

WE SUPPORT AVIATION INDUSTRY



ANNUAL REPORT 2018

Year Ended March 31, 2018
2017.4.01 » 2018.3.31



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

H. Maruyama

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.

Message from the President & Highlights of

With the Medium-term Management to improve our corporate value

Business environment, business results and the dividend for the fiscal year ended March 2018

In the aviation industry, airline companies are enjoying favorable business results partly due to the booming demand in Japan and abroad, including inbound demands. While continuing efforts for improving their cost competitiveness, Japanese airline companies are also working on the introduction of advanced equipment and reinforcing LLC business.

Under such economic situation, the business of our Group for the fiscal year ended March 2018 resulted in increased net sales and operating income compared to the previous term, which was achieved with the steady increase in the sales at the Tokyo International Airport. We were able to exceed the goal set for the second fiscal year in the Medium-term Management Plan.

Based on the above, the year-end dividend is ¥7.0, as was forecasted at the beginning of the term, considering the mid-term business outlook. In addition, we plan to offer an annual dividend of ¥14.0 per share for the fiscal year ending March 31, 2019. We continue with our efforts to ensure stable return to shareholders.

Net sales

¥**22.7** billion
+ 5.2% year on year

Operating income

¥**4.1** billion
+ 7.3% year on year

Business Result

ement Plan in mind, we strive e and shareholder value.

Business development during the fiscal year ended March 2018

Our Group has been working on the reutilization of facility space, including the renovation of existing facilities in the Tokyo International Airport, our business base, so as to fulfil the customer needs. We have also started providing apartments for those working at the airport as a business to cope with the expected increase in airport staff along with the increase in the number of the users of the Airport.

We are also operating a solar power plant near the Tokyo International Airport, which is one of the largest-of those located in central Tokyo. Our group focuses on ESG and develops environmentally-friendly business.

As for local airports, we have also newly provided a hangar for small aircrafts in Sendai Airport, crew training facilities in Kagoshima Airport, and aviation-related facilities in New Chitose Airport.

On the other hand, as for business abroad, we are providing maintenance facilities for MRO business operators who maintain aircraft and are leasing facilities for crew training in Singapore Seletar Airport. Further, we have newly acquired a helicopter maintenance facility in Langley Regional Airport in Canada and have started leasing them.

Future outlook

We will further be engaged in facility space reutilization through the renovation of existing facilities and providing apartments for airport staff in Tokyo International Airport and the regions nearby. As for local airports and areas abroad, we will continuously construct and acquire aviation-related facilities fulfilling customer needs.

We will also try to further expand our business area, including environmentally-friendly undertakings such as solar power generation business, while also considering the acquisition of new hotels in Kyoto, a city where tourism demand is notably high.

Based on the above, we expect increased net sales and operating income for the fiscal year ending March 2019, allowing us to achieve the goals set forth for the final year of the Medium-term Management Plan. We will continuously strive to further expand our business based on the Medium-term Management Plan, and to ensure stable development of operations in order to increase the corporate value and shareholder value of our Group.

Ordinary income

¥**3.7** billion
+ 6.7% year on year

Profit attributable to owners of parent

¥**2.2** billion
+ 3.2% year on year

Cash dividends per share

¥**14.0**
+ ¥1.0 year on year

EBITDA + recovery

¥**6.7** billion
+ 9.3% year on year

Business results

Increase in net sales and operating income for three consecutive terms after bottoming out in the fiscal year ended March 2016

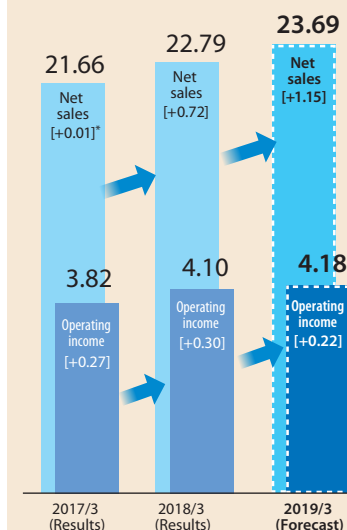
〈 Initial plan 〉

(¥ Billion)

Year	Numerical targets		
	2017/3	2018/3	2019/3
Net sales	21.6	22.0	22.5
Operating income	3.5	3.8	3.9
EBITDA + recovery	6.1	6.4	7.0
Profit attributable to owners of parent	2.1	2.1	2.2

〈 Results & outlook 〉

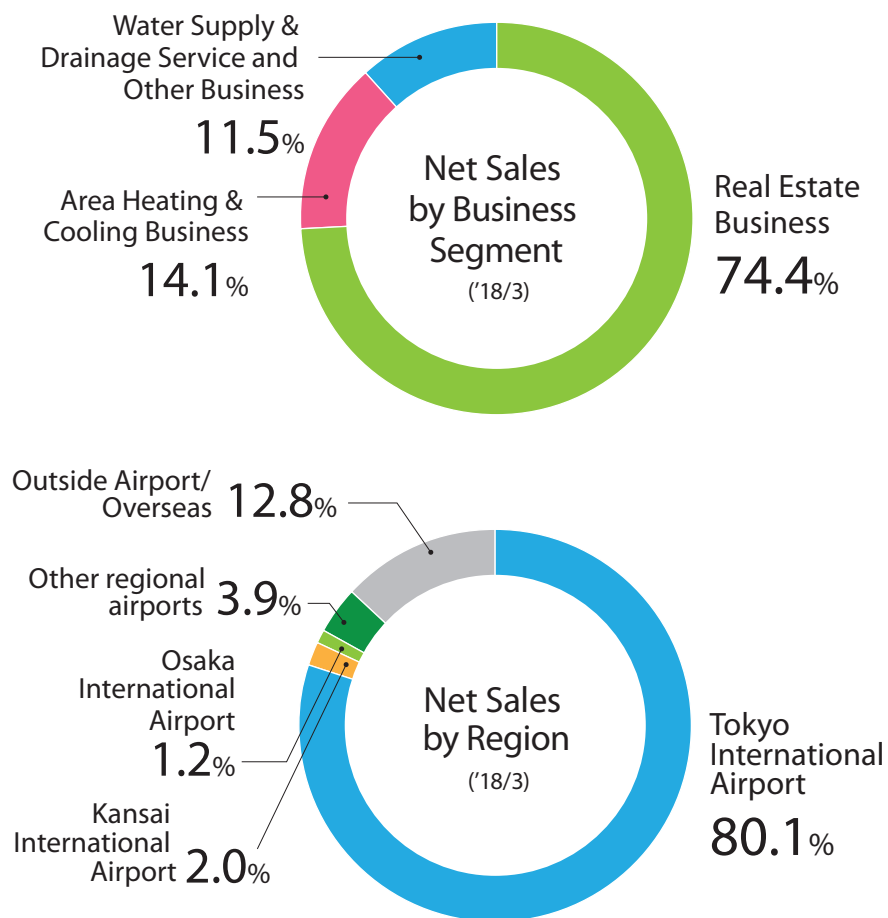
(¥ Billion)



* Figures in [] shows comparison with the numerical target

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 **¥16.9** billion(+5.1%) ('18/3)



Core business

Leasing of real estate such as multi-purpose general buildings, hangars, maintenance plants, apartments, and hotels 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 ('18/3)

Sendai Airport No.3 small aircraft hangar
Kagoshima Airport flight simulator building
New Chitose Airport GSE vehicle hangar
Kitakyushu Airport hangar
Sky Residence Kawasaki Daishi
Hotels in Kyoto
Langley Regional Airport helicopter maintenance facility in Canada

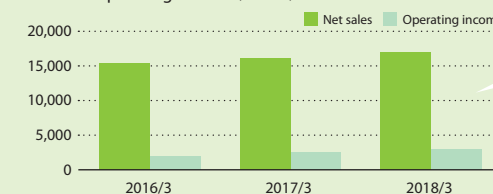
12 Airports where we deploy our business



Overseas location



Net sales/Operating income (¥ Million)



The improvement of the state of tenants moving in at Tokyo International Airport, full-year operation of Hotel JAL City in Haneda Asahi Cho and increase in the sales of a subsidiary in Singapore contributed to increases in net sales and operating income.

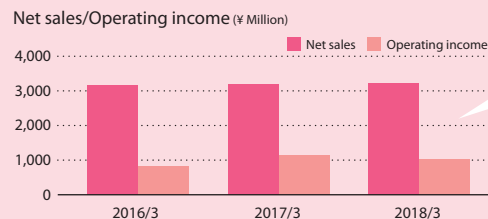
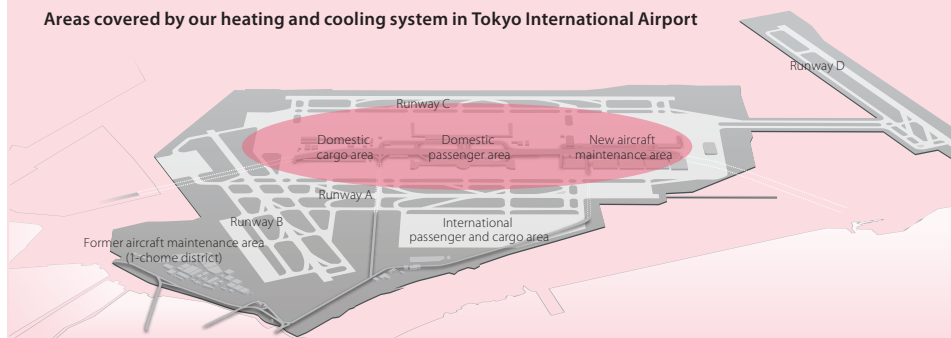
Area Heating & Cooling Business

Net sales
('18/3) **¥3.2** billion(+0.3%)



- **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** ('18/3)
Boiler renewal work

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



Although depreciation expense decreased with the sales in the reclaimed land area offshore Tokyo International Airport, consistent with the same period in a typical year, there were increases in electricity and gas prices and additional repair expenses, resulting in net sales increase and operating income decrease.

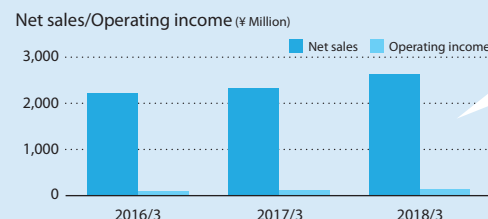
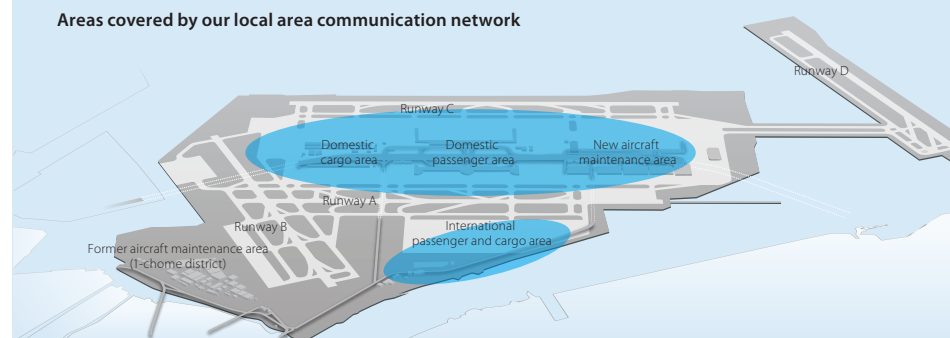
Water Supply & Drainage Service and Other Business

Net sales
('18/3) **¥2.6** billion(+13.0%)



- **Core business**
Water supply and drainage business, local area communication networks business at Tokyo International Airport and New Chitose Airport, and solar power generation business
- **Major companies**
Airport Facilities Co., Ltd.
- **Major business investments** ('18/3)
TRC Distribution B Bldg. rooftop solar power plant

Areas covered by our local area communication network



Net sales and operating income increased due to the steady sales of water supply and drainage in line with an increase in the number of incoming and outgoing passengers and increase in water supply to various construction works held within the airport, and the start of water supply and drainage management operations in the New Chitose Airport.

Recent Efforts [Part 1]

For the mid- to long-term business expansion and the stable development of business

We commit ourselves to active business expansion in the mid- to long-term and ensuring the stable development of business, to aim for increasing returns to shareholders.



Efforts in the Tokyo International Airport and regions near the airport

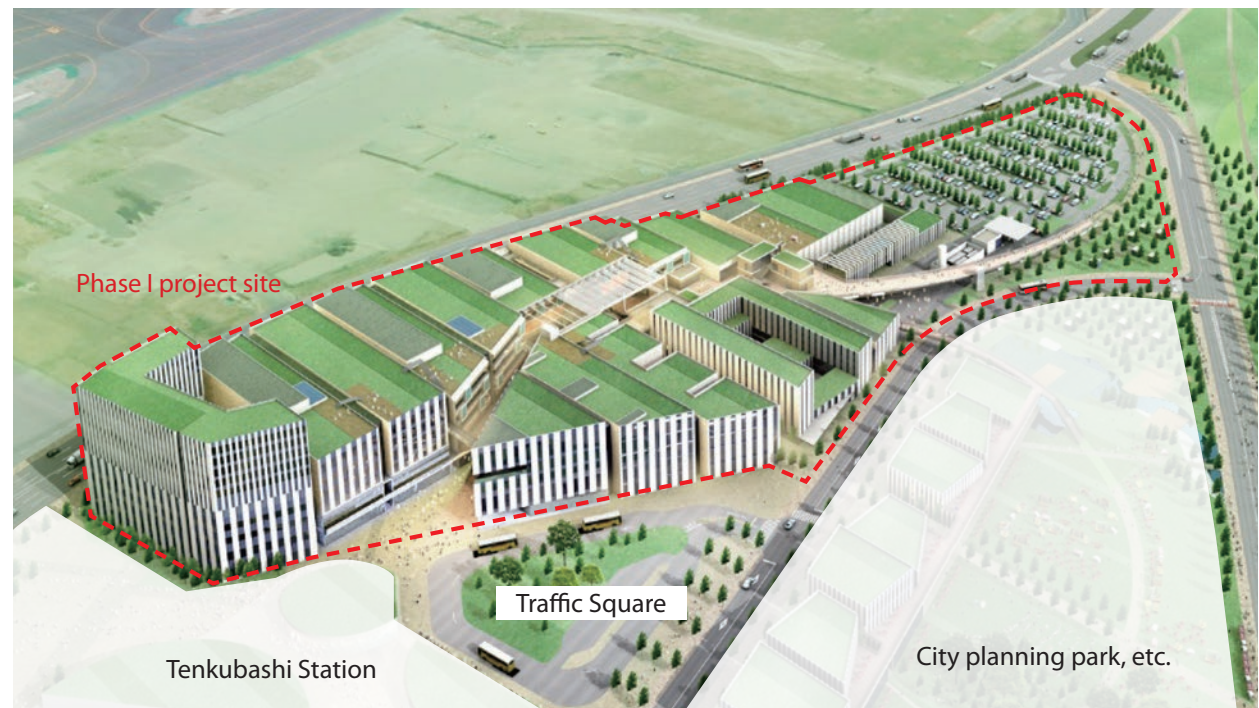
Progress of the “Development of Zone 1 of the Former Haneda Airport Ground (Phase I)”

Haneda Mirai Development Corporation, sponsored by our company, has concluded a business contract in May 2018 with the Ota-ku Government on the “Development of Zone 1 of the Former Haneda Airport Ground (Phase I),” starting the development and operation of bases for leading-edge industry and for the transmission of “Cool Japan.”

By fully exerting the potential of this area that is the gateway to Tokyo and ultimately to Japan from different cities in Japan and cities all over the world, we aim to develop a town that provides new experience and value towards the future.



From the Traffic Square (image)



Bird-eye view of the entire area (image)

Reutilization of facility space by renovating the existing properties

In the Tokyo International Airport, we are working on the reutilization of space through the renovation of existing properties, for instance establishing crew training facilities and in-flight meal plants within the existing facilities. Utilizing our knowledge and skill, we are making effort to reduce vacant spaces while also trying to provide facilities that fulfill customers' needs.

Simulator



Large-scale hangar (Tokyo International Airport)

Starting the provision of our fourth apartments

The construction of Sky Residence Kawasaki Daishi (Kawasaki City, Kanagawa Prefecture), apartments for those who work at the airport, was completed in March 2018.

This facility was being constructed as apartments for the increased number of staff who work at the airport, in line with increased aircraft takeoff/landing capacity and the expansion of international flight areas in the Tokyo International Airport, and will be used mainly as the apartments for the employees of the ANA Group.



Sky Residence Kawasaki Daishi



Entrance

Completion of one of the largest-scale solar power plants in central Tokyo

Our company has been working on the construction of a solar power plant in Heiwajima, Ota-ku, and the "TRC Distribution B Bldg. rooftop solar power plant" was completed and started operation in January 2018.

Our company has been engaged in solar power generation projects utilizing facilities owned by our company, idle lands and venues outside the airports. This power station is a facility utilizing the rooftop of "Distribution B Bldg.," a building held by Tokyo Ryutsu Center Inc.



TRC Distribution B Bldg. rooftop solar power plant



Solar panels

Recent Efforts [Part 2]

Efforts at regional airports

Starting the provision of a small aircraft hangar

(Sendai Airport)

The construction of “Sendai Airport No.3 small aircraft hangar” was completed in July 2017.

This hangar was newly constructed on request from the All Nippon Helicopter Co., Ltd., for its resumed operation in Sendai Airport, one of the company's activity bases.

In addition to its increased seismic capacity regarding its building structure, ensuring



Sendai Airport No.3 small aircraft hangar

the safety of people's lives, this hangar also has improved function as a hangar, allowing it to serve immediately as a base for news coverage even when a disaster occurs.



Runway access taxiway

Starting the provision of crew training facilities

(Kagoshima Airport)

The construction of “Kagoshima Airport flight simulator building” was completed in December 2017. This facility is being rented to Japan Air Commuter Co., Ltd. (JAC), operating flights between local cities and remote islands based in Kagoshima Airport, and started operation in April 2018.

The full flight simulator (FFS) installed by JAC in this facility is for the latest ATR-model turboprop aircraft of JAC, which will be the first to be introduced in Japan.



Kagoshima Airport flight simulator building

Starting the provision of a hangar for GSE vehicles

(New Chitose Airport)

The construction of “New Chitose Airport hangar for GSE* vehicles” was completed in December 2018. This hangar was newly built upon request for a facility that can resist the winter snowfall, in line with the start of airport ground handling business for Fuji Dream Airlines Co., Ltd. (FDA) by SAS Co., Ltd., which is a fully-owned subsidiary of Suzuyo & Co., Ltd. that operates airport ground handling business mainly in Mt. Fuji Shizuoka Airport and Prefectural Nagoya Airport.

* GSE (Ground Support Equipment) vehicle: collective term for equipment used for ground handling business (equipment used for ground support in airport, including cargo carts and towing cars)



New Chitose Airport hangar for GSE vehicles

Efforts abroad

Starting the leasing of a helicopter maintenance facility

(Langley Regional Airport, Canada)

Our locally-incorporated company AFN PROPERTIES LTD. (AFN) acquired a helicopter maintenance facility in Langley Regional Airport in Canada, in October 2017, and started leasing it to Vector Aerospace Helicopter Services Inc.

Our Group is already engaged in business in Singapore, and this is the second project of providing facilities at overseas airports for our company.

We will continuously be engaged in business aiming to acquire, construct and lease aviation-related facilities abroad.



Helicopter maintenance facility at Langley Regional Airport, Canada

Project Report

— Environmentally-conscious efforts —

Our company is also being engaged in environmentally-friendly business as a part of ESG (environmental, social and governance) efforts

Since the Great East Japan Earthquake in 2011, reliance on fossil fuels is growing in Japan. Realizing both the CO₂ emission control and the stable supply of energy is an important social issue.

In such context, our company has been actively advancing the solar power generation business that makes effective use of the rooftops of aircraft maintenance hangars and venues outside the airport, aiming to further utilize renewable energy as a part of ESG efforts.

Our company will continuously commit itself to conducting environmentally-conscious management.

January 2016

March 2014

October 2013



Operation of the first solar power generation facility of our company

We have constructed a solar power generation facility utilizing the 10,000 m²-wide land possessed by our company near Narita International Airport. The annual power generation of this facility is approximately 680,000 kWh, which is equivalent to the annual power consumption of about 200 households.



Kagoshima Airport No.1/No.2 hangar

The rooftop of the hangar our company possesses at Kagoshima Airport is utilized for solar power generation business. This facility generates approximately 300,000 kWh per year, which is equivalent to the annual power consumption of about 80 households.



January 2018

Solar power plant in Mizunami City, Gifu Prefecture

This is the first power generation plant project for our company utilizing venues outside the airport. Its annual power generation is approximately 1.6 million kWh, which is equivalent to the annual consumption of about 480 households.



NEW

TRC Distribution B Bldg. rooftop solar power plant

This power station is a facility utilizing the rooftop of "Distribution B Bldg.," a building held by Tokyo Ryutsu Center Inc., and is one of the largest-scale solar power stations in central Tokyo. The annual power generation of this facility is approximately 2.5 million kWh, which is equivalent to the annual power consumption of about 620 households.

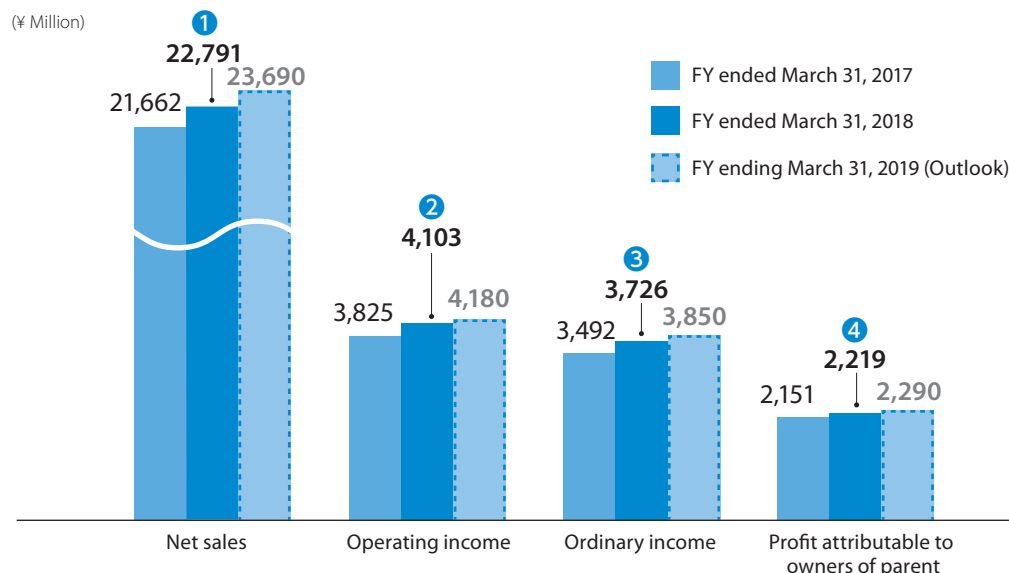


8,960 solar panels are installed

Aerial view

Outline of Consolidated Financial Statement and the Forecast on the Performance and Dividend Next Year

Outline of Consolidated Financial Statement



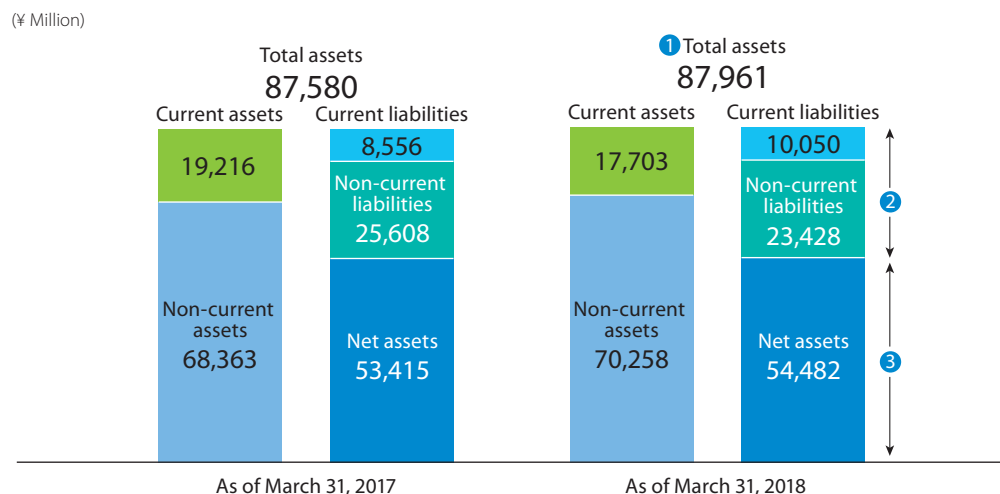
<Outline of fiscal year ended March 2018>

- (Net sales)** In addition to the improvement of the state of tenants moving in at the Tokyo International Airport, the full-year operation of Hotel JAL City in Haneda Asahi Cho, the rise in the number of passengers at the Tokyo International Airport and the increase in water supply to various construction works held within the airport, there was also increase in the sales of a subsidiary in Singapore, resulting in a 5.2% increase from the previous term.
- (Operating income)** While there had been a rise in electricity and gas prices and additional repair expenses, there were sales increases in each business segment and a decrease in depreciation expense in the Area Heating and Cooling Business, resulting in a 7.3% increase from the previous term.
- (Ordinary income)** Although there was foreign exchange loss and an increase in removal cost of property, plant and equipment, ordinary income increased 6.7% from the previous term mainly because of an increase in operating income and a decrease in provision for removal costs.
- (Profit attributable to owners of parent)** While the loss on retirement of non-current assets increased, profit attributable to owners of parent increased 3.2% from the previous term with the increase in ordinary income.

<Outlook for the next term>

We expect increases in net sales and operating income for the fiscal year ending March 2019, due to the continuous improvement of the state of tenants moving in at the Tokyo International Airport, start of the provision of apartments in areas near the airport, new operation of aviation-related facilities in local airports including New Chitose, Sendai, and Kagoshima Airports, expectation of full-year contribution by the solar power generation business started in Heiwajima, Ota-ku, and other new projects scheduled.

Outline of Consolidated Balance Sheet



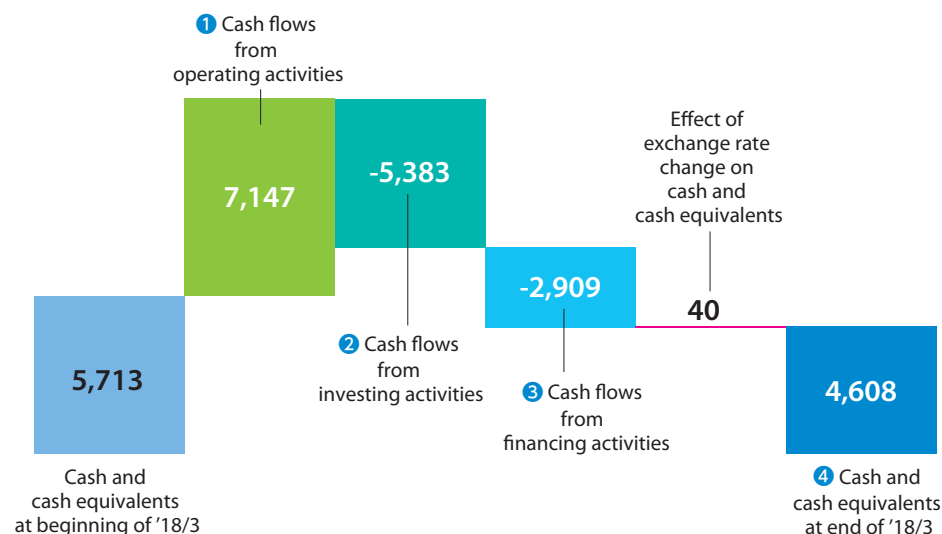
<Financial position as of March 31, 2018>

- (Total assets)** Total assets increased by ¥381 million, mainly due to the completion of the construction of solar power generation facilities and apartments.
- (Liabilities)** Liabilities decreased by ¥685 million with payment of long-term debt, etc.
- (Net assets)** Net assets increased by ¥1,067 million due to an increase in valuation difference on mark-to-market available-for-sale securities and an increase in retained earnings, resulting in an increase of the equity ratio to 59.4% (0.7 points).



Outline of Consolidated Cash Flow

(¥ Million)



- ① Net cash provided by operating activities was ¥7,147 million (compared to ¥3,024 million in the previous term). This is mainly attributable to an increase in income before income taxes and progress in the collection of operating loans.
- ② Net cash used in investing activities was ¥5,383 million (compared to ¥3,048 million in the previous term). This is mainly attributable to significant increase in expenses compared to the previous term due to purchase of non-current assets including solar power generation facilities and apartments.
- ③ Net cash used in financing activities was ¥2,909 million (compared to the ¥137 million in the previous term). This is mainly attributable to purchase of treasury stock and payment of long-term debt.
- ④ As a result, cash and cash equivalents as of March 31, 2018 decreased ¥1,105 million to ¥4,608 million.

Changes in Major Financial Indicators

Equity Ratio

59.4%

+ 0.7 points year on year

As a result of the increase of total assets by ¥381 million (0.4%) and equity capital by ¥840 million (1.6%), the equity ratio increased by 0.7 points.

EBITDA + recovery

¥6.7 billion

+ 9.3 % year on year

EBITDA + recovery increased by 9.3% from the previous term, with the increase of operating income before depreciation and recovery from overseas finance.

Outlook of Business Results and Dividend for the Next Term

Outlook for consolidated business results and dividend for the year ending March 31, 2019

Net sales	¥23,690 million (+ 3.9% year on year)
Operating income	¥4,180 million (+ 1.9% year on year)
Ordinary income	¥3,850 million (+ 3.3% year on year)
Annual dividend (forecast)	¥14.0 (interim ¥7.0, year-end ¥7.0)

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

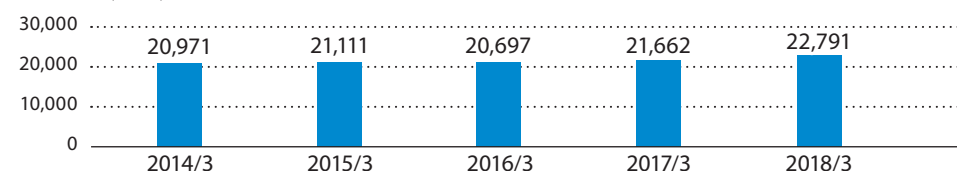
Airport Facilities Co., Ltd.

Search

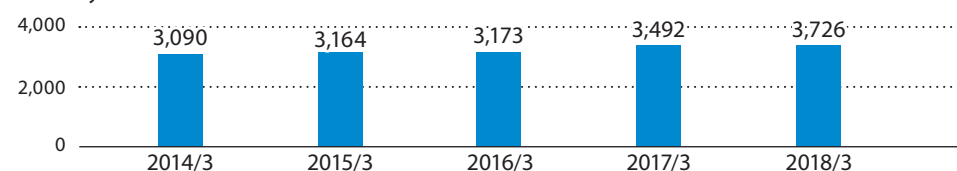
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Financial Highlights (Five years)

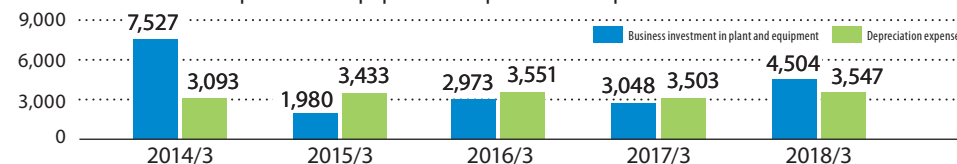
Net sales (¥ Million)



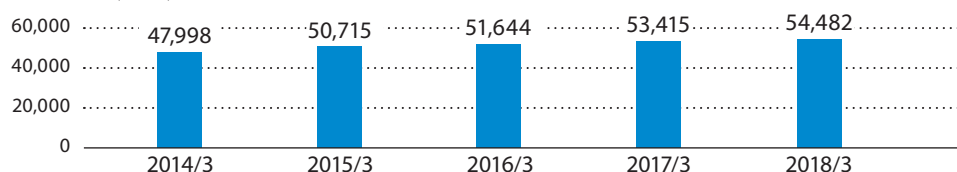
Ordinary income (¥ Million)



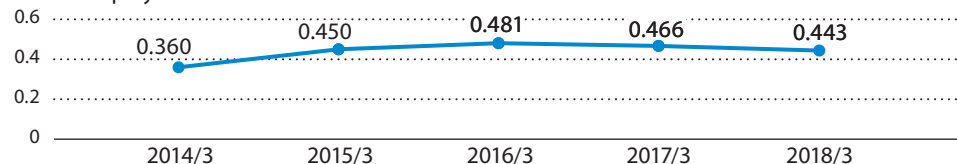
Business investment in plant and equipment/Depreciation expense (¥ Million)



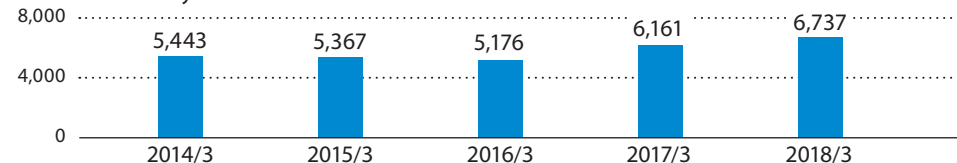
Net assets (¥ Million)



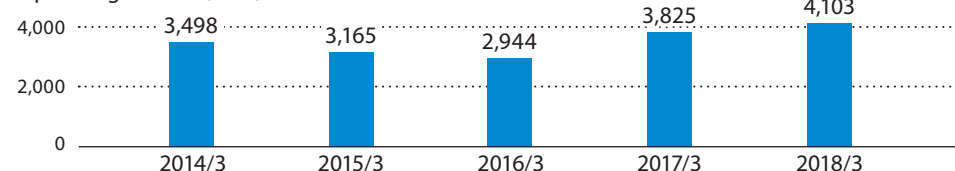
Debt to equity (Times)



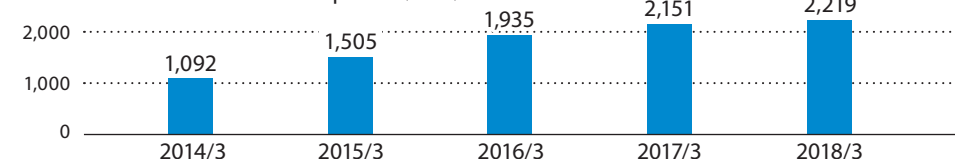
EBITDA + recovery (¥ Million)



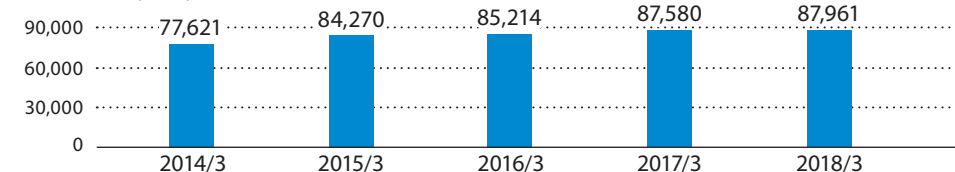
Operating income (¥ Million)



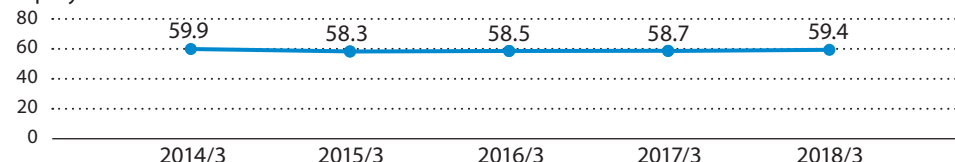
Profit attributable to owners of parent (¥ Million)



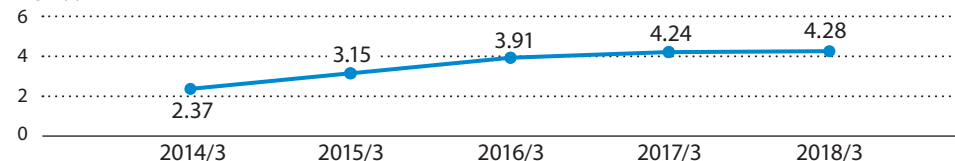
Total assets (¥ Million)



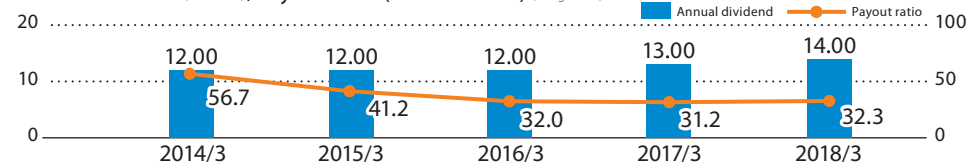
Equity ratio (%)



ROE (%)



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





Corporate Governance

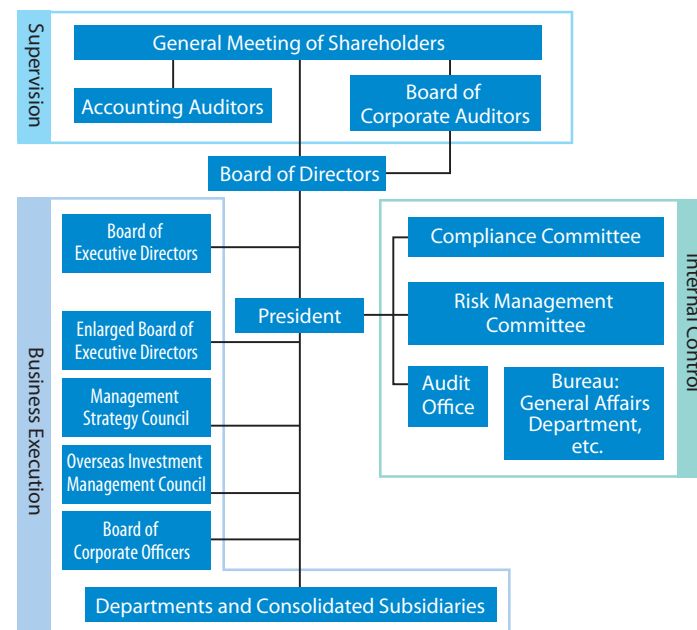
Basic Philosophy

We are fully aware of our management responsibility relegated from shareholders and social responsibility as a company with its business based on services in airports. 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 15 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 28, 2018)

Directors	Chairman	Tomoyuki Takahashi
	President and CEO	Hiroshi Maruyama
	Executive Vice President	Toshitaka Watanabe
	Executive Vice President	Toshiaki Norita
	Executive Vice President	Masaaki Kai
	Senior Managing Director	Toshiyuki Nagayoshi
	Senior Managing Director	Hiroyuki Hoshi
	Managing Director	Kosei Ashikaga
	Managing Director	Kazuo Katahira
	Managing Director	Keisuke Komatsu
	Director and Senior Corporate Officer	Shigeo Tamura
	External Director	Toyoyuki Nagamine
	External Director	Tadao Nishio
	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
	Statutory Auditor (Independent Officer)	Akihiko Shiba
	Statutory Auditor (Independent Officer)	Satoshi Iwamura
Corporate Officers	Senior Corporate Officer	Hiroki Osawa
	Senior Corporate Officer	Yukihiko Takada
	Corporate Officer	Hiroshi Hokazono
	Corporate Officer	Ryuichi Yasuda
	Corporate Officer	Takahiro Hama
	Corporate Officer	Takashi Yasuda
	Corporate Officer	Atsuo Ichise

Corporate Profile

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

Established: February 1970

Capital: 6,826.10 million yen

Employees: 116
(Consolidated as of March 31, 2018)

Main Banks: Development Bank of Japan

Resona Bank

Mizuho Bank

MUFG Bank

Sumitomo Mitsui Trust Bank

Sumitomo Mitsui Banking Corporation

Stock Information (as of March 31, 2018)

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

Total Number of Shares Authorized: 124,800,000

Total Number of Shares Issued: 52,979,350

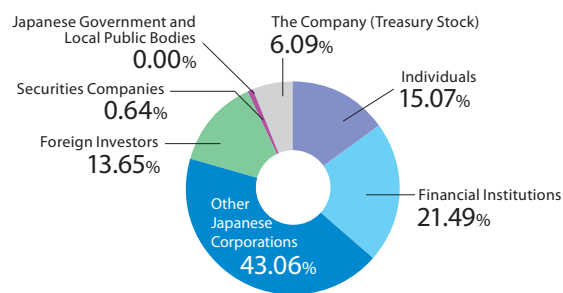
Number of Shareholders: 6,719

Share Unit Number 100 shares

Major Shareholders

Shareholder	Number of Shares Owned (thousands)	Ratio of Shareholding (%)
Japan Airlines Co., Ltd.	10,521	19.86
ANA HOLDINGS INC.	10,521	19.85
Development Bank of Japan Inc.	6,920	13.06
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,605	3.03
Tomio Banno	1,335	2.55

Composition of Shareholders



Stock Price and Trading Volume (Monthly)

