



空港施設株式会社
AIRPORT FACILITIES CO., LTD.

FY2022-FY2028

Airport Facilities Co. Group (AFC Group)

Medium- to Long-Term Management Plan

May 13, 2022



Securities Identification Code: 8864



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AFC VISION

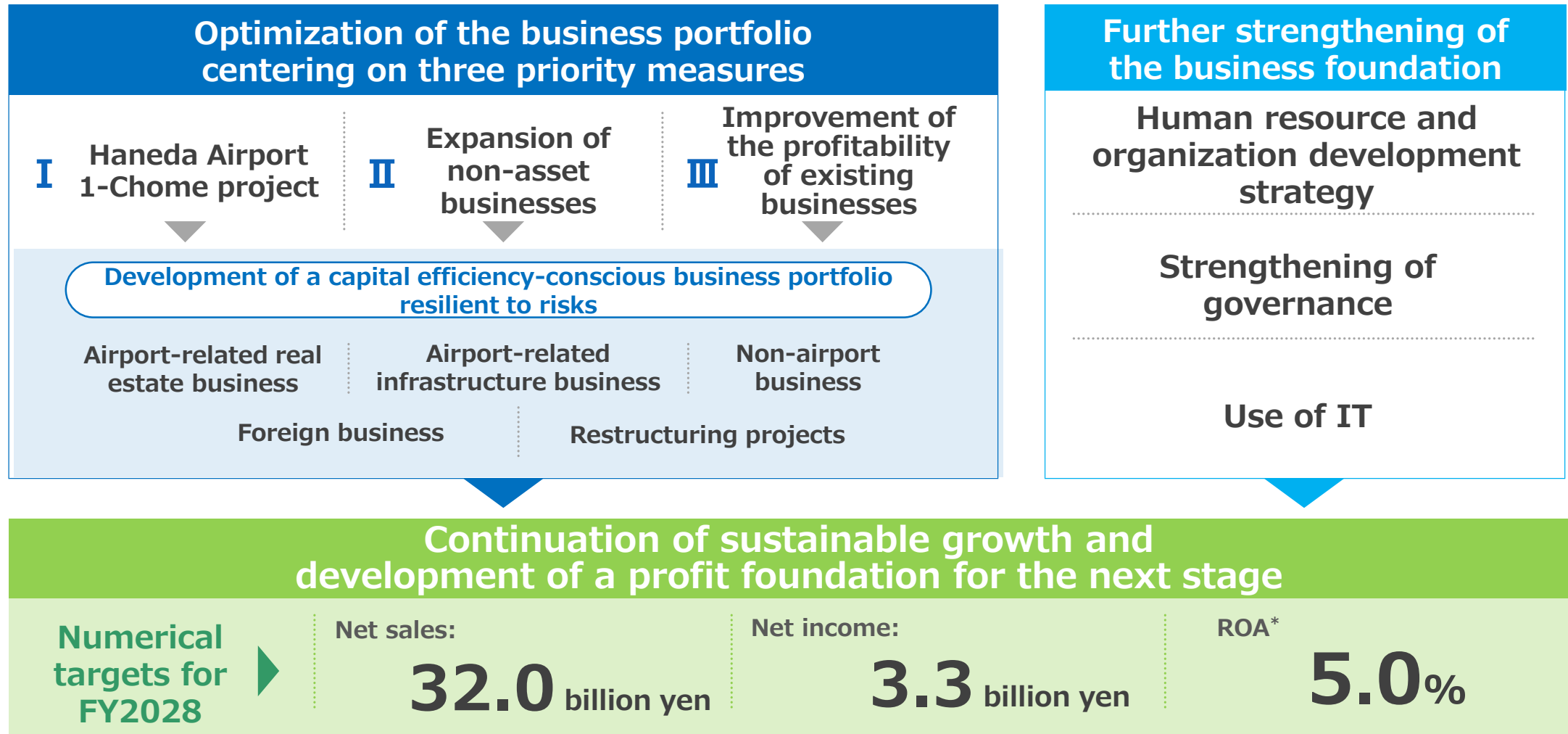
Toward creating unique value within and outside airports

In the post-Covid-19 era, with 50 years cumulative knowhow and experience, AFC Group will endeavor to heighten customer satisfaction and social responsibility in airport and non-airport related business.

- With Haneda as a hub, enhancing airport value through, growth in coverage for facilities and functions across Japan
- Tailored to create unique value for each customer, through their trust
- Ensuring long term sustainable growth, in the ever changing challenges and environment



2. Executive summary (outline of the plan)



*ROA (return on assets) = business profit (operating profit + non-operating profit) ÷ total assets



3. Objective of the Medium- to Long-Term Management Plan and the roadmap for the future

Emerging from post Covid-19, we are strengthening our management foundation and pro-actively exploring new business opportunities, to make AFC resilient, through realizing solid sustainable profitability growth for shareholders.

Within this seven years business plan, we are optimistic to achieve sizeable investments in real estate.

FY2022-FY2028 Medium- to Long-Term Management Plan

- I. Haneda Airport 1-Chome project**
A facility redevelopment project in the Haneda Airport 1-Chome area
- II. Expansion of non-asset businesses**
Diversification of profit sources and improvement of capital efficiency
- III. Improvement of the profitability of existing businesses**
Improvement of the occupancy rate and implementation of restructuring projects

**Further strengthening of
the business foundation**

**Continuation of sustainable growth and
development of a profit foundation
for the next stage**

FY2029 – Endeavor toward realizing the AFC Vision

- More precise anticipation of customers' needs
- Bold expansion into new business areas
- Realization of a sustainable society through ESG activity

AFC VISION
Creation of value within and
outside airports
Toward creating unique value

ROA
Actual results
3.4%

End of FY2021

ROA
Targets
5.0%

FY2028

*Scheduled completion of Phase 1 of
the Haneda Airport 1-Chome project

4. Overview of the business environment

AFC is continuously monitoring and adapting to the ever changing external environment, meeting the needs of customers and society.

Noteworthy current external environment factors

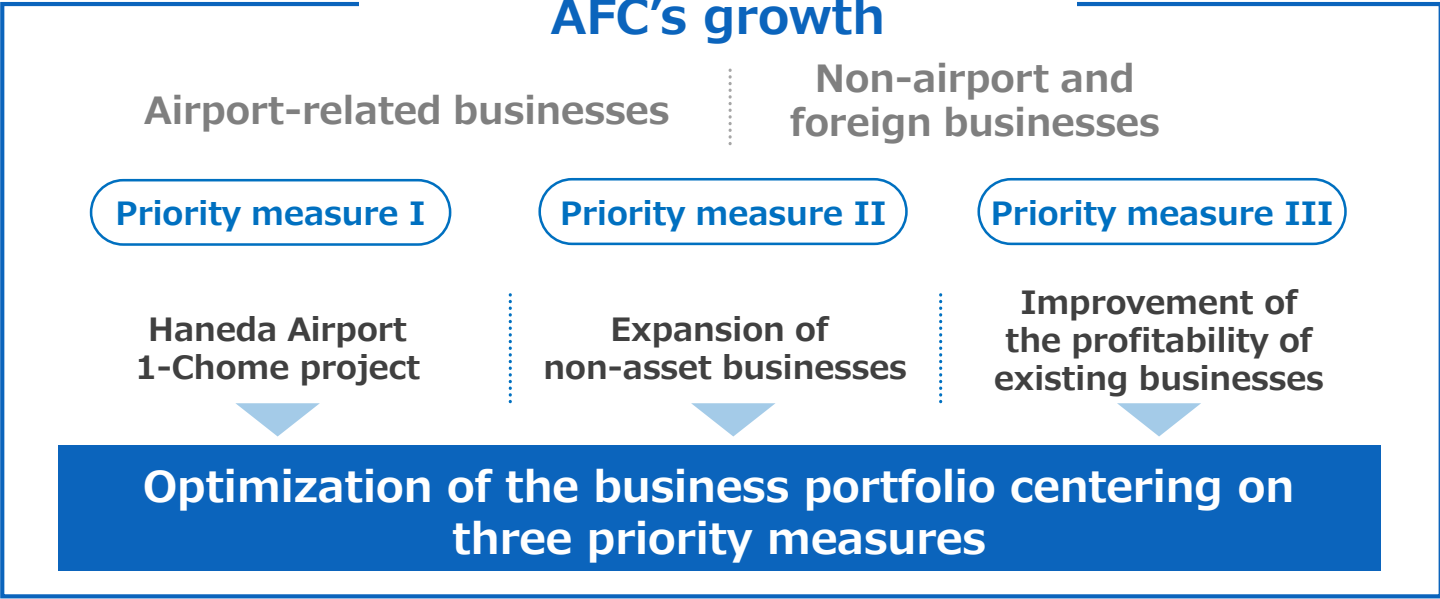
Item	Recognition of the environment	AFC Group's response	Specific measures
Aviation/ airports	Recovery from the COVID-19 crisis and further strengthening of Haneda Airport's functions	• Strengthening and expansion of the airport-related real estate business	• Haneda Airport 1-Chome project P9
	Replacement demand due to the strengthening of the functions of airport facilities and infrastructure	• Identification of customers' diversifying needs, and proposals	• Airport-related real estate business P10
	Promotion of the "eco-airport" initiative	• Active capital investment in the airport-related infrastructure business	• Airport-related infrastructure business P11
The real estate industry	Changes in office demand due to work style reform and technological innovation	• Activities related to a non-airport new business model	• Non-asset business P13
	Growing needs for renovation and replacement due to an increase in aged real estate stock	• Selective investments conscious of bipolarization of the real estate market	• Non-airport business P12
	A lack of transparency over the future course of inflation, real estate prices, and interest rates	• Thorough risk management	
Society and economy	Further enhancement of corporate governance	• Enhancement of governance	• Strengthening of the business foundation P16
	Need for activities to realize a sustainable society	• Strengthening of BCP efforts	• Airport-related infrastructure business P11
	Climate change, and the increasing frequency and severity of natural disasters	• Investments related to the environment and energy	• Study on creation of new businesses toward future prosperity P15
Overseas	Progress in research and development and practical application of next-generation aviation mobility	• Surveys looking toward future aviation	
	Increasing populations, economic development and expanding aviation demand in Asia	• Creation of new businesses to capture Asia's growth	• Foreign business P14



5. Medium- to Long-Term Management Plan—Basic Policy

Basic policy Maximizing and continuous implementation of strategies affecting key resources to support growth and development

Businesses that support AFC's growth



Further strengthening of the business foundation



Business classification and policy

Leveraging on company's strengths to pursue sustainable growth in profitability and capital efficiency.



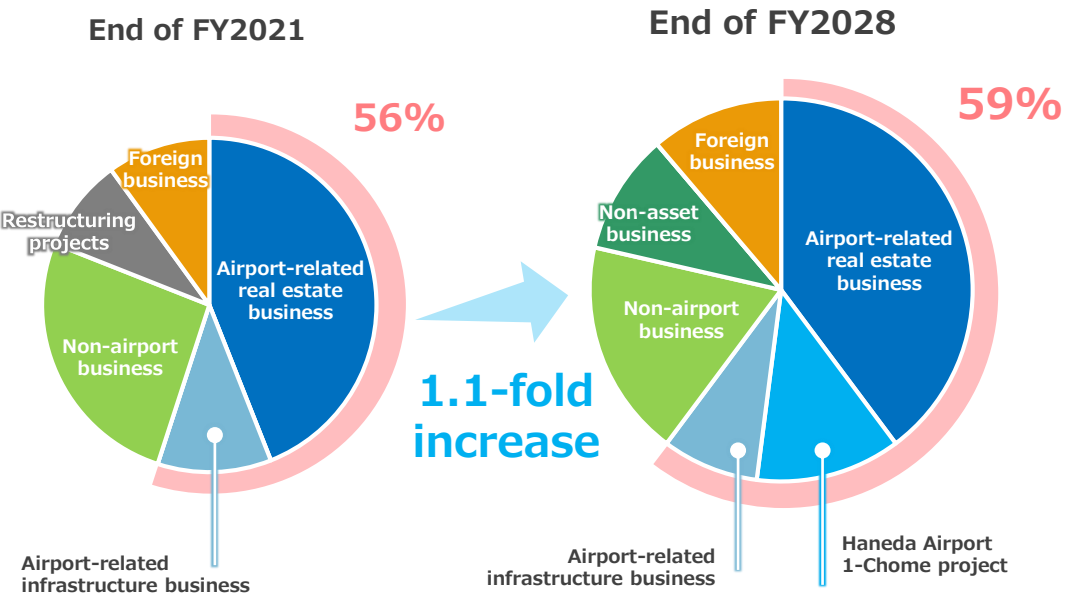
6. Business portfolio strategy

Changes in the business structure and profit growth

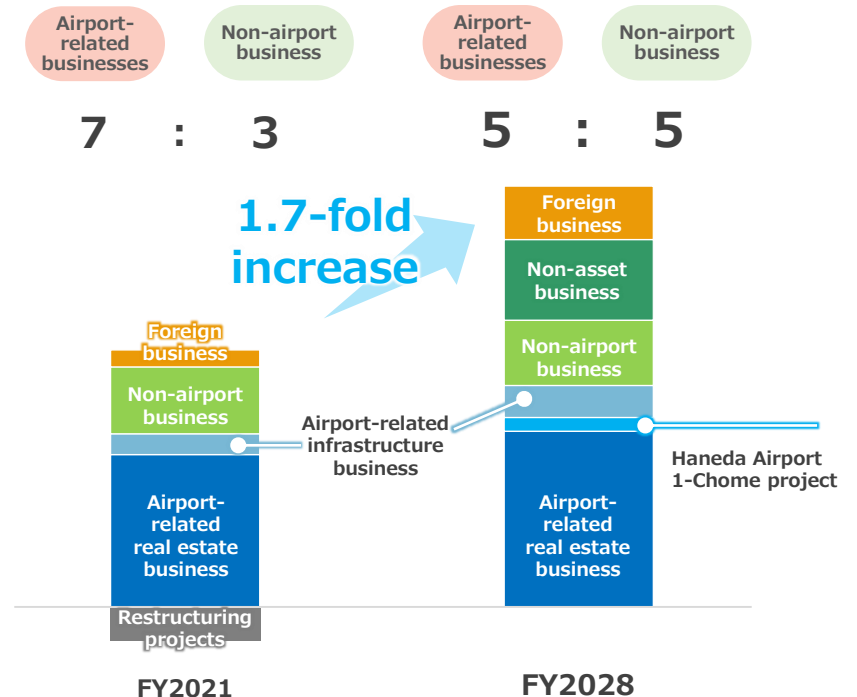
AFC aims to grow and diversify profit sources by steadily building on non-asset and foreign businesses, while expanding airport-related assets through large-scale investments at Haneda Airport

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

Asset mix target



Targets for business profit growth and business mix



Business overview

Haneda 1-Chome area, home to clusters of aviation-related companies, birth place and HQ of AFC, will be reorganize / restructure to ensure utmost quality and maintaining highest level risk management, that is expected of the aviation industry.

Strengthen the profit foundation by leveraging on AFC Group's strengths

Improvement of profitability

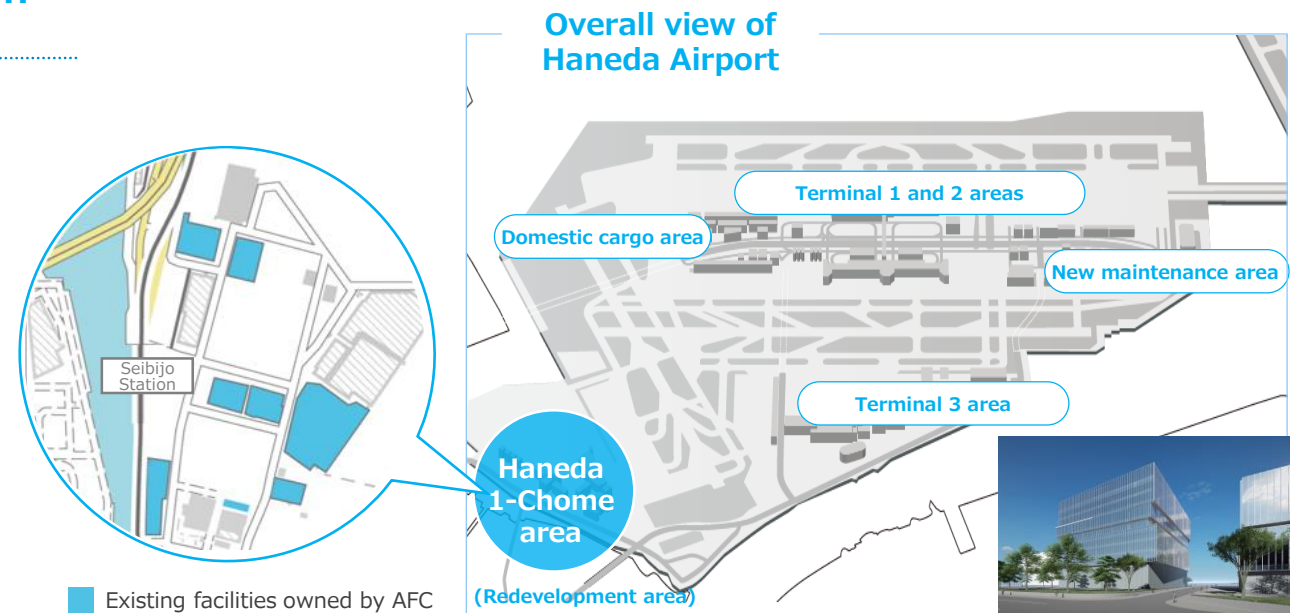
- Divide the project period into Phases 1 and 2 and efficiently reorganize and rebuild eight existing facilities
- Provide the most advanced facilities that meet customers' needs and ensure sustainable profits over a long term

Consideration for the environment

- Contributing towards a greener workplace by implementing energy efficiency in new facilities under reorganization and rebuilding projects

Assurance of safety and security

- Ensure BCP to maintain services for customers by strengthening disaster risk management measures, including against floods and high tides.
- Contribute to stable airport operation by providing the functions essential to Haneda Airport



Phase 1

FY2022 – FY2028
(Period of the medium and long-term plan)

Phase 2

FY2029 – FY2031



7. Business strategy

(ii) Airport-related real estate business

Business policy

Strengthening profitability of existing facilities and striving to boost growth

Maximize profits from existing facilities and enhance customer satisfaction.

Priority measure III

Strive to capture new demand

Airport-related facilities

- Further raise the occupancy rate by strengthening sales activity
- Implement repair and replacement works in an efficient and systematic manner.
- Improve facility maintenance cost
- Strengthen the BCP function

Implementation of restructuring projects

- Contribute to profit by restructuring problematic facilities (including closures)

Domestic cargo terminal (Haneda Airport)

- Realize a smart air cargo terminal by improving the operational efficiency of the area, which is the largest air cargo terminal in Japan, and by improving the terminal functions
- Improve the quality and profitability of the terminal area by consolidating facilities, promoting common use, and introducing multi-level systems

- Capture demand in a post-COVID-19 era by using and strengthening customers' networks
- Identify the needs for hangars and other facilities and actively advance into airports where AFC currently has no presence
- Present proposals for leasing and common use of GSE* and other equipment related to AFC's facilities
- Consider engaging in airport operation business

*GSE: Ground support equipment

Completed in December 2019



An expanded hangar building at Kobe Airport

Completed in January 2020



Expansion of the ARC building (inflight meal factory)

Completed in January 2020



A heliport hangar in Nata

Pilot opening in July 2020
Full opening in 2023



HANEDA INNOVATION CITY

Established in December 2020



A solar light power generation facility at the domestic cargo terminal of Haneda Airport

FY2019

FY2020

FY2021

FY 2022

Medium- and long-term plan

Business policy

Contribute to the sustainability of airports and society by strengthening the foundation for stable supply and reducing the environmental burden at the same time

- Prepare for various risks, including natural disasters, through continuous reforms of the crisis management system and implementation of appropriate security measures
- Contribute to the realization of an “eco-airport” through active upgrading of equipment

Heat supply (Haneda)

- Adopting environmental friendly and economically efficient area-wide air conditioning system
- Proactively embrace renewable energy and highly efficient equipment to enhance CO2 reduction

SD plants (eight domestic airports, including Haneda)

- Reduce the environmental burden by purifying waste water generated onboard
- Aim to further reduce the environmental burden and improve efficiency through timely upgrading of equipment

Common communication (Haneda)

- Provide communication lines resilient to natural disasters
- Exploring services using dedicated optical fiber network

Aircraft washing facility (Haneda)

- Reduce the environmental burden by purifying and reusing waste water from aircraft washing
- Contribute to CO2 reduction by improving fuel efficiency through aircraft washing

Water supply and discharge (Haneda, New Chitose, and Itami)

- Manage and operate water supply and discharge infrastructure based on contracts with airport operators
- Strengthen human resource development to maintain a sustainable management and operation system



Maintenance of water supply and discharge facilities



SD plant (Haneda)



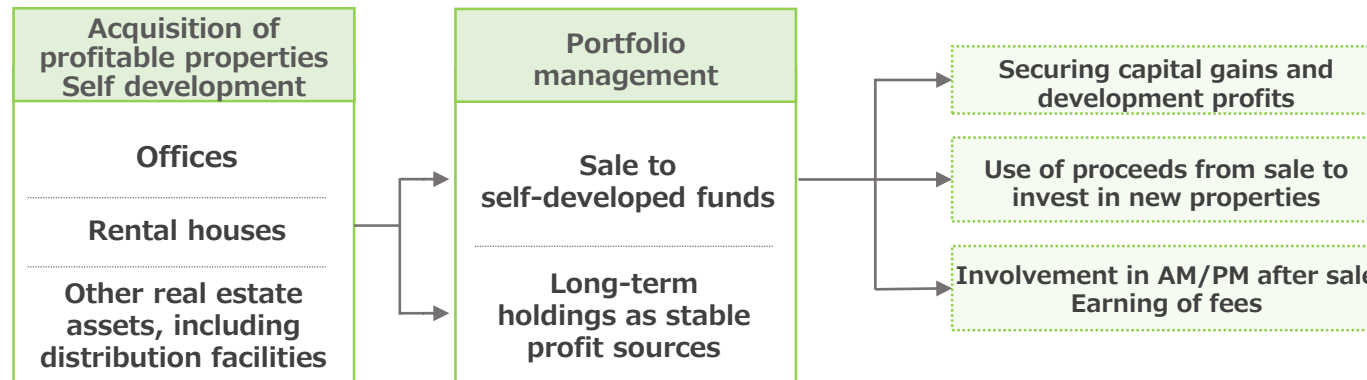
Business policy Expand and enhance real estate investments and development projects

Acquisition and development of new properties

- Select investment assets based on business strategy
- Accumulate properties with excellent returns and advance into fund business
- Earn capital gains through continuous portfolio revision and exit strategy
- Develop rental houses for airport-related workers near airports
- Develop logistics facility by taking advantage of the knowledge and network related to the cargo facility business



Image of growth of non-airport businesses



Improvement of the profitability of existing properties

Priority measure III

- Contribute to profitability by increasing the occupancy rate and by setting the rents in light of the rental housing market situation.
- Restructuring of lower performance properties (including sale)
- Reduce cost through efficiency improvement of management and operation



7. Business strategy

(v) Non-asset business

Priority measure II

Business policy

Grow non-asset business as a new business area outside of airports

Real estate fund development

- Develop real estate funds (privately offered funds and privately offered RIETs) by combining excellent properties
- Earn management fees through AM/PM subsidiaries
- Improve the ROA through “revolving business” leveraging on efficient funds management
- Strengthen preparedness for collaboration with partners and M&As
- Establishing an AM subsidiary (June 2022)

Expansion of fee business

- Apply the experience of facility management (PM/BM) that has been cultivated within airports to other airport-related facilities and facilities outside of airports
- Expand construction management (CM) business by taking advantage of ACM’s in-depth knowhow regarding airport-related facilities

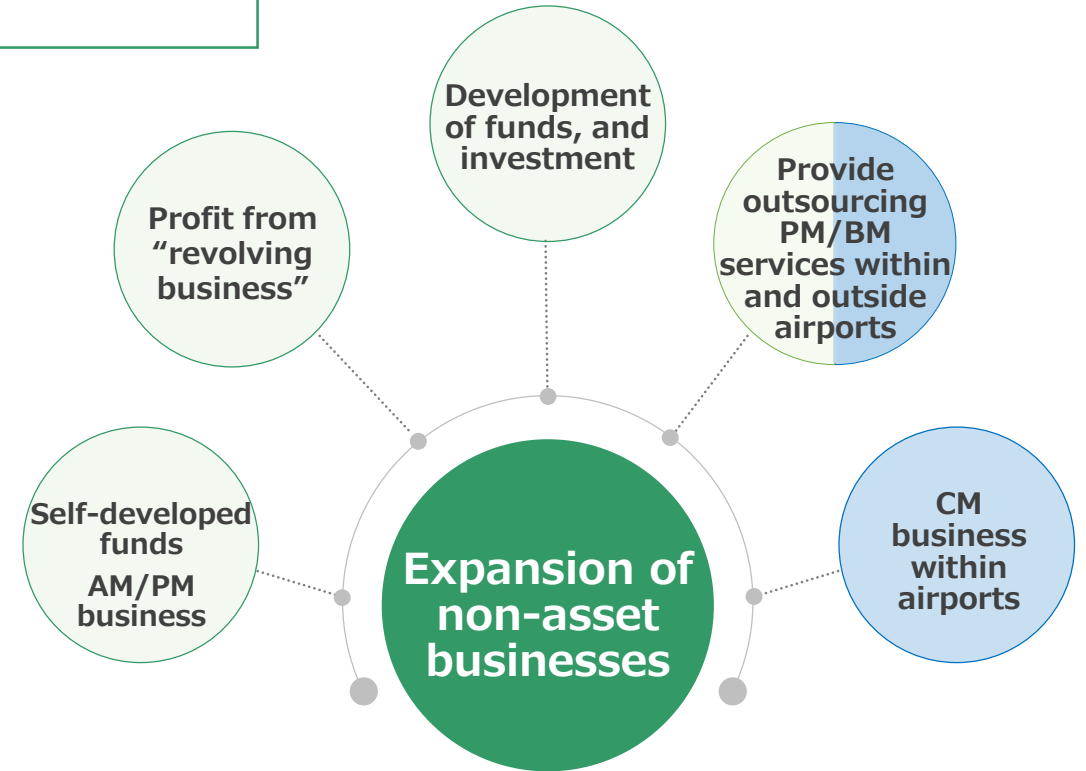


Image of development of a real estate fund



Business policy

Venturing into Capital Investments / Financing

Leverage on well established network and cumulative knowhow to seize Asia's growing economic opportunities

Existing operations

Finance business

Strategy: Use asset-based finance business as the profit foundation for foreign business

Continue to secure stable profits by using finance as the core business

Example: Flight simulator finance and finance-leasing of aircraft maintenance facilities

Recent activities

Implemented finance for an aircraft engine leasing company in Singapore

A foothold for business investment



New operations

Business and capital investments

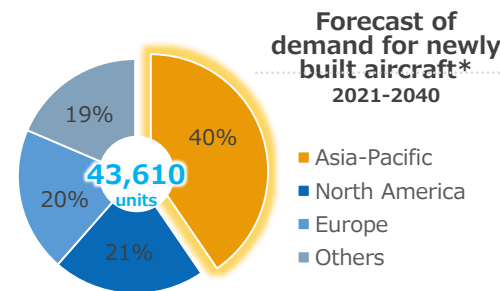
Strategy: Pivoting into businesses with higher profitability

Strengthening business foundation while minimizing risks through collaboration with reliable partner companies

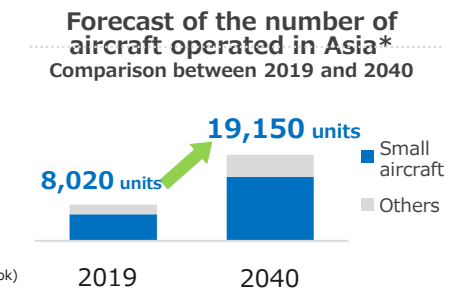
Example: Investment in aircraft parts/ aircraft leasing

Forecast of the aircraft market

Higher growth is expected in Asia than in other regions in a post-COVID-19 era



Keep watch on growth in demand for small aircraft in Asia and the progress in "point-to-point" strategy and LCCs' advance into local airports



*Source: Commercial Market Outlook 2021-2040 (Boeing: Commercial Market Outlook)

Response to next-generation aviation technology



Source: Ministry of Economy, Trade and Industry's website
(<https://www.meti.go.jp/press/2018/12/20181220007/20181220007.html>)

Response to commercialization of "flying cars"

Expect progress in aviation innovation, including expansion of transportation service areas, in the second half of the 2020s through the 2030s

▶ Strengthen collaboration with companies related to "flying cars" in order to prepare for commercialization

- Provide AFC's knowhow
- Support next-generation aviation technology
- Acquire new knowledge
- Identify the needs by taking advantage of inter-company networks

▶ Investigate demand for facilities, including vertiports - comprised of landing/takeoff areas, maintenance facilities, and recharging equipment and customers' needs, and endeavor to create new businesses

Activities related to environmental business

Creation of businesses that contribute to "reduction of the environmental burden and efficiency improvement"

- ▶ Consider replacing forklifts used in cargo terminal areas with EV or FCV types, leasing environment-friendly vehicles and building recharging stations

"Further development of the solar light power generation business"

- ▶ Make progress in use of green electricity by installing solar and other power generation and storage facilities on the rooftops of buildings owned by AFC and other companies and by promoting consulting business in order to realize an "eco-airport."

Established the "innovation promotion office" (in April 2022)

Exploration of "new business opportunities"

- ▶ Explore new business opportunities within and outside airports and promote creation of new businesses

Launch of the "AFC innovation lab" program to invite proposals from employees

- ▶ Engage in integrated activities to start up new businesses with respect to promising employee proposals



8. Strengthening of the business foundation

Strengthen the management foundation that supports business strategy by devoting efforts to

human resource and organization development

governance

and

IT

Human resource and organization development strategy

Human resource development

- Career plan support program – training and retraining, upgrading skill
- Human capital investment – growing and developing professionalism

Optimization of the business structure

- Capitalizing on developed core competences for enhanced operations
- Strengthen the sales infrastructure

Work-life balance

Implement working style reform and provide a more comfortable working environment

Promotion of health-oriented management

Help maintain sound mental and physical health on a company-wide basis by enhancing mental health consultation service for employees

Enhancement of employee engagement

Promote diversity and inclusion

Strengthening of the management foundation

Strengthening of corporate governance

Strengthening of the board of directors' functions

Review the number of outside directors and the composition of the board of directors and the role of executive officers

Prompt and appropriate information dissemination

Highly transparent corporate management

Efficiency improvement using IT

Use of IT in real estate management

Real estate management using digital tools, such as AI and RPA

Improvement of customer service and cost reduction

Implementing real and timely digital information

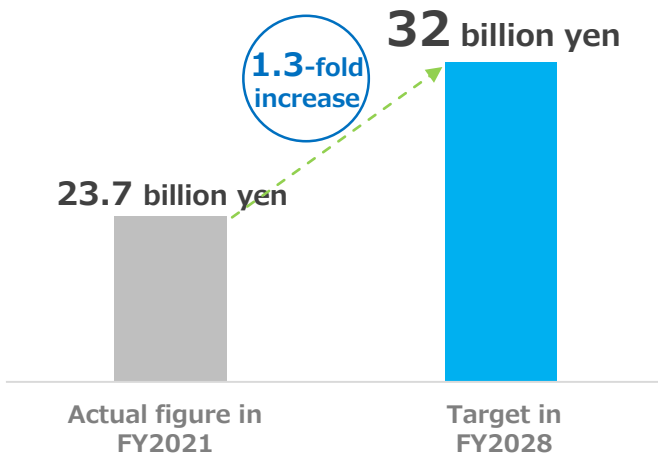
Further strengthening of information security

Continuous education and investment in human and physical resources

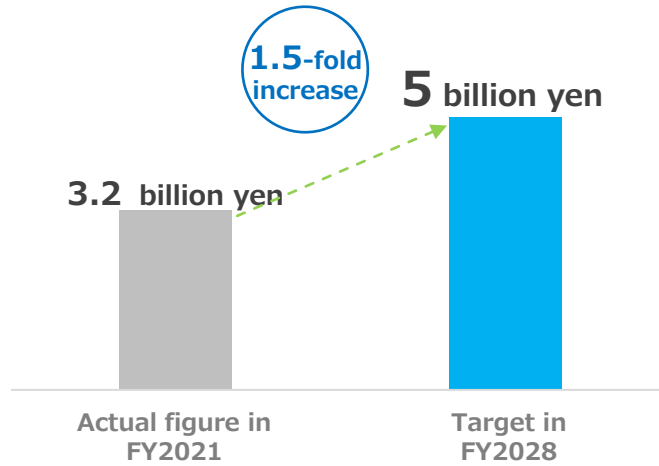


9. Numerical targets

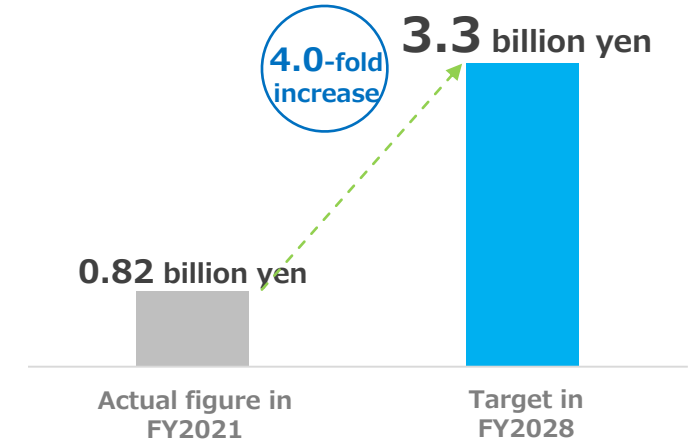
Sales



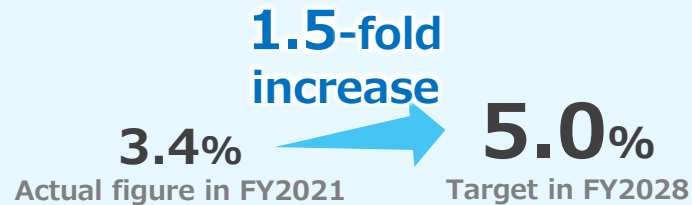
Operating income



Net income



ROA (Return on Assets)



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

EBITDA + recovered funds



10. Return of profits to shareholders

Paying stable dividends and achieving the right balance among financial soundness and sustainable growth, return of profits to shareholders.

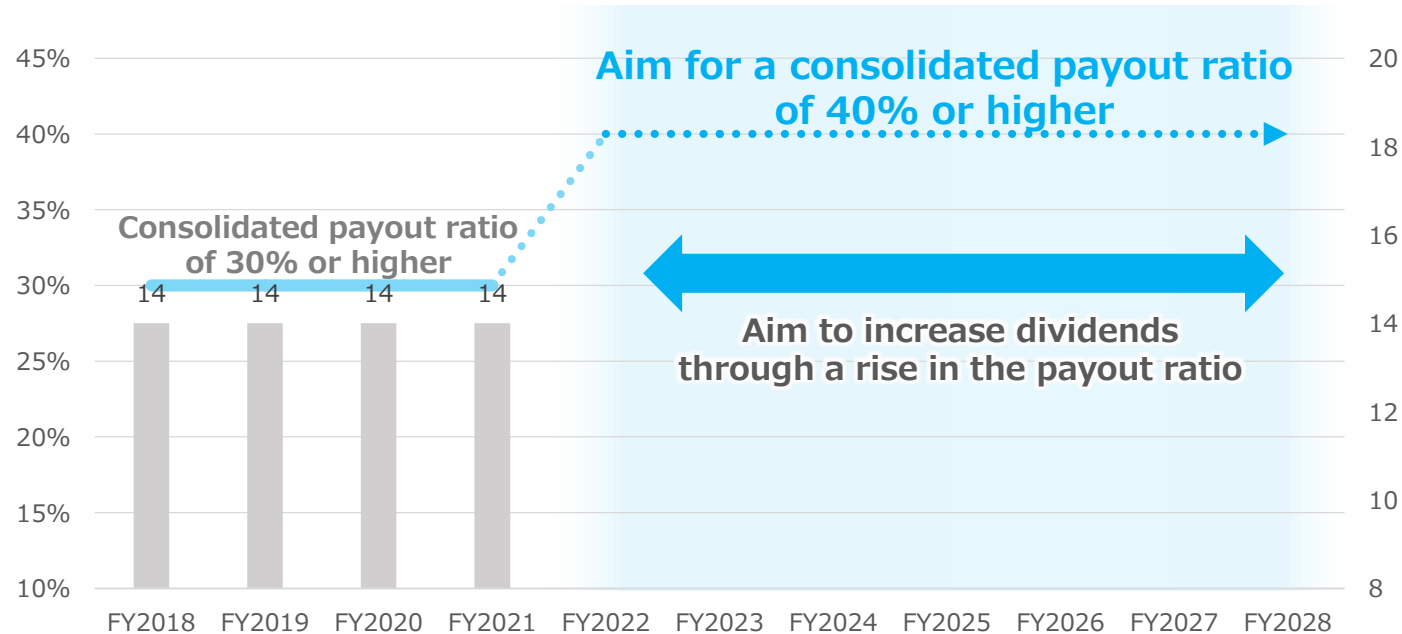
Basic policy for return of profits to shareholders

- Stable and continuous return of profits
- Dividend increase linked to business performance improvement



Raise the consolidated payout ratio to 40% or higher

Raise the consolidated payout ratio



Aim to steadily expand return of profits to shareholders by raising the dividend payout ratio while giving consideration to profit plans



11. ESG activity

AFC will continue to create value by contributing to the economy and society and by resolving various challenges, including environmental problems, by taking advantage of its strengths in airport-related real estate and other businesses.



AFC will increase its awareness of environmental problems and reduce the environmental burden in light of up-to-date technology trends during various corporate activities.

AFC strongly support government's policy to reduce CO2 emissions by FY2030 by 46% (compared with FY2013) in order to achieve carbon neutrality by 2050.



AFC Group will strive to expand and operate facilities in a way that provides safety and security to all people and communities, including customers. It will also develop an environment in which executives and employees can work with a sense of fulfillment and fully exercise their abilities while maintaining good mental physical health.



AFC will appropriately respond to social and environmental changes, continuously reform and strengthen its corporate governance, and further enhance management transparency and soundness.

Contributions

SUSTAINABLE DEVELOPMENT GOALS



For detailed information on the basic policy for sustainability, see AFC's website. <https://www.afc.jp/csr/>

[Reference] Review of the previous medium-term management plan

Basic policy

Maximum use and efficiency improvement of business resources and redistribution of the resources through selection and concentration

Business strategy

Make new investments to meet aviation-relation demand within and outside airports

Financial strategy

Make investments on a scale larger than the value of annual cash flow

Strengthening of the management foundation

Reinvigorate the organization and develop a human resource strategy

Business and financial strategies

- Built facilities within and outside airports to meet aviation demand and made a larger amount of investments than planned in the first year of the plan
- Proceeded with projects according to a revised plan because the business environment changed dramatically from February 2020 onward due to the impact of COVID-19, with aviation demand in particular slumping on an unprecedented scale.
- Maintained annual dividend payment of 14 yen per share despite the severe business environment, as the priority was placed on stable and continuous return of profits to shareholders.

Strengthening of the management foundation

- Introduced a flex time system and telework as part of workstyle reform.
- Implemented reorganization in order to strengthen sales and planning activities with an eye toward a post-COVID-19 era.
- Established a project team for promoting environmental business from the viewpoint of promoting sustainability.
- Started operating a new enterprise system and reinforced information infrastructure security, and also enhanced customer services through productivity improvement efforts.

[Trends in business performance indicators]

Implemented stable and continuous return of profits to shareholders although the target figures under the plan failed to be achieved due to the impact of COVID-19.

Unit: million yen

	FY2018	FY2019	FY2020	FY2021
Sales	24,214	24,855	24,155	23,777
Operating income	4,130	4,186	3,831	3,280
Net income	2,104	2,227	-933	821
Dividend per share (dividend payout ratio)	14 yen (31.2%)	14 yen (33.1%)	14 yen (-)	14 yen (90.0%) (planned)



[Reference] Review of the previous medium-term management plan

Provided aviation-related facilities, mainly at Haneda Airport, and also concluded CM contracts at local airports by taking advantage of the environmental investment and the knowhow so far cultivated.

Provided finance for aviation-related facilities and engine leasing companies abroad, and also established local offices in order to prepare for future demand for facilities

Haneda Airport

- Built new facilities, including an inflight meal factory, an SD plant, and warehouses, in response to an increase of 39,000 landing/takeoff slots per year, growth in inbound tourism demand, and an increase in international routes.
- Installed a solar light power generation facility for self-consumption purposes using a green bond and introduced LED lighting equipment in the domestic cargo area



An inflight meal factory within the ARC building



A new SD plant at Haneda Airport



A warehouse at the Technical Center

Local airports

- Built two new maintenance facility buildings for small aircraft
- Concluded a construction management contract with All Nippon Helicopter and provided services using AFC's facility management knowhow (Okadama Airport)



An expanded hangar building at Kobe Airport



A heliport hangar in Nata

Non-airport business

- Actively advanced into non-airport businesses by taking advantage of the technical acumen and proposal expertise cultivated within and outside airports.
- Provided dormitory and car dealer shop facilities for the first time.



The international student dormitory of Kanto Gakuin University



A shop of Alpine News

Overseas

- Provided finance for flight simulators through a subsidiary in Singapore
- Provided finance for an aircraft engine leasing company in Singapore



A full flight simulator



An aircraft engine



The office in Singapore

Warnings

- This reference document is not intended to solicit investment.
- Descriptions of future prospects are based on information currently available and assumptions that are considered to be rational, and therefore, the actual outcome may be different from the described prospects, depending on changes in the business environment, among other factors.
- Users should make important decisions on investment and other matters at their own discretion.

