May 11, 2016

Financial Report for the Year Ended March 31, 2016 (FY2015) [J-GAAP] (Consolidated)

This document has been translated from the Japanese original, for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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: Yasuhide Yonemoto, Senior Managing Director
TEL 03-5757-8030

Scheduled date of annual general meeting of shareholders: June 29, 2016
Scheduled date of filing securities report: June 29, 2016
Scheduled date of commencing dividend payment: June 30, 2016
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, 2016 (April 1, 2015 to March 31, 2016)

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

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	204,134	17.7	11,302	14.3	13,654	15.2	8,870	33.4
FY2014	173,505	17.9	9,888	59.6	11,849	107.0	6,648	123.1

(Note) Comprehensive income: FY2015 ¥8,110 million (-14.5%) FY2014 ¥9,483 million (142.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
FY2015	109.20	104.21	7.9	6.2	5.5
FY2014	81.84	81.56	6.3	5.9	5.7

(Reference) Equity in earnings of affiliates: FY2015 ¥1,529 million FY2014 ¥1,315 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, 2016	222,542	118,394	52.1	1,427.66
As of March 31, 2015	218,229	112,530	50.2	1,349.32

(Reference) Equity capital: As of March 31, 2016 ¥115,967 million As of March 31, 2015 ¥109,603 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
FY2015	15,235	(7,810)	(10,759)	43,565
FY2014	19,520	(4,008)	16,251	46,897

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	%	%
FY2014	-	9.00	-	12.00	21.00	1,705	25.7	1.6
FY2015	-	15.00	-	18.00	33.00	2,680	30.2	2.4
FY2016 (Forecast)	-	18.00	-	18.00	36.00		26.3	

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(%: 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	107,400	7.3	6,300	(4.2)	7,800	0.9	5,600	6.1	68.94
Full-year	221,000	8.3	12,900	14.1	15,600	14.2	11,100	25.1	136.65

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, 2016	84,476,500 shares	As of March 31, 2015	84,476,500 shares

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

As of March 31, 2016	3,247,422 shares	As of March 31, 2015	3,247,182 shares

3) Average number of shares outstanding during the period:

Year ended March 31, 2016	81,229,164 shares	Year ended March 31, 2015	81,229,644 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Financial Results for the Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	%
FY2015	165,564	17.4	8,532	25.0	9,538	24.0	4,703	9.0
FY2014	141,024	19.2	6,826	74.4	7,691	81.9	4,315	83.0

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015	57.90	55.16
FY2014	53.13	52.95

(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, 2016	201,488	99,553	49.4	1,225.59
As of March 31, 2015	204,509	96,550	47.2	1,188.62

(Reference) Equity capital: As of March 31, 2016 ¥99,553 million As of March 31, 2015 ¥96,550 million

2. Forecast of Non-Consolidated Financial Results for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(%: 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	84,100	4.0	4,500	(11.9)	3,100	(9.2)	38.16
Full-year	173,900	5.0	9,500	(0.4)	6,500	38.2	80.02

* 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 18, 2016 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 and Financial Position

(1) Analysis of Consolidated Business Results

1) Summary of earnings for the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016 (FY2015), the Japanese economy experienced a gradual trend of recovery despite some weakness observed. Looking ahead, continuing improvement in employment and income, coupled with various government policies, is expected to support moderate economic recovery. Nevertheless, with signs of weakness seen in overseas economies, the prospect of economic downturns in overseas markets, such as Asian emerging countries including China and natural resource-rich countries, poses a risk that could spill over and weaken the Japanese domestic economy.

The airline industry needs to further strengthen its competitiveness for a number of reasons that are transforming our business environment, including increased competition caused by industry liberalization (open skies agreements) and expansion of routes by low-cost carriers (LCCs), reform of airport management structures aimed at enhancing efficiency by integrating airport land and terminal building operations, and movements aimed at strengthening functions of metropolitan airports. Furthermore, in March 2016, the Japanese government revised upward its target for annual inbound tourists to Japan in 2020 from its previous target of 20 million, which was almost achieved in 2015, to 40 million in order to meet the new challenge of a tourism-oriented developed nation.

A review of passenger volume during FY2015 shows that passengers on domestic flights at Haneda Airport were nearly the same level with those of the previous year. However, passenger volume on international flights significantly rose year-on-year at Haneda Airport, Narita International Airport, and Kansai International Airport since these airports continued to see their record high monthly volume of inbound passengers. In particular, March 2016 alone reached a record high of 2 million inbound tourists.

Under these circumstances, in FY 2015, the last year of the medium-term business plan (FY 2013 through FY 2015), the Japan Airport Terminal (JAT) Group has 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.

In duty-free business, we have been successful in marketing efforts designed to take advantage of a growing number of travelers visiting Japan from abroad, particularly from China and Southeast Asian countries, which significantly contributed to financial results for FY2015. In addition, to create a new market, on January 27, 2016, we opened an airport-style in-city duty-free shop (Japan Duty Free GINZA) on the eighth floor of the Mitsukoshi Ginza department store. In the latter half of the fiscal year, the so-called "buying spree" phenomenon has been settling down and revenue at our airport-style duty-free shop has fallen short of its target. We believe, however, that consumption by international visitors to Japan, in the duty-free market in particular, will expand further in line with the growth of inbound tourists in the mid- to the long-term.

At Haneda's domestic terminal, "Mercedes me Tokyo HANEDA", complete with restaurant, café and lounge, opened at Terminal 2 in July 2015, which is designed to promote its brand information as the first model of this kind in Asia. Also, through the renovation of "Tokyo Food Products", previous face-to-face shops were changed into ones that allow customers to take products in their hands, in order to improve customer convenience as well as our profitability.

Moreover, various renovations at the domestic passenger terminals have been conducted to enhance customer convenience, comfort and functionality of the airport, including new escalators leading to a terrace (South and North) on the 3rd floor of Terminal 1, improvements in signage aimed at better meeting the needs of international customers, introduction of step-less passenger boarding bridges (PBB) at Terminal 1 as well as the opening of a multi-purpose restroom equipped with a dressing room, nursing room, and toilets for children.

Furthermore, we have made progress in applying next-generation robots in an effort to introduce Japanese technology and also to provide superior services that offer safety, security and convenience to airport users. Keeping the future of the airport's operation in mind, we will continue to work to create new value and improve the quality of convenience for customers by carrying out research and development involving new robots aimed at labor-saving and further sophistication of the airport facilities.

As a result, consolidated operating revenues for FY2015 totaled ¥204,134 million (up 17.7% from the previous fiscal year), with operating income of ¥11,302 million (up 14.3%), ordinary income of ¥13,654 million (up 15.2%), and net income attributable to owners of the parent of ¥8,870 million (up 33.4%).

In 2015 which marked the 60th anniversary of Haneda Airport's passenger terminal, we had the honor of being recognized as meeting the global best standard and earning 5-Star Airport status in the Global Airport Ranking conducted by Skytrax in the UK for the second year in a row. Haneda Airport terminals were awarded first place both in the World's Best Domestic Airport category and in the World's Best Airport Cleanliness category in March 2016. In a bid to further enhance our reputation, 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]

Rental revenue rose slightly from the previous year due to an increase in general rent spaces.

Revenue from facility user charges fell slightly from the previous year because a slight decline in domestic passenger volume caused a fall in user charges revenue for domestic terminal facilities.

Other revenues increased significantly from the previous year because of an increase in revenue from outsourcing business at Haneda's international terminal and the increase of revenue from "Royal Park Hotel THE Haneda" which opened in September 2014.

As a result, operating revenues from facilities management operations increased to ¥54,887 million (up 7.6% year-on-year). Operating income for the segment rose to ¥6,135 million (up 14.3% year-on-year) due to revenue growth and decline of depreciation expenses.

[Merchandise Sales]

Significant year-on-year growth in inbound visitors to Japan due to the weakening of the Yen and the easing of visa requirements for Southeast Asian countries boosted full-year sales at international terminal stores and other (wholesale) revenues, although the so-called "buying spree" phenomenon showed signs of weakening in the latter half of the year.

Sales at international terminal stores increased significantly from the previous year primarily because of an increase in the sales of luxury brands as a result of marketing efforts targeting inbound travelers from China, Southeast Asia, and other 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 slightly surpassed those of the previous year due to an increase in revenue from two shops of "Isetan Haneda Store" that opened in the previous fiscal year, even though domestic passenger volume has remained roughly the same as the previous year.

As a result, operating revenues from merchandise sales operations increased to ¥134,471 million (up 22.9% year-on-year). Operating income for the segment was ¥9,476 million (up 7.2% year-on-year) due in part to an increase in expenses incurred to open an airport-style in-city duty-free shop and the associated marketing costs.

[Food and Beverage]

Sales from food and beverage operations increased from the previous year as a result of new shops developed at Haneda's domestic and international passenger terminals.

Sales from in-flight meals greatly rose from the previous year since foreign carriers, our clients in this business, increased their flights and we also acquired a new client.

Other revenues increased due to an increase in outsourcing business at Haneda's international passenger terminal.

As a result, operating revenues from food and beverage operations increased to ¥20,063 million (up 10.7% year-on-year). Operating income for the segment was ¥564 million (up 216.9% year-on-year), coupled with various cost reductions.

2) Forecast for the fiscal year ending March 31, 2017

Over the next fiscal year, continuing improvement in employment and income, coupled with various government policies, is expected to support moderate economic recovery. Nevertheless, with signs of weakness seen in overseas economies, the prospect of economic downturns in overseas markets, such as Asian emerging countries including China and natural resource-rich countries, poses a risk that could spill over and weaken the Japanese domestic economy.

The airline industry needs to further strengthen its competitiveness for a number of reasons that are transforming our business environment, including increased competition caused by industry liberalization and expansion of routes by LCCs, reform of airport management structures aimed at enhancing efficiency by integrating airport land and terminal building operations, and movements aimed at strengthening functions of metropolitan airports. Furthermore, in March 2016, the Japanese government revised upward its target for annual inbound tourists to Japan in 2020 from its previous target of 20 million, which was almost achieved in 2015, to 40 million in order to meet the new challenge of a tourism-oriented developed nation.

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

Facilities management operations are expected to generate better results than in FY2015 primarily because expected growth in passenger number is forecast to boost revenue from facility user charges.

Merchandise sales operations are forecast to rise year-on-year due to the full-year contribution of an airport-style in-city duty-free shop (Japan Duty Free GINZA) that opened in January 2016 in Mitsukoshi Ginza department store.

Food and beverage operations are expected to grow compared to FY2015, reflecting an increase in revenue from in-flight meals.

Therefore, for consolidated performance in the fiscal year ending March 31, 2017 (FY2016), we forecast operating revenue of ¥221,000 million (up 8.3% year-on-year), operating income of ¥12,900 million (up 14.1%), ordinary income of ¥15,600 million (up 14.2%), and net income attributable to owners of the parent of ¥11,100 million (up 25.1%).

(2) Analysis of Consolidated Financial Position

1) Assets, liabilities and net assets

[Assets]

Current assets increased by ¥4,722 million from the previous fiscal year end to ¥74,203 million. The increase was primarily because merchandise and finished products increased by ¥3,960 million and because accounts receivable increased by ¥2,767 million. Fixed assets decreased by ¥409 million from the previous fiscal year end to ¥148,339 million, primarily due to a decline in tangible fixed assets by ¥2,651 million resulting from the progress of depreciation, despite an increase in investment securities by ¥1,683 million.

As a result, total assets increased by ¥4,313 million from the previous fiscal year end to ¥222,542 million.

[Liabilities]

Current liabilities increased by ¥5,327 million from the previous fiscal year end to ¥43,357 million. The increase was primarily because of an increase in accrued expenses by ¥6,010 million and an increase in accounts payable by ¥800 million despite a decrease in short-term loans payable by ¥736 million. Fixed liabilities decreased by ¥6,878 million from the previous fiscal year end to ¥60,790 million, primarily because of a decrease in long-term loans payable by ¥7,166 million, despite an increase in net defined benefit liabilities by ¥420 million.

As a result, total liabilities decreased by ¥1,551 million from the previous fiscal year end to ¥104,148 million.

[Net assets]

Total net assets increased by ¥5,864 million to ¥118,394 million. The increase was primarily because retained earnings increased by ¥6,677 million and valuation difference on available-for-sale securities increased by ¥500 million, despite a decrease in remeasurements of defined benefit plans by ¥528 million.

As a result, the equity ratio was 52.1% (compared to 50.2% at the previous fiscal year end).

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the current fiscal year end decreased by ¥3,332 million compared to the previous fiscal year end to ¥43,565 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 decreased by ¥4,284 million (down 22.0%) from the previous fiscal year to ¥15,235 million.

This was primarily due to an increase in inventories and income taxes paid.

[Cash flows from investing activities]

Net cash used in investing activities increased by ¥3,802 million (up 94.8%) from the previous fiscal year to ¥7,810 million.

This was largely due to an increase in the purchase of tangible fixed assets.

[Cash flows from financing activities]

Net cash used by financing activities was ¥10,759 million, compared to a cash inflow of ¥16,251 million in the previous fiscal year.

This was mainly because of proceeds from issuance of bonds with stock acquisition rights recorded in the previous fiscal year.

Cash flow indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	51.7	53.1	54.1	50.2	52.1
Equity ratio based on market value (%)	46.8	54.7	117.5	271.0	146.0
Debt to cash flow ratio (years)	4.3	3.8	3.5	2.1	2.2
Interest coverage ratio (times)	13.9	17.3	15.2	25.7	26.8

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, 2016 and the Year Ending March 31, 2017

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 ¥33 per share (of which ¥15 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 ¥36 per share (of which ¥18 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.

Customers

↑

<table>
<tr><th colspan="4">Japan Airport Terminal Co., Ltd.</th></tr>
<tr><th></th><th>Facilities management operations</th><th>Merchandise sales operations</th><th>Food and beverage operations</th></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
*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

The JAT Group recognizes return on assets (ROA) and return on equity (ROE) as key performance indicators. Since we consider it important for management to take every measure to ensure increasing shareholder value through efforts to maximize the return on invested capital, our newly-formulated medium-term business plan set the target level of ROA (ordinary income, EBITDA) and emphasized the importance of improving its level by enhancing the value of passenger terminal buildings and the other assets we own. Furthermore, we will continue with our 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 that covered from FY2013 to FY 2015, JAT Group has 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.

In the airline industry, a number of changes are transforming our business environment, including increased competition caused by industry liberalization and expansion of routes by LCCs, reform of airport management structures aimed at enhancing efficiency by integrating airport land and terminal building operations, and movements aimed at strengthening the functions of metropolitan airports. Furthermore, in March 2016, the Japanese government revised upward its target for annual inbound tourists to Japan in 2020 from its previous target of 20 million, which was almost achieved in 2015, to 40 million in order to meet the new challenge of tourism-oriented developed nation. These changes call for certain functions of the metropolitan airport to be dramatically strengthened.

In order to respond to these changes, it is essential for us to further strengthen our competitiveness through efforts to expand business outside of the airport by leveraging our know-how as well as strengthening business at Haneda Airport.

Under these circumstances, JAT Group decided to lay out its new long-term vision of "To be a World Best Airport" so that we can achieve sustainable growth through the creation of new businesses and the generation of profits, while aiming to be an airport that satisfies the needs of all stakeholders. Based on this long-term vision, the new medium-term business plan (FY2016 to FY 2020) identifies three strategic pillars: 1) Pursuit of the ideal of Haneda Airport, 2) Expansion of our business domain utilizing our strengths and the diversification of profits, and 3) Reconstruction of our profit base and the building of competitive advantages. We will continue to reposition and strengthen our organizational and governance structure to ensure that we effectively implement these strategies.

Specifically, we will steadily make preparations for the Tokyo Olympic and Paralympic Games and ensure the world's top level of safety required for the gateway to Japan. Furthermore, we will work toward comprehensive branding of Haneda Airport, such as consecutive award-winning of Skytrax's global ranking, while promoting regional revitalization efforts as well as the introduction of the latest technology. We will also expand our business scope through cross-industry alliances and business development efforts outside of the airport. Moreover, we will renovate the facility to enhance customer satisfaction and improve profits at Haneda's domestic passenger terminals and bring more efficiency by improving operations. Through these measures, we will strive to strengthen the business foundation at Haneda Airport. In marketing, our main challenge in the short term lies in how we develop duty-free business in city central locations. We will take necessary measures to ensure that we will benefit from growing domestic consumption made by inbound travelers which are expected to increase in the mid- to the long-term. Furthermore, we will work to implement our medium-term business plan by promoting an environment that helps value-creation, increasing opportunities to have dialogues with shareholders and investors, as well as restructuring and strengthening our organizational structure and corporate governance framework to increase the certainty of specific measures.

The JAT Group is committed to carrying out its responsibilities as an Airport Facilities Operator, which constructs, operates, and manages domestic terminals at Haneda Airport, in compliance with The Airport Act. To fulfill this mission, based on our core management philosophy of establishing harmony between society and medium-term business plan, the entire Group is working in earnest to improve the convenience, comfort, and functionality of its passenger terminal buildings by monitoring and taking into consideration various issues, such as the condition of the Japanese economy as well as airline industry trends. We will continue to embrace a “customer-centric” philosophy, ensure safety, and steadily move ahead with measures to consistently create value at Haneda Airport and contribute to the advancement of air transportation. Through these efforts, we proudly strive to enhance the corporate value of the entire JAT Group.

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 the possibility of adoption of international accounting standards taking into consideration of conditions in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	46,974	29,667
Accounts receivable	14,383	17,151
Marketable securities	-	14,002
Merchandise and finished products	5,485	9,445
Raw materials and stored goods	122	137
Deferred tax assets	1,158	1,241
Other current assets	1,529	2,570
Allowance for doubtful accounts	(174)	(12)
Total current assets	69,480	74,203
Fixed assets		
Tangible fixed assets		
Buildings and structures	272,828	276,109
Accumulated depreciation and impairment loss	(181,513)	(189,289)
Buildings and structures (net)	91,314	86,819
Machinery, equipment and vehicles	10,417	10,430
Accumulated depreciation and impairment loss	(8,567)	(8,215)
Machinery, equipment and vehicles (net)	1,849	2,214
Land	10,466	10,466
Lease assets	2,938	1,996
Accumulated depreciation and impairment loss	(1,966)	(1,034)
Lease assets (net)	971	962
Construction in progress	203	3
Other tangible fixed assets	26,734	29,758
Accumulated depreciation and impairment loss	(22,086)	(23,423)
Other tangible fixed assets (net)	4,647	6,334
Total tangible fixed assets	109,453	106,801
Intangible fixed assets	1,416	1,763
Investments and other assets		
Investment securities	22,994	24,678
Long-term loans receivable	6,664	6,665
Deferred tax assets	5,290	5,384
Net defined benefit assets	197	50
Other investments	2,731	2,995
Total investments and other assets	37,878	39,774
Total fixed assets	148,748	148,339
TOTAL ASSETS	218,229	222,542

(Millions of yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
LIABILITIES		
Current liabilities		
Accounts payable	7,238	8,038
Short-term loans payable	11,402	10,666
Income taxes payable	3,233	2,868
Allowance for employees' bonuses	1,165	1,378
Accrued expenses	7,689	13,699
Allowance for directors' bonuses	196	247
Other current liabilities	7,104	6,457
Total current liabilities	38,029	43,357
Fixed liabilities		
Bonds with stock acquisition rights	30,148	30,122
Long-term loans payable	28,328	21,162
Lease obligations	655	761
Net defined benefit liabilities	4,409	4,829
Asset retirement obligations	456	458
Other fixed liabilities	3,672	3,457
Total fixed liabilities	67,669	60,790
TOTAL LIABILITIES	105,699	104,148
NET ASSETS		
Shareholders' equity		
Common stock	17,489	17,489
Capital surplus	21,309	21,337
Retained earnings	73,252	79,929
Treasury stock	(3,242)	(3,244)
Total shareholders' equity	108,808	115,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,405	4,906
Deferred gains or losses on hedges	(2,816)	(3,127)
Foreign currency translation adjustment	56	55
Remeasurements of defined benefit plans	(850)	(1,379)
Total accumulated other comprehensive income	795	454
Non-controlling interests	2,926	2,427
TOTAL NET ASSETS	112,530	118,394
TOTAL LIABILITIES AND NET ASSETS	218,229	222,542

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

Consolidated Statements of Income

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Operating revenues		
Rent revenue	12,895	12,900
Facility user charges revenue	17,917	17,851
Other revenues	19,534	23,907
Sale of merchandise	108,750	133,647
Sale of food and beverage	14,406	15,827
Total operating revenues	173,505	204,134
Cost of sales		
Cost of sales of merchandise	80,746	99,956
Cost of sales of food and beverage	9,210	10,114
Total cost of sales	89,956	110,070
Gross profit	83,548	94,064
Selling, general and administrative expenses		
Salaries and wages	8,408	9,233
Provision for employees' bonuses	1,103	1,340
Provision for directors' bonuses	196	245
Expenses for retirement benefits	990	913
Rent expenses	10,342	12,679
Outsourcing and commission	17,626	22,320
Depreciation expenses	11,872	11,232
Other costs and expenses	23,119	24,795
Total selling, general and administrative expenses	73,659	82,761
Operating income	9,888	11,302
Non-operating income		
Interest income	520	649
Dividends income	200	237
Contributions in aid of construction	326	84
Equity in gains of affiliates	1,315	1,529
Miscellaneous income	615	588
Total non-operating income	2,979	3,089
Non-operating expenses		
Interest expenses	746	556
Loss on retirement of fixed assets	55	107
Bond issuance costs	136	—
Miscellaneous expenses	80	73
Total non-operating expenses	1,018	737
Ordinary income	11,849	13,654

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Extraordinary gains		
Gains on sales of investment securities	—	24
Total extraordinary gains	—	24
Extraordinary loss		
Loss on sales of shares of subsidiaries and associates	22	—
Impairment loss	—	30
Loss on retirement of fixed assets	307	178
Loss on valuation of other investments	—	6
Loss on sales of other investments	—	4
Total extraordinary loss	330	219
Income before income taxes and non-controlling interests	11,519	13,459
Income taxes – current	4,576	4,965
Income taxes – deferred	299	(31)
Total income taxes	4,875	4,933
Net income before non-controlling interests	6,643	8,525
Net income (loss) attributable to non-controlling interests	(4)	(344)
Net income attributable to owners of the parent	6,648	8,870

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Net income before non-controlling interests	6,643	8,525
Other comprehensive income		
Valuation difference on available-for-sale securities	2,319	501
Foreign currency translation adjustment	5	(1)
Remeasurements of defined benefit plans	686	(603)
Share of other comprehensive income of associates accounted for using equity method	(171)	(312)
Total other comprehensive income	2,840	(415)
Comprehensive income	9,483	8,110
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	9,496	8,529
Comprehensive income attributable to non-controlling interests	(12)	(419)

(3) Consolidated Statements of Changes in Shareholders' Equity

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 attributable to owners of the parent			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 attributable to owners of the parent					
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

	Non-controlling 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 attributable to owners of the parent		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

FY2015 (from April 1, 2015 to March 31, 2016)

(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	73,252	(3,242)	108,808
Changes during current period					
Dividend from retained earnings			(2,193)		(2,193)
Net income attributable to owners of the parent			8,870		8,870
Purchase of treasury stock				(1)	(1)
Changes in shareholders' equity due to transaction with non-controlling interests		28			28
Changes of items other than shareholders' equity during current period (net)					
Total changes during current period	－	28	6,677	(1)	6,703
Balance at the end of current period	17,489	21,337	79,929	(3,244)	115,512

	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	4,405	(2,816)	56	(850)	795
Changes during current period					
Dividend from retained earnings					
Net income attributable to owners of the parent					
Purchase of treasury stock					
Changes in shareholders' equity due to transaction with non-controlling interests					
Changes of items other than shareholders' equity during current period (net)	500	(311)	(1)	(528)	(340)
Total changes during current period	500	(311)	(1)	(528)	(340)
Balance at the end of current period	4,906	(3,127)	55	(1,379)	454

	Non-controlling interests	Total net assets
Balance at the beginning of current period	2,926	112,530
Changes during current period		
Dividend from retained earnings		(2,193)
Net income attributable to owners of the parent		8,870
Purchase of treasury stock		(1)
Changes in shareholders' equity due to transaction with non-controlling interests	(48)	(20)
Changes of items other than shareholders' equity during current period (net)	(450)	(791)
Total changes during current period	(498)	5,864
Balance at the end of current period	2,427	118,394

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	11,519	13,459
Depreciation and amortization	11,954	11,311
Impairment loss	—	30
Increase (decrease) in allowance for employees' bonuses	113	212
Increase (decrease) in allowance for directors' bonuses	25	51
Increase (decrease) in net defined benefit liabilities	329	(88)
Decrease (increase) in net defined benefit assets	(96)	(190)
Interest and dividends income	(721)	(887)
Interest expenses	746	556
Bond issuance costs	136	—
Equity in losses (earnings) of affiliates	(1,315)	(1,529)
Loss (gain) on sales of investment securities	—	(24)
Loss (gain) on sales of shares of subsidiaries and associates	22	—
Loss on retirement of tangible fixed assets	307	286
Loss (gain) on sales of tangible fixed assets	(2)	(2)
Decrease (increase) in accounts receivable – trade	(4,825)	(2,767)
Decrease (increase) in inventories	(1,128)	(3,975)
Decrease (increase) in other current assets	409	(896)
Increase (decrease) in accounts payable - trade	1,501	801
Increase (decrease) in other current liabilities	3,997	4,383
Increase (decrease) in other fixed liabilities	(109)	(149)
Others	(87)	(148)
Subtotal	22,774	20,432
Interest and dividends received	800	876
Interest paid	(760)	(568)
Income and other taxes paid	(3,294)	(5,505)
Net cash provided by (used in) operating activities	19,520	15,235
Cash flows from investing activities		
Payments into time deposits	(34)	(27)
Purchase of investment securities	(63)	(1)
Proceeds from sales of investment securities	—	25
Purchase of tangible fixed assets	(3,677)	(6,734)
Proceeds from sales of shares of subsidiaries and associates	786	—
Proceeds from sales of tangible fixed assets	4	30
Purchase of intangible fixed assets	(281)	(649)
Purchase of long-term prepaid expenses	(545)	(39)
Payments of long-term loans receivable	(1)	(3)
Other payments	(318)	(468)
Other proceeds	120	55
Others	3	2
Net cash provided by (used in) investing activities	(4,008)	(7,810)

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	3,500
Repayment of long-term loans payable	(12,272)	(11,402)
Proceeds from issuance of bonds with stock acquisition rights	30,013	—
Repayments of lease obligations	(698)	(611)
Payments to non-controlling shareholders	—	(20)
Proceeds from stock issuance to non-controlling shareholders	539	—
Dividends paid by parent company	(1,299)	(2,193)
Dividends paid to non-controlling shareholders	(28)	(31)
Others	(2)	(1)
Net cash provided by (used in) financing activities	16,251	(10,759)
Effect of exchange rate change on cash and cash equivalents	(0)	2
Increase (decrease) in cash and cash equivalents	31,763	(3,332)
Cash and cash equivalents at the beginning of period	15,133	46,897
Cash and cash equivalents at the end of period	46,897	43,565

(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 business combinations)

From the beginning of fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013, hereinafter "Business Combinations Accounting Standard") , the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of September 13, 2013, hereinafter "Consolidation Accounting Standard") and the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013, hereinafter "Business Divestitures Accounting Standard") and other standards. With this application, the Company has started to record as capital surplus, the difference arising from changes of the Company's equity ownership interest in subsidiaries in which it continues to control, and to book acquisition-related costs as expenses for the fiscal year in which the transaction took place. With regard to business combinations executed on or after April 1, 2015, the Company has started to reflect the adjustments to the allocation of acquisition cost as a result of the finalization of provisional accounting treatment in the consolidated financial statements in which the business combination is executed. The Company has also changed the presentation method of net income, etc., and changed the presentation from minority interests to non-controlling interests. To reflect the changes in the presentation of the consolidated financial statements, the consolidated financial statements for the previous fiscal year ended March 31, 2015 have been reclassified.

With the application of the Business Combinations Accounting Standard, the Company has followed the transitional treatment set forth in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard, the Company has applied these standards from the beginning of the period under review.

As a result, both ordinary income and income before income taxes and non-controlling interests for the current fiscal year have decreased by ¥28 million. Capital surplus at year-end has increased by ¥28 million.

In the Consolidated Statement of Cash Flows, cash flows related to purchases of subsidiary shares not resulting in change in scope of consolidation are listed under “Cash flows from financing activities”.

Capital surplus in the Consolidated Statements of Changes in Shareholders’ Equity has increased by ¥28 million at the current year end.

Net income per share and diluted net income per share have decreased by 0.35 yen and 0.33 yen respectively.

(Notes on Changes in Presentation)

(Consolidated Balance Sheets)

“Accrued expenses”, which was included in “Other current liabilities” under “Current liabilities” in the previous fiscal year, is recorded as separate item in the current fiscal year because “Accrued expenses ” now accounts for 5% or more than total of liabilities and net assets. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥14,793 million recorded as “Other current liabilities” under “Current liabilities” in the consolidated balance sheets of the previous fiscal year has been reclassified as ¥7,689 million of “Accrued expenses” and ¥7,104 million of “Other current liabilities”.

(Consolidated Statements of Income)

“Loss on retirement of fixed assets”, which was included in “Miscellaneous expenses” under “Non-operating expenses” in the previous fiscal year, is recorded as separate item in the current fiscal year because “Loss on retirement of fixed assets” now accounts for 10% or more than total of non-operating expenses. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥135 million recorded as “Miscellaneous expenses” under “Non-operating expenses” in the consolidated statements of income of the previous fiscal year has been reclassified as ¥55 million of “Loss on retirement of fixed assets” and ¥80 million of “Miscellaneous expenses”.

(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)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Buildings and structures	75,072	70,407
Land	53	53
Total	75,125	70,461

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

(Millions of yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Short-term loans payable	8,364	6,244
Long-term loans payable	17,766	11,522
Total	26,130	17,766

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

(Millions of yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Investment securities (shares)	3,885	4,975
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)

FY2014 (As of March 31, 2015)		FY2015 (As of March 31, 2016)	
Japan Airport Delica Inc. (borrowing)	468	Japan Airport Delica Inc. (borrowing)	335

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)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
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:

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

There is nothing to report.

FY2015 (from April 1, 2015 to March 31, 2016)

Location	Use	Type	Impairment loss
Ota-ku, Tokyo	Store (Food and beverage)	Buildings and structures, machinery, equipment and vehicles, and others	30 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 ¥7 million for buildings and structures, ¥11 million for machinery, equipment and vehicles, and ¥11 million for others.

2. Loss on retirement of fixed assets

(Millions of yen)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Buildings and structures	300	176
Others	6	1
Total	307	178

(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)

	FY2014 (from April 1, 2014 to March 31, 2015)	FY2015 (from April 1, 2015 to March 31, 2016)
Cash and deposits	46,974	29,667
Marketable securities	-	14,002
Time deposits with a maturity greater than 3 months	(76)	(104)
Cash and cash equivalents	46,897	43,565

(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

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	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

FY2015 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segments				Adjustments	Consolidated financial statements
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	52,880	133,718	17,535	204,134	-	204,134
Intersegment sales and transfers	2,006	753	2,528	5,288	(5,288)	-
Total	54,887	134,471	20,063	209,422	(5,288)	204,134
Segment income	6,135	9,476	564	16,176	(4,873)	11,302
Segment assets	107,179	38,390	14,551	160,121	62,421	222,542
Other items						
Depreciation and amortization	9,277	1,231	430	10,939	372	11,311
Increase in tangible fixed assets and intangible fixed assets	5,393	3,110	574	9,079	274	9,354