

Creating value for aviation and metropolis with trust

# Results Briefing for Fiscal Year Ended in March 2023

May 26, 2023

AFC Group  
 空港施設株式会社  
AIRPORT FACILITIES CO.,LTD.

Tokyo Stock Exchange Prime division  
(Securities Identification Code: 8864)  
<https://www.afc.jp>



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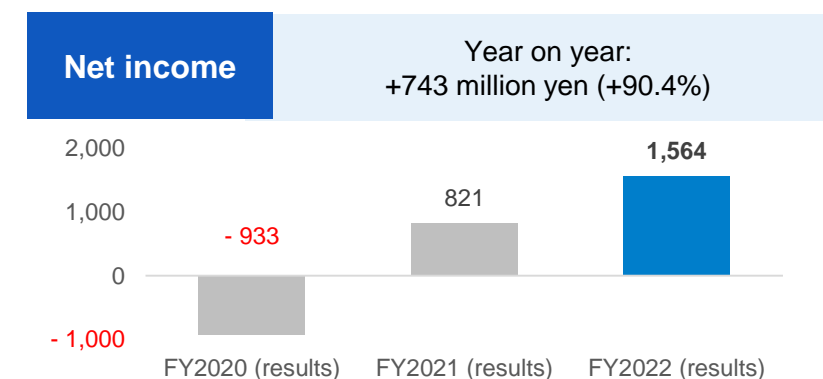
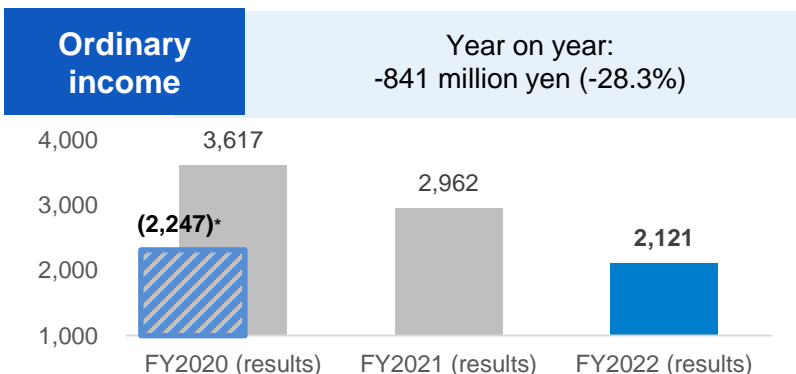
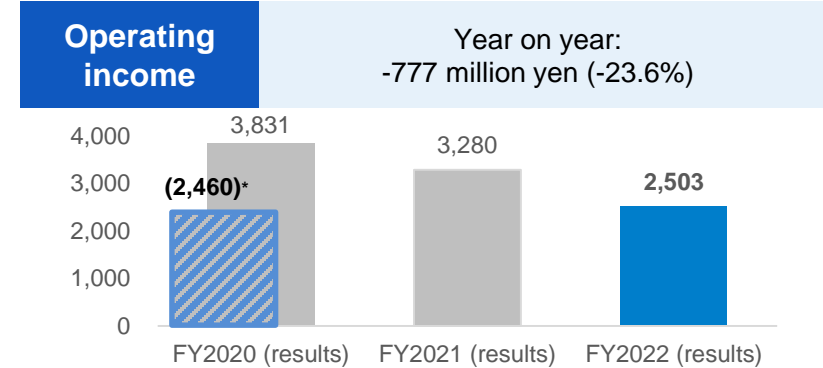
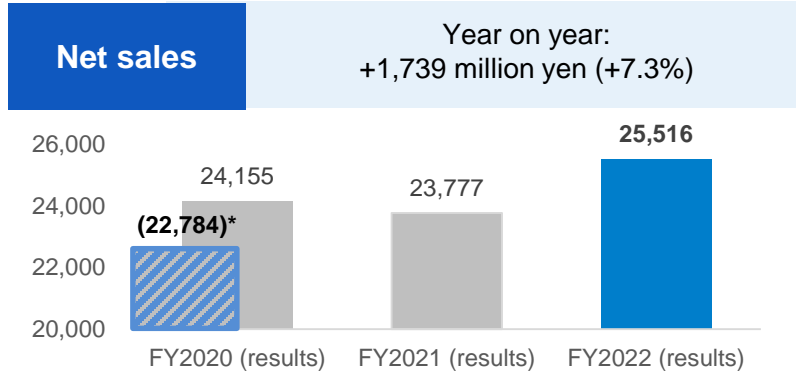
# Outline of the consolidated financial statements for the fiscal year that ended in March 2023

Consolidated PL



- ◆ Net sales **increased** with **the termination of the exemption of rent** that was conducted for two fiscal years, and **increase in water supply and drainage service usage** along with recovery in the number of airport users.
- ◆ Operation income **decreased due to depreciation expenses** related to asset retirement obligation associated with the start of the Haneda Airport 1-Chome Project, and **increase in raw material expenses** for the **area heating and cooling business**.
- ◆ Extraordinary profit was reported due to the implementation of amended declaration for corporation tax and consumption tax in FY2020, as well as the sellout of the hotels in Kyoto. On the other hand, impairment loss was undertaken according to the policy of dismantling and removing Osaka Sogo Building.

Unit: million yen



\* As for FY2020, exemptions of rent were reported as an extraordinary loss and had not been deducted from sales. The case assuming they had been deducted from sales is shown in figures shaded in blue in the chart.

### Investment in the aircraft fund "MACH I" as an anchor investor



Fund operation company	Mercuria Investment Co., Ltd. Airborne Capital Limited
Fund size	Approx. 50 billion yen (investment by our company: 4 billion yen)
Equipment to be invested	Assuming the narrow bodies for Boeing 737, Airbus 320, etc.
Invested countries	Regardless of Japan or abroad

### Promotion of non-asset business; Acquisition of Hiroshima Motomachi NS Building



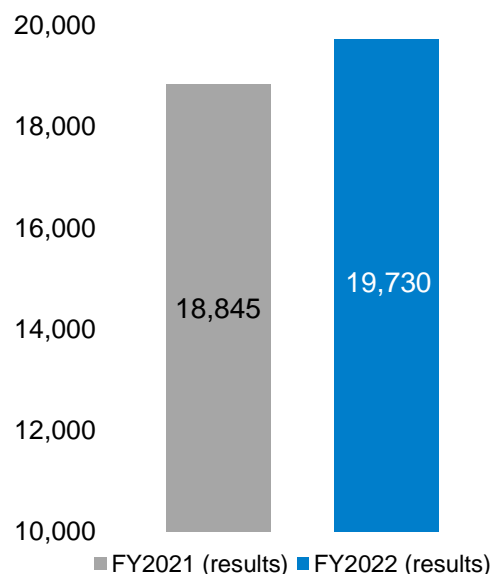
Use	Office, garage, store
Location	13-13 Motomachi, Naka-ku, Hiroshima City, Hiroshima
Total floor area	5,076.91 m <sup>2</sup>
Key points	Central area of Hiroshima, along the main street A highly visible building in a busy area maintained under good condition

## Real estate business

**Net sales increased with the termination of the exemption of rent and the acquisition of Hiroshima Motomachi NS Building**  
**On the other hand, operating income decreased due to depreciation expenses related to asset retirement obligation.**

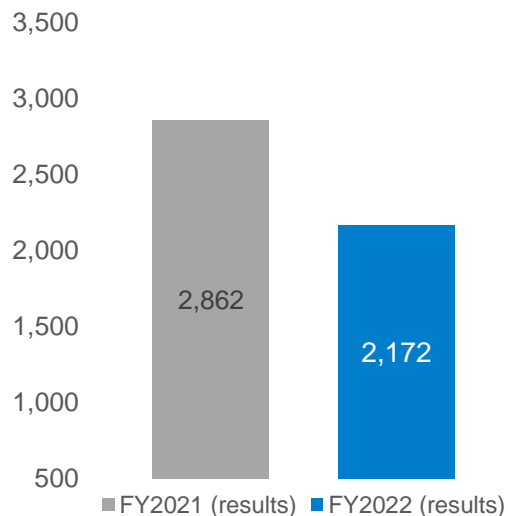
**Net sales:** 19,730 million yen (year on year +4.6%)  
**Operating income:** 2,172 million yen (year on year -24.1%)

Net sales



Unit: million yen

Operating income



Unit: million yen

### <Major factors for increase/decrease>

#### [Net sales]

- (+) Termination of the exemption of rent
- (+) Rent revenue according to the acquisition of Hiroshima Motomachi NS Building
- (+) Full-year operation of ALPINE Koshigaya

#### [Operating income]

- (-) **Increase in depreciation expenses** associated with the Haneda Airport 1-Chome Project

## Area heating & cooling business

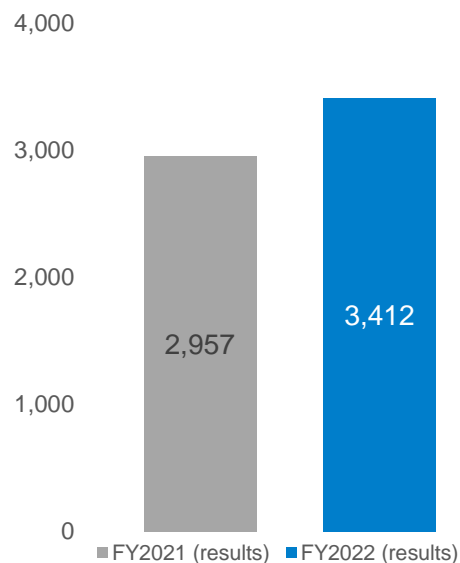
With the termination of the exemption of heating charge claims and marginal increase in the sales of heating and cooling services, net sales increased.

On the other hand, raw material expenses (electricity, gas) increased and the operating income decreased.

**Net sales:** 3,412 million yen (year on year +15.3%)

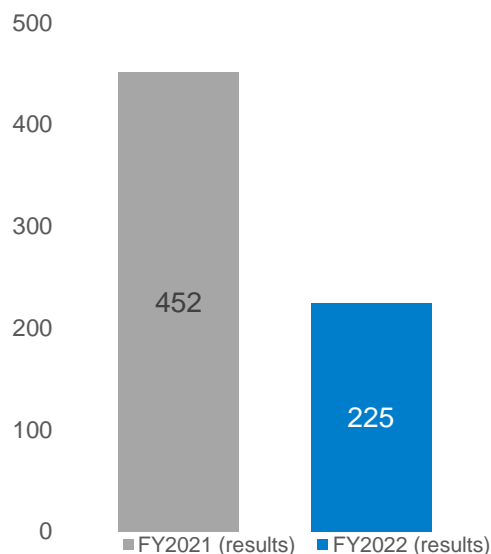
**Operating income:** 225 million yen (year on year -50.2%)

Net sales



Unit: million yen

Operating income



Unit: million yen

### <Major factors for increase/decrease>

#### [Net sales]

- (+) Termination of the exemption of heating charge claims
- (+) Marginal increase in the sales of heating and cooling services

#### [Operating income]

- (-) **Increase in raw material expenses** due to increase in energy prices



## Water Supply & Drainage Service and Other Business

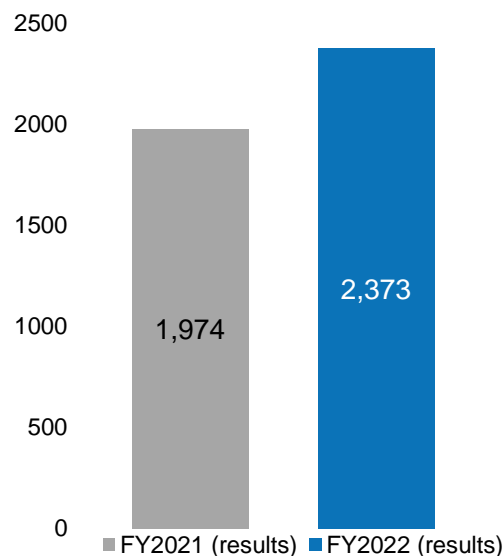
With an increase in the number of airport users such as passengers,  
water supply and drainage business is recovering.

**Net sales:** 2,373 million yen (year on year +20.1%)

**Operating income:** 106 million yen

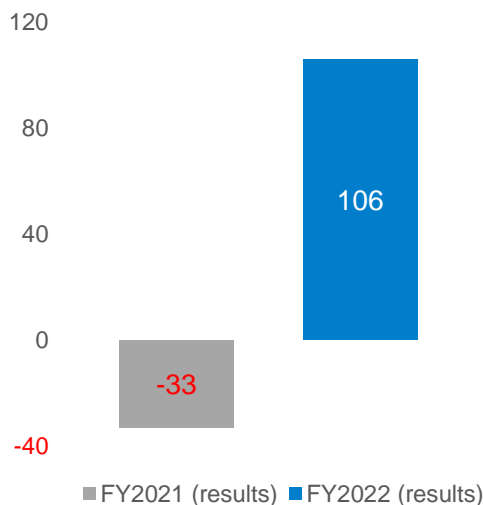
(operating loss of 33 million yen for the same period of the preceding year)

Net sales



Unit: million yen

Operating income



Unit: million yen

<Major factors for increase/decrease>

[Net sales]

(+) Recovery of water supply and  
drainage service usage

(Increase in the number of passengers,  
opening of hotels and commercial  
facilities in Haneda Airport)

[Operating income]

(+) Increase in operating sales due to  
net sales recovery

\* As for other businesses, local area communication network business and photovoltaic power generation business are implemented.



# Outline of the consolidated financial statements for the fiscal year that ended in March 2023

## Consolidated balance sheet



### End of March 2022

Unit: million yen

<b>Current assets</b> 24,583	<b>Current liabilities</b> 11,051
<b>Non-current assets</b> 77,884	<b>Non-current liabilities</b> 36,110
	<b>Net assets</b> 55,306

**Total assets:  
decrease by  
2 billion yen**

### End of March, 2023

Unit: million yen

<b>Current assets</b> 28,881	<b>Current liabilities</b> 9,865
<b>Non-current assets</b> 71,521	<b>Non-current liabilities</b> 33,168
	<b>Net assets</b> 57,368

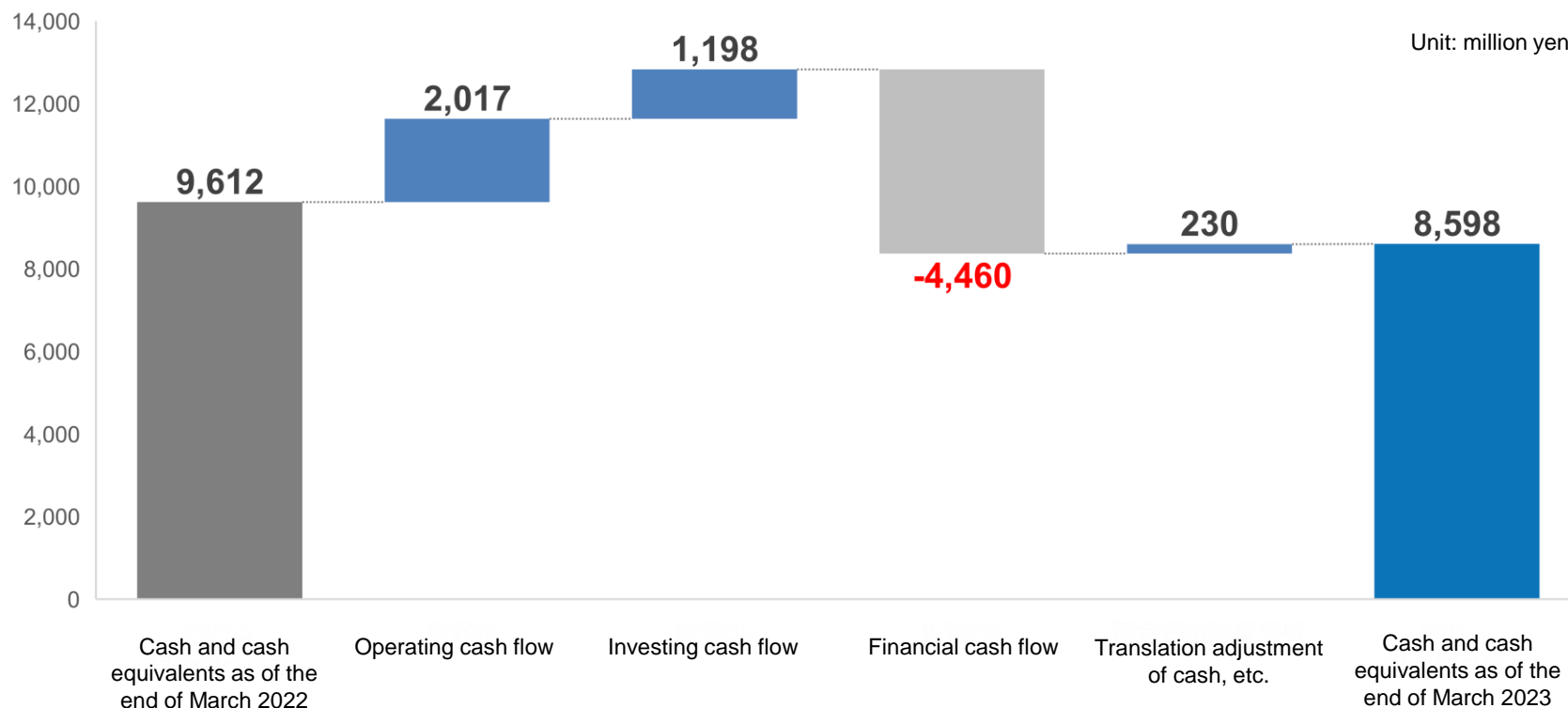
Amount of total assets	102.4 billion yen
Net assets per share	1,055 yen
Equity ratio	51.4%

Amount of total assets	100.4 billion yen
Net assets per share	1,095 yen
Equity ratio	54.5%

- [Assets] Although there were the acquisition of Hiroshima Motomachi NS Building, investment in the aircraft fund, and increase due to the collection of operating loans, assets decreased due to the sellout of hotels in Kyoto, etc. and the impairment of Osaka Sogo Building.
- [Liabilities] Liabilities decreased with the payments of long-term debt, etc.
- [Net assets] Net assets increased with increase in retained earnings and in exchange conversion adjustment accounts due to the depreciation of the yen.

# Outline of the consolidated financial statements for the fiscal year that ended in March 2023

## Consolidated cash flow



### [Cash flows from operating activities]

While expenses increased with the acquisition of real estate for sales, collection of business loans and increase in corporation tax, income exceeded this due to the amount of net income for the period before taxes and depreciation expenses.

### [Cash flows from investing activities]

While there were the purchase of investment securities related to aircraft fund and expenses due to the acquisition of non-current assets, income from the sellout of hotels and office buildings exceeded this.

### [Cash flows from financing activities]

Expenses attributable to payments of long-term debt and payment of cash dividends

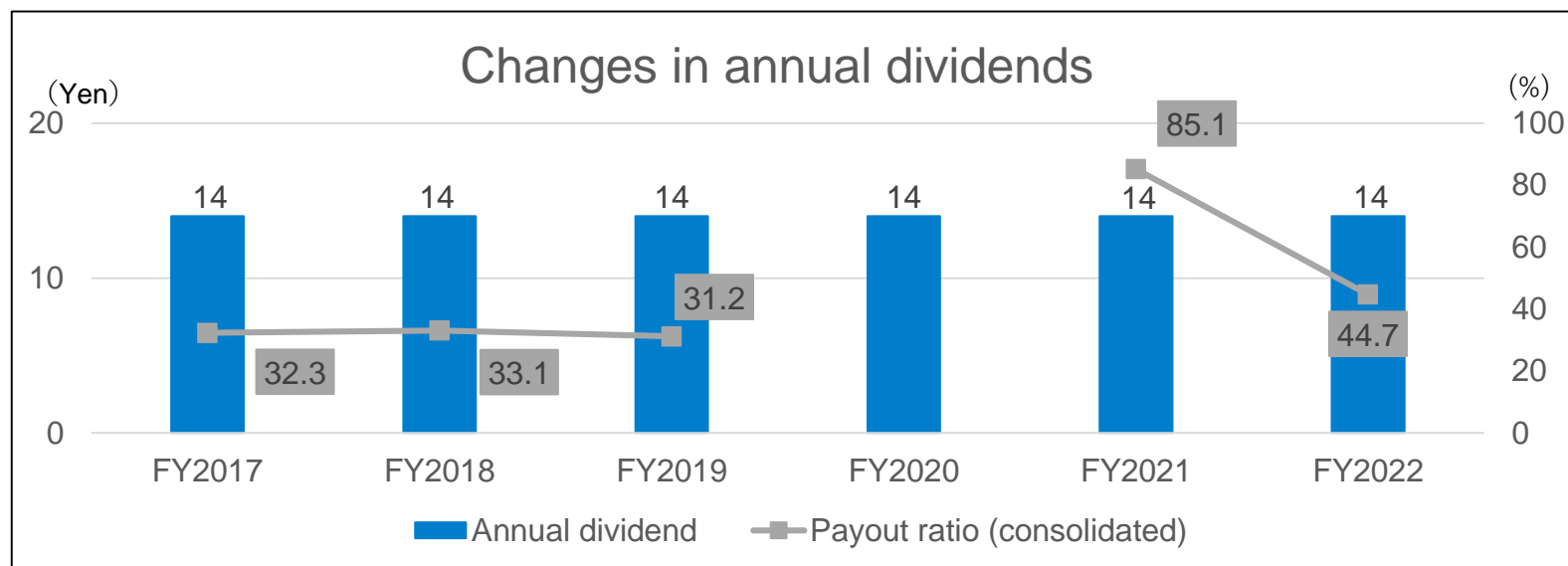
### Annual dividend

#### Dividend per share:

**14 yen** (planned)

Interim dividend **7 yen**  
+ year-end dividend **7 yen**  
(planned)

- While the profit level exceeded the plan, considering the lack of transparency over the future trend of energy prices that affects the raw material expenses for the area heating and cooling business, in addition to the increase in depreciation expenses associated with the Haneda Airport 1-Chome Project, dividend is offered as forecast at the beginning of the term.
- Our company places importance on the return of profits to our shareholders, and dividend is determined by comprehensively considering the financial conditions.



## Changes in shareholder benefits

- After repeatedly conducting investigations from the perspective of developing further understanding of the business of AFC Group, shareholder benefit is changed to a meal voucher for Blue Corner UC, a restaurant operated by our group company from which you can watch the airplanes.



Restaurant name	Blue Corner UC
Address	3-5-10 Haneda Airport, Ota-ku, Tokyo 2F of the Utility Center Building
Open hours	On weekdays, from 11:00 to 21:00 (last call is 19:45) Closed on Saturdays, Sundays and holidays
Official website	<a href="https://bluecorner.afc.jp/">https://bluecorner.afc.jp/</a>
Official Instagram	<a href="https://www.instagram.com/bluecorner_1998/">https://www.instagram.com/bluecorner_1998/</a>

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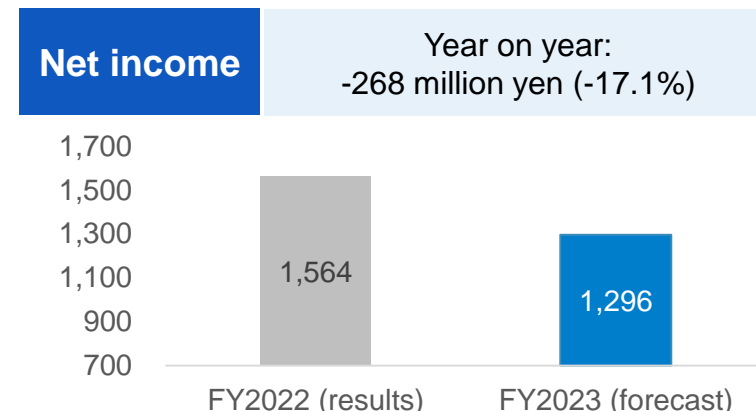
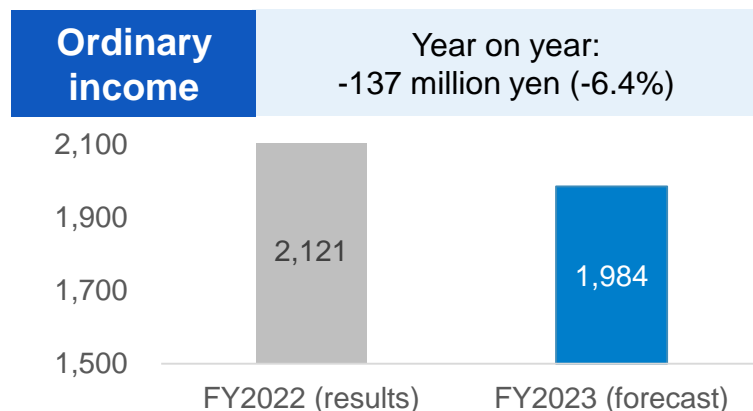
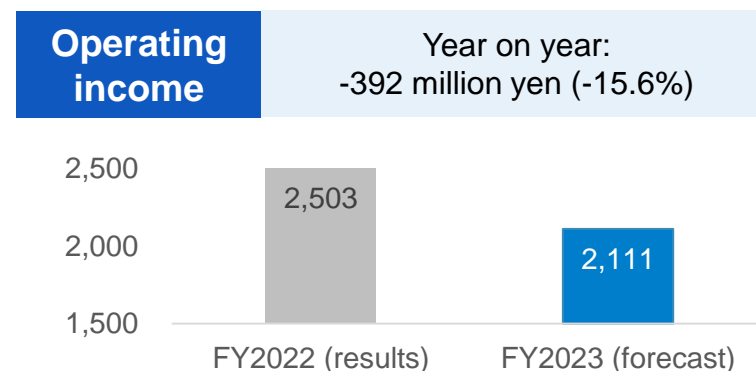
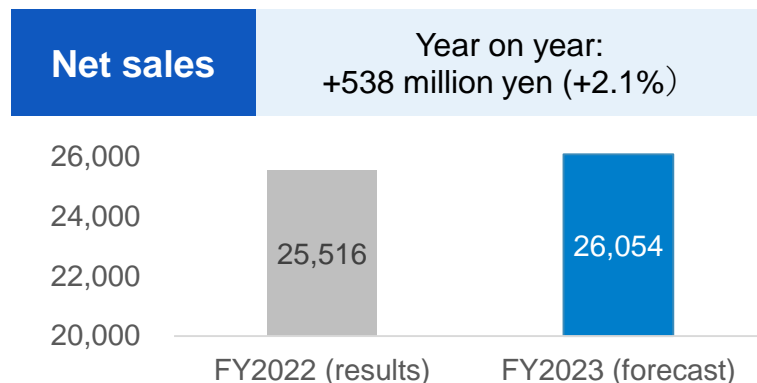
# Forecast on the consolidated financial statements for the fiscal year ending in March 2024

Consolidated PL

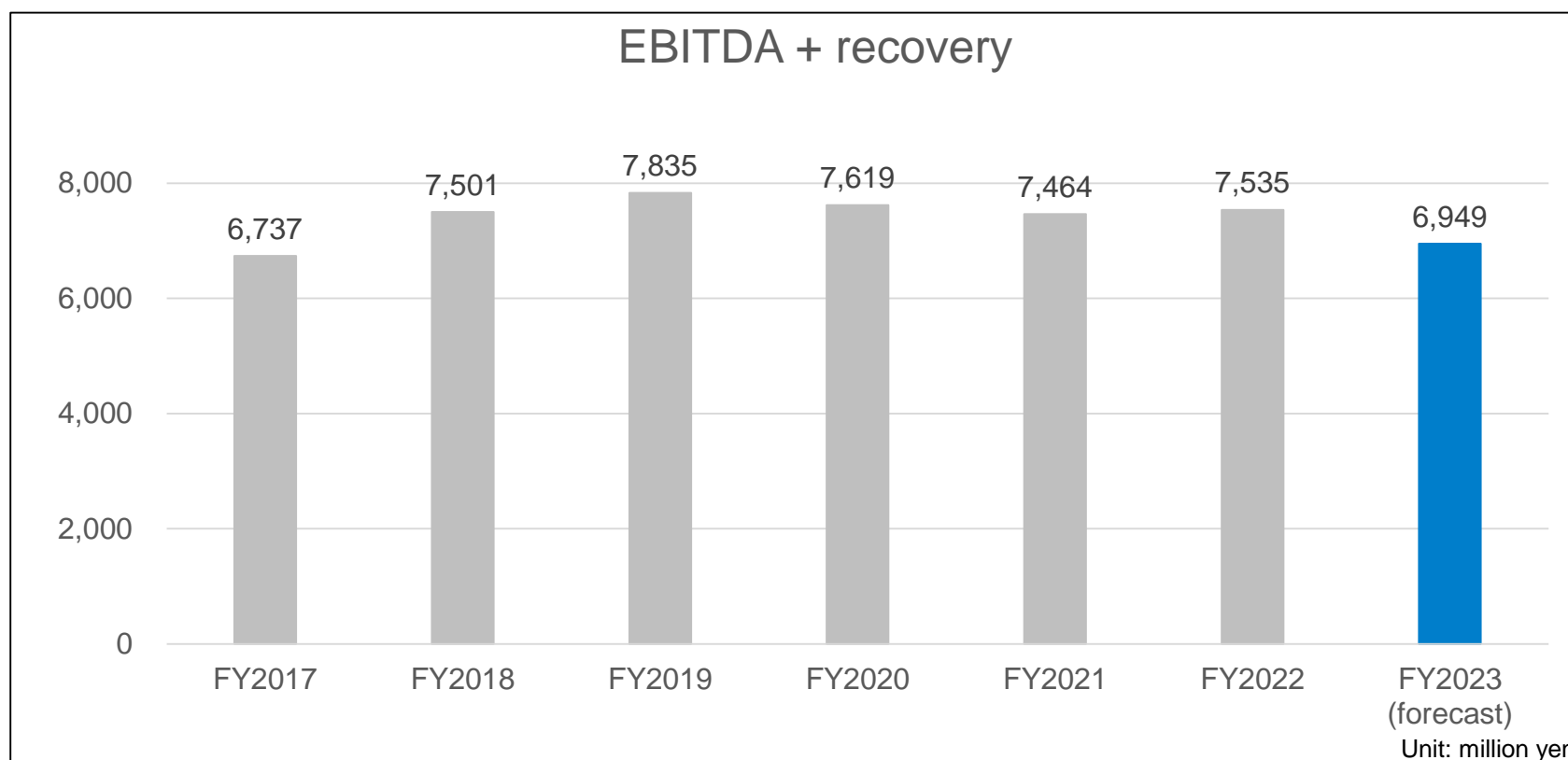


- ◆ We are expecting an increase in net sales with the promotion of non-asset business, recovery of water supply and drainage business to the pre-COVID-19 level along with increase in the numbers of air travelers and airport users, and change in the usage fee structure of area heating and cooling business.
- ◆ **Although we are expecting increase in non-operating income with the investment profit of aircraft fund, etc.**, profit in each category is assumed to decrease because expenses for the future, including the depreciation expenses related to asset retirement obligation associated with the Haneda Airport 1-Chome Project and increase in repair expenses for existing facilities, are expected.
- ◆ **We aim to achieve increases in net sales and operating income with the stable achievement of the Medium- to Long-Term Management Plan.**

Unit: million yen



- ◆ Although profit is expected to decrease in FY2023, it is expected that the cash flow of the company will be steady.



\* EBITDA + recovery = operating income + depreciation expense + recovery + lease cost  
Recovery refers to the repayment of the principal of loans.

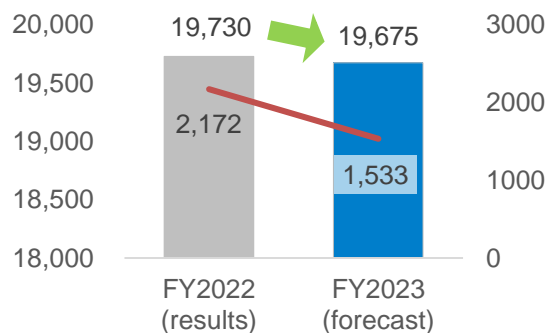


## Outlook by business segment

Net sales: Bar graph, left axis  
Operating income: Line graph, right axis

### Real estate business

Year on year  
(Net sales) -55 million yen (-0.2%)  
(Operating income) -639 million yen (-29.4%)



<Major factors for increase/decrease>

#### [Net sales]

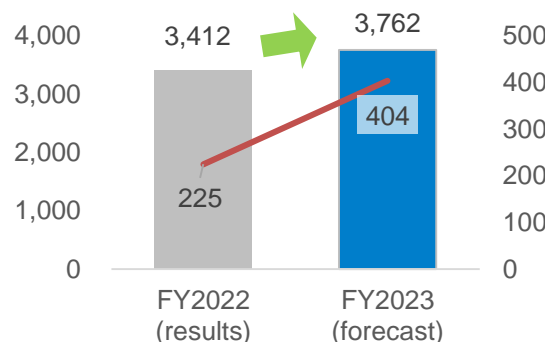
- (+) Increase in rent revenue according to the promotion of non-asset business
- (-) Sellout of hotels in Kyoto, etc.  
⇒ Asset portfolio is currently reassembled.

#### [Operating income]

- (-) Increase in depreciation expenses (asset retirement obligation)
- Increase in repair expenses

### Area heating & cooling business

Year on year  
(Net sales) +350 million yen (+10.2%)  
(Operating income) +179 million yen (+79.5%)



#### [Net sales]

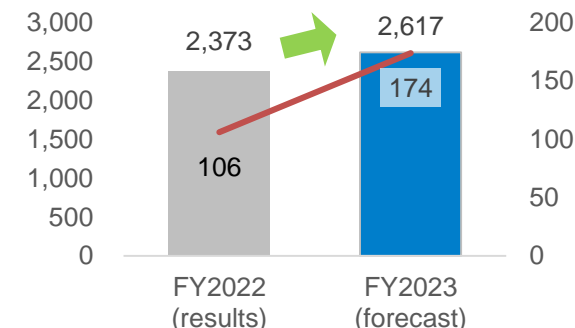
- (+) Change in usage fee structure

#### [Operating income]

- (+) Change in usage fee structure
- (-) Increase in raw material expenses due to increase in energy prices

### Water Supply & Drainage Service and Other Business

Year on year  
(Net sales) +244 million yen (+10.2%)  
(Operating income) +68 million yen (+64.1%)



Unit: million yen

#### [Net sales]

- (+) Recovery to the pre-COVID-19 level
- Full-year operation of facilities near the airport

#### [Operating income]

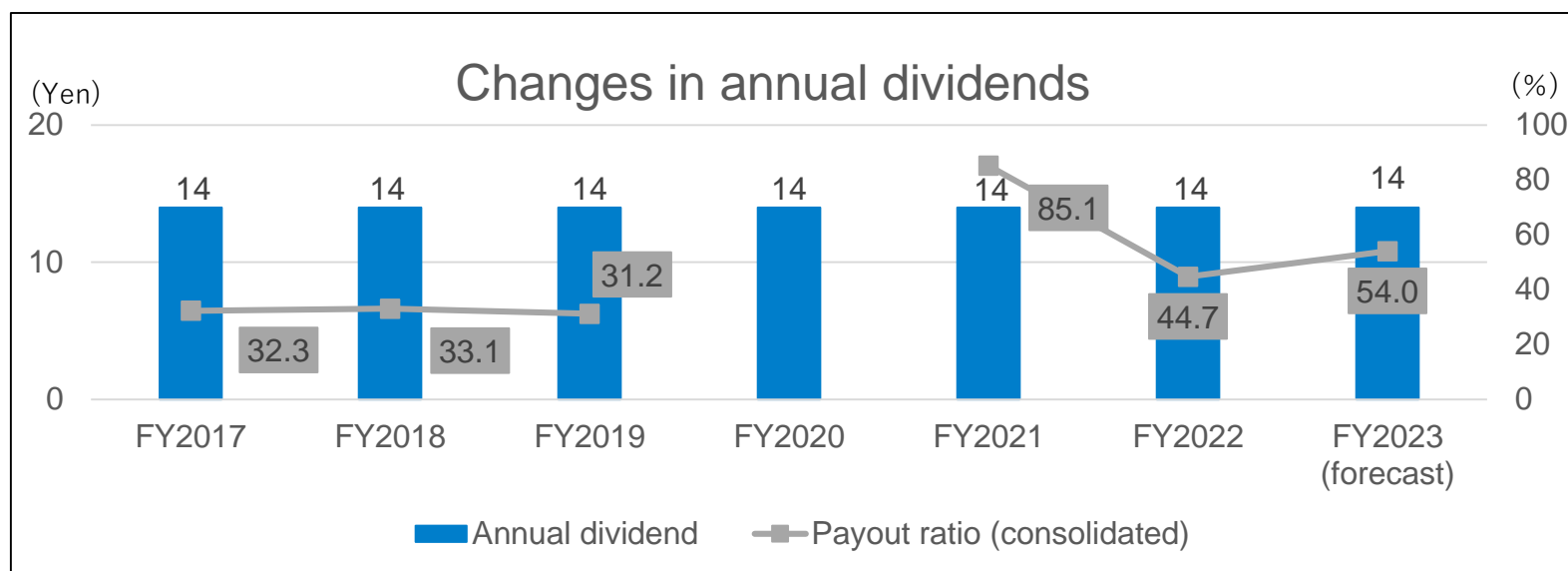
- (+) Increase in net sales

## Annual dividend

Annual dividend per share for the fiscal  
year ending in March 2024:

**14 yen** (planned)

Interim dividend 7 yen  
+ year-end dividend 7 yen (planned)



\* Payout ratio is not announced for the fiscal year that ended in March 2021 because of the company's bottom-line loss.

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### Basic Policy

**Continuous implementation of selection and concentration and maximum use of business resources**

### Business that supports AFC's growth

Airport-related business

Non-airport and overseas business

Priority measure I

Priority measure II

Priority measure III

Haneda Airport  
1-Chome Project

Expansion of non-  
asset business

Improvement of the  
profitability of  
existing business

**Optimization of the business portfolio centering on three priority measures**

### Further strengthening of the business foundation

Human resource and  
organization  
development strategy

Strengthening of  
governance

Use of IT

**Provision of facilities and services that meet the needs of customers and society**

**Creation of value**

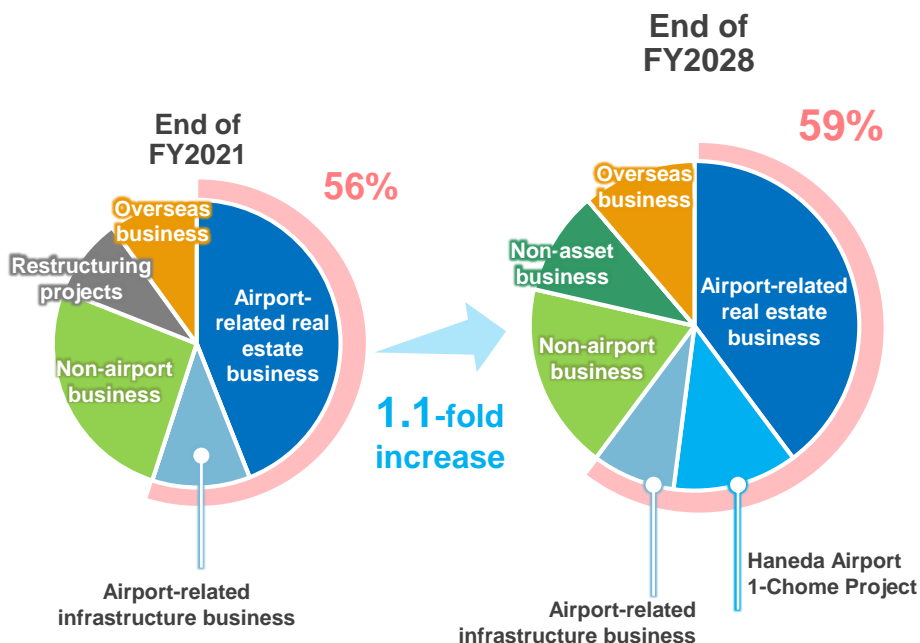
Creation of value for  
stakeholders and a  
sustainable society

### Changes in the business structure and profit growth

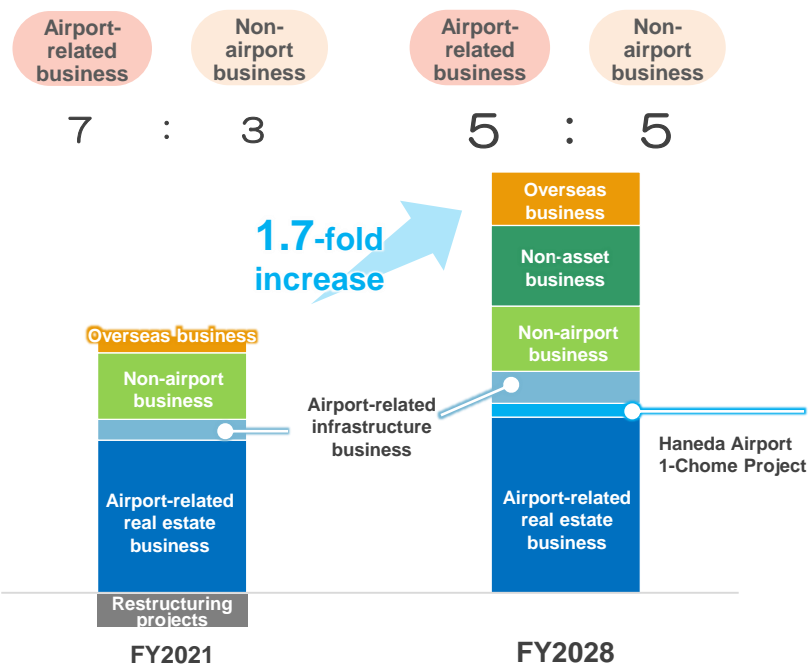
AFC aims to grow and diversify profit sources by steadily building on non-asset and overseas businesses, while expanding airport-related assets through large-scale investments at Haneda Airport

## Develop a capital efficiency-conscious business portfolio that is resilient to risks

### Asset mix target

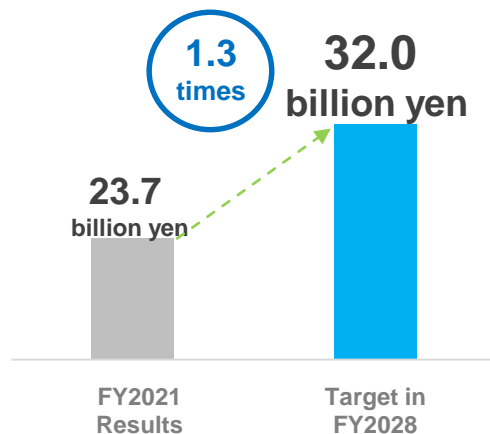


### Targets for business profit growth and business mix

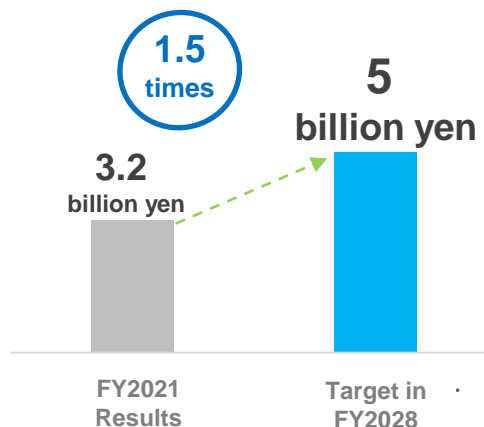


\*Business profit = operating income + non-operating income

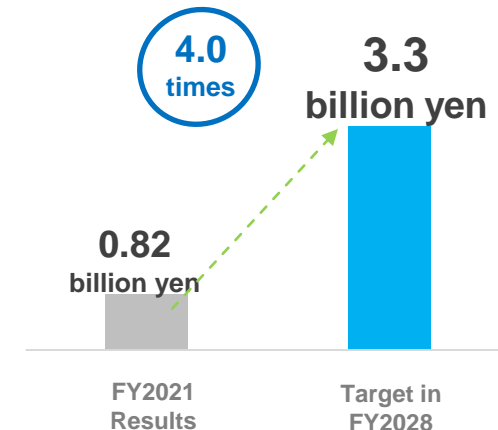
### Net sales



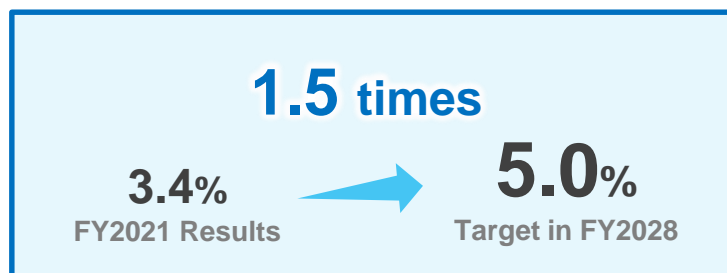
### Operating income



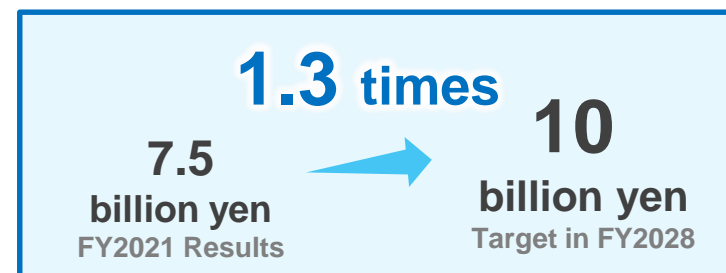
### Net income



### ROA (Return on Assets)



### EBITDA + recovery



ROA = business profit (operating income + non-operating income) ÷ total assets

## AFC Asset Management Co., Ltd. acquiring the first property

- AFC Asset Management Co., Ltd., was established for the development and promotion of our non-asset business outside airports.
- Revolving business will be implemented, where a property is obtained and sold after raising asset values through refurbishment, etc., and a new property will be purchased with the funds obtained from the sales.
- The first property was obtained in March 2023. It is a property located at the central part of Hiroshima City, Hiroshima Prefecture, having strong competitiveness.
- For the future, exit strategy will be sought while accumulating excellent properties to diversify revenue sources.



Building Name	Hiroshima Motomachi NS Building
Location	13-13 Motomachi, Naka-ku, Hiroshima City, Hiroshima
Use	Office, garage, store
Key points	Central area of Hiroshima, along the main street A highly visible building in a busy area maintained under good condition



## Investment in an aircraft fund as a major investor and obtained one aircraft

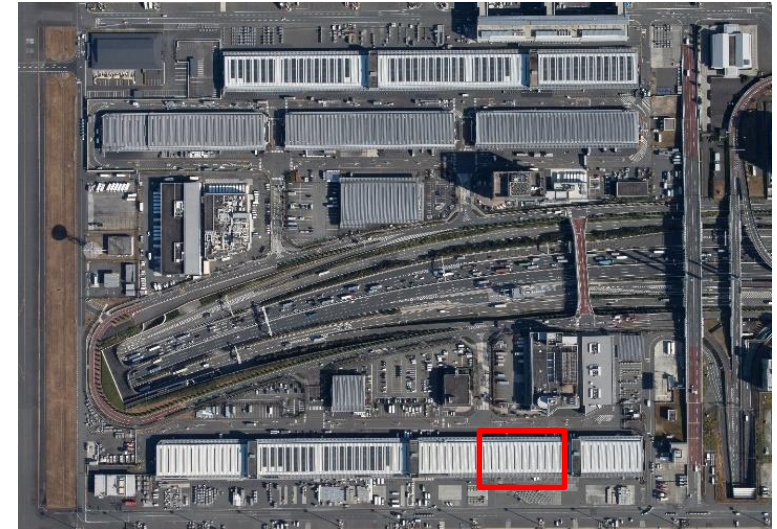
- Signed an investment contract for "MACH I," an aircraft fund newly established and operated by Mercuria Investment Co., Ltd., as an anchor investor (major investor).
- It is the first aircraft fund for domestic investors after the occurrence of the COVID-19 pandemic.
- The first aircraft was obtained in February 2023.
- Expansion of investment in aircraft related business will continuously be considered.



Fund operation company	Mercuria Investment Co., Ltd Airborne Capital Limited
Fund size	Approx. 50 billion yen (investment by our company: 4 billion yen)
Equipment to be invested	Assuming the narrow bodies for Boeing 737, Airbus 320, etc.
Invested countries	Regardless of Japan or abroad
Acquired airframe	Airbus A320ceo

## Start of the temporary operation of the fresh products center in the domestic cargo terminal area of Haneda Airport

- Fresh products center specializing in handling fresh products is currently being temporarily operated within the domestic cargo terminal area of Haneda Airport, maintained and operated by our company.
- The center consolidates the fresh products suppliers who are the tenants within the terminal.
- It is intended to **improve the efficiency of the delivery and receipt of cargo** by consolidating these suppliers, and to **improve safety by reducing the amount of traffic within the area**.
- **It is scheduled to go into full-scale operation in FY2024. From here on, ancillary facilities such as refrigerators are developed to create a valuable area.**



\* Areas inside the red square is being temporarily operated

Scale	Approx. 3,000m <sup>2</sup> (Scheduled to cover an area of 7,200m <sup>2</sup> at the time of full-scale operation)
Starting date of temporary operation	2022
Tenants	Forwarders handling fresh foods and flowers

## Installation of a solar light power generation facility in the engine plant in Seletar airport, Singapore

- Airport Facilities Asia Pte. Ltd. (AFA), our group company overseas, **installed a solar light power generation facility** on the rooftop of the engine plant that the company owns in Seletar airport, Singapore.
- The electricity generated is utilized by Vector Aerospace Asia Pte. Ltd., a tenant of the engine plant. The company pays the electricity charges to AFA.
- Starting from this case, we will consider installing solar power generation facilities also overseas.



Invested amount	SGD490,678 (Approx. 49 million yen)
Use	Electricity for inhouse consumption
Annual amount of power generation	488,100 kWh
Date of completion	April 2023
Start of operation	May 2023

## Holding a test-ride event of hydrogen forklift

- A test-ride event of **fuel cell forklifts using green hydrogen as a fuel (hydrogen forklifts)** was held in order to **consider introducing them within the cargo area of Haneda Airport**.
- Airline companies and forwarders participated in the test ride event and there had been **many favorable opinions regarding the performance of the forklift**.
- Towards the achievement of carbon neutrality in 2050, initiatives will be promoted with relevant companies and the government.



## Future development

Considering the introduction of hydrogen forklift and the development of hydrogen station within the cargo area of Haneda Airport

- Cooperating with the government and relevant companies, efforts will be made to reduce CO2 emission.

Consider the further utilization of renewable energy within the airport

- Make use of the knowledge on solar light power generation facilities accumulated until now.

Contribute to  
**the realization of  
an eco-airport**  
towards the achievement of  
carbon neutrality in 2050



## Food donation; CSR activity

- Stockpiles of our company against disasters that are to be renewed were donated to the municipality governments, etc. where the offices of our company are located. We contributed to **the reduction of food loss and to provide the supplies** to those who are in need of food support.
- Our company **sympathizes with the activity of volunteer-run cafeterias providing free or inexpensive meals to children**, and donated boxed lunches made at the inflight meal factory.
- We will **continue with activities to contribute in the region and society, aiming to realize a sustainable society.**



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## ■ Independent Inspection Committee on the Governance of the Designation of Executives was established and report was received.

...Because it was confirmed there may be a problem in the process of discussions regarding the appointment of candidates for board members in June 2021, an independent inspection committee was established, consisting of external experts who have no interest.

...Our company received the report on the result of inspection from the committee on April 26.

## ■ Problems identified and recommendations on improvement measures regarding corporate governance including the designation of executives

### <Major problems>

- Risks regarding the appointment of former officials of the Ministry of Land, Infrastructure, Transport and Tourism had not been appropriately managed.
- There remains the old order that a post of executive should be provided to major stakeholders.
- Information is not transmitted adequately and in right timing to the board of directors and the nominating committee.
- Strategy on executive appointment linked with the Medium- to Long-Term Management Plan had not been discussed, etc.

### <Recommendations on improvement measures>

- (1) Implement training for executives on the governance of the designation of executives, and discuss the problem at the board of directors.
- (2) Formulate a policy for the designation of executives by the nominating committee and the board of directors.
- (3) Discuss the strategy regarding human resources for executives linked with the Medium- to Long-Term Management Plan at the board of directors.
- (4) Establish a mechanism where important information is transmitted adequately and in right timing to the board of directors.

**Our company takes seriously and sincerely the problems pointed out and improvement measures recommended, reassures the improvement of governance as the prioritized issue for management, and will promote the improvement of governance in order to further enhance our executive management system.**



## Warnings

- This reference document is not intended to solicit investment.
- Descriptions regarding future forecasts are based on information currently available, and the results may turn out differently depending on changes in the business environment, etc.
- Users should make important decisions on investment and other matters at their own discretion.

This reference material is also available on our company website.

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

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