

Balance Sheet

(As of March 31, 2018)

(Millions of yen)

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

Income Statement

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

(Millions of yen)

Account title	Amount	
Operating revenue		
Rents	4,808	
Facility rental income	23,413	
Sales of goods	54,217	
Restaurant sales	2,749	
Other revenue	4,350	89,539
Cost of sales		
Cost of goods sold		37,730
Operating gross profit		51,808
Selling, general and administrative expenses		39,324
Operating income		12,484
Non-operating income		
Interest income	0	
Miscellaneous income	374	327
Non-operating expenses		
Interest expenses	4,088	
Miscellaneous loss	1	4,841
Ordinary income		7,970
Extraordinary loss		
Loss on retirement of noncurrent assets	17	17
Income before income taxes		7,953
Income taxes-current		2,569
Income taxes-deferred		Δ 56
Net income		5,440

Notes to Non-Consolidated Financial Statements

I. Notes on Matters Related to Important Accounting Policies

1. Criteria and methods for evaluating assets
 - (1) Derivatives: Market value method
 - (2) Inventory assets: Based on cost method using retail method (balance sheet values are calculated using method of reducing book value when the contribution of inventories to profitability declines)
2. Method of depreciation of noncurrent assets
 - (1) Property, plant and equipment: Straight line method
 - (2) Intangible assets: Straight line method
As for the software used in-house, the Company adopts the straight-line method based on an expected usage period of five years for internal use.
3. Criteria for recording reserves
Provision for directors' retirement benefits: The Company records required allowance as of the end of the term in accordance with internal rules on payment of directors' retirement benefits to prepare for the payment of retirement benefits to directors.
4. Treatment of consumption tax, etc.
The accounting treatment of consumption tax and local consumption tax is based on tax exclusion method.
5. Inclusion of interest payable, etc. in noncurrent assets acquisition cost
The interest payable and loan-related ancillary cost incurred during the construction of the passenger terminal building have been added to the acquisition cost (for the fiscal year under review – 742 million yen; cumulative at the end of the fiscal year under review -- 4,125 million yen) and recorded as part of noncurrent assets.
6. Hedge accounting method
 - (1) Hedge accounting method: Deferred hedge treatment
 - (2) Hedge procedure and hedge target
Hedge procedure: Derivative trading (interest swap trading)
Items hedged: Borrowings based on variable interest rate
 - (3) Hedge policy: It is carried out with the aim of avoiding risks rising from future fluctuation of interest rate and the Company's policy is not to carry out any speculative transactions.
 - (4) Method to evaluate the hedge effectiveness
The assessment on the effectiveness is omitted, as the important conditions for hedge procedures and hedge target are the same and it is assumed in advance to fully offset the risk of interest rate fluctuations from the start of the hedge and continuously thereafter.

II. Notes on Balance Sheet

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

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

III. Notes on Income Statement (Millions of yen)

1.	Reported amounts are rounded down to the nearest million yen.		
2.	Transactions with subsidiaries and affiliates	Operating transactions	58,845
		Non-operating transactions	446

IV. Notes on Tax Effect Accounting

Breakdown of main causes for deferred tax assets

(Deferred tax assets)	(Millions of yen)
Accrued enterprise tax, etc.	133
Provision for directors' retirement benefits	16
Deferred losses on hedges	1,863
Other	240
Deferred tax assets subtotal	2,254
Valuation reserve	– 16
Deferred tax assets total	2,238

V. Main corporate shareholders etc.

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

Terms and conditions of transactions and policy on determining them

Note 1: Financing terms and conditions are in accordance with the Shareholder Subordinated Bond Agreement signed between the Company and its six shareholders including the above three companies on March 30, 2012 following the approval by the Board of Directors Meeting on February 23, 2012 (prepared based on the loan terms of the Shareholders Agreement agreed among the shareholders as of the establishment of the Company).

As for the repayment of the principal, it has been agreed that the order of the settlement of claims is after that of repayment of preferred loans from the lenders based on the Limited Loan Contract Alteration Contract signed with the lenders.

Note 2: Loan terms and conditions are in accordance with the Shareholder Subordinated Loan Agreement signed between the Company and its nine shareholders including the above three companies on March 27, 2008 following the approval by the Board of Directors Meeting on March 18, 2008

(prepared based on the loan terms of the Shareholders Agreement agreed among the shareholders as of the establishment of the Company).

As for the repayment of the principal, it has been agreed that the order of the settlement of claims is after that of repayment of preferred loans from the lenders based on the Limited Loan Contract Alteration Contract signed with the lenders.

Note 3: The business consignment terms and conditions are determined as in the cases of any other similar transactions conducted generally.

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

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

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

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

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

VI. Notes on data per share

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

VII. Matters Concerning Important Subsequent Events

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

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

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

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

7. Purpose of funds

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