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Annual Securities Report

From April 1, 2023, to March 31, 2024

(The 80th Fiscal Year)

1. This document is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as outlined in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan on June 26th, 2024. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document, are English translations of the auditors’ report that was attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report that was filed at the same time as the Annual Securities Report.

Japan Airport Terminal Co., Ltd.

(E03863)

Certain References and Information

This report is prepared for overseas investors and is based on the contents of the Annual Securities Report (“Yukashoken Hokokusho”) of Japan Airport Terminal Co., Ltd. filed with the Director-General of the Kanto Local Finance Bureau of Japan on June 26, 2024.

In this report, Japan Airport Terminal Co., Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as the “Group.”

The accompanying consolidated financial statements of the Company and the Group have been prepared by accounting principles generally accepted in Japan, which differ in certain respects from International Financial Reporting Standards (IFRS) in the application and disclosure requirements.

Amounts less than one million yen have been rounded down in the presentation of the accompanying consolidated financial statements. In addition, certain amounts have been reclassified from the previous year’s financial statements to conform to the current year’s presentation.

Cautionary Statement concerning forward-looking statements:

This report contains forward-looking statements that reflect management’s views and assumptions in light of the information currently available concerning certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as “will,” “believes,” “should,” “projects,” “plans,” “expects” and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this report, and the Company assumes no duty to update such statements.

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Cover

| | |
|-------------------------------------|--|
| 【Document title】 | Annual Securities Report (“Yukashoken Hokokusho”) |
| 【Clause of stipulation】 | Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan |
| 【Place of filing】 | Director-General of the Kanto Local Finance Bureau |
| 【Filing date】 | June 26, 2024 |
| 【Fiscal year】 | The 80th Fiscal Year (from April 1, 2023 to March 31, 2024) |
| 【Company name】 | Nihon Kuko Building KK. |
| 【Company name in English】 | Japan Airport Terminal Co., Ltd. |
| 【Title and name of representative】 | Nobuaki Yokota, President and COO |
| 【Address of registered head office】 | 3-3-2, Hanedakuko, Ohta-ku, Tokyo, Japan |
| 【Telephone number】 | +81 (0)3 5757-8020 |
| 【Name of contact person】 | Isamu Jinguji, Senior Managing Executive Officer |
| 【Nearest place of contact】 | 3-3-2, Hanedakuko, Ohta-ku, Tokyo, Japan |
| 【Telephone number】 | +81 (0)3 5757-8020 |
| 【Name of contact person】 | Isamu Jinguji, Senior Managing Executive Officer |
| 【Place for public inspection】 | Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan) |

Part I. Company Information

Item 1. Overview of the Company and Its Consolidated Subsidiaries

1. Summary of Business Results

(1) Consolidated

(Millions of yen, unless otherwise stated)

| Fiscal year | | | 76th | 77th | 78th | 79th | 80th |
|--|---------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Year ended | | | March 31, 2020 | March 31, 2021 | March 31, 2022 | March 31, 2023 | March 31, 2024 |
| Operating Revenues | | | 249,756 | 52,572 | 57,057 | 113,050 | 217,578 |
| Ordinary profit (loss) | | | 8,705 | (57,320) | (43,861) | (12,064) | 27,225 |
| Net profit (loss) attributable to owners of the parent | | | 5,012 | (36,578) | (25,217) | (3,901) | 19,255 |
| Comprehensive income | | | 4,119 | (62,212) | (39,533) | (15,056) | 28,906 |
| Net assets | | | 201,899 | 195,544 | 156,009 | 140,951 | 166,036 |
| Total assets | | | 521,363 | 519,193 | 463,878 | 446,955 | 460,423 |
| Net assets per share | | (Yen) | 2,001.83 | 1,910.83 | 1,655.32 | 1,613.62 | 1,805.67 |
| Net profit (loss) per share | Basic | (Yen) | 61.71 | (445.92) | (270.75) | (41.89) | 206.75 |
| | Diluted | (Yen) | 60.20 | - | - | - | - |
| Equity ratio | | (%) | 31.19 | 34.28 | 33.24 | 33.62 | 36.53 |
| Return on equity | | (%) | 3.08 | - | - | - | 12.09 |
| Price-earnings ratio | | (Times) | 67.65 | - | - | - | 28.68 |
| Net cash provided by (used in) operating activities | | | 20,222 | (4,387) | (9,305) | 16,326 | 47,761 |
| Net cash used in investing activities | | | (57,334) | (25,268) | (4,926) | (10,627) | (42,986) |
| Net cash provided by (used in) financing activities | | | 21,644 | 78,228 | (9,035) | (12,641) | (19,649) |
| Cash and cash equivalents | | | 71,795 | 120,355 | 97,128 | 90,241 | 75,395 |
| Number of employees | | | 3,095 | 3,110 | 2,729 | 2,499 | 2,660 |
| [Separately, average number of temporary employees] | | (Persons) | [1,389] | [708] | [399] | [471] | [586] |

Notes:

- 1) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the 78th fiscal year, and the key management indicators for the 78th fiscal year and thereafter are those after the application of the said accounting standard and others.
- 2) Diluted net profit per share for the 77th fiscal year is not shown in the above table because a net loss per share was recorded, although there are residual shares. Diluted net profit per share for the 78th, 79th, and 80th fiscal years is not shown in the above table because there are no residual shares.
- 3) Return on equity and price-earnings ratios for the 77th, 78th, and 79th fiscal years are not shown due to the net loss attributable to owners of the parent.

(2) The Company

(Millions of yen, unless otherwise stated)

| Fiscal year | | 76th | 77th | 78th | 79th | 80th |
|---|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Year ended | | March 31, 2020 | March 31, 2021 | March 31, 2022 | March 31, 2023 | March 31, 2024 |
| Operating Revenues | | 174,269 | 53,178 | 53,166 | 88,212 | 143,354 |
| Ordinary profit (loss) | | 1,250 | (15,827) | (4,485) | 9,156 | 17,269 |
| Net profit (loss) | | 759 | (11,931) | (4,385) | 5,308 | 11,178 |
| Capital stock | | 17,489 | 38,126 | 38,126 | 38,126 | 38,126 |
| Number of common shares issued | (Thousands of shares) | 84,476 | 93,145 | 93,145 | 93,145 | 93,145 |
| Net assets | | 100,830 | 142,979 | 139,115 | 143,571 | 151,944 |
| Total assets | | 282,426 | 320,019 | 296,480 | 306,436 | 327,636 |
| Net assets per share | (Yen) | 1,241.32 | 1,535.16 | 1,493.67 | 1,541.52 | 1,631.42 |
| Cash dividend per share | (Yen) | 32 | - | - | 16 | 67 |
| [Of the above interim dividend per share] | | [22] | [-] | [-] | [-] | [25] |
| Net profit (loss) per share | (Yen) | 9.34 | (145.45) | (47.09) | 57.00 | 120.02 |
| Net profit (loss) per share reflecting the potential dilution | (Yen) | 9.04 | - | - | - | - |
| Equity ratio | (%) | 35.70 | 44.68 | 46.92 | 46.85 | 46.38 |
| Return on equity | (%) | 0.74 | - | - | 3.76 | 7.57 |
| Price-earnings ratio | (Times) | 446.78 | - | - | 115.79 | 49.41 |
| Dividend payout ratio | (%) | 342.44 | - | - | 28.07 | 32.41 |
| Number of employees | (Persons) | 290 | 264 | 251 | 272 | 293 |
| [Separately, average number of temporary employees] | | [-] | [-] | [-] | [-] | [-] |
| Total shareholders return | (%) | 91.0 | 118.0 | 121.2 | 143.2 | 130.3 |
| [Of TOPIX Machine Index] | | [90.5] | [128.6] | [131.2] | [138.8] | [196.2] |
| Highest share price of each fiscal year | (Yen) | 6,240 | 6,920 | 6,280 | 6,960 | 7,488 |
| Lowest share price of each fiscal year | (Yen) | 3,450 | 3,600 | 4,310 | 4,900 | 5,461 |

Notes:

- 1) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the 78th fiscal year, and the key management indicators for the 78th fiscal year and thereafter are those after the application of the said accounting standard and others.
- 2) Diluted net profit per share for the 77th fiscal year is not shown in the above table because a net loss per share was recorded, although there are residual shares. Diluted net profit per share for the 78th, 79th, and 80th fiscal years is not shown in the above table because there are no residual shares.
- 3) Return on equity and price-earnings ratios for the 77th and 78th fiscal years are not shown due to the net loss for the period.
- 4) Share prices in the table are quoted from the Tokyo Stock Exchange Prime Market from April 4, 2022, and from the First Section of the Tokyo Stock Exchange before April 4, 2022.

2. History

| | |
|----------------|--|
| July 1953 | Japan Airport Building Co., Ltd. was established with a capital of 150 million yen for the construction of a new terminal building with private capital based on the policy of the Minister of Transport in January 1953. |
| May 1955 | The terminal building of Tokyo International Airport opened. |
| January 1972 | Nihon Kamaburo Kanko Co. (currently a consolidated subsidiary of Japan Airport Logitem Co., Ltd.) was established. |
| May 1974 | Japan Airport Technical Service Corporation (renamed Airport Max Co., Ltd.) was established. |
| March 1978 | Narita Sales Office was opened with the opening of the New Tokyo International Airport (now Narita International Airport). |
| October 1979 | Headquarters moved to Marunouchi, Chiyoda-ku, Tokyo. |
| February 1988 | Tokyo Airport Restaurant Co., Ltd., Cosmo Enterprise Co., Ltd., and International Trade Inc. were consolidated through the purchase of additional shares. |
| February 1990 | Listed on the Second Section of the Tokyo Stock Exchange. |
| September 1991 | Listed on the First Section of the Tokyo Stock Exchange. |
| January 1993 | Big Wing Co., Ltd. (currently a consolidated subsidiary) was established. |
| September 1993 | Terminal 1 of Tokyo International Airport opens. |
| June 1994 | Osaka Sales Office opened with the opening of Kansai International Airport. |
| March 1998 | Tokyo International Airport International Passenger Terminal Building opened. |
| July 1999 | Establishment of Japan Airport Techno Co., Ltd. (now a consolidated subsidiary) |
| July 2004 | Headquarters moved to Haneda Airport Terminal 1, Ota-ku, Tokyo |
| July 2004 | Haneda Airport Enterprise Co., Ltd. (currently a consolidated subsidiary) and Narita Airport Enterprise Co., Ltd. were established. |
| December 2004 | Terminal 2 of Tokyo International Airport opens |
| February 2005 | Chubu sales office opened with the opening of Chubu International Airport. |
| June 2006 | Tokyo International Air Terminal Corporation (TIAT, currently a consolidated subsidiary) is established through joint investment. |
| February 2007 | The extension of Terminal 2 (South Pier) at Tokyo International Airport begins operations. |
| April 2007 | Haneda Airport Security Co., Ltd. (currently a consolidated subsidiary) and Haneda Passenger Service Co., Ltd. (currently a consolidated subsidiary) were established. |
| July 2009 | Airport Max Co., Ltd. and Japan Airport Techno Co., Ltd. merged (now Japan Airport Techno Co., Ltd. (now a consolidated subsidiary)) |
| July 2009 | Integration of Haneda Airport Enterprises Co., Ltd. and Narita Airport Enterprises Co., Ltd. (now Haneda Airport Enterprise Co., Ltd.) |
| October 2010 | Established Japan Airport Ground Handling Co., Ltd. (now a consolidated subsidiary) as a joint venture. |
| October 2010 | Terminal 2 Extension (south side of main building) opens. |
| October 2010 | With the opening of the new international terminal (currently Terminal 3) at Tokyo International Airport, the Company began to provide consignment, wholesale, and other services in conjunction with the opening of the new international terminal. |
| January 2011 | Japan Airport Terminal Trading (Chengdu) Co., Ltd. established |
| November 2011 | Renovation work completed at Tokyo International Airport's Terminal 1 (the departure area and the roof area) |
| April 2013 | The extension of Terminal 2 (South Pier 3) at Tokyo International Airport is put into operation. |
| September 2014 | Japan Duty-Free Fa-So-La Isetan Mitsukoshi Co., Ltd. was established as a joint venture (currently a consolidated subsidiary) |
| April 2016 | Air BIC Inc. (currently a consolidated subsidiary) is established through joint investment. |
| October 2017 | Lani Ke Akua Pacific Inc. (currently a consolidated subsidiary) is established. |
| April 2018 | TIAT becomes a consolidated subsidiary through the issuance of new shares to third parties. |
| July 2018 | Establishment of Haneda Future Research Institute Inc. |
| September 2019 | Renovation of Tokyo International Airport Terminal 1 completed (B1 and 1F) |
| December 2019 | Tokyo International Airport's International Terminal (now Terminal 3) opens in the northern expansion area. |
| March 2020 | International flight facilities at Terminal 2 of Tokyo International Airport begin operations. |
| April 2020 | Integration of Cosmo Enterprise Co., Ltd. and CTT Co., Ltd. (currently a consolidated subsidiary of Cosmo Enterprise Co., Ltd.) (now Cosmo Enterprise Co., Ltd.) |
| April 2022 | Moved from the First Section of the Tokyo Stock Exchange to the Prime Market due to a revision of the market classification of the Tokyo Stock Exchange. |

3. Description of Business

The Group (the Company, its subsidiaries, and affiliates) consists of the Company (Japan Airport Terminal Co., Ltd.), 24 subsidiaries, and 15 affiliates. The Group is engaged in facility management and operations, including the management and operation of passenger terminals at Haneda Airport and the provision of services to domestic and international passengers, as well as merchandise sales and restaurant businesses. We also sell merchandise at Narita Airport, Kansai Airport, Chubu Airport, and other airports.

The positioning of our Group companies and their business activities are as follows.

Facility management

The Company and its subsidiary, Tokyo International Air Terminal Corporation (TIAT), are engaged in the management and operation of passenger terminal facilities, primarily the leasing of facilities to airlines and other aviation-related companies, and the maintenance and operation business.

The Japan Airport Techno Co., Ltd. and 6 affiliates are engaged in the maintenance, repair, operation, security, cleaning, passenger transportation, and ground handling of passenger terminal facilities. The Big Wing Co., Ltd. and 2 other subsidiaries provide services such as advertising agency and passenger services at passenger terminals.

The Haneda Future Research Institute Inc. and 5 affiliates are principally engaged in the airport management consulting business in Japan and overseas.

Merchandise sales

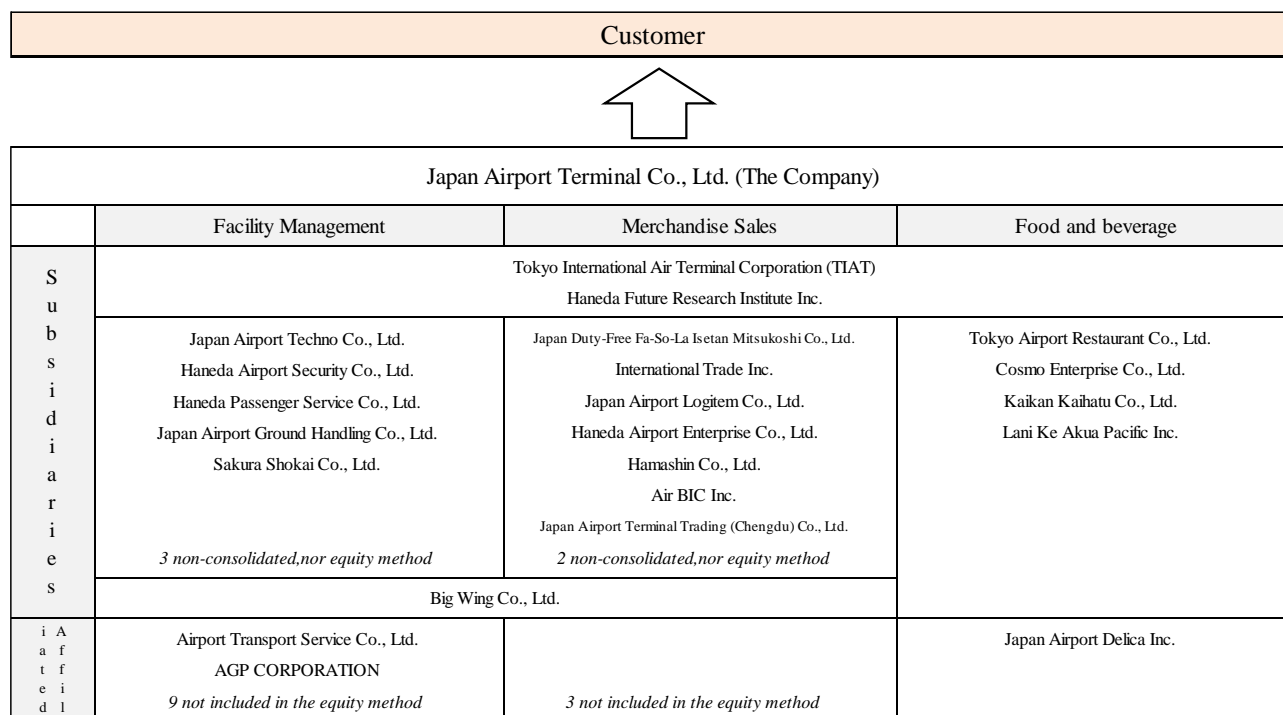
The Company, TIAT, 9 other subsidiaries, and 3 affiliates are engaged in the merchandise sales business, primarily selling merchandise to airline passengers at Haneda Airport, Narita Airport, and Kansai Airport for domestic and international flights, and selling merchandise wholesale to airport companies, including Chubu Airport.

The Japan Airport Logitem Co., Ltd., a subsidiary of the Company, is engaged in the transportation and warehousing of goods.

Food and beverage

The Company, TIAT, and 3 other subsidiaries provide food and beverage services primarily to passengers of domestic and international flights at Haneda and Narita Airports.

Cosmo Enterprise Co., Ltd. and 1 affiliate are engaged in the production and sale of in-flight meals and the production and sale of frozen foods for international airlines at Haneda and Narita Airports.



Notes: 1) Consolidated subsidiaries: 19 companies
 2) Non-consolidated subsidiaries: 5 companies
 3) Affiliated included in the equity method: 3 companies
 4) Affiliated not included in the equity method: 12 companies

4. Overview of Subsidiaries and Affiliates

[Consolidated subsidiaries]

(Millions of yen, unless otherwise stated)

| Company name | Location | Common stock, investments | Principal business | Ownership of voting rights (%) | Relationship |
|---|-------------------------------------|---------------------------|-----------------------|--------------------------------|--|
| Tokyo Airport Restaurant Co., Ltd. | Ohta-ku, Tokyo | 990 | Food and beverage | 60.5 | The lessee of facilities and equipment. Directors serve concurrently. |
| Japan Duty-Free Fa-So-La Isetan Mitsukoshi Co., Ltd. (Note 5) | Chuo-ku, Tokyo | 490 | Merchandise sales | 67.5 | The Company's products are purchased. Directors serve concurrently. The Company provides financial support. |
| Haneda Future Research Institute Inc. (Note 5) | Ohta-ku, Tokyo | 200 | Facilities management | 100.0 | The Company's business consulting services are outsourced. Directors serve concurrently. The Company provides financial support. |
| Cosmo Enterprise Co., Ltd. | Narita, Chiba | 180 | Food and beverage | 79.9 | Lease of office and warehouse space to the Company. Directors serve concurrently. The Company provides financial support. |
| International Trade Inc. | Ohta-ku, Tokyo | 150 | Merchandise sales | 100.0 | The lessee of facilities and equipment. Wholesale products to the Company. Directors serve concurrently. |
| Japan Airport Logitem Co., Ltd. | Ohta-ku, Tokyo | 150 | Merchandise sales | 100.0 | The lessee of facilities and equipment. Transportation and inspection are entrusted. Directors serve concurrently. |
| Big Wing Co., Ltd. | Ohta-ku, Tokyo | 150 | Facilities management | 100.0 | The lessee of facilities and equipment. Advertising and other services are outsourced. Directors serve concurrently. |
| Japan Airport Techno Co., Ltd. | Ohta-ku, Tokyo | 150 | Facilities management | 100.0 | The lessee of facilities and equipment. Maintenance, management, and cleaning of company property under contract Directors serve concurrently. |
| Tokyo International Air Terminal Corporation (Notes 2,5,7) | Ohta-ku, Tokyo | 100 | Facilities management | 51.0 | The lessee of facilities and equipment. The Company's products are purchased. Outsourcing business operations to the Company. The Company provides financial support. |
| Air BIC Inc. | Ohta-ku, Tokyo | 100 | Merchandise sales | 51.0 | The operation of the Company's merchandise sales business is entrusted. Directors serve concurrently. The Company provides financial support. |
| Haneda Airport Enterprise Co., Ltd. | Ohta-ku, Tokyo | 50 | Merchandise sales | 100.0 | The operation of the Company's merchandise sales business is entrusted. Directors serve concurrently. |
| Haneda Airport Security Co., Ltd. | Ohta-ku, Tokyo | 50 | Facilities management | 100.0 | Contracts for security services for the Company's facilities. Directors serve concurrently. |
| Haneda Passenger Service Co., Ltd. | Ohta-ku, Tokyo | 50 | Facilities management | 100.0 | The Company's passenger services are outsourced. Directors serve concurrently. |
| Japan Airport Terminal Trading (Chengdu) Co., Ltd. | Sichuan, People's Republic of China | 300 | Merchandise sales | 100.0 | Directors serve concurrently. |
| Lani Ke Akua Pacific Inc. | Hawaii, United States | 420 million dollars | Food and beverage | 100.0 | n/a |

| Company name | Location | Common stock, investments | Principal business | Ownership of voting rights (%) | Relationship |
|--|----------------|---------------------------|-----------------------|--------------------------------|---|
| Sakura Shokai Co., Ltd. (Note 3) | Ohta-ku, Tokyo | 50 | Facilities management | 100.0 [100.0] | Waste disposal at the Company's facilities is contracted. Directors serve concurrently. The Company provides financial support. |
| Hamashin Co., Ltd. (Note 3) | Ohta-ku, Tokyo | 50 | Merchandise sales | 100.0 [100.0] | Wholesale products to the Company. Directors serve concurrently. |
| Japan Airport Ground Handling Co., Ltd. (Note 3) | Ohta-ku, Tokyo | 50 | Facilities management | 100.0 [100.0] | Directors serve concurrently. |
| Kaikan Kaihatsu Co., Ltd. (Notes 3,4) | Chuo-ku, Tokyo | 10 | Food and beverage | 50.0 [50.0] | The lessee of facilities and equipment. Directors serve concurrently. |

[Affiliated companies accounted for by the equity method]

(Millions of yen, unless otherwise stated)

| Company name | Location | Common stock, investments | Principal business | Ownership of voting rights (%) | Relationship |
|---|----------------|---------------------------|-----------------------|--------------------------------|--|
| AGP Corporation (Note 6) | Ohta-ku, Tokyo | 2,038 | Facilities management | 25.3 | The lessee of facilities and equipment. |
| Japan Airport Delica Inc. | Ohta-ku, Tokyo | 100 | Food and beverage | 49.0 | Wholesale products to the Company. Directors serve concurrently. The Company provides financial support. |
| Airport Transport Service Co., Ltd. (Notes 3,5) | Chuo-ku, Tokyo | 100 | Facilities management | 28.0 [0.6] | Directors serve concurrently. The Company provides financial support. |

Notes:

- 1) Segment names are listed in the Principal Business column.
- 2) Classified as a specified subsidiary.
- 3) The figures in brackets in the percentage of voting rights are indirect holdings and are included in the total number of voting rights. Sakura Shokai Co., Ltd. and Japan Airport Ground Handling Co., Ltd. are owned by Japan Airport Techno Co., Ltd., while Hamashin Co., Ltd. and Airport Transport Service Co., Ltd. are owned by International Trade Inc. Additionally, Kaikan Kaihatsu Co., Ltd. is owned by Big Wing Co., Ltd.
- 4) Although the Company's ownership interest is less than 50%, it is considered a subsidiary because the Company has significant influence over the entity.
- 5) These companies had excess debt. As of March 31, 2024, Tokyo International Air Terminal Corporation (TIAT) had liabilities of 24,469 million-yen, Japan Duty-Free Fa-So-La Isetan Mitsukoshi Ltd. had liabilities of 7,631 million-yen, Haneda Future Research Institute Inc. had liabilities of 421 million-yen, and Tokyo Airport Transport Co. had liabilities of 579 million-yen.
- 6) Filed an annual securities report.
- 7) TIAT accounts for more than 10% of consolidated operating revenues (excluding intercompany sales between consolidated companies).

Main Financial Information is followings.

- a) Operating revenues: 82,304 million yen
- b) Ordinary profit: 9,372 million yen
- c) Net profit: 12,133 million yen
- d) Net assets: (24,548) million yen
- e) Total assets: 159,053 million yen

5. Employees

(1) Consolidated

(As of March 31, 2024)

| Operating segment | Number of employees | |
|-----------------------|---------------------|-------|
| Facilities Management | 981 | [152] |
| Merchandise Sales | 940 | [211] |
| Food and Beverage | 561 | [219] |
| Segment total | 2,482 | [582] |
| Corporate | 178 | [4] |
| Total | 2,660 | [586] |

Notes:

- 1) The number of employees represents the number of employees actually at work. Separate from that, the average number of temporary employees during this fiscal year is disclosed in square brackets.
- 2) The number of employees under “Corporate” refers to employees working for administrative departments who cannot be classified into specific operating segments.

(2) The Company

(As of March 31, 2024)

| Number of employees | Average age | Average service length | Average annual salary (gross) |
|---------------------|-----------------------|------------------------|-------------------------------|
| 293 | 37 years 8 months old | 12 years 5 months | JPY 7,987,305 |

(As of March 31, 2024)

| Operating segment | Number of employees |
|-----------------------|---------------------|
| Facilities Management | 70 |
| Merchandise Sales | 66 |
| Segment total | 136 |
| Corporate | 157 |
| Total | 293 |

Notes:

- 1) Average annual salary (gross) includes extra wages and bonuses.
- 2) The number of employees under “Corporate” refers to employees working for administrative departments who cannot be classified into specific operating segments.

(3) Relationship with labor union

There are currently no unions in the Company or the Group.

(4) Ratio of female managers, male employees who took childcare leave, and wage differences between male and female employees

[The Company]

| As of March 31, 2024 | Fiscal year ended March 31, 2024 | | | | |
|--------------------------|--|----------------------|--|---------------------|----------------------|
| Ratio of female managers | Ratio of male employees who took childcare leave | | Wage differences between male and female employees | | |
| | Permanent employees | Fixed-term employees | All employees | Permanent employees | Fixed-term employees |
| 38.8% | 88.9% | - | 84.7% | 87.2% | 48.2% |

Note: Calculated by the provisions of the “Law on the Promotion of the Active Role of Women in Professional Life” (Law No. 64, 2015).

[Consolidated subsidiaries]

| Company name | As of March 31, 2024 | Fiscal year ended March 31, 2024 | | | | | |
|-------------------------------------|--------------------------|--|---------------------|----------------------|--|---------------------|----------------------|
| | Ratio of female managers | Ratio of male employees who took childcare leave | | | Wage differences between male and female employees | | |
| | | All employees | Permanent employees | Fixed-term employees | All employees | Permanent employees | Fixed-term employees |
| Tokyo Airport Restaurant Co., Ltd. | 23.3% | - (Note 2) | - (Note 2) | - (Note 2) | 72.2% | 76.0% | 72.0% |
| Cosmo Enterprise Co., Ltd. | - (Note 2) | 0.0% | 0.0% | - | 72.7% | 79.5% | 92.5% |
| Japan Airport Logitem Co., Ltd. | 25.0% | - (Note 2) | - (Note 2) | - (Note 2) | 70.0% | 96.4% | 86.6% |
| Japan Airport Techno Co., Ltd. | - (Note 2) | - (Note 2) | - (Note 2) | - (Note 2) | 76.4% | 83.9% | 77.6% |
| Haneda Airport Enterprise Co., Ltd. | 75.5% | - (Note 3) | - (Note 3) | - (Note 3) | 83.3% | 83.1% | 75.9% |
| Haneda Airport Security Co., Ltd. | 14.3% | - (Note 3) | - (Note 3) | - (Note 3) | 96.1% | 92.5% | - (Note 4) |

Notes:

- 1) Calculated by the provisions of the “Law on the Promotion of the Active Role of Women in Professional Life” (Law No. 64, 2015).
- 2) This information is omitted because the Company is not subject to disclosure requirements under the provisions of the “Law on Promoting the Advancement of Women in Employment” (Law No. 64, 2015) and the “Law on the Welfare of Workers Who Take Care of Children or Other Family Members, Including Childcare and Family Care Leave” (Law No. 76, 1991).
- 3) There are no male employees who are eligible to take childcare leave.
- 4) This information is omitted because the difference in wages between men and women cannot be calculated because the workers are only of the same sex.

Item 2. Business Overview

1. Management Policy, Business Environment, and Issues to be Addressed

The following description contains forward-looking statements that the Company judged as of the filing date of this Annual Securities Report.

(1) Management Policy, and Management Strategy

As a company that constructs, manages, and operates passenger terminals and other facilities at Haneda Airport, the hub of the domestic air transportation network, our basic management philosophy is to “harmonize public interest and corporate interest.”

Based on this philosophy, we will continue to fulfill our social responsibilities by achieving absolute safety in passenger terminals, operating passenger terminals in a customer-oriented manner, and ensuring stable and efficient passenger terminal operations.

In addition, to continuously increase the corporate value of the entire Group, we will further enhance the convenience, comfort, and functionality of passenger terminals through strategic and appropriate investment and asset management, and accurately respond to the increasing sophistication and diversity of customer needs, while striving to provide appropriate returns to airlines, airport users, business partners, shareholders, and other stakeholders. Our fundamental management policy is to provide appropriate returns to our stakeholders, including airlines, airport users, business partners, and shareholders.

In our management strategy, we position sustainability as the core of our strategic promotion and pursue the realization of a sustainable society and the sustainable growth of our Group under our “Basic Sustainability Policy.”

(2) Target Indicators for Judging the Achievement of Management Objectives

In the medium-term business plan for fiscal years 2022 to 2025, the Group has set the following objective indicators.

[Consolidated net profit]

In the fiscal year 2025, we will ensure that earnings per share will exceed the fiscal year 2020 target in the previous medium-term business plan, considering the dilution from the capital increase in March 2021.

[Cost Reduction Measures]

The Company will curb cost rebound by drastically reviewing terminal operations such as the COVID-19 pandemic and will generate an amount equivalent to 10% of the FY2020 operating profit target of the previous medium-term business plan of 25 billion yen through cost reduction as a target for improving efficiency and productivity.

[ROA (EBITDA)]

The Company will continue to use the latest average of the SKYTRAX Top 10 airports as a reference value, considering the characteristics of its business, which includes owning passenger terminals and parking lots and improving facilities as it develops its business.

[Capital Adequacy Ratio]

Although the capital adequacy ratio declined due to the business environment of the COVID-19 pandemic, we will continue to aim for a recovery of 40% or more to maintain our credit rating (A+) and stabilize our financial base as soon as possible.

[Dividend Payout Ratio]

The Company regards the return of profits to shareholders as an important issue and has a basic policy of maintaining stable dividends while securing internal reserves in consideration of major investments and so on. From the perspective of emphasizing shareholder returns based on capital accumulation and business performance, the Company will use the “dividend payout ratio” as an indicator and aim for a dividend payout ratio of 30% or more.

[SKYTRAX Evaluation Ranking]

Aiming to win the World’s Best Airports TOP 3 and achieve even higher quality and efficiency in operations.

Indicators and targets are as follows.

| Classification | Indicator | Target for FY2025 |
|-----------------------|----------------------------|---|
| Profitability (Total) | Consolidated net profit | 20 billion yen or more |
| Profitability | Cost Reduction Measures | 2.5 billion yen (10% of the 25-billion-yen operating profit target in the previous medium-term business plan) |
| Efficiency | ROA (EBITDA) Ratio | 12% or more |
| Stability | Capital Adequacy Ratio | Target recovery to 40% range |
| Shareholder returns | Dividend Payout Ratio | 30% or more |
| Airport Rating | SKYTRAX Evaluation Ranking | World's Best Airports TOP3 |

The current medium-term management plan sets the target at net profit attributable to owners of the parent at 16 billion yen or more. This assumes that passenger volume will recover to the pre-COVID-19 plan level in FY2025.

In light of changes in the external environment, including the status of recovery in passenger volume and a change in the completion date of the new satellite construction on the north side of Terminal 1, which was scheduled for FY2025, we have revised the target.

In addition to the downward revision of the passenger volume forecast for both domestic and international flights, the increase in labor costs and various expenses due to soaring prices will have a significant impact on profits. Conversely, our revenue and expense targets have been revised upward by 4 billion yen for operating profit and 4 billion yen for net profit, reflecting favorable merchandise sales and an increase in rent income and other revenues from the renewal of commercial areas and the attraction of office space.

In light of the aforementioned changes, the consolidated net profit target for FY2025 has been revised from [16 billion yen or more] to [20 billion yen or more].

(3) Business Environment and Issues to be Addressed

In March 2020, Haneda Airport saw an approximate 1.4 times increase in international departures and arrivals as part of efforts to enhance the functions of airports in the Tokyo metropolitan area. Our group has been working to improve facilities to accommodate this increased volume of departures and arrivals. Despite the significant decline in airline demand due to the impact of the COVID-19 pandemic, international passenger volume recovered in the current fiscal year following the lifting of waterfront measures, resulting in a record high in earnings driven by robust inbound demand. As of the end of the consolidated fiscal year under review, Haneda Airport's international routes were not yet served by flights to China and Europe. However, the number of flights to and from Haneda Airport is expected to increase in stages toward the level achieved after the expansion of arrival and departure slots.

Conversely, the swift rebound in passenger traffic has given rise to a dearth of laborers across the aviation sector. Our group has been working with the government and airlines to streamline the security checkpoint process and normalize operations at directly managed stores. Furthermore, terminal operating costs have risen due to higher prices and wages, and the ongoing depreciation of the yen has impacted our business performance in terms of both revenue and expenses.

In light of these circumstances, we must achieve the profit targets for FY2025 as outlined in the medium-term management plan, "To Be a World Best Airport 2025." In line with our "Toward Advanced Airports 2030 that are Friendly to People and the Environment" strategy, we have made sustainability the core of our business plan. Our goals are to grow our airport business, establish a foundation for renewed growth, expand our revenue base, and strengthen our management foundation. We are pursuing growth in our airport business, establishing a foundation for renewed growth, expanding our revenue base, and strengthening our management foundation.

Regarding sustainability, we have established KPIs (Key Performance Indicators) and targets for each material issue based on our Mid-Term Sustainability Plan. We are working across the entire company to resolve material issues by managing progress. In May of this year, we released new information on our nature-related initiatives by the recommendations of the Task Force on Nature-related Financial Disclosure (TNFD). We will continue to pursue enhancements to our sustainability management practices and the implementation of targeted measures.

In response to challenges such as labor shortages and rising prices, we will continue to utilize robots and other technologies to achieve both high quality and increased profits. We will also review operations to curb increases in maintenance and management costs while attracting more office space and increasing rents and other revenues. Furthermore, we will enhance the functionality of the airport infrastructure to meet the government target of 60 million foreign visitors to Japan by 2030. As part of our ongoing efforts, we will continue to pursue the construction of a connection between the northern satellite of Terminal 2 and the main building, as well as a satellite on the northern side of Terminal 1. This is in anticipation of future growth in airline demand and the goal of further enhancing passenger convenience. The new Terminal 1 North Satellite will employ a hybrid wood/steel structure and wood materials to reduce the environmental impact throughout the building's life cycle. It will also aim to obtain ZEB-oriented certification, thereby contributing to the decarbonization of the airport. (ZEB stands for Net Zero Energy Building. A ZEB-oriented building reduces annual primary energy consumption by 30% or more while maintaining a comfortable terminal facility environment.)

In terms of sales, duty-free stores are experiencing robust performance due to the weak yen and an uptick in inbound travel. However, there is a potential for unit purchase prices to soften in the future, influenced by shifts in exchange rates and broader market dynamics. Furthermore, we will continue to renovate stores in duty-free areas and implement measures to improve purchase rates. Additionally, we will expand the range of products offered at reservation sales and virtual boutiques in Terminal 2 International Flights, where the area of duty-free stores is limited compared to Terminal 3. Additionally, we will implement RFID and automate warehouse operations to reduce congestion at general duty-free stores and improve the efficiency of store and warehouse operations. Furthermore, to respond to changing consumer trends, we will enhance our one-to-one marketing strategy and gain deeper insights into customer needs through the introduction of the “HANEDA Point” feature in the official Haneda Airport application and other channels.

Moreover, to diversify its revenue streams and reduce reliance on passenger traffic, the EC business has been enhancing its infrastructure by developing a new core system for its directly managed EC site. In May of this year, we undertook a renewal of the domestic e-commerce site, HANEDA Shopping, to increase earnings. Furthermore, we intend to enhance our profitability by capitalizing on Haneda’s assets, network, and expertise in airport operations, as well as conducting research and developing new business opportunities.

To provide a solid foundation for these efforts, we will continue to expand our workforce, enhance compensation, and diversify our human resources to meet the growing demand for air travel. Furthermore, the “Plus One Promotion,” an inner branding initiative, will foster a corporate culture that encourages independent thinking and problem-solving. In the DX area, we are pursuing two distinct strategies: an “offensive DX” strategy to drive business transformation and a “defensive DX” strategy to enhance the efficiency of existing operations. The “offensive DX” strategy aims to enhance airport operations and services and facilitate data-driven management by consolidating and utilizing all available information within Haneda Airport in a centralized database. In the “defensive DX” strategy, we are working to enhance productivity by optimizing core operational systems and reviewing business processes with a focus on digital utilization.

To fulfill our responsibilities as an airport functional facility operator that constructs, manages, and operates passenger terminals at Haneda Airport by the Airport Law, the Group will continue to work with the Ministry of Land, Infrastructure, Transport and Tourism, airlines, and other related parties, and while drawing on the lessons learned from the COVID-19 pandemic, the Group will work together to respond decisively to the recovery in demand. Furthermore, we will endeavor to accomplish the objectives outlined in our medium-term management plan and enhance capital profitability to achieve management that is mindful of the cost of capital and stock price, as required of listed companies by the Tokyo Stock Exchange. We will strive to improve convenience, comfort, and functionality, establish a customer-first philosophy and absolute safety, and increase our corporate value by contributing to the continuous creation of value at Haneda Airport and the development of air transportation.

2. Sustainability

The Group's approach to sustainability and its initiatives are as follows. Forward-looking statements are based on the Group's assessment as of the end of the current fiscal year.

(1) Governance

(Sustainability in general)

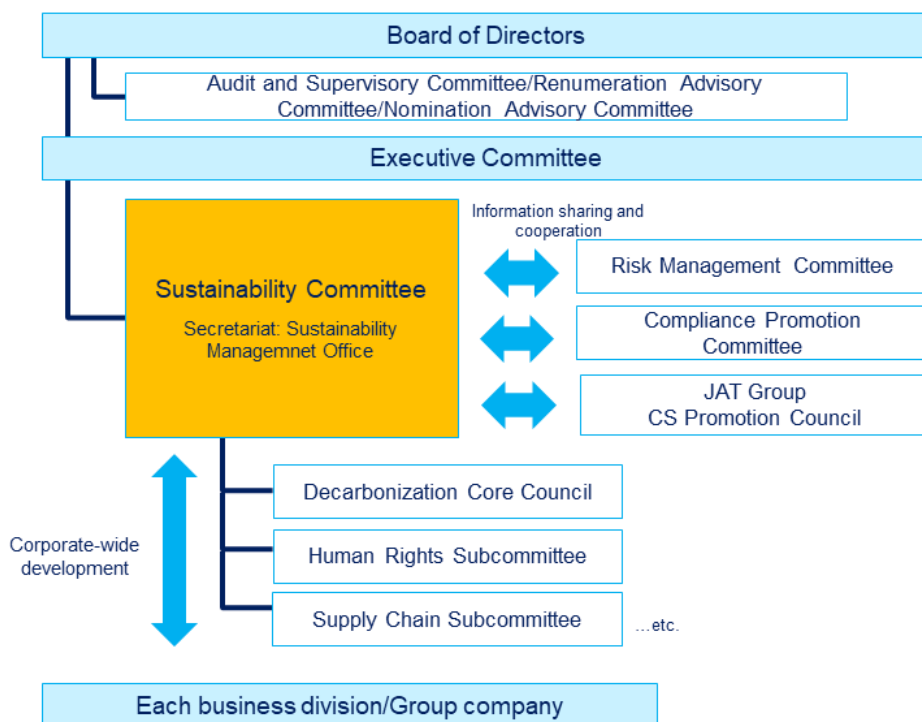
The Group is fully aware of its social role as a private company responsible for the construction, management, and operation of highly public passenger terminals, and aims to manage its operations in harmony between the business and the society. To achieve our goal of developing an advanced airport that is environmentally responsible and customer-friendly, we have made sustainability the foundation of our strategy and established a governance structure to ensure the consistent implementation of ESG-related initiatives and their continued effectiveness.

The Sustainability Committee, chaired by the President and COO, and the Sustainability Management Office, which reports directly to the President and COO, collaborate with each department to develop sustainability plans and oversee their implementation. In developing the plan, we seek input from external sources, including dialogue with external experts who have specialized perspectives on sustainability.

The Sustainability Committee meets twice a year to review the progress of initiatives on key issues such as climate change, natural capital, and human resource development. In addition to monitoring progress, the Committee also formulates policies and plans to promote sustainability, materiality (key issues), and KPIs (key performance indicators). These are defined in the Mid-Term Sustainability Plan. The Board of Directors convenes semi-annually to deliberate and review the materiality and KPIs (key performance indicators) outlined in the mid-term sustainability plan, as well as needed. The Committee's deliberations are reported to and decided by the Board of Directors, after deliberation by the Executive Committee, based on the relationship and consistency with management strategies.

We are building a governance structure for sustainability through top management leadership, the establishment of specialized departments, and collaboration with external experts.

Figure 1: Overview of Sustainability Promotion System



(2) Strategies

(Sustainability in general)

We have developed a mid-term sustainability plan (released in May 2023) and are developing the following strategies:
(Details) https://www.tokyo-airport-bldg.co.jp/en/sustainability/medium_term_plan/

(a) Formulation of basic sustainability policy

Concerning our stakeholders, including customers, shareholders, employees, local communities, and partners, we have established a policy to promote sustainable business practices while contributing to economic and social development.

(b) Materiality Identification

We have identified eight materialities in line with our medium-term business plan. In identifying them,

- 1) Social and business issues that may affect our business in the medium to long term, based on a list of key issues from industry associations (ACI) and international guidelines (GRI, SASB, etc.) and our business strategy.
- 2) The evaluation was based on two axes: 1) importance to the Company's business (corporate interest) and 2) importance to society (public interest),
- 3) External expectations and requirements are reflected through dialogue with external experts.

(c) Formulating initiatives and KPIs

See the "Metrics and Goals" section.

(Climate change)

While climate change, such as the frequent occurrence of extreme weather events, has a significant impact on our Group, we also have an impact on the environment through the emission of many greenhouse gases (GHGs), such as electricity consumption in terminal operations. In September 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in May 2023, we disclosed information based on the TCFD recommendations.

(Details) Disclosure based on TCFD recommendations (updated May 2024):

(<https://www.tokyo-airport-bldg.co.jp/files/en/ir/000014843.pdf>)

To assess the impact of climate change on the Group's operations, the following two scenarios ("1.5°C scenario" and "4.0°C scenario") were used in the analysis. The scenarios are based on those published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).

Table 1: Overview of Scenario Analysis

| Title | 1.5°C scenario | 4.0°C scenario |
|-------------------|---|---|
| Scenario overview | <ul style="list-style-type: none"> As a result of drastic measures having been taken effectively, a decarbonized society is achieved, limiting the rise in the global temperature to 1.5°C from the pre-industrial levels. Major risks that turn into reality include those associated with the transition to a decarbonized society. | <ul style="list-style-type: none"> As a result of additional measures being not taken, the average global temperature will rise further by approximately 4°C compared to the pre-industrial levels. Major risks that turn into reality include physical risks arising from climate change. |
| Worldview | <ul style="list-style-type: none"> As a result of carbon pricing and regulations on the rate of SAF usage by airline operators, the aviation (including the airport) industry is required to take appropriate measures such as carbon offsetting and investments in renewable energy and energy saving. The aviation industry may be shifting to alternative transportation means. However, as the use of SAF becomes more widespread, airport operators and their supply chains gradually succeed in reducing GHG emissions. | <ul style="list-style-type: none"> The government's policies and regulations to encourage the shift to a low-carbon society have only a limited effect. As climate change intensifies, changes in climate patterns, rising sea levels, and increasingly severe and frequent extreme weather events exert adverse impacts on airport operations. This makes supply-chain risk management and BCP reviews more important. |

The Group's "Facility Management" and "Merchandise Sales and Food & Beverage" (a category that combines the "Merchandise Sales" and "Food & Beverage" businesses) were the subject of the analysis, and risks and opportunities were identified, impact assessed, and measures to address the risks were defined based on the two scenarios described above. The table below shows the time frame and impact of the assessment of climate-related risks and opportunities.

Table 2: Time horizon and impact in assessing climate-related risks and opportunities

| | | |
|-----------------|-------------|--|
| Time frames | Short-term | up to FY2025 (Medium-term Management Plan Period) |
| | Medium-term | up to FY2030 (Advanced human and environmentally friendly airports up to FY2030) |
| | Long-term | up to FY2050 (Until the time of achieving net zero) |
| Level of impact | Minor | Less than 100 million yen per year |
| | Medium | More than 100 million yen to less than 1 billion yen per year |
| | Major | More than 1 billion yen per year |

Table 3: Risks, opportunities, and impacts of climate change

| Risk Type / Type of Opportunity | | Summary | Segment | | Time Frame | Most Relevant Scenarios | Level of Impact |
|------------------------------------|--|---|------------|---|---------------------------------|-------------------------------|-----------------------|
| | | | Facilities | Merchan dise Sales/Fo od & Beverage | | | |
| Transition Risk | GHG Emission Reduction Measures (Policy and law/technolo gy) | Increased terminal operating costs and raw material procurement and logistics costs associated with the introduction of carbon pricing (<i>Note</i>) | ✓ | ✓ | Short- to mediu m-term | 1.5°C | Major |
| | | Increased costs due to climate change regulations (e.g., increased construction costs due to environmental regulations) | ✓ | | Short- to long- term | 1.5°C | Major |
| | | Increased costs due to climate change-related laws and regulations (e.g., resource recycling of plastics and other resources, natural capital sourcing, etc.) | | ✓ | Short- to mediu m-term | 1.5°C | Mediu m |
| | | Increased investment costs for climate protection measures due to the introduction of renewable and new energy sources, etc. | ✓ | ✓ | Short- to mediu m-term | 1.5°C /4.0°C | Major |
| | Others (Market/Rep utation) | Slower growth in airport passenger traffic due to policies that negatively impact airline demand | ✓ | ✓ | Short- to long- term | 1.5°C | Mediu m |
| | | Loss of reputation with tenants, partners, customers, suppliers, and employees due to delays in environmental compliance | ✓ | ✓ | Short- to mediu m-term | 1.5°C /4.0°C | Mediu m |
| Physical risks | Chronic | Impact of Sea Level Rise on Airport Access Traffic | ✓ | ✓ | Mediu m- to long- term | 4°C | Minor |
| | | Impact of changing climate patterns on infectious disease outbreaks, etc. | ✓ | ✓ | Long- term | 4°C | Major |
| | Acute | Impact of intensification and frequency of extreme weather events on the number of users | ✓ | ✓ | Short- to mediu m-term | 4°C | Mediu m |
| | | Supply chain disruptions due to more severe and frequent extreme weather events | | ✓ | Short- to mediu m-term | 4°C | Mediu m |
| | | Damage to facilities, flooding, etc. due to severe and frequent extreme weather events | ✓ | ✓ | Mediu m- to long- term | 4°C | Major |

| Risk Type / Type of Opportunity | Summary | Segment | Segment | | Time Frame | Most Relevant Scenarios | Level of Impact |
|---------------------------------|---|---|------------|-----------------------------------|-----------------------|-------------------------|-----------------|
| | | | Facilities | Merchandise Sales/Food & Beverage | | | |
| Opportunities | GHG Emission Reduction Measures (Energy sources) | Reduced costs as a result of a highly efficient use of energy and diffusion of new technologies | ✓ | | Long-term | 1.5°C | Medium |
| | | Contributions to decarbonization and securing of new revenue sources | ✓ | | Medium- to long-term | 1.5°C /4.0°C | Medium |
| | Others (Resource efficiency/ Products and services/Markets) | Improved brand value through decarbonization initiatives | ✓ | ✓ | Medium- to long-term | 1.5°C | Major |
| | | Use of policy support for low-carbon entities | ✓ | | Medium- to long-term | 1.5°C | Medium |
| | | Establishment of a recycling system centered on JAT | ✓ | | Short- to medium-term | 1.5°C /4.0°C | Medium |
| | Physical risks | Strengthening the airport's resilience in collaboration with stakeholders and local communities | ✓ | | Medium-term | 1.5°C /4.0°C | Medium |

Note: The following assumptions have been made in estimating carbon pricing based on projected emissions in 2030:

Emissions: 57,000 t-CO₂ (2030 time point emissions)

Carbon price: 21,000 yen (IEA WEO2023 1.5°C scenario (NZE) at 140 USD/t-CO₂ at 2030 x 150 yen per dollar)

Impact: 57,000 x 21,000 = approx. 1.2 billion yen

Table 4: Countermeasures (Some excerpts)

| Type of Risks/Opportunities | | Summary |
|-----------------------------|---------------------------------|--|
| Transition risk-related | GHG Emission Reduction Measures | Energy-saving measures including switching to LED lighting, renewal of air conditioning equipment, and adoption of AI air conditioning |
| | | Introduction of renewable energy sources including mega-solar power, review of power source composition, and promotion of efficient use of heat sources |
| | | Improvement of environmentally friendly performance by transforming existing facilities into net-zero-energy buildings (ZEBs), the introduction of wooden structures and wooden interior decorations to the airport buildings, and using Radi-cool, a radiant cooling material, etc. |
| | | Investigation and exploration for the use of new energies |
| | Others | Effective use of resources (e.g., provision of materials and equipment from Haneda Airport to regional airports and other commercially partnered airports) and commercialization of waste reduction techniques (e.g., collection of waste oil and use of the oil as biofuel) |
| Physical risk-related | | Strengthening of response to the Tokyo International Airport A2-BCP, Establishment of a BCP structure, and implementation of regular drills |
| | | Thorough measures against infectious diseases; non-contact sales using robots and digital technologies |
| | | Optimization of procurement, production, and logistics as a whole, including elimination of supply chain redundancy |

(Natural capital)

As an airport terminal that serves 80 million passengers annually, we utilize and procure a multitude of resources, including construction materials, plastics, and water. Concurrently, we generate waste, such as construction waste, food residues, and collected garbage. To achieve our goal of becoming an advanced airport that is friendly to both people and the environment, we have identified natural capital-related initiatives as a key management issue. We are currently evaluating and analyzing the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD). In support of these recommendations, we are disclosing the following information regarding the TNFD recommendations. To ascertain the relationship between the Group's operations and the natural environment, an analysis was conducted using the LEAP approach. This approach enables a systematic assessment of nature-related risks and opportunities on a scientific basis.

(Details) Disclosure regarding TNFD recommendations:

(<https://www.tokyo-airport-bldg.co.jp/files/en/ir/000014848.pdf>)

Figure 1: Schematic Diagram of the JAT Group's Value Chain (Relationships with the Natural Environment)

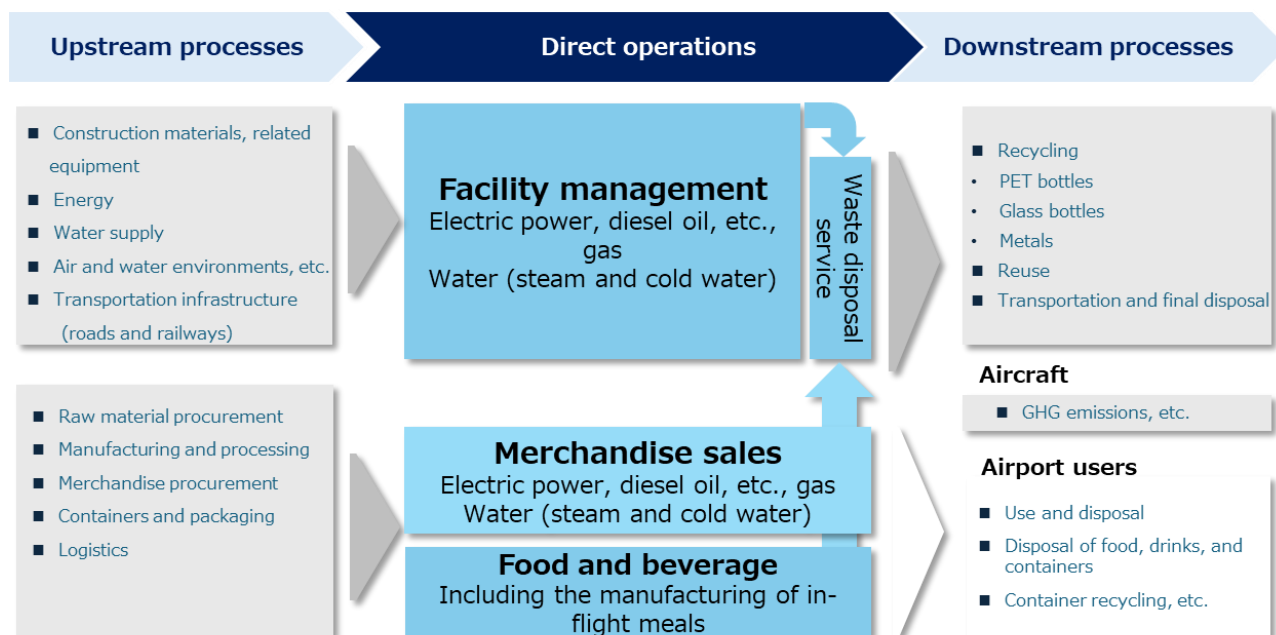


Table 1: Assessment of Relationships with the Natural Environment in Our Value Chain (Heat Map)

| Environmental Impact* | | | Use of land | Use of fresh water | Use of seawater | Use of water | Use of other resources | GHG emissions | Air pollution other than GHG emissions | Water pollution | Soil pollution | Waste | Noise and pollution | Alien species |
|---|-------------------|---|-------------|--------------------|-----------------|--------------|------------------------|---------------|--|-----------------|----------------|-------|---------------------|---------------|
| Facility management | Upstream | Construction, etc. of facilities | | | | | | | | | | | | |
| | Direct operations | Facility management and operation, and waste disposal | | | | | | | | | | | | |
| | Downstream | Use by aircraft and passengers | | | | | | | | | | | | |
| Merchandise sales, and food and beverage | Upstream | Procurement of merchandise and raw materials | | | | | | | | | | | | |
| | Direct operations | Merchandise sales, manufacturing of in-flight meals, and food and beverage services | | | | | | | | | | | | |
| | Downstream | Use and disposal of merchandise, and food, beverages, etc. | | | | | | | | | | | | |

Note: The thicker the color, the stronger the relationship (dependencies and impacts) with the environment. Going forward, we are considering assessing dependencies and impacts for each case in the future.

[Facility management]

In 2023, Haneda Airport had about 400,000 aircraft movements and some 80 million passengers used the airport's passenger terminals. For our direct operations, we consume electric power and other energy sources to maintain the comfortable space in the facilities, thus generating CO₂ emissions. For the movement of aircraft and passengers in the downstream processes, energy use entails GHG emissions and other types of air pollution.

The terminal buildings we manage and operate (direct operations) and the movement of passengers in the downstream processes entail the generation of waste by some 80 million users. We dispose of such waste, the amount of which accounts for around 40% of the total waste generated in the Haneda Airport area. Thus, such waste generation and disposal have some measure of impact on the environment.

Japan's domestic natural environment (air, water quality and quantity, and ecosystem condition) is in a favorable state compared with the global standard. Because of their intrinsic nature, our airport facilities have some measure of environmental impact around Haneda Airport associated with noise pollution and light pollution due to lighting at night.

Annual water consumption at the three terminal buildings in Haneda Airport exceeds 700,000m³, which accounts for some 50% of annual total water consumption in the Haneda Airport area. Such water use entails certain degrees of dependencies and impacts.

[Merchandise sales, and food and beverage operation]

The merchandise, food materials, and processed food products that we manage come in great variety. The production, manufacturing, and processing of raw materials for them entail certain degrees of dependencies and impacts on water use, land use, air pollution, and the like.

We generate certain volumes of disposable containers and packing materials as waste from our merchandise sales, and food and beverage businesses.

As noted above, we have developed a heat map on to what extent the direct operations and upstream and downstream processes of our business activity are related to nature in terms of dependencies and impacts, based on currently available information. With this map, we have identified and assessed important areas. Given the findings of this assessment, we have identified the nature-related risks and opportunities for the business of the JAT Group. To this end, we have envisioned responses toward a nature-positive society and physical damage resulting from nature degradation and associated losses of ecosystem services. Then we have identified three directions for our strategy on nature-related risks and opportunities. Going forward, we will make a deeper analysis of risks and opportunities. At the same time, we will collaborate with many stakeholders to develop and implement measures to implement that strategy as a key management issue.

Table 2: Three Strategic Directions (Pillars)

| Our Strategy on Nature-related Risks and Opportunities | |
|--|---|
| Realizing an Eco Airport | Under the relevant policy and decarbonization plan of the central government, we will take measures to reduce the impact of our airport operations on the global and local environments in cooperation with the stakeholders concerned. |
| Establishing a circular economy | We will work to make the entire airport more like a circular economy by reducing the amount of waste that is generated and disposed of in the airport through the promotion of recycling and reuse and the resultant reduction of the amount of landfill. |
| Promoting sustainable procurement | We will work to reduce the impact of our supply chain as a whole on the natural environment. To this end, we will give more consideration to the environment and human rights in the manufacturing and processing of raw materials in our merchandise sales and food and beverage operations. |

(Human capital and diversity)

[Fundamental Approach to Human Capital]

Haneda Airport (Tokyo International Airport), which serves as our group's business base, is the gateway to Japan's skies, facilitating the movement of people, industry, and culture. To ensure continued growth and advancement, enhancements to the terminal functions are necessary to accommodate the 60 million foreign visitors to Japan.

Against this backdrop, one of the Group's medium-term management strategies, "Enhance the management base," calls for the "Transform the workforce into a group of true professionals and maximize organizational strength." In our mid-term sustainability plan, we have identified two key areas of focus: "Human resource development" and "Promotion of DEI (Diversity, Equity, and Inclusion)." We are actively pursuing these initiatives.

We recognize that our most valuable asset (human and intellectual capital) is our human resources, who possess a high level of expertise and knowledge in all aspects of airport operations and who continue to demonstrate a pioneering spirit in the ever-changing airline industry. We are confident that our long-term vision of becoming a leading airport company, "To Be a World's Best Airport," will be achieved through the strength of our human resources.

[Basic Approach to Human Resource Strategies]

In "Enhance the earnings base," one of the pillars of the medium-term management strategy, we aim to "Growth of airport business" as a growth driver, "Establish a foundation for regrowth" by promoting reform and innovation based on the COVID-19 disaster, and "Expansion of earnings base" by developing businesses in new areas. To achieve these goals, we are pursuing the following human resource strategies:

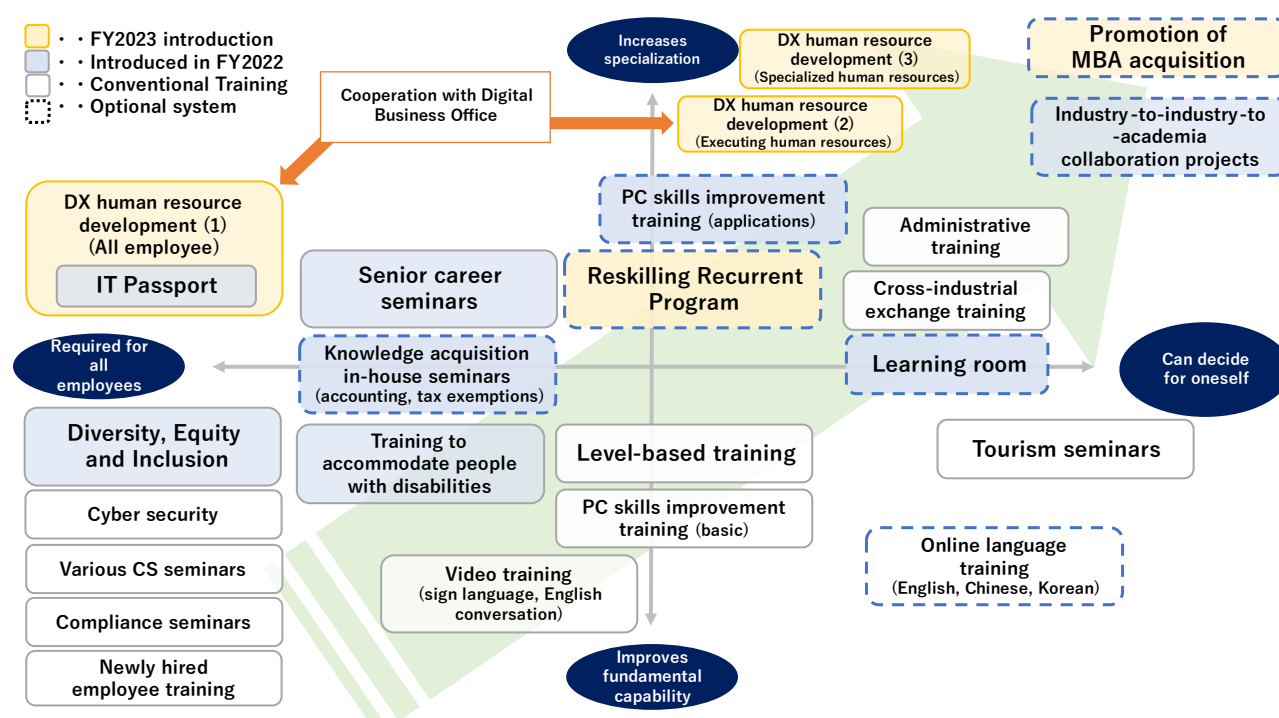
(a) Recruitment and training of human resources

In addition to requiring a wider range of expertise and technology than ever before, the realization of our management strategy requires human resources capable of strengthening airport functions and expanding business into new areas through new ideas and collaboration with different industries.

In line with this policy, we are recruiting new graduates with expertise in fields such as architecture, science, and engineering, as well as overseas human resources. Furthermore, we employ mid-career professionals with diverse backgrounds and skill sets to enhance the diversity of our core human resources.

In our training system, we have transitioned from a uniform training approach for all employees to a more specialized and selective education and training model. This includes the introduction of a system that supports autonomous learning, such as a hand-up system program, to enhance the effectiveness of our training initiatives.

Furthermore, as part of our efforts to reform employee awareness and behavior, we are developing the "Plus One Promotion" throughout the Group. This initiative aims to enhance work engagement by considering new improvements and changes in current business operations. Furthermore, we are expanding the number of employees participating in external secondment opportunities and industry-academia collaborative projects, which provide valuable opportunities for knowledge exchange and the acquisition of new ideas.



(b) Improvement of the internal workplace environment

Our business is supported by a diverse team of professionals from across Japan and the globe. To guarantee that our customers from all over the globe can utilize our services with ease and security, it is imperative to cultivate a highly inclusive organizational culture where every employee embraces diverse cultures and values and respects one another. Furthermore, as the entire Group continues to globalize and expand its business, it is essential to foster an environment that recognizes and encourages diversity and mutual growth.

In line with this policy, we are working to create an internal environment where diverse human resources can play an active role and feel comfortable and fulfilled in their work. We are maintaining a high ratio of female managers, promoting DEI such as the employment of foreigners and persons with disabilities, and encouraging activities by young employees to reform the way they work.

(c) Retain Personnel and Increase Productivity

To achieve our management strategy, we will allocate personnel to new areas, including the operation of R&D bases in different industries (terminal.0), knowledge businesses, and industry-industry-academia collaboration projects. In addition to these personnel acquisition strategies, we will expand our workforce through recruitment and enhance compensation for employees affected by the COVID-19 disaster. We will also pursue the realization of our management strategy with an efficient personnel structure by improving productivity through enhanced capabilities, engagement, and efficiency through DX and other measures.

By conducting employee surveys and other assessments, we aim to manage the impact of human resource development and internal environment improvement measures in a PDCA cycle. Our goal is to create a virtuous cycle where human investment leads to management results, such as increased revenue and profit, and expansion of new business areas through enhanced human productivity.



(3) Risk management

(Sustainability in general)

As a company that builds, manages, and operates highly public passenger terminals, we recognize that ensuring business continuity is our social mission and that in an uncertain society where new risks are emerging, understanding the risks surrounding our business and taking countermeasures is an important issue in ensuring organizational resilience.

To enhance the sophistication of risk management systems throughout the Group, we established the Risk Management Committee, which is chaired by the President and COO and consists of all executive officers from the Vice President level down. The Committee identifies risks that are considered to be of high importance (priority risks) and the responses to them and has a system in place to repeatedly review the status of the responses and verify their effectiveness.

Sustainability-related risks, including climate change and human capital, that the Sustainability Committee deems to have a material impact on our business and performance are integrated into the Group-wide risk management system as priority risks and managed by the Risk Management Committee.

The deliberations of the Risk Management Committee are reported to the Board of Directors as appropriate, and risk management is overseen by the Risk Management Committee.

(4) Metrics and Goals

(Sustainability in general)

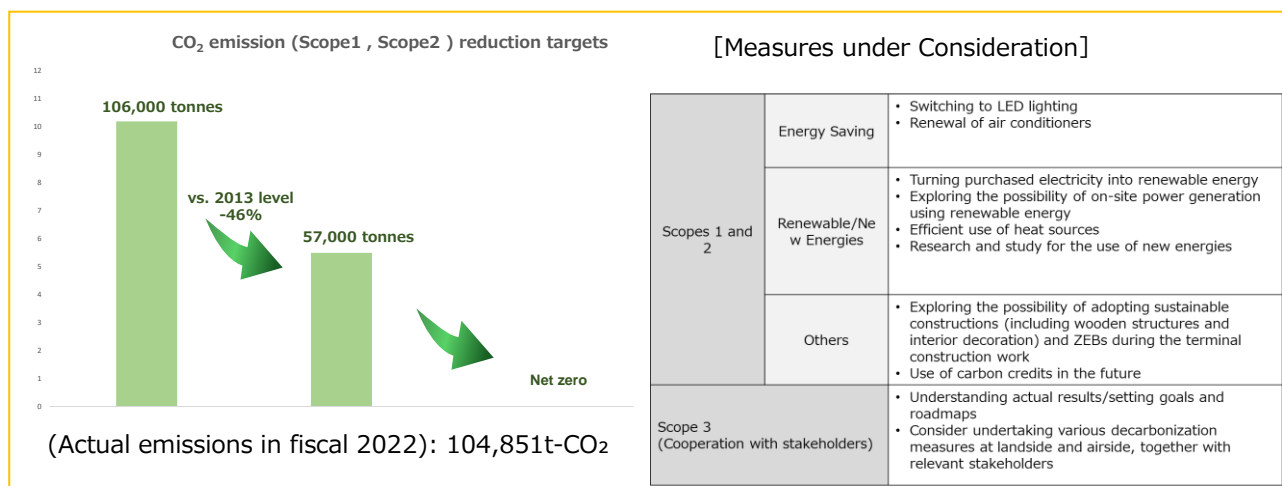
In the Mid-Term Sustainability Plan, we set indicators and targets for each materiality in the three areas of environment, society and people, and governance, and disclosed 27 items.

(Details) Mid-Term Sustainability Plan:

(https://www.tokyo-airport-bldg.co.jp/en/sustainability/medium_term_plan/)

(Climate change)

We have set long-term targets to reduce Scope 1 and Scope 2 GHG emissions (see note) by 46% from 2013 levels by 2030 and to achieve carbon neutrality by 2050.



Note:

- 1) Scope: CO₂ emissions of our Group within Haneda Airport
(excluding emissions from Group-owned vehicles within Haneda Airport)
- 2) Scope of emissions: CO₂ emissions from energy consumed internally as a result of business operations and non-energy-derived CO₂ from waste incineration.

To align the target values with the “Tokyo International Airport Decarbonization Promotion Plan” by the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport, and Tourism, the emission factor and target scope have been revised. Consequently, the base year emissions and the target for FY2030 have been revised upwards.

The long-term objective of achieving net zero by 2050 will encompass all activities within the Minebea Group, including its operational vehicles, off-airport properties, and other non-energy-derived CO₂ emissions.

(Details) Information disclosure based on TCFD recommendations:

(<https://www.tokyo-airport-bldg.co.jp/files/en/ir/000014843.pdf>)

(Natural capital)

Regarding materiality, “Effective Use of Limited Resources,” we have established key performance indicators (KPIs) of a 70% recycling rate for waste from terminals and a 95% recycling rate for food residues from the production of in-flight meals in our group’s in-flight meal business. By the TNFD recommendations, we have disclosed the core indicators that are currently available.

(Details) Disclosure regarding TNFD recommendations:

(<https://www.tokyo-airport-bldg.co.jp/files/en/ir/000014848.pdf>)

(Human capital and diversity)

| Indicators related to the human resources development policy “Think and take on challenges on their own” | | |
|--|---------------------|---|
| Indicator | Target Year | Track Record |
| Number of participants in industry-academia-industry collaborations and other projects | Improved every year | FY2023: Total 24 |
| Number of employees on external assignment | Improved every year | FY2023: 21 |
| Number of participants in the “Learning room” in-house training academy | Improved every year | FY2023: Total 114 |
| Number of participants in internal knowledge acquisition seminars | Improved every year | FY2023: Total 370 |
| 100% IT Passport Acquired | FY2024 | 31.0% (Cumulative number of persons obtained: 60) |
| Number of participants in the “Plus One Promotion” internal branding activities (on a consolidated basis) | Improved every year | 252 participants |
| Indicators related to the Internal Environment Improvement Policy “Corporate Culture Enhances Diverse Human Resources” | | |
| Indicator | Target Year | Track Record |
| Maintain 40% of female managers | FY2027 | FY2023 result: 38.8% |
| 100% of male employees take childcare leave | FY2027 | FY2023 result: 88.9% |
| Gender pay-gap (all employees) | Reduced every year | FY2023 result: 84.7% |
| Gender pay-gap (full-time employees) (Note 1) | Reduced every year | FY2023 result: 87.2% |
| Gender pay-gap (non-regular employees) (Note 2) | Reduced every year | FY2023 result: 48.2% |
| Employment rate of people with disabilities: 6.6% | FY2025 | FY2023 result: 3.6% |
| Percentage of foreign employees | Results management | FY2023 result: 2.4% |
| Percentage of mid-career employees promoted to management roles | Results management | FY2023 result: 35.3% |

Scope of aggregation: The Company (consolidated for certain items)

Notes:

- 1) Excluding loaned employees
- 2) Vice President class non-regular employees, counselors, and persons with disabilities are included.

[Factors contributing to the gender wage gap]

The Company does not differentiate between male and female employees about compensation for the same role. The primary causes of the aforementioned disparity and corresponding measures to address them are outlined below. All figures are as of the end of the 2023 fiscal year.

(a) Full-time employees

It is not anticipated that the differences in average age (40.2 years for men and 36.6 years for women) and average length of service (14.7 years for men and 14.1 years for women) will have a significant impact on the wage gap. Conversely, although the Company has promoted women to management positions and the ratio of women in management positions is approximately 40%, the ratio at the department manager level is only about 20%. This discrepancy in promotion to upper management positions contributes to the wage gap. To address this issue, we will implement a 1-to-1 mentoring program for managers at the section manager level (for both men and women) with senior executives. This program aims to enhance their development and advancement into upper management positions.

(b) Non-regular employees

Among non-regular workers, almost half (47.3%) of mid-career hires (including those with disabilities) are women, and there is no wage discrepancy between men and women. Conversely, the majority of department manager-level temporary employees and external councilors are male. The disparate gender composition of the two groups contributes to the wage gap, with wages for the latter group being almost twice those for the former due to the nature of their duties and the weight of their responsibilities.

(Other related non-financial data)

(Millions of yen)

| Items | | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|--|-------|---------|----------|----------|----------|---------|
| Non-consolidated Number of employees | a | 290 | 264 | 251 | 272 | 293 |
| Consolidated Number of employees (including the temporary and dispatched workers) (Note 1) | b | 5,379 | 4,031 | 3,299 | 3,595 | 4,565 |
| Consolidated Operating Revenues (Note 2) | c | 249,756 | 52,572 | 67,380 | 139,037 | 276,995 |
| Consolidated Operating profit | d | 9,892 | (59,020) | (41,255) | (10,579) | 29,527 |
| Non-consolidated operating revenues per capita | c / a | 861 | 199 | 268 | 511 | 945 |
| Non-consolidated operating profit per capita | d / a | 34 | (224) | (164) | (39) | 101 |
| Consolidated operating revenues per capita | c / b | 46 | 13 | 20 | 39 | 61 |
| Consolidated operating profit per capita | d / b | 2 | (15) | (13) | (3) | 6 |

Notes:

- 1) The number of temporary and dispatched employees is calculated based on the number of hours worked during the last month of the fiscal year.
- 2) While the “Accounting Standard for Revenue Recognition” and other standards have been applied since the beginning of FY2021, operating revenues and related indicators calculated under the former standards are presented for comparison over time.

3. Risk Factors

The following is a list of major risks that management recognizes as having the potential to materially affect the consolidated company's financial position, results of operations, and cash flows, among other matters, related to the business and accounting conditions described in the Annual Securities Report. However, these are not an exhaustive list of all the risks facing our Group, and other matters not mentioned may also have an impact. Forward-looking statements in this text are based on the Group's judgment as of the end of the current consolidated fiscal year.

(1) The Group's Business Base

The Group has been designated as an airport facility operator at Haneda Airport by the Airport Law. As a company that constructs, owns, manages, and operates three passenger terminals and two multi-story parking garages, the Group leases office space and other facilities, operates stores at the airport for the sale of products (including food products), and restaurants and manufactures and sells in-flight meals and provides travel services.

At Narita Airport and other hub airports, the Group operates merchandise sales and food and beverage services, including the production and sale of in-flight meals, as well as real estate leasing and other businesses that make effective use of company-owned land outside of airports. The Group also leases to other parties' commercial real estate it owns outside of airports and applies the experience we have accumulated over the years to develop new businesses both inside and outside airport facilities.

(2) Risk management structure

For the Group, which is responsible for the construction, management, and operation of passenger terminals of highly public interest, ensuring the continuity of our business is a social mission, and we recognize that in an uncertain society where new risks are emerging, understanding the risks surrounding our business and taking countermeasures are important issues in ensuring organizational resilience. We recognize that understanding the risks surrounding our business and taking countermeasures are important issues for ensuring the resilience of our organization.

For risks that have been evaluated as incredibly important to our business (priority risks), we have a system in place to repeatedly review the status of the response and verify the effectiveness of the management process. This includes the Risk Management Committee, which is chaired by the President and Representative Director. The Risk Management Committee provides regular updates on priority risks based on risk information collected across the Company. The committee's deliberations are reported to the Board of Directors as needed to ensure effective risk management supervision.

(3) Group business and other risks

A two-axis evaluation of risk impact and frequency (rate of expansion) identified 18 priority risks, which were then classified according to the nature of the risk.

To minimize the business impact of these risks, The Group has diversified its revenue structure by region (Haneda Airport, Narita Airport, and others) and by segment (facility management, merchandise sales, and food and beverage). We are also strengthening our efforts in new businesses. In addition, we are striving to strengthen the Group's corporate structure and enhance its overall strength by strengthening measures to address the increase in operating expenses in each business field.

| Category | Priority risk |
|---------------------------------------|---|
| Risk management (external factors) | Terrorist and subversive activities Significant deterioration of airport functions (natural disasters/accidents) Serious infectious disease outbreaks Inadequate cyber-security measures |
| Business processes (internal factors) | Inadequate product management (food safety, excess inventory) Deficiencies in supply chain management |
| Management infrastructure | Insufficient human capital and training, low engagement Insufficient group governance Lack of DEI promotion and respect for human rights Violation of financial covenants Acquisitions without Consent |
| Changes in the business environment | Addressing Environmental Issues Responding to changes in behavior and technological innovation Change in policy (public regulation) New business, acquisitions, and capital expenditures Abrupt and large fluctuations in market conditions Diversification of sales mix (easing airline dependence) Changes in the International Situation |

(a) Risk management (external factors), and Business processes (internal factors)

Risk management (external factors) and Business processes (internal factors) are a classification of risks that must be prevented from materializing in the course of business operations.

The Group is committed to disaster prevention, crime prevention, and accident prevention so that passengers can use the passenger terminals safely and comfortably, and we always pay the fullest attention to merchandise management and supply chain management in conducting our business operations. However, the following events could significantly impact the Group's business results and financial position.

- In case of a terrorist act or subversive activity that causes personal or property damage to the airport or passenger terminal.
- In case of natural disasters or accidents that cause personal or property damage to the airport or passenger terminals, or flight cancellations.
- In case of a significant decrease in airline demand due to the spread of a serious infectious disease.
- In case of leakage of personal Information, or serious failure of the information system or communication network operated by our group.
- In case of quality assurance problems such as food poisoning or contamination by foreign substances in restaurants, or stores, resulting in damage to the corporate image or administrative penalties.
- In case of difficulties in obtaining foreign-made materials, disruption of logistics, or deterioration of reputation due to inappropriate procurement activities.

(b) Management infrastructure

Management infrastructure is a classification of risks that may become risks in themselves if they are not adequately maintained.

To manage the Group must have appropriate recognition of the high level of safety and public interest of the passenger terminal business, as well as an understanding of the critical management resources that are the source of the Company's corporate value (highly original technology and know-how, knowledge, and information in specific market fields, deep relationships of trust with business partners cultivated over a long period, high-quality human resources with expertise in specialized fields).

Through its medium-term business plan, the Group is working to promote DX, strengthen its organization, human resources, and governance, and reinforce its management base through financial strategies. However, the following events could significantly impact the Group's business results and financial position.

- In case of situations where store operations, introduction of new technologies, or promotion of new businesses are restricted due to a shortage of human resources, or other reasons.
- In case a situation should arise regarding the lack of coordination of information and penetration of head office policies between the head office business units and group companies.
- In case of situations that may damage the corporate image in terms of ensuring diversity and respect for human rights, such as lack of personalized and diverse services, forced labor or child labor in supplier products, and so on.
- In case the Company violates the financial covenants attached to the syndicated loan agreement concluded with the financial institutions concerned due to a downgrade of the Company's credit rating beyond a certain level, and a situation should arise in which the Company loses the benefit of time.
- In case of control of the Company's financial and business policy decisions by an inappropriate person, resulting in damage to the Company's corporate value and harm to the interests of the Company and, in turn, to the common interests of its shareholders.

(c) Changes in the Business Environment

Changes in the business environment are a classification of risks that are expected to materialize due to changes in the external environment and for which management strategies are required to prevent losses or to expand or transform opportunities.

The core of the Group's business is highly dependent on airlines, which are its main leasing partners major customers, and airline passengers, and the following events could have a significant impact on the Group's business results and financial position.

- In case of a situation should arise in which the Group's reputation among customers and business partners is damaged or the Group faces difficulty in procuring funds to address environmental issues, or if the Group is obligated to reduce greenhouse gas (GHG) emissions, create a trading system, or impose charges or other cost-bearing regulations that are tightened.
- In case of a change in passenger behavior that results in a decrease in demand for air travel, or a change in purchasing methods due to technological innovation that results in a decrease in willingness to purchase at airport stores.
- In case the laws and regulations, systems, or airport management policies about airport building operations are changed by the government or administrative authorities, which are the establishment and administrators of airports. (Further progress is being made in the airport management reform being promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) with the enactment of the Law Concerning Operation of Airports under National Management Utilizing Private Sector Capabilities.)
- If, as a result of investments in new businesses or the implementation of capital expenditures, political instability in overseas operations or a deviation from the assumed return on investment occurs.
- In the event of sudden and drastic changes in market conditions resulting in price increases, sharp fluctuations in exchange rates, or other disruptions.
- In this case, the Group's dependence on aviation has not been alleviated due to a delay in diversifying its sales mix when air passengers at Haneda and Narita Airports, its main business areas, declined.
- In case of a decrease in demand for international flights due to changes in the international situation, such as worsening Japan-China relations due to the Taiwan emergency.

[The Impact of the Situation on Russia and Ukraine]

The Russian-Ukrainian conflict has been protracted, and economic sanctions imposed on Russia by Western countries have caused a slowdown in trade, which has had a significant impact on the global economy. Even before the situation, there had been concerns about the rapid increase in demand for crude oil and other commodities due to the recovery from the COVID-19 pandemic, supply chain disruptions, accompanying sharp rises in material prices, inflation risk, and other issues. The recent Russia's invasion of Ukraine has caused resource and food prices to soar even higher, semiconductors to be in short supply, and the yen to depreciate in the exchange market.

In the Group's business, in addition to the impact on aircraft operations between Japan and Europe, there are concerns about increases in utilities, transportation costs, and food and beverage costs due to higher energy and food prices, as well as an increase in capital expenditures due to soaring costs of materials. In addition, the amount of investment in the Khabarovsk International Airport project, in which we participate, is small and will not have a significant impact on our business performance.

4. Analyses of Consolidated Financial Position, Operating Results, and Cash Flows from the management's perspective

A. Overview of Results of Operations

(1) Analysis of Consolidated Business Results for FY 2023

During the fiscal year ending March 31, 2024, although some parts were at a standstill, the Japanese economy showed a gradual recovery. In the forthcoming period, it is anticipated that the gradual recovery trend will persist, driven by the impact of various policy measures and accompanied by an improvement in the situation surrounding labor and income. However, there is a risk that a downturn in overseas economies, such as the effects of the tightening of monetary policy around the globe and concerns about the outlook for the Chinese economy, will put downward pressure on the Japanese economy. Moreover, it is necessary to pay sufficient attention to price increases, the situation surrounding the Middle East region, and volatility in the financial and capital markets among other factors.

The airline industry continued to see a steady recovery in demand due to the full lifting of restrictions on activities concerning COVID-19 in May 2023. The number of passengers at Haneda Airport increased by about 15% compared to FY2022 for domestic flights and recovered to approximately 90% of the level of 2019 (calendar year) before the impact of the COVID-19 pandemic hit. The number of passengers for international flights was slightly less than 3 times that of FY2022. This is a record number of passengers surpassing the number of passengers in 2019 (calendar year).

Under these circumstances, to achieve the long-term vision, “To Be a World Best Airport,” the JAT Group is steadily implementing various measures outlined in the Medium-Term Business Plan.

In terms of facilities, we are working together with the Japanese Government and the airline companies to respond to the rapidly recovering international passenger demand. Such efforts include extending the operating hours of the Terminal 2 international flight facilities which have been put back into service since July 2023. In addition, we have been undertaking tasks including renovation and seismic retrofitting work in preparation for a major disaster. Moreover, we are steadily pushing forward investment plans for the future including the construction of a connection between the satellite building on the north side of Terminal 2 and the main terminal building and the construction of the satellite building on the north side of Terminal 1. In parallel, we are working toward the realization of a carbon-neutral society through the reduction of energy consumption by increasing the efficiency of air conditioners and switching to LED lighting throughout the terminal buildings. We are also studying the conversion of airport vehicles to electric vehicles at Haneda Airport and the utilization of CO₂-free hydrogen in collaboration with ENEOS Corporation.

In terms of sales, to capture the strong demand of inbound visitors, in addition to extending the hours of operation of duty-free stores, we opened “JAPAN MASTERY COLLECTION” in the departure area of Terminal 3 which aims to become a luxury brand that contributes to regional revitalization. We are promoting a wide collection of made-in-Japan products, including original products, which feature world-class skills and their best from Haneda to the rest of the world. For domestic flights, we have been actively holding events featuring local products from various regions of Japan among other initiatives. We opened “Haneda Sanchokukan” in Terminal 1 and will contribute to regional revitalization by continuously communicating the charms of each region through promotional booths for regional cooperation. Furthermore, a new service, “HANEDA Point,” was added to the official Haneda Airport app in March of this year to improve convenience and satisfaction for the members who signed up on the app.

Outside of Haneda Airport, in line with the recovery in international passenger volume at each of the hub airports, we resumed operations and renovated our directly managed stores. In addition, we opened the new JAPAN DUTY FREE Ibaraki Airport Shop in March 2024. At HANEDA INNOVATION CITY, located adjacent to Haneda Airport, we opened “terminal.0 HANEDA” in February 2024, a research and development center that will solve issues at the airport through collaboration across different industries. We will continue to work on the creation of business jointly with member companies and organizations.

In terms of management foundation, in addition to strengthening our recruiting efforts to secure talent, we are also working to improve the compensation and benefits of our employees to achieve high retention. In addition, through the increase of literacy concerning digital transformation for all employees, an internal branding project called “Plus One Promotion”, an industry-academia collaboration project with the University of Tokyo, expansion of recruitment of people with disabilities, and other initiatives, we aim talents who “Think by oneself and take on challenges” to excel and aim to foster a corporate culture in which diverse workforce promote each other's growth. Concerning our sustainability-related initiatives, in addition to the information disclosure based on the recommendations by the TCFD (Task Force on Climate-related Financial Disclosures), we are continuing to enhance our communication efforts through initiatives such as the integrated report issued in November.

As a result of the above, concerning the consolidated financial results for the fiscal year ended March 31, 2024, operating revenues were ¥217,578 million (an increase of 92.5% year-on-year) due to the increase in operating revenues across all of the business segments in line with the recovery of passenger volume. Operating expenses increased from the previous year due to an increase in passenger volume and sales, but the increase in sales was the driving force and as a result, operating income was ¥29,527 million (compared to an operating loss of ¥10,579 million during the previous year), ordinary income was ¥27,225 million (compared to ordinary loss of ¥12,064 million during the previous year), both of

which were record high. And net income attributable to owners of the parent was ¥19,255 million (compared to net loss attributable to owners of the parent of ¥3,901 million during the previous year).

| Operating Results | (Millions of yen) | | |
|--|---|---|------------------|
| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) | Year-on-Year (%) |
| Operating revenues | 113,050 | 217,578 | 92.5 |
| [Facilities Management] | 63,280 | 91,736 | 45.0 |
| [Merchandise Sales] | 41,317 | 111,175 | 169.1 |
| [Food and Beverage] | 8,452 | 14,667 | 73.5 |
| Operating profit (loss) | (10,579) | 29,527 | - |
| Ordinary profit (loss) | (12,064) | 27,225 | - |
| Net profit (loss) attributable to owners of the parent | (3,901) | 19,255 | - |

Haneda Airport Passenger Terminal was awarded the world's highest standard "5-star Airport" rating for the tenth consecutive year in the "World Airport Star Rating" conducted by SKYTRAX of the United Kingdom. In the "WORLD AIRPORT AWARDS 2024", we were awarded first place in the "World's Cleanest Airports" (for the ninth consecutive year), "World's Best Domestic Airports" (for the twelfth consecutive year), and "World's Best PRM / Accessible Facilities" (for the sixth consecutive year). In addition, Haneda Airport was ranked third in the "Best Airports in Asia," a comprehensive evaluation of airports in Asia, and fourth in the "World's Best Airports," a comprehensive evaluation of airports.

(Note: PRM stands for "Persons with Reduced Mobility" which means the elderly, a person with disability or injury.)

The JAT Group will continue to strive to improve convenience, comfort, and functionality while establishing absolute safety at the passenger terminal, which is a social infrastructure, and to contribute to the continuous creation of value at Haneda Airport and the further growth of air transportation, thereby enhancing our corporate value.

Overview by Segment

The following is a breakdown of earnings (loss) by segment. Note that the figures for operating revenues of each segment include intersegment sales and the figures for operating profit (loss) are equivalent to those for segment profit (loss).

[Facilities Management]

| Operating Results | (Millions of yen) | | |
|----------------------------------|---|---|---------------------|
| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) | Year-on-Year (%) |
| Sales to external customers | 63,280 | 91,736 | 45.0 |
| Rent revenue | 19,852 | 20,020 | 0.8 |
| Facility user charges revenue | 29,325 | 52,436 | 78.8 |
| Other revenues | 14,102 | 19,279 | 36.7 |
| Intersegment sales and transfers | 2,391 | 3,126 | 30.7 |
| Total Operating Revenues | 65,672 | 94,862 | 44.4 |
| Segment profit (loss) | (3,133) | 17,880 | - |

Rent revenue increased slightly from the previous year primarily due to the increase in rent income on a percentage basis, although the quarantine space we were renting to the Japanese Government was returned as a result of the termination of the border control measures.

Revenue from facility user charges increased from the previous year primarily due to the increase in the Passenger Service Facility Charge (PSFC) driven by the recovery in passenger volume.

Other revenues increased from the previous year primarily due to the increase in paid lounge sales, parking revenue, and revenue from advertisement within terminal buildings.

On the expense side, the costs for terminal maintenance and management, such as outsourcing and commission and repair costs have increased in line with the increase in passenger volume and price increases.

As a result, operating revenues from facilities management operations was ¥94,862 million (an increase of 44.4% year-on-year). Operating income for the segment was ¥17,880 million (compared to an operating loss of ¥3,133 million during the previous year).

[Merchandise Sales]

(Millions of yen)

| Operating Results | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) | Year-on-Year (%) |
|--|---|---|---------------------|
| Sales to external customers | 41,317 | 111,175 | 169.1 |
| Sales at domestic terminal stores | 10,372 | 13,097 | 26.3 |
| Sales at international terminal stores | 19,476 | 70,039 | 259.6 |
| Other revenues | 11,469 | 28,037 | 144.5 |
| Intersegment sales and transfers | 892 | 1,561 | 74.9 |
| Total Operating Revenues | 42,210 | 112,736 | 167.1 |
| Segment profit | 1,640 | 21,084 | - |

Sales at domestic terminal stores increased from the previous year because of the recovery in domestic passenger volume.

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 in addition to the rise in unit purchase prices by clients at duty-free shops driven by depreciation of Japanese yen.

Other revenues increased from the previous year because of the increase in revenue for the wholesaling business serving international flights at other airports.

As a result, operating revenues from merchandise sales operations was ¥112,736 million (an increase of 167.1% year-on-year) and operating income for the segment was ¥21,084 million (compared to operating income of ¥1,640 million during the previous year).

[Food and Beverage]

(Millions of yen)

| Operating Results | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) | Year-on-Year (%) |
|-------------------------------------|---|---|---------------------|
| Sales to external customers | 8,452 | 14,667 | 73.5 |
| Sales from food and beverage stores | 5,489 | 7,206 | 31.3 |
| Sales from in-flight meals | 2,487 | 6,179 | 148.4 |
| Other revenues | 475 | 1,281 | 169.5 |
| Intersegment sales and transfers | 953 | 722 | (24.2) |
| Total Operating Revenues | 9,405 | 15,389 | 63.6 |
| Segment profit (loss) | (1,365) | 65 | - |

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 due to the recovery in passenger volume of the foreign carriers at Haneda Airport and Narita Airport.

As a result, operating revenues from food and beverage operations were ¥15,389 million (an increase of 63.6% year-on-year). Despite the impact of curtailed operating hours of restaurants caused by the shortage of labor and the increase in food price and labor cost, among other factors, operating income for the segment was ¥65 million (compared to an operating loss of ¥1,365 million during the previous year).

(2) Analysis of Consolidated Cash Flows for FY 2023

Cash and cash equivalents at the end of FY2023 decreased by ¥14,845 million compared to the previous fiscal year end to ¥75,395 million.

The following is a summary of cash flows and the factors behind these flows for FY2023.

[Cash flows from operating activities]

Cash flows from operating activities increased by ¥31,435 million from the previous fiscal year (up 192.5% year-on-year), resulting in a cash inflow of ¥47,761 million.

This was primarily due to the booking of income before income taxes and non-controlling interests (the previous year was a loss before income taxes and non-controlling interests).

[Cash flows from investing activities]

Concerning cash flows from investing activities, cash outflow increased by ¥32,358 million from the previous fiscal year (up 304.5% year-on-year), resulting in a cash outflow of ¥42,986 million.

This was primarily due to expenditures for the acquisition of tangible fixed assets and expenditures for the acquisition of securities.

[Cash flows from financing activities]

Concerning cash flows from financing activities, cash outflow increased by ¥7,008 million from the previous fiscal year (up 55.4% year-on-year), resulting in a cash outflow of ¥19,649 million.

This was primarily due to cash outflow from the payment of long-term loans payable and payment of dividends.

(3) Production, orders received, and sales

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

Therefore, please refer to “3. Description of Business” in “Item 1. Overview of the Company and its Consolidated Subsidiaries” for the financial results of each segment.

Operating revenues for the current fiscal year were as follows:

(Millions of Yen)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) | Year-on-Year (%) |
|---|---|---|---------------------|
| Facilities Management | 63,280 | 91,736 | 45.0 |
| Rent revenue | 19,852 | 20,020 | 0.8 |
| Facility user charges revenue | 29,325 | 52,436 | 78.8 |
| Other revenues | 14,102 | 19,279 | 36.7 |
| Merchandise Sales | 41,317 | 111,175 | 169.1 |
| Sales at domestic terminal shops | 10,372 | 13,097 | 26.3 |
| Sales at international terminal shops | 19,476 | 70,039 | 259.6 |
| Other sales | 11,469 | 28,037 | 144.5 |
| Food and Beverage | 8,452 | 14,667 | 73.5 |
| Sales from food and beverage operations | 5,489 | 7,206 | 31.3 |
| Sales from in-flight meals | 2,487 | 6,179 | 148.4 |
| Other sales | 475 | 1,281 | 169.5 |
| Total | 113,050 | 217,578 | 92.5 |

Notes:

- 1) Transactions between segments are eliminated on consolidation.
- 2) Data on leasing regarding rental revenue in Facilities Management is summarized as follows:

(m²)

| | FY2022 (From April 1, 2022 to March 31, 2023) | | FY2023 (From April 1, 2023 to March 31, 2024) | |
|--------------------------------------|---|-------|---|-------|
| Total floor space owned by the Group | 970,497 | (%) | 970,497 | (%) |
| Total leasable floor space | 332,856 | 100.0 | 332,792 | 100.0 |
| Total leased floor space | 323,718 | 97.3 | 324,519 | 97.5 |
| Airlines | 158,328 | 47.6 | 158,359 | 47.6 |
| General tenants | 62,422 | 18.8 | 62,281 | 18.7 |
| Used by the Group | 102,966 | 30.9 | 103,877 | 31.2 |

B. Analyses of Consolidated Financial Position, Operating Results and Cash Flows

Forward-looking statements contained herein are based on the judgment of the Group (the Company and its consolidated subsidiaries) as of the end of the current fiscal year.

(1) Analysis of consolidated financial position

[Assets]

Current assets increased by ¥5,768 million from the previous fiscal year's end to ¥120,756 million primarily because of the increase in accounts receivable due to the increase in sales of merchandise driven by the recovery in passenger volume. Fixed assets increased by ¥7,699 million from the previous fiscal year's end to ¥339,667 million primarily due to capital expenditure.

As a result, total assets increased by ¥13,468 million from the previous fiscal year's end to ¥460,423 million.

[Liabilities]

Total liabilities decreased by ¥11,617 million from the previous fiscal year end to ¥294,386 million because of the decrease of long-term loans payable for the Company and Tokyo International Air Terminal Corporation (TIAT) due to payment despite the increase in accounts payable driven by the increase in purchases of goods.

[Net assets]

Total net assets increased by ¥25,085 million from the previous fiscal year's end to ¥166,036 million. This is primarily due to booking net income for the year.

As a result, the equity ratio was 36.5% (compared to 33.6% at the previous fiscal year-end).

(2) Analysis of operating results

The Group's operating results and sales by segment for the current fiscal year are described in “(1) Analysis of Consolidated Business Results for FY22” in “A. Overview of Results of Operations”

In its medium-term business plan for fiscal years 2022 to 2025, the Group has set the following indicators and targets for fiscal year 2025 (the last year of the plan).

| Classification | Indicators | Targets for FY2025 |
|-------------------------|-------------------------|---|
| Profitability (overall) | Consolidated net profit | 20 billion yen or more |
| Profitability | Cost reduction measures | 2.5 billion yen (10% of the operating profit target of 25 billion yen in the previous medium-term plan) |
| Efficiency | ROA (EBITDA) | 12% or more |
| Stability | equity ratio | Aim to restore to 40% level |
| Return to shareholders | Payout ratio | 30% or more |
| Airport rating | SKYTRAX rating | World's best airport ranking TOP3 |

For details, please refer to “(2) Target Indicators for Judging the Achievement of Management Objectives” in “1. Management Policy, Business Environment and Issues to be addressed.”

The progress of each indicator for FY 2023 is as follows.

[Consolidated net profit] [Cost reduction measures]

The consolidated net income for the current fiscal year was 19,255 million yen.

The implementation of cost-reduction measures is progressing well. These measures include a review of operations, the continuation of post-reduction initiatives based on insights gained from the COVID-19 disaster, the utilization of robots and other technologies, and the updating of equipment to enhance energy efficiency.

[ROA (EBITDA)]

ROA (EBITDA) for the current fiscal year was 12.7%.

[Equity Ratio]

The equity ratio at the end of the current fiscal year was 36.5%.

[Dividend payout ratio]

The dividend payout ratio for the current fiscal year was 32.4%.

[SKYTRAX Evaluation Ranking]

In the “WORLD AIRPORT AWARDS 2024” held in March this year, Haneda Airport's passenger terminal was ranked 4th in the world in the “World's Best Airports” category.

In the current fiscal year, revenues in all segments exceeded the previous year's levels due to an increase in merchandise sales and facility usage fee revenues. This reflects a recovery in passenger volume and strong inbound demand. Despite efforts to secure personnel and services in various areas in response to the rapid recovery in demand following the COVID-19 disaster, cost increases were contained, resulting in record highs for both operating income and ordinary income. In FY2024, we anticipate an uptick in facility maintenance and management costs, driven by the expansion of service aspects and quality improvement initiatives. Additionally, we expect to see a rise in maintenance and repair costs, which were previously kept to a minimum to accommodate the needs of the COVID-19 disaster. We will continue to implement each measure in the medium-term management plan steadily and consistently. Our goal is to achieve the revenue target for FY2025, which has been newly revised, and to improve the airport's reputation.

(3) Analysis and discussion of cash flows and information on capital resources and liquidity of funds

For an analysis of cash flows, see “(2) Analysis of Consolidated Cash Flows for FY 2023” in “A. Overview of Results of Operations”

The Company's capital policy is based on the principle of pursuing an optimal capital structure for the Company in terms of financial soundness and capital efficiency, while at the same time seeking an optimal balance between building internal reserves in preparation for major capital investments in passenger terminal buildings and other facilities and returning profits to shareholders.

Working capital is provided by our funds, but we have established a term loan with a commitment period and committed line agreements with a total limit of 9 billion yen to meet unforeseen contingencies.

The Company raises funds for major capital investments such as passenger terminal buildings through its funds, long-term loans from financial institutions, and corporate bonds. In addition, the Company strives to diversify and stabilize fund procurement and reduce fund procurement costs by maintaining a rating of single A-plus or higher (by a Japanese rating agency), and for a portion of borrowings corresponding to capital investments, the Company uses interest rate swaps and other means to avoid excessive exposure to interest rate fluctuation risk. Among the consolidated subsidiaries, Tokyo International Air Terminal Corporation (TIAT), a PFI business, is primarily required to ensure the stability and continuity of its business, and therefore, large-scale capital investments such as passenger terminal buildings are financed by long-term borrowings or subordinated bonds using the project financing method.

In addition, the Group has implemented a cash management system (CMS) to centralize the procurement and management of funds within the Group to efficiently utilize funds and reduce financing costs.

Cash and cash equivalents at the end of the fiscal year were 75,395 million yen, and interest-bearing debt, including loans, was 228,284 million yen.

(4) Critical accounting policies and estimates

The consolidated and non-consolidated financial statements of the Company have been prepared by accounting principles generally accepted in Japan. The transactions underlying the preparation of these financial statements are properly recorded in the accounting records. Write-downs of inventories are calculated and recorded by multiplying the value of inventories by the write-down ratio for obsolete goods.

The accounting estimates used in the preparation of the consolidated financial statements and the assumptions, if any, made in making such estimates are significant as described in “(Significant accounting estimates)” in “Notes on the Consolidated Financial Statements” in “A. Consolidated Financial Statements” in “1. Consolidated Financial Statements, and Others” in “Item 5. Financial Information.”

(5) Forecast for FY 2024 (the fiscal year ending March 31, 2025)

In the next fiscal year, passenger volume at both domestic and international flights at Haneda Airport is expected to increase as its steady recovery continues. Due to further increase and resumption of flights, for the full year, the number of passengers for international flights is expected to be more than 80% of the planned level, which is after the expansion of arrival and departure slots that took place in March 2020.

Under these circumstances, the JAT Group will steadily capture passenger demand and increase earnings. At the Terminal 2 international facilities, operations were further expanded starting from the summer timetable at the end of March this year, and swing operations have begun at some spots, switching between domestic and international flights depending on the time of day. In addition, in preparation to accommodate future passenger growth and further improve passenger convenience, we plan to commence service of the connection between the main building and the satellite building of Terminal 2 at the end of FY2024.

On the other hand, despite a significant increase in the number of international passengers during the current fiscal year, costs were kept down due to the impact of labor shortages and continued efforts to improve the efficiency of terminal maintenance, management, and operations. In the next fiscal year, we anticipate higher costs for outsourcing, repairs, and rent, in addition to rising raw material and material prices and continued increases in labor costs.

The expected earnings by segment are as follows.

For the Facility Management business, operating revenue is expected to exceed that of the current fiscal year, mainly due to an increase in revenue from facility user charges resulting from a recovery in passenger volume, but operating income is expected to decrease primarily due to higher terminal maintenance and management costs. For the Merchandise Sales business, both operating revenue and operating income are expected to exceed those of the current fiscal year, primarily due to an increase in merchandise sales resulting from an increase in the number of passengers on Haneda international flights. For the Food and Beverage business, both operating revenue and operating income are expected to exceed those of the current fiscal year due to extended operating hours at our directly managed food and beverage outlets and increased revenue from in-flight meals.

Based on the above, for the consolidated forecast of FY2024, we forecast operating revenue of ¥253,800 million (up 16.6% year-on-year), operating income of ¥27,100 million (down 8.2% year-on-year), ordinary income of ¥24,300 million (down 10.7% year-on-year), and net income attributable to owners of the parent of ¥15,500 million (down 19.5% year-on-year).

| | Unit | FY2023 (Actual) (Note) | FY2024 (Forecast) | Year-on-year (%) |
|---|-----------------|---------------------------|----------------------|---------------------|
| Haneda Airport Domestic flight | Million people | 61.13 | 65.64 | 7.4 |
| Haneda Airport International flight | Million people | 19.09 | 21.48 | 12.5 |
| Haneda Airport (Total) | Million people | 80.22 | 87.12 | 8.6 |
| Operating revenue | Millions of yen | 217,578 | 253,800 | 16.6 |
| Operating profit | Millions of yen | 29,527 | 27,100 | (8.2) |
| Ordinary profit | Millions of yen | 27,225 | 24,300 | (10.7) |
| Net profit attributable to owners of the parent | Millions of yen | 19,255 | 15,500 | (19.5) |

Note: The Company compiled the number of passengers for FY2023 based on preliminary figures released by the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

5. Material Agreements

Not applicable.

6. Research and Development Activities

Not applicable.

Item 3. Property, Plant, and Equipment

1. Overview of Capital Investment

The Group's total capital investment for the current fiscal year was 27,685 million yen, primarily allocated to the construction of a satellite on the north side of Terminal 1 and the connection between the satellite and the main building on the north side of Terminal 2.

2. Major Facilities

The principal facilities of the Group are as follows.

(1) The Company

(As of March 31, 2024)

| Name and location | Operating segment | Facilities & equipment | Book value (Millions of yen) | | | | | | Number of employees |
|---------------------------------|-----------------------|------------------------|------------------------------|------------------------|---------------------|-------|--------|--------|---------------------|
| | | | Buildings | Machinery and vehicles | Land [square meter] | Lease | Others | Total | |
| Haneda Airport (Ohta-ku, Tokyo) | Facilities management | Terminal 2 | 65,350 | 2,539 | - [-] | 937 | 16,306 | 85,134 | 35 |
| | | Terminal 1 | 24,617 | 316 | - [-] | - | 15,153 | 40,086 | 35 |
| | | P4 parking | 3,306 | 79 | - [-] | - | 256 | 3,642 | - |

(2) Subsidiary located in Japan

(As of March 31, 2024)

| Company | Name and location | Operating segment | Facilities & equipment | Book value (Millions of yen) | | | | | | Number of employees |
|---|---|-----------------------|---------------------------|------------------------------|------------------------|---------------------|-------|--------|---------|---------------------|
| | | | | Buildings | Machinery and vehicles | Land [square meter] | Lease | Others | Total | |
| Tokyo International Air Terminal Corporation (TIAT) | Haneda Airport (Ohta-ku, Tokyo) | Facilities management | Terminal 3 | 82,429 | 7,575 | - [-] | 22 | 29,824 | 119,850 | 33 |
| | | | P5 parking | 8,283 | 15 | - [-] | - | 13 | 8,312 | - |
| | | | Terminal 2 | 3,191 | 432 | - [-] | 1 | 427 | 4,052 | 1 |
| | | Merchandise sales | Terminal 3 shop equipment | 4,865 | - | - [-] | - | 902 | 5,768 | 8 |
| | | | Terminal 2 shop equipment | 1,519 | - | - [-] | - | 173 | 1,693 | 2 |
| Cosmo Enterprise Co., Ltd. | Daiei Satellite (Narita City, Chiba Prefecture) | Food and beverage | Food processing equipment | 792 | 71 | 557 [39,352] | 24 | 4 | 1,451 | 62 [31] |

(3) Subsidiary located in overseas

Equipment of foreign subsidiaries is excluded as immaterial.

Notes:

- 1) "Others" in the book value is the total amount of tools, furniture and fixtures, construction in progress, and leasehold rights.
- 2) The number in brackets [] indicates the number of temporary workers employed.
- 3) The Company leases facilities of Terminal 1 and Terminal 2 at Haneda Airport mainly to airlines.
- 4) The consolidated subsidiary, Tokyo International Air Terminal Corporation (TIAT), leases the facilities of Terminal 3 at Haneda Airport primarily to airlines.
- 5) The Company leases land for Terminal 1 facilities, Terminal 2 facilities, and P4 parking facilities at Haneda Airport. The leased area of Terminal 1 facilities is 97,367 m² and the annual rent is 1,459 million yen, that of Terminal 2 facilities is 129,601 m² and the annual rent is 2,862 million yen, and that of P4 parking facilities is 21,716 m² and the annual rent is 118 million yen.
- 6) The consolidated subsidiary, TIAT, leases land for Terminal 3 and P5 parking facilities at Haneda Airport. The leased area of Terminal 3 facilities is 124,685 m², the leased area of P5 parking facilities is 28,715 m², and the annual rent for Terminal 3 and P5 parking facilities is ¥2,076 million.
- 7) In addition to the above, significant equipment leases include the following:

[The Company]

| Name and location | Operating segment | Facilities & equipment | Lease Term | Annual rent (million yen) |
|------------------------------------|-----------------------|---|------------------|---------------------------|
| Haneda Airport (Ohta-ku, Tokyo) | Facilities management | P1 Parking facilities (including land) | One-year renewal | 436 |

3. Plans for Capital Investment, and Disposal of Property, Plant, and Equipment

As of the end of the current consolidated fiscal year, the Group's plans for new construction, renovation, and disposal of major facilities are as follows.

(1) Capital investment

[The Company]

| Location | Operating segment | Facilities & equipment | Estimated amount to invest | Amount already paid | Funding Methods | Planned start date | Expected to complete |
|-------------------|-----------------------|---|----------------------------|---------------------|-----------------|--------------------|-----------------------|
| Ohta-ku, Tokyo | Facilities management | Passenger Terminal 1 North Satellite (New Construction) | 41,000 | 13,627 | Cash and debt | CY2024 | CY2026 and thereafter |
| | | Passenger Terminal 2 (Expansion Construction) | 23,000 | 14,589 | Cash and debt | CY2023 | CY2025 and thereafter |

Note: The description of the increased capacity after completion is omitted because it is difficult to calculate reasonably.

(2) Disposal of Property, Plant, and Equipment

There are no plans to sell or dispose of significant equipment, except for the sale or disposal of equipment for recurring equipment upgrades.

Item 4. Information on the Company

1. Information on the Company's Share

(1) Total number of shares

[Total number of shares]

| Class | Total number of shares authorized to be issued (Shares) |
|---------------|---|
| Common shares | 288,000,000 |
| Total | 288,000,000 |

[Issued shares]

| Class | Number of issued shares at the end of the fiscal year (March 31, 2024) (Shares) | Number of issued shares as of the filing date (June 26, 2024) (Shares) | Name of the stock exchange on which the Company is listed or names of authorized financial instruments firm's associations | Description |
|---------------|---|--|--|---|
| Common shares | 93,145,400 | 93,145,400 | Tokyo Stock Exchange Prime Market | The number of shares constituting one unit is 100 shares. |
| Total | 93,145,400 | 93,145,400 | — | — |

(2) Stock acquisition rights

[Stock option plans]

Not applicable.

[Rights plan]

Not applicable.

[Other stock acquisition rights]

Not applicable.

(3) Exercises of moving strike convertible bonds

Not applicable.

(4) Changes in the number of issued shares, capital stock

| Date | Changes in number of issued shares (Shares) | Balance of number of issued shares (Shares) | Changes in capital stock (Millions of yen) | Balance of capital stock (Millions of yen) | Changes in legal capital surplus (Millions of yen) | Balance of legal capital surplus (Millions of yen) |
|----------------|---|---|--|--|--|--|
| March 5, 2021 | 7,507,900 | 91,984,400 | 17,873 | 35,362 | 17,873 | 39,183 |
| March 20, 2021 | 1,161,000 | 93,145,400 | 2,763 | 38,126 | 2,763 | 41,947 |

Notes:

1) Issuance of New Shares by Public Offering (Public Offering)

Issue price: 4,966.00 yen Issue value: 4,761.20 yen, Additional paid-in capital: 2,380.60 yen

2) Paid Third-Party Allotment (Third-Party Allotment in connection with the secondary offering of our shares by way of an over-allotment)

Issue price: 4,761.20 yen, Paid-in capital: 2,380.60 yen, Underwriter: Nomura Securities Co., Ltd.

(5) Shareholding by shareholder category

(As of March 31, 2024)

As of March 31, 2022

| Category | Status of shares (1 unit = 100 shares) | | | | | | | | Shares less than one unit (Shares) |
|-------------------------------|--|------------------------|--|--------------------|------------------------|-------------|------------------------|---------|------------------------------------|
| | National and local governments | Financial institutions | Financial instruments business operators | Other corporations | Foreign shareholders | | Individuals and others | Total | |
| | | | | | Other than individuals | Individuals | | | |
| Number of shareholders | — | 35 | 34 | 299 | 332 | 24 | 8,543 | 9,267 | — |
| Number of shares held (Units) | — | 315,635 | 6,053 | 311,321 | 242,729 | 48 | 55,381 | 931,167 | 28,700 |
| Shareholding ratio (%) | — | 33.89 | 0.65 | 33.43 | 26.06 | 0.00 | 5.94 | 100 | — |

Note: Treasury stock of 9,339 shares is included in "Individuals and others" (93 units) and "Shares less than one unit" (39 shares).

(6) Major shareholders

(As of March 31, 2024)

| Name | Address | Number of shares held (Thousands of shares) | Shareholding ratio (excluding treasury stock) (%) |
|--|---|--|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1-8-1 Akasaka, Minato-ku, Tokyo | 9,308 | 9.99 |
| Japan Airlines Co., Ltd. | 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo | 4,398 | 4.72 |
| ANA Holdings, Inc. | 1-5-2 Higashi-Shinbashi, Minato-ku, Tokyo | 4,398 | 4.72 |
| Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited, Retirement Benefit Trust Account of Keikyu Corporation.) | 1-8-12 Harumi, Chuo-ku, Tokyo | 3,484 | 3.74 |
| Mizuho Bank, Ltd. | 1-5-5 Otemachi, Chiyoda-ku, Tokyo | 3,300 | 3.54 |
| SSBTC CLIENT OMNIBUS ACCOUNT | ONE LINCOLN STREET, BOSTON MA USA 02111 | 3,166 | 3.40 |
| MITSUBISHI ESTATE CO., LTD. | 1-1-1 Otemachi, Chiyoda-ku, Tokyo | 3,111 | 3.34 |
| MUFG Bank, Ltd. | 2-7-1 Marunouchi, Chiyoda-ku, Tokyo | 3,068 | 3.29 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo | 2,821 | 3.02 |
| TAISEI CORPORATION | 1-25-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo | 2,731 | 2.93 |
| Total | - | 39,787 | 42.71 |

Notes:

- 1) In the large shareholding report made available for public inspection on July 19, 2022, MUFG Bank, Ltd. and its joint holders, Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ International Investment Trust Co., Ltd. are listed as holding the following shares as of July 11, 2022, the Company is unable to confirm the number of shares held as of March 31, 2024, except for The MUFG Bank, Ltd. listed in the table above, and therefore they are not included in the above major shareholder situation. The details of the report on major shareholdings are as follows.

| Name | Address | Number of shares held (Thousands of shares) | Shareholding ratio (%) |
|---|-------------------------------------|--|---------------------------|
| MUFG Bank, Ltd. | 2-7-1 Marunouchi, Chiyoda-ku, Tokyo | 3,408 | 3.66 |
| Mitsubishi UFJ Trust and Banking Corporation | 1-4-5 Marunouchi, Chiyoda-ku, Tokyo | 1,646 | 1.77 |
| Mitsubishi UFJ International Investment Trust Co. | 1-12-1 Yurakucho, Chiyoda-ku, Tokyo | 422 | 0.45 |

- 2) Although Capital Research and Management Company is listed as owning the following shares as of June 15, 2023, in the Large Shareholding Report made available for public inspection on June 22, 2023, the Company is unable to confirm the number of shares held by the Company as of March 31, 2024, and, therefore, is not included in the above list of major shareholders. The contents of the Major Shareholder Report are as follows. The details of the major shareholding report are as follows.

| Name | Address | Number of shares held (Thousands of shares) | Shareholding ratio (%) |
|---|---|--|------------------------|
| Capital Research and Management Company | 333 South Hope Street, Los Angeles, CA 90071, USA | 3,839 | 4.12 |
| Capital International Co., Ltd. | 2-1-1 Marunouchi, Chiyoda-ku, Tokyo | 474 | 0.51 |

- 3) In the Large Shareholding Report made available for public inspection on March 7, 2022, Mizuho Bank, Ltd. and its joint holders Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd., and Asset Management One Corporation are listed as holding the following shares as of February 28, 2022, the Company is unable to confirm the number of shares held as of March 31, 2024, except for Mizuho Bank, Ltd. listed in the table above, and therefore they are not included in the above major shareholder situation. The details of the report on major shareholdings are as follows.

| Name | Address | Number of shares held (Thousands of shares) | Shareholding ratio (%) |
|----------------------------------|-------------------------------------|--|------------------------|
| Mizuho Bank, Ltd. | 1-5-5 Otemachi, Chiyoda-ku, Tokyo | 3,300 | 3.54 |
| Mizuho Securities Co. | 1-5-1 Otemachi, Chiyoda-ku, Tokyo | 110 | 0.12 |
| Mizuho Trust & Banking Co. | 1-3-3 Marunouchi, Chiyoda-ku, Tokyo | 201 | 0.22 |
| Asset Management One Corporation | 1-8-2 Marunouchi, Chiyoda-ku, Tokyo | 1,818 | 1.95 |

(7) Voting rights

[Issued shares]

(As of March 31, 2024)

| Classification | Number of shares (Shares) | | Number of voting rights (Units) | Description |
|---|--------------------------------------|------------|---------------------------------|---|
| Shares without voting rights | — | | — | — |
| Shares with restricted voting rights (treasury stock) | — | | — | — |
| Shares with restricted voting rights (others) | — | | — | — |
| Shares with full voting rights (treasury stock) | (treasury stock) | | — | — |
| | Common Shares | 9,300 | | |
| | (cross-held shares) Common Shares | 95,000 | | |
| Shares with full voting rights (others) | Common Shares | 93,012,400 | 930,124 | — |
| Shares of less than one unit | Common Shares | 28,700 | — | The number of shares constituting one unit is 100 shares. |
| Number of issued shares | 93,145,400 | | — | — |
| Total number of voting rights | — | | 930,124 | — |

[Treasury stock]

(As of March 31, 2024)

| Name of shareholders | Address | Number of shares held under own name (Shares) | Number of shares held under the names of others (Shares) | Total shares held (Shares) | Ownership percentage to the total number of issued shares (%) |
|---------------------------------------|---|---|--|----------------------------|---|
| (treasury stock) The Company | 3-3-2, Haneda Airport, Ota-ku, Tokyo | 9,300 | — | 9,300 | 0.00 |
| (cross-held shares) Kanto Kowa Co. | 5-9-1 Shinbashi, Minato-ku, Tokyo | 45,000 | — | 45,000 | 0.04 |
| (cross-held shares) Seikosha Co. | 7-8-13 Nishi-Shinjuku, Shinjuku-ku, Tokyo | 50,000 | — | 50,000 | 0.05 |
| Total | - | 104,300 | — | 104,300 | 0.11 |

(8) Details of the Director and Employee Stock Ownership Plan

(Performance-Linked Stock Compensation Plan for Directors and Executive Officers)

(a) Outline of this program

By resolutions passed at the 80th annual general meeting of shareholders on June 26, 2024, and at each major group subsidiary of the Company in June 2024, the Company has introduced a performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for directors and executive officers, excluding directors who are Audit Committee Members, Outside Directors and non-residents of Japan (hereinafter referred to as “Directors, etc.”) of the Company and its major group subsidiaries.

This plan adopts a mechanism called a Board Incentive Plan (BIP) Trust for Directors and Corporate Auditors. The BIP Trust is an incentive plan for directors and corporate auditors based on the performance-linked stock compensation plan and the restricted stock compensation plan in the United States. As the Share Delivery Regulations separately stipulated, the BIP Trust will deliver or pay out Company shares acquired by the BIP Trust to directors, etc., in proportion to the points granted to them based on the degree of achievement of performance targets, position, and tenure of office, etc., and in an amount equivalent to the cash proceeds from the conversion of the Company shares.

This plan provides for the delivery of the Company’s shares, etc. to Directors, etc. through the BIP Trust established for the implementation of this plan, in principle, for the fiscal year covered by the medium-term management plan set forth by the Company. In principle, the Company’s shares, etc. will be delivered to Directors, etc. after their retirement. The initial period covered by the plan is two fiscal years, FY2024 and FY2025. During this period, the Company will contribute a maximum of 2,292 million yen (including 1,592 million yen for major Group subsidiaries) to the BIP Trust.

(b) Total number of shares of the Company’s stock that may be delivered to directors, etc.

532,000 shares (maximum for two fiscal years. Of these, 376,000 shares will be allocated to major Group subsidiaries.)

(c) Scope of Persons Eligible for Beneficial Interests and Other Rights under the Plan

Directors, etc. who satisfy the requirements for beneficiaries as separately stipulated in the Share Delivery Regulations

2. Acquisitions of Treasury Stock

[Classes of shares]

Acquisition of common stock by Article 155, Item 7 of the Companies Act of Japan.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Not applicable.

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

| Category | Number of shares (Shares) | Total amount (Yen) |
|---|---------------------------|--------------------|
| Treasury stock acquired during the fiscal year | 356 | 2,331,922 |
| Treasury stock acquired during the current period | 20 | 111,380 |

Note: Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from June 1, 2024, to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

| Category | During the fiscal year | | During the current period | |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | Number of shares (Shares) | Total disposal amount (Yen) | Number of shares (Shares) | Total Disposal amount (Yen) |
| Acquired treasury stock that was offered to subscribers for subscription | — | — | — | — |
| Acquired treasury stock that was canceled | — | — | — | — |
| Acquired treasury stock that was transferred due to merger, exchange of shares, issue of shares, or corporate split | — | — | — | — |
| others | — | — | — | — |
| Number of treasury stock held | 9,339 | — | 9,359 | — |

Note: The number of treasury stock held during the current period does not include shares disposed of through the exercise of stock options or request for sale of shares less than one unit of shares during the period from June 1, 2024, to the filing date of this Annual Securities Report.

3. Dividend Policy

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 initiative-taking 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. To actively return profits to shareholders through our business performance, we have set a dividend payout ratio of 30% or more as a target figure in our Medium-Term Business plan.

The Company's policy is to pay dividends from profits twice a year, an interim dividend and a year-end dividend, and the Articles of Association provide that the Company may pay an interim dividend by Article 454, Paragraph 5 of the Companies Act.

The decision-making bodies for these dividends are the Annual General Meeting for the year-end dividend and the Board of Directors for the interim dividend.

After thorough deliberation of the aforementioned dividend policy and our business performance, we have resolved to disburse a year-end dividend of 42 yen per share for the current fiscal year. This comprises an ordinary dividend of 37 yen per share and a commemorative dividend of 5 yen per share, in commemoration of the 70th anniversary of our establishment in July 2023.

In consequence, the annual dividend for the current fiscal year, inclusive of the interim dividend of 25 yen per share already distributed, will be 67 yen per share, representing a payout ratio of 32.41%.

| Date of resolution | Total dividends (in millions) | Dividend per share (yen) |
|--|-------------------------------|--------------------------|
| 25 October 2023 Board Resolution | 2,328 | 25.00 |
| 26 June 2024 Resolution of the Annual General Meeting | 3,911 | 42.00 |

4. Corporate Governance

A. Overview of corporate governance

(1) Basic stance on corporate governance

Recognizing that corporate governance is an important management issue, the Company has appointed outside directors to ensure management transparency since its establishment. The Board of Directors, which generally meets once a month, consists of fifteen directors (including eight full-time directors and seven part-time outside directors, including five independent outside directors) and makes decisions on basic management policies, matters prescribed by laws and regulations, and other important management matters, and supervises the conduct of business. The Audit & Supervisory Committee consists of three independent outside directors and members of the Audit & Supervisory Committee, who attend the meetings of the Board of Directors and other important meetings to monitor the legality and appropriateness of the directors' performance of their duties, as well as the transparency and soundness of management.

(2) Outline of the corporate governance system and reasons for its adoption

The Board of Directors of the Company consists of 15 members, 7 of whom are non-executive outside directors. The Board of Directors generally meets once a month to make decisions on basic management policies, matters required by law, and other important management matters, and to supervise the conduct of business. In addition, the Executive Committee, consisting of full-time directors and executive officers, generally meets once a week to discuss basic policies and important matters related to the conduct of business based on the management policies decided by the Board of Directors, and to supervise the overall business operations.

In addition, the term of office of directors (excluding directors who are members of the Audit & Supervisory Committee) and executive officers is set at one year to respond promptly to changes in the business environment.

The Company is a company with an Audit & Supervisory Committee and that monitors the legality and appropriateness of the directors' conduct of business and the transparency and soundness of management by realizing more transparent management and strengthening the supervisory function of the Board of Directors through the establishment of an Audit & Supervisory Committee composed of a majority of outside directors and by allowing directors who are members of the Audit & Supervisory Committee to have voting rights in the Board of Directors.

In addition, the Remuneration Advisory Committee, which consists of independent non-executive and executive directors, generally meets once a year as a voluntary advisory body to the Board of Directors to ensure the transparency, appropriateness, and objectivity of the compensation system for directors and executive officers and to discuss and make recommendations regarding the compensation system for directors and executive officers.

The Nomination Advisory Committee, which consists of independent outside directors and full-time directors, generally meets once a year. The Committee has been established as a voluntary advisory body to the Board of Directors to discuss and make recommendations on the nomination of candidates for directors and executive officers, based on the basic policy of selecting candidates for directors and executive officers who have a wealth of experience, a high level of insight and a high level of expertise.

While the Company engages in transactions with the outside director's affiliated company, including leasing of passenger terminals and outsourcing of facility management, these transactions are general and do not involve any direct personal interest on the outside director's part.

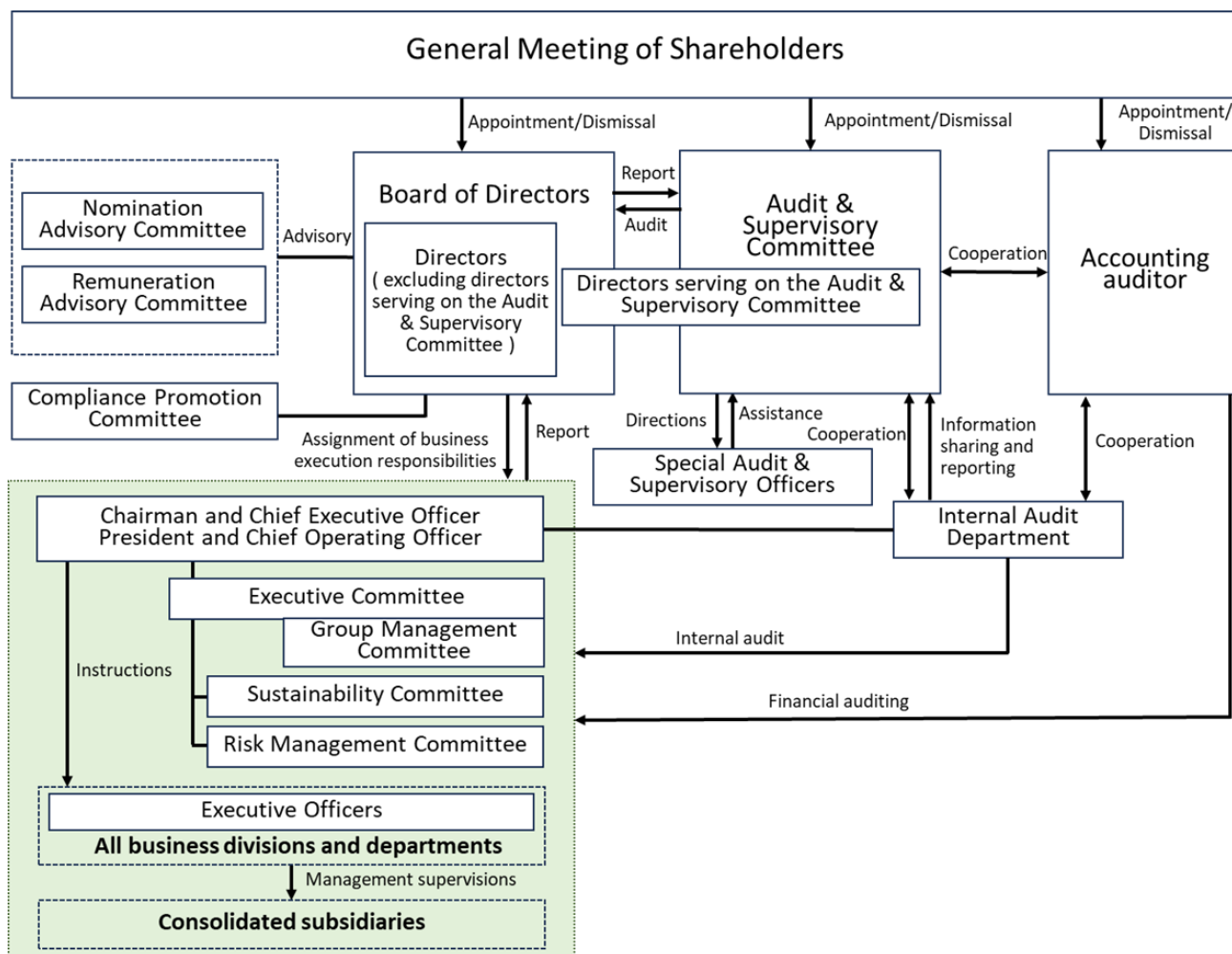
Regarding our sustainability initiatives, we have identified our stakeholders, including customers, shareholders/investors, employees, local communities, and partners, who are relevant to our activities. We have also formulated a basic sustainability policy to promote sustainable business activities while contributing to the development of the economy and society. The Sustainability Committee, chaired by the President and COO, and the Sustainability Management Office, which reports directly to the President and COO, will collaborate with each department to develop a foundational policy and ensure that top management provides leadership. The Sustainability Committee and the Sustainability Management Office, which reports directly to the President, collaborate with each department to update and forecast the materialities and KPIs (Key Performance Indicators) outlined in the Mid-term Sustainability Plan, which was formulated and announced in May 2023, and monitor progress. This has helped to ensure that sustainability initiatives permeate the entire organization and promote sustainable management. The Committee's deliberations are reported to and approved by the Board of Directors after deliberation by the Executive Committee, based on the relationship and consistency with management strategies.

Regarding risk management, the Company has established a Risk Management Committee, chaired by the President and Representative Director, to enhance the sophistication of the Group-wide risk management system. The Committee identifies risks of high importance (priority risks), determines responses to such risks, has a system in place to repeatedly review the status of responses and verify their effectiveness, and reports to the Board of Directors as appropriate, thereby obtaining oversight of risk management.

Regarding compliance, the Company seeks advice from legal counsel on management and business operations as necessary and has established a Legal Affairs Section in the General Affairs and Human Resources Department to which major approval requests are forwarded, to quickly identify various legal issues within the Company and ensure the legality

of business operations. In addition, the Company has established a system to promote compliance throughout the Group, such as the issuance of the Basic Compliance Guidelines, which sets forth the code of conduct for officers and employees, and the establishment of a Compliance Promotion Committee, which is chaired by the President and Representative Director. Furthermore, to prevent the occurrence of illegal acts and to minimize the impact on the Company if such acts occur, a Compliance Information Desk has been established and a reporting system is in place.

The Company's corporate governance structure is set forth below.



As of the date of this report, the members of the body to be established are as follows: (◎ denotes the chairperson)

| Name | Position in the Company | Board of directors | Executive committee | Audit & supervisory committee | Nomination/ Remuneration Advisory Committee | Compliance promotion committee | Sustainability/ risk management committee |
|-------------------|--|--------------------|---------------------|-------------------------------|---|--------------------------------|---|
| Isao Takashiro | Representative Director, Chairperson of the Board of Directors & CEO | ◎ | ○ | - | - | - | - |
| Nobuaki Yokota | Representative Director, President & COO | ○ | ◎ | - | ◎ | ◎ | ◎ |
| Hisayasu Suzuki | Representative Director, Executive Vice President | ○ | ○ | - | - | ○ | ○ |
| Hiroshi Onishi | Representative Director, Executive Vice President | ○ | ○ | - | - | ○ | ○ |
| Kazuhito Tanaka | Executive Vice President, Executive Officer | ○ | ○ | - | - | ○ | ○ |
| Yoko Koyama | Senior Managing Director, Executive Officer | ○ | ○ | - | - | ○ | ○ |
| Takeshi Fujino | Senior Managing Director, Executive Officer | ○ | ○ | - | - | ○ | ○ |
| Keishi Matsuda | Managing Director, Executive Officer | ○ | ○ | - | - | ○ | ○ |
| Keiji Kimura | Outside Director | ○ | - | - | ○ | - | - |
| Ichiro Fukuzawa | Outside Director | ○ | - | - | - | - | - |
| Yukihiro Kawamata | Outside Director | ○ | - | - | ○ | - | - |
| Yuji Saito | Outside Director | ○ | - | - | - | - | - |
| Tamaki Kakizaki | Outside Director, Audit & Supervisory Committee Member | ○ | - | ○ | ○ | - | - |
| Ryoko Takeda | Outside Director, Audit & Supervisory Committee Member | ○ | - | ○ | ○ | - | - |
| Kenji Iwasaki | Outside Director, Audit & Supervisory Committee Member | ○ | - | ◎ | ○ | - | - |

Notes:

- 1) The Executive Committee, the Compliance Promotion Committee, and the Sustainability/Risk Committee are also attended by executive officers.
- 2) The Company shall appoint Special Audit & Supervisory Officers to assist the Audit & Supervisory Committee in the performance of its duties. The Special Audit & Supervisory Officers may attend meetings of the Board of Directors and may also attend meetings of the Executive Committee.

(3) Other Corporate Governance Issues

[Basic Policy]

The Company has established a company-wide internal control system, including Group companies, to enhance the effectiveness and efficiency of business management, ensure the reliability of the Company's financial reporting, and promote compliance with laws and regulations governing business management.

[Status of maintenance]

(a) Systems to ensure that the execution of duties by directors, executive officers, and employees comply with laws, regulations, and the Articles of Incorporation

- 1) The Company issues the Compliance Declaration to express its determination to make group-wide efforts to improve compliance, establishes a code of conduct for directors and employees by the Basic Compliance Guidelines, and has established a system to promote compliance, including the establishment of a Compliance Promotion Committee chaired by the President and Representative Director and composed of the presidents of each subsidiary company by the Compliance Promotion Committee Regulations.
- 2) Establish a compliance information desk (reporting system) to prevent the occurrence of illegal acts, etc., and minimize the impact on the Company if such acts should occur.
- 3) The Compliance Control Division shall take the lead in holding training sessions and explanatory meetings to ensure thorough compliance.
- 4) The Company shall establish regulations for the Board of Directors and the Executive Committee and establish a system to report the status of execution of duties by each director at these meeting bodies.
- 5) The Company shall establish various internal rules based on laws and regulations and the Articles of Incorporation, such as organization rules and employment rules, and establish a system to ensure the execution of duties by such internal rules and regulations.
- 6) Establish a system to audit the status of execution of duties in each department by the internal audit department.

(b) System for storage and management of information related to the execution of duties by Directors

Information related to the execution of duties by Directors shall be appropriately stored and managed by the internal rules for document management.

(c) Rules and other systems for managing the risk of loss

- 1) To develop a system for risk management, the Company shall establish basic rules related to the management of the risk of loss and other systems for the entire Group.
- 2) The Risk Management Committee shall regularly collect risk information from each department, identify risks that should be prioritized based on such information, and update such information regularly.
- 3) The Risk Management Committee shall compile countermeasures for risks that are assessed to be of high importance, periodically check the progress of such countermeasures, and report them to the Executive Committee and the Board of Directors as appropriate.
- 4) The Internal Audit Department shall audit the adequacy and appropriateness of processes related to the risk management system, make recommendations for improvement to each department as necessary, and report to the Audit & Supervisory Committee as appropriate.

(d) System to ensure the efficient execution of duties by directors

- 1) The Board of Directors shall meet once a month in principle by the Board of Directors Regulations, and once every 3 months in principle at subsidiaries, to make decisions on basic management policies, matters required by law, and other important management matters, and to supervise the execution of business operations.
- 2) The Executive Committee, attended by full-time directors and executive officers, etc., shall meet once a week in principle based on the Executive Committee Regulations, and twice a month at subsidiaries, to deliberate basic policies and important matters related to business execution based on management policies decided by the Board of Directors, and supervise overall business operations.
- 3) The Company shall establish organizational rules to ensure the reliable and efficient operation of the duties of the Directors.
- 4) The Company shall establish the Rules of Administrative Authority to clarify the responsibilities and authority of each position concerning the execution of the Company's business and ensuring the efficient and organized management of the Company's business.
- 5) After April 1, 2009, the Company shall introduce an Executive Officer System and reorganize the Managing Directors' Meeting into the Executive Committee to separate supervision and execution and accelerate decision-making, as well as to improve the executive function, and Executive Officers shall be able to attend such meetings.

- (e) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
- 1) The Company shall establish the Affiliated Companies Management Regulations, which stipulate basic policies regarding the management of subsidiaries by the parent company and the appropriateness of operations between the parent company and subsidiaries, and establish a system to ensure the appropriateness of the execution of business by group companies.
 - 2) By the Affiliated Companies Management Regulations, the Company shall establish a Group Executive Committee to advance comprehensive business as a group and strengthen the development of subsidiaries and shall receive regular reports on the status of business execution, etc.
 - 3) The Basic Compliance Guidelines stipulate that the Company and its subsidiaries shall not have any relationship with antisocial forces that threaten social order and safety and shall not respond to any unreasonable or illegal demands, provided that the Company and its subsidiaries shall act appropriately by social rules and ethical standards.
 - 4) The Company and its subsidiaries shall conduct the necessary documentation, testing, and other activities, and evaluate the effectiveness of these activities in response to the internal control reporting system for financial reporting based on the Financial Instruments and Exchange Law. In addition, the Company shall establish an Internal Control Office to promote these activities and enhance internal control over financial reporting.
 - 5) The Internal Audit Department shall establish a system to audit the status of business execution of subsidiaries.
- (f) System for reporting to the Audit & Supervisory Committee by directors (who are excluding Audit & Supervisory Committee members), executive officers, and employees, and system for reporting to the Company's Audit & Supervisory Committee by directors, statutory auditors, and employees of subsidiaries or persons who receive reports from them
- 1) Directors, executive officers, and employees shall report to the Audit & Supervisory Committee on internal control matters regularly and whenever important matters arise, and the Audit & Supervisory Committee may request reports from directors, executive officers, and employees (including those of subsidiaries) as necessary.
 - 2) The Audit & Supervisory Committee shall always have access to important minutes and approved documents.
 - 3) Directors, statutory auditors, and employees of subsidiaries, or directors, corporate officers, and employees of the Company who receive reports from them on matters concerning internal controls or important matters, etc., shall report to the Audit & Supervisory Committee.
- (g) System to ensure that a person who reports to the Audit & Supervisory Committee as described in (6) above will not receive any disadvantageous treatment because of such a report
The contents of reports shall be treated confidentially, and no disadvantageous treatment shall be accorded to those who make such reports by the Basic Compliance Guidelines.
- (h) Matters Concerning Directors and Employees Assisting the Audit & Supervisory Committee
The Company shall assign employees to assist the Audit & Supervisory Committee in its duties. In addition, Special Audit & Supervisory Officers shall be selected to assist the Audit & Supervisory Committee in its duties.
- (i) Matters concerning the independence of the directors and employees mentioned in (8) above from the Company's directors and matters concerning the effectiveness of instructions given by the Audit & Supervisory Committee to such directors and employees
If full-time employees assigned to assist the duties of the Audit & Supervisory Committee are assigned to positions independent from Directors, the Company shall ensure their independence from Directors and the effectiveness of the Audit & Supervisory Committee's instructions by, for example, holding prior discussions with the Audit & Supervisory Committee regarding personnel transfers, etc.
- (j) Matters concerning procedures for advance payment or reimbursement of expenses incurred in connection with the execution of duties by Audit & Supervisory Committee members (limited to those related to the execution of duties by the Audit & Supervisory Committee) and matters concerning the policy for the treatment of expenses or liabilities incurred in connection with the execution of duties by Audit & Supervisory Committee members (limited to those related to the execution of duties by the Audit & Supervisory Committee)
If an Audit & Supervisory Committee member requests the Company to pay expenses or settle debts incurred in the execution of the duties of Audit & Supervisory Committee members (limited to those related to the execution of the duties of the Audit & Supervisory Committee), the Company shall pay such expenses or debts to the Audit & Supervisory Committee members except when it is deemed that the request is not necessary for the execution of duties of Audit & Supervisory Committee members (limited to the execution of duties of the Audit & Supervisory Committee).

(k) Other systems to ensure the effective execution of audits by the Audit & Supervisory Committee

- 1) The Audit & Supervisory Committee shall maintain close cooperation with the Internal Audit Department and establish a system to utilize the results of internal audits.
- 2) Audit & Supervisory Committee members shall be able to attend important meetings to understand important decision-making processes and the status of business execution.

(4) Number of Directors

The Company's Articles of Incorporation provide that the Company shall have no more than 15 directors (including no more than 4 directors who are members of the Audit & Supervisory Committee).

(5) Requirements for Resolutions for the Election of Directors

The Company's Articles of Incorporation provide that resolutions for the election of directors shall be adopted by a majority of the votes cast by the shareholders present at a meeting at which shareholders holding one-third or more of the voting rights of the shareholders entitled to vote are present, and that cumulative voting shall not be used.

(6) Matters to be decided at the Annual General Meeting that may be decided by the Board of Directors

[Acquisition of treasury shares]

The Company's Articles of Incorporation provide that the Company may, by resolution of the Board of Directors under Article 165, Paragraph 2 of the Companies Act, acquire its shares through market transactions, etc., to enable the implementation of a flexible capital policy in response to changes in economic conditions and other factors.

[Interim Dividends]

To enhance the opportunities for the return of profits to shareholders, the Articles of Incorporation provide that interim dividends may be paid by resolution of the Board of Directors by Article 454, Paragraph 5 of the Companies Act.

(7) Requirements for Special Resolutions of the General Meeting of Shareholders

The Company's Articles of Incorporation provide that the requirements for special resolutions of the General Meeting of Shareholders outlined in Article 309, Paragraph 2 of the Companies Act shall be met by two-thirds or more of the voting rights of the shareholders present at the meeting if shareholders holding one-third or more of the voting rights of the shareholders entitled to exercise their voting rights are present at the meeting. The purpose of this provision is to facilitate the smooth operation of the General Meeting by relaxing the quorum for special resolutions at the General Meeting.

(8) Limitation of liability agreement

Under Article 427, Paragraph 1 of the Companies Act, the Company and the non-executive directors have agreed to limit their liability for damages under Article 423, Paragraph 1 of the same Act.

The maximum amount of liability for damages under the said agreement is the amount specified in Article 425, Paragraph 1 of the Companies Act.

(9) Summary of the contents of the directors' and officers' liability insurance policy

The Company has concluded a Directors' and Officers' Liability Insurance Policy with an insurance company under Article 430-3, Paragraph 1 of the Companies Act, which ensures all directors and officers of the Company and provides coverage for damages and legal expenses, etc., incurred by the insured due to claims for damages arising from acts (including omissions) committed by the insured in their capacity as directors or officers of the Company. The policy provides coverage for damages and legal expenses, etc., incurred by the Insured as a result of claims for damages arising from acts (including omissions) committed by the Insured in his capacity as a director or officer of the Company. The Company fully pays the premiums.

(10) Activities of the Board of Directors

The Board of Directors, which generally meets once a month and consists of 15 directors (including 8 full-time directors and 7 non-executive directors, 5 of whom are independent non-executive directors), makes decisions on basic management policies, matters required by law, and other important management matters.

The main matters discussed are as follows:

- Progress of the medium-term business plan “To Be a World’s Best Airport 2025”.
- Sustainability initiatives
- Review of the executive compensation system
- Response to the evaluation of the effectiveness of the Board of Directors
(survey of all directors by an external organization)
- Other significant matters related to the conduct of business.

During the year, the Company held 13 meetings of the Board of Directors, each of which was attended as follows.

| Name | Position in the Company | Board of Directors Meetings Attendance (13 total meetings) |
|-------------------|--|--|
| Isao Takashiro | Representative Director, Chairperson of the Board of Directors & CEO | 13 times |
| Nobuaki Yokota | Representative Director, President & COO | 13 times |
| Hisayasu Suzuki | Representative Director, Executive Vice President | 13 times |
| Masatoshi Akahori | Executive Vice President, Executive Officer | 3 times (Note) |
| Hiroshi Onishi | Representative Director, Executive Vice President | 13 times |
| Yasuhide Yonemoto | Senior Managing Director, Executive Officer | 3 times (Note) |
| Kazuhito Tanaka | Executive Vice President, Executive Officer | 13 times |
| Yoko Koyama | Senior Managing Director, Executive Officer | 13 times |
| Takeshi Fujino | Senior Managing Director, Executive Officer | 9 times (Note) |
| Keishi Matsuda | Managing Director, Executive Officer | 10 times (Note) |
| Kazuyuki Harada | Outside Director | 1 time (Note) |
| Yoshiharu Ueki | Outside Director | 10 times |
| Keiji Kimura | Outside Director | 12 times |
| Ichiro Fukuzawa | Outside Director | 12 times |
| Yukihiro Kawamata | Outside Director | 10 times (Note) |
| Koji Iwai | Outside Director, Audit & Supervisory Committee Member | 3 times (Note) |
| Tamaki Kakizaki | Outside Director, Audit & Supervisory Committee Member | 13 times |
| Ryoko Takeda | Outside Director, Audit & Supervisory Committee Member | 13 times |
| Kenji Iwasaki | Outside Director, Audit & Supervisory Committee Member | 10 times (Note) |

Note: The status of Director Takeshi Fujino, Director Keishi Matsuda, Outside Director Yukihiro Kawamata and Outside Director (Audit & Supervisory Committee Member) Kenji Iwasaki after their appointment on June 28, 2023, and the status of Director Masatoshi Akahori, Director Yasuhide Yonemoto, Outside Director Kazuyuki Harada and Outside Director (Audit & Supervisory Committee Member) Koji Iwai until their retirement on June 28, 2023.

(11) Activities of the Nomination and Remuneration Advisory Committees

The Nominating Advisory Committee consists of independent outside directors and one executive officer and generally meets once a year. It is established as an advisory body to the Board of Directors to discuss and make recommendations regarding the nomination of director and executive officer candidates, based on the policy of selecting director and executive officer candidates who have broad experience, a high level of insight, and a high level of expertise.

During the fiscal year under review, the Nomination Advisory Committee met twice to discuss and propose the nomination of candidates for directors and executive officers, and all members attended the meeting.

The Remuneration Advisory Committee consists of independent outside directors and an executive officer and generally meets once a year. It was established as an advisory body to the Board of Directors to discuss and make recommendations regarding the compensation system for directors and executive officers, to ensure the transparency, appropriateness, and objectivity of the compensation system for directors and executive officers.

During the fiscal year under review, the Remuneration Advisory Committee met three times to discuss and propose the compensation system for directors (excluding directors who are members of the Audit & Supervisory Committee) and executive officers. All members participated in all meetings.

(12) Indemnification of Directors

Under Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation provide that Directors (including former Directors) and Statutory Auditors (including former Statutory Auditors) may, by resolution of the Board of Directors, be exempted from the liability for damages provided for in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by law, to enable them to properly perform their expected functions by limiting their liability to a reasonable extent.

Note: The Statutory Auditors (including former Statutory Auditors) were appointed before the conclusion of the 78th Ordinary General Meeting of Shareholders.

(13) Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

[Basic Policy]

The Group shall resolutely confront anti-social forces that pose a threat to civil society.

[Status of maintenance]

In the action guidelines of the Basic Compliance Guidelines established on October 26, 2005, we have established a policy of resolutely confronting anti-social forces that pose a threat to civil society and have put in place a system for refusing to provide benefits, sharing information on anti-social forces within the Group, and reporting and responding to such forces. Furthermore, we cooperate in the industry and local communities and work closely with the police and other relevant government agencies to eliminate anti-social forces.

(14) Basic Policy Concerning Company Control

The following is a summary of each of the Company's Basic Policy Concerning Company Control, special efforts to contribute to the realization of the Basic Policy Concerning Company Control, and efforts to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate considering the Basic Policy Concerning Company Control.

[1. Basic Policy Concerning Company Control]

The Company believes that in the event of a large-scale acquisition of the Company's shares, the final decision as to whether to accept such acquisition should be left to the Company's shareholders at that time.

At Haneda Airport, the Company constructs, manages, and operates the domestic terminal as an aviation-related business. It made the Tokyo International Air Terminal Corporation (TIAT) a consolidated subsidiary in April 2018 to run the domestic and international terminals in an integrated manner, thereby operating the terminal more efficiently. On the other hand, as a non-aeronautical business, we operate merchandise sales and other businesses at Haneda Airport, Narita International Airport, Kansai International Airport, and Chubu Centrair International Airport, and we are using the earnings from these businesses to expand and improve terminal buildings in response to the rapid development of the aviation industry. In addition, we have been developing our business outside of airports by utilizing our accumulated knowledge. Therefore, those who control decisions on the Company's financial and business policies must have an appropriate awareness of the high level of safety and public interest of the passenger terminal business, as well as a deep understanding of the critical management resources that are the source of the Company's corporate value (highly original technology and know-how, knowledge, and information in specific market fields, deep trust relationships with business partners cultivated over a long period, high-quality human resources with expertise in specialized fields, etc.).

In addition, we will implement measures to capture domestic consumption by foreign visitors to Japan, which is expected to increase in the medium to long term and advance the medium-term business plan while reorganizing and strengthening our organization and governance to support these measures, create an environment for new value creation, expand opportunities for dialogue with shareholders and investors, and enhance the certainty of each measure.

Although the Company endeavors in its investor relations activities to ensure that its shareholders and investors understand the Company's business activities and policies, etc. if a person who intends to conduct a Large-Scale Purchase (hereinafter referred to as "Large-Scale Purchaser") suddenly appears, For our shareholders to make an appropriate judgment within a short period regarding the impact of such Large-scale Purchase on our corporate value and, in turn, the common interests of our shareholders, we believe it is essential that both the Large-scale Purchaser and our Board of Directors provide appropriate and sufficient information regarding the impact of the Large-scale Purchase on our company and the management policy and business plan that the Large-scale Purchaser plans to adopt if it participates in our management. Furthermore, we believe that the presentation of the results of the Board of Directors examination, etc. of such a Large-scale Purchase will contribute to the decision-making process of the Company's shareholders.

Considering the above, the Company believes that in the event of a Large-scale Purchase, the Large-scale Purchaser must provide the Board of Directors of the Company with necessary and sufficient information regarding the Large-scale Purchase in advance by certain rules to be established and disclosed in advance by the Company for the benefit of shareholders' decision-making. In addition, to prevent a malicious Large-Scale Purchase of the Company's shares that would damage the corporate value of the Company and, in turn, the common interests of its shareholders, the Company will ensure that the Large-Scale Purchaser is allowed to ask reasonable questions and demand improvements in the details of the proposal of the Large-Scale Purchaser or present a reasonable alternative proposal that will benefit the shareholders. The Company believes that it is necessary to take reasonable measures against a Large-Scale Purchase that does not comply with the Large-Scale Purchase Rules from the perspective of maintaining and enhancing corporate value and, in turn, the common interests of shareholders.

[2. Special Efforts to Contribute to the Realization of the Basic Policy Concerning Company Control]

In special efforts to contribute to the realization of the Basic Policy Concerning Company Control, the Company strives to maintain and enhance corporate value and, in turn, the common interests of its shareholders by taking the following measures in addition to those described in (3) below.

(a) Efforts based on the medium-term business plan

To establish absolute safety in our passenger terminal buildings, we are committed to further strengthening safety measures, while aiming to operate passenger terminal buildings in a customer-oriented manner, and to ensure that our Group's CS philosophy is "Peace to those who enter in, good health to those who leave again" is applied to our operations. In addition, the entire company is striving to further improve services and earnings by thoroughly implementing the customer-first principle and actively developing human resources under the Group's CS philosophy.

(b) Efforts to Strengthen and Enhance Corporate Governance

Based on the recognition that corporate governance is an important management issue, the Company has appointed outside directors to ensure management transparency since its establishment. The Company previously had a Board of Statutory Auditors system. Still, upon critical approval of an amendment to the Articles of Incorporation at the 78th Ordinary General Meeting of Shareholders held on June 24, 2022, the Company transitioned to a company with an Audit & Supervisory Committee system. The Board of Directors, which meets once a month in principle, consists of fifteen directors (of which, eight full-time directors and seven part-time outside directors, including five independent outside directors) and makes decisions on basic management policies, matters stipulated by laws and regulations, and other important management matters, as well as supervising the execution of business operations. The Audit & Supervisory Committee consists of three independent outside directors. Directors who are Audit & Supervisory Committee members attend Board of Directors meetings and other important meetings to monitor the legality and appropriateness of the directors' business execution of duties, as well as the transparency and soundness of management.

[3. Efforts to Prevent Inappropriate Persons from Controlling Decisions on Financial and Business Policies of the Company Considering the Basic Policy Concerning Company Control]

Considering the Basic Policy Concerning Company Control described in (1) above, to prevent decisions on the Company's financial and business policies from being controlled by inappropriate persons, the Company has established the "Policy Concerning Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)" (hereinafter referred to as the "Policy"). The Policy sets forth the Large-Scale Purchase Rules in the event of a Large-Scale Purchase and the procedures for triggering countermeasures if a Large-Scale Purchaser fails to comply with the Rules.

(a) Establishment of the Independent Committee

The Independent Committee shall be established as an organ to examine and deliberate whether or not the Large-Scale Purchase is detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and to ensure the fairness of the Board of Directors' decision and response concerning the Large-Scale Purchase. The Independent Committee shall have at least three members, who shall be appointed from among the Company's outside directors and outside knowledgeable persons who are independent of the Company's management in charge of business execution to enable fair and neutral judgments.

The Board of Directors of the Company shall consult with the Independent Committee on the propriety of a resolution for non-implementation of countermeasures if a Large-Scale Purchase is commenced, and the Board of Directors of the Company shall respect such recommendation to the maximum extent possible.

(b) Large-Scale Purchase Rules

As per the Large-Scale Purchase Rules, the Large-Scale Purchaser shall submit information, etc. by the prescribed procedures, and shall not conduct the Large-Scale Purchase until the Board of Directors passes a resolution not to trigger the countermeasure after the information submission procedures, etc. have been completed.

1) Prior Submission of a Statement of Intention for a Large-scale Purchase to the Company

The Large-Scale Purchaser shall submit to the Company in advance a Large-Scale Purchase Statement of Intention (in the form prescribed by the Company) to the effect that the Large-Scale Purchaser will conduct the Large-Scale Purchase by the Large-Scale Purchase Rules.

2) Submission of information regarding the Large-scale Purchase

Upon receipt of the Large-Scale Purchaser's Statement of Intention, the Company will deliver to the Large-Scale Purchaser an information list containing the items of information to be submitted again within 10 business days (not counting the first day).

Based on the information list, the Large-scale Acquirer will be requested to submit to the Company necessary and sufficient information regarding the Large-scale Acquisition for the shareholders' judgment and the Independent Committee's consideration.

3) Notice of Commencement of Consideration by the Independent Committee

If the Company determines that it is appropriate for the Independent Committee to commence its consideration of the Large-scale Acquisition, such as when the submission of information regarding such Large-scale Acquisition is deemed to be complete, the Company will notify and disclose such fact to the Large-scale Acquirer and request that the Independent Committee commence its consideration.

4) Consideration by the Independent Committee and resolution recommending non-activation

Within the period set as the Independent Committee Consideration Period, the Independent Committee will consider the terms of the Large-scale Acquisition and alternative plans provided by the Board of Directors, etc.

If the Independent Committee requests the Large-scale Acquirer to provide materials for consideration or other information or to discuss or negotiate with the Independent Committee, the Large-scale Acquirer must promptly respond to such request. If the Independent Committee finds, by unanimous resolution, as a result of the examination of information, etc. concerning such Large-scale Acquisition, that such Large-scale Acquisition is not likely to damage the Company's corporate value and harm the interests of the Company and, in turn, the common interests of shareholders, it shall pass a resolution recommending non-activation to the Board of Directors of the Company.

5) Confirmation of Shareholders' Intentions at the General Meeting of Shareholders

If the Independent Committee does not reach a resolution recommending non-implementation within the Independent Committee Consideration Period, the Independent Committee shall recommend that the General Shareholders' Meeting for Confirmation of Shareholders' Intentions regarding countermeasures against the relevant Large-scale Purchase be held, and in response to such recommendation, the Board of Directors shall promptly decide to convene the General Shareholders' Meeting for Confirmation of Shareholders' Intentions.

Resolutions of the General Shareholders' Meeting for Confirmation of Shareholders' Intentions shall be adopted by a majority of the voting rights of the shareholders present at the meeting.

6) Resolution of the Board of Directors not to act

If the Independent Committee recommends that the Board of Directors should pass a resolution not to trigger the Large-Scale Purchase, the Board of Directors shall promptly pass a resolution not to trigger the Large-Scale Purchase unless there are exceptional circumstances that violate its duty of care as a director.

In addition, the Board of Directors shall promptly pass a resolution of non-implementation if the General Shareholders' Meeting for Confirmation of Shareholders' Intentions provided in "5)" above indicates shareholders' intentions to the effect that the countermeasures should not be implemented.

7) Triggering of Countermeasures against a Large-scale Purchase that does not comply with the Large-scale Purchase Rules

Until the Company's Board of Directors passes a resolution of non-implementation, the Large-scale Acquirer shall not conduct the Large-scale Acquisition. If a Large-Scale Purchase that does not comply with the Large-Scale Purchase Rules is conducted and it is reasonable to trigger countermeasures, the Board of Directors of the Company shall take countermeasures based on the Policy to ensure and enhance the corporate value of the Company and the common interests of its shareholders. Countermeasures under the Policy include the gratis allotment of stock acquisition rights and other measures permitted under laws and regulations and the Company's Articles of Incorporation.

(c) Impact on Shareholders and Investors

The purpose of the Policy is to provide information necessary for the Company's shareholders to decide whether to accept the Large-scale Purchase and to ensure that the Company's shareholders have a reasonable amount of time to consider and negotiate a better proposal for the Large-scale Purchase and an opportunity to receive an alternative proposal from the Company's Board of Directors, etc. The Policy is also intended to ensure that the Company's shareholders will be provided with the information necessary for them to make an informed decision on the Large-scale Purchase. The purpose is to ensure that the Company's shareholders will have a reasonable amount of time to consider and negotiate a better proposal for the Large-Scale Purchase and an opportunity to receive an alternative proposal from the Board of Directors. We believe that this will enable our shareholders to make an appropriate decision on acceptance of the Large-scale Purchase and other options based on sufficient information, which will lead to the protection of the interests of our shareholders. Therefore, we believe that the establishment of the Policy is a prerequisite for our shareholders and investors to make appropriate investment decisions and contributes to the interests of our shareholders and investors.

[4. Judgment of the Board of Directors and Reasons for the Judgment]

The Company's medium-term business plan, reinforcement and enhancement of corporate governance, and other measures are exactly in line with the Company's basic policy and were formulated as specific measures to enhance the Company's corporate value and the common interests of shareholders continuously and sustainably.

The Policy is in line with the above basic policy, and since the following special efforts have been made to enhance the rationality of the Policy, the Policy is not detrimental to the corporate value of the Company or the common interests of its shareholders, nor is it intended to maintain the status of the Company's officers.

- (a) The basic contents of this policy were approved in advance by shareholders at the 79th Annual General Meeting of Shareholders held on June 28, 2023. The approval of such shareholders' meeting shall be effective for 3 years from such annual shareholders' meeting. At the end of the three years, the Company's Board of Directors plans to confirm the shareholders' intentions regarding the Policy again and ask the shareholders to decide. During the effective period of the approval by the shareholders meeting, the Board of Directors of the Company will make decisions and amendments to the details of the Policy and other necessary matters within the scope of the purpose of the approval by the shareholders meeting, taking into consideration trends in related legal systems and various other circumstances surrounding the Company.
- (b) If the General Shareholders' Meeting for Confirmation of Shareholders' Intentions indicates the shareholders' intent that the countermeasures should not be triggered, the Board of Directors shall promptly pass a resolution for non-implementation of the countermeasures. In addition, the Independent Committee, which consists of members appointed from among the Company's outside directors and outside knowledgeable persons who are independent of the Company's management team that executes the Company's business, shall, within the Independent Committee Review Period before the convocation of the General Shareholders' Meeting for Confirmation of Shareholders' Intentions, decide on the Large-scale Purchase if it is considered that such Large-scale Purchase will damage the Company's corporate value, harm the interests of the Company, and ultimately, the common interests of shareholders. If the Independent Committee, which is composed of members from among the members of the Board of Directors, finds that the Large-scale Purchase is not likely to damage the Company's corporate value and harm the interests of the Company and, in turn, the common interests of its shareholders, the Board of Directors of the Company shall promptly pass a resolution of non-activation by the said recommended resolution unless there are special circumstances that violate the duty of care of a good manager as a director. In this way, the Policy ensures a mechanism to prevent arbitrary triggering of the resolution to maintain the status of directors, etc.
- (c) The Company does not add any weight to the requirements for the resolution of dismissal of directors from the ordinary resolution. The large-scale acquirer can abolish the Policy by nominating directors, who are then appointed by ordinary resolution at a general meeting of the company's shareholders, and who can then resolve to terminate the policy. Accordingly, the Policy is not a dead-hand takeover defense measure (a takeover defense measure that cannot be stopped even if a majority of the members of the Board of Directors are replaced). In addition, since the Company has not adopted a staggered term system, the Policy is not a slow-hand takeover defense measure (i.e., a takeover defense measure that requires time to prevent its triggering because members of the Board of Directors cannot be replaced at once).
- (d) The Policy satisfies all the requirements of legality (requirements to be met in order not to be subject to an injunction against the issuance of stock acquisition rights, etc.) and rationality (Requirements to be met to obtain the understanding of shareholders, investors, and other stakeholders) required by the "Guidelines Regarding Takeover Defense Measures to Ensure or Enhance Corporate Value and Common Interests of Shareholders" established by the Ministry of Economy, Trade, and Industry and the Ministry of Justice on May 27, 2005. In addition, the Company's proposal also conforms to the content of the June 30, 2008, report "Takeover Defense Measures in Light of Recent Environmental Changes" issued by the Corporate Value Study Group of the Ministry of Economy, Trade, and Industry of Japan.

[5. Others]

For details of the Policy, please refer to the text "Continuation of the Policy Against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)" posted on the Company's website.

(Reference URL: <https://www.tokyo-airport-bldg.co.jp/files/en/ir/000013351.pdf>)

B. Board of Directors and Audit & Supervisory Committee Members

(1) List of Board of Directors and Audit & Supervisory Committee Members

Male: twelve (12) persons, Female: three (3) persons (percentage of the female: 20.0 %)

(as of June 26, 2024)

| Name (Date of birth) | Position in the Company | Experience and positions | | Number of shares of the Company held |
|---|--|---|---|--------------------------------------|
| Isao Takashiro (July 13, 1943) (Note 2) | Representative Director, Chairperson of the Board of Directors & CEO | April 1968 June 2001 April 2003 April 2005 April 2009 June 2016 | Joined the Company Senior Managing Director Representative Director and Executive Vice President Representative Director and President Representative Director, President and Executive Officer Representative Director, Chairperson & CEO (<i>current position</i>) | 47,920 |
| Nobuaki Yokota (September 6, 1951) (Note 2) | Representative Director, President & COO | April 1974 April 2009 June 2011 June 2014 June 2015 May 2016 June 2016 | Joined the Company Managing Director and Executive Officer Senior Managing Director and Executive Officer Executive Vice President and Executive Officer Representative Director, Executive Vice President, and Executive Officer Chairperson, All-Japan Airport Terminal Association (currently The All-Japan Airport Association, Inc.) (<i>current position</i>) Representative Director, President and Executive Officer & COO (<i>current position</i>) [Significant concurrent positions] Chairperson, The All-Japan Airport Association, Inc. | 39,610 |
| Hisayasu Suzuki (March 31, 1953) (Note 2) | Representative Director, Executive Vice President | April 1975 July 2006 July 2009 January 2013 January 2014 June 2014 June 2015 June 2023 | Joined the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism) Director-General, Civil Aviation Bureau, the Ministry of Land, Infrastructure, Transport and Tourism Commandant, the Japan Coast Guard Full-time Adviser, the Company Senior Executive Officer Executive Vice President and Executive Officer Representative Director, Executive Vice President, and Executive Officer (<i>current position</i>) Outside Director, SAN-AI OBBLI CO., LTD. (<i>current position</i>) [Significant concurrent positions] Outside Director, SAN-AI OBBLI CO., LTD. | 21,000 |
| Hiroshi Onishi (June 13, 1955) (Notes 2,5) | Representative Director, Executive Vice President | April 1979 June 2009 June 2010 April 2011 February 2012 April 2017 July 2017 June 2018 June 2021 June 2023 | Joined Isetan Co., Ltd. Representative Director, President and Executive Officer, Isetan Co., Ltd. Director, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. Representative Director, President and Executive Officer, Isetan Mitsukoshi Holdings Ltd. Director, Isetan Mitsukoshi Holdings Ltd. Special Adviser, the Company Executive Vice President and Executive Officer Outside Director, KOMATSU MATERE Co., Ltd. (<i>current position</i>) Representative Director, Executive Vice President, and Executive Officer (<i>current position</i>) [Significant concurrent positions] Outside Director, KOMATSU MATERE Co., Ltd. | 9,400 |

| Name (Date of birth) | Position in the Company | Experience and positions | | Number of shares of the Company held |
|---|---|--|--|--------------------------------------|
| Kazuhito Tanaka (March 8, 1965) (Note 2) | Executive Vice President, Executive Officer | April 1987 June 2011 June 2013 July 2014 June 2015 June 2020 June 2023 | Joined the Company Executive Officer and Vice President, Corporate Planning Division, Corporate Planning Department Managing Executive Officer and Vice President, Corporate Planning Division, Corporate Planning Department Managing Executive Officer; Deputy Senior Vice President, Corporate Planning Department; and Deputy Senior Vice President, Administration Department Managing Director and Executive Officer Senior Managing Director and Executive Officer Executive Vice President and Executive Officer (<i>current position</i>) | 15,900 |
| Yoko Koyama (January 12, 1968) (Note 2) | Senior Managing Director, Executive Officer | April 1992 June 2013 July 2014 June 2016 July 2017 August 2017 April 2019 July 2019 June 2020 June 2023 | Joined the Company Executive Officer and Vice President, Corporate Planning Division, Corporate Planning Department Executive Officer; Vice President, Corporate Planning Division, Corporate Planning Department; and Vice President, Business Planning Division Managing Executive Officer and Deputy Senior Vice President, Corporate Planning Department Managing Executive Officer and Deputy Senior Vice President, Business Development Department Outside Director, Haneda Mirai Kaihatsu Co., Ltd. (<i>current position</i>) Outside Director, Kyushu Kumamoto International Airport Co., Ltd. (<i>current position</i>) Managing Executive Officer; Deputy Senior Vice President, Business Development Department; and Deputy Senior Vice President, Passenger Terminal Operation Department (in charge of Facility Planning Office / Tokyo Olympic & Paralympic Games Promotion Office) Managing Director and Executive Officer Senior Managing Director and Executive Officer (<i>current position</i>) [Significant concurrent positions] Outside Director, Haneda Mirai Kaihatsu Co., Ltd. Outside Director, Kyushu Kumamoto International Airport Co., Ltd. | 8,800 |
| Takeshi Fujino (January 3, 1968) (Note 2) | Senior Managing Director, Executive Officer | April 1991 June 2013 June 2016 June 2020 June 2021 June 2022 June 2023 | Joined the Company Executive Officer and Vice President, International Terminal Business Department Managing Executive Officer, Deputy Senior Vice President, Operation Department Chief Managing Executive Officer; Deputy Senior Vice President, Passenger Terminal Operation Department; Deputy Senior Vice President, Business Development Department Chief Managing Executive Officer in charge of the Business Promotion Office; Deputy Senior Vice President, Business Development Department; Deputy Senior Vice President, Passenger Terminal Operation Department Chief Managing Executive Officer in charge of Business Promotion Office; Deputy Senior Vice President of Business Development Department (in charge of New Business); Deputy Senior Vice President of passenger Terminal Operation Department (in charge of Retail Sales) Senior Managing Director and Executive Officer (<i>current position</i>) | 7,200 |

| Name (Date of birth) | Position in the Company | Experience and positions | | Number of shares of the Company held |
|--|--------------------------------------|--|---|--------------------------------------|
| Keishi Matsuda (March 19, 1972) (Note 2) | Managing Director, Executive Officer | April 1994 June 2019 | Joined the Company Executive Officer; General Manager, Corporate Planning Group, Planning & Administration Department; Vice President, Business Reform Office; Vice President, Facility Planning Office / Tokyo Olympic & Paralympic Games Promotion Office, Facility Management Group, Passenger Terminal Operation Department | 4,400 |
| | | June 2020 | Executive Officer; General Manager, Corporate Planning Group, Planning & Administration Department; General Manager, Facility Management Group, Passenger Terminal Operation Department; Vice President, Facility Planning Office / Tokyo Olympic & Paralympic Games Promotion Office | |
| | | June 2022 | Executive Officer; General Manager, Corporate Planning Group, Planning & Administration Department; Vice President, Facility Planning Office; General Manager, Business Development Department | |
| | | June 2023 | Managing Director and Executive Officer (<i>current position</i>) | |
| Keiji Kimura (February 21, 1947) (Notes 1,2) | Outside Director | May 1970 June 2005 April 2011 June 2016 April 2017 June 2017 June 2018 June 2019 June 2019 | Joined Mitsubishi Estate Co., Ltd. President & Representative Director, Mitsubishi Estate Co., Ltd. Chairperson & Representative Director, Mitsubishi Estate Co., Ltd. Chairperson of the Board, Mitsubishi Estate Co., Ltd. Director, Mitsubishi Estate Co., Ltd. Senior Advisor, Mitsubishi Estate Co., Ltd. (<i>current position</i>) Outside Director, Matsumoto Kiyoshi Holdings Co., Ltd. (<i>current position</i>) Chairperson, Japan Building Owners & Managers Association (<i>current position</i>) Outside Director, the Company (<i>current position</i>) [Significant concurrent positions] Senior Advisor, Mitsubishi Estate Co., Ltd. Outside Director, Matsumoto Kiyoshi Holdings Co., Ltd. Chairperson, Japan Building Owners & Managers Association | - |
| Ichiro Fukuzawa (April 14, 1961) (Notes 1,2) | Outside Director | October 1989 June 2019 April 2020 April 2021 April 2022 April 2022 June 2022 April 2024 June 2024 June 2024 | Joined ALL NIPPON AIRWAYS CO., LTD. Member of the Board of Directors and Deputy Executive Officer, ANA HOLDINGS INC. Member of the Board of Directors and Executive Officer, ANA HOLDINGS INC. Member of the Board of Directors and Senior Executive Officer, ANA HOLDINGS INC. Representative Director and Executive Vice President, ANA HOLDINGS INC. Representative Director and Executive Vice President, ALL NIPPON AIRWAYS CO., LTD. Outside Director, the Company (<i>current position</i>) Senior Advisor, ANA HOLDINGS INC. Full-time Statutory Auditor, ANA HOLDINGS INC. (<i>current position</i>) Full-time Statutory Auditor, ALL NIPPON AIRWAYS CO., LTD. (<i>current position</i>) [Significant concurrent positions] Full-time Statutory Auditor, ANA HOLDINGS INC. Full-time Statutory Auditor, ALL NIPPON AIRWAYS CO., LTD. | - |

| Name (Date of birth) | Position in the Company | Experience and positions | | Number of shares of the Company held |
|---|--|--|--|--------------------------------------|
| Yukihiro Kawamata (February 10, 1964) (Notes 1,2) | Outside Director | April 1986 June 2016 June 2019 April 2022 June 2023 | <p>Joined Keikyu Corporation Director, Keikyu Corporation Director, Managing Executive Officer, Keikyu Corporation Representative Director, President and Executive Officer, Keikyu Corporation (<i>current position</i>) Outside Director, the Company (<i>current position</i>)</p> <p>[Significant concurrent positions] Representative Director, President and Executive Officer, Keikyu Corporation</p> | - |
| Yuji Saito (September 26, 1964) (Notes 1,2) | Outside Director | April 1988 April 2019 April 2021 April 2023 June 2023 April 2024 June 2024 | <p>Joined Japan Airlines Co., Ltd. Executive Officer and Senior Vice President, Corporate Control Division, Japan Airlines Co., Ltd. Managing Executive Officer; Senior Vice President, Corporate Planning Division; Senior Vice President, Corporate Control Division, Japan Airlines Co., Ltd. Senior Managing Executive Officer; Senior Vice President, Corporate Planning Division, Japan Airlines Co., Ltd. Chief Financial Officer of the JAL Group Director, Senior Managing Executive Officer; Senior Vice President, Corporate Planning Division, Japan Airlines Co., Ltd. Chief Financial Officer of the JAL Group Representative Director, Executive Vice President, Japan Airlines Co., Ltd. (<i>current position</i>) Chief Financial Officer of the JAL Group (<i>current position</i>) Outside Director, the Company (<i>current position</i>)</p> <p>[Significant concurrent positions] Representative Director, Executive Vice President, Chief Financial Officer, Japan Airlines Co., Ltd.</p> | - |
| Tamaki Kakizaki (January 16, 1961) (Notes 1,3) | Outside Director, Audit & Supervisory Committee Member | April 2009 April 2012 April 2014 June 2016 June 2017 June 2020 June 2021 June 2022 | <p>Professor, Graduate School of Law, Toyo University Professor, International Graduate School of Social Sciences, Yokohama National University Professor, Faculty of Law, Meiji University (<i>current position</i>) Outside Director, Mitsubishi Foods Corporation (<i>current position</i>) Outside Statutory Auditor, the Company Outside Director, Keikyu Corporation (<i>current position</i>) Outside Director, The Akita Bank, Ltd. (<i>current position</i>) Outside Director, Audit & Supervisory Committee Member, the Company (<i>current position</i>)</p> <p>[Significant concurrent positions] Professor, Faculty of Law, Meiji University Outside Director, Mitsubishi Foods Corporation Outside Director, Keikyu Corporation Outside Director, The Akita Bank, Ltd.</p> | - |

| Name (Date of birth) | Position in the Company | Experience and positions | | Number of shares of the Company held |
|---|--|--|---|--------------------------------------|
| Ryoko Takeda (July 5, 1970) (Notes 1,3) | Outside Director, Audit & Supervisory Committee Member | <p>April 1998</p> <p>December 2014</p> <p>February 2016</p> <p>June 2017</p> <p>June 2020</p> <p>June 2021</p> <p>June 2022</p> <p>November 2022</p> <p>January 2023</p> <p>March 2023</p> | <p>Registered as an attorney-at-law and joined Nishimura & Partners (now Nishimura & Asahi)</p> <p>Special Counsel, City-Yuwa Partners</p> <p>Certified Fraud Examiner (CFE) credential</p> <p>Councilor, International Civil and Commercial Law Center (<i>current position</i>)</p> <p>Outside Statutory Auditor, Arconix Corporation (<i>current position</i>)</p> <p>Outside Director, Denki Kogyo Co. (<i>current position</i>)</p> <p>Substitute Director, Audit & Supervisory Committee Member, the Company</p> <p>Outside Director, Audit & Supervisory Committee Member, the Company (<i>current position</i>)</p> <p>Partner, City-Yuwa Partners (<i>current position</i>)</p> <p>External Director, Komazawa University Educational Corporation (<i>current position</i>)</p> <p><i>[Significant concurrent positions]</i></p> <p>Partner, City-Yuwa Partners</p> <p>Councilor, International Civil and Commercial Law Center</p> <p>Outside Statutory Auditor, Arconix Corporation</p> <p>Outside Director, Denki Kogyo Co.</p> <p>External Director, Komazawa University Educational Corporation</p> | - |
| Kenji Iwasaki (January 3, 1955) (Notes 1,4) | Outside Director, Audit & Supervisory Committee Member | <p>April 1978</p> <p>June 2010</p> <p>April 2014</p> <p>April 2017</p> <p>June 2017</p> <p>June 2018</p> <p>June 2022</p> <p>June 2023</p> | <p>Joined Tokio Marine & Fire Insurance Co., Ltd.</p> <p>Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Senior Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Vice President Executive Officer, Tokio Marine Holdings, Inc.</p> <p>Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Executive Vice President, Tokio Marine Holdings, Inc.</p> <p>Executive Director, The General Insurance Association of Japan</p> <p>Outside Auditor, SOHGO SECURITY SERVICES CO., LTD. (<i>current position</i>)</p> <p>Outside Director, Audit & Supervisory Committee Member, the Company (<i>current position</i>)</p> <p><i>[Significant concurrent positions]</i></p> <p>Outside Auditor, SOHGO SECURITY SERVICES CO., LTD.</p> | - |
| Total | | | | 154,230 |

Notes:

- 1) Four directors, Keiji Kimura, Ichiro Fukuzawa, Yukihiro Kawamata, and Yuji Saito, and three directors (Audit & Supervisory Committee members), Tamaki Kakizaki, Ryoko Takeda and Kenji Iwasaki, are outside directors.
- 2) The term of office will expire at the close of the annual general meeting of shareholders for the last fiscal year ending within one year after their election at the annual general meeting of shareholders to be held on June 26, 2024.
- 3) The term of office will expire at the close of the annual general meeting of shareholders for the last fiscal year ending within two years after the election at the annual general meeting of shareholders to be held on June 26, 2024.
- 4) His term of office will expire at the close of the annual general meeting of shareholders for the last fiscal year ending within two years after his election at the annual general meeting of shareholders to be held on June 28, 2023.
- 5) The Company has appointed a substitute director who is a member of the Audit & Supervisory Committee under Article 329, Paragraph 3 of the Companies Act in preparation for a shortage in the number of directors who are members of the Audit & Supervisory Committee as required by law and regulations. The resolution to elect a substitute member of the Audit & Supervisory Committee shall be valid until the beginning of the ordinary general meeting of shareholders relating to the last fiscal year ending within two years after his election at the ordinary general meeting of shareholders held on June 28, 2023, and the term of office of the substitute member of the Audit & Supervisory Committee shall expire upon the expiration of the term of office of the member of the Audit & Supervisory Committee who retired before the expiration of his term of office. The short biography of the substitute member of the Audit & Supervisory Committee is as follows.

| Name (Date of birth) | Experience and positions | | Number of shares of the Company held |
|-------------------------------------|--|--|--|
| Yoko Sugita (September 18, 1976) | April 1999 January 2004 January 2009 January 2015 | Joined Tokyo Office, Asahi Audit Corporation (now KPMG AZSA LLC) Joined San Francisco Office, BDO Seidman LLP Participated in Advantage Partners Inc. Partner, Phronesis Partners Co., Ltd. (<i>current position</i>) | - |

- 6) The Company has established an executive officer system to improve management efficiency by speeding up decision-making, clarifying the division of business execution, and strengthening the functions of the Board of Directors. The executive officers who are not also directors are as follows.

| Name | Position in the Company |
|-------------------|---|
| Morikazu Chiku | Chief Senior Managing Executive Officer |
| Yasuhide Yonemoto | Chief Senior Managing Executive Officer |
| Shigetaka Taguchi | Chief Senior Managing Executive Officer |
| Isamu Jinguji | Senior Managing Executive Officer |
| Eiji Ueda | Chief Managing Executive Officer |
| Tatsuya Endo | Chief Managing Executive Officer |
| Issei Hachisuka | Chief Managing Executive Officer |
| Kenji Kubo | Chief Managing Executive Officer |
| Koei Ogawa | Chief Managing Executive Officer |
| Satoru Sumimoto | Chief Managing Executive Officer |
| Ayumu Takahashi | Managing Executive Officer |
| Kenta Nakajo | Managing Executive Officer |
| Akinori Nishida | Executive Officer |
| Susumu Takahashi | Executive Officer |
| Kenji Sato | Executive Officer |

- 7) The Company shall appoint Special Audit & Supervisory Officers to assist the Audit & Supervisory Committee in the performance of its duties. The Special Audit & Supervisory Officers are as follows.

| Name | Position in the Company |
|---------------|-------------------------------------|
| Yasuko Morita | Special Audit & Supervisory Officer |
| Yuhei Kusano | Special Audit & Supervisory Officer |

(2) Description of personal, financial, or business relationships and other interests between the Company and outside directors.

Ichiro Fukuzawa, an outside director, is the Full-time Statutory Auditor of All Nippon Airways Co. There are transactions between the Company and All Nippon Airways Co., including a lease agreement for the passenger terminal building at Haneda Airport.

Outside Director Yukihiro Kawamata is the President and Representative Director of Keikyu Corporation. The Company and Keikyu Corporation have entered into transactions such as facility management consignment.

Outside Director Yuji Saito is the Executive Vice President and Representative Director of Japan Airlines Co. The Company has transactions with Japan Airlines Corporation, including a lease agreement for the passenger terminal building at Haneda Airport.

Outside Director Keiji Kimura holds no concurrent positions with companies or organizations having interests in the Company.

Outside Director Tamaki Kakizaki, a member of the Audit & Supervisory Committee, is an outside director of Keikyu Corporation, and there are transactions such as facility management assignments between the Company and Keikyu Corporation.

Outside Directors Ryoko Takeda and Kenji Iwasaki, who are members of the Audit & Supervisory Committee, do not hold concurrent positions with companies or organizations that have an interest in the Company.

All of these transactions are routine transactions with the respective companies, and neither the outside directors nor the outside directors who are members of the Audit & Supervisory Committee have any direct interest in them.

Two outside directors, Keiji Kimura and Yukihiro Kawamata, and three outside directors, Tamaki Kakizaki, Ryoko Takeda, and Kenji Iwasaki, who are members of the Audit & Supervisory Committee, have been reported to the Tokyo Stock Exchange, Inc. as independent directors.

The Company considers a director independent if the director does not fall into one of the following categories.

< Criteria for Determining the Independence of Outside Directors]

The independence of outside directors shall be deemed not to be independent if any of the following criteria are met.

- (a) A person who is currently or has been in the past 10 years an executive officer of the Company or its group companies.
- (b) A person who is a major shareholder of the Company or an executive officer of a company that is a major shareholder of the Company.
- (c) A person who is a major lender to the Company or an executive officer of a company that is a major lender to the Company.
- (d) A person who is a material counterparty to the Company, or an executive officer of a company that is a material counterparty to the Company.
- (e) A person who is a material business associate of the Company or an executive officer of a company that is a material business associate of the Company.
- (f) A person who has received a donation or grant over a specified amount from the Company, or a director and officer of a corporation, association, or other organization that receives a donation or grant over a specified amount from the Company.
- (g) An attorney, certified public accountant, tax accountant, consultant, etc., who has received money or other financial benefits over a specified amount from the Company, other than compensation for services as a director (if the person receiving such financial benefits is a corporation, partnership, bureau or other organization, the person who is a member of such organization is included).
- (h) The spouse or a relative within the second degree of a person (excluding insignificant persons) covered by criteria (a) through (g).
- (i) A person who falls under any of criteria (b) to (g) in the past year.

Notes:

- 1) The term “executive person” as used in this Standard refers to the person defined in Article 2, Paragraph 3, Item 6 of the Enforcement Regulations of the Companies Act.
- 2) The term “major shareholder” as used in Criterion 2. means a person (or company) that directly or indirectly holds 10% or more of the total voting rights of the Company as of the end of the last fiscal year.
- 3) The term “major lender to the Company” as used in Criterion 3. means a financial institution or major creditor on which the Company has relied to an indispensable and irreplaceable extent in raising funds during the last three fiscal years.
- 4) The term “a person (or company) whose major business partner is the Company” for Criterion 4 means a person (or company) that has received payments from the Company equal to or greater than 2% of the person’s (or company’s) annual consolidated revenues for the last three fiscal years.
- 5) The term “a person (or company) that is a major business partner of the Company” in Criterion 5 means a person (or company) that has made payments to the Company of 2% or more of the Company’s annual consolidated operating revenues in the last three fiscal years.

- 6) For Criterion 6, “a certain amount” means the greater of 10 million yen per year on average over the last three fiscal years or 30% of the organization’s average annual total expenses over the last three fiscal years.
 - 7) For Criterion 7, “a certain amount” means the greater of 10 million yen per year or 2% of the annual sales of the person (or the annual consolidated sales of the organization if it is a corporation, partnership, bureau or other organization) for the last three fiscal years.
 - 8) In Criterion 8, the term “Immaterial” refers to persons who fall under the category of executive officers in Criterion 1 through 6, except for those at the level of director or general manager of each company or business partner, etc., who are considered immaterial, and concerning persons who fall under the category of “the person belonging to such organization” in Criterion 7, persons other than certified public accountants affiliated with each accounting firm and attorneys (including so-called associates) affiliated with each law firm are considered immaterial.
 - 9) Matters other than those covered by these Standards that may have a significant impact on the determination of independence should be dealt with flexibly.
- (Minor criteria for description)

The Company has established the following minor criteria for attribute information of independent outside directors: the criteria for loans and transactions under criteria 3) through 5) are less than 1% of the Company’s non-consolidated operating profit for the previous fiscal year, and the criteria for donations under 6) are less than 10 million yen.

(3) The functions and roles of outside directors in the governance of the Company; the interrelationship between the outside directors’ oversight or review and the internal audit, Audit & Supervisory Committee audit, and financial statement audit functions; and the relationship with the internal control function.

The outside directors of the Company attend meetings of the Board of Directors, etc., which are generally held once a month, to discuss management matters and to monitor and supervise the management situation of the Company from an objective perspective based on their rich experience and broad insight.

We believe that Outside Director Keiji Kimura can contribute to improving the effectiveness of the Board of Directors by supervising management based on an objective viewpoint independent of the execution of business operations, utilizing his extensive experience and insight as a manager and his broad insight as a representative director of a company engaged in real estate and other businesses in the past.

As for Outside Director Ichiro Fukuzawa, he has served as a representative director of a company engaged in the air transportation business and has extensive experience and insight as a manager. We believe that he can contribute to improving the effectiveness of the Board of Directors by utilizing this experience and insight to oversee management from an objective viewpoint independent of the conduct of business.

As for Outside Director Yukihiro Kawamata, he has served as a representative director of companies engaged in transportation and real estate businesses, etc., and has extensive experience and insight as a manager. We believe that he can contribute to improving the effectiveness of the Board of Directors by utilizing such experience and insight to supervise management from an objective perspective independent of the conduct of business operations.

We believe that Yuji Saito, an outside director, can be expected to contribute to improving the effectiveness of the Board of Directors by supervising management based on an objective viewpoint independent of the conduct of business operations, utilizing his rich experience and insight as a manager and his broad insight as a representative director of a company engaged in the air transportation business, etc.

Outside Director Tamaki Kakizaki, who is a member of the Audit & Supervisory Committee, has no previous experience in management other than as an outside director. However, we believe that given her extensive experience and high-level insight as an expert in internal control and corporate governance, she can be expected to appropriately examine and supervise the conduct of the Company’s business.

As for Ryoko Takeda, an outside director who is a member of the Audit & Supervisory Committee, she has no experience in management other than as an outside director in the past. However, she has extensive experience and insight as a lawyer, and we believe that she can be expected to appropriately audit and supervise the Company’s management by utilizing such experience and insight.

Kenji Iwasaki, an Outside Director who is a member of the Audit & Supervisory Committee and the Supervisory Board, was in charge of corporate planning and other departments of a company engaged in the non-life insurance business in the past and has extensive experience and insight through such duties.

Outside directors, specially assigned Audit & Supervisory Committee members, and the auditor exchange opinions on audits at the audit report meeting held at the end of each quarterly accounting period, and also engage in cooperation through discussions, as necessary. In addition, the Internal Audit Office has been established at the Company’s head office as an internal audit department, and it strives for information sharing and cooperation by exchanging opinions with outside directors who are members of the Audit & Supervisory Committee and specially assigned officers for auditing, etc., on the formulation of audit plans and audit results as appropriate.

C. Conditions of Audits

(1) Audit & Supervisory Committee Members' Audit

The Audit & Supervisory Committee of the Company consists of three directors who are members of the Audit & Supervisory Committee. Ms. Tamaki Kakizaki has extensive knowledge of legal matters as an expert in internal control and corporate governance, Ms. Ryoko Takeda has extensive experience and broad insight as a lawyer and has extensive knowledge of finance and accounting, and Mr. Kenji Iwasaki has extensive experience and insight as a business executive and has extensive knowledge of finance and accounting. Mr. Koji Iwai, who retired on June 28, 2023, has extensive experience and insight as a business executive.

In addition, the Company ensures the effectiveness of the audits by appointing Special Audit & Supervisory officers to assist the Audit & Supervisory Committee in the performance of its duties, who shall perform their duties under the direction and at the direction of the Audit & Supervisory Committee. The appointment of any Special Audit & Supervisory officer is subject to the approval of the Audit & Supervisory Committee.

The Audit & Supervisory Committee held 11 meetings during the year and the attendance of the individual members of the Audit & Supervisory Committee was as follows.

| Name | Position in the Company | Attendance (11 total meetings) |
|-----------------|--|--------------------------------|
| Tamaki Kakizaki | Outside Director, Audit & Supervisory Committee Member | 11 times |
| Ryoko Takeda | Outside Director, Audit & Supervisory Committee Member | 11 times |
| Kenji Iwasaki | Outside Director, Audit & Supervisory Committee Member | 7 times (Note) |
| Koji Iwai | Outside Director, Audit & Supervisory Committee Member | 4 times (Note) |

Note: The attendance of Director and Audit & Supervisory Committee member Koji Iwai covers the Audit & Supervisory Committee meetings held before his resignation on June 28, 2023, and the attendance of Director and Audit & Supervisory Committee member Kenji Iwasaki covers the meetings held after his appointment on June 28, 2023. The average duration of Audit & Supervisory Committee meetings is approximately 2 hours.

The main matters considered by the Audit & Supervisory Committee are the determination of the annual audit plan of the Audit & Supervisory Committee, the approval of proposals for the appointment of directors who are members of the Audit & Supervisory Committee, the determination of opinions on the appointment, etc., and compensation, etc., of directors (excluding members of the Audit & Supervisory Committee), and the preparation of the audit report.

In addition, the Audit & Supervisory Committee considers matters decided by the Audit & Supervisory Committee, such as deciding on the content of proposals for the appointment, dismissal, or non-reappointment of accounting auditors, and approving the compensation, etc., of the accounting auditors.

At the Audit & Supervisory Committee meetings, each member of the Audit & Supervisory Committee monitors the legality and propriety of the management's business conduct and the transparency and soundness of the management by attending the meetings of the Board of Directors and other important meetings and by monitoring and reviewing the establishment and operation of the internal control systems.

In addition, specially assigned audit officers attended weekly management meetings and group management meetings, etc., reviewed important approval documents, interviewed directors, etc. about the performance of their duties, visited business sites and subsidiaries, etc., and reported to the Audit & Supervisory Committee, as necessary.

In addition, the Company closely cooperates with the accounting auditor by receiving an explanation of the audit plan at the beginning of the fiscal year, hearing the status of the audit as appropriate during the fiscal year, and receiving a report on the audit results at the end of the fiscal year.

The Company receives reports from the Internal Audit Department on the formulation of audit plans and audit results, and exchanges views with the Internal Audit Department as appropriate, to share information and promote cooperation.

(2) Internal Audit

The Internal Audit Department, which consists of 4 members and reports directly to the President, conducts operational audits of each division of the Company, including consolidated subsidiaries, based on the annual audit plan. The department examines the legality and appropriateness of business operations in each division, evaluates the effectiveness of internal controls, and assesses the status of risk management. In the current fiscal year, the audit was conducted on the status of sustainability promotion initiatives.

To ensure the effectiveness of internal audits, the Company provides feedback to the audited divisions and requests prompt reports on their improvement measures and responses. The results are reported to the President, Representative Director, Executive Committee, and Board of Directors as appropriate.

Additionally, the Internal Audit Department reports to the Audit & Supervisory Committee regarding the development of audit plans and the results of audits. They also exchange opinions as needed to share information and promote cooperation. The Internal Audit Department, Audit & Supervisory Committee, Special Audit & Supervisory officers, and accounting auditors collaborate by exchanging opinions when necessary.

Regarding compliance with the internal control reporting system for financial reporting based on the Financial Instruments and Exchange Act, we have established an Internal Control Office to promote these activities and evaluate the status of maintenance and operation of internal control systems of the Company and its subsidiaries.

(3) Accounting Audit

(a) Name of Audit Firm

EY Ernst & Young ShinNihon LLC

(b) Continuous audit period

1968 and later

Note:

- 1) The above audit period is as long as the Company can investigate, and the actual audit period may be longer than the above period.
- 2) The rotation of the managing partners is properly implemented, and the first managing partner has not participated in the audit for more than 5 consecutive fiscal years and the other managing partners have not participated in the audit for more than 7 consecutive fiscal years.

(c) Certified Public Accountants who performed services

Hirohisa Fukuda (number of years of continuous auditing: 5 fiscal years) and Masahiro Fujimori (number of years of continuous auditing: 1 fiscal year).

(d) Composition of Audit Assistants

The number of auditing assistants is 3 certified public accountants and 17 other persons.

(e) Policy and rationale for the selection of the audit firm

The Audit & Supervisory Committee selected the auditor after confirming that the auditor does not fall under any of the items listed in Article 340, Paragraph 1 of the Companies Act and that the auditor has a system in place to audit the Group's business activities in an integrated manner, taking into account the independence, expertise, and audit quality of the audit firm.

EY Ernst & Young ShinNihon LLC was selected as the accounting auditor of the Company because it has the expertise and knowledge required of an accounting auditor of the Company, and based on its track record, there are no problems with its competence and independence.

If the Company's Audit & Supervisory Committee determines that it is necessary, for example, if there is a problem with the performance of duties by the auditor, it will decide on the content of a proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the auditor. In addition, if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Company will dismiss the accounting auditor based on the unanimous consent of all members of the Audit & Supervisory Committee. In such case, the appointed member of the Audit & Supervisory Committee shall report the dismissal of the auditor and the reasons for it at the first general meeting of shareholders to be convened after the dismissal.

(f) Audit & Supervisory Committee Evaluation of the Audit Firm

The Audit & Supervisory Committee strictly evaluated the quality control system, audit system, audit implementation status, and audit fees of the accounting auditor based on the evaluation standards for accounting auditors established by the Company, taking into consideration the results of interviews with relevant departments within the Company, and determined that EY Ernst & Young ShinNihon LLC is appropriate and adequate as the accounting auditor.

(4) Details of audit fees

(a) Compensation to certified public accountants

| Classification | Previous consolidated fiscal year | | Current Consolidated Fiscal Year | |
|---------------------------|---|--|---|--|
| | Compensation based on audit attestation services (Thousands of yen) | Compensation for non-audit services (Thousands of yen) | Compensation based on audit attestation services (Thousands of yen) | Compensation for non-audit services (Thousands of yen) |
| The Company | 63,500 | - | 61,224 | - |
| Consolidated subsidiaries | 25,900 | - | 27,900 | - |
| Total | 89,400 | - | 89,124 | - |

Note: Non-audit services provided to the Company are not applicable.

(b) Compensation to organizations belonging to the same network as the auditing CPAs

Not applicable.

(c) Details of compensation based on other important audit attestation services

Not applicable.

(d) Policy for Determining Audit Fees

Not applicable, but audit fees are determined based on the number of audit hours and other factors.

(e) Reasons for the Audit & Supervisory Committee's approval of the audit fees

The Audit & Supervisory Committee approved the amount of compensation, to be paid to the auditor under Article 399, Paragraphs 1 and 3 of the Companies Act, after the necessary review of the appropriateness of the content of the audit plan, the performance of duties by the auditor and the basis for calculating the fee estimate.

D. Compensation of Directors

(1) Matters relating to the policy for determining the amount of compensation for directors, or the method for calculating the amount of compensation

The Company adopted the Company with Audit & Supervisory Committee System by resolution of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022. The maximum amount of compensation for 12 directors (including 4 outside directors), excluding the Audit & Supervisory Committee members, is ¥450 million per year (including ¥48 million for outside directors) under the resolution of the said Ordinary General Meeting of Shareholders. The maximum amount of compensation for 3 directors who are members of the Audit & Supervisory Committee, based on the resolution of the same Ordinary General Meeting of Shareholders, is 80 million yen per year.

The basic policy of the Company in determining the amount of compensation for directors or the method of calculation thereof is to further motivate directors to contribute to the continuous improvement of the Company's business performance and value over the medium to long term and to ensure objectivity and transparency in the decision-making process. This policy is discussed and decided by the Board of Directors after consultation with the Remuneration Advisory Committee.

The Remuneration Advisory Committee is composed of a majority of independent directors and executive officers to ensure the transparency, appropriateness, and objectivity of the compensation of directors, etc. The Committee meets in principle once a year. The Committee fully deliberates on compensation drafts and submits them to the Board of Directors. The amount of compensation for each Audit & Supervisory Committee Member is determined through discussions among the Audit & Supervisory Committee Members.

(2) Performance-related compensation matters

The ratio of fixed to performance-based compensation of the Company's Directors (excluding Outside Directors and Audit & Supervisory Committee Members) is based on the compensation levels of companies in industries and business categories related to those of the Company and companies of similar business size as the Company as benchmarks. Outside Directors and Audit & Supervisory Committee Members only receive a monthly fixed compensation.

The amount of short-term performance-based compensation for directors (excluding outside directors and Audit & Supervisory Committee members) is calculated based on consolidated operating revenue, operating profit, ordinary profit, and net profit attributable to owners of the parent as indicators, taking into account the overall status of budget achievement and other factors to ensure consistency with management strategies, including the medium-term business plan, and to ensure linkage with shareholders' profits. In addition, the compensation of senior managing directors and executive officers and below is based on the achievement of individual goals set by their responsibilities based on key measures, etc. for the respective fiscal year.

For the current fiscal year, the target for indicators related to incentive compensation is the achievement of budgeted consolidated operating revenue, operating profit, ordinary profit, and net profit attributable to owners of the parent.

Consolidated operating revenue, operating profit, ordinary profit, and net profit attributable to owners of the parent for the current fiscal year are shown below. All of the indicators related to performance-based compensation for the current fiscal year improved from the previous year and exceeded the budget (revenue and profit).

| (in million yen) | Operating revenue | operating profit | ordinary profit | net profit attributable to owners of the parent |
|---------------------|-------------------|------------------|-----------------|---|
| Current fiscal year | 217,578 | 29,527 | 27,225 | 19,255 |

Furthermore, the medium- to long-term performance-linked compensation introduced by the resolution of the Company's 80th annual general meeting of shareholders, held on June 26, 2024, employs the mechanism of the Board Incentive Plan (BIP) trust for directors' compensation. The medium- to long-term performance-linked compensation is a non-monetary form of compensation. The Company has a system in place whereby the Company issues shares to directors and executive officers (excluding outside directors and non-residents of Japan) in line with the achievement of key financial and non-financial performance indicators set out in the Mid-term Management Plan, as well as other indicators determined by the Board of Directors. Furthermore, directors and executive officers (excluding outside directors and non-residents of Japan) will receive an amount equivalent to the cash proceeds from the conversion of the Company's shares, by the share delivery regulations approved by the Board of Directors.

(3) Matters relating to the policy for determining the content of compensation for each director

(a) Method of determining the policy for determining the content of compensation for each director

After receiving the report of the Remuneration Advisory Committee, the Board of Directors of the Company shall deliberate and review the report and, as described in (b) below, determine the policy for determining the content of compensation, for each director (hereinafter referred to as the “Determination Policy”).

(b) Summary of the Contents of the Determination Policy

The compensation of the members of the Board of Directors of the Company (excluding the members of the Audit & Supervisory Committee) consists of a monthly fixed compensation and an annual performance-related compensation. The ratio of fixed to performance-based compensation is based on benchmark compensation levels of companies in industries and business categories similar to those of the Company and companies of similar size to the Company. The amount of compensation for each member of the Audit & Supervisory Committee is determined by discussion among the members of the Audit & Supervisory Committee. For non-executive directors and members of the Audit & Supervisory Committee, only a monthly fixed compensation is determined.

The amount of performance-based compensation for directors (excluding outside directors and Audit & Supervisory committee members) is calculated based on consolidated operating revenue, operating profit, ordinary profit, and net profit attributable to owners of the parent as indicators, taking into account the overall status of budget achievement and other factors, to ensure consistency with management strategies such as the medium-term business plan and to ensure linkage with shareholders’ interests. In addition, the compensation of senior managing directors and executive officers below is based on the achievement of individual targets set by their responsibilities based on key measures for the relevant fiscal year. The compensation for each director (excluding the Audit & Supervisory Committee members) is determined by the Chairperson of the Board of Directors and CEO, who has been granted discretionary powers in this regard by a resolution of the Board of Directors. To ensure the proper exercise of this authority, the Company consults the Remuneration Advisory Committee on the draft compensation plan, and based on the Committee’s report, the Board of Directors deliberates on the plan to ensure sufficient transparency, appropriateness, and objectivity in determining the amount of compensation.

(c) Reasons why the Board of Directors has determined that each director’s compensation for the current year is consistent with the Determination Policy

In determining the details of compensation for each director (excluding members of the Audit & Supervisory Committee), the Company consults the Remuneration Advisory Committee on a compensation proposal consisting of monthly fixed compensation and annual performance-based compensation. For non-executive directors, only the monthly fixed fee is paid. The Remuneration Advisory Committee reviews and makes specific recommendations from various perspectives, including consistency with the Determination Policy, and the Board of Directors deliberates based on the recommendations, and the Chairperson and CEO make decisions based on a discretionary resolution of the Board of Directors, and therefore the details of the compensation of directors (excluding members of the Audit & Supervisory Committee) for the current fiscal year are by the Determination Policy.

(4) Matters relating to the delegation of authority to determine the content of individual directors’ compensation.

In the current fiscal year, at the Board of Directors’ meeting held on June 28, 2023, it was decided that Isao Takashiro, Chairperson and CEO (Chairperson of the Board of Directors and Chairperson of the Executive Strategy Council), would be entrusted with the task of determining the specific details of the amount of individual director compensation.

The content of this discretion is to determine the amount of fixed compensation for each member of the Board of Directors (excluding members of the Audit & Supervisory Committee) and the amount of incentive compensation by the level of achievement of the consolidated budget and, in the case of senior managing directors and below, taking into account the assessment of the level of achievement of individual objectives. The reason for this discretion is that the Chairperson and CEO are in the best position to evaluate the business activities of each member of the Board (excluding members of the Audit & Supervisory Committee) from a bird’s eye view of the consolidated business results. To ensure that such authority is properly exercised by the Chairperson and CEO, the amount of compensation for each Director, within the limit of the total amount of compensation resolved by the General Meeting of Shareholders, is determined by submitting to the Remuneration Advisory Committee a draft compensation proposal consisting of a monthly fixed compensation and an annual performance-based compensation, and based on its recommendation, the Board of Directors deliberates on the proposal. The Board of Directors discusses the proposal and, after ensuring sufficient transparency, appropriateness, and objectivity, the Chairperson and CEO decide based on a discretionary decision of the Board of Directors.

(5) Matters relating to the policy for determining the details of compensation for individual directors after June 26, 2024

By the introduction of the performance-linked stock compensation system resolved at the 80th Ordinary General Meeting of Shareholders held on June 26, 2024, the Company partially revised the “Details of Policy and Method of Determining the Amount and Calculation Method of Compensation, for Directors and executive officers” as of the same date, as follows. (The revised policy is hereinafter referred to as the “New Determination Policy.”)

(a) Method of determining the policy for determining the content of compensation for each director

After receiving the report of the Remuneration Advisory Committee, the Company’s Board of Directors deliberates and reviews it and determines the new decision-making policy as described in (b) below.

(b) Contents of the new decision-making policy

The Company’s fundamental policy regarding the determination of compensation for directors and the method of calculation thereof is to provide an incentive for directors to contribute to the continuous improvement of business performance and corporate value over the medium to long term while ensuring objectivity and transparency in the decision-making process. This basic policy is subject to deliberation, review, and decision by the Board of Directors following deliberation by the Remuneration Advisory Committee.

The compensation of the Company’s Directors (excluding members of the Audit and Supervisory Board) (excluding outside directors) is composed of fixed compensation, performance-linked compensation, and non-monetary compensation not linked to performance. Performance-linked compensation is comprised of short-term and medium- to long-term components. The ratio of fixed compensation to performance-linked compensation is based on compensation levels benchmarked to companies in industries and business categories with which the Company is in direct competition, as well as companies of a similar size to the Company. Outside directors receive only a monthly fixed compensation.

The amount of individual compensation for each director of the Company is determined by Isao Takashiro, Chairperson of the Board and CEO, by a resolution of the Board of Directors. The Board of Directors considers the proposals and makes decisions in a transparent, appropriate, and objective manner.

The amount of fixed compensation for each director of the Company is determined by their position, based on comprehensive consideration of compensation levels set by companies in related industries and business categories, as well as companies of a similar scale to the Company. This is done after deliberation by the Board of Directors, which receives a report from the Remuneration Advisory Committee.

The amount of short-term performance-linked compensation for directors (excluding outside directors) is calculated based on several key indicators, including consolidated operating revenue, operating profit, ordinary profit, and net profit attributable to owners of the parent. These indicators are used to ensure consistency with the medium-term management plan and other management strategies, as well as to align compensation with shareholder profits. Furthermore, for senior managing directors and executive officers and below, compensation is based on the achievement of individual targets set in line with their responsibilities based on important measures for the relevant fiscal year.

The medium- to long-term performance-linked compensation is a non-monetary form of compensation that leverages the Board Incentive Plan (BIP) trust for directors’ compensation. This structure is designed to motivate directors to contribute to the enhancement of the Group’s medium- to long-term performance and corporate value. The BIP Trust is a system under which eligible directors (excluding outside directors and non-residents of Japan) are compensated for their services through a BIP plan approved by the Board of Directors. The Company will grant eligible directors (excluding outside directors and non-residents of Japan) several shares of the Company’s stock and a cash payment equivalent to the conversion value of the Company’s stock (hereinafter referred to as the “Company’s stock, etc.”) by the stock issuance rules approved by the Board of Directors. The number of shares and cash payments will be calculated in proportion to the number of points based on the director’s position, term in office, and degree of achievement of important financial and non-financial indicators for performance targets in the medium-term management plan and other indicators set by the Board of Directors. The Company’s shares and the cash proceeds from their conversion (hereinafter referred to as “company shares, etc.”) are delivered and paid.

Non-monetary compensation that is not performance-linked also makes use of the BIP trust system for the compensation of directors and corporate auditors. By the stock issuance rules approved by the Board of Directors, the Company’s shares, etc. are delivered and paid in proportion to the number of points granted based on position and tenure of office.

Fixed compensation is paid monthly, short-term performance-linked compensation is paid annually, and medium- to long-term performance-linked compensation and non-monetary compensation not linked to performance is paid upon retirement. If a director is found to have committed serious misconduct, etc., the Company may forfeit all or part of the medium- to long-term performance-linked compensation and non-monetary compensation not linked to business performance granted to such director (malus), or demand that such director return an amount of money equivalent to the Company shares, etc. issued to him (claw-back).

(6) Total amount of compensation by director classification, total amount of compensation by type of compensation, and number of directors subject to compensation

| Classification of Officers | Total amount of compensation (Millions of yen) | Total amount of compensation by type (Millions of yen) | | Eligible Number of directors (persons) |
|---|---|---|---------------------------------|---|
| | | fixed compensation | performance-linked compensation | |
| Directors (excluding Audit & Supervisory Committee members and outside directors) | 353 | 272 | 81 | 10 |
| Directors (Audit & Supervisory Committee members) (excluding outside directors) | - | - | - | - |
| Outside Directors | 73 | 73 | - | 9 |

Notes:

- 1) The maximum amount of director's compensation according to the resolution of the General Meeting of Shareholders (resolution of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022) for 12 directors (including 4 outside directors, but excluding Audit & Supervisory Committee members) is 450 million yen per year (including 48 million yen for outside directors).
- 2) The maximum amount of compensation for directors of the Audit & Supervisory Committee members, as resolved by the General Meeting of Shareholders (resolution of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022), is 80 million yen per year for 4 directors who are members of the Audit & Supervisory Committee.
- 3) At the 80th Ordinary General Meeting of Shareholders held on June 26, 2024, a resolution was passed to introduce a performance-based stock compensation plan for the Company's Directors (excluding Audit & Supervisory Committee members, Outside Directors, and non-residents of Japan). The maximum amount of money that the Company is willing to contribute is 350 million yen for each subject period (in principle, the fiscal year covered by the Company's medium-term management plan). The maximum number of shares of the Company's stock that may be delivered to Directors is 78,000 shares for each subject period. There are 8 Directors about the resolution of the General Meeting of Shareholders.
- 4) The figure shown above represents bonuses to 8 directors, which were recorded as expenses in the fiscal year under review and are linked to performance.

E. Shareholdings

(1) Classification of investment securities

The Company classifies investment securities by holding purpose, for pure investment, or other than pure investment. Pure investment means that the Company owns shares only for returns from stock price fluctuations and/or dividends.

(2) Investment securities held for purposes other than pure investment

(a) The policy of holding listed stocks

In light of avoiding risks resulting from stock price fluctuations and improving asset efficiency, the Company owns no listed shares except for the cases in which business relationships with invested companies and/or business cooperation with the Company are needed.

(b) Number of stock names and amount on the balance sheet

| | Number of stock names | Amount on the balance sheet (Millions of yen) |
|----------------------------|-----------------------|---|
| Unlisted stocks | 16 | 5,225 |
| Other than unlisted stocks | 10 | 7,541 |

[Information on stocks whose number of shares increased in the fiscal year ended March 31, 2024]

| | Number of stock names | Total acquisition cost per share increase (millions of yen) |
|----------------------------|-----------------------|---|
| Unlisted stocks | 2 | 239 |
| Other than unlisted stocks | 3 | 1,293 |

Notes:

- 1) Stocks whose number of shares increased or decreased do not include changes due to reverse stock splits, stock splits, stock transfers, stock exchanges, mergers, etc.
- 2) The rationale behind the increase in unlisted stocks is to strengthen cooperation within the cooperative business sector.
- 3) The rationale behind the increase in unlisted stocks is to maintain business relationships and strengthen collaboration, thereby fostering a culture of trust.

(c) Stock name, number of shares, amount on the balance sheet of specified investment securities, and deemed shareholdings

[Specified Investment Stocks]

| Company name | Number of shares outstanding (shares) | | Purpose of holding and outline of business alliance | Sharehold ing in the Company |
|---|---------------------------------------|----------------------|---|------------------------------------|
| | Balance sheet amount (million yen) | | | |
| | Current fiscal year | Previous fiscal year | | |
| ANA Holdings, Inc. (Note 1) | 693,395 | 637,158 | (Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. | possession |
| | 2,225 | 1,832 | (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building with the group companies. | |
| Japan Airlines Co. | 528,000 | 528,000 | (Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. | possession |
| | 1,540 | 1,363 | (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building | |
| Sumitomo Realty & Development Co., Ltd. (Note 2) | 255,000 | - | (Purpose of the holding company) Further, strengthens collaboration and builds trust. | possession |
| | 1,478 | - | (Outline of Business Alliance) Strengthening Future Collaboration in Expanding International Demand | |
| Keikyu Corporation | 640,000 | 640,000 | (Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. | possession |
| | 891 | 805 | (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building | |
| East Japan Railway Company | 78,200 | 78,200 | (Purpose of the holding company) Further, strengthens collaboration and builds trust. | possession |
| | 684 | 573 | (Outline of Business Alliance) Strengthen future coordination of ground-based access from airports | |
| Mizuho Financial Group, Inc. (Note 1) | 101,341 | 98,116 | (Purpose of the holding company) Facilitate and stabilize the Group's financial activities. | possession |
| | 308 | 184 | (Outline of Business Alliance) Principal Lenders to the Company | |
| Bic Camera Co. | 92,000 | 92,000 | (Purpose of the holding company) Continue to strengthen cooperation and build trust, especially in merchandise sales. | Possession |
| | 117 | 102 | (Outline of Business Alliance) Established a joint venture to operate merchandise stores at Haneda Airport Terminal | |
| SAN-AI OBBLI CO., LTD. | 74,418 | 74,418 | (Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. | Possession |
| | 155 | 102 | (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building | |

| Company name | Number of shares outstanding (shares) | | Purpose of holding and outline of business alliance | Sharehold ing in the Company |
|------------------------------|---------------------------------------|----------------------|---|------------------------------------|
| | Balance sheet amount (million yen) | | | |
| | Current fiscal year | Previous fiscal year | | |
| Airport Facilities Co., Ltd. | 146,410 | 146,410 | (Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. (Outline of Business Alliance) Transactions with the group companies for water supply and drainage services related to the passenger terminal buildings at Haneda Airport | Possession |
| | 88 | 80 | | |
| Sapporo Holdings Limited | 8,200 | 8,200 | (Purpose of the holding company) Strengthen collaboration and build trust, especially in food and beverage. (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building with the Company's group companies. | Possession |
| | 49 | 27 | | |

Notes:

- 1) The rationale behind the increase in shares of ANA Holdings, Inc. and Mizuho Financial Group, Inc. is to maintain an ongoing business relationship.
- 2) The objective of the increase in shares of the Sumitomo Realty & Development Co., Ltd. is to reinforce collaboration and establish a foundation of trust.

(quantitative effect of holding)

Since it is difficult to describe the effect of quantitative holdings of certain investment shares, the Company describes the method by which it has reviewed the reasons for the holdings. The Board of Directors of the Company has reviewed the significance of policy shareholdings for individual policy shareholdings, and all of the issuers of such policy shareholdings have transactions with the Company, such as leasing facilities, etc., or borrowing funds, and given their business relationship, it is necessary to further strengthen cooperation and establish a relationship of trust. The Company has confirmed that all of the shareholdings are reasonable in light of its shareholding policy. In addition, the Board of Directors of the Company has confirmed that all of the aforementioned shareholdings are reasonable in light of the shareholding policy, considering quantitative information such as TSR (Total Shareholder Return), as well as the importance of the shares in terms of business strategy, business relationships, and other factors.

[Deemed holding stocks]

| [Decided holding stocks] | | | | |
|--------------------------|---------------------------------------|----------------------|---|-----------------------------|
| Company name | Number of shares outstanding (shares) | | Purpose of holding and outline of business alliance | Shareholding in the Company |
| | Balance sheet amount (million yen) | | | |
| | Current fiscal year | Previous fiscal year | | |
| ANA Holdings, Inc. | 900,000 | 900,000 | (Purpose of the holding company) Trust assets are held as a pension trust, which is authorized to instruct how to exercise voting rights. (Outline of Business Alliance) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building with the group companies. | possession |
| | 2,889 | 2,588 | | |

(quantitative effect of holding)

Because it is difficult to describe the quantitative effect of the Company's holdings of deemed shareholdings, the Company will describe the method by which it has reviewed the reasonableness of the holdings. The Board of Directors of the Company has reviewed the significance of each deemed shareholding, and the issuer of such deemed shareholding has transactions with the Company, such as leasing facilities, in light of the business relationship, it is necessary to further strengthen cooperation and establish a relationship of trust, so the Company has confirmed that all deemed shareholdings are reasonable in light of its holding policy. The Company has confirmed that it is reasonable to hold these shares in light of the holding policy.

Note: Specified investment stocks and deemed holding stocks are not combined at the stage of selecting the top stocks in terms of balance sheet amount.

(3) Investment securities held for pure investment

| | Current fiscal year | | Previous fiscal year | |
|----------------------------|-----------------------|---|-----------------------|---|
| | Number of stock names | Amount on the balance sheet (Millions of yen) | Number of stock names | Amount on the balance sheet (Millions of yen) |
| Other than unlisted stocks | 2 | 254 | 2 | 148 |

| | Current fiscal year | | |
|----------------------------|---|--|--|
| | Total dividend income (millions of yen) | Total gain (loss) on sales (million yen) | Total holding gains (losses) (millions of yen) |
| Other than unlisted stocks | 4 | - | 85 |

(4) Investment securities for which the holding purpose has changed from pure investment to other than pure investment in the fiscal year ended March 31, 2024

Not applicable

(5) Investment securities for which the holding purpose has changed from other than pure investment to pure investment in the fiscal year ended March 31, 2024

Not applicable

Item 5. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared by the “Regulations Concerning Terms, Forms and Preparation Method of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28 of 1976, hereinafter referred to as the “Regulations for Consolidated Financial Statements”).
- (2) The Company’s financial statements are prepared by the “Regulations Concerning Terms, Forms and Preparation Method of Financial Statements” (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as the “Regulations for Financial Statements”).

In addition, the Company falls under the category of a company filing special financial statements and prepares its financial statements by Article 127 of the Regulations for Financial Statements, etc.

2. Audit certification

The consolidated financial statements of the Company for the consolidated fiscal year (from April 1, 2023, to March 31, 2024) and the non-consolidated financial statements of the Company for the fiscal year (from April 1, 2023, to March 31, 2024) have been audited by EY Ernst & Young ShinNihon LLC by the provisions of Article 193-2-1 of the Financial Instruments and Exchange Law.

3. Particular efforts to secure the appropriateness of the consolidated financial statements

The Company takes special measures to ensure the adequacy of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) and participates in training sessions organized by the FASF to establish a system that enables it to accurately respond to the content of accounting standards, etc., or changes in accounting standards, etc., and participates in training sessions, etc., organized by the FASF.

1. Consolidated Financial Statements, and Others

A. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------------------|----------------------------------|
| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 63,741 | 65,395 |
| Accounts receivable | 15,331 | 22,935 |
| Securities | 26,500 | 20,000 |
| Merchandise and finished products | 4,283 | 7,850 |
| Raw materials and stored goods | 323 | 357 |
| Other current assets | 4,865 | 4,335 |
| Allowance for doubtful accounts | (57) | (118) |
| Total current assets | 114,988 | 120,756 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 562,619 | 567,151 |
| Accumulated depreciation and impairment loss | (343,917) | (362,651) |
| Buildings and structures (net) | 218,701 | 204,499 |
| Machinery, equipment, and vehicles | 34,822 | 35,199 |
| Accumulated depreciation and impairment loss | (21,227) | (23,255) |
| Machinery, equipment, and vehicles (net) | 13,595 | 11,944 |
| Land | 12,876 | 12,907 |
| Lease assets | 3,574 | 3,663 |
| Accumulated depreciation and impairment loss | (2,049) | (2,497) |
| Lease assets (net) | 1,525 | 1,165 |
| Construction in progress | 8,996 | 29,513 |
| Other tangible fixed assets | 70,653 | 70,862 |
| Accumulated depreciation and impairment loss | (60,234) | (60,960) |
| Other tangible fixed assets (net) | 10,418 | 9,901 |
| Total tangible fixed assets | 266,114 | 269,932 |
| Intangible fixed assets | | |
| Leasehold right | 29,671 | 27,826 |
| Other intangible fixed assets | 2,139 | 3,415 |
| Total intangible fixed assets | 31,810 | 31,242 |
| Investments and other assets | | |
| Investment securities | 17,254 | 22,248 |
| Deferred tax assets | 12,232 | 10,919 |
| Retirement benefit asset | 1,105 | 1,841 |
| Other investments | 3,450 | 3,682 |
| Allowance for doubtful accounts | - | (199) |
| Total investments and other assets | 34,042 | 38,492 |
| Total fixed assets | 331,967 | 339,667 |
| TOTAL ASSETS | 446,955 | 460,423 |

(Millions of yen)

| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
|---|----------------------------------|----------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 7,172 | 11,908 |
| Short-term borrowings | 15,709 | 16,615 |
| Current portion of bonds payable | - | 10,000 |
| Accrued expenses | 12,150 | 12,657 |
| Income taxes payable | 2,192 | 4,582 |
| Provision for employees' bonuses | 1,627 | 2,279 |
| Provision for directors' bonuses | - | 282 |
| Other current liabilities | 10,273 | 12,268 |
| Total current liabilities | 49,125 | 70,594 |
| Fixed liabilities | | |
| Bonds | 55,139 | 44,988 |
| Long-term loans payable | 171,815 | 155,398 |
| Lease liabilities | 1,173 | 811 |
| Deferred tax liabilities | 16,319 | 11,879 |
| Provision for directors' retirement benefits | 57 | 31 |
| Retirement benefit liability | 4,562 | 4,208 |
| Asset retirement obligations | 628 | 636 |
| Other fixed liabilities | 7,183 | 5,837 |
| Total fixed liabilities | 256,878 | 223,792 |
| TOTAL LIABILITIES | 306,004 | 294,386 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 38,126 | 38,126 |
| Capital surplus | 54,160 | 54,160 |
| Retained earnings | 56,942 | 72,379 |
| Treasury stock | (10) | (13) |
| Total shareholders' equity | 149,217 | 164,652 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,695 | 3,018 |
| Deferred gains or losses on hedges | (726) | (445) |
| Foreign currency translation adjustment | 122 | 152 |
| Remeasurements of defined benefit plans | (22) | 794 |
| Total accumulated other comprehensive income | 1,069 | 3,520 |
| Non-controlling interests | (9,335) | (2,135) |
| TOTAL NET ASSETS | 140,951 | 166,036 |
| TOTAL LIABILITIES AND NET ASSETS | 446,955 | 460,423 |

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

Consolidated Statements of Income

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|---|---|---|
| Operating revenues | | |
| Rent revenue | 19,829 | 20,020 |
| Facility user charges revenue | 29,327 | 52,439 |
| Other revenues | 14,394 | 19,866 |
| Sale of merchandise | 41,143 | 110,989 |
| Sale of food and beverage | 8,355 | 14,263 |
| Total operating revenues | 113,050 | 217,578 |
| Cost of sales | | |
| Cost of sales of merchandise | 23,927 | 64,899 |
| Cost of sales of food and beverage | 5,158 | 7,974 |
| Total cost of sales | 29,085 | 72,874 |
| Gross profit | 83,964 | 144,704 |
| Selling, general and administrative expenses | | |
| Salaries and wages | 10,776 | 12,224 |
| Provision for employees' bonuses | 1,548 | 2,200 |
| Provision for directors' bonuses | - | 284 |
| Retirement benefit expenses | 812 | 670 |
| Rent expenses | 8,555 | 11,463 |
| Outsourcing and commission | 14,189 | 24,019 |
| Depreciation expenses | 28,954 | 28,171 |
| Other costs and expenses | 29,707 | 36,141 |
| Total selling, general, and administrative expenses | 94,543 | 115,176 |
| Operating profit (loss) | (10,579) | 29,527 |
| Non-operating income | | |
| Interest income | 21 | 65 |
| Dividends income | 64 | 164 |
| Equity in earnings of affiliates | 133 | 187 |
| Contributions in aid of construction | 268 | 186 |
| Fee and commission income | 251 | 287 |
| Rental income from facilities | 153 | 156 |
| Miscellaneous income | 1,040 | 355 |
| Total non-operating income | 1,933 | 1,404 |
| Non-operating expenses | | |
| Interest expenses | 2,991 | 2,942 |
| Loss on retirement of fixed assets | 276 | 433 |
| Miscellaneous expenses | 152 | 330 |
| Total non-operating expenses | 3,419 | 3,706 |
| Ordinary profit (loss) | (12,064) | 27,225 |

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|---|---|---|
| Extraordinary gains | | |
| National subsidies | 58 | 118 |
| Gains on sale of investment securities | 20 | - |
| Total extraordinary gains | 78 | 118 |
| Extraordinary loss | | |
| Impairment loss | 260 | - |
| Loss on valuation of investment securities | 99 | 221 |
| Loss on reduction entry of fixed assets | 36 | 104 |
| Total extraordinary loss | 397 | 326 |
| Profit (loss) before income taxes and non-controlling interests | (12,383) | 27,017 |
| Income taxes – current | 1,743 | 4,920 |
| Income taxes – deferred | 1,561 | (3,879) |
| Total income taxes | 3,304 | 1,040 |
| Net profit (loss) before non-controlling interests | (15,687) | 25,976 |
| Net profit (loss) attributable to non-controlling interests | (11,786) | 6,721 |
| Net profit (loss) attributable to owners of the parent | (3,901) | 19,255 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|--|---|---|
| Net profit (loss) before non-controlling interests | (15,687) | 25,976 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (828) | 1,346 |
| Deferred gains (losses) on hedges | 949 | 688 |
| Foreign currency translation adjustment | 56 | 29 |
| Remeasurements of defined benefit plans | 439 | 871 |
| Share of other comprehensive income of affiliates accounted for using the equity method | 15 | (4) |
| Total other comprehensive income | 631 | 2,930 |
| Comprehensive income | (15,056) | 28,906 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of the parent | (3,882) | 21,706 |
| Comprehensive income attributable to non-controlling interests | (11,174) | 7,200 |

(3) Consolidated Statements of Changes in Shareholders' Equity

[FY2022 (from April 1, 2022 to March 31, 2023)]

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period | 38,126 | 54,160 | 60,843 | (9) | 153,120 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | | | - |
| Net profit (loss) attributable to owners of the parent | | | (3,901) | | (3,901) |
| Purchase of treasury stock | | | | (1) | (1) |
| Changes of items other than shareholders' equity during the current period (net) | | | | | - |
| Total changes during the current period | - | - | (3,901) | (1) | (3,902) |
| Balance at the end of the current period | 38,126 | 54,160 | 56,942 | (10) | 149,217 |

| | 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 the current period | 2,526 | (1,115) | 66 | (426) | 1,050 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | | | |
| Net profit (loss) attributable to owners of the parent | | | | | |
| Purchase of treasury stock | | | | | |
| Changes of items other than shareholders' equity during the current period (net) | (830) | 388 | 56 | 403 | 18 |
| Total changes during the current period | (830) | 388 | 56 | 403 | 18 |
| Balance at the end of the current period | 1,695 | (726) | 122 | (22) | 1,069 |

| | Non-controlling interests | Total net assets |
|--|---------------------------|------------------|
| Balance at the beginning of the current period | 1,838 | 156,009 |
| Changes during the current period | | |
| Dividend from retained earnings | | - |
| Net profit (loss) attributable to owners of the parent | | (3,901) |
| Purchase of treasury stock | | (1) |
| Changes of items other than shareholders' equity during the current period (net) | (11,174) | (11,155) |
| Total changes during the current period | (11,174) | (15,058) |
| Balance at the end of the current period | (9,335) | 140,951 |

[FY2023 (from April 1, 2023 to March 31, 2024)]

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period | 38,126 | 54,160 | 56,942 | (10) | 149,217 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | (3,818) | | (3,818) |
| Net profit (loss) attributable to owners of the parent | | | 19,255 | | 19,255 |
| Purchase of treasury stock | | | | (2) | (2) |
| Changes of items other than shareholders' equity during the current period (net) | | | | | - |
| Total changes during the current period | - | - | 15,437 | (2) | 15,434 |
| Balance at the end of the current period | 38,126 | 54,160 | 72,379 | (13) | 164,652 |

| | 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 the current period | 1,695 | (726) | 122 | (22) | 1,069 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | | | |
| Net profit (loss) attributable to owners of the parent | | | | | |
| Purchase of treasury stock | | | | | |
| Changes of items other than shareholders' equity during the current period (net) | 1,322 | 281 | 29 | 816 | 2,450 |
| Total changes during the current period | 1,322 | 281 | 29 | 816 | 2,450 |
| Balance at the end of the current period | 3,018 | (445) | 152 | 794 | 3,520 |

| | Non-controlling interests | Total net assets |
|--|---------------------------|------------------|
| Balance at the beginning of the current period | (9,335) | 140,951 |
| Changes during the current period | | |
| Dividend from retained earnings | | (3,818) |
| Net profit (loss) attributable to owners of the parent | | 19,255 |
| Purchase of treasury stock | | (2) |
| Changes of items other than shareholders' equity during the current period (net) | 7,199 | 9,650 |
| Total changes during the current period | 7,199 | 25,085 |
| Balance at the end of the current period | (2,135) | 166,036 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes and minority interests | (12,383) | 27,017 |
| Depreciation and amortization | 29,022 | 28,232 |
| Increase (decrease) in retirement benefit liability | 327 | 139 |
| Decrease (increase) in retirement benefit asset | (46) | (78) |
| Increase (decrease) in provision for employees' bonuses | 553 | 652 |
| Increase (decrease) in provision for directors' bonuses | - | 282 |
| Interest and dividend income | (85) | (230) |
| Interest expenses | 2,991 | 2,942 |
| Equity in losses (earnings) of affiliates | (133) | (187) |
| Loss (gain) on valuation of investment securities | 99 | 221 |
| Impairment loss | 260 | - |
| Loss on retirement of tangible fixed assets | 276 | 433 |
| National subsidy | (58) | (118) |
| Loss on reduction of fixed assets | 36 | 105 |
| Decrease (increase) in accounts receivable – trade | (9,922) | (7,604) |
| Decrease (increase) in inventories | 1,029 | (3,601) |
| Decrease (increase) in other current assets | 911 | 584 |
| Increase (decrease) in accounts payable – trade | 5,215 | 4,735 |
| Increase (decrease) in other current liabilities | 1,169 | (344) |
| Others | (782) | 157 |
| Subtotal | 18,480 | 53,339 |
| Interest and dividends received | 123 | 354 |
| Interest paid | (2,923) | (3,333) |
| Subsidy received | 655 | 19 |
| Income taxes refund (paid) | (9) | (2,618) |
| Net cash provided by (used in) operating activities | 16,326 | 47,761 |
| Cash flows from investing activities | | |
| Purchase of securities | - | (10,000) |
| Purchase of investment securities | (500) | (3,377) |
| Purchase of tangible fixed assets | (9,857) | (27,662) |
| Payments for retirement of tangible fixed assets | (242) | (301) |
| Purchase of intangible fixed assets | (378) | (1,468) |
| Proceeds from national subsidy | 58 | 118 |
| Other proceeds | 292 | (295) |
| Net cash provided by (used in) investing activities | (10,627) | (42,986) |

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
| Cash flows from financing activities | | |
| Net increase (decrease) of short-term borrowings | (100) | - |
| Proceeds from long-term loans payable | 883 | 985 |
| Repayment of long-term loans payable | (12,826) | (16,281) |
| Repayments of Lease liabilities | (494) | (455) |
| Dividends paid to owners of the parent | - | (3,818) |
| Dividends paid to non-controlling interests | (0) | (0) |
| Others | (103) | (79) |
| Net cash provided by (used in) financing activities | (12,641) | (19,649) |
| Effect of exchange rate change on cash and cash equivalents | 55 | 28 |
| Increase (decrease) in cash and cash equivalents | (6,887) | (14,845) |
| Cash and cash equivalents at the beginning of the period | 97,128 | 90,241 |
| Cash and cash equivalents at the end of the period | 90,241 | 75,395 |

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 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.
Tokyo International Air Terminal Corporation
Air BIC Inc.
Haneda Airport Enterprise Co., Ltd.
Haneda Airport Security Co., Ltd.
Haneda Passenger Service Co., Ltd.
Japan Airport Terminal Trading (Chengdu) Co., Ltd.
Lani Ke Akua Pacific Inc.
Sakura Shokai Co., Ltd.
Hamashin Co., Ltd.
Japan Airport Ground Handling Co., Ltd.
Kaikan Kaihatsu Co., Ltd.

(2) Number of non-consolidated subsidiaries: 5 companies

Names of non-consolidated subsidiaries

Global Service Co., Ltd.
Tsukiji Hamashin Co., Ltd.
Felix International LLC.
JAT Design International Inc.
Rock Island Tour Company, Ltd.

The 5 non-consolidated subsidiaries are excluded from the scope of consolidation since they are small in size, and their total assets, operating revenues, net profit (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

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

(2) The non-consolidated subsidiaries and Seikosha Co. and 11 other affiliated companies are not included in the scope of the application of the equity method, since the aggregate amounts corresponding to the shares held by the Company of those companies' net profit (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

1) Held-to-maturity securities are carried at cost.

2) 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. The cost of securities sold is determined by the moving average method.

Shares without fair values are stated at cost based on the 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 its major consolidated subsidiaries, inventories are principally stated at cost determined by the retail method (the book value of inventories in the balance sheet is written down when their profitability declines). Certain consolidated subsidiaries use the last-purchase-price method (the 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 and provisions

(a) Allowance for doubtful accounts

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

(b) Provision for employees' bonuses

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

(c) Provision for directors' bonuses

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

(d) Provision 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 by their internal rules.

(4) 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 the voluntary retirement of employees at fiscal year-end in calculating the retirement benefit liability and retirement benefit expenses.

(5) Recognition of significant revenues and costs

The 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 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 the construction, management, and operation of passenger terminals and leasing of real estate. Rent revenue consists mainly of office and store rent income, and is recognized by 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 (PSFC) revenues. These revenues are collected from passengers based on their use of passenger service facilities. The Group is obligated to use these revenues to cover expenses related to facilities for the common use of passengers and to professionally manage and operate the passenger terminals. Revenue is recognized when the air carrier completes the passenger air transportation services, indicating that the performance obligation has been fulfilled.

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, 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 customer receives the goods.

(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.

(6) Accounting standards for important hedging transactions

(a) Hedge accounting method

Hedging transactions are accounted for under the 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 that 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 the construction period of passenger terminals and other facilities are included in the acquisition cost (¥4,517 million for accumulated amount as of March 31, 2024) and recorded as fixed assets.

(Significant accounting estimates)**1. Inventory valuation****(1) Amount recorded in the consolidated financial statements for the current fiscal year**

Loss (gain) on write-down of inventories

(Millions of yen)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Reversal at the beginning of the period | (1,416) | (154) |
| Amount recorded in the current period | 154 | 40 |
| Total | (1,262) | (114) |

(2) Information about the nature of significant accounting estimates for identified items**(a) Calculation Method**

The Group operates international duty-free stores and city duty-free stores. The number of international flight passengers nearly tripled compared to the previous year, setting a new record for 2019 (calendar year). Additionally, the number of backlogged goods is also decreasing. The Company identifies backlogged goods based on the criteria that they have exceeded the storage period in bonded warehouses. The write-down ratio is calculated based on the full value of items scheduled for disposal. For other items, the write-down ratio is calculated mainly based on the contractual return value or actual sales records.

Concerning the reversal of book value write-downs recorded in the previous period, the method of reversal in the current period (reversal method) is used.

(b) Main Assumptions

The primary assumption for the value of goods in arrears is the write-down ratio, which is calculated based on historical sales performance.

(c) Impact on consolidated financial statements for the following fiscal year

The write-down ratio, which is calculated based on past sales performance, is subject to significant estimation uncertainty. This is because past sales performance may not be indicative of future trends, and the backlog of inventory may increase further, resulting in additional write-downs.

2. Recoverability of deferred tax assets**(1) Amount recorded in the consolidated financial statements for the current fiscal year**

Deferred tax assets: 10,919 million yen

Deferred tax liabilities: 11,879 million yen

The total deferred tax assets related to the tax loss carryforwards of the subsidiary, Tokyo International Air Terminal Corporation (TIAT), before offsetting deferred tax liabilities, is 2,743 million yen.

(2) Additional information that provides insight into the nature of the accounting estimate**(a) Calculation Method**

The Company assesses the recoverability of deferred tax assets for future deductible temporary differences based on an analysis of taxable income and tax planning strategies aligned with future earning capacity, as well as a review of the Company's classification by the "Guidance on Recoverability of Deferred Tax Assets." The estimation of taxable income is based on the business plan. During the period under review, the number of international airline passengers at Haneda Airport saw a significant increase, leading the Company's subsidiary, TIAT, an international terminal building operator, to record deferred tax assets related to losses carried forward for tax purposes. The Group's core business activities include leasing office space and other facilities at passenger terminals, selling goods to airline passengers, and providing food and beverage and travel services. Consequently, the Group is significantly reliant on airline companies, its primary leasing partners, and airline passengers, its principal customers. Accordingly, the pertinent business plan is formulated based on the number of international airline passengers and the duty-free unit price of merchandise sales, to forecast future revenues and other pertinent items.

(b) Main Assumptions

The business plan of Tokyo International Air Terminal Corporation (TIAT) is based on two main assumptions: the number of international air passengers and the duty-free unit price of merchandise sales. The former is a key indicator of the terminal's performance, while the latter represents a significant source of revenue. The number of international air passengers is estimated based on the actual number of recent flights and future schedules announced by airlines. The unit price of duty-free merchandise sales is estimated based on actual sales during the current fiscal year.

(c) Impact on consolidated financial statements for the following fiscal year

It is important to note that the key assumptions, the number of international air passengers, and the estimated unit price of duty-free merchandise sales are highly uncertain estimates. There is a risk that changes in these estimates may also result in changes to the estimated amount of taxable income, which could have a significant impact on the estimated amount of deferred tax assets. Accordingly, fluctuations in the number of international air passengers or the unit price of tax-free merchandise sales, on which the business plan is based, may result in changes to the deferred tax assets.

(Accounting standards issued but not effective)

[Disclosure for the year ended March 31, 2024]

Accounting Standard for Corporate, Inhabitant, and Enterprise Taxes (ASBJ Statement No. 27, October 28, 2022)

Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

In February 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. ("ASBJ Statement No. 28, etc."), which completed the transfer of the JICPA's practical guidance on tax effect accounting to the ASBJ Accounting Standards Board. In the course of the deliberations, the following two issues were discussed and published, which will be reconsidered after the issuance of ASBJ Statement No. 28, etc.

- ✓ Classification of tax expense (taxation of other comprehensive income)
- ✓ Tax effect on the sale of shares in subsidiaries and other securities (shares in subsidiaries or affiliates) when applying group taxation

(2) Scheduled date of adoption

The Group expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of revised accounting standard and related implementation guidance

The Group is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

(Change in Presentation Method)***(Consolidated Statements of Income)***

“Subsidy income” under “non-operating income,” which was independently presented in the previous consolidated fiscal year, is included in “Miscellaneous income” in the current consolidated fiscal year because it has become insignificant in terms of amount.

In addition, “Rental income from facilities,” which was included in “Miscellaneous income” under “non-operating income” in the previous consolidated fiscal year, has been independently presented in the consolidated fiscal year under review due to its increased importance in monetary terms.

To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, ¥658 million presented as “Subsidy income” and ¥535 million presented as “Miscellaneous income” in “non-operating income” in the consolidated statements of income for the previous fiscal year have been reclassified as “Rental income from facilities” of ¥153 million and “Miscellaneous income” of ¥1,040 million.

“Fee and Commission expenses” under “Non-operating Expenses,” which were separately presented in the previous consolidated fiscal year, are included in “Miscellaneous Expenses” in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 102 million yen presented as “Fee and Commission expenses” under “Non-operating Expenses” in the consolidated statement of income for the previous fiscal year have been reclassified as “Miscellaneous Expenses”.

(Consolidated Statements of Cash Flows)

“Subsidy income” under “Cash flows from operating activities,” which was separately presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it became insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the amount of (655) million yen presented as “Subsidy income” under “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year has been reclassified as “Others.”

“Fee and Commission expenses” under “Cash flows from operating activities,” which was separately presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 102 million yen presented as “Fee and Commission expenses” under “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as “Others.”

“Loss (gain) on sales of investment securities” under “Cash flows from operating activities,” which was separately presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it became insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the (20) million yen presented as “Loss (gain) on sales of investment securities” in “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as “Others.”

“Proceeds from sales of investment securities” under “Cash flows from investing activities,” which was independently presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it became insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 324 million yen presented as “Proceeds from sales of investment securities” in “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as “Others.”

“Payments of long-term loans receivable” under “Cash flows from investing activities,” which was independently presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the (60) million yen presented as “Payments of long-term loans receivable” in “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as “Others.”

“Other payments” under “Cash flows from investing activities,” which was independently presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the amount of (286) million yen presented as “Other payments” under “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year has been reclassified as “Others.”

“Other proceeds” under “Cash flows from investing activities,” which was independently presented in the previous consolidated fiscal year, is included in “Others” in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, 72 million yen presented as “Other proceeds” under “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as “Others.”

(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) | |
|------------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Cash and deposits | 35,118 | 41,478 |
| Accounts receivable | 39 | 41 |
| Buildings and structures | 104,748 | 96,306 |
| Machinery, equipment, and vehicles | 434 | 973 |
| Land | 53 | 53 |
| Investment securities (Note 1) | 4,641 | 5,603 |
| Other investments | 1,000 | 1,000 |
| Total | 146,036 | 145,457 |

Notes:

- 1) Pledged as collateral for borrowings by affiliated companies and investee companies.
- 2) In addition to the above, investment securities (¥8,520 million and ¥8,520 million), shares of subsidiaries and affiliates (¥13,530 million and ¥13,530 million), long-term loans receivable (¥8,510 million and ¥8,510 million), and accounts receivable (¥41 million and ¥59 million), which are offset and eliminated through consolidation adjustments in the fiscal year ended March 31, 2023 and 2024, respectively, are pledged as collateral.

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

| | (Millions of yen) | |
|-------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Short-term borrowings | 100 | 100 |
| Long-term loans payable | 110,909 | 97,536 |
| Total | 111,009 | 97,636 |

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

| | (Millions of yen) | |
|---------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Investment securities (shares) | 5,663 | 5,798 |
| Investment securities (capital) | 984 | 969 |

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) | |
|--|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Japan Airport Delica Inc. | 225 | 225 |
| Airport Transport Service Co., Ltd. (Note) | - | - |
| Total | 225 | 225 |

Note: Liability booked about the application of the equity method is deducted from the amount guaranteed.

(2) Commitment to guarantee

| | (Millions of yen) | |
|---------------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Haneda Future Tokutei Mokuteki Kaisha | 666 | 666 |

4. Amount of reduction entry

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

| | (Millions of yen) | |
|------------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Tangible fixed assets: | | |
| Buildings and structures | 386 | 479 |
| Machinery, equipment, and vehicles | 6,382 | 6,383 |
| Others | 84 | 95 |
| Intangible fixed assets: | | |
| Others | 110 | 110 |
| Total | 6,963 | 7,069 |

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

| | (Millions of yen) | |
|---------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Accounts receivable | 13,265 | 19,188 |

6. Notes to contractual liabilities

The amounts of contractual liabilities included in other liabilities are as follows.

| | (Millions of yen) | |
|-------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Contractual liabilities | 84 | 100 |

(Notes on Consolidated Statements of Income)

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

(Millions of yen)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Revenue arising from contracts with customers | 92,938 | 197,235 |

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

(Millions of yen)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|--|---|---|
| | (1,262) | (114) |

3. Impairment loss

The Group recorded impairment losses on the following assets.

[FY2022(from April 1, 2022 to March 31, 2023)]

| Location | Use | Type | Amount (Millions of yen) |
|---------------|------------|--|--------------------------|
| Ota-ku, Tokyo | Facilities | Buildings and structures, others, intangible fixed assets | 260 |

Note: The Group classifies assets 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 an impairment loss of ¥260 million in extraordinary loss. The loss consists of ¥245 million for buildings and structures, ¥14 million for others, and ¥1 million for intangible fixed assets. Recoverable values of those assets were measured as zero, which were based on their values in use.

[FY2023(from April 1, 2023 to March 31, 2024)]

Not applicable

(Notes on Consolidated Statements of Comprehensive Income)

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2023, and 2024.

| | (Millions of yen) | |
|---|---|--|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Unrealized holding gain (loss) on securities: | | |
| Amount arising during the year | (1,218) | 1,809 |
| Reclassification adjustments for gains and losses included in net profit | - | (0) |
| Amount before tax effect | (1,218) | 1,808 |
| Tax effect | 389 | (462) |
| Unrealized holding gain (loss) on securities | (828) | 1,346 |
| Unrealized gain (loss) from hedging instruments: | | |
| Amount arising during the year | 949 | 688 |
| Reclassification adjustments for gains and losses included in net profit | - | - |
| Amount before tax effect | 949 | 688 |
| Tax effect | - | - |
| Unrealized gain (loss) from hedging instruments | 949 | 688 |
| Foreign currency translation adjustments: | | |
| Amount arising during the year | 56 | 29 |
| Reclassification adjustments for gains and losses included in net profit | - | - |
| Amount before tax effect | 56 | 29 |
| Tax effect | - | - |
| Foreign currency translation adjustments | 56 | 29 |
| Retirement benefits liability adjustments: | | |
| Amount arising during the year | 534 | 1,230 |
| Reclassification adjustments for gains and losses included in net profit | 37 | (79) |
| Amount before tax effect | 571 | 1,150 |
| Tax effect | (132) | (279) |
| Retirement benefits liability adjustments | 439 | 871 |
| Share of other comprehensive income of companies accounted for by the equity method: | | |
| Amount arising during the year | 18 | (0) |
| Reclassification adjustments for gains and losses included in net profit | (2) | (3) |
| Amount before tax effect | 15 | (4) |
| Tax effect | - | - |
| Share of other comprehensive income of companies accounted for by the equity method | 15 | (4) |
| Total other comprehensive income | 631 | 2,930 |

(Notes on Consolidated Statements of Changes in Shareholders' Equity)

Information regarding changes in net assets for the years ended March 31, 2023, and 2024 is as follows:

1. Shares issued and outstanding / Treasury stock

[For the year ended March 31, 2023]

| Type of shares | Number of shares on April 1, 2022 | Increase | Decrease | Number of shares on March 31, 2023 |
|-------------------------------|--------------------------------------|----------|----------|---------------------------------------|
| Shares issued: Common stock | 93,145,400 | - | - | 93,145,400 |
| Shares issued: Treasury stock | 8,737 | 246 | - | 8,983 |

Note: Increase due to purchase of shares of less than standard unit

[For the year ended March 31, 2024]

| Type of shares | Number of shares on April 1, 2021 | Increase | Decrease | Number of shares on March 31, 2022 |
|-------------------------------|--------------------------------------|----------|----------|---------------------------------------|
| Shares issued: Common stock | 93,145,400 | - | - | 93,145,400 |
| Shares issued: Treasury stock | 8,983 | 356 | - | 9,339 |

Note: Increase due to purchase of shares of less than standard unit

2. Dividends

(1) Dividends paid in the year ended March 31, 2023

None

Dividends paid in the year ended March 31, 2024

| Resolution | Type of shares | Total dividends (millions of yen) | Dividends per share (yen) | Cut-off date | Effective date |
|--|-----------------|--------------------------------------|------------------------------|-----------------------|---------------------|
| Annual general meeting of the shareholders on June 28, 2023 | Common stock | 1,490 | 16.0 | March 31, 2023 | June 29, 2023 |
| Board of Directors on October 25, 2023 | Common stock | 2,328 | 25.0 | September 30, 2023 | December 8, 2023 |

(2) Dividends for which the cut-off date is in the year ended March 31, 2023, and the effective date is in the year ending March 31, 2024

| Resolution | Type of shares | Total dividends (millions of yen) | Source of dividends | Dividends per share (yen) | Cut-off date | Effective date |
|--|-------------------|--------------------------------------|------------------------|------------------------------|-------------------|-------------------|
| Annual general meeting of the shareholders on June 28, 2023 | Common stock | 1,490 | Retained earnings | 16.0 | March 31, 2023 | June 29, 2023 |

Dividends for which the cut-off date is in the year ended March 31, 2022, and the effective date is in the year ending March 31, 2025

| Resolution | Type of shares | Total dividends (millions of yen) | Source of dividends | Dividends per share (yen) | Cut-off date | Effective date |
|--|-------------------|--------------------------------------|------------------------|------------------------------|-------------------|-------------------|
| Annual general meeting of the shareholders on June 26, 2024 | Common stock | 3,911 | Retained earnings | 42.0 | March 31, 2024 | June 27, 2024 |

(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)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Cash and deposits | 63,741 | 65,395 |
| Securities | 26,500 | 20,000 |
| Sub-total | 90,241 | 85,395 |
| Securities with maturities exceeding 3 months | - | (10,000) |
| Cash and cash equivalents | 90,241 | 75,395 |

(Lease Transactions)**(Lessee's side)**

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(1) Lease assets

Mainly comprised of passenger boarding bridges.

(2) Depreciation method applied to lease assets

As described in “(2) Depreciation method of important depreciable assets” in “4. Summary of significant accounting policies” in “(Basic Important Conditions to Prepare Consolidated Financial Statements).”

2. Operating lease transactions

The future minimum lease payments under non-cancelable operating leases due after March 31, 2023, and 2024, respectively, are summarized in the following table:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|--------------------|---|---|
| Within one year | 397 | 759 |
| More than one year | 502 | 2,737 |
| Total | 900 | 3,496 |

(Lender's side)

1. Finance lease transactions

None

2. Operating lease transactions

The future minimum lease payments under non-cancelable operating leases due after March 31, 2023, and 2024, respectively, are summarized in the following table:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|--------------------|---|---|
| Within one year | - | 185 |
| More than one year | - | 1,736 |
| Total | - | 1,921 |

(Financial Instruments)

Overview

1. Policy for financial instruments

The Company and consolidated subsidiaries manage temporary cash surpluses through short-term deposits and low-risk financial assets. Regarding financing, the Group raises funds through bank borrowings and bond issuance. The Group uses derivatives to reduce the risk of interest rate fluctuation of borrowings and does not enter into derivatives for speculative purposes.

2. Types of financial instruments and related risk

Accounts receivable-trade are exposed to credit risk about customers.

Investment securities are primarily exposed to market risk. These securities are mainly comprised of the shares of common stock of other companies with which the Group has business relationships.

Substantially all accounts payable-trade have payment due dates within one year.

Short-term borrowings and long-term debt are taken out principally to make capital investments. Short-term borrowings and long-term debt with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt-bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in “(6) Accounting standards for important hedging transactions” in “4. Summary of significant accounting policies” in “(Basic Important Conditions to Prepare Consolidated Financial Statements).”

3. Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

To the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the creditworthiness of their main customers periodically and monitors due dates and outstanding balances by individual customers. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions that have a sound credit profile.

(2) Monitoring of market risks (the risks arising from fluctuations in interest rates and others)

To mitigate the interest rate risk for short-term borrowings and long-term debt, the Group may also enter into interest rate swap transactions.

For Investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

(3) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division, the Group prepares and updates its cash flow plans every month to manage liquidity risk.

4. Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in “(Derivative Transactions)” are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet as of March 31, 2023, and 2024 and the estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine fair value (Please refer to Note 2 below).

[For the year ended March 31, 2023]

| | Carrying value | Estimated fair value | (Millions of yen) difference |
|-------------------------|----------------|----------------------|---------------------------------|
| Investment securities: | | | |
| Other securities | 8,043 | 8,043 | - |
| Affiliate securities | 2,338 | 2,650 | 312 |
| Total assets | 10,382 | 10,694 | 312 |
| Bonds payable | 55,139 | 48,094 | (7,044) |
| Long-term debt | 184,825 | 179,086 | (5,738) |
| Total liabilities | 239,964 | 227,180 | (12,783) |
| Derivative transactions | (1,238) | (1,238) | - |

[For the year ended March 31, 2024]

| | Carrying value | Estimated fair value | (Millions of yen) difference |
|-------------------------|----------------|----------------------|---------------------------------|
| Investment securities: | | | |
| Held-to-maturity bonds | 828 | 824 | (3) |
| Other securities | 12,156 | 12,156 | - |
| Affiliate securities | 2,336 | 2,938 | 602 |
| Total assets | 15,321 | 15,920 | 598 |
| Bonds payable | 54,988 | 47,020 | (7,967) |
| Long-term debt | 169,314 | 163,093 | (6,220) |
| Total liabilities | 224,302 | 210,114 | (14,188) |
| Derivative transactions | (550) | (550) | - |

Notes:

- 1) Cash and deposits, marketable securities, accounts receivable, accounts payable, and short-term borrowings are not stated because their fair values approximate their book values due to their short-term maturities.
- 2) Stocks and other securities without market quotations are not included in Investment securities. The consolidated balance sheet amounts of such financial instruments are as follows:

| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
|-----------------|----------------------------------|----------------------------------|
| Unlisted stocks | 5,887 | 5,957 |

- 3) Investments in partnerships and other similar entities where the net amount of the investment is recorded in the consolidated balance sheets are not included. The consolidated balance sheet amounts of such investments are as follows:

| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
|-------------------------------------|----------------------------------|----------------------------------|
| Investments in limited partnerships | 984 | 969 |

- 4) Net receivables and payables arising from derivative transactions are shown in net amounts, and items that are net liabilities in total are shown in brackets.

The redemption schedule for Cash and deposits, accounts receivable, and marketable securities with maturities on March 31, 2023, and 2024 is as follows:

[For the year ended March 31, 2023]

(Millions of yen)

| | Within one year | After one year through five years | After five years through ten years | After ten years |
|-----------------------|-----------------|-----------------------------------|------------------------------------|-----------------|
| Cash and deposits | 62,998 | - | - | - |
| Accounts receivable | 15,331 | - | - | - |
| Marketable securities | 26,500 | - | - | - |
| Total | 104,829 | - | - | - |

[For the year ended March 31, 2024]

(Millions of yen)

| | Within one year | After one year through five years | After five years through ten years | After ten years |
|------------------------|-----------------|-----------------------------------|------------------------------------|-----------------|
| Cash and deposits | 63,949 | - | - | - |
| Accounts receivable | 22,935 | - | - | - |
| Marketable securities | 20,000 | - | - | - |
| Held-to-maturity bonds | - | - | - | 828 |
| Total | 106,885 | - | - | 828 |

The redemption schedule for short-term borrowings, bonds payable, and long-term debt with maturities on March 31, 2023, and 2024 is as follows:

[For the year ended March 31, 2023]

(Millions of yen)

| | Within one year | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years |
|-----------------------|-----------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|
| Short-term borrowings | 2,700 | - | - | - | - | - |
| Bonds payable | - | 10,000 | - | - | - | 42,510 |
| Long-term debt | 13,009 | 13,915 | 12,658 | 12,979 | 13,434 | 115,062 |
| Total | 15,709 | 23,915 | 12,658 | 12,979 | 13,434 | 157,572 |

[For the year ended March 31, 2024]

(Millions of yen)

| | Within one year | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years |
|-----------------------|-----------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|
| Short-term borrowings | 2,700 | - | - | - | - | - |
| Bonds payable | 10,000 | - | - | - | - | 42,510 |
| Long-term debt | 13,915 | 12,265 | 12,719 | 12,822 | 11,055 | 102,987 |
| Total | 26,615 | 12,265 | 12,719 | 12,822 | 11,055 | 145,497 |

Matters relating to the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is categorized into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted prices in active markets for assets or liabilities for which such fair value is calculated, which are among the inputs to the calculation of observable fair value.

Level 2 fair value: Fair value calculated using inputs other than those included in Level 1 to calculate observable fair value.

Level 3 fair value: Fair value calculated using inputs other than observable inputs to the calculation of fair value.

When multiple inputs are used that have a significant effect on the fair value calculation, the fair value is categorized in the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

1. Financial instruments carried on the consolidated balance sheet at fair value

[For the year ended March 31, 2023]

(Millions of yen)

| Category | Fair value | | | |
|------------------------|------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities: | | | | |
| Other securities | 5,736 | - | 2,307 | 8,043 |
| Total | 5,736 | - | 2,307 | 8,043 |

[For the year ended March 31, 2024]

(Millions of yen)

| Category | Fair value | | | |
|------------------------|------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities: | | | | |
| Other securities | 9,715 | - | 2,441 | 12,156 |
| Total | 9,715 | - | 2,441 | 12,156 |

2. Financial instruments other than those carried at fair value in the consolidated balance sheets

[For the year ended March 31, 2023]

(Millions of yen)

| Category | Fair value | | | |
|-------------------------|------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities: | | | | |
| Affiliate securities | 2,650 | - | - | 2,650 |
| Total assets | 2,650 | - | - | 2,650 |
| Bonds payable | - | 48,094 | - | 48,094 |
| Long-term debt | - | 179,086 | - | 179,086 |
| Derivative transactions | - | 1,238 | - | 1,238 |
| Total liabilities | - | 228,419 | - | 228,419 |

[For the year ended March 31, 2024]

(Millions of yen)

| Category | Fair value | | | |
|-------------------------|------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities: | | | | |
| Affiliate securities | 2,938 | - | - | 2,938 |
| Held-to-maturity bonds | - | 824 | - | 824 |
| Total assets | 2,938 | 824 | - | 3,763 |
| Bonds payable | - | 47,020 | - | 47,020 |
| Long-term debt | - | 163,093 | - | 163,093 |
| Derivative transactions | - | 550 | - | 550 |
| Total liabilities | - | 210,664 | - | 210,664 |

Notes:

1) Explanation of the valuation techniques and inputs used in determining fair value

a) investment securities

The market value of listed stocks among investment securities is based on the stock exchange price and is classified as Level 1. The fair value of non-marketable corporate bonds is calculated using the discounted present value method based on the total principal and interest for the remaining period and interest rate, considering credit risk. This is classified as Level 2. Preferred securities are classified as Level 3 because their fair value is calculated using inputs related to the calculation of fair value that are partially unobservable.

b) bonds payable

The fair value of the bonds payable at the Company is based on the quoted market price. The fair value of bonds payable at a particular subsidiary is based on the present value of the total principal and interest discounted at the interest rate that would be used for similar new issues and is classified as Level 2.

c) long-term debt

The current portion of long-term debt and long-term debt with variable interest rates are carried at their carrying amounts because their fair values approximate their carrying amounts, as market interest rates are reflective of short-term market rates and the Company's credit status has not changed significantly since the inception of these borrowings. Those with fixed interest rates are classified as Level 2 as the fair value is calculated by discounting the total principal and interest of the related long-term borrowings, classified by period, at the interest rate assumed for a similar new borrowing.

d) derivatives

The fair value of interest rate swaps is based on prices quoted by the counterparty financial institutions and is classified as Level 2.

2) Fair Value Information on Level 3 Financial Assets and Liabilities Carried at Fair Value on the Consolidated Balance Sheets

Concerning the valuation process for calculating the fair value of preferred securities classified as Level 3, the Group's accounting staff calculates the fair value of preferred securities every quarter by valuation policies and procedures approved by the head of the accounting department.

The fair value of the preferred securities is calculated based on actual values, considering appraised property values and other factors. No unobservable inputs are estimated and the impact of changes in unobservable inputs is not material.

Reconciliation of beginning balance to ending balance

| | Investment securities (in Millions of yen) |
|--|--|
| Beginning balance | 2,307 |
| Net profit or other comprehensive income for the period: | |
| Recognition in other comprehensive income | 134 |
| Ending balance | 2,441 |

(Securities)

1. Information regarding securities classified as held-to-maturity debt securities and other securities for the years ended March 31, 2023, and 2024

Held-to-maturity debt securities

[As of March 31, 2023]

None

[As of March 31, 2024]

(Millions of yen)

| | Carrying value | Acquisition cost | Unrealized gain (loss) |
|--|----------------|------------------|------------------------|
| Securities whose carrying value exceeds their fair value | - | - | - |
| Securities whose carrying value does not exceed their fair value | 828 | 824 | (3) |
| Total | 828 | 824 | (3) |

Other securities

[As of March 31, 2023]

(Millions of yen)

| | Carrying value | Acquisition cost | Unrealized gain (loss) |
|---|----------------|------------------|------------------------|
| Securities whose carrying value exceeds their fair value: | | | |
| Stock | 5,529 | 3,931 | 1,598 |
| Other | 2,307 | 1,506 | 800 |
| Subtotal | 7,836 | 5,437 | 2,398 |
| Securities whose carrying value does not exceed their fair value: | | | |
| Stock | 207 | 253 | (46) |
| Other | - | - | - |
| Subtotal | 207 | 253 | (46) |
| Total | 8,043 | 5,691 | 2,352 |

Note: Unlisted stocks of ¥2,562 million and investments in investment limited partnerships of ¥984 million are not included in the above table because there were no quoted market prices available, and it is extremely difficult to determine the fair value.

[As of March 31, 2024]

(Millions of yen)

| | Carrying value | Acquisition cost | Unrealized gain (loss) |
|---|----------------|------------------|------------------------|
| Securities whose carrying value exceeds their fair value: | | | |
| Stock | 9,633 | 6,438 | 3,195 |
| Other | 2,441 | 1,506 | 934 |
| Subtotal | 12,075 | 7,944 | 4,130 |
| Securities whose carrying value does not exceed their fair value: | | | |
| Stock | 81 | 94 | (12) |
| Other | - | - | - |
| Subtotal | 81 | 94 | (12) |
| Total | 12,156 | 8,039 | 4,117 |

Note: Unlisted stocks of ¥2,496 million and investments in investment limited partnerships of ¥969 million are not included in the above table because there were no quoted market prices available, and it is extremely difficult to determine the fair value.

2. Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2023, and 2024

[For the year ended March 31, 2023]

(Millions of yen)

| | Proceeds from sales | Gains on sales | Loss on sales |
|-------|---------------------|----------------|---------------|
| Stock | 9 | 6 | - |
| Other | - | - | - |
| Total | 9 | 6 | - |

[For the year ended March 31, 2024]

(Millions of yen)

| | Proceeds from sales | Gains on sales | Loss on sales |
|-------|---------------------|----------------|---------------|
| Stock | 2 | 0 | - |
| Other | - | - | - |
| Total | 2 | 0 | - |

3. Impairment of investment securities

Impairment losses of 99 million yen and 221 million yen were recognized on investments in other securities in FY22 and FY23, respectively.

In impairment of investment securities, if the market value (concerning shares not bearing market value, the interest in the net asset value of the Company) dropped 50% or more from the acquisition cost at the end of fiscal years, the full amount is impaired, and if the market value dropped by 30% to 50%, impairment is made for the amount deemed necessary, taking into consideration the materiality of the amount and the possibility of recovery.

(Derivative Transactions)

1. Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding on March 31, 2023, and 2024, for which hedge accounting has not been applied.

None

2. Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding on March 31, 2023, and 2024, for which hedge accounting has been applied.

Interest-related transactions

[As of March 31, 2023]

(Millions of yen)

| Class of transactions | Subject to hedged accounting | Notional amount | After one year | Fair value |
|---|------------------------------|-----------------|----------------|------------|
| Interest swap contracts by general approach | Long-term debt | 57,458 | 52,639 | (1,238) |

[As of March 31, 2024]

(Millions of yen)

| Class of transactions | Subject to hedged accounting | Notional amount | After one year | Fair value |
|---|------------------------------|-----------------|----------------|------------|
| Interest swap contracts by general approach | Long-term debt | 52,639 | 24,735 | (550) |

(Retirement Benefit Plans)

The Company and most of its consolidated subsidiaries provide a jointly established corporate pension fund scheme (cash balance plan) and retirement bonus scheme.

In addition, one consolidated subsidiary excluded from the above provides a specific retirement benefit mutual scheme, while another excluded from the above provides a retirement bonus scheme.

On March 30, 2009, the Company established a retirement benefit trust for its retirement bonus scheme.

Additional retirement benefits for meritorious work are sometimes paid to employees upon their retirement. These are excluded from retirement benefit obligations calculated by actuarial methods based on retirement benefit accounting.

For the retirement benefit schemes operated by certain consolidated subsidiaries, the simplified method is used to calculate liabilities related to retirement benefits and retirement benefit expenses.

1. The changes in the retirement benefit obligation for the years ended March 31, 2023, and 2024 are as follows (excludes schemes to which the simplified method is applied):

| | (Millions of yen) | |
|--------------------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Balance at the beginning of the year | 10,164 | 9,899 |
| Service cost | 583 | 526 |
| Interest cost | 54 | 77 |
| Actuarial gain and loss | (536) | (717) |
| Retirement benefit paid | (426) | (426) |
| Prior service cost | - | - |
| Others | 58 | (1) |
| Balance at the end of the year | 9,899 | 9,358 |

2. The changes in plan assets for the years ended March 31, 2023, and 2024 are as follows (excludes schemes to which the simplified method is applied):

| | (Millions of yen) | |
|--------------------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Balance at the beginning of the year | 9,321 | 9,427 |
| Expected return on plan assets | 98 | 95 |
| Actuarial gain and loss | (2) | 519 |
| Contributions by the Company | 232 | 250 |
| Retirement benefit paid | (269) | (243) |
| Others | 46 | 43 |
| Balance at the end of the year | 9,427 | 10,093 |

3. The changes in the retirement benefit liability accounted for using the simplified method for the years ended March 31, 2023, and 2024 are as follows:

| | (Millions of yen) | |
|--------------------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Balance at the beginning of the year | 2,904 | 2,985 |
| Retirement benefit expenses | 263 | 317 |
| Retirement benefit paid | (177) | (198) |
| Contributions to fund | (4) | (0) |
| Balance at the end of the year | 2,985 | 3,102 |

4. The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023, and 2024 for the Group's defined benefit plans:

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Funded retirement benefit obligation | 9,051 | 8,545 |
| Plan assets at fair value | (9,483) | (10,147) |
| | (432) | (1,602) |
| Unfunded retirement benefit obligation | 3,889 | 3,969 |
| Net retirement benefit liability in the balance sheet | 3,457 | 2,367 |
| Retirement benefit liability | 4,562 | 4,208 |
| Retirement benefit asset | (1,105) | (1,841) |
| Net retirement benefit liability in the balance sheet | 3,457 | 2,367 |

Note: Includes schemes to which the simplified method is applied

5. The components of retirement benefit expenses for the years ended March 31, 2023, and 2024 are as follows:

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Service cost | 583 | 526 |
| Interest cost | 54 | 77 |
| Expected return on plan assets | (98) | (95) |
| Amortization of actuarial gain and loss | 47 | (70) |
| Amortization of prior service cost | (9) | (9) |
| Retirement benefit expenses are calculated by the simplified method | 263 | 317 |
| Retirement benefit expenses | 840 | 746 |

6. The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023, and 2024 are as follows:

| | (Millions of yen) | |
|-------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Prior service cost | (9) | (9) |
| Actuarial gain and loss | 581 | 1,160 |
| Total | 571 | 1,150 |

7. The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023, and 2024 are as follows:

| | (Millions of yen) | |
|--------------------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Unrecognized prior service cost | (67) | (57) |
| Unrecognized actuarial gain and loss | (112) | (1,272) |
| Total | (179) | (1,330) |

8. The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2024 are as follows:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|--------|---|---|
| Bonds | 47 % | 46 % |
| Stocks | 37 % | 39 % |
| Other | 16 % | 16 % |
| Total | 100 % | 100 % |

9. The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Discount rate | 0.2~1.2 % | 0.5~1.7 % |
| Expected rates of return on plan assets | 1.5 % | 1.5 % |
| Expected rates of salary increase | 2.4~3.3 % | 2.4~3.3 % |

(Asset retirement obligations)

1. Overview

The Company has obligations related to the restoration of the Haneda Airport Wharf to its original condition under the Occupancy Permit for Land in the River Area administered by the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Occupancy Permit for National Property related to National Property administered by the East Japan Civil Aviation Bureau of the MLIT.

The Company also has an asset retirement obligation related to the obligation to restore the Haneda Catering Service Plant and the Airport Clean Center to their original condition by the real estate leases.

The amount of the asset retirement obligation is calculated using a discount rate of 0.298% to 1.753% based on an estimated useful life of 1 to 20 years from the date of acquisition.

2. The following table indicates the changes in asset retirement obligations for the years ended March 31, 2023 and 2024:
(Millions of yen)

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|--------------------------------------|---|---|
| Balance at the beginning of the year | 620 | 628 |
| Accretion expense | 7 | 7 |
| Balance at the end of the year | 628 | 636 |

3. Asset Retirement Obligations Not Reported in the Consolidated Balance Sheets

The Company and certain subsidiaries have been granted permission to use government-owned land administered by the East Japan Civil Aviation Bureau of the MLIT and are required to restore the land to its original condition, including demolition of passenger terminal buildings if the permission is revoked.

However, the effective period of use of the real estate (land) that the Company and certain subsidiaries are licensed to use concerning these obligations remains unclear in light of the future impact of trends in national aviation policy. As a result, it is not possible to make a reasonable estimate of the asset retirement obligation, and no asset retirement obligation corresponding to this liability has been recorded.

(Income Taxes)

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes, and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 31% for the years ended March 31, 2023, and 2024.

1. The significant components of deferred tax assets and liabilities on March 31, 2023, and 2024 were as follows:

| | (Millions of yen) | |
|--|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Deferred tax assets: | | |
| Net operating loss carry forward | 35,373 | 30,303 |
| Non-deductible portion of depreciation and amortization | 9,152 | 9,366 |
| Retirement benefit liability | 2,143 | 1,696 |
| Provision for employees' bonuses | 523 | 726 |
| Unrealized gain on intercompany transactions | 581 | 583 |
| Loss on valuation of investment securities | 524 | 518 |
| Impairment losses | 477 | 429 |
| Enterprise tax payable | 206 | 327 |
| Property tax payable | 161 | 257 |
| Deferred losses on hedges | 428 | 190 |
| Others | 1,146 | (1,612) |
| Total gross deferred tax assets | 50,719 | 42,786 |
| Valuation allowance for net operating loss carryforwards <i>(Note 2)</i> | (33,646) | (26,909) |
| Valuation allowance for deductible temporary difference | (3,400) | (3,131) |
| Total valuation allowance <i>(Note 1)</i> | (37,047) | (30,041) |
| Total of deferred tax assets | 13,672 | 12,744 |
| Deferred tax liabilities: | | |
| Revaluation of certain assets to fair values | (16,336) | (11,703) |
| Unrealized holding gains on securities | (686) | (1,154) |
| Retirement benefit asset | (279) | (371) |
| Gains on contribution of securities to retirement benefit trust | (216) | (215) |
| Others | (239) | (260) |
| Total of deferred tax liabilities | (17,759) | (13,704) |
| Net deferred tax assets (liabilities) | (4,086) | (960) |

Notes:

1) The change in the valuation allowance is mainly due to the increase in the estimated amount of deferred tax assets related to Net operating loss carried forward at certain consolidated subsidiaries.

2) Net operating loss carryforwards and valuation allowance by expiration date on March 31, 2023, and 2024 are as follows:

[For the year ended March 31, 2023]

(Millions of yen)

| | Within one year | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years | Total |
|----------------------------------|--------------------|--|---|--|---|---------------------|----------|
| Net operating loss carry forward | - | 389 | 570 | 35 | - | 34,377 | 35,373 |
| valuation allowance | - | (389) | (570) | (35) | - | (32,651) | (33,646) |
| Deferred tax assets | - | - | - | - | - | 1,726 | 1,726 |

[For the year ended March 31, 2024]

(Millions of yen)

| | Within one year | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years | Total |
|----------------------------------|--------------------|--|---|--|---|---------------------|----------|
| Net operating loss carry forward | 389 | 570 | 35 | - | - | 29,307 | 30,303 |
| valuation allowance | (389) | (570) | (35) | - | - | (25,917) | (26,909) |
| Deferred tax assets | - | - | - | - | - | 3,393 | 3,393 |

Notes:

1) The amount is determined by multiplying the corresponding net operating loss carried forward by the effective statutory tax rate.
2) Deferred tax assets of ¥1,726 million and ¥3,393 million as of March 31, 2023 and 2024, respectively, are the result of determining the recoverability based on estimated future taxable income.

2. The reconciliation between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rate for the year ended March 31, 2023, and 2024 were as follows:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Effective statutory tax rate | | 30.62% |
| (Reconciliation) | | |
| Items permanently not deductible for tax purposes | The reconciliation was | 0.63% |
| Items permanently not includable in income | omitted, because loss | (0.19%) |
| Valuation allowance | before income taxes were | (25.93%) |
| Equity in earnings (loss) of affiliates | recorded for the year | 0.29% |
| Other | ended March 31, 2023. | (1.57%) |
| Effective tax rates reflected in the statements of income | | 3.85% |

(Investment and Rental Properties)

The Company and a certain subsidiary own rental offices and rental commercial facilities in the passenger terminal building at Tokyo International Airport (Haneda). In addition, the Company and certain subsidiaries own rental office buildings and rental housing in Tokyo and other areas.

The carrying value on the consolidated balance sheet and corresponding fair value of these rental properties and real estate including space used as rental properties as of March 31, 2023 and 2024 are as follows:

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Rental properties: | | |
| Carrying values | | |
| Balance at the beginning of the fiscal year | 20,759 | 20,199 |
| Changes in the fiscal year | (559) | (1,284) |
| Balance at the end of the fiscal year | 20,199 | 18,914 |
| Fair values at the end of the fiscal year | 40,715 | 40,589 |
| Real estate including spaces used as rental properties: | | |
| Carrying values | | |
| Balance at the beginning of the fiscal year | 242,818 | 238,389 |
| Changes in the fiscal year | (4,429) | (4,063) |
| Balance at the end of the fiscal year | 238,389 | 234,325 |
| Fair values at the end of the fiscal year | 481,091 | 477,278 |

Notes:

- 1) The carrying value represents the acquisition cost less accumulated depreciation.
- 2) The fair value of most properties is mainly estimated by appraisal standards for valuing real estate. The fair value of other properties is based on balance sheet amounts.

The income or loss from rental properties and real estate including space used as rental properties for the years ended March 31, 2023, and 2024 were as follows:

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Rental properties: | | |
| Lease income | 4,077 | 4,886 |
| Lease cost | 3,522 | 3,173 |
| Lease profit (loss), net | 555 | 1,713 |
| Other, net | - | - |
| Real estate including spaces used as rental properties: | | |
| Lease income | 47,620 | 71,147 |
| Lease cost | 60,045 | 69,833 |
| Lease profit (loss), net | (12,425) | 1,314 |
| Other, net | - | - |

Note: Lease income excludes income from real estate including space used as rental properties that was used by the Company and certain consolidated subsidiaries for leasing services and operation management. The expenses for these rental properties (depreciation expenses, repair costs, insurance premiums, taxes and public dues, and others) are included in the lease cost.

(Revenue Recognition)**1. Information that disaggregates revenue arising from contracts with customers**

The Group's revenues consist primarily of revenues from contracts with customers, which are classified by the Company's reportable segments by major types of goods or services. Facilities Management revenue includes revenue based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and other regulations.

[FY2022 (from April 1, 2022 to March 31, 2023)]

(Millions of yen)

| | Reportable segments | | | Total |
|--|-----------------------|-------------------|-------------------|---------|
| | Facilities Management | Merchandise Sales | Food and Beverage | |
| Rent revenue | 19,852 | - | - | 19,852 |
| Facility user charges revenue | 29,325 | - | - | 29,325 |
| Other revenues | 14,102 | - | - | 14,102 |
| Sales at domestic terminal stores | - | 10,372 | - | 10,372 |
| Sales at international terminal stores | - | 19,476 | - | 19,476 |
| Other revenues | - | 11,469 | - | 11,469 |
| Sales from food and beverage stores | - | - | 5,489 | 5,489 |
| Sales from in-flight meals | - | - | 2,487 | 2,487 |
| Other revenues | - | - | 475 | 475 |
| Sales to external customers | 63,280 | 41,317 | 8,452 | 113,050 |

[FY2023 (from April 1, 2023 to March 31, 2024)]

(Millions of yen)

| | Reportable segments | | | Total |
|--|-----------------------|-------------------|-------------------|---------|
| | Facilities Management | Merchandise Sales | Food and Beverage | |
| Rent revenue | 20,020 | - | - | 20,020 |
| Facility user charges revenue | 52,436 | - | - | 52,436 |
| Other revenues | 19,279 | - | - | 19,279 |
| Sales at domestic terminal stores | - | 13,097 | - | 13,097 |
| Sales at international terminal stores | - | 70,039 | - | 70,039 |
| Other revenues | - | 28,037 | - | 28,037 |
| Sales from food and beverage stores | - | - | 7,206 | 7,206 |
| Sales from in-flight meals | - | - | 6,179 | 6,179 |
| Other revenues | - | - | 1,281 | 1,281 |
| Sales to external customers | 91,736 | 111,175 | 14,667 | 217,578 |

2. Information that provides a basis for understanding revenue from customer contracts

The basis for understanding revenues is as described in "5) Recognition of significant revenues and costs" in "4. Summary of significant accounting policies" in "(Basic Important Conditions to Prepare Consolidated Financial Statements)."

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that exist at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later

(Millions of yen)

| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
|---|----------------------------------|----------------------------------|
| Receivables arising from contracts with customers (beginning balance) | 5,060 | 13,265 |
| Receivables arising from contracts with customers (ending balance) | 13,265 | 19,188 |
| Contract liabilities (beginning balance) | 50 | 84 |
| Contract liabilities (ending balance) | 84 | 100 |

Notes:

1) Receivables arising from contracts with customers

Receivables from contracts with customers consist mainly of Passenger Service Facility Charges (PSFC) collected from passengers by airlines by regulations governing the provision of passenger handling facilities, and receivables related to credit cards and electronic money, etc., used by customers in stores and restaurants operated by the Company. These amounts include amounts collected on behalf of third parties as agency business. The collection period of these receivables is mainly one to two months.

The increase in receivables is mainly due to an increase in Passenger Service Facility Charge (PSFC) and other receivables resulting from an increase in the number of passengers.

2) Contract liabilities

Contract liabilities consist primarily of advertising revenues and represent consideration received in advance of contract performance and are reclassified to revenue as the Company performs under the contract.

Contract liabilities are included in Other current liabilities within current liabilities in the consolidated financial statements.

(Segment and Related Information)

Segment Information

1. Overview of reportable segments

The reportable segments of the Group are units for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors 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, wholesale 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, profit (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 profit.

Intersegment sales and transfers are based on the prevailing market price.

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

[FY2022 (from April 1, 2022 to March 31, 2023)]

(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 | 63,280 | 41,317 | 8,452 | 113,050 | — | 113,050 |
| Intersegment sales and transfers | 2,391 | 892 | 953 | 4,237 | (4,237) | — |
| Total | 65,672 | 42,210 | 9,405 | 117,288 | (4,237) | 113,050 |
| Segment profit (loss) | (3,133) | 1,640 | (1,365) | (2,858) | (7,720) | (10,579) |
| Segment assets | 280,331 | 38,082 | 10,001 | 328,415 | 118,539 | 446,955 |
| Other items | | | | | | |
| Depreciation and amortization | 26,490 | 1,670 | 428 | 28,589 | 432 | 29,022 |
| Increase in tangible fixed assets and intangible fixed assets | 11,127 | 732 | 146 | 12,006 | 77 | 12,083 |

Notes:

1) Details of adjustments are as follows:

- Adjustments to the segment income include ¥7,733 million of administration expenses for the administration and other divisions at the parent company's head office and certain subsidiaries that are not allocated to each of the reportable segments.
- Adjustments to the segment assets include ¥167,407 million of corporate assets that are not allocated to each of the reportable segments, which include 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.
- Adjustments to depreciation and amortization include ¥451 million of depreciation concerning the administration and other divisions at the parent company's head office and certain subsidiaries that are not allocated to each of the reportable segments.
- Adjustments of ¥77 million to increase in tangible fixed assets and intangible fixed assets are primarily due to the acquisition of robots for cleaning.

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

[FY2023 (from April 1, 2023 to March 31, 2024)]

(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 | 91,736 | 111,175 | 14,667 | 217,578 | — | 217,578 |
| Intersegment sales and transfers | 3,126 | 1,561 | 722 | 5,410 | (5,410) | — |
| Total | 94,862 | 112,736 | 15,389 | 222,988 | (5,410) | 217,578 |
| Segment profit (loss) | 17,880 | 21,084 | 65 | 39,030 | (9,503) | (29,527) |
| Segment assets | 277,574 | 56,331 | 10,417 | 344,323 | 116,099 | 460,423 |
| Other items | | | | | | |
| Depreciation and amortization | 25,740 | 1,545 | 376 | 27,661 | 570 | 28,232 |
| Increase in tangible fixed assets and intangible fixed assets | 30,018 | 767 | 180 | 30,965 | 814 | 31,779 |

Notes:

1) Details of adjustments are as follows:

- Adjustments to the segment income include ¥9,518 million of administration expenses for the administration and other divisions at the parent company's head office and certain subsidiaries that are not allocated to each of the reportable segments.
- Adjustments to the segment assets include ¥170,692 million of corporate assets that are not allocated to each of the reportable segments, which include 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.
- Adjustments to depreciation and amortization include ¥576 million of depreciation concerning the administration and other divisions at the parent company's head office and certain subsidiaries that are not allocated to each of the reportable segments.
- Adjustments of ¥814 million to increase in tangible fixed assets and intangible fixed assets are primarily due to the renewal of equipment for the sales management system.

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

Geographical information

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.

Major customer

Not applicable

Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2023, and 2024 is summarized as follows:

| | (Millions of yen) | |
|-----------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Facilities Management | 260 | - |
| Merchandise Sales | - | - |
| Food and Beverage | - | - |
| Reportable segment total | - | - |
| Adjustment and eliminations | - | - |
| Consolidated | 260 | - |

(Related Parties)

1. Related party transactions

Not applicable

2. Notes to a parent company and significant affiliates

Not applicable

(Per Share Information)

| | (Yen) | |
|-----------------------------|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Net assets per share | 1,613.62 | 1,805.67 |
| Net profit (loss) per share | (41.89) | 206.75 |

Notes:

1) Diluted net profit per share is not shown since potential shares do not exist.

2) Net profit (loss) per share is calculated based on the following:

| | (Millions of yen, except for number of shares) | |
|--|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Net profit (loss) per share: | | |
| Net profit (loss) attributable to owners of the parent | (3,901) | 19,255 |
| Amount not attributable to common shareholders | - | - |
| Net profit (loss) attributable to owners of the parent available for distribution to common shareholders | (3,901) | 19,255 |
| Average number of shares outstanding during the period (thousand shares) | 93,136 | 93,136 |

(Significant Subsequent Events)

Not applicable

(5) Supplementary Consolidated Financial Statements

[1. Detailed Statements of Bonds]

(Millions of yen)

| Description | Issue Date | As of March 31, 2023 | As of March 31, 2024 | Interest rate (%) | Availability of collateral | Redemption date |
|--|-----------------------|-------------------------|-------------------------|----------------------|-------------------------------|--------------------|
| The Company: | | | | | | |
| 1st issued unsecured bond | March 5, 2020 | 10,000 | 10,000 | 0.12 | none | March 5, 2025 |
| 2nd issued unsecured bond | March 5, 2020 | 15,000 | 15,000 | 0.27 | none | March 5, 2030 |
| 3rd issued unsecured bond | March 5, 2020 | 15,000 | 15,000 | 0.59 | none | March 5, 2040 |
| Tokyo International Air Terminal Corporation (TIAT): | | | | | | |
| 1st issued subordinated bond | December 6, 2012 | 4,004 | 3,974 | 1.95 | none | April 30, 2038 |
| 2nd issued subordinated bond | September 10, 2013 | 8,008 | 7,948 | 1.95 | none | April 30, 2038 |
| 3rd issued subordinated bond | March 28, 2014 | 8,008 | 7,948 | 1.95 | none | April 30, 2038 |
| 4th issued subordinated bond | March 31, 2021 | 6,000 | 6,000 | 6.00 | none | April 30, 2038 |
| 5th issued subordinated bond | April 9, 2021 | 450 | 450 | 6.00 | none | April 30, 2038 |
| Sub-total | | 66,472 | 66,321 | - | | |
| Eliminations | | (11,333) | (11,333) | - | | |
| Total | | 55,139 | 54,988 | - | | |

Note: The redemption schedule for the five years following the consolidated balance sheet date is as follows:

| Within one year | After one year through two years | After two years through three years | After three years through four years | After four years through five years |
|-----------------|-------------------------------------|--|---|--|
| 10,000 | - | - | - | - |

[2. Detailed Statements of loans payable and Lease liabilities]

(Millions of yen)

| Category | As of March 31, 2023 | As of March 31, 2024 | Average interest rate (%) | Repayment Date |
|---|-------------------------|-------------------------|------------------------------|----------------|
| Short-term borrowings | 7,700 | 8,200 | 1.69 | - |
| Current portion of long-term debt | 13,051 | 13,957 | 0.72 | - |
| Current portion of Lease liabilities | 467 | 470 | - | - |
| Long-term debt (excluding the current portion) | 182,789 | 166,204 | 2.12 | CY2025~CY2078 |
| Lease liabilities (excluding the current portion) | 1,173 | 811 | - | CY2025~CY2029 |
| Sub-total | 205,181 | 189,643 | - | |
| Eliminations | (16,015) | (16,347) | - | |
| Total | 189,165 | 173,295 | - | |

Notes:

- 1) The average interest rate is the weighted average interest rate on the balance of loans outstanding at the end of the fiscal year.
- 2) The average interest rate on Lease liabilities is not disclosed because Lease liabilities are recorded in the consolidated balance sheets at their principal amount before deducting the amount of interest included in the total lease payments.
- 3) Scheduled principal payments of long-term debt and Lease liabilities (excluding the current portion) after the balance sheet date are as follows:

| | After one year through two years | After two years through three years | After three years through four years | After four years through five years |
|-------------------|-------------------------------------|--|---|--|
| Long-term debt | 12,265 | 12,719 | 12,822 | 11,050 |
| Lease liabilities | 391 | 382 | 29 | 6 |

[3. Detailed Statements of Asset Retirement Obligation]

The amounts of asset retirement obligation at the beginning and end of this fiscal year are less than one-hundredth of the amounts of total liabilities and equity at the beginning and end of this fiscal year, respectively. This statement has been omitted because it is immaterial.

B. Others

Quarterly Financial Information

(Millions of yen, except for numbers per share)

| (Cumulative period) | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--|-------------|-------------|-------------|-------------|
| Operating revenues | 45,996 | 100,148 | 159,019 | 217,578 |
| Profit before income taxes and non-controlling interests | 5,048 | 12,518 | 21,747 | 27,017 |
| Net profit attributable to owners of the parent | 3,534 | 8,234 | 14,125 | 19,255 |
| Net profit per share (in yen) | 37.95 | 88.41 | 151.66 | 206.75 |

| (Accounting period) | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-------------------------------|-------------|-------------|-------------|-------------|
| Net profit per share (in yen) | 37.95 | 50.46 | 63.25 | 55.09 |

2. Non-Consolidated Financial Statements, and Others

A. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------------------|----------------------------------|
| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 25,381 | 20,053 |
| Accounts receivable – trade | 32,336 | 41,292 |
| Securities | 26,500 | 20,000 |
| Merchandise and finished products | 2,661 | 4,141 |
| Stored goods | 5 | 11 |
| Prepaid expenses | 427 | 419 |
| Accounts receivable – other | 7,850 | 11,831 |
| Short-term loans receivable | 5,042 | 5,542 |
| Other current assets | 726 | 561 |
| Allowance for doubtful accounts | (43) | (54) |
| Total current assets | 100,887 | 103,799 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings | 105,875 | 100,636 |
| Structures | 660 | 548 |
| Machinery and equipment | 3,922 | 3,097 |
| Vehicles | 6 | 4 |
| Tools, furniture, and fixtures | 6,448 | 6,379 |
| Land | 12,817 | 12,847 |
| Lease assets | 1,258 | 940 |
| Construction in progress | 8,712 | 29,423 |
| Total tangible fixed assets | 139,702 | 153,877 |
| Intangible fixed assets | | |
| Software | 1,136 | 2,441 |
| Software in progress | 9 | 350 |
| Right-to-use facilities | 28 | 45 |
| Total intangible fixed assets | 1,175 | 2,837 |
| Investments and other assets | | |
| Investment securities | 18,592 | 22,073 |
| Shares of subsidiaries and affiliates | 23,253 | 23,418 |
| Investments in other securities of subsidiaries and affiliates | 984 | 969 |
| Long-term loans receivable | 8,763 | 8,721 |
| Long-term prepaid expenses | - | 2 |
| Deferred tax assets | 11,077 | 9,720 |
| Lease and guarantee deposits | 1,373 | 1,547 |
| Prepaid pension costs | 149 | 176 |
| Other investments | 477 | 492 |
| Total investments and other assets | 64,671 | 67,121 |
| Total fixed assets | 205,549 | 223,836 |
| TOTAL ASSETS | 306,436 | 327,636 |

(Millions of yen)

| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
|---|----------------------------------|----------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable – trade | 5,134 | 9,107 |
| Short-term borrowings | 3,185 | 3,185 |
| Current portion of bonds payable | - | 10,000 |
| Lease liabilities | 349 | 369 |
| Accounts payable - other | 7,679 | 12,541 |
| Accrued expenses | 7,391 | 8,814 |
| Income taxes payable | 1,889 | 3,796 |
| Advances received | 1,351 | 2,158 |
| Deposits received | 30,716 | 33,149 |
| Provision for employees' bonuses | 394 | 662 |
| Provision for directors' bonuses | - | 81 |
| Other current liabilities | 357 | 69 |
| Total current liabilities | 58,450 | 83,936 |
| Fixed liabilities | | |
| Bonds payable | 40,000 | 30,000 |
| Long-term loans payable | 51,924 | 48,739 |
| Provision for loss on business of subsidiaries and affiliates | 7,243 | 8,052 |
| Provision for retirement benefits | 566 | 613 |
| Lease liabilities | 1,031 | 685 |
| Lease and guarantee deposited | 3,215 | 3,225 |
| Asset retirement obligations | 324 | 329 |
| Other fixed liabilities | 109 | 109 |
| Total fixed liabilities | 104,415 | 91,755 |
| TOTAL LIABILITIES | 162,865 | 175,692 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 38,126 | 38,126 |
| Capital surplus | | |
| Legal capital surplus | 41,947 | 41,947 |
| Other capital surplus | 12,184 | 12,184 |
| Total capital surplus | 54,131 | 54,131 |
| Retained earnings | | |
| Legally retained earnings | 1,716 | 1,716 |
| Other retained earnings | | |
| Reserve for equalizing dividend | 4,560 | 4,560 |
| General reserve | 59,200 | 59,200 |
| Retained earnings brought forward | (15,773) | (8,414) |
| Total retained earnings | 49,702 | 57,062 |
| Treasury stock | (10) | (13) |
| Total shareholders' equity | 141,950 | 149,307 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,620 | 2,636 |
| Total valuation and translation adjustments | 1,620 | 2,636 |
| TOTAL NET ASSETS | 143,571 | 151,944 |
| TOTAL LIABILITIES AND NET ASSETS | 306,436 | 327,636 |

(2) Non-Consolidated Statements of Income

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|---|---|---|
| Operating revenues | | |
| Rent revenue | 25,697 | 26,138 |
| Facility user charges revenue | 19,206 | 22,128 |
| Other revenues | 15,109 | 22,536 |
| Sales of merchandise | 28,200 | 72,550 |
| Total operating revenues | 88,212 | 143,354 |
| Cost of sales | | |
| Cost of sales of merchandise | 16,897 | 46,297 |
| Gross profit | 71,315 | 97,056 |
| Selling, general and administrative expenses | | |
| Outsourcing and commission | 19,736 | 31,236 |
| Rent expenses | 6,472 | 9,261 |
| Provision for employees' bonuses | 375 | 649 |
| Provision for directors' bonuses | - | 81 |
| Retirement benefit expenses | 197 | 110 |
| Provision of allowance for doubtful accounts | 11 | 11 |
| Depreciation expenses | 14,724 | 13,994 |
| Other costs and expenses | 21,890 | 26,056 |
| Total selling, general, and administrative expenses | 63,409 | 81,400 |
| Operating profit | 7,905 | 15,656 |
| Non-operating income | | |
| Interest income | 1,342 | 1,571 |
| Dividends income | 113 | 328 |
| Company housing rent | 213 | 225 |
| Contributions in aid of construction | 222 | 186 |
| Miscellaneous income | 488 | 496 |
| Total non-operating income | 2,379 | 2,808 |
| Non-operating expenses | | |
| Interest expenses | 590 | 588 |
| Interest expenses on bonds | 141 | 141 |
| Fee and commission expenses | 72 | 38 |
| Loss on retirement of fixed assets | 283 | 375 |
| Miscellaneous expenses | 42 | 52 |
| Total non-operating expenses | 1,128 | 1,195 |
| Ordinary profit | 9,156 | 17,269 |

(Millions of yen)

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|---|---|---|
| Extraordinary gains | | |
| Gains on sale of investment securities | 60 | - |
| National subsidies | 58 | 117 |
| Total extraordinary gains | 118 | 117 |
| Extraordinary loss | | |
| Impairment loss | 260 | - |
| Provision for loss on business of subsidiaries and affiliates | 860 | 809 |
| Loss on valuation of shares of subsidiaries and affiliates | - | 130 |
| Other extraordinary loss | 136 | 104 |
| Total extraordinary loss | 1,257 | 1,044 |
| Profit before income taxes | 8,017 | 16,343 |
| Income taxes – current | 1,515 | 4,177 |
| Income taxes – deferred | 1,194 | 988 |
| Total income taxes | 2,709 | 5,165 |
| Net profit | 5,308 | 11,178 |

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

[FY2022 (from April 1, 2022 to March 31, 2023)]

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period | 38,126 | 54,131 | 44,394 | (9) | 136,643 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | - | | - |
| Net profit | | | 5,308 | | 5,308 |
| Purchase of treasury stock | | | | (1) | (1) |
| Changes of items other than shareholders' equity during the current period (net) | | | | | - |
| Total changes during the current period | - | - | 5,308 | (1) | 5,307 |
| Balance at the end of the current period | 38,126 | 54,131 | 49,702 | (10) | 141,950 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of the current period | 2,472 | 2,472 | 139,115 |
| Changes during the current period | | | |
| Dividend from retained earnings | | | - |
| Net profit | | | 5,308 |
| Purchase of treasury stock | | | (1) |
| Changes of items other than shareholders' equity during the current period (net) | (851) | (851) | (851) |
| Total changes during the current period | (851) | (851) | 4,455 |
| Balance at the end of the current period | 1,620 | 1,620 | 143,571 |

[FY2023 (from April 1, 2023 to March 31, 2024)]

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period | 38,126 | 54,131 | 49,702 | (10) | 141,950 |
| Changes during the current period | | | | | |
| Dividend from retained earnings | | | (3,818) | | (3,818) |
| Net profit | | | 11,178 | | 11,178 |
| Purchase of treasury stock | | | | (2) | (2) |
| Changes of items other than shareholders' equity during the current period (net) | | | | | - |
| Total changes during the current period | - | - | 7,359 | (2) | 7,357 |
| Balance at the end of the current period | 38,126 | 54,131 | 57,062 | (13) | 149,307 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of the current period | 1,620 | 1,620 | 143,571 |
| Changes during the current period | | | |
| Dividend from retained earnings | | | (3,818) |
| Net profit | | | 11,178 |
| Purchase of treasury stock | | | (2) |
| Changes of items other than shareholders' equity during the current period (net) | 1,015 | 1,015 | 1,015 |
| Total changes during the current period | 1,015 | 1,015 | 8,372 |
| Balance at the end of the current period | 2,636 | 2,636 | 151,944 |

Notes on the Non-Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

There is nothing to report.

(Significant Accounting Policies)

1. Valuation standards and methods for assets

(1) Securities

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

(b) Shares of subsidiaries and affiliates are stated at cost based on the moving average method.

(c) Other securities

1) 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. The cost of securities sold is determined by the moving average method.

2) Shares without fair values are stated at cost based on the 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.

(2) Derivatives

Derivative financial instruments are stated at fair value.

(3) Inventories

Inventories are principally stated at cost determined by the retail method (the book value of inventories in the balance sheet is written down when their profitability declines).

2. Depreciation method of depreciable assets

(1) Tangible fixed assets (excluding lease assets)

The declining balance method.

(2) 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.

(3) Lease assets

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

3. Accounting policies for allowance and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for employees' bonuses

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

(3) Provision for directors' bonuses

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

(4) Provision for employees' retirement benefits

To provide for the payment of retirement benefits to employees, the Company accrues an estimated liability based on the projected benefit obligation and plan assets at the end of the current fiscal year.

(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 (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 (10 years).

(5) Provision for loss on business of subsidiaries and affiliates

To prepare for business losses of subsidiaries and affiliates, the estimated amount of the Company's share of such losses is recorded.

4. Recognition of significant revenues and costs

The Company 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 Company'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.

(1) Facilities management

The facilities management operations are mainly engaged in the construction, management, and operation of passenger terminals and leasing of real estate. Rent revenue consists mainly of office and store rent income, and is recognized by 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 (PSFC) revenues. These revenues are collected from passengers based on their use of passenger service facilities. The Company is obligated to use these revenues to cover expenses related to facilities for the common use of passengers and to professionally manage and operate the passenger terminals. Revenue is recognized when the air carrier completes the passenger air transportation services, indicating that the performance obligation has been fulfilled.

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, revenue is recognized on a straight-line basis over the period the service is provided.

(2) 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 contract sales. The performance obligation is deemed to be satisfied when the goods are delivered to the customer, and revenue is recognized when the goods are delivered to the customer.

(3) 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.

Restaurant sales consist primarily of contract sales. The Company has determined that its performance obligation is satisfied by providing food and beverage services to customers and recognizes revenue at the time food and beverage services are provided to customers.

5. Other Basic Important Conditions to Prepare Non-Consolidated Financial Statements

Accounting for Retirement Benefit

The method of accounting for unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

(Significant accounting estimates)

1. Inventory valuation

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Loss (gain) on write-down of inventories

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Reversal at the beginning of the period | (1,416) | (154) |
| Amount recorded in the current period | 154 | 40 |
| Total | (1,262) | (114) |

(2) Information about the nature of significant accounting estimates for identified items

The method of calculating the amount in (1) is the same as that described in “Notes (Significant Accounting Estimates) Inventory Valuation” in the Consolidated Financial Statements.

2. Valuation of shares of Tokyo International Air Terminal Corporation (shares of affiliated companies)

(1) Amount recorded in the financial statements for the current fiscal year

| | (Millions of yen) | |
|----------------------|----------------------------------|----------------------------------|
| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
| Affiliate securities | 13,530 | 13,530 |

(2) Information about the nature of significant accounting estimates for identified items

(a) Calculation Method

The stock of Tokyo International Air Terminal Corporation (TIAT) is valued by a real estate appraiser based on the business plan of the terminal, as well as other factors such as the valuation profit. The resulting figure is then added to the net assets of the Company to determine the actual value of the Company.

(b) Main Assumptions

The real estate appraiser used the business plan of TIAT as a reference, considering two key assumptions: the number of international air passengers and the duty-free unit price of goods with high sales volume. The number of international air passengers was estimated for the most recent year based on actual flight results and future schedules announced by airlines. Subsequently, the number of international air passengers was estimated based on airline demand forecasts announced by the International Air Transport Association (IATA) and market trends specific to Haneda. Furthermore, the duty-free unit price of merchandise sales is estimated based on historical data.

(c) Impact on non-consolidated financial statements for the following fiscal year

It is important to note that the estimates of the number of international air passengers and the duty-free unit price of merchandise sales, which are key assumptions, are highly uncertain. Fluctuations in the number of international air passengers and the duty-free unit price of merchandise sales may cause fluctuations in our business performance. Consequently, should the business plan upon which the estimates are based prove unattainable, the terminal valuation gain may decline and a valuation loss on shares of affiliated companies may be incurred.

(Notes on Non-Consolidated Balance Sheets)**1. Assets pledged as collateral and corresponding liabilities with collateral**

The following are assets pledged as collateral.

| | (Millions of yen) | |
|---------------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Investment securities | 10,837 | 11,799 |
| Shares of subsidiaries and affiliates | 15,854 | 15,854 |
| Long-term loans receivable | 8,510 | 8,510 |
| Total | 35,201 | 36,163 |

Note: Pledged as collateral for borrowings by affiliated companies and investee companies.

2. Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding those presented separately)

| | (Millions of yen) | |
|---------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Short-term monetary receivables | 33,756 | 43,539 |
| Long-term monetary receivables | 9,081 | 9,041 |
| Short-term monetary payables | 39,377 | 44,893 |
| Long-term monetary payables | 569 | 572 |

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) | |
|---|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Airport Transport Service Co., Ltd. | 1,800 | 1,800 |
| Sakura Shokai Co., Ltd. | 266 | 233 |
| Japan Airport Delica Inc. | 225 | 225 |
| Air BIC Inc. | 408 | 408 |
| Japan Duty-Free Fa-So-La Isetan Mitsukoshi Co., Ltd. (Note) | - | - |
| Haneda Future Research Institute Inc. | 87 | - |
| Japan Airport Management LLC | 5 | 6 |
| Global Service Co., Ltd. | - | 102 |
| Total | 2,791 | 2,774 |

Note: The amount related to the debt guarantee for Japan Duty-Free Fa-So-La Isetan Mitsukoshi Co., Ltd. is shown net of the provision for loss on business of subsidiaries and affiliates.

(2) Commitment to guarantee

| | (Millions of yen) | |
|---------------------------------------|------------------------|------------------------|
| | FY2022 | FY2023 |
| | (As of March 31, 2023) | (As of March 31, 2024) |
| Haneda Future Tokutei Mokuteki Kaisha | 666 | 666 |

4. Amount of reduction entry

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

| | (Millions of yen) | |
|--------------------------|----------------------------------|----------------------------------|
| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
| Buildings and structures | 88 | 182 |
| Machinery and equipment | 418 | 418 |
| Others | 36 | 47 |
| Total | 543 | 648 |

(Notes on Non-Consolidated Statements of Income)

1. Transactions with subsidiaries and affiliates

| | (Millions of yen) | |
|--|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Transaction volume from business transactions: | | |
| Operating revenue | 35,461 | 100,306 |
| Purchases of goods | 3,284 | 7,574 |
| Selling, general and administrative expenses | 21,625 | 29,088 |
| Non-operating transaction volume | 2,077 | 4,793 |

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

| | (Millions of yen) | |
|--|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| | (1,262) | (114) |

(Securities)

Shares of subsidiaries and affiliates

[For the year ended March 31, 2023]

| | (Millions of yen) | | |
|----------------------|-------------------|----------------------|------------|
| | Carrying value | Estimated fair value | difference |
| Affiliate securities | 1,995 | 2,650 | 655 |

[For the year ended March 31, 2024]

| | (Millions of yen) | | |
|----------------------|-------------------|----------------------|------------|
| | Carrying value | Estimated fair value | difference |
| Affiliate securities | 1,995 | 2,938 | 943 |

Note: Carrying amount of non-marketable equity securities and other securities not included in the above.

| | (Millions of yen) | |
|------------------------|----------------------------------|----------------------------------|
| | FY2022 (As of March 31, 2023) | FY2023 (As of March 31, 2024) |
| Shares of Subsidiaries | 18,478 | 18,348 |
| Affiliate securities | 2,779 | 3,074 |

(Income Taxes)

Income taxes in Japan applicable to the Company consist of corporation tax, inhabitants' taxes, and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 31% for the years ended March 31, 2023, and 2024.

1. The significant components of deferred tax assets and liabilities on March 31, 2023, and 2024 were as follows:

| | (Millions of yen) | |
|---|---|---|
| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
| Deferred tax assets: | | |
| Non-deductible portion of depreciation and amortization | 8,418 | 8,641 |
| Provision for loss on business of subsidiaries and affiliates | 2,217 | 2,465 |
| Provision for employees' retirement benefits | 1,264 | 1,279 |
| Loss on valuation of the subsidiaries and affiliate securities | 548 | 588 |
| Impairment losses | 421 | 373 |
| Loss on valuation of investment securities | 277 | 277 |
| Enterprise tax payable | 178 | 258 |
| Provision for employees' bonuses | 120 | 202 |
| Property tax payable | 159 | 158 |
| Others | 2,095 | 722 |
| Total gross deferred tax assets | 15,702 | 14,968 |
| Valuation allowance | (3,583) | (3,904) |
| Total of deferred tax assets | 12,119 | 11,064 |
| Deferred tax liabilities: | | |
| Unrealized holding gains on securities | (670) | (1,040) |
| Returned assets | (99) | (27) |
| Gains on contribution of securities to retirement benefit trust | (216) | (215) |
| Others | (55) | (61) |
| Total of deferred tax liabilities | (1,041) | (1,344) |
| Net deferred tax assets (liabilities) | 11,077 | 9,720 |

2. The reconciliation between the effective tax rates reflected in the non-consolidated statements of income and the effective statutory tax rate for the year ended March 31, 2023, and 2024 were as follows:

| | FY2022 (From April 1, 2022 to March 31, 2023) | FY2023 (From April 1, 2023 to March 31, 2024) |
|---|---|---|
| Effective statutory tax rate | 30.62% | |
| (Reconciliation) | | |
| Items permanently not deductible for tax purposes | 0.48% | The reconciliation was omitted because the difference is less than 5/100 of the statutory tax rate. |
| Items permanently not includable in income | (0.21%) | |
| Tax Measure to Promote Wage Increases | (1.27%) | |
| Valuation allowance | 4.13% | |
| Others | 0.04% | |
| Effective tax rates reflected in the statements of income | 33.79% | |

(Change in Presentation Method)

To streamline the presentation of financial data, "Loss carried forward," which was previously presented separately in the previous fiscal year, is now included in "Others" in the current fiscal year as it has become insignificant in terms of amount. To reflect this change in presentation, the notes for the previous fiscal year have been reclassified.

Consequently, the sum of 1,364 million yen, which was previously presented as "Loss carried forward," is now included in "Others" and reclassified as "Others" 2,095 million yen.

(Revenue Recognition)

Information that provides a basis for understanding revenue

The basis for understanding revenues is as described in “4. Recognition of significant revenues and costs” in “(Significant Accounting Policies).”

The transaction price received by the Company in exchange for the transfer of goods or services includes, in part, variable consideration such as sales with a right of return. Variable consideration is estimated based on the value of the goods beyond the expiration date of storage in the wholesaler’s bonded warehouse and is reviewed periodically based on the most recent information available. The Company recognizes as revenues and expenses the contractual return value of goods expected to be returned under the contract, less an amount equal to the cost of sales of merchandise.

(Significant Subsequent Events)

Not applicable

(4) Supplementary Non-Consolidated Financial Statements

[1. Detailed Statements of Tangible and Intangible Fixed Assets]

(Millions of yen)

| Category | Type of assets | Beginning balance | Increase | Decrease | Depreciation and amortization | Ending balance | Accumulated depreciation and amortization |
|-------------------------|--------------------------------|-------------------|----------|----------|-------------------------------|----------------|---|
| Tangible fixed assets | Buildings | 105,875 | 4,886 | 193 | 9,932 | 100,636 | 249,121 |
| | Structures | 660 | 0 | - | 113 | 548 | 5,389 |
| | Machinery and equipment | 3,922 | 133 | 5 | 953 | 3,097 | 11,762 |
| | Vehicles | 6 | - | - | 2 | 4 | 36 |
| | Tools, furniture, and fixtures | 6,448 | 2,087 | 24 | 2,131 | 6,379 | 35,908 |
| | Leased assets | 1,258 | - | - | 318 | 940 | 1,384 |
| | Sub-total | 118,172 | 7,107 | 224 | 13,449 | 111,606 | 303,601 |
| | Land | 12,817 | 30 | - | - | 12,847 | - |
| | Construction in progress | 8,712 | 20,710 | - | - | 29,423 | - |
| | Total | 139,702 | 27,849 | 224 | 13,449 | 153,877 | 303,601 |
| Intangible fixed assets | Software | 1,136 | 1,847 | 0 | 541 | 2,441 | - |
| | Right-to-use facilities | 28 | 18 | - | 2 | 45 | - |
| | Software in progress | 9 | 347 | 6 | - | 350 | - |
| | Total | 1,175 | 2,213 | 6 | 544 | 2,837 | - |

Notes:

- 1) The “Decrease” includes the amount of advanced depreciation.
- 2) The “Accumulated depreciation and amortization” includes accumulated impairment losses.
- 3) Major items in the “Increase” are as follows.

(Millions of yen)

| | | |
|--------------------------|---|--------|
| Buildings | HANEDA INNOVATION CITY terminal.0 New Construction | 777 |
| Construction in progress | Haneda Airport, Terminal 1: North Satellite Construction | 13,188 |
| Construction in progress | Haneda Airport, Terminal 2: Satellite - main building connection construction | 7,013 |

[2. Detailed Statements of Reserves]

(Millions of yen)

| Items | Beginning balance | Increase | Decrease | Ending balance |
|---|-------------------|----------|----------|----------------|
| Allowance for doubtful accounts | 43 | 11 | - | 54 |
| Provision for employees' bonuses | 394 | 662 | 394 | 662 |
| Provision for directors' bonuses | - | 81 | - | 81 |
| Provision for loss on business of subsidiaries and affiliates | 7,243 | 809 | - | 8,052 |

B. Primary assets and liabilities

As the consolidated financial statements are prepared, this information is omitted here.

C. Others

There are no special items to report.

Item 6. Stock-Related Administration for the Company

| | | | | | | | | | | | | | |
|--|---|--|----------------------|--|-----------------------|-----------------------------------|-----------------------|--|-------------------------|--|--------------------------|-----------------------------------|--------------------------|
| Fiscal year | From April 1 to March 31 | | | | | | | | | | | | |
| Ordinary General Meeting of Shareholders | June | | | | | | | | | | | | |
| Record date | March 31 | | | | | | | | | | | | |
| Record date of dividends | Interim dividends: September 30 Year-end dividends: March 31 | | | | | | | | | | | | |
| Number of shares constituting one unit | 100 shares | | | | | | | | | | | | |
| Purchase and sales of shares less than one unit Handling office Transfer agent Forward office Purchase and sales fee | (Special account) 1-3-3, Marunouchi, Chiyoda-ku, Tokyo Securities Agent Department, Head Office, Mizuho Trust & Banking Co. (Special account) 1-3-3, Marunouchi, Chiyoda-ku, Tokyo / Mizuho Trust & Banking Co. - Free of charge | | | | | | | | | | | | |
| Method of public notice | The method of public notice by the Company shall be electronic public notice, provided, however, that if the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. | | | | | | | | | | | | |
| Special benefit for shareholders | <p>We distribute “Shareholder Coupons” and “Shareholder Discount Coupons” once a year to shareholders who own one unit (100 shares) or more and are listed or recorded in the shareholder registry as of March 31 of each year.</p> <p>In addition, as a long-term special benefit plan, “VJA Gift Cards” will be distributed once a year to shareholders who are listed or recorded as shareholders of one unit (100 shares) or more in the Company’s shareholder registry as of March 31 every year and who have held the Company’s shares for more than three years.</p> <p>1) Shareholder Coupons</p> <p>Each ticket can be used as a 1,000 yen voucher at our designated stores at Haneda Airport, Narita Airport, Kansai Airport, Chubu Airport, and Ibaraki Airport.</p> <table> <tr> <td>1 unit (100 shares) or more but less than 10 units (1,000 shares)</td><td>1 coupon (1,000 yen)</td></tr> <tr> <td>10 units (1,000 shares) or more but less than 100 units (10,000 shares)</td><td>2 coupons (2,000 yen)</td></tr> <tr> <td>100 units (10,000 shares) or more</td><td>3 coupons (3,000 yen)</td></tr> </table> <p>2) Shareholder Discount Coupons</p> <p>Shareholders holding one unit (100 shares) or more will receive five “Shareholder Discount Coupons (10% discount)” that can be used at our designated duty-free stores at Haneda Airport, Narita Airport, Chubu Airport, and Ibaraki Airport.</p> <p>3) Presentation of VJA gift cards</p> <table> <tr> <td>1 unit (100 shares) or more but less than 10 units (1,000 shares)</td><td>1 gift card (1,000 yen)</td></tr> <tr> <td>10 units (1,000 shares) or more but less than 100 units (10,000 shares)</td><td>2 gift cards (2,000 yen)</td></tr> <tr> <td>100 units (10,000 shares) or more</td><td>3 gift cards (3,000 yen)</td></tr> </table> | 1 unit (100 shares) or more but less than 10 units (1,000 shares) | 1 coupon (1,000 yen) | 10 units (1,000 shares) or more but less than 100 units (10,000 shares) | 2 coupons (2,000 yen) | 100 units (10,000 shares) or more | 3 coupons (3,000 yen) | 1 unit (100 shares) or more but less than 10 units (1,000 shares) | 1 gift card (1,000 yen) | 10 units (1,000 shares) or more but less than 100 units (10,000 shares) | 2 gift cards (2,000 yen) | 100 units (10,000 shares) or more | 3 gift cards (3,000 yen) |
| 1 unit (100 shares) or more but less than 10 units (1,000 shares) | 1 coupon (1,000 yen) | | | | | | | | | | | | |
| 10 units (1,000 shares) or more but less than 100 units (10,000 shares) | 2 coupons (2,000 yen) | | | | | | | | | | | | |
| 100 units (10,000 shares) or more | 3 coupons (3,000 yen) | | | | | | | | | | | | |
| 1 unit (100 shares) or more but less than 10 units (1,000 shares) | 1 gift card (1,000 yen) | | | | | | | | | | | | |
| 10 units (1,000 shares) or more but less than 100 units (10,000 shares) | 2 gift cards (2,000 yen) | | | | | | | | | | | | |
| 100 units (10,000 shares) or more | 3 gift cards (3,000 yen) | | | | | | | | | | | | |

Note: Under the Company’s Articles of Incorporation, shareholders holding shares of less than one unit do not have any rights other than the rights listed in each item of Article 189, Paragraph 2 of the Companies Act, the right to request under Article 166, Paragraph 1 of the Companies Act, the right to receive allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by shareholders, and the right to request sale of shares less than one unit.

Item 7. Reference Information on the Company

1. Information on the Parent Company

Not applicable.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2024, to the filing date of the Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter

Business Term (79th) From April 1, 2022 to March 31, 2023

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2023

(2) Internal Control Report and Documents Attached

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2023

(3) Quarterly Report and Confirmation Letter

Business Term (80th 1st Quarter) From April 1, 2023 to June 30, 2023

Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2023

Business Term (80th 2nd Quarter) From July 1, 2023 to September 30, 2023

Filed with the Director-General of the Kanto Local Finance Bureau on November 10, 2023

Business Term (80th 3rd Quarter) From October 1, 2023 to December 31, 2023

Filed with the Director-General of the Kanto Local Finance Bureau on February 9, 2024

(4) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on June 30, 2023

Under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (results of exercise of voting rights at the General Meeting of Shareholders).

(5) Amended Shelf Registration Statement

Filed with the Director-General of the Kanto Local Finance Bureau on June 30, 2023

Part II. Information on Guarantors for the Company

Not applicable.

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 26, 2024

To: The Board of Directors of Japan Airport Terminal Co., Ltd.

EY Ernst & Young ShinNihon LLC
Tokyo Office

Hirohisa Fukuda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Fujimori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Japan Airport Terminal Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Company's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheet as of March 31, 2024, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the fiscal year then ended, notes on the consolidated financial statements, and supplementary consolidated financial statements, by Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

| <i>(The recoverability of deferred tax assets of the consolidated subsidiary, Tokyo International Air Terminal Corporation)</i> | |
|---|--|
| Description of Key Audit Matter | Auditor's Response |
| <p>The Company and its consolidated subsidiaries have recognized deferred tax assets of 12,744 million yen before offsetting deferred tax liabilities, as detailed in Note (Income Taxes). As detailed in Note (Significant Accounting Estimates), this figure incorporates deferred tax assets of 2,743 million yen about tax loss carryforwards of a subsidiary, Tokyo International Air Terminal Corporation.</p> <p>The Company and its consolidated subsidiaries assess the recoverability of deferred tax assets by evaluating the classifications of the Company by the "Guidance on Recoverability of Deferred Tax Assets."</p> <p>In the current consolidated fiscal year, the business performance of Tokyo International Air Terminal Corporation, a consolidated subsidiary that operates international terminal buildings, has recorded deferred tax assets related to losses carried forward for tax purposes due to a sharp recovery in the number of international airline passengers at Haneda Airport. The deferred tax assets are based on the estimated taxable income of Tokyo International Air Terminal Corporation, with the business plan of Tokyo International Air Terminal Corporation serving as the basis for such estimates.</p> <p>As outlined in the Notes (Significant Accounting Estimates), the primary assumptions in this business plan are the number of international air passengers and the duty-free unit price of merchandise sales. Given the inherent uncertainty of the future business environment, these assumptions are subject to change.</p> <p>In light of the above, we have identified the assessment of the recoverability of deferred tax assets of the consolidated subsidiary, Tokyo International Air Terminal Corporation, as a significant audit area.</p> | <p>In evaluating the recoverability of deferred tax assets, we conducted the following audit procedures:</p> <ul style="list-style-type: none">• In order to assess the recoverability of the deferred tax assets of Tokyo International Air Terminal Corporation, we considered that the estimated taxable income for the next fiscal year was calculated based on the business plan.• To assess the number of international airline passengers, a key assumption in the business plan, we consulted with the relevant departments to gain insight into how the Company and its consolidated subsidiaries estimate passenger numbers. We also utilized external data, including passenger volume recovery information from IATA (International Air Transport Association) and timetable data from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), to calculate the auditor-allowable values. The auditor's estimates for the Company and its consolidated subsidiaries fell within the acceptable range.• In order to evaluate the tax-exempt unit price, which is a key assumption in the business plan, we considered that the estimate is based on the actual results of the current year in light of the prevailing business environment. |

| <i>(Inventory Valuation)</i> | |
|--|--|
| Description of Key Audit Matter | Auditor's Response |
| <p>The Group recognized 7,850 million yen of merchandise and finished goods on the consolidated balance sheets. This amount is net of an inventory write-down of 40 million yen. The amount of the inventory write-down is calculated by multiplying the value of goods in stock by the write-down ratio.</p> <p>The Company and some of its consolidated subsidiaries operate airport duty-free stores and urban duty-free stores. International airline passenger volume has been recovering rapidly following the significant easing of entry restrictions since October 2022. This has led to a steady recovery in duty-free sales, resulting in a decrease in backlogs of goods.</p> <p>As outlined in the Notes (Significant Accounting Estimates), backlogged goods are identified based on items that have exceeded their storage period in bonded warehouses. The write-down ratio used in the calculation of inventory write-downs is calculated in such a way that the full amount of inventory write-downs is recorded for items scheduled for disposal. For other items, the write-down ratio is calculated mainly based on the contractual return value or actual sales for the past performance.</p> <p>A fundamental premise in the valuation of distressed goods is the write-down rate, which is derived from historical sales data and is inherently subject to estimation uncertainty, given that historical sales performance may not necessarily be indicative of future trends.</p> <p>Consequently, we have identified the valuation of inventories as a key audit matter.</p> | <p>In considering the inventory write-down, we conducted the following audit procedures:</p> <ul style="list-style-type: none"> • To assess the comprehensiveness of the inventory in arrears, we analyzed whether the inventory in arrears is identified based on items that have exceeded the storage period in bonded warehouses. • To ensure that the write-down rate was properly applied, we reviewed the full value of items scheduled for disposal as inventory write-downs and confirmed that the contractually determined return values were consistent with the agreed-upon values. • With regard to the valuation loss ratio, which is calculated based on historical sales data, a key assumption, the Company confirmed that it is consistent with historical sales data and recalculated the valuation loss ratio. • In order to assess the efficacy of the valuation loss ratio calculation methodology, we analyzed the discrepancy between the valuation loss ratio applied to inventory valuation at the end of the previous fiscal year and the actual valuation loss ratio based on sales value data for the current fiscal year. |

Other Information

The other information comprises the information included in the Annual Securities Report but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties regarding the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties about the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances in making risk assessments, but not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of the Company as of March 31, 2024, by Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as of March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting by assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report by auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group by the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities by these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report by assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view.

By internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of the internal control report, and those that were remediated, and other matters required by internal control auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

Compensation-related information

The compensation for audit attestation services and non-audit services provided by the Company and its subsidiaries to the Audit Firm and affiliated networks is outlined in the “C. Condition of Audits” of “Corporate Governance” which is included in “Item 4. Information of the Company” of “Part 1. Company Information” section.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed under the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor’s Report:

This is an English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Independent Auditor's Report on the Financial Statements

June 26, 2024

To: The Board of Directors of Japan Airport Terminal Co., Ltd.

EY Ernst & Young ShinNihon LLC
Tokyo Office

Hirohisa Fukuda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Fujimori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements of Japan Airport Terminal Co., Ltd. ("the Company") provided in the "Financial Information" section in the Company's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, notes on the non-consolidated financial statements, and the supplementary non-consolidated financial statements of the Company as of March 31, 2024 and for the 80th fiscal year from April 1, 2023 to March 31, 2024, by Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and its financial performance for the fiscal year that ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company by the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

(Inventory Valuation)

This information is omitted because it is identical to the key audit matters (Inventory Valuation) included in the auditor's report on the consolidated financial statements.

Other Information

The other information comprises the information included in the Annual Securities Report but does not include the consolidated financial statements, the financial statements, and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties regarding the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties including the design, implementation, and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances in making risk assessments, but not to express an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure

about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Compensation-related information

Compensation-related information is presented in the auditor's report on the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Cover

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| 【Document title】 | Internal Control Report |
| 【Clause of stipulation】 | Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan |
| 【Place of filing】 | Director-General of the Kanto Local Finance Bureau |
| 【Filing date】 | June 26, 2024 |
| 【Company name】 | Nihon Kuko Building KK. |
| 【Company name in English】 | Japan Airport Terminal Co., Ltd. |
| 【Title and name of representative】 | Nobuaki Yokota, President and COO |
| 【Title and name of chief financial officer】 | Kazuhito Tanaka, Executive Vice President |
| 【Address of registered head office】 | 3-3-2, Hanedakuko, Ohta-ku, Tokyo, Japan |
| 【Place for public inspection】 | Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan) |

1. Matters relating to the basic framework for internal control over financial reporting

Nobuaki Yokota, President and COO, and Kazuhito Tanaka, Executive Vice President (Chief Financial Officer), are responsible for establishing and maintaining internal control over financial reporting of the Japan Airport Terminal Co., Ltd. (“the Company”), its consolidated subsidiaries, and equity-method affiliates (collectively referred to as “the Group”) and have established and maintained internal control over financial reporting by the basic framework for internal control outlined in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters relating to the scope of assessment, the base date of assessment and the assessment procedures

The “Company” assessed the effectiveness of our internal control over financial reporting on the base date as of March 31, 2024, and made this assessment by assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, the Company evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”), and based on the result of this assessment, the Company appropriately selected business processes to be evaluated. In making these business processes assessments, the Company analyzed these selected business processes, identified key controls that may have a material impact on the reliability of internal control over financial reporting, and assessed the design and operation of these key controls.

The Company determined the required assessment scope of internal controls over financial reporting for the Group from the perspective of the materiality that may affect the reliability of its financial reporting. The materiality that may affect the reliability of its financial reporting is determined by considering the materiality of quantitative and qualitative impacts. The Company has determined the assessment scope of internal controls over business processes after considering the results of the Company-level controls conducted for the Group (the Company, 10 consolidated subsidiaries, and 3 equity-method affiliates). The Company did not include 9 consolidated subsidiaries which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the assessment scope of company-level controls.

About the scope of assessment of internal control over business processes, the Company accumulated business units in descending order of operating revenues (after eliminating intercompany transactions) for the previous fiscal year, and those business units whose combined operating revenues amount to approximately two-thirds of operating revenues on a consolidated basis were selected as significant business units. At the selected significant business units, the Company included, in the assessment scope, those business processes leading to operating revenues, accounts receivables, and inventories as accounts closely relating to the business objectives of the Company. Further, not only at selected significant business units, but also at other business units, the Company added to the assessment scope, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecasts as these significant accounts that may have a material impact on its business objectives, or those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters relating to the results of the assessment

As a result of the assessment above, the Company concluded that internal control over the financial reporting of the Company was effective as of March 31, 2024.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.