

Kansai International Airport Company, Ltd.

Consolidated Balance Sheets

March 31, 2006 and 2005

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) | LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-------------------|-------------------|--|---|-------------------|-------------------|--|
| | 2006 | 2005 | 2006 | | 2006 | 2005 | 2006 |
| CURRENT ASSETS: | | | | CURRENT LIABILITIES: | | | |
| Cash and cash equivalents: | | | | Short-term bank loans | | ¥ 1,138 | |
| Cash | ¥ 17,426 | ¥ 6,089 | \$ 148,940 | Current maturities of long-term debt (Note 6) | ¥ 76,961 | 62,471 | \$ 657,786 |
| Time deposits | 41,000 | 66,010 | 350,428 | Payables: | | | |
| Total cash and cash equivalents | 58,426 | 72,099 | 499,368 | Trade accounts | 3,188 | 2,295 | 27,248 |
| Receivables: | | | | Construction and other | 10,692 | 20,656 | 91,385 |
| Trade accounts | 5,784 | 5,631 | 49,436 | Other current liabilities | 9,875 | 7,009 | 84,402 |
| Other | 1,222 | 248 | 10,444 | Total current liabilities | 100,716 | 93,569 | 860,821 |
| Other current assets | 2,461 | 1,825 | 21,034 | | | | |
| Allowance for doubtful accounts | (84) | (15) | (718) | LONG-TERM LIABILITIES: | | | |
| Total current assets | 67,809 | 79,788 | 579,564 | Long-term debt (Note 6) | 1,363,814 | 1,388,875 | 11,656,530 |
| | | | | Long-term deposits received | 11,561 | 13,263 | 98,812 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 4 and 8): | | | | Other long-term liabilities (Notes 3-g and 7) | 4,070 | 3,944 | 34,786 |
| Land | 620,502 | 618,212 | 5,303,436 | Total long-term liabilities | 1,379,445 | 1,406,082 | 11,790,128 |
| Buildings and structures | 807,415 | 828,541 | 6,900,983 | | | | |
| Machinery and equipment | 111,436 | 111,311 | 952,444 | MINORITY INTERESTS | 661 | 533 | 5,649 |
| Furniture and fixtures | 9,027 | 8,878 | 77,154 | | | | |
| Construction in progress | 809,766 | 737,762 | 6,921,077 | COMMITMENTS (Notes 11 and 12) | | | |
| Total | 2,358,146 | 2,304,704 | 20,155,094 | | | | |
| Accumulated depreciation | (389,818) | (360,204) | (3,331,778) | SHAREHOLDERS' EQUITY (Note 9): | | | |
| Net property, plant and equipment | 1,968,328 | 1,944,500 | 16,823,316 | Common stock, 17,542 thousand and 16,342 thousand shares authorized in 2006 and 2005; 15,771 thousand and 14,808 thousand shares issued and outstanding in 2006 and 2005 | 788,556 | 740,400 | 6,739,795 |
| | | | | Deficits | (228,954) | (211,236) | (1,956,872) |
| INVESTMENTS AND OTHER ASSETS | 3,205 | 3,587 | 27,393 | Total shareholders' equity | 559,602 | 529,164 | 4,782,923 |
| DEFERRED CHARGES - NET | 1,082 | 1,473 | 9,248 | | | | |
| TOTAL | <u>¥2,040,424</u> | <u>¥2,029,348</u> | <u>\$17,439,521</u> | TOTAL | <u>¥2,040,424</u> | <u>¥2,029,348</u> | <u>\$17,439,521</u> |

See notes to consolidated financial statements.

Kansai International Airport Company, Ltd.

Consolidated Statements of Operations Years Ended March 31, 2006 and 2005

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-------------------|-----------------|--|
| | 2006 | 2005 | 2006 |
| OPERATING REVENUES: | | | |
| Airport facilities | ¥ 58,348 | ¥ 58,927 | \$ 498,701 |
| Airport service | 19,999 | 19,936 | 170,932 |
| Airport - other | 21,327 | 20,558 | 182,282 |
| Railway facilities | 4,913 | 4,636 | 41,991 |
| Total operating revenues | <u>104,587</u> | <u>104,057</u> | <u>893,906</u> |
| OPERATING EXPENSES: | | | |
| Airport - facilities and service operations | 32,680 | 30,568 | 279,316 |
| Airport - other operations | 9,054 | 8,401 | 77,385 |
| Airport - selling, general and administrative (Note 8) | 9,773 | 9,688 | 83,530 |
| Airport - depreciation | 26,574 | 30,528 | 227,128 |
| Total airport operating expenses | <u>78,081</u> | <u>79,185</u> | <u>667,359</u> |
| Railway facilities - operations | 1,002 | 806 | 8,564 |
| Railway facilities - general and administrative | 201 | 181 | 1,718 |
| Railway facilities - depreciation | 2,565 | 2,596 | 21,923 |
| Total railway operating expenses | <u>3,768</u> | <u>3,583</u> | <u>32,205</u> |
| Total operating expenses | <u>81,849</u> | <u>82,768</u> | <u>699,564</u> |
| OPERATING INCOME | <u>22,738</u> | <u>21,289</u> | <u>194,342</u> |
| OTHER INCOME (EXPENSES): | | | |
| Interest income | 20 | 23 | 171 |
| Government subsidy | 9,000 | 9,000 | 76,923 |
| Interest expense (Note 8) | (23,218) | (24,767) | (198,444) |
| Amortization of deferred charges | (345) | (416) | (2,949) |
| Cumulative adjustment to depreciation expenses due to change in estimated useful lives of fixed assets (Note 3-d) | (2,437) | | (20,829) |
| Loss on impairment of fixed assets (Notes 3-e and 5) | (23,984) | | (204,992) |
| Other - net | 705 | (378) | 6,026 |
| Other expenses - net | <u>(40,259)</u> | <u>(16,538)</u> | <u>(344,094)</u> |
| INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS | <u>(17,521)</u> | <u>4,751</u> | <u>(149,752)</u> |
| INCOME TAXES (Note 10): | | | |
| Current | 205 | 172 | 1,752 |
| Deferred | (168) | 75 | (1,436) |
| Total income taxes | <u>37</u> | <u>247</u> | <u>316</u> |
| MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES | <u>160</u> | <u>74</u> | <u>1,368</u> |
| NET INCOME (LOSS) | <u>¥ (17,718)</u> | <u>¥ 4,430</u> | <u>\$(151,436)</u> |
| | Yen | | U.S. Dollars |
| INCOME (LOSS) PER COMMON SHARE (Notes 3-k and 14) | ¥(1,165.90) | ¥313.20 | \$(9.96) |

See notes to consolidated financial statements.

Kansai International Airport Company, Ltd.

Consolidated Statements of Shareholders' Equity Years Ended March 31, 2006 and 2005

| | Thousands | Millions of Yen | | Thousands of U.S. Dollars (Note 1) | |
|-----------------------------------|--|-------------------|-------------------|------------------------------------|----------------------|
| | Issued Number of Shares of Common Stock | Common Stock | Deficits | Common Stock | Deficits |
| BALANCE, APRIL 1, 2004 | 13,788 | ¥689,400 | ¥(215,666) | | |
| Issuance of common stock (Note 9) | 1,020 | 51,000 | | | |
| Net income | <u> </u> | <u> </u> | <u>4,430</u> | | |
| BALANCE, MARCH 31, 2005 | 14,808 | 740,400 | (211,236) | \$ 6,328,205 | \$(1,805,436) |
| Issuance of common stock (Note 9) | 963 | 48,156 | | 411,590 | |
| Net loss | <u> </u> | <u> </u> | <u>(17,718)</u> | <u> </u> | <u>(151,436)</u> |
| BALANCE, MARCH 31, 2006 | <u>15,771</u> | <u>¥788,556</u> | <u>¥(228,954)</u> | <u>\$ 6,739,795</u> | <u>\$(1,956,872)</u> |

See notes to consolidated financial statements.