

The 13th Business Term

Business Report

(From April 1, 2018
to March 31, 2019)

I. Business Report

II. Balance Sheet

III. Income Statement

IV. Statement of Changes in Net Assets

V. Notes to Non-Consolidated Financial Statements

※ This document has been translated from the Japanese original, for reference purposes only. If there is any discrepancy between this translated document and the Japanese original, the original shall prevail.

Tokyo International Air Terminal Corporation

Business Report

(From April 1, 2018
To March 31, 2019)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

During this fiscal year, even though a part of production and export weakened toward the end of the fiscal year, and improvement of corporate earnings came to a standstill, the Japanese economy in general continued to recover gradually including the continuous recovery of consumer spending and a steady improvement of the employment situation. Among the overseas economies, China's consumption increase is slowing down somewhat and its economy is decelerating slowly, but the economy in the Americas is continuing to recover steadily, the European economy has also gradually recovered while some weaknesses are seen. The global economy including Japan has been gradually recovering as a whole. As for the outlook for the future, it is necessary to note the trend of trade issues, the future of the China's economy, the influence of fluctuations of the financial and capital markets, etc.

Under such circumstances, the number of outbound Japanese travelers exceeded last year's number, and at the same time the number of inbound international travelers, especially those from China and Southeast Asia, continued to show high growth and reached 31 million people a year in 2018.

Regarding international flights and routes, in addition to new flights to Vienna, flights for existing routes to Paris, Singapore, Bangkok, Hong Kong, etc. have been increased, while passenger demand has increased steadily, the actual number of inbound and outbound travelers in the fiscal year increased to 106% year-on-year, and as a result, the monthly number of travelers in March, the fiscal year end, reached a record high, 1.65 million passengers.

Against this backdrop, in the management of international passenger terminals, Tokyo International Air Terminal Corporation (hereinafter referred to as "the Company") puts safety and security first in all cases, and in consideration of disaster prevention and safety, established a special structure to enhance security during high seasons, such as Golden Week, year-end and New Year holidays, in response to the increasing number of passengers. Moreover, the Company has been flexibly and meticulously striving to secure the safety of customers by successively grasping/sharing in-house locations and video information through the use of wearable cameras which patrol guards use. Given that crisis management necessitates preparations and drills for various emergency situations, the Company has been striving to enhance its readiness for contingency situations, conducting stress tests in the assumption of fires and earthquakes while continuing to receive external expert advice. Also, in pursuance of prompt on-site responses to the occurrence of disasters, the Company held 2 drills

assuming the occurrence of disasters near the workplaces of employees working in the terminal as part of the general disaster prevention drills conducted throughout the entire international terminal area. In addition, the Company dealt with increasing the readiness and the awareness of fire and disaster prevention at the airport for employees working in the building, through meetings within the terminal with the local fire brigade team. In the fiscal year, the Company introduced programs using advanced technologies such as experiencing fire accidents while viewing and operating a VR (Virtual Reality) video, and learning evacuation guidance according to scenes in these drills and meetings. In terms of aviation security, the Company continues to confirm the awareness of crisis management and fully disseminate security measures by conducting aviation security recurrent training for all employees working in the building. Moreover, the Company is promoting the introduction of advanced inspection equipment with the Airline Operators' Committee (AOC) in an effort to upgrade security checks at airports as part of the anti-terrorism initiatives promoted by the Japanese government. In April 2018, CT (computed tomography) type inspection equipment for carry-on baggage has also been introduced at the north security checkpoint and security checkpoints that connect between international flights. This is the development of smart security on a full-scale basis.

In terms of facilities related to passenger services, the Company continued to work on improvements of the convenience for and comfort of customers by revamping play equipment in kids corners in the departure area for customers with children before departure, in addition to further strengthening the Wi-Fi environment in response to many requests from inbound international travelers. In addition, responding to demands of using bicycles as a means to come to the terminal, the Company newly established a bicycle parking lot in November.

Regarding the commercial area, the Company renovated and increased the floor space of the flagship store of the general duty-free stores, TIAT DUTY FREE SHOP CENTRAL, and expanded the lineup of products as per customers' requests. Furthermore, the Company has been striving to create an environment in which customers can buy products smoothly by widely introducing payment systems in stores including duty-free stores and branded boutiques, in order to meet the growing mobile payment demands mainly from inbound international customers. Moreover, the Company newly opened arrival duty-free shops in the international arrival area so that customers can buy duty-free products on arrival which used to be available only on departure.

To maintain and improve its service quality, the Company has continued to strive to identify and take response measures for issues by regularly conducting comprehensive customer surveys evaluating a wide range of aspects from the building facilities and services to customer services and anonymous investigations. In addition, the Company holds role-playing contests for its employees who attend to customers at stores and service facilities in the building. It also continues to offer regular training in conversation with customers in English and Chinese in order to focus on customer services especially for travelers from overseas.

In consideration of customer entertainment, also in the fiscal year, the Company has decorated the

terminal to produce the effect of Japan's four seasons, including winter illuminations, and has carried out various campaigns. In the summer, with the support of the local area, Ota-ku, the Company held the event called " Haneda Tsubasa Summer Festival," and hosted events to enjoy local attractive products with summer features such as festivals/Bon Dance in the terminal. In the beginning of the year, the event called "New Year Haneda Edo Festival" was held, and various activities unique to Haneda Airport were prepared for customers to enjoy the New Year season, such as performances and hands-on attractions set in an immersive Edo atmosphere.

Moreover, in order to convey the allure of Japanese culture/history, the Company and the National Museum of Japanese History co-hosted an exhibition of paintings on folding screens and picture scrolls, and events in which customers experienced the lifestyle and feeling of the Edo period by wearing Kabuto (helmet) and Jinbaori (sleeveless campaign jacket worn over armor). In addition, in order to convey the allure of Japanese local areas/municipalities, the Company and the head federation for the promotion of regional revitalization co-hosted "Waku Nippon" on a regular basis, and promoted local tourist resources including landscapes and products unique to local areas together with each municipality. For visitors including customers from overseas, through the conveyance of the history/culture and Japanese regional/local allures, the Company strives to contribute to regional revitalization by stimulating the demand for domestic tourism using Haneda as a hub port.

As part of an effort to stimulate inbound international customers' demand, providing information booths at international tourism expos held in Hong Kong, Singapore, Ho Chi Minh, Shanghai, Mumbai, and Sydney continues to encourage people to use Haneda Airport as the gateway to Japan's local tourist resources to markets overseas this year. On the other hand, in order to increase demand for international travel, in cooperation with the Japan Association of Travel Agents (JATA), 43 airlines/embassies of different countries/national tourism organizations/travel agencies from around the world participated in the "Travel abroad more in 2019! From Haneda to the world!" event, which conveyed the allure of international culture through exhibitions and travel seminars in the terminal. The Company also strives to contribute to the increasing demand for international travel.

With respect to the universal design (UD) that the Company has emphasized since its foundation, the Company continues to conduct evaluations and verifications while holding the UD Committee, comprised of academics, experts with their own disabilities, airport-related operators, and the Company's employees, every other year. In the fiscal year, the Company has brought up issues and has promoted consideration of improvements/solutions while repeating workshops as "Spiral-up" especially from the perspective of users with visual and hearing disabilities.

In the terminal building, in order to continue to provide high quality services and hospitality, the employees working in the building continuously implement customer satisfaction (CS) activities while sharing the CS philosophy. Also in the fiscal year, the Haneda Airport International Area Passenger CS Liaison Committee planned and operated the CS award system, held CS seminars and campaigns, and issued CS bulletins, promoting relevant activities throughout the international terminal area. In addition, the Company develops understanding and empathy among employees beyond organizational,

occupational and operational frameworks, by further promoting internal branding activities through staff exchange meetings attended by employees working in the building as well as activities involving government bodies related to Haneda Airport's international flights and airport-related companies. At the same time, the Company is working to convey a unified feeling and action of hospitality to the customers. Also in the fiscal year, an exhibit featuring scenes of various working employees with the slogan, "WE ARE TOKYO," creates a synergistic effect in our internal branding activities while appealing this unified feeling and action to customers too.

These various efforts and activities have been recognized by external rating agencies. Our international and domestic terminals have received the 5 Star Airport ranking in the Global Airport Ranking by Skytrax, a U.K.-based service research firm, for five consecutive years. Furthermore, our airport is ranked second in the World Best Airport, the comprehensive evaluation of airports in 2019, and in awards by category, our airport has been ranked first in the World's Cleanest Airport category for four consecutive years and five times in total, and at the same time, our airport is also ranked first in the newly established category, "Best PRM (Persons with Reduced Mobility)/Accessible Facilities."

As a result of the Company's above-mentioned implementation measures to improve facilities and services, the steady operation of the terminal, and business execution with cost awareness combined with the increase in customers, the Company reported an operating revenue of 96,685 million yen (up 8.0% year-on-year) in the fiscal year, an operating profit of 13,545 million yen (up 8.5% year-on-year), an ordinary profit of 10,262 million yen (up 28.7% year-on-year), and a net current profit of 7,077 million yen (up 30.1% year-on-year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

In the international passenger terminal, the rent revenue generated from renting offices for airlines and shop spaces for tenants was 4,821 million yen (up 0.3% year-on-year).

A passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 21,034 million yen (up 5.9% year-on-year), reflecting an increase in passengers, etc.

The facility usage fee revenue from air transport service operators' use of facilities, including boarding bridges, the luggage handling system, and gates dedicated for business jet airplanes, totaled 3,633 million yen (up 2.2% year-on-year).

Consequently, the operating revenue of the Facilities Management and Operation Businesses Segment was 29,489 million yen (up 4.5% year-on-year).

<Directly-Managed Business Segment>

In the Merchandise Sales Business, the sales of goods generated from general duty-free stores and branded boutiques totaled 59,368 million yen (up 9.5% year-on-year).

The sales from the Restaurant Business totaled 2,978 million yen (up 8.3% 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, 1,745 million yen (up 7.0% year-on-year) and 3,103 million yen (up 14.1% year-on-year).

Consequently, the Directly-Managed Business Segment reported an operating revenue of 67,195 million yen (up 9.6% year-on-year).

(2) Status of Capital Expenditure

During the fiscal year, the Company made capital expenditures of 14,805 million yen in total, which included 6,945 million yen for renovation and reconstruction works for the international passenger terminals, etc., 1,186 million yen for the expansion and renovation construction of TIAT DUTY FREE SHOP CENTRAL, 552 million yen for the renovation construction of CHANEL, 606 million yen for the repair work and layout change construction, etc. of the first TIAT building, and 358 million yen for construction to add the sub-plant heat source.

(3) Status of financing

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 of 8,530 million yen 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.

In addition, as the 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 10,110 million yen was conducted on January 28, 2019.

As a result, the outstanding balance of the loan from the syndication stood at 97,077 million yen as of the end of the fiscal year.

(4) Issues to Be Addressed

Against the backdrop of strong passenger demand, the maintenance and improvement of safety and service quality in congested situations during high seasons and peak hours have been recognized as issue to be addressed, the Company will further strengthen precautions and security in the terminal building, aviation security against terrorism, and disaster prevention measures against large-scale disasters. Especially, the Company once again recognizes important issues such as evacuation guidance, provision of stockpiles, preparations and responses including maintenance and recovery, etc. of power sources and communication functions in the assumption of a case where many people including inbound international travelers have to stay in the terminal due to large-scale natural disasters including earthquakes/floods. And as a business continuity plan (BCP) for the whole of Haneda Airport, while widely cooperating with the Japanese government and related agencies/companies, the Company will engage in specific preparations as the Company's role. Moreover, regarding cyber security, based on the

designation of the airport building as critical infrastructure by the Japanese government, the Company will further improve and enhance cyber security measures.

In Haneda Airport, based on the Japanese government's policy for strengthening the functions of the airports in the Tokyo metropolitan area, preparations are being conducted for the review of flight paths and the enhancement of airport functions and facilities with the aim to increase Haneda Airport's capacity by approx. 39 thousand arrivals/departures. The Company is advancing the extension and reconstruction of the terminal building to expand functions of the passenger terminal building to respond to an increase in international passengers, reflecting the increase in the number of flights. The construction work for adding boarding bridges is to commence service in January 2020, and the construction work for the terminal main building is to commence service in March 2020.

At the same time, also in the domestic area, Japan Airport Terminal Co., Ltd. is promoting the renovation of a facility for international flights on the south side of the international terminal building in Terminal 2. The Company is planning to manage the international passenger terminal business with the current international passenger terminal building after renting the facility. Based on our status change to a consolidated subsidiary of Japan Airport Terminal Co., Ltd., regarding the development and management of the facilities and services of the international passenger terminal, while building an integrated relationship in the terminal business between the domestic flights and international flights, the Company will engage in demonstrating the convenience of hub functions for domestic and international flight networks, which are a major advantage Haneda Airport's has. In addition, for international flights, by promoting the Fast Travel system in the immigration process and introducing advanced technologies/equipment in various passenger procedures, in order to contribute to "achievement of an advanced tourism country" as promoted by the Japanese government, the Company will strengthen and expand terminal facilities/functions. And the Company will take all possible measures to commence services after meeting the requirements of the facilities/functions as planned, and provide comfortable terminal services with safety and security, to say nothing of securing safety and maintaining its service level and quality during the construction period.

The Rugby World Cup 2019 in Japan will be held this September, and the Tokyo 2020 Olympic and Paralympic Games will be held from July to September 2020. In order to contribute to smooth and safe hosting of these international and large sports competitions, the Company will support smooth immigration and traveling for athlete teams, event officials, spectators, and all customers. In the Tokyo 2020 Olympic and Paralympic Games, the Company will undertake airport services as a group company of Japan Airport Terminal Co., Ltd., which is an official partner of the Olympics. Along with corresponding to UD in accordance with the Tokyo 2020 Olympic and Paralympic Accessibility Guidelines and planning/preparing special operations to support the smooth immigration of athlete teams/event officials, the Company will contribute to the success of sports competitions by engaging in the development and promotion of the Olympic and Paralympic movement.

The Company will share information more closely than ever not only with the government, loan syndication and other related parties but with related companies and our shareholders and ensure detailed and sufficient consultation and coordination to robustly handle these tasks.

Fully recognizing Haneda Airport's roles and significance as an international airport located in the Tokyo metropolitan area, the Company will continue to provide facilities and services of outstanding quality (safety, convenience and comfort), including relentlessly making efforts in daily operation and maintenance management and steadily responding to customers' opinions, feedback surveys and matters pointed out by Skytrax.

(5) Changes in Assets and Income

Category	The 10th term FY2015	The 11th term FY2016	The 12th term FY2017	The 13th term FY2018
Operating revenue	70,819 million yen	77,847 million yen	89,539 million yen	96,685 million yen
Net income	4,316 million yen	5,417 million yen	5,440 million yen	7,077 million yen
Net income per share	1,186,638 yen	1,491,682 yen	1,497,353 yen	1,383,905 yen
Net assets	6,348 million yen	15,843 million yen	22,021 million yen	38,015 million yen

(6) 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

(7) Status of employees

Number of employees	Increase/decrease from the end of the previous fiscal year
63 (11)	Increased by 8 (No increase or decrease)

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

(8) Main lenders

(Millions of yen)

Lender	Amount
Development Bank of Japan Inc.	22,786
Mizuho Bank, Ltd.	16,059
MUFG Bank, Ltd.	12,979
Japan Airport Terminal Co., Ltd.	6,660
Sumitomo Mitsui Banking Corporation	6,462
The Bank of Yokohama, Ltd.	5,603
Shinkin Central Bank	5,328

2. Status of the Company's shares

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

(2) Number of Shareholders: 13

(3) Shareholders

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

(4) Other Important Matters Regarding the Shares

By the issuance of shares for subscription by a third-party allotment, the Company issued 1,706 shares of common stock, 5 million yen per share, and Japan Airport Terminal Co., Ltd. acquired 1,310 shares, Japan Airlines Co., Ltd. acquired 198 shares, and ANA Holdings Inc. acquired 198 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 Japan Airport Terminal Co., Ltd.

In addition, 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	Junichiro Kitamura	In charge of Finance Department
Managing Director	Arata Yasujima	In charge of Administration Department and Planning Department
Managing Director	Hiroto Kuniwake	In charge of Facilities Department, Sales Department, and International Operation Office
Managing Director	Akira Asai	In charge of Passenger Service Department and Disaster Prevention and Security Department
External Director	Toshihiro Kawasaki	Representative Director and President, TEPCO Energy Partners Incorporated; and Director, Tokyo Electric Power Company Holdings, Incorporated
External Director	Futoshi Osada	Representative Director and Senior Executive Vice President, Narita International Airport Corporation
Corporate Auditor	Masakazu Owashi	
External Corporate Auditor	Tsutomu Terabayashi	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.
External Corporate Auditor	Hiroshi Tobita	Tobita & Partners LPC

Notes:

1. Toshihiro Kawasaki and Futoshi Osada 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

8 directors	97 million yen	(of whom, 2 external directors: 4 million yen)
4 corporate auditors	25 million yen	(of whom, 4 external corporate auditors: 25 million yen)

Note: The above-mentioned compensations etc. include the retirement benefits paid to directors and corporate auditors who retired at the closure of the 12th General Shareholders Meeting.

(3) Matters Concerning External Officers

(i) Directors

Toshihiro Kawasaki and Futoshi Osada 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) Corporate auditors

Masakazu Owashi, Tsutomu Terabayashi and Hiroshi Tobita 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: 18 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, 2019)

(Millions of yen)

| Assets                              |                | Liabilities                                  |                |
|-------------------------------------|----------------|----------------------------------------------|----------------|
| Account title                       | Amount         | Account title                                | Amount         |
| Current assets                      | 65,626         | Current liabilities                          | 19,039         |
| Cash and deposits                   | 54,705         | Accounts payable-trade                       | 3,532          |
| Accounts receivable - trade         | 5,875          | Current portion of long-term loans payable   | 6,184          |
| Merchandise                         | 3,443          | (Senior loan)                                | ( 6,184)       |
| Accounts receivable - other         | 1,410          | Accounts payable - other                     | 3,265          |
| Prepaid expenses                    | 191            | Accrued expenses                             | 3,081          |
| Other current assets                | 0              | Income taxes payable                         | 2,140          |
|                                     |                | Accrued interest expenses                    | 25             |
|                                     |                | Other current liabilities                    | 809            |
| Noncurrent assets                   | 120,973        | Noncurrent liabilities                       | 129,545        |
| Tangible assets                     | 117,004        | Shareholder subordinated bonds               | 14,580         |
| Buildings                           | 89,328         | Long-term loans payable                      | 108,893        |
| Structures                          | 1,054          | (Preferred loan)                             | ( 90,893)      |
| Machinery and equipment             | 5,648          | (Shareholder subordinated loans)             | ( 18,000)      |
| Vehicles                            | 2              | Long-term lease deposit received             | 484            |
| Tools, furniture and fixtures       | 5,411          | Provision for directors' retirement benefits | 57             |
| Construction in progress            | 15,560         | Interest rate swap liabilities               | 5,529          |
|                                     |                | <b>Total liabilities</b>                     | <b>148,584</b> |
| Intangible assets                   | 797            | <b>Net assets</b>                            |                |
| Software                            | 797            | Shareholders' equity                         | 41,852         |
|                                     |                | Capital stock                                | 13,265         |
|                                     |                | Capital surplus                              | 13,265         |
| Investments and other assets        | 3,171          | Capital reserve                              | 13,265         |
| Deferred tax assets                 | 2,171          | Retained earnings                            | 15,322         |
| Separately managed penalty in trust | 1,000          | Other retained earnings                      | 15,322         |
|                                     |                | Retained earnings brought forward            | 15,322         |
|                                     |                | Valuation and translation adjustments        | △ 3,836        |
|                                     |                | Deferred gains or losses on hedges           | △ 3,836        |
|                                     |                | <b>Total net assets</b>                      | <b>38,015</b>  |
| <b>Total assets</b>                 | <b>186,600</b> | <b>Total liabilities and net assets</b>      | <b>186,600</b> |

## Income Statement

( From April 1, 2018  
To March 31, 2019 )

(Millions of yen)

| Account title                                | Amount |        |
|----------------------------------------------|--------|--------|
| <b>Operating revenue</b>                     |        |        |
| Rents                                        | 4,821  |        |
| Facility rental income                       | 24,668 |        |
| Sales of goods                               | 59,368 |        |
| Restaurant sales                             | 2,978  |        |
| Other revenue                                | 4,849  | 96,685 |
| Cost of sales                                |        |        |
| Cost of goods sold                           |        | 41,210 |
| Operating gross profit                       |        | 55,475 |
| Selling, general and administrative expenses |        | 41,930 |
| Operating income                             |        | 13,545 |
| Non-operating income                         |        |        |
| Interest income                              | 0      |        |
| Miscellaneous income                         | 341    | 341    |
| Non-operating expenses                       |        |        |
| Interest expenses                            | 3,577  |        |
| Stock issuance expenses                      | 30     |        |
| Miscellaneous loss                           | 16     | 3,624  |
| Ordinary income                              |        | 10,262 |
| Extraordinary income                         |        |        |
| Government subsidy                           | 207    | 207    |
| Extraordinary loss                           |        |        |
| Loss on retirement of noncurrent assets      | 285    | 285    |
| Income before income taxes                   |        | 10,183 |
| Income taxes-current                         |        | 3,210  |
| Income taxes-deferred                        |        | Δ 103  |
| Net income                                   |        | 7,077  |



Statement of Changes in Net Assets

( From April 1, 2018  
to March 31, 2019 )

(Millions of yen)

|                                                      | Shareholders' equity |                       |                       |                                   |                         |                            |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------------------|-------------------------|----------------------------|
|                                                      | Capital stock        | 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, 2018                          | 9,000                | 9,000                 | 9,000                 | 8,244                             | 8,244                   | 26,244                     |
| Changes during the period                            |                      |                       |                       |                                   |                         |                            |
| New share issue                                      | 4,265                | 4,265                 | 4,265                 | —                                 | —                       | 8,530                      |
| Net income                                           | —                    | —                     | —                     | 7,077                             | 7,077                   | 7,077                      |
| Net changes of items other than shareholders' equity | —                    | —                     | —                     | —                                 | —                       | —                          |
| Total changes during the period                      | 4,265                | 4,265                 | 4,265                 | 7,077                             | 7,077                   | 15,607                     |
| Balance as of March 31, 2019                         | 13,265               | 13,265                | 13,265                | 15,322                            | 15,322                  | 41,852                     |

|                                                      | Valuation and translation adjustments |                                             | Total net assets |
|------------------------------------------------------|---------------------------------------|---------------------------------------------|------------------|
|                                                      | Deferred gains or losses on hedges    | Total valuation and translation adjustments |                  |
| Balance as of April 1, 2018                          | Δ 4,223                               | Δ 4,223                                     | 22,021           |
| Changes during the period                            |                                       |                                             |                  |
| New share issue                                      | —                                     | —                                           | 8,530            |
| Net income                                           | —                                     | —                                           | 7,077            |
| Net changes of items other than shareholders' equity | 386                                   | 386                                         | 386              |
| Total changes during the period                      | 386                                   | 386                                         | 15,994           |
| Balance as of March 31, 2019                         | Δ 3,836                               | Δ 3,836                                     | 38,015           |

## 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 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 -- 174 million yen; cumulative at the end of the fiscal year under review -- 4,300 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 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 Changes in Presentation Methods**

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) etc. are applied from the beginning of the fiscal year under review, and deferred tax assets are indicated in

the category of investments and other assets.

### III. Notes on Balance Sheet

(Millions of yen)

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

2. Pledged assets

|                                                                   |                                            |        |
|-------------------------------------------------------------------|--------------------------------------------|--------|
| Assets pledged as collateral                                      | Ordinary deposits                          | 54,379 |
|                                                                   | Accounts receivable – trade                | 96     |
|                                                                   | Buildings                                  | 89,328 |
|                                                                   | Structures                                 | 1,054  |
|                                                                   | Machinery and equipment                    | 1,576  |
|                                                                   | Separately managed penalty in trust        | 1,000  |
| Liabilities corresponding to the above                            | Current portion of long-term loans payable | 6,184  |
|                                                                   | Long-term loans payable                    | 90,893 |
| 3. Total depreciation of property, plant and equipment            |                                            | 70,284 |
| 4. Monetary claims and obligations to subsidiaries and affiliates |                                            |        |
| Monetary claims                                                   | Accounts receivable - trade                | 4,132  |
|                                                                   | Accounts receivable - other                | 6      |
| Monetary obligations                                              | Accounts payable - trade                   | 3,532  |
|                                                                   | Accounts payable - other                   | 1,545  |
|                                                                   | Accrued expenses                           | 2,273  |
|                                                                   | Accrued interest expenses                  | 3      |
|                                                                   | Shareholder subordinated bonds             | 13,320 |
|                                                                   | Long-term loans payable                    | 13,320 |
|                                                                   | Long-term lease deposit received           | 272    |

### IV. 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     | 61,467 |
|                                                  | Non-operating transactions | 599    |

### V. Notes on Statement of Change in Net Assets

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

2. Type and total number of the Company's shares outstanding as of the last day of the fiscal year under review

|                 |              |
|-----------------|--------------|
| Common stock    | 5,198 shares |
| Preferred stock | 108 shares   |

## VI. Notes on Tax Effect Accounting

Breakdown of main causes for deferred tax assets

| (Deferred tax assets)                        | (Millions of yen) |
|----------------------------------------------|-------------------|
| Accrued enterprise tax, etc.                 | 224               |
| Provision for directors' retirement benefits | 17                |
| Deferred losses on hedges                    | 1,693             |
| Other                                        | 276               |
| Deferred tax assets subtotal                 | 2,211             |
| Valuation reserve                            | △ 40              |
| Deferred tax assets total                    | 2,171             |

## VII. Notes on Financial Instruments

### 1. Matters regarding the status of financial instruments

The Company manages funds only in short-term deposits and procures funds through loans from financial institutions such as banks as well as from the shareholders and corporate bonds issued to the shareholders.

The funds procured through loans and corporate bonds are mainly used as funds for capital investment and stabilizing the interest expenses by carrying out interest rate swap trading against the interest rate fluctuation risk of part of loans.

Derivative trading is limited to interest rate swap trading to avoid interest rate fluctuation risk of loans.

### 2. Matters regarding market value of the financial instruments

The values on the balance sheet, market value and the difference between them as of March 31, 2019 (the Company's account settlement date for the relevant fiscal year) are as follows.

(Millions of yen)

| Category                           | Value on the balance sheet (*1) | Market value (*1) | Difference |
|------------------------------------|---------------------------------|-------------------|------------|
| (1) Cash and deposits              | 54,705                          | 54,705            | —          |
| (2) Shareholder subordinated bonds | ( 14,580)                       | ( 20,670)         | 6,090      |
| (3) Long-term loans payable        | (*2)<br>( 115,077)              | (122,597)         | 7,519      |
| (4) Derivative trading             | ( 5,529)                        | ( 5,529)          | —          |

(\*1) Items that are recorded as liability are shown in parenthesis ( ).

(\*2) Long-term loans include repayment within one year of 6,184 million yen.

Note: Matters regarding the calculation method of market value of financial instruments and derivative trading

#### (1) Cash and deposits

They are settled in a short period of time and their market values are roughly equivalent to the book values.

Therefore, the concerned book values are used

#### (2) Shareholder subordinated bonds

The market value of shareholder subordinated bonds is calculated by discounting the sum of the principal and interest using the rate assumed in case of new issue.

(3) Long-term loans payable

The market value of long-term loans payable is calculated by discounting the sum of the principal and interest using the rate assumed in case of taking out new loans.

(4) Derivative trading

(i) The trading for which hedge accounting is not applied: Not applicable.

(ii) The trading for which hedge accounting is applied: The amount equivalent to the principal stipulated by the contract amount or contract as of the settlement day for each hedge accounting method is as follows.

(Millions of yen)

| Method of hedge accounting    | Type of derivative trading                                                          | Main items hedged       | Contract amount, etc. | Market value | Calculation method of the said market value                         |
|-------------------------------|-------------------------------------------------------------------------------------|-------------------------|-----------------------|--------------|---------------------------------------------------------------------|
| Fundamental processing method | Interest rate swap trading:<br>Fixed interest payment,<br>variable interest receipt | Long-term loans payable | 75,630                | △5,529       | The price, etc. indicated by the counterparty financial institution |

**VIII. Notes on Real Estate for Rent, etc.**

1. Matters regarding the condition of the real estate for rent, etc.

The Company owns a passenger terminal building that includes office spaces and commercial facilities for rent as well as a multilevel, pay-by-the-hour parking lot in Haneda Kuko, Ota-ku, Tokyo.

2. Matters regarding the market value of the real estate for rent, etc.

(Millions of yen)

| Property that includes the portion that is used as real estate for rent, etc. | Value on the balance sheet | Market value |
|-------------------------------------------------------------------------------|----------------------------|--------------|
|                                                                               | 105,624                    | 182,434      |

Note 1. The value includes offices, etc. used by the Company.

Note 2. The market value of important properties as of the end of the fiscal year under review is the amount based on the actuary reports by real estate appraisers.

## IX. Notes on Related Party Transaction

### 1. Main corporate shareholders etc.

(Millions of yen)

| Type             | Name of the company etc.                                                                           | Ratio of voting rights and other ownership | Relationship with the party                                      | Transactions                         | Transaction value | Account title                  | Balance at the term-end |
|------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------|-------------------|--------------------------------|-------------------------|
| Parent company   | Japan Airport Terminal Co., Ltd.                                                                   | 51.00% directly held                       | Procurement of goods and consignment of operation of stores etc. | Financing (Note 1) (Note 2)          | 6,550             | Shareholder subordinated bonds | 6,660                   |
|                  |                                                                                                    |                                            |                                                                  | Borrowing of funds (Note 3)          | -                 | Long-term loans payable        | 6,660                   |
|                  |                                                                                                    |                                            |                                                                  | Business consignment (Note 4)        | 20,135            |                                |                         |
|                  |                                                                                                    |                                            |                                                                  | Procurement of goods (Note 5)        | 41,331            | Accrued expenses               | 2,273                   |
|                  |                                                                                                    |                                            |                                                                  | Payment of interest                  | 599               | Accounts payable – trade       | 3,532                   |
|                  |                                                                                                    |                                            |                                                                  |                                      |                   | Accrued interest expenses      | 1                       |
| Main shareholder | Japan Airlines Co., Ltd.                                                                           | 16.87% directly held                       | -                                                                | Financing (Note 1) (Note 2)          | 990               | Shareholder subordinated bonds | 3,330                   |
|                  |                                                                                                    |                                            |                                                                  | Borrowing of funds (Note 3)          | -                 | Long-term loans payable        | 3,330                   |
|                  |                                                                                                    |                                            |                                                                  | Payment of interest                  | 299               | Accrued interest expenses      | 0                       |
| Main shareholder | ANA Holdings Inc.                                                                                  | 16.87% directly held                       | -                                                                | Financing (Note 1) (Note 2)          | 990               | Shareholder subordinated bonds | 3,330                   |
|                  |                                                                                                    |                                            |                                                                  | Borrowing of funds (Note 3)          | -                 | Long-term loans payable        | 3,330                   |
|                  |                                                                                                    |                                            |                                                                  | Payment of interest                  | 299               | Accrued interest expenses      | 0                       |
| Director         | Toshihiro Kawasaki<br>Representative Director and President,<br>TEPCO Energy Partner, Incorporated | -                                          | Borrowing of funds                                               | Borrowing of funds (Note 3) (Note 6) | -                 | Long-term loans payable        | 1,260                   |
|                  |                                                                                                    |                                            |                                                                  | Payment of interest                  | 56                | Accrued interest expenses      | 0                       |

|          |                                                                                                  |   |                    |                              |    |                           |       |
|----------|--------------------------------------------------------------------------------------------------|---|--------------------|------------------------------|----|---------------------------|-------|
| Director | Futoshi Osada                                                                                    |   |                    |                              |    | Long-term loans payable   | 1,620 |
|          | Representative Director and Senior Executive President, Narita International Airport Corporation | - | Borrowing of funds | Borrowing of funds (Note 3)  | -  | Accrued interest expenses | 0     |
|          |                                                                                                  |   |                    | Payment of interest (Note 7) | 72 |                           |       |

Terms and conditions of transactions and policy on determining them

Note 1: Financing terms and conditions are 5 million yen per share, and the Company issues 1,706 shares of common stock. The terms and conditions were approved in an extraordinary general meeting of shareholders held on October 26, 2017, and the payment was completed on April 27, 2018.

Note 2: 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 3: 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 4: 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.

Note 5: The prices, terms and conditions for procurement of goods are determined after negotiations with a reference to market prices.

Note 6: 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 7: 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 8: Among the amounts indicated in the table above, transaction amounts do not include consumption tax.

Note 9: The ratios of voting rights and other ownership are rounded down to the nearest two decimal places.

## X. Notes on data per share

1. Net asset per share: 7,134,186.23 yen
2. Current net profit per share: 1,383,905.29 yen

## XI. Matters concerning important subsequent events

There are no applicable matters.

# **Supplementary Statements for the 13th Business Term**

( From April 1, 2018  
To March 31, 2019 )

**I . Supplementary Statement of the Business Report**

**II . Supplementary Statement of the Financial Statements**

**Tokyo International Air Terminal Corporation**



## **I . Supplementary Statement of the Business Report**

### 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 "VI. Notes on Related Party Transaction" in Notes to Non-Consolidated Financial Statements

## II . Supplementary Statement of the Financial Statements

### 1. Details of tangible and intangible non-current assets

(Millions of yen)

| Category          | Type of assets                | Book value at the beginning of the period | Increase in the term under review | Decline in the term under review | Depreciation in the term under review | Book value at the end of the period | Total depreciation | Acquisition cost at the end of the period |
|-------------------|-------------------------------|-------------------------------------------|-----------------------------------|----------------------------------|---------------------------------------|-------------------------------------|--------------------|-------------------------------------------|
| Tangible assets   | Buildings                     | 92,749                                    | 3,294                             | 31                               | 6,684                                 | 89,328                              | 47,151             | 136,479                                   |
|                   | Structures                    | 1,169                                     | 58                                | -                                | 173                                   | 1,054                               | 1,057              | 2,111                                     |
|                   | Machinery and equipment       | 5,819                                     | 355                               | -                                | 526                                   | 5,648                               | 3,436              | 9,084                                     |
|                   | Vehicles                      | 3                                         | -                                 | -                                | 1                                     | 2                                   | 187                | 189                                       |
|                   | Tools, furniture and fixtures | 5,391                                     | 1,967                             | 22                               | 1,924                                 | 5,411                               | 18,451             | 23,862                                    |
|                   | (Subtotal)                    | (105,133)                                 | (5,675)                           | ( 53)                            | (9,311)                               | (101,444)                           | (70,284)           | (171,728)                                 |
|                   | Construction in progress      | 8,119                                     | 9,083                             | 1,642                            | -                                     | 15,560                              | -                  | 15,560                                    |
|                   | Total                         | 113,252                                   | 14,759                            | 1,696                            | 9,311                                 | 117,004                             | 70,284             | 187,289                                   |
| Intangible assets | Software                      | 1,036                                     | 46                                | -                                | 285                                   | 797                                 | 877                | 1,674                                     |

Note: The main factors contributing to the increase in the term include 6,945 million for renovation and reconstruction work for the international passenger terminals, 1,186 million yen for the expansion and renovation construction of TIAT DUTY FREE SHOP CENTRAL, 552 million yen for the renovation construction of CHANEL, 606 million yen for the repair work and the layout change construction, etc. of the first TIAT building, and 358 million yen for the construction for adding the sub-plant heat source.

### 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 | 53                                     | 16                                    | 11                                   | -     | 57                               |

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

### 3. Details of selling, general and administrative expenses

(Millions of yen)

| Account Title                                | Amount        | Remarks |
|----------------------------------------------|---------------|---------|
| Directors' compensations                     | 111           |         |
| Employees' salaries                          | 520           |         |
| Provision for directors' retirement benefits | 16            |         |
| Legal welfare expenses                       | 20            |         |
| Welfare expenses                             | 4             |         |
| Transportation expenses                      | 67            |         |
| Supplies expenses                            | 23            |         |
| Furniture and fixtures                       | 144           |         |
| Utilities expenses                           | 663           |         |
| Communication expenses                       | 89            |         |
| Insurance expenses                           | 347           |         |
| Repair expenses                              | 261           |         |
| Rent expenses                                | 4,822         |         |
| Conference expenses                          | 10            |         |
| Entertainment expenses                       | 17            |         |
| Taxes and public charges                     | 1,368         |         |
| Advertising expenses                         | 491           |         |
| Cleaning expenses                            | 18            |         |
| Business consignment expenses                | 22,742        |         |
| Miscellaneous expenses                       | 589           |         |
| Depreciation                                 | 9,597         |         |
| <b>Total</b>                                 | <b>41,930</b> |         |