

Finance



Consolidated Financial Statement for Fiscal 2015-Overview



Report for Term to March 2016

Japan's economy during this term continued to experience a gentle recovery with improvements in corporate earnings and employment. However, uncertainty over the state of the economy intensified owing to lackluster growth in wage and personal consumption levels, coupled with further appreciation of the yen since the start of the calendar year. Overseas, while a gentle recovery continued in the US and Europe, the economies of China and other emerging markets of Asia as well as those of resource-rich countries have lost momentum, and there are concerns over a possible downturn in the global economy. As for the business environment surrounding Narita International Airport, the easing and removal of visa requirements, the broadening of consumption tax exemptions and the depreciation of the yen resulted in a surge in tourist numbers, mostly from Asia. According to the announcement of the Japan National Tourism

Organization, there were a record 19.74 million visitors to Japan in 2015, 47.1% more than the 13.41 million in 2014. Figures for the 2015 fiscal year were up 45.6% over the previous year at 21.36 million, breaching the 20 million mark for the first time. Amid these developments, in March 2016, the government set out to strongly promote Japan as an advanced tourism nation and develop tourism into one of the nation's basic industries. It set targets of 40 million foreign visitors per year in 2020, and 60 million in 2030.

The NAA Group carried out various initiatives to become the airport of customer choice, recognizing that it is Narita Airport's mission to continue to meet the growing demand for air transport in greater Tokyo as the main portal to our nation. From the 2015 summer schedule, it successfully increased the airport's capacity to 300,000 slots a year and in April, introduced the Narita Hub Promotion Incentives, a scheme in which airlines launching services on new routes are exempt from landing fees for a period of up to 1 year. The Group also opened Terminal 3 for use by low cost carriers operating domestic and short-haul routes to neighboring countries in Asia, and in conjunction with this, introduced domestic passenger service facility charges. Furthermore, as a way of enhancing customer convenience and comfort, NARITA SKY LOUNGE WA was opened in April for the benefit of transit passengers in Terminal 2, and fixed gates linking aircraft directly with the terminal to facilitate smooth access were also added in Terminal 2 in December

and in Terminal 1 in March.

In these prevailing circumstances, aircraft movements for the term increased 3.1% to 235,190 as a result of the launch of new and additional services on Asian routes, mainly to Taiwan and Hong Kong. Although Japanese and transit passenger numbers were down on the previous year, passenger figures overall rose 7.5% to 37.941 million due to an increase in demand for travel to Japan stimulated by the continued depreciation of the yen, while strong figures for domestic passengers were also evident. International air cargo traffic finished 4.6% down at 1.981 million tonnes owing to a decline in exports as a reaction to the extra demand resulting from cargo handling delays in US ports and harbors at the end of the previous term and the slowdown in the Chinese economy. The volume of fuel supplied fell 0.9% below the previous

year to 4.573 million kiloliters despite a rise in the number of short-haul services by small aircraft because of a decline in the number of long-haul services by large aircraft.

Consequently, operating revenue for the consolidated fiscal year rose by 7.5% to JPY218.480 billion. Operating income increased by 11.9% to JPY43.308 billion while ordinary income rose 15.6% to JPY38.558 billion and profit attributable to owners of parent also increased 23.4% to JPY24.254 billion, all finishing at the highest level since privatization.

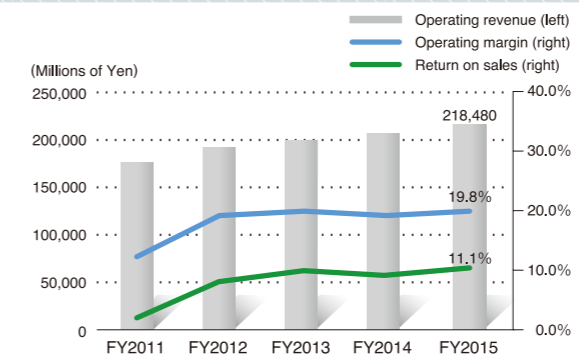
Trends in major management indicators

Fiscal Year (Years Ended March 31)

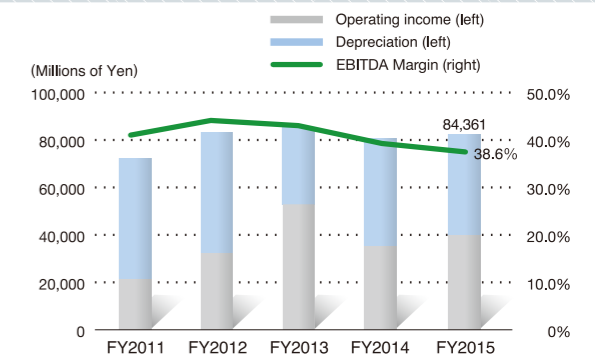
(Millions of Yen)

	2010	2011	2012	2013	2014	2015
Operating revenue	187,846	173,513	189,207	199,496	203,153	218,480
Ordinary income	23,428	13,144	27,571	33,332	33,344	38,558
Profit attributable to owners of parent	9,952	3,555	15,324	19,936	19,660	24,254
Comprehensive income	9,518	3,180	15,348	20,161	20,241	23,235
Net assets	235,657	236,348	250,806	267,470	278,471	295,490
Total assets	935,553	902,566	881,158	859,400	865,747	854,231
Net cash provided by (used in) operating activities	70,634	52,843	69,653	69,961	62,511	66,237
Net cash provided by (used in) investing activities	△24,189	△17,759	△27,065	△26,777	△26,422	△44,613
Net cash provided by (used in) financing activities	△46,088	△34,578	△40,549	△44,768	△30,678	△24,710
Cash and cash equivalents	27,765	28,289	30,355	28,803	34,243	31,180
Equity-to-asset ratio	24.2%	25.2%	27.4%	30.1%	31.1%	33.5%
Rate of return on equity	4.5%	1.6%	6.5%	8.0%	7.5%	8.7%
	(Yen)					
Net assets per share	113,159.89	113,661.58	120,877.42	129,175.96	134,581.16	143,209.45
Basic earnings per share	4,976.16	1,777.72	7,662.49	9,968.42	9,830.06	12,127.18

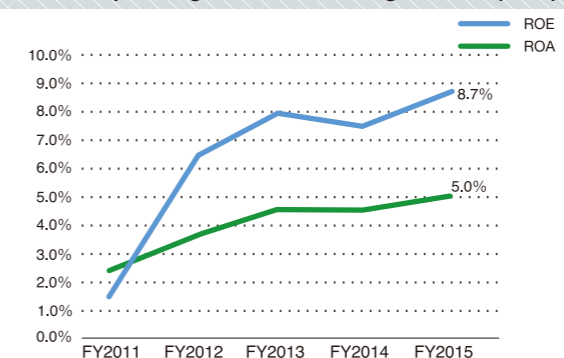
Operating Margin, Return on Sales



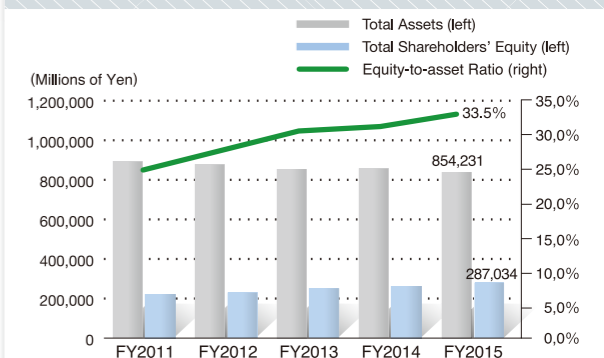
EBITDA



Return on Average Equity (ROE), Ratio of Operating Income to Average Assets (ROA)



Equity-to-asset Ratio



1 Asset, Liability and Net Asset Report

Assets

Assets at the end of the fiscal year were JPY854.231 billion, down 1.3% on the same period in the previous consolidated fiscal year. Current assets stood at JPY57.961 billion, down 9.8% due to a decline in cash and deposits as well as securities created by payments of project accounts payable related to Terminal 3. Although there was an increase in property, plant and equipment and intangible assets due to the development of the corridor connecting the main and

satellite buildings in Terminal 2 and the construction of additional contact gates, depreciation exceeded that, resulting in a 0.7% decline in non-current assets to JPY796.270 billion.

Liabilities

Liabilities totaled JPY558.741 billion, a decline of 4.9%. With the decrease in the current portion of bonds and accounts payable, current liabilities totaled JPY111.565

billion, down 5.2% on the end of the previous consolidated fiscal year. Non-current liabilities totaled JPY447.175 billion, a decline of 4.8% due to a decline in long-term loans payable because of additions to current liabilities. The balance of long term loans payable was JPY133.439 billion (including JPY16.453 billion in interest-free government loans) with borrowings of JPY8 billion and repayments of JPY17.547 billion. The balance of long-term debt in conjunction with JPY340.987 billion in bonds payable (including the current portion of bonds) declined 3.7% to JPY474.426 billion.

Net Assets

Shareholders' equity rose 6.8% to JPY287.034 billion. This was due to a total of JPY24.254 billion booked as profit attributable to the owners of the parent company although cash dividends were paid. The equity-to-asset ratio at the end of the consolidated fiscal year increased from 31.1% at the end of the previous year to 33.5%. Non-controlling interests declined 2.6% to JPY9.071 billion and total net assets including accumulated other comprehensive income increased 6.1% to JPY295.490 billion.

Consolidated Balance Sheet Fiscal Year (For the Years Ended March 31) (Millions of Yen)

	2014	2015
ASSETS		
Current assets		
Cash and deposits	32,553	30,550
Notes and accounts receivable-trade	13,793	13,359
Lease investment assets	2,333	1,939
Securities	5,000	1,000
Inventories	5,912	8,159
Deferred tax assets	1,726	1,638
Other	3,015	1,558
Allowance for doubtful accounts	△ 94	△ 244
Total current assets	64,241	57,961
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	418,959	415,745
Machinery, equipment and vehicles, net	39,225	38,109
Tools, furniture and fixtures, net	16,237	18,203
Land	283,332	285,371
Construction in progress	6,185	3,294
Other, net	135	167
Total property, plant and equipment	764,075	760,891
Intangible assets		
Software	4,914	4,741
Other	10,394	9,969
Total intangible assets	15,309	14,711
Investments and other assets		
Investment securities	2,848	2,588
Long-term loans receivable	1,631	1,632
Deferred tax assets	15,969	14,898
Net defined benefit asset	516	418
Other	1,160	1,133
Allowance for doubtful accounts	△ 4	△ 4
Total investments and other assets	22,122	20,667
Total non-current assets	801,506	796,270
Total assets	865,747	854,231

Fiscal Year (For the Years Ended March 31) (Millions of Yen)

	2014	2015
LIABILITIES		
Current liabilities		
Accounts payable-trade	9,225	7,266
Current portion of bonds	44,800	29,998
Current portion of long-term loans payable	17,003	36,993
Income taxes payable	4,665	7,515
Provision for bonuses	1,803	1,877
Other	40,183	27,913
Total current liabilities	117,682	111,565
Non-current liabilities		
Bonds payable	304,980	310,988
Long-term loans payable	125,983	96,445
Net defined benefit liability	27,977	29,182
Provision for directors' retirement benefits	359	364
Provision for environmental measures	1,240	1,238
Other	9,053	8,956
Total non-current liabilities	469,594	447,175
Total liabilities	587,276	558,741
NET ASSETS		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	52,000	52,036
Retained earnings	116,643	134,997
Total Shareholders' equity	268,643	287,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	5
Deferred gains or losses on hedges	△ 239	△ 207
Remeasurements of defined benefit plans	755	△ 413
Total accumulated other comprehensive income	518	△ 615
Non-controlling interests	9,309	9,071
Total net assets	278,471	295,490
Total liabilities and net assets	865,747	854,231

2 Management Result Analysis

Operating Revenue

Despite the increase in aircraft movements, revenue from landing and parking charges and fuel supply facilities charge fell due to a decline in the average landing weight of aircraft. However, growth in the number of air passengers resulted in an increase in revenue from passenger service facilities and security charge. Consequently, operating revenue was up 1.4% overall at JPY103.775 billion.

In retailing, directly operated shops and tenanted shops both staged increases in sales due to, among other reasons, an increase in non-Japanese international passengers, the opening of Terminal 3 and shop expansion and renovation. As a result, revenue from merchandising and food and beverage as well as tenant fees increased to produce a revenue increase of 21.5% to JPY81.396 billion.

In facility leasing, revenue was down 1.8% to JPY30.373 billion owing to a decline in revenue from rent income of real estate following the cancellation of some cargo terminal building lease agreements.

The railway business saw a drop in revenue of 0.2% to JPY2.934 billion.

Consequently, operating revenue for the consolidated fiscal year rose by 7.5% to JPY218.480 billion.

Operating Expenses

Operating expenses for the consolidated fiscal year increased by 6.5% to JPY175.171 billion due to a rise in the cost of product purchases in the retail business despite a reduction in depreciation and amortization expenses as facilities reached the end of their service life.

Operating Income

Therefore, consolidated operating income for the fiscal year increased 11.9% to JPY43.308 billion. The ratio of operating income to operating revenue was 19.8% for the consolidated fiscal year in contrast to 19.1% for the previous term.

Non-operating Income and Expense

Consolidated non-operating profit and loss improved 11.3% from a JPY5.356 billion (net) loss in the previous fiscal year to a (net) loss of JPY4.750 billion. This was mainly due to a decline in interest produced by a reduction in outstanding long-term debt.

Ordinary Income

Therefore, consolidated ordinary income for the fiscal year increased 15.6% to JPY38.558 billion.

Extraordinary Income and Loss

Consolidated extraordinary income and loss improved 52.9% from a JPY1.708 billion (net) loss in the previous fiscal year to a (net) loss of JPY804 million. This was mainly due to a reduction in loss on retirement of non-current assets and loss on sales of non-current assets.

Profit before Income Taxes

Therefore, profit before income taxes for the consolidated fiscal year increased by 19.3% to JPY37.753 billion.

Profit for Term

Profit after income tax increased 23.3% to JPY24.367 billion.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent after profit attributable to non-controlling interests increased 23.4% to JPY24.254 billion. Earnings per share was JPY12,127.18 compared to JPY9,830.06 for the previous term.

Consolidated Profit & Loss and Comprehensive Income Statement Fiscal Year (For the Years Ended March 31) (Millions of Yen)

	2014	2015
Operating revenue	203,153	218,480
Operating cost	137,982	145,472
Operating gross profit	65,170	73,007
Selling, general and administrative expenses	26,469	29,698
Operating income	38,701	43,308
Non-operating income		
Interest and dividend income	99	96
Accident received	152	585
Gain on donation of non-current assets	25	130
Contribution for store furniture and fixtures	123	70
Reversal of provision for environmental measures	376	-
Other	404	347
Total non-operating income	1,182	1,230
Non-operating expenses		
Interest expenses	1,080	1,047
Interest on bonds	5,223	4,512
Share of loss of entities accounted for using equity method	13	260
Other	221	160
Total non-operating expenses	6,539	5,980
Ordinary income	33,344	38,558
Extraordinary income		
Gain on sales of non-current assets	488	182
Railway subsidies	170	170
Contribution for construction	8	-
Other	0	-
Total extraordinary income	667	352
Extraordinary losses		
Loss on sales of non-current assets	279	60
Loss on retirement of non-current assets	2,053	1,097
Loss on reduction of non-current assets	8	-
Impairment loss	30	-
Other	4	-
Total extraordinary losses	2,376	1,157
Profit before income taxes	31,636	37,753
Income taxes-current	9,979	11,676
Income taxes-deferred	1,896	1,709
Total income taxes	11,875	13,386
Profit	19,760	24,367
Profit attributable to		
Profit attributable to owners of parent	19,660	24,254
Profit attributable to non-controlling interests	100	112
Other comprehensive income		
Valuation difference on available-for-sale securities	0	2
Deferred gains or losses on hedges	115	59
Remeasurements of defined benefit plans, net of tax	364	△1,193
Total other comprehensive income	480	△1,131
Comprehensive income	20,241	23,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,074	23,120
Comprehensive income attributable to non-controlling interests	166	115

3 Cash Flow Report

Consolidated Cash Flow Statement Fiscal Year (For the Years Ended March 31) (Millions of Yen)

	2014	2015
Cash flows from operating activities		
Profit before income taxes	31,636	37,753
Depreciation	41,770	41,052
Increase (decrease) in provision for bonuses	△10	74
Increase (decrease) in net defined benefit liability	△520	△430
Impairment loss	30	-
Interest and dividend income	△99	△96
Interest expenses paid on loans and bonds	6,303	5,560
Share of (profit) loss of entities accounted for using equity method	13	260
Loss on retirement and reduction of non-current assets	1,735	1,056
Loss (gain) on sales of non-current assets	△208	△122
Decrease (increase) in notes and accounts receivable - trade	△428	531
Decrease (increase) in inventories	△1,008	△2,405
Increase (decrease) in notes and accounts payable - trade	4,363	△3,444
Increase (decrease) in lease and guarantee deposits received	△62	△268
Increase (decrease) in accounts payable - other	790	△885
Increase (decrease) in accrued consumption taxes	△94	△334
Increase (decrease) in advances received	40	38
Other, net	△1,691	2,507
Subtotal	82,559	80,844
Interest and dividend income received	101	101
Interest expenses paid	△6,462	△5,657
Income taxes paid	△13,686	△9,050
Net cash provided by (used in) operating activities	62,511	66,237
Cash flows from investing activities		
Purchase of non-current assets	△24,262	△47,558
Proceeds from sales of non-current assets	1,333	315
Purchase of long-term prepaid expenses	△226	△46
Purchase of investment securities	△269	△0
Payments of loans receivable	△1	△2
Collection of loans receivable	3	2
Payments into time deposits	△3,050	△1,060
Proceeds from withdrawal of time deposits	30	4,000
Payments for lease and guarantee deposits	△5	△6
Other, net	26	△257
Net cash provided by (used in) investing activities	△26,422	△44,613
Cash flows from financing activities		
Proceeds from long-term loans payable	10,000	8,000
Repayments of long-term loans payable	△12,358	△17,547
Proceeds from issuance of bonds	44,862	35,886
Redemption of bonds	△67,111	△44,800
Cash dividends paid	△5,982	△5,900
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	△254
Other, net	△89	△95
Net cash provided by (used in) financing activities	△30,678	△24,710
Effect of exchange rate change on cash and cash equivalents	28	22
Net increase (decrease) in cash and cash equivalents	5,439	△3,063
Cash and cash equivalents at beginning of period	28,803	34,243
Cash and cash equivalents at end of period	34,243	31,180

Cash Flow from Operating Activities

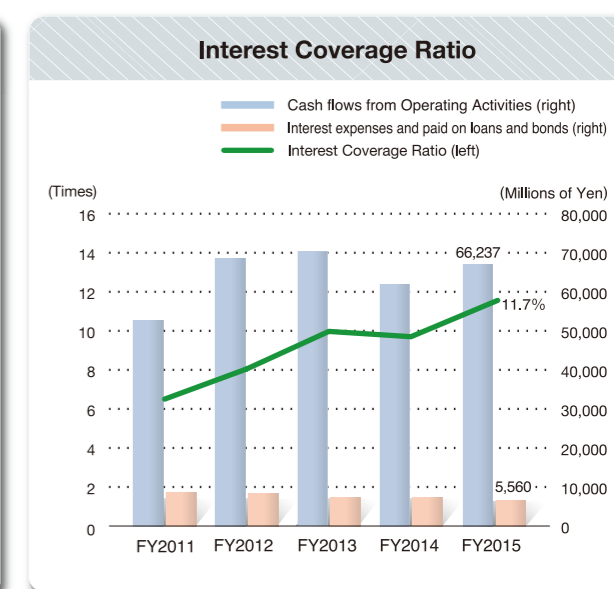
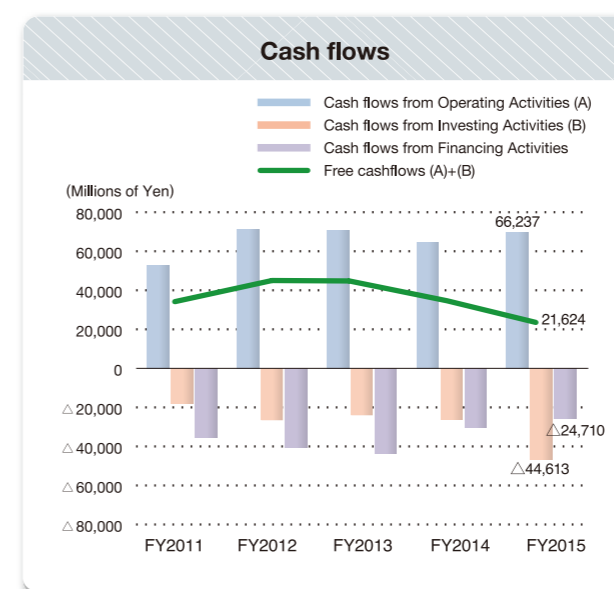
Cash flow from operating activities resulted in cash in of JPY66,237 billion, an increase of JPY3,726 billion due to an increase in profit before income taxes and minority interests.

Cash Flow from Investing Activities

Cash flow from investment activities resulted in cash out of JPY44,613 billion, an increase of JPY18,190 billion due to a rise in expenses for the purchase of non-current assets.

Cash Flow from Financing Activities

Cash flow from financing activities resulted in cash out of JPY24,710 billion, a decrease of JPY5,967 billion owing to a decrease in expenditure due to redemption of bonds.



4 Stock Information

Fiscal Year (For the Years Ended March 31)

	2014	2015
Number of Issued Shares (Unit)	2,000,000	2,000,000
Total dividends (Millions of Yen)	5,900	7,278
Net assets Per Share (Yen)	134,581.16	143,209.45
Basic earnings Per Share (Yen)	9,830.06	12,127.18

Principal Stockholders

Name	Numbers of Shares	Percentage Held
Minister of Land, Infrastructure, Transport and Tourism	1,800,258	90.01%
Minister of Finance	199,742	9.99%
Total	2,000,000	100.00%

5 Segment Report

Airport Operations

In airport operations, the number of aircraft movements was greater than the previous fiscal year due to the introduction of new and additional services. However, revenue from landing and parking charges fell 2.0% to JPY40,345 billion due to a decline in the average landing weight of aircraft. Revenue from passenger service facilities and security charge increased 11.8% to JPY35,838 billion owing to an increase in both international and domestic passenger figures. Despite an increase in the number of aircraft movements, a rise in the number of short-haul services by small aircraft and a reduction in the number of long-haul services by large aircraft led to a fall in fuel volume, and this resulted in a 0.9% decrease in revenue from fuel supply facilities charge to JPY15,960 billion.

Therefore, operating revenue was up 1.4% at JPY103,775 billion and operating income was up 3.6% at JPY4,901 billion.

Retail Business

In retailing, revenue from merchandising and food and beverage sales at shops operated directly by subsidiaries increased 25.7% to JPY62,026 billion, and tenant fee

revenue from general tenants rose 10.7% to JPY11,530 billion due to an increase in non-Japanese international passengers, and the opening of Terminal 3, and also as a result of shop expansion and renovation continuing from the previous fiscal year.

Therefore, operating revenue increased 21.5% to JPY81,396 billion and operating income rose 21.6% to JPY24,492 billion.

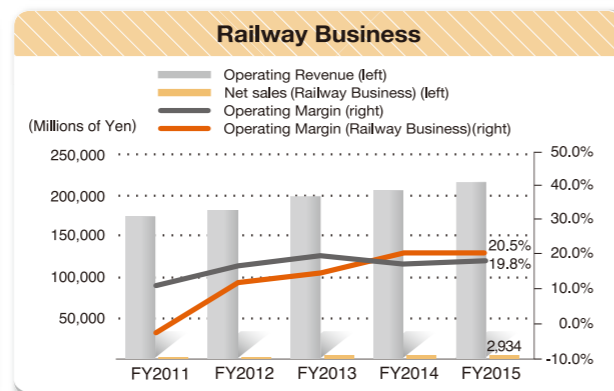
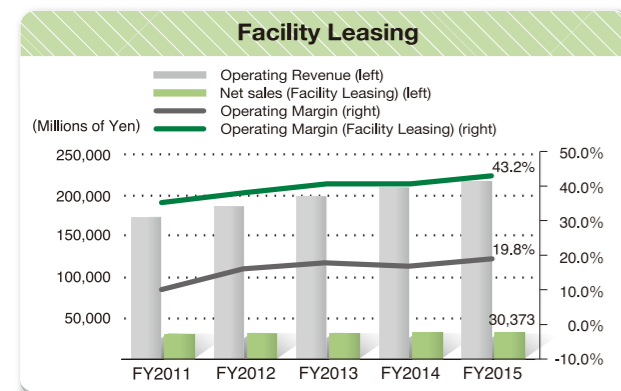
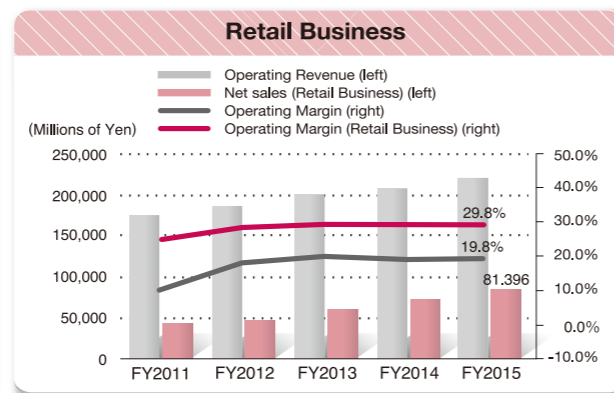
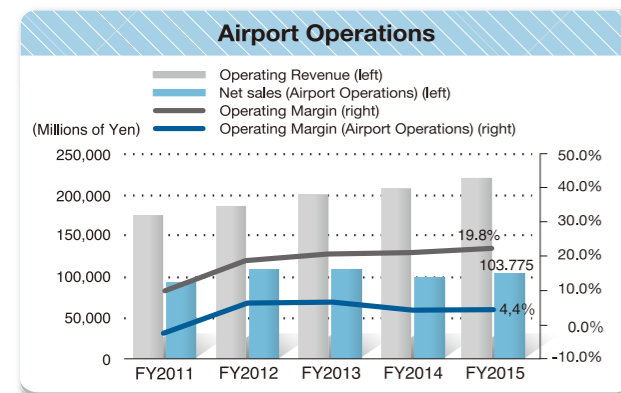
Facility Leasing

In facility leasing, revenue from rent income of real estate was down 2.1% to JPY21,437 billion owing to the cancellation of some cargo terminal building lease agreements. Consequently, operating revenue decreased 1.8% to JPY30,373 billion and operating income fell 0.8% to JPY13,641 million.

Railway Business

In railway business, operating revenue decreased 0.2% to JPY2,934 billion and operating income decreased 0.4% to JPY614 million.

Net sales & operating margin by segment



Segment Report Fiscal Year (For the Years Ended March 31)

(Millions of Yen)

	2014	2015
Airport Operations		
Net sales	110,354	112,410
Revenues from external customers	102,312	103,775
Landing and parking charges	41,164	40,345
Passenger service facilities and security charge	32,062	35,838
Fuel supply facilities charge	16,113	15,960
Other revenues	12,972	11,631
Transactions with other segments	8,042	8,634
Operating Income	4,730	4,901
Depreciation	30,997	30,551
Increase in property, plant and equipment and intangible assets	31,326	29,549

	2014	2015
Retail Business		
Net sales	67,387	82,057
Revenues from external customers	66,982	81,396
Merchandising and food/beverage revenue	49,356	62,026
Tenant fee revenue	10,417	11,530
Other revenues	7,208	7,839
Transactions with other segments	404	661
Operating Income	20,136	24,492
Depreciation	2,340	2,575
Increase in property, plant and equipment and intangible assets	4,760	4,448

	2014	2015
Facility Leasing		
Net sales	32,731	31,591
Revenues from external customers	30,918	30,373
Rent income of real estate	21,907	21,437
Other revenues	9,010	8,936
Transactions with other segments	1,813	1,217
Operating Income	13,532	13,641
Depreciation	7,080	6,618
Increase in property, plant and equipment and intangible assets	3,811	4,593

	2014	2015
Railway Business		
Net sales	3,005	2,991
Revenues from external customers	2,939	2,934
Transactions with other segments	65	57
Operating Income	616	614
Depreciation	1,413	1,399
Increase in property, plant and equipment and intangible assets	39	22

	2014	2015
Reconciling items		
Transactions with other segments	△10,325	△10,571
Operating Income	△314	△341
Depreciation	△61	△91
Increase in property, plant and equipment and intangible assets	△253	△269

	2014	2015
Per consolidated financial statements		
Revenues from external customers	203,153	218,480
Operating income	38,701	43,308
Depreciation	41,770	41,052
Increase in property, plant and equipment and intangible assets	39,683	38,344