May 08, 2015

Financial Report for the Year Ended March 31, 2015 (FY2014) [J-GAAP] (Consolidated)

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Company name: Japan Airport Terminal Co., Ltd.
Listed stock exchange: Tokyo, 1st Section
Code number: 9706
URL: http://www.tokyo-airport-bldg.co.jp/company/en/
Representative: Isao Takashiro, President
Contact: Hiroshi Miyauchi, Managing Director, Senior Vice President, Administration Department TEL 03-5757-8030
Scheduled date of annual general meeting of shareholders: June 26, 2015
Scheduled date of filing securities report: June 26, 2015
Scheduled date of commencing dividend payment: June 29, 2015
Supplementary materials on financial results (yes/no): Yes
Holding of earnings announcement (yes/no): Yes (for institutional investors and financial analysts)

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

1. Consolidated Financial Results for the Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	173,505	17.9	9,888	59.6	11,849	107.0	6,648	123.1
FY2013	147,116	8.1	6,194	48.2	5,723	56.1	2,979	83.4

(Note) Comprehensive income: FY2014 ¥9,483 million (142.3%) FY2013 ¥3,914 million (117.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
FY2014	81.84	81.56	6.3	5.9	5.7
FY2013	36.68	-	3.0	3.1	4.2

(Reference) Equity in earnings (losses) of affiliates: FY2014 ¥1,315 million FY2013 ¥(706) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	218,229	112,530	50.2	1,349.32
As of March 31, 2014	185,358	101,866	54.1	1,235.25

(Reference) Equity capital: As of March 31, 2015 ¥109,603 million As of March 31, 2014 ¥100,339 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2014	19,520	(4,008)	16,251	46,897
FY2013	15,204	(9,660)	(6,574)	15,133

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	Q1-End	Q2-End	Q3-End	Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2013	-	6.00	-	7.00	13.00	1,055	35.4	1.1
FY2014	-	9.00	-	12.00	21.00	1,705	25.7	1.6
FY2015 (Forecast)	-	12.00	-	12.00	24.00		25.7	

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

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

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	91,800	11.5	5,200	3.3	5,900	(4.7)	3,900	(1.0)	48.01
Full-year	190,000	9.5	10,000	1.1	11,300	(4.6)	7,600	14.3	93.56

4. Other Information

(1) Significant changes in subsidiaries during the year under review (changes in specified subsidiaries involving changes in scope of consolidation): None

New: None Excluded: None

(2) Changes in accounting policies, accounting estimates, and restatement of revisions

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(Note) For details, please see “(5) Notes on the Consolidated Financial Statements (Notes on Changes in Accounting Policies)” in “5. Consolidated Financial Statements” of the appendix materials.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the year-end (including treasury stock):

As of March 31, 2015	84,476,500 shares	As of March 31, 2014	84,476,500 shares

2) Number of treasury stock at the year-end:

As of March 31, 2015	3,247,182 shares	As of March 31, 2014	3,246,682 shares

3) Average number of shares outstanding during the period:

Year ended March 31, 2015	81,229,644 shares	Year ended March 31, 2014	81,229,979 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Financial Results for the Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	141,024	19.2	6,826	74.4	7,691	81.9	4,315	83.0
FY2013	118,343	6.9	3,914	60.4	4,229	52.8	2,358	50.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY2014	53.13	52.95
FY2013	29.04	-

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	204,509	96,550	47.2	1,188.62
As of March 31, 2014	174,063	90,701	52.1	1,116.60

(Reference) Equity capital: As of March 31, 2015 ¥96,550 million As of March 31, 2014 ¥90,701 million

2. Forecast of Non-Consolidated Financial Results for the Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

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

	Operating revenues		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	75,400	13.5	4,200	(2.9)	2,700	(14.2)	33.24
Full-year	156,800	11.2	8,200	6.6	5,400	25.1	66.48

* Implementation status of audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this Financial Report, and the audit procedure based on the Financial Instruments and Exchange Act had not been completed as of the release of this Financial Report.

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

1. The forecast of the business results reported herein was prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. The Company makes no guarantee that these figures will be achieved. Actual results may differ significantly from forecasts due to various factors. For matters related to financial forecast mentioned above, please refer to page 2 of the appendix materials “1. Business Results (1) Analysis of Consolidated Business Results”.

2. Earnings announcement is planned to be held on May 15, 2015 for institutional investors and financial analysts. Video of the presentation as well as presentation materials used in the earnings announcement will be promptly posted on the Company's website following the meeting.

Contents of the Appendix Materials

1. Business Results

(1) Analysis of Consolidated Business Results

1) Summary of earnings for the fiscal year ended March 31, 2015

During the fiscal year ended March 31, 2015, the Japanese economy experienced a gradual trend of recovery, as the negative impact caused by the downturn in demand following the consumption tax hike has gradually been diminishing. Looking ahead, improvement in employment and income is likely to continue and various government policies, coupled with declining oil prices, are expected to support economic recovery. Nevertheless, downside risks remain that could weaken the domestic economy, such as an economic downturn in overseas markets.

The airline industry needs to further strengthen its competitiveness for a number of reasons that are transforming our business environment, including 1) increased competition caused by industry liberalization (open skies agreements) and expansion of routes by low-cost carriers (LCCs), 2) ongoing efforts to reform airport management structures aimed at enhancing efficiency by integrating airport land and terminal building operations, 3) the commencement of comprehensive discussions aimed at strengthening functions of metropolitan airports, and 4) the announcement of a plan for improving land access to Haneda Airport, including the construction of a new train line. Passenger volume on domestic flights at Haneda Airport for the current fiscal year increased by 2% from the previous year. As the number of visitors to Japan from overseas exceeded 14 million annually, and Haneda increased its landing slots for international flights, passenger volume on international flights at Haneda Airport rose by more than 40% from the previous year.

Under these circumstances, the Japan Airport Terminal (JAT) Group has endeavored to take advantage of the trend of steadily growing inbound travelers from abroad. At duty-free shops, we aim to expand revenue by improving average purchase prices and purchase rates. In addition, our marketing efforts were successful in attracting travelers from China and Southeast Asian countries, leading to a significant revenue increase at a pace that actually surpassed the growth rate of passenger volume. These conditions significantly contributed to the financial results for the current fiscal year.

FY 2014 was the second year of the medium-term business plan (FY 2013 through FY 2015). Under the plan, we worked on our strategic priorities including: 1) Responding to the internationalization of Haneda Airport, 2) Laying the groundwork to ensure the future of the airport’s operation, 3) Improving the profitability of group businesses and 4) Strengthening human resources and organizational capabilities.

We made efforts to improve the profitability of our group businesses by expanding the operations of duty-free shops, as well as those of facility maintenance and management, in order to take advantage of the expansion of Haneda’s international passenger terminal in line with the increased international flights after March 2014. In September 2014, “Royal Park Hotel THE Haneda” was opened as part of our efforts to better serve our customers’ needs. The hotel is directly connected to airport terminal building and offers some rooms designed specifically for transiting customers. This represents the first case of its type in Japan and it is expected to help improve airport functionality, customer convenience, and our profitability.

As a step toward the future of the airport’s operation, we introduced a new structure involving passenger service facility charges at domestic terminal public areas from April 2014. While these charges were previously paid by the airlines, they are now paid for by airline passengers. This change is intended to create greater transparency with respect to the cost-and-benefit relationship involving the use of the airport facility. Along with this, we are aiming to improve customer convenience to further fulfill our responsibility as an airport facility operator. For example, a transfer facility between the domestic and international terminals was constructed at the airport’s domestic passenger terminal in March 2014 in conjunction with the expansion of international flights at Haneda. Moreover, in July 2014, baggage carts became available for exclusive use in gate lounges located beyond security screening points. Furthermore, a renovation project began at domestic passenger Terminal 1 in February 2015.

With respect to retail facilities, the second outlet of “Isetan Haneda Store (Men)”, whose first shop has been popular among businessmen using Haneda Airport, was opened at Passenger Terminal 2 in June 2014. In addition, to better meet the potential needs of female travelers, “Isetan Haneda Store (Ladies)” was opened in July 2014 at Terminal 1. These efforts helped to revitalize retail business.

As a result, consolidated operating revenues for the current fiscal year totaled ¥173,505 million (up 17.9% from the previous fiscal year), with operating income of ¥9,888 million (up 59.6%), ordinary income of ¥11,849 million (up 107.0%), and net income of ¥6,648 million (up 123.1%).

In recognition of these initiatives, in the Global Airport Ranking conducted by Skytrax in the UK in August 2014, Tokyo International Airport Haneda was awarded 5-Star Airport status, the top quality ranking, for the first time in the history of Japanese airports. Haneda was evaluated to be among the best in the world in terms of the quality of its terminal facilities and services overall. In March 2015, Haneda’s domestic terminals were awarded first place in the World’s Best Domestic Airport category for the third year in a row. In fact, Haneda was rated highly among across various categories, including first place in the World’s Best Airport Security Processing category, second place in the Best Airport Terminal Cleanliness category, and second place in the World’s Best

Airport Staff category. We will work cooperatively as an entire airport to move together in our preparations for the 2020 Tokyo Olympics and Paralympics Games. With the highest priority placed on airport customers, we will ensure the safety of the airport and will provide services that offer exceptional customer convenience, comfort and functionality. Aiming to be the world's best passenger terminal and to earn the long-term trust of customers, we are committed to contributing to the advancement of air transportation.

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

[Facilities Management]

Rent revenue fell from the previous year, due to revised rents for some office tenants at Haneda's domestic passenger terminal and a decline in revenue from properties located outside of the airport.

Revenue from facility user charges surpassed the figure for the previous year primarily because growth in passenger volume boosted facility user charges revenue for domestic terminal facilities.

Other revenues increased significantly from the previous year. This was mainly because of an increase in revenue from outsourcing business at Haneda's international terminal, the addition of revenue from "Royal Park Hotel THE Haneda" which opened in September 2014, and an increase in airport lounge revenue following the growth in passenger volume.

As a result, operating revenues from the facilities management segment increased to ¥50,987 million (up 10.3% from the previous year) and operating income for the segment rose to ¥5,369 million (up 46.9 %) due to the revenue increase and decline in depreciation.

[Merchandise Sales]

Sales at international terminal stores and other (wholesale) revenues rose significantly, because inbound visitors to Japan increased greatly due to the weakening of the Yen and the easing of visa requirements for Southeast Asian countries.

Sales at international terminal stores increased significantly from the previous year. This increase is attributed to the improvement in average purchase prices and purchase rates as well as an increase in the sales of luxury brands as a result of marketing efforts at Narita International Airport and Kansai International Airport targeting inbound travelers from China and Southeast Asian countries.

Other revenues (wholesale) also rose considerably year-on-year due to an increase in the wholesaling of products to stores at Haneda Airport, Narita Airport, Kansai Airport, Central Japan International Airport, as well as to other airports.

Sales at domestic terminal stores exceeded those of the previous year due to the development of new shops, such as the second outlet of "Isetan Haneda Store (Men)" and "Isetan Haneda (Lady)" in the departure gate lounge, despite lower year-on-year growth in passenger volume.

As a result, operating revenues from the merchandise sales segment increased to ¥109,424 million (up 24.1% from the previous year). Operating income for the segment grew to ¥8,835 million (up 35.6%) due to improvements in pricing and gross margins across merchandise including duty-free goods.

[Food and Beverage]

Sales from food and beverage stores increased slightly from the previous year, as a result of growth in passenger volume and the reorganization of shops.

Sales from in-flight meals fell short of levels in the previous year as foreign carrier passenger volume decreased due to their use of smaller aircraft, despite an increase in the number of flights operated by foreign carriers.

Other revenues rose due to an increase in outsourcing business operated in expanded spaces at international passenger terminals.

As a result, operating revenues from the food and beverage segment totaled ¥18,132 million (up 3.1% from the previous year) in spite of difficult business conditions. Operating income for the segment rose to ¥178 million (up 20.8%) due to the effect of the revenue increase and various cost reductions.

We entered into a capital and business alliance agreement with LSG Catering Hong Kong Ltd. ("LSG") in September 2014 aimed at strengthening the catering services of our consolidated subsidiary Cosmo Enterprise Co., Ltd. ("Cosmo Enterprise"), which manufactures and sells in-flight meals. In this transaction, 20% of Cosmo Enterprise's shares owned by Japan Airport Terminal were assigned to LSG.

2) Forecast for the fiscal year ending March 31, 2016

Over the next fiscal year, the Japanese economy is expected to recover gradually for a number of reasons including improvement in employment and income, falling oil prices, and various policy measures. However, the possibility of an economic downturn in overseas markets poses downside risks that could weaken the domestic economy.

In the airline industry, international passenger volume is expected to increase year-on-year, as a result of the ongoing weak Yen, the promotion of inbound tourism, and the increase in flights, including the openings of new routes by LCCs and other airlines. Indeed, the airline industry is undergoing dramatic changes, including industry liberalization (open skies agreements), intensifying competition triggered by the expansion of LCCs, and ongoing efforts to reform airport management structures aimed at promoting efficient operation by integrating airport land and terminal building operations, the commencement of comprehensive discussions aimed at strengthening functions of Tokyo metropolitan airports, and the announcement of a plan for improving land access to Haneda Airport, including a new train line. These changes in our business environments necessitate that our group further strengthen its competitiveness.

Under these conditions, our present expectations for earnings by segment are described below.

Facilities management operations are expected to generate better results than in FY2014 because expected growth in passenger number is forecast to boost revenue from facility user charges as well as from our business at Haneda's international terminal.

Merchandise sales operations are forecast to rise year-on-year driven by the revenue increase resulting from the growing number of inbound travelers visiting Japan.

Food and beverage operations are expected to grow compared to FY2014, reflecting the increase in revenue from in-flight meals despite the negative effect caused by the closure of stores.

Therefore, for consolidated performance in the fiscal year ending March 31, 2016 (FY2015), we forecast operating revenue of ¥190,000 million (up 9.5% year-on-year), operating income of ¥10,000 million (up 1.1%), ordinary income of ¥11,300 million (down 4.6%) due to a decrease in equity in earnings in affiliates, and net income (attributable to owners of the parent) of ¥7,600 million (up 14.3%).

(2) Analysis of Consolidated Financial Position

1) Assets, liabilities and net assets

[Assets]

Current assets increased by ¥37,392 million from the previous fiscal year end to ¥69,480 million. The increase was primarily because cash and deposits increased by ¥31,798 million due to proceeds from issuance of euro yen zero coupon convertible bonds (bonds with stock acquisition rights) and because accounts receivable increased by ¥4,825 million. Fixed assets decreased by ¥4,521 million from the previous fiscal year end to ¥148,748 million, primarily due to a decline in tangible fixed assets by ¥6,728 million resulting from the progress of depreciation, despite an increase in investment securities by ¥4,314 million.

As a result, total assets increased by ¥32,870 million from the previous fiscal year end to ¥218,229 million.

[Liabilities]

Current liabilities increased by ¥6,557 million from the previous fiscal year end to ¥38,029 million, primarily because of an increase in other current liabilities by ¥4,564 million and in accounts payable by ¥1,501 million. Fixed liabilities increased by ¥15,650 million from the previous fiscal year end to ¥67,669 million, primarily because bonds with stock acquisition rights increased by ¥30,148 million resulting from issuance of issuance of euro yen zero coupon convertible bonds (bonds with stock acquisition rights), despite a decrease in long-term loans payable by ¥11,402 million and in net defined benefit liabilities by ¥2,377 million.

As a result, total liabilities increased by ¥22,207 million from the previous fiscal year end to ¥105,699 million.

[Net assets]

Total net assets increased by ¥10,663 million to ¥112,530 million primarily because retained earnings increased by ¥6,413 million and valuation difference on available-for-sale securities increased by ¥2,306 million.

As a result, the equity ratio was 50.2% (compared to 54.1% at the previous fiscal year end).

2) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the current fiscal year end increased by ¥31,763 million compared to the previous fiscal year end to ¥46,897 million.

The following is a summary of cash flows and the factors behind these flows for the current fiscal year.

[Cash flows from operating activities]

Net cash provided by operating activities increased by ¥4,316 million (up 28.4%) from the previous fiscal year to ¥19,520 million.

This was primarily due to an increase in income before income taxes and minority interests, despite an increase in accounts receivable.

[Cash flows from investing activities]

Net cash used in investing activities decreased by ¥5,651 million (down 58.5%) from the previous fiscal year to ¥4,008 million.

This was largely due to a decrease in the purchase of investment securities.

[Cash flows from financing activities]

Net cash provided by financing activities increased by ¥22,826 million from the previous fiscal year to ¥16,251 million, compared to a cash outflow of ¥6,574 million in the previous fiscal year.

This was mainly due to an increase in the proceeds from issuance of bonds with stock acquisition rights, despite repayment of long-term borrowings.

Cash flow indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Equity ratio (%)	50.6	51.7	53.1	54.1	50.2
Equity ratio based on market value (%)	42.1	46.8	54.7	117.5	271.0
Debt to cash flow ratio (years)	5.7	4.3	3.8	3.5	2.1
Interest coverage ratio (times)	11.8	13.9	17.3	15.2	25.7

Equity ratio: equity capital / total assets

Equity ratio based on market value: market capitalization / total assets

Debt to cash flow ratio: interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payment

(Notes)

1. All indicators are calculated using financial figures on a consolidated basis.
2. Market capitalization is calculated by multiplying the final stock price at term end by the number of shares outstanding at term end (after deduction of treasury stock).
3. "Operating cash flow" uses cash flow from operating activities shown in consolidated statements of cash flows. "Interest-bearing debt" refers to all debt posted in consolidated balance sheets for which interest is paid. "Interest payment" refers to the interest paid on consolidated statements of cash flows.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2015 and the Year Ending March 31, 2016

JAT considers distributing profits to shareholders an important issue. We have a basic policy of continuing to pay stable dividends by taking a more aggressive stance toward business and striving to improve earnings, while at the same time securing sufficient retained earnings in light of the possibility of large scale investments, such as the maintenance of the domestic terminal buildings at Haneda Airport.

In light of above-mentioned dividend policy and business results, dividends for the current fiscal year will come to ¥21 per share (of which ¥9 per share has already been paid as an interim dividend).

Regarding dividends for the next fiscal year, the JAT Group expects to pay an annual dividend of ¥24 per share (of which ¥12 per share will be paid as an interim dividend), though the dividend policy will be flexibly examined taking into account various prevailing factors, such as business conditions and results.

(4) Business and Other Risks

Matters that could significantly impact judgment by investors are discussed below.

Among these, those involving future considerations have been identified based on judgments made by the JAT Group as of the end of the current fiscal year.

1) The JAT Group's business base

As a company that constructs, manages and operates Haneda Airport's domestic passenger terminal buildings and other facilities, the JAT Group's core businesses consist of the leasing of office and other spaces, sales of merchandise, operation of food and beverage services, and the provision of travel-related services. We also conduct operational services and wholesale business at Haneda Airport's international passenger terminal building. In addition, we engage in activities like sales of merchandise and the provision of food and beverage services at Narita International Airport, Kansai International Airport, as well as other airports. The JAT Group leases to other parties commercial real estate it owns outside of airports, and we apply experience and expertise that we have accumulated over the years to develop promising new businesses, both inside and outside of airport facilities.

2) Business risks for the JAT Group

The JAT Group has identified the business risks described below. To minimize the business impact of these risks should they materialize, the JAT Group has diversified its revenue base both geographically (among Haneda, Narita International, and other airports) and operationally (among facilities management operations, merchandise sales operations, and food and beverage operations). Moreover, it has strengthened measures to address the possibility of operating expense increases in each of its businesses. Through these and other prudent steps, the JAT Group has endeavored to enhance its core business strengths and boost its overall capabilities.

(i) The JAT Group's core businesses consist of the leasing of offices and other spaces in airport passenger terminal buildings and the operation of merchandise sales, food and beverage services and travel-related services for air travelers. As such, it is highly reliant on the airline companies that are its primary lessees and the air travelers who are its primary customers. Fluctuations in international and domestic passenger volume resulting from international political or economic upheaval, natural disasters, and developments like the emergence of new strains of influenza, and the business results of airline companies, could significantly impact the JAT Group's business results and financial position.

(ii) The JAT Group manages its key business – operation of the domestic and international passenger terminal buildings at Haneda Airport – based on its designation as an Airport Facilities Operator pursuant to provisions of The Airport Act. Therefore, legal or organizational changes concerning terminal building operations and changes in airport management policy by the national government (which oversees airport management) or regulatory authorities, could significantly impact the JAT Group's business results and financial position.

(iii) Aimed at fueling the growth of the air transport industry and revitalizing the Japanese economy, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has developed a growth strategy that consists of three cornerstones: air transport liberalization, promotion of the entry of new carriers (such as LCCs) into the market, and reforms in airport management. Progress has been made toward the reform in airport management, as evidenced by the newly-enacted law for "The operation of state-run airports, etc. by utilizing the management capabilities of the private sector". Therefore, the guidelines to be set forth by the national government and regulatory authorities have the potential to significantly impact the JAT Group's future business results and financial position.

(iv) The JAT Group has constructed and owns two domestic passenger terminal buildings and multilevel parking facilities at Haneda Airport. Within these two buildings, it leases offices as well as other spaces, and operates merchandise sales, food and beverage services, and travel-related services. The JAT Group has endeavored to take all reasonable measures to prevent or respond to disasters, criminal activity, and accidents, to promote the safe and comfortable operation of its terminal buildings. However, despite its best efforts, earthquakes, fires, acts of terror, or other such events resulting in injuries, deaths, or property damage at the airport or terminal buildings could significantly impact the JAT Group's business results and financial position.

(v) The JAT Group operates airport food and beverage services, sells processed and other food products in airport retail stores, and engages in the production and sale of in-flight meals. In pursuing these activities, it pays strict attention to food safety. Damage to the JAT Group's reputation, administrative dispositions, and other such consequences of food poisoning, the inclusion of foreign objects in products, or other quality assurance issues at a dining facility or retail store, for example, could significantly impact the JAT Group's business results and financial position.

(vi) The JAT Group, in order to efficiently and stably secure financing, has entered into syndicated loan agreements with financial institutions. These agreements include financial and other covenants. The violation of these covenants – for example, by a significant lowering of JAT's credit rating following a change in tax regulations or the Group's business environment – could result in the forfeiture of the benefit of time and significantly impact the JAT Group's cash flow, business results, and financial position.

2. Outline of the Business Group

The JAT Group (JAT and its group companies) consists of JAT (Japan Airport Terminal Co., Ltd.), 17 subsidiaries, and 10 affiliated companies. In addition to facilities management operations, including the operation of domestic and international passenger terminals of Haneda Airport and the provision of services to domestic and international users of the airport terminals, the JAT Group conducts merchandise sales operations and food and beverage operations. Furthermore, the JAT Group conducts operations, such as merchandise sales at Narita International Airport, Kansai International Airport, Central Japan International Airport, and Chengdu Shuangliu International Airport (Chengdu, Sichuan province, China).

The following is a description of the position of JAT and its subsidiaries and affiliates within the corporate group and the details of its operations.

Facilities management operations:

JAT and one of its affiliated companies operate domestic and international passenger terminal building facilities at Haneda Airport, including the leasing of the facilities to aviation-related companies (particularly airline companies) and the development and operation of these facilities.

In addition, Japan Airport Techno Co., Ltd., along with three other subsidiaries and six affiliated companies, performs maintenance, operation, security and cleaning of facilities related to airport terminals, passenger transportation, and ground handling operations. Furthermore, BIG WING Co., Ltd. and one other subsidiary provide services, such as advertising agency operations and passenger services, at airport terminals.

Merchandise sales operations:

JAT, International Trade Inc., along with six other subsidiaries and three affiliated companies, conduct merchandise sales operations. These companies carry out retail sales to parties such as airline passengers, particularly those at Haneda Airport (domestic and international), Narita International Airport, and Kansai International Airport. Moreover, they sell wholesale to entities such as companies operating airport terminals, including Central Japan International Airport.

In addition, a JAT subsidiary called Japan Airport Logitem Co., Ltd. conducts operations such as transporting merchandise and managing warehouses.

Furthermore, another JAT subsidiary called as Japan Airport Terminal Trading (Chengdu) Co., Ltd. conducts merchandise sales operations at Chengdu Shuangliu International Airport (Chengdu, Sichuan Province, China).

Food and beverage operations:

JAT, Tokyo Airport Restaurant Co., Ltd., one other subsidiary, and an affiliated company provide food and beverage services to various parties, such as users of Haneda Airport (domestic and international) and Narita International Airport.

Cosmo Enterprise Co., Ltd., one other subsidiary, and one affiliated company produce and sell in-flight meals and frozen foods to airline companies mainly flying international routes through Haneda Airport and Narita International Airport. Another JAT subsidiary, Japan Airport Terminal Trading (Chengdu) Co., Ltd. conducts food and beverage services in China (Chengdu, Sichuan Province).

The following diagram shows the operations discussed above.

<table>
<tr><td colspan="4">Customers</td></tr>
<tr><td colspan="4">Japan Airport Terminal Co., Ltd.</td></tr>
<tr><td></td><td>Facilities management operations</td><td>Merchandise sales operations</td><td>Food and beverage operations</td></tr>
<tr><td rowspan="3">Subsidiary</td><td>Haneda Airport Security Co., Ltd. *1
Haneda Passenger Service Co., Ltd. *1
Japan Airport Ground Handling Co., Ltd. *1
Sakura Co., Ltd. *1</td><td>Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd *1
International Trade Inc. *1
Japan Airport Logitem Co., Ltd. *1
Haneda Airport Enterprise Co., Ltd. *1
Hamashin Co., Ltd. *1
Tsukizi Hamashin Co., Ltd. *2</td><td rowspan="2">Tokyo Airport Restaurant Co., Ltd. *1
Cosmo Enterprise Co., Ltd. *1
CTT Co., Ltd. *1
Kaikan Development Co., Ltd. *1</td></tr>
<tr><td colspan="2">BIG WING Co., Ltd. *1
Japan Airport Techno Co., Ltd. *1</td></tr>
<tr><td></td><td colspan="2">Japan Airport Terminal Trading (Chengdu) Co., Ltd. *1</td></tr>
<tr><td rowspan="2">Affiliated company</td><td>Airport Transport Service Co., Ltd. *3
Narita Airport Techno Corporation *3
Tokyo City Air Terminal Co., Ltd. *4
Seikousha Inc. *4
Kanto Kowa Co., Ltd. *4
SK Clean Service Co., Ltd. *4</td><td>Japan Trade Culture Inc. *4
Gran' Bird Co., Ltd. *4</td><td>Japan Airport Delica Inc. *3</td></tr>
<tr><td colspan="3">Tokyo International Air Terminal Corporation *3</td></tr>
</table>

*1. Consolidated subsidiary: 16 companies
Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd. was established during the current fiscal year.
*2. Non-consolidated subsidiary that is not accounted for using the equity method: one company
*3. Affiliated company that is accounted for using the equity method: 4 companies
*4. Affiliated company that is not accounted for using the equity method: 6 companies

3. Management Policy

(1) Basic Management Policy

The JAT Group has a basic management philosophy to achieve harmony between society and business as a corporate group that constructs and manages domestic passenger terminals and other facilities at Haneda Airport, the base of the domestic air transportation network.

Under this basic philosophy, the JAT Group is committed to fulfill its social responsibilities by ensuring safety at terminals and operating customer-oriented terminals in a stable and efficient manner.

In order to continue to enhance corporate value, the JAT Group strives to improve the convenience, comfort, and functionality of terminals through the implementation and management of strategically important investments and by responding appropriately to increasingly sophisticated and diversified customer needs. As a basic management policy, we work to create value for stakeholders, including airline companies, airport users, business partners, and shareholders.

JAT has been designated as an Airport Facilities Operator under *The Airport Act*. To fulfill its responsibilities, JAT will take comprehensive measures to fully realize its basic management philosophy.

(2) Key Performance Indicator

In order to maximize the return on capital and thoroughly adopt management policies aimed at increasing shareholder value, the JAT Group formulated a medium-term business plan. Under this plan, we will takes necessary measures in facility development, revenue expansion, efficiency promotion, and other measures to secure appropriate levels of earnings. Moreover, we aim to improve the Group’s performance measured in terms of return on assets (ROA) and return on equity (ROE), which we consider key performance indicators. Furthermore, we will continue with efforts to maintain financial soundness by keeping our equity ratio above 50% through prudent management of borrowings and other liabilities.

(3) Mid- and Long-Term Business Plan and Issues which the Company Needs to Address

Under the medium-term business plan, JAT Group is working on our strategic priorities including: 1) Responding to the internationalization of Haneda Airport, 2) Laying the groundwork to ensure the future of the airport’s operation, 3) Improving the profitability of group businesses and 4) Strengthening human resources and organizational capabilities.

In the airline industry, business environments surrounding our company are drastically changing. Such changes include the intensifying of competition caused by the liberalization of airline markets (Open Skies agreements) and the introduction of new LCC routes, the ongoing efforts to enhance the efficiency of airport management by integrating airport land and terminal building operations, and policies aimed at achieving 20 million inbound travelers in 2020. Moreover, discussions are underway over specific measures to strengthen the functions of Tokyo’s metropolitan airports, to increase landing slots in order to meet the anticipated demand by the 2020 Tokyo Olympic and Paralympic Games, and to further improve land access to Haneda Airport.

Under these circumstances, in FY 2015, the last year under the medium-term business plan, our objective is “to achieve target profit margins while investing in capital expenditures that are needed in keeping with the internationalization of Haneda Airport”.

In the medium to long term, JAT Group will leverage our sixty-year-long experience and knowhow in managing airport terminals to prepare for the Tokyo Olympic and Paralympic Games that will be held in five years. Starting this year, we will manage and implement capital expenditure projects including the renovation of existing domestic terminals, as well as enhance our hospitality service and roll out multi language programs. Furthermore, we will work in close collaboration with airline companies to enhance the attractiveness of terminal buildings. We aim to strengthen the hub functions of Haneda Airport by contributing to regional revitalization and collaboration between air transport and sightseeing with a view toward making Japan a more tourism-oriented country. With the prospect of further internationalizing Haneda Airport in line with increasing landing slots, we will contribute to enhancing the function of metropolitan airports by striving to continuously upgrade Haneda Airport, including potential projects for developing neighboring lands.

In the duty-free shops business, as part of our efforts to make our nation a more tourism-oriented country, we leveraged our expertise to establish a new company to develop duty-free business in city central locations in addition to existing airport shops. The new company has proceeded with preparations for new shops that will cooperate with the airport. This company will encourage the consumption of Japanese and non-Japanese customers flying outbound from airports and enhance their convenience, thereby expanding our non-airline revenue. Furthermore, to ensure the future success of the airport’s operation, we plan to establish a new scheme to help us generate stable revenue from airport operations. To do so, we will endeavor to utilize our knowhow to develop new business at airports other than Haneda including our participation in the business activities of overseas airports.

To support these projects, we aim to improve the operational efficiency of our existing businesses and to strengthen our human resources and organizational capabilities with a view toward enhancing JAT Group's corporate value. In the meantime, we will implement specific plans under the medium-term business plan, thereby steadily adapting to changes in business environments.

In the Global Airport Ranking conducted by UK-based Skytrax, Haneda was recognized for meeting the world's top standard in terms of the quality of its terminal facilities and services overall. Its earning of the 5-Star Airport status is an historic achievement because this represents the first time for an airport in Japan to receive 5-star rating. It is also noteworthy that, for the past three consecutive years, Haneda's domestic terminals were awarded first place in the World's Best Domestic Airport category. In order to maintain our customers' trust and their desire to return, we will endeavor to place airport users first and ensure that our terminals offer superior convenience, comfort and functionality both in terms of facilities and services.

4. Basic approach on selection of accounting standards

To secure comparability between companies and between fiscal years, the Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Finance Ministry Ordinance No. 28 of 1976), excluding Chapter 7 and Chapter 8. The Group will appropriately consider application of international accounting standards taking into consideration of conditions in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
ASSETS		
Current assets		
Cash and deposits	15,175	46,974
Accounts receivable	9,558	14,383
Merchandise and finished products	4,369	5,485
Raw materials and stored goods	108	122
Deferred tax assets	1,003	1,158
Other current assets	1,885	1,529
Allowance for doubtful accounts	(12)	(174)
Total current assets	32,088	69,480
Fixed assets		
Tangible fixed assets		
Buildings and structures	272,769	272,828
Accumulated depreciation and impairment loss	(174,638)	(181,513)
Buildings and structures (net)	98,131	91,314
Machinery, equipment and vehicles	10,136	10,417
Accumulated depreciation and impairment loss	(8,417)	(8,567)
Machinery, equipment and vehicles (net)	1,719	1,849
Land	10,466	10,466
Lease assets	2,930	2,938
Accumulated depreciation and impairment loss	(1,502)	(1,966)
Lease assets (net)	1,428	971
Construction in progress	3	203
Other tangible fixed assets	25,906	26,734
Accumulated depreciation and impairment loss	(21,472)	(22,086)
Other tangible fixed assets (net)	4,433	4,647
Total tangible fixed assets	116,182	109,453
Intangible fixed assets	1,949	1,416
Investments and other assets		
Investment securities	18,680	22,994
Long-term loans receivable	6,664	6,664
Deferred tax assets	7,595	5,290
Net defined benefit assets	—	197
Other investments	2,197	2,731
Total investments and other assets	35,137	37,878
Total fixed assets	153,270	148,748
TOTAL ASSETS	185,358	218,229

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
LIABILITIES		
Current liabilities		
Accounts payable	5,737	7,238
Short-term loans payable	12,272	11,402
Income taxes payable	2,010	3,233
Allowance for employees' bonuses	1,052	1,165
Allowance for directors' bonuses	170	196
Other current liabilities	10,229	14,793
Total current liabilities	31,472	38,029
Fixed liabilities		
Bonds with stock acquisition rights	—	30,148
Long-term loans payable	39,730	28,328
Lease obligations	1,216	655
Net defined benefit liabilities	6,786	4,409
Asset retirement obligations	449	456
Other fixed liabilities	3,836	3,672
Total fixed liabilities	52,019	67,669
TOTAL LIABILITIES	83,492	105,699
NET ASSETS		
Shareholders' equity		
Common stock	17,489	17,489
Capital surplus	21,309	21,309
Retained earnings	66,839	73,252
Treasury stock	(3,240)	(3,242)
Total shareholders' equity	102,397	108,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,099	4,405
Deferred gains or losses on hedges	(2,626)	(2,816)
Foreign currency translation adjustment	51	56
Remeasurements of defined benefit plans	(1,583)	(850)
Total accumulated other comprehensive income	(2,058)	795
Minority interests	1,527	2,926
TOTAL NET ASSETS	101,866	112,530
TOTAL LIABILITIES AND NET ASSETS	185,358	218,229

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

Consolidated Statements of Income

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Operating revenues		
Rent revenue	13,355	12,895
Facility user charges revenue	16,487	17,917
Other revenues	15,038	19,534
Sale of merchandise	87,462	108,750
Sale of food and beverage	14,772	14,406
Total operating revenues	147,116	173,505
Cost of sales		
Cost of sales of merchandise	64,979	80,746
Cost of sales of food and beverage	9,110	9,210
Total cost of sales	74,090	89,956
Gross profit	73,026	83,548
Selling, general and administrative expenses		
Salaries and wages	8,021	8,408
Provision for employees' bonuses	989	1,103
Provision for directors' bonuses	170	196
Expenses for retirement benefits	971	990
Rent expenses	9,083	10,342
Outsourcing and commission	13,920	17,626
Depreciation expenses	12,680	11,872
Other costs and expenses	20,992	23,119
Total selling, general and administrative expenses	66,831	73,659
Operating income	6,194	9,888
Non-operating income		
Interest income	360	520
Dividends income	212	200
Contributions in aid of construction	0	326
Amortization of negative goodwill	122	—
Equity in gains of affiliates	—	1,315
Miscellaneous income	619	615
Total non-operating income	1,315	2,979
Non-operating expenses		
Interest expenses	896	746
Equity in losses of affiliates	706	—
Bond issuance costs	—	136
Miscellaneous expenses	184	135
Total non-operating expenses	1,786	1,018
Ordinary income	5,723	11,849

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Extraordinary gains		
Gain on sales of fixed assets	90	—
Government subsidy	89	—
Total extraordinary gains	180	—
Extraordinary loss		
Loss on sales of shares of subsidiaries and associates	—	22
Impairment loss	87	—
Loss on reduction entry of fixed assets	88	—
Loss on retirement of fixed assets	42	307
Other extraordinary loss	16	—
Total extraordinary loss	235	330
Income before income taxes and minority interests	5,668	11,519
Income taxes – current	2,905	4,576
Income taxes – deferred	(242)	299
Total income taxes	2,662	4,875
Income before minority interests	3,005	6,643
Minority interests income (loss)	25	(4)
Net income	2,979	6,648

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Income before minority interests	3,005	6,643
Other comprehensive income		
Valuation difference on available-for-sale securities	431	2,319
Foreign currency translation adjustment	31	5
Remeasurements of defined benefit plans	—	686
Share of other comprehensive income of associates accounted for using equity method	446	(171)
Total other comprehensive income	909	2,840
Comprehensive income	3,914	9,483
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	3,886	9,496
Comprehensive income attributable to minority interests	27	(12)

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2013 (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	17,489	21,309	64,874	(3,239)	100,434
Cumulative effects of changes in accounting policies					-
Restated balance	17,489	21,309	64,874	(3,239)	100,434
Changes during current period					
Dividend from retained earnings			(1,015)		(1,015)
Net income			2,979		2,979
Purchase of treasury stock				(0)	(0)
Changes of items other than shareholders' equity during current period (net)					
Total changes during current period	―	―	1,964	(0)	1,963
Balance at the end of current period	17,489	21,309	66,839	(3,240)	102,397

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	1,670	(3,073)	20	―	(1,382)
Cumulative effects of changes in accounting policies					
Restated balance	1,670	(3,073)	20	―	(1,382)
Changes during current period					
Dividend from retained earnings					
Net income					
Purchase of treasury stock					
Changes of items other than shareholders' equity during current period (net)	428	446	31	(1,583)	(676)
Total changes during current period	428	446	31	(1,583)	(676)
Balance at the end of current period	2,099	(2,626)	51	(1,583)	(2,058)

	Minority interests	Total net assets
Balance at the beginning of current period	1,581	100,633
Cumulative effects of changes in accounting policies		-
Restated balance	1,581	100,633
Changes during current period		
Dividend from retained earnings		(1,015)
Net income		2,979
Purchase of treasury stock		(0)
Changes of items other than shareholders' equity during current period (net)	(53)	(730)
Total changes during current period	(53)	1,233
Balance at the end of current period	1,527	101,866

FY2014 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	17,489	21,309	66,839	(3,240)	102,397
Cumulative effects of changes in accounting policies			1,065		1,065
Restated balance	17,489	21,309	67,904	(3,240)	103,462
Changes during current period					
Dividend from retained earnings			(1,299)		(1,299)
Net income			6,648		6,648
Purchase of treasury stock				(2)	(2)
Changes of items other than shareholders' equity during current period (net)					
Total changes during current period	―	―	5,348	(2)	5,346
Balance at the end of current period	17,489	21,309	73,252	(3,242)	108,808

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	2,099	(2,626)	51	(1,583)	(2,058)
Cumulative effects of changes in accounting policies					
Restated balance	2,099	(2,626)	51	(1,583)	(2,058)
Changes during current period					
Dividend from retained earnings					
Net income					
Purchase of treasury stock					
Changes of items other than shareholders' equity during current period (net)	2,306	(190)	5	732	2,853
Total changes during current period	2,306	(190)	5	732	2,853
Balance at the end of current period	4,405	(2,816)	56	(850)	795

	Minority interests	Total net assets
Balance at the beginning of current period	1,527	101,866
Cumulative effects of changes in accounting policies	96	1,161
Restated balance	1,624	103,028
Changes during current period		
Dividend from retained earnings		(1,299)
Net income		6,648
Purchase of treasury stock		(2)
Changes of items other than shareholders' equity during current period (net)	1,301	4,155
Total changes during current period	1,301	9,501
Balance at the end of current period	2,926	112,530

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	5,668	11,519
Depreciation and amortization	12,747	11,954
Impairment loss	87	—
Amortization of negative goodwill	(122)	—
Increase (decrease) in allowance for employees' bonuses	155	113
Increase (decrease) in allowance for directors' bonuses	18	25
Increase (decrease) in net defined benefit liabilities	4,679	329
Decrease (increase) in net defined benefit assets	—	(96)
Increase (decrease) in allowance for employees' retirement benefits	(4,770)	—
Interest and dividends income	(572)	(721)
Interest expenses	896	746
Bond issuance costs	—	136
Equity in losses (earnings) of affiliates	706	(1,315)
Loss (gain) on sales of shares of subsidiaries and associates	—	22
Loss on retirement of tangible fixed assets	42	307
Loss (gain) on sales of tangible fixed assets	(90)	(2)
Government subsidy	(89)	—
Loss on reduction entry of fixed assets	88	—
Decrease (increase) in accounts receivable – trade	(28)	(4,825)
Decrease (increase) in inventories	(178)	(1,128)
Decrease (increase) in other current assets	(138)	409
Increase (decrease) in accounts payable - trade	674	1,501
Increase (decrease) in other current liabilities	(1,122)	3,997
Increase (decrease) in other fixed liabilities	(306)	(109)
Others	119	(87)
Subtotal	18,463	22,774
Interest and dividends received	528	800
Interest paid	(1,000)	(760)
Income and other taxes paid	(2,787)	(3,294)
Net cash provided by (used in) operating activities	15,204	19,520
Cash flows from investing activities		
Payments into time deposits	(26)	(34)
Purchase of investment securities	(5,329)	(63)
Purchase of tangible fixed assets	(4,074)	(3,677)
Proceeds from sales of shares of subsidiaries and associates	—	786
Proceeds from sales of tangible fixed assets	102	4
Purchase of intangible fixed assets	(338)	(281)
Purchase of long-term prepaid expenses	(32)	(545)
Payments of long-term loans receivable	(2)	(1)
Proceeds from government subsidy	89	—
Other payments	(94)	(318)
Other proceeds	36	120
Others	7	3
Net cash provided by (used in) investing activities	(9,660)	(4,008)

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Cash flows from financing activities		
Proceeds from long-term loans payable	7,300	—
Repayment of long-term loans payable	(12,104)	(12,272)
Proceeds from issuance of bonds with stock acquisition rights	—	30,013
Repayments of lease obligations	(725)	(698)
Proceeds from stock issuance to minority shareholders	—	539
Dividends paid by parent company	(1,015)	(1,299)
Dividends paid to minority shareholders	(28)	(28)
Others	(0)	(2)
Net cash provided by (used in) financing activities	(6,574)	16,251
Effect of exchange rate change on cash and cash equivalents	12	(0)
Increase (decrease) in cash and cash equivalents	(1,017)	31,763
Cash and cash equivalents at the beginning of period	16,151	15,133
Cash and cash equivalents at the end of period	15,133	46,897

(5) Notes on the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

There is nothing to report.

(Notes on Changes in Accounting Policies)

(Application of accounting standard for retirement benefits)

From the current fiscal year, the Company has applied the main clauses of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter "Retirement Benefits Guidance"). With this application, the Company has reviewed the calculation methods of retirement benefit obligation and service cost. The method of calculating the portion of expected benefits attributed to periods was changed from the straight-line basis to the benefit formula basis. The method of determining the discount rates was changed from the method based on the number of years approximate to the employees' average remaining service periods to the method using the single weighted-average discount rate that reflects the estimated period and amount of benefit payment in each period.

With the application of the Retirement Benefits Accounting Standard, the Company has followed the transitional treatment set forth in Paragraph 37 of the Retirement Benefits Accounting Standard. The amount of financial impact resulting from the change in calculation methods of retirement benefit obligation and service cost were added to or deducted from retained earnings as of April 1, 2014.

As a result of the change, as of the beginning of the current fiscal year, net defined benefit asset increased by ¥68 million, net defined benefit liability decreased by ¥1,615 million and retained earnings increased by ¥1,065 million. In addition, the financial impact of this change on operating income, ordinary income and income before income taxes and minority interests for the current fiscal year was immaterial.

(Notes on Changes in Presentation)

(Consolidated Statements of Income)

"Contributions in aid of construction", which was included in "Miscellaneous income" under "Non-operating income" in the previous fiscal year, is now recorded as separate item in the current fiscal year because "Contributions in aid of construction" now accounts for 10% or more than total of non-operating income. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥620 million recorded as "Miscellaneous income" under "Non-operating income" in the consolidated statements of income of the previous fiscal year has been reclassified as ¥0 million of "Contributions in aid of construction" and ¥619 million of "Miscellaneous income".

(Notes on Consolidated Balance Sheets)

1. Assets pledged as collateral and corresponding liabilities with collateral

The following are assets pledged as collateral.

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Buildings and structures	80,798	75,072
Land	53	53
Total	80,852	75,125

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

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Short-term loans payable	9,664	8,364
Long-term loans payable	26,130	17,766
Total	35,794	26,130

2. The following items are related to non-consolidated subsidiaries and affiliated companies.

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Investment securities (shares)	2,882	3,885
Investment securities (corporate bonds)	6,660	6,660

3. Liabilities guaranteed

The Company provides a guarantee to the following group company for its borrowing from financial institutions.

(Millions of yen)

FY2013 (As of March 31, 2014)		FY2014 (As of March 31, 2015)	
Japan Airport Delica Inc. (borrowing)	548	Japan Airport Delica Inc. (borrowing)	468

4. Amount of reduction entry

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

(Millions of yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Buildings and structures	88	88

(Notes on Consolidated Statements of Income)

1. Impairment loss

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

FY2013 (from April 1, 2013 to March 31, 2014)

Location	Use	Type	Impairment loss
Shibuya-ku, Tokyo	Store (Merchandise sales)	Buildings and structures, and others	26 million yen
Sichuan Province, China	Store (Food and beverage, and merchandise sales)	Buildings and structures, and others	61 million yen

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

By examining impairment for fixed assets based on the groupings, the business assets owned by the Company and a consolidated subsidiary whose profitability declined were identified. The carrying amount of those assets was reduced to the recoverable value and the reduced amount was recognized as impairment loss. The loss consists of ¥62 million for buildings and structures, and ¥24 million for others.

FY2014 (from April 1, 2014 to March 31, 2015)

There is nothing to report.

2. Gain on sales of fixed assets

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Land	90	—

3. Loss on retirement of fixed assets

(Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Buildings and structures	30	300
Machinery, equipment and vehicles	9	—
Others	2	6
Total	42	307

(Notes on Consolidated Statements of Comprehensive Income)

1. Amount of reclassification adjustment involved in other comprehensive income (Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	654	3,260
Reclassification adjustment	-	-
Total	654	3,260
Foreign currency translation adjustment		
Amount arising during the fiscal year	31	5
Reclassification adjustment	-	-
Total	31	5
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	-	743
Reclassification adjustment	-	384
Total	-	1,128
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during the fiscal year	446	(171)
Reclassification adjustment	-	-
Total	446	(171)
Pre-adjustment of tax effect	1,132	4,222
Tax effect amount	(223)	(1,382)
Total other comprehensive income	909	2,840

2. Amount of tax effect involved in other comprehensive income (Millions of yen)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Valuation difference on available-for-sale securities		
Pre-adjustment of tax effect	654	3,260
Tax effect amount	(223)	(940)
Net-of-tax	431	2,319
Foreign currency translation adjustment		
Pre-adjustment of tax effect	31	5
Tax effect amount	-	-
Net-of-tax	31	5
Remeasurements of defined benefit plans		
Pre-adjustment of tax effect	-	1,128
Tax effect amount	-	(442)
Net-of-tax	-	686
Share of other comprehensive income of associates accounted for using equity method		
Pre-adjustment of tax effect	446	(171)
Tax effect amount	-	-
Net-of-tax	446	(171)
Total other comprehensive income		
Pre-adjustment of tax effect	1,132	4,222
Tax effect amount	(223)	(1,382)
Net-of-tax	909	2,840

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

FY2013 (from April 1, 2013 to March 31, 2014)

1. Type and total number of shares outstanding, and type and number of treasury stock

	Number of shares at the beginning of the fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the fiscal year end
Shares outstanding				
Common stock	84,476,500	—	—	84,476,500
Total	84,476,500	—	—	84,476,500
Treasury stock				
Common stock (Note)	3,246,167	515	—	3,246,682
Total	3,246,167	515	—	3,246,682

Note: 515 shares of increase in common treasury stock resulted from the purchase of odd lot shares.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 27, 2013 Ordinary General Meeting of Shareholders	Common stock	527	6.5	March 31, 2013	June 28, 2013
November 6, 2013 Board of Directors Meeting	Common stock	487	6.0	September 30, 2013	December 9, 2013

(2) Dividends for which the record date came during FY2013, but for which the effective date will come after said period

Resolution	Type of stock	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 27, 2014 Ordinary General Meeting of Shareholders	Common stock	568	Retained earnings	7.0	March 31, 2014	June 30, 2014

FY2014 (from April 1, 2014 to March 31, 2015)

1. Type and total number of shares outstanding, and type and number of treasury stock

	Number of shares at the beginning of the fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the fiscal year end
Shares outstanding				
Common stock	84,476,500	－	－	84,476,500
Total	84,476,500	－	－	84,476,500
Treasury stock				
Common stock(Note)	3,246,682	500	－	3,247,182
Total	3,246,682	500	－	3,247,182

Note: 500 shares of increase in common treasury stock resulted from the purchase of odd lot shares.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 27, 2014 Ordinary General Meeting of Shareholders	Common stock	568	7.0	March 31, 2014	June 30, 2014
November 5, 2014 Board of Directors Meeting	Common stock	731	9.0	September 30, 2014	December 8, 2014

(2) Dividends for which the record date came during FY2014, but for which the effective date will come after said period

The following resolution is planned to be made.

Resolution	Type of stock	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 26, 2015 Ordinary General Meeting of Shareholders	Common stock	974	Retained earnings	12.0	March 31, 2015	June 29, 2015

(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)

	FY2013 (from April 1, 2013 to March 31, 2014)	FY2014 (from April 1, 2014 to March 31, 2015)
Cash and deposits	15,175	46,974
Time deposits with a maturity greater than 3 months	(42)	(76)
Cash and cash equivalents	15,133	46,897

(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 in order to decide how to allocate management resources and evaluate their performances.

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

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

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

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

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

Segment income (loss) is based on operating income (loss).

Intersegment sales and transfers are based on prevailing market price.

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

FY2013 (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments				Adjustments	Consolidated financial statements
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	44,115	87,505	15,496	147,116	-	147,116
Intersegment sales and transfers	2,112	645	2,088	4,846	(4,846)	-
Total	46,228	88,150	17,584	151,963	(4,846)	147,116
Segment income (loss)	3,656	6,515	147	10,318	(4,124)	6,194
Segment assets	112,872	23,633	13,450	149,956	35,402	185,358
Other items						
Depreciation and amortization	10,703	1,108	486	12,297	450	12,747
Increase in tangible fixed assets and intangible fixed assets	5,447	314	208	5,970	241	6,212

FY2014 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segments				Adjustments	Consolidated financial statements
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	49,036	108,751	15,717	173,505	-	173,505
Intersegment sales and transfers	1,951	672	2,415	5,039	(5,039)	-
Total	50,987	109,424	18,132	178,544	(5,039)	173,505
Segment income (loss)	5,369	8,835	178	14,383	(4,495)	9,888
Segment assets	109,333	29,388	13,183	151,904	66,325	218,229
Other items						
Depreciation and amortization	10,005	1,092	456	11,554	400	11,954
Increase in tangible fixed assets and intangible fixed assets	3,540	1,040	340	4,921	112	5,034