Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2019 (FY2018) [J-GAAP] (Consolidated)

February 6, 2019

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Company name: Japan Airport Terminal Co., Ltd.
Listed stock exchange: Tokyo, 1st Section
Code number: 9706
URL: http://www.tokyo-airport-bldg.co.jp/

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Scheduled date of filing securities report: February 14, 2019
Scheduled date of commencing dividend payment: -
Supplementary materials on financial results (yes/no) No
Holding of quarterly earnings announcement (yes/no) No

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

1. Consolidated Financial Results for the First Nine Months of FY2019 (April 1, 2018 to December 31, 2018)

(1) Consolidated Business Results (Cumulative)

%: Change from the same period of the previous year

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
First Nine Months of	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	207,353	24.4	19,411	84.5	17,714	33.0	31,470	229.3
FY2017	166,683	10.0	10,521	45.0	13,318	30.8	9,557	41.2

(Note) Comprehensive income: First nine months of FY2018 ¥34,423 million (204.9%) First nine months of FY2017 ¥11,289 million (31.9%)

	Net income per share	Diluted net income per share
First Nine Months of	Yen	Yen
FY2018	387.43	370.04
FY2017	117.67	112.31

(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 December 31, 2018	474,791	199,065	34.0	1,989.89
As of March 31, 2018	239,389	136,156	55.7	1,641.82

(Reference) Equity capital: As of December 31, 2018 ¥161,636 million As of March 31, 2018 ¥133,362 million

2. Dividends

	Dividends per share				
	Q1-End	Q2-End	Q3-End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	-	20.00	-	24.00	44.00
FY2018	-	23.00	-		
FY2018 (Forecast)				21.00	44.00

(Note) Revisions to the most recently announced dividends forecast for FY2018: No

3. Forecast of Consolidated Financial Results for FY 2018 (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
Full-year	277,100	22.6	21,700	61.6	19,400	16.2	32,400	175.1	398.87

(Note) Revisions to the most recently announced forecast of consolidated financial results for FY2018: No

*** Notes**

(1) Significant changes in subsidiaries during the period under review (changes in specified subsidiaries involving changes in scope of consolidation): Yes

New: 1 company (Tokyo International Air Terminal Corp.) Excluded: None

(Note) For details, please refer to page 11 of the appendix materials "2. Quarterly Consolidated Financial Statements and Notes (3) Notes on Quarterly Consolidated Financial Statements: Significant Changes in Subsidiaries during the Period under Review".

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to page 11 of the appendix materials "2. Quarterly Consolidated Financial Statements and Notes (3) Notes on Quarterly Consolidated Financial Statements: Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements".

(3) 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

(4) Number of shares outstanding (common stock)

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

As of December 31, 2018	84,476,500 shares	As of March 31, 2018	84,476,500 shares

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

As of December 31, 2018	3,247,943 shares	As of March 31, 2018	3,247,735 shares

3) Average number of shares outstanding (quarterly consolidated cumulative period):

Third quarter of FY2018	81,228,673 shares	Third quarter of FY2017	81,228,828 shares

* This quarterly financial report is not subject to the quarterly review 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 forecast and precautionary statements regarding the use of the forecasts, please refer to page 4 of the appendix materials "1. Qualitative Information on Consolidated Financial Results for the First Nine Months of FY2018 (3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements".

Contents of the Appendix Materials

1. Qualitative Information on Consolidated Financial Results for the First Nine Months of FY2018 (April 1, 2018 to December 31, 2018)

(1) Explanation of Operating Results

During the first nine months of the fiscal year ending March 31, 2019, 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 various issues such as effects of rising trade tensions on the global economy, the uncertainty in overseas economies, and volatility of capital markets. In particular, the Chinese economy is expected to return to the recovery path going forward, while it now seems to be at a standstill. Nevertheless, the uncertainty in how the rising trade tensions will impact on the global economy poses the risk of an economic downturn.

Looking at our business environment, the Japanese government targets 40 million annual inbound tourists for Japan in 2020. The volume of inbound tourists in 2018 (January – December) hit a record high of over 30 million. The growth was primarily due to increase in total seat capacity fueled by new routes and an increase in flights and continuing promotional campaigns for traveling to Japan, despite the adverse impacts observed since September 2018 due to natural disasters that struck Japan in the summer and fall of 2018.

A review of passenger traffic during the first nine months shows that passenger volume at Haneda Airport, both on domestic and international flights, rose year-on-year since airlines increased their nighttime flights at Haneda’s international routes, increased seat capacity by redesigning aircraft cabin layout, and offered various demand-based discount pricing. International flights at Narita International Airport also increased year-on-year because of robust passenger traffic as well as additional flights in September 2018 following the disaster that hit Kansai International Airport.

Under these circumstances, the Japan Airport Terminal (“JAT”) group has embraced its long-term vision “To be a World Best Airport” that satisfies the needs of all stakeholders. To achieve this long-term vision, the medium-term business plan has been developed and implemented as our five-year growth strategy until FY2020. This medium-term business plan was reviewed to keep up with the current corporate growth strategy and updated to reflect recent developments, including consolidation of Tokyo International Air Terminal Corp. (“TIAT”) by subscribing for a third-party allotment of shares in April 2018, as well as the strengthening of airport functions to meet the increasing demand of international flights after 2020. Our main priority for FY2018 is to realize the intended effects and purpose of consolidation of TIAT, achieve appropriate results, respond to changes in the business environment, and further improve the performance of airport-style in-city duty-free shops. While pursuing these priorities, JAT group is implementing various measures based on 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.

With regard to “Pursuit of the ideal of Haneda Airport”, passenger terminal facilities are being constructed with a view toward re-expansion of Haneda international flights. As part of this project, the boarding stations near the North Pier of Terminal 2 and the satellite facility at Terminal 2 began operating in May 2018 and in December 2018 respectively. Other re-expansion projects are proceeding in line with the construction schedule that will be completed for service by March 2020. In terms of airport safety, we are taking additional protective measures such as installing water-stopping boards to prevent flooding into the underground facilities in light of the last year’s unprecedented natural disaster which significantly affected the safety of airport functions. We will step up our investments to enhance airport safety and continue to implement our business policy of establishing absolute safety. In addition, renovation project started at Terminal 1 from October 2018 to improve passenger convenience and terminal environment. Moreover, in a drastically changing business environment, it is important not only to utilize our experience and know-how more extensively, but also to expand our business domain by bringing in expertise that our company does not possess, so that we can achieve more stable growth by taking full advantage of the prominent location of Haneda Airport. To this end, Haneda Future Research Institute Inc. was established on July 2, 2018. Its business is now being undertaken in consideration of the perspective that art and culture will play a vital role in supporting the Japanese economy after the 2020 Olympics. While we contribute to regional revitalization by taking advantage of the premier location of Haneda Airport in connecting local municipalities and Haneda Airport, we are also creating new values by promoting Japanese fine products, art, and culture. In addition, we will propose a future design of Japan, such as new lifestyle, while educating human resources who can meet the needs of the times and fulfilling the role as a think tank. Furthermore, Haneda Robotics Lab, which applies robot technology to improve functionality and customer convenience of Haneda Airport, has experimented robot technology and participated in exhibitions in Japan and abroad to spread such information. These efforts were recognized as meaningful initiative in the field of airport operation that helps improve passenger experiences, leading to being awarded “Best Passenger Experience Initiative” at Future Travel Experience Asia Expo 2018 that took place in Singapore in November 2018. We will continue to explore ways to utilize the latest technology at Haneda Airport.

In terms of the "Expansion of our business domain utilizing our strengths and the diversification of profits", a duty-free shop at the arrival hall in the Haneda's international terminal was opened in April 2018. Renovations have been underway since July 2018 at TIAT DUTY FREE SHOP CENTRAL within departure area, with the partial opening on January 31, 2019 of the Japanese brands of cosmetics and perfumery that are popular among inbound travelers. Upon its grand opening scheduled at the end of March, it is expected to offer a wider variety of goods and enhance customer convenience. On the other hand, tightened enforcement of regulation on bringing duty-free goods into China as well as the weakening of the Chinese yuan has caused a slowdown in the pace of growing consumption by Chinese travelers at our duty-free shops. Though the growth of merchandise sales has shown signs of slowing at duty-free shops including airport-style in-city duty-free shop "Japan Duty Free Ginza", we will keep various measures to enhance their revenues since demand for shopping by Chinese visitors to Japan is expected to grow. Furthermore, in addition to Palau International Airport project in which we have been involved in preparing for airport operation, a consortium of Japanese companies including JAT signed a shareholders' agreement with Joint-Stock Company Khabarovsk Airport for participation in a business to construct and operate a passenger terminal at Khabarovsk International Airport. We will accelerate our efforts to proceed with the project with the other partner companies.

With respect to the "Reconstruction of our profit base and the building of competitive advantages", we opened a new commercial facility "THE HANEDA HOUSE" that consists of 14 tenants on December 19, 2018 on the 5th floor of Haneda's Terminal 1. This project is designed to provide new types of airport experiences by bringing together facilities specializing in offering unique experiences. In addition, two stores of "Air BIC CAMERA" that were opened at Chubu Centrair International Airport in April and June 2018 have shown strong results by offering products that meet the needs of foreign travelers. Next store is now being prepared for opening at Naha Airport on March 18, 2019. To leverage the profit opportunity created by foreign travelers' spending outside of the airport, a new store was opened at Divercity Tokyo Plaza on November 2, 2018, followed after the store opening at Aqua City Odaiba.

Additionally, ¥30,000 million was financed on August 31, 2018 through Hybrid Loan (subordinated debt), a strategic financing scheme that achieves both financial stability and improvement in return on capital. As this Hybrid Loan is recognized by a credit rating agency to qualify for equity classification to a certain extent, it serves essentially to strengthen financial structure without diluting its shares. In the area of corporate governance, we are working to strengthening governance structure by holding legal seminars on governance that CEO and other management participate in as well as amending internal rules and guidelines including regulations of the board of directors.

Consolidated financial results for the first nine months (April 1, 2018 - December 31, 2018) is affected by the changes in profit structure resulting from consolidation of TIAT as a consolidated subsidiary and recognition of extraordinary income and loss. Under these circumstances, consolidated operating revenues for the first nine months increased 24.4% compared with the same period of the previous year to ¥207,353 million. Operating income rose to ¥19,411 million (up 84.5% year-on-year), ordinary income to ¥17,714 million (up 33.0% year-on-year) and net income (attributable to owners of the parent) to ¥31,470 million (up 229.3% year-on-year).

In September 2018, Haneda Airport's passenger terminals were awarded "5-Star Airport" quality ranking, the highest global standard, for the fifth consecutive year in the "Global Airport Rating" evaluated by the Skytrax (UK). As a sky gateway to Tokyo metropolitan area, we ensure a high level of professionalism shared by all airport staffs as well as customer-oriented airport facility and services. Furthermore, in pursuit of the ideal of Haneda Airport, we aim to be the airport that earns the long-term trust of customers from all over the world.

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]

Since TIAT became a consolidated subsidiary, revenue at Haneda's international terminal was added including rental revenue, facility user charges, parking revenue, and sales from advertisement and at lounges, while what was recognized as revenue from outsourced operation at international terminal in previous years is now offset.

Looking at factors other than the consolidation of TIAT, rental revenue rose from the same period of the previous year primarily due to an increase in rental spaces to airlines and opening of "THE HANEDA HOUSE" on the 5th floor of Terminal 1, despite a decrease in rental revenue resulting from the closure of tenants due to ongoing construction for expansion of Terminal 2.

Revenue from facility user charges rose from the same period of the previous year because a growth in domestic passenger volume fueled by strong demand for business travelers and inbound travelers using domestic routes increased user charges revenue for domestic terminal facilities, despite flight cancellations due to natural disasters.

Other revenues rose from the same period of the previous year primarily because revenue at lounge at domestic terminals increased.

As a result, operating revenues from facilities management operations increased to ¥65,271 million (up 47.4% year-on-year). Operating income for the segment was ¥12,183 million (up 112.9% year-on-year).

[Merchandise Sales]

Since TIAT became a consolidated subsidiary, sales at duty-free shops at Haneda's international terminal was added, while what was recognized as the revenue from wholesaling in previous years is now offset.

Looking at factors other than the consolidation of TIAT, sales at domestic terminal stores rose from the same period of the previous year as a result of an increase in domestic passenger volume and efforts to achieve higher average purchase price.

With regard to sales at international terminal stores, we have seen a slowing trend of the growth of consumption by Chinese travelers at our duty-free shops, affected by tightened enforcement of regulation on bringing duty-free goods into China as well as the weakening of the Chinese yuan. Nevertheless, the sales at international terminal stores increased from the same period of the previous year, because international passenger volume grew at Haneda Airport, a new duty-free shop opened at arrival floor, new shops opened at Chubu Centrair International Airport, and efforts were made to improve the merchandise lineup and to bring more operational efficiency, to promote sales to customers, and to extend opening hours at some shops.

Other revenues rose because the wholesaling of products to regional airports progressed well.

As a result, operating revenues from merchandise sales operations increased to ¥131,426 million (up 19.8% year-on-year) and operating income rose to ¥12,658 million (up 53.7% year-on-year).

[Food and Beverage]

Since TIAT became a consolidated subsidiary, sales from food and beverage operations at Haneda's international terminal was added, while what was recognized as the revenue from the outsourced operations at international terminal in previous years is now offset.

Looking at factors other than the consolidation of TIAT, sales from food and beverage operations decreased from the same period of the previous year because some restaurants and stores were closed due to renovations and construction for internationalization at domestic terminal.

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

As a result, operating revenues from food and beverage operations increased to ¥17,223 million (up 2.3% year-on-year) and operating income rose to ¥766 million (up 21.8% year-on-year).

(2) Explanation of Financial Position

[Assets]

Current assets increased by ¥58,331 million from the previous fiscal year end to ¥130,317 million, primarily due to an increase in cash and deposits by ¥48,911 million and in other current assets by ¥4,931 million, despite a decrease in accounts receivable by ¥465 million.

Fixed assets increased by ¥177,069 million from the previous fiscal year end to ¥344,473 million, primarily due to an increase in buildings and structures by ¥119,804 million.

As a result, total assets increased by ¥235,401 million from the previous fiscal year end to ¥474,791 million.

[Liabilities]

Current liabilities increased by ¥8,976 million from the previous fiscal year end to ¥46,661 million, primarily due to an increase in short-terms loans payable by ¥4,842 million.

Fixed liabilities increased by ¥163,516 million from the previous fiscal year end to ¥229,064 million, primarily due to an increase in long-term loans payable by ¥131,863 million.

As a result, total liabilities increased by ¥172,492 million from the previous fiscal year end to ¥275,725 million.

[Net assets]

Total net assets increased by ¥62,908 million to ¥199,065 million primarily because non-controlling interests increased by ¥34,635 million and retained earnings increased by ¥27,651 million.

As a result, equity ratio was 34.0% (compared to 55.7% at the previous fiscal year end).

(3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements

During the first nine months of the fiscal year, the growth of the passenger volume at Haneda Airport on international flights slowed down since October 2018, while the number of passengers on domestic flights progressed in line with its forecast. Consolidated revenues for the first nine months slightly fell short of the forecast because merchandise sales and facility user charges revenue came in below the forecast. Consolidated profits, however, exceeded forecasts because the amount of capital expenditure was revised and part of the spending was carried forward to the fourth quarter.

The forecasts of full-year consolidated results have been left unchanged at this point from those announced on November 7, 2018, since we expect that, on the revenue side, merchandise sales at TIAT DUTY FREE SHOP CENTRAL will contribute to the sales increase after its reopening and that, on the cost side, additional investment to improve airport safety is planned, despite the risk that an economic downswing overseas and uncertainty in the global situation might weaken the domestic economy.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Nine Months of FY2018 (As of December 31, 2018)
ASSETS		
Current assets		
Cash and deposits	42,487	91,399
Accounts receivable	19,566	19,101
Merchandise and finished products	6,512	11,431
Raw materials and stored goods	161	193
Other current assets	3,294	8,226
Allowance for doubtful accounts	(37)	(34)
Total current assets	71,985	130,317
Fixed assets		
Tangible fixed assets		
Buildings and structures	281,100	453,804
Accumulated depreciation and impairment loss	(204,919)	(257,819)
Buildings and structures (net)	76,180	195,984
Machinery, equipment and vehicles	11,827	22,899
Accumulated depreciation and impairment loss	(8,821)	(13,021)
Machinery, equipment and vehicles (net)	3,005	9,877
Land	11,371	11,371
Lease assets	1,159	1,251
Accumulated depreciation and impairment loss	(537)	(657)
Lease assets (net)	621	594
Construction in progress	21,496	49,422
Other tangible fixed assets	32,101	56,559
Accumulated depreciation and impairment loss	(26,789)	(45,937)
Other tangible fixed assets (net)	5,311	10,622
Total tangible fixed assets	117,987	277,873
Intangible fixed assets	1,889	40,151
Investments and other assets		
Investment securities	31,953	16,044
Long-term loans receivable	6,665	4
Deferred tax assets	5,789	6,241
Net defined benefit assets	298	518
Other investments	2,820	3,640
Total investments and other assets	47,527	26,449
Total fixed assets	167,404	344,473
TOTAL ASSETS	239,389	474,791

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Nine Months of FY2018 (As of December 31, 2018)
LIABILITIES		
Current liabilities		
Accounts payable	9,707	12,186
Short-term loans payable	7,790	12,632
Income taxes payable	3,202	2,834
Allowance for employees’ bonuses	1,673	814
Allowance for directors’ bonuses	250	178
Other current liabilities	15,061	18,015
Total current liabilities	37,685	46,661
Fixed liabilities		
Bonds	-	11,161
Bonds with stock acquisition rights	30,070	30,051
Long-term loans payable	28,210	160,073
Lease obligations	504	461
Allowance for directors’ retirement benefits	-	53
Net defined benefit liabilities	3,304	3,296
Asset retirement obligations	471	477
Other fixed liabilities	2,986	23,488
Total fixed liabilities	65,547	229,064
TOTAL LIABILITIES	103,233	275,725
NET ASSETS		
Shareholders’ equity		
Common stock	17,489	17,489
Capital surplus	21,337	21,337
Retained earnings	92,826	120,478
Treasury stock	(3,245)	(3,246)
Total shareholders’ equity	128,408	156,058
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,276	5,386
Deferred gains (losses) on hedges	(1,259)	119
Foreign currency translation adjustment	54	52
Remeasurements of defined benefit plans	(116)	18
Total accumulated other comprehensive income	4,954	5,577
Non-controlling interests	2,793	37,428
TOTAL NET ASSETS	136,156	199,065
TOTAL LIABILITIES AND NET ASSETS	239,389	474,791

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First Nine Months of FY2017 (from April 1, 2017 to December 31, 2017)	First Nine Months of FY2018 (from April 1, 2018 to December 31, 2018)
Operating revenues		
Rent revenue	9,953	13,088
Facility user charges revenue	14,244	32,782
Other revenues	20,927	15,869
Sales of merchandise	108,577	130,333
Sales of food and beverage	12,981	15,279
Total operating revenues	166,683	207,353
Cost of sales		
Cost of sales of merchandise	82,242	92,250
Cost of sales of food and beverage	8,180	8,323
Total cost of sales	90,422	100,573
Gross profit	76,260	106,780
Selling, general and administrative expenses		
Salaries and wages	8,397	9,520
Provision for employees' bonuses	722	759
Provision for directors' bonuses	168	178
Expenses for retirement benefits	745	721
Rent expenses	9,311	12,781
Outsourcing and commission	19,315	22,268
Depreciation expenses	7,974	18,096
Other costs and expenses	19,103	23,041
Total selling, general and administrative expenses	65,739	87,369
Operating income	10,521	19,411
Non-operating income		
Interest income	473	20
Dividends income	322	328
Equity in earnings of affiliates	2,152	247
Miscellaneous income	466	737
Total non-operating income	3,413	1,334
Non-operating expenses		
Interest expenses	245	2,325
Loss on retirement of fixed assets	66	59
Fee and commission expenses	282	558
Miscellaneous expenses	22	88
Total non-operating expenses	616	3,031
Ordinary income	13,318	17,714

(Millions of yen)

	First Nine Months of FY2017 (from April 1, 2017 to December 31, 2017)	First Nine Months of FY2018 (from April 1, 2018 to December 31, 2018)
Extraordinary gains		
Gains on sales of fixed assets	1	-
Gain on offsetting assets and liabilities	-	5,626
Gain on negative goodwill	-	20,126
Other extraordinary gains	-	207
Total extraordinary gains	1	25,960
Extraordinary loss		
Loss on retirement of fixed assets	7	196
Loss on valuation of other investments	8	-
Loss of step acquisition	-	2,725
Other extraordinary loss	-	62
Total extraordinary loss	15	2,984
Quarterly income before income taxes and non-controlling interests	13,303	40,689
Income taxes – current	3,623	7,018
Quarterly income	9,680	33,671
Quarterly net income attributable to non-controlling interests	122	2,201
Quarterly net income attributable to owners of the parent	9,557	31,470

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Nine Months of FY2017 (from April 1, 2017 to December 31, 2017)	First Nine Months of FY2018 (from April 1, 2018 to December 31, 2018)
Quarterly income before minority interests	9,680	33,671
Other comprehensive income		
Valuation difference on available-for-sale securities	1,222	(894)
Deferred gains (losses) on hedges	-	234
Foreign currency translation adjustment	0	(2)
Remeasurements of defined benefit plans	185	139
Share of other comprehensive income of associates accounted for using equity method	200	1,273
Total other comprehensive income	1,608	751
Comprehensive income	11,289	34,423
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	11,133	32,092
Comprehensive income attributable to non-controlling interests	156	2,330

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes on a Significant Change in Shareholders' Equity)

Not applicable

(Significant Changes in Subsidiaries during the Period under Review)

During the first quarter, TIAT became our consolidated subsidiary since the Company completed payment procedures with regard to subscribing for a third-party allotment of shares issued by TIAT. This acquisition changed TIAT's status for our consolidated accounting from an associate accounted for using the equity method to a consolidated subsidiary, which is included in the scope of consolidation. TIAT falls under the category of specified subsidiary.

Although not falling under the category of changes in specified subsidiary, Haneda Future Research Institute Inc. was newly established during the second quarter and included in the scope of consolidation.

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Calculation of tax expenses

The effective tax rate on income before taxes for the consolidated fiscal year including the third quarter after the application of tax effect accounting is reasonably estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses.

(Additional Information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018) has been applied from the first quarter of the current fiscal year. Accordingly, deferred tax assets have been presented under investments and other assets and deferred tax liabilities under fixed liabilities.

(Segment Information, etc.)

Segment Information

I. First nine months of FY2017 (from April 1, 2017 to December 31, 2017)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	42,741	109,049	14,892	166,683	-	166,683
Intersegment sales and transfers	1,551	640	1,939	4,131	(4,131)	-
Total	44,293	109,689	16,832	170,815	(4,131)	166,683
Segment income (loss)	5,722	8,235	629	14,586	(4,065)	10,521

(Notes) 1. Adjustments to the segment income include ¥4,072 million of administration expenses for the parent company's administration divisions and others at head office which are not allocated to each of the reportable segments.

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

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

Not applicable

II. First nine months of FY2018 (from April 1, 2018 to December 31, 2018)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	61,550	130,523	15,279	207,353	-	207,353
Intersegment sales and transfers	3,721	902	1,943	6,567	(6,567)	-
Total	65,271	131,426	17,223	213,921	(6,567)	207,353
Segment income (loss)	12,183	12,658	766	25,609	(6,197)	19,411

(Notes) 1. Adjustments to the segment income include ¥6,209 million of administration expenses for administration divisions at parent company's head office and some of the subsidiaries which are not allocated to each of the reportable segments.

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

3. During the first quarter, with the acquisition of TIAT's shares, TIAT became included in the scope of consolidation.
Accordingly, amount of assets in each reportable segment increased by ¥174,977 million for "Facilities Management", ¥6,197 million for "Merchandise Sales", and ¥576 million for "Food and Beverage".

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

Not applicable