The 18th Term

Business Report

From April 1, 2023 to March 31, 2024

Tokyo International Air Terminal Corporation

(Attachments)

Business Report

(From April 1, 2023
To March 31, 2024)

1. Matters Concerning the Company's Status

(1) Progress and Results of Operations

The global COVID-19 pandemic, for which the World Health Organization (WHO) issued a state of emergency at the end of January 2020, eased amid large-scale reductions in fatalities as a result of factors including the progress of vaccinations around the world, and on May 5, 2023, the WHO announced an end to the state of emergency. In response, on April 28, Japan terminated COVID-19 procedures for requiring certificates of vaccinations and submittal of certificates of negative test results issued within 72 hours prior to departure from foreign visitors to Japan as well as border controls that included random testing of those entering on direct flights from China (not including Hong Kong and Macao). In addition, on May 8, Japan downgraded the COVID-19 status under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases from a Class II to a Class V Infectious Disease.

Demand for international flights to Japan recovered gradually since last autumn as a result of gradual developments that included the elimination of a maximum number of entrances, the elimination of restrictions on unaccompanied travelers, and large-scale easing of border controls. Numerous airlines have taken advantage of the March 2020 increase to 39,000 flights/year in the number of daytime international arrivals and departures permitted at Haneda Airport, and the 2023 summer schedule began (at the end of March last year) with a total increase of about 40 flights, including both departures and arrivals, from the 2022 winter schedule. This combined with the above effects of the COVID-19 downgrade to a Class V Infectious Disease resulted in a steady increase in passenger numbers. The number of arrivals and departures per day in April last year exceeded 50,000 travelers for the first time since January 2020, and the number in July of the same year was more than 60,000 for the first time since October 2010. The monthly total number of travelers (including those in transit) reached 1.72 million, exceeding the previous record of 1.61 million set in the August 2018. As these and other results show, demand has recovered dramatically. The monthly number of travelers has remained at around 1.7 million since then as well.

International Terminal 2 (T2i), which opened at the end of March 2020 but was forced to close just two weeks later due to COVID-19, reopened on July 19 of last year in response to the rapid recovery in travel under the 2023 summer schedule and the resulting congested and crowded conditions at Terminal 3 and to enable more convenient transfers to and from domestic flights at Terminal 2. This reopening was carried out in cooperation with the Civil Aviation Bureau, customs, immigration, and quarantine (CIQ), airlines, and other related parties. T2i arrivals and departures grew from five departures and two arrivals per day at the time it reopened to 16 departures and 14 arrivals per day under the 2023 winter schedule (which began at the end of October 2023), together with the expansion of security check lanes and the adoption of a 24 hours/day operating schedule for the terminal building. Furthermore, T2i began its first swing operation (switching gates between international and domestic flights depending on the time of day) with the summer 2024 schedule (which began at the end of March this year), as a measure to address peak numbers of arrivals and departures at Terminal 3. This increased its departures to 25 flights/day and arrivals to 21 flights/day.

Against this backdrop, annual departures and arrivals in Japan recovered rapidly in the fiscal year under review to 79.32 million, up 207% from FY 2022 but down 12% from their pre-COVID level in FY 2019. At the same time, a look at international flights serving Haneda Airport shows that passengers (including those in transit) totaled 20.04 million in the fiscal year under review, up 177% from FY 2022. This is the highest level since operations began in October 2010, exceeding both the pre-COVID level of 17.02 million in FY 2019 and the previous record of 18.39 million in FY 2018. The numbers of both flights and passengers are expected to remain high next year as well, despite continued causes for concern, such as the geopolitical risks, including cancellations, curtailment, and rerouting of flights to and from Europe due to the Ukrainian crisis, and the effects of the fluid exchange-rate situation.

Even as terminal operation continued to be based on health and safety in the fiscal year under review, the rapid recovery in international traveler demand led to some major issues in ensuring passenger convenience and comfort. Airlines and companies involved in airport operations proved unable to secure the return of sufficient numbers of employees who had left due to the effects of COVID-19 and other factors, and since April of last year, some days saw long lines of passengers awaiting security checks at the central security gate on the third floor of Terminal 3 due to a shortage of personnel at the security check company. In addition, some services, chiefly airport duty-free shops and restaurants and bars, have been forced by a shortage of employees to remain closed or to curtail their business days and hours.

To remedy such passenger inconveniences, in addition to hiring efforts by the security check firm and shops, the Company provided as much support as possible, including economic assistance, to related vendors, largely alleviating the above situation by the end of the fiscal year under review.

Furthermore, in light of the importance to risk management of education and training to be ready for emergencies at all times throughout the international passenger terminal area, employees at the terminals are provided with drills on responding immediately to any disasters in the vicinities of their workplaces as part of general disaster training. Recurrent training on air security was also provided for all employees during the fiscal year under review, among other continual efforts to raise awareness of risk management and to ensure a thorough understanding of security measures.

In addition, during the fiscal year under review, the Company faced various issues related to safety and convenience as the numbers of travelers recovered quickly. Safety incidents inside Terminal 3 included smoke arising from waste grease at a restaurant, while incidents related to convenience included problems with the baggage-handling system (BHS) associated with larger baggage volumes due to the increase in travelers.

To achieve the Company's action guideline of ensuring safety (aiming to be a reliable terminal that promises thorough safety so that all passengers can use the airport with peace of mind), the Company plans to investigate the causes of these incidents thoroughly and continue preventive measures, including addressing facility obsolescence.

At the same time, to achieve both passenger safety and convenience, the Company launched in September of last year a one-stop security (OSS) system for the carry-on baggage of passengers transiting Haneda Airport from flights originating at US airports. While at first this system was restricted to transits from spots 140-143 in the Terminal 3 satellite area, it later expanded in stages to include T2i arrivals and departures and inter-terminal transit from T2i to Terminal 3.

After arrival, passengers using OSS-eligible flights can enter the clean areas at the departure gates for their connecting flights without passing through the arrivals concourse. At the same time, to prevent passengers transiting to or arriving on non-OSS-eligible flights from heading to the OSS departure gates by mistake, it is essential to assign personnel to prevent passenger backflows in the arrivals concourse. Plans call for expanding the OSS system to all gates in Terminal 3 next year, after completing the necessary preparations, including securing such personnel. While at present only flights from the US are eligible for OSS, there is a movement toward expanding the system to flights from other countries and regions as well, and the Company will aim to improve convenience for all transit passengers using Haneda Airport.

The Company has also worked continuously to provide facilities and services to satisfy passengers using the international passenger terminal. New shops opening to improve passenger comfort and convenience include Onigiri Konga (opened in April 2023), Hiroshimayaki-Okonomiyaki Machiya (May), Bon Vivant +e (June), Japan Mastery Collection, a boutique of Japan's first provincial luxury brand in collaboration with Japan Airport Terminal Co., Ltd. (November), and AGRO@ Fruit Parlor (March 2024), while Ferragamo, which closed in September 2023, has reopened in a temporary facility based on a new store concept.

Supported, like scheduled flights, by booming demand, the international business jet gates served a monthly average of 194 departures and arrivals and an annual figure of about 12,100 passengers in the fiscal year under review, up sharply from a monthly average of 126 departures and arrivals and an annual figure of about 7,900 passengers in the previous year.

Haneda Airport's passenger terminals have earned the highest Five-Star Airport rating for 10 consecutive years in the Skytrax (U.K.) Global Airport Rating. They also secured first place for the 11th time and the ninth consecutive year in the World’s Cleanest Airports category of Skytrax' world airport ratings in 2024 as well as first place for the sixth consecutive year in the World’s Best PRM/Accessible Facilities category for passenger terminals making outstanding efforts on behalf of travelers who require mobility assistance. In these ways, despite shortcomings in such areas as passenger security checks and shop operations systems due to the effects of COVID-19, thanks to the cooperation of CIQ and other related parties, the quality of both our facilities and staff services are highly regarded in a variety of categories, thanks to our efforts to accurately ascertain passenger needs that are growing increasingly diverse with environmental changes and in the pursuit of convenience and comfort.

In the area of information security, efforts to enhance cybersecurity have continued since the Japanese government's designated airport buildings as important infrastructure in 2018. In July of last year, a cyberattack on the container terminal at the Port of Nagoya caused large-scale damage to its computer systems, making it impossible to load or unload containers for about three days. Amid the rising risk of cyberattacks, the structure for monitoring unauthorized access and cyberattacks was strengthened, and related systems were enhanced through internal and external cooperation, including participation in inter-industry seminars organized by the National Center of Incident Readiness and Strategy for Cybersecurity (NISC) and our joining the Transportation Incident Information Sharing and Analysis Center Japan in the fiscal year under review.

Since its founding, the Company has stressed the universal design (UD) concept. It has promoted related efforts through the activities of the UD Study Committee, whose membership includes experts from academia and experienced practitioners as well as people with disabilities, airport-related businesses, and Company employees. In May of last year, Terminal 3 was made available for use in hands-on testing of an information system to support people with disabilities, and in November, WHILL autonomous wheelchairs were adopted at Terminal 3 in addition to Terminals 1 and 2, where they were already in use. In addition, comedown/cooldown facilities were installed in two locations inside the Terminal 3 clean areas, patterned after the advanced efforts of London's two efforts (Heathrow and Gatwick) to care for passengers with developmental disabilities.

Furthermore, in February of this year, a seminar was held in cooperation with airport operators and airlines from across Japan on serving hidden psychological, developmental, and cognitive disabilities. Together with further promotion of education on UD and barrier-free topics, we also published on our website our Specific Plan on Mobility Facilitation Measures under the Barrier Free Act and continued distributing on a trial basis in March Hidden Disabilities Sunflower straps to make it easier to receive guidance and support inside the facilities.

The Company will continue efforts to identify and resolve issues and make other improvements through repeated verification on the theme of airport use by diverse users. At the same time, in the area of initiatives to maintain and increase customer satisfaction (CS) continual CS efforts are underway based on a shared CS philosophy among employees inside the terminal in order to deliver high-quality service and hospitality.

In these ways, while the business environment had been a highly challenging one due to COVID-19 during the three years from FY 2020 through FY 2022, a sharp recovery in revenue, supported by booming passenger demand since spring 2023 and efforts to curtail rising costs wherever possible led to substantial improvement in profits. As a result, in this fiscal year, the Company reported operating revenue of 82,304 million yen (up 187.5% year-over-year), operating profit of 13,915 million yen (vs. an operating loss of 12,235 million yen in the same period of the previous year), ordinary profit of 9,372 million yen (vs. an ordinary loss of 16,700 million yen in the same period of the previous year), and net profit of 12,213 million yen (vs. a net loss of 16,709 million yen in the same period of the previous year).

The business performance by each business segment is as follows:

<Facilities Management and Operation Business Segment>

In the international passenger terminal, the ending at the end of October 2023 of rent reductions that had continued since FY 2022 combined with the factors of higher commissions and rent revenue accompanying growth in tenants and increased shop sales led to 6,156 million yen in rent revenue from renting offices for airlines and shop spaces for tenants.

Passenger service facility charge (PSFC) revenue, which the Company receives from air travelers at departure and during transit for connecting flights, was 24,730 million yen as the number of passengers recovered with the end of border controls.

Facility usage-fee revenue from air-transport service operators' use of facilities and equipment of boarding bridges and the luggage handling system totaled 6,043 million yen. While this figure remains down from its pre-COVID level due to a smaller number of passengers, the decrease from the pre-COVID level has shrunk as passenger numbers recover.

Consequently, the operating revenue of the Facilities Management and Operation Businesses Segment was 36,930 million yen.

<Directly-Managed Business Segment>

In the Merchandise Sales Business, sales of goods generated from general duty-free stores and branded boutiques totaled 40,664 million yen as passenger numbers recovered compared to FY 2022, the lineup of duty-free brands was adjusted, and shops were remodeled. Sales from the Restaurant Business totaled 234 million yen while revenues from the parking lot business were 1,703 million yen.

Revenues from other businesses were 2,772 million yen due mainly to increased lounge use as passenger numbers recovered and to increased advertising. Consequently, the Directly Managed Business Segment reported operating revenue of 45,374 million yen.

(2) Status of Capital Expenditure

During the fiscal year under review, the Company made capital expenditures of 1,840 million yen in total. This figure includes 1,380 million yen in construction related to terminal facility maintenance and 318 million yen in construction to remodel shops in duty-free areas.

(3) Status of financing

Effective March 11, 2024, we requested an interest-free loan for the airport development business from the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to support the necessary facility improvements to adapt to the recovering and growing demand for air travel. We borrowed 985 million yen under this program. The outstanding balance of syndicate loans stood at 97,291 million yen as of the end of the fiscal year.

(4) Issues to Be Addressed

After emerging from the long tunnel of the COVID-19 pandemic, a full-fledged recovery in demand for international air travel has begun in the fiscal year under review, and airlines' resumption and expansion of flights are expected to proceed further in the next year. While T2i began swing operations under the 2024 summer schedule to alleviate congestion at Terminal 3, the effects are only temporary, and the expansion of capacity at Terminal 3, centered on peak early evening hours, is expected to be an issue to be addressed.

While addressing this issue head on and cooperating with contractors through efforts that put the safety and security of passengers using Haneda Airport for international flights first, we will strive to maintain and improve comfort and convenience while also carrying out functional enhancements in facilities and services. In the Merchandise Sales Business and other aspects of the Directly Managed Business Segment as well, while aiming for further sales growth by improving product lineups to reflect customer needs, we will also strive to control costs as much as possible, to strengthen the segment's revenue foundations, and to improve the financial standing.

In the area of the operation of terminal facilities and services in particular from the perspective of improving Japan's international competitive strengths by expanding capacity for receiving visitors from overseas, we consider it vital to promote public-private partnerships to enhance passenger terminal functions as an airport serving the nation's capital city. To meet booming international travel demand, together with measures to alleviate congestion in the departure lobby at Terminal 3 by enhancing BHS processing capacity and adding check-in counters and self-check-in (CUSS) kiosks, we will consider functional enhancements to Haneda Airport as a whole, including possible enhancement of T2i, in cooperation with Japan Airport Terminal Co., Ltd.

In addition, as an operator of major infrastructure designated as important infrastructure by the Japanese government, we need to promote further improvements in organization-wide responses to the increasing advancement and complexity of airport computer systems and the rapid increases in cyberspace threats through efforts that include leadership, management, and system administrators. Thorough strengthening of information security systems is essential to the Company's business continuity and to ensuring the safety and security of passengers as well as airlines and airport-related companies.

Fully recognizing the role and importance of Haneda Airport as an airport serving Japan's capital city, in addition to everyday operations and management, we will strive to provide facilities and services with outstanding levels of safety, convenience, and comfort as managers of an international passenger terminal that contributes to making Japan a leading tourism destination and that offers increasing levels of functionality as a capital city airport while ascertaining the opinions and desires of and emphasizing communication with all stakeholders, including airlines and airport users.

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

With the end of COVID-19 border controls, passenger numbers recovered sharply in the fiscal year under review, and the Company recorded operating profit and net profit exceeding pre-COVID levels. However, Company liabilities have exceeded assets as a result of recording considerable sums of operating losses and net losses continually through the previous fiscal year. As such, there are developments or situations leading to material doubts about the going-concern assumption.

To resolve these developments or situations, in the area of revenue, we are striving to capture demand through a business structure in which nearly all retail shops are in operation, including reopening and extending the business hours of duty-free shops centered on brand boutiques and reopening six duty-free shops in connection with the resumption of operations at T2i in July of last year.

In addition, the luxury brand shops that opened last year are performing well with each outlet recording record high monthly sales, and passenger service facility charge (PSFC) revenue has risen sharply as the rate of growth in the numbers of passengers in the first half was greater than expected. These factors have had major positive effects on revenue. At the same time, with regard to costs, we have implemented measures for revising investment plans and controlling rebounds in costs associated with recovering sales. We also are striving to secure liquidity on hand through means that include borrowing funds under the Japanese government's interest-free lending program for the airport development business in March 2024.

Based on reasonable expectations for international air travel demand, under our fundraising plan reflecting the effects of the above measures, we expect to be able to have sufficient funding through March 31, 2025. Accordingly, we do not see any material uncertainties regarding the going-concern assumption.

(6) Changes in Assets and Income

Category	The 15th term FY2020	The 16th term FY2021	The 17th term FY2022	The 18th term FY2023
Operating revenue	8,383 million yen	9,468 million yen	28,623 million yen	82,304 million yen
Net income (loss)	-34,348 million yen	-30,994 million yen	-16,709 million yen	12,213 million yen
Net income (loss) per share	-6,618,710 yen	-5,962,823 yen	-3,214,582 yen	2,349,609 yen
Net assets	7,971 million yen	-21,610 million yen	-37,370 million yen	-24,469 million yen

(7) Important matters concerning the parent company

(a) Matters concerning the parent company

The Company's parent company, Japan Airport Terminal Co., Ltd., owns 2,706 shares (51%) of Company stock. The Company and Japan Airport Terminal Co., Ltd. are in a consignment and entrustment relationship regarding purchase of goods for retail sale, including duty-free items, management of stores, etc. and in a leasing relationship for the international facilities in Terminal 2.

(b) Transactions with the parent company

Among transactions between the Company and Japan Airport Terminal Co., Ltd., transactions that must be noted in the Notes to Non-Consolidated Financial Statements for the fiscal year consist of financing, borrowing of funds, procurement of goods, and leasing of real estate from Japan Airport Terminal Co., Ltd., and business consignment and payment of interest to Japan Airport Terminal Co., Ltd.

1) Matters noted not to harm the interests of the Company when carrying out the transactions

The Company is a special-purpose company that operates the PFI business, therefore regarding transactions with its parent company such as financing, borrowing, and payment of interest, the Company properly determines terms and conditions of transactions according to the contracts with the government, financial institutions, and shareholders.

Additionally, regarding goods to be sold at stores in the terminal, the Company procures goods from Japan Airport Terminal Co., Ltd. Prices and other terms and conditions for transactions are determined after negotiations with a reference to market prices.

Furthermore, rents on the international terminal facility in Terminal 2 are determined based on the facility's maintenance and management costs, costs for use of state-owned property, etc. in addition to the amount invested by Japan Airport Terminal Co., Ltd. and the amount of remodeling necessary for existing terminal facilities.

Furthermore, prices, other terms and conditions for the business consignment are determined after consultations between both companies while taking into consideration details of business with a reference to general terms and conditions, etc.

2) The board of directors meeting's decision and the reason as to whether the transactions will harm

the Company's income

For the transactions, the board of directors meeting of the Company makes a final decision independent of its parent company based on internal regulations, and it has decided that the transactions will not harm the Company's income.

3) The opinions in the case where the decision of the board of directors meeting is different from opinions of external directors

There are no applicable matters.

(8) Main Businesses

(a) Management and operation of the international passenger terminal building

(b) Leasing of offices and shop spaces for air transport service operators and business operators on the premises of the airport

(c) Provision of various services including guiding the users of the international passenger terminal building, operation of lounges and rental meeting rooms and operation of parking lots

(d) Sales of merchandise to the users of the international passenger terminal building

(e) Operation of restaurants and coffee shops for the users of the international passenger terminal

(9) Status of employees

Number of employees	Increase/decrease from the end of the previous fiscal year
62 (4)	increased by 4

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

(10) Main lenders

Lenders	Amount
Development Bank of Japan Inc.	29,809 million yen
Mizuho Bank, Ltd.	24,087 million yen
MUFG Bank, Ltd.	11,446 million yen
Japan Airport Terminal Co., Ltd.	8,510 million yen
Sumitomo Mitsui Banking Corporation	5,959 million yen
The Bank of Yokohama, Ltd.	3,911 million yen
Japan Airlines Co., Ltd.	3,330 million yen
ANA Holdings Inc.	3,330 million yen
Shinkin Central Bank	3,321 million yen

2. Status of the Company's shares

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

(2) Number of shareholders: 13

(3) Shareholders

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

(4) Other Important Matters Regarding the Shares

Among the Company's 5,306 outstanding shares, the 36 shares held by Development Bank of Japan Inc., Mizuho Bank, Ltd., and MUFG Bank, Ltd. each are preferred shares with preferred dividends.

3. Status of Company Executives

(1) Directors and corporate auditors

Corporate position	Name	Supervising area; and important position held concurrently
Representative Director and President & CEO	Masatoshi Akahori	Director, Japan Airport Terminal Co. Ltd.
Managing Director	Shinsaku Yamaki	In charge of Finance Department
Managing Director	Takao Nannichi	In charge of Passenger Service Department and Disaster Prevention and Security Department
Managing Director	Daisuke Tokubu	In charge of Facilities Department, Sales Department, and International Operation Office
Managing Director	Atsushi Maeda	In charge of Administration Department and Planning Department
Directors	Yoshiyuki Hasegawa	Representative Director and Senior Executive Vice President, Narita International Airport Corporation
Directors	Momoko Nagasaki	Representative Director and President, TEPCO Energy Full-Time Executive Director, Tokyo Electric Power Holdings, Inc.
Corporate Auditor	Teruo Miyamoto	
External Corporate Auditor	Hiroshi Tobita	Tobita & Partners LPC
External Corporate Auditor	Yutaka Mingaku	Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.

Notes:

1. Yoshiyuki Hasegawa and Momoko Nagasaki 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. Standing Corporate Auditor Teruo Miyamoto possesses considerable knowledge of finance and accounting after having served as a representative managing director of the Japan Audit & Supervisory Board Members Association and a member of the Audit Subcommittee of the Financial Services Agency's Business Accounting Council.
4. Corporate Auditor Hiroshi Tobita is an attorney at law and possesses considerable knowledge of legal matters as a specialist in internal controls and corporate governance.

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

12 directors	134 million yen	(of whom, 4 external directors: 8 million yen)
4 corporate auditors	19 million yen	(of whom, 4 external directors: 19 million yen)

Note: Amounts of compensation etc. of directors and auditors include the retirement benefits paid to corporate auditors who retired at the closure of the 17th General Shareholders Meeting.

(3) Matters Concerning External Officers

(a) Directors

Yoshiyuki Hasegawa and Momoko Nagasaki attend the board of directors meeting held every month and offer appropriate remarks including necessary opinions and questions concerning the Company's overall management.

(b) External Corporate Auditor

Teruo Miyamoto, Hiroshi Tobita and Yutaka Mingaku 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

The Company paid no compensation to the Accounting Auditor other than as stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Act.

(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 makes decisions on the proposals for submittal to the general meeting of shareholders on the dismissal or refusal of reappointment of the accounting auditor as it judges necessary in such cases as when the accounting auditor is impeded from performing its duties. In addition, in a case recognized to meet any of the descriptions under the subparagraphs of Paragraph 1 of Article 340 of the Companies Act, the board of auditors may dismiss the accounting auditor with the consent of all corporate auditors. In such a case, a corporate auditor chosen by the board of auditors shall report to the first general meeting of shareholders held after the dismissal of the accounting auditor concerning the fact of and the reasons for such dismissal.

5. Company Structure and Policy

Pursuant to the Companies Act and the enforcement regulations thereto, the Company has established a Basic Policy on Internal Controls through a resolution adopted by the Board of Directors. This policy is described under (1) below. In its meeting held March 28, 2024, the Board of Directors resolved to revise this Basic Policy on Internal Controls partially with regard to the structures for ensuring the propriety of operations of the group of companies and the efficacy of auditing by the corporate auditors. The content below reflects these revisions.

(1) Structure to Ensure the Directors' and Employees' Execution of Duties in Compliance with the Laws and Regulations and the Articles of Incorporation as well as the Appropriateness of Other Operations

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

1) The director in charge of Administration Department is placed in charge of compliance, and is to establish the compliance structure and strive to understand the issues. The Administration Department ensures the maintenance and improvement of the compliance structure.

2) The Internal Audit Department monitors the operational status of the compliance structure and reports the result regularly to the representative director and president & CEO and the board of corporate auditors.

(b) Structure related to storage and management of information concerning the execution of duties by directors

Information related to the execution of duties by directors is recorded, stored and managed in accordance with the Regulations of the Board of Directors and Document Management Regulations, and the stored and managed information is accessible to the directors and auditors at all times.

(c) Regulations and other structures concerning the management of risk of losses

1) A risk management structure will be established, with supervising departments determined respectively for individual risks related to compliance, disaster, business, information security, etc.

2) The Audit Department conducts regular internal audits of departments, points out any matters that need to be improved with respect to the management of risk of losses, and reports the results to the representative director and president & CEO and corporate auditors

(d) Structure for ensuring efficient execution of duties by directors

1) With the Regulations of the Board of Directors established, the board of directors meeting is held, in principle, once a month and when needed to ensure communication between the directors and mutually monitor the execution of duties in accordance with laws and ordinances.

2) The important matters that must be resolved at the board of directors meeting are stipulated in the Regulations of the Board of Directors. Such matters will be resolved at the board of directors meeting after being deliberated at the Managing Directors' Meeting, which comprises the president & CEO and the standing directors.

3) A supervising director is assigned to each of the organizational units. Organizational Regulations and Regulations for Official Authority have been established that specify the duties and authorities of organizational units and employees.

(e) Structure for ensuring the propriety of operations of the group of companies consisting of the Company and its parent company

1) An autonomous internal controls system is maintained while respecting the Group management policies of the parent company.

2) Transactions between the Company and its parent company are conducted appropriately while ensuring fair and reasonable transactions.

(f) Matters concerning the independence of the employees assigned to assist in the duties of the corporate auditors from the directors

1) When so requested by the board of auditors or the corporate auditors, the representative director and president & CEO assigns employees who are independent of the business execution departments to assist with audits 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.

(g) Matters concerning the independence of the employees assigned to assist in the duties of the corporate auditors from the directors

1) The transfer and evaluation of the employees assigned to assist in the corporate auditors' duties, as stipulated in the preceding article, requires the consent of the board of auditors.

(h) Structure for ensuring the effectiveness of instructions made by the corporate auditors to employees assisting the corporate auditors

1) Employees appointed to assist in the duties of corporate auditors under (f) above shall be subject to the sole command and control of corporate auditors.

(i) 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.

(j) Structure for protecting parties who have submitted reports to the corporate auditors from disadvantageous treatment as a result of such reports

1) Any and all disadvantageous treatment of parties who have submitted reports to the corporate auditors as a result of such reports is prohibited.

(k) Matters related to procedures for prepayment or refunding of costs incurred in the performance of the duties of corporate auditors and other policies related to processing of costs or obligations airing from the performance of such futures

1) When a corporate auditor has submitted a claim for costs incurred in the performance of assigned duties, such claim will be accepted unless the associated costs are inappropriate

(l) 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, 2024)

(Millions of yen)

Assets		Liabilities	
Account Title	Amount	Account Title	Amount
Current assets	57,052	Current liabilities	51,274
Cash on hand and deposits	41,833	Accounts payable – trade	6,513
Accounts receivable - trade	9,538	Current portion of long-term loans payable	9,594
Merchandise	3,260	(Senior loan)	(9,594)
Supplies	223	Lease obligations (current)	12
Accounts receivable - other	1,325	Accounts payable - other	1,385
Prepaid expenses	869	Accrued expenses	24,955
Other current assets	2	Income taxes payable	3
		Accrued interest expenses	8,060
		Other current liabilities	748
Noncurrent assets	102,080	Noncurrent liabilities	132,327
Property, plant and equipmer	97,496	Shareholder subordinated bonds	21,030
Building	170,613	Long-term loans payable	109,876
Structures	2,864	(Senior loan)	(89,326)
Machinery and equipment	15,990	(Shareholder subordinated loans)	(20,550)
Vehicles	198	Long-term lease deposit received	487
Tools, furniture and fixtures	28,522	Provision for directors' retirement benefits	31
Leased assets	122	Interest-rate swap liabilities	550
Construction in progress	102	Lease obligations (non-current)	0
Accumulated depreciation	△ 120,916	Asset retirement obligations (non-current)	341
Intangible assets	662	Other noncurrent liabilities	10
Software	662		
		Total liabilities	183,602
		Net assets	
Investments and other assets	3,921	Shareholder's equity	△23,919
Long-term prepaid expenses	7	Capitalization	100
Deferred tax assets	2,914	Capital surplus	26,430
Separately managed penalty in trust	1,000	Legal capital surplus	26,430
		Retained earnings	△ 50,449
		Other retained earnings	△ 50,449
		Retained earnings brought forward	△ 50,449
		Valuation and translation adjustments	△ 550
		Deferred gains or losses on hedges	△ 550
		Total equity	△ 24,469
Total assets	159,133	Total liabilities and net assets	159,133

Income Statement

From April 1, 2023 to March 31, 2024

(Millions of yen)

Account Title	Amount	
Operating revenue		
Rents	6,156	
Facility rental income	30,774	
Sales of goods	40,664	
Restaurant sales	234	
Other revenue	4,475	82,304
Cost of sales		
Cost of goods sold		19,569
Operating gross profit		62,735
Selling, general, and administrative expenses		48,819
Operating profit		13,915
Non-operating income		
Interest income	0	
Miscellaneous income	280	281
Non-operating expenses		
Interest expenses	4,789	
Miscellaneous losses	35	4,824
Ordinary profit		9,372
Extraordinary profit		
State subsidy	0	0
Extraordinary loss		
Loss on retirement of non-current assets	10	
Costs of retirement of noncurrent assets	58	
Other extraordinary loss	0	70
Loss before income taxes		9,302
Income taxes - current	3	3
Income taxes - deferred	△ 2,914	△ 2,914
Net profit		12,213

Statement of Changes to Shareholders' Equity

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Shareholder's equity					
	Capitalization	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	
Balance at beginning of current period	100	26,430	26,430	△ 62,662	△ 62,662	△ 36,132
Changes during the period						
Net loss	—	—	—	12,213	12,213	12,213
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the period	—	—	—	12,213	12,213	12,213
Balance at end of current period	100	26,430	26,430	△ 50,449	△ 50,449	△ 23,919

	Valuation and translation adjustments		Total equity
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	△ 1,238	△ 1,238	△ 37,370
Changes during the period			
Net loss	—	—	12,213
Net changes of items other than shareholders' equity	688	688	688
Total changes during the period	688	688	12,901
Balance at end of current period	△ 550	△ 550	△ 24,469

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.
   No allowance for doubtful accounts was recorded in the fiscal year under review because there were no anticipated unrecoverable amounts in default or considered at risk of default.
   (2) Provision for directors' retirement benefits: The Company records the required amounts payable as of the end of the term in accordance with internal rules on the 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 (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 the sales of merchandise, performance obligations are judged to be satisfied upon the delivery of merchandise to customers, and revenue on merchandise is recognized as of the point in time of delivery.

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

II. Notes on revenue recognition

Basic information for understanding revenues

Basic information for understanding revenues is described under Note 6, "Standards for recording of important revenues and expenses," in "I. Notes on Matters Related to Important Accounting Policies."

III. Notes on accounting estimates

Recoverability of deferred tax assets

(i) Amount recorded on financial statements for this fiscal year

Deferred tax assets (net) 2,914 million yen

The amount before offsetting against deferred tax liabilities was 3,002 million yen.

(ii) Other information to assist in understanding the details of accounting estimates

A. Calculation methods

Based on taxable income and tax planning reflecting future earnings potential, the recoverability of deferred tax assets is judged for temporary differences in future deductions by considering company categories in accordance with the Implementation Guidance on the Recoverability of Deferred Tax Assets. Estimates of taxable income are based on business plans. Our core businesses are the leasing of offices and other space in airport passenger terminals, the sale of merchandise to air travelers, and the provision of food, beverages, and travel services. For this reason, our businesses are highly dependent on the main tenants of airlines and the main customers or air travelers, and as such, our business plans project future revenue and other figures based on the numbers of international air travelers and duty-free unit prices of merchandise sales.

B. Major assumptions

Major assumptions of the business plans on which estimates of taxable income are based are the numbers of international air travelers and duty-free unit prices of merchandise sales accounting for large sales figures. The numbers of international air travelers are estimated with reference to information on recent flight performance and airlines' published future schedules. Duty-free unit prices of merchandise sales are estimated on the basis of the actual results in the current period.

C. Impact on financial statements in the next fiscal year

Estimates of the numbers of international air travelers, an important assumption, involve a high degree of uncertainty in the estimation, and estimated taxable income may vary because of fluctuations in the numbers of international air travelers and duty-free unit prices of merchandise sales. Accordingly, there is a risk that these factors could have a material impact on estimated deferred tax assets. Accordingly, deferred tax assets could fluctuate in the event of variations in the numbers of international air travelers assumed in business plans or in the duty-free unit prices of merchandise sales.

IV. Notes on Balance Sheet

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

Assets pledged as collateral	Ordinary deposits	41,478 million yen
	Accounts receivable - trade	101 million yen
	Building	79,924 million yen
	Structures	864 million yen
	Machinery and equipment	1,000 million yen
	Separately managed penalty in trust	1,000 million yen
Liabilities corresponding to the above	Current portion of long-term loans payable	9,594 million yen
	Long-term loans payable	87,696 million yen

3. Total depreciation of property, plant and equipment: 120,916 million yen

4. Monetary claims and obligations to subsidiaries and affiliates

Monetary claims	Accounts receivable - trade	6,397 million yen
	Accounts receivable - other	4 million yen
Monetary obligations	Accounts payable – trade	6,513 million yen
	Accounts payable - other	921 million yen
	Accrued expenses	24,418 million yen
	Deposits received	2 million yen
	Accrued interest expenses	6,816 million yen
	Shareholder subordinated bonds	18,890 million yen
	Long-term loans payable	15,170 million yen
	Long-term lease deposit received	268 million yen

V. Notes on Income Statement

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

Operating transactions	90,004 million yen
Non-operating transactions	1,470 million yen

VI. 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

VII. Notes on Tax Effect Accounting

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

[Deferred tax assets]

Retained loss	25,113 million yen
Excess depreciation loss	426 million yen
Deferred losses on hedges	190 million yen
Asset retirement obligations	118 million yen
Disapproval of accrued fixed-asset taxes payable	96 million yen
Disapproval of accrued enterprise tax payable	27 million yen
Revision to accounts receivable - trade for previous fiscal years	25 million yen
Provision for directors' retirement benefits	10 million yen
Other	27 million yen
Deferred tax assets subtotal	26,036 million yen
Valuation reserves related to deferred tax losses	-22,369 million yen
Valuation reserves related to total temporary differences on future deductions	-664 million yen
Valuation reserves subtotal	-23,034 million yen
Deferred tax assets total	3,002 million yen

[Deferred tax liabilities]

Asset retirement obligations	85 million yen
Other	2 million yen
Deferred tax liabilities total	88 million yen
Subtraction: Deferred tax assets - net	2,914 million yen

(Note) Deferred tax losses and other deferred tax assets by carryover period

(Millions of yen)

	One year or less	More than one but less than two years	More than two but less than three years	More than three but less than four years	More than four but less than five years	More than five years	Total
Deferred tax losses *						25,113	25,113
Valuation reserves						-22,369	-22,369
Deferred tax assets						2,743	2,743

*Amounts of deferred tax losses have been multiplied by the statutory effective tax rate.

2. Breakdown of major account items resulting in material differences between the statutory effective tax rate and the effective tax rate after application of tax-effect accounting, if any

Statutory effective tax rate	34.59%
(Adjustments)	
Amounts not included in losses permanently	0.07%
Valuation reserves	-65.89%
Other	-0.05%
Effective tax rate after application of tax-effect accounting	-31.29%

VIII. 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, 2024 (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	41,833	41,833	-
(2) Shareholder subordinated bonds	(21,030)	(17,008)	-4,021
(3) Long-term loans payable	(*2*3) (117,841)	(113,733)	-4,107
(4) Derivatives	(550)	(550)	-

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

*2: Long-term loans payable include 9,594 million yen in current portion of long-term loans payable.

*3: Among the amounts recorded on the balance sheet under long-term loans payable (including the current portion of long-term loans payable), interest-free loans payable is provided to the Company under a fiscal support program by the Japanese government for improvements related to accommodating the recovery and growth of air-travel demand pursuant to a specific law. Accordingly, the loans are exempt from disclosure of the fair market value of the financial instruments and are not included in the table above.

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	52,639	-550	Using prices etc. provided by the counterparty financial institution

IX. 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)

	Balance Sheet amount	Fair market value
Real estate including portions used as leased and other real estate	80,800	189,205

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.

X. 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)	18,882	Accrued expenses	24,418
				Procurement of goods (Note 4)	61,880	Accounts payable – trade	6,513
				Interest expenses	1,470	Accrued interest expenses	4,048
				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	412	Accrued interest expenses	1,383
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	412	Accrued interest expenses	1,383
Director	Momoko Nagasaki 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	261
Director	Yoshiyuki Hasegawa Director Narita International Airport Corporation Representative Director and Senior Executive President	-	Borrowing of funds	Financing (Note 1) (Note 6)	-	Shareholder subordinated bonds	450
						Long-term loans payable	1,620
				Interest expenses	100	Accrued interest expenses	335

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 Momoko Nagasaki 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 Yoshiyuki Hasegawa 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: Rent on International Terminal 2 is set on the basis of matters that include the amount of investment in the facility by Japan Airport Terminal Co., Ltd., the amount of remodeling needed for existing terminals, and charges for the use of state-owned properties. The Company has submitted to the Japanese government a report based on an agreement with the government for the facility, and the government has approved the report. Payment is deferred for April 2021 through April 2023 and for September 2023 as a measure to provide support to the Company.

XI. Notes on data per share

1. Net asset per share: -4,933,907.75 yen
2. Net profit per share: 2,349,609.13 yen

XII. Matters concerning important subsequent events

There are no applicable matters.

The 18th Term

Annexed Detailed Statements to Business Report

From April 1, 2023 to March 31, 2024

Tokyo International Air Terminal Corporation

1. Details of our company executives who concurrently serve as an executive director in another company

Refer to "3. Status of Company Executives" in the Business Report and "X. Notes on Related Party Transaction."

The 18th Term

Annexed Detailed Statements to Financial Statements

From April 1, 2023 to March 31, 2024

Tokyo International Air Terminal Corporation

1. Details of tangible and intangible non-current assets

(Millions of yen)

Category	Type of assets	Book value at the beginning of the period	Increase in the term under review	Decline during the term under review	Depreciation in the term under review	Book value at the end of the period	Total depreciation	Acquisition cost at the end of the period
Property, plant and equipment	Building	91,822	944	7	7,915	84,844	85,768	170,613
	Structures	1,041	1	—	178	864	1,999	2,864
	Machinery and equipment	8,896	162	1	978	8,078	7,911	15,990
	Vehicles	4	—	—	1	2	195	198
	Tools, furniture and fixtures	4,101	597	7	1,112	3,579	24,943	28,522
	Leased assets	48	—	—	24	24	98	122
	(Subtotal)	(105,914)	(1,706)	(16)	(10,210)	(97,394)	(120,916)	(218,311)
	Construction in progress	3	607	508	—	102	—	102
	Total	105,917	2,314	524	10,210	97,496	120,916	218,413
Intangible assets	Software	1,024	50	—	412	662	—	662

Note: The main causes of increases in the term under review were 1,380 million yen in construction work related to terminal facility maintenance and 318 million yen in construction work on the remodeling of stores in duty-free areas.

2. Details of the reserves

(Millions of yen)

Category	Starting balance	Increase in the term under review	Decline during the term under review		Balance at the end of the period
			Used for the relevant purpose	Other	
Provision for directors' retirement benefits	57	16	43	—	31
Allowance for doubtful accounts	9	—	—	9	—

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

3. Details of selling, general and administrative expenses

(Millions of yen)

Account Title	Amount	Remarks
Directors' compensations	112	
Employees' salaries	533	
Provision for directors' retirement benefits	16	
Legal welfare expenses	8	
Welfare expenses	2	
Transportation expenses	15	
Supplies expenses	28	
Furniture and fixtures	44	
Utilities expenses	1,048	
Communication expenses	87	
Insurance expenses	533	
Repair expenses	62	
Rent expenses	11,396	
Conference expenses	2	
Entertainment expenses	15	
Taxes and public charges	1,185	
Donations	1	
Advertising expenses	39	
Cleaning expenses	16	
Fees payable	1,322	
Temporary staffing expenses	17	
Educational and training expenses	2	
Business consignment expenses	21,600	
Miscellaneous expenses	95	
Depreciation	10,627	
Total	48,819	