

Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Assets		Liabilities	
Account Title	Amount	Account Title	Amount
Current assets	42,441	Current liabilities	42,823
Cash on hand and deposits	35,302	Accounts payable – trade	2,427
Accounts receivable - trade	4,576	Current portion of long-term loans payable (Senior loan)	9,389
Merchandise	1,728		(9,389)
Accounts receivable - other	571	Accounts payable - other	828
Prepaid expenses	17	Accrued expenses	24,098
Supplies	209	Income taxes payable	3
Other	45	Accrued interest expenses	5,384
Allowance for doubtful accounts (current)	△9	Lease obligations (current)	12
		Other	677
Noncurrent assets	107,950	Noncurrent liabilities	144,939
Property, plant and equipment	105,917	Shareholder subordinated bonds	21,030
Building	91,822	Long-term loans payable (Senior loan)	121,757
Structures	1,041		(101,207)
Machinery and equipment	8,896	(Shareholder subordinated loans)	(20,550)
Vehicles	4	Long-term lease deposit received	481
Tools, furniture and fixtures	4,101	Unearned revenue	21
Leased assets	48	Provision for directors' retirement benefits	57
Construction in progress	3	Interest-rate swap liabilities	1,238
Intangible assets	1,024	Lease obligations (non-current)	12
Software	1,024	Asset retirement obligations (non-current)	341
		Total liabilities	187,762
Investments and other assets	1,008	Net assets	
Separately managed	1,000	Shareholder's equity	△36,132
penalty in trust	8	Capitalization	100
Other	8	Capital surplus	26,430
		Legal capital surplus	26,430
		Retained earnings	△ 62,662
		Other retained earnings	△ 62,662
		Retained earnings brought forward	△ 62,662
		Valuation and translation adjustments	△ 1,238
		Deferred gains or losses on hedges	△ 1,238
		Total equity	△ 37,370
Total assets	150,392	Total liabilities and net assets	150,392

Income Statement

From April 1, 2022 to March 31, 2023

(Millions of yen)

Account Title	Amount	
Operating revenue		
Rents	6,092	
Facility rental income	10,633	
Sales of goods	10,118	
Restaurant sales	49	
Other revenue	1,730	28,623
Cost of sales		
Cost of goods sold		5,071
Operating gross profit		23,552
Selling, general, and administrative expenses		35,788
Operating loss		△ 12,235
Non-operating income		
Interest income	0	
Miscellaneous income	332	332
Non-operating expenses		
Interest expenses	4,765	
Fees payable	30	
Miscellaneous losses	1	4,797
Ordinary loss		△ 16,700
Extraordinary loss		
Loss on retirement of non-current assets	4	4
Loss before income taxes		△ 16,705
Income taxes - current	3	3
Net loss		△ 16,709

Notes

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. 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.

5. Hedge accounting method:

- (1) Hedge accounting method: Deferred hedge treatment
- (2) Hedge procedure and hedge target
 - Hedge procedure: Derivative trading (interest swap trading)
 - Items hedged: Borrowings based on variable interest rate
- (3) Hedge policy: It is carried out with the aim of avoiding risks rising from future fluctuation of the

interest rate and the Company's policy not to carry out any speculative transactions.

(4) Method to evaluate the hedge effectiveness

The assessment on the effectiveness is conducted by comparing the cumulative amount of market movements of hedge procedures and the cumulative amount of market movements of hedge target.

Hedges to which the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR is applied

Among the above hedge transactions, for all hedges included in the scope to which Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (Accounting Standards Board of Japan [ASBJ] Practical Solution No. 40; March 17, 2022) the exceptional treatment specified in that Practical Solution is applied.

6. Standards for recording of important revenues and expenses

The Company does business in two segments: the Facilities Management and Operation Business Segment and the Directly-Managed Business Segment. Matters such as the details of our main performance obligations in each of these businesses and the time at which the Company normally fulfills such performance obligations are reviewed below.

For revenues etc. related to backdating of payment to suppliers for the proportion of goods actually sold and consignment shops, in transactions in which the Company's role qualifies as that of an agent in provision of goods or services to customers revenues are recognized in the net amount of the amount received from the customer minus the amount payable to the supplier.

(1) Facilities Management and Operation Business Segment

The Facilities Management and Operation Business Segment involves mainly leasing of offices for airlines use and shops for tenant use in international passenger terminals, passenger handling, and rental of facilities to air transport service providers, among other businesses.

Rent revenues consist mainly of revenues on rental of office and shops, which are recorded as revenues pursuant to the Accounting Standard for Lease Transactions (ASBJ Statement No. 13; March 30, 2007).

Passenger service facility charge (PSFC) revenues are collected from passengers under the Tokyo International Airport Terminal Passenger Service Facility Charge (PSFC) Agreement. The Company is obligated to allocate PSFC revenues to costs related to facilities provided for use by all passengers and to maintain and manage the passenger terminals appropriately. These performance obligations are satisfied upon completion of passenger air transport services provided by air transport service providers, and revenues are recognized at the time of completion of passenger air transport services.

Regarding revenues from facility usage fees, the Company is obligated to provide services mainly related to use of facilities and equipment such as boarding bridges, the luggage handling system, and dedicated gates for business jets. Revenues are recognized upon completion of service provision in cases in which performance obligations are satisfied at a single point in time and over the period of service provision when they are satisfied over a certain period.

(2) Directly-Managed Business Segment

The Directly-Managed Business Segment mainly involves operation of shops selling merchandise, restaurants, and bars. In sales of merchants, performance obligations are judged to be satisfied upon delivery of merchandise to customers, and revenues are recognized as of that point in time.

In operation of restaurants and bars, performance obligations are judged to be satisfied upon provision of food and beverage services to customers, and revenues are recognized as of that point in time.

7. Additional information

Impact of the COVID-19 pandemic

Regarding prospects for a recovery from the effects of COVID-19 in numbers of air travelers, international flights are expected to recover to pre-COVID-19 levels of FY2019 during FY2023.

II. Notes on revenue recognition

Basic information for understanding revenues

Basic information for understanding revenues is described under Note 7, "Standards for recording of important revenues and expenses," in "I. Notes on Matters Related to Important Accounting Policies."

III. Notes on Balance Sheet

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

2. Pledged assets

Assets pledged as collateral	Ordinary deposits	35,118 million yen
	Accounts receivable - trade	81 million yen
	Building	86,556 million yen
	Structures	1,041 million yen
	Machinery and equipment	458 million yen
	Separately managed penalty in trust	1,000 million yen
Liabilities corresponding to the above	Current portion of long-term loans payable	9,389 million yen
	Long-term loans payable	100,563 million yen

3. Total depreciation of property, plant and equipment: 110,706 million yen

4. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable - trade	2,800 million yen
	Accounts receivable - other	4 million yen
Monetary obligations	Accounts payable – trade	2,427 million yen
	Accounts payable - other	426 million yen
	Accrued expenses	21,654 million yen

Shareholder subordinated bonds	18,890 million yen
Long-term loans payable	15,170 million yen
Long-term lease deposit received	267 million yen

IV. Notes on Income Statement

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

Operating transactions	30,826 million yen
Non-operating transactions	1,291 million yen

V. Notes on the Statement of Changes in Equity

1. Reported amounts are rounded down to the nearest million yen.
2. Classes and total numbers of shares of stock issued and outstanding as of the ending date of this fiscal year

Common stock	5,198 shares
Preferred stock	108 shares

VI. Notes on Tax Effect Accounting

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

[Deferred tax assets]

Retained loss	28,386 million yen
Excess depreciation loss	463 million yen
Deferred losses on hedges	428 million yen
Asset retirement obligations	118 million yen
Disapproval of accrued enterprise tax payable	26 million yen
Revision to accounts receivable - trade for previous fiscal years	25 million yen
Provision for directors' retirement benefits	19 million yen
Allowance for doubtful accounts	3 million yen
Other	26 million yen
Deferred tax assets subtotal	29,498 million yen
Valuation reserve	-29,402 million yen
Deferred tax assets total	96 million yen

[Deferred tax liabilities]

Asset retirement obligations	93 million yen
Other	2 million yen
Deferred tax liabilities total	96 million yen
Subtraction: Net amount of deferred tax liabilities	- million yen

VII. Notes concerning financial instruments

1. Matters related to the state of financial instruments

The Company's funds management is restricted to short-term deposits etc., and it raises funds through borrowing from banks and other financial institutions and from shareholders and through bonds issued to shareholders.

Funds raised through borrowing and through bonds are used mainly as funding of capital investment. In response to risks of interest-rate fluctuations on some borrowing, the Company executes interest-rate swap transactions intended to stabilize the interest it pays.

Derivative transactions are limited to interest-rate swap transactions intended to avoid risks of interest-rate fluctuations on borrowing.

2. Matters related to fair market values of financial instruments etc.

Amounts recorded to the Balance Sheet as of March 31, 2023 (the date of settlement of accounts for this period), fair market values, and differences between them are shown below.

(Millions of yen)

Category	Balance Sheet amount (*1)	Fair market value (*1)	Difference
(1) Cash on hand and deposits	35,302	35,302	-
(2) Shareholder subordinated bonds	(21,030)	(18,087)	-2,942
(3) Long-term loans payable	(*2) (130,502)	(127,246)	-3,255
(4) Derivatives	(1,238)	(1,238)	-

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

*2: Long-term loans payable include 9,389 million yen in current portion of long-term loans payable.

Note: Matters concerning derivative transactions and methods of calculating fair market value of financial instruments

(1) Cash on hand and deposits

Since these are settled over the short term, their fair market values are largely equivalent to their book values. Accordingly book values are used.

(2) Shareholder subordinated bonds

Fair market value of shareholder subordinated bonds is calculated through discounting by the rate assumed to apply in the event of new issue of the bonds for the total amount of principal and interest.

(3) Long-term loans payable

Fair market value of long-term loans payable is calculated through discounting by the rate assumed to apply in the event of new borrowing through similar means in the total amount of principal and interest.

(4) Derivatives

- Those to which hedge accounting does not apply: Not applicable.

- Those to which hedge accounting applies: Contractual amounts or amounts corresponding to principal under the contracts as of the date of settlement of accounts for each method of hedge accounting are shown below.

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main subject of hedging	Contractual amount etc.	Fair market value	Method of calculating fair market value
Processing method (in principle)	Fixed payments/variable receipts on interest-rate swaps	Long-term loans payable	57,458	-1,238	Using prices etc. provided by the counterparty financial institution

VIII. Notes on leased and other real estate

1. Matters related to the state of leased and other real estate

The Company owns passenger terminal buildings that include leased offices and leased retail facilities and multistorey parking facilities rented by the hour at Haneda Airport, Ota-ku, Tokyo, Japan.

2. Matters related to fair market value etc. of leased and other real estate

(Millions of yen)

Real estate including portions used as leased and other real estate	Balance Sheet amount	Fair market value
	87,599	198,579

Notes:

1. This amount includes offices and other facilities used by the Company itself.
2. For major properties, fair market value at the end of this fiscal year is based on a real estate appraisal report issued by a real estate appraiser.

IX. Notes on Related Party Transaction

1. Main corporate shareholders etc.

Type	Name of the company etc.	Ratio of voting rights and other ownership	Relationship with the party	Transactions	Transaction amount (Millions of yen)	Account Title	Balance at the end of the period (Millions of yen)
Parent company	Japan Airport Terminal Co., Ltd.	51.00% directly held	Payments for goods, consignment of operation of shops etc., borrowing of funds, and rent on real estate	Financing (Note 1)	-	Shareholder subordinated bonds	8,520
				Borrowing of funds (Note 2)	-	Long-term loans payable	8,510
				Business consignment (Note 3)	8,706	Accrued expenses	21,652
				Procurement of goods (Note 4)	12,879	Accounts payable – trade	2,427
				Interest expenses	1,291	Accrued interest expenses	2,577
				Rent expenses on real estate (Note 8)	9,240		
Main shareholder	Japan Airlines Co., Ltd.	16.87% directly held	Borrowing of funds	Financing (Note 1)	-	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Interest expenses	410	Accrued interest expenses	971
Main shareholder	ANA Holdings Inc.	16.87% directly held	Borrowing of funds	Financing (Note 1)	-	Shareholder subordinated bonds	5,185
				Borrowing of funds (Note 2)	-	Long-term loans payable	3,330
				Interest expenses	410	Accrued interest expenses	971
Director	Nobuhide Akimoto Director TEPCO Energy Partners Incorporated Representative Director and President & CEO	-	Borrowing of funds	Borrowing of funds (Note 2) (Note 5)	-	Long-term loans payable	1,610
				Interest expenses	77	Accrued interest expenses	183
Director	Akihiko Shiina Director Narita International Airport Corporation Representative Director and Senior Executive President	-	Borrowing of funds	Financing (Note 1) (Note 6)	-	Shareholder subordinated bonds	450
				Interest expenses	99	Long-term loans payable	1,620
						Accrued interest expenses	235

Terms and conditions of transactions and policy on determining them

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

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

Note 2: Loan terms and conditions are in accordance with the Shareholder Subordinated Loan Agreement signed between the Company and its nine shareholders including the above three companies on March 27, 2008 following the approval by the Board of Directors Meeting on March 18, 2008 (prepared based on the loan terms of the Shareholders Agreement agreed among the shareholders as of the establishment of the Company).

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

Note 3: Prices, and other terms and conditions for business consignment are determined through negotiation between both companies taking into consideration details of the businesses.

Note 4: The prices, terms and conditions for procurement of goods are determined after negotiations with a reference to market prices.

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

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

Note 7: 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. Payment of rents has been deferred until Company financial results have stabilized, as a measure to support the Company.

X. Notes on data per share

1. Net asset per share: -7,403,031.90 yen
2. Net loss per share: -3,214,582.96 yen

XI. Matters concerning important subsequent events

There are no applicable matters.