May 11, 2018

Financial Report for the Year Ended March 31, 2018 (FY2017) [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: Nobuaki Yokota, President and COO
Contact: Kazuhito Tanaka, Managing Director TEL 03-5757-8409
Scheduled date of annual general meeting of shareholders: June 27, 2018
Scheduled date of filing securities report: June 27, 2018
Scheduled date of commencing dividend payment: June 28, 2018
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, 2018 (April 1, 2017 to March 31, 2018)

(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	%
FY2017	225,953	10.2	13,429	41.4	16,696	30.0	11,776	71.0
FY2016	204,953	0.4	9,497	(16.0)	12,843	(5.9)	6,886	(22.4)

(Note) Comprehensive income: FY2017 ¥13,758 million (41.3%) FY2016 ¥9,739 million (20.1%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
FY2017	144.98	138.37	9.2	7.4	5.9
FY2016	84.78	80.84	5.8	5.9	4.6

(Reference) Equity in earnings of affiliates: FY2017 ¥2,335 million FY2016 ¥2,291 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, 2018	239,499	136,156	55.7	1,641.82
As of March 31, 2017	213,026	125,438	57.7	1,511.92

(Reference) Equity capital: As of March 31, 2018 ¥133,362 million As of March 31, 2017 ¥122,811 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
FY2017	22,257	(28,474)	9,438	42,329
FY2016	15,620	(8,373)	(11,702)	39,108

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	%	%
FY2016	-	16.00	-	17.00	33.00	2,680	38.9	2.2
FY2017	-	20.00	-	24.00	44.00	3,574	30.4	2.8
FY2018 (Forecast)	-	21.00	-	21.00	42.00		34.1	

In calculating the forecast for dividend payout ratio for FY 2018, ¥21,300 million is excluded from net income attributable to owners of the parent (¥31,300 million). ¥21,300 million is the amount, after considering deferred tax effect, of one-time extraordinary gain on negative goodwill, etc. to be recognized (¥23,000 million) concerning the stock acquisition of Tokyo International Air Terminal Corp. (TIAT).

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(%: 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	131,200	21.4	11,000	63.0	9,900	13.2	27,000	335.9	332.39
Full-year	266,000	17.7	20,500	52.6	18,100	8.4	31,300	165.8	385.33

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.: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatement of revisions: None

(3) Number of shares outstanding (common stock)
1) Number of shares outstanding at the year-end (including treasury stock):
As of March 31, 2018 84,476,500 shares As of March 31, 2017 84,476,500 shares
2) Number of treasury stock at the year-end:
As of March 31, 2018 3,247,735 shares As of March 31, 2017 3,247,541 shares
3) Average number of shares outstanding during the period:
Year ended March 31, 2018 81,228,813 shares Year ended March 31, 2017 81,229,018 shares

(Reference) Summary of Non-Consolidated Financial Results
Financial Results for the Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	%
FY2017	176,160	9.7	7,811	19.2	8,769	12.0	6,233	97.5
FY2016	160,541	(3.0)	6,552	(23.2)	7,832	(17.9)	3,156	(32.9)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2017	76.74	73.14
FY2016	38.86	36.94

(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, 2018	211,950	104,497	49.3	1,286.46
As of March 31, 2017	190,788	100,498	52.7	1,237.22

(Reference) Equity capital: As of March 31, 2018 ¥104,497 million As of March 31, 2017 ¥100,498 million

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

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

Notes on the use of forward-looking statements

The forecast of the business results reported herein was prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. The Company makes no guarantee that these figures will be achieved. Actual results may differ significantly from forecasts due to various factors. For the assumptions used in financial forecasts and precautionary statements regarding the use of the forecasts, please refer to page 4 of the appendix materials "1. Analysis of Business and Financial Results (4) Forecast for FY 2018 (the fiscal year ending March 31, 2019).

Supplementary materials on financial results and details of presentation at earnings announcement

Earnings announcement is planned to be held on May 18, 2018 for 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. Analysis of Business and Financial Results

(1) Analysis of Consolidated Business Results for FY2017

During the fiscal year ended March 31, 2018 (FY2017), the Japanese economy has experienced a gradual recovery. Looking ahead, continuing improvement in employment and income, coupled with various government policies, is expected to support moderate economic recovery, though it is important to prudently monitor the uncertainty in overseas economies and volatility of capital markets.

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, the Japanese government targets 40 million for annual inbound tourists to Japan in 2020 in order to meet the new challenge of a tourism-oriented developed nation, and the annual number of inbound tourists for 2017 exceeded 28 million.

A review of passenger volume during FY 2017 shows that passengers on domestic flights at Haneda Airport and on international flights at Haneda Airport, Narita International Airport, and Kansai International Airport rose year-on-year.

Under these circumstances, Japan Airport Terminal (“JAT”) Group has laid out its 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 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.

As part of our efforts to expand and diversify our business domain and profit base by leveraging our strengths, “THE HANEDA HOUSE”, business mall project which targets business people, is now being carried out. The concept of the project is “enjoy your time at Haneda” – transformation from a place for transit to a destination in itself. Under this concept, Regus Express, equipped with rental offices, meeting rooms, and a business lounge, opened in May 2017 at terminal 1 as the first phase and the grand opening is now scheduled for December 2018. Existing pay lounges have been renovated and reopened as “Power Lounge” where pre-ordered gifts can be picked up. The “HANEDA Shopping” website and “JAPAN DUTY FREE” pre-order website were upgraded to enhance visual effects and usability, and a new e-commerce shop was opened on “Kaola.com”, China's cross-border e-commerce site in November 2017. In addition, at Chubu Centrair International Airport, we opened three luxury brand shops in December 2017 and Air BIC CAMERA in April 2018, which offers electronics and other popular products targeting foreign tourists visiting Japan. A duty free shop was also opened at Haneda airport’s international arrival area. Furthermore, sales at the airport-style in-city duty-free shop (Japan Duty Free GINZA) have progressed well as a result of various marketing efforts, including offering new brands since February 2018. We will continue to generate profits by taking advantage of opportunities created by increasing inbound tourists that are expected to continue to grow in the mid- to the long-term as well as Japanese outbound tourists.

As a result, consolidated operating revenues for FY 2017 (April 1, 2017 – March 31, 2018) totaled ¥225,953 million (up 10.2% from the previous fiscal year), with operating income of ¥13,429 million (up 41.4%), ordinary income of ¥16,696 million (up 30.0%), and net income attributable to owners of the parent of ¥11,776 million (up 71.0%).

Haneda Airport’s passenger terminals were evaluated by the Skytrax (UK) as achieving the global best standard and awarded the 5-Star Airport Rating in September 2017 for the fourth year in a row. Furthermore, in March 2018, Haneda Airport’s passenger terminals were awarded the third place in the “World’s Best Airports”, which comprehensively evaluates various aspects of international airports. We were also awarded first place in the World's Cleanest Airports (the fifth time, for the third year in a row) and World's Best Domestic Airports (for the sixth consecutive year). 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.

Currently, in order to further strengthen the functions of Tokyo metropolitan airports, the government is taking measures to provide detailed information through explanatory meetings in order to gain an understanding of local residents and communities.

Under these circumstances, while gaining an understanding of local areas, Tokyo International Air Terminal Corp. (“TIAT”) has initiated construction for new projects, including a plan to expand the international passenger terminal. As part of financing the expansion project, TIAT developed a plan to raise equity by issuing new shares to its shareholders.

In response to this, on April 27, 2018 we acquired new shares issued by TIAT so that we will fulfill our responsibilities as a consortium leader of TIAT and provide support to ensure that its business will continue successfully. With this acquisition of shares, our shareholdings in TIAT was increased to 51.00%, which changed TIAT’s status for our consolidated accounting from an associate accounted for using the equity method to a consolidated subsidiary. Going forward, as the operator of domestic passenger terminals, we will make efforts to improve customer convenience jointly with TIAT, the operator of the international passenger terminal, by leveraging hub functions for domestic and international flight networks, which are Haneda’s major advantage.

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 from the previous year due primarily to an increase in rental office spaces to airlines at Haneda Airport’s domestic terminals.

Revenue from facility user charges rose due to a growth in domestic passenger volume.

Other revenues rose from the previous year because revenue from outsourcing business at Haneda’s international terminal and revenue from construction works increased.

As a result, operating revenues from facilities management operations increased to ¥60,451 million (up 6.4% year-on-year). Operating income for the segment was ¥6,714 million (up 3.8% year-on-year) due to an increase in maintenance and outsourcing expenses and charges for temporary use of national property.

[Merchandise Sales]

Sales at domestic terminal stores rose from the previous year primarily due to an increase in domestic passenger volume and sales promotion efforts.

Sales at international terminal stores increased from the previous year, because the sales at shops at Narita Airport and airport-style in-city duty-free shops increased and new duty-free shop was opened at Chubu Centrair International Airport in December 2017, although the change in contract structure of some shops at Kansai International Airport had negative impact on revenue.

Other revenues (wholesale) rose from the previous year due to an increase in the wholesaling of products to stores at Haneda’s international terminal in line with growing international passenger volume at Haneda.

As a result, operating revenues from merchandise sales operations increased to ¥148,647 million (up 12.7% year-on-year) and operating income rose to ¥11,322 million (up 56.1% year-on-year) due to growth in gross profit from airport-style in-city duty-free shops as well as decline in operating expenses.

[Food and Beverage]

Sales from food and beverage operations increased from the previous year as a result of growth in domestic passenger volume and creation of new menu.

Sales from in-flight meals rose from the previous year due to an increase in the passenger load factors of foreign carriers, our clients in this business, and acquisition of new clients.

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

As a result, operating revenues from food and beverage operations increased to ¥22,285 million (up 4.2% year-on-year) and operating income for the segment increased to ¥896 million (up 18.3% year-on-year), coupled with various cost saving efforts.

(2) Analysis of Consolidated Financial Position for FY2017

[Assets]

Current assets increased by ¥5,680 million from the previous fiscal year end to ¥73,235 million, primarily due to an increase in cash and deposits by ¥10,246 million and in accounts receivable by ¥2,575 million, despite a decrease in marketable securities by ¥7,000 million.

Fixed assets increased by ¥20,792 million from the previous fiscal year end to ¥166,264 million, primarily because tangible fixed assets rose by ¥17,296 million and investment securities increased by ¥4,106 million.

As a result, total assets increased by ¥26,472 million from the previous fiscal year end to ¥239,499 million.

[Liabilities]

Current liabilities increased by ¥2,089 million from the previous fiscal year end to ¥37,685 million, primarily because accrued expenses increased by ¥1,692 million and income taxes payable increased by ¥1,288 million although short-term loans payable decreased by ¥1,922 million.

Fixed liabilities increased by ¥13,664 million from the previous fiscal year end to ¥65,657 million, primarily because long-term loans payable increased by ¥14,760 million.

As a result, total liabilities increased by ¥15,754 million from the previous fiscal year end to ¥103,342 million.

[Net assets]

Total net assets increased by ¥10,718 million from the previous fiscal year end to ¥136,156 million primarily because retained earnings increased by ¥8,771 million and valuation difference on available-for-sale securities increased by ¥832 million.

As a result, equity ratio was 55.7% (compared to 57.7% at the previous fiscal year end).

(3) Analysis of Consolidated Cash Flows for FY2017

Cash and cash equivalents (hereinafter referred to as “cash”) at the current fiscal year end increased by ¥3,221 million compared to the previous fiscal year end to ¥42,329 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 ¥6,636 million (up 42.5%) from the previous fiscal year to ¥22,257 million. This was primarily due to an increase in income before income taxes and minority interests.

[Cash flows from investing activities]

Net cash used in investing activities increased by ¥20,101 million (up 240.1%) from the previous fiscal year to ¥28,474 million. This was largely due to an increase in the purchase of tangible fixed assets.

[Cash flows from financing activities]

Net cash provided by financing activities was ¥9,438 million, compared to a cash outflow of ¥11,702 million in the previous fiscal year. This was primarily because proceeds from long-term loans payable increased.

(4) Forecast for FY 2018 (the fiscal year ending March 31, 2019)

Over the next fiscal year, continuing improvement in employment and income, coupled with various government policies, is expected to support moderate economic recovery, while it is also necessary to prudently monitor the risk factors such as uncertainty in overseas economies and volatility of capital markets.

The airline industry is experiencing a number of important initiatives aimed at strengthening functions of metropolitan airports to meet the demands for hosting the 2020 Tokyo Olympics and Paralympics Games and beyond as well as upgrading the gateway functions at regional airports to meet the Japanese government’s goal of a tourism-oriented developed nation and its targets of 40 million for annual inbound tourists in 2020 and 60 million in 2030. The industry is also stepping up its efforts to heighten security against terrorism and taking security and safety measures with a view toward aviation safety. Faced with such drastically changing environments, the industry needs to further strengthen its competitiveness.

Under these circumstances, the Company has acquired additional shares of TIAT, which changed TIAT’s accounting status to a consolidated subsidiary, and started to consolidate financial results of the international passenger terminal. JAT Group will make efforts to enhance efficiency through integrated operations of domestic and international terminals. Our present expectations for earnings by segment are described below.

Facilities management operations are expected to surpass the results of FY 2017 because revenue of TIAT’s rental revenue and revenue from facility user charges at the international terminal will be added.

Merchandise sales operations are forecast to exceed the results of FY 2017 due to continued growth in international passenger volume, consolidation of TIAT’s merchandise sales and addition of merchandise sales at Chubu Centrair Airport.

Food and beverage operations are expected to fall short of the results of FY2017 because of temporary closure of shops during renovation in domestic terminal 1 and construction of expansion of international terminal in terminal 2.

Therefore, for consolidated performance in the fiscal year ending March 31, 2019 (FY2018), we forecast operating revenue of ¥266,000 million (up 17.7% year-on-year) and operating income of ¥20,500 million (up 52.6%). Ordinary income is forecast to be ¥18,100 million (up 8.4%) since equity in gains of affiliates regarding TIAT will not be recognized and the interest expense of TIAT will be recorded. Net income attributable to owners of the parent is forecast to be ¥31,300 million (up 165.8%) due to recognition of extraordinary gain arising from the acquisition of shares in TIAT, which change TIAT to a consolidated subsidiary. Please refer to the details in the announcement made on May 11, 2018 “Announcement of the recognition of extraordinary gain involving a change in consolidated subsidiary”.

2. 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.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	32,240	42,487
Accounts receivable	16,991	19,566
Marketable securities	7,000	—
Merchandise and finished products	7,687	6,512
Raw materials and stored goods	178	161
Deferred tax assets	1,146	1,250
Other current assets	2,334	3,294
Allowance for doubtful accounts	(23)	(37)
Total current assets	67,555	73,235
Fixed assets		
Tangible fixed assets		
Buildings and structures	277,768	281,100
Accumulated depreciation and impairment loss	(197,790)	(204,919)
Buildings and structures (net)	79,978	76,180
Machinery, equipment and vehicles	10,878	11,827
Accumulated depreciation and impairment loss	(8,384)	(8,821)
Machinery, equipment and vehicles (net)	2,494	3,005
Land	11,412	11,371
Lease assets	2,070	1,159
Accumulated depreciation and impairment loss	(1,271)	(537)
Lease assets (net)	799	621
Construction in progress	1,064	21,496
Other tangible fixed assets	30,524	32,101
Accumulated depreciation and impairment loss	(25,582)	(26,789)
Other tangible fixed assets (net)	4,941	5,311
Total tangible fixed assets	100,690	117,987
Intangible fixed assets	1,812	1,889
Investments and other assets		
Investment securities	27,846	31,953
Long-term loans receivable	6,665	6,665
Deferred tax assets	4,999	4,648
Net defined benefit assets	538	298
Other investments	2,933	2,820
Allowance for doubtful accounts	(16)	—
Total investments and other assets	42,967	46,387
Total fixed assets	145,471	166,264
TOTAL ASSETS	213,026	239,499

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
LIABILITIES		
Current liabilities		
Accounts payable	8,695	9,707
Short-term loans payable	9,712	7,790
Income taxes payable	1,913	3,202
Allowance for employees’ bonuses	1,477	1,673
Accrued expenses	7,625	9,317
Allowance for directors’ bonuses	227	250
Other current liabilities	5,944	5,743
Total current liabilities	35,596	37,685
Fixed liabilities		
Bonds with stock acquisition rights	30,096	30,070
Long-term loans payable	13,450	28,210
Lease obligations	527	504
Net defined benefit liabilities	4,254	3,304
Asset retirement obligations	464	471
Other fixed liabilities	3,198	3,095
Total fixed liabilities	51,992	65,657
TOTAL LIABILITIES	87,588	103,342
NET ASSETS		
Shareholders’ equity		
Common stock	17,489	17,489
Capital surplus	21,337	21,337
Retained earnings	84,054	92,826
Treasury stock	(3,244)	(3,245)
Total shareholders’ equity	119,637	128,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,444	6,276
Deferred gains or losses on hedges	(1,545)	(1,259)
Foreign currency translation adjustment	52	54
Remeasurements of defined benefit plans	(776)	(116)
Total accumulated other comprehensive income	3,174	4,954
Non-controlling interests	2,626	2,793
TOTAL NET ASSETS	125,438	136,156
TOTAL LIABILITIES AND NET ASSETS	213,026	239,499

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

Consolidated Statements of Income

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Operating revenues		
Rent revenue	13,078	13,278
Facility user charges revenue	18,194	18,754
Other revenues	26,205	29,665
Sale of merchandise	130,759	147,117
Sale of food and beverage	16,715	17,138
Total operating revenues	204,953	225,953
Cost of sales		
Cost of sales of merchandise	99,000	111,480
Cost of sales of food and beverage	10,477	10,746
Total cost of sales	109,477	122,226
Gross profit	95,475	103,726
Selling, general and administrative expenses		
Salaries and wages	9,838	10,651
Provision for employees' bonuses	1,376	1,572
Provision for directors' bonuses	227	250
Expenses for retirement benefits	1,047	997
Rent expenses	12,504	12,734
Outsourcing and commission	24,464	27,502
Depreciation expenses	11,609	10,806
Other costs and expenses	24,910	25,782
Total selling, general and administrative expenses	85,978	90,296
Operating income	9,497	13,429
Non-operating income		
Interest income	627	627
Dividends income	276	324
Equity in gains of affiliates	2,291	2,335
Miscellaneous income	676	763
Total non-operating income	3,871	4,050
Non-operating expenses		
Interest expenses	417	331
Loss on retirement of fixed assets	58	110
Fee and commission expenses	—	269
Miscellaneous expenses	49	72
Total non-operating expenses	525	783
Ordinary income	12,843	16,696

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Extraordinary gains		
Gains on sales of fixed assets	—	1
Gains on sales of investment securities	277	—
Total extraordinary gains	277	1
Extraordinary loss		
Impairment loss	1,777	138
Loss on retirement of fixed assets	109	7
Loss on valuation of other investments	4	27
Total extraordinary loss	1,891	173
Income before income taxes and non-controlling interests	11,230	16,523
Income taxes – current	4,244	4,940
Income taxes – deferred	(9)	(370)
Total income taxes	4,234	4,569
Net income before non-controlling interests	6,995	11,954
Net income attributable to non-controlling interests	109	177
Net income attributable to owners of the parent	6,886	11,776

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Net income before non-controlling interests	6,995	11,954
Other comprehensive income		
Valuation difference on available-for-sale securities	537	842
Foreign currency translation adjustment	(3)	2
Remeasurements of defined benefit plans	591	664
Share of other comprehensive income of associates accounted for using equity method	1,618	294
Total other comprehensive income	2,743	1,803
Comprehensive income	9,739	13,758
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	9,606	13,556
Comprehensive income attributable to non-controlling interests	133	201

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2016 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	17,489	21,337	79,929	(3,244)	115,512
Changes during current period					
Dividend from retained earnings			(2,761)		(2,761)
Net income attributable to owners of the parent			6,886		6,886
Purchase of treasury stock				(0)	(0)
Changes of items other than shareholders' equity during current period (net)					
Total changes during current period	—	—	4,124	(0)	4,124
Balance at the end of current period	17,489	21,337	84,054	(3,244)	119,637

	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	4,906	(3,127)	55	(1,379)	454
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)	538	1,581	(3)	603	2,719
Total changes during current period	538	1,581	(3)	603	2,719
Balance at the end of current period	5,444	(1,545)	52	(776)	3,174

	Non-controlling interests	Total net assets
Balance at the beginning of current period	2,427	118,394
Changes during current period		
Dividend from retained earnings		(2,761)
Net income attributable to owners of the parent		6,886
Purchase of treasury stock		(0)
Changes of items other than shareholders' equity during current period (net)	199	2,919
Total changes during current period	199	7,043
Balance at the end of current period	2,626	125,438

FY2017 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	17,489	21,337	84,054	(3,244)	119,637
Changes during current period					
Dividend from retained earnings			(3,005)		(3,005)
Net income attributable to owners of the parent			11,776		11,776
Purchase of treasury stock				(0)	(0)
Changes of items other than shareholders' equity during current period (net)					
Total changes during current period	—	—	8,771	(0)	8,771
Balance at the end of current period	17,489	21,337	92,826	(3,245)	128,408

	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	5,444	(1,545)	52	(776)	3,174
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)	832	286	2	659	1,780
Total changes during current period	832	286	2	659	1,780
Balance at the end of current period	6,276	(1,259)	54	(116)	4,954

	Non-controlling interests	Total net assets
Balance at the beginning of current period	2,626	125,438
Changes during current period		
Dividend from retained earnings		(3,005)
Net income attributable to owners of the parent		11,776
Purchase of treasury stock		(0)
Changes of items other than shareholders' equity during current period (net)	167	1,947
Total changes during current period	167	10,718
Balance at the end of current period	2,793	136,156

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	11,230	16,523
Depreciation and amortization	11,693	10,913
Impairment loss	1,777	138
Increase (decrease) in allowance for employees' bonuses	98	196
Increase (decrease) in allowance for directors' bonuses	(19)	22
Increase (decrease) in net defined benefit liabilities	80	89
Decrease (increase) in net defined benefit assets	(295)	157
Interest and dividends income	(904)	(952)
Interest expenses	417	331
Equity in losses (earnings) of affiliates	(2,291)	(2,335)
Loss (gain) on sales of investment securities	(277)	—
Loss on retirement of tangible fixed assets	165	116
Loss (gain) on sales of tangible fixed assets	(5)	(3)
Decrease (increase) in accounts receivable – trade	160	(2,575)
Decrease (increase) in inventories	1,716	1,191
Decrease (increase) in other current assets	300	(836)
Increase (decrease) in accounts payable - trade	658	1,011
Increase (decrease) in other current liabilities	(3,774)	1,410
Increase (decrease) in other fixed liabilities	(249)	(152)
Others	77	8
Subtotal	20,558	25,258
Interest and dividends received	893	944
Interest paid	(434)	(283)
Income and other taxes paid	(5,398)	(3,662)
Net cash provided by (used in) operating activities	15,620	22,257
Cash flows from investing activities		
Payments into time deposits	(27)	(25)
Purchase of investment securities	(1)	(271)
Proceeds from sales of investment securities	1,770	0
Purchase of tangible fixed assets	(9,008)	(27,410)
Proceeds from sales of tangible fixed assets	9	2
Purchase of intangible fixed assets	(1,052)	(691)
Purchase of long-term prepaid expenses	(86)	(186)
Payments of long-term loans receivable	(1)	(2)
Other payments	(108)	(186)
Other proceeds	131	295
Others	1	2
Net cash provided by (used in) investing activities	(8,373)	(28,474)

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Proceeds from short-term loans payable	2,000	2,200
Repayment of short-term loans payable	—	(2,000)
Proceeds from long-term loans payable	—	20,000
Repayment of long-term loans payable	(10,666)	(7,362)
Repayments of lease obligations	(340)	(359)
Proceeds from stock issuance to non-controlling shareholders	98	—
Dividends paid by parent company	(2,761)	(3,005)
Dividends paid to non-controlling shareholders	(31)	(34)
Others	(0)	(0)
Net cash provided by (used in) financing activities	(11,702)	9,438
Effect of exchange rate change on cash and cash equivalents	(1)	0
Increase (decrease) in cash and cash equivalents	(4,456)	3,221
Cash and cash equivalents at the beginning of period	43,565	39,108
Cash and cash equivalents at the end of period	39,108	42,329

(5) Notes on the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

There is nothing to report.

(Basic Important Conditions to Prepare Consolidated Financial Statements)

1. Scope of consolidation

1) Number of consolidated subsidiaries: 18 companies

Names of consolidated subsidiaries

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

LANI KE AKUA PACIFIC, INC. was newly established during the current fiscal year and included in the scope of consolidation.

2) Non-consolidated subsidiary

Tsukizi Hamashin Co., Ltd.

The non-consolidated subsidiary is small in size, and its total assets, operating revenues, net income/loss, and retained earnings do not have a significant impact on the consolidated financial statements.

2. Application of equity method

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

Names of affiliated company that is accounted for using the equity method

Tokyo International Air Terminal Corporation
Airport Transport Service Co., Ltd.
Japan Airport Delica Inc.

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

3. Fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, Japan Airport Terminal Trading (Chengdu) Co., Ltd. and LANI KE AKUA PACIFIC, INC. end the fiscal year on December 31. Necessary adjustments arising from important transactions during the period between its closing date and the consolidated closing date are made.

4. Summary of significant accounting policies

1) Valuation standards and methods for important assets

(A) Securities

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

(ii) Other securities

Other securities with fair values are stated at fair value based on the market value at the closing date, with valuation differences included in net assets. Cost of securities sold is determined by the moving average method.

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

(B) Derivatives

Derivative financial instruments are stated at fair value.

(C) Inventories

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

2) Depreciation method of important depreciable assets

(A) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated by the declining balance method. Some consolidated subsidiaries use the straight-line method for some assets.

(B) Intangible fixed assets (excluding lease assets)

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

(C) Lease assets

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

3) Accounting policies for important allowances

(A) Allowance for doubtful accounts

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

(B) Allowance for employees’ bonuses

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

(C) Allowance for directors’ bonuses

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

4) Accounting method for employees' retirement benefits

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

The benefit formula method is used to allocate the projected retirement benefits to each period up to the end of the fiscal year under review.

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

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

5) Recognition of significant revenues and costs

Standards for recognition of revenues and costs of construction contracts

(i) Construction of which the percentage of completion by the end of the fiscal year can be reliably estimated

The percentage-of-completion method is used to recognize revenues and costs. Percentage of completion is calculated based on cost proportion method.

(ii) Other constructions

The completed-contract method is used to recognize revenues and costs.

6) Accounting standards for important hedging transactions

(A) Hedge accounting method

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

(B) Hedging instrument and hedged item

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

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

(C) Hedging policy

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

(D) Evaluation of hedging effectiveness

The effectiveness of hedging is evaluated by comparing the cumulative changes of hedging instruments and corresponding changes in underlying hedged items. The evaluation is omitted regarding interest rate swaps that meet the requirements for special treatment.

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

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

8) Other important matters regarding preparing consolidated financial statements

Consumption Taxes

Consumption taxes are excluded from transaction amounts.

(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)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Buildings and structures	66,166	62,456
Land	53	53
Total	66,220	62,510

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

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 201)
Short-term loans payable	5,722	3,600
Long-term loans payable	5,800	2,550
Total	11,522	6,150

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

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Investment securities (shares)	7,385	10,005
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)

FY2016 (As of March 31, 2017)		FY2017 (As of March 31, 2018)	
Japan Airport Delica Inc. (borrowing)	225	Japan Airport Delica Inc. (borrowing)	225

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)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
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:

FY2016 (from April 1, 2016 to March 31, 2017)

Location	Use	Type	Impairment loss
Chuo-ku, Tokyo	Store (Merchandise sales)	Buildings and structures, others, intangible fixed assets	1,777 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 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 ¥1,161 million for buildings and structures, ¥611 million for others, and ¥4 million for intangible fixed assets.

FY2017 (from April 1, 2017 to March 31, 2018)

Location	Use	Type	Impairment loss
Izumisano, Osaka	Store (Merchandise sales), etc.	Buildings and structures, others, intangible fixed assets	97 million yen
Narita, Chiba and other locations	Unused land	Land	41 million yen

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

By examining impairment for fixed assets based on the groupings, it was judged that the carrying amount of the stores and other assets at Kansai International Airport directly operated by JAT is not recoverable in the future. The entire carrying amount of those assets was recognized as impairment loss. The loss consists of ¥58 million for buildings and structures, ¥34 million for others, and ¥4 million for intangible fixed assets.

As for the unused land whose market value significantly fell below the carrying amount, the carrying amount was reduced to the recoverable value and the reduced amount was recognized as impairment loss of ¥41 million in extraordinary loss.

Recoverable values of those assets were measured as net realizable values, which were based on real estate appraisal standards and other methods.

2. Loss on retirement of fixed assets

(Millions of yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Buildings and structures	109	4
Machinery, equipment and vehicles	—	2
Total	109	7

(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)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Cash and deposits	32,240	42,487
Marketable securities	7,000	―
Time deposits with a maturity greater than 3 months	(131)	(157)
Cash and cash equivalents	39,108	42,329

(Segment Information)

Segment Information

1. Overview of reportable segments

The reportable segments of the Group are units for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors 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 is based on operating income. Intersegment sales and transfers are based on prevailing market price.

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

FY2016 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments				Adjustments (Notes 1)	Consolidated financial statements (Notes 2)
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	54,975	131,098	18,879	204,953	―	204,953
Intersegment sales and transfers	1,825	813	2,516	5,155	(5,155)	―
Total	56,801	131,911	21,395	210,108	(5,155)	204,953
Segment income	6,470	7,254	757	14,482	(4,985)	9,497
Segment assets	104,111	34,981	14,982	154,076	58,950	213,026
Other items						
Depreciation and amortization	9,518	1,283	444	11,246	446	11,693
Increase in tangible fixed assets and intangible fixed assets	5,536	410	275	6,222	1,390	7,613

(Notes) 1. Details of adjustments are as follows:
(1) Adjustments to the segment income include ¥5,000 million of administration expenses for the parent company's administration and other divisions at head office which are not allocated to each of the reportable segments.
(2) Adjustments to the segment assets include ¥73,400 million of corporate assets which are not allocated to each of the reportable segments, which includes excess funds managed by parent company, long-term investment (investment securities), assets related to administration divisions and other assets.
(3) Adjustments to depreciation and amortization include ¥456 million of depreciation with regard to administration divisions at head office of parent company which are not allocated to each of the reportable segments.
(4) Adjustments to increase in tangible fixed assets and intangible fixed assets (¥1,390 million) are primarily due to land acquisition intended for use as company dormitory for employees of parent company's head office.

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

FY2017 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments				Adjustments (Notes 1)	Consolidated financial statements (Notes 2)
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	58,443	147,787	19,722	225,953	—	225,953
Intersegment sales and transfers	2,007	860	2,563	5,431	(5,431)	—
Total	60,451	148,647	22,285	231,385	(5,431)	225,953
Segment income	6,714	11,322	896	18,934	(5,504)	13,429
Segment assets	120,867	38,564	15,511	174,942	64,562	239,504
Other items						
Depreciation and amortization	9,005	1,024	475	10,505	408	10,913
Increase in tangible fixed assets and intangible fixed assets	25,946	1,245	400	27,591	998	28,590

(Notes) 1. Details of adjustments are as follows:
(1) Adjustments to the segment income include ¥5,513 million of administration expenses for the parent company's administration and other divisions at head office which are not allocated to each of the reportable segments.
(2) Adjustments to the segment assets include ¥77,969 million of corporate assets which are not allocated to each of the reportable segments, which includes excess funds managed by parent company, long-term investment (investment securities), assets related to administration divisions and other assets.
(3) Adjustments to depreciation and amortization include ¥420 million of depreciation with regard to administration divisions at head office of parent company which are not allocated to each of the reportable segments.
(4) Adjustments to increase in tangible fixed assets and intangible fixed assets (¥998 million) are primarily due to land acquisition intended for use as company dormitory for employees of parent company's head office.

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

Related Information

FY2016 (from April 1, 2016 to March 31, 2017)

1. Information by product and service

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

2. Information by area

(1) Operating revenues

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

(2) Tangible fixed assets

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

3. Information by major customer

Not applicable

FY2017 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

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

2. Information by area

(1) Operating revenues

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

(2) Tangible fixed assets

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

3. Information by major customer

Not applicable

Information on impairment loss of fixed assets by reportable segment

FY2016 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Facilities Management	Merchandise Sales	Food and Beverage	Corporation / Elimination	Total
Impairment Loss	—	1,777	—	—	1,777

FY2017 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Facilities Management	Merchandise Sales	Food and Beverage	Corporation / Elimination	Total
Impairment Loss	—	97	—	41	138

Information on amortized amount and unamortized balance of goodwill by reportable segment

FY2016 (from April 1, 2016 to March 31, 2017)

Not applicable

FY2017 (from April 1, 2017 to March 31, 2018)

Not applicable

Information on gain on negative goodwill by reportable segment

FY2016 (from April 1, 2016 to March 31, 2017)

Not applicable

FY2017 (from April 1, 2017 to March 31, 2018)

Not applicable

(Per Share Information)

(Yen)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Net assets per share	1,511.92	1,641.82
Net income per share	84.78	144.98
Diluted net income per share	80.84	138.37

Notes: Net income per share and diluted net income per share are calculated based on the following:

(Millions of yen, except for number of shares)

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to owners of the parent	6,886	11,776
Amount not attributable to common shareholders	—	—
Net income attributable to owners of the parent available for distribution to common shareholders	6,886	11,776
Average number of shares outstanding during the period (thousand shares)	81,229	81,228
Diluted net income per share		
Adjustments to net income attributable to owners of the parent	-17	-17
[Interest income] net-of-tax	[-17]	[-17]
Increase in common shares (thousand shares)	3,737	3,753
[Bonds with stock acquisition rights (thousand shares)]	[3,737]	[3,753]
Description of potential shares which were not included in computing diluted net income per share as they have no dilutive effect.	—	—

(Significant Subsequent Events)

Business Combination by Acquisition

The Company has completed necessary procedures for subscribing for a third-party allotment of shares issued by Tokyo International Air Terminal Corp. ("TIAT") on April 27, 2018. With this acquisition, TIAT has become a consolidated subsidiary.

(1) Summary of Business Combination

1) Name and business of acquired company

Name: Tokyo International Air Terminal Corp.

Business: Management and operation of International passenger terminal building

2) Primary reasons for business combination

TIAT is a special purpose company for a Private Finance Initiative project that develops and operates the international passenger terminal and facilities at Tokyo International Airport ("the Business"). TIAT was established in June 2006 by an equity consortium consisting of 13 companies, including JAT as leading sponsor, airlines, and financial institutions. TIAT is currently engaged in the construction, management, and operation of the international passenger terminal, the car parking facilities for airport users, and other facilities at Tokyo International Airport ("Haneda Airport"). JAT has been engaged by TIAT to operate facilities maintenance and management, the duty-free shops, and passenger services at Haneda Airport's international passenger terminal. JAT plays a central role in the terminal's management and operation.

The Business has been progressing steadily since the opening of Haneda Airport International Passenger Terminal on October 21, 2010. The international terminal was expanded in September 2014 in response to an increase in daytime slots for international flights. Currently, in order to further strengthen the functions of Tokyo metropolitan airports, the central government is taking measures to provide detailed information through explanatory meetings in order to gain an understanding of local residents and communities.

Under these circumstances, while gaining an understanding of local areas, TIAT has initiated construction for new projects, including a plan to expand the international passenger terminal. As part of financing the project, TIAT developed a plan to raise equity by issuing new shares to shareholders.

In response to this, we decided to acquire new shares issued by TIAT so that we will fulfill our responsibilities as a consortium leader of TIAT and provide support to ensure that the Business will continue successfully. By so doing, as the operator of domestic passenger terminals, we will make efforts to improve customer convenience jointly with TIAT, the operator of the international passenger terminal, by leveraging hub functions for domestic and international flight networks, which are Haneda's major advantage.

We completed the acquisition of new shares issued by TIAT by completing payment procedures. With this acquisition of shares, our shareholdings in TIAT increased to 51.00%, which changed TIAT's status for our consolidated accounting from an associate accounted for using the equity method to a consolidated subsidiary.

3) Date of business combination
April 27, 2018

4) Legal form of business combination
Share acquisition with cash as consideration

5) Name of the company after business combination
No changes are made to the name of the acquired company.

6) Percentage of voting rights acquired

Before acquisition	38.78%
Increase on acquisition date	12.22%
After acquisition	51.00%

7) Primary basis for determining acquiring company
By subscribing for new shares through third-party allotment, JAT owns 51.00 % of voting rights in TIAT.

(2) Acquisition Cost and Breakdown by the Type of Considerations
Fair value of shares of TIAT held by the Company before the business combination: ¥6,980 million
Cash used for this acquisition: ¥6,550 million
Acquisition cost: ¥13,530 million

(3) Difference between Acquisition Cost and Total Amount of Acquisition Costs by Each Transaction
Loss of step acquisition: ¥2,725 million

(4) Major Expenses and their Amount Related to the Acquisition
Advisory and other fees: ¥40 million

(5) Notes on Allocation of Acquisition Cost
1) Breakdown of assets acquired and liabilities assumed at the time of business combination

Current assets:	¥54,374 million
Fixed assets:	¥180,137 million
Total assets:	¥234,511 million
Current liabilities:	¥17,261 million
Fixed liabilities:	¥159,785 million
Total liabilities:	¥177,047 million

2) Amount of gain on negative goodwill and reasons for the negative goodwill
Amount of gain on negative goodwill: ¥20,126 million
Reasons for the recognition: The total net asset value of the acquired companies at the time of the business combination was higher than the cost of acquisition; therefore, the difference was recognized as negative goodwill.