

Reference Materials for Results Briefing

for Fiscal Year Ended in March 2020

June 2020

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Impact of COVID-19 on the Performance of Our Company

<Fiscal year ended in March 2020>

- As for the performance of our company in the fiscal year ended in March 2020, the number of passengers maintained a generally favorable level both for international and domestic flights, and the business of our company is developing smoothly accordingly, achieving increases in both net sales and operating income year on year, with new projects also being developed.
- However, since March, not only international flights but also domestic flights were forced to be reduced in frequency or stopped due to the impact of COVID-19, which is affecting some of the segments.
- According to the policy of maintaining a payment ratio of 30% or more, we plan to offer an annual dividend of ¥14.0.

<Fiscal year ending in March 2021>

- The damage of the COVID-19 epidemic on the aviation industry is severe. As for direct impact on our company, in addition to a significant fall in sales of water supply and drainage service in Haneda and New Chitose Airports, requests from aviation-related tenants on lowering rents are also expected in the real estate business. We are forecasting a significant decrease in operating income.
- Especially in the first term, we expect a significant decrease in profit, but also assume that when the epidemic recedes, the performance of the company will recover with a pick-up in the economy.
- Although a decrease in operating income is expected for the fiscal year ending in March 2021, we are planning to offer an annual dividend of 14 yen (interim dividend: 7 yen, year-end dividend: 7 yen, payment ratio: 53%) to ensure stable and sustainable return of profits.
- Due to the unclear outlook, we will have to keep close watch on this precarious situation.

<Efforts in our company group to prevent the spread of infection>

In order to minimize business risks and ensure the safety of employees of our company group, we are implementing the following as measures to prevent the spread of COVID-19 infection.

- | | |
|---------------------------|---|
| - Staggered working hours | - Measures such as remote conferencing using videophone systems |
| - Telework | - Shift to video distribution or postponement of events that gather participants in one place |

1. Outline of the consolidated financial statements for fiscal year ended in March 2020

Key points

1. Both net sales and operating income surpassed the figure of the same period of the preceding year

* Major factors for increase in net sales (real estate business)

- (1) Improvement of the state of tenants moving in at Haneda Airport
- (2) All-year operation of hotels in Kyoto
- (3) Start of the leasing of aircraft

2. Net sales: 24.8 billion yen (+ 2.6% year on year), Operating income: 4.1 billion yen (+ 1.3% year on year), Net profit*: 2.2 billion yen (+ 5.8% year on year)

* Major factors of increase

- (1) Increase in income due to the all-year operation of hotels in Kyoto, start of training aircraft leasing business <increase in net sales>
- (2) Effect of increase in income and decrease in cost of sales in the area heating and cooling business <increase in operating income>
- (3) Decrease of expenses because there had been no bond-issuing expenses for this fiscal year, because of decrease in reserve for removal cost in preparation, etc. <increase in ordinary income>

3. Year-end dividend: 7 yen (forecast), Annual dividend: 14 yen Payout ratio (consolidated): 31.2% (forecast)

* Net profit: Current profit attributable to owners of parent

I. Outline of the consolidated financial statements for fiscal year ended in March 2019

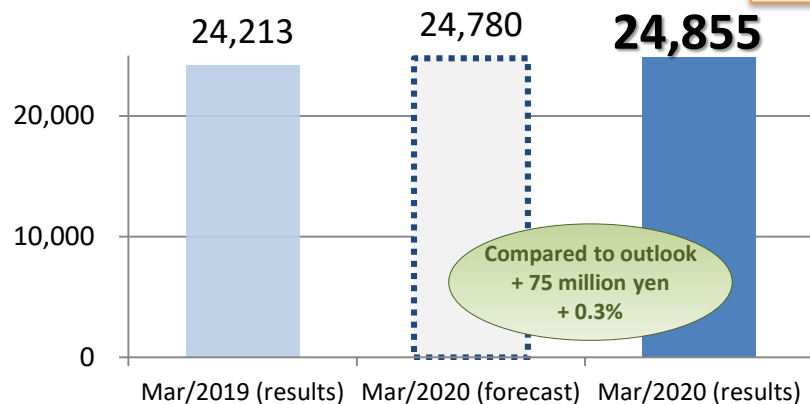
Unit: million yen

Consolidated PL

Current profit showed a stable increase of **5.8%** compared to the figure of the same period of the preceding year

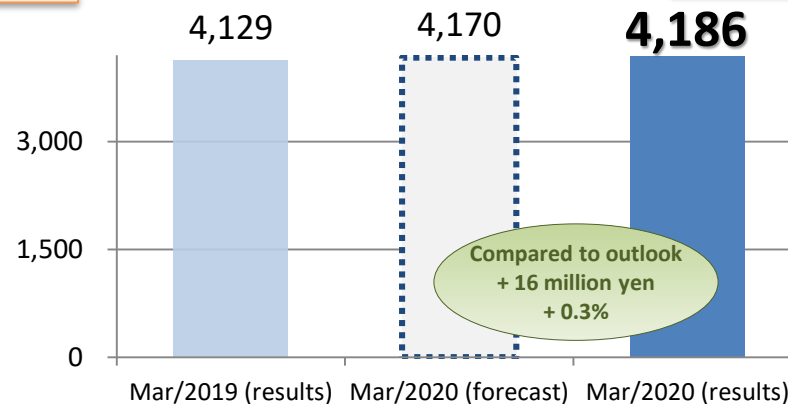
Net sales

Year on year
+ 642 million yen
+ 2.6%



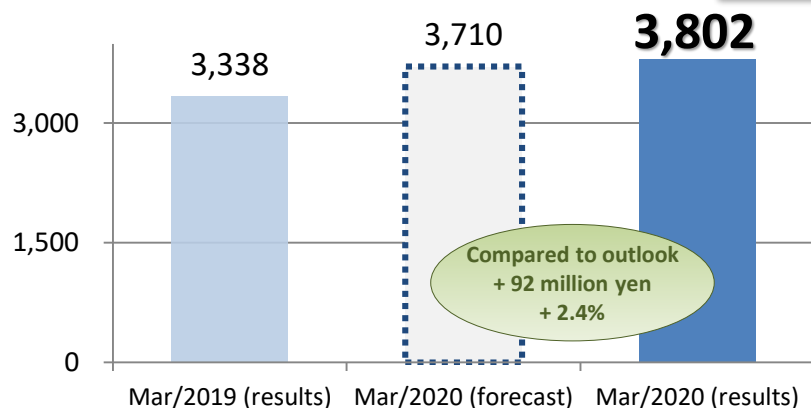
Operating income

Year on year
+ 56 million yen
+ 1.3%



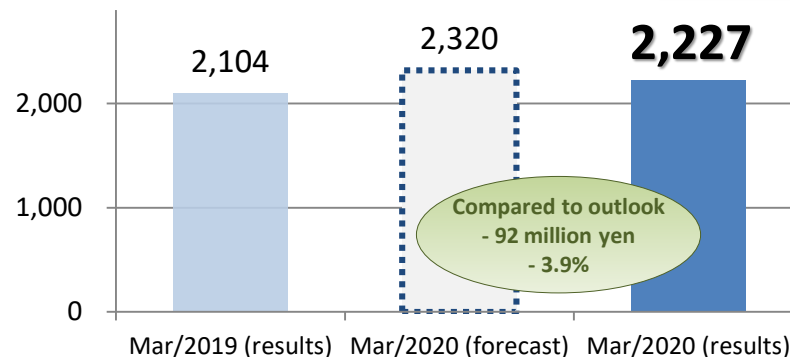
Ordinary income

Year on year
+ 463 million yen
+ 13.8%



Current profit attributable to owners of parent

Year on year
+ 123 million yen
+ 5.8%



I. Outline of the consolidated financial statements for fiscal year ended in March 2020

By business segment

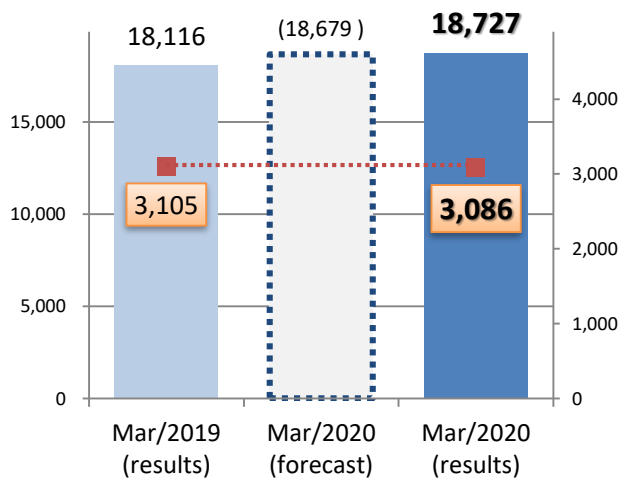
■ : Net sales (bar graph, left axis)

■ : Operating income (line graph, right axis)

Unit: million yen

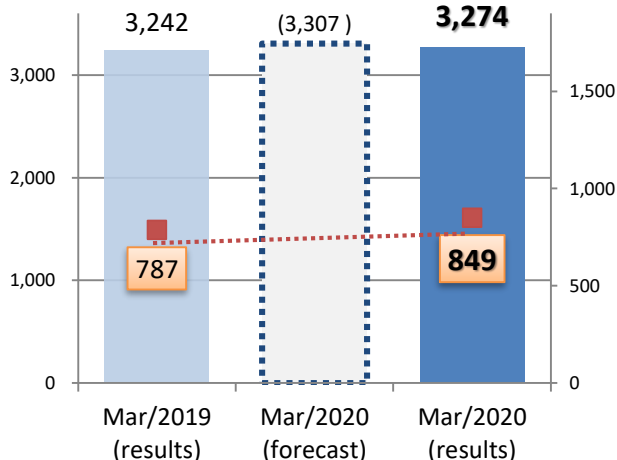
Real estate business

Year on year
(Net sales) + 610 million yen (+ 3.3%)
(Operating income) + 18 million yen (- 0.6%)



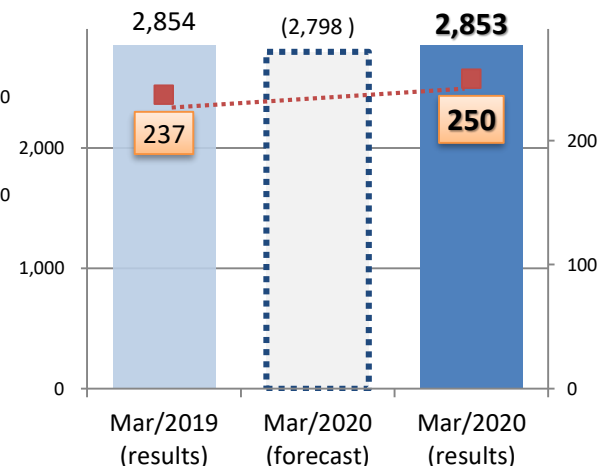
Area heating and cooling business

Year on year
(Net sales) + 32 million yen (+ 0.9%)
(Operating income) + 61 million yen (+ 7.8%)



Water supply and drainage business and other businesses

Year on year
(Net sales) - 1 million yen (-0.0%)
(Operating income) + 13 million yen (+ 5.6%)



<Major factors for increase/decrease>

[Net sales]

- All-year operation of hotels in Kyoto
- Increase in the sales of aviation-related facilities in the new aircraft maintenance area
- Start of the operation of new facilities for rent

[Operating income]

- Increase in repair expenses, taxes and other public charges according to the acquirement of new properties (real estate acquisition tax, registration and license tax), and petty charges

[Net sales]

- Increase in supply according to the start of the operation of terminal facilities

[Operating income]

- Decrease in cost of sales (raw material expenses, repair expenses)

[Net sales]

- Expansion of the supply of exclusive line service for local area communication network
- Decrease in sales of water supply and drainage in March 2020 due to the impact of COVID-19

[Operating income]

- Decrease in costs associated with decrease in water sales

I. Outline of the consolidated financial statements for fiscal year ended in March 2020

Financial condition [Consolidated balance sheet]

(Assets) Increased with the completion of new construction, extension or reconstruction in Haneda Airport and regional airports

(Liabilities) Increased due to increase in long-term debts associated with the acquisition of new properties

(Net assets) Increased due to increase in retained earnings

FY ended in March 2019

Unit: million yen

Current assets	20,844	Current liabilities	11,192
		Non-current liabilities	34,451
Non-current assets	80,539	Total liabilities	45,644
		Net assets	55,740
Total assets	101,384	Total liabilities and net assets	101,384

Total assets
Increased by
3,099 million yen

FY ended in March 2020

Unit: million yen

Current assets	22,243 (+1,398)	Current liabilities	11,887 (+695)
		Non-current liabilities	36,262 (+1,810)
Non-current assets	82,240 (+1,700)	Total liabilities	48,150 (+2,505)
		Net assets	56,333 (+593)
Total assets	104,483 (+3,099)	Total liabilities and net assets	104,483 (+3,099)

Net assets per share	1,072 yen
Equity ratio	52.6%

Net assets per share	1,080 yen
Equity ratio	51.5%

I. Outline of the consolidated financial statements for fiscal year ended in March 2020

Financial condition [Consolidated cash flow]

Unit: million yen

Item	FY ended in March 2019	FY ended in March 2020	Increased/ decreased amount
Cash flow from operations	5,176	6,900	1,724
Cash flow from investments	- 13,490	- 8,217	5,273
Cash flow from financial activities	9,524	1,958	- 7,566
Increase/decrease in cash and cash equivalents	1,167	675	- 492
Cash and cash equivalents, beginning of fiscal year	4,608	5,824	1,216
Cash and cash equivalents, end of fiscal year	5,824	6,518	694

[Major factors for increase/decrease]

Cash flow from operations	Although there was corporation tax payment and spending for lease investment assets acquisition, net income before income taxes, depreciation expenses, and collection of business loans contributed
Cash flow from investments	Acquisition of non-current assets such as in the extension and reconstruction of ARC Building
Cash flow from financial activities	Increase in long-term debts associated with the acquisition of new properties

II. Forecast on the consolidated performance for fiscal year ending in March 2021

Key points

- 1. Profits of major clients deteriorate due to the impact of COVID-19**
Decrease in sales and income for some of the businesses of our company accordingly
- 2. Net sales: 25.6 billion yen** (+ 3.3% year on year), **Operating income: 3.9 billion yen** (- 5.3% year on year), **Net profit * 1.3 billion yen** (- 41.1% year on year)
- 3. Aim for stable and sustainable returns to shareholders**
 - **Annual dividend: 14 yen (forecast) (interim dividend: 7 yen, year-end dividend: 7 yen)**

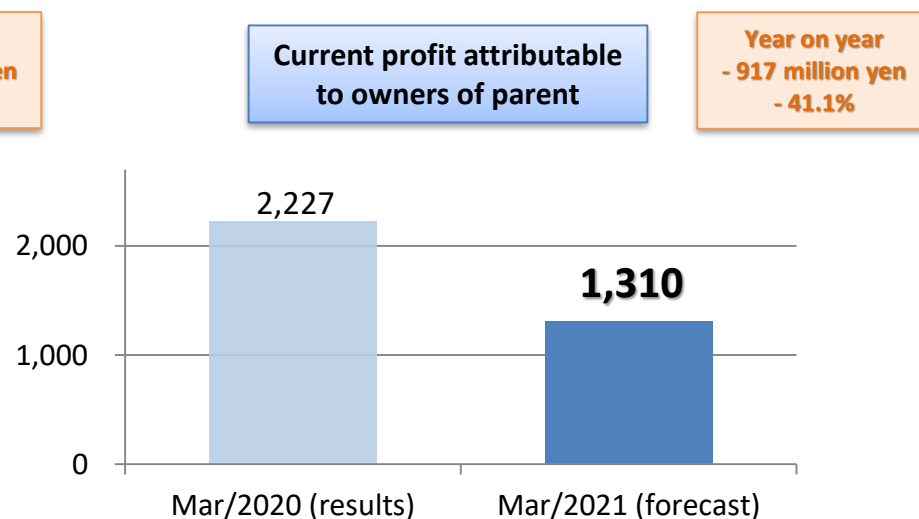
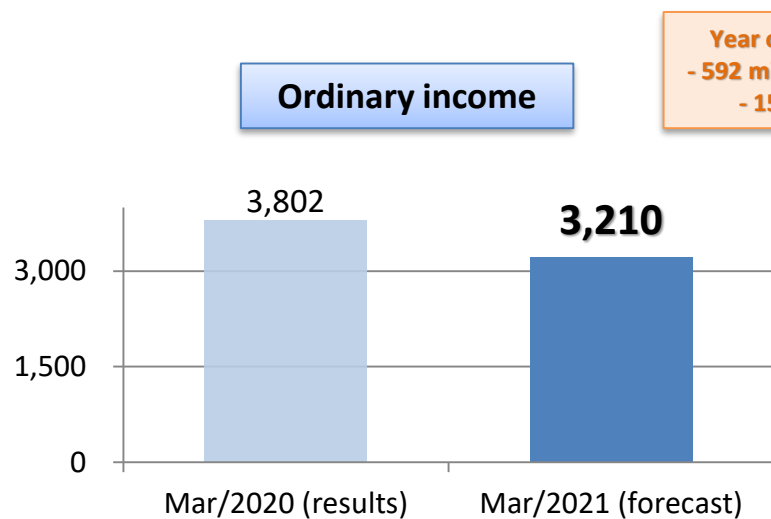
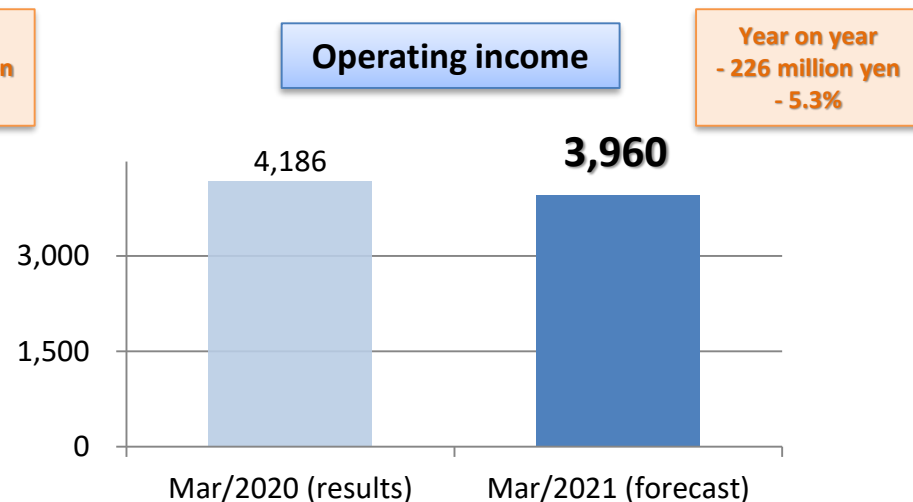
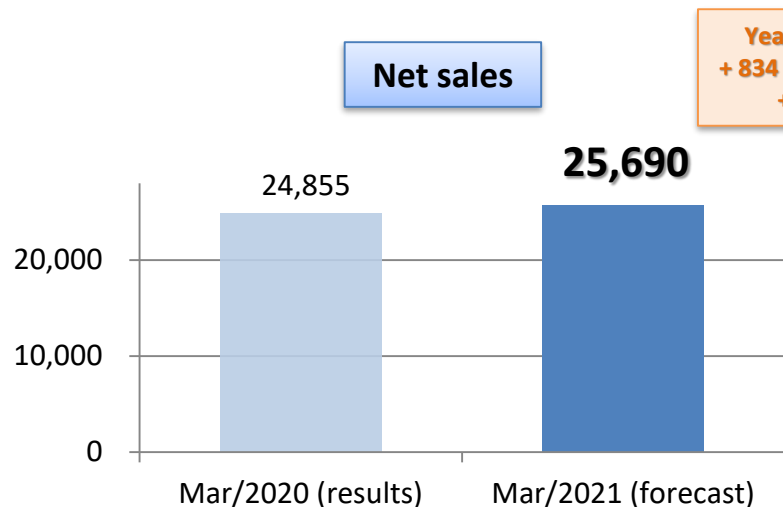
* Net profit: Current profit attributable to owners of parent

II. Forecast on the consolidated performance for fiscal year ending in March 2021

Unit: million yen

Consolidated PL

Affected by the deterioration of the business environment for major clients due to COVID-19



II. Forecast on the consolidated performance for fiscal year ending in March 2021

By business segment

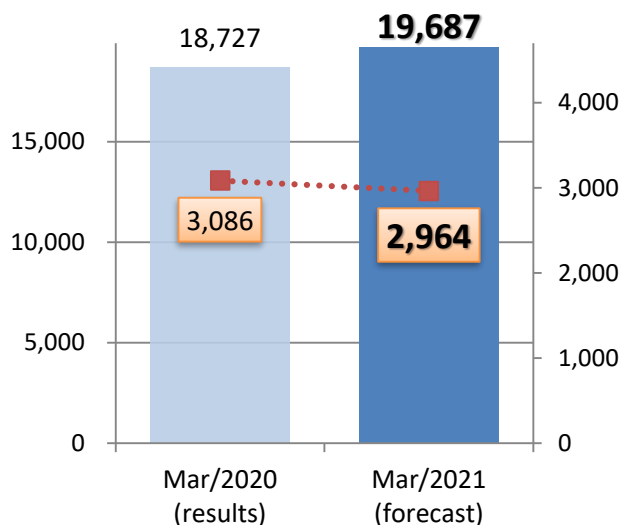
■ : Net sales (bar graph, left axis)

■ : Operating income (line graph, right axis)

Unit: million yen

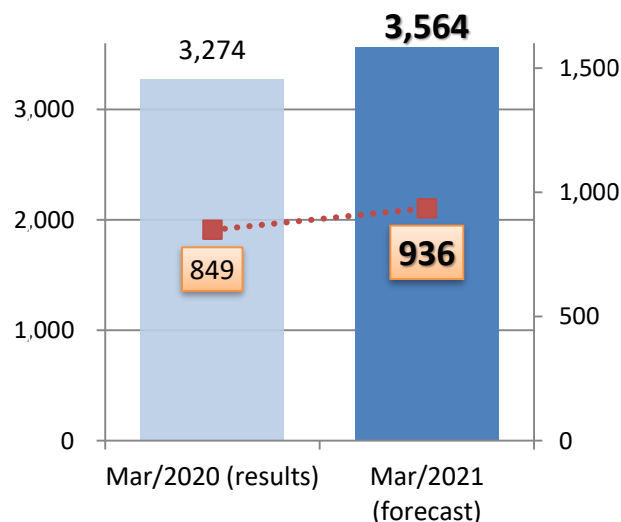
Real estate business

Year on year
(Net sales) + 960 million yen (+ 5.1%)
(Operating income) - 122 million yen (- 3.9%)



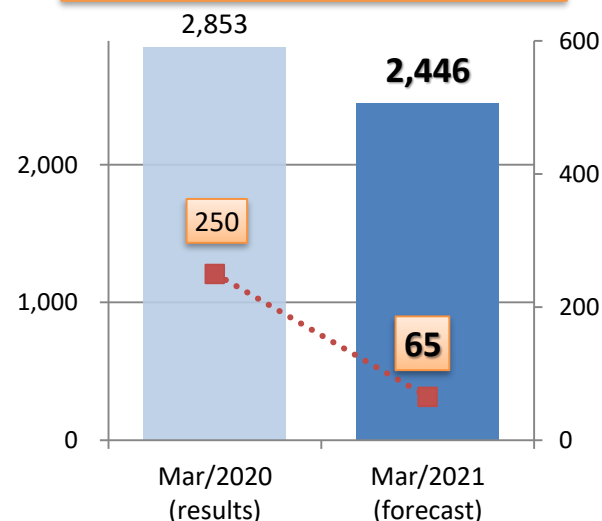
Area heating and cooling business

Year on year
(Net sales) + 290 million yen (+ 8.8%)
(Operating income) + 87 million yen (+ 10.2%)



Water supply and drainage business and other businesses

Year on year
(Net sales) - 407 million yen (- 14.2%)
(Operating income) + 185 million yen (- 74.0%)



<Major factors for increase/decrease>

[Net sales]

- All-year operation of in-flight meal factory and aircraft equipment warehouse in ARC Building, and extension and reconstruction of hangar in Kobe
- Start of business in HI City

[Operating income]

- Decrease due to increase in depreciation expenses and payment of taxes and other public charges associated with the acquirement of new properties

[Net sales]

- Expected supply to new facilities in Haneda Airport

[Operating income]

- Increase with expected effect of increase in net sales

[Net sales]

- Significant decrease in the use of water in Haneda Airport and New Chitose Airport

[Operating income]

- Decrease due to decrease in the usage of water supply and drainage

III. Progress of the Medium-term Management Plan (1)

Policy of the Medium-term Management Plan

Basic policy

Full utilization of management resources and reallocation through the improvement of efficiency and selection and concentration

“Business strategy”

Implementation of new investment responding to aviation-related demand in and out of airports

“Financial strategy”

Implementation of active investment exceeding the annual cashflow

“Reinforcement of business infrastructure”

Activation of the organization and establishment of human resources strategy

Business strategy and financial strategy

Business strategy

1. New investment responding to aviation-related demand in and out of airports and active development of business outside airports
2. New investment responding to growing demand in Asia
3. Increase of occupancy rate by improved quality of existing facilities
4. Innovation of facilities incorporating new technology
5. Adequate approaches based on the policy of the national government on the future Haneda Airport

Financial strategy

1. Investment of 30 billion yen in total for three years
2. Maintaining stable dividend with a payout ratio of 30% or more as a general rule
3. Diversification of the forms of asset holding
4. Improvement of investment efficiency
5. Diversification of financing methods



“Stable reinforcement of business infrastructure towards the achievement of the Medium-term Management Plan”

Reinforcement of business infrastructure

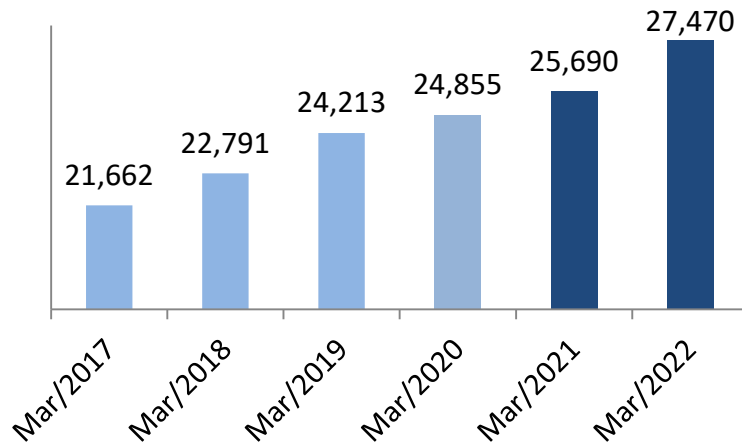
1. Reorganization and activation of organizational structure, utilization of M&A
2. Establishment of human resources strategy, coping with working style reforms
3. Improvement of governance
4. Cost reduction/structural reform, IT promotion

III. Progress of the Medium-term Management Plan (1)

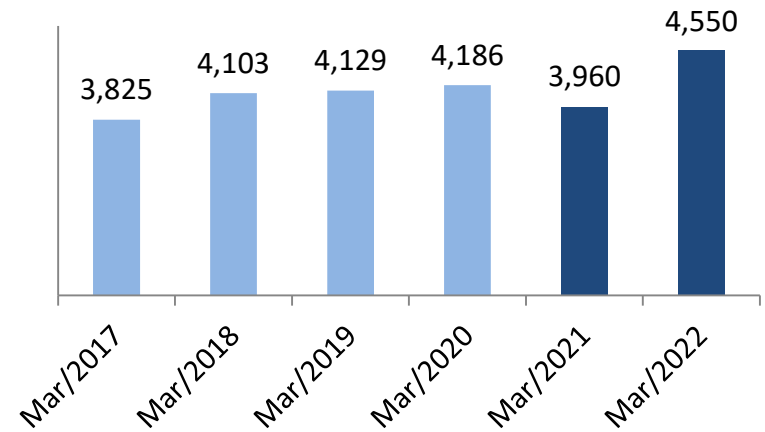
Medium-term Management Plan (from FY 2019 to FY 2021)

[Results chart] 
 [Forecast chart] 

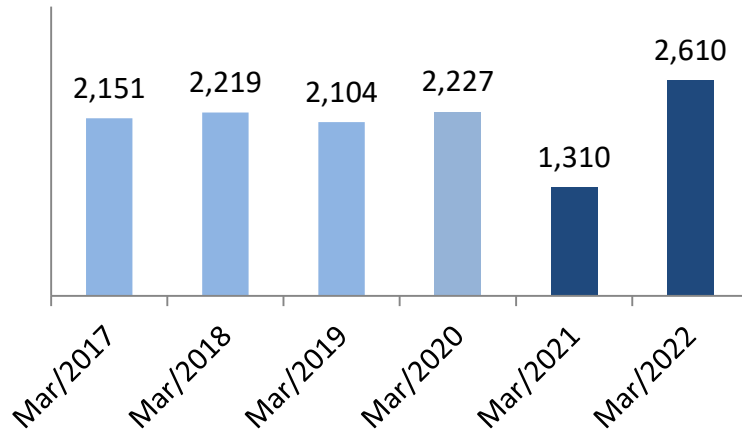
Net sales



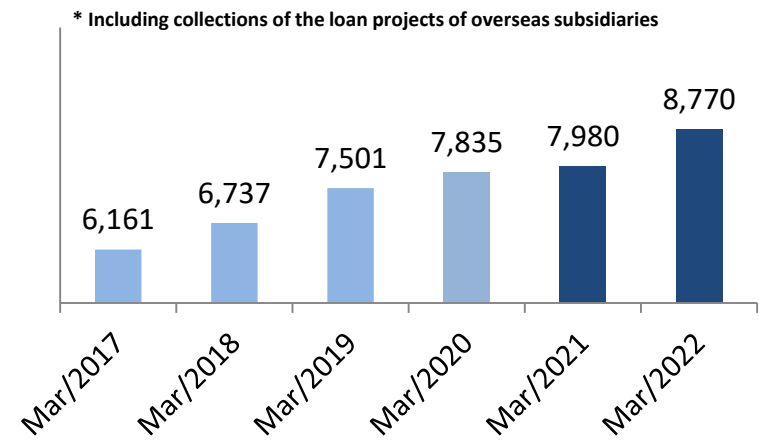
Operating income



Current profit



EBITDA*



III. Progress of the Medium-term Management Plan (2)

Major initiatives in the fiscal year ended in March 2020 (Haneda Airport)

ARC Building (in-flight meal factory)

Provided to: TFK CORPORATION



Aircraft equipment warehouse

Provided to: Japan Airlines Co., Ltd.



Aircraft sewage treatment facility (SD plant)



III. Progress of the Medium-term Management Plan (2)

Haneda Airport

Extension and reconstruction of in-flight meal factory in ARC Building

Existing facilities are extended and reconstructed to expand the production of in-flight meals for international flights

Use	In-flight meal factory, tenant office
Completion of construction	January 2020 (rent starting from January 2020)
Area	(Extended wing) Building area: 0747 m ² ; Total floor area: 1,797 m ² (Existing wing) Building area: 1,513 m ² ; Total floor area: 11,260 m ²
Provided to	TFK CORPORATION, office tenants, etc.



New construction of aircraft equipment warehouse

Responding to demand for aircraft equipment warehouse associated with enhancement of equipment in Haneda

Use	Warehouse, office
Completion of construction	December 2019 (rent starting from December 2019)
Area	Building area: 1,535 m ² ; Total floor area: 1,823 m ²
Provided to	Japan Airlines Co., Ltd.



III. Progress of the Medium-term Management Plan (2)

Haneda Airport



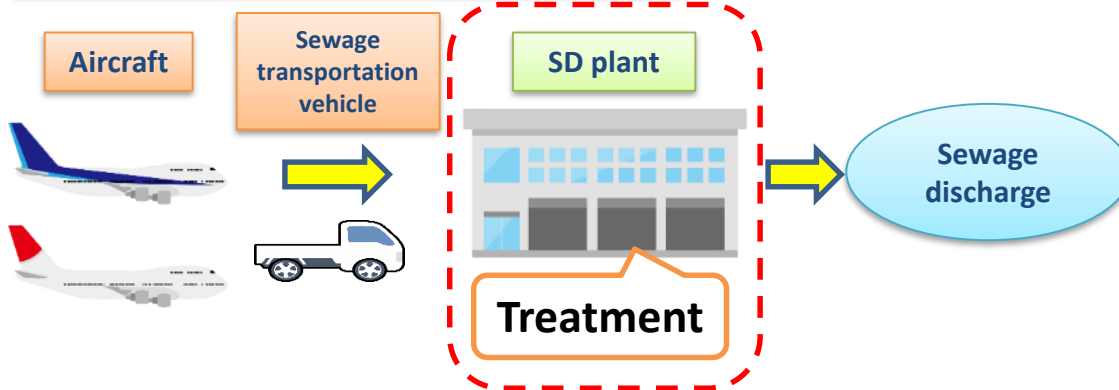
- Aircraft sewage treatment conforming to effluent standards

Aircraft sewage treatment facility in Tokyo International Airport [SD plant]: New construction

Reinforcement of treatment capacity in order to cope with the increasing aircraft sewage

Name of the facility	Aircraft sewage treatment facility [SD plant] SD plant: sanitary disposal plant
Completion of construction	March 2020
Disposal capacity	95t/day at maximum

Flow of aircraft sewage treatment



Outside view of the facility



Inside view of the facility

III. Progress of the Medium-term Management Plan (3)

Major initiatives in the fiscal year ended in March 2020
(regional airports, overseas, others)

Leasing of training aircraft

Provided to: Civil Aviation College



Hangar in Kobe Airport

Provided to: AIRBUS HELICOPTERS JAPAN CO., LTD.



Hangar in Nata Heliport

Provided to:

All Nippon Helicopter Co., Ltd.,
Nishi Nippon Airlines Co., Ltd.



Financing for flight simulators



Singapore: Seletar Airport

III. Progress of the Medium-term Management Plan (3)

Regional airports

Extension of hangar in Kobe Airport

Implementing the extension of the existing facilities according to increase in demand for helicopter maintenance

Use	Hangar for small aircrafts
Completion of construction	December 2019 (rent starting from January 2020)
Area	Building area: 1,957 m ² ; Total floor area: 2,335 m ²
Provided to	AIRBUS HELICOPTERS JAPAN CO., LTD.



Outside view

Relocation construction of Nata Heliport hangar

Implementing the relocation of rotor function to Fukuoka Airport (Nata Area)

Use	Hangar for rotorcraft, office
Completion of construction	Completion of construction in January 2020 (heliport service starting from March 2020)
Area	Building area: 1,859 m ² ; Total floor area: 2,021 m ²
Provided to	All Nippon Helicopter Co., Ltd., Nishi Nippon Airlines Co., Ltd.



Outside view

III. Progress of the Medium-term Management Plan (3)

Other projects

Implementing aircraft leasing business

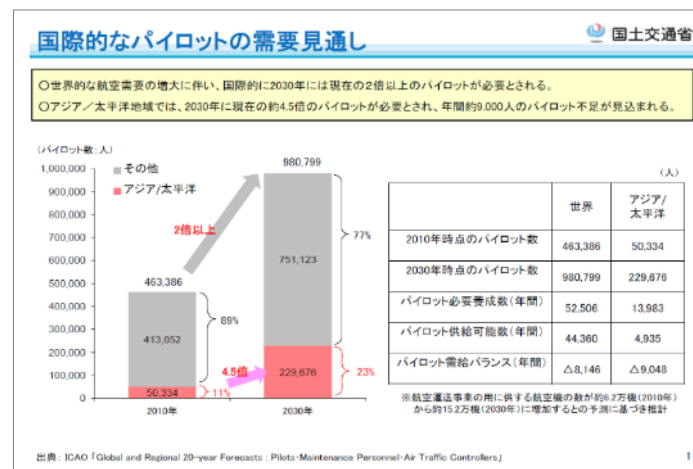
Delivery of four training aircraft to Civil Aviation College completed

Equipment	Beechcraft G58 aircraft
Delivery	From March to May, 2019
Number of aircraft	4
Provided to	Civil Aviation College



Leased equipment

Continuously consider approaches to respond to the demand for pilot training in and out of Japan as expected in the future



Source; Prepared by processing the “Current Situation and Issues Regarding Crew Members in Japan” November 2013 (Civil Aviation Bureau)
 (<http://www.mlit.go.jp/common/001019364.pdf>) Website of the Ministry of Land, Infrastructure, Transport and Tourism (<http://www.mlit.go.jp/>)

III. Progress of the Medium-term Management Plan (3)

Overseas

Implementing financing for flight simulators

Financing for five aircraft in total implemented for Airbus Asia Training Centre

Financing project	Flight simulator
Financed date	December 2019
Number of aircraft	5 in total
Provided to	Airbus Asia Training Centre
Location	Within Singapore Seletar Airport

This is the financing for five aircraft in total since the financing for the company started in 2015. Activities on efforts regarding various aviation demands abroad expected in the future will be continued.



Flight simulator



Training center

III. Progress of the Medium-term Management Plan (4)

Aim to contribute in realizing a sustainable society and achieving the SDGs by earnestly working with “environment,” “society,” and “corporate governance” through business.



“Environment”

- Efforts towards realizing eco-airport (area heating and cooling business, etc.)
- Coping with global warming issues including energy saving and CO2 emission reduction
- Utilization of renewable energy (photovoltaic power generation business)
- Aircraft sewage treatment conforming to effluent standards in SD plant



“Society”

- Providing safe and secure infrastructure (air heating and cooling business, local area communication network business, etc.)
- Providing an easy-to-work-in environment for employees in airports
- Improving productivity through working style reforms
- Disaster prevention efforts



“Corporate governance”

- Thorough compliance
- Sustainable growth and improvement of corporate value through management complying with corporate governance code
- Active disclosure of IR information
- Establishment of organizational structure supporting sustainable growth

Contribute to achieving the SDGs through the business of our company

6 Ensure availability and sustainable management of water and sanitation for all



7 Ensure access to affordable, reliable, sustainable and modern energy for all



8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



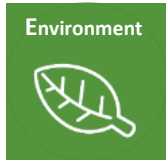
9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



11 Make cities and human settlements inclusive, safe, resilient and sustainable



III. Progress of the Medium-term Management Plan (4)



Environmental efforts; reduction of CO2 emission

Implement donations from two AFC Group companies to the Tokyo Metropolitan Government

[Airport Facilities Co., Ltd.]

[Tokyo Airport Heating & Cooling Co., Ltd.]



We received a gratitude letter from the Tokyo Metropolitan Government

CO2 emission reduction by AFC Group

	First period of the plan (From FY2010 to FY2014)
Required reduction	27,958 t
Actual reduction	114,425 t
Excessive reduction (contribution)	94,831 t (Equivalent to the volume of 40 Tokyo Domes)

[Efforts for reduction]

- Active renewal to highly efficient facilities
- Management through adequate maintenance and improvement
- Education activities for improving employees' awareness on environment

*As for excessive reduction during the first period, the total of the required reduction and the excessive reduction is larger than the actual reduction because the emission factor was reviewed due to the occurrence of the Great East Japan Earthquake.

III. Progress of the Medium-term Management Plan (4)



Haneda Airport

Planning to install photovoltaic power generation panels on the roof of the domestic cargo terminal of Haneda Airport

[Aerial photo of the Cargo Terminal Area of Haneda Airport]
 (Inside red line: W-1 Building; Inside orange line: E-4 Building)



[Outline of the plan]

Name of the facility	Air cargo terminal facility	
	E-4 Building	W-1 Building
Annual power generation	872,000 kwh	322,000 kwh
Installation area	4,672m ²	1,723m ²
Planned operation	November 2020	
Other	The company applied for the “Project to Expand the Introduction of Local Production and Local Consumption-type Renewable Energy” called for by the Tokyo Metropolitan Government, and it is scheduled that subsidies be granted.	

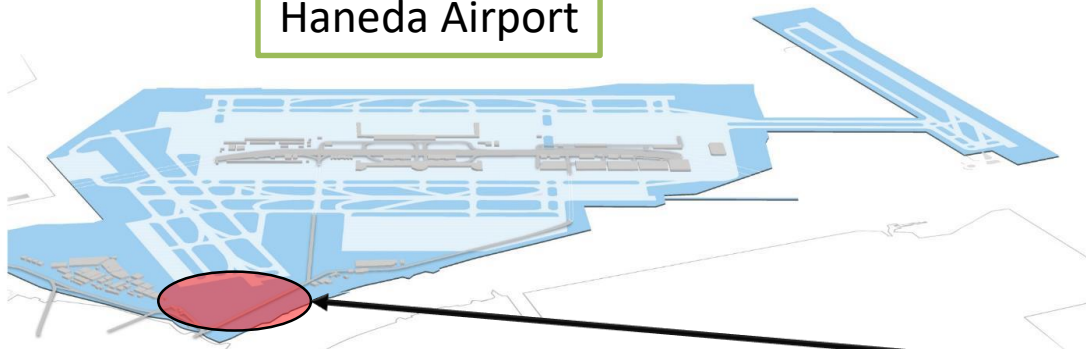
Photovoltaic power generation panels are installed on the roof of the domestic cargo terminal of Haneda Airport, which are possessed by our company. The facility, utilizing a single-story structure, generates electricity equivalent to the consumption of 271 households* annually, which will be consumed within the area. The construction work will be implemented by continuously operating the facility to avoid any troubles for tenants.

* Consumption of 4,397 kwh per household a year (referring to the Ministry of the Environment, Introduction on the Statistical Survey on the Actual CO2 Emission in Household Sector [Household CO2 Statistics])

IV. Topics (Initiatives in the fiscal year ending in March 2021)

Major initiatives in the fiscal year ended in March 2021

Haneda Airport



**HANEDA INNOVATION CITY
(Former Haneda Airport
ground development project)**

* Starts operation in July 2020

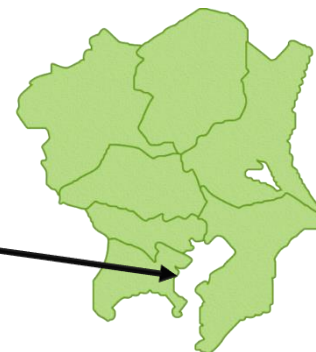


**Dormitory for International Students
in Kanto Gakuin University**

Provided to: Kanto Gakuin University
Completion of construction: Scheduled in March 2021



Kanazawa-ku, Yokohama City, Kanagawa Prefecture



IV. Topics (Initiatives in the fiscal year ended in March 2020)

Haneda Airport

HANEDA INNOVATION CITY (Zone 1 of the former Haneda Airport ground) development project



Opening of HANEDA INNOVATION CITY (abbreviated name: HICity) in July 2020

Project implementing body	Haneda Future Development Co., Ltd.
Access	Directly connected to Keikyu Airport Line, Tokyo Monorail "Tenkubashi" Station
Site area	Approx. 5.9ha
Total floor area	Approx. 125,400 m ²
Major use	Research facilities (laboratories, large-scale offices), advanced medical care research center, conference halls, event halls, facility to transmit information on Japanese culture, catering establishments, research and training accommodations, hydrogen refueling stations, etc.
Design and construction	KAJIMA CORPORATION, DAIWA HOUSE INDUSTRY CO., LTD.
Schedule	July 2020 Town opening (facilities opening ahead of schedule) July 2020 Grand opening



Rendering (outside view)



Rendering (pedestrian deck)

Our company schedules to operate the parking area within the facility, car sharing and car renting service, high-speed recharging service, round tour service near Haneda, tourism service in Ota-ku, as well as implementing the office project in cooperation with Haneda Mirai Development.

(Note) Haneda Future Development Co., Ltd. Shareholding companies (in Japanese alphabetical order)

KAJIMA CORPORATION (representing company), DAIWA HOUSE INDUSTRY CO., Keikyu Corporation, LTD, Japan Airport Terminal Co., Ltd., **Airport Facilities Co., Ltd.**, East Japan Railway Company, TOKYO MONORAIL CO., LTD. Nomura Real Estate Partners Co., Ltd., FUJIFILM Corporation

IV. Topics (Initiatives in the fiscal year ended in March 2020)

Outside airports

New construction of dormitory for international students in Kanto Gakuin University

Dormitory for international students is under construction as a new business outside airports

Use	Students' dormitory (from 3rd to 6th floor) Commercial tenant space (1st and 2nd floor)
Construction period	From July 2019 to March 2021 (scheduled)
Area	Building area: 2,298 m ² ; Total floor area: 9,582 m ²
Provided to	Kanto Gakuin University



Outside view (image)



Left: President Kai; Right: Chairman Masuda of Kanto Gakuin University



Inside view (image)



Inside view (cross-section drawing)

IV. Topics (Initiatives in the fiscal year ended in March 2020)

Overseas

Establishment of Singapore Overseas Office

Office for AFC Group was established in Singapore in April 2020

Opening date	April 1, 2020
Access	20 Anson Road, #11-01 Twenty Anson, Singapore 079912 (within One&Co)
Location	* Located at the center of the city, and it takes about 20 minutes by car to Seletar Airport.
Organization	Director and Advisor (2 persons in total)



A local office was established with an aim to reinforce the marketing capacity of the local corporation in Singapore and to collect overseas information for the entire Airport Facilities Group.

Disclaimer

Notice

- This document is not for solicitation for investment.
- Future expectations are based on information that is currently available.
The results may differ according to changes in the business environment and other factors.
- Please make important decisions on investment, etc. at your own discretion.

This document is also available at our corporate website.

<http://www.afc.jp/>

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