

The 15th term

Business Report

(From April 1, 2020
To March 31, 2021)

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Tokyo International Air Terminal Corporation

(Attachments)

Business Report

(From April 1, 2020
To March 31, 2021)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

During this fiscal year, in which continuation and enhancement of restrictions on and prohibition of entry and exit due to the global COVID-19 pandemic were extended over a lengthy period, business conditions related to Japan's inbound and outbound demand were highly severe, with the number of inbound and outbound travelers falling by 98% to just 1.4 million.

Haneda Airport's international flights also were impacted by restrictions on overseas travel and expansion and enhancement on entry restrictions from the start of the fiscal year, as inbound and outbound travel to and from China and South Korea were suspended overall and flights serving destinations and routes in Southeast Asia, Europe, the Americas, Australia, and elsewhere also suffered large-scale reductions and suspensions. As a result, the newly constructed international terminal facility in the Terminal 2 Building (which began serving the public on March 29, 2020) was closed on April 11 and all international arrivals and departures were concentrated in the Terminal 3 Building. In the following month of May, inbound and outbound passengers decreased by 99% from the same month in the previous year. While a slight increase in demand was seen later as entry and exit restrictions were eased through means such as the commencement of special business-track and residence-track measures beginning in October, entry and exit restrictions were enhanced and expanded again in December in response to the spread of virus variants in Europe. As a result, the number of passengers in this fiscal year was down 97% from the previous year to an annual total of 440,000 persons—the smallest figure since the Company launched its international passenger terminal business.

It was under such conditions that the Company marked, in October 2020, the 10th anniversary of the launch of its international passenger terminal business. During this fiscal year, the Company's terminal operations continued to be based thoroughly on safety and security, striving to stop the spread of COVID-19 among users and employees of our terminals based on the Guidelines for Stopping the Spread of COVID-19 in the Air-travel Field (prepared jointly by the Scheduled Airlines Association of Japan and the All Japan Airport Terminal Association) as well as cooperating fully in the Japanese government's expansion of airport quarantine services, through means including provision of the necessary facilities and space.

Initiatives to stop the spread of COVID-19 inside airport terminals included requiring all employees and staff to wear masks indoors and managing health through measuring temperatures and other means, as well as asking passengers using the terminals to wear masks, practice social distancing, and use the hand sanitizer available throughout the terminals, via public-address

announcements, signage, websites, and other means of communication. Facility and environmental measures include improvement of indoor ventilation as well as enhancement of disinfection and cleaning of fixtures and areas involving high rates of use and contact, such as baggage carts, elevator buttons, door knobs, and rails. Through measures such as these, we are striving to deliver facility services reflecting greater consideration for health and safety. In addition, as part of our fast travel measures intended to realize smooth departure procedures without stress for passengers, through now we have moved ahead with expanded installation of state-of-the-art self-check-in kiosks, automated baggage drop machines, automated gates at security checkpoints, and automated boarding gates. We are striving to encourage and promote use of such automated equipment in order not only to improve convenience but also to eliminate face-to-face interaction and contact with staff. Furthermore, in April 2021 we began feasibility testing of the new Face Express service (a One ID service using facial recognition technology) in preparation for its full-fledged launch this summer. As its name implies, this service will enable passengers who have registered their facial photographs to pass through gates or complete procedures using their faces alone, with no need to show their boarding passes or passports in this series of procedures.

Currently, most of the countries and regions to which international travelers are destined require presentation of certificates of testing for COVID-19 before departure. As part of efforts to enable airport clinics to provide such services in addition to medical institutions and clinics in the community, in October 2020 the Toho University Haneda Airport Terminal 3 Clinic opened a PCR testing center. In addition to making testing available seven days a week, including weekends, this will enable passengers to receive highly convenient medical and testing services including immediate issue of certificates.

As Haneda Airport plays an increasingly important role in border quarantine operations in Japan, it faces unprecedented need for facilities and spaces for airport quarantine inspection. While testing such as PCR testing and antigen testing was conducted for nearly all passengers entering Japan, as pre-immigration quarantine testing, in order to facilitate smooth flows for arriving passengers while maintaining social distancing in layouts for testing areas, areas for awaiting results, and installation of testing equipment, the Company is providing a total of about 14,000 square meters in facilities and spaces, including a total of 10 locations in the departure and arrival gate lounges in the North Satellite of Terminal 3 and concourses. In addition, as use of a smartphone app for health management of those entering Japan has been established as a further measure to enhance immigration controls in March 2021, the Company added a smartphone rental tenant in the airport quarantine service area in the North Satellite.

In light of these large-scale decreases in numbers of flights and passengers resulting from such expansion and continuation of entry and exit restrictions, all international facilities and areas in the Terminal 2 Building have been closed and provision of terminal facilities and services has been contracted in the Terminal 3 Building as well. As measures to improve business efficiency in terminal operations and to reduce the cost burden on and provide support to airlines and other

terminal tenants, partial suspension and closure and reduction of business hours were conducted for air passenger facilities, retail area shops, interterminal mobility services, and other facilities and services. 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.

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 since the fiscal year ended March 31, 2019, in light of the Japanese government's designation of airport buildings as important infrastructure. Again this fiscal year, the Company has maintained internal and external cooperation systems through means such as participation in the Cybersecurity Council organized by the Japanese government, after having established the Information Security Committee and the Computer Security Incident Response Team (CSIRT), and has maintained robust computer systems and structures for responding to irregularities through daily management and monitoring by the Security Operation Center (SOC).

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 semiannual meetings of the UD Study Committee, whose membership includes experts such as academics and experienced practitioners as well as experts experienced with disabilities, airport-related businesses, and Company employees. In this fiscal year, pursuant to the Barrier-Free Act the Company posted to its website the Practical Plan for Efforts Related to Facilitating Mobility as well as revising its Communication Support Boards, which enable communication by pointing without use of language, as a measure for providing information when seniors and people with disabilities use public transportation, and issuing braille floor guides for not only general areas of the airport but international departure areas as well.

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 implement more practical measures to raise the level of CS knowledge and skills while involving relevant organizations and employees, by planning and operating the CS award system, holding CS campaigns, and issuing CS bulletins. Other initiatives included training on interacting with passengers such as seniors and those with disabilities with consideration for stopping the spread of disease.

In these ways, despite difficult circumstances 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 a result, in this fiscal year the Company reported operating revenue of 8,383 million yen (down 90.5% year-on-year), an operating loss of 29,582 million yen (vs. an operating profit of 9,217 million yen in the same period of the previous year), an ordinary loss of 32,909 million yen (vs. an ordinary profit of 6,345 million yen in the same period of the previous year), and a net loss of 34,348 million yen (vs. a net current profit of 4,068 million yen in the same period of the previous year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

In the international passenger terminal, despite rent reductions intended to help lessen the burden of operating costs and provide support for airlines and tenants, rent revenue generated from renting offices for airlines and shop spaces for tenants was 5,370 million yen (up 8.1% year-on-year), due in part to rent on use of spaces for pre-immigration COVID-19 testing.

Passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 486 million yen (down 97.5% year-on-year), due to the decrease in passengers and other factors.

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 566 million yen (a 83.7% decrease year-on-year).

Consequently, the operating revenue of the Facilities Management and Operation Businesses Segment was 6,422 million yen (a 76.9% decrease year-on-year).

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 decreased revenues.

<Directly-Managed Business Segment>

In the Merchandise Sales Business, the sales of goods generated from general duty-free stores and branded boutiques totaled 668 million yen (a 98.7% decrease year-on-year).

The sales from the Restaurant Business totaled 133 million yen (a 95.4% decrease year-on-year).

Among the other businesses, the revenues from the parking lot business and other businesses, such as the lounge business and advertising in the building, were, respectively, 182 million yen (a 89.4% decrease year-on-year) and 976 million yen (a 67.9% decrease year-on-year).

Consequently, the Directly-Managed Business Segment reported an operating revenue of 1,961 million yen (a 96.8% decrease year-on-year).

In the area of costs, business consignment costs were reduced through reduction of merchandise inventories, closure of some shops and shortening of working hours, and other revisions to

operation methods, conducted in order to address the impact of decreased revenues.

(2) Status of Capital Expenditure

During the fiscal year, the Company made capital expenditures of 6,759 million yen in total, which included 2,730 million yen in construction etc. for installation of equipment related to fast-travel measures (self-check-in kiosks, automated baggage drop machines, automated gates at security checkpoints, and automated boarding gates), 1,452 million yen in construction etc. for remodeling of existing shops, and 1,140 million yen in construction etc. for renovation of security check equipment.

(3) Status of financing

- (i). As the 4th funds for the work to extend and reconstruct the international passenger terminals, etc. under the Alteration Contract of Limited Loan Contract signed with the loan syndication as of December 28, 2017, the borrowing of 25.4 billion yen was conducted on April 28, 2020. As a result, the outstanding balance of the loan from the syndicate stood at 109,054 million yen as of the end of the fiscal year.
- (ii). A loan of 2,550 million yen was executed March 31, 2021 based on the Shareholder Subordinated Loan Agreement concluded March 27, 2008. In addition, the fourth issue of 6,000 million yen in subordinated bonds was issued March 31, 2021 based on the Shareholder Subordinated Bond Agreement concluded March 31, 2012. As a result, the total outstanding balance of funds raised through shareholder subordinated loans and shareholder subordinated bonds stood at 41,130 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 global COVID-19 pandemic. Giving top priority to maintaining the safety and security of customers using the international flights serving Haneda Airport even under such conditions, the Company will continue to provide essential facilities and services while preventing any deterioration in convenience and comfort. In addition, further changes and additions to the immigration quarantine system and border control measures can be expected, and these will be responded to through close cooperation with related agencies and institutions, including provision of related facilities, space, and passenger flows.

The 2020 Tokyo Olympic and Paralympic Games are scheduled for July-September of this year. As a member of the group of companies of Japan Airport Terminal Co., Ltd., an official partner of the Olympic Games, the Company will provide airport services to support safe and smooth entry and exit by Olympic teams, related parties, and others. In addition, since demand related to business jets is expected to increase with the Tokyo Olympic and Paralympic Games even though passenger demand for commercial flights is expected to take some time to recover, the Company is moving forward with construction of a dedicated international business jet facility larger in scale than the existing business jet gate. (Conduction of this facility began in December 2020.) We plan to meet

growing business jet demand by completing construction of this facility safely and without incident in preparation for opening in mid-July 2021.

In the area of operation of terminal facilities and services, together with continued streamlining of operating costs through means such as review of various facility and service plans and contraction, we also will strive to maintain and continue business operations reflecting consideration for all terminal stakeholders, while continuing to provide support for tenant businesses through means such as reduction and exemption of facility leases, usage charges, and rents. Also, to ensure that stable terminal maintenance and operation services can be provided over the medium to long term as an international terminal business operator, the Company has negotiated and made arrangements with the PFI lead firm Japan Airport Terminal Co., Ltd., the Japanese government, the loan syndicate, and shareholders, enjoying their support as it prepares to formulate and implement medium to long term terminal maintenance and operation plans with an eye toward a recovery in demand for international travel.

While responding diligently to these issues, and based on a full recognition of the role and importance of Haneda Airport as an international airport serving the greater Tokyo area, the Company will continue everyday operation and management as well as repeated communication to identify the views and needs of customers and all other stakeholders, as it strives to provide facilities and services with outstanding levels of safety, convenience, and comfort as an international terminal that will contribute to realizing Japan's vision of being a leading tourism destination and to enhancing transport functions in the greater Tokyo area in preparation for the post-COVID age.

(5) Changes in Assets and Income

Category	The 12th term FY2017	The 13th term FY2018	The 14th term FY2019	The 15th term FY2020
Operating revenue	89,539 million yen	96,685 million yen	88,660 million yen	8,383 million yen
Net income (loss)	5,440 million yen	7,077 million yen	4,068 million yen	△34,348 million yen
Net income (loss) per s h a r e	1,497,353 yen	1,383,905 yen	772,489 yen	△6,618,710 yen
Net assets	22,021 million yen	38,015 million yen	42,892 million yen	7,971 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 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.

(ii). 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.

(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 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.

(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 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.

(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
61 (4)	decreased by 9 (decreased by 9)

(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.	25,978 million yen
Mizuho Bank, Ltd.	18,112 million yen
MUFG Bank, Ltd.	14,709 million yen
Japan Airport Terminal Co., Ltd.	8,510 million yen
Sumitomo Mitsui Banking Corporation	7,527 million yen
The Bank of Yokohama, Ltd.	6,176 million yen
Shinkin Central Bank	5,798 million yen

* The amount borrowed from Japan Airport Terminal Co., Ltd. has increased due to the contribution of additional lending of 1,850 million yen in addition to the previous amount of 6,660 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	Hiroto Kuniwake	In charge of Facilities Department, Sales Department, and International Operation Office
Managing Director	Akira Asai	In charge of Administration Department and Planning Department
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
Directors	Toshihiro Kawasaki	Fellow, in charge of Promotion of Electrification, Tokyo Electric Power Company Holdings, Inc.
Directors	Akihiko Shina	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 Shina 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. Hiroshi Tobita, External Corporate Auditor, is an attorney-at-law specializing in corporate laws and has adequate knowledge about finance and accounting.

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

7 directors 86 million yen (of whom, 3 external corporate auditors: 4 million yen)

3 corporate auditors 16 million yen (of whom, 3 external corporate auditors: 16 million yen)

(3) Matters Concerning External Officers

(i). Directors

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

(ii). External Corporate Auditor

Masakazu Owashi, Hiroshi Tobita and Hiroshi Goto 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

(i). Structure to ensure the directors' and employees' execution of duties in compliance with the laws and regulations and the Articles of Incorporation

1) The director in charge of Administration Department is placed in charge of compliance, 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 risk of losses, and reports the results to the representative director and president & CEO and corporate auditors

- (iv). Structure for ensuring efficient execution of duties by directors

- 1) With the Regulations of the Board of Directors established, the board of directors meeting is held, in principle, once a month and when needed to ensure communication between the directors and mutually monitor the execution of duties in accordance with laws and ordinances.
- 2) The important matters that must be resolved at the board of directors meeting are stipulated in the Regulations of the Board of Directors. Such matters will be resolved at the board of directors meeting after being deliberated at the Managing Directors' Meeting, which comprises the president & CEO and the standing directors.
- 3) A supervising director is assigned to each of the organizational units. Organizational Regulations and Regulations for Official Authority have been established that specify the duties and authorities of organizational units and employees.

- (v). Matters relating to employees who assist corporate auditors in their duties in the case of such request made by the corporate auditor

- 1) The representative director and president & CEO assigns employees, who are independent of business execution departments, to assist 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 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, 2021)

(Millions of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	44,707	Current liabilities	19,198
Cash on hand and deposits	35,272	Accounts payable – trade	18
Accounts receivable - trade	1,672	Current portion of long-term loans payable	9,928
Merchandise	4,395	(Senior loan)	(9,928)
Accounts receivable - other	3,017	Accounts payable - other	1,746
Prepaid expenses	29	Accrued expenses	5,277
Supplies	168	Income taxes payable	143
Other	196	Accrued interest expenses	738
Allowance for doubtful accounts (current)	△44	Lease obligations (current)	12
		Special suspense account for reduction entry	915
		Other	418
Noncurrent assets	127,376	Noncurrent liabilities	144,914
Property, plant and equipment:	124,609	Shareholder subordinated bonds	20,580
Building	104,734	Long-term loans payable	119,676
Structures	1,342	(Senior loan)	(99,126)
Machinery and equipment	11,745	(Shareholder subordinated loans)	(20,550)
Vehicles	6	Long-term lease deposit received	467
Tools, furniture and fixtures	5,805	Unearned revenue	42
Leased assets	97	Provision for directors' retirement benefits	71
Construction in progress	875	Deferred tax liabilities (non-current)	96
Intangible assets	1,758	Interest-rate swap liabilities	3,600
Software	1,758	Lease obligations (non-current)	38
		Asset retirement obligations (non-current)	341
		Total liabilities	164,113
Investments and other assets	1,008	Net assets	
Separately managed penalty in trust	1,000	Shareholder's equity	11,571
Other	8	Capitalization	13,265
		Capital surplus	13,265
		Legal capital surplus	13,265
		Retained earnings	△ 14,958
		Other retained earnings	△ 14,958
		Retained earnings brought forward	△ 14,958
		Valuation and translation adjustments	△ 3,600
		Deferred gains or losses on hedges	△ 3,600
		Total equity	7,971
Total assets	172,084	Total liabilities and net assets	172,084

Income Statement

(From April 1, 2020
To March 31, 2021)

(Millions of yen)

Account title	Amount	
Operating revenue		
Rents	5,370	
Facility rental income	1,052	
Sales of goods	668	
Restaurant sales	133	
Other revenue	1,158	8,383
Cost of sales		
Cost of goods sold		468
Operating gross profit		7,914
Selling, general, and administrat		37,497
Operating loss		△ 29,582
Non-operating income		
Interest income	0	
Miscellaneous income	368	368
Non-operating expenses		
Interest expenses	3,595	
Miscellaneous losses	100	3,695
Ordinary loss		△ 32,909
Extraordinary income		
Gain on sales of property, plant and equipment	11	
Government subsidy	5,052	5,063
Extraordinary loss		
Loss on retirement of non- current assets	575	
Loss on reduction of non- current assets	4,987	5,563
Loss before income taxes		△ 33,408
Income taxes - current	157	
Income taxes - deferred	782	939
Net loss		△ 34,348

Statement of Changes to Shareholders' Equity

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholder's equity					
	Capitalization	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance as of April 1, 2020	13,265	13,265	13,265	19,390	19,390	45,920
Changes during the period						
Net loss	—	—	—	△ 34,348	△ 34,348	△ 34,348
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	△ 34,348	△ 34,348	△ 34,348
Balance as of 31, 2021	13,265	13,265	13,265	△ 14,958	△ 14,958	11,571

	Valuation and translation adjustments		Total equity
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2020	△ 3,028	△ 3,028	42,892
Changes during the period			
Net loss	—	—	△ 34,348
Net changes of items other than shareholders' equity	△ 572	△ 572	△ 572
Total changes during the period	△ 572	△ 572	△ 34,920
Balance as of March 31, 2021	△ 3,600	△ 3,600	7,971

Notes

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 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.

7. Additional information

Impact of the COVID-19 pandemic

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. Based on certain assumptions, it is expected to take roughly three years for passenger numbers, through which the COVID-19 pandemic has impacted operating revenue and other results, to recover to their FY2019 level.

II. Notes on Balance Sheet

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

2. Pledged assets

Assets pledged as collateral	Ordinary deposits	35,141 million yen
	Accounts receivable - trade	23 million yen
	Building	98,718 million yen
	Structures	1,342 million yen
	Machinery and equipment	11,745 million yen
	Software	527 million yen
	Separately managed penalty in trust	1,000 million yen
Liabilities corresponding to the above	Current portion of long-term loans payable	9,928 million yen
	Long-term loans payable	99,126 million yen

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

Building	82 million yen
Machinery and equipment	4,905 million yen

4. Total depreciation of property, plant and equipment 90,122 million yen

5. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable - trade	135 million yen
	Accounts receivable - other	247 million yen
Monetary obligations	Accounts payable – trade	18 million yen
	Accounts payable - other	344 million yen
	Accrued expenses	860 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

III. Notes on Income Statement

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

Operating transactions	17,869 million yen
Non-operating transactions	300 million yen

IV. Notes on Tax Effect Accounting

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

(Deferred tax assets)

Accrued enterprise tax, etc.	323 million yen
Provision for directors' retirement benefits	21 million yen
Deferred losses on hedges	1,102 million yen
Asset retirement obligations	104 million yen
Allowance for doubtful accounts	13 million yen
Retained loss	10,075 million yen
Other	543 million yen
Deferred tax assets subtotal	12,184 million yen
Valuation reserve	△12,184 million yen
Deferred tax assets total	- million yen

(Deferred tax liabilities)

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

V. Notes on Related Party Transaction

1. Main corporate shareholders etc.

T y p e	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)	Payments for goods, consignment of operation of shops etc., borrowing of funds, and rent on real estate	Financing (Note 1)	1,860	Shareholder subordinated bonds	8,520
				Borrowing of funds (Note 2)	1,850	Long-term loans payable	8,510
				Business consignment (Note 3)	8,131	Accrued expenses	860
				Procurement of goods (Note 4)	△182	Accounts payable – trade	18
				Payment of interest	300	Accrued interest expenses	299
				Rent expenses on real estate (Note 8)	9,270		
Main shareholder	Japan Airlines Co., Ltd.	16.87% (direct)	Borrowing of funds	Financing (Note 1)	1,855	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Payment of interest	150	Accrued interest expenses	149
Main shareholder	ANA Holdings Inc.	16.87% (direct)	Borrowing of funds	Financing (Note 1)	1,855	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Payment of interest	150	Accrued interest expenses	149
Director	Akihiko Shina 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	36	Accrued interest expenses	36

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 Akihiko Shina, a director at our company, in the capacity of 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.

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

VI. Notes on data per share

1.	Net asset per share:	1,343,433.13 yen
2.	Net loss per share	△6,618,710.62 yen

VII. Matters concerning important subsequent events

There are no applicable matters.

The 15th term

**Annexed detailed statements to
Business Report**

(From April 1, 2020
To March 31, 2021)

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 15th term

Annexed detailed statements to financial statements

(From April 1, 2020
To March 31, 2021)

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	111,306	1,796	306	8,062	104,734	61,997	166,732
	Structures	1,449	94	-	200	1,342	1,451	2,794
	Machinery and equipment	13,535	4,080	4,935	935	11,745	5,010	16,756
	Vehicles	8	0	-	2	6	191	198
	Tools, furniture and fixtures	6,773	606	65	1,509	5,805	21,446	27,252
	Leased assets	3	118	-	24	97	24	122
	(Subtotal)	(133,077)	(6,694)	(5,306)	(10,732)	(123,733)	(90,122)	(213,856)
	Construction in progress	3,092	6,539	8,756	-	875	-	875
	Total	136,170	13,233	14,062	10,732	124,609	90,122	214,732
Intangible assets	Software	1,542	722	12	494	1,758	-	1,758

Notes: The increase in the term under review consisted mainly of 3,598 million yen in construction etc. for installation of equipment related to fast-travel measures (self-check-in kiosks, automated baggage drop machines, automated gates at security checkpoints, and automated boarding gates), 1,674 million yen in construction etc. for renovation of security check equipment, and 1,497 million yen in construction etc. for remodeling of existing shops. The decrease in the term under review consisted mainly of 4,987 million yen in reduction entries related to construction etc. for installation of equipment related to fast-travel measures and renovation of security check equipment.

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	55	16	-	-	71
Allowance for doubtful accounts	-	44	-	-	44

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	104	
Employees' salaries	571	
Provision for directors' retirement benefits	16	
Legal welfare expenses	6	
Welfare expenses	2	
Transportation expenses	5	
Supplies expenses	9	
Furniture and fixtures	13	
Utilities expenses	373	
Communication expenses	106	
Insurance expenses	559	
Repair expenses	92	
Rent expenses	13,223	
Conference expenses	0	
Entertainment expenses	1	
Taxes and public charges	1,261	
Donations	5	
Advertising expenses	49	
Cleaning expenses	15	
Fees payable	13	
Temporary staffing expenses	19	
Educational and training expenses	1	
Business consignment expenses	9,670	
Miscellaneous expenses	153	
Depreciation	11,231	
Total	37,497	