

WE SUPPORT AVIATION INDUSTRY

# ANNUAL REPORT 2016

Year Ended March 31, 2016  
2015.4.01 » 2016.3.31

## Our Mission

Our mission is to play a vital role in the progress of aviation as a pivotal private company operating mainly at airports, through creating and providing necessary facilities and functions at airports.

## Corporate Philosophy

- 1 We will continually advance ahead of the demands and changes of the times by producing creative innovation and we will endeavor to raise corporate value.
- 2 We make effort to be a reliable and trusted company that always provides value which satisfies customers and complies with public expectation.
- 3 We will foster our staff, and encourage and reward the efforts they make and the challenges they tackle.
- 4 As a member of civil society, we observe rules and respect fairness.



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President and CEO



# Message from the President & Highlights of

## We strive to reinforce our

### Business results, annual dividend and business environment of fiscal year ended March 2016

Business results of our Group in the fiscal year ended March 2016, net sales and operating income both decreased from the previous term, affected by the streamlining of airline companies under the severe competition environment. However, with an increase in commission fee, ordinary income and net profit increased from the previous term.

As for dividend, we continuously strive to stably return ¥12.0 per share annually to our shareholders.

Tokyo International Airport, our company's business base, is considering to further expand its airport function following significant increase in the number of inbound passengers to Japan. Airline companies face the issue of responding to the lack of pilots due to the increase in demand for aviation service, and

Net sales

¥ **20.6** billion  
- 2.0% year on year

Operating income

¥ **2.9** billion  
- 7.0% year on year

The statements about future described on this report such as earnings forecasts have been made based on information currently available and some conditions that we judge rational. Actual earnings may differ greatly from the above forecasts for various reasons.

# Business Result

## business foundation, aiming to achieve stable long-term growth.

demand for training is increasing accordingly. In addition, demand for aviation service abroad, especially in Asia, is growing more than ever, and demand for airport-related facilities including pilot training facilities is increasing.

Our Group grasps these demand trends adequately, and implements business by trying to utilize the existing facilities and expand the customer base.

### Business development in Japan

There is a new movement in Tokyo International Airport to interpret the air cargo storage as a base for distributive processing. By further utilizing the air cargo storage, our company is putting effort into expanding the use of our facilities. At regions near Tokyo International Airport, a second hotel following

Tokyu Stay Kamata is about to be completed in the near future in Haneda Asahi-cho, along with the increase in accommodation demand.

Among regional airports, we started construction of a hangar in Kitakyushu Airport, and constructed a solar power plant in Mizunami City, Gifu Prefecture. While trying to expand the customer base, we are also starting new businesses.

### Business development abroad

In overseas, we provide aviation-related facilities such as hangars and engine maintenance plants to Airbus Group at Singapore Seletar Airport. The current issue there is a lack of pilots, as is in Japan, due to worldwide increase in demand for aviation service. As an effort to respond to the needs for the training of such pilots, our company newly started financing simulators and

leasing training facilities for Airbus Group.

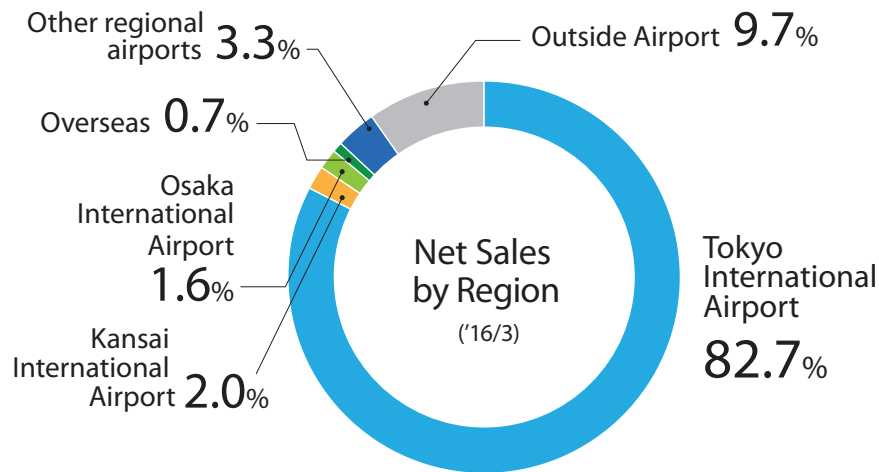
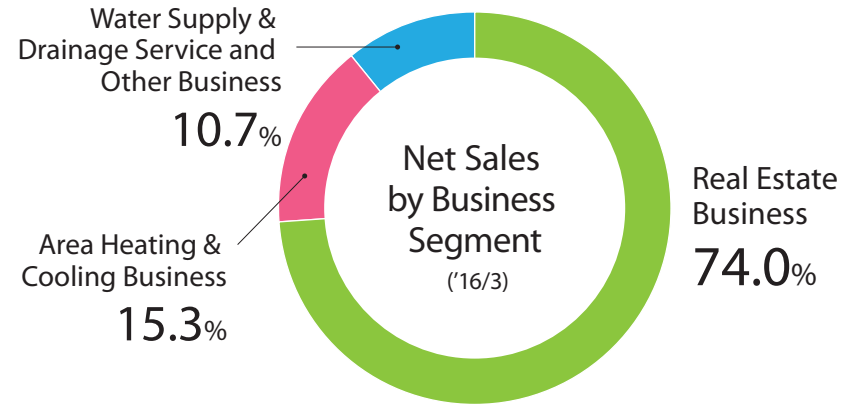
### Business development in the future

Going forward, further reinforcement of Tokyo International Airport's function is expected along with the increase of inbound passengers to Japan, and training/maintenance needs among airline companies will increase according to demand expansion for aviation service. This will also lead to an increase in demand for aviation-related facilities, so we consider these as an important opportunity for the business of our Group. From the fiscal year ending March 2017, we are expecting increases in both net sales and operating income with the start of the operation of new facilities and the expansion of business abroad. For further business recovery, we will implement our business by uniting the efforts of the entire Group.

Ordinary income	Profit attributable to owners of parent	Cash dividends per share	ROE	Operating income before depreciation
¥ <b>3.1</b> billion + 0.3% year on year	¥ <b>1.9</b> billion + 28.6% year on year	¥ <b>12.00</b> The same as the previous fiscal year	<b>3.9</b> % + 0.8 points year on year	¥ <b>6.9</b> billion + 0.17% year on year

# Business Outline

As a business portfolio unique to our company, we are engaged in businesses such as Real Estate Business mainly in airports and regions near the airport, Area Heating and Cooling Business that support airport infrastructure, and Water Supply and Drainage Service and Other Businesses.



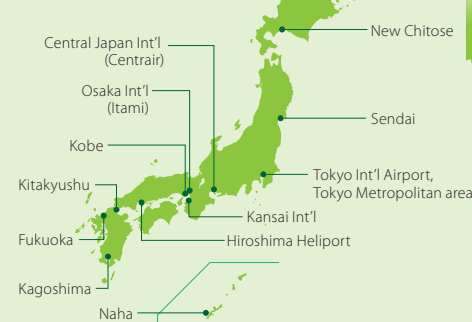
## Real Estate Business

Net sales **¥15.3** billion(-1.6%) ('16/3)

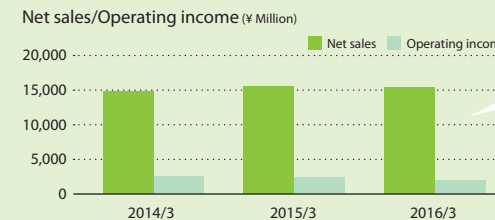


- Core business**  
Leasing of real estate such as multi-purpose general buildings, hangars, maintenance plants, apartments, hotels, and plant buildings in airports in Japan and abroad and regions along the railway line connected to the airport
- Major companies**  
Airport Facilities Co., Ltd., AIRPORT FACILITIES ASIA PTE. LTD.
- Major business investments** ('16/3)  
Haneda Asahi Cho hotel  
Kitakyushu Airport hangar  
Overseas (Singapore)

### 12 Airports where we deploy our business



### Overseas location



Although simulator facilities at Tokyo International Airport and two properties abroad started operation, with the business cancellation of the contracts in previous term and the rent reduction, net sales and operating income both decreased.



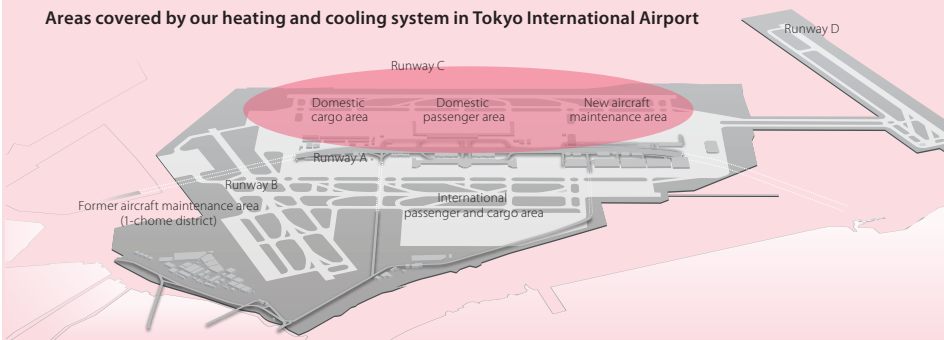
## Area Heating & Cooling Business

Net sales <sup>('16/3)</sup> **¥3.1 billion** (-0.8%)

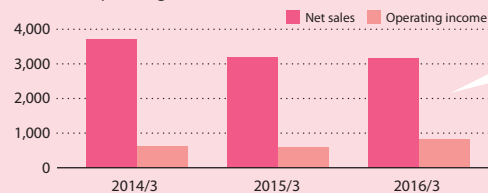


- **Core business**  
Provision of cooling and heating functions at Tokyo International Airport (area heating and cooling business)
- **Major companies**  
Tokyo Airport Heating & Cooling Co., Ltd.
- **Major business investments** ('16/3)  
Renewal of chiller and cooling tower

Areas covered by our heating and cooling system in Tokyo International Airport



Net sales/Operating income (¥ Million)



While the area heating and cooling business at Haneda Airport 1-Chome District was terminated, with the sound business of Tokyo Airport Heating & Cooling Co., Ltd. and reduction in the price of electricity and fuel gas bills net sales decreased but operating income increased.

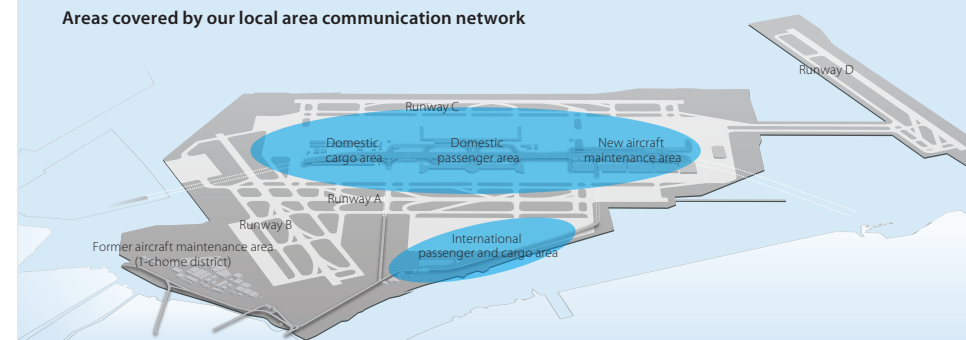
## Water Supply & Drainage Service and Other Business

Net sales <sup>('16/3)</sup> **¥2.2 billion** (-5.6%)

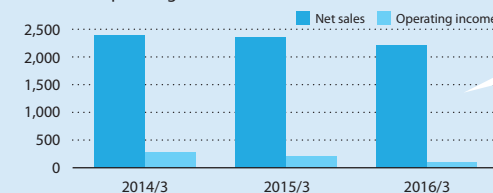


- **Core business**  
Water supply and drainage business, local area communication networks business at Tokyo International Airport, and solar power generation business
- **Major companies**  
Airport Facilities Co., Ltd.
- **Major business investments** ('16/3)  
Solar power plant in Mizunami City, Gifu Prefecture

Areas covered by our local area communication network



Net sales/Operating income (¥ Million)



Both net sales and operating income decreased due to partial cancellation of a shared telecommunication networks and increase in depreciation expenses associated with renewal of facilities, despite steady growth of water supply and drainage service and start of operation in the solar power plant in Mizunami City, Gifu Prefecture.

# Recent Efforts for Achieving Long-term Stable Growth

Aviation industry that will continue to develop in the future

Worldwide air passenger demand (2015 – 2034)

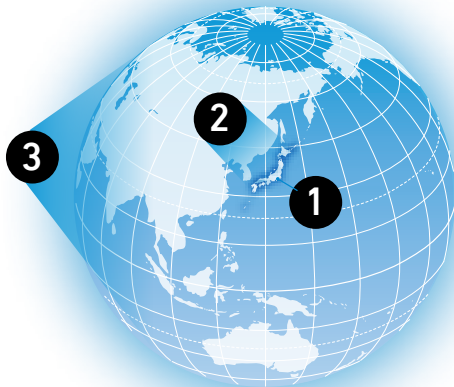
Annual average growth of **4.9%** is expected\*

Worldwide air cargo demand (2015 – 2034)

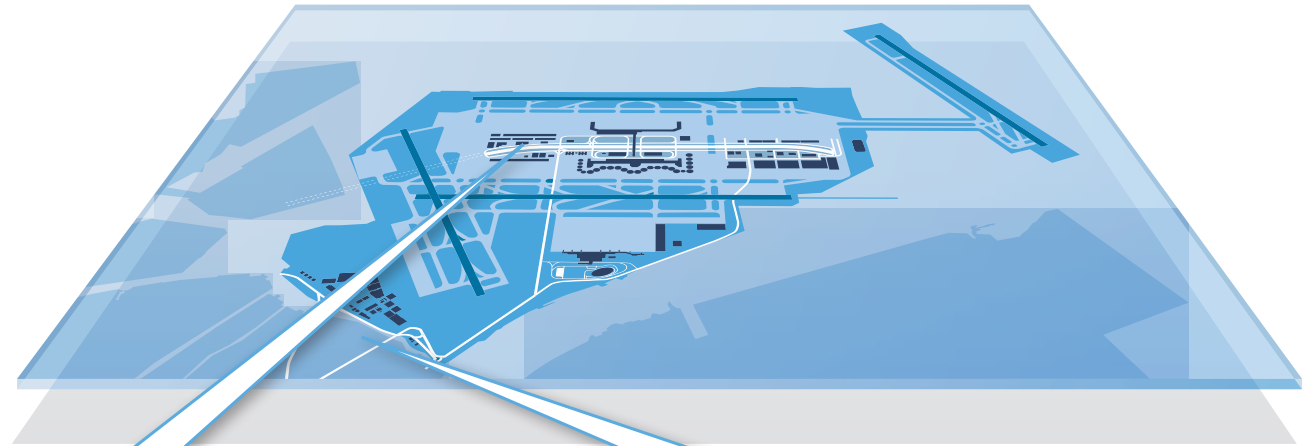
Annual average growth of **4.7%** is expected\*

\*Source: "CURRENT MARKET OUTLOOK 2015 – 2034" by The Boeing Company

Our Group will continuously strive to achieve long-term stable growth, by capturing business opportunities in Japan and abroad, and by continuously creating values with the original know-how of the "supporting aviation industry."



## 1 Recent efforts in Tokyo International Airport and regions along the railway line connected to the airport



### Efforts for the further utilization of air cargo storage

CSN ChihouSouseiNetwork Co., Ltd., which moved into the air cargo storage last June, is working to expand demand by utilizing the cargo storage facing the aircraft parking spots as a base for distributive processing and connecting the production area and consumption area of fishery products.



East Cargo Area (reference photo)

#### [Outline]

Occupancy: June 2015

Use: "Haneda Fresh Fish Center," a fresh fish sorting facility within the airport

### The second hotel located along the railway line connected to the airport is under construction

With the expected increase in demand of accommodation mainly for inbound users (those who visit Japan from abroad) in areas along the railroad line connected to Tokyo International Airport, the second hotel is currently under construction and scheduled to be completed in July 2016.



Image of the lobby floor

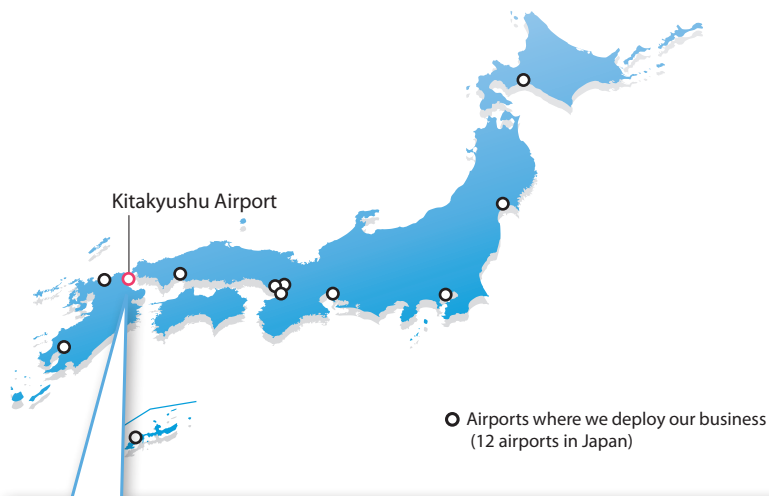
#### [Outline]

Location: Ohta-Ku, Haneda Asahi-Cho, Tokyo

Scheduled completion date: July 2016 (planned)



## 2 Recent efforts in regional airports and local cities



### Operation of facilities and expansion of customer base at regional airports

In December 2015, our company started the construction of a hangar in Kitakyushu Airport. This hangar is scheduled to be used as an aircraft maintenance hangar, and the airport is one of the bases for conducting the test flight of the mass-production aircraft of MRJ (Mitsubishi Regional Jet) by Mitsubishi Aircraft Corporation.



MRJ

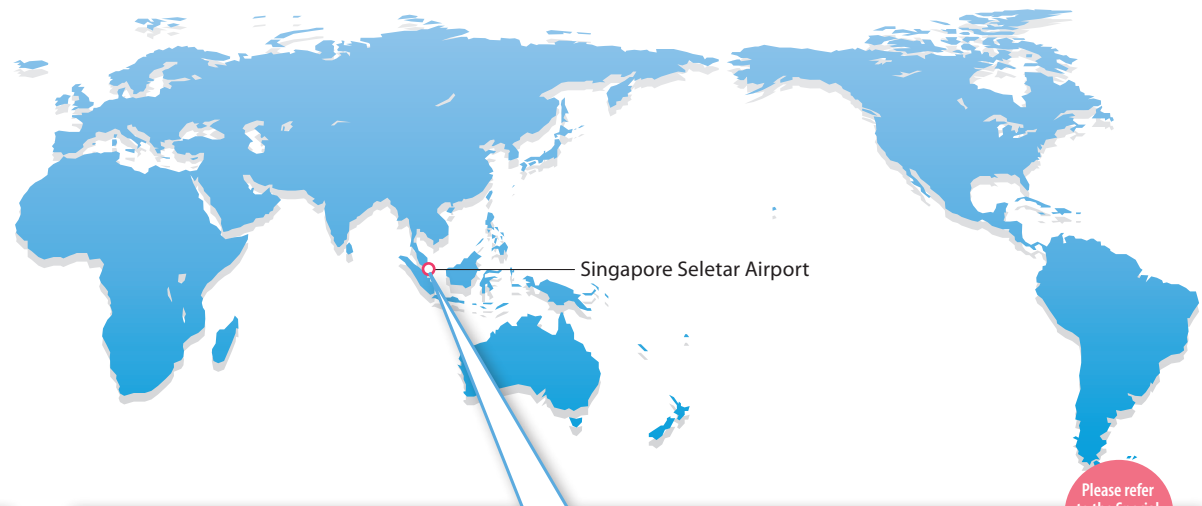
(Photo courtesy: Mitsubishi Aircraft Corporation)

#### [Outline]

Start of construction: December 2015

Use: Aircraft maintenance hangar

## 3 Efforts abroad



Please refer to the Special Topic on pp. 7-8.

### Coping with the needs in accordance with the increasing international demand for pilots

Demand for aviation service is growing abroad, especially in Asia, and the international shortage of pilots is becoming an urgent issue. Under such situation, we started the leasing of pilot training facilities for Airbus Asia Training Centre in April 2016.

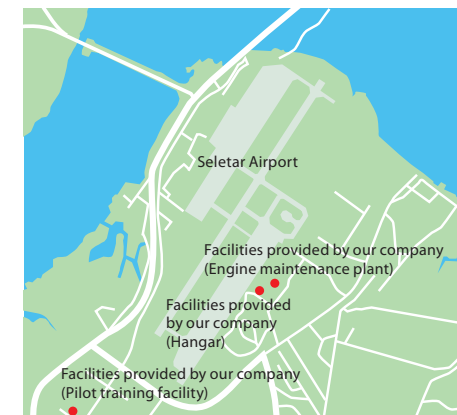
#### [Outline]

(Training facility)

Construction completed in: April 2016

Use: Pilot training facility

Leased to: Airbus Group Singapore Pte. Ltd.



Offering services at Singapore Seletar Airport

# Project Report

– Further efforts in overseas businesses –

## Provide aviation-related facilities in response to the booming demand in Asia

Aviation-related demand is increasing worldwide, and, especially in Asia, it is expanding more than ever following the increase of population.

In specific, in addition to demand for facilities related to the production and maintenance of aircraft, there is a need for training facilities in order to resolve the problem of pilot shortage.

Accordingly, in order to take in such booming aviation-related demand, our company is actively developing its business overseas.

We established a locally-incorporated company in Singapore (AFA) and in Canada (AFN).

### Business Development in Singapore

#### November 2013

[Outline of overseas subsidiary] \*As of March 31, 2016

Company name: AIRPORT FACILITIES ASIA PTE. LTD.(AFA)

Established: November 2013

Representative: Hiroshi Maruyama  
(President and CEO of the Company)

Capital stock: 4,218 million yen  
(23.7 million Singapore dollars)

Shareholder: Airport Facilities Co., Ltd. (100%)

#### March 2014



Started providing hangar for Airbus Helicopters

#### December 2014



Started the leasing of aircraft engine maintenance, repair and overhaul (MRO) plant for Vector Aerospace Asia

#### [MRO business]

MRO stands for maintenance, repair and overhaul. It includes various industries related to the maintenance and repair of aircraft.



April 2016

## Started the leasing of pilot training facilities for Airbus Asia Training Centre

NEW



The facility that started to be leased from April 2016 within the premises of Singapore Seletar Airport is a pilot training facility equipped with the highest level of technology, which can hold ten units of full flight simulators for Airbus aircraft (existing and new models). In addition, the company is financing the simulator to be installed and used in the facility from August 2015.

### [Airbus Asia Training Centre]

- A flight training facility jointly established by Airbus (55%) and Singapore Airlines (45%).
- Provides pilot type rating and recurrent training courses for all in-production Airbus jetliner types.

Frontline Efforts **VOICE**



A telephone meeting with the overseas worksite



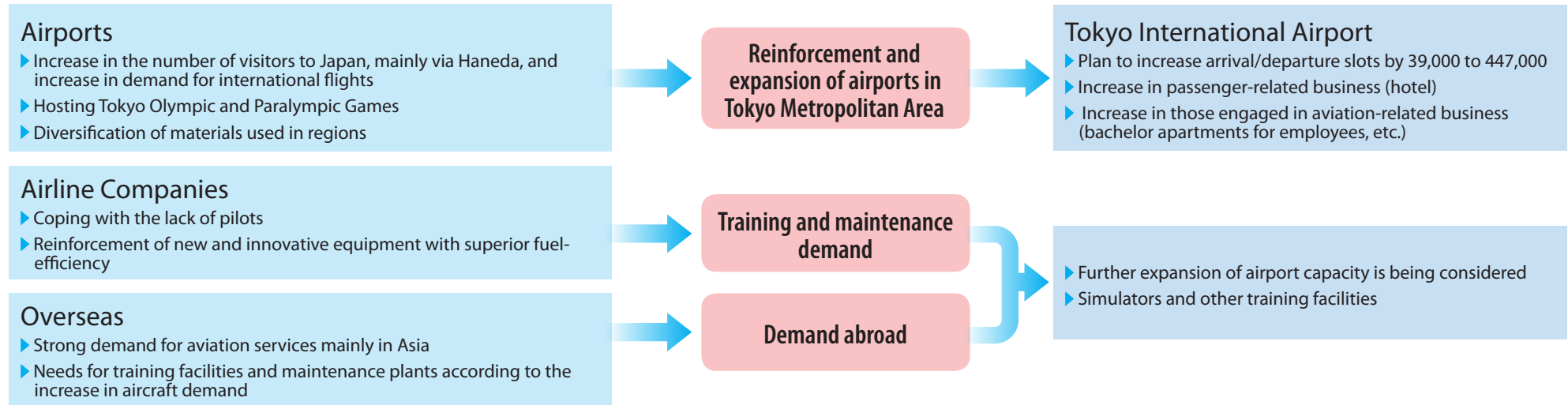
Executing an agreement overseas

The starting point of our overseas business goes back to 2011, when the company started providing hangars for Airbus Helicopters in Kobe Airport. Since then, the company has been actively working on business to provide facilities to customers abroad on-site, backed up by technologies and know-how developed through our years of experience in Japan. We consider the recent rapid increase in aviation-related demand worldwide, especially in Asia, as a significant business opportunity. We would like to actively reach not only aircraft manufacturers but also MRO business operators to expand our client base.

# Future Business Direction toward Further Value Creation

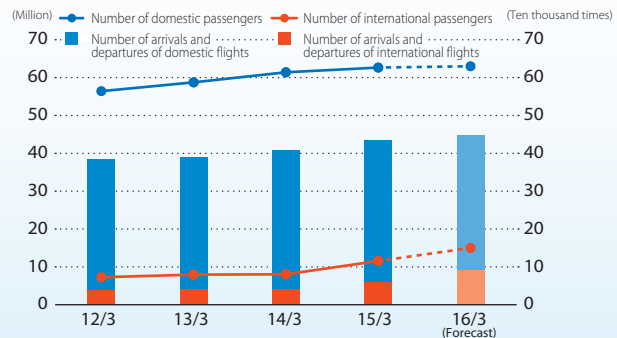
Airport Facilities Co., Ltd. will actively capitalize on business opportunities in Japan and abroad, including the further development of Tokyo International Airport, revitalization of regional airports, management reform by airline companies and the expansion of overseas demand.

## Changes in Business Environment



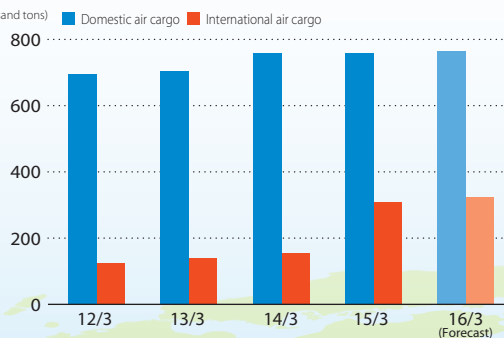
Trend in the number of air travelers, number of arrivals and departures, and the volume of handled cargo in Tokyo International Airport

Number of air travelers and number of arrivals and departures



Source: "Report on the State of Airport Management by Calendar and Fiscal Years" by the Ministry of Land, Infrastructure, Transport and Tourism \*The forecast for the fiscal year ended March 2016 is made by our company.

Volume of air cargo handled



Source: "Report on the State of Airport Management by Calendar and Fiscal Years" by the Ministry of Land, Infrastructure, Transport and Tourism \*Not including the volume handled as postal items \*The forecast for the fiscal year ended March 2016 is made by our company.



## Future approaches by the Company

### Promotion of businesses in the airport and regions near the airport

#### Efforts in Tokyo International Airport

- Providing airport function facilities (simulator facilities, etc.)
- Further utilization of air cargo storage (regional revitalization)
- Coping with the problem of vacant rooms

#### Efforts in regions near Tokyo International Airport

- Construction of a hotel (Haneda Asahi Cho)
- Construction of apartments (along the Airport Line)

#### Efforts at regional airports

- Construction of a hangar (Kitakyushu)
- Participation in the concession based on laws on the operation of airports utilizing private-sector initiative

### Taking on the new frontier

#### Further efforts in overseas businesses

- Providing facilities in reaction to the strong demand for aviation services abroad
- Further excavation of projects in Singapore
- Providing facilities in Canada

#### Efforts towards the expansion of customer base

- Facilities related to aircraft manufacturers in Japan and abroad
- Sales to MRO business operators

## Exploit the know-how developed in Japan also in overseas market. Expand the values we provide internationally

MRO business support for the new customers (provision of facilities)

2011



Airbus Helicopters Japan [Kobe]

2014



TAMAGAWA AERO SYSTEMS [Haneda]

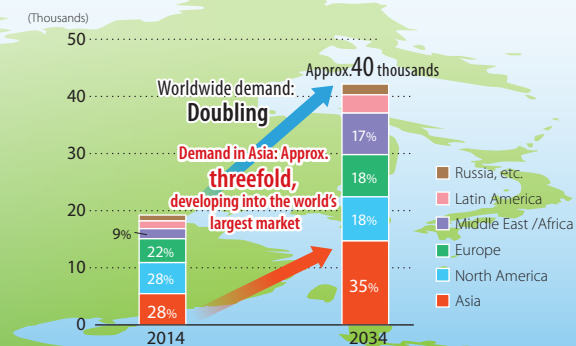
2014



Vector Aerospace Asia [Singapore]

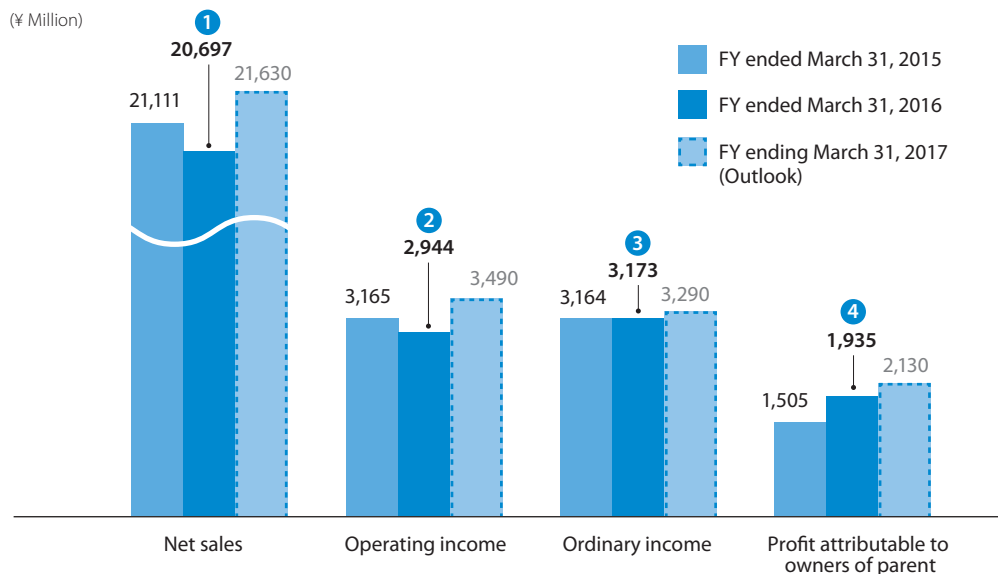
Strive for further expansion

Forecast of demand for commercial aircrafts abroad (2014-2034)



# Outline of Consolidated Financial Statement and Outlook for the Performance and Dividend Next Year

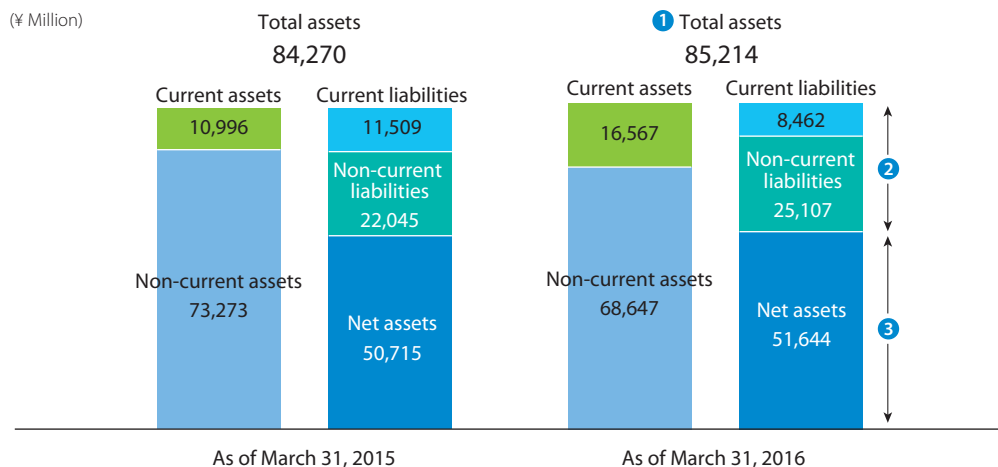
## Outline of Consolidated Financial Statement



## <Outline of fiscal year ended March 2016>

- (Net sales)** Despite the start of the operations of simulator facilities in Tokyo International Airport and a small-sized hangar and engine plant in Singapore, stable growth of the area heating and cooling business, and increase in water usage due to increase in the number of travelers, net sales decreased by 2.0% from the previous term due to the impact of tenants moving out during the term, decrease in rent, and the termination of heating and cooling business at Haneda Airport 1-Chome District.
- (Operating income)** While there were factors for increase in income, including the reduction of electricity and fuel gas bills, the operating income decreased by 7.0% from the previous term due to repair expenses due to the moving in of tenants and increase in depreciation expense associated with renewal of equipment for shared telecommunication network.
- (Ordinary income)** Increase in commission fee and the reactionary decline of provision for removal cost contributed in the increase of ordinary income by 0.3% from the previous term.
- (Profit attributable to owners of parent)** Profit attributable to owners of parent increased by 28.6% due to the recording of extraordinary income from the sale of non-current assets and also on the rebound from the previous term marking loss on retirement of non-current assets.

## Outline of Consolidated Balance Sheet



## <Outlook for the next term>

As for the fiscal year ending March 2017, we expect increase in both income and profit, with the start of the operations of new facilities, annual sales secured with tenants moved into existing facilities, and further expansion of overseas business.

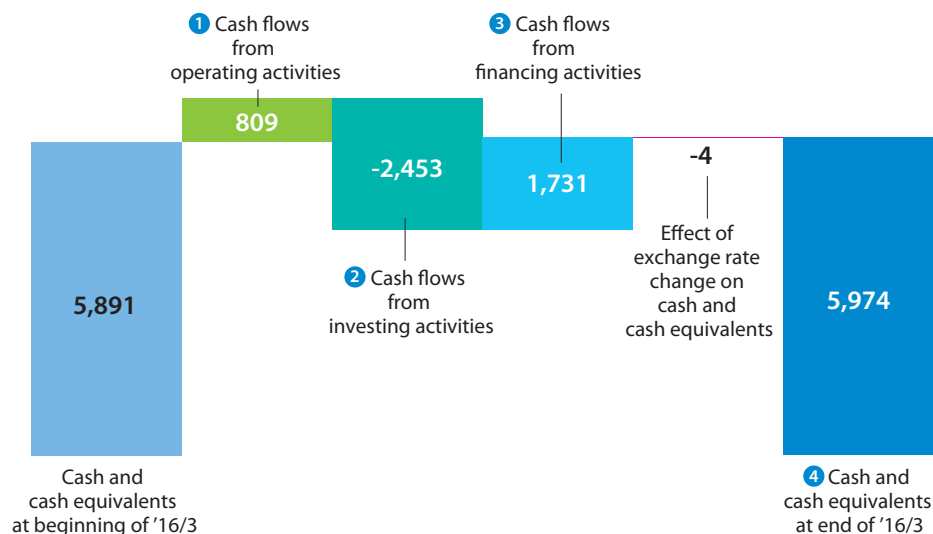
## <Financial position as of March 31, 2016>

- (Total assets)** Total assets increased ¥944 million (1.1%) as a result of new investments in a consolidated subsidiary in Singapore as well as in hotel business and solar power generation business in Japan.
- (Liabilities)** Liabilities slightly increased ¥15 million (0.0%) mainly due to an increase in long-term loans payable and guarantee deposits received.
- (Net assets)** Net assets increased ¥929 million (1.8%) mainly due to an increase in retained earnings, resulted in increase of equity ratio to 58.5% (0.2 points).



## Outline of Consolidated Cash Flow

(¥ Million)



- 1 Net cash provided by operating activities was ¥809 million, attributable to increases in income before income taxes and depreciation.
- 2 Net cash used in investing activities was ¥2,453 million, attributable to the acquisition of non-current assets.
- 3 Net cash provided by financing activities was ¥1,731 million, mainly attributable to new borrowings for the purpose of funding capital investments and overseas subsidiaries' business expansion.
- 4 As a result, cash and cash equivalents as of March 31, 2016 increased by ¥83 million to ¥5,974 million.

## Changes in Major Financial Indicators

Equity Ratio

**58.5%**

+0.2 points year on year

As a result of the increase of total assets by ¥944 million (1.1%) and equity capital by ¥780 million (1.6%), the equity ratio increased by 0.2 points.

ROE

**3.9%**

+0.8 points year on year

While equity capital increased by ¥780 million (1.6%), profit attributable to owners of parent increased by ¥430 million (28.6%), resulting in the increase of ROE by 0.8 points.

Operating income before depreciation

**¥6.9 billion**

+0.17% year on year

Increased by 0.17% with increases in depreciation and leasing costs.

## Outlook of Business Results and Dividend for the Next Term

Outlook for consolidated business results and dividend for the year ending March 31, 2017

Net sales	¥21,630 million (+ 4.5% year on year)
Operating income	¥3,490 million (+ 18.5% year on year)
Ordinary income	¥3,290 million (+ 3.7% year on year)
Annual dividend (forecast)	¥12.0 (interim ¥6.0, year-end ¥6.0)

For more detailed financial information, please refer to our website "Investor Relations"

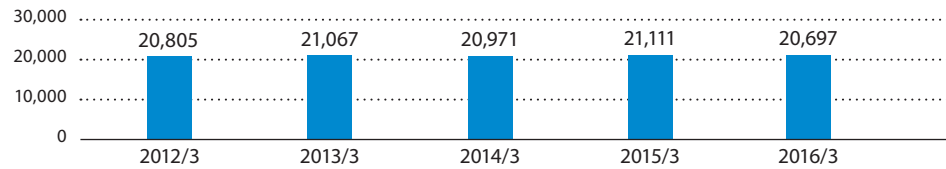
Airport Facilities Co., Ltd.

Search

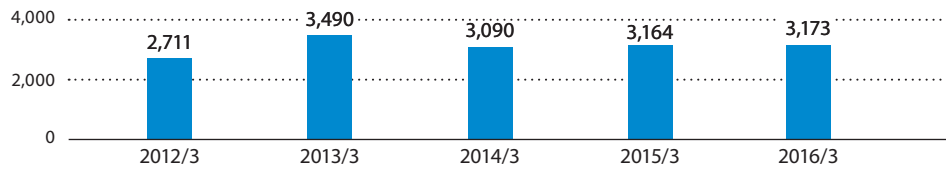
▶ Home ▶ Investor Relations

# Financial Highlights (Five years)

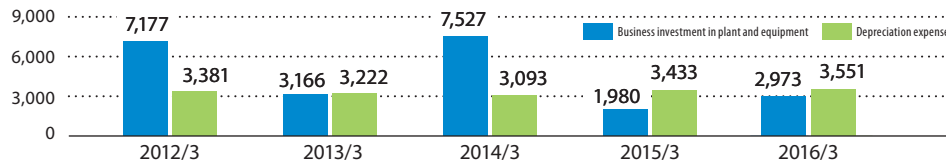
Net sales (¥ Million)



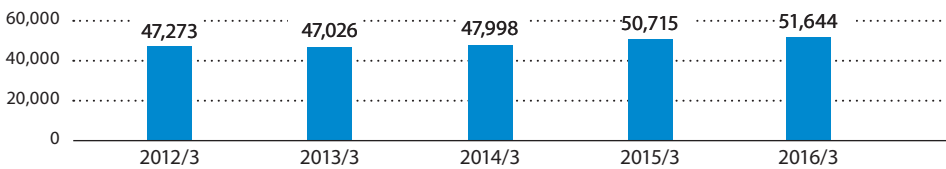
Ordinary income (¥ Million)



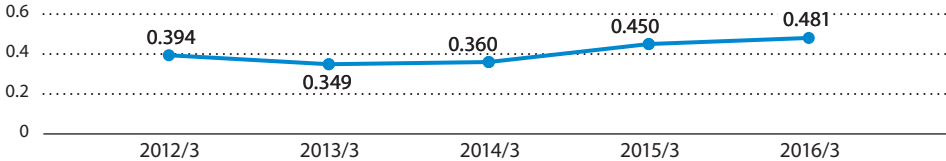
Business investment in plant and equipment/Depreciation expense (¥ Million)



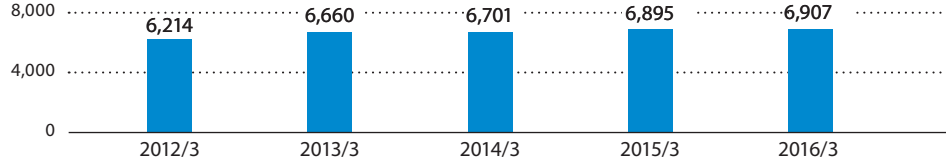
Net assets (¥ Million)



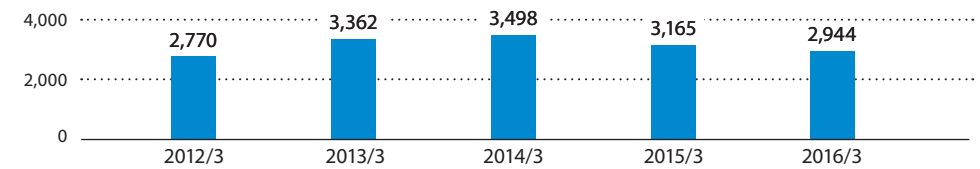
Debt to equity (Times)



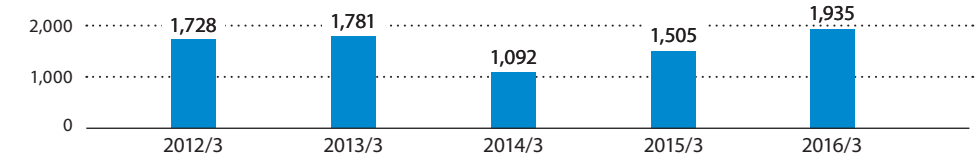
Operating income before depreciation (¥ Million)



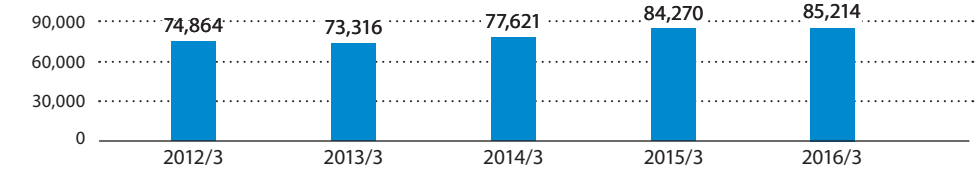
Operating income (¥ Million)



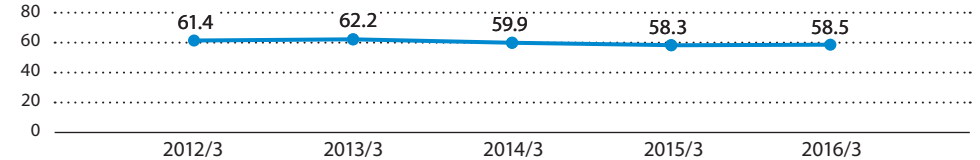
Profit attributable to owners of parent (¥ Million)



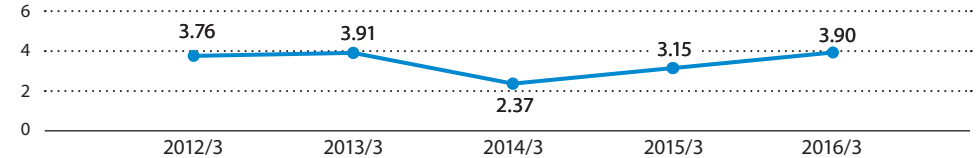
Total assets (¥ Million)



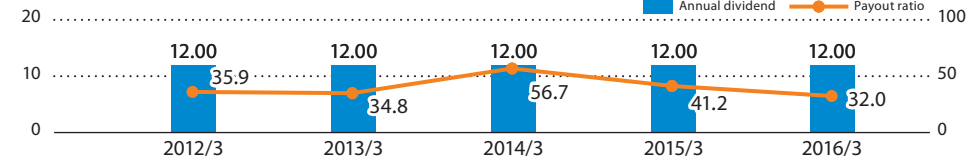
Equity ratio (%)



ROE (%)



Annual dividend (¥: left axis) / Payout ratio (consolidated) (%: right axis)



# Corporate Governance



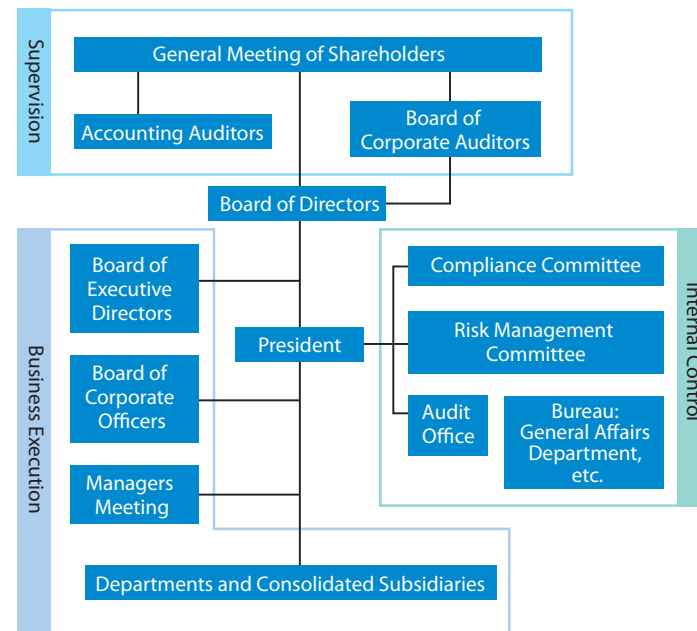
## Basic Philosophy

We are fully aware of the managing duties entrusted by our shareholders as well as our social corporate responsibilities in doing our business which handles a large number of passenger traffic and a large volume of cargo. With our mission and corporate philosophy in mind, we strive to complete our corporate governance to improve our corporate value and for the common benefit of our shareholders.

## Structure of Organization

We maintain the system where adequate business judgment and management supervision is constantly ensured, by regularly holding the Board of Directors meeting and Board of Corporate Auditors meeting, and holding them on a temporary basis when necessary. The number of directors shall be 17 or less, including both internal and external directors. There are currently 13 directors. Also, based on the criteria of independence set forth by the Tokyo Stock Exchange, we appointed 2 independent external directors. In addition, we adopt the Corporate Officer System aiming at rapid decision-making, etc. Furthermore, we strive to ensure managerial compliance, appropriateness and efficiency by maintaining and enhancing the internal control system shouldered by the Audit Office monitoring our business activities, Compliance Committee, and Risk Management Committee.

Diagram of Internal Control System



## Executives (As of June 29, 2016)

	Chairman	Tomoyuki Takahashi
	President and CEO	Hiroshi Maruyama
	Executive Vice President	Manabu Sato
	Executive Vice President	Toshitaka Watanabe
	Senior Managing Director	Toshiyuki Nagayoshi
	Senior Managing Director	Hiroyuki Hoshi
Directors	Managing Director and Senior Corporate Officer	Kosei Ashikaga
	Managing Director	Kazuo Katahira
	Director and Senior Corporate Officer	Keisuke Komatsu
	External Director	Toshiaki Norita
	External Director	Hiroyuki Ito
	External Director (Independent Officer)	Takehiko Sugiyama
	External Director (Independent Officer)	Kayo Aoyama
Corporate Auditors	Full-time Statutory Auditor	Mineo Tsuguchi
	Full-time Statutory Auditor	Kazuhiko Muraishi
Corporate Officers	Statutory Auditor (Independent Officer)	Akihiko Shiba
	Statutory Auditor (Independent Officer)	Satoshi Iwamura
	Senior Corporate Officer	Hiroki Osawa
	Senior Corporate Officer	Yukihiko Takada
	Corporate Officer	Hiroshi Hokazono
	Corporate Officer	Minoru Kitajima
	Corporate Officer	Shigeo Tamura
	Corporate Officer	Keiji Fukumoto
	Corporate Officer	Ryuichi Yasuda

## Corporate Profile

**Corporate Name:** Airport Facilities Co., Ltd. (AFC)

**Established:** February 1970

**Capital:** 6,826.10 million yen

**Employees:** 107  
(Consolidated as of March 31, 2016)

**Main Banks:** Development Bank of Japan

Resona Bank

Mizuho Bank

The Bank of Tokyo-Mitsubishi UFJ

Sumitomo Mitsui Banking Corporation

Sumitomo Mitsui Trust Bank

## Stock Information (as of March 31, 2016)

**Stock Listings:** Tokyo Stock Exchange (TSE) 1st Section  
(Ticker Code: 8864)

**Total Number of Shares Authorized:** 124,800,000

**Total Number of Shares Issued:** 54,903,750

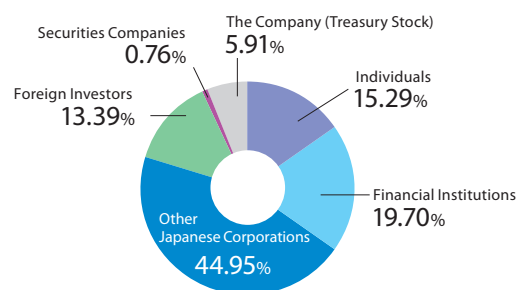
**Number of Shareholders:** 6,592

**Share Unit Number** 100 shares

## Major Shareholders

Shareholder	Number of Shares Owned (thousands)	Ratio of Shareholding (%)
Japan Airlines Co., Ltd.	10,521	19.16
ANA HOLDINGS INC.	10,521	19.16
Development Bank of Japan Inc.	6,920	12.60
KOKUSAI KOGYO HOLDINGS CO., LTD.	1,924	3.50
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT	1,670	3.04

## Composition of Shareholders



## Stock Price and Trading Volume (Monthly)

