Annual Securities Report

From April 1, 2022, to March 31, 2023

(The 79th 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 28th, 2023. 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 28, 2023.

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.

Contents

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 28, 2023
【Fiscal year】	The 79th Fiscal Year (from April 1, 2022 to March 31, 2023)
【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, Nihombashi 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			75th	76th	77th	78th	79th
Year ended			March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales			273,618	249,756	52,572	57,057	113,050
Income before income taxes and equity in earnings of affiliated companies			20,379	8,705	-57,320	-43,861	-12,064
Net profit attributable to the company			33,004	5,012	-36,578	-25,217	-3,901
Comprehensive income attributable to the company			36,748	4,119	-62,212	-39,533	-15,056
Net assets			201,390	201,899	195,544	156,009	140,951
Total assets			484,654	521,363	519,193	463,878	446,955
shareholders’ equity per share		(Yen)	2,011.61	2,001.83	1,910.83	1,655.32	1,613.62
Net profit attributable to the company per share	Basic	(Yen)	406.31	61.71	-445.92	-270.75	-41.89
	Diluted	(Yen)	388.03	60.20	-	-	-
shareholders’ equity ratio		(%)	33.71	31.19	34.28	33.24	33.62
Return on equity		(%)	22.24	3.08	-	-	-
Price-earnings ratio		(Times)	11.51	67.65	-	-	-
Net cash provided by operating activities			34,288	20,222	-4,387	-9,305	16,326
Net cash used in investing activities			-8,489	-57,334	-25,268	-4,926	-10,627
Net cash provided by (used in) financing activities			19,152	21,644	78,228	-9,035	-12,641
Cash and cash equivalents, end of year			87,273	71,795	120,355	97,128	90,241
Number of employees [Separately, average number of temporary employees]		(Persons)	2,906 [1,450]	3,095 [1,389]	3,110 [708]	2,729 [399]	2,499 [471]

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, etc. 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 and 79th 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		75th	76th	77th	78th	79th
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales		188,121	174,269	53,178	53,166	88,212
Ordinary profit		7,517	1,250	-15,827	-4,485	9,156
Net profit		5,460	759	-11,931	-4,385	5,308
Capital stock		17,489	17,489	38,126	38,126	38,126
Number of common shares issued	(Thousands of shares)	84,476	84,476	93,145	93,145	93,145
Net assets		105,384	100,830	142,979	139,115	143,571
Total assets		246,452	282,426	320,019	296,480	306,436
Net assets per share	(Yen)	1,297.38	1,241.32	1,535.16	1,493.67	1,541.52
Cash dividend per share	(Yen)	45	32	-	-	16
[Of the above interim dividend per share]	(Yen)	[23]	[22]	[-]	[-]	[-]
Net profit per share	(Yen)	67.23	9.34	-145.45	-47.09	57.00
Net profit per share reflecting the potential dilution	(Yen)	64.03	9.04	-	-	-
Total equity ratio	(%)	42.76	35.70	44.68	46.92	46.85
Return on equity	(%)	5.20	0.74	-	-	3.76
Price-earnings ratio	(Times)	69.54	446.78	-	-	115.79
Dividend payout ratio	(%)	66.94	342.44	-	-	28.07
Number of employees	(Persons)	295	290	264	251	272
[Separately, average number of temporary employees]		[-]	[-]	[-]	[-]	[-]
Total shareholders return	(%)	116.1	104.6	135.7	139.4	164.6
[Of TOPIX Machine Index]	(%)	[95.0]	[85.9]	[122.1]	[124.6]	[131.8]
Highest share price of each fiscal year	(Yen)	5,790	6,240	6,920	6,280	6,960
Lowest share price of each fiscal year	(Yen)	3,480	3,450	3,600	4,310	4,900

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, etc. 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 and 79th fiscal years is not shown in the above table because there are no residual shares.
3) Return on equity and price/earnings ratio 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.) 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 Corporation, Cosmo Enterprise Corporation, and Kokusai Kyosho Co. 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 Inc. (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 Corporation (now a consolidated subsidiary)
July 2004	Headquarters moved to Haneda Airport Terminal 1, Ota-ku, Tokyo
July 2004	Haneda Airport Enterprise Co. (currently a consolidated subsidiary) and Narita Airport Enterprise Co. 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 (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. (currently a consolidated subsidiary) and Haneda Passenger Service Co. (currently a consolidated subsidiary) were established.
July 2009	Airport Max Co., Ltd. and Japan Airport Techno Co., Ltd. merged (now Japan Airport Techno Co. (now a consolidated subsidiary))
July 2009	Integration of Haneda Airport Enterprises, Inc. and Narita Airport Enterprises, Inc. (now Haneda Airport Enterprise Co.)
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 and wholesale services. and wholesale services, etc., 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 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	Tokyo International Air Terminal Corporation becomes a consolidated subsidiary through the issuance of new shares to third parties.
July 2018	Establishment of Haneda Mirai Research Institute Co.
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 Corporation and C.T.T. Corporation (currently a consolidated subsidiary of Cosmo Enterprise Corporation) (now Cosmo Enterprise Co.)
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 14 affiliates, and 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 provide merchandise sales 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, 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 six 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 three other subsidiaries provide services such as advertising agency and passenger services at passenger terminals.

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

Merchandise sales

The Company, Tokyo International Air Terminal Corporation, 11 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, Tokyo International Air Terminal Corporation, and four 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 one 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.

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.	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, cleaning, etc. of company property under contract Directors serve concurrently.
Tokyo International Air Terminal Co., Ltd. *(Note: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. *(Note:5)*	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.	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.	Ohta-ku, Tokyo	50	Merchandise sales	100.0 [100.0]	Wholesale products to the company. Directors serve concurrently.
Japan Airport Ground Handling Co., Ltd.	Ohta-ku, Tokyo	50	Facilities management	100.0 [100.0]	Directors serve concurrently.
Kaikan Kaihatu Co., Ltd. *(Note: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. *(Note: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., Hamashin Co., Ltd. and Tokyo Airport Transportation Co., Ltd. are owned by Kokusai Kyosho, and Kaikan Kaihatsu Co., Ltd. is owned by Big Wing Co.
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, 2023, Tokyo International Air Terminal Corporation had liabilities of 37,370 million-yen, Japan Duty-Free Fa-So-La Isetan Mitsukoshi Ltd. had liabilities of 7,243 million-yen, Air BIC Ltd. had liabilities of 146 million-yen, and Tokyo Airport Transport Co. had liabilities of 3,056 million-yen.
6) Filed an annual securities report.
7) Tokyo International Air Terminal Corporation accounts for more than 10% of consolidated net sales (excluding intercompany sales between consolidated companies).

5. Employees

(1) Consolidated

(As of March 31, 2023)

Operating segment	Number of employees	
Facilities Management	915	[129]
Merchandise Sales	881	[168]
Food and Beverage	526	[167]
Segment total	2,322	[464]
Corporate	177	[7]
Total	2,499	[471]

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, 2023)

Number of employees	Average age	Average length of service	Average annual salary (gross)
272	39 years 2 months old	12 years 6 months	JPY 7,108,233

(As of March 31, 2023)

Operating segment	Number of employees
Facilities Management	57
Merchandise Sales	58
Segment total	115
Corporate	157
Total	272

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, 2023	Fiscal year ended March 31, 2023				
Ratio of female managers	Ratio of male employees who took childcare leave		Wage differences between male and female employees		
	Permanent employees	Fixed-term employees etc.	All employees	Permanent employees	Fixed-term employees etc.
41.6%	71.4%	-	80.8%	84.4%	51.1%

Notes: 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, 2023	Fiscal year ended March 31, 2023				
	Ratio of female managers	Ratio of male employees who took childcare leave		Wage differences between male and female employees		
		Permanent employees	Fixed-term employees etc.	All employees	Permanent employees	Fixed-term employees etc.
Tokyo Airport Restaurant Co., Ltd.	- *(Note:2)*	- *(Note:2)*	- *(Note:2)*	72.0%	75.6%	67.0%
Cosmo Enterprise Co., Ltd.	- *(Note:2)*	0.0%	-	- *(Note:2)*	- *(Note:2)*	- *(Note:2)*
Japan Airport Logitem Co., Ltd.	- *(Note:2)*	50.0%	-	- *(Note:2)*	- *(Note:2)*	- *(Note:2)*
Japan Airport Techno Co., Ltd.	- *(Note:2)*	- *(Note:2)*	- *(Note:2)*	70.7%	79.1%	70.5%
Haneda Airport Enterprise Co., Ltd.	76.1%	66.6%	-	83.8%	83.8%	75.6%
Haneda Airport Security Co., Ltd.	20.0%	- *(Note:2)*	- *(Note:2)*	82.6%	83.0%	- *(Note:3)*

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) 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, Management Strategy, etc.

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 based on the assumption that the number of passengers will recover to the planned level before the impact of the new coronavirus infection in the fiscal year 2025.

［Consolidated net profit］

In the fiscal year 2025, when the number of passengers is expected to recover to the pre-coronavirus level, 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 has 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］

Maintain the top three of the world’s best airports, which we have maintained since 2017, and aim for even higher quality and more efficient operations.

Indicators and targets are as follows.

Classification	Indicator	Target for FY2025
Profitability (Total)	Consolidated net profit	16 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

(3) Business Environment and Issues to be Addressed

At Haneda Airport, the number of international arrivals and departures was expanded by approximately 1.4 times in March 2020 as part of efforts to enhance the functions of airports in the Tokyo metropolitan area, and although the Group constructed facilities to accommodate the expansion of arrival and departure slots, airline demand declined significantly due to the impact of the spread of the new coronavirus infection. Three years later, airline demand has been recovering due to the lifting of restrictions on domestic activities and the gradual easing of waterfront measures, and we expect the number of passengers at Haneda Airport to reach the planned level after the expansion of arrival and departure slots by FY2025.

In light of the above, the Group has set a target in its medium-term business plan, "To Be a World Best Airport 2025: Toward an Advanced Airport 2030 that is Friendly to People and the Environment," and has made sustainability the core of its strategy promotion. With sustainability at the core of our strategy, we are working to expand our airport business, lay a foundation for re-growth, expand our revenue base, and strengthen our management foundation.

In terms of sustainability, in May this year, we announced our mid-term sustainability plan based on a materiality analysis. We will set key performance indicators (KPIs) and targets for each materiality, manage progress, and work across the company to address the materiality. We recognize that measures to address climate change are an important issue in continuing our business to become an environmentally friendly airport that is compatible with social sustainability, and we have started disclosing information on the four topics of "Governance", "Strategy", "Risk Management", and "Indicators and Targets", based on the recommendations of the TCFD (Task Force on Climate-related Financial Information Disclosure). We will continue to take concrete actions to achieve our 2030 and 2050 CO_2 emission reduction targets.

In terminal operations, to achieve both high quality and increased profits, we will review operations while utilizing robotics and other technologies, reduce maintenance costs, increase rents and other revenues, and promote the improvement of airport infrastructure functions to achieve our target for the number of inbound passengers by 2030. As part of these efforts, we will steadily promote the construction of a connection between the main building and the satellite of Terminal 2, and start the construction of a new satellite in the north of Terminal 1 to meet future growth in airline demand and further improve passenger convenience. In addition, we will work to improve profitability by renovating commercial facilities and leasing vacant land.

On the retail front, we are continuing with store reallocations, including the introduction of top brands in duty-free stores. While continuing to review the product mix, services, operations, expense ratio, and other aspects of the business, we will strive to increase earnings through measures such as the development of showroom-type stores and original products. In addition, to respond to changing consumption trends, we will strengthen one-to-one marketing using Haneda Airport, the official application of Haneda Airport, to identify customer needs.

In addition, we will expand duty-free reservation services to meet increasing international passenger demand, while expanding sales channels through e-commerce businesses, including the development of new sales channels for cross-border e-commerce, to strengthen revenues that are not dependent on passenger traffic. In addition, we will leverage Haneda's value, network, and expertise in airport operations to improve earnings, and we will research and develop new businesses.

As a management foundation to support these measures, we will strengthen marketing to achieve customer-centric terminal operations, clarify our DX strategy, rapidly improve our financial soundness, and evaluate our business based on the cost of capital. In addition, through "Plus One Promotion," an internal branding initiative to ensure the diversity of our human resources, we will build a corporate culture that encourages our employees to think independently and take on challenges, and apply this to our strategy of providing the highest level of hospitality.

In the current situation, the airline industry as a whole is facing a labor shortage due to the rapid recovery in demand for international flights since the drastic easing of entry restrictions last fall. The Group will proactively work with the government and airlines to resolve this issue.

In addition, while raw materials, utilities, and logistics costs are rising due to rising resource prices, as well as labor and other costs, the Group will continue to contain cost increases through the use of robots and by reviewing personnel assignments and specifications. At the same time, the Group will address these issues by taking all possible measures to reopen the suspended international flight facility at Terminal 2, investing in human capital, and reviewing appropriate pricing.

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. 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)

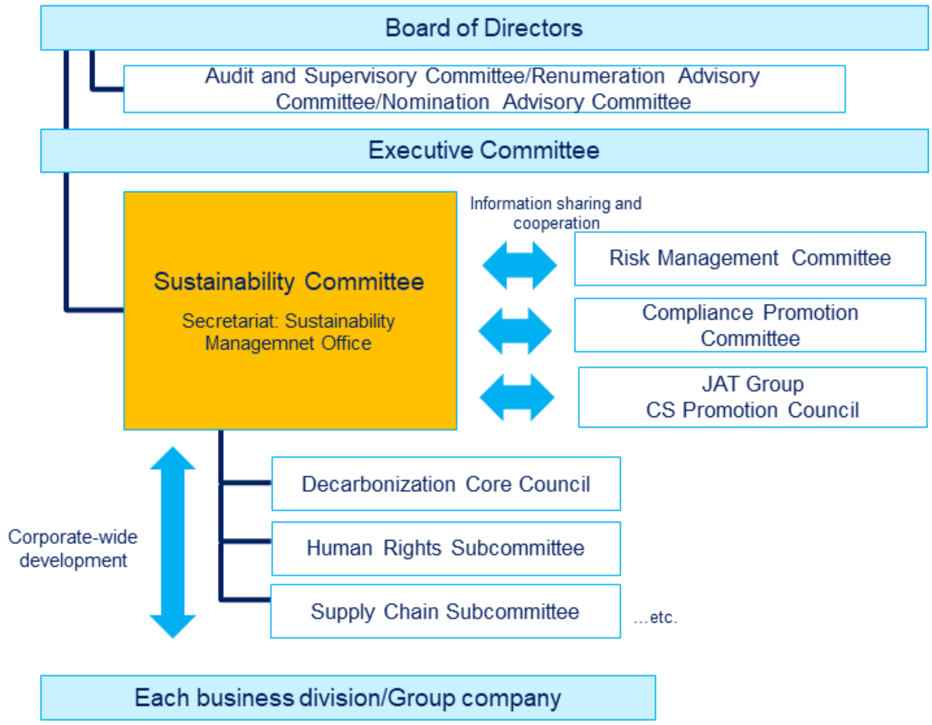
The Group is fully aware of its social role as a private company responsible for the construction, management, and operation of highly public passenger terminals, and aims to manage its operations in harmony between the business and the society. To this end, we have positioned sustainability at the core of our strategic promotion and established a governance structure to steadily implement ESG-related initiatives and strengthen their effectiveness.

In July 2022, we established the Sustainability Committee, chaired by the President and COO, to provide top management leadership. In addition, the newly established Sustainability Management Office, which reports directly to the President, is responsible for planning sustainability plans and monitoring their implementation in cooperation with each division. The office also engages in dialogue with external experts who have specific perspectives on sustainability to help formulate the plan from an external perspective.

The Sustainability Committee deliberates on the progress of initiatives to address climate change, human resource development, and other issues, including the formulation of policies and plans as a basis for promoting sustainability, materiality (key issues), and KPIs (key performance indicators) set out in the Mid-Term Sustainability Plan released in May 2023. 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, 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:
(https://www.tokyo-airport-bldg.co.jp/files/en/sustainability/InformationDisclosureBasedonTCFDRecommendations.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	・ 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.	・ 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	・ 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.	・ 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.

Table 2: Risks, opportunities, and impacts of climate change (Some excerpts)

Risk Type / Type of Opportunity		Summary	Segment: Facilities	Segment: Merchandise Sales/Food & Beverage	Time Frame	Most Relevant Scenarios	Level of Impact
Transition Risk	GHG Emission Reduction Measures (Policy and law/technology)	Increased terminal operating costs and raw material procurement and logistics costs associated with the introduction of carbon pricing	✓	✓	Short- to medium-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 medium-term	1.5°C	Medium
		Increased investment costs for climate protection measures due to the introduction of renewable and new energy sources, etc.	✓		Short- to medium-term	1.5°C /4.0°C	Major
	Others (Market/Reputation)	Slower growth in airport passenger traffic due to policies that negatively impact airline demand	✓	✓	Short- to long-term	1.5°C	Medium
		Loss of reputation with tenants, partners, customers, suppliers, and employees due to delays in environmental compliance	✓	✓	Short- to medium-term	1.5°C/4.0°C	Medium
Physical risks	Chronic	Impact of Sea Level Rise on Airport Access Traffic	✓	✓	Medium- to long-term	4°C	Medium
		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 medium-term	4°C	Major
		Damage to facilities, flooding, etc. due to severe and frequent extreme weather events	✓	✓	Medium- to long-term	4°C	Major
		Supply chain disruptions due to more severe and frequent extreme weather events		✓	Short- to medium-term	4°C	Major

<table>
<tr><th rowspan="2">Risk Type / Type of Opportunity</th><th rowspan="2">Summary</th><th rowspan="2">Segment</th><th colspan="2">Segment</th><th rowspan="2">Time Frame</th><th rowspan="2">Most Relevant Scenarios</th><th rowspan="2">Level of Impact</th></tr>
<tr><th>Facilities</th><th>Merchandise Sales/Food & Beverage</th></tr>
<tr><td rowspan="7">Opportunities</td><td rowspan="2">GHG Emission Reduction Measures (Energy sources)</td><td>Reduced costs as a result of a highly efficient use of energy and diffusion of new technologies</td><td>✓</td><td></td><td>Long-term</td><td>1.5°C</td><td>Medium</td></tr>
<tr><td>Contributions to decarbonization and securing of new revenue sources</td><td>✓</td><td></td><td>Medium- to long-term</td><td>1.5°C /4.0°C</td><td>Major</td></tr>
<tr><td rowspan="4">Others (Resource efficiency/ Products and services/Markets)</td><td>Improved brand value through decarbonization initiatives</td><td>✓</td><td>✓</td><td>Medium- to long-term</td><td>1.5°C</td><td>Major</td></tr>
<tr><td>Use of policy support for low-carbon entities</td><td>✓</td><td></td><td>Medium- to long-term</td><td>1.5°C</td><td>Major</td></tr>
<tr><td>Establishment of a recycling system centered on JAT</td><td>✓</td><td></td><td>Short- to medium-term</td><td>1.5°C/4.0°C</td><td>Major</td></tr>
<tr><td>Physical risks</td><td>Strengthening the airport’s resilience in collaboration with stakeholders and local communities</td><td>✓</td><td></td><td>Medium-term</td><td>1.5°C/4.0°C</td><td>Medium</td></tr>
</table>

Note:

1) Time frames: The terms “short-term,” “medium-term,” and “long-term” refer to the time frames up to 2025, 2030, and 2050, respectively.

2) Level of impact: The level of impact is assessed at the three levels of major, medium, and minor, by taking comprehensively into consideration the extent of impact on the Company’s business.

Table 3: Countermeasures (Some excerpts)

<table>
<tr><th colspan="2">Type of Risks/Opportunities</th><th>Summary</th></tr>
<tr><td rowspan="5">Transition risk-related</td><td rowspan="4">GHG Emission Reduction Measures</td><td>Energy-saving measures including switching to LED lighting, renewal of air conditioning equipment, and adoption of AI air conditioning</td></tr>
<tr><td>Introduction of renewable energy sources including mega-solar power, review of power source composition, and promotion of efficient use of heat sources</td></tr>
<tr><td>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.</td></tr>
<tr><td>Investigation and exploration for the use of new energies</td></tr>
<tr><td>Others</td><td>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)</td></tr>
<tr><td colspan="2" rowspan="3">Physical risk-related</td><td>Strengthening of response to the Tokyo International Airport A2-BCP, Establishment of a BCP structure, and implementation of regular drills</td></tr>
<tr><td>Thorough measures against infectious diseases; non-contact sales using robots and digital technologies</td></tr>
<tr><td>Optimization of procurement, production, and logistics as a whole, including elimination of supply chain redundancy</td></tr>
</table>

(Human capital and diversity)

To realize our long-term vision of "To Be a World's Best Airport" and become a leading airport company, we recognize that Human Resources is the most important capital. In the medium-term business plan, the Group has set "Professionalizing Human Resources and Maximizing Organizational Strength" as a means of strengthening the management foundation to promote the growth of the airport business, establishing a new growth foundation to realize this growth, and expanding the revenue base in a sophisticated and efficient manner.

As a group of companies responsible for the construction, management, and operation of highly public passenger terminals, we aim to manage our operations in harmony with the public and corporate aspects of our business and are engaged in a variety of businesses at airport terminals, including facility management and operations, merchandise sales, and food and beverage operations. To achieve our management strategy, we have adopted a human resources development policy of "Think and take on challenges on their own", and we are committed to developing an organization that continues to evolve and the human resources to support it, in addition to the wide range of expertise and skills we have accumulated to date, to realize functional improvements at Haneda Airport, both in hardware and software. We have established a training system and a system that supports autonomous "learning" to develop an organization that continues to evolve and the human resources to support it. In addition, we will continue to strengthen our organizational capabilities by recruiting core human resources with diverse skills.

As a company that operates an international airport that welcomes many customers from around the world and Japan, it is essential for us to cultivate inclusiveness among our employees to accept diverse cultures and ways of thinking. As part of our environmental improvement policy of "Corporate Culture Enhances Diverse Human Resources," we are working to create a training system and environment that supports the promotion of diversity inclusion, and work-life balance. We are also working to improve employee productivity and engagement, for example by promoting reforms in the way we work. By making appropriate investments in human capital based on each of these measures, we will aim to "create a professional group of human resources and maximize organizational strength" as our ideal state in 2030 to achieve our long-term vision.

(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: CO_2 emissions of our Group within Haneda Airport
(excluding emissions from Group-owned vehicles within Haneda Airport)
2) Scope of emissions: CO_2 emissions from energy consumed internally as a result of business operations.

Details: Information disclosure based on TCFD recommendations:
(https://www.tokyo-airport-bldg.co.jp/files/en/sustainability/JapanAirportTermina%20GroupEnvironmentalPolicy.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	FY2022: Total 20
Number of employees on external assignment	Improved every year	FY2022: 18
Number of participants in the “Learning ROOM” in-house training academy	Improved every year	FY2022: Total 30 (7 lectures)
Number of participants in internal knowledge acquisition seminars	Improved every year	FY2022: Total 220
100% IT Passport Acquired	FY2024	9.6% (Cumulative number of persons obtained: 26)
Number of participants in the “Plus One Promotion” internal branding activities (on a consolidated basis)	Improved every year	175 participants (For young employees of the Group)
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	FY2022 result: 41.6%.
100% of male employees take childcare leave	FY2027	FY2022 result: 71.4%.
Gender pay-gap (all employees)	Reduced every year	FY2022 result: 80.8%.
Gender pay-gap (full-time employees)	Reduced every year	FY2022 result: 84.4%.
Gender pay-gap (non-regular employees) *(Note)*	Reduced every year	FY2022 result: 51.1%.
Employment rate of people with disabilities: 6.6%	FY2025	FY2022 result: 5.1%.
Percentage of foreign employees	N/A	FY2022 result: 2.7%.
Percentage of mid-career employees promoted to management roles	N/A	FY2022 result: 32.5%.

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

Note: Vice President class non-regular employees, counselors, persons with disabilities, etc. are included.

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 a 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.

In April 2023, we established the Risk Management Committee, chaired by the President and COO, to enhance the sophistication of our group-wide risk management system. The Committee determines priority risks and countermeasures to them and has a system for repeatedly reviewing the status of responses and verifying their effectiveness. The deliberations of the Committee are reported to the Board of Directors as necessary, and risk management is supervised by the Board of Directors.

(3) Group business and other risks

The Group has identified business and other risks described below. To minimize the business impact of these risks, The Group has diversified its revenue structure by region (Haneda Airport, Narita Airport, etc.) 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.

a. Risk management, business processes

Risk Management and Business Processes is 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 such as earthquakes and extreme weather events 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, stores, etc., resulting in damage to the corporate image or administrative penalties, etc.
- In case of difficulties in obtaining foreign-made materials, disruption of logistics, or deterioration of reputation due to inappropriate procurement activities.

[Correspondence to COVID-19]

Against the pandemic of COVID-19, the Group has been working to ensure the safety and security of airport users and employees by improving ventilation capacity in the terminal, placing disinfectant solutions throughout the terminal building, installing droplet infection prevention sheets, and introducing thermography at security checkpoints, by the "Guidelines for Prevention of the Spread of COVID-19 in the Aviation Field" (jointly prepared by the Scheduled Airlines Association of Japan and the All Japan Airport Terminal Association). As support measures for airlines and tenants, rent reductions and exemptions were implemented from April 2020, while reviewing the details according to passenger trends.

These factors have had a significant impact on the Group's operating results, including decreases in rent income, facility usage fee income, parking lot income, lounge sales, merchandise sales, and food and beverage sales.

In response to this, in terms of income and expenditures, in addition to reducing non-essential and non-urgent costs, we reduced facility maintenance and management costs by closing part of the terminals in line with passenger trends and reviewing our operating methods, and we reduced outsourcing costs by bringing operations in-house.

In terms of personnel expenses, the Group reduced fixed costs by partially returning executive compensation, reducing employee bonuses and temporary salaries, and other measures.

On the financial side, the Group has taken measures to avoid the risk of a shortage of funds due to a decline in revenue in addition to the existing commitment line agreement of ¥9 billion, by procuring ¥5 billion in long-term debt and establishing a short-term borrowing facility of ¥20 billion by June 2020, and by raising a total of ¥56.7 billion through a public offering in March 2021.

In terms of business operations, to prevent the further spread of infection as well as to ensure the safety of passengers, business partners, and employees, the Group implemented basic preventive measures such as sanitation and disinfection in all areas of the passenger terminal, as well as thorough physical condition management of employees, staggered work hours, teleworking, promotion of web conferencing, and restrictions on business travel.

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, etc.).

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, etc.
- 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, etc.
- 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, etc., and a situation should arise in which the Company loses the benefit of time.
- Although some of the Company's short-term and long-term borrowings violated certain financial covenants at the end of the current fiscal year, the Company has obtained the agreement of the handling financial institutions not to exercise their rights about forfeiture of 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 and 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 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 case of sudden and drastic changes in market conditions, resulting in price hikes, sharp fluctuations in exchange rates, etc.
- In 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, decline.
- 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, etc.

(1) Analysis of Consolidated Business Results for FY 2022

During the fiscal year ended March 31, 2023 (FY2022), although there are signs of weakness in some parts, the Japanese economy showed a gradual recovery. Looking ahead, it is expected that the recovery trend will continue, resulting from the effects of various policies, while coexisting with the new Coronavirus ("COVID-19") infection. However, the downturn in overseas economies is becoming a downside risk to the Japanese economy amid various issues including the continued tightening of monetary policy around the globe. It is also necessary to pay close attention to the impact of price increases, restrictions on supply chain networks, and volatility in the financial and capital markets among other factors.

Under these economic conditions, the airline industry continued to see a steady recovery in demand due to the lifting of restrictions on activities within the country and the gradual easing of entry restrictions. During the current fiscal year, the number of passengers at Haneda Airport was approximately 1.8 times that of the previous fiscal year for domestic flights and approximately 80% of the level of 2019 (calendar year basis) before the impact of COVID-19 hit, while the number of passengers for international flights was approximately 8 times that of the previous fiscal year and approximately 40% of the level of 2019. In particular, international flights during the fourth quarter of the current fiscal year were approximately 70% of the level from January to March 2019, showing a rapid recovery since the significant easing of entry restrictions in October 2022.

Under these circumstances, the new Medium-Term Business Plan that the Group has put together is a backcast by 2025 that reflects our goals for 2030, which is when the government is setting targets including achieving 60 million foreign visitors to Japan. We are implementing various measures to achieve the management goals outlined in the plan. In addition, concerning sustainability, which is regarded as the core to driving our strategy, we established the structure to accelerate our initiatives in July 2022, and today, May 11, 2023, we announced our Medium-Term Sustainability Plan. We have identified materiality (important issues) in the promotion of our management strategy and set KPIs (Key Performance Indicators) to enhance the effectiveness of our sustainability management efforts, aiming to achieve sustainable growth of our company and to contribute to the realization of a sustainable society.

During the current fiscal year, in terms of facilities, in addition to taking measures to respond to diverse needs including the installation of private work boxes suitable for working outside the office in the security area of each terminal and the introduction of accompanying service at domestic flights, we are carrying out renovation work in preparation for major disasters and steadily implementing measures to promote universal design such as the installation of emergency flashlights for the hearing impaired. We also cooperated with the request from the Ministry of Economy, Trade and Industry to save power, by turning off some of the lights and controlling air conditioning operations in the terminal buildings during summer and winter, when electricity supply and demand were tight. In addition, we are steadily pushing forward investment plans for the future by commencing the construction of a connection between the satellite building on the north side of Terminal 2 and the main terminal building while working toward the realization of a carbon-neutral society by studying the conversion of airport vehicles to electric vehicles and researching the potential demand for hydrogen fuel.

In terms of sales, on domestic flights, we opened "GOOD NEWS TOKYO" in Terminal 2 and renewed "Samantha Thavasa" in Terminal 1. Both stores offer upcycled products. We actively held events such as the "Haneda Airport Selection," which features various products including those exclusive to Haneda Airport, "HANEDA CHOCOLATE JOURNEY" and product and tourism fairs of various regions in Japan. We also opened a limited-time store in "HANEDA Sports" to coincide with the World Cup for soccer and the World Baseball Classic for baseball. For international flights, in response to the recovery in demand, we reopened the duty-free shops and have been changing the operating hours of the shops as needed. We are also in the process of rearranging our shops, including the opening of Louis Vuitton and Dior duty-free shops and a Seven-Eleven in the departure gate lounge after passing through security checkpoints. In the e-commerce business, we enhanced the functionality of the official e-commerce site "HANEDA Shopping" to improve its recognition and we are promoting "Click and Collect" initiatives that link the e-commerce site with brick-and-mortar stores by allowing customers to pick up items ordered through our e-commerce site at the stores in Haneda Airport.

Outside of Haneda Airport, we opened the "HOKKAIDO SHOKUHIN KAN" selling foods produced in Hokkaido at Narita Airport Terminal 1. As a sales agency business that leverages our installation experience and operational expertise at Haneda Airport, we are also increasing the installation of Radi-Cool, a radiant cooling material, and robots for operations including guiding and cleaning. Moreover, Palau International Airport and Aso Kumamoto International Airport, both of which we participate in the operation of, commenced operations of their new passenger terminals in May last year and March this year, respectively.

In terms of organization and governance, in June of last year, the Company transitioned to a company with an Audit & Supervisory Committee and designated one-third of the Board of Directors as independent directors, as part of an effort to improve management transparency and further accelerate decision-making and execution. We are also striving to strengthen our organizational capabilities in terms of recruitment, training, and system, by participating in industry-industry and industry-academia collaboration projects, expanding the recruitment of people with disabilities, and setting up their work environment, to have talents who “Think by oneself and take on challenges” excel and to foster a corporate culture in which diverse workforce promote each other’s growth.

In November 2022, we were awarded the world’s highest standard “5-star Airport” rating for the ninth consecutive year in the “Global Airport Rating” conducted by SKYTRAX of the United Kingdom through onsite audits. In March of this year, Haneda Airport was ranked third in the “World’s Best Airports,” a comprehensive evaluation of international airports, in the “WORLD AIRPORT AWARDS 2023”, determined by voting through online questionnaire survey for general passengers. Furthermore, we were awarded first place in the “World’s Cleanest Airports” (for the eighth consecutive year), “World’s Best Domestic Airports” (for the eleventh consecutive year), and “World’s Best PRM / Accessible Facilities” (for the fifth consecutive year).

As a result of the above, concerning the consolidated financial results for the fiscal year ended March 31, 2023, operating revenues were ¥113,050 million (an increase of 98.1% year-on-year) due to the increase in operating revenues for all of the business segments compared to the previous year in line with the recovery of passenger volume. Despite the increase in utilities costs due to the increase in commodity prices, as a result of the recovery in revenue and sustained cost reduction, the degree of loss decreased from the previous fiscal year and the operating loss was ¥10,579 million (compared to operating loss of ¥41,255 million during the previous year), ordinary loss was ¥12,064 million (compared to ordinary loss of ¥43,861 million during the previous year), and net loss attributable to owners of the parent was ¥3,901 million (compared to net loss attributable to owners of the parent of ¥25,217 million during the previous year).

(Millions of yen)

Operating Results	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)	Year-on-Year (%)
Operating revenues	57,057	113,050	98.1
[Facilities Management]	40,029	63,280	58.1
[Merchandise Sales]	13,174	41,317	213.6
[Food and Beverage]	3,852	8,452	119.4
Operating profit (loss)	(41,255)	(10,579)	-
Ordinary profit (loss)	(43,861)	(12,064)	-
Net profit (loss) attributable to owners of the parent	(25,217)	(3,901)	-

At the moment, the number of passengers at Haneda Airport continues to show a recovery trend. For domestic flights, we are expecting the nationwide travel program, which will still be in place from April onward, to support tourism travel demand. For international flights, the number of flights has recovered to the level before the pandemic since the summer timetable which started at the end of March. Further recovery in demand is expected down the road, as the status of COVID-19 under the Infectious Disease Control Law was changed to “Class 5” in May, the same category as seasonal influenza and other viruses.

Under these circumstances, the airline industry as a whole is currently facing a major shortage in labor, including in its ground handling operations and flight security inspection operations that support the operations of flights. The Group is actively working in cooperation with the government, airline companies, and other organizations to resolve this issue. The Group is also working to secure the necessary personnel to meet rapidly recovering passenger demand by holding joint company information sessions and stepping up recruitment activities.

The Group will work to enhance the value of Haneda Airport, the gateway to Japan and the greater Tokyo area, by further improving the convenience, comfort, and functionality of the Haneda Airport Passenger Terminal as well as by ensuring the safe and smooth entry, exit, and transportation of all customers while continuing to apply the lessons learned from the COVID-19 pandemic to our terminal operations.

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]

(Millions of yen)

Operating Results	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)	Year-on-Year (%)
Sales to external customers	40,029	63,280	58.1
Rent revenue	18,543	19,852	7.1
Facility user charges revenue	10,539	29,325	178.2
Other revenues	10,946	14,102	28.8
Intersegment sales and transfers	1,982	2,391	20.6
Total Operating Revenues	42,012	65,672	56.3
Segment profit (loss)	(24,863)	(3,133)	-

Rent revenue increased from the previous year primarily due to the decrease in rent reductions and exemptions offered to tenants and the increase in rent income on a percentage basis.

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

Other revenues increased from the previous year primarily due to the increase in parking revenue and paid lounge sales despite the decrease in contracted construction revenue.

As a result, operating revenues from facilities management operations was ¥65,672 million (an increase of 56.3% year-on-year). Operating loss for the segment improved to ¥3,133 million (compared to operating loss of ¥24,863 million during the previous year).

[Merchandise Sales]

(Millions of yen)

Operating Results	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)	Year-on-Year (%)
Sales to external customers	13,174	41,317	213.6
Sales at domestic terminal stores	5,166	10,372	100.8
Sales at international terminal stores	4,242	19,476	359.1
Other revenues	3,765	11,469	204.6
Intersegment sales and transfers	769	892	16.1
Total Operating Revenues	13,944	42,210	202.7
Segment profit (loss)	(6,134)	1,640	-

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. At Haneda Airport in particular, unit purchase prices at duty-free shops rose significantly, due in part to strong sales at brand-name stores that opened in the second half of the year.

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

As a result, operating revenues from merchandise sales operations was ¥42,210 million (an increase of 202.7% year-on-year) and operating profit for the segment was ¥1,640 million (compared to operating loss of ¥6,134 million during the previous year).

[Food and Beverage]

(Millions of yen)

Operating Results	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)	Year-on-Year (%)
Sales to external customers	3,852	8,452	119.4
Sales from food and beverage stores	2,790	5,489	96.7
Sales from in-flight meals	730	2,487	240.7
Other revenues	332	475	43.1
Intersegment sales and transfers	796	953	19.7
Total Operating Revenues	4,649	9,405	102.3
Segment profit (loss)	(3,091)	(1,365)	-

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 increase in passenger volume of the foreign carriers at Haneda Airport and Narita Airport.

As a result, operating revenues from food and beverage operations was ¥9,405 million (an increase of 102.3% year-on-year) and operating loss for the segment was ¥1,365 million (compared to operating loss of ¥3,091 million during the previous year).

(2) Analysis of Consolidated Cash Flows for FY 2022

Cash and cash equivalents at the end of FY2022 decreased by ¥6,887 million compared to the previous fiscal year end to ¥90,241 million.

The following is a summary of cash flows and the factors behind these flows for FY2022.

[Cash flows from operating activities]

Cash flows from operating activities increased by ¥25,631 million from the previous fiscal year (¥9,305 million cash outflow for the previous fiscal year), resulting in a cash inflow of ¥16,326 million.

This was primarily due to the decrease in loss before income taxes and non-controlling interests.

[Cash flows from investing activities]

Concerning cash flows from investing activities, cash outflow increased by ¥5,701 million from the previous fiscal year (up 115.7% year-on-year), resulting in a cash outflow of ¥10,627 million.

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

[Cash flows from financing activities]

Concerning cash flows from financing activities, cash outflow increased by ¥3,605 million from the previous fiscal year (up 39.9% year-on-year), resulting in a cash outflow of ¥12,641 million.

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

(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)

		FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)	Year-on-Year (%)
Facilities Management		40,029	63,280	58.1
	Rent revenue	18,543	19,852	7.1
	Facility user charges revenue	10,539	29,325	178.2
	Other revenues	10,946	14,102	28.8
Merchandise Sales		13,174	41,317	213.6
	Sales at domestic terminal shops	5,166	10,372	100.8
	Sales at international terminal shops	4,242	19,476	359.1
	Other sales	3,765	11,469	204.6
Food and Beverage		3,852	8,452	119.4
	Sales from food and beverage operations	2,790	5,489	96.7
	Sales from in-flight meals	730	2,487	240.7
	Other sales	332	475	43.1
Total		57,057	113,050	98.1

Notes:

1) Transactions between segments are eliminated on consolidation.

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

(m²)

		FY2021 (from April 1, 2021 to March 31, 2022)		FY2022 (from April 1, 2022 to March 31, 2023)	
Total floor space owned by the Group		970,497	(%)	970,497	(%)
Total leasable floor space		332,653	100.0	332,856	100.0
Total leased floor space		324,069	97.4	323,718	97.3
	Airlines	158,238	47.6	158,328	47.6
	General tenants	63,106	19.0	62,422	18.8
	Used by the Group	102,724	30.9	102,966	30.9

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 ¥1,119 million from the previous fiscal year-end to ¥114,988 million primarily due to the increase in accounts receivable related to passenger service facility charges among other items driven by the recovery in passenger volume. Fixed assets decreased by ¥18,042 million from the previous fiscal year-end to ¥331,967 million primarily due to depreciation.

As a result, total assets decreased by ¥16,923 million from the previous fiscal year-end to ¥446,955 million.

[Liabilities]

Total liabilities decreased by ¥1,865 million from the previous fiscal year-end to ¥306,004 million because of the decrease of long-term loans payable for the Company and Tokyo International Air Terminal Corporation (TIAT) due to scheduled payment despite the increase in accounts payable driven by the increase in purchases of goods.

[Net assets]

Total net assets decreased by ¥15,058 million from the previous fiscal year-end to ¥140,951 million. This is primarily due to the decrease in retained earnings and non-controlling interests by booking net loss for the year.

As a result, the equity ratio was 33.6% (compared to 33.2% 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, etc." in "4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the management's perspective."

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	16 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 2022 is as follows.

［Consolidated net profit] [Cost reduction measures] [Dividend payout ratio].

In the current fiscal year, all segments reported higher revenues due to a recovery in passenger volume, and earnings improved significantly from the previous fiscal year, but consolidated net profit was in the red for the third consecutive year. Under these circumstances, we are resolutely continuing to cut costs by operating terminals flexibly in response to the recovery in passenger volume. In addition, we have decided to pay a dividend of 16 yen per share as a result of a comprehensive review of the current business environment, performance trends, and our dividend policy.

［ROA (EBITDA)

ROA (EBITDA) for the current fiscal year was 4.0%.

［Equity Ratio]

The equity ratio at the end of the current fiscal year was 33.6%.

［SKYTRAX Evaluation Ranking]

In the "WORLD AIRPORT AWARDS 2023" held in March this year, Haneda Airport's passenger terminal was ranked third in the world in the "World's Best Airports" category.

For fiscal 2023, we forecast a consolidated net profit of 9.0 billion yen as international passenger traffic recovers and the terminal returns to profitability. Although the sharp rise in commodity prices and the resulting price increases have exceeded the assumptions made when the medium-term business plan was formulated, we will aim to achieve the target for fiscal 2025 by steadily implementing each of the measures set out in the plan.

(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 2022” in “A. Overview of Results of Operations, etc.” in “4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the management’s perspective.”

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. In addition, to avoid the risk of a shortage of funds due to the spread of the new coronavirus infection, we continue to have a short-term credit facility of 20 billion yen in place with various banks, and we believe that there will be no immediate cash flow problems.

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, 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, etc., 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 90,241 million yen, and interest-bearing debt, including loans, was 244,304 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, etc.” in “Item 5. Financial Information.”

(5) Forecast for FY 2023 (the fiscal year ending March 31, 2024)

In the next fiscal year, as social and economic activities return to the state before the COVID-19 pandemic, further recovery in demand is expected in the airline industry for both domestic and international flights.

At Haneda Airport, domestic flights are also expected to recover to a level close to that of 2019 before the pandemic, driven by tourism demand. In addition, demand for international flights is expected to recover rapidly, especially among foreign visitors to Japan, including visitors from China, due to the lifting of the entry restriction measures, and international flight is expected to recover to nearly the same level as in 2019 for the full year.

Under this environment, to capture the recovering passenger demand, the Company will extend store operating hours, develop a direct-from-production source business in cooperation with local regions, and further strengthen its e-commerce business. At the same time, the Company will continue its efforts to avoid the costs to rebound in light of rising raw material, utilities, and logistics costs driven by surging commodity prices, as well as the increase in labor and other costs. In addition, discussions are underway among the government, airlines, and other related parties to reopen the Terminal 2 international facilities, which were suspended due to the pandemic, as soon as possible. Meanwhile, to accommodate future passenger growth and further improve passenger convenience, we plan to steadily push forward the construction of the connection between the Terminal 2 main building and the satellite building, and commence work on the new Terminal 1 North Satellite building.

The expected earnings by segment are as follows.

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

For FY2023, we forecast operating revenue of ¥195,700 million (up 73.1% year-on-year). On the profit and loss, we forecast operating profit of ¥15,400 million (compared to operating loss of ¥10,579 million during FY2022), ordinary profit of ¥13,100 million (compared to ordinary loss of ¥12,064 million during FY2022), and net profit attributable to owners of the parent of ¥9,000 million (compared to net loss attributable to owners of the parent of ¥3,901 million during FY2022), a return to profitability for the first time in four years.

5. Material Agreements, etc.

Not applicable.

6. Research and Development Activities

Not applicable.

Item 3. Property, Plants, and Equipment

1. Overview of Capital Investment

The Group's capital expenditure for the year totaled JPY 12,062 million, mainly for the construction of the satellite link to 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, 2023)

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	70,371	3,226	- (-)	1,250	10,149	84,998	29
Haneda Airport (Ohta-ku, Tokyo)	Facilities management	Terminal 1	25,340	489	- (-)	-	2,839	28,669	28
Haneda Airport (Ohta-ku, Tokyo)	Facilities management	P4 parking	3,608	88	- (-)	-	420	4,117	-

(2) Subsidiary located in Japan

(As of March 31, 2023)

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 Co., Ltd.	Haneda Airport (Ohta-ku, Tokyo)	Facilities management	Terminal 3	90,454	8,418	- (-)	45	32,025	130,943	22
Tokyo International Air Terminal Co., Ltd.	Haneda Airport (Ohta-ku, Tokyo)	Facilities management	P5 parking	8,789	17	- (-)	-	65	8,871	-
Tokyo International Air Terminal Co., Ltd.	Haneda Airport (Ohta-ku, Tokyo)	Facilities management	Terminal 2	3,303	464	- (-)	3	497	4,269	1
Tokyo International Air Terminal Co., Ltd.	Haneda Airport (Ohta-ku, Tokyo)	Merchandise sales	Terminal 3 shop equipment	5,223	-	-	-	941	6,165	14
Tokyo International Air Terminal Co., Ltd.	Haneda Airport (Ohta-ku, Tokyo)	Merchandise sales	Terminal 2 shop equipment	1,738	-	-	-	228	1,967	4
Cosmo Enterprise Co., Ltd.	Daiei Satellite (Narita City, Chiba Prefecture)	Food and beverage	Food processing equipment	861	89	557 (39,352)	53	4	1,565	61 (21)

(3) Subsidiary located in oversea

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 at Terminal 1 and Terminal 2 of Haneda Airport mainly to airlines.
4) Domestic subsidiary Tokyo International Air Terminal Corporation leases Terminal 3 facilities 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 97,612 m^2 and the annual rent is 1,377 million yen, that of Terminal 2 facilities is 129,760 m^2 and the annual rent is 2,234 million yen, and that of P4 parking facilities is 21,716 m^2 and the annual rent is 118 million yen.
6) Domestic subsidiary Tokyo International Air Terminal Corporation leases land for Terminal 3 and P5 parking facilities at Haneda Airport. The leased area of Terminal 3 facilities is 124,685 m^2, the leased area of P5 parking facilities is 28,715 m^2, and the annual rent for Terminal 3 and P5 parking facilities is ¥2,028 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	426

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

As of the end of the current consolidated fiscal year, the Group's plans for new construction, renovation, disposal, etc. 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)	20,000	401	Cash and debt	2023 and thereafter	2025 and thereafter
Ohta-ku, Tokyo	Facilities management	Passenger Terminal 2 (Expansion Construction)	30,000	6,888	Cash and debt	2023	2025 and thereafter

Notes:
1) The estimated amount is subject to change as it has not yet been quoted for the construction contract.
2) The description of the increased capacity after completion is omitted because it is difficult to calculate reasonably.

(2) Disposal of Property, Plants 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, etc.

(1) Total number of shares, etc.

[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, 2023) (Shares)	Number of issued shares as of the filing date (June 28, 2023) (Shares)	Name of the stock exchange on which the Company is listed or names of authorized financial instruments firms 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, etc.

[Stock option plans] Not applicable.
[Rights plan] Not applicable.
[Other stock acquisition rights, etc.] Not applicable.

(3) Exercises, etc., of moving strike convertible bonds, etc.

Not applicable.

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

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, 2023)

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: Other than individuals	Foreign shareholders: Individuals	Individuals and others	Total	
Number of shareholders	—	34	30	274	301	15	7,052	7,706	—
Number of shares held (Units)	—	330,111	3,573	311,661	236,639	33	49,192	931,209	24,500
Shareholding ratio (%)	—	35.44	0.38	33.46	25.41	0.00	5.28	100	—

Note: Treasury stock of 8,983 shares is included in "Individuals and others" (89 units) and "Shares less than one unit" (83 shares).

(6) Major shareholders

(As of March 31, 2023)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	9,537	10.24
SSBTC CLIENT OMNIBUS ACCOUNT	ONE LINCOLN STREET, BOSTON MA USA 02111	5,471	5.87
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
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	3,408	3.65
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	3,300	3.54
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	3,283	3.52
MITSUBISHI ESTATE CO., LTD.	1-1-1 Otemachi, Chiyoda-ku, Tokyo	3,111	3.34
TAISEI CORPORATION	1-25-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo	2,831	3.03
Total	-	43,222	46.40

Notes:

1) In the large shareholding report made available for public inspection on July 19, 2022, The Bank of Mitsubishi UFJ, Ltd. and its joint holders, Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ International Asset Management Co. Ltd. and Mitsubishi UFJ International Asset Management 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, 2023, except for Mitsubishi UFJ 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 September 30, 2022, in the Large Shareholding Report made available for public inspection on October 7, 2022, the Company is unable to confirm the number of shares held by the Company as of March 31, 2023, 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 Angels, CA 90071, USA	5,790	6.22

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. and its joint holders Mizuho Securities Co. 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, 2023)

Classification	Number of shares (Shares)		Number of voting rights (Units)	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury stock, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(treasury stock) Common Shares	8,900	—	—
	(cross-held shares) Common Shares	80,000		
Shares with full voting rights (others)	Common Shares	93,032,000	930,320	—
Shares of less than one unit	Common Shares	24,500	—	The number of shares constituting one unit is 100 shares.
Number of issued shares		93,145,400	—	—
Total number of voting rights	—		930,320	—

[Treasury stock, etc.]

(As of March 31, 2023)

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	8,900	—	8,900	0.00
(cross-held shares) Kanto Kowa Co.	5-9-1 Shinbashi, Minato-ku, Tokyo	35,000	—	35,000	0.03
(cross-held shares) Seikosha Corporation	7-8-13 Nishi-Shinjuku, Shinjuku-ku, Tokyo	45,000	—	45,000	0.04
Total	-	88,900	—	88,900	0.09

2. Acquisitions, etc. of Treasury Stock

[Classes of shares, etc.]

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	246	1,491,040
Treasury stock acquired during the current period	142	937,540

Notes: 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, 2023, to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

<table>
<tr><th rowspan="2">Category</th><th colspan="2">During the fiscal year</th><th colspan="2">During the current period</th></tr>
<tr><th>Number of shares (Shares)</th><th>Total disposal amount (Yen)</th><th>Number of shares (Shares)</th><th>Total Disposal amount (Yen)</th></tr>
<tr><td>Acquired treasury stock that was offered to subscribers for subscription</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Acquired treasury stock that was canceled</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Acquired treasury stock that was transferred due to merger, exchange of shares, issue of shares, or corporate split</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>others</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Number of treasury stock held</td><td>8,983</td><td>—</td><td>9,125</td><td>—</td></tr>
</table>

Notes: 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, 2023, 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 proactive stance, strive to improve our business performance, secure internal reserves in consideration of large-scale investments such as the renewal of passenger terminal building facilities in line with the functional expansion of Haneda Airport, and at the same time, maintain stable dividend payments. 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 section 454(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.

Based on a comprehensive review of the current business environment, performance trends, and the dividend policy described above, it has been decided to pay a year-end dividend of ¥16 per share for the current fiscal year.

As a result, the annual dividend for the year will be ¥16 per share, as no interim dividend was paid.

Date of resolution	Total dividends (in millions)	Dividend per share (yen)
28 June 2023 Resolution of the Annual General Meeting	1,490	16.00

4. Corporate Governance, etc.

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. Previously, the Company had a system of Board of Statutory Auditors. However, with the approval of an amendment to the Articles of Incorporation at the 78th Ordinary General Meeting of Shareholders held on June 24, 2022, the Company became a company with an Audit & Supervisory Committee system. 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.

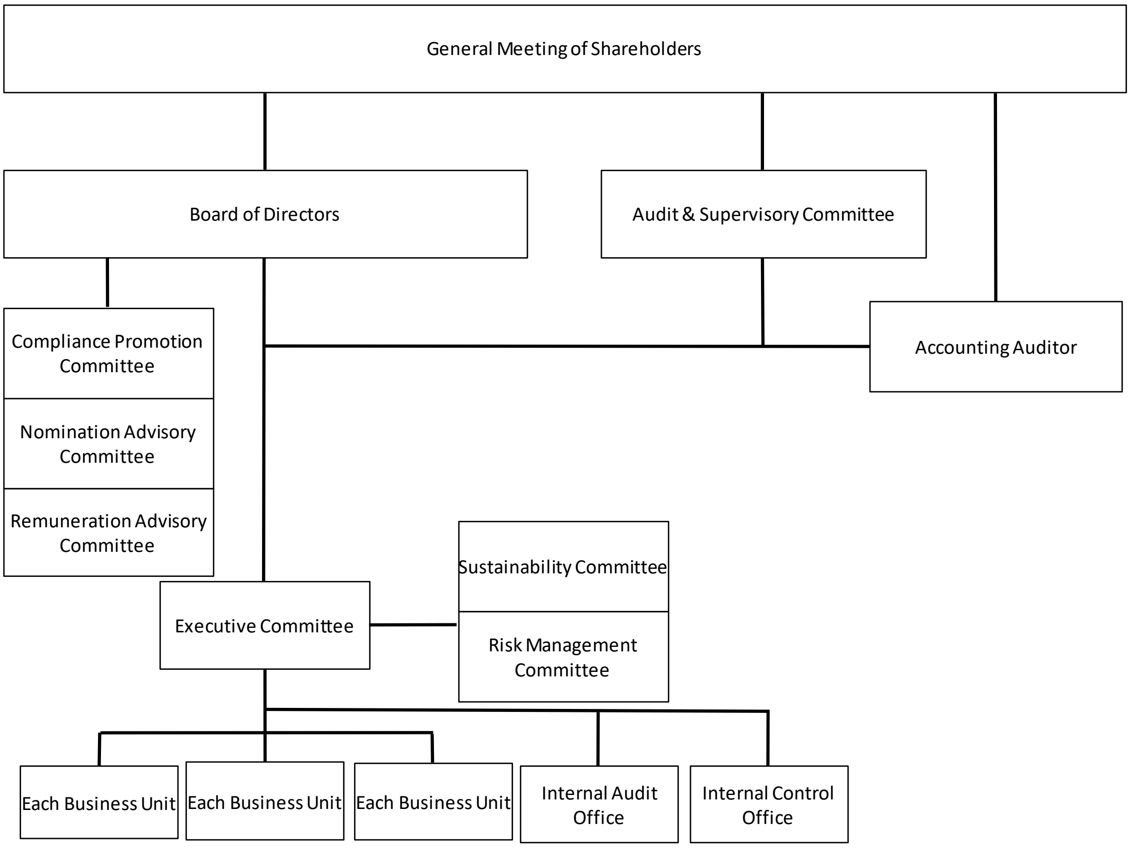
The Nomination Advisory Committee, which consists of independent outside directors and full-time directors, generally meets once a year. The Committee has been established as a voluntary advisory body to the Board of Directors to discuss and make recommendations on the nomination of candidates for directors 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.

Concerning our sustainability initiatives, we have identified our stakeholders, including customers, shareholders/investors, employees, local communities, and partners that are relevant to our activities, and established a Sustainability Policy and a Sustainability Committee, chaired by the President and COO, to provide top management leadership. 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.

About 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, and 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	○	○	-	-	○	○
Yoshiharu Ueki	Outside Director	○	-	-	-	-	-
Keiji Kimura	Outside Director	○	-	-	○	-	-
Ichiro Fukuzawa	Outside Director	○	-	-	-	-	-

Name	Position in the Company	Board of directors	Executive committee	Audit & supervisory committee	Nomination/ Remuneration Advisory Committee	Compliance promotion committee	Sustainability/ risk management committee
Yukihiro Kawamata	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	○	-	◎	○	-	-

Note:
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 premiums are fully paid by the Company.

(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:

- Establishment of the medium-term business plan "To Be a World's Best Airport 2025".
- Sustainability initiatives
- 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	13 times
Hiroshi Onishi	Executive Vice President, Executive Officer	13 times
Yasuhide Yonemoto	Senior Managing Director, Executive Officer	13 times
Kazuhito Tanaka	Senior Managing Director, Executive Officer	13 times
Yoko Koyama	Managing Director, Executive Officer	13 times
Kazuyuki Harada	Outside Director	11 times
Yoshiharu Ueki	Outside Director	13 times
Keiji Kimura	Outside Director	12 times
Ichiro Fukuzawa	Outside Director	10 times *(Note)*
Kazuhiko Takeshima	Outside Director, Audit & Supervisory Committee Member	7 times *(Note)*
Koji Iwai	Outside Director, Audit & Supervisory Committee Member	13 times
Tamaki Kakizaki	Outside Director, Audit & Supervisory Committee Member	13 times
Ryoko Takeda	Outside Director, Audit & Supervisory Committee Member	5 times *(Note)*

Note: Outside Director Ichiro Fukuzawa's status after his appointment on June 24, 2022; Outside Director (Audit & Supervisory Committee Member) Kazuhiko Takeshima's status until his resignation on October 31, 2022; and Outside Director (Audit & Supervisory Committee Member) Ryoko Takeda's status after her appointment on November 1, 2022.

(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 once 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 twice 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 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 (3) (e) 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 Policy can be abolished by the Large-scale Acquirer appointing directors nominated by the Large-scale

Acquirer by ordinary resolution at a general meeting of shareholders of the Company, and by the Board of Directors consisting of such directors. 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 28, 2023)

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 *(current position)*	46,320
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.) *(current position)* Representative Director, President and Executive Officer & COO *(current position)* *[Significant concurrent positions]* Chairperson, The All-Japan Airport Association, Inc.	38,110
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 *(current position)* Outside Director, SAN-AI OBBLI CO., LTD. *(current position)* *[Significant concurrent positions]* Outside Director, SAN-AI OBBLI CO., LTD.	19,800
Hiroshi Onishi (June 13, 1955) *(Note: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. *(current position)* Representative Director, Executive Vice President and Executive Officer *(current position)* *[Significant concurrent positions]* Outside Director, KOMATSU MATERE Co., Ltd.	7,900

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 *(current position)*	14,500
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. *(current position)* Outside Director, Kyushu Kumamoto International Airport Co., Ltd. *(current position)* 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 *(current position)* *[Significant concurrent positions]* Outside Director, Haneda Mirai Kaihatsu Co., Ltd. Outside Director, Kyushu Kumamoto International Airport Co., Ltd.	8,400
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, Business Development Department (in charge of New Business); Deputy Senior Vice President, Passenger Terminal Operation Department (in charge of Retail Sales) Senior Managing Director and Executive Officer *(current position)*	6,800

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 June 2020 June 2022 June 2023	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 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 Executive Officer; General Manager, Corporate Planning Group, Planning & Administration Department; Vice President, Facility Planning Office; General Manager, Business Development Department Managing Director and Executive Officer *(current position)*	4,000
Yoshiharu Ueki (September 16, 1952) *(Note:1,2)*	Outside Director	June 1975 December 2010 April 2011 February 2012 April 2018 June 2018 April 2020	Joined Japan Airlines Co., Ltd. Senior Managing Executive Officer, Japan Airlines International Co., Ltd. Senior Managing Executive Officer, Japan Airlines Co., Ltd. Representative Director, President, Japan Airlines Co., Ltd. Representative Director, Chairperson, Japan Airlines Co., Ltd. Outside Director, the Company *(current position)* Director, Chairperson, Japan Airlines Co., Ltd. *(current position)* *[Significant concurrent positions]* Director, Chairperson, Japan Airlines Co., Ltd.	-
Keiji Kimura (February 21, 1947) *(Note: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. *(current position)* Outside Director, Matsumoto Kiyoshi Holdings Co., Ltd. *(current position)* Chairperson, Japan Building Owners & Managers Association *(current position)* Outside Director, the Company *(current position)* *[Significant concurrent positions]* Senior Advisor, Mitsubishi Estate Co., Ltd. Outside Director, Matsumoto Kiyoshi Holdings Co., Ltd. Chairperson, Japan Building Owners & Managers Association	-

Name (Date of birth)	Position in the Company	Experience and positions		Number of shares of the Company held
Ichiro Fukuzawa (April 14, 1961) *(Note:1,2)*	Outside Director	October 1989 June 2019 April 2020 April 2021 April 2022 April 2022 June 2022	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. *(current position)* Representative Director and Executive Vice President, ALL NIPPON AIRWAYS CO., LTD. *(current position)* Outside Director, the Company *(current position)* *[Significant concurrent positions]* Representative Director and Executive Vice President, ANA HOLDINGS INC. Representative Director and Executive Vice President, ALL NIPPON AIRWAYS CO., LTD.	-
Yukihiro Kawamata (February 10, 1964) *(Note:1,2)*	Outside Director	April 1986 June 2016 June 2019 April 2022 June 2023	Joined Keikyu Corporation Director, Keikyu Corporation Director, Managing Executive Officer, Keikyu Corporation Representative Director, President and Executive Officer, Keikyu Corporation *(current position)* Outside Director, the Company *(current position)* *[Significant concurrent positions]* Representative Director, President and Executive Officer, Keikyu Corporation	-
Tamaki Kakizaki (January 16, 1961) *(Note:1,3)*	Outside Director, Audit & Supervisory Committee Member	April 2009 April 2012 April 2014 June 2016 June 2017 June 2020 June 2021 June 2022	Professor, Graduate School of Law, Toyo University Professor, International Graduate School of Social Sciences, Yokohama National University Professor, Faculty of Law, Meiji University *(current position)* Outside Director, Mitsubishi Foods Corporation *(current position)* Outside Statutory Auditor, the Company Outside Director, Keikyu Corporation *(current position)* Outside Director, The Akita Bank, Ltd. *(current position)* Outside Director, Audit & Supervisory Committee Member, the Company *(current position)* *[Significant concurrent positions]* Professor, Faculty of Law, Meiji University Outside Director, Mitsubishi Foods Corporation Outside Director, Keikyu Corporation Outside Director, The Akita Bank, Ltd.	-

Name (Date of birth)	Position in the Company	Experience and positions		Number of shares of the Company held
Ryoko Takeda (July 5, 1970) *(Note:1,3)*	Outside Director, Audit & Supervisory Committee Member	April 1998 December 2014 February 2016 June 2017 June 2020 June 2021 June 2022 November 2022 January 2023 March 2023	Registered as an attorney-at-law and joined Nishimura & Partners (now Nishimura & Asahi) Special Counsel, City-Yuwa Partners Certified Fraud Examiner (CFE) credential Councilor, International Civil and Commercial Law Center *(current position)* Outside Statutory Auditor, Arconix Corporation *(current position)* Outside Director, Denki Kogyo Co. *(current position)* Substitute Director, Audit & Supervisory Committee Member, the Company Outside Director, Audit & Supervisory Committee Member, the Company *(current position)* Partner, City-Yuwa Partners *(current position)* External Director, Komazawa University Educational Corporation *(current position)* *[Significant concurrent positions]* Partner, City-Yuwa Partners Councilor, International Civil and Commercial Law Center Outside Statutory Auditor, Arconix Corporation Outside Director, Denki Kogyo Co. External Director, Komazawa University Educational Corporation	-
Kenji Iwasaki (January 3, 1955) *(Note:1,4)*	Outside Director, Audit & Supervisory Committee Member	April 1978 June 2010 April 2014 April 2017 June 2017 June 2018 June 2022 June 2023	Joined Tokio Marine & Fire Insurance Co., Ltd. Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. Senior Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd. Vice President Executive Officer, Tokio Marine Holdings, Inc. Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd. Executive Vice President, Tokio Marine Holdings, Inc. Executive Director, The General Insurance Association of Japan Outside Auditor, SOHGO SECURITY SERVICES CO., LTD. *(current position)* Outside Director, Audit & Supervisory Committee Member, the Company *(current position)* *[Significant concurrent positions]* Outside Auditor, SOHGO SECURITY SERVICES CO., LTD.	-
			Total	145,830

Note:

1) Four directors, Yoshiharu Ueki, Keiji Kimura, Ichiro Fukuzawa, and Yukihiro Kawamata, 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 28, 2023.
3) Under the Company's Articles of Incorporation, 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 of the current director as a member of the Audit & Supervisory Committee at the annual general meeting of shareholders to be held on June 24, 2022.
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) As a result of the Annual General Meeting of Shareholders held on June 28, 2023, and the subsequent meeting of the Board of Directors, the following change was made to the Board of Directors.

Name	After the change	Before the change
Hiroshi Onishi	Representative Director, Executive Vice President and Executive Officer	Executive Vice President and Executive Officer

6) 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. *(current position)*	-

7) 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
Seiichi Takahashi	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

8) 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.

Outside Director Yoshiharu Ueki is the Chairperson of the Board of Japan Airlines Co. The Company has transactions with Japan Airlines Corporation, including a lease agreement for the passenger terminal building at Haneda Airport.
Ichiro Fukuzawa, an outside director, is the Executive Vice President and Representative Director of All Nippon Airways Co. There are transactions between the Company and All Nippon Airways Co.
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 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.
1. A person who is currently or has been in the past 10 years an executive officer of the Company or its group companies.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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).
8. The spouse or a relative within the second degree of a person covered by criteria 1 through 7. (excluding insignificant persons).
9. A person who falls under any of criteria 2 to 7 in the past year.

(Note)
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 net sales 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 Yoshiharu Ueki, 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. in the past.

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.

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. Mr. Koji Iwai has extensive experience and insight as a business executive, Ms. Tamaki Kakizaki has extensive knowledge of legal matters as an expert in internal control and corporate governance, and Ms. Ryoko Takeda has extensive experience and broad insight as a lawyer. Mr. Kazuhiko Takeshima, who retired on October 31, 2022, has worked for the Ministry of Finance for a long time and has extensive knowledge of finance and accounting, having served as Commissioner of the National Tax Agency.

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 eight 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 (8 total meetings)
Koji Iwai	Outside Director, Audit & Supervisory Committee Member	8 times
Tamaki Kakizaki	Outside Director, Audit & Supervisory Committee Member	8 times
Ryoko Takeda	Outside Director, Audit & Supervisory Committee Member	5 times
Kazuhiko Takeshima	Outside Director, Audit & Supervisory Committee Member	3 times

Note: The attendance of Director and Audit & Supervisory Committee member Kazuhiko Takeshima covers the Audit & Supervisory Committee meetings held before his resignation on October 31, 2022, and the attendance of Director and Audit & Supervisory Committee member Ryoko Takeda covers the meetings held after her appointment on November 1, 2022. The average duration of Audit & Supervisory Committee meetings is approximately 2 hours.

The Company adopted the "Company with Audit & Supervisory Committee System" upon the approval of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022. Before the transition, the Company had a Board of Statutory Auditors and held meetings of the Board of Statutory Auditors as a company with a Board of Statutory Auditors.

Name	Position in the Company	Attendance (4 total meetings)
Yasuko Morita	Full-time Statutory Auditor (in-house)	4 times
Naotoshi Toda	Full-time Statutory Auditor (in-house)	4 times
Kazuhiko Takeshima	Outside Statutory Auditor	4 times
Koji Iwai	Outside Statutory Auditor	4 times
Tamaki Kakizaki	Outside Statutory Auditor	4 times

Note: The average time required for a meeting of the Board of Statutory Auditors 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 3 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. 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 five consecutive fiscal years and the other managing partners have not participated in the audit for more than seven consecutive fiscal years.

c. Certified Public Accountants who performed services

Hirohisa Fukuda (number of years of continuous auditing: 4 fiscal years) and Tokuro Onohara (number of years of continuous auditing: 6 fiscal years).

d. Composition of Audit Assistants

The number of auditing assistants is 5 certified public accountants and 15 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, etc., 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, audit fees, etc. 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, etc.

a. Compensation to certified public accountants, etc.

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	63,070	-	63,500	-
Consolidated subsidiaries	25,900	-	25,900	-
Total	88,970	-	89,400	-

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

b. Compensation to organizations belonging to the same network as the auditing CPAs, etc.
Not applicable.

c. Details of remuneration 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 remuneration, etc., 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, etc., for directors or the method for calculating the amount of compensation, etc.

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 remuneration 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 remuneration 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 composition of the Company's directors' compensation is as follows.

The basic policy of the Company in determining the amount of remuneration, etc. 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 remuneration for each Audit & Supervisory Committee Member is determined through discussions among the Audit & Supervisory Committee Members.

Given the impact of the spread of the novel coronavirus infection on the Company's business performance, the monthly fixed remuneration of the members of the Board of Directors and the Executive Board was reduced by approximately 10% in the current fiscal year, as in the previous fiscal year.

(2) Performance-related compensation matters, etc.

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 performance-based compensation for directors (excluding outside directors and Audit & Supervisory Committee members) is calculated based on consolidated operating revenue, operating profit/loss, ordinary profit/loss, and net profit/loss attributable to shareholders of the parent company 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/loss, ordinary profit/loss, and net profit/loss attributable to shareholders of the parent company.

Consolidated operating revenue, operating profit (loss), ordinary profit (loss), and net profit (loss) 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 (sales and profit/loss).

(in million yen)	Operating revenue	operating profit (loss)	ordinary profit (loss)	net profit (loss) attributable to owners of the parent
Current fiscal year	113,050	-10,579	-12,064	-3,901

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

a. Method of determining the policy for determining the content of compensation, etc., 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 remuneration, etc., for each director (hereinafter referred to as the "Determination Policy").

b. Summary of the Contents of the Determination Policy

The remuneration of the members of the Board of Directors of the Company (excluding the members of the Audit & Supervisory Committee) consists of a monthly fixed remuneration and an annual performance-related remuneration. 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/loss, ordinary profit/loss, and net profit/loss attributable to shareholders of the parent company 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 and below is based on the achievement of individual targets set by their responsibilities based on key measures, etc. for the relevant fiscal year. The amount of individual compensation for each member of the Board of Directors (excluding members of the Audit & Supervisory Committee) is determined by 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. The Board deliberates on the proposals and makes decisions after ensuring sufficient transparency, appropriateness, and objectivity.

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 remuneration, etc. for each director (excluding members of the Audit & Supervisory Committee), the Company consults the Remuneration Advisory Committee on a remuneration proposal consisting of monthly fixed remuneration and annual performance-based remuneration. 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 remuneration, etc. 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' remuneration.

In the current fiscal year, at the Board of Directors' meeting held on June 24, 2022, 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 decides based on a discretionary decision of the Board of Directors.

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

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 remuneration	performance-linked remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	254	254	-	11
Directors (Audit & Supervisory Committee members) (excluding outside directors)	-	-	-	-
Statutory Auditors (excluding Outside Statutory Auditors)	9	9	-	2
Outside Directors and Auditors	58	58	-	9

Note:

1) The Company has transitioned from a company with a Board of Statutory Auditors to a company with an Audit & Supervisory Committee by resolution of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022.
2) The maximum amount of director's remuneration according to the resolution of the General Meeting of Shareholders (resolution of the 78th Ordinary General Meeting of Shareholders held on June 24, 2022) is 450 million yen per year for 12 directors (excluding directors who are members of the Audit, etc. Committee) (including 4 outside directors). The maximum amount of remuneration for 12 directors (including 4 outside directors) is 450 million yen per year (including 48 million yen for outside directors).
3) The maximum amount of directors' remuneration under the resolution of the General Meeting of Shareholders before the transition to a company with an Audit & Supervisory Committee (resolution of the 73rd Ordinary General Meeting of Shareholders held on June 29, 2017) is 450 million yen per year for 15 directors (including 4 outside directors), of which 48 million yen is for outside directors.
4) The maximum amount of remuneration for directors who are members of the Audit & Supervisory Committee, 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 four directors who are members of the Audit & Supervisory Committee.
5) The maximum amount of remuneration for Statutory Auditors as per the resolution of the General Meeting of Shareholders before the transition to a company with an Audit & Supervisory Committee (resolution of the 74th Annual General Meeting of Shareholders held on June 27, 2018) is 80 million yen per year for five Statutory Auditors.

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	15	4,852
Other than unlisted stocks	9	5,072

Information on stocks whose number of shares increased in the fiscal year ended March 31, 2023

	Number of stock names	Total acquisition cost per share increase (millions of yen)
Unlisted stocks	1	-
Other than unlisted stocks	-	-

Information on stocks whose number of shares decreased in the fiscal year ended March 31, 2023

	Number of stock names	Total amount sold related to share reduction (millions of yen)
Unlisted stocks	-	-
Other than unlisted stocks	1	-

Note:

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 reclassification is due to the delisting of listed shares held by the Company during the year.

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

[Specified Investment Stocks]

Company name	Number of shares outstanding (shares) / Balance sheet amount (million yen) Current fiscal year	Previous fiscal year	Purpose of holding and outline of business alliance, etc.	Shareholding in the Company
ANA Holdings, Inc.	637,158	637,158	(Purpose of the holding company) To further strengthen cooperation and build trust, mainly in the field of facility management operations. (Outline of Business Alliance, etc.) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building, etc. with the group companies.	possession
	1,832	1,634		
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. (Outline of Business Alliance, etc.) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building, etc.	possession
	1,363	1,209		
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. (Outline of Business Alliance, etc.) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building, etc.	possession
	805	802		
East Japan Railway Company	78,200	78,200	(Purpose of the holding company) Further, strengthen collaboration and build trust. (Outline of Business Alliance, etc.) Strengthen future coordination of ground-based access from airports	possession
	573	556		
Mizuho Financial Group, Inc.	98,116	98,116	(Purpose of the holding company) Facilitate and stabilize the Group’s financial activities. (Outline of Business Alliance, etc.) Principal Lenders to the Company	possession
	184	153		
Bic Camera Co.	92,000	92,000	(Purpose of the holding company) Continue to strengthen cooperation and build trust, especially in merchandise sales. (Outline of Business Alliance, etc.) Established joint venture to operate merchandise stores at Haneda Airport Terminal, etc.	Possession
	102	99		
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. (Outline of Business Alliance, etc.) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building	Possession
	102	69		
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, etc.) Transactions with the group companies for water supply and drainage services related to the passenger terminal buildings at Haneda Airport, etc.	Possession
	80	79		
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, etc.) Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building, etc. with the Company’s group companies.	Possession
	27	18		

(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]

<table>
<tr><th rowspan="3">Company name</th><th colspan="2">Number of shares outstanding (shares)</th><th rowspan="3">Purpose of holding and outline of business alliance, etc.</th><th rowspan="3">Shareholding in the Company</th></tr>
<tr><th colspan="2">Balance sheet amount (million yen)</th></tr>
<tr><th>Current fiscal year</th><th>Previous fiscal year</th></tr>
<tr><td rowspan="2">ANA Holdings, Inc.</td><td>900,000</td><td>900,000</td><td rowspan="2">(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, etc.)
Transaction of Lease Agreement for Haneda Airport Passenger Terminal Building, etc. with the group companies.</td><td rowspan="2">possession</td></tr>
<tr><td>2,588</td><td>2,309</td></tr>
</table>

(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	148	2	164

	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	-	-21

(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, 2023

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, 2023

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, 2022, to March 31, 2023) and the non-consolidated financial statements of the Company for the fiscal year (from April 1, 2022, to March 31, 2023) 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, etc.

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, etc.

A. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	57,128	63,741
Accounts receivable	5,408	15,331
Securities	40,000	26,500
Merchandise and finished products	5,364	4,283
Raw materials and stored goods	271	323
Other current assets	5,756	4,865
Allowance for doubtful accounts	(60)	(57)
Total current assets	113,868	114,988
Fixed assets		
Tangible fixed assets		
Buildings and structures	560,906	562,619
Accumulated depreciation and impairment loss	(323,206)	(343,917)
Buildings and structures (net)	237,700	218,701
Machinery, equipment, and vehicles	36,022	34,822
Accumulated depreciation and impairment loss	(20,325)	(21,227)
Machinery, equipment, and vehicles (net)	15,696	13,595
Land	12,874	12,876
Lease assets	3,533	3,574
Accumulated depreciation and impairment loss	(1,591)	(2,049)
Lease assets (net)	1,941	1,525
Construction in progress	1,467	8,996
Other tangible fixed assets	67,977	70,653
Accumulated depreciation and impairment loss	(57,711)	(60,234)
Other tangible fixed assets (net)	10,265	10,418
Total tangible fixed assets	279,945	266,114
Intangible fixed assets		
Leasehold right	31,516	29,671
Other intangible fixed assets	2,872	2,139
Total intangible fixed assets	34,388	31,810
Investments and other assets		
Investment securities	18,293	17,254
Deferred tax assets	12,877	12,232
Net defined benefit assets	1,013	1,105
Other investments	3,491	3,450
Total investments and other assets	35,676	34,042
Total fixed assets	350,010	331,967
TOTAL ASSETS	463,878	446,955

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Accounts payable	1,956	7,172
Short-term loans payable	15,626	15,709
Accrued expenses	8,782	12,150
Income taxes payable	483	2,192
Provision for employees’ bonuses	1,073	1,627
Other current liabilities	8,925	10,273
Total current liabilities	36,847	49,125
Fixed liabilities		
Bonds	55,287	55,139
Long-term loans payable	184,153	171,815
Lease liabilities	1,596	1,173
Deferred tax liabilities	15,660	16,319
Provision for directors’ retirement benefits	68	57
Net defined benefit liabilities	4,761	4,562
Asset retirement obligations	620	628
Other fixed liabilities	8,873	7,183
Total fixed liabilities	271,021	256,878
TOTAL LIABILITIES	307,869	306,004
NET ASSETS		
Shareholders’ equity		
Common stock	38,126	38,126
Capital surplus	54,160	54,160
Retained earnings	60,843	56,942
Treasury stock	(9)	(10)
Total shareholders’ equity	153,120	149,217
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,526	1,695
Deferred gains or losses on hedges	(1,115)	(726)
Foreign currency translation adjustment	66	122
Remeasurements of defined benefit plans	(426)	(22)
Total accumulated other comprehensive income	1,050	1,069
Non-controlling interests	1,838	(9,335)
TOTAL NET ASSETS	156,009	140,951
TOTAL LIABILITIES AND NET ASSETS	463,878	446,955

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

Consolidated Statements of Income

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Operating revenues		
Rent revenue	18,543	19,829
Facility user charges revenue	10,541	29,327
Other revenues	10,989	14,394
Sale of merchandise	13,155	41,143
Sale of food and beverage	3,827	8,355
Total operating revenues	57,057	113,050
Cost of sales		
Cost of sales of merchandise	7,635	23,927
Cost of sales of food and beverage	2,968	5,158
Total cost of sales	10,604	29,085
Gross profit	46,453	83,964
Selling, general and administrative expenses		
Salaries and wages	10,201	10,776
Provision for employees' bonuses	583	1,548
Expenses for retirement benefits	921	812
Rent expenses	8,762	8,555
Outsourcing and commission	11,338	14,189
Depreciation expenses	31,715	28,954
Other costs and expenses	24,186	29,707
Total selling, general, and administrative expenses	87,709	94,543
Operating profit (loss)	(41,255)	(10,579)
Non-operating income		
Interest income	23	21
Dividends income	62	64
Equity in earnings of affiliates	-	133
Contributions in aid of construction	94	268
Subsidy income	2,707	658
Fee and commission income	225	251
Miscellaneous income	552	535
Total non-operating income	3,665	1,933
Non-operating expenses		
Interest expenses	2,744	2,991
Share issuance costs	1	-
Fee and commission expenses	1,510	102
Loss on retirement of fixed assets	310	276
Equity in losses of affiliates	1,611	-
Miscellaneous expenses	92	49
Total non-operating expenses	6,271	3,419
Ordinary profit (loss)	(43,861)	(12,064)

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Extraordinary gains		
National subsidies	1,422	58
Gains on sale of investment securities	321	20
Total extraordinary gains	1,744	78
Extraordinary loss		
Impairment loss	-	260
Loss on valuation of investment securities	52	99
Loss on reduction entry of fixed assets	1,388	36
Total extraordinary loss	1,441	397
Profit (loss) before income taxes and non-controlling interests	(43,558)	(12,383)
Income taxes – current	7	1,743
Income taxes – deferred	(1,947)	1,561
Total income taxes	(1,939)	3,304
Net profit (loss) before non-controlling interests	(41,618)	(15,687)
Net profit (loss) attributable to non-controlling interests	(16,401)	(11,786)
Net profit (loss) attributable to owners of the parent	(25,217)	(3,901)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Net profit (loss) before non-controlling interests	(41,618)	(15,687)
Other comprehensive income		
Valuation difference on available-for-sale securities	669	(828)
Deferred gains (losses) on hedges	1,413	949
Foreign currency translation adjustment	46	56
Remeasurements of defined benefit plans	(47)	439
Share of other comprehensive income of affiliates accounted for using the equity method	2	15
Total other comprehensive income	2,084	631
Comprehensive income	(39,533)	(15,056)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(23,797)	(3,882)
Comprehensive income attributable to non-controlling interests	(15,736)	(11,174)

(3) Consolidated Statements of Changes in Shareholders' Equity

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

(Millions of yen)

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

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

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

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 in ownership interest in subsidiaries					-
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 in ownership interest in subsidiaries					
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 in ownership interest in subsidiaries		-
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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes and minority interests	(43,558)	(12,383)
Depreciation and amortization	31,794	29,022
Increase (decrease) in provision for employees' bonuses	(102)	553
Increase (decrease) in net defined benefit liabilities	272	327
Decrease (increase) in net defined benefit assets	(6)	(46)
Interest and dividend income	(85)	(85)
Subsidy income	(2,707)	(658)
Interest expenses	2,744	2,991
Fee and commission expenses	1,510	102
Loss on retirement of tangible fixed assets	310	276
Equity in losses (earnings) of affiliates	1,611	(133)
National subsidy	(1,422)	(58)
Loss (gain) on sales of investment securities	(321)	(20)
Impairment loss	-	260
Loss (gain) on valuation of investment securities	52	99
Loss on reduction of fixed assets	1,388	36
Decrease (increase) in accounts receivable – trade	(135)	(9,922)
Decrease (increase) in inventories	4,272	1,029
Decrease (increase) in other current assets	1,440	911
Increase (decrease) in accounts payable – trade	681	5,215
Increase (decrease) in other current liabilities	(7,539)	1,169
Increase (decrease) in other fixed liabilities	(32)	12
Others	(178)	(218)
Subtotal	(10,010)	18,480
Interest and dividends received	73	123
Interest paid	(2,859)	(2,923)
Subsidy received	2,707	655
Income taxes refund (paid)	783	(9)
Net cash provided by (used in) operating activities	(9,305)	16,326
Cash flows from investing activities		
Purchase of investment securities	(1,044)	(500)
Purchase of tangible fixed assets	(5,138)	(9,857)
Proceeds from sales of investment securities	345	324
Purchase of intangible fixed assets	(317)	(378)
Payments of long-term loans receivable	(50)	(60)
Proceeds from national subsidy	1,422	58
Other payments	(278)	(286)
Other proceeds	134	72
Net cash provided by (used in) investing activities	(4,926)	(10,627)

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) of short-term loans payable	(100)	(100)
Proceeds from long-term loans payable	20,790	883
Repayment of long-term loans payable	(13,856)	(12,826)
Proceeds from the issuance of corporate bond	450	-
Redemption of convertible bond	(15,000)	-
Repayments of Lease liabilities	(511)	(494)
Dividends paid to non-controlling shareholders	-	(0)
Others	(807)	(103)
Net cash provided by (used in) financing activities	(9,035)	(12,641)
Effect of exchange rate change on cash and cash equivalents	40	55
Increase (decrease) in cash and cash equivalents	(23,226)	(6,887)
Cash and cash equivalents at the beginning of the period	120,355	97,128
Cash and cash equivalents at the end of the period	97,128	90,241

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 Corp.
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 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 Seikousha Inc. and 10 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

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

ii) Other securities

Other securities other than shares without fair values are stated at fair value based on the market value at the year-end, with valuation differences included in net assets. 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 allowance 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.

As bonuses to directors for FY2022 are not paid, no provision for bonuses to directors is recorded for FY2022.

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 net defined benefit liabilities and expenses for retirement benefits.

(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 goods are received by the customer.

c) Food and beverage

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

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

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

(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, 2023) and recorded as fixed assets.

(Significant accounting estimates)
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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Reversal at the beginning of the period	-1,852	-1,416
Amount recorded in the current period	1,416	154
Total	-435	-1,262

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

The Group operates international duty-free stores and city duty-free stores. The number of air passengers on international flights is recovering rapidly, and the number of backlogged goods is also decreasing due to the steady recovery of demand on international flights. The Company identifies backlogged goods based on those that have exceeded the storage period in bonded warehouses. In addition, for items that are still in bonded storage but have an expiration date, the estimated sales volume for the next fiscal year is calculated based on the annual sales volume plus the estimated percentage increase or decrease in the number of international airline passengers for the next fiscal year, and the inventory volume exceeding the estimated sales volume is also considered as backlogged goods. Inventory write-downs are calculated by multiplying the write-down ratio by the inventory in arrears. The write-down ratio is calculated based on the full value of items scheduled for disposal, and for other items, the write-down ratio is calculated mainly based on the contractual return value or actual sales for the past three quarters.

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.

(2) Main Assumptions

The main assumption for the value of goods in transit is the percentage change in the number of international air passengers for the next fiscal year, which is the basis for calculating the estimated sales volume of goods with use-by dates. The number of air passengers for the next fiscal year is estimated based on the aviation demand forecast published by IATA (International Air Transport Association) and considering the market trend in Japan. The number of air passengers due to the new coronavirus infection is expected to recover to approximately the same level in FY2023 for international flights as in FY2019 before the spread of the new coronavirus infection.

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

The rate of increase or decrease in the number of international air passengers in the next fiscal year, which is the basis for calculating the estimated sales volume of products with expiration dates, a key assumption, is highly uncertain to estimate, and fluctuations in the number of international air passengers may further increase backlogged inventories. Therefore, if the recovery of the number of air passengers used in the estimates is significantly delayed on international flights, there may be a further increase in inventories in arrears, resulting in a further loss on revaluation of inventories.

(Changes in Accounting Policies)
Adoption of Accounting Standards for Fair Value Measurement

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the first quarter of the fiscal year ended March 31, 2023. The Company has also decided to adopt the new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement by the transitional treatment described in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact of this change on the consolidated financial statements.

(Accounting standards issued but not effective)
[Disclosure for the year ended March 31, 2023]

Treatment of Accounting for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Securities Representation Rights, etc. (Practical Response Report No. 43, August 26, 2022, Accounting Standards Board of Japan)

(1) Overview
The Financial Instruments and Exchange Law was amended by the "Law for Partial Amendment of the Law on Fund Settlement to Respond to the Diversification of Financial Transactions Accompanying the Development of Information and Communication Technology" (Law No. 28 of 2049) enacted in May 2019, and the so-called investment-type ICO (Initial Coin Offering, a general term for the act by which companies, etc., issue tokens (electronic records and symbols) to raise funds from investors) became subject to the Financial Instruments and Exchange Law and established various provisions.
The Accounting Standards Board of Japan (ASBJ) issued this statement to clarify the accounting treatment of the issuance and holding of electronically recorded transferable securities, etc., in the Cabinet Office Ordinance on Financial Instruments Business, etc.

(2) Scheduled date of adoption
The Group expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2024.

(3) Impact of adoption of revised accounting standard and implementation guidance
The Group is currently evaluating the effect of the adoption of this accounting standard and related implementation guidance on its consolidated financial statements.

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.
1. Classification of tax expense (taxation of other comprehensive income)
2. 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.

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Cash and deposits	37,495	35,118
Accounts receivable	14	39
Buildings and structures	113,556	104,748
Machinery, equipment, and vehicles	9,691	434
Land	53	53
Software	309	-
Investment securities (Note 1)	4,576	4,641
Other investments	1,000	1,000
Total	166,699	146,036

Note:

1) Pledged as collateral for borrowings by affiliated companies and investee companies.

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

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Short-term loans payable	200	100
Long-term loans payable	119,297	110,909
Total	119,497	111,009

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Investment securities (shares)	5,853	5,663
Investment securities (capital)	481	984

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Haneda Future Tokutei Mokuteki Kaisha	666	666

4. Amount of reduction entry

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Tangible fixed assets:		
Buildings and structures	386	386
Machinery, equipment, and vehicles	6,382	6,382
Others	48	84
Intangible fixed assets:		
Others	110	110
Total	6,927	6,963

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Accounts receivable	5,060	13,265

6. Notes to contractual liabilities

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Contractual liabilities	50	84

7. Financial covenants

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Short-term loans payable	2,378	2,378
Long-term loans payable	13,393	11,015
Total	15,771	13,393

(Fiscal year ended March 31, 2023)

(¥814 million of short-term loans payable and ¥3,258 million of long-term loans payable)

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

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

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

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

(¥814 million of short-term loans payable and ¥3,257 million of long-term loans payable)

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

(¥750 million of short-term loans payable and ¥4,500 million of long-term loans payable)

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

For the above short-term loans payable (¥2,378 million in total) and long-term loans payable (¥11,015 million in total), despite being partially in breach of part of these covenants at the end of the fiscal year ended March 31, 2023, financial institutions have granted a consent not to exercise the right to accelerate repayment.

(Notes on Consolidated Statements of Income)

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

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Revenue arising from contracts with customers	38,224	92,938

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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
	(435)	(1,262)

3. Impairment loss

The Group recorded impairment losses on the following assets.

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

Not applicable

[FY2022(from April 1, 2022 to March 31, 20223]

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.

(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, 2022, and 2023.

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Unrealized holding gain (loss) on securities:		
Amount arising during the year	1,235	-1,218
Reclassification adjustments for gains and losses included in net profit	-268	-
Amount before tax effect	967	-1,218
Tax effect	-297	389
Unrealized holding gain (loss) on securities	669	-828
Unrealized gain (loss) from hedging instruments:		
Amount arising during the year	1,413	949
Reclassification adjustments for gains and losses included in net profit	-	-
Amount before tax effect	1,413	949
Tax effect	-	-
Unrealized gain (loss) from hedging instruments	1,413	949
Foreign currency translation adjustments:		
Amount arising during the year	46	56
Reclassification adjustments for gains and losses included in net profit	-	-
Amount before tax effect	46	56
Tax effect	-	-
Foreign currency translation adjustments	46	56
Retirement benefits liability adjustments:		
Amount arising during the year	-92	534
Reclassification adjustments for gains and losses included in net profit	152	34
Amount before tax effect	59	571
Tax effect	-106	-132
Retirement benefits liability adjustments	-47	439
Share of other comprehensive income of companies accounted for by the equity method:		
Amount arising during the year	3	18
Reclassification adjustments for gains and losses included in net profit	-1	-2
Amount before tax effect	2	15
Tax effect	-	-
Share of other comprehensive income of companies accounted for by the equity method	-	15
Total other comprehensive income	2,084	631

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

Information regarding changes in net assets for the years ended March 31, 2022, and 2023 is as follows:

1. Shares issued and outstanding / Treasury stock

[For the year ended March 31, 2022]

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	8,595	142	-	8,737

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

[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

2. Dividends

a. Dividends paid in the year ended March 31, 2022 and 2023

None

b. 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, 2023

None

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

(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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Cash and deposits	57,128	63,741
Securities	40,000	26,500
Cash and cash equivalents	97,128	90,241

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

a. Lease assets

Mainly comprised of passenger boarding bridges.

b. 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, 2022, and 2023, respectively, are summarized in the following table:

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Within one year	417	397
More than one year	877	502
Total	1,295	900

(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

(a) 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.

(b) 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.

(c) 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, 2022, and 2023 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, 2022]

(Millions of yen)

	Carrying value	Estimated fair value	difference
Investment securities:			
Other securities	10,124	10,124	-
Affiliate securities	2,568	2,015	-552
Total assets	12,692	12,139	-552
Bonds payable	55,287	48,044	-7,243
Long-term debt	196,980	190,038	-6,941
Total liabilities	252,267	238,082	-14,185
Derivative transactions	(2,187)	(2,187)	-

[For the year ended March 31, 2023]

(Millions of yen)

	Carrying value	Estimated fair value	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)	-

Note:

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:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Unlisted stocks	5,120	5,887

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:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Investments in limited partnerships	481	984

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, account receivable, and marketable securities with maturities on March 31, 2022, and 2023 is as follows:

[For the year ended March 31, 2022]

(Millions of yen)

	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	56,612	-	-	-
Accounts receivable	5,408	-	-	-
Marketable securities	40,000	-	-	-
Total	102,020	-	-	-

[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	-	-	-

The redemption schedule for short-term borrowings, bonds payable, and long-term debt with maturities on March 31, 2022, and 2023 is as follows:

[For the year ended March 31, 2022]

(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	2,800	-	-	-	-	-
Bonds payable	-	-	10,000	-	-	42,510
Long-term debt	12,826	13,005	13,908	12,318	12,467	128,475
Total	15,626	13,005	23,908	12,318	12,467	170,985

[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

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

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, 2022]

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities	7,881	-	2,242	10,124
Total	7,881	-	2,242	10,124

[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

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

[For the year ended March 31, 2022]

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Affiliate securities	2,015	-	-	2,015
Total assets	2,015	-	-	2,015
Bonds payable	-	48,044	-	48,044
Long-term debt	-	190,038	-	190,038
Derivative transactions	-	2,187	-	2,187
Total liabilities	-	240,270	-	240,270

[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

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

a) investment securities
Among investment securities, listed stocks are classified as Level 1 because they are traded in active markets. On the other hand, 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	2,242
Net profit or other comprehensive income for the period: Recognition in other comprehensive income	64
Ending balance	2,307

(Securities)

1. Information regarding securities classified as held-to-maturity debt securities and other securities for the years ended March 31, 2022, and 2023

Held-to-maturity debt securities

None

Other securities

[As of March 31, 2022]

(Millions of yen)

	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:			
Stock	7,543	4,659	2,883
Other	2,242	1,506	735
Subtotal	9,785	6,166	3,619
Securities whose carrying value does not exceed their fair value:			
Stock	338	406	-67
Other	-	-	-
Subtotal	338	406	-67
Total	10,124	6,572	3,551

Note: Unlisted stocks of ¥1,836 million and investments in investment limited partnerships of ¥481 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, 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.

2. Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2022, and 2023

[For the year ended March 31, 2022]

(Millions of yen)

	Proceeds from sales	Gains on sales	Loss on sales
Stock	345	321	-
Other	-	-	-
Total	345	321	-

[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	-

3. Impairment of investment securities

Impairment losses of 52 million yen and 99 million yen were recognized on investments in other securities in FY21 and FY22, 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, 2022, and 2023, 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, 2022, and 2023, for which hedge accounting has been applied.

Interest-related transactions

[As of March 31, 2022]

(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	72,747	57,458	-2,187
Interest swap contracts by short-cut method	Long-term debt	60	-	-0

[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

(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, 2022, and 2023 are as follows (excludes schemes to which the simplified method is applied):

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance at the beginning of the year	9,978	10,164
Service cost	608	583
Interest cost	37	54
Actuarial gain and loss	-21	-536
Retirement benefit paid	-435	-426
Prior service cost	-	-
Others	-3	58
Balance at the end of the year	10,164	9,899

2. The changes in plan assets for the years ended March 31, 2022, and 2023 are as follows (excludes schemes to which the simplified method is applied):

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance at the beginning of the year	9,263	9,321
Expected return on plan assets	97	98
Actuarial gain and loss	-114	-2
Contributions by the Company	263	232
Retirement benefit paid	-237	-269
Others	49	46
Balance at the end of the year	9,321	9,427

3. The changes in the liability for retirement benefits accounted for using the simplified method for the years ended March 31, 2022, and 2023 are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance at the beginning of the year	2,826	2,904
Retirement benefit expenses	335	263
Retirement benefit paid	-256	-177
Contributions to fund	-1	-4
Balance at the end of the year	2,904	2,985

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, 2022, and 2023 for the Group’s defined benefit plans:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Funded retirement benefit obligation	9,238	9,051
Plan assets at fair value	-9,373	-9,483
	-135	-432
Unfunded retirement benefit obligation	3,882	3,889
Net liability for retirement benefits in the balance sheet	3,748	3,457
Liability for retirement benefits	4,761	4,562
Asset for retirement benefits	-1,013	-1,105
Net liability for retirement benefits in the balance sheet	3,748	3,457

Note: Includes schemes to which the simplified method is applied

5. The components of retirement benefit expenses for the years ended March 31, 2022, and 2023 are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Service cost	608	583
Interest cost	37	54
Expected return on plan assets	-97	-98
Amortization of actuarial gain and loss	161	47
Amortization of prior service cost	-9	-9
Retirement benefit expense calculated by the simplified method	320	263
Retirement benefit expense	1,020	840

6. The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2022, and 2023 are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Prior service cost	-9	-9
Actuarial gain and loss	68	581
Total	59	571

7. The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2023 are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Unrecognized prior service cost	-76	-67
Unrecognized actuarial gain and loss	469	-112
Total	392	-179

8. The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2023 are as follows:

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Bonds	48 %	47 %
Stocks	36 %	37 %
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:

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Discount rate	0.2～0.9 %	0.2～1.2 %
Expected rates of return on plan assets	1.5 %	1.5 %
Expected rates of salary increase	2.6～3.8 %	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, 2022 and 2023:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance at the beginning of the year	613	620
Accretion expense	7	7
Balance at the end of the year	620	628

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, 2022, and 2023.

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, 2022, and 2023 are omitted, because loss before income taxes were recorded for the year ended March 31, 2022 and 2023.

The significant components of deferred tax assets and liabilities on March 31, 2022, and 2023 were as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Deferred tax assets:		
Net operating loss carry forward	26,891	35,373
Non-deductible portion of depreciation and amortization	8,670	9,152
Liability for retirement benefits	1,897	2,143
Unrealized gain on intercompany transactions	659	581
Loss on valuation of investment securities	492	524
Provision for bonuses	305	523
Impairment losses	431	477
Deferred losses on hedges	669	428
Enterprise tax payable	126	206
Property tax payable	379	161
Other	1,437	1,146
Total gross deferred tax assets	41,961	50,719
Valuation allowance for net operating loss carryforwards *(Note:2)*	-23,663	-33,646
Valuation allowance for deductible temporary difference	-3,758	-3,400
Total valuation allowance *(Note:1)*	-27,421	-37,047
Total of deferred tax assets	14,539	13,672
Deferred tax liabilities:		
Revaluation of certain assets to fair values	-15,462	-16,336
Unrealized holding gains on securities	-1,076	-686
Assets for retirement benefits	-338	-279
Gains on contribution of securities to retirement benefit trust	-216	-216
Other	-227	-239
Total of deferred tax liabilities	-17,321	-17,759
Net deferred tax assets/(liabilities)	-2,782	-4,086

Note:

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, 2022, and 2023 are as follows:

[For the year ended March 31, 2022]

(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	25,896	26,891
valuation allowance	-	-	-389	-570	-35	-22,667	-23,663
Deferred tax assets	-	-	-	-	-	3,228	3,228

[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

Note:

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 ¥3,228 million and ¥1,726 million as of March 31, 2022 and 2023, respectively, are the result of determining the recoverability based on estimated future taxable income.

(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, 2022 and 2023 are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Rental properties:		
Carrying values		
Balance at the beginning of the fiscal year	21,912	20,759
Changes in the fiscal year	-1,153	-559
Balance at the end of the fiscal year	20,759	20,199
Fair values at the end of the fiscal year	36,042	40,715
Real estate including spaces used as rental properties:		
Carrying values		
Balance at the beginning of the fiscal year	260,773	242,818
Changes in the fiscal year	-17,954	-4,429
Balance at the end of the fiscal year	242,818	238,389
Fair values at the end of the fiscal year	431,075	481,091

Note:

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, 2022, and 2023 were as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Rental properties:		
Lease income	2,835	4,077
Lease cost	3,528	3,522
Lease profit (loss), net	-693	555
Other, net	-	-
Real estate including spaces used as rental properties:		
Lease income	27,465	47,620
Lease cost	58,565	60,045
Lease profit (loss), net	-31,100	-12,425
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.

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

(Millions of yen)

	Reportable segments			Total
	Facilities Management	Merchandise Sales	Food and Beverage	
Rent revenue	18,543	-	-	18,543
Facility user charges revenue	10,539	-	-	10,539
Other revenues	10,946	-	-	10,946
Sales at domestic terminal stores	-	5,166	-	5,166
Sales at international terminal stores	-	4,242	-	4,242
Other revenues	-	3,765	-	3,765
Sales from food and beverage stores	-	-	2,790	2,790
Sales from in-flight meals	-	-	730	730
Other revenues	-	-	332	332
Sales to external customers	40,029	13,174	3,852	57,057

[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

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Receivables arising from contracts with customers (beginning balance)	4,924	5,060
Receivables arising from contracts with customers (ending balance)	5,060	13,265
Contract liabilities (beginning balance)	278	50
Contract liabilities (ending balance)	50	84

Note:

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 Information, etc.)

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

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

(Millions of yen)

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

Notes:

1) Details of adjustments are as follows:

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

b. Adjustments to the segment assets include ¥174,595 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.

c. Adjustments to depreciation and amortization include ¥509 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.

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

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

[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:

a. 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.

b. 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.

c. 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.

d. Adjustments to increase in tangible fixed assets and intangible fixed assets (¥77 million) 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.

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. Property, plant, and equipment

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, 2022, and 2023 is summarized as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Net assets per share	1,655.32	1,613.62
Net profit (loss) per share	(270.75)	(41.89)

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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Net profit (loss) per share:		
Net profit (loss) attributable to owners of the parent	(25,217)	(3,901)
Amount not attributable to common shareholders	-	-
Net profit (loss) attributable to owners of the parent available for distribution to common shareholders	(25,217)	(3,901)
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, 2022	As of March 31, 2023	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 Co., Ltd.:						
1st issued subordinated bond	December 6, 2012	4,034	4,004	1.95	none	April 30, 2038
2nd issued subordinated bond	September 10, 2013	8,068	8,008	1.95	none	April 30, 2038
3rd issued subordinated bond	March 28, 2014	8,068	8,008	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		66,620	66,472	-		
Eliminations		-11,333	-11,333	-		
Total		55,287	55,139	-		

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, 2022	As of March 31, 2023	Average interest rate (%)	Repayment Date
Short-term borrowings	6,800	7,700	1.65	-
Current portion of long-term debt	12,868	13,051	0.63	-
Current portion of Lease liabilities	487	467	-	-
Long-term debt (excluding the current portion)	195,294	182,789	2.00	CY2024～CY2078
Lease liabilities (excluding the current portion)	1,596	1,173	-	CY2024～CY2027
Sub-total	217,046	205,181	-	
Eliminations	-15,182	-16,015	-	
Total	201,863	189,165	-	

Note:

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	13,915	12,658	12,979	13,434
Lease liabilities	427	370	364	11

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
Net sales	19,371	43,613	76,027	113,050
Profit (loss) before income taxes and non-controlling interests	-6,415	-9,731	-10,298	-12,383
Net profit (loss) attributable to the company	-2,651	-3,341	-2,587	-3,901
Net profit (loss) per share (in yen)	-28.47	-35.88	-27.79	-41.89

(Accounting period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net profit (loss) per share (in yen)	-28.47	-7.41	8.09	-14.10

2. Non-Consolidated Financial Statements, etc.

A. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	16,173	25,381
Accounts receivable – trade	15,926	32,336
Securities	40,000	26,500
Merchandise and finished products	3,342	2,661
Stored goods	5	5
Prepaid expenses	444	427
Accounts receivable – other	4,397	7,850
Short-term loans receivable	4,042	5,042
Other current assets	1,340	726
Allowance for doubtful accounts	(31)	(43)
Total current assets	85,642	100,887
Fixed assets		
Tangible fixed assets		
Buildings	115,367	105,875
Structures	818	660
Machinery and equipment	5,061	3,922
Vehicles	9	6
Tools, furniture and fixtures	5,497	6,448
Land	12,814	12,817
Lease assets	1,576	1,258
Construction in progress	1,428	8,712
Total tangible fixed assets	142,574	139,702
Intangible fixed assets		
Software	1,426	1,136
Software in progress	131	9
Right to use facilities	30	28
Total intangible fixed assets	1,588	1,175
Investments and other assets		
Investment securities	19,975	18,592
Shares of subsidiaries and affiliates	23,512	23,253
Investments in other securities of subsidiaries and affiliates	481	984
Long-term loans receivable	8,805	8,763
Long-term prepaid expenses	15	-
Deferred tax assets	11,877	11,077
Lease and guarantee deposits	1,430	1,373
Prepaid pension costs	123	149
Other investments	454	477
Total investments and other assets	66,675	64,671
Total fixed assets	210,838	205,549
TOTAL ASSETS	296,480	306,436

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Accounts payable – trade	1,453	5,134
Short-term loans payable	3,185	3,185
Lease liabilities	349	349
Accounts payable - other	3,209	7,679
Accrued expenses	6,556	7,391
Income taxes payable	250	1,889
Advances received	1,331	1,351
Deposits received	32,145	30,716
Provision for employees' bonuses	245	394
Other current liabilities	1,776	357
Total current liabilities	50,503	58,450
Fixed liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	55,110	51,924
Provision for loss on business of subsidiaries and affiliates	6,382	7,243
Provision for retirement benefits	368	566
Lease liabilities	1,380	1,031
Lease and guarantee deposited	3,190	3,215
Asset retirement obligations	319	324
Other fixed liabilities	109	109
Total fixed liabilities	106,862	104,415
TOTAL LIABILITIES	157,365	162,865
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		
Legal 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	(21,082)	(15,773)
Total retained earnings	44,394	49,702
Treasury stock	(9)	(10)
Total shareholders' equity	136,643	141,950
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,472	1,620
Total valuation and translation adjustments	2,472	1,620
TOTAL NET ASSETS	139,115	143,571
TOTAL LIABILITIES AND NET ASSETS	296,480	306,436

(2) Non-Consolidated Statements of Income

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Operating revenues		
Rent revenue	23,826	25,697
Facility user charges revenue	9,300	19,206
Other revenues	12,138	15,109
Sales of merchandise	7,901	28,200
Total operating revenues	53,166	88,212
Cost of sales		
Cost of sales of merchandise	4,017	16,897
Gross profit	49,149	71,315
Selling, general and administrative expenses		
Outsourcing and commission	14,671	19,736
Rent expenses	6,126	6,472
Provision for employees' bonuses	103	375
Expenses for retirement benefits	253	197
Provision of allowance for doubtful accounts	21	11
Depreciation expenses	16,783	14,724
Other costs and expenses	16,732	21,890
Total selling, general, and administrative expenses	54,692	63,409
Operating profit (loss)	(5,543)	7,905
Non-operating income		
Interest income	1,029	1,342
Dividends income	63	113
Company housing rent	279	213
Contributions in aid of construction	71	222
Miscellaneous income	504	488
Total non-operating income	1,949	2,379
Non-operating expenses		
Interest expenses	614	590
Interest expenses on bonds	141	141
Share issuance costs	1	-
Fee and commission expenses	73	72
Loss on retirement of fixed assets	26	283
Miscellaneous expenses	34	42
Total non-operating expenses	891	1,128
Ordinary profit (loss)	(4,485)	9,156

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Extraordinary gains		
Gains on sale of investment securities	321	60
National subsidies	-	58
Total extraordinary gains	321	118
Extraordinary loss		
Impairment loss	-	260
Provision for loss on business of subsidiaries and affiliates	1,228	860
Loss on valuation of shares of subsidiaries and affiliates	0	-
Other extraordinary loss	-	136
Total extraordinary loss	1,228	1,257
Profit (loss) before income taxes	(5,393)	8,017
Income taxes – current	9	1,515
Income taxes – deferred	(1,017)	1,194
Total income taxes	(1,008)	2,709
Net profit (loss)	(4,385)	5,308

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

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

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	38,126	54,131	48,948	(8)	141,198
Cumulative effect of change in accounting principle			(169)		(169)
Restated balance at the beginning of the current period	38,126	54,131	48,779	(8)	141,029
Changes during the current period					
Dividend from retained earnings			-		-
Net profit (loss)			(4,385)		(4,385)
Purchase of treasury stock				(0)	(0)
Changes of items other than shareholders' equity during the current period (net)					-
Total changes during the current period	-	-	(4,385)	(0)	(4,386)
Balance at the end of the current period	38,126	54,131	44,394	(9)	136,643

	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	1,781	1,781	142,979
Cumulative effect of change in accounting principle			(169)
Restated balance at the beginning of the current period	1,781	1,781	142,810
Changes during the current period			
Dividend from retained earnings			-
Net profit (loss)			(4,385)
Purchase of treasury stock			(0)
Changes of items other than shareholders' equity during the current period (net)	691	691	691
Total changes during the current period	691	691	(3,695)
Balance at the end of the current period	2,472	2,472	139,115

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 (loss)			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 (loss)			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

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

i) 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.

ii) 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.

As bonuses to directors for FY2022 are not paid, no provision for bonuses to directors is recorded for FY2022.

(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 cost 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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Reversal at the beginning of the period	(1,852)	(1,416)
Amount recorded in the current period	1,416	154
Total	(435)	(1,262)

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
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 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's business plan for the Tokyo International Air Terminal Corporation is based on the assumption that international air passenger volume will recover. This recovery is estimated based on Haneda-specific market trends with reference to airline demand forecasts published by the International Air Transport Association (IATA). We anticipate that the number of air passengers affected by the new coronavirus will recover to the FY2019 level by the end of FY2023, assuming that the spread of the new coronavirus is contained.

c) Impact on non-consolidated financial statements for the following fiscal year
The number of international air passengers, a key assumption, is subject to a high degree of estimation uncertainty, which may result in fluctuations in our business performance. In the event that the business plan upon which the estimates are based cannot be achieved, the real value of the terminal may decline due to a decrease in valuation gains, resulting in a loss on the valuation of shares of affiliated companies.

(Changes in Accounting Policies)

Adoption of Accounting Standards for Fair Value Measurement

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the first quarter of the fiscal year ended March 31, 2023. The Company has also decided to adopt the new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement by the transitional treatment described in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact of this change on the non-consolidated financial statements.

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Investment securities (Note 1)	10,772	10,837
Shares of subsidiaries and affiliates	15,854	15,854
Long-term loans receivable	8,510	8,510
Total	35,136	35,201

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Short-term monetary receivables	18,449	33,756
Long-term monetary receivables	9,123	9,081
Short-term monetary payables	34,452	39,377
Long-term monetary payables	589	569

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Airport Transport Service Co., Ltd.	1,800	1,800
Sakura Shokai Co., Ltd.	570	266
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.	300	87
Japan Airport Management LLC	-	5
Total	3,303	2,791

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 affiliated companies.

(2) Commitment to guarantee

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Haneda Future Tokutei Mokuteki Kaisha	666	666

4. Amount of reduction entry

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Buildings and structures	88	88
Machinery and equipment	418	418
Others	-	36
Total	507	543

5. Financial covenants

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Short-term loans payable	2,378	2,378
Long-term loans payable	13,393	11,015
Total	15,771	13,393

(Fiscal year ended March 31, 2023)

(¥814 million of short-term loans payable and ¥3,258 million of long-term loans payable)

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

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

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

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

(¥814 million of short-term loans payable and ¥3,257 million of long-term loans payable)

(1) On and after the corresponding agreement is entered into, the total net assets on the consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months before) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2017, whichever is larger.

(2) On and after the corresponding agreement is entered into, the total net assets on the non-consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the non-consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months before) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2017, whichever is larger.

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

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

(¥750 million of short-term loans payable and ¥4,500 million of long-term loans payable)

(1) On and after the corresponding agreement is entered into, the total net assets on the consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months before) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2019, whichever is larger.

(2) On and after the corresponding agreement is entered into, the total net assets on the non-consolidated balance sheet on the last day of each fiscal year and each second quarter shall not be less than 75% of the total net assets on the non-consolidated balance sheet on the last day of the fiscal year and second quarter immediately preceding (six months before) the fiscal year and second quarter in question or the last day of the fiscal year ended March 2019, whichever is larger.

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

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

For the above short-term loans payable (¥2,378 million in total) and long-term loans payable (¥11,015 million in total), despite being partially in breach of part of these covenants at the end of the fiscal year ended March 31, 2023, financial institutions have granted a consent not to exercise the right to accelerate repayment.

(Notes on Non-Consolidated Statements of Income)

1. Transactions with subsidiaries and affiliates

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Transaction volume from business transactions:		
Operating revenue	17,016	35,461
Purchases of goods	1,248	3,284
Selling, general and administrative expenses	15,102	21,625
Non-operating transaction volume	1,675	2,077

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)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
	(435)	(1,262)

(Securities)
Shares of subsidiaries and affiliates

[For the year ended March 31, 2022]

(Millions of yen)

	Carrying value	Estimated fair value	difference
Affiliate securities	2,255	2,015	-239

[For the year ended March 31, 2023]

(Millions of yen)

	Carrying value	Estimated fair value	difference
Affiliate securities	1,995	2,650	655

Note: Carrying amount of non-marketable equity securities and other securities not included in the above.

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Shares of Subsidiaries	18,478	18,478
Affiliate securities	2,779	2,779

(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, 2022, and 2023.

1. The significant components of deferred tax assets and liabilities on March 31, 2022, and 2023 were as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Deferred tax assets:		
Non-deductible portion of depreciation and amortization	7,947	8,418
Provision for loss on business of subsidiaries and affiliates	1,954	2,217
Net operating loss carry forward	2,913	1,364
Provision for employees' retirement benefits	1,204	1,264
Loss on valuation of the subsidiaries and affiliate securities	548	548
Impairment losses	379	421
Loss on valuation of investment securities	247	277
Enterprise tax payable	74	178
Property tax payable	259	159
Provision for bonuses	75	120
Other	1,345	730
Total gross deferred tax assets	16,949	15,702
Valuation allowance for net operating loss carryforwards	-	-
Valuation allowance for deductible temporary difference	-3,252	-3,583
Total valuation allowance	-3,252	-3,583
Total of deferred tax assets	13,697	12,119
Deferred tax liabilities:		
Unrealized holding gains on securities	-1,065	-670
Returned assets	-488	-99
Gains on contribution of securities to retirement benefit trust	-216	-216
Other	-49	-55
Total of deferred tax liabilities	-1,820	-1,041
Net deferred tax assets/(liabilities)	11,877	11,077

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, 2022, and 2023 were as follows:

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Effective statutory tax rate	The reconciliation was omitted, because loss before income taxes were recorded for the year ended March 31, 2022.	30.62%
(Reconciliation)		
Items permanently not deductible for tax purposes		0.48%
Items permanently not includable in income		-0.21%
Tax Measure to Promote Wage Increases		-1.27%
Valuation allowance		4.13%
Other		0.04%
Effective tax rates reflected in the statements of income		33.79%

(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 Property, Plant and Equipment, etc.

(Millions of yen)

Category	Type of assets	Beginning balance	Increase	Decrease	Depreciation and amortization	Ending balance	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	115,367	1,598	3	11,085 (245)	105,875	240,267
	Structures	818	-	-	157 (0)	660	5,275
	Machinery and equipment	5061	8	0	1,148	3,922	10,828
	Vehicles	9	-	-	3	6	35
	Tools, furniture and fixtures	5,497	2,681	40	1,689 (14)	6,448	36,176
	Leased assets	1,576	-	-	318	1,258	1,065
	Sub-total	128,331	4,287	44	14,402 (259)	118,172	293,648
	Land	12,814	2	-	-	12,817	-
	Construction in progress	1,428	7,357	73	-	8,712	-
	Total	142,574	11,647	117	14,402 (259)	139,702	293,648
Intangible assets	Software	1,426	291	1 (1)	579	1,136	-
	Right to use facilities	30	0	-	1	28	-
	Software in progress	131	70	192	-	9	-
	Total	1,588	361	193 (1)	581	1,175	-

Note:
1) The “Decrease” includes the amount of advanced depreciation.
2) The figures in square brackets in the “Decrease” and “Depreciation and amortization” represent amounts of impairment loss included in the figures above.
3) The “Accumulated depreciation and amortization” includes accumulated impairment losses.
4) Major items in the “Increase” are as follows.

(Millions of yen)

Buildings	Haneda Airport, Terminal 2: Specific ceiling repair work	360
Tools, furniture and fixtures	Haneda Airport, Terminal 2: ITV equipment camera expansion	577
Construction in progress	Haneda Airport, Terminal 2: Satellite - main building connection construction	7,063

2. Detailed Statements of Reserves

(Millions of yen)

Items	Beginning balance	Increase	Decrease	Ending balance
Allowance for doubtful accounts	31	11	-	43
Provision for bonuses	245	394	245	394
Provision for loss on business of subsidiaries and affiliates	6,382	860	-	7,243

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) 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co. Securities Agent Department, Head Office (Special account) 3-3, Marunouchi 1-chome, 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	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. 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. 1) Shareholder Coupons Each ticket can be used as a 1,000 yen voucher at our designated stores at Haneda Airport, Narita Airport, Kansai Airport, and Chubu Airport. 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) 2) Shareholder Discount Coupons 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, and Chubu Airport. 3) Presentation of VJA gift cards 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: Pursuant to 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 make a 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, 2023 to the filing date of Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter
Business Term (78th) From April 1, 2021 to March 31,2022
Filed with Director-General of the Kanto Local Finance Bureau on June 24, 2022

(2) Internal Control Report and Documents Attached
Filed with Director-General of the Kanto Local Finance Bureau on June 24, 2022

(3) Quarterly Report and Confirmation Letter
Business Term (79th 1st Quarter) From April 1, 2022 to June 30,2022
Filed with Director-General of the Kanto Local Finance Bureau on August 12, 2022

Business Term (79th 2nd Quarter) From July 1, 2022 to September 30,2022
Filed with Director-General of the Kanto Local Finance Bureau on November 11, 2022

Business Term (79th 3rd Quarter) From October 1, 2022 to December 31,2022
Filed with Director-General of the Kanto Local Finance Bureau on February 10, 2023

(4) Extraordinary Report
Filed with Director-General of the Kanto Local Finance Bureau on June 28, 2022
Pursuant to 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, etc. (results of exercise of voting rights at the General Meeting of Shareholders).

(5) Shelf Registration Statement (share certificates, bond certificates, etc.) and Documents Attached
Filed with Director-General of the Kanto Local Finance Bureau on March 30, 2023

(6) Amended Shelf Registration Statement
Filed with Director-General of the Kanto Local Finance Bureau on May 11, 2023

Part II. Information on Guarantors, etc., for the Company

Not applicable.

[English Translation of the Independent Auditor’s Report Originally Issued in the Japanese Language]

Independent Auditor’s Report on the Financial Statements and Internal Control Over Financial Reporting

June 28, 2023

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

Tokuro Onohara
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, 2023, 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, in accordance with 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, 2023, 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.

<table>
<tr><td colspan="2">(Inventory Valuation)</td></tr>
<tr><td>Description of Key Audit Matter</td><td>Auditor’s Response</td></tr>
<tr><td>The Group recognized 4,283 million yen of merchandise and finished goods on the consolidated balance sheets. This amount is net of an inventory write-down of 154 million yen. The amount of the inventory write-down is calculated by multiplying the value of goods in stock by the write-down ratio.
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.
As outlined in the Notes (Significant Accounting Estimates), backlogged goods are identified based on items that have exceeded their storage period in bonded warehouses. Furthermore, for goods with an expiration date, inventory in excess of the estimated sales quantity is also identified as backlog based on the estimated sales quantity for the next consolidated fiscal year. The estimated sales volume is calculated by multiplying the annual sales volume for the current fiscal year by the percentage increase or decrease in the number of international air passengers for the following fiscal year.
The key assumption for the valuation of inventories is the rate of increase or decrease in the number of international air passengers in the next consolidated fiscal year. This is the basis for calculating the estimated sales volume of goods with expiration dates. The rate of increase or decrease in the number of international air passengers is estimated based on the IATA (International Air Transport Association) air demand forecast and in consideration of market trends in Japan. 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 three quarters.
The percentage change in the number of international air passengers in the next consolidated fiscal year is determined by management's judgment, taking into account a rapid recovery trend in the number of international air passengers and an estimated sales volume based on IATA's aviation demand forecast. However, this estimation is subject to uncertainty.
Consequently, we have identified the valuation of inventories as a key audit matter.</td><td>In considering the inventory write-down, we conducted the following audit procedures:
・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. Additionally, for items with a use-by date, the inventory in excess of the estimated sales quantity in the next fiscal year is identified as inventory in arrears based on the estimated sales quantity in the next fiscal year.
・To evaluate the key assumption, the rate of change in international air passenger volume, we considered that the projected recovery in international air passenger volume was developed on the basis of IATA's air passenger volume recovery projections.
・We conducted a review of the underlying assumptions used in estimating the number of international airline passengers. These assumptions were based on IATA's aviation demand forecasts and market trends in Japan. Our objective was to ensure that these assumptions remain valid in light of the current environment surrounding the airline business.
・To ensure that the write-down ratio was properly applied, we conducted a thorough review of the full amount of items to be disposed of as inventory write-downs. We also confirmed that the agreed-upon return values were consistent for items with contractually fixed return values and calculated the write-down ratio based on actual sales value data for the past three quarters. The company recalculated the write-down ratio for those items for which the write-down ratio had been recalculated based on the actual sales value data for the past three quarters.
・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.</td></tr>
</table>

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 are responsible for overseeing the directors' performance of their duties with regard to 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 or 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 with regard to 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 decisions of users of these consolidated financial statements.

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 in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing 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 in order 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, 2023, in accordance with 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, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with 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 in accordance with the ethical requirements that are relevant to our audit of the internal control report 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.

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 in accordance with 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.

In accordance with 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 significance of 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 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 in order to eliminate or reduce obstruction factors.

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 pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Reader of Independent Auditor’s Report:</u>

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.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report on the Financial Statements

June 28, 2023

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

Tokuro Onohara
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, 2023 and for the 79th fiscal year from April 1, 2022 to March 31, 2023, in accordance with 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, 2023, and its financial performance 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 Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with 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 with regard to 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 or 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 decisions of users of these non-consolidated financial statements.

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 in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing 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 in order 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.

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 pursuant to 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

【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 28, 2023
【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, Nihombashi 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 in accordance with the basic framework for internal control set forth 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, 2023 and made this assessment in accordance with 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 assessment, 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 taking into account 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.

With regard to the scope of assessment of internal control over business processes, the Company accumulated business units in descending order of net sales (after eliminating intercompany transactions) for the previous fiscal year, and those business units whose combined net sales amount to approximately two-thirds of net sales 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 net sales, accounts receivables and inventories as accounts closely relating to 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 financial reporting of the Company was effective as of March 31, 2023.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.