

AFC REPORT

Fiscal year ended March 31, 2022

April 1, 2021 ▶ March 31, 2022



 AIRPORT FACILITIES CO., LTD.

(Ticker Code: 8864)



Message from the President



We capitalize on environmental change, to accelerate on enhancement of value creation, throughout our business.

President and CEO

We would like to express our sincere thanks to shareholders and stakeholders for their continuous support. On the economic front, showing signs of recovery from the impact of COVID-19 pandemic, has uncertainty by the recent Ukraine conflict.

Under challenging environment, the granting of rental and heating charges relief for our customers, together with the addition of full-year operation of new facilities, partial recovery of water supply and drainage service usage fee, our group for FY2021, has realized net sales of ¥23.7 billion, resulting in operating income of ¥3.2 billion and ordinary income of ¥2.9 billion. Taking into consideration to further improve our asset efficiency, the plan of sales of our hotels in Kyoto, under the backdrop of lagging inbound demand, the impairment loss taken, we have attained ¥800 million in profitability. As there is no direct impact on our revenue base, due to the impairment loss undertaken, we are pleased to deliver our committed interim dividend of 7 yen per share and an annual dividend of 14 yen per share.

On May 13, we have announced our Medium- to Long-Term Management Plan covering the seven years from FY2022 to FY2028. We will be implementing our post pandemic strategy, under the basic policy of "Maximizing and continuous implementation of

strategies affecting key resources to support growth and development."

This plan places our three businesses at the center of our priority measures.

① Haneda Airport 1-Chome project

We aim to improve our profitability through the reorganization project of Haneda Airport 1-Chome area, which is the place of AFC's founding.

② Expansion of non-asset businesses

We aim to grow and expand our outside airport real estate and asset management portfolio.

③ Improvement of the profitability of existing businesses

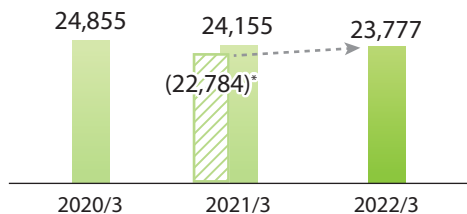
We aim to grow and strengthen occupancy rate and rental revenue, and restructuring properties.

Through such efforts, we aim to create unique value within and outside airports.

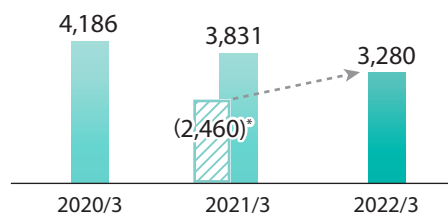
We would like to ask for the continuous understanding and support of our shareholders and investors.

FY2022 Performance Highlights

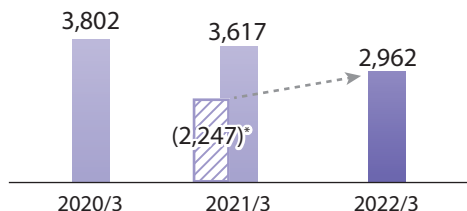
Net sales (¥ Million)



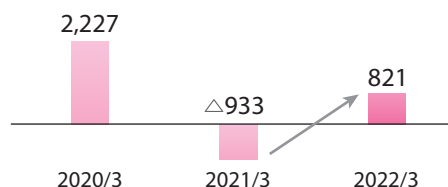
Operating income (¥ Million)



Ordinary income (¥ Million)



Profit (loss) attributable to owners of parent (¥ Million)



For comparative purpose, exemption of rent was not been reported as an extraordinary loss but was deducted from sales in FY2020 - shown in shade in the chart (*). **Comparing FY2021 and FY2020 -highlighting increases in net sales and profit.**

Review

- 1 Taking into consideration, full-year operation of new facilities, marginal increase in the sales of the area heating and cooling business, and an increase in the use of water and sewage, net sales decreased only slightly (mainly due to the exemption of rents from air carriers affected by the COVID-19 pandemic).
- 2 Operating income was impacted by rental relief and the increase in fuel expenses for the area heating and cooling business (oil price hike and depreciating yen).
- 3 Due to the lagging performance of inbound demand and to improve asset efficiency, we planned to sell Kyoto hotels. In spite of the impact on operating income and the impairment loss recorded as extraordinary loss, we have secured profitability.

Dividends

For the fiscal year ended March 2022, we will deliver our committed year-end dividend of 7 yen per share, at the beginning of the year, and an annual dividend of 14 yen per share. We are expecting the same for the fiscal year ending March 2023.

Keeping strong financial and sustainable growth, we will endeavor to continue our dividend policy of consolidated payout ratio of 40% or higher.

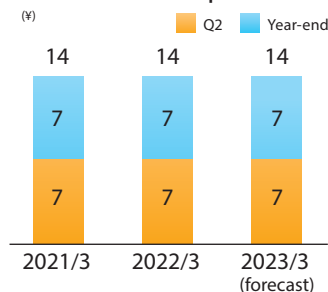
We would like to ask for further understanding and support from our shareholders and investors.

Cash dividends per share for 2023/3 (forecast)

14 yen

(Consolidated payout ratio: 53.4%)

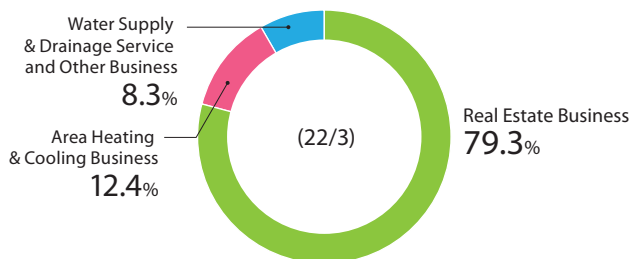
Cash dividends per share



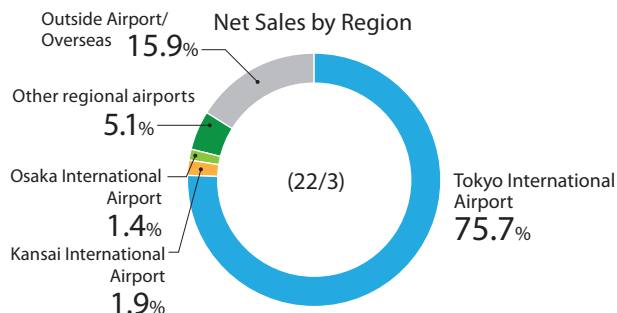
Business Outline

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. While we have been deploying business in Tokyo International Airport and other major airports across Japan as well as airports abroad, we are also developing business outside airports more recently to expand our fields of activities.

Net Sales by Business Segment



Net Sales by Region



Map of the facilities of our company

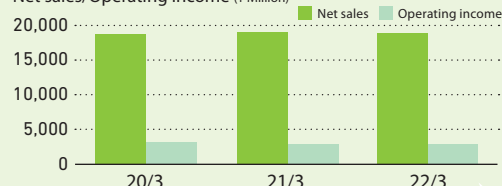


Real Estate Business

Net sales (22/3)

¥18.8 billion (-0.5%)

Net sales/Operating income (¥ Million)



Even with full-year contribution from Kanazawa-Hakkei International Community Plaza (completed in March 2021), the dormitory for international students, our net sales and operating income decreased due to factors such as rental relief extended to air carriers, etc.

Core business

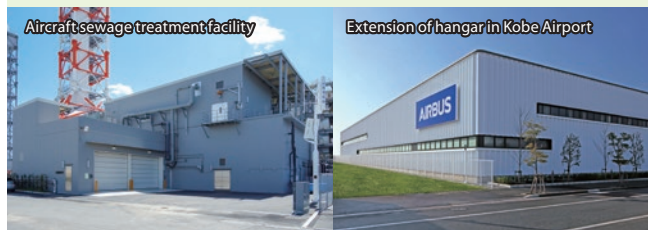
Leasing of real estate such as multi-purpose general buildings, hangars, maintenance plants, apartments, and hotels in airports in Japan and abroad and regions along the railway line connected to the airport

Major companies

Airport Facilities Co., Ltd./AIRPORT FACILITIES ASIA PTE. LTD./AFS PROPERTIES PTE.LTD.

Recent investments

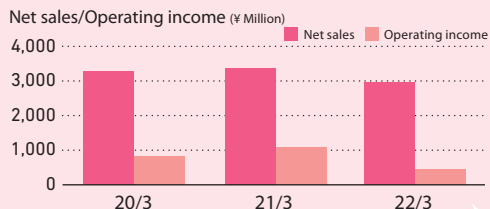
- ARC Building in-flight meal factory/Aircraft sewage treatment facility/HANEDA INNOVATION CITY/Kanazawa-Hakkei International Community Plaza/ALPINE STYLE Koshigaya
- Extension of hangar in Kobe Airport
- Hangar at Nata Heliport



Area Heating & Cooling Business

Net sales (22/3)

¥2.9 billion (-12.5%)



Slight increase in contribution from Tokyo Airport Heating & Cooling Co., Ltd, has been overshadowed by the impact of rental relief/ operation cost increase – electricity and gas, etc.

● Core business

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

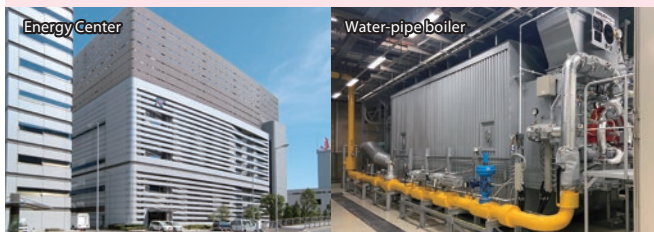
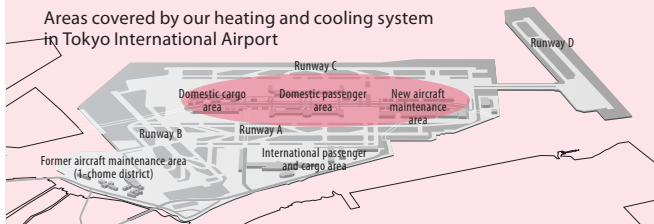
● Major companies

Tokyo Airport Heating & Cooling Co., Ltd.

● Recent investments

Boiler renewal work

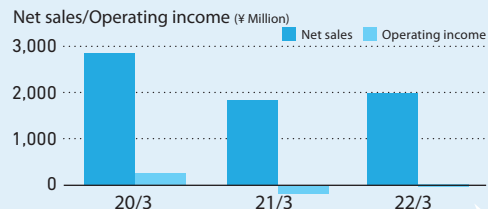
Areas covered by our heating and cooling system in Tokyo International Airport



Water Supply & Drainage Service and Other Business

Net sales (22/3)

¥1.9 billion (+7.6%)



Compared to the previous year, when the airport users decreased, with the increase of water and sewage usage, and the expansion of local area communication network, we secured increase in net sales and reduction of operating loss.

● Core business

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

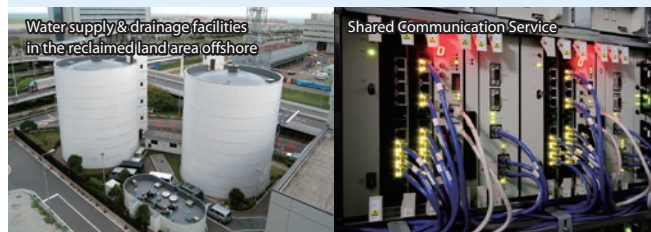
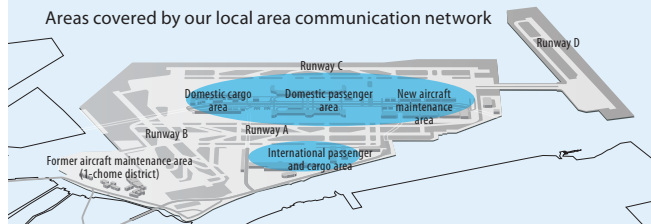
● Major companies

Airport Facilities Co., Ltd.

● Recent investments

Laying cables for local area communication network

Areas covered by our local area communication network



Toward creating unique value within and outside airports

Formulation of the new Medium- to Long-Term Management Plan (from FY2022 to FY2028)

In order to contribute to social development in and outside airports while coping adequately with the environment after the pandemic, as well as to increase our corporate value, we have formulated the new Medium- to Long-Term Management Plan.

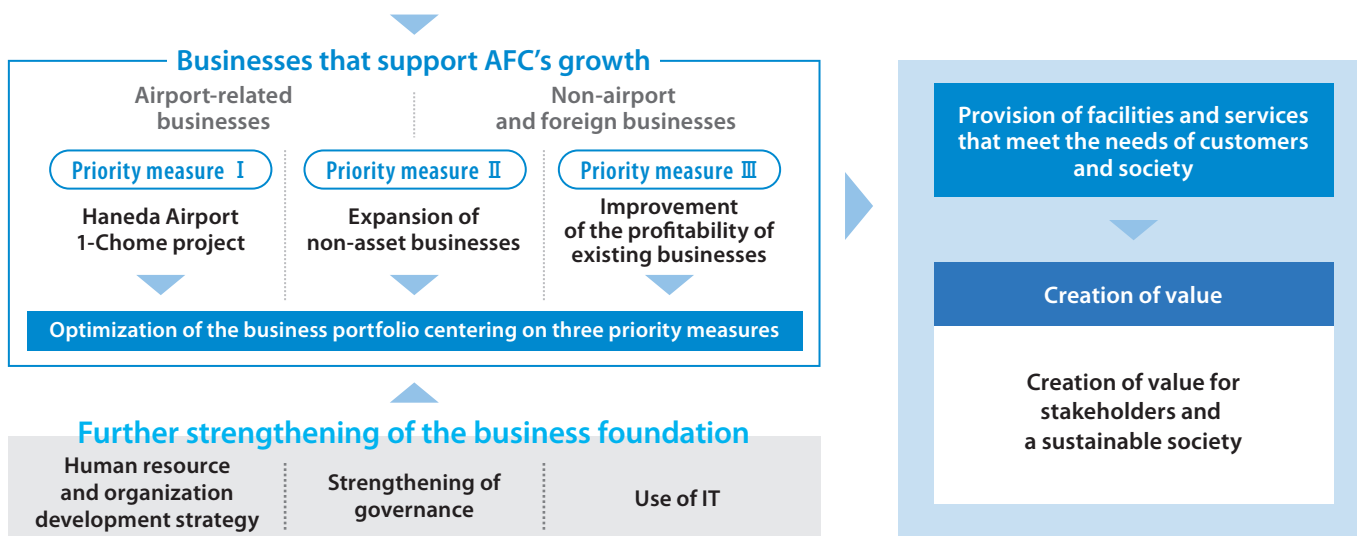
Implementing our long-term strategy, as basis towards formulating our Plan -“AFC VISION” - “Toward creating unique value within and outside airports”. With 50 years of know-how and experience and using Tokyo International Airport as our main hub, AFC through value creation, endeavor to deliver high level customers satisfaction.

We will focus on consistent evolving of policy and strategy with time and the embracing of social responsibility to realize sustainable long-term growth.

Our company will promote specific actions including the Medium- to Long-Term Management Plan in order to achieve the AFC VISION.

Basic Policy

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



Consolidated numerical targets, shareholder return

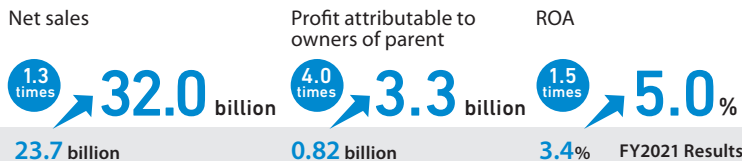
Consolidated numerical targets

Our Plan, through to FY2028, aims to **achieve record-high net sales and profitability.**

Shareholder return policy

Our dividend payout ratio will be raised from 30% to 40% or higher, considering the right balance of cash and financial resources.

Consolidated numerical targets for FY2028



Consolidated payout ratio target

40% or higher

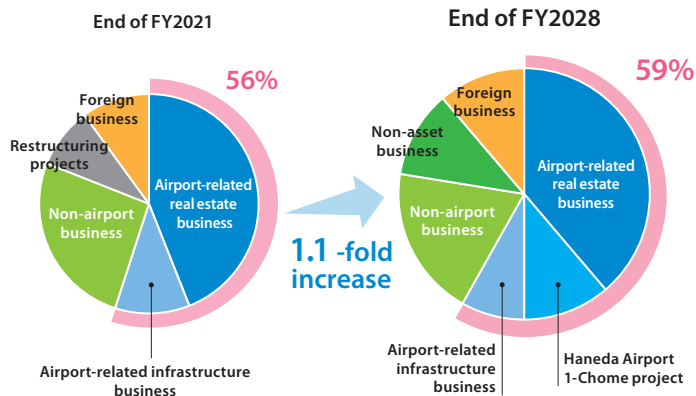
(Previous target: 30% or higher)

Business portfolio strategy

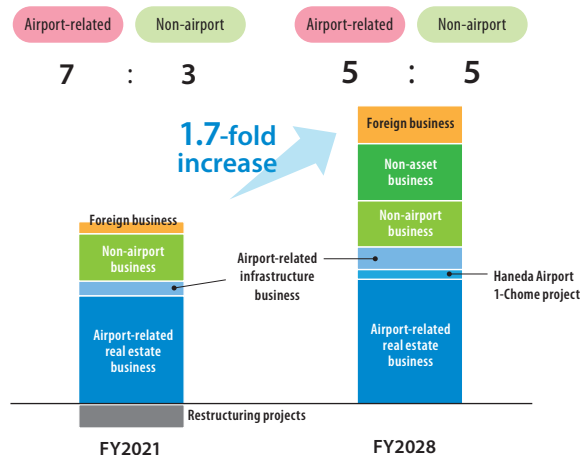
The Plan divides the business of our company into five categories, namely "Airport-related real estate business," "Airport-related infrastructure business," "Non-airport business," "Foreign business," and "Restructuring projects." We will pursue profit growth and capital efficiency improvement through a business strategy placing priority on the company's strengths.

AFC aims to increase and diversify profit, through large-scale investments in Tokyo International Airport, growing progressively in non-asset and foreign businesses.

Asset mix target



Targets for business profit* growth and business mix



*Business profit = operating income + non-operating income



Business strategy

① Haneda Airport 1-Chome project

Priority Measures

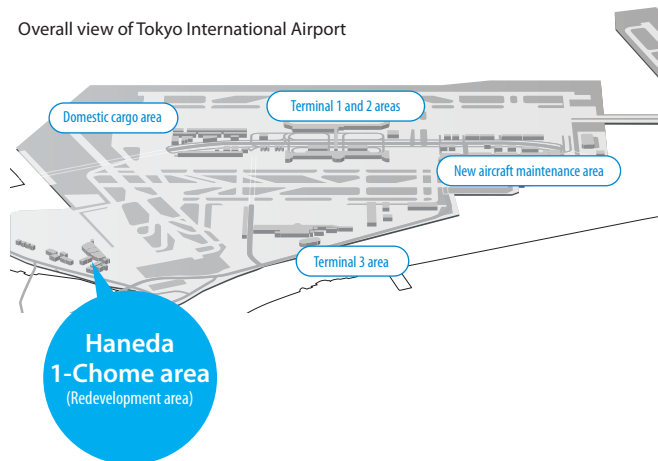
Haneda Airport 1-Chome area refers to the area near Seibijō Station of the Tokyo Monorail and is the place of AFC's founding. Clusters of aviation-related companies, including AFC's headquarters, have contributed to the development of the aviation industry.

AFC will contribute to the Haneda Airport 1-Chome project, which reorganizes the company's facilities in accordance with the area's disaster risk management measures and provides functions of better quality while maintaining the area's tradition of aviation.

Consistent improvement of efficiency, through the reorganization and rebuilding of eight existing facilities, will provide sustainable and stable profitability.

Also, we will contribute to realizing a sustainable society by introducing better energy usage efficiency in new facilities. In addition, we will also contribute to the stable operation of Tokyo International Airport by taking measures against natural disasters.

Overall view of Tokyo International Airport



② Airport-related real estate business

As for the airport-related real estate business, we will accelerate business with the core concepts of "Optimizing profits from existing facilities and enhancing customer satisfaction," and "striving to capture new demand."

Optimizing profits from existing facilities and enhance customer satisfaction

Priority Measures

We will strengthen sales activities in existing facilities and improve facility maintenance costs. Regarding the domestic cargo terminal of Tokyo International Airport, we will improve the operational efficiency of the area and terminal functions to realize a smart air cargo terminal.

For lower yield facilities, restructuring, including closures will be addressed progressively.

Strive to capture new demand

We will capture demand in the post-COVID-19 era and aim to advance into airports where AFC currently has no presence by using and strengthening customers' networks. In addition, we will present proposals for leasing and common use of equipment related to AFC's facilities, and consider engaging in airport operation business.

③ Airport-related infrastructure business

As for the airport-related infrastructure business providing area heating and cooling service, local area communication network, water supply and drainage, SD plant (aircraft sewage treatment facility), aircraft washing facility, etc., we will further strengthen our foundation for stable supply through continuous reforms of the crisis management system and implementation of appropriate security measures. We will also make active investments in facilities to reduce the environmental burden and improve efficiency.



④ Non-airport business

As for the non-airport business, we will aim to develop rental houses for airport-related workers and logistics facilities. In addition, excellent properties will be accumulated to develop real estate funds. As for existing facilities, we will reduce cost through efficiency improvement of management and operation and reorganize owned properties to improve our profitability.



⑤ Non-asset business

Priority Measures

Non-asset business will be promoted with the two pillars of real estate fund development and the expansion of fee business.

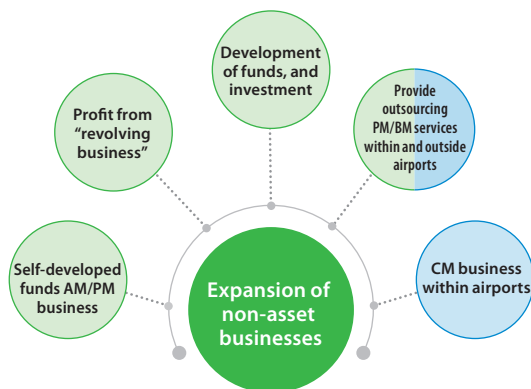
Real estate fund development

In addition to the development of real estate funds through the accumulation of excellent properties in the airport-related real estate business, we will also aim to earn management fees through the establishment of asset management (AM)/property management (PM) subsidiaries while considering the possibilities of business collaboration and M&As.

Established on May 26th, 2022, AFC Asset Management Co., Ltd. will accelerate the growth of our non-asset business.

Expansion of fee business

We will expand construction management (CM) business by taking advantage of our know-how and customers' networks. Also, we will develop PM and building management (BM) business and aim to implement business in and outside airports.



⑥ Foreign business

By taking advantage of the know-how and networks we have been cultivating, we will finance aviation-related business and make it a profit foundation of foreign business. Also, we will develop a business foundation and minimize risks through collaboration with reliable partner companies, aiming to advance into businesses with higher profitability.



⑦ Study on creation of new businesses toward future prosperity

Towards the commercialization of "flying cars," our company will continue the study by strengthening collaboration with relevant companies and try to create a new business. Our company will also be engaged in environmental businesses including the creation of businesses that contribute to the reduction of environmental burden and improve efficiency, and solar power generation business.

The Innovation Promotion Office was established in April 2022 for securing a system to create new businesses. The Office will promote new businesses. Also, the "AFC Innovation Lab" engaged in activities to start up new businesses based on proposals from employees will also start.

Recent Efforts

■ Establishment of AFC Asset Management Co., Ltd.

Established on May 26th, 2022, AFC Asset Management Co., Ltd., will be priority in our Medium to long-term Plan, in our “Non-asset business” outside airports.

The company will be exclusively engaged in businesses such as the expansion of “Revolving business” of real estate outside the airport and the development of a real estate fund in the future, for the steady promotion of non-asset business. We aim to grow and diversify revenue sources of the AFC Group through the development and promotion of non-asset business, and will develop a capital efficiency-conscious business portfolio that is resilient to risks.

■ Acquisition of ALPINE STYLE Koshigaya



We have leased to Alpine News Co., Ltd., a property, in Koshigaya City, Saitama Prefecture, that we have acquired in October 2021, to diversify our business portfolio and promote non-airport business. Alpine News Co., Ltd., is a company that specializes in customized-car service.

Newly established in January 2021, our Business Development Department, in evaluations of new projects outside airport business, have opt to invest in Alpine News Co., Ltd, a company that is seizing the rapidly growing lifestyle customized-car service market.

We will continuously conduct market research, consider new projects, and will strive to further expand our non-airport business by taking advantage of the technical acumen and proposal expertise cultivated in and outside airports.

■ Conclusion of financing contract regarding the procurement of aircraft engine

A Singapore-based AFS PROPERTIES PTE. LTD., a subsidiary in Singapore, has provided financing for aircraft engine leasing company in Singapore.

We are using Singapore and Canada as our base for oversea aviation facilities related business. We are looking forward to expediting growth in our recent venture into financing business.



With progressive increase in our know-how and experiences in engine leasing business, we endeavor to capitalize on the global increase in aviation demand to actively develop our foreign business.

Initiatives for ESG

Efforts towards realizing sustainability

We formulated the company's basic policy for sustainability in December 2021 towards achieving the long-term improvement of corporate value and realizing a sustainable society. Sustainability Promotion Council meetings have been held several times from January 2022, discussing mid- to long-term themes and directions in line with the basic policy and measures such as responses taken related to the Task Force on Climate-related Financial Disclosures (TCFD). Further, in the Medium- to Long-Term Management Plan disclosed on May 13, 2022, we have set a goal to reduce CO₂ emission in FY2030 by 46% from FY2013, in order to achieve carbon neutrality by 2050. We will be engaged in reducing environmental burden based on the latest technological trends by further deepening our understanding of environmental issues.

▶ Please refer to the following URL for the details of the basic policy. <https://www.afc.jp/csr/basicpolicy.html>

Examples of efforts to reduce the environmental burden



- Installation of electric vehicle charging stations
- Upgrading to highly efficient refrigerating machines



Holding D&I events

We are promoting Diversity and Inclusion (D&I) in our workplace. Major efforts include provision of conducive environment to enhance motivation and growth in career opportunities.

As a part of such efforts, in February 2022, we held an event to further deepen our understanding and recognition in D&I and consider what D&I is suitable for AFC group. The event included a lecture titled "The Promotion of Diversity in a Company" given by an external lecturer, and a panel discussion by four representative directors of the Company under four themes: (i) Significance of D&I promotion, (ii) Awareness and action, (iii) Work and career, and (iv) System and operation. Following this event, D&I training for different job grades was implemented in the same month for managers and general employees.



We will continuously engage in offering opportunities for employees and management to share awareness on the issue in various ways, creating a workplace environment where employees can maintain health both physically and mentally and work in a lively manner, building an organization where people are highly engaged, and realizing a company that promotes individual growth, through the promotion of D&I.



◀ External lecturer: Yoko Yajima, Executive Officer and Principal Researcher at Mitsubishi UFJ Research and Consulting Co., Ltd.

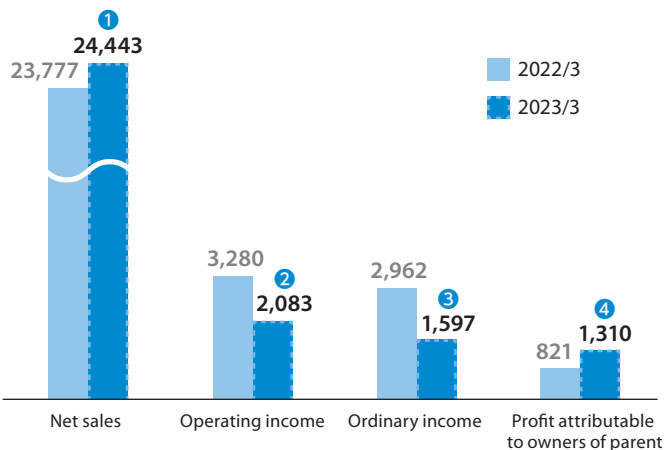


▼ Representative directors in the discussion: Kenya Inada (left), Toshiaki Norita (right)

Outlook for FY2022 Performance

Forecast on the consolidated performance

(¥ Million)



<Outlook for FY2022>

Although there will be an increase in expenses for fiscal year ending in March 2023, it is expected that, with the recovery of aviation demand, the use of water and sewage will increase. Also, with heightened emphasis of the Medium- to Long-Term Management Plan, we aim to achieve increases in net sales and operating income.

①(Net sales) In addition to the full-year contribution of the new project of the previous term, with the exemption of rent and heating charges not being factored in, it is expected that net sales for the fiscal year ending in March 2023 will increase by 2.8% from the previous term.

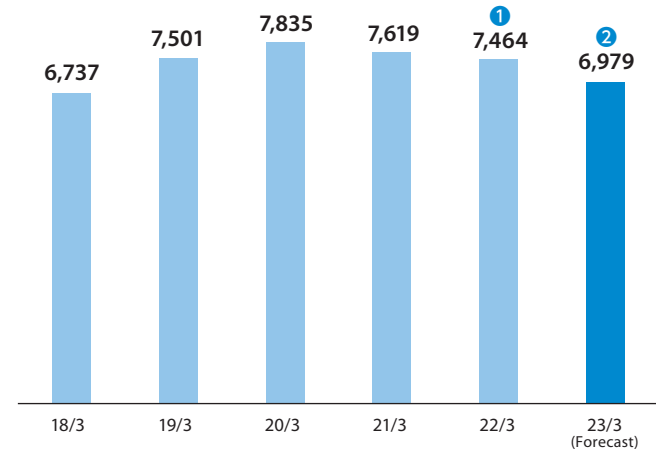
②(Operating income) With the start of the Haneda Airport 1-Chome project, there will be a new burden of depreciation expenses related to asset retirement obligation. Further, it is expected that fuel expenses for the area heating and cooling business will increase due to the impact of the oil price hike and depreciating yen, resulting in a forecast of a decrease by 36.5% from the previous term.

③(Ordinary income) It is expected to decrease by 46.1% from the previous term due to a decrease in operating income and an increase in refurbishment construction expenses.

④(Profit attributable to owners of parent) Although there is a decrease in ordinary income, it is expected that extraordinary loss will be reduced, and we expect an increase in profit for two consecutive years, with an increase by 59.6% from the previous term.

EBITDA + recovery

(¥ Million)



①(EBITDA + recovery) For the fiscal year ended March 31, 2022, EBITDA + recovery decreased by 2.0% from the previous term, with the decrease of operating income before depreciation.

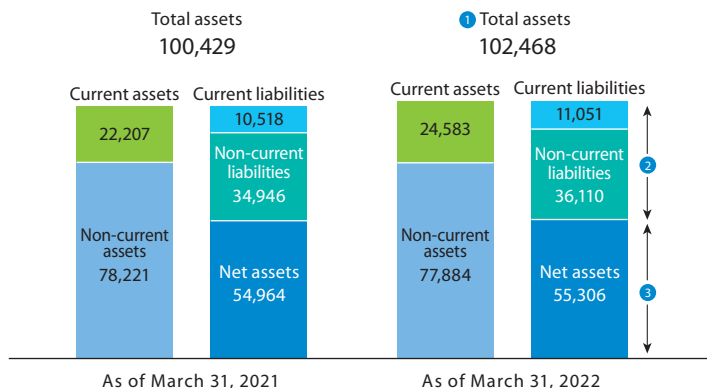
②(EBITDA + recovery) As for the fiscal year ending in March 2023, a decrease by 6.5% from the previous term is expected due to a decrease in operating income before depreciation and a decrease in recovery from overseas subsidiaries.

Although we expect a decrease in profit for the fiscal year ending in March 2023 in the consolidated financial statement, the major factor thereof is the recording of asset retirement obligation associated with the Haneda Airport 1-Chome project, and EBITDA + recovery as a cash flow is showing a stable trend.

Outline of the consolidated financial statements for the fiscal year ended March 31, 2022

Outline of Consolidated Balance Sheet

(¥ Million)

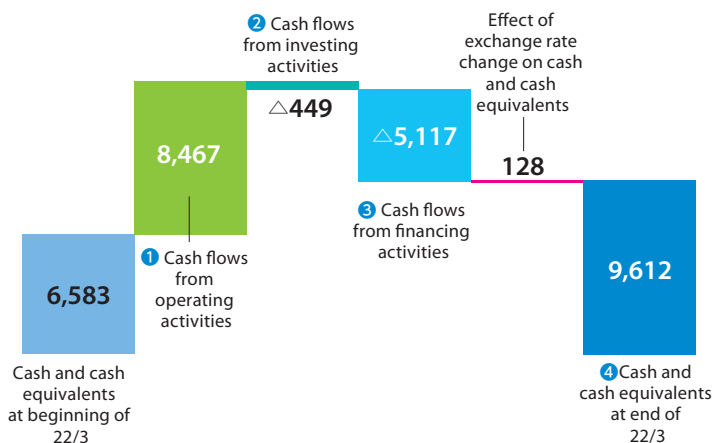


<Financial position as of March 31, 2022>

- (Assets)** In addition to the progress of the depreciation of buildings, with the plan of selling hotels in Kyoto, an amount equivalent to the cost of removal that corresponds with the asset retirement obligation was recorded as a building while recognizing an impairment loss, resulting in an increase of ¥2,038 million.
- (Liabilities)** Although long-term debts decreased, liabilities increased by ¥1,697 million due to the recording of removal expenses associated with the Haneda Airport 1-Chome project as an asset retirement obligation.
- (Net assets)** Increased by ¥341 million with an increase in retained earnings due to profit attributable to owners of parent, etc., and dividends of surplus, and the resulting equity ratio is 51.4% (decrease by 0.7 points).

Outline of Consolidated Cash Flow Statement

(¥ Million)

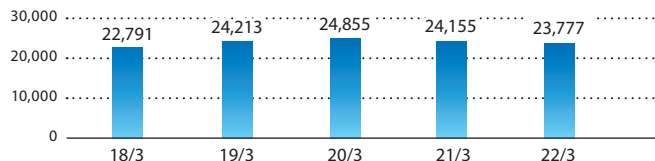


- Net cash provided by operating activities was ¥8,467 million (previous fiscal year: ¥4,758 million provided), mainly attributable to recording of income before income taxes, collection of operating loans receivable and recording of noncash items including depreciation and impairment loss despite a decrease in consumption taxes payable.
- Net cash used in investing activities was ¥449 million (previous fiscal year: ¥2,704 million used), mainly attributable to purchase of non-current assets despite proceeds from sales of investment securities.
- Net cash used in financing activities was ¥5,117 million (previous fiscal year: ¥1,907 million used), mainly attributable to payments of long-term debt and payment of cash dividends.
- As a result, cash and cash equivalents as of March 31, 2022 increased ¥3,029 million to ¥9,612 million.

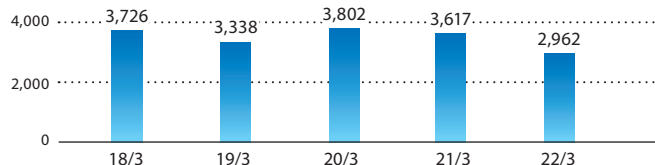


Financial Highlights (Five years)

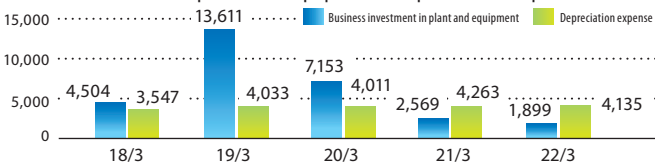
Net sales (¥ Million)



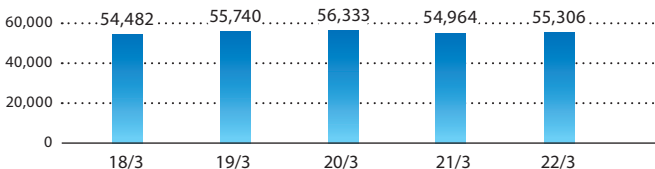
Ordinary income (¥ Million)



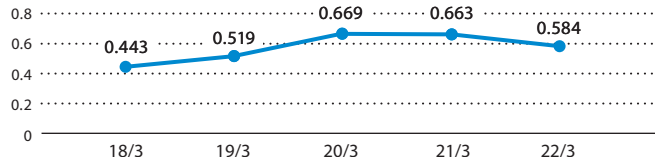
Business investment in plant and equipment/Depreciation expense (¥ Million)



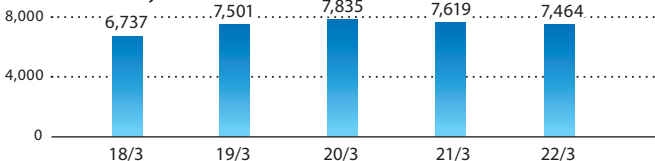
Net assets (¥ Million)



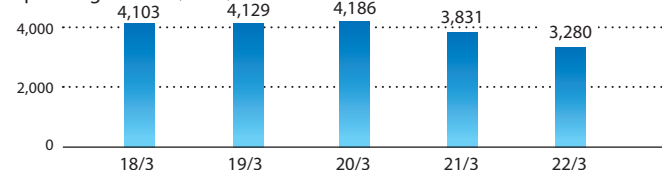
Debt to equity (Times)



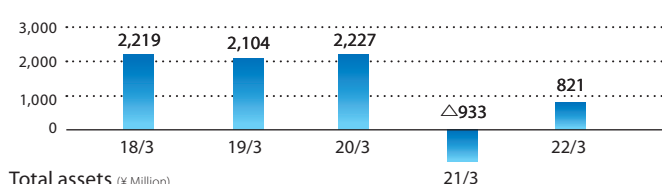
EBITDA + recovery (¥ Million)



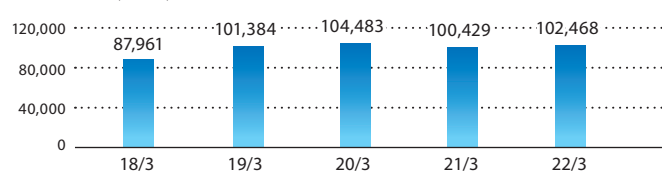
Operating income (¥ Million)



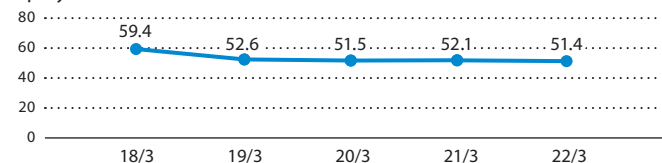
Profit (loss) attributable to owners of parent (¥ Million)



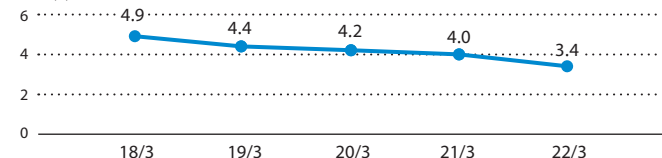
Total assets (¥ Million)



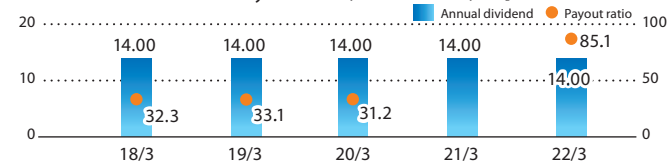
Equity ratio (%)



ROA (%)



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



* Payout ratio: not announced for the fiscal year with bottom-line loss.

To our shareholders

Notification of shareholder benefits

To show our appreciation for our shareholders' understanding and support for the business of our company, and to improve the attractiveness of investment, we have introduced a shareholder special benefit plan (discount in the accommodation fee of hotels owned/rented by our company). We welcome you to stay at hotels we own or rent for your further understanding of the business of our company.

Benefit criteria

Discount coupons will be issued to shareholders holding 100 shares (1 unit) or more of our company shares, according to the number of shares held.

Reference date	Period of issuance	Valid period
March 31	Late June	From July 1 to the following June 30
September 30	Late November	From December 1 to the following November 30

How to use

Please directly make a call to the hotel for a reservation when using the discount coupon. Please notify that **you are using a discount coupon issued by the AFC when making a reservation. Present the coupon at the time of checking in.** Your accommodation fee will not be discounted unless you present the coupon.

Transition to the Prime Market of the Tokyo Stock Exchange

There was a market restructuring of the Tokyo Stock Exchange on April 4, 2022, and our company transitioned from the First Section to the Prime Market. AFC will continue to strive to increase its corporate value so that we can fulfill the expectations of our stakeholders. We would like to ask for your further understanding and support for our business.

Facilities observation tour

We are currently preparing for the observation tour of the Tokyo International Airport facilities, a popular event among our shareholders, considering the situation of the COVID-19 pandemic and recent economic and social activities together with relevant parties. Once it is decided that the tour will be held, the details will be provided via AFC REPORT, etc.

Also, we are planning to give priority to the shareholders who are chosen by ballot to participate in the facilities observation tour that had been planned in April 2020. Thank you for your kind understanding.

▶ We are offering an email distribution service to provide the latest information of our company.
Please scan the QR code at right to subscribe.



Corporate Profile (as of March 31, 2022)

Corporate Name:	Airport Facilities Co., Ltd. (AFC)
Established:	February 1970
Capital:	¥6,826.10 million yen
Employees:	122 (Consolidated) 116 (Non-consolidated)

Directors and Corporate Auditors

(As of June 29, 2022)

Directors

Chairman and Executive Officer	Kenya Inada
President and Executive Officer	Toshiaki Norita
Executive Vice President	Katsuhiko Yamaguchi
Managing Executive Officer	Keisuke Komatsu
Managing Executive Officer	Shigeo Tamura
Managing Executive Officer	Fuminori Tsuboi
External Director	Takehiko Sugiyama
External Director	Kayo Aoyama
External Director	Toshikatsu Ogura

Corporate Auditors

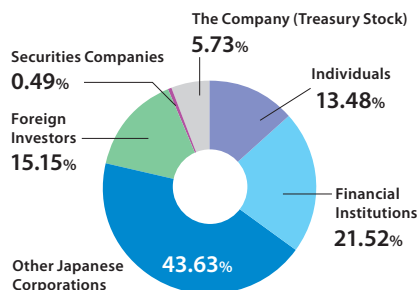
Full-time Statutory Auditor	Kazuhiko Muraishi
Full-time Statutory Auditor	Masaaki Komiya
Statutory Auditor	Akihiko Shiba
Statutory Auditor	Shigeto Kubo

Stock Information (as of March 31, 2022)

Stock Listings:	Tokyo Stock Exchange (TSE) Prime Market (from April 4, 2022) (Ticker Code: 8864)
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Total Number of Shares Authorized:	124,800,000
Total Number of Shares Issued:	52,979,350
Number of Shareholders:	7,549
Share Unit Number:	100 shares

Composition of Shareholders



Major Shareholders

Shareholder	Number of Shares Owned (thousands)	Ratio of Shareholding (%)
Japan Airlines Co., Ltd.	10,521	21.08
ANA HOLDINGS INC.	10,521	21.08
Development Bank of Japan Inc.	6,920	13.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,549	5.10
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,637	3.28