



# AFC REPORT

April 1, 2020 ➡ March 31, 2021



## Message from the President



President and CEO

*Toshiaki Nozaki*

### 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.



You can access the website of our company using the QR code shown at left.

# For sustainable growth and development, our medium-to-long-term plan is consistently being updated to overcome the impact of the COVID-19 pandemic.

We would like to express our sincere thanks to shareholders and stakeholders for their continuous support.

The Japanese economy and businesses including AFC Group has been impacted by COVID-19 pandemic. Due to this situation, both net sales and operating income in FY2020 were forced to decline.

With the roll out of the vaccination, our group will continuously strive to extend all efforts, to contain and overcome the negativity posed by severe challenges of the pandemic.

### Business Results and Dividend

For FY2020, a decrease in aviation demand together with a decline in the through put of water and sewage, our group has secured net sales of ¥24.1 billion resulting in operating income of ¥3.8 billion and ordinary income of ¥3.6 billion due to full year operation of new facilities completed in the previous year. Taking into consideration the negative impact of sales decline, the exemption of rent claims and the impairment losses related to our hotels in Kyoto, we have managed to control our bottom-line loss (loss attributable to owners of parent) to ¥0.9 billion.

As we attached importance to “the return of profits to our shareholders”, we have decided, as forecasted, to offer a year-end dividend of ¥7 per share for FY2020.

For FY 2021, we are cautiously optimistic to forecast an annual dividend of ¥14 per share, by delivering net sales of ¥24.2 billion,

with profit attributable to owners of parent of ¥1.6 billion.

### Our Efforts

(1) We will continue to develop new avenue, including the provision of Kanazawa-Hakkei International Community Plaza (a dormitory for international students in Kanto Gakuin University), which was completed in March 2021.

(2) In overseas, we will enhance and leverage on Singapore, as our hub for international business. We will continue to explore business opportunities, including the operations of airport function facilities and the leasing of moveable assets. We will also increase our focus on seeking new business ventures.

(3) As part of our contributions, we have established the Environmental Business Promotion Project Team, to actively promote sustainable environment, particularly clear objectives for CO<sub>2</sub> emission reduction, as part of our business strategy.

### Medium-to-Long-Term Plan

For post COVID-19, our plan for FY2021, FY2022 and beyond, we are focusing on strategy to achieve stable business and sustainable growth.

AFC will continue to strive to increase its medium- to long-term corporate value. We would like to ask for the continuous understanding and support of our shareholders and investors.

The statements about the future described in 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.

## Highlights of Business Result

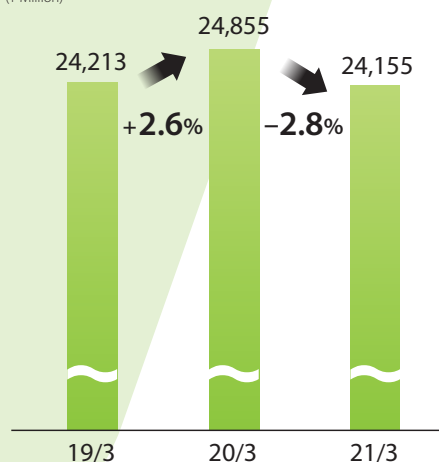
## Point

- 1 Although the full-year operation started for new properties following the completion of construction in the previous fiscal year, net sales decreased slightly, partly due to a decline in sales of the water supply and drainage business in accordance with a decrease in airport users. Operating income and ordinary income also decreased accordingly.
- 2 Unavoidable extraordinary loss, arise from exemption of rent and heating charge claims of customers affected by COVID-19, as well as the impairment loss for properties rented for hotels in Kyoto.
- 3 It is expected that with the ongoing vaccination of the population, the impact of COVID-19 will gradually be alleviated in FY2021. Together with the start of the operation of Kanazawa-Hakkei International Community Plaza, we are anticipating recovery of our business performance.

Net sales **¥24.1 billion**  
-2.8%  
year on year ↓

Net sales

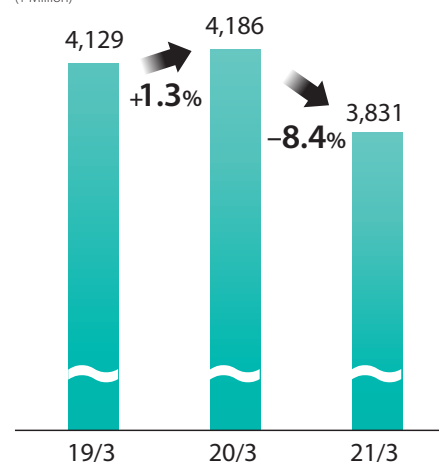
(¥ Million)



Operating income **¥3.8 billion**  
-8.4%  
year on year ↓

Operating income

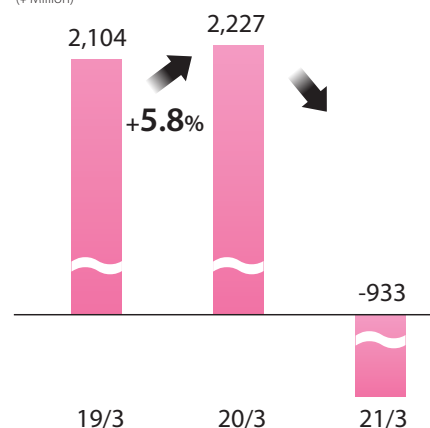
(¥ Million)



Net loss\* **¥0.9 billion**

Profit (loss) attributable to owners of parent

(¥ Million)



## Dividends

- 1 Our company strives to offer stable and continuous return of profits to our shareholders, based on the maintenance of stable business infrastructure and the reinforcement of financial standing.
- 2 The annual dividend for fiscal year ended March 2021 is ¥14.

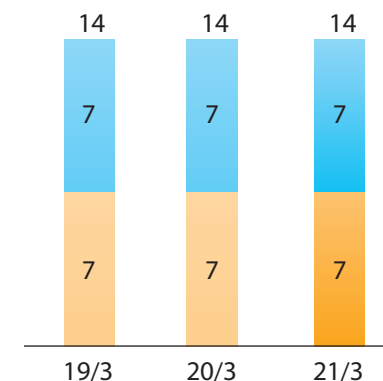
## Cash dividends per share

**¥14**

(Payout ratio -%)

## Cash dividends per share

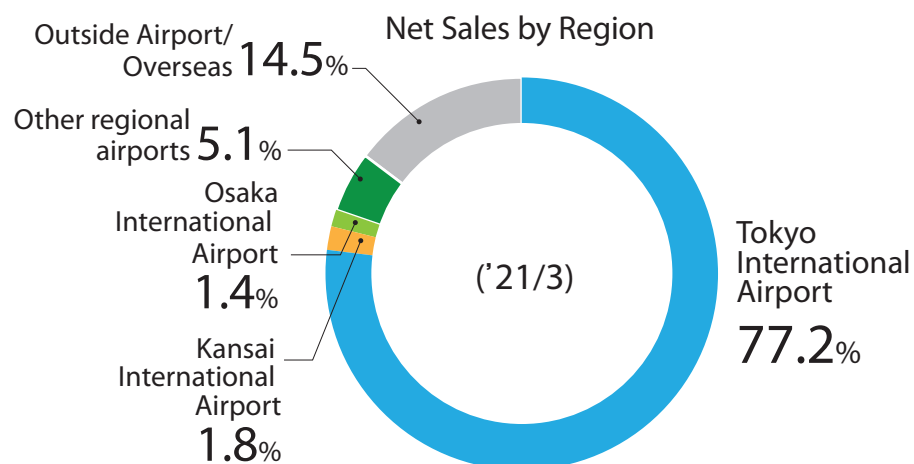
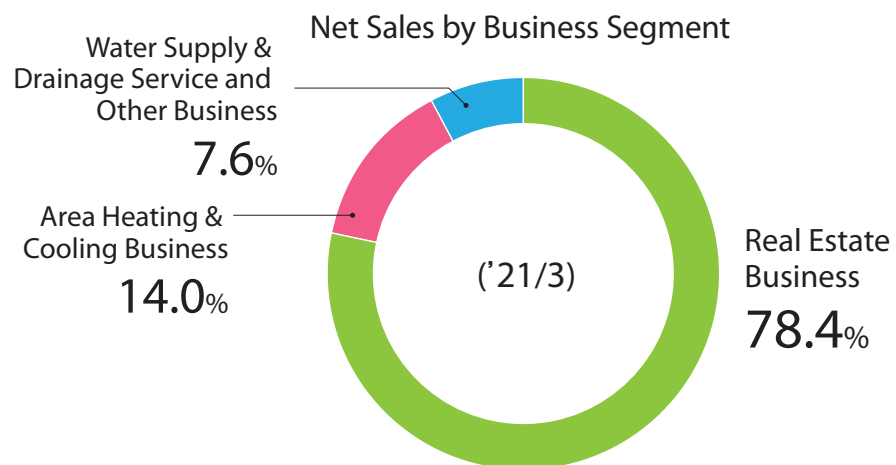
(¥) ■ Q4 ■ Q2





## Business Outline

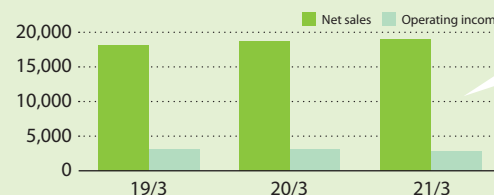
As a business portfolio unique to our company, we are engaged in businesses such as Real Estate Business mainly in airports and regions near the airport, Area Heating and Cooling Business that supports airport infrastructure, and Water Supply and Drainage Service and Other Businesses.



## Real Estate Business

Net sales  
( '21/3 ) **¥18.9 billion** (+1.1%)

Net sales/Operating income (¥ Million)



While the technical center warehouse building and in-flight meal factory in the ARC Building in Tokyo International Airport, and the expansion of the hangar building in Kobe Airport contributed annually, there was an increase in repair expenses, taxes and other public charges, resulting in an increase in net sales and a decrease in operating income.



### 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 business investments

- 1 Technical Center warehouse building/ARC Building in-flight meal factory/Aircraft sewage treatment facility/HANEDA INNOVATION CITY/Dormitory for international students in Kanto Gakuin University
- 2 Extension of hangar in Kobe Airport
- 3 Hangar at Nata Heliport

12 Airports where we deploy our business



Overseas location

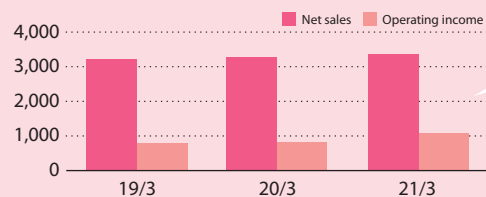




## Area Heating & Cooling Business

Net sales  
(<sup>21</sup>/3) **¥3.3** billion (+3.2%)

Net sales/Operating income (¥ Million)



Net sales and operating income increased as a result of the partial expansion of Terminal 2 in Tokyo International Airport and the reduction of fuel and repair costs.



### Core business

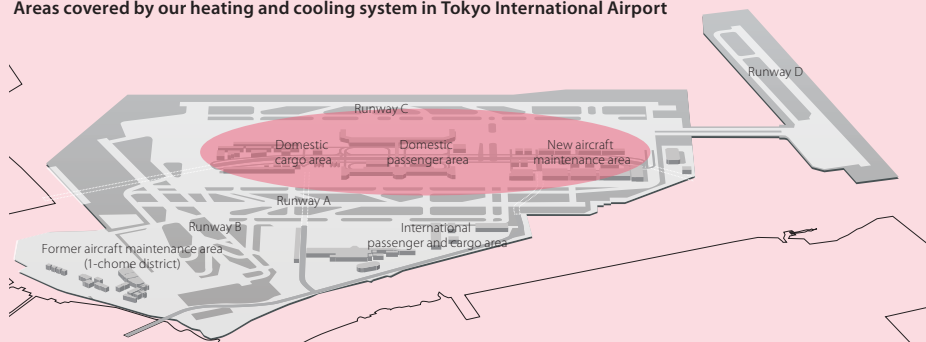
Provision of cooling and heating functions at Tokyo International Airport (area heating and cooling business)

### Major business investments

Boiler renewal work



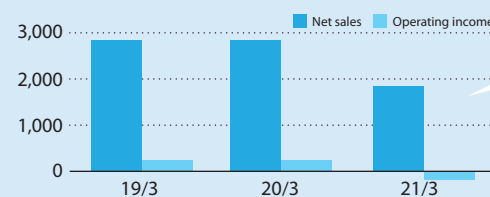
Areas covered by our heating and cooling system in Tokyo International Airport



## Water Supply & Drainage Service and Other Business

Net sales  
(<sup>21</sup>/3) **¥1.8** billion (-35.7%)

Net sales/Operating income (¥ Million)



Significant decrease in the usage of water, due to the reduction in airport traffic, resulted in decrease in net sales and operating loss was recorded.



### Core business

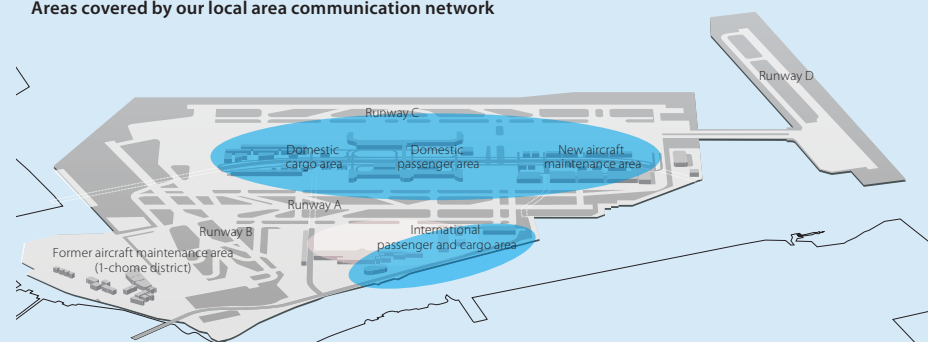
Water supply and drainage business, local area communication networks business at Tokyo International Airport and New Chitose Airport, and solar power generation business

### Major business investments

Laying cables for local area communication network



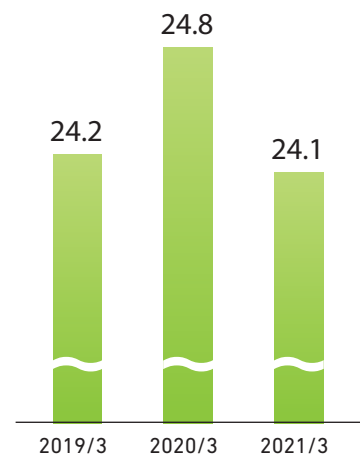
Areas covered by our local area communication network



# Progress of the Medium-term Management Plan

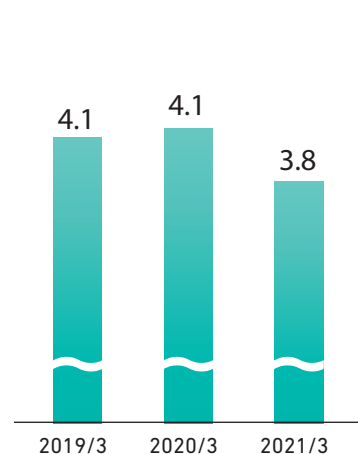
## Net sales

(¥Billion)



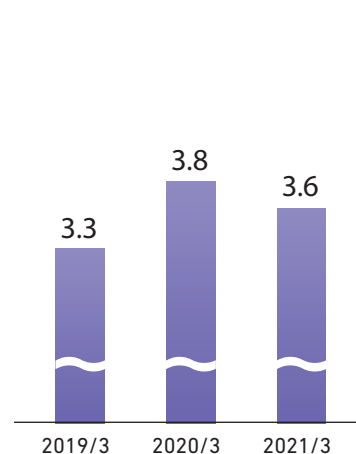
## Operating income

(¥Billion)



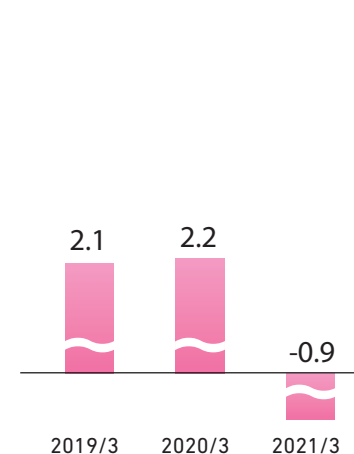
## Ordinary income

(¥Billion)



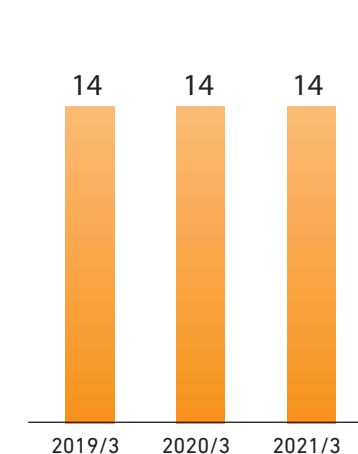
## Profit (loss) attributable to owners of parent

(¥Billion)



## Dividends

(¥)



## Progress status of the Medium-term Management Plan (from FY2019 to FY2021)

Based on the basic policy of the full utilization of management resources and reallocation through the improvement of efficiency and selection and concentration, as set forth in the Medium-term Management Plan (from FY2019 to FY2021), our company is working to expand our business.

To meet growing aviation-related demand, as planned for FY2019, we have invested in upgrading our existing facilities.

However, the business environment changed largely from FY2020 with the impact of the COVID-19 pandemic. In addition to a significant decrease in the use of water in accordance with the decline in the number of air travelers, we also exempted some claims of tenants affected significantly by COVID-19.

Also, regarding the properties of our company rented for hotels in Kyoto, the impairment loss of ¥3.1 billion was recorded as an extraordinary loss, because of expected further decrease in the profitability of the asset, resulting in an ultimate loss for FY2020.

Although the impact of COVID-19 continues for FY2021, we are expecting a move back into the black, with factors such as the recovery of aviation demand in line with the progress of vaccination.

For FY2021, the COVID-19 pandemic has greatly influenced our business environment, and unfortunately to reflect reality of the market environment, we have to revise the performance target of profit attributable to owners of parent from ¥2.6 billion to ¥1.6 billion.

## Establishment of the next Medium-term Management Plan and a long-term vision

While our group is also affected by the COVID-19 pandemic, there has been no serious damage to the earning power of the company. We will be working to establish the next Medium-term Management Plan and a long-term vision in FY2021, aiming to achieve fur-

ther growth after the COVID-19 pandemic.

We aim to realize sustainable growth and the improvement of corporate value from a long-term perspective by establishing and implementing these plans and visions.

## The completion of the construction of the Kanto Gakuin University International Residence (Kanazawa-Hakkei International Community Plaza)



External appearance

### The completion of the construction of the international students' dormitory for Kanto Gakuin University, the first students' dormitory for our company

In March 2021, the construction work was completed for "Kanazawa-Hakkei International Community Plaza," which is the complex facility where the "Kanto Gakuin University International Residence," the international students' dormitory for Kanto Gakuin University, is located.

The facility realizes an unprecedentedly unique concept by establishing a student dormitory for Kanto Gakuin University on the upper floors while offering lower floors as commercial facilities which the regional community can also use.

### Offering a place where different values meet and exchange

With the objective of reinforcing the development of global human resources by Kanto Gakuin University, the facility aimed to realize a space where cross-cultural exchange is generated through the communal life of Japanese and international students.

The shared space has places for active communication, including a lounge, theater room, and kitchen. Our company contributes to realizing sustainable society through such educational initiatives.



Lounge



Theater room



Information on the students' dormitory



Kitchen & Laundry

### Creating a community that is required by the regional residents

The 1st and 2nd floors, where there are commercial facilities including drugstores, after-school day-care facilities, and clinics, provide facilities familiar for the community, which the people of the region can also use and have exchanges there.





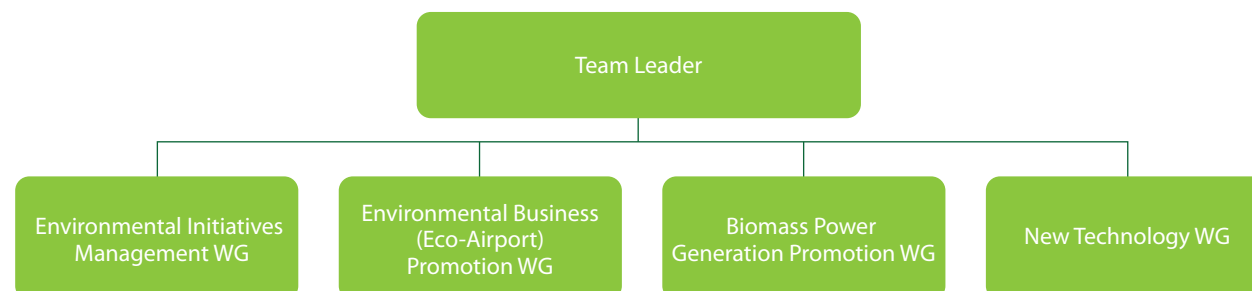
### Establishment of the Environmental Business Promotion Project Team

Our company is actively engaged in environmental business, such as photovoltaic power generation. In FY2021, the Environmental Business Promotion Project Team was organized. By establishing four working groups, we will work on expanding our environmental business in an even more strategic style.

The team will be engaged in activities such as consideration on the promotion of eco-airport, mainly through the airport function facilities owned by our com-

pany, consideration regarding renewable energy including the utilization of new technologies such as biomass power generation, hydrogen and fuel cells, in addition to photovoltaic power generation, the establishment of a long-term plan for CO<sub>2</sub> reduction, and the promotion of efforts to realize a carbon-neutral society.

[Organization of the Environmental Business Promotion Project Team]



Project team members

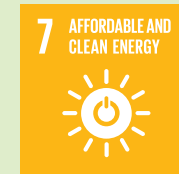
### Participation in the national government committee on CO<sub>2</sub> reduction in the airport sector



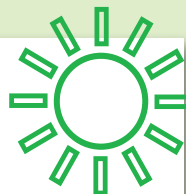
The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism launched a committee on CO<sub>2</sub> reduction in the airport sector to discuss measures to reduce CO<sub>2</sub> emissions from airports and make airports a renewable energy base, towards the goal of realizing the decarbonization of airports.

Our company is participating in the committee as an observer, and will contribute to reducing CO<sub>2</sub> emissions from airports through our past experiences in environmental business.





## Megawatt-scale photovoltaic power generation facility started operation in Tokyo International Airport



The first full-scale photovoltaic power generation facility for self consumption in our company was established on the rooftop of the domestic cargo terminal of Tokyo International Airport. The project utilized funds raised by issuing green bonds (private placement bonds) and subsidies from the Tokyo Metropolitan Government. The introduction of clean energy within the area not only contributes to CO<sub>2</sub> emission reduction but also to reducing power procurement costs.

In the future, we will also consider the introduction of renewable energy in other facilities we own, by utilizing the knowledge we gained from the introduction of this facility.



Solar panel in cargo area

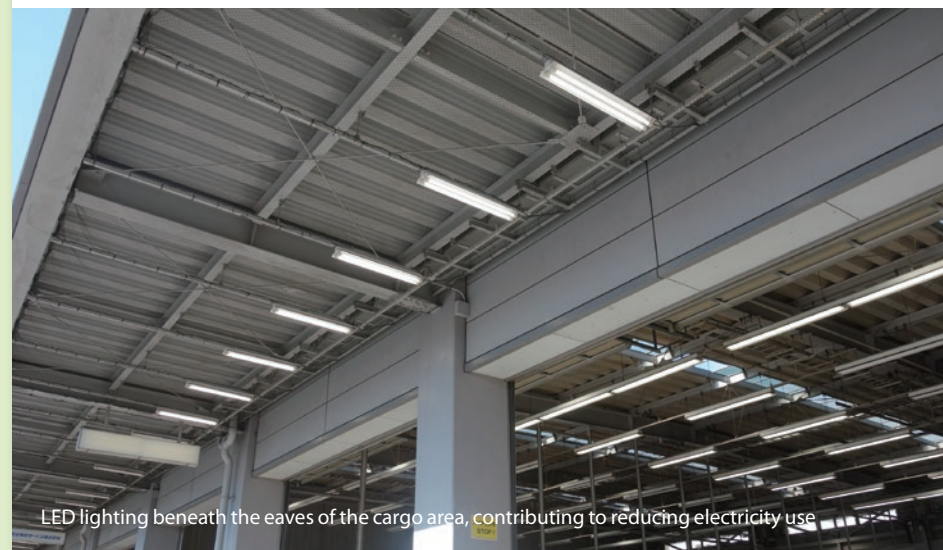
## Donated our CO<sub>2</sub> emission reduction attainment to the Tokyo Metropolitan Government



Our group is making efforts actively to reduce CO<sub>2</sub> emissions, and assents to the efforts by the Tokyo Metropolitan Government aiming to realize “Net Zero Emission Tokyo,” a sustainable city.

In March 2020, our company donated 94,831t of excessive reduction based on the Cap-and-Trade Program to the Tokyo Metropolitan Government, and received a letter of gratitude from the Tokyo Metropolitan Government in January 2021 as a large-scale business donating 10,000t or more.

We will further contribute to realizing a sustainable society by further promoting the reduction of CO<sub>2</sub> emission.

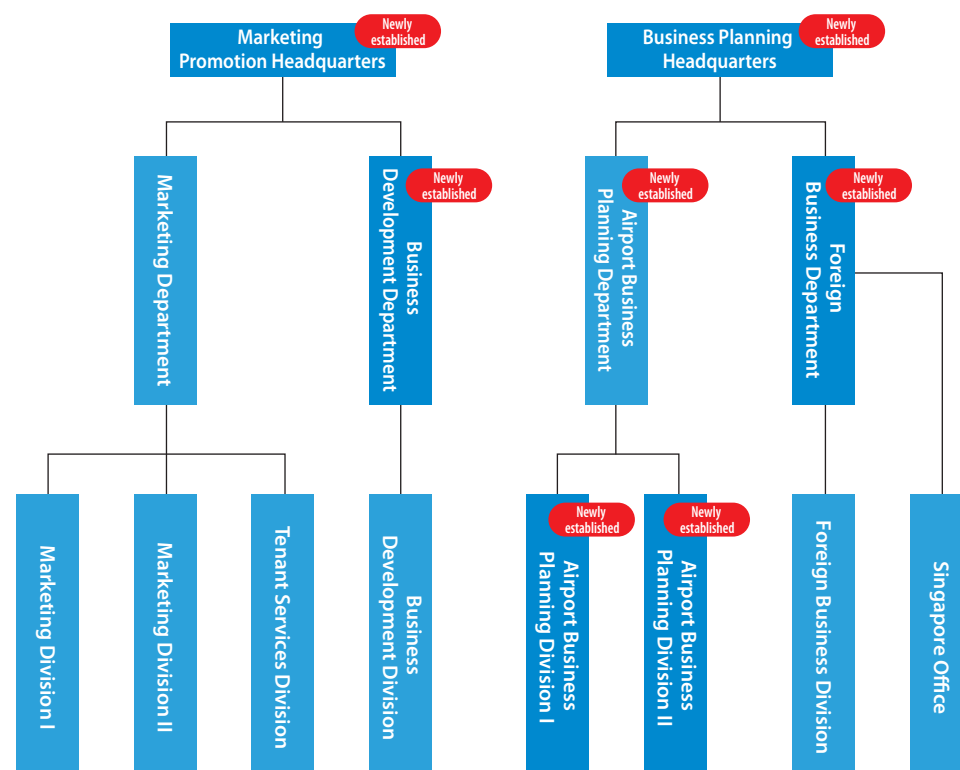


LED lighting beneath the eaves of the cargo area, contributing to reducing electricity use

## Organizational restructuring and management reshuffle with a view to the post-COVID era; Establishment of the Marketing Promotion Headquarters and Business Planning Headquarters

With an aim of reinforcing marketing and planning activities towards the post-COVID era, the Marketing Promotion Headquarters was newly established in January 2021, consisting of the Marketing Department and the Business Development Department. In addition to the further improvement of marketing activities in and out of airports, we newly established the Business Planning Headquarters, consisting of the Airport Business Planning Department and the Foreign Business Department.

### New Organizational Chart



ing of the Airport Business Planning Department and the Foreign Business Department, engaged in the coordination of plans related to the restructuring and development in the former aircraft maintenance area of Tokyo International Airport, and to active business development overseas.

### ① Marketing Promotion Headquarters

The Marketing Promotion Headquarters was newly established, consisting of the Marketing Department and the Business Development Department.

Marketing Department	Marketing activities for air carriers and other various domestic businesses, coordination with relevant organizations including the national government, liaison and coordination with tenants
Business Development Department	Provision of facilities related to aircraft manufacturing business, improvement of business values for facilities outside the airport responding to various needs such as accommodation, and efforts for new investment

### ② Business Planning Headquarters

The Business Planning Headquarters was newly established, consisting of the Airport Business Planning Department and the Foreign Business Department.

Airport Business Planning Department	Promotion of the coordination of plans in Tokyo International Airport based on the national policy, and efforts in projects related to the development of Zone 1 of Tokyo International Airport and the operation of domestic airports
Foreign Business Department	Placing the Singapore Office under the Department's direct control to work on overseas investment responding to the growing demand in South East Asia



# 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

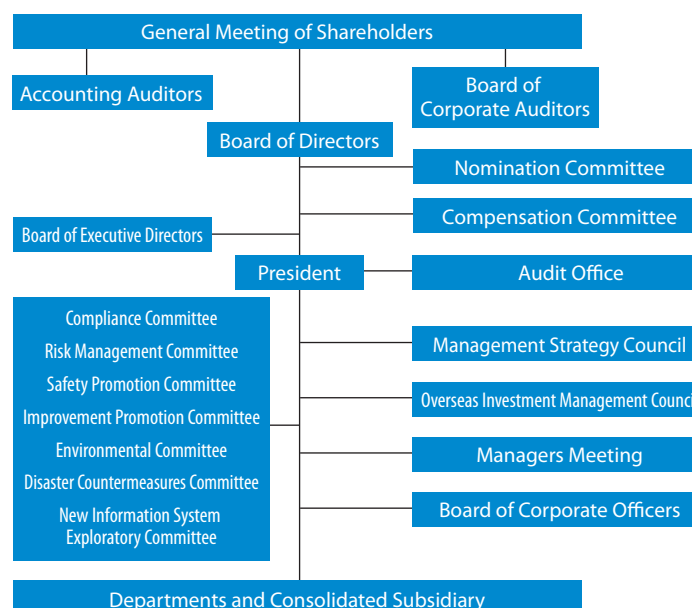
We maintain the system where adequate business judgment and management supervision are constantly ensured, by regularly holding the Board of Directors meeting and Board of Corporate Auditors meeting, and holding them on a temporary basis when necessary.

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



## Directors and Corporate Auditors

(As of June 29, 2021)

Directors	Chairman	Kenya Inada
	President and CEO	Toshiaki Norita
	Executive Vice President	Toshiyuki Nagayoshi
	Executive Vice President	Katsuhiro Yamaguchi
	Managing Director	Keisuke Komatsu
	Managing Director	Mitsuhiko Okada
	Managing Director	Shigeo Tamura
	Director	Hiroki Osawa
	Director	Tomoyuki Takahashi
	External Director	Koji Shibata
	External Director	Yuji Saito
	External Director (Independent Officer)	Takehiko Sugiyama
	External Director (Independent Officer)	Kayo Aoyama
Corporate Auditors	Full-time Statutory Auditor	Kazuhiko Muraishi
	Full-time Statutory Auditor	Hiroyuki Hoshi
	Statutory Auditor (Independent Officer)	Akihiko Shiba
	Statutory Auditor (Independent Officer)	Satoshi Iwamura





## Renewal of the English website of the company

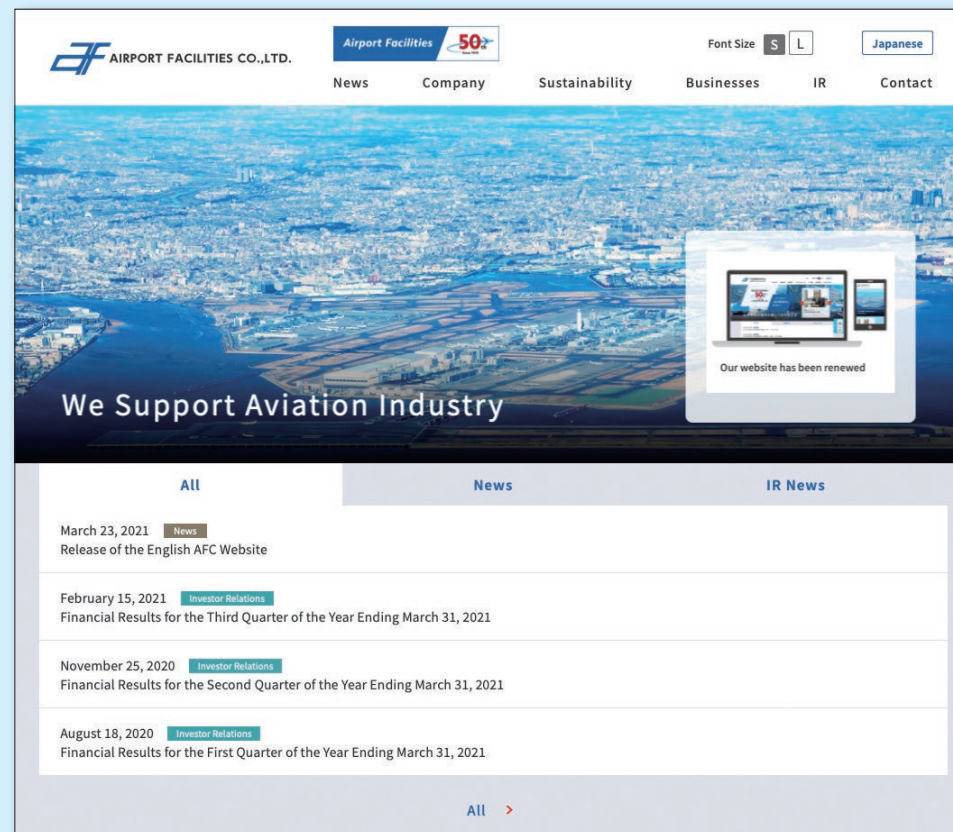
As a part of our overseas business development in the future and the reinforcement of IR activities abroad, our group redesigned the English website in March 2021 for stakeholders and investors outside Japan. The English website is compatible with smartphone and tablet browsers, just like the Japanese version.

We also started an English email distribution service. We look forward to registration by those of you who are interested in the service through the English website of our company.

## Liaison Officer is appointed for reinforcing IR and public relations activities

Our company newly appointed a Liaison Officer engaged in IR and public relations activities as of April 1, 2021.

By further invigorating dialogues with our investors, analysts, and media, we aim to transmit information in a proactive manner.



## Notification on facilities observation tour for shareholders

Although the observation tour of the Tokyo International Airport facilities is a popular event among our shareholders, the holding of the event is currently undecided because of the difficulty to prepare sufficient conditions for the tour when giving the highest priority on people's health and safety, due to the situation

of the current COVID-19 pandemic.

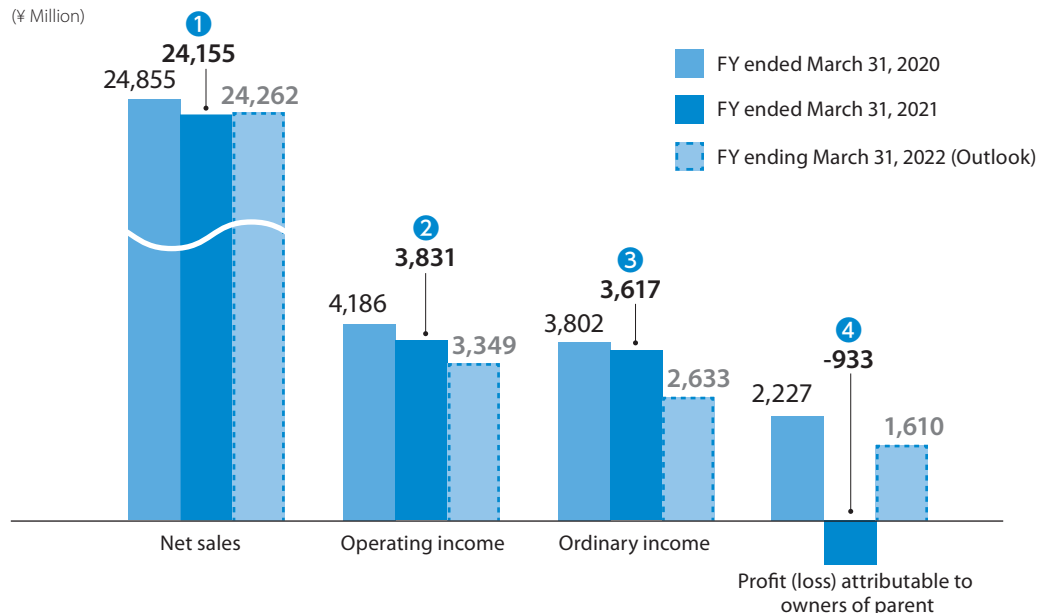
Once it is decided for the tour to be held, the details will be provided via the website of our company. We would like to ask for your kind understanding.

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



## Outline of Consolidated Financial Statement

(¥ Million)



### <Outline of fiscal year ended March 2021>

- (Net sales)** While the technical center warehouse building and in-flight meal factory in the ARC Building in Tokyo International Airport, and the expansion of the hangar building in Kobe Airport contributed annually, and the provision of area heating and cooling service increased with the partial enlargement of Terminal 2 in Tokyo International Airport, there was a decrease in the use of water and sewage services due to the sharp decline in the number of airport users, resulting in a decrease of 2.8% from the previous term.
- (Operating income)** Although there had been decreases in fuel and repair expenses in the area heating and cooling business, there were also a decrease in net sales, an increase in repair expenses in real estate business, and the reporting of taxes and dues, resulting in a decrease of 8.4% from the previous term.
- (Ordinary income)** It resulted in a decrease of 4.8% from the previous term due to the impact of a decrease in operating income, etc., despite an absence of provision for removal cost which was recorded in the previous term and a decrease in currency-exchange losses.
- (Loss attributable to owners of parent)** Although there had been subsidy income, we suffered a net loss of ¥933 million due to losses caused by coping with the new infectious disease and the recorded impairment loss for hotels in Kyoto.

### <Outlook for the next term>

Although the impact of COVID-19 continues for the fiscal year ending in March 2022, we are expecting an increase in net sales and a decrease in operating income as well as profit attributable to owners of parent, with the certain recovery of aviation demand in line with the progress of vaccination being expected.

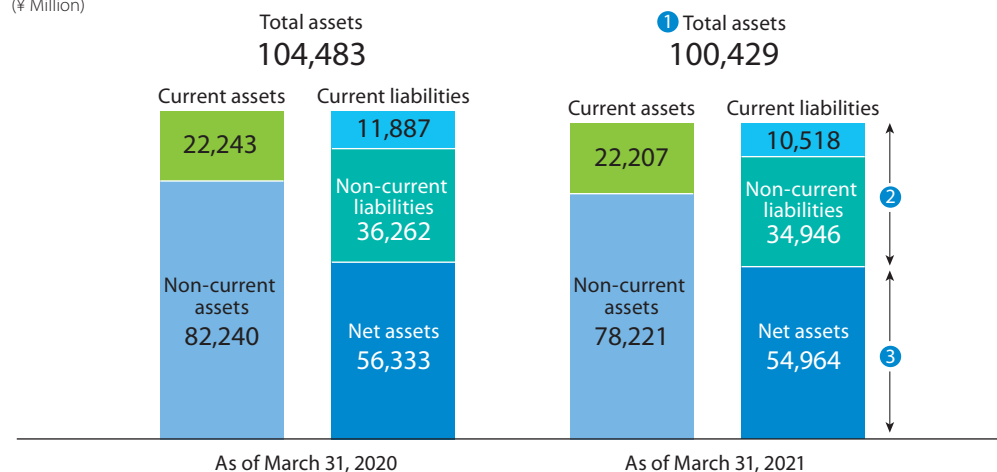
### <Financial position as of March 31, 2021>

- (Assets)** Decreased by ¥4,054 million partly due to impairment loss recognized on hotel in Kyoto despite completion of Kanazawa Hakkei International Community Plaza which started operation as a dormitory for international students in March 2021.
- (Liabilities)** Decreased by ¥2,686 million mainly due to decreases in long-term loans payable and in accrued expenses because of payment of annual usage fee of national property.
- (Net assets)** Decreased by ¥1,368 million mainly due to loss attributable to owners of parent.

As a result, equity ratio increased by 0.6 points to 52.1%.

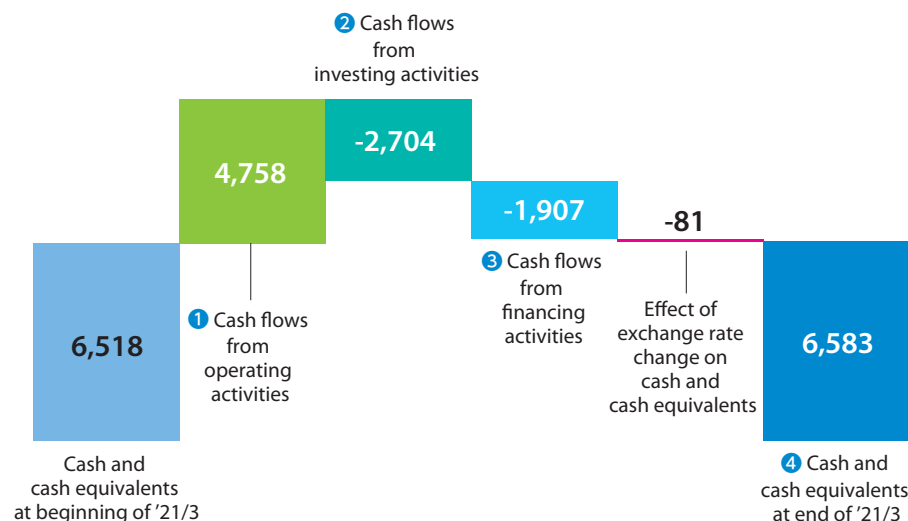
## Outline of Consolidated Balance Sheet

(¥ Million)



## Outline of Consolidated Cash Flow

(¥ Million)



- ① Net cash provided by operating activities was ¥4,758 million (previous fiscal year: ¥6,900 million provided), mainly attributable to recording of noncash items including depreciation and impairment loss and collection of operating loans receivable despite cash outflows associated with acquisition of lease receivables and payment of income taxes.
- ② Net cash used in investing activities was ¥2,704 million (previous fiscal year: ¥8,217 million used), mainly attributable to purchase of non-current assets associated with newly constructed Kanazawa Hakkei International Community Plaza.
- ③ Net cash used in financing activities was ¥1,907 million (previous fiscal year: ¥1,958 million provided), mainly attributable to repayment of loans payable and payment of cash dividends.
- ④ As a result, cash and cash equivalents increased ¥64 million to ¥6,583 million.

## Changes in Major Financial Indicators

Equity Ratio

**52.1%**

+ 0.6 points year on year

As a result of the decrease of total assets by ¥4,054 million (3.9%) and equity capital by ¥1,476 million (2.7%), the equity ratio increased by 0.6 points.

EBITDA + recovery

**¥ 7.6 billion**

- 2.8% year on year

EBITDA + recovery decreased by 2.8% from the previous term, with the decrease of operating income before depreciation.

## Outlook for consolidated business results and dividend for the year ending March 31, 2022

Net sales	¥24,262 million (+0.4% year on year)
Operating income	¥3,349 million (-12.5% year on year)
Ordinary income	¥2,633 million (-27.2% year on year)
Profit attributable to owners of parent	¥1,610 million (-)
Annual dividend (forecast)	¥14.0 (interim ¥7.0, year-end ¥7.0)
Payout Ratio (Forecast)	43.4%

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

Airport Facilities Co., Ltd.

Search

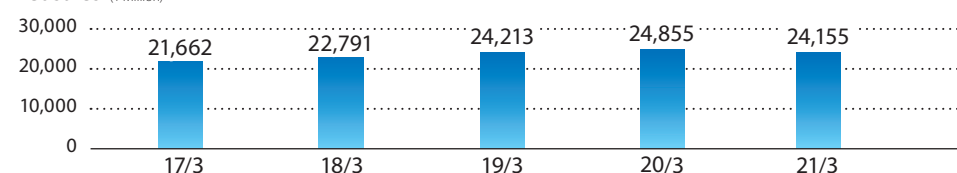
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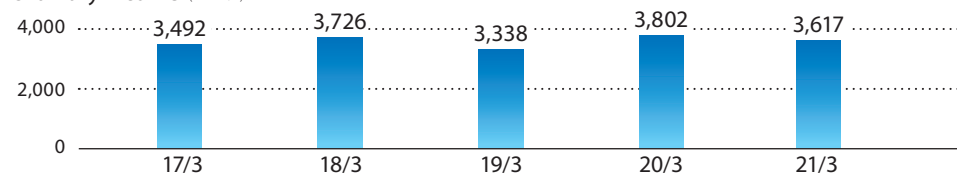


# Financial Highlights (Five years)

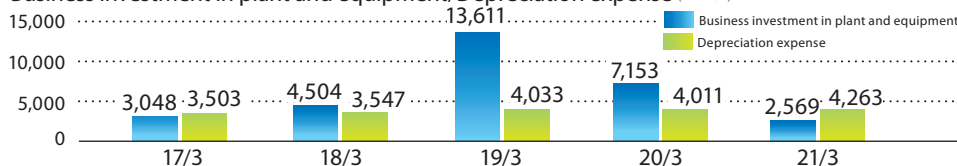
Net sales (¥ Million)



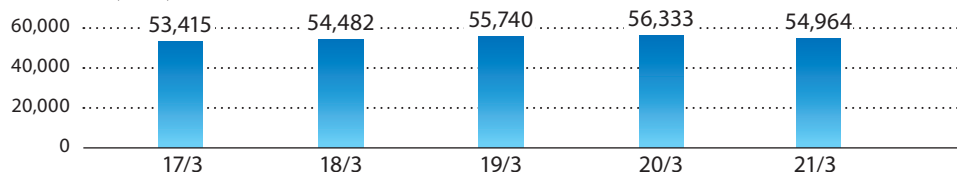
Ordinary income (¥ Million)



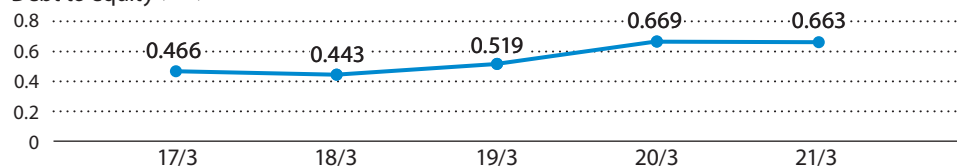
Business investment in plant and equipment/Depreciation expense (¥ Million)



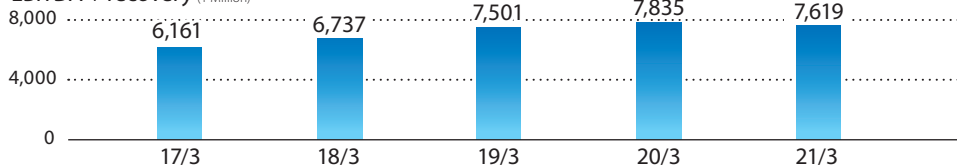
Net assets (¥ Million)



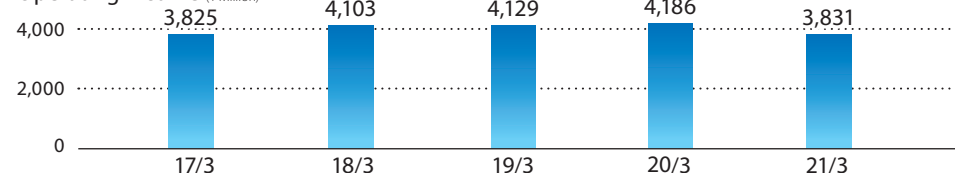
Debt to equity (Times)



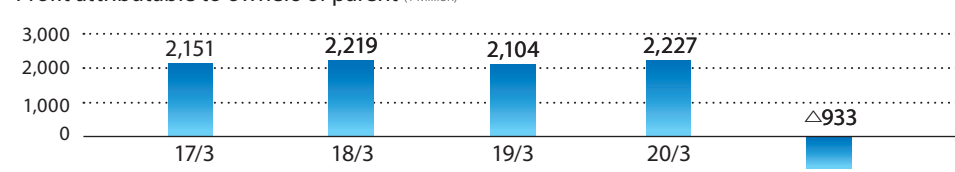
EBITDA + recovery (¥ Million)



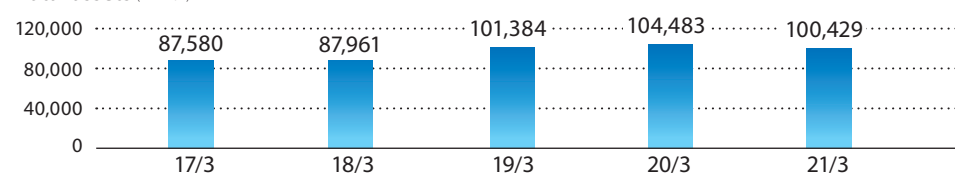
Operating income (¥ Million)



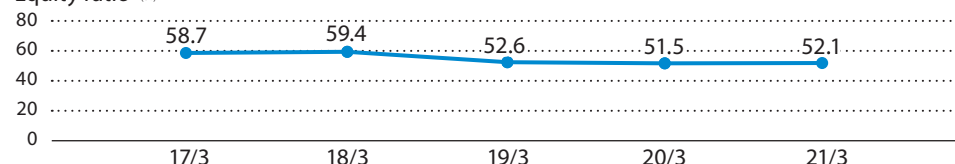
Profit attributable to owners of parent (¥ Million)



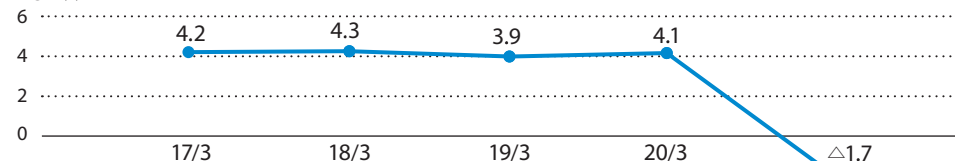
Total assets (¥ Million)



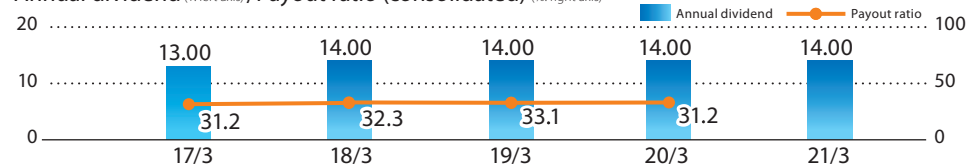
Equity ratio (%)



ROE (%)



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



## Corporate Profile (as of March 31, 2021)

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

**Established:** February 1970

**Capital:** ¥6,826.10 million

**Employees:** 152 (Consolidated)  
207 (Consolidated and unconsolidated)

**Main Banks:** Development Bank of Japan

MUFG Bank

Mizuho Bank

Resona Bank

Sumitomo Mitsui Trust Bank

Sumitomo Mitsui Banking Corporation

## Stock Information (as of March 31, 2021)

**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

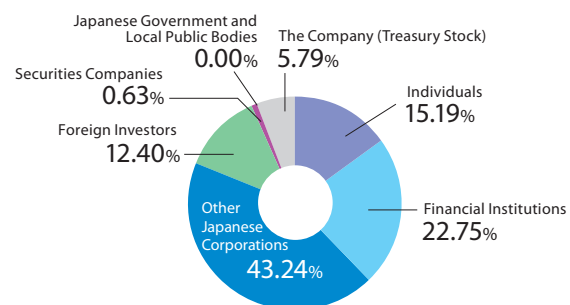
**Number of Shareholders:** 7,426

**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	1,612	3.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,565	2.95

## Composition of Shareholders



## Stock Price and Trading Volume (Monthly)

