

WE SUPPORT AVIATION INDUSTRY



# ANNUAL REPORT 2019

Year Ended March 31, 2019  
2018.4.01 » 2019.3.31

## CONTENTS

Highlights of Business Result .....	1
Business Outline .....	3
Review of the Medium-term Management Plan .....	5
Major Efforts in the New Medium-term Management Plan .....	7
Special Topic: The Second ESG Report —Efforts focusing on social considerations— .....	9
Outline of Consolidated Financial Statement and the Forecast on the Performance and Dividend Next Year .....	11
Financial Highlights (Five years) .....	13
Corporate Governance .....	14



## Highlights of Business Result

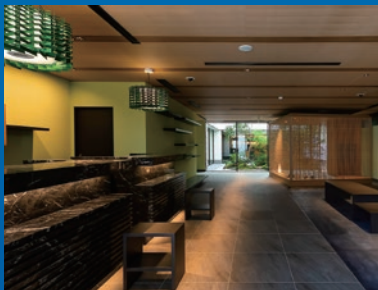
# With the new Medium-term to achieve sustainable

### 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.



The lobby of ENSO ANGO FUYA II, a hotel in Kyoto



President and CEO  
Masaaki Kai

Chairman  
Hiroshi 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.

### Overview of FY ended in March 2019 and the previous Medium-term Management Plan

(1) Recently, demand in the aviation industry has been increasing domestically and internationally, along with the reinforcement of airport functions towards the 2020 Summer Olympic and Paralympic Games held in Tokyo, including the increase of annual takeoff/landing capacity by 39,000 slots at Tokyo International Airport. Airline companies are making various efforts including the introduction of advanced new equipment, upgrading and expanding of route networks, and the reinforcement of LCC business. Under such growing business environment, the performance for the FY ended in March 2019, which was the last fiscal year of the Medium-term Management Plan (from FY2016 to FY2018) of our company, resulted in an increase in operating income with the improvement of the state of tenants at Tokyo International Airport, start of the operation of hotels in Kyoto, and the contribution of a subsidiary in Canada in consolidated accounting. Although profit attributable to owners of parent decreased in the last fiscal year with the recording of loss on retirement of non-current assets, profit attributable to owners of parent had been recorded stably

Net sales

¥24.2 billion  
+ 6.2% year on year

Operating income

¥4.1 billion  
+ 0.6% year on year

# term Management Plan in mind, we strive growth and improve our corporate value.

throughout the three years of the Medium-term Management Plan, and the company was able to increase dividend in FY2016 and FY2017 under the target of a payout ratio of 30% or more.

(2) We recognize this as a result of being engaged in new businesses at Tokyo International Airport and areas nearby, in regional airports, and also outside airports and abroad, implementing active new investments of over ¥25 billion in three years, which exceeds the planned level. Based on this achievement, we will aim for the further improvement of corporate value through sustainable growth in the new Medium-term Management Plan. The year-end dividend is ¥7.0, as was forecasted at the beginning of the term. In addition, we plan to offer an annual dividend of ¥14.0 per share for the fiscal year ending March 31, 2020. We continue with our efforts to ensure stable return to shareholders.

## Major efforts in the new Medium-term Management Plan

(1) In the context of continuous growth in the aviation industry, the new Medium-term Management Plan, started this April, sets the basic policy of “full utilization of management resources and reallocation through the improvement of efficiency and selection

Profit attributable to owners of parent

¥ **2.1** billion  
- 5.2% year on year

Cash dividends per share

¥ **14.0**  
± ¥0 year on year

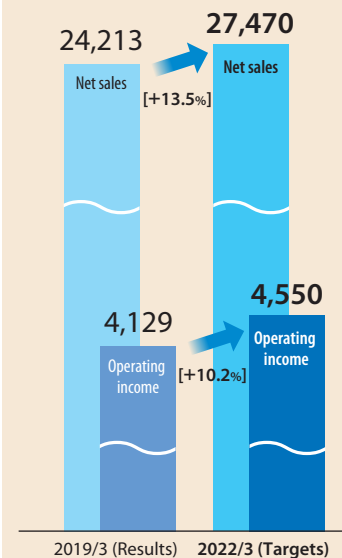
and concentration,” and aims to ensure secure increase in net sales and operating income through active new investment of ¥30 billion in total during the three years, which exceeds the annual cash flow, so as to adequately cope with the growing inbound demand, in addition to further improvement of profit from existing businesses.

(2) Major efforts include the extension and reconstruction of ARC Building to renovate it into an in-flight meal factory in Tokyo International Airport, and the new construction of an aircraft equipment warehouse and aircraft sewage treatment facility. The company is also engaged in businesses near the airport. In addition to the construction of hotels to cope with the increased number of passengers and apartments for those who work at the airport, the company also participates in the development of Zone 1 of the former Haneda Airport Ground, which is a project to develop and operate a base for leading-edge industries and the transmission of “Cool Japan.” Also outside the airport, we are engaged in businesses including the construction of a dormitory for international students for accepting more international students, which is also a national policy. In regional airports, extension of the hangar in Kobe Airport, and the new construction of a hangar in Fukuoka New Heliport are being engaged to cope with the increase in the number of users. Overseas, we will realize new investment in functional facilities necessary for airports in Southeast Asia where demand is active, based in Singapore.

(3) In addition, the company will sincerely be engaged with ESG through our business and aims to contribute to the achievement of SDGs, in order to realize a sustainable society.

## Numerical targets of the New Medium-term Management Plan

(¥ Million)



\* Figures in [ ] shows growth rates

(¥ Million)

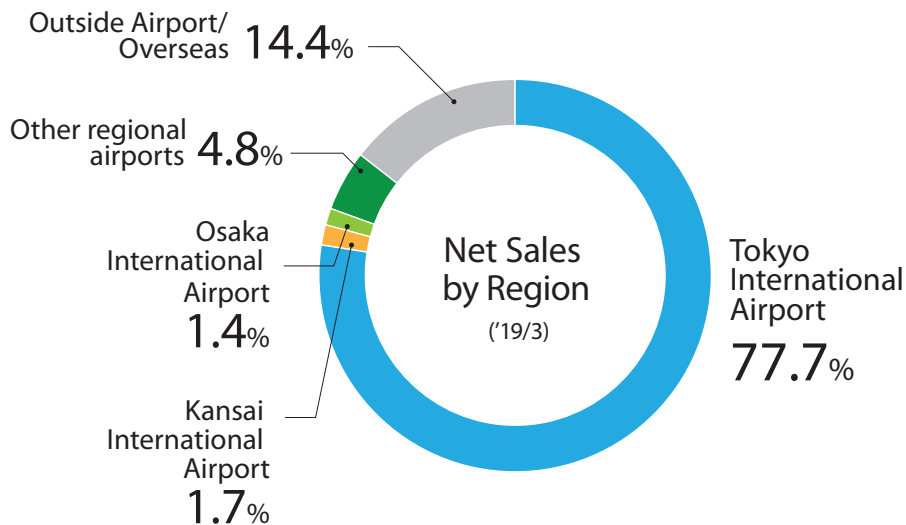
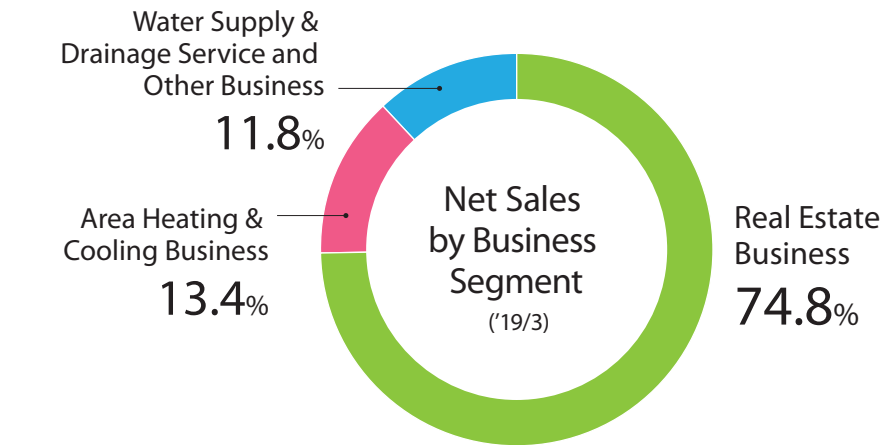
	2019/3 Results	2022/3 Targets	Growth rates
Net sales	24,213	27,470	+13.5%
Operating income	4,129	4,550	+10.2%
Profit attributable to owners of parent	2,104	2,610	+24.0%
EBITDA <sup>(Note)</sup>	7,501	8,770	+16.9%

(Note) Including the recovery of the loans of overseas subsidiaries



# 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 **¥18.1** billion (+6.8%) ('19/3)



- 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** (As of March 31, 2019)  
 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

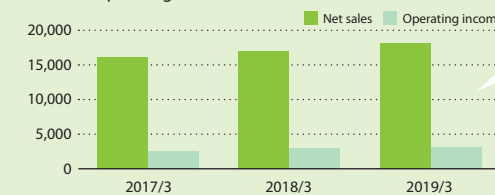
### 12 Airports where we deploy our business



### Overseas location



Net sales/Operating income (¥ Million)



We achieved increased net sales and operating income with the improvement of the state of tenants at Tokyo International Airport, full-year operation of the hangar at Kitakyushu Airport, start of the provision of new apartments, start of the operation of hotels in Kyoto, and the contribution of a subsidiary in Canada in consolidated accounting.



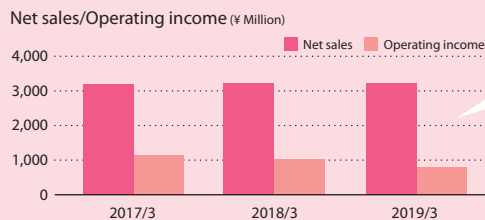
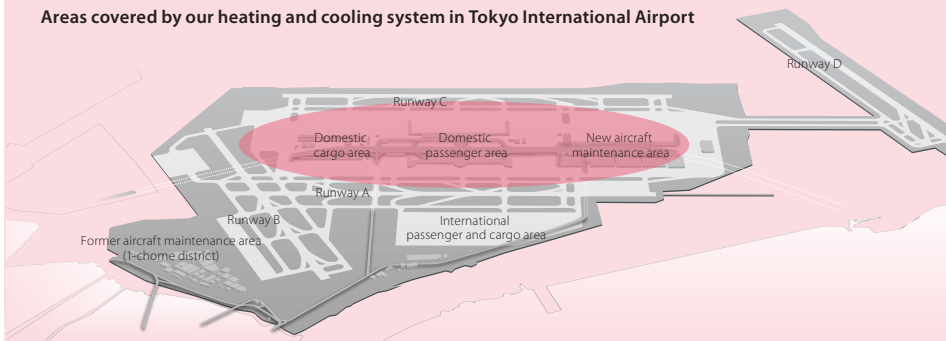
## Area Heating & Cooling Business

Net sales **¥3.2** billion (+1.0%) ('19/3)



- **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** (As of March 31, 2019)  
Boiler renewal work

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



While the net sales were generally unchanged from the previous term partly because it had been a warm winter even though there had been extreme heat in summer, there were increases in electricity and gas prices, resulting in net sales increase and operating income decrease.

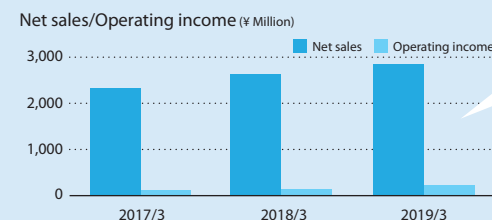
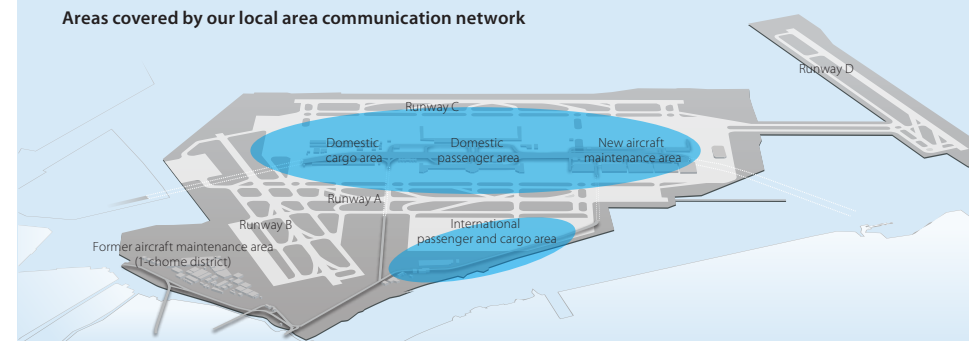
## Water Supply & Drainage Service and Other Business

Net sales **¥2.8** billion (+8.4%) ('19/3)



- **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** (As of March 31, 2019)  
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 users of Tokyo International Airport and increase in water supply to tunnel and road construction works, and the start of the operation of solar power generation facilities in Heiwajima, Ota-ku.

# Review of the Medium-term Management Plan (from FY2016 to FY2018)

## Major efforts in regions near the Tokyo International Airport and outside the airport

### Regions near the airport

#### Haneda Asahi Cho hotel

It was constructed as a hotel for the users of the airport. The hotel is rented to ORIX Real Estate Corporation and started operation as “Hotel JAL City Haneda Tokyo West Wing” in September 2016.



Started rent in July 2016

#### Kawasaki Daishi apartments

It is provided for those who work at the airport as “Sky Residence Kawasaki Daishi.” It is used as apartments mainly for the employees of ANA Group.



Started rent in March 2018

### Outside the airport

#### TRC Distribution B Bldg. rooftop solar power plant

One of the largest-scale solar power plants in central Tokyo was constructed by utilizing the rooftop of “Distribution B Bldg.,” a building held by Tokyo Ryutsu Center Inc., and started operation.



Started rent in February 2018

#### Hotels in Kyoto

Aiming to further expand our business area, we acquired new hotels in Kyoto, where international tourism demand is notably high. The hotel is rented to Global Hotel Management Ltd., and started business in October 2018.



Started rent in June 2018

## Major efforts at regional airports

### Sendai Airport No. 3 small aircraft hangar

This hangar, which was newly constructed towards the resumption of flight services by All Nippon Helicopter Co., Ltd. at Sendai Airport, is a facility that can also be used immediately as a base for news coverage when a disaster occurs with increased seismic capacity.



Started rent in July 2017

### Kagoshima Airport flight simulator building

This facility is being rented to Japan Air Commuter Co., Ltd. (JAC), based in Kagoshima Airport and operating flights between local cities and remote islands, and is equipped with a state-of-the-art full-flight simulator.



Started rent in December 2017

## Major efforts abroad

### Pilot training facility (Singapore Seletar Airport)

The highest-class pilot training facility where 10 aircraft simulator units can be housed is rented to Airbus Group Singapore Pte. Ltd. Financial services for the simulator installed and used are also offered.



Started rent in April 2016

### Helicopter maintenance facility (Langley Regional Airport, Canada)

AFN PROPERTIES LTD., a locally-incorporated company in Canada, acquired a helicopter maintenance facility in Langley Regional Airport in Canada, and is leasing it to StandardAero Ltd.



Started rent in October 2017

# Major Efforts in the New Medium-term Management Plan (from FY2019 to FY2021)

NEW

## Efforts in the Tokyo International Airport, regions near the airport and outside the airport

As for businesses within Tokyo International Airport, we will reinforce capacity through the development of facilities to cope with the increase of international flights to respond to inbound increase, towards the reinforcement of functions including the increase of annual takeoff/landing capacity by 39,000 slots by 2020.

The businesses near the airport aim to construct hotels to cope with the demand from the passenger increase and for apartments to cope with increase in people who work at the airport.

As for businesses outside the airport, active business opportunities are sought to realize new investment, utilizing our know-how developed through businesses within the airport.

### Scheduled to be completed by FY2019 **New construction of Technical Center warehouse building**



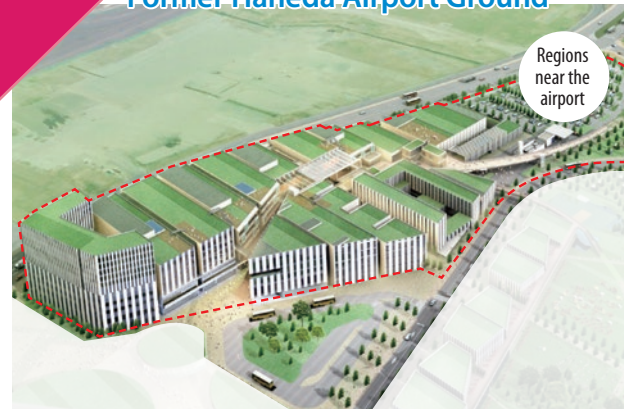
As a part of measures to reinforce functions due to increase in the number of takeoff/landing slots, new construction of an aircraft equipment warehouse building started in March 2019.

### Scheduled to be completed by FY2019 **Extension and reconstruction of ARC Building to renovate it into an in-flight meal factory**



Receiving a request from a company planning to use the facility, partial extension and reconstruction work into an in-flight meal factory started in January 2019.

### Open to the town in 2020 **Participation in the Development of Zone 1 of the Former Haneda Airport Ground**



We participate in the project to develop and operate a base for leading-edge industries and the transmission of "Cool Japan" (grand opening in 2022).

### Scheduled to be completed by FY2020 **New construction of dormitory for international students in Kanto Gakuin University**



We are engaged in the construction of a dormitory for accepting more international students, to address increasing inbound demand.



## Efforts at regional airports

Regarding regional airports business, facilities will be developed to cope with the improvement of airport functions. As for regional airports concession, we will research and consider the possibility for participation in projects where we can capitalize on the strengths of our company.

Scheduled to be completed by FY2019

### Extension of hangar in Kobe Airport



The extension of a hangar being rented to Airbus Helicopters Japan Co., Ltd. started this June.

Scheduled to be completed by FY2019

### New construction of hangar in Fukuoka New Heliport



The relocation of the hangar for small aircrafts to Nata Heliport (tentative name) started this February.  
\* Above is still at the planning phase and the specifications are yet to be determined.

## Efforts abroad

As for overseas business, we seek business opportunities such as the development of functional facilities necessary for airports, the leasing of flight simulators, and the leasing of other movable properties, mainly in Asia such as Singapore, to cope with active aviation-related demand and realize new investment.

Singapore

### Singapore Seletar Airport



Source: JTC Corporation

# The Second ESG Report

— Efforts focusing on social considerations —

Our company is regularly implementing socially-considerate efforts as a part of ESG (environmental, social and governance) efforts.

Our company, based on highly public businesses in airports, and supporting the safe airport operation and flight operation of airline companies, is engaged in internal and external efforts to protect the safety and health of people, including conducting various disaster drills, as a part of BCP (Business Continuity Plan) in preparation for the occurrence of a large-scale disaster at an airport.



## Implementing a comprehensive disaster drill within Tokyo International Airport and participation in tsunami evacuation drill

We are working to maintain and improve the awareness of crisis management by implementing a comprehensive disaster drill assuming the occurrence of a large-scale earthquake within Tokyo International Airport, and participating in a tsunami evacuation drill. Employees of our company are assuming an instructional role in some of the disaster drills.

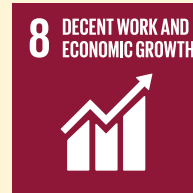


## Participation in examination session for the drills of the self-protection fire defense team to confirm the achievement of daily training

Employees of our company participated in the Examination Session for the Drills of Self-Protection Fire Defense Team, held by Kamata Fire Station near Tokyo International Airport and the Kamata Fire Prevention Management Association, and confirmed the achievement of daily training through exchange with the local community (September 2018).

# SDGs

For the achievement of sustainable society, our company aims to contribute to the achievement of SDGs through our business.



## Implementing training to prepare for emergency life-saving twice a year

Our company, equipping automated external defibrillators (AED) within owned facilities, implements training sessions for basic life-saving certification twice a year, so as to be able to offer life saving treatment to tenants and employees in an emergency.

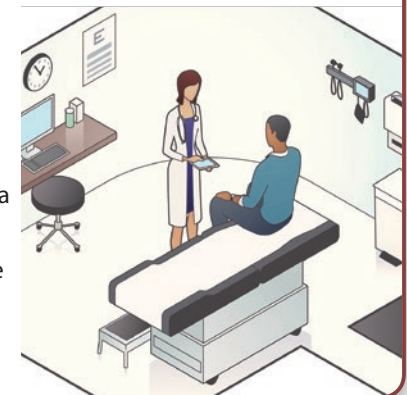


## Together with our employees

Our company, aiming to “realize the improvement of productivity through work style reform” as one of the focused efforts in the new Medium-term Management Plan, recognizes the maintenance and improvement of the health of employees who supports the backbone of our business as one of the top priority themes, and works to improve various systems for health management.

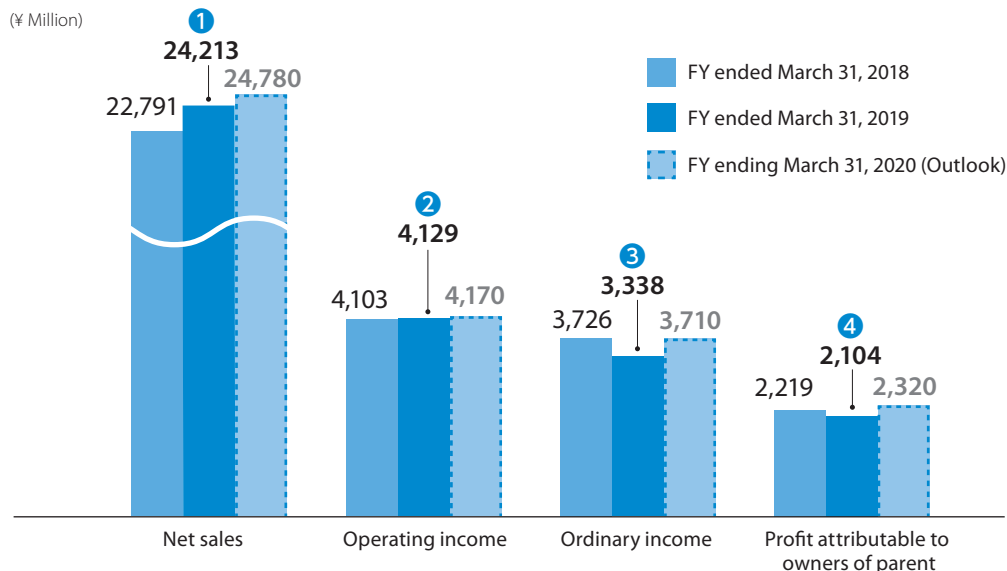
### Efforts regarding the health management of employees

- Subsidiary system for complete medical checkup
- Sports club discount
- Injury and disease allowance
- Subsidiary for influenza vaccination expenses
- Subsidiary for women's lifestyle-related diseases checkup
- Industrial physician system
- Stress check
- Medical checkup implemented twice a year
- Research on accumulated fatigue
- Mutual aid association system



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

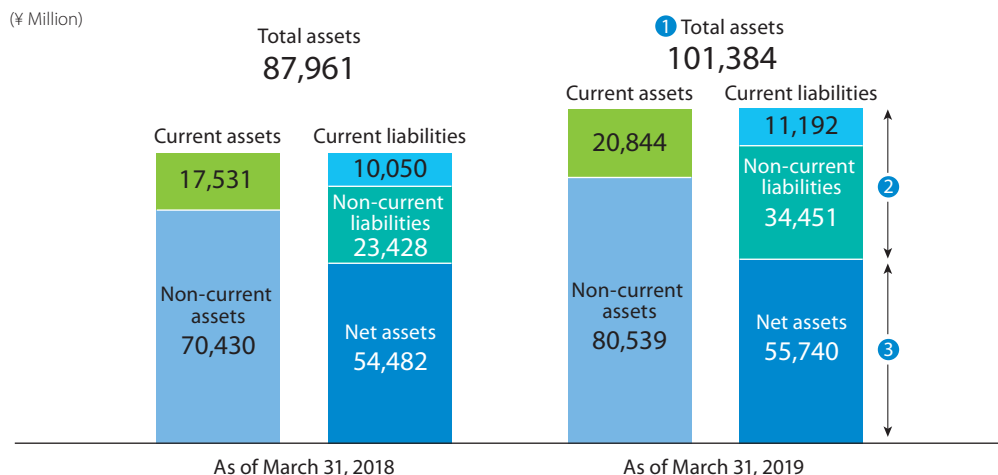
## Outline of Consolidated Financial Statement



### <Outline of fiscal year ended March 2019>

- (Net sales)** We achieved a 6.2% increase from the previous term with the improvement of the state of tenants at Tokyo International Airport, full-year operation of a hangar at Kitakyushu Airport, start of the provision of new apartments, start of the operation of hotels in Kyoto, increase in the number of the users of Tokyo International Airport, increase in water supply to various construction works, start of the operation of solar power generation plant in Heiwajima, Ota-ku, and the contribution of a subsidiary in Canada in consolidated accounting.
- (Operating income)** While there had been a rise in electricity and gas prices, depreciation according to the acquisition of hotels in Kyoto, and increase in real estate acquisition tax, there were sales increases in each business segment, resulting in a 0.6% increase from the previous term.
- (Ordinary income)** Although the foreign exchange loss of the subsidiary in Singapore improved, with the record of provision for removal costs for ARC Building, which is being extended and reconstructed into a new in-flight meal factory in Tokyo International Airport, ordinary income decreased by 10.4% from the previous term.
- (Profit attributable to owners of parent)** While the damages from the typhoon were covered by insurance payment, there was a loss on the retirement of facilities closed with the installation of a new national room for honored guests, resulting in 5.2% decrease from the previous term.

## Outline of Consolidated Balance Sheet



### <Outlook for the next term>

We expect increases in net sales and operating income for the FY ending March 2020, with the start of tenants moving in to the new in-flight meal factory in Tokyo International Airport, new operation of aviation-related facilities in Tokyo International Airport and regional airports including Kobe Airport, and the full-year contribution of hotels in Kyoto that were acquired in 2018.

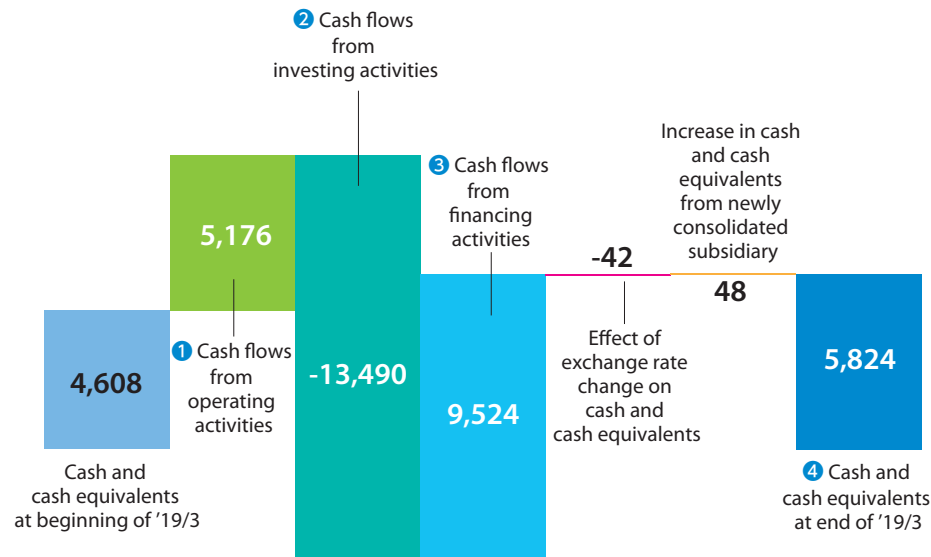
### <Financial position as of March 31, 2019>

- (Total assets)** Total assets increased by ¥13,422 million, mainly due to the acquisition of the hotel in Kyoto.
- (Liabilities)** Liabilities increase by ¥12,165 million due to issuance of bonds associated with acquisition of the hotel in Kyoto and an increase in long-term loans payable.
- (Net assets)** Net assets increased ¥1,257 million mainly due to an increase in retained earnings, resulted in decrease of equity ratio to 52.6% (6.7 points).



## Outline of Consolidated Cash Flow

(¥ Million)



- ① Net cash provided by operating activities was ¥5,176 million (compared to ¥7,147 million in the previous term). This is mainly attributable to recording income before income taxes and an increase in operating loans in an overseas subsidiary and purchase of other assets.
- ② Net cash used in investing activities was ¥13,490 million (compared to ¥5,383 million in the previous term). This is mainly attributable to purchase of non-current assets, the hotel in Kyoto.
- ③ Net cash provided by financing activities was ¥9,524 million (compared to ¥2,909 million used in the previous term). This is mainly attributable to proceeds from issuance of bonds associated with the acquisition of the hotel in Kyoto and an increase in proceeds from long-term debt.
- ④ As a result, cash and cash equivalents as of March 31, 2019 increased ¥1,216 million to ¥5,824 million.

## Changes in Major Financial Indicators

Equity Ratio

**52.6%**

-6.7 points year on year

As a result of the increase of total assets by ¥13,422 million (15.3%) and equity capital by ¥1,110 million (2.1%), the equity ratio decreased by 6.7 points.

EBITDA + recovery

**¥ 7.5 billion**

+11.3% year on year

EBITDA + recovery increased by 11.3% 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, 2020

Net sales	¥24,780 million (+2.2% year on year)
Operating income	¥4,170 million (+0.8% year on year)
Ordinary income	¥3,710 million (+11.2% 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.

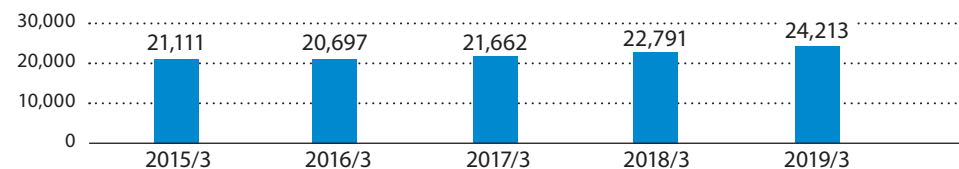
Search

▶ Home ▶ Investor Relations

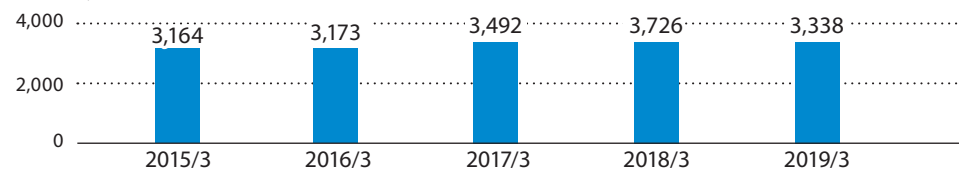


# Financial Highlights (Five years)

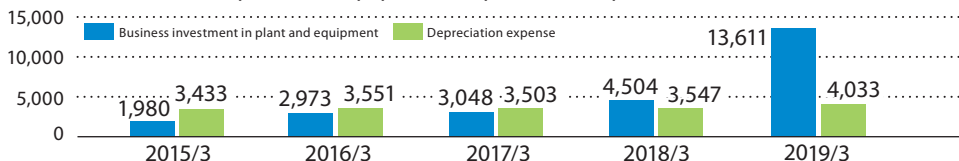
Net sales (¥ Million)



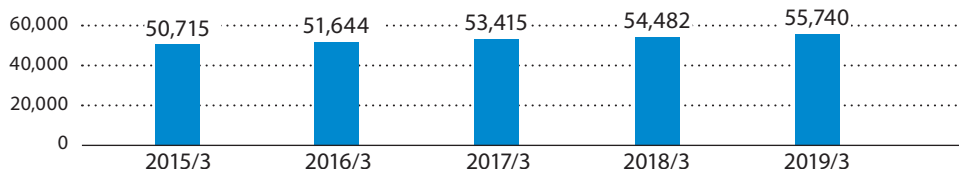
Ordinary income (¥ Million)



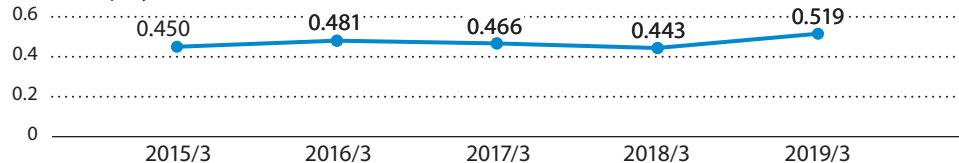
Business investment in plant and equipment/Depreciation expense (¥ Million)



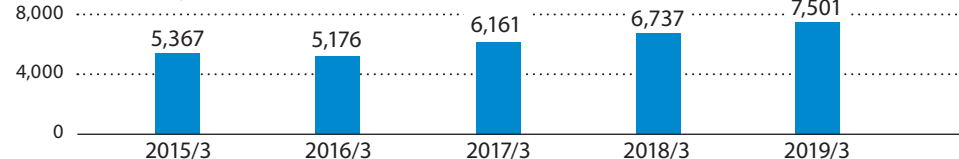
Net assets (¥ Million)



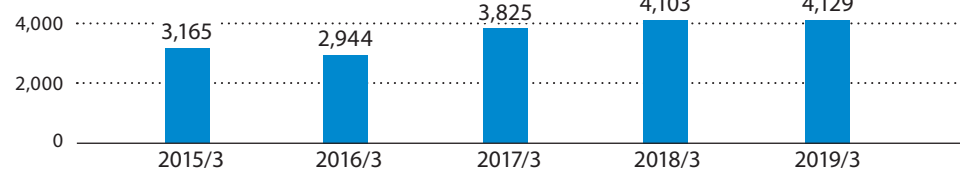
Debt to equity (Times)



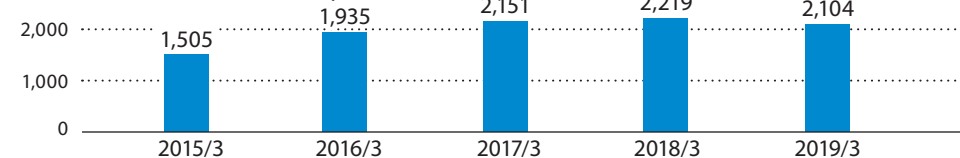
EBITDA + recovery (¥ Million)



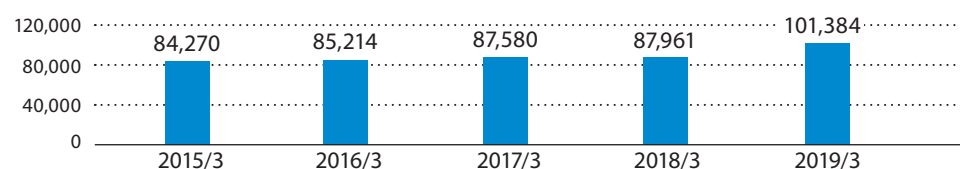
Operating income (¥ Million)



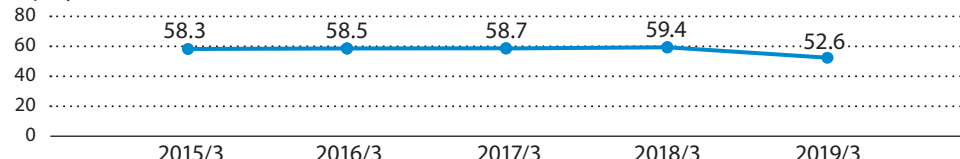
Profit attributable to owners of parent (¥ Million)



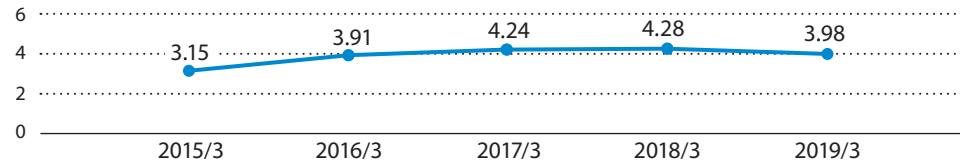
Total assets (¥ Million)



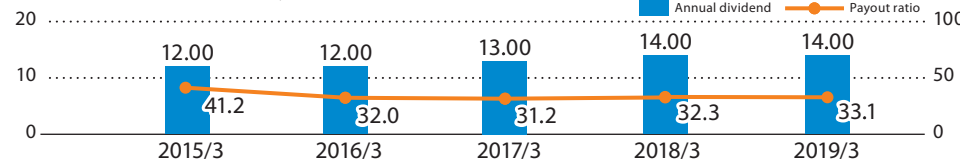
Equity ratio (%)



ROE (%)



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





# Corporate Governance



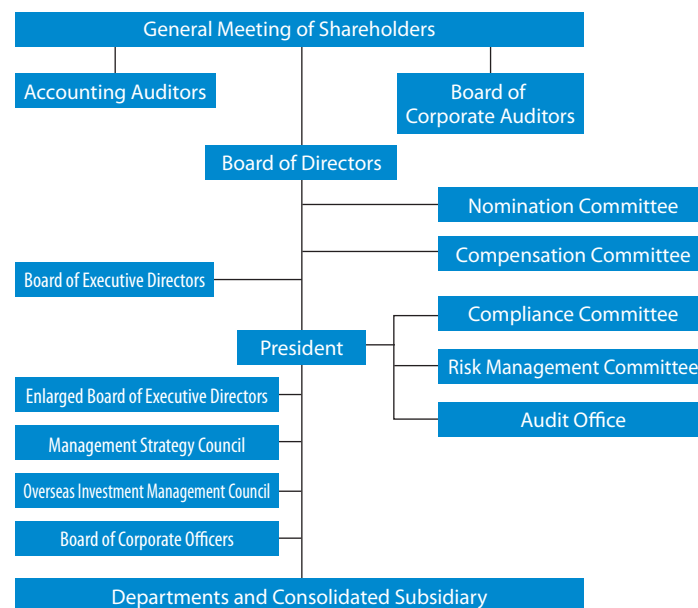
## Basic Philosophy

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 14 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 27, 2019)

	Chairman	Hiroshi Maruyama
	President and CEO	Masaaki Kai
	Executive Vice President	Toshitaka Watanabe
	Executive Vice President	Toshiaki Norita
	Senior Managing Director	Toshiyuki Nagayoshi
	Senior Managing Director	Hiroyuki Hoshi
Directors	Senior Managing Director	Kosei Ashikaga
	Managing Director	Keisuke Komatsu
	Managing Director	Mitsuhiko Okada
	Director	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	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:** 115  
(Consolidated as of March 31, 2019)

**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, 2019)

**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

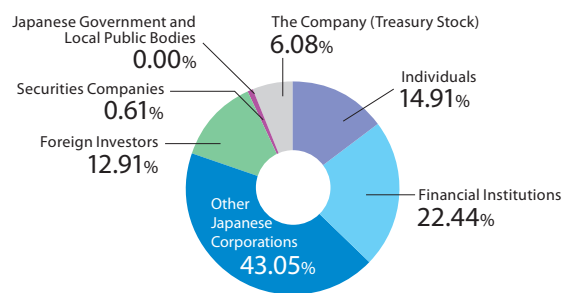
**Number of Shareholders:** 6,961

**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	1,607	3.03
Tomio Banno	1,315	2.48

## Composition of Shareholders



## Stock Price and Trading Volume (Monthly)

