative PCR test results, etc. centered on Europe and North America, where vaccination had advanced, as well as partial easing of restrictions on the number of visitors from overseas permitted to enter Japan, this number remains down 98% from FY2019, as the business environment remains an extremely difficult one.

Although international flights to and from Haneda Airport showed continued large-scale reductions and suspensions in all directions and on all routes, an increasing trend was apparent in April due to factors including corporate demand for replacement of overseas resident staff and the holding of preliminary and test tournaments in preparation for the Tokyo Olympic and Paralympic Games. There also was an increasing trend in numbers of travelers as athletes and related parties travelled to and from Japan during the 2020 Tokyo Olympic and Paralympic Games in July through September. Still, there was no full-fledged recovery in travel demand.

In addition, an easing of containment measures and restrictions on numbers of travelers admitted to Japan were announced in November, and this combined with demand from travelers returning home during the year-end and New Year's holidays led to another increase in travelers entering Japan in December, to 39,000 persons. However, the spread of the Omicron variant of COVID-19 spurred a sudden redoubling of entry restrictions.

Containment measures and restrictions on numbers of travelers admitted to Japan were eased again, in stages, beginning in March, leading to signs of an increasing trend in travelers and hope for further easing of restrictions and growth in travelers' numbers in the future. However, due to factors including the impact of geopolitical risks such as decreases in numbers of flights to and from Europe and increasing cancellations due to Russia's invasion of Ukraine, although the number of travelers (including transit travelers) in the fiscal year was up 105% year-on-year it still did not exceed 910,000/year, as there were no clear signs of a recovery in demand.

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.

In the area of efforts to stop the spread of COVID-19 inside airport terminals, we obtained Airport Health Accreditation (AHA) from the Airports Council International (ACI). Established by the ACI

with reference to guidelines such as those formulated by the International Civil Aviation Organization (ICAO), this international accreditation reflects assessment and accreditation of the state of implementing 122 measures in areas including measures to prevent infection of customers and employees, cleaning and disinfection inside terminals, social distancing in various areas of the airport, and adoption of contactless devices.

We also were assessed as an outstanding airport operator in terms of various COVID-19 initiatives. For example, we earned five stars, the highest rating, in the COVID-19 Airport Safety Rating by SKYTRAX of the UK and won the COVID-19 Airport Excellence Awards.

We also were the first airport in Japan to be named the Best Airport in Asia in SKYTRAX's international airport evaluations, and we also secured first place for the sixth consecutive year in the World's Cleanest Airports category of those evaluations as well as first place for the third consecutive year in the World's Best PRM/Accessible Facilities category for airport terminals making outstanding efforts on behalf of travelers who require mobility assistance.

In addition, as part of our fast-travel initiatives aiming to realize smooth, stress-free departure procedures, during this fiscal year we began trials in April of Face Express (a single-ID service using facial recognition technology), a new services through which travelers who have registered their facial photographs can complete the entire series of procedures from baggage check-in through security screening and admittance through boarding gates with no need to show their boarding passes or passports, and we launched full use of this system, starting with Japan Airlines, in July. Since this program not only increases convenience for travelers but also helps stop the spread of infectious diseases through reducing interaction between travelers and staff and implementing contactless technologies, as well as helping to save labor in airport operations, we plan to encourage and promote its use as well as increasing the number of compatible airlines steadily in the future.

The Tokyo Olympic and Paralympic Games, held from July through September, were held during the COVID-19 pandemic, and they required a strict "bubble" approach to avoid contact between athletes and related parties and others upon arrival in and departure from Japan. As a member of the Japan Airport Terminal Co., Ltd. Group, an official partner of the Olympic Games, in handling related airport services we provided support for safe and smooth international arrivals and departures free of any major incidents, through repeated close and thorough meetings and operations with related agencies including the Tokyo 2020 Organizing Committee and local governments, and cooperation in various aspects of handling Olympic travel needs, including securing dedicated routes for movement of athletes and securing waiting areas, responding to possible COVID-19 test results, handling the media, and dealing with VIPs and star athletes.

In addition, to increase levels of convenience in response to expected growth in demand for business jets during and after the Olympic and Paralympic Games, we opened a new gate in July dedicated to international business jet flights adjacent to the North Satellite. With a total floor area of approximately 1500 square meters, roughly four times that of the previous business jet gate, this gate features a flat structure in which departure and arrival flows are fully separated, along with multiple private waiting

rooms, greatly increasing both convenience and processing capacity.

As it had last year, 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.

Travelers arriving from countries where COVID-19 is prevalent must be isolated for a certain period in lodging facilities specified by quarantine authorities. Particularly in December, when the Omicron variant was spreading worldwide, the supply of lodging accommodations for quarantine purposes was very tight, and increasing numbers of travelers were required to wait for lengthy periods in the airport for transport to their accommodations. We cooperated in areas such as providing meals and blankets for these waiting travelers and guiding them.

In addition to cooperation in containment measures, we also leased 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) from August.

To reduce operating costs in light of the large-scale decreases in numbers of flights and travelers due to continued international travel restrictions, the international flight facilities and areas in Passenger Terminal 2 were closed in their entirety, while reduced facilities and services in Passenger Terminal 3 continued to be provided. Some air passenger facilities, shops in retail areas, and transport services between terminals, among other facilities and services, have been suspended or closed or have had their operating hours curtailed. In addition, to ensure that passenger convenience and comfort would not suffer even as numbers of flights were limited, provision of necessary facilities, services, and shops was maintained.

Efforts also continued on reduction and exemption of costs such as rents and facilities usage charges in cooperation with airlines and tenants.

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 even under such conditions, 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 rising risk of cyberattacks in light of factors such as the 2020 Tokyo Olympic and Paralympic Games and 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. It continues efforts

to identify issues and implement related improvements and enhancements through continual and repeated assessment and verification through means including a UD Study Committee held in November of this fiscal year, whose membership includes experts such as academics and experienced practitioners as well as experts experienced with disabilities, airport-related businesses, and Company employees. In addition, during this fiscal year we published on our website our Specific Plan on Mobility Facilitation Measures under the Barrier Free Act, held a public seminar in June on serving people with hidden disabilities (i.e., disabilities that are not readily apparent such as cognitive disabilities and autism, learning disabilities, anxiety disorder, mental disorders, and visual and hearing impairment), and, as one measure to prevent cases of users encountering difficulties in the airport, began distributing on a trial basis in March Hidden Disabilities Sunflower straps to make it easier to receive guidance and support inside the facilities.

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 strived to involve relevant organizations and employees through means including the CS award system and CS bulletins.

In these ways, despite the difficult circumstances that have continued since the previous fiscal year, 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, as well as implementing further cost-cutting measures. As a result, in this fiscal year the Company reported operating revenue of 9,468 million yen, an operating loss of 25,263 million yen (vs. an operating loss of 29,582 million yen in the same period of the previous year), an ordinary loss of 30,854 million yen (vs. an ordinary loss of 32,909 million yen in the same period of the previous year), and a net loss of 30,994 million yen (vs. a net profit of 34,348 million yen in the same period of the previous year). Since the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the start of this fiscal year, year-on-year comparisons (%) are not provided.

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 and exemption, as in the previous year, intended to help lessen the burden of operating costs and provide support for tenants, rent revenue generated from renting offices for airlines and shop spaces for tenants was 5,582 million yen, due in part to rent on use of spaces for COVID-19 vaccination of Japanese residing overseas.

Passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 1,014 million yen, due to a slight increase in passengers from the previous fiscal year.

The facility usage fee revenue from air transport service operators' use of facilities such as boarding bridges and the luggage handling system totaled 668 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 7,265 million yen.

In the area of costs, facility maintenance and management 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 the previous fiscal year.

Directly-Managed Business Segment

In the Merchandise Sales Business, sales of goods generated from general duty-free stores and branded boutiques totaled 1,328 million yen, as passenger numbers recovered compared to the previous fiscal year. Sales from the Restaurant Business totaled 4 million yen, while revenues from the parking lot business were 292 million yen.

Revenues from other businesses were 577 million yen, due mainly to reduced advertising revenues with the termination of advertising related to the Tokyo 2020 Olympic and Paralympic Games. Consequently, the Directly-Managed Business Segment reported operating revenue of 2,203 million yen.

In the area of costs, business consignment costs were reduced through reduction of 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, the Company made capital expenditures of 2,846 million yen in total. This figure includes 1,719 million yen in construction to remodel shops in duty-free areas, 622 million yen in construction of a new gate dedicated to international business jet flights, and 443 million yen in construction related to terminal facility maintenance.

(3) Status of financing

- (a) On November 15, 2021, borrowing was executed for 20 billion yen under the Agreement on Amendment of the Limited Loan Contract signed with the loan syndicate on September 30, 2021, as various reserves to contribute to cash-flow stability into the future. As a result, the outstanding balance of the loan from the syndication stood at 118,982 million yen as of the end of the fiscal year.
- (b) The fifth issue of 450 million yen in subordinated bonds was released April 9, 2021 based on a Confirmation Letter concluded February 26, 2021 under the Shareholder Subordinated Loan Agreement concluded March 27, 2008. As a result, the total outstanding balance of funds raised through shareholder subordinated loans and shareholder subordinated bonds stood at 41,580 million yen as of the end of the fiscal year.

(4) Issues to Be Addressed

Conditions related to demand for international air travel remain very difficult as countries and regions around the world continue to maintain restrictions on entry and exit in response to the COVID-19 pandemic and geopolitical risks have been manifested as well. Giving top priority to maintaining the safety and security of customers using flights serving the Haneda international air route even under such conditions, the Company will continue to provide essential facilities and services while preventing any deterioration in convenience and comfort.

In the area of operation of terminal facilities and services, together with continued streamlining of operating costs through means such as review and contraction of various facilities and services, we also will strive to maintain and continue business operations reflecting consideration for all stakeholders, while continuing to provide support for airlines and tenants through means such as reduction and exemption of rents and facility usage charges.

Some easing has begun of Japan's COVID-19 containment measures and entry restrictions, and it is hoped that numbers of international travelers arriving in and departing from Japan will increase. In response to future increases in numbers of flights and passengers in stages, we will prepare to reopen facilities and services that had been subject to measures such as partial closure, contraction, and shortening of business hours. at the same time, we will cooperate closely with related government authorities and other agencies in light of the expected possibility of changes to containment measures and quarantine systems depending on the circumstances, through means including provision of facilities and spaces and proposing traveler flows. In directly managed businesses such as merchandise sales as well, we will enhance structures to secure sales.

In addition to the above, we have received the cooperation of stakeholders in various ways to enable continuity of the international terminal business, and in some areas we are requesting further support from the Japanese government.

During this fiscal year, the presence was confirmed of issues such as telephone callers and websites pretending to represent our Company. An incident also occurred in which a former employee of a subcontractor made off with personal information of Face Express users. The information already has been recovered and deleted and we have confirmed that there was no further leakage to third parties. Together with measures to prevent the reoccurrence of such incidents, we are enhancing our cybersecurity measures and information security while also strengthening oversight of subcontractors.

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

Company business results are in an extremely difficult situation as restrictions on international travel and other measures have been implemented by the Japanese government over a lengthy period in response to the global COVID-19 pandemic and numbers of international travelers have been down dramatically since the previous fiscal year. In this fiscal year as well, liabilities have exceeded assets as a result of recording considerable sums of operating losses and net losses. As such, there are developments or situations leading to material doubts about the going-concern assumption.

To resolve these developments or situations in January 2022 we submitted to the Ministry of Land, Infrastructure, Transport and Tourism of Japan notification of a change in the passenger service facility charge, intended to recover the investment made in large-scale facility improvements such as expansion of the main building and satellites of Terminal 3 and expansion of the common areas for international flights at Terminal 2. These investments have been made since March 2020 with the aim of enhancing the functions of Haneda Airport (as part of plans to increase its flight capacity to 39,000 international flights/year). The new facility usage charges have been applied beginning with tickets issued March 27, 2022. With regard to costs, we mainly have implemented measures such as reducing fixed costs through contraction of terminal maintenance operations and revision of operation methods as well as freezing new investment. Other measures taken have included securing liquidity on hand through means such as raising 20 billion yen in funds from financial institutions during this period and conclusion with our parent company, Japan Airport Terminal Co., Ltd., of a memorandum on deferral of payment of rent and other charges.

Based on reasonable expectations for international air travel demand, including expectations concerning the timing of the COVID-19 pandemic coming under control, under our fund-raising plan reflecting the effects of the above measures we expect to have sufficient funding through March 31, 2023. Accordingly, we do not see any material uncertainties regarding the going-concern assumption.

(6) Changes in Assets and Income

| Category | The 13th term FY2018 | The 14th term FY2019 | The 15th term FY2020 | The 16th term FY2021 |
|----------|-------------------------|-------------------------|-------------------------|-------------------------|
|----------|-------------------------|-------------------------|-------------------------|-------------------------|

| | | | | |
|-----------------------------|--------------------|--------------------|---------------------|---------------------|
| Operating revenue | 96,685 million yen | 88,660 million yen | 8,383 million yen | 9,468 million yen |
| Net income (loss) | 7,077 million yen | 4,068 million yen | -34,348 million yen | -30,994 million yen |
| Net income (loss) per share | 1,383,905 yen | 772,489 yen | -6,618,710 yen | -5,962,823 yen |
| Net assets | 38,015 million yen | 42,892 million yen | 7,971 million yen | -21,610 million yen |

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Accounting Standard" hereinafter) and other standards have been applied since the start of the 16th term.

(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 |
|---------------------|--|
| 60 (3) | decreased by 1 (decreased 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. | 34,074 million yen |
| Mizuho Bank, Ltd. | 26,640 million yen |
| MUFG Bank, Ltd. | 13,577 million yen |
| Japan Airport Terminal Co., Ltd. | 8,510 million yen |
| Sumitomo Mitsui Banking Corporation | 7,042 million yen |
| The Bank of Yokohama, Ltd. | 5,438 million yen |
| Shinkin Central Bank | 5,006 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 Passenger Service Department and Disaster Prevention and Security 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 Administration Department and Planning 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 | Masakazu Owashi | |
| 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. Masakazu Owashi, Corporate Auditor, is a certified public accountant and has adequate knowledge about finance and accounting.
4. Corporate Auditor Hiroshi Tobita 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

| | | |
|----------------------|-----------------|---|
| 10 directors | 103 million yen | (of whom, 3 external directors: 6 million yen) |
| 4 corporate auditors | 17 million yen | (of whom, 4 external directors: 17 million yen) |

Note: Amounts of compensation etc. of directors and auditors include the retirement benefits paid to directors and corporate auditors who retired at the closure of the 15th 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

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

5. Company Structure and Policy

(1) Structure to Ensure the Directors' and Employees' Execution of Duties in Compliance with the Laws and Regulations and the Articles of Incorporation 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, 2022)

(Millions of yen)

| Assets | | Liabilities | |
|---|---------|--|------------|
| Account Title | Amount | Account Title | Amount |
| Current assets | 42,954 | Current liabilities | 27,800 |
| Cash and deposits | 37,628 | Accounts payable – trade | 52 |
| Accounts receivable - trade | 703 | Current portion of long-term loans payable | 9,030 |
| Merchandise | 2,299 | (Senior loan) | (9,030) |
| Accounts receivable - other | 2,111 | Accounts payable - other | 2,697 |
| Prepaid expenses | 19 | Accrued expenses | 12,470 |
| Supplies | 209 | Income taxes payable | 143 |
| Other | 23 | Accrued interest expenses | 2,909 |
| Allowance for doubtful accounts (current) | △41 | Lease obligations (current) | 12 |
| | | Other current liabilities | 483 |
| Noncurrent assets | 117,893 | Noncurrent liabilities | 154,657 |
| Tangible fixed assets | 115,511 | Shareholder subordinated bonds | 21,030 |
| Building | 99,196 | Long-term loans payable | 130,502 |
| Structures | 1,225 | (Preferred loan) | (109,952) |
| Machinery and equipment | 9,822 | (Shareholder subordinated loans) | (20,550) |
| Vehicles | 5 | Long-term lease deposit received | 471 |
| Tools, furniture and fixtures | 4,850 | Unearned revenue | 31 |
| Leased assets | 73 | Provision for directors' retirement benefits | 68 |
| Construction in progress | 337 | Interest-rate swap liabilities | 2,187 |
| Intangible fixed assets | 1,375 | Lease obligations (non-current) | 25 |
| Software | 1,375 | Asset retirement obligations (non-current) | 341 |
| | | Total liabilities | 182,457 |
| Investments and other assets | 1,006 | Net assets | |
| Separately managed penalty in trust | 1,000 | Shareholder's equity | △19,422 |
| Other investments | 6 | Capital stock | 13,265 |
| | | Capital surplus | 13,265 |
| | | Capital reserve | 13,265 |
| | | Retained earnings | △ 45,952 |
| | | Other retained earnings | △ 45,952 |
| | | Retained earnings brought forward | △ 45,952 |
| | | Valuation and translation adjustments | △ 2,187 |
| | | Deferred gains or losses on hedges | △ 2,187 |
| | | Total equity | △ 21,610 |
| Total assets | 160,847 | Total liabilities and net assets | 160,847 |

Income Statement

From April 1, 2021 to March 31, 2022

(Millions of yen)

| Account Title | Amount | |
|--|--------|----------|
| Operating revenue | | |
| Rents | 5,582 | |
| Facility rental income | 1,682 | |
| Sales of goods | 1,328 | |
| Restaurant sales | 4 | |
| Other revenue | 870 | 9,468 |
| Cost of sales | | |
| Cost of goods sold | | 765 |
| Operating gross profit | | 8,702 |
| Selling, general, and administrative expenses | | 33,966 |
| Operating loss | | △ 25,263 |
| Non-operating income | | |
| Interest income | 0 | |
| Miscellaneous income | 229 | 230 |
| Non-operating expenses | | |
| Interest expenses | 4,385 | |
| Fees payable | 1,416 | |
| Miscellaneous loss | 20 | 5,821 |
| Ordinary loss | | △ 30,854 |
| Extraordinary income | | |
| Government subsidy | 1,422 | 1,422 |
| Extraordinary loss | | |
| Loss on retirement of fixed assets | 267 | |
| Loss on reduction of fixed assets | 1,388 | 1,655 |
| Loss before income taxes | | △ 31,087 |
| Income taxes - current | 3 | |
| Income taxes - deferred | △ 96 | △ 93 |
| Net loss | | △ 30,994 |

Statement of Changes to Shareholders' Equity

From April 1, 2021 to March 31, 2022

(Millions of yen)

| | Shareholder's equity | | | | | |
|--|----------------------|-----------------------|-----------------------|--|-------------------------|----------------------------|
| | Capitalization | Capital surplus | | Retained earnings | | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Other retained earnings Retained earnings brought forward | Total retained earnings | |
| Balance at beginning of current period | 13,265 | 13,265 | 13,265 | △ 14,958 | △ 14,958 | 11,571 |
| Changes during the period | | | | | | |
| Net loss | — | — | — | △ 30,994 | △ 30,994 | △ 30,994 |
| Net changes of items other than shareholders' equity | — | — | — | — | — | — |
| Total changes during the period | — | — | — | △ 30,994 | △ 30,994 | △ 30,994 |
| Balance at end of current period | 13,265 | 13,265 | 13,265 | △ 45,952 | △ 45,952 | △ 19,422 |

| | Valuation and translation adjustments | | Total equity |
|--|---------------------------------------|---|--------------|
| | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| Balance at beginning of current period | △ 3,600 | △ 3,600 | 7,971 |
| Changes during the period | | | |
| Net loss | — | — | △ 30,994 |
| Net changes of items other than shareholders' equity | 1,413 | 1,413 | 1,413 |
| Total changes during the period | 1,413 | 1,413 | △ 29,581 |
| Balance at end of current period | △ 2,187 | △ 2,187 | △ 21,610 |

Notes to Non-Consolidated Financial Statement

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. 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 -- 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.

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.

7. 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.

8. 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 FY2024.

II. Notes on Changes to Accounting Policies

Application of the Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and related standards have been applied since the start of this fiscal year. Under these standards, the amounts expected to be received in exchange for goods or services are recognized as revenues at the point in time at which control of the promised goods or services transfers to the customer.

As a result, the method of recognition of revenues related to backdating of payment to suppliers for the proportion of goods actually sold, consignment shops, etc. has changed from recognition as revenues of the total amount received from the customer to recognition of revenues in the net amount of the amount received from the customer minus the amount payable to the supplier or consignee in transactions in which the Company's role qualifies as that of an agent in provision of goods or services to customers.

In applying the Accounting Standard for Revenue Recognition and related standards, the Company employs the provisional handling described in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition.

As a result of these changes, on the Income Statement for this fiscal year operating revenue decreased by 675 million yen, cost of sales decreased by 486 million yen, and selling, general, and administrative expenses decreased by 189 million yen. The starting balances of operating loss, ordinary loss, and pretax loss on the Income Statement and of retained earnings on the Statement of Changes in Equity are unaffected by this change.

III. Notes on Changes in Presentation Methods

Application of the Accounting Standard for Fair Value Measurement etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019) and related

standards have been applied since the start of this fiscal year. Pursuant to the provisional handling described in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the new accounting policies provided for in the Accounting Standard for Fair Value Measurement and related standards have been applied to future accounts. The Company holds no financial instruments that are shown on the Balance Sheet in fair values, and this change has had no effect on the financial statements.

IV. 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."

V. Notes on Balance Sheet

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

2. Pledged assets

| | | |
|--|--|---------------------|
| Assets pledged as collateral | Ordinary deposits | 37,495 million yen |
| | Accounts receivable - trade | 18 million yen |
| | Building | 93,569 million yen |
| | Structures | 1,225 million yen |
| | Machinery and equipment | 9,716 million yen |
| | Software | 332 million yen |
| | Separately managed penalty in trust | 1,000 million yen |
| Liabilities corresponding to the above | Current portion of long-term loans payable | 9,030 million yen |
| | Long-term loans payable | 109,952 million yen |

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

| | |
|-------------------------------|-------------------|
| Building | 175 million yen |
| Machinery and equipment | 1,086 million yen |
| Tools, furniture and fixtures | 49 million yen |
| Software | 110 million yen |

4. Total depreciation of property, plant and equipment: 100,503 million yen

5. Monetary claims and obligations to subsidiaries and affiliates

| | | |
|----------------------|-----------------------------|-----------------|
| Monetary claims | Accounts receivable - trade | 255 million yen |
| | Accounts receivable - other | 459 million yen |
| Monetary obligations | Accounts payable – trade | 52 million yen |
| | Accounts payable - other | 678 million yen |

| | |
|----------------------------------|--------------------|
| Accrued expenses | 10,986 million yen |
| Shareholder subordinated bonds | 18,890 million yen |
| Long-term loans payable | 15,170 million yen |
| Long-term lease deposit received | 266 million yen |

VI. Notes on Income Statement

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

| | |
|----------------------------|--------------------|
| Operating transactions | 14,838 million yen |
| Non-operating transactions | 821 million yen |

VII. 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 |

VIII. Notes on Tax Effect Accounting

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

[Deferred tax assets]

| | |
|--|---------------------|
| Retained loss | 19,725 million yen |
| Deferred losses on hedges | 669 million yen |
| Excess depreciation loss | 444 million yen |
| Disapproval of accrued fixed asset tax payable etc. | 117 million yen |
| Asset retirement obligations | 104 million yen |
| Disapproval of accrued enterprise tax payable | 42 million yen |
| Disapproval of accrued real estate acquisition tax payable | 32 million yen |
| Disapproval of accrued business facility tax payable | 26 million yen |
| Provision for directors' retirement benefits | 20 million yen |
| Allowance for doubtful accounts | 12 million yen |
| Other | 76 million yen |
| Deferred tax assets subtotal | 21,274 million yen |
| Valuation reserve | -21,182 million yen |
| Deferred tax assets total | 91 million yen |

[Deferred tax liabilities]

| | |
|---|----------------|
| Asset retirement obligations | 89 million yen |
| Other | 1 million yen |
| Deferred tax liabilities total | 91 million yen |
| Subtraction: Net amount of deferred tax liabilities | - million yen |

IX. 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, 2022 (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 | 37,628 | 37,628 | - |
| (2) Shareholder subordinated bonds | (21,030) | (16,043) | -4,986 |
| (3) Long-term loans payable (*2) | (139,532) | (134,451) | -5,080 |
| (4) Derivatives | (2,187) | (2,187) | - |

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

*2: Long-term loans payable include 9,030 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 | 72,747 | -2,187 | Using prices etc. provided by the counterparty financial institution |

X. 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 |
|---|----------------------|-------------------|
| | 95,131 | 159,399 |

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.

XI. 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) | 6,442 | Accrued expenses | 10,986 |
| | | | | Procurement of goods (Note 4) | -844 | Accounts payable – trade | 52 |
| | | | | Interest expenses | 821 | Accrued interest expenses | 1,286 |
| | | | | Rent expenses on real estate (Note 9) | 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 | 560 |
| 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 | 560 |
| 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 | 106 |
| Director | Akihiko Shiina Director Narita International Airport Corporation Representative Director and Senior Executive President | - | Borrowing of funds | Financing (Note 1) (Note 6) | 450 | Long-term loans payable | 1,620 |
| | | | | Interest expenses | 99 | Accrued interest expenses | 135 |

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

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

Note 9: 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.

XII. Notes on data per share

1. Net asset per share: -4,358,959.15 yen
2. Net loss per share: -5,962,823.44 yen

XIII. Matters concerning important subsequent events

There are no applicable matters.

The 16th Term

Annexed Detailed Statements to Business Report

From April 1, 2021 to March 31, 2022

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 16th Term

Annexed Detailed Statements to Financial Statements

From April 1, 2021 to March 31, 2022

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 | 104,734 | 2,751 | 192 | 8,097 | 99,196 | 69,997 | 169,194 |
| | Structures | 1,342 | 68 | - | 185 | 1,225 | 1,637 | 2,862 |
| | Machinery and equipment | 11,745 | 107 | 1,055 | 974 | 9,822 | 5,954 | 15,777 |
| | Vehicles | 6 | - | - | 1 | 5 | 192 | 198 |
| | Tools, furniture and fixtures | 5,805 | 458 | 50 | 1,363 | 4,850 | 22,671 | 27,521 |
| | Leased assets | 97 | 0 | - | 24 | 73 | 49 | 122 |
| | (Subtotal) | (123,733) | (3,385) | (1,298) | (10,647) | (115,173) | (100,503) | (215,676) |
| | Construction in progress | 875 | 1,423 | 1,962 | - | 337 | - | 337 |
| | Total | 124,609 | 4,809 | 3,260 | 10,647 | 115,511 | 100,503 | 216,014 |
| Intangible assets | Software | 1,758 | 279 | 110 | 552 | 1,375 | - | 1,375 |

Note: The increase in the term under review consisted mainly of 2,186 million yen in construction on remodeling of shops in duty-free areas, 1,050 million yen in construction to install a dedicated gate for international business jet flights, and 676 million yen in construction related to terminal facility maintenance and management. The decrease consisted mainly of reduced-value entry of 1,388 million yen related to construction for installation of equipment related to fast-travel measures (self-check-in kiosks, automated baggage drop machines, automated gates at security checkpoints, and computer systems for these facilities).

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 | 71 | 16 | 19 | - | 68 |
| Allowance for doubtful accounts | 44 | 8 | - | 11 | 41 |

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 | 535 | |
| Provision for directors' retirement benefits | 16 | |
| Legal welfare expenses | 9 | |
| Welfare expenses | 2 | |
| Transportation expenses | 2 | |
| Supplies expenses | 4 | |
| Furniture and fixtures | 11 | |
| Utilities expenses | 459 | |
| Communication expenses | 101 | |
| Insurance expenses | 536 | |
| Repair expenses | 26 | |
| Rent expenses | 11,403 | |
| Conference expenses | 0 | |
| Entertainment expenses | 0 | |
| Taxes and public charges | 1,636 | |
| Donations | 0 | |
| Advertising expenses | 15 | |
| Cleaning expenses | 13 | |
| Fees payable | 3 | |
| Temporary staffing expenses | 15 | |
| Educational and training expenses | 2 | |
| Business consignment expenses | 7,752 | |
| Miscellaneous expenses | 114 | |
| Depreciation | 11,199 | |
| Total | 33,966 | |