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Financial Report for the Year Ended March 31, 2022 (FY2021) [J-GAAP] (Consolidated)

May 12, 2022

Company name: Japan Airport Terminal Co., Ltd. ("the Company") Listed stock exchange: Tokyo, Prime Market
Code number: 9706 URL: https://www.tokyo-airport-bldg.co.jp/en/
Representative: Nobuaki Yokota, President and COO
Contact: Kazuhito Tanaka, Senior Managing Director TEL 03-5757-8409
Scheduled date of annual general meeting of shareholders: June 24, 2022
Scheduled date of filing securities report: June 24, 2022
Scheduled date of commencing dividend payment: -
Supplementary materials on financial results (yes/no): Yes
Holding of investors' meeting (yes/no): Yes (for institutional investors and financial analysts)

(Figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated Business Results (%: Change from the previous period)

	Operating revenues		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss) attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	57,057	-	(41,255)	-	(43,861)	-	(25,217)	-
FY2020	52,572	-79.0	(59,020)	-	(57,320)	-	(36,578)	-

(Note) Comprehensive income/loss: FY2021 ¥-39,533 million (-%) FY2020 ¥-62,212 million (-%)

	Net income/(loss) per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
FY2021	(270.75)	-	-15.2	-8.9	-72.3
FY2020	(445.92)	-	-21.5	-11.0	-112.3

(Reference) Equity in gains/losses of affiliates: FY2021 ¥-1,611 million FY2020 ¥-1,652 million

(Note) As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of FY2021, the consolidated financial results for FY2021 are those after the adoption of such accounting standards and the rate of change from the previous fiscal year is not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	463,878	156,009	33.2	1,655.32
As of March 31, 2021	519,193	195,544	34.3	1,910.83

(Reference) Equity capital: As of March 31, 2022 ¥154,170 million As of March 31, 2021 ¥177,968 million

(Note) As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of FY2021, the consolidated financial results for FY2021 are those after the adoption of such accounting standards.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2021	(9,305)	(4,926)	(9,035)	97,128
FY2020	(4,387)	(25,268)	78,228	120,355

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	Q1-End	Q2-End	Q3-End	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2020	-	0.00	-	0.00	0.00	-	-	-
FY2021	-	0.00	-	0.00	0.00	-	-	-
FY2022 (Forecast)	-	-	-	-	-		-	

(Note) We have decided to postpone the announcement of the outlook for dividend payment for the fiscal year ending March 31, 2023.

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(%: Change from the same period of the previous year)

	Operating revenues		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss) attributable to owners of the parent		Net income/(loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	45,400	75.7	(10,500)	-	(11,000)	-	(4,000)	-	(42.95)
Full-year	105,600	85.1	(16,600)	-	(18,100)	-	(5,700)	-	(61.20)

Other Information

(1) Significant changes in subsidiaries during the year under review (changes in specified subsidiaries involving changes in scope of consolidation): No

(2) Changes in accounting policies, accounting estimates, and restatement of revisions
1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatement of revisions: None
(Note) For details, please refer to page 21 of the appendix materials “3. Consolidated Financial Statements and Notes (5) Notes on Consolidated Financial Statements: Changes in Accounting Policies”.

(3) Number of shares outstanding (common stock)
1) Number of shares outstanding at the year-end (including treasury stock):
As of March 31, 2022 93,145,400 shares As of March 31, 2021 93,145,400 shares
2) Number of treasury stock at the year-end:
As of March 31, 2022 8,737 shares As of March 31, 2021 8,595 shares
3) Average number of shares outstanding during the period:
Year ended March 31, 2022 93,136,710 shares Year ended March 31, 2021 82,029,456 shares

(Reference) Summary of Non-Consolidated Financial Results

Financial Results for the Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-Consolidated Business Results (%: Change from the previous period)

	Operating revenues		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	53,166	-	(5,543)	-	(4,485)	-	(4,385)	-
FY2020	53,178	-69.5	(15,946)	-	(15,827)	-	(11,931)	-

	Net income/(loss) per share	Diluted net income per share
	Yen	Yen
FY2021	(47.09)	-
FY2020	(145.45)	-

(Note) As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of FY2021, the financial results for FY2021 are those after the adoption of such accounting standards and the rate of change from the previous fiscal year is not stated.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	296,480	139,115	46.9	1,493.67
As of March 31, 2021	320,019	142,979	44.7	1,535.16

(Reference) Equity capital: As of March 31, 2022 ¥139,115 million As of March 31, 2021 ¥142,979 million

(Note) As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of FY2021, the financial results for FY2021 are those after the adoption of such accounting standards.

* This financial report is not subject to audits by certified public accountants or auditing firms.

* Statements regarding the proper use of financial forecast and other special remarks

Notes on the use of forward-looking statements

The forecast of the business results reported herein was prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. The Company makes no guarantee that these figures will be achieved. Actual results may differ significantly from forecasts due to various factors. For the assumptions used in financial forecasts and precautionary statements regarding the use of the forecasts, please refer to page 8 of the appendix materials “1. Analysis of Business and Financial Results (4) Forecast for FY 2022 (the fiscal year ending March 31, 2023)”.

Supplementary materials on financial results and details of presentation at investors’ meeting

Investors’ meeting is planned to be held on May 18, 2022 for financial analysts. Presentation materials used in the investors’ meeting will be promptly posted on the Company’s website following the meeting.

Contents of the Appendix Materials

1. Analysis of Business and Financial Results

(1) Analysis of Consolidated Business Results for FY 2021

During the fiscal year ended March 31, 2022 ("FY2021"), the Japanese economy showed signs of recovery, while the difficult situation caused by the new Coronavirus infection ("COVID-19") gradually improved. Looking ahead, it is expected that the recovery trend will continue, resulting from the effects of various policies and improving overseas economies, while thorough measures are taken to prevent the spread of the infection and social as well as economic activities return to a normal state. However, it is necessary to pay close attention to downside risks due to an increase in raw material prices, volatility in the financial and capital markets, and restrictions on supply chain networks, among other factors, amid uncertainties caused by the situation in Ukraine. We also must continue to prudently monitor the impact of COVID-19.

Under these economic conditions, in the airline industry, domestic flight demand fell again due to the reapplication of stricter measures to prevent the spread of COVID-19 to Tokyo and other cities in January 2022 as a result of the rebound in COVID-19 cases. Although the number of passengers on domestic flights at Haneda Airport for the full year increased by 38% year-on-year, it is 57% less compared to FY2019, which was before the impact of COVID-19 became more severe. As for international flights, the border control measures that were strengthened in November 2021 are being gradually eased since March 2022, but demand remains at a low level. Although the number of passengers on international flights at Haneda Airport for the full year increased by 100% year-on-year, it decreased by 95% compared to FY2019.

Under these circumstances, the Japan Airport Terminal Group ("JAT Group") has taken measures at various locations within the terminal buildings in accordance with the "Guidelines for Prevention of the Spread of COVID-19 in the Aviation Field" (jointly prepared by the Scheduled Airlines Association of Japan and the All Japan Airport Terminal Association) to prevent the spread of COVID-19 and ensure the safety and security of airport users. In addition to the provision of pre-entry PCR testing space for the Japanese government at Terminal 3, we have also established PCR testing facilities for departing passengers at Terminals 1 and 2 (Kinoshita Group Co., Ltd.) and Terminal 3 (Toho University Haneda Airport Terminal 3 Clinic).

In terms of facilities, we have been taking initiatives, including renovating specific ceilings (a type of ceiling that is specified by the Minister of Land, Infrastructure, Transport and Tourism as one that is likely to cause serious harm if it falls) and completed the installation of recharging facilities with built-in storage batteries in March 2022 in preparation for large-scale natural disasters. In addition, we launched the Haneda Robotics Lab in 2016, where we have been promoting the demonstration, development, and introduction of various robots. As part of such efforts, we expanded the service coverage of "WHILL", a personal mobility vehicle equipped with autonomous driving technology, to all departure gates at domestic flights in July 2021 and the service is being used by many customers. At international flights, the "Face Express" system, which implements face recognition technology, was put into full-scale operation and a dedicated facility for business jets, which is five times the size of the existing business jet facility, was also put into service. In response to the decrease in demand due to COVID-19, we are working to curb facility maintenance and management costs by reviewing the nature of our operations and efficiently utilizing human resources, among other measures. However, due in part to the investments we have made in functional enhancements for international flights, disaster prevention measures, and barrier-free access for domestic flights, we revised the passenger service facility charge in March 2022. We are working to turn Haneda Airport into a smart airport, in anticipation of the end of the pandemic, by introducing initiatives that function as enhanced infection prevention measures through contactless and non-face-to-face interaction in addition to improved safety and convenience.

On the sales front, while passenger traffic is recovering, especially on domestic flights, we are making efforts to capture demand as we opened official stores in Terminals 1 and 3 during last year's Tokyo Olympics and Paralympics and started to operate "Hokkaido Dosanko Plaza Haneda Airport", an official Hokkaido antenna store with a dine-in space for light meals and beverages. In the e-commerce business, we launched "Haneda Sanchoku Selection", a website that sells selected products from Hokkaido directly from the production area. We are also taking initiatives to promote the link to actual stores, such as expanding our popular in-flight meal sets to include new menu items and other products and selling them at our airport stores. In addition, we have begun to sell and lease robots and operation systems installed at Haneda Airport in a package to airports, office buildings, and commercial facilities in Japan and overseas. Moreover, in October 2021, we held Japan's first art auction using bonded warehouse space at Terminal 1, leveraging the JAT Group's experience with respect to customs management. The second auction was held in March 2022. We are also offering Terminal 2 international flight facility as a filming location for movies and television dramas, as well as for various event venues.

With respect to our efforts to address environmental issues, in February 2022, a target for each airport to reduce greenhouse gas emissions by 46% or more from the levels in 2013 by 2030 was presented at the study group of the Ministry of Land, Infrastructure, Transport and Tourism on CO2 reduction in the airport sector. Haneda Airport is working to achieve the reduction target, in which the Tokyo International Airport Eco-Airport Council ("Council") plays a central role. Haneda Airport has already achieved the obligation to reduce the total amount of greenhouse gas emissions imposed by the Tokyo Metropolitan Government through various efforts, including the use of LED lighting in its buildings and other measures. We will continue to make every effort to meet the 2030 reduction target and achieve "carbon-neutral in 2050" as a member of the Council in cooperation with other businesses active at Haneda Airport.

With respect to enhancing our governance structure, our Board of Directors resolved in December 2021 to change the Company to a company with an Audit and Supervisory Committee, subject to approval at the General Meeting of Shareholders this year. The Audit and Supervisory Committee, the majority of whose members are outside directors, will be responsible for auditing and supervising the legitimacy and appropriateness of business execution, thereby realizing more transparent management and building a structure that can more accurately meet the expectations of domestic and international stakeholders. In addition, by delegating the authority of the Board of Directors to make decisions on business execution to each director, we aim to further accelerate management decision-making and execution under the appropriate supervision of the Board of Directors.

Haneda Airport's passenger terminals have been awarded the world's highest standard "5-star Airport" rating for six consecutive years in the SKYTRAX "Global Airport Rating", an international airport evaluation. In addition, in the customer survey evaluating international airports, we were awarded first place in the "Best Airports in Asia" as the first airport in Japan, and second place globally, for the third consecutive year in the "World's Best Airports", which comprehensively evaluates various aspects of international airports. Furthermore, we were awarded first place in the "World's Cleanest Airports" (for the sixth consecutive year), "World's Best Domestic Airports" (for the ninth consecutive year), and "World's Best PRM / Accessible Facilities" (for the third consecutive year). Haneda Airport also became the first airport in Japan to receive the highest rating globally of 5-stars in the "COVID-19 Airport Safety Rating", an evaluation with respect to the measures protecting against COVID-19 infection. In addition, the Company was selected as one of the Tokyo Metropolitan Government's "Barrier-Free Mindset" case studies in recognition of our efforts to provide facilities and services that reassure a wide range of users and deepen the understanding of those users, including the introduction of "Calm Down, Cool Down Space", guidance by concierges certified as care-fitters, and training by experts for all airport employees.

As a result of the above, with respect to the financial results for the fiscal year ended March 31, 2022, operating revenues was ¥57,057 million primarily due to the increase in facility user charges revenue compared to the previous year, driven by the gradual recovery of passenger volume on domestic and international flights. Despite the recovery in revenue and sustained cost reduction from the previous fiscal year, operating loss was ¥41,255 million, ordinary loss was ¥43,861 million, and net loss attributable to owners of the parent was ¥25,217 million.

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of FY2021, the above explanation does not state the rate of change (%) from the previous fiscal year. For details, please refer to "3. Consolidated Financial Statements and Notes (5) Notes on Consolidated Financial Statements: Changes in Accounting Policies and Segment Information".

(Millions of yen)

Operating Results	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)	Year-on-Year (%)
Operating revenues	52,572	57,057	-
[Facilities Management]	35,917	40,029	-
[Merchandise Sales]	13,657	13,174	-
[Food and Beverage]	2,998	3,852	-
Operating income / (loss)	(59,020)	(41,255)	-
Ordinary income / (loss)	(57,320)	(43,861)	-
Net income/(loss) attributable to owners of the parent	(36,578)	(25,217)	-

In recent months, demand for domestic flights has been recovering rapidly following the full lifting of stricter measures to prevent the spread of COVID-19 in March. On the other hand, although demand for international flights is improving for foreign students and business travelers due to the easing of border control measures, the situation remains challenging due to uncertainties in the global economy, including the situation in Ukraine. As a listed company in the Tokyo Stock Exchange Prime Market, the JAT Group places the promotion of sustainability at the core of its business strategy and is committed to further improving governance and management efficiency. We will work to enhance the value of Haneda Airport, the gateway to Japan and the greater Tokyo area, by further improving the convenience, comfort, and functionality of the Haneda Airport Passenger Terminal as well as by ensuring the safe and smooth entry, exit, and transportation of all customers.

The following is a breakdown of earnings / (loss) by segment. Note that the figures for operating income / (loss) are equivalent to those for segment income / (loss).

Overview by Segment

[Facilities Management]

(Millions of yen)

Operating Results	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)	Year-on-Year (%)
Sales to external customers	35,917	40,029	-
Rent revenue	17,712	18,543	-
Facility user charges revenue	7,644	10,539	-
Other revenues	10,560	10,946	-
Intersegment sales and transfers	1,614	1,982	-
Total of Operating Revenues	37,532	42,012	-
Segment income / (loss)	(36,283)	(24,863)	-

Rent revenue increased from the previous year primarily due to the increase in the provision of rental space for PCR testing before entry for international flights.

Revenue from facility user charges increased from the previous year primarily due to the increase in the passenger service facility charge driven by the recovery in passenger volume.

Other revenues increased from the previous year primarily due to the increase in paid lounge sales and parking revenue despite the decrease in advertising revenue in domestic and international flights.

As a result, operating revenues from facilities management operations was ¥42,012 million. Operating loss for the segment was ¥24,863 million.

[Merchandise Sales]

(Millions of yen)

Operating Results	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)	Year-on-Year (%)
Sales to external customers	13,657	13,174	-
Sales at domestic terminal stores	8,559	5,166	-
Sales at international terminal stores	2,751	4,242	-
Other revenues	2,345	3,765	-
Intersegment sales and transfers	779	769	-
Total of Operating Revenues	14,436	13,944	-
Segment income / (loss)	(11,322)	(6,134)	-

Sales at domestic terminal stores increased from the previous year because of the recovery in domestic passenger volume, but the amount of revenue recognized was lower than the previous year due to the impact of adopting the “Accounting Standard for Revenue Recognition” from FY2021.

Sales at international terminal stores increased from the previous year due to the increase in international passenger volume at Haneda Airport, Narita Airport and other airports.

Other revenues increased from the previous year because of the increase in revenue for the wholesaling business.

As a result, operating revenues from merchandise sales operations was ¥13,944 million and operating loss for the segment was ¥6,134 million.

[Food and Beverage]

(Millions of yen)

Operating Results	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)	Year-on-Year (%)
Sales to external customers	2,998	3,852	-
Sales from food and beverage stores	2,363	2,790	-
Sales from in-flight meals	365	730	-
Other revenues	269	332	-
Intersegment sales and transfers	1,093	796	-
Total of Operating Revenues	4,091	4,649	-
Segment income / (loss)	(4,150)	(3,091)	-

Sales from food and beverage operations increased from the previous year primarily due to the recovery in domestic passenger volume.

Sales from in-flight meals increased from the previous year primarily due to the recovery in passenger volume of the foreign carriers, our clients in this business.

As a result, operating revenues from food and beverage operations was ¥4,649 million and operating loss for the segment was ¥3,091 million.

(2) Analysis of Consolidated Financial Position for FY 2021

[Assets]

Current assets decreased by ¥29,538 million from the previous fiscal year end to ¥113,868 million. This is primarily due to the decrease in cash and deposits as a result of the redemption of bonds with stock acquisition rights at maturity. Fixed assets decreased by ¥25,775 million from the previous fiscal year end to ¥350,010 million primarily due to depreciation.

As a result, total assets decreased by ¥55,314 million from the previous fiscal year end to ¥463,878 million.

[Liabilities]

Current liabilities decreased by ¥22,246 million from the previous fiscal year end to ¥36,847 million primarily due to the redemption of bonds with stock acquisition rights at maturity. Fixed liabilities increased by ¥6,466 million from the previous fiscal year end to ¥271,021 million primarily due to long-term loans raised by Tokyo International Air Terminal Corporation (TIAT).

As a result, total liabilities decreased by ¥15,779 million from the previous fiscal year end to ¥307,869 million.

[Net assets]

Total net assets decreased by ¥39,534 million from the previous fiscal year end to ¥156,009 million. This is primarily due to the decrease in retained earnings and non-controlling interests by booking net loss for the year despite the increase in accumulated other comprehensive income.

As a result, the equity ratio was 33.2% (compared to 34.3% at the previous fiscal year end).

(3) Analysis of Consolidated Cash Flows for FY 2021

Cash and cash equivalents at the end of FY2021 decreased by ¥23,226 million compared to the previous fiscal year end to ¥97,128 million.

The following is a summary of cash flows and the factors behind these flows for FY2021.

[Cash flows from operating activities]

With respect to cash flows from operating activities, cash outflow increased by ¥4,917 million from the previous fiscal year (up 112.1% year-on-year), resulting in a cash outflow of ¥9,305 million.

This was primarily due to the decrease in other current liabilities.

[Cash flows from investing activities]

With respect to cash flows from investing activities, cash outflow decreased by ¥20,341 million from the previous fiscal year (down 80.5% year-on-year), resulting in a cash outflow of ¥4, 926 million.

This was primarily due to the decrease in expenditures for the acquisition of tangible fixed assets.

[Cash flows from financing activities]

Cash flows from financing activities decreased by ¥87,263 million from the previous fiscal year (¥78,228 million cash inflow for the previous fiscal year), resulting in a cash outflow of ¥9,035 million.

This was primarily due to cash outflow from the redemption of convertible bonds.

(4) Forecast for FY 2022 (the fiscal year ending March 31, 2023)

As society moves toward recovery from the impact of COVID-19, the airline industry is also expected to see a recovery in demand, especially for domestic flights.

At Haneda Airport, demand for domestic flights is expected to recover to near pre-COVID-19 levels during the first half of FY2022, driven by tourism demand. On the other hand, international flights are expected to take time to fully recover, although entry restrictions are gradually being eased in many countries.

Under this environment, we will maintain the cost-cutting measures that we implemented during the pandemic in terminal operations and on the sales front, we will utilize digital marketing to capture passenger demand to recover our business performance. In addition, with an eye toward accommodating future passenger growth and further improving passenger convenience, we are working on the construction of a new north satellite terminal at Terminal 1 and a connection between the main building and the satellite terminal at Terminal 2 in order to improve the functionality of Haneda Airport.

The expected earnings by segment are as follows.

For the Facility Management business, operating revenue is expected to increase from the previous year primarily due to an increase in revenue from facility user charges driven by the recovery in passenger volume. For the Merchandise Sales business and the Food and Beverage business, operating revenue is expected to increase from the previous year, due to an increase in merchandise sales and food and beverage sales resulting mainly from a recovery in the number of passengers on domestic flights and international flights at Haneda Airport.

As a result, for FY2022, we forecast operating revenue of ¥105,600 million (up 85.1% year-on-year). Due to the delay in recovery of international flights, we forecast operating loss of ¥16,600 million (compared to operating loss of ¥41,255 million during FY2021), ordinary loss of ¥18,100 million (compared to ordinary loss of ¥43,861 million during FY2021), and net loss attributable to owners of the parent of ¥5,700 million (compared to net loss attributable to owners of the parent of ¥25,217 million during FY2021).

(5) Basic Policy on Distribution of Profits and Dividend Payment for FY2021/FY2022

We consider the return of profits to our shareholders to be one of our most important management priorities. Our basic policy is to work on management with a more proactive stance, strive to improve our business performance, secure internal reserves in consideration of large-scale investments such as the renewal of passenger terminal building facilities in line with the functional expansion of Haneda Airport, and at the same time, maintain stable dividend payments.

Our business performance has been severely impacted by COVID-19, which resulted in a net loss for the second consecutive fiscal year. Although the outlook remains uncertain, we will maintain our basic policy and will strive to return to profitability as soon as possible.

We decided to postpone the announcement of the year-end dividend for FY2021 at the time of the announcement of the financial results for the fiscal year ended March 31, 2021. After a comprehensive review based on the current business environment and the dividend distribution policy mentioned above, as we believe that securing liquidity on hand is of utmost importance, we have decided not to distribute a dividend for FY2021, although we strongly regret doing so.

Although we have decided to postpone the announcement of the outlook for dividend payment for FY2022, based on the above policy we will make such announcement after taking into account the business environment and performance in the future.

2. Basic Approach on Selection of Accounting Standards

To secure comparability between companies and between fiscal years, the JAT Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Finance Ministry Ordinance No. 28 of 1976), excluding Chapter 7 and Chapter 8.

The JAT Group will appropriately consider the possibility of adoption of international accounting standards taking into consideration of conditions in Japan and overseas.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
ASSETS		
Current assets		
Cash and deposits	120,355	57,128
Accounts receivable	5,272	5,408
Securities	-	40,000
Merchandise and finished products	9,658	5,364
Raw materials and stored goods	249	271
Other current assets	7,944	5,756
Allowance for doubtful accounts	(73)	(60)
Total current assets	143,407	113,868
Fixed assets		
Tangible fixed assets		
Buildings and structures	557,609	560,906
Accumulated depreciation and impairment loss	(301,148)	(323,206)
Buildings and structures (net)	256,460	237,700
Machinery, equipment and vehicles	37,073	36,022
Accumulated depreciation and impairment loss	(17,939)	(20,325)
Machinery, equipment and vehicles (net)	19,133	15,696
Land	12,874	12,874
Lease assets	3,530	3,533
Accumulated depreciation and impairment loss	(1,111)	(1,591)
Lease assets (net)	2,418	1,941
Construction in progress	1,626	1,467
Other tangible fixed assets	67,643	67,977
Accumulated depreciation and impairment loss	(54,833)	(57,711)
Other tangible fixed assets (net)	12,810	10,265
Total tangible fixed assets	305,324	279,945
Intangible fixed assets		
Leasehold right	33,361	31,516
Other intangible fixed assets	3,756	2,872
Total intangible fixed assets	37,117	34,388
Investments and other assets		
Investment securities	16,430	18,293
Deferred tax assets	12,414	12,877
Net defined benefit assets	945	1,013
Other investments	3,553	3,491
Total investments and other assets	33,343	35,676
Total fixed assets	375,785	350,010
TOTAL ASSETS	519,193	463,878

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	1,274	1,956
Short-term loans payable	16,612	15,626
Current portion of bonds with stock acquisition rights	15,009	-
Accrued expenses	14,523	8,782
Income taxes payable	573	483
Allowance for employees' bonuses	1,176	1,073
Allowance for loss on store closing	575	-
Other current liabilities	9,347	8,925
Total current liabilities	59,093	36,847
Fixed liabilities		
Bonds	54,983	55,287
Long-term loans payable	175,842	184,153
Lease obligations	2,082	1,596
Deferred tax liabilities	16,740	15,660
Allowance for directors' retirement benefits	71	68
Net defined benefit liabilities	4,486	4,761
Asset retirement obligations	613	620
Other fixed liabilities	9,735	8,873
Total fixed liabilities	264,555	271,021
TOTAL LIABILITIES	323,648	307,869
NET ASSETS		
Shareholders' equity		
Common stock	38,126	38,126
Capital surplus	54,160	54,160
Retained earnings	86,060	60,843
Treasury stock	(8)	(9)
Total shareholders' equity	178,338	153,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,855	2,526
Deferred gains or losses on hedges	(1,836)	(1,115)
Foreign currency translation adjustment	19	66
Remeasurements of defined benefit plans	(408)	(426)
Total accumulated other comprehensive income	(369)	1,050
Non-controlling interests	17,575	1,838
TOTAL NET ASSETS	195,544	156,009
TOTAL LIABILITIES AND NET ASSETS	519,193	463,878

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Operating revenues		
Rent revenue	17,712	18,543
Facility user charges revenue	7,645	10,541
Other revenues	10,638	10,989
Sale of merchandise	13,543	13,155
Sale of food and beverage	3,032	3,827
Total operating revenues	52,572	57,057
Cost of sales		
Cost of sales of merchandise	11,983	7,635
Cost of sales of food and beverage	3,114	2,968
Total cost of sales	15,097	10,604
Gross profit	37,475	46,453
Selling, general and administrative expenses		
Salaries and wages	11,017	10,201
Provision for employees' bonuses	925	583
Expenses for retirement benefits	977	921
Rent expenses	11,730	8,762
Outsourcing and commission	12,027	11,338
Depreciation expenses	34,310	31,715
Other costs and expenses	25,506	24,186
Total selling, general and administrative expenses	96,495	87,709
Operating income (loss)	(59,020)	(41,255)
Non-operating income		
Interest income	2,433	23
Dividends income	227	62
Contributions in aid of construction	180	94
Subsidy income	3,331	2,707
Miscellaneous income	1,435	777
Total non-operating income	7,607	3,665
Non-operating expenses		
Interest expenses	2,289	2,744
Share issuance costs	308	-
Fee and commission expenses	117	1,510
Loss on retirement of fixed assets	839	310
Equity in losses of affiliates	1,652	1,611
Provision for loss on store closings	575	-
Miscellaneous expenses	124	93
Total non-operating expenses	5,908	6,271
Ordinary income (loss)	(57,320)	(43,861)

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Extraordinary gains		
Gains on sales of fixed assets	11	-
National subsidies	5,480	1,422
Gains on sale of investment securities	3,504	321
Total extraordinary gains	8,995	1,744
Extraordinary loss		
Impairment loss	1,097	-
Loss on valuation of investment securities	-	52
Loss on reduction entry of fixed assets	5,388	1,388
Other extraordinary loss	8	-
Total extraordinary loss	6,494	1,441
Income (loss) before income taxes and non-controlling interests	(54,819)	(43,558)
Income taxes – current	108	7
Income taxes for prior periods	166	-
Income taxes – deferred	865	(1,947)
Total income taxes	1,140	(1,939)
Net income (loss) before non-controlling interests	(55,960)	(41,618)
Net income (loss) attributable to non-controlling interests	(19,381)	(16,401)
Net income (loss) attributable to owners of the parent	(36,578)	(25,217)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Net income (loss) before non-controlling interests	(55,960)	(41,618)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,780)	669
Deferred gains (losses) on hedges	(4,795)	1,413
Foreign currency translation adjustment	(18)	46
Remeasurements of defined benefit plans	317	(47)
Share of other comprehensive income of associates accounted for using equity method	24	2
Total other comprehensive income	(6,252)	2,084
Comprehensive income	(62,212)	(39,533)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(40,523)	(23,797)
Comprehensive income attributable to non-controlling interests	(21,688)	(15,736)

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	17,489	21,337	123,451	(3,248)	159,029
Changes during current period					
Issuance of new shares	20,637	20,637			41,274
Dividend from retained earnings			(812)		(812)
Net income (loss) attributable to owners of the parent			(36,578)		(36,578)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		12,184		3,241	15,426
Changes in ownership interest in subsidiaries					-
Changes of items other than shareholders' equity during current period (net)					-
Total changes during current period	20,637	32,822	(37,390)	3,239	19,308
Balance at the end of current period	38,126	54,160	86,060	(8)	178,338

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	3,637	609	37	(708)	3,575
Changes during current period					
Issuance of new shares					
Dividend from retained earnings					
Net income (loss) attributable to owners of the parent					
Purchase of treasury stock					
Disposal of treasury stock					
Changes in ownership interest in subsidiaries					
Changes of items other than shareholders' equity during current period (net)	(1,782)	(2,445)	(18)	300	(3,945)
Total changes during current period	(1,782)	(2,445)	(18)	300	(3,945)
Balance at the end of current period	1,855	(1,836)	19	(408)	(369)

	Non-controlling interests	Total net assets
Balance at the beginning of current period	39,294	201,899
Changes during current period		
Issuance of new shares		41,274
Dividend from retained earnings		(812)
Net income (loss) attributable to owners of the parent		(36,578)
Purchase of treasury stock		(1)
Disposal of treasury stock		15,426
Changes in ownership interest in subsidiaries		-
Changes of items other than shareholders' equity during current period (net)	(21,718)	(25,663)
Total changes during current period	(21,718)	(6,355)
Balance at the end of current period	17,575	195,544

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	38,126	54,160	86,060	(8)	178,338
Changes during current period					
Issuance of new shares					-
Dividend from retained earnings					-
Net income (loss) attributable to owners of the parent			(25,217)		(25,217)
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					-
Changes in ownership interest in subsidiaries		(0)			(0)
Changes of items other than shareholders' equity during current period (net)					-
Total changes during current period	-	(0)	(25,217)	(0)	(25,217)
Balance at the end of current period	38,126	54,160	60,843	(9)	153,120

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	1,855	(1,836)	19	(408)	(369)
Changes during current period					
Issuance of new shares					
Dividend from retained earnings					
Net income (loss) attributable to owners of the parent					
Purchase of treasury stock					
Disposal of treasury stock					
Changes in ownership interest in subsidiaries					
Changes of items other than shareholders' equity during current period (net)	671	720	46	(18)	1,420
Total changes during current period	671	720	46	(18)	1,420
Balance at the end of current period	2,526	(1,115)	66	(426)	1,050

	Non-controlling interests	Total net assets
Balance at the beginning of current period	17,575	195,544
Changes during current period		
Issuance of new shares		-
Dividend from retained earnings		-
Net income (loss) attributable to owners of the parent		(25,217)
Purchase of treasury stock		(0)
Disposal of treasury stock		-
Changes in ownership interest in subsidiaries		(0)
Changes of items other than shareholders' equity during current period (net)	(15,736)	(14,316)
Total changes during current period	(15,736)	(39,534)
Balance at the end of current period	1,838	156,009

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(54,819)	(43,558)
Depreciation and amortization	34,403	31,794
Increase (decrease) in allowance for employees' bonuses	(459)	(102)
Increase (decrease) in allowance for directors' bonuses	(186)	-
Increase (decrease) in net defined benefit liabilities	329	272
Decrease (increase) in net defined benefit assets	(47)	(6)
Interest and dividends income	(2,660)	(85)
Subsidy income	(3,331)	(2,707)
Interest expenses	2,289	2,744
Share issuance costs	308	-
Fee and commission expenses	117	1,510
Loss on retirement of tangible fixed assets	785	309
Equity in losses (earnings) of affiliates	1,652	1,611
Increase (decrease) in allowance for loss on store closings	575	-
National subsidy	(5,480)	(1,422)
Loss (gain) on sales of investment securities	(3,504)	(321)
Impairment loss	1,097	-
Loss (gain) on valuation of investment securities	-	52
Loss on reduction of fixed assets	5,388	1,388
Decrease (increase) in accounts receivable – trade	3,651	(135)
Decrease (increase) in inventories	3,678	4,272
Decrease (increase) in other current assets	11,573	1,440
Increase (decrease) in accounts payable – trade	(1,987)	681
Increase (decrease) in other current liabilities	4,093	(7,539)
Increase (decrease) in other fixed liabilities	(62)	(32)
Others	(107)	(177)
Subtotal	(2,702)	(10,010)
Interest and dividends received	258	73
Interest paid	(3,209)	(2,859)
Subsidy received	3,331	2,707
Income taxes refund (paid)	(2,065)	783
Net cash provided by (used in) operating activities	(4,387)	(9,305)
Cash flows from investing activities		
Purchase of investment securities	(330)	(1,044)
Purchase of tangible fixed assets	(32,013)	(5,138)
Proceeds from sales of investment securities	3,510	345
Proceeds from sales of tangible fixed assets	252	47
Purchase of intangible fixed assets	(1,708)	(317)
Payments of long-term loans receivable	(100)	(50)
Proceeds from national subsidy	5,480	1,422
Other payments	(651)	(278)
Other proceeds	293	87
Net cash provided by (used in) investing activities	(25,268)	(4,926)

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) of short-term loans payable	400	(100)
Proceeds from long-term loans payable	31,402	20,790
Repayment of long-term loans payable	(13,799)	(13,856)
Proceeds from issuance of corporate bond	4,105	450
Redemption of convertible bond	-	(15,000)
Repayments of lease obligations	(503)	(511)
Proceeds from sale and leaseback transactions	932	-
Proceeds from sale of treasury stock	15,426	-
Proceeds from issuance of shares	41,135	-
Dividends paid by parent company	(812)	-
Dividends paid to non-controlling shareholders	(29)	-
Others	(29)	(807)
Net cash provided by (used in) financing activities	78,228	(9,035)
Effect of exchange rate change on cash and cash equivalents	(13)	40
Increase (decrease) in cash and cash equivalents	48,559	(23,226)
Cash and cash equivalents at the beginning of period	71,795	120,355
Cash and cash equivalents at the end of period	120,355	97,128

(5) Notes on the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

There is nothing to report.

(Basic Important Conditions to Prepare Consolidated Financial Statements)

1. Scope of consolidation

1) Number of consolidated subsidiaries: 19 companies

Names of consolidated subsidiaries

Tokyo International Air Terminal Corp.
Tokyo Airport Restaurant Co., Ltd.
Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd
Haneda Future Research Institute Inc.
Cosmo Enterprise Co., Ltd.
International Trade Inc.
Japan Airport Logitem Co., Ltd.
BIG WING Co., Ltd.
Japan Airport Techno Co., Ltd.
Air BIC Inc.
Haneda Airport Enterprise Co., Ltd.
Haneda Airport Security Co., Ltd.
Haneda Passenger Service Co., Ltd.
Japan Airport Ground Handling Co., Ltd.
Japan Airport Terminal Trading (Chengdu) Co., Ltd.
LANI KE AKUA PACIFIC, INC.
Sakura Co., Ltd.
Hamashin Co., Ltd.
Kaikan Development Co., Ltd.

2) Number of Non-consolidated subsidiaries: 4 companies

Names of Non-consolidated subsidiaries

Tsukizi Hamashin Co., Ltd.
Felix International LLC.
JAT DESIGN INTERNATIONAL INC.
Global Service Corporation

The four non-consolidated subsidiaries are excluded from the scope of consolidation since they are small in size, and their total assets, operating revenues, net income/loss, and retained earnings do not have a significant impact on the consolidated financial statements.

2. Application of equity method

1) Number of affiliated companies that are accounted for using the equity method: 3 companies

Names of affiliated companies that are accounted for using the equity method

Airport Transport Service Co., Ltd.
Japan Airport Delica Inc.
AGP Corporation

2) The non-consolidated subsidiaries and Seikousha Inc. and ten other affiliated companies are not included in the scope of the application of equity method, since the aggregate amounts corresponding to the shares held by the Company of those companies’ net income/loss and retained earnings do not have a significant impact on those of consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, Japan Airport Terminal Trading (Chengdu) Co., Ltd. and LANI KE AKUA PACIFIC, INC. end the fiscal year on December 31.

In preparing the consolidated financial statements, the financial statements as of the abovementioned closing date are used and necessary adjustments arising from important transactions during the period between the closing date and the consolidated closing date are made.

4. Summary of significant accounting policies

1) Valuation standards and methods for important assets

(A) Securities

(i) Held-to-maturity securities are carried at cost.

(ii) Other securities

Other securities other than shares without fair values are stated at fair value based on the market value at the year-end, with valuation differences included in net assets. Cost of securities sold is determined by the moving average method.

Shares without fair values are stated at cost based on moving average method.

For investments in limited liability investment partnerships and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount equivalent to the Company’s interest.

(B) Derivatives

Derivative financial instruments are stated at fair value.

(C) Inventories

At the Company and major consolidated subsidiaries, inventories are principally stated at cost determined by the retail method (book value of inventories in the balance sheet is written-down when their profitability declines). Certain consolidated subsidiaries use last-purchase-price method (book value of inventories in the balance sheet is written-down when their profitability declines).

2) Depreciation method of important depreciable assets

(A) Tangible fixed assets (excluding lease assets)

The Company uses the declining balance method. Consolidated subsidiaries principally use the straight-line method.

(B) Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is calculated by the straight-line method. Software intended for internal use is amortized by the straight-line method over its estimated useful life of 5 years.

(C) Lease assets

The straight-line method is adopted in which the lease term is treated as useful life and the asset is depreciated to zero or residual value.

3) Accounting policies for important allowances

(A) Allowance for doubtful accounts

To prepare for losses from doubtful accounts, estimated uncollectible amounts are recorded, which are computed either by using historical default rate for normal receivables or by considering individual collectibility for particular receivables such as highly doubtful accounts.

(B) Allowance for employees’ bonuses

To prepare for the payment of bonuses to employees, the estimated amount is recorded as allowance.

(C) Allowance for directors’ bonuses

To prepare for the payment of bonuses to directors, the estimated amount is recorded as allowance.

As bonuses to directors for FY2021 are not paid, no allowance for bonuses to directors is recorded for FY2021.

(D) Allowance for directors’ retirement benefits

To provide for future payments of retirement benefits to directors, certain consolidated subsidiaries record the amount that would be required at the end of the fiscal period in accordance with their internal rules.

4) Recognition of significant revenues and costs

The JAT Group is engaged in three business operations which are the facilities management operations, merchandise sales operations, and food and beverage operations.

The major obligations to be performed and the usual timing at which an entity satisfies such obligations in each of the business operations are as follows.

For transactions in which the JAT Group’s role in providing goods or services to customers falls under the category of agent, revenue is recognized as the net amount, the amount received from customers less the amount paid to suppliers.

(A) Facilities management

The facilities management operations are mainly engaged in construction, management and operation of passenger terminals and leasing of real estates. Rent revenue consists mainly of office and store rent income, and is recognized in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and relevant revised ASBJ regulations.

Facility user charges revenues mainly consist of passenger service facility charge revenues, which are collected from passengers in accordance with the term of use of passenger service facilities, and the JAT Group is obligated to use such revenues to cover expenses related to facilities for the common use of passengers and to properly manage and operate the passenger terminals. The performance obligation is satisfied upon completion of the passenger air transportation services provided by the air carrier, and revenue is recognized upon completion of the passenger air transportation services.

Other revenues consist mainly of parking revenues, paid lounge sales, and advertising revenues. The performance obligation is satisfied upon completion of the services such as provision of parking services, provision of lounge access services, and placement of advertisement. If the performance obligation is satisfied at a point in time, revenue is recognized at the time the services are provided. If the performance obligation is satisfied over a certain period of time, revenue is recognized on a straight-line basis over the period the service is provided.

(B) Merchandise sales

The merchandise sales operations are mainly engaged in the operation of merchandise stores and wholesale. The performance obligation is satisfied when goods are delivered to customers for domestic flights and international flights, and revenue is recognized when such goods are delivered.

Other revenues consist mainly of wholesale revenues to other airports. The performance obligation is satisfied when the goods are received by the customer and revenue is recognized when the goods are received by the customer.

(C) Food and beverage

The food and beverage operations are mainly engaged in the operation of restaurants, and the production and sale of in-flight meals.

For food and beverage revenues, the performance obligation is satisfied by providing food and beverage services to customers, and revenue is recognized when food and beverage services are provided to customers.

In-flight meal revenues consist mainly of sales of in-flight meals to international airlines. The performance obligation is satisfied when products ordered by international airlines are delivered, and revenue is recognized when such products are delivered.

5) Accounting method for employees' retirement benefits

(A) Allocation method of projected retirement benefits to each period

In calculating the retirement benefit obligation, the benefit formula method is used to allocate the projected retirement benefits to each period up to the end of the fiscal year.

(B) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized under the straight-line method over a certain number of years within the average remaining service years (5-10 years).

Actuarial gains and losses are amortized, beginning in the year following their occurrence, under the straight-line method over a certain number of years within the average remaining service years (5-10 years).

(C) Adoption of simplified methods at small companies

Certain consolidated subsidiaries adopt a simplified method of using the amounts payable for voluntary retirement of employees at fiscal year-end in calculating net defined benefit liabilities and expenses for retirement benefits.

6) Accounting standards for important hedging transactions

(A) Hedge accounting method

Hedging transactions are accounted for under deferred hedge accounting method. Interest rate swaps that meet certain conditions are accounted for using special treatment.

(B) Hedging instrument and hedged item

Hedging instrument ----------- Interest rate swap

Hedged item -------------------- Floating rate borrowings

(C) Hedging policy

Hedging transactions are executed to avoid the risk of interest rate fluctuation, and our basic policy is that they are not used for speculation purposes.

(D) Evaluation of hedging effectiveness

The effectiveness of hedging is evaluated by comparing the cumulative changes of hedging instruments and corresponding changes in underlying hedged items.

The evaluation is omitted regarding interest rate swaps that meet the requirements for special treatment.

Hedge relationships to which "Treatment of hedge accounting for financial instruments that reference LIBOR" is applied

Of the above hedge relationships, all of those included in the scope of application of "Treatment of hedge accounting for financial instruments that reference LIBOR" (ASBJ PITF No. 40, March 17, 2022), the special treatment prescribed in the PITF is applied. The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting applied ----- Deferral method
Hedging instrument ------------- Interest rate swap
Hedged item ---------------------- Floating rate borrowings
Category of hedge transaction-- To fix cash flow

7) Scope of "Cash and cash equivalents" in consolidated statements of cash flows

"Cash and cash equivalents" in the consolidated statements of cash flows consist of cash on hand, deposits with banks that are withdrawable on demand, and short-term investments which are easily convertible to cash with insignificant risk of fluctuation in values whose maturity will come within three months from the date of acquisition.

8) Capitalization of borrowing costs

At certain consolidated subsidiaries, interest costs and related expenses on borrowings during construction period of passenger terminals and other facilities are included in the acquisition cost (¥4,517 million for accumulated amount as of March 31, 2022) and recorded as fixed asset.

(Changes in Accounting Policies)

Adoption of the Accounting Standard for Revenue Recognition

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. The Company now recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control over the goods or services is transferred to the customer.

The Company previously recognized revenue including those from inventory that is recorded only when the product is sold and those from consignment sales stores as the gross amount of consideration received from customers. However, for transactions in which the Company's role in providing goods or services to customers falls under the category of agent, revenue is now recognized as the net amount, the amount received from customers less the amount paid to suppliers.

For the adoption of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the Company has followed the transitional treatment stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 has been added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022, hence the new accounting policy has been applied to the relevant opening balance.

As a result, operating revenues, cost of sales, and selling, general and administrative expenses in the Consolidated Statements of Income for the fiscal year ended March 31, 2022 decreased by ¥10,322 million, ¥10,131 million, and ¥190 million, respectively. There is no impact on operating loss, ordinary loss, net loss before income taxes and minority interests in the Consolidated Statements of Income, and the opening balance of retained earnings in the Consolidated Statements of Changes in Shareholders' Equity.

Adoption of Accounting Standard for Fair Value Measurement

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement") and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. The Company has also decided to adopt the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement and relevant revised ASBJ regulations in accordance with the transitional treatment described in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The effect of this change on the consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.

Changes in description

Consolidated Statements of Income

Subsidies for employment adjustment, which were separately presented in the previous fiscal year, were combined with other COVID-19 related subsidy income and presented as subsidy income in FY2021 because of the increased materiality of other subsidy income.

(Notes on Consolidated Balance Sheets)

1. Assets pledged as collateral and corresponding liabilities with collateral

The following are assets pledged as collateral.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Cash and deposits	35,141	37,495
Accounts receivable	19	14
Buildings and structures	122,313	113,556
Machinery, equipment and vehicles	11,722	9,691
Land	53	53
Software	517	309
Investment securities (Note)	3,841	4,576
Other investments	1,000	1,000
Total	174,608	166,699

(Note) Pledged as collateral for borrowings by affiliated companies

The followings are liabilities for which assets are pledged as collateral.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Short-term loans payable	200	9,265
Long-term loans payable	109,404	110,232
Total	109,604	119,497

2. The following item is related to non-consolidated subsidiaries and affiliated companies.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Investment securities (shares)	5,809	5,748

3. Liabilities guaranteed

The Company provides a guarantee (including commitment) to the following group companies for their borrowing from financial institutions.

(1) Debt guarantee

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Japan Airport Delica Inc.	225	225
Airport Transport Service Co., Ltd. (Note)	1,546	-
Total	1,772	225

(Note) Liability booked in relation to the application of equity method is deducted from the amount guaranteed

(2) Commitment to guarantee

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Haneda Future Tokutei Mokuteki Kaisha	666	666

4. Amount of reduction entry

Due to receipt of national subsidy, etc., reduction entry of the following amount is deducted from the acquisition costs of tangible fixed assets.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Buildings and structures	212	386
Machinery, equipment and vehicles	5,324	6,382
Others	-	48
Non-tangible fixed assets	-	110
Total	5,536	6,927

5. The amounts of accounts receivable arising from contracts with customers are as follows.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Accounts receivable	-	5,060

6.Notes to contractual liabilities

(Note) The amounts of contractual liabilities included in other liabilities are as follows

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Contractual liabilities	-	50

7. Financial covenants

Some of the loan agreements which the Company has entered into for securing its short-term and long-term borrowings are subject to financial covenants. The balance amount of the borrowings under these agreements and relevant covenants are outlined below.

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Short-term loans payable	2,378	2,378
Long-term loans payable	15,771	13,393
Total	18,150	15,771

(¥814 million of short-term loans payable and ¥4,072 million of long-term loans payable)

(1) On and after the corresponding agreement is entered into, total net assets in the consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the year-on-year amount.

(2) On and after the corresponding agreement is entered into, total net assets in the non-consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the year-on-year amount.

(3) On and after the corresponding agreement is entered into, ordinary profit during the fiscal year ended March 31, 2018 and each subsequent fiscal year shall not be negative on a consolidated basis for two consecutive fiscal years.

(4) On and after the corresponding agreement is entered into, ordinary profit during the fiscal year ended March 31, 2018 and each subsequent fiscal year shall not be negative on a non-consolidated basis for two consecutive fiscal years.

(¥814 million of short-term loans payable and ¥4,071 million of long-term loans payable)

(1) On and after the corresponding agreement is entered into, the total net assets on the consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months prior to) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2017, whichever is larger.
(2) On and after the corresponding agreement is entered into, the total net assets on the non-consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the non-consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months prior to) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2017, whichever is larger.
(3) On and after the corresponding agreement is entered into, ordinary profit during each fiscal year shall not be negative on a consolidated basis for two consecutive fiscal years.
(4) On and after the corresponding agreement is entered into, ordinary profit during each fiscal year shall not be negative on a non-consolidated basis for two consecutive fiscal years.

(¥750 million of short-term loans payable and ¥5,250 million of long-term loans payable)
(1) On and after the corresponding agreement is entered into, the total net assets on the consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months prior to) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2019, whichever is larger.
(2) On and after the corresponding agreement is entered into, the total net assets on the non-consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the non-consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months prior to) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2019, whichever is larger.
(3) On and after the corresponding agreement is entered into, ordinary profit during each fiscal year shall not be negative on a consolidated basis for two consecutive fiscal years.
(4) On and after the corresponding agreement is entered into, ordinary profit during each fiscal year shall not be negative on a non-consolidated basis for two consecutive fiscal years.

For the above short-term loans payable (¥2,378 million in total) and long-term loans payable (¥13,393 million in total), despite being in breach of these covenants at the end of the fiscal year ended March 31, 2022, financial institutions have granted a consent not to exercise the right to accelerate repayment.

(Notes on Consolidated Statements of Income)

1. The amount of inventory at the fiscal year end is the amount that reflects writing-down of the book value due to the decline in profitability, and the following inventory valuation loss is included in the cost of goods sold. Figures in parenthesis indicate the reversal of the write down.

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
	1,570	(435)

2. Gains on sale of fixed assets

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Furniture and fixtures	11	0
Machinery, equipment and vehicle	—	4
Total	11	5

3. Impairment loss

The JAT Group recognized impairment loss on the assets as follows:

FY2020 (from April 1, 2020 to March 31, 2021)

Location	Use	Type	Impairment loss
Chuo-ku, Tokyo	Store (Merchandise Sales)	Buildings and structures, others, intangible fixed assets	568 million yen
Narita-shi, Chiba	Store (Merchandise Sales)	Buildings and structures, others, intangible fixed assets	529 million yen

The JAT Group classifies assets into groups primarily according to business locations.

By examining impairment for fixed assets based on the groupings, it was judged that the carrying amount of certain business assets at the Company and its consolidated subsidiaries is not recoverable in the future. The entire carrying amount of those assets was recognized as impairment loss of ¥1,097 million in extraordinary loss. The loss consists of ¥631 million for buildings and structures, ¥424 million for others, and ¥42 million for intangible fixed assets.

Recoverable values of those assets were measured as zero, which were based on their values in use.

FY2021 (from April 1, 2021 to March 31, 2022)

There is nothing to report.

4. The amounts of revenue arising from contracts with customers are as follows.

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Revenue arising from contracts with customers	—	38,224

(Notes on Consolidated Statements of Cash Flows)

Relationship between the closing balance of cash and cash equivalents and the value of items listed on the consolidated balance sheets

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Cash and deposits	120,355	57,128
Securities	―	40,000
Cash and cash equivalents	120,355	97,128

(Segment Information)

Segment Information

1. Overview of reportable segments

The reportable segments of the JAT Group are units for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide how to allocate management resources and evaluate their performances.

The Company is primarily engaged in the management of passenger terminal buildings and the provision of services to users at Haneda Airport. Business divisions at the Company's headquarters develop comprehensive business strategies and pursue business activities.

The Company is, therefore, composed of business segments with different services based on the business divisions. Its three reportable segments are the facilities management operations, merchandise sales operations, and food and beverage operations.

The segment of facilities management operations leases, maintains and repairs, and operates passenger terminal facilities at Haneda Airport. It also provides services for passengers. The segment of merchandise sales operations is engaged in retail sales of products to passengers and others, wholesales of products to companies operating airport terminals and others, and other activities incidental to these two sales operations. The segment of food and beverage operations provides food and beverage services to parties including users of Haneda Airport and Narita International Airport. It is also engaged in the production and sales of in-flight meals and other incidental activities.

2. Method of calculations of sales, income (loss), assets, liabilities, and other items by reportable segments

Accounting methods for reportable business segments are, in general, the same as those described in "Basic Important Conditions to Prepare Consolidated Financial Statements".

Segment income is based on operating income.

Intersegment sales and transfers are based on prevailing market price.

As described in the "Changes in Accounting Policies" section, from the beginning of the fiscal year ended March 31, 2022, the Company has adopted the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, and changed its accounting method for revenue recognition. Therefore, the measurement of income or loss in the business segments has been changed as well. As a result of this change, compared with the previous accounting method, operating revenues for the fiscal year ended March 31, 2022 in the "Merchandise Sales" segment and the "Food and Beverage" segment decreased by ¥9,742 million and ¥804 million, respectively. There is no impact of this change on segment income/(loss).

3. Sales, income (loss), assets, liabilities, and other items by reportable segments

FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments				Adjustments (Notes 1)	Consolidated financial statements (Notes 2)
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	35,917	13,657	2,998	52,572	—	52,572
Intersegment sales and transfers	1,614	779	1,093	3,487	(3,487)	—
Total	37,532	14,436	4,091	56,060	(3,487)	52,572
Segment income/(loss)	(36,283)	(11,322)	(4,150)	(51,756)	(7,263)	(59,020)
Segment assets	325,869	38,615	12,228	376,713	142,479	519,193
Other items						
Depreciation and amortization	31,500	1,758	544	33,803	600	34,403
Increase in tangible fixed assets and intangible fixed assets	7,320	1,743	100	9,165	116	9,282

(Notes) 1. Details of adjustments are as follows:

(1) Adjustments to the segment income include ¥7,269 million of administration expenses for the administration and other divisions at the parent company's head office and certain subsidiaries which are not allocated to each of the reportable segments.

(2) Adjustments to the segment assets include ¥194,629 million of corporate assets which are not allocated to each of the

reportable segments, which includes excess funds managed by the parent company, long-term investment (investment securities), assets related to administration divisions, special-purpose funds of certain subsidiaries and other assets.

(3) Adjustments to depreciation and amortization include ¥605 million of depreciation with respect to the administration and other divisions at the parent company's head office and certain subsidiaries which are not allocated to each of the reportable segments.

(4) Adjustments to increase in tangible fixed assets and intangible fixed assets (¥116 million) are primarily due to acquisition of welfare facilities of parent company's head office.

2. Segment income is adjusted with operating income recorded in the Consolidated Statements of Income.

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments				Adjustments (Notes 1)	Consolidated financial statements (Notes 2)
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	40,029	13,174	3,852	57,057	―	57,057
Intersegment sales and transfers	1,982	769	796	3,547	(3,547)	―
Total	42,012	13,944	4,649	60,605	(3,547)	57,057
Segment income/(loss)	(24,863)	(6,134)	(3,091)	(34,090)	(7,165)	(41,255)
Segment assets	292,027	35,959	10,213	338,199	125,678	463,878
Other items						
Depreciation and amortization	29,278	1,533	477	31,289	505	31,794
Increase in tangible fixed assets and intangible fixed assets	2,957	2,143	33	5,134	154	5,289

(Notes) 1. Details of adjustments are as follows:

(1) Adjustments to the segment income include ¥7,183 million of administration expenses for the administration and other divisions at the parent company's head office and certain subsidiaries which are not allocated to each of the reportable segments.

(2) Adjustments to the segment assets include ¥174,595 million of corporate assets which are not allocated to each of the reportable segments, which includes excess funds managed by the parent company, long-term investment (investment securities), assets related to administration divisions, special-purpose funds of certain subsidiaries and other assets.

(3) Adjustments to depreciation and amortization include ¥509 million of depreciation with respect to the administration and other divisions at the parent company's head office and certain subsidiaries which are not allocated to each of the reportable segments.

(4) Adjustments to increase in tangible fixed assets and intangible fixed assets (¥154 million) are primarily due to acquisition of robots for test installation.

2. Segment income is adjusted with operating income recorded in the Consolidated Statements of Income.

Related Information

FY2020 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

Sales to external customers by product and service is equivalent to the amount described in segment information, thus the information is omitted.

2. Information by area

(1) Operating revenues

Operating revenues in Japan account for more than 90% of the operating revenues recorded in the Consolidated Statements of Income, thus the information is omitted.

(2) Tangible fixed assets

Tangible fixed assets in Japan account for more than 90% of the tangible fixed assets recorded in the Consolidated Balance Sheet, thus the information is omitted.

3. Information by major customer
Not applicable

FY2021 (from April 1, 2021 to March 31, 2022)
1. Information by product and service
Sales to external customers by product and service is equivalent to the amount described in segment information, thus the information is omitted.

2. Information by area
(1) Operating revenues
Operating revenues in Japan account for more than 90% of the operating revenues recorded in the Consolidated Statements of Income, thus the information is omitted.

(2) Tangible fixed assets
Tangible fixed assets in Japan account for more than 90% of the tangible fixed assets recorded in the Consolidated Balance Sheet, thus the information is omitted.

3. Information by major customer
Not applicable

Information on impairment loss of fixed assets by reportable segment
FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Facilities Management	Merchandise Sales	Food and Beverage	Corporation / Elimination	Total
Impairment Loss	—	1,097	—	—	1,097

FY2021 (from April 1, 2021 to March 31, 2022)
Not applicable

Information on amortized amount and unamortized balance of goodwill by reportable segment
FY2020 (from April 1, 2020 to March 31, 2021)
Not applicable

FY2021 (from April 1, 2021 to March 31, 2022)
Not applicable

Information on gain on negative goodwill by reportable segment
FY2020 (from April 1, 2020 to March 31, 2021)
Not applicable

FY2021 (from April 1, 2021 to March 31, 2022)
Not applicable

(Per Share Information)

(Yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Net assets per share	1,910.83	1,655.32
Net income / (loss) per share	(445.92)	(270.75)
Diluted net income per share	-	-

Notes: 1. Although potential shares exist, diluted net income per share for the fiscal year ended March 31, 2021 is not shown due to net loss per share.
In addition, diluted net income per share for the fiscal year ended March 31, 2022 is not shown since potential shares do not exist.
2. Net income / (loss) per share and diluted net income per share are calculated based on the following:

(Millions of yen, except for number of shares)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Net income / (loss) per share		
Net income / (loss) attributable to owners of the parent	(36,578)	(25,217)
Amount not attributable to common shareholders	—	—
Net income / (loss) attributable to owners of the parent available for distribution to common shareholders	(36,578)	(25,217)
Average number of shares outstanding during the period (thousand shares)	82,029	93,136
Diluted net income per share		
Adjustments to net income attributable to owners of the parent	-	-
[Interest income] net-of-tax	[-]	[-]
Increase in common shares (thousand shares)	-	-
[Bonds with stock acquisition rights (thousand shares)]	[-]	[-]
Description of potential shares which were not included in computing diluted net income per share as they have no dilutive effect.	—	—

(Significant Subsequent Events)

Not applicable

4. Others

Production, orders received and sales

As for production and other results, the JAT Group finds it difficult to present production and orders received for each segment.

Therefore, regarding the status of production, orders received, and sales, please see “1. Analysis of Business and Financial Results” in relation to the financial results for each segment.

Operating revenues the current fiscal year were as follows:

(Millions of Yen)

		FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Facilities Management		35,917	40,029
	Rent revenue	17,712	18,543
	Facility user charges revenue	7,644	10,539
	Other revenues	10,560	10,946
Merchandise Sales		13,657	13,174
	Sales at domestic terminal shops	8,559	5,166
	Sales at international terminal shops	2,751	4,242
	Other sales	2,345	3,765
Food and Beverage		2,998	3,852
	Sales from food and beverage operations	2,363	2,790
	Sales from in-flight meals	365	730
	Other sales	269	332
Total		52,572	57,057

Notes

1) The amounts above do not include consumption taxes.

2) Data on leasing regarding rental revenue in Facilities Management is summarized as follows:

(m^2)

		FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Total floor space owned by the JAT Group		966,191	970,497
Total leasable floor space		311,414	332,653
Total leased floor space		302,547	324,069
	Airlines	157,744	157,283
	General tenants	62,556	63,106
	Used by the JAT Group	82,245	102,724