

# INTEGRATED REPORT 2023





## INTRODUCTION

# Creating value for aviation and metropolis with trust

We adequately respond to customers' needs and the requirements of society within and outside airports, try to expand our business base, develop our business actively, and promote the growth of the company, while also aiming to contribute to realizing an affluent society.

### Our Mission

We, the Airport Facility Group, will contribute to the advancement of aviation and the creation of attractive communities through prioritizing and delivering valuable facilities and services.

### AFC VISION

Toward creating unique value within and outside airports

### Our Value

1. We endeavor to uphold the trust and confidence that the public and customer placed on us.
2. We will always remain fully committed to safety and security.
3. As airport and real estate professionals, we will always challenge ourselves to meet public and customer expectations.
4. We will always remain fully committed to preserve the global environment and actively contribute towards long term sustainability of our society.
5. We respect diversity and provide a rewarding workplace.
6. We actively promote and maintain highest standard of ethics and integrity.



## To our stakeholders

We offer our heartfelt apologies to our shareholders and parties involved for causing grave concern and inconvenience over the occurrence of the governance problem regarding the appointment of company officials in the past, and the fact that some of the proposals on the appointment of officials were voted down at the 54th general shareholders' meeting.

Our urgent task is to regain confidence from our shareholders and all the stakeholders of our group, and the new officers will strive to fulfill such task.

Our company operates facilities in Haneda Airport and other major airports throughout Japan, including cargo terminals, training facilities for crew, and hangars, and supports the functions of airports through the provision of area heating and cooling facilities, water supply and drainage services, and infrastructure for shared communication services. In addition, we have been expanding the field of our business, such as by leasing properties outside airports, including hotels, residents, an international student dormitory, and buildings in urban central areas, as well as developing businesses in Singapore and Canada.

Under these circumstances, our company will continue creating value by resolving various challenges, including environmental problems, safety and assurance of employees and the regional community, and the improvement of corporate governance, by taking advantage of our strengths in real estate and other businesses, based on the Basic Policy for Sustainability.

We ask for ongoing understanding and support from our stakeholders.

September 2023

**Shigeo Tamura**  
President and CEO

## CONTENTS

- 05 Corporate development
- 07 AFC Group shown in data
- 09 Message from the President
- 13 Message from Outside Director
- 15 Value creation process
- 17 Materiality
- 19 Medium- to Long- Term Management Plan

- 23 Special Issue 1 ● Airport Business Headquarters
- 25 Special Issue 2 ● Business Creation Headquarters
- 29 Special Issue 3 ● Technology Headquarters
- 31 Special Issue 4 ● Promotion of non-asset business
- 33 Special Issue 5 ● Promotion of sustainability

### Environment

- 35 Promotion of environmental businesses

### Society

- 39 Human resource and organization development strategy
- 40 Promotion of work-life balance and D&I
- 41 Promotion of health management
- 42 Disaster countermeasures
- 43 Community building and contribution in neighboring regions

### Governance

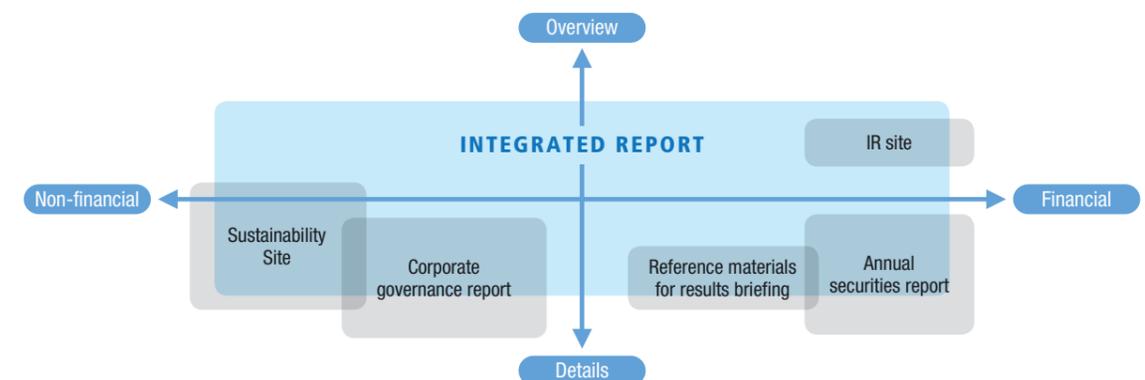
- 44 Corporate Governance System / Role of the boards of directors and corporate auditors
- 45 Directors and Statutory Auditors
- 47 Appointment and compensation of outside directors and auditors  
Evaluation of the board of director's effectiveness
- 49 Cross-shareholdings under the national policy /  
Efforts to fulfill the criteria to keep listing
- 50 Compliance
- 51 Risk management

- 53 Financial information

- 57 Stock information / Corporate profile

### About this Report

This Report is compiled to ensure the understanding of our Group in a well-balanced fashion from various aspects among all the stakeholders, including financial information such as management performance and strategy, as well as non-financial information in terms of environment, society, and governance. Please also refer to the website of our company, which offers various other information.



#### Period covered by this Report

From April 1, 2022, to March 31, 2023.  
(Some of the activities and efforts after April 1, 2023, are also included.)

#### Areas covered by this Report

Airport Facilities Co. Group  
(including affiliated companies in Japan and abroad)

# Expansion of business field from Haneda Airport, our starting point

## Airports, facilities outside airports, non-asset businesses

1970

Establishment of Airport Facilities Co., Ltd.



B747 Hangar



Sogo Building No. 1

1978

Opening of Chitose Office (current Chitose Business Office)  
Completion of the construction of Sogo Building No. 2 in Haneda Airport

1981

Completion of the construction of Sogo Building No. 5 in Haneda Airport

1989

Establishment of the Tokyo Airport Heating & Cooling Co., Ltd.

1993

Completion of the construction of Utility Center Building, West Hangar, and domestic cargo terminal in Haneda Airport



Utility Center Building



Domestic cargo terminal



West Hangar

1994

Completion of the construction of aircraft sewage treatment facility (SD plant) in Kansai International Airport

1993

Starts offering stock over the counter through Japan Securities Dealers Association

1995

Stock listed on the Second Section of the Tokyo Stock Exchange

1997

Stock listed on the First Section of the Tokyo Stock Exchange

2002

Acquiring Technical Center 1 in Haneda Airport

2005

Completion of the construction of aircraft sewage treatment facility (SD plant) in Chubu Centrair International Airport

2008

Completion of the South wing of Engine Maintenance Building in Haneda Airport

2009

Completion of Component Maintenance Building in Haneda Airport

2010

Acquiring two Kyodo Buildings in Nihonbashi Muromachi

2020

Completion of the extension and refurbishment of ARC Building in Haneda Airport into an in-flight meal factory  
Completion of the construction of Hangar at Nata Heliport in Fukuoka Airport (Nata Area)  
The first-phase opening of HANEDA INNOVATION CITY (Development of Zone 1 of the Former Haneda Airport Ground) in Ota Ward



Hangar at Nata Heliport

2011

Completion of the construction of TOKYU STAY Kamata hotel in Ota Ward  
Acquisition of Rinku International Logistics Center in Izumisano City, Osaka Prefecture  
Completion of Kobe Hangar in Kobe Airport



Hotel (TOKYU STAY Kamata)



Airbus Asia Training Centre (Singapore)



Flight simulator (Singapore)



In-flight meal factory in ARC Building

Non-Asset

2022

Establishment of AFC Asset Management Co., Ltd.

2021

Completion of the construction of Kanazawa-Hakkei International Community Plaza (international student dormitory) in Yokohama City



Kanazawa-Hakkei International Community Plaza

2022

Transition to the Prime Market of the Tokyo Stock Exchange

2020

Singapore Office of AFC Group opens

2017

AFN acquires a helicopter maintenance facility in Langley Regional Airport, Canada



Helicopter maintenance facility (Canada)

GLOBAL

2013

Establishment of AIRPORT FACILITIES ASIA PTE.LTD. (AFA)

2014

Establishment of AFN PROPERTIES LTD.  
AFA acquires an engine maintenance plant in Seletar Airport, Singapore

ENVIRONMENT

2013

Completion of the construction of Honsanrizuka Solar Power Generation Facility in Narita City

2018

Completion of TRC Distribution B Building Rooftop Solar Power Plant in Ota Ward

2020

Start of solar power generation at the rooftops of the domestic cargo terminal of Haneda Airport



TRC Distribution B Building Rooftop Solar Power Plant

## Foreign/environment business

1970

Establishment of Airport Facilities Co., Ltd., becoming independent from Kokusai Kogyo Co., Ltd.

Start of the leasing of buildings, area heating and cooling service, water supply and drainage service in Haneda Airport 1-Chome area, and the leasing of buildings in Itami Airport

1993

Debuts on the stock market

1993: Starts offering stock over the counter through Japan Securities Dealers Association  
1995: Stock listed on the Second Section of the Tokyo Stock Exchange  
1997: Stock listed on the First Section of the Tokyo Stock Exchange  
2022: Transition to the Prime Market of the Tokyo Stock Exchange

1993

Facilities development accompanied with the Haneda Airport offshore land reclamation project

At the timing of the start of the second phase of the Haneda Airport offshore land reclamation project (in September 1993), area heating and cooling service (Tokyo Airport Heating & Cooling Co., Ltd.), local area communication network business, and water supply and drainage service starts.

1998

Start of businesses outside airports

Starting from the acquisition (sales) of Roppongi Building in Minato Ward, projects in urban central areas are expanded  
Thereafter, the business is further developed to include hotels, residents for those who work at airports, and international student dormitory.

2013

Finance business starts abroad

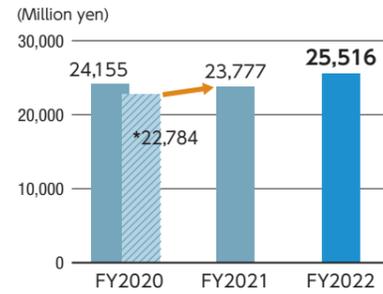
AIRPORT FACILITIES ASIA PTE. LTD. is established in Singapore in 2013.  
In 2014, finance business starts.  
In 2014, AFN PROPERTIES LTD. is established in Canada and started finance business.

2013

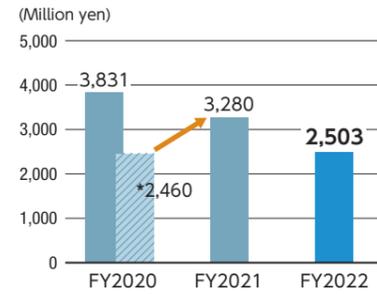
Environmental initiatives (solar power generation)

In 2013, the first solar power generation facility of our company was constructed in Honsanrizuka, Narita. Thereafter, solar power generation facilities are installed in Kagoshima Airport in 2014, in Mizunami City, Gifu Prefecture in 2016, in TRC (TRC Distribution B Building Rooftop) in 2018, and in Haneda Airport domestic cargo terminal in 2020.

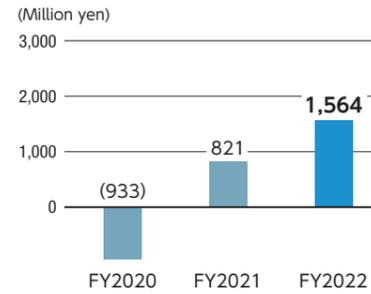
**Net sales**



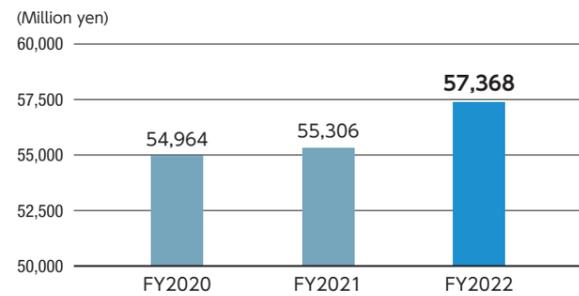
**Operating income**



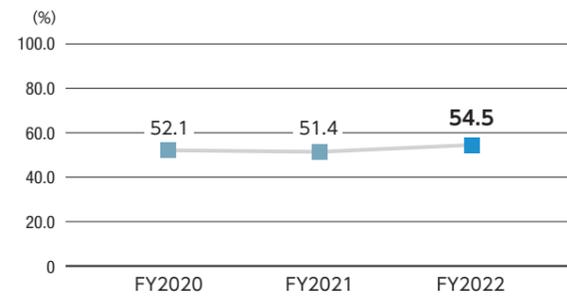
**Net income (loss)**



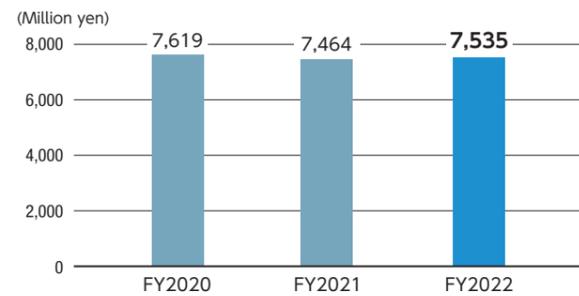
**Net assets**



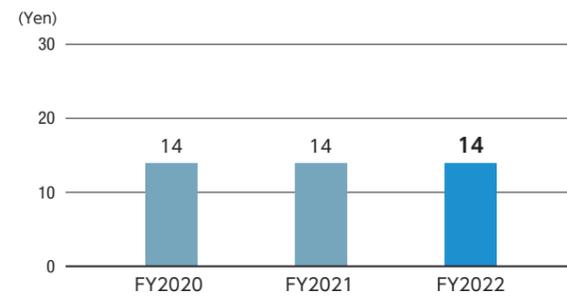
**Equity ratio**



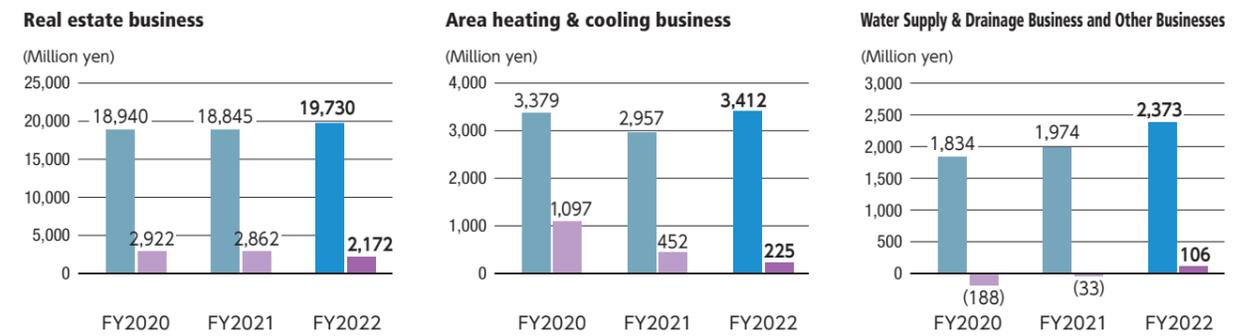
**EBITDA + recovery**



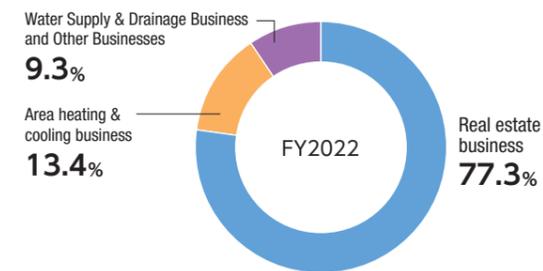
**Dividend per share**



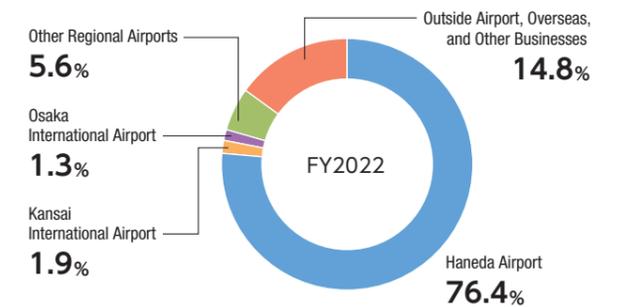
**Net sales/operating income by Business segment** (Net sales Operating income)



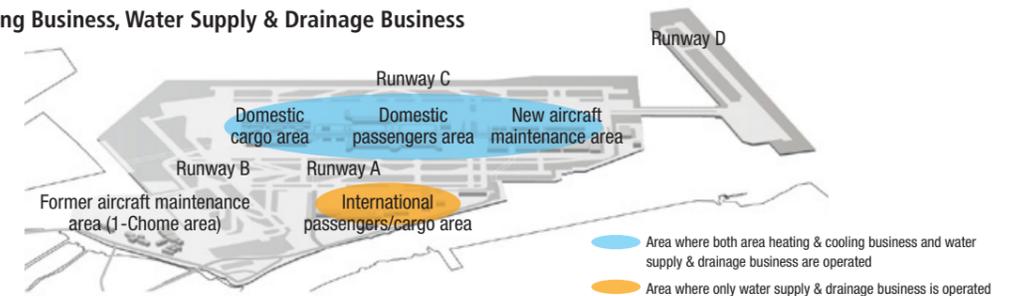
**Net Sales by Business segment**



**Net Sales by Region**



**Area Heating & Cooling Business, Water Supply & Drainage Business operation area**



**Map of the facilities of our company**



**Performance for the fiscal year ended in March 2023**

- In order to equalize the conditions, the assumption of the exemptions of rent in FY2020 (that had been actually reported as an extraordinary loss) that have not been reported as an extraordinary loss but were deducted from sales, as was the case in FY2021, is shaded in the chart (\*). Comparing the figures of the latest three fiscal years under such conditions, we have achieved practical increases in net sales and operating income for three consecutive years.
- In addition to the termination of the exemption of rent and heating charge claims for air carriers that was implemented for the past two consecutive fiscal years, water supply and drainage service usage recovered due to the increase in the number of airport users, resulting in an increase of net sales.
- Operating income decreased due to the increase in raw material expenses resulting from soaring energy prices in the area heating and cooling business and a new burden of depreciation expenses related to asset retirement obligations (about 1 billion yen) from the Haneda Airport 1-Chome Project. Depreciation expenses related to the asset retirement obligations are impacted by expenses from the perspective of future investment.
- As for net income, an extraordinary income due to the amended declaration of corporate tax assets and an extraordinary income from the sale of the hotels in Kyoto in FY2020 were reported. On the other hand, impairment loss was reported as an extraordinary loss with the expected demolishing and redevelopment of Osaka Sogo Building, resulting in the profit attributable to owners of parent of 1.5 billion yen.

**Number of employees (number of female employees)**

for FY2022 only



**Number of those newly employed (number of women newly employed)**

for FY2022 only, including mid-career recruitment



**Overtime work**

monthly average in FY2022, non-consolidated



**Paid leave**

average days taken in FY2022, non-consolidated



# Towards realizing transparent management, strong governance, and the maximization of corporate value



**Shigeo Tamura**  
President and CEO

## Introduction

Because a potential problem was identified in the process of discussion regarding the appointment of candidates for the directors of our company, we have established the Independent Inspection Committee Regarding Governance on the Nomination of Directors (hereinafter referred to as the Inspection Committee) to implement inspection. We accept with sincerity the results of inspection by the Inspection Committee to formulate and implement concrete measures to prevent recurrence based on the problems pointed out and suggestions on improvement measures. We will devote all our energy to restoring trust from our stakeholders.

### For the achievement of the Medium- to Long-Term Management Plan

## Progress management of the Medium- to Long-Term Management Plan

Three years have passed since everyday life changed significantly due to the spread of COVID-19. The global pandemic affected

every industry, not only the aviation and real estate industries. However, recently, the normalization of economic and social activities has progressed largely including the recovery in aviation and tourism demands, and we are hearing more positive news for the company. On the other hand, there are still uncertainties in the international community caused by factors such as the circumstances of Ukraine, so we need to pay attention to the effect on the businesses of the company, both tangible and intangible.

The Medium- to Long-Term Management Plan for FY2022-FY2028 announced in May 2022 started under a harsh environment, such as the significant decrease in aviation demand caused by the COVID-19 pandemic, and the recognition of an asset retirement obligation for existent facilities associated with the start of the Haneda 1 Cho-me Project. However, by utilizing the knowledge we have been developing until now, we are engaged in three priority measures, namely (i) the Haneda 1Cho-me Project, (ii) expansion of the non-asset business, and (iii) improvement of the profitability of existing businesses, under the AFC Vision, titled "Toward creating unique value within and outside airports."

Recently, we have been acquiring real estate for sale in collaboration with AFC Asset Management Co., Ltd., established last year in the area of non-asset business. Specifically, we

acquired the company's first property for sale in Hiroshima City in March 2023, and then the second property in Shinjuku in June. Regarding the acquired real estate, we will raise the asset value for sale, gain profit, and aim to compose a privately-placed REIT.

As for the aircraft fund for which we signed an investment contract in July 2022, we obtained the first aircraft as a measure to establish a "business portfolio that is resilient to risks" aware of capital efficiency, mentioned in the Medium- to Long-Term Management Plan. This aims to diversify the company's revenue sources by investing in a fund to hold multiple aircraft, which are attracting attention as a global investment asset that generates stable profit for a long term.

We will continue managing the PDCA cycle based on the early recognition of changes in the business environment and management issues, and work to establish stable growth and a profit foundation, towards the achievement of the Medium- to Long-Term Management Plan.

On the other hand, a trusting relationship with our customers is important for our business. We need to place top priority on safety and security, to construct, maintain, repair, and improve facilities, and ensure that our customers can use the facilities comfortably. It is essential that all employees approach their work

sincerely so that our company is chosen by customers. The flow of change in the social environment is faster than we expect, and our company cannot escape it. More than anything, it is important to think, plan, and implement on the premise that times have changed. We would like to achieve sustainable growth for our company, without postponing the issues but resolving them with a strong will to carry through.

In FY2023, the second year of our Medium- to Long-Term Management Plan, we would like to continue steady efforts one by one towards the development in the future, without nipping the buds of growth, to achieve the Medium- to Long-Term Management Plan.

## Organizational reform

Toward the achievement of the Medium- to Long-Term Management Plan, organizational reform was implemented as of June 29, 2023, for the purpose of restructuring the system to suit the promotion of business and reinforcing marketing promotion.

The reform included the restructuring of the existing five Headquarters into three Headquarters, namely the Airport Business Headquarters, Business Creation Headquarters, and Technology Headquarters, in order to clarify responsibilities for profit and

ensure the thorough management of income and expenditure.

1) Airport Business Headquarters

The Headquarters consist of Airport Business Department, Airport Infrastructure Business Department, and Planning and Research Department, and are in charge of businesses within Haneda Airport and other domestic airports in general, integrating the functions for services within the airport.

2) Business Creation Headquarters

The Headquarters consist of Real Estate Business Department and Foreign Business Department, with Innovation Promotion Division added as an organization under the direct control of the Headquarters. The Headquarters are in charge of businesses outside airports and foreign businesses.

3) Technology Headquarters

The Headquarters consist of the Facilities Planning Department, Osaka Office, and Chitose Office, and are in charge of business related to facilities in general, including new construction, renovation, repair, and maintenance.

Transparent management, and the establishment of strong governance

Board of directors

The Corporate Governance Code specifies the roles and responsibilities of the board of directors as: (1) indication of the general direction, such as the corporate strategy, (2) development of an environment to support adequate risk-taking by executives, and (3) highly practical supervision of management and directors from an independent and objective perspective. The board of directors of our company makes decisions on matters prescribed by laws and regulations, matters specified in the rules on the board of directors, and other matters of importance, and assumes the role of supervising the management of the company in general. In their execution of operations, directors are assigned specific duties, and it is ensured that each director carries them out. At the same time, organization regulations and division of duties regulations are formulated to ensure that such duties are conducted adequately and efficiently.

In addition, independent outside directors are selected based on criteria such as being capable of contributing to AFC's sustainable growth and an increase in the enterprise value in the medium to long term by providing advice and recommendations to management from a position of independence, as well as the

independence criteria prescribed by the Tokyo Stock Exchange.

In addition to the existing one female outside (independent) director, one female outside (independent) auditor took office in June 2023, and the ratio of female directors among the board members is now about 17% (2 out of 12 directors). Directors and statutory auditors of our company have various backgrounds and different knowledge.

We expect that active discussions made from more multilateral perspectives than ever will lead to the establishment of transparent and strong governance.

Measures to fulfill the criteria for listing on the Prime Market

As of December 2022, our company failed to fulfill the criteria for listing on the Prime Market of the Tokyo Stock Exchange. Therefore, setting the improvement of IR and shareholder return as the basic policy, we announced a plan to fulfill the criteria by the end of December 2025.

In regard to the first item, the improvement of IR, our company established the Public Relations and Investor Relations Division to promote constructive dialogue with shareholders and investors, and we are actively working on IR activities.

While we are holding a results briefing twice every year, we are also striving to keep close communication with analysts. We also conduct IR meetings and interviews, and are also considering resuming the facilities observation tour for shareholders in FY2023 that was canceled due to the COVID-19 pandemic.

Our company website provides information including the disclosure of new projects as necessary, reference materials for results briefing, and the AFC Report that is sent to our shareholders twice every year. Further, our company also prepares the Integrated Report to ensure the understanding of our Group in a well-balanced fashion from various aspects among all the stakeholders, including financial information such as management performance and strategy, as well as non-financial information in terms of the environment, society, and governance.

We are also actively disclosing IR materials in English for our overseas investors. We launched the English website of our company, which also includes financial results, reference materials for results briefing, and the AFC Report, in English.

We will continue working to provide information to our shareholders through the improvement of IR.

In regard to the second item, improvement of shareholder return, we pay stable dividends while maintaining the right balance



among preparation for future investment to achieve sustainable growth, maintenance of financial soundness and return of profits to shareholders, under the basic policies of return to shareholders, namely the "stable and continuous return of profits" and "dividend increase linked to business performance improvement." In the Medium- to Long-Term Management Plan, we decided to aim for a consolidated payout ratio of 40% or higher, increased from the previous goal of 30% or higher.

Also, the shareholder benefit was changed from the discount coupon for affiliated hotels to a meal voucher for Blue Corner UC, a restaurant operated by our group company. In the restaurant, you can watch airplanes within Haneda Airport while enjoying meals. This place makes you feel more familiar with Haneda Airport, the base of our business.

Sustainability promotion

In order to further promote sustainability management, our company established the Sustainability Promotion Council, to minimize risks and create business opportunities through setting and managing the progress regarding important issues (matters of materiality) and key performance indicators (KPIs), as well as to consider measures such as response to the Task Force on Climate-related Financial Disclosures (TCFD).

As for current efforts in terms of the environment, we are aiming to reduce CO<sub>2</sub> emissions by 46% in FY2030 compared to FY2013. Measures such as the introduction of LED lights in facilities and upgrading to high-efficiency equipment are being carried forth.

Although the achievement of the reduction goal for CO<sub>2</sub> emissions is a big challenge, we strive to reduce CO<sub>2</sub> emissions by 46% in FY2030 by considering various methods and technologies.

In terms of social efforts, we conducted a disaster drill for prompt restoration at the time of disaster, and also held an in-house lecture on D&I promotion. In regard to regional contribution, we donated stockpiles against disasters and provided support to restaurants providing free or inexpensive meals to children.

As for D&I (women empowerment), we are working to raise awareness within the company through measures such as regular transmission of information. It is highly important to bring out the motivation and potential of female employees, and we consider that it is necessary to develop an appropriate environment.

In terms of governance, we are committed to developing and operating a suitable management system and internal control system, in order to ensure sound, transparent, and fair management and to achieve sustainable growth. We are also identifying problems and taking necessary measures in the Risk Management Committee and the Compliance Committee.

Conclusion

We recognize that our largest responsibility is to continue winning trust and keep achieving sustainable growth as a company listed on the Prime Market of the Tokyo Stock Exchange.

We will continue responding sincerely to requests from our shareholders, investors, and various other stakeholders, striving to increase corporate value, and enabling AFC Group to evolve further.

(As of September 1, 2023)

**In order to further increase corporate value, we will utilize outside perspectives.**



**Kayo Aoyama**

Independent Outside Director

**Role to be played by an outside director**

I assumed the post of outside director of our company in 2015. I realize that the expected role of outside directors is increasing in importance every year. I have been working for a long time as a freelance announcer. Further, I was also in charge of running an organization and was engaged in various areas, including transportation, as a committee member of the government. I believe that my responsibility is to utilize such experience and view the AFC Group based on the multilateral perspectives of society and people.

The board of directors of our company includes three independent outside directors and two independent outside auditors. In addition, from June 2023, Ms. Sawako Ueno joined as a statutory auditor, and including myself, there is now one female outside director and one female outside auditor. I believe the composition is well-balanced also from the perspective of a skills matrix.

**For the enhancement of governance**

The enhancement of governance is becoming a more and more important theme for a company. It is an urgent issue, particularly for our company. We deeply regret and apologize sincerely to society and many stakeholders for the confusion and trouble caused from the series of events that started two years ago, in a manner that is also attributable to the background of the establishment of our company. The company is currently uniting the efforts of all directors and employees under the new management structure for the restoration of confidence, while considering and implementing measures for the enhancement of governance and building sound corporate culture with a self-cleaning mechanism.

There is an increasing number of measures that must be taken to fulfill our mission as a Prime-listed company, but we believe it is necessary to prioritize such measures and pursue further efficiency, as a company with limited human resources, in order to implement what is necessary for realizing the ideal image of the company.

**Sustainability promotion**

Sustainability efforts towards the realization of the SDGs are now an essential condition for corporate activities, and are directly linked to corporate value, including the evaluation of and decision to invest in the company. Our company sets a goal in terms of each of the ESGs (environment, society, governance), but it is necessary to plan out the way towards their achievement, setting out specifically what should be done by when and managing the progress.

I will repeatedly share within the board of directors and in the company the issues of the aggravation of climate change and the acceleration of movement towards a decarbonated society throughout the world, and I hope that all the aspects of the management and the business operations of the AFC Group will be addressed based on the perspectives of the reduction of CO<sub>2</sub> emission and SDGs. Our company must contribute securely to the promotion of “eco-airports,” which is a national initiative, and it is desirable to exert strong leadership and bring the specific concept of sustainability to the fore also in the renovation of facilities under the Haneda Airport 1-Chome Project and other new projects.

I am closely watching whether the decision-making in the company incorporates the perspective of ESG, whether the process of the evaluation of the investment target is appropriate, or whether the ideas and opinions of the young generation are adequately evaluated and opportunities for the creation of new business are generated.

Then, there is also the perspective of diversity, equity, and inclusion (DE&I). Our company gathers various human resources of different career backgrounds, from a wide variety of communities. While this involves difficulties, it is at the same time a strong advantage that no other companies have, as long as such different characteristics, values, and working styles are respected, and an environment is established allowing us to fully exert such features. Learning how to make decisions and how to do your job in the context of day-to-day work is also effective. Courtesy, manners, and morality are factors required for working adults that do not change over time, and I think the employee training provided in our company is very good. Along with the perspective of gender equality, I would like to see more opportunities for female employees to play an active role as a major competitive workforce and to have more opportunities to take on new challenges.

Of course, the pursuit of profit is necessary for a company, and

what is most important for that is human resources, in other words, employees. As such, we aim to fulfill wellbeing (a state where you are happy and physically, mentally, and socially satisfied), the third item of the SDGs. I expect our company to prepare an open and easy-to-work environment where all employees can make best of their characteristics and fully exert their potential. If the employees can move towards the goal with a smile, and with strong motivation, it will definitely have a good effect on the company.

**Importance of IR and dialogue with various people**

Currently, a vast amount of information is flooding society. Under such circumstances, merely disclosing company information provides no assurance that it will reach people. Some of the business activities of our company have a strong affinity to the SDGs, which are focused on as global guidelines. IR activities to securely convey necessary information are essential. The company’s strategy is called into question on what information to convey and when and how to do so.

Also, in order to ensure sustainable corporate activities, we must deepen dialogue (communication) with all our stakeholders (shareholders, investors, regional society, and employees) and listen to their opinions, and incorporate such opinions into the operation of our business to increase our corporate value. Especially when changes are made that may have both internal and external effects on the company, directors must be reminded of the need to thoroughly discuss and understand the changes, and to carefully explain the process in detail to our stakeholders and wider society. All the directors are recognizing such need anew.

**For the achievement of the Medium- to Long-Term Management Plan**

Our company must realize again the pride, significance, and importance of our role as the power behind the scenes that supports airports, which serve as bridges connecting the world and carrying dreams for various people and goods, and at the same time move forward to boldly take on new business challenges in response to global trends and society’s needs.

As an independent outside director, I will contribute to increasing corporate value while keeping an adequate distance from the president and other executives, and move forward with them towards realizing the Medium- to Long-Term Management Plan.

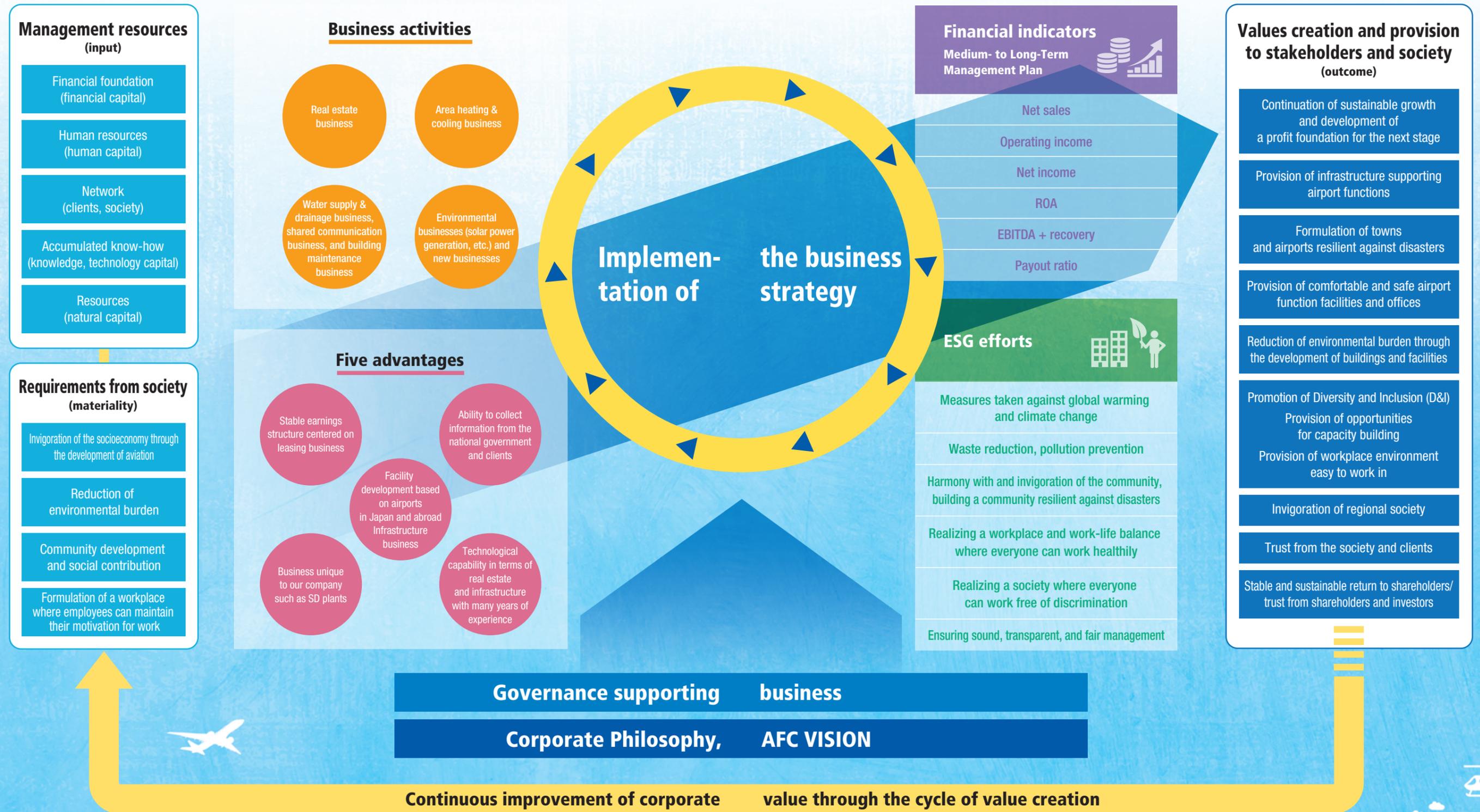
**| Basic Policy for Sustainability |**

Our company engages in business under the corporate philosophy of "contributing to developing the future of aviation and attractive towns."

Currently, our company is developing facilities in Haneda Airport and other major airports throughout Japan, including cargo terminals, training facilities for crew, hangars, maintenance plants, in-flight meal factories, and multipurpose buildings, as well as supporting the functions of airports through the provision of area heating and cooling facilities, water supply and drainage services, and shared communication services. In addition, we

are currently leasing hotels and residents for those who work at airports, an international student dormitory, office buildings in urban central areas, as well as developing businesses in Singapore and Canada, to expand our field of business.

Our company will utilize different kinds of capital (financial capital, human capital) and networks (clients, society), and it aims to contribute to the socioeconomy by providing facilities that continuously respond to various needs in businesses in areas such as real estate business, which is the strong point of our company, as well as to tackle issues including environmental problems to continuously create value.

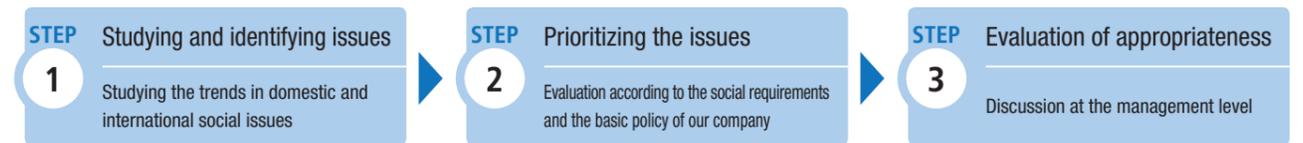


# Materiality of Airport Facilities Co., Ltd.

## Process of identifying materiality

Our company studied trends in domestic and international social issues, prioritized those issues, identified matters of materiality through repeated discussions among the management, and set KPI (key performance indicators) for the period covered by the Medium- to Long-Term Management Plan.

We regularly implement progress management, discuss the causes and measures for lack of progress with initiatives, and work for the achievement of KPI in terms of both risks and business opportunities. Initiatives that are achieved during the period are announced on the company's website.

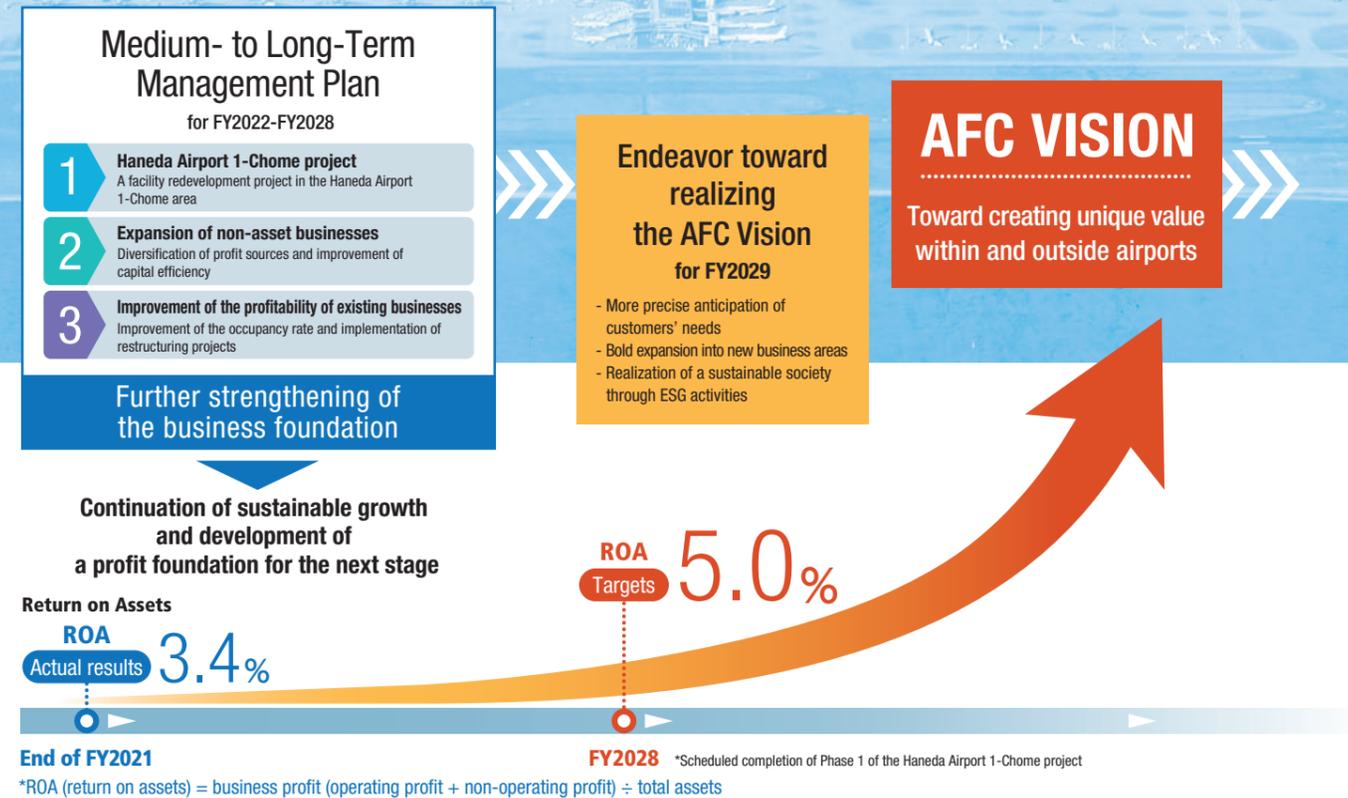


	Materiality (priority issues)	Items to be addressed	KPI during the Medium- to Long-Term Management Plan period	Progress	Relation with the SDGs		
ENVIRONMENT	<ul style="list-style-type: none"> <li>Reduction of energy consumption/CO<sub>2</sub> emissions</li> <li>Utilization of renewable energy, waste reduction</li> <li>Promotion of reuse and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Target to reduce CO<sub>2</sub> emissions by 46% in FY2030 compared to FY2013 based on government policy</li> <li>Reduction of water use</li> <li>Purifying sewage</li> <li>Waste reduction</li> <li>Promotion of reuse and recycling</li> </ul>	<ul style="list-style-type: none"> <li>100% replacement of the lights in major facilities with LEDs (scheduled to be completed in FY2023)</li> <li>Replacement with high-efficiency equipment and devices (scheduled to be completed in FY2027)</li> <li>Realization of ZEB in new facilities and the introduction of the latest energy-saving equipment</li> <li>Promotion of installing water-saving facilities</li> <li>Maintaining mandatory water quality standards</li> <li>Sorting waste at each office of our group</li> <li>Reducing the use of paper through the further promotion of IT digitalization</li> </ul>	<ul style="list-style-type: none"> <li>Further development of renewable energy, including solar power generation</li> <li>Considering environmental business utilizing next-generation technologies</li> <li>Achieving a 100% ratio of eco-friendly cars and installing recharging facilities for electric vehicles in major facilities</li> <li>Maintaining mandatory water quality standards</li> <li>Reducing the use of paper through the utilization of IT digitalization                             <ul style="list-style-type: none"> <li>Digitalization of salary statements (started from September 2022)</li> <li>Digitalization of invoices (started from April 2023)</li> </ul> </li> </ul>			
	SOCIETY	<ul style="list-style-type: none"> <li>Sustainable capacity building and growth</li> <li>Realizing a society where everyone can work free of discrimination</li> <li>Realizing a workplace where everyone can work healthily</li> <li>Building facilities resilient against disasters</li> <li>Crisis management and thorough implementation of countermeasures against emergency</li> <li>Harmony with and invigoration of the community</li> </ul>	<ul style="list-style-type: none"> <li>Human resource development</li> <li>Promotion of work-life balance and D&amp;I</li> <li>Promotion of health management</li> <li>Preparing in advance against disasters</li> <li>Prompt restoration of airport functions and businesses when a disaster occurs</li> <li>Community building and contribution in neighboring regions</li> </ul>	<ul style="list-style-type: none"> <li>Holding training on harassment and sessions by external lecturers</li> <li>Reduction of overtime work, promotion of taking leave, promoting reinstatement</li> <li>Promoting the appointment of female managers</li> <li>Achieving the mandatory employment rate of disabled persons</li> <li>Aiming to achieve zero industrial accidents and fatal accidents</li> <li>Strengthening the earthquake resistance of buildings and securing stockpiles against disasters</li> <li>Implementing practices based on our business continuity plan (BCP) and reviewing its contents</li> <li>Participating in and supporting regional events</li> </ul>	<ul style="list-style-type: none"> <li>Career development training, training sessions for different purposes (compliance, etc.), promotion of qualification acquisition</li> <li>Workplace inspections by industrial physicians</li> <li>Implement mental health interviews to all employees</li> <li>Scheduling and implementing various disaster drills, and holding first-aid lectures</li> </ul>	<ul style="list-style-type: none"> <li>Implementing Compliance training by lawyers</li> <li>Set basic policies and goals based on the Act for Measures to Support the Development of the Next-Generation Children and The Act on Promotion of Women's Participation and Advancement in the Workplace                             <ul style="list-style-type: none"> <li>Promote working styles that make it easy to keep a balance between work and childcare, and to support autonomous career development (by the end of FY2024)</li> <li>Create a workplace environment where a balance between work and childcare can be easily kept (by the end of FY2024)</li> <li>Increase the number of female managers to at least 8% by the end of FY2025 and 10% by the end of FY2028</li> </ul> </li> <li>Implementing safe driving lectures by external lecturers</li> <li>Implementation of interviews with physicians specializing in mental health once every month</li> <li>Renewal of stockpiles against disasters</li> <li>Conducting comprehensive disaster drills (online form due to COVID-19) and revising various rules on disaster countermeasures to allow prompt confirmation of employees' safety and the damage situation, and restoration at the time of disaster</li> <li>Provision of renewed stockpiles to Ota Ward and food bank activity groups</li> <li>Donation of lunch boxes made in an in-flight meal factory to restaurants providing free or inexpensive meals to children</li> </ul>	
		GOVERNANCE	<ul style="list-style-type: none"> <li>Ensuring sound, transparent, and fair management</li> </ul>	<ul style="list-style-type: none"> <li>Thorough corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of the board of director's effectiveness</li> <li>Record of attendance at board meetings</li> <li>Board comprising of various directors</li> </ul>	<ul style="list-style-type: none"> <li>Updating the corporate governance report (confirmation of cross-shareholdings under the national policy, implementation of the evaluation of the board of director's effectiveness)</li> <li>Based on the Inspection Committee's report on problems and recommendations for improvement, formulating the improvement plan to aim for greater management transparency and soundness</li> </ul>	
<ul style="list-style-type: none"> <li>Ensuring compliance, implementing appropriate risk management</li> </ul>				<ul style="list-style-type: none"> <li>Holding the meetings of Risk Management Committee and Compliance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly identifying risks and reducing risks by taking measures according to each risk</li> </ul>	<ul style="list-style-type: none"> <li>Holding the meetings of Risk Management Committee and Compliance Committee twice each</li> </ul>	
<ul style="list-style-type: none"> <li>Securing communication with stakeholders</li> </ul>				<ul style="list-style-type: none"> <li>Uploading information on results briefing, facilities observation tour for shareholders, and IR materials on the corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Holding the results briefing twice a year</li> <li>Implementing meetings with investors</li> <li>Preparing the Integrated Report and disclosing it on the website</li> </ul>		

Medium- to Long- Term Management Plan

# Toward creating unique value within and outside airports

## ROADMAP



### 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	<ul style="list-style-type: none"> <li>- Strengthening and expansion of the airport-related real estate business</li> <li>- Identification of customers' diversifying needs, and proposals</li> <li>- Active capital investment in the airport-related infrastructure business</li> </ul>	<ul style="list-style-type: none"> <li>- Haneda Airport 1-Chome project</li> <li>- Airport-related real estate business</li> <li>- Airport-related infrastructure business</li> </ul>
	Replacement demand due to the strengthening of the functions of airport facilities and infrastructure		
	Promotion of the "eco-airport" initiative		
Real estate industry	Changes in office demand due to work style reform and technological innovation	<ul style="list-style-type: none"> <li>- Activities related to a non-airport new business model</li> <li>- Selective investments conscious of bipolarization of the real estate market</li> <li>- Thorough risk management</li> </ul>	<ul style="list-style-type: none"> <li>- Non-asset business</li> <li>- Non-airport business</li> </ul>
	Growing needs for renovation and replacement due to an increase in aged real estate stock		
	A lack of transparency over the future course of inflation, real estate prices, and interest rates		
Society and economy	Further enhancement of corporate governance	<ul style="list-style-type: none"> <li>- Enhancement of governance</li> <li>- Strengthening of BCP efforts</li> <li>- Investments related to the environment and energy</li> <li>- Surveys looking toward future aviation</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthening of the business foundation</li> <li>- Airport-related infrastructure business</li> <li>- Study on creation of new businesses toward future prosperity</li> </ul>
	Need for activities to realize a sustainable society		
	Climate change, and the increasing frequency and severity of natural disasters		
	Progress in research and development and practical application of next-generation aviation mobility		
Overseas	Increasing populations, economic development and expanding aviation demand in Asia	<ul style="list-style-type: none"> <li>- Creation of new businesses to capture Asia's growth</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign business</li> </ul>

## Progress of the Medium- to Long-Term Management Plan

The Medium- to Long-Term Management Plan for FY2022-FY2028 announced in May 2022 started under a harsh environment, such as the significant decrease in aviation demand caused by the COVID-19 pandemic, and the recognition of an asset retirement obligation for existing facilities associated with the start of the Haneda 1-Chome Project.

Under such circumstances, we moved forward with various measures to develop a high-efficiency business portfolio that is resilient to risks, which is one of the important themes of the Management Plan.

We will work to establish a profit foundation towards achieving sustainable growth, while standardizing and sophisticating management based on the PDCA cycle by regularly holding the Management Strategy Council where various business challenges, including managing the progress of the Management Plan, are discussed.

### 1 Haneda Airport 1-Chome project (Phase 1: From FY2022 to FY2028)

In the Haneda Airport 1-Chome area, where relatively old buildings are scattered, this project efficiently consolidates and rebuilds existing facilities. It is a project where the experiences of our company can be fully utilized, and it is expected to contribute to stable long-term earnings from the leasing business. In new facilities, the introduction of various measures towards the reduction of environmental burden are being considered, contributing to realizing a sustainable society. Discussions with stakeholders are now being held, and the details of facilities and the scale of the projects will be decided hereafter.

### 2 Non-asset businesses and foreign businesses

As an engine to move forward towards the diversification of profit sources, profit increase, and improvement of capital efficiency, we are accelerating efforts on the acquisition of real estate for sales outside airports and on overseas investment.

#### Acquisition of real estate for sales outside airports

Utilizing the discerning ability of AFC Asset Management Co., Ltd. established in May 2022, we acquired the first property for sale in Hiroshima City, Hiroshima Prefecture in March 2023, and the second property in Shinjuku Ward, Tokyo in May 2023. Regarding the properties acquired, we are working to maximize profit through increasing the property value, as well as to continue promoting the accumulation of excellent properties by determining trends in the real estate market, and we aim to enter the revolving business and privately-placed REIT business.

#### Foreign business

In July 2022, our company invested in "MACH I," the first aircraft fund for domestic investors in Japan since the occurrence of the COVID-19 pandemic, as a major investor. In this fund, an Airbus A320CEO was purchased as the first aircraft in February 2023. Also, the engine leasing business invested in March 2022 is also contributing to profit from FY2022. We will continue our challenges into new business domains, including real estate business outside airports and foreign businesses, with a speedy decision-making.

#### Construction management

We are engaging in the construction management business as a part of the non-asset business utilizing the knowledge of our company. The reconstruction of hangars in Sapporo Okadama Airport, which was the first project, started in February 2023 and received evaluation from our client as providing value unique to our company, with abundant knowledge on the peculiarity of airport facilities. We will continue refining our original know-how and support the business of our clients.

### 3 Improvement of the profitability of existing businesses

In addition to continuing efforts for maximizing profits through measures such as the improvement of the occupancy rate in properties for rent, we are also putting forward initiatives on the premise of recent rising prices and soaring energy prices. In addition, we are also recognizing that decisive reactions taken against properties with problems in terms of profitability and future potential are also an important business challenge. As for the hotels in Kyoto acquired in 2018, we decided to sell them for the purpose of improving asset efficiency and financial standing.

Also, since the properties for rent possessed in Osaka International Airport are aging, they were decided to be demolished by the end of March 2026. We will consider a business plan regarding the redevelopment in the future.

#### Start of the operation of the fresh products center

Functions to handle perishable cargo that had been scattered throughout the domestic cargo area of Haneda Airport are consolidated and reorganized into the fresh products center, and operation started tentatively. This contributed to resolving the existing problem of inefficiency caused by the confusion of the traffic lines of trucks and forklifts, and both efficiency and safety increased. We are currently working on capital investment for refrigerating storehouses to increase added value, towards the full-scale operation scheduled in FY2024.

### 4 Human resource and organization development strategy

Aiming to enhance education and training and to improve skills based on career plan support, we are newly introducing training programs, such as training targeting employees in their first and second years to develop basic knowledge on real estate, and training for different job grades to learn factors required for workplace leaders, with an awareness of future management perspectives, targeting employees promoted to Chief.

Also, aiming to establish an organization where diverse human resources can work actively, our company is engaged in measures to promote work-life balance and D&I (flex time system, system for working from home, training sessions by external lecturers, etc.), and aspiring to develop an organization and human resources that are professionals in airports and real estate, which is the guiding principle of our company.

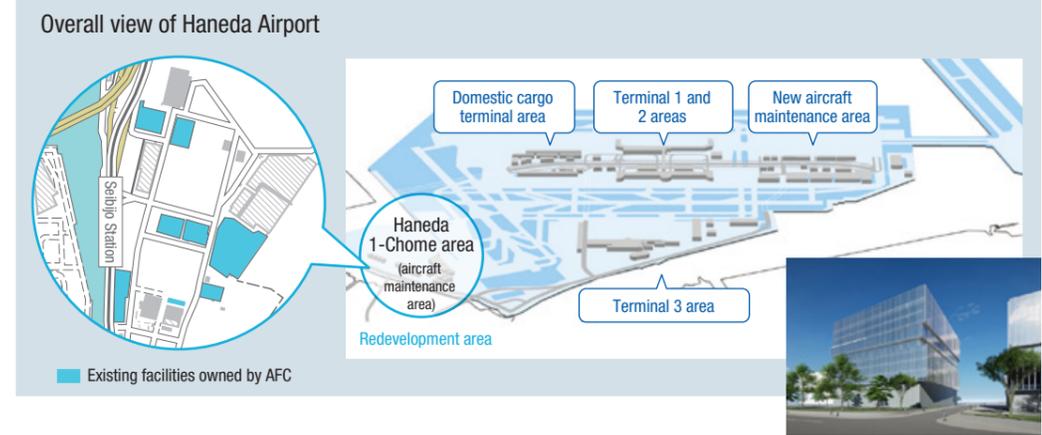


## Haneda Airport 1-Chome project (Phase 1: From FY2022 to FY2028)

The national government (Ministry of Land, Infrastructure, Transport and Tourism) is trying to reinforce the disaster prevention function of the area in the period of about 10 years from now, by elevating the ground of the area in preparation against damages such as high tide water.

Our company currently owns eight facilities, including hangars, maintenance plants, and in-flight meal factories within the area. These are essential functions for the operation of Haneda Airport and aircraft, and it is impossible to cease the provision of the services that these facilities are in charge of. Therefore, our company consolidates and reorganizes the functions that are dispersed among these eight facilities in response to the regrading work implemented by the national government, to develop facilities that are able to provide functions of even higher quality. We consider this as a rare business opportunity and will promote this project of the largest scale since the Haneda Airport offshore land reclamation project by setting three aims, namely the improvement of profitability, consideration for the environment, and the assurance of safety and security, while paying close attention to responding to our clients' needs.

### Project Overview



Upon the consolidation and reorganization of the company's facilities, it is necessary to proceed with the construction work in the following order: regrading, new construction, and the removal of old facilities. Also, with construction works for a wide variety of businesses overlapped during the period of ten years, the administration of process flow is highly important. Exerting the business know-how that our company has been developing in and out of airports, we will ensure adequate process flow management.

### Schedule



Currently under the Haneda Airport 1-Chome Project, our company is in charge of the plans for new facilities and the coordination of the comprehensive process flow. This project is of the largest scale for our company since the Haneda Airport offshore land reclamation project, so there are many issues to overcome. The existing facilities will be relocated to a new site while maintaining all the current functions. However, roads connected to the facilities will all change, so it will be necessary to also relocate or newly construct utilities, such as water and sewerage, power supply, and telecommunication lines. We are realizing how difficult it is to coordinate matters among the stakeholders. Also, it is almost impossible to carry out the actual construction works as scheduled, because different works by different operators occur in succession, affecting one another. In order to cope with these issues adequately, cross-sectional cooperation of relevant operators beyond the borders of companies is necessary, and our company is working every day to coordinate such cooperation. We will steadily move the project forward to ensure the safe and secure operation of Haneda Airport.



Planning and Research Department, Airport Business Headquarters (employee in his 20s)



## Osaka Sogo Building Redevelopment Project



Osaka International Airport had been redeveloped with the Japan World Exposition, Osaka, 1970, in mind. The construction of the passenger terminal building was completed in January 1969, and Osaka Sogo Building was completed a little before, in December 1968.

More than 55 years has passed since the completion of Osaka Sogo Building, and because the building was aging, it was decided to be demolished by the end of March 2026. We will consider a business plan regarding the redevelopment in the future.

We also consider this as an important business opportunity and would like to plan a facility that is highly profitable and convenient to use also in the future, and to realize a facility that also fulfills the needs of society and users in terms of environment, disaster prevention, and ease of work, by accurately grasping clients' needs.

## IT promotion



### Real estate management utilizing digital tools

Our company is working on the active utilization of digital tools in order to improve the efficiency of real estate management. Checkups and meter readings had been implemented manually before, but using an AI-operated digital tool, it became possible to shorten working hours and increase accuracy. Information, such as trouble reports, can also be shared on a real-time basis, allowing prompt reactions.

We will further work on the enhancement of security functions, improvement of convenience, and the improvement of work efficiency in facilities managed by our company through digitalization. Monitoring cameras are already installed in major facilities to start the reinforcement of disaster and crime prevention measures. The unified management of the footages of the cameras contribute to the labor-saving of facility management.

We are considering the gradual expansion of facilities to install monitoring cameras in the future. At the same time, we will utilize the biometric access control mechanism and digital signage as new measures to increase the efficiency of real estate management and improve customer service.



### Pursuit of work efficiency with IT

Currently, our company is mainly increasing the efficiency of routine work and reducing the use of paper through the utilization of IT digitalization. We have digitalized some of the invoices issued to our clients, contracts, and in-house documents, and improved the work process.

We will continue promoting efforts to digitize documents and procedures exchanged between our company, customers, and clients, as well as reduce the time and effort required for the preparation, management, and exchange of documents through the introduction of an information sharing portal to realize smooth communication, in order to increase the efficiency of work processes. We are also aiming to realize smooth information sharing among relevant parties with the unification of and improved access to information through digitalization.



### Strengthening of information security

Considering the situation where cyber attacks are becoming more severe and sophisticated, the AFC Group is recognizing information security risks as an important challenge.

Therefore, in order to maintain and enhance preparations regarding information security, our company established the Information Security Committee to regularly check and improve the security situation of the group.

Our company implements adequate management also by establishing the Information Security Management Regulations, the Personal Information Protection Regulations, etc., and trying to improve the literacy of employees through monthly e-learning and simulation. Also, in order to protect our information assets from the risks of unauthorized access and information leakage, we have established and are implementing security measures for IT infrastructure, including terminals for business, such as computers and networks.

Key Person Message



**Keisuke Komatsu**

Executive Vice President  
Executive General Manager of  
Airport Business Headquarters

The three departments of the Airport Business Headquarters are engaging in the following businesses.

The Airport Business Department has long been engaged in businesses such as the new projects for facilities in Haneda Airport and other airports throughout Japan, aircraft maintenance necessary for the operation of flights, and renting facilities for training and air cargo.

The Airport Infrastructure Business Department is working for the stable provision of important infrastructure facilities in airports, including the water supply and drainage service in Haneda and Chitose Airports, and the local area communication network service in Haneda Airport.

The Planning and Research Department is in charge of planning and research regarding Haneda Airport, mainly the Haneda Airport 1-Chome Project, the focused issue in the Medium- to Long-Term Management Plan, and research, study, and information gathering on measures to cope with the aviation policies of the government.

The mission of the headquarters according to the Medium- to Long-Term Management Plan is to improve profitability through the improvement of the occupancy rate in properties for rent, setting adequate rent, and the reorganizing of facilities with inferior profitability or growth potential, with capital efficiency in mind.

We will adequately respond to the needs and wants of our customers and provide facilities that respond to the demands of the times, as well as to pursue cost reduction and improve profitability, appropriately respond to aviation demand, and aim to create new businesses.

Also, by utilizing the know-how and network developed through businesses handling many facilities, including construction, operation and maintenance, with the specific characteristics of airports, we aim to increase the commission of business.

We have been engaged in business as a company contributing to the development of aviation in airports, which are public facilities, using the technological ability and information gathering ability, which are the strengths of our company, and with the creditworthiness among our clients and business partners that had been developed over a long time. We will try to further reinforce the profitability of existing facilities, and work for the secure achievement of the Medium- to Long-Term Management Plan, aiming for the stable supply of airport function facilities and the further progress of Haneda Airport 1-Chome Project.

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

In the domestic cargo terminal area of Haneda Airport, maintained and operated by our company, a part of the terminal is temporarily operated as a fresh products center specializing in handling fresh products and flowers.

While the cargo terminal area has been rented to cargo forwarders handling fresh products for some time, the tenants were dispersed among different parts within the area, and there had been safety problems, such as the inefficiency of the acceptance and delivery of cargo, and confusion about the traffic lines of trucks and forklifts.

By consolidating such cargo forwarders to the fresh products center, it is now possible to accept and deliver cargo between air carriers and fresh products business operators in a single action near the center, which improves efficiency. In addition, the confusion about the traffic lines of forklifts and trucks has been resolved, and the reduction of traffic and the improvement of safety within the area can be expected.

It is scheduled to go into full-scale operation in FY2024. Ancillary facilities, including refrigerators and freezers, will be prepared to promote the operation of convenient and valuable facilities for customers.

Scale	Approx. 3,000m <sup>2</sup> (7,200m <sup>2</sup> is scheduled for full-scale operation)
Start of temporary operation	2022
Tenant	Forwarders handling fresh products and flowers



Efforts for the improvement of the profitability of existing businesses

We are constantly putting efforts into maximizing profits through measures such as the improvement of the occupancy rate in properties for rent.

The main business for the Airport Business Headquarters is real estate business, which accounts for about 80% of the net sales of our company. Exemptions of rent for air carries provided in FY2020 and FY2021 had been terminated, and the rent recovered to the ordinary level in FY2022. Utilizing the technological ability and information gathering ability related to real estate and infrastructure, which we have been developing from the foundation of the company, we will increase the occupancy rate of existing facilities and aim to improve profitability.

Airport-related infrastructure business

We provide important infrastructure services, such as area heating and cooling service, water supply and drainage service, and local area communication network service in Haneda Airport.

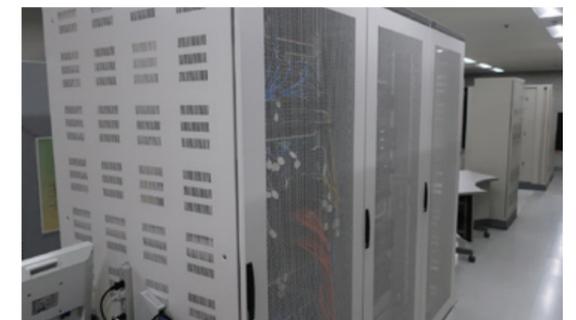
Area heating and cooling business we are being engaged in Haneda Airport 1-Chome from the foundation of our company was transferred to Tokyo Airport Heating & Cooling Co., Ltd., our group company, in 1993. The company continues to stably provide heating and cooling services to passenger terminal buildings, maintenance plants, and government buildings.

We have been engaged in the water supply and drainage business in Haneda Airport since shortly after the foundation of the company. The know-how and achievements accumulated through the long-term service are trusted by many of our clients, and make the users of Haneda Airport feel safe and secure.

Local area communication networks business started in 1993 when the second phase of the Haneda Airport offshore land reclamation project started. This business lays optical cables between the buildings in Haneda Airport, excluding some of the areas, provides a basic telecommunications network that can be jointly used by airport-related organizations such as air carriers, passenger terminal building companies, and public offices, and allows the reduction of cost through joint use and offers a smooth means of mutual communication among relevant parties. The network is built to ensure stable communication also at the time of disaster.



Haneda Airport water supply and drainage facilities



Haneda Airport shared communication service facilities

New efforts

Response to the practical use of a flying vehicle

Flying vehicles have the potential to largely change the concept of the transportation of people and things, and they may bring new value and energy to people's everyday lives and the regional community.

Our company, Japan Airport Consultants, Inc., CTI Engineering Co., Ltd., and AirX Inc. conducted a test flight in Okinawa on June 7, 2023, towards the social implementation of the technology of flying vehicles.

Utilizing the knowledge obtained in this test flight, we will implement a demonstration experiment throughout Japan and consider the possibility of commercial flights in the future, aiming to improve and resolve the social issues Japan is facing and creating new value through the social implementation of flying vehicles.

Our company will continue our efforts for the consideration of operation regarding the management and operation of landing platform and ancillary facilities and equipment towards the practical use of flying vehicles.



Key Person Message



**Keisuke Kuma**

Managing Executive Officer  
Executive General Manager of  
Business Creation Headquarters

The Business Creation Headquarters consist of the Real Estate Business Department, Foreign Business Department, and Innovation Promotion Division. The Real Estate Business Department is in charge of real estate business outside airports (offices, hotels, residences, etc.) and renewable energy business. The Foreign Business Department is engaged in businesses such as the holding and provision of facilities in Singapore and Canada, leasing of aircraft and engines, and renewable energy businesses abroad, together with the Singapore Office. The Innovation Promotion Division utilizes the technologies and know-how developed by the AFC Group to seek new business opportunities, and is working to create and obtain new businesses.

Also, for the realization of a new business model mentioned in the Medium- to Long-Term Management Plan, AFC Asset Management Co., Ltd., our group company, was established in May 2022. Through cooperation with the AFC Asset Management, our company will engage in the rotary business model, by acquiring medium-scale office buildings, improving the asset value of such buildings through renovation and selling them, and acquiring other property with the funds obtained through such sales.

By promoting such efforts even more actively, we will contribute to the early achievement of the Medium- to Long-Term Management Plan and the increase of the corporate value of the AFC Group.

Real Estate Business Department

Efforts related to real estate business outside airports

The Real Estate Business Department is in charge of real estate business outside airports (offices, hotels, residences, etc.) and renewable energy business.

Regarding the real estate business outside airports, we possess office buildings, such as Kyodo Buildings in Muromachi 1-Chome and 4-Chome, hotels, such as TOKYU STAY Kamata and Hotel JAL City Haneda Tokyo West Wing, and residences, such as apartments located along the Haneda Airport Line mainly targeting Airport workers. As for other types of properties, we operate Kanazawa-Hakkei International Community Plaza, an international students' dormitory of Kanto Gakuin University in Yokohama City, expanding our business field.

We are also making efforts in the renewable energy business utilizing idle land and the rooftops of facilities, including solar power plants in Honsanrizuka and Gifu Mizunami, and the TRC Distribution B Building Rooftop Solar Power Plant in Ota Ward, Tokyo, contributing to the SDGs.

On the other hand, while our company has been implementing the management and operation of facilities on our own, we will cooperate with AFC Asset Management Co., Ltd., a newly established group company hereafter to realize even more active investment and the improvement of profitability.

We will aim to improve the asset value of the properties through investment in new properties and also by taking various measures to improve the value of properties already held. We are also considering composing funds (privately-placed REIT, privately-placed fund, etc.) by gathering such excellent properties, and accelerating preparation towards the realization of the rotary business model.



Muromachi 1-Chome Building



Muromachi 4-Chome Building



Sky Residence Otorii



Sky Residence Kawasaki-Daishi



Sky Residence Omori-Higashi

Innovation Promotion Office

1 Innovation Promotion Office

For the sustainable growth of the AFC Group, we established the Innovation Promotion Office within the company on April 1, 2022.

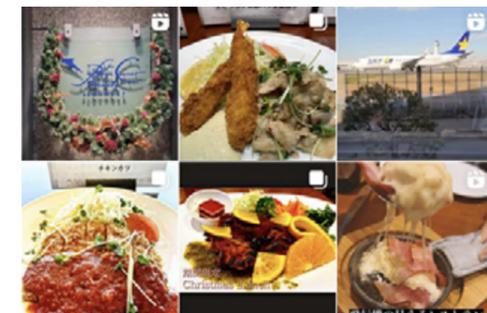
The Innovation Promotion Office seeks new business opportunities in and out of airports and is engaged in activities for realizing new businesses. In addition to the function as a platform for promising business ideas, the office will cooperate with project proposers and relevant divisions to realize the commercialization of the projects.

2 Case examples of commercialized projects

One of the projects for which the idea came from within the company and was implemented beyond the borders of departments is the support for the operation of restaurants (Blue Corner) in the airport, in which the restaurant business is operated by a subsidiary of our company comprised of young employees. Tailored to the renovation of the store, weekly events, such as offering craft beer and pancakes, are planned based on the flexible ideas of young employees to provide new services to customers. Also, by sharing information about the store via SNS (Instagram) at the same time, the number of customers visiting the store increased significantly, resulting in the acquisition of new customers. While constantly implementing the existing stable business, the young employees are bringing a breath of fresh air into the businesses of our company from a fresh perspective.



Special pancakes created by an idea of young employees



Transmission of information via Instagram



@BLUECORNER\_1998

The Innovation Promotion Office is working in tandem with the system of soliciting ideas within the company and the realization of such ideas. Recently, we have opened a new official SNS account of Blue Corner and held a renewal event for Blue Corner UC. Upon actually realizing the ideas, we are feeling difficulty in the coordination within the company and bridging the generation gap, rather than the quality of the idea itself. For the future, we will make efforts to create a system and reinforce an environment where various ideas are proposed regardless of scale. The Innovation Promotion Office is an organization that cannot exist without the cooperation of employees. We will continue striving to build a creative environment within the company towards soliciting and commercializing various ideas.



Innovation Promotion Office (employee in her 20s)



Foreign Business Department

Our foreign business

In November 2013, AIRPORT FACILITIES ASIA Pte. Ltd., a 100%-owned subsidiary of our company, was established in Singapore. Thereafter, in November 2014, the second 100%-owned foreign-based subsidiary, AFN PROPERTIES Ltd., was established in Canada. The major facilities we provide include a training facility for the crew for AIRBUS ASIA TRAINING CENTRE, a group company of Airbus, and small engine maintenance factory and helicopter maintenance facility for Standard Aero. From Japan, the operation of foreign subsidiaries is controlled, and foreign businesses are implemented by also utilizing locally incorporated subsidiaries. We also engage in various overseas project from Japan, under cooperation with partner companies. Most recently, we have been involved in the aircraft leasing business. Towards the future, we will put our efforts into a wide range of businesses in addition to the possession of existing facilities, including the leasing business of aircrafts and engines and renewable energy business, to expand our foreign business.

Recent projects

1 Participation in an aircraft leasing fund

In July 2022, our company participated in "MACH I," an aircraft fund established and operated by Mercuria Investment Co., Ltd., as an anchor investor. This is an aircraft fund with Airborne Capital Limited serving as the asset manager, aiming to raise 50 billion yen in total mainly for narrow-body aircrafts. We will accumulate know-how on business related to aircraft investment through participation in this project, and at the same time, promote foreign businesses with a view to expanding investment in this area in the future.

2 Start of the operation of solar power facility for Standard Aero

This is a project to install a solar power generation facility in the engine maintenance factory for Standard Aero possessed in Singapore Seletar Airport, and to sell electric power to the company. The facility started operation in May 2023. This is the first renewable energy business implemented abroad for AFC Group. We will actively engage in resolving environmental issues, and contribute to realizing carbon-neutral society.



In this spring, we installed a solar power generation facility in the small engine maintenance factory we possess in Singapore Seletar Airport. Electricity generated in the facility is sold to Standard Aero, the user of the building, providing some of the power necessary for the operation of the plant. Currently in Singapore, the introduction of renewable energy is actively being promoted by the government. We consider this situation as a new business opportunity, and proposed a solar power generation project, which resulted in the conclusion of the contract. It was the first renewable energy business implemented abroad for our company, and we were able to engage in wide range of businesses through this project, including institutional design, such as the selection of local business partners and developing relationships with them, and coordination with relevant parties, including negotiation on the terms of contract. We will continue aiming to further diversify the company's revenue sources based on airports, and to develop a business portfolio that is resilient to risks.

Foreign Business Department/Innovation Promotion Office (employee in her 20s)

Employee's Voice

Singapore Office

AFA has an office in the building adjacent to Tanjong Pagar Station in Singapore. In addition to company representatives from Japan, we invited Mr. Ivan Ho who has abundant experience in the aviation industry in Singapore, as the local advisor, and are putting efforts in marketing activities, customer management, and the cultivation of new markets. Also, with this office considering not only Singapore but the entire ASEAN region as one, we will strive to obtain business opportunities in wide areas.

Singapore is an aviation hub of the ASEAN region, and we expect large demand for aviation-related facilities, forecasting the growth of aviation demand within the region in the mid- to long-term. Our company established locally incorporated subsidiary in Singapore in 2013. We are engaging in businesses mainly in Singapore Seletar Airport and opened the Singapore Office in April 2020. We will continue obtaining opportunities through the Singapore Office to address the potential business chances, and to utilize the advantage of the place as the center of aviation demand.



Foreign Business Department/Singapore Office

Employee's Voice

**2011**  
The leasing out of Kobe Airport Hangar to Airbus Group starts.



**2016**  
The renting out of Airbus Asia Training Center starts. Also, the financing of a flight simulator introduced in the facility starts.



**2017**  
The leasing out of a helicopter maintenance facility in Langley Regional Airport, Canada starts.



**July 2022**  
Investment contract for an aircraft fund is concluded.



**2014**  
The financing of helicopter Hangar in Seletar Airport starts. (contract terminates in 2019)



**2014**  
The leasing out of an engine maintenance factory for Standard Aero starts.



**2020**  
Foreign business base office of AFC Group opens in Singapore.



**March 2022**  
Financing related to the purchase of an aircraft engine for TEAM starts.



**May 2023**  
Solar power generation facility for in-house consumption is installed on the rooftop of the engine maintenance factory for Standard Aero.



Key Person Message 



**Satoru Watanabe**

Senior Executive Officer  
Executive General Manager of  
Technology Headquarters

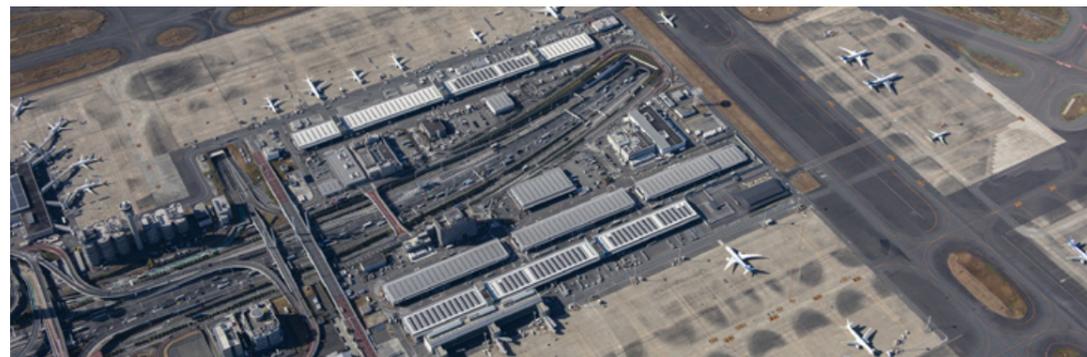
The Technology Headquarters is in charge of a wide range of businesses. The Facilities Planning Department covers the planning of new facilities, businesses related to the construction work and budget management from designing to construction stages, operation and maintenance management for the adequate maintenance of facilities owned by our company and facilities consigned from our customers, businesses related to the day-to-day repairs and renewals, as well as the planning and promotion of new projects utilizing the technical knowledge that had been developed by the company.

The Osaka Office is in charge of contracting procedures with clients and management services in Osaka Sogo Building and Rinku International Logistics Center, as well as the operation and maintenance management of facilities owned by our company and facilities consigned from our customers in Chubu Region and western Japan.

During the period covered by the Medium- to Long-Term Management Plan, the Headquarters will accurately grasp customer's needs and changing social issues, to maintain and improve the quality of facilities possessed by the company through the planning of highly efficient construction plans that are environmentally friendly and planned and efficient repair and renewal of existing facilities, to ensure comfortable use by the customers. Further, the Headquarters will contribute to the improvement of profitability throughout the company by pursuing cost reduction to the fullest extent.

In the area of fee business activities, we aim to increase the commission of construction management (CM) business for the construction of aviation-related facilities, including hangars, planned by our customers, utilizing the know-how and skills on facility construction, operation, and maintenance, as well as networks, which we have been developing through engagement in various facilities with particular functions within airports.

In addition, by fully utilizing our original knowledge and network accumulated through the development of various facilities so far, ranging from energy supply facilities to facilities consuming energy, we will contribute to the realization of a sustainable global environment through the further enhancement of solar power generation facilities and the utilization of other forms of renewable energy, and active engagement in the utilization of new energy, such as hydrogen.



Extension work of Kobe Hangar



Rinku International Logistics Center

Introduction of LED lights in owned facilities

Since FY2020, we have been making secure progress in the introduction of LED lights in the facilities we own throughout Japan for energy saving and the reduction of CO<sub>2</sub> emissions. Construction work had been mostly completed as of the end of FY2022, with the exception of facilities in Haneda Airport 1-Chome area that are scheduled to be reconstructed in the future, and some facilities where discussion with tenants will be necessary upon the introduction of LED lights.

Regarding the reconstruction of facilities in 1-Chome area, we aim to realize a "net zero energy building" (ZEB). For other facilities where construction is yet to be implemented, we are scheduled to start construction as soon as consensus is reached with the customer.



Domestic Cargo Terminal W-1 Building

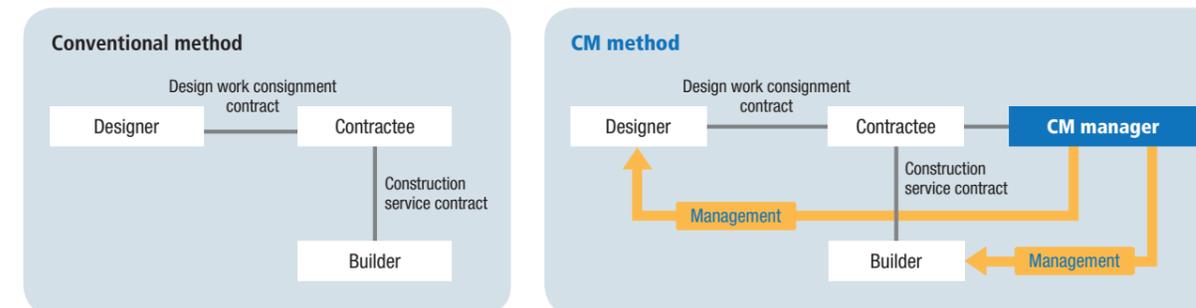
CM business within airports

For the reconstruction plan of the Hangar of All Nippon Helicopter Co., Ltd. in Sapporo Okadama Airport, we signed a construction management (CM) contract with the company and offered CM service throughout the process from the planning, basic and execution design, to the completion of construction.

CM service is one of the construction production methods for the construction manager on behalf of the contractee to take initiatives of the project towards the achievement of project goals and requirements, in order to cope with an immense amount of coordination and management work generated upon construction, and to secure transparency and accountability.

The contract was proposed by All Nippon Helicopter, evaluating the knowhow and network of our company that we have developed through the construction of aviation-related facilities in airports throughout Japan. We have supported the reconstruction of a Hangar for two years until the completion of the construction in February 2023.

We will continue utilizing our know-how and technologies to make optimum proposals and services that match the client's needs and go with the times, and for increasing the commission of CM business.



\* There are cases where the designer and the builder are the same.

Efforts for the utilization of new energy

Towards the goal of realizing carbon neutrality and a decarbonated society by 2050, it is required to accelerate efforts in airports to reduce CO<sub>2</sub> emission from facilities and vehicles will be promoted, as well as the utilization of renewable energy considering the characteristics of airports.

We focused on the fact that many forklifts operate in the domestic cargo area of Haneda Airport managed by our company, and we are considering introducing fuel-cell forklifts (FCFL) using hydrogen as a fuel.

Also, as a part of the investigation project by the New Energy and Industrial Technology Development Organization (NEDO), we are conducting a survey on the feasibility of the utilization of hydrogen in Haneda Airport and neighboring regions, following the adoption of the Study of CO<sub>2</sub>-free Hydrogen in Tokyo International Airport and the Surrounding Area, participated in by six public and private organizations, including our company.



Invitation to the fuel-cell forklift test-ride event held in June 2022

Key Person Message 

AFC Asset Management Co., Ltd.



**Hiroki Osawa**

AFC Asset Management Co., Ltd.  
President and CEO

AFC Asset Management Co., Ltd. started business on June 1, 2022, as a member of the AFC Group, gathering staff members with abundant experience in real-estate transactions, in order to powerfully and promptly promote the non-asset businesses mentioned in the Medium- to Long-Term Management Plan of Airport Facilities Co., Ltd.

There are numerous small- and medium-sized office buildings located in the Tokyo Metropolitan Area and other local cities outside airports, and the total gross floor area of those buildings is of a scale comparable to large-sized buildings. Therefore, it is expected to utilize them effectively as existing building stocks. However, there are also many properties with problems in terms of aging, vacancies, and refurbishment.

In the first phase of the plan, our company will promote business by increasing the value of such properties. In the second phase, we will develop a fund as a guarantee for the accumulation of good properties. By acknowledging such real-estate values that are buried in the market, increasing them, and making them sustainable, we would like to contribute to the promotion of AFC Group's business and society in the future.

- Company Name ..... AFC Asset Management Co., Ltd.
- Description of Business ..... Real estate consulting business  
Real estate fund business
- Established ..... May 26, 2022
- Shareholders ..... Airport Facilities Co., Ltd. (100.0%)

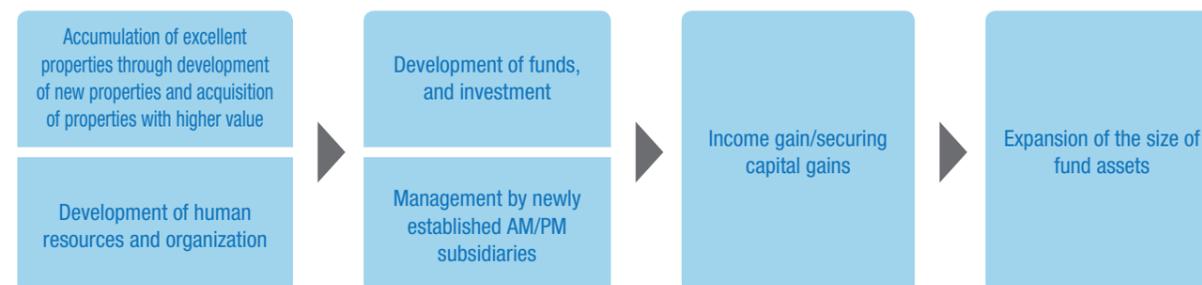
Non-asset business

In the Medium- to Long-Term Management Plan, the development and expansion of non-asset businesses is set forth as an important measure to take a step towards new business domains, while utilizing the knowledge and know-how of our company.

It goes without saying that our company will continue providing know-how and services on facility planning and operation within airports, we are also setting the goal of expanding our scale of business through obtaining sale gains and composing funds backed up by excellent real-estate properties, etc., through the handling of real estate for sales outside airports, as the core of the non-asset business pursued by our company, as shown in the diagram below.

The basic business model of our group so far had been to secure income gain through leasing business based on the long-term possession of real estate. However, from now on, we will also be engaged in strategic investment according to the characteristics of each asset, aiming to obtain capital gain as a primary value, such as obtaining capital gain by improving their value and selling them to investors.

In the future, we will accumulate and circulate good properties through in-house development and the acquisition of highly profitable loans to respond to the consignments of capitals from others, and we aim to promote our company's non-asset business by seizing every relevant opportunity for profit.



Progress/properties

Name	Hiroshima Motomachi NS Building	Shinjuku Yawaragi Building
	 <p>In March 2023, we have acquired Hiroshima Motomachi NS Building (Motomachi, Naka-ku, Hiroshima City) as the first property of non-asset business. This property is located in Kamiyacho/Hacchobori Area, the center of Hiroshima City. It is one of largest business, commercial, and sightseeing areas in Chugoku Region, surrounded by the prefectural government buildings, financial institutes, branches of major banks, the Peace Memorial Park, Hiroshima Castle, etc. It is located on the corner along Aioi-Dori, which is the main street of Hiroshima, with the three sides of the building facing streets. The building has high visibility and is in busy area, and also in good condition, so it has strong competitiveness.</p>	 <p>In June 2023, we acquired Shinjuku Yawaragi Building (Shinjuku-ku, Tokyo) as the second property. This property is an office building in a favorable location, a three-minute walk from Shinjuku-Sanchome Station. It faces Yasukuni-Dori, has good visibility, rarity, and strong competitiveness.</p>
Month and year of the completion of construction	February 1981	March 1989
Ground-floor area	616.56m <sup>2</sup>	304.02m <sup>2</sup>
Use district	Commercial area	Commercial area
Building coverage ratio/floor-area ratio	80%/900%	80%/700%
Total floor area	5,076.91m <sup>2</sup>	1,978.08m <sup>2</sup>
Structure	Steel reinforced concrete structure, flat-roofed/eight stories above the ground and one underground story	Steel reinforced concrete structure, flat-roofed/ten stories above the ground
Use	Office, garage, store	Office, etc.



I was seconded to the AFC Asset Management Co., Ltd. from October 2022. For the main business of increasing the value of real estate properties, I am engaged in work that I did not experience when I worked at Airport Facilities Co., Ltd., such as acquiring properties with poor occupancy rate or profitability and require renewal, and regenerating them as high value-added and highly functional properties.

I am interested not only in simply obtaining profits, but also in the friendliness to the environment in terms that it is not scrap-and-build, and I can contribute to the urban development surrounding the property. I feel motivated by this work that gives me new understanding and knowledge every day, such as acquiring specialized and beneficial knowledge from members with abundant experience in real estate transactions.

I will continue to be committed to my work to mix the advantages of Airport Facilities Co., Ltd. and AFC Asset Management Co., Ltd., and contribute to the development of the entire AFC Group.

Real Estate Investment Management Department, AFC Asset Management Co., Ltd. (employee in his 20s)



# Sustainability Strategy of Airport Facilities

The AFC Group has been engaged in business under its corporate philosophy, and utilizes different kinds of capital (financial capital, human capital) and networks (clients, society) and aims to contribute to the socioeconomy by providing facilities that continue responding to various needs in businesses in areas such as real estate business, as well as to tackle environmental problems and other issues so as to continue creating value.

Regarding environment (E), society (S) and governance (G) initiatives that will also lead to the achievement of SDGs, we will improve our corporate value in the medium- to long-term and make efforts towards the realization of a sustainable society.

Also, we have established the Sustainability Promotion Council on January 1, 2022, chaired by the president and consisting of full-time directors, in order to further promote sustainable management.

The Sustainability Promotion Council not only discusses the themes and direction to be aimed at in the medium- to long-term, but also considers measures to minimize risks and create business opportunities through setting and managing the progress regarding important issues (matters of materiality) and key performance

indicators (KPI). The Council also considers measures such as responses to the Task Force on Climate-related Financial Disclosures (TCFD).

The existing four committees, namely Environment Committee, Disaster Countermeasures Committee, Safety Promotion Committee, and Improvement Promotion Committee are positioned as the subordinate organization of the Sustainability Promotion Council, and these organizations will cooperate to promote sustainable management.

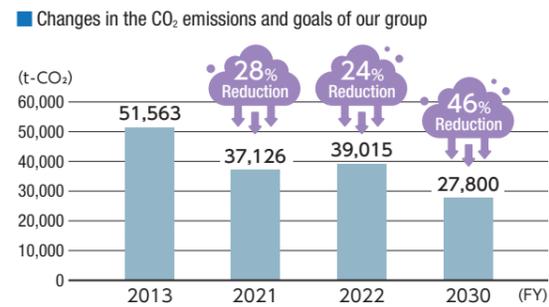


## Environment

### Reduction of CO<sub>2</sub> emissions

Our group has been engaged in the reduction of CO<sub>2</sub> emissions in terms of both saving and creating energy. We are replacing freezers used in the area heating and cooling business and introducing LEDs for lighting used in facilities to reduce CO<sub>2</sub> emissions. We are also creating energy by promoting solar power generation. Solar panels are installed on the rooftop of the facilities of our and other companies and on idle suburban land.

Although the achievement of the reduction goal for CO<sub>2</sub> emissions is a big challenge, we strive to reduce CO<sub>2</sub> emissions by 46% in FY2030 by considering various methods and technologies in addition to solar power generation and other forms of renewable energy.

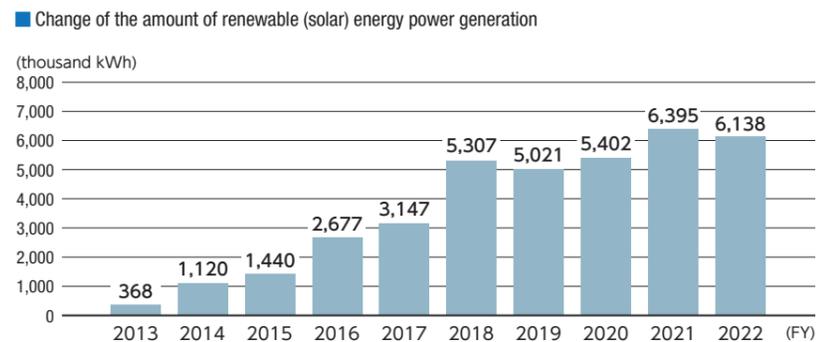


### Solar power generation

We are working on the reduction of CO<sub>2</sub> emissions through power generation using renewable (solar) energy (for FIT and in-house consumption) by installing solar panels on the rooftop of facilities owned by our company and in idle lands. TRC Distribution B Building Rooftop Solar Power Plant, which started power generation in 2018, is one of the largest solar power generation facilities within the 23 wards of Tokyo (at that time). It generates 6.3 million kWh/year in total by the five operating facilities, which is equivalent to the annual consumption of 1,400 average households. (Calculated by assuming the annual electricity consumption per household as 4,397kWh [reference: Ministry of the Environment])

At the domestic cargo terminal of Haneda Airport, power generated with the solar panels installed on the rooftop of the building is self-consumed by facilities within the area to reduce the use of power generated with fossil fuels. Also, in some of the facilities managed and operated by our

company, we implement hybrid power generation using renewable energy, such as solar and wind. Generated power is charged to install freestanding lights used at night and in emergencies.



### Study of a CO<sub>2</sub>-free Hydrogen Utilization Model Haneda Airport and the Surrounding Area by NEDO

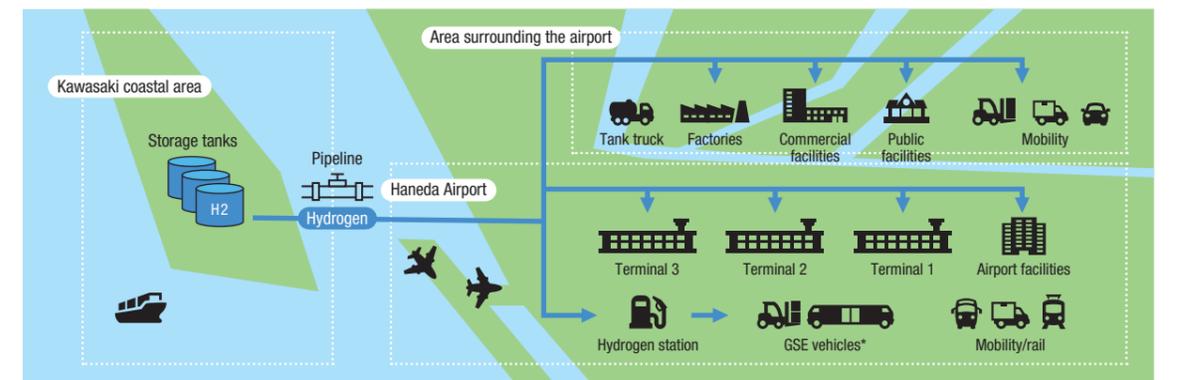
The AFC Group participates in the Study of CO<sub>2</sub>-free Hydrogen in Tokyo International Airport and the Surrounding Area, which is a commissioned project by the New Energy and Industrial Technology Development Organization (NEDO), jointly with five other public and private organizations.

This survey analyzes the amount of energy currently used in Haneda Airport and the surrounding area, summarizes the future vision in the case of introducing hydrogen energy, streamlines the supply method and the introduction policy of facilities necessary for its realization, and conducts verification towards the achievement of the reduction of CO<sub>2</sub> emissions.

The report on the survey is scheduled to be compiled by the end of September 2023.

#### Outline of the survey

<b>Adopted theme</b>	Study of CO <sub>2</sub> -free Hydrogen Utilization Model in Tokyo International Airport and the Surrounding Area		
<b>Major contents of the survey</b>	<ul style="list-style-type: none"> <li>Study of the potential for supplying hydrogen using a model in which hydrogen generated overseas is imported via Kawasaki's coastal area and transported to its demand location, the area in around Haneda Airport</li> <li>Study of the demand potential for hydrogen utilization for power, heat, and GSE vehicles on the Haneda Airport grounds and in the surrounding area</li> <li>Study of economic benefits and greenhouse gas emissions reductions</li> <li>Study of prior usage cases and technology trends in Japan and abroad</li> </ul>		
<b>Survey period</b>	From October 2022 to the end of September 2023 (scheduled)		
<b>Participants</b>	Airport Facilities Co., Ltd. Japan Airport Terminal Co., Ltd.	ENEOS Corporation Kawasaki City	Ota Ward Deloitte Tohmatsu Consulting LLC



\*GSE vehicles: Ground support equipment vehicles

# Promotion of environmental businesses

## Conservation of water resources

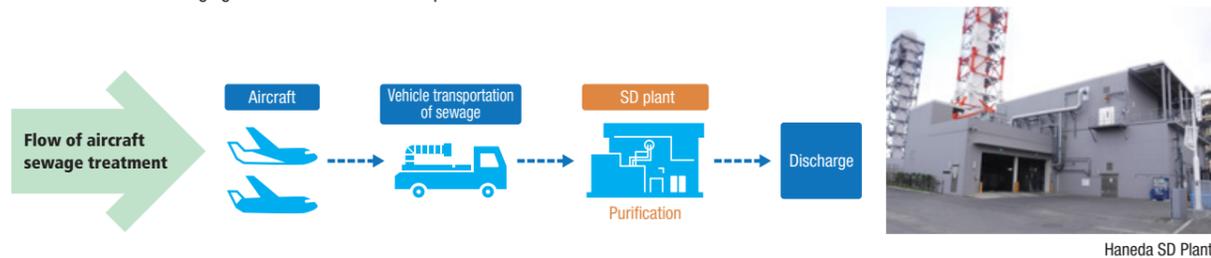
### Changes in water use in Haneda Airport

	FY2018	FY2019	FY2020	FY2021	FY2022
Water use (thousand m <sup>3</sup> )	2,014	1,946	1,138	1,233	1,547
Recycled water use (m <sup>3</sup> )	6,788	6,849	4,869	5,049	5,637

<b>Promotion of water saving in owned facilities</b>	We are promoting the introduction of water-saving faucets and toilets in office buildings, maintenance facilities, and the building of cargo facilities we own to reduce the waste of running water and to improve water saving function.
<b>Utilization of recycled water</b>	We are implementing the efficient use of water resources by using recycled water for flushing toilets in the Utility Center Building in Haneda Airport.
<b>Sewage treatment</b>	In addition to the facilities given above, we comply with the relevant laws regarding water contamination, etc. in facilities owned, managed, and operated by our group, and appropriately treat sewage as necessary before discharging to public waters.

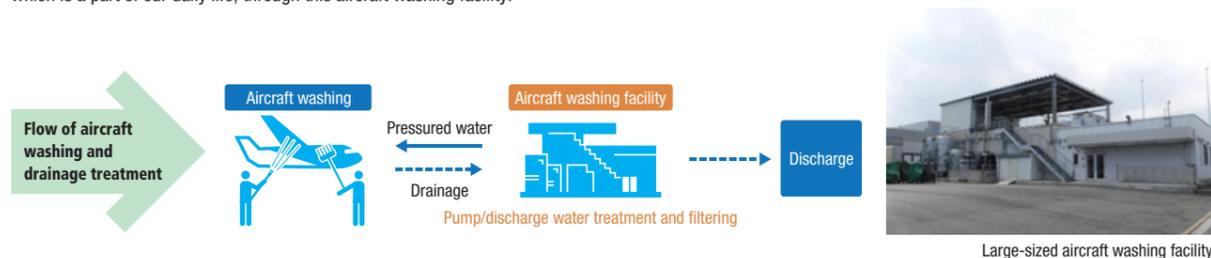
### SD plant (aircraft sewage treatment facility)

Unlike the general domestic wastewater and human waste, sewage discharged from aircraft contains various chemicals particularly used for toilets in aircraft to prevent infection. Therefore, there is a high bar for its treatment. We have considered the treatment of aircraft sewage as an important issue since the company's foundation, and acquired a patent on the sewage treatment method through research and development. We started the operation of the sanitary disposal plant (SD plant) in 1980 in Haneda Airport, and the same kind of facility is now being operated in eight airports throughout Japan. This SD plant is provided as an infrastructure that can be jointly used by different air carriers and ground-handling companies. Sewage brought in will be treated by utilizing microorganisms to comply with the effluent standards of municipalities. The facilities contribute to the conservation of water quality in rivers and oceans by preventing water contamination from sewage generated from the aircraft operation.



### Large-sized aircraft washing facility

In Haneda Airport, we are providing large-sized aircraft washing facilities that can be used jointly by different air carriers. A large-sized aircraft washing facility is a facility to wash stains off aircraft for preventing corrosion, improving fuel efficiency, and for aesthetic purposes, and comprises an aircraft parking space for washing and a facility that treats the wastewater used for washing. Water discharged after washing includes chemicals, oil, sludge, and heavy metals. Therefore, we treat the water until it reaches the standard that can be discharged to the sewerage system to prevent the contamination of water resources. Also, it is expected that washing the aircraft will lead to improved fuel efficiency. We are also indirectly contributing to the environmental upgrading of air transportation, which is a part of our daily life, through this aircraft washing facility.



## Promotion of waste reduction and reuse/recycling

### Waste discharge amount and the state of recycling

	FY2018	FY2019	FY2020	FY2021	FY2022
Discharge amount (t)	2,281	1,615	1,518	1,419	915
Reuse (t)	376	156	202	304	172
Disposal amount (t)	1,904	1,458	1,315	1,115	743
Recycling rate (%)	16.5	9.7	13.3	21.4	18.8

### Major efforts

<b>Separate collection of waste</b>	In properties operated and managed by our company, separated collection of waste is promoted under cooperation with the client companies, etc.
<b>Recycling of recyclable wastes</b>	In properties operated and managed by our company, separated collection of waste is implemented and recyclable waste is recycled under cooperation with the client companies, etc.
<b>Promotion of the reduction of the use of paper</b>	In order to reduce the amount of paper resources used by our company, we are promoting the digitalization of materials used in the company, and using recycled paper.
<b>Reduction of plastic waste</b>	Considering the ocean pollution and negative impact on marine life caused by disposable plastic waste, we abolished the use of plastic straws in restaurants of our group companies, replaced plastic cups used in the company with paper cups and promote the use of one's own cup to reduce the amount of plastic waste.

## Responding to recommendations by the TCFD

### Supporting TCFD recommendations

In addition to efforts to fight climate change, our group recognizes the importance of the disclosure of climate-related financial information, and expressed our endorsement of the TCFD (Task Force on Climate-related Financial Disclosures) in June 2022. We are discussing and taking measures regarding the disclosed items recommended by the TCFD (governance, strategy, risk management, indicator/target), and disclosed information on the corporate website. We will continue to disclose such information.

### Governance

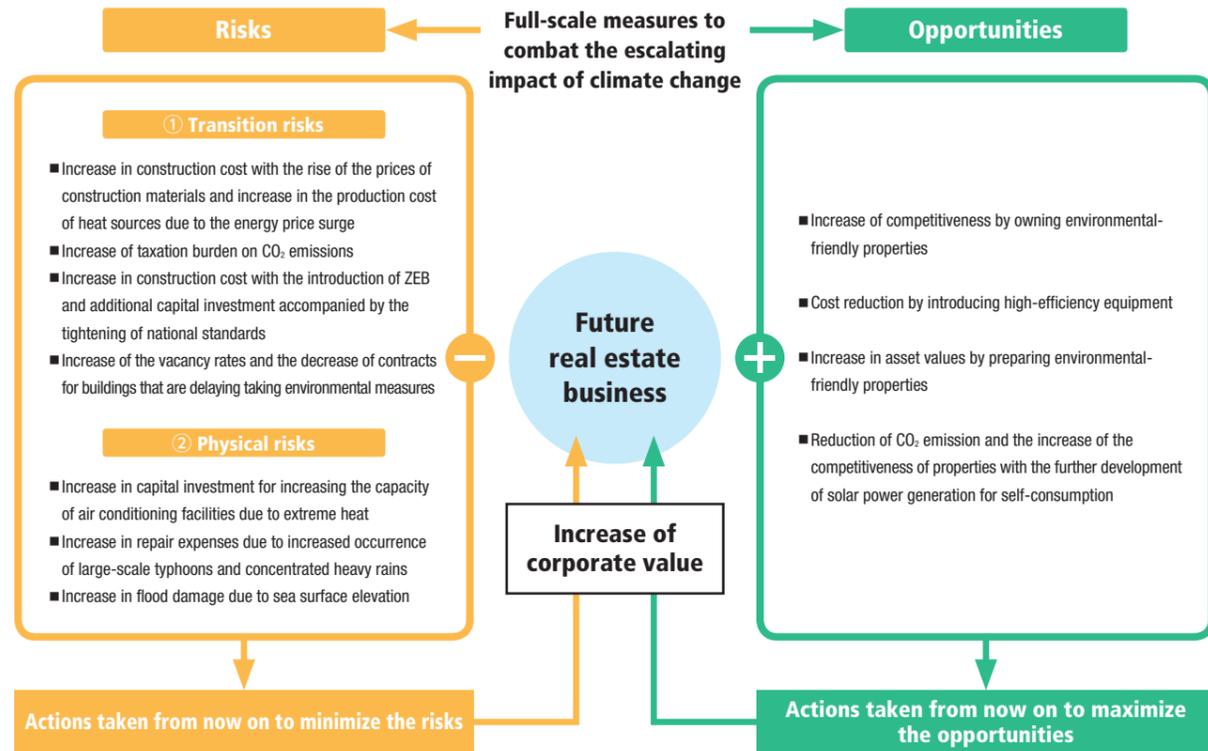
Our company recognizes dealing with climate change as an important issue for management, and established a governance system centering around supervision by the board of directors and the Sustainability Promotion Council.

- Matters related to climate change are discussed by the Sustainability Promotion Council, chaired by the president, who is the coordinator of matters related to climate change.
- Sustainability Promotion Council will discuss the progress made in management of key performance indicators (KPI) during the period of the Medium- to Long-Term Management Plan and the policy and strategy for minimizing climate change risks and seizing opportunities.
- The board of directors receives a report on risks and opportunities regarding climate change once a year from the Sustainability Promotion Council, and it supervises efforts regarding issues.

### Strategy

Recognizing that countermeasures against climate change are key issues for business management, we are discussing the strategy as follows, by analyzing the impact of risks and opportunities on the company's strategy through climate change scenarios, with the aim of achieving continuous growth while making efforts to mitigate and adapt to climate changes through our business activities.

- Risks and opportunities for short, medium, and long-term included in the Medium- to Long-Term Management Plan (FY2022-FY2028) will be discussed.
- The degree of the impact of risks and opportunities of climate change on the balance sheet and finances of the company is analyzed and evaluated.
- Regarding the risks and opportunities of climate change, mitigation and adaptation to climate change will be analyzed and evaluated based on the 2 degrees-scenario recommended by the TCFD.



Major impacts on the finance of our company based on the 2 degrees-scenario are analyzed as follows.

- ① Repair expenses accompanied with typhoons and heavy rains are analyzed by referring to the damage amount caused by typhoons in the past. It is evaluated that financial impact is small according to the estimate on the premise of the ratio of the occurrence of phenomenon under the 2 degrees-scenario.
- ② Regarding sea level rise, it is evaluated that the risk will be lowered in the future with the elevation of the ground of Haneda Airport 1-Chome area, planned by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.
- ③ As for the area heating and cooling business, sales amount and CO<sub>2</sub> emission with temperature rise were estimated. It is evaluated that impact on both income and CO<sub>2</sub> emission is small, because while the sales of cooling increase, the sales of heating decrease with temperature rise.

In addition to above, although there are also some uncertain factors such as taxation burden on CO<sub>2</sub> emission in the future, it is evaluated that there is no significant impact of climate change on the company's finance in general. On the other hand, there are various business opportunities related to airport decarbonization. The Medium- to Long-Term Management Plan places efforts on environmental business as one of the issues to be considered for the creation of new businesses toward future prosperity.

**Risk management**

Matters related to climate change including risk management are discussed and managed by the Sustainability Promotion Council, chaired by the president, who is the coordinator of matters related to climate change, under the supervision of the board of directors.

- Sustainability Promotion Council discusses the impact of climate change and measures taken against it, and promotes measures such as formulating policies and strategies for minimizing identified risks and reflecting them in plans, budget, and goals.
- Sustainability Promotion Department serves as a secretariat for the Sustainability Promotion Council on matters related to climate change, and implements liaison and coordination among departments and promotes company-wide measures taken against climate change.
- The board of directors receives a report from the Sustainability Promotion Council, and supervises risks regarding climate change.

**Indicators and targets**

Our company aims to reduce CO<sub>2</sub> emissions by 46% in FY2030 compared to FY2013 based on the governmental policy, in order to achieve carbon neutrality by 2050.

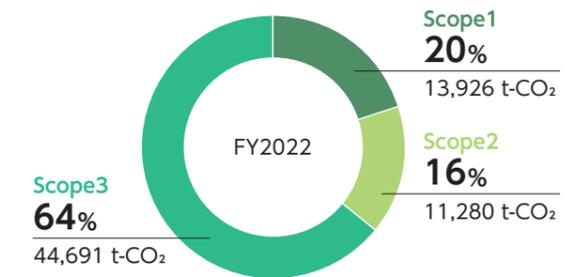
- The progress regarding risks and opportunities of climate change is managed, such as reviewing key performance indicators (KPI) in the Medium- to Long-Term Management Plan against actual achievements.
- Supply chain emission is monitored and relevant risks and opportunities are identified.

**Efforts based on the medium- to long-term environmental business, ESG, and materiality**

Items to be addressed	KPI during the Medium- to Long-Term Management Plan period
<b>Target to reduce CO<sub>2</sub> emissions by 46% in FY2030 compared to FY2013 based on government policy</b>	<ul style="list-style-type: none"> <li>■ 100% replacement of the lights in major facilities with LEDs (scheduled to be completed in FY2023)</li> <li>■ Replacement with high-efficiency equipment and devices (scheduled to be completed in FY2027)</li> <li>■ Realization of ZEB in new facilities and the introduction of the latest energy-saving equipment</li> <li>■ Further development of renewable energy, including solar light power generation</li> <li>■ Considering environmental business utilizing next-generation technologies (introduction of EVs and FCVs for forklifts, etc.)</li> <li>■ Achieving a 100% ratio of eco-friendly cars and installing recharging facilities for electric vehicles in major facilities</li> </ul>

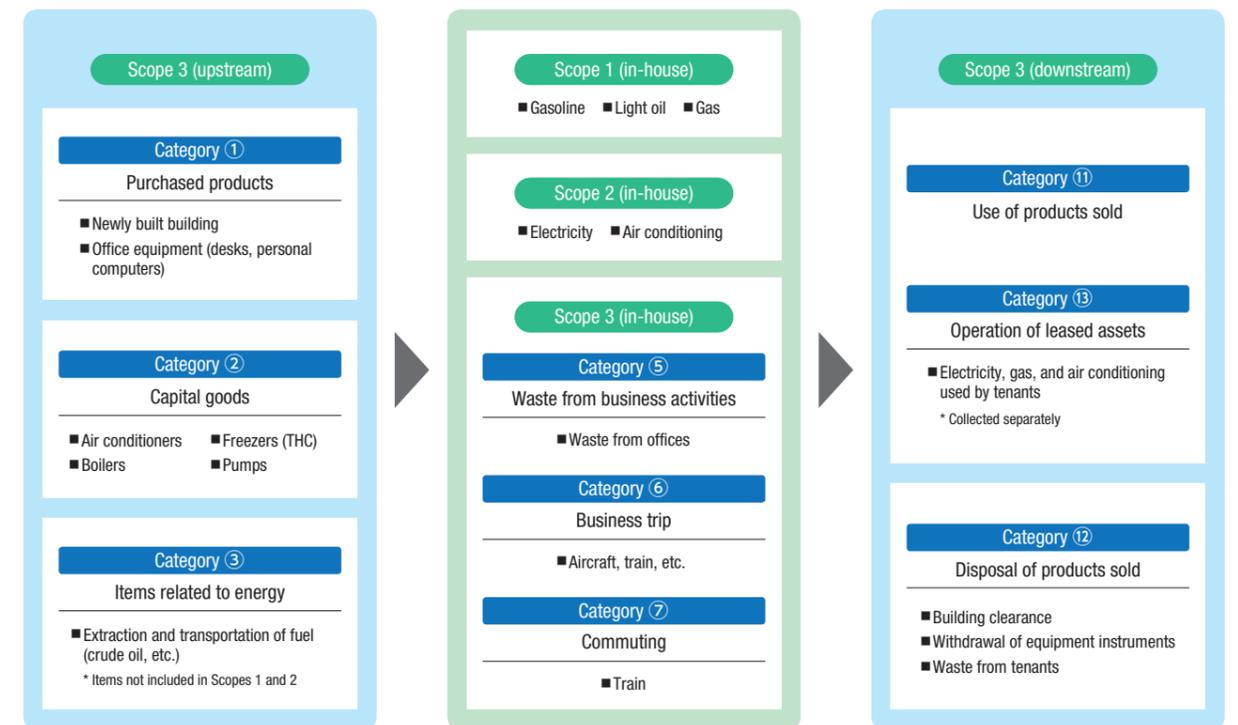
**Supply chain (CO<sub>2</sub>) emission of AFC Group**

	FY2020	FY2021	FY2022
Scope1 (t-CO <sub>2</sub> )	16,141	13,301	13,926
Scope2 (t-CO <sub>2</sub> )	8,194	10,742	11,280
Scope3 (t-CO <sub>2</sub> )	48,418	44,989	44,691
Total (t-CO <sub>2</sub> )	72,753	69,032	69,897



\* Emission Scope3 is the count of emission throughout the entire supply chain, from the procurement of raw materials to sales/consumption. Supply chain (CO<sub>2</sub>) emission of AFC Group is calculated for facilities that are covered by the Act on Rationalizing Energy Use. (Amount of purchase related to electricity, gas, and petroleum)  
 \* Shareholding ratio of 60.32% is accounted for Tokyo Airport Heating & Cooling Co., Ltd.

**Supply chain of the AFC Group**





# Human resource and organization development strategy/ regional contribution

## Human resource and organization development strategy

### 1 Human resource development

We established a new Corporate Philosophy/Guiding Principles in October 2022, and are promoting business activities under the corporate philosophy of "contributing to developing the future of aviation and attractive towns through providing valuable facilities and services."

We are aiming to acquire the knowledge and experience necessary for professionals in airports and real estate, which is our Guiding Principles, and at the same time develop human resources that can respect diversity.

#### OJT (On the Job Training)

We implement efforts linking the annual plan for each division and MBO (management by objectives) system.

Four issues/goals on individuals' own work are set at the beginning of the fiscal year, and after interviews with supervisors, adjustment will be made in terms of links with the plans in each division, the adequacy of details set, and the way to implement the plan. Employees will work on their everyday work through on-the-job training, and they will confirm the progress through interviews with supervisors after half of the fiscal year has passed in September and on other occasions. Thereafter, an annual summary and review will be made at the end of the fiscal year in March, and after measuring the achievement level, a new goal will be set to improve oneself. That is the basic process of human resources development.

#### Career development system

We are implementing efforts to provide an opportunity for employees to convey their opinions and intentions regarding their career development from the past and present to the future (duties, assigned posts, etc.) to the company, and communicate with each other once a year.

The system aims to provide an opportunity for employees to not merely state their wishes about personnel transfer, but also to regularly summarize their own job experience, and to draw their future vision and consider what will be necessary to realize it.

#### Mentor system

Young employees with a career in the company of up to about three to five years are designated as mentors for new employees to give them advice about their everyday work and the workplace, and to provide mental support.

This system intends to promote the smooth transition of new employee's from student to working adult in terms of awareness, as well as to improve the mentor employees' communication ability and ability to listen to others and verbalize their ideas.

#### Support system for qualification acquisition

Our company has a system to subsidize employees' expenses regarding the acquisition of qualifications that are useful for their work, in order to support their willingness to improve their work-related knowledge and their skills. Also, for some of the qualifications, we are offering monetary gifts for the acquisition to reward the employee's efforts.

We are also adding qualifications covered by the subsidy system from 2023, considering the recent diversification and changes in the details of work.



Passed the examination for real estate transaction agents in FY2022

Management Planning Department, Airport Business Department (employees in their 20s)

It is really helpful because the system subsidizes the expenses for schools for acquiring qualification that I selected and also for texts and other study materials. Since the qualifications for clerical work and IT are now newly covered by the subsidy system, I feel it motivates us to try to acquire new qualifications by considering our own careers.

**Employee's Voice**

### 2 Efforts for female empowerment

We formulated the Action Plan by General Employers on the Breakthrough of the Empowerment of Women in April 2022, and the following goals are set to be achieved by the end of FY2025.

- Increase the ratio of women in manager positions to 8%.
- Promote autonomous career development by employees and human resources development.

In addition, we will review the Action Plan by General Employers on Measures to Support the Development of Next-Generation Human Resources, and the following goals are set to be achieved by the end of FY2026.

- Promote working styles that make it easy to keep a balance between work and childcare, and to support autonomous career development.
- Create a workplace environment where a balance between work and childcare can be easily kept.

Towards the achievement of these goals, we will work on improving in-house systems and setting up opportunities for educational training.

### 3 Organization development strategy

Toward the achievement of the Medium- to Long-Term Management Plan, organizational reform was implemented in June 2023, for the purpose of restructuring the system.

The existing five Headquarters were restructured and three Headquarters, namely the Airport Business Headquarters, Business Creation Headquarters, and Technology Headquarters were newly established, in order to clarify responsibilities for profit and ensure the thorough management of income and expenditure.

#### Overview of headquarters

<b>Airport Business Headquarters</b>	The headquarters are in charge of the management of income and expenditure for businesses within airports in general, in Haneda Airport and other domestic airports.
<b>Business Creation Headquarters</b>	The Headquarters is in charge of the management of income and expenditure for businesses outside airports and foreign businesses in general.
<b>Technology Headquarters</b>	The Headquarters is in charge of the management of income and expenditure for businesses related to facilities in general, including new construction, renovation, repair, and maintenance.

#### Promotion of work-life balance and D&I

##### Flex time system and system for working from home

A flex time system, where employees can decide when to arrive at and leave from work flexibly within a certain time range, is being introduced from April 2021 so that employees can keep a balance between their work and private life. We are trying to design a system through dialogue with users, for instance by changing the core time based on the results of questionnaires and interviews to employees after test trials.

We have also introduced a system for working from home in April 2021 to reduce the time for commuting and improve work efficiency. Since April 2022, we have been adding changes accordingly, such as allowing employees to go out for business purposes, including visiting clients, so that the system will be more useful to employees.

##### Childcare leave system for male employees

A system for taking childcare leave at the time of birth (childcare leave for fathers after birth) was introduced in October 2022 to encourage male employees to take childcare leave, and also to support the balance between work and family life by partly allowing working during the period of leave. Since the introduction of the system, three out of four eligible male employees have used the system.

##### Application system for annual leave in advance

Our company asks employees to submit their schedule of annual leave for the following fiscal year in March through the in-house system, and by obtaining the approval from their supervisor beforehand, promotes the establishment of a proactive work schedule and efficient leave.

We are also trying to provide an environment in which it is easy for employees to take long-term leave, by setting days recommended for taking paid leave at the year-end and new-year holidays, Obon festival period, and holidays with an interval of only one or two work days in between.



I think this is a good system because it naturally lets you to look to the future and think about your work and private schedule when applying for your annual leave in advance. The schedule can be flexibly adjusted and changed even after application, and since the company culture is generous regarding the taking of leave, it is easy to keep a balance between your work and private life.

General Affairs Department, Management Planning Department (employees in their 20s)

**Employee's Voice**

##### Empowerment of senior human resources

With the recent improvement in health expectancy, an increasing number of employees are willing to work not only after retirement but also after reaching the age of 65. In the AFC Group, cases where employees work actively in their areas of specialty even after reaching the age of 65 are increasing, with measures considering the personnel distribution after retirement, job experience, and qualifications possessed, and based on the comprehensive evaluation of the employee's willingness to work, health condition, and working conditions.

Also, there are employees who joined our company after retiring from other companies and are actively working on different stages such as the repairing and patrol of facilities.



##### Reduction of overtime work

In order to secure health and work-life balance for employees, we are constantly working on the reduction of overtime work.

Each business segment's manager monitors working hours within the department and reduces overtime work by assigning responsibilities and adjusting workloads according to each employee.

	FY2019	FY2020	FY2021	FY2022
Average days of paid leave taken (average for the fiscal year) (days)	12	12	12	14
Average hours of overtime work (non-consolidated, monthly) (hours)	22	18	19	19

**Employment of disabled persons**

We are implementing human resources measures so that everyone can work actively in areas in which they have an advantage, based on the characteristics and experiences of each person. At the same time, focusing on the form of the employment of disabled people that is suitable for our company, we are considering employment from a multidimensional perspective, such as working styles and improvement of the office environment.

**Measures taken against harassment**

The AFC Group formulated the Power Harassment Prevention Rules, which clarifies the necessity of setting up a contact point for consultation and complaints. Further, we are calling for the creation of a comfortable working environment through measures such as holding regular training sessions as efforts to prevent harassment, which aim to understand the diversification of recognitions in society, study actual cases, and raise awareness among employees.

**Promotion of D&I**

Regarding the idea of incorporating the concept of diversity in the Medium- to Long-Term Management Plan and the new Corporate Philosophy and Guiding Principles, we are explaining why diversity is highlighted this strongly, and why the company must take actions now, through messages in the form of dialogue between the president and employees, and we are trying to raise awareness within the company.

**Case examples**

<b>"Thank-you" card</b>	In order to actively promote in-house communication, we introduced the "thank-you" card as a tool for employees and officials to exchange appreciation and positive points, and praise each other.
<b>D&amp;I newsletter</b>	This newsletter includes a selection of relevant articles on topics such as DEI, men's childcare leave, and leadership.
<b>In-house training workshop</b>	Inviting a person from ANA Wing Fellows Vie Oji (AWO) as a lecturer, a lecture on "Preparing an easy-to-work office based on universal design" was held.



I was in charge of planning the in-house lecture on "Preparing an easy-to-work office based on universal design" together with the people of AWO. It was a good opportunity to think about D&I, also considering the view of people with disabilities, and it made me more conscious of the issue through the feedback of various opinions and comments from within the company.

General Affairs Department (employee in his 30s)

**Employee's Voice**

**Promotion of health management**

We are announcing the annual schedule of measures related to health maintenance and improvement every April and promote the implementation of planned measures so that employees can work with vitality both physically and mentally. We also hold a meeting on the promotion of safety and sanitation every two months to transmit information on the prevention of heat stroke and infectious diseases, and raise awareness about industrial accidents.

**Care by industrial physician after routine medical checkups and comprehensive medical examinations**

We provide care by industrial physicians through interviews and e-mails for employees who had certain findings in the results of routine medical checkups and comprehensive medical examinations. By providing notification of re-inspection and other procedures promptly after the results are received, we try to improve the lifestyle habit of employees or prevent their physical deconditioning, and to realize an environment where people can work healthily.

**Implementation of regular interview by physicians specializing in mental health**

We encourage employees to notice stress and we implement regular interviews by specialist physicians for mental health care. We are ensuring proactive prevention and privacy protection by implementing the interviews for all employees.

Because you can be interviewed regularly whether you ask for it or not, I feel that it is like a mental health checkup. The consultant is very easy to talk to, so you can have a consultation with ease.



General Affairs Department (employee in his 30s)

**Employee's Voice**

**Disaster countermeasures**

Our company is engaged in the business of owning and operating facilities to support airports, which are part of social infrastructure, and is in charge of providing an environment where the users of all airports and aircraft can feel safe and assured. Also, we will strive to develop and operate facilities that make the customers using our facilities or airports and aircraft, as well as all other people in the regional community, feel safe and secure. At the time of a disaster, we aim for the early restoration of the businesses of our group and the functions of airports while ensuring the safety of tenants, employees, and the region, and prevention of secondary disasters.

**Conducting comprehensive disaster drills within Haneda Airport**

Our company is serving as a secretariat for disaster prevention cooperation association in the aircraft maintenance area, new aircraft maintenance area, and the domestic cargo terminal area in Haneda Airport, and is conducting comprehensive disaster drills in cooperation with Kamata Fire Station every year. The drills offer evacuation training, firefighting training using fire extinguishers, first-aid training using an AED device, and experience in earthquake simulation vehicles, and try to maintain and improve the awareness of disaster prevention and crisis management not only among the employees of our company but also those who work at tenants and within the area and the regional residents. \* The drill was not held in FY2020 and FY2022 due to the impact of COVID-19.



Comprehensive disaster drills

**Fire defense organization for self-protection**

We established a fire defense organization for self-protection within the company to improve awareness of disaster prevention and make preparations to minimize human and physical damage at the time of emergency. We are also participating in the disaster drill examination meeting of fire defense organization for self-protection hosted by Kamata Fire Station, to confirm the achievements of training in our relationship with the local community.



Disaster drill examination meeting of fire defense organization for self-protection

**Supporting the rescue system of the airport**

As the business operator with an important role of supporting the operation of airports, we are assigning our employees as the cooperation member for a firefighting and rescue team, in order to cooperate with the national disaster relief actions at the time of emergency, such as the occurrence of aircraft accidents. These employees participate in firefighting and rescue drills assuming aircraft accidents and tsunami evacuation drills held by the Ministry of Land, Infrastructure, Transport and Tourism in Haneda Airport to prepare against emergency.

**Securing stockpiles against disasters**

Our company has enough stockpiles for three days in preparation for disasters, assuming that employees will temporarily stay within the facilities we own at the time of large-scale disaster. Also, considering the possibility that elevators will stop and that rescue will take time in a disaster, we are also installing a cabinet in preparation for disaster inside elevators, which contains drinking water and a portable toilet. Further, some of the residences for those who work at airports are equipped with manhole toilets that can be used at the time of disaster and stretcher benches with a seating surface that can also be used as a stretcher.

**Building for evacuation from tsunami**

We designate many of the facilities we own in Haneda Airport as a building for use in evacuation from tsunامي, show signs for them, and accept the evacuation of people staying nearby when advisories and warnings on tsunami are issued.

**Holding basic life-saving certification training**

Our group is holding basic life-saving certification training for employees and promotes certification on life-saving skills, with an aim to encourage them to acquire skills to provide first-aid treatment whenever a person suffers an injury or contracts a disease, and to prepare against emergency. Basic life-saving certification training enable employees to acquire first-aid skills, such as CPR, use of AED devices, and treatment of injuries, which are skills useful at the time of emergency.



Basic life-saving certification training

**Installing AED devices**

We are installing AED devices at the entrances, security offices, etc. of the facilities we own, and post signs showing the existence of the AED devices so that they are available at the time of emergency.

Community building and contribution in neighboring regions

Donating stockpiles against disasters

Our group is constantly stockpiling necessary foods and water from the perspective of securing the safety of employees and officials, and allowing the early restoration of facilities and ensuring business continuity at the time of emergency, and renewing the stockpiles at regular intervals. We donated the stockpiles against disasters to be renewed to the municipalities where the offices of our company are located and incorporated NPOs. The stockpiles were provided to those who are in need of food support and contributed to livelihood support and the reduction of food loss.

This effort contributes to the achievement of 1. No Poverty, 2. Zero Hunger, and 12. Responsible Consumption and Production among the 17 goals of the SDGs. We will continue with activities to contribute to the region and society, aiming to realize a sustainable society.

Donation	Date	Recipient
	June 2022	Ota Ward Welfare Department and the Social Welfare Council of Ota Ward
	February 2023	Social Welfare Department of Ikeda City, Osaka Prefecture
	April 2023	Incorporated NPO Food Bank Network Mottainaiwa Chitose



Ota Ward Welfare Department Social Welfare Department of Ikeda City, Osaka Prefecture Incorporated NPO Food Bank Network Mottainaiwa Chitose

Donating lunch boxes made by an in-flight meal factory to restaurants providing free or inexpensive meals to children

In March 2023, as a part of activities to contribute to society, we donated lunch boxes made by an in-flight meal factory (TFK) to Ota Ramen Kodomo Shokudo and Tomoshihi at Dandan, a general incorporated association, in cooperation with TFK Corporation, a tenant in the facility of our company providing in-flight meals.

This donation was realized through empathy for the activities of restaurants providing free or inexpensive meals to children, where people in a wide range of age groups from children to adults gather as a place for communication. It contributes to the vitalization of the entire region and society, while raising interest among people towards the area of aviation and airports, which is our company's main field, by providing in-flight meals.

This effort contributes to the achievement of 1. No Poverty, 2. Zero Hunger, 11. Sustainable Cities and Communities, and 17. Partnerships for the Goals among the 17 goals of the SDGs.



Donation to Ota Ramen Kodomo Shokudo

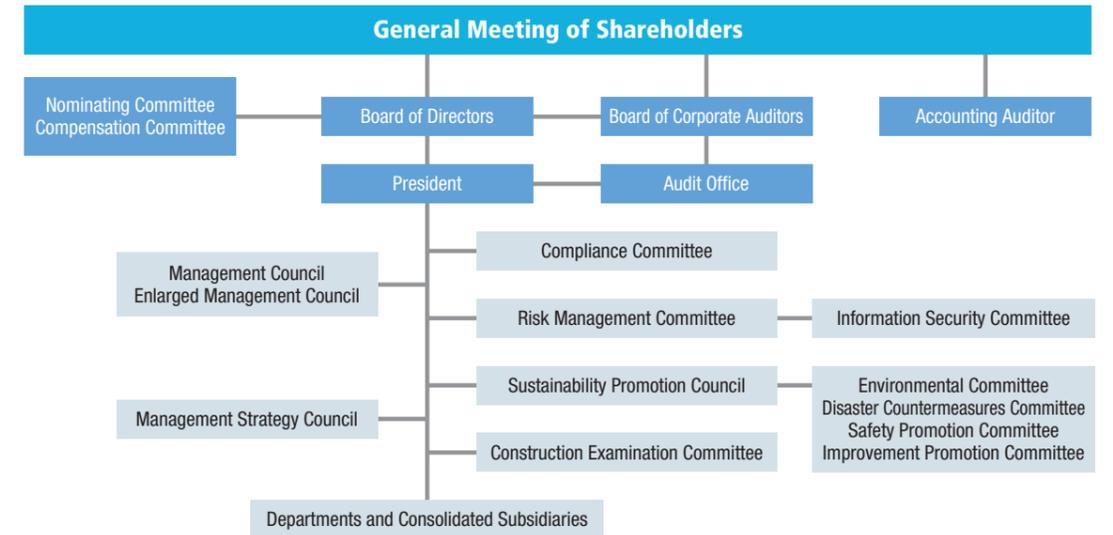
Corporate governance

Corporate Governance System

(As of June 29, 2023)

Our ideas

Because a potential problem was identified in the process of the appointment of candidates for the directors of our company in June 2021, we have established an independent inspection committee to implement inspection in April 2023. Hereafter, our company will achieve the resolution of governance problems and the realization of improvement measures pointed out and proposed by the independent inspection committee.



Role of the boards of directors and corporate auditors

(As of July 27, 2023)

<b>Board of Directors</b>	Directors 8 Corporate auditors 4	Ratio of outside directors and auditors <b>42%</b>	The board of directors makes judgments and decisions concerning matters prescribed by laws and public regulations or by the internal regulations that govern the board and other important matters, thereby exercising the supervisory function over management affairs in general. The board is convened on a monthly basis in principle. In fiscal year 2022, it was convened 11 times. The board of directors is comprised of eight directors (including three outside directors) and four statutory auditors (including two outside auditors). It is chaired by Shigeo Tamura, AFC's president and executive officer. The Board includes one female director (the female proportion on the board is 12.5%).
<b>Board of Corporate Auditors</b>	Corporate auditors 4	Ratio of outside auditors <b>50%</b>	The board of corporate auditors is convened on a monthly basis in principle in order to determine audit policy and prepare an auditors' report, among other activities. In fiscal year 2022, the board was convened 12 times. It is chaired by Masaaki Komiya, who is a full-time statutory auditor.
<b>Nominating Committee</b>	Members 6	Ratio of outside directors <b>83%</b>	When nominating candidates for directors and statutory auditors, AFC convenes the non-mandatory Nominating Committee as an advisory body to the board of directors in order to strengthen the independence, objectivity and accountability of the board, which is responsible for reviewing and selecting candidates. The Committee is convened at least once every year. The Committee is comprised of three independent outside directors, two independent outside members of the board of corporate auditors and one representative director/president and executive officer.
<b>Compensation Committee</b>	Members 6	Ratio of outside directors <b>83%</b>	When determining compensation for directors, AFC convenes the non-mandatory Compensation Committee as an advisory body to the board of directors in order to ensure the objectivity, transparency, and validity of the compensation. The Committee is convened at least once every year. The Committee is comprised of three independent outside directors, two independent outside members of the board of corporate auditors and one representative director/president and executive officer.

Directors



**Shigeo Tamura**

Representative Director, President and Executive Officer

- June 2016 Executive Officer attached to General Affairs Department (In charge of Special Missions)
- June 2017 Director, Senior Executive Officer and Chief of Facilities Management Center of AFC
- June 2020 Managing Director of AFC
- June 2022 Director, Managing Executive Officer of AFC
- June 2023 Representative Director, President and Executive Officer of AFC (current post)

Member of the Nominating Committee  
Member of Compensation Committee



**Hideo Miyake**

Representative Director, Executive Vice President and Executive Officer

- April 2018 Executive Vice President of ALL NIPPON AIRWAYS CO., LTD.
- April 2020 Member of the Board, Executive Vice President of ALL NIPPON AIRWAYS CO., LTD.
- April 2022 Senior Executive Officer of ANA HOLDINGS INC.
- April 2023 Counselor of ANA HOLDINGS INC.
- June 2023 Representative Director, Executive Vice President and Executive Officer of AFC (current post)

Newly appointed



**Tadao Nishio**

Representative Director, Executive Vice President and Executive Officer

- April 2017 Managing Executive Officer and Senior Vice President of Corporate Strategy and Planning, Japan Airlines Co., Ltd.
- June 2017 Outside Director of AFC
- April 2021 Managing Executive Officer and Senior Vice President of Managing Division Passenger Sales, Japan Airlines Co., Ltd. President and CEO of JAL SALES Co., Ltd.
- April 2022 Representative Director and Chairman of JALPAK Co., Ltd.
- June 2023 Representative Director, Executive Vice President and Executive Officer of AFC (current post)

Newly appointed



**Keisuke Kuma**

Director and Managing Executive Officer

- April 2017 Deputy General Manager of Corporate Finance department, Division 3, Development Bank of Japan Inc.
- June 2020 Executive Officer and General Manager of Financial Affairs Department, AFC
- June 2022 Senior Executive Officer, Manager of Financial Affairs Department, Planning and Finance Headquarters, Foreign Business Department, Business Planning Headquarters and Part Manager of Management Planning Department, Planning and Finance Headquarters
- June 2023 Director and Managing Executive Officer of AFC (current post)

Newly appointed



**Osamu Sasaoka**

Director and Executive Officer

- July 2018 Deputy General Manager of Marketing Department I and Section Chief of Marketing Division I and Cargo Terminal Business Department, Cargo Terminal Business Division, AFC
- October 2019 Deputy General Manager of Marketing Division I, Marketing Department, Marketing Promotion Headquarters and Airport Business Planning Division, Airport Business Planning Department, Business Planning Headquarters, AFC
- June 2022 Manager of Management Planning Department, Planning and Finance Headquarters, ACF
- June 2023 Director and Executive Officer of AFC (current post)

Newly appointed



**Takehiko Sugiyama**

Director

- December 2004 President of Hitotsubashi University
- April 2011 Vice Chairman of Japan Transport Policy Research Institute Chief of Transport Policy Research Center
- June 2015 Outside Director of AFC (current post)
- June 2017 Outside Director of Tokyo Metro Co., Ltd. (current post)

Outside Independent  
Member of the Nominating Committee  
Member of Compensation Committee



**Kayo Aoyama**

Director

- April 1985 Freelance announcer (up to the present)
- February 2001 Member of Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism
- July 2014 President of the National Agency of Vehicle Inspection (part-time)
- June 2015 Outside Director of AFC (current post)
- June 2016 Member of National Public Service Ethics Board (current post)

Outside Independent  
Member of the Nominating Committee  
Member of Compensation Committee



**Toshikatsu Ogura**

Director

- July 2013 Senior Executive Vice President and Senior Executive Manager of Marketing Headquarters, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
- July 2015 President and Representative Director, NTT BUSINESS ASSOCIE Corporation
- June 2020 Outside Director of Haseko Corporation (current post)
- June 2022 Outside Director of JAPAN POST Co., Ltd. (current post) Outside Director of AFC (current post)

Outside Independent  
Member of the Nominating Committee  
Member of Compensation Committee

Statutory Auditors



**Masaaki Komiya**

Full-time Statutory Auditor

- June 2012 Director and Managing Executive Officer of Development Bank of Japan Inc.
- June 2015 Executive Director of the Research Institute of Capital Formation, Development Bank of Japan Inc.
- June 2016 Vice Director-General, The Tokyo Organizing Committee of the Olympic and Paralympic Games (TOCOG)
- June 2021 Outside Director, Solaseed Air Inc. Outside Director, AIRDO Co., Ltd.
- June 2022 Full-time Statutory Auditor of AFC (current post)



**Takahiro Hama**

Full-time Statutory Auditor

- June 2014 Acting Chief of Audit Office, AFC
- June 2016 Manager of Accounting Department, AFC
- June 2022 Executive Officer and Manager of Accounting Department, Planning and Finance Headquarters, AFC
- June 2023 Full-time Statutory Auditor of AFC (current post)

Newly appointed



**Sawako Ueno**

Statutory Auditor

- September 2019 Director of Deloitte Touche Tohmatsu LLC
- January 2021 Investigator of Securities and Exchange Surveillance Commission, Financial Services Agency
- April 2023 The Head of Ueno Sawako Certified Public Accounting Office (current post)
- June 2023 Outside Auditor of AFC (current post)

Newly appointed  
Outside Independent  
Member of the Nominating Committee  
Member of Compensation Committee



**Hirotomo Suzuki**

Statutory Auditor

- April 1992 Joins Kyowa Audit Corporation
- February 1994 Registered as Certified Public Accountant
- April 2002 Joins Suzuki Certified Public Tax Accountant Office (up to the present)
- March 2003 Registered as Certified Public Tax Accountant
- April 2023 Outside Auditor of AFC
- July 2023 Outside Auditor of AFC (current post)

Outside Independent  
Member of the Nominating Committee  
Member of Compensation Committee

Skill Matrix of Directors

Shown below is a skill matrix that indicates the professional skills held by each of AFC's directors.

	Management and organization administration	Legal affairs, compliance, risk management	Finance, accounting	Sustainability, ESG	Global, innovation, IT/DX	Planning, sales, marketing	Airport-related infrastructure	Technology, safety, supervising
Shigeo Tamura							●	●
Hideo Miyake	●				●			
Tadao Nishio	●					●		
Keisuke Kuma			●		●	●		
Osamu Sasaoka						●	●	
Takehiko Sugiyama	●	●		●				
Kayo Aoyama	●	●		●				
Toshikatsu Ogura	●	●		●		●		

Note: The main skills possessed by each person that are highly relevant to the Company's business are listed.

Appointment of directors

Because a potential problem was identified in the process of the appointment of candidates for the directors of our company in June 2021, we established an independent inspection committee in April 2023 to implement inspection. We have already received a report on the results of inspection by the Inspection Committee, which points out the governance problems of our company and makes recommendations on improvement measures. Our company accepts with sincerity the results of inspection by the independent inspection committee, and we strive to achieve the resolution of governance problems and the realization of the improvement measures pointed out.

Regarding the director nomination policy that the independent inspection committee recommended our company to formulate, we will work on the formulation through repeated discussion while implementing training on the governance of director nomination over the next year. However, as for the appointment of the candidates for directors this time, we recognized that it is crucially important to select candidates with sufficient qualities necessary to increase the corporate value of our company through transparent procedures and appropriate deliberations based on the suggestions and recommendations of the

independent inspection committee. We have reviewed the system that adheres to the old type of stakeholders and selected the right people so that the board of directors will contribute to securing and increasing the common interests of all shareholders, instead of certain limited stakeholders. We believe that the selection is in line with the proposals made by the independent inspection committee.

More specifically, the basic ideas and skill matrix for the selection of the candidates for the directors that are necessary to achieve the Medium- to Long-Term Management Plan of our company are newly set and reviewed through repeated discussions and deliberations by the board and the nomination committee, and the deliberation process within the nomination committee was improved. We are also receiving a letter of commitment from the candidates pledging that they fulfill the duty of loyalty to our company instead of certain stakeholders, such as the organizations they come from.

Our company aims to win trust from our shareholders and all other stakeholders, and to achieve sustainable growth as a company listed on the Prime Market of the Tokyo Stock Exchange, by continuously promoting the establishment of a strong and adequate governance system.

## Appointment of outside directors and auditors

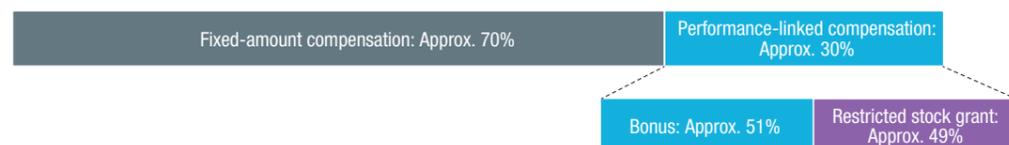
Outside directors and auditors are selected based on criteria such as being capable of contributing to AFC's sustainable growth and an increase in its enterprise value in the medium to long term by providing advice and recommendations to management from a position of independence, as well as the independence criteria prescribed by the Tokyo Stock Exchange.

Outside Director	Name	Description
	Takehiko Sugiyama	Mr. Sugiyama has taught as a university professor and been in charge of university management as the president of a national university. In addition, he has an abundance of knowledge and experience in the field of transportation and traffic. AFC has appointed him as an independent outside director as it expects him to contribute to its sustainable growth and an increase in its enterprise value in the medium to long term by helping to ensure appropriate execution of business operations from his position of independence as an outsider.
	Kayo Aoyama	Ms. Aoyama is a freelance announcer and has an abundance of knowledge and experience gained from sitting on various government committees, including those in the field of transportation and traffic. AFC has appointed her as an outside director as it expects her to contribute to its sustainable growth and an increase in its enterprise value in the medium to long term by helping to ensure appropriate execution of business operations from her position of independence as an outsider.
	Toshikatsu Ogura	Mr. Ogura has an abundance of experience and superior knowledge as a senior manager in the telecommunications industry. AFC has appointed him as an outside director as it expects him to contribute to its sustainable growth and an increase in its enterprise value in the medium to long term by helping to ensure appropriate execution of business operations from his position of independence as an outsider.
Outside auditor	Name	Description
	Sawako Ueno	AFC has appointed Ms. Ueno as an outside auditor as it expects her to provide high-level technical advice to the board of corporate auditors and the board of directors, considering her ability to conduct audits from an objective standpoint based on her specialized insight as a certified public accountant.
	Hiroto Suzuki	AFC has appointed Mr. Suzuki as an outside auditor as it expects him to provide high-level technical advice to the board of corporate auditors and the board of directors, considering his ability to conduct audits from an objective standpoint based on his specialized insight as a certified public tax accountant and a certified public accountant.

## Executive compensation

### 1 Compensation system

- The compensation amount for AFC's directors is determined within the range decided upon a resolution at a general shareholders' meeting. Compensation for the directors (full-time directors), excluding outside directors, is comprised of fixed-amount basic compensation and variable compensation linked to business performance (bonuses and restricted stock grants). Generally speaking, the fixed-amount compensation accounts for around 70% of the total amount of compensation, and the performance-linked compensation makes up around 30%. Compensation for outside directors is comprised entirely of fixed-amount basic compensation the amount of which is determined within the range decided upon a resolution at a general shareholders' meeting.
- Basic compensation for full-time directors is calculated according to the prescribed rules that take into consideration the title of the executive director and the specifics of their respective director responsibilities, among other factors. Performance-linked compensation is calculated in light of the corporate earnings compared with the earnings forecasts. Of performance-linked compensation, the non-monetary restricted stock grant is intended to provide an incentive for the directors to strive for the sustainable growth of AFC's enterprise value and also to promote the further sharing of value with shareholders.



### 2 Procedures for determining the compensation amount

The board of directors conducts deliberations on a compensation proposal based on the policy on compensation and refers the proposal to the Compensation Committee, which advises the board. Following the Compensation Committee's deliberations and findings on the compensation proposal, the proposal is deliberated once again at a board meeting. Upon a resolution at the board meeting, the annual compensation amount is determined and paid.

The Compensation Committee is comprised of independent outside directors, independent outside auditors, and the representative director, president, and executive officer, in order to ensure the objectivity, transparency and validity of compensation and is chaired by an independent outside director. It is convened at least once every year.

Executive compensation in FY2022 is as follows:

(Unit: Million yen)

Category of Position	Compensation Amounts	Compensation Amounts by Classification			Number of Directors and Statutory Auditors
		Basic Compensation	Performance-linked Compensation, etc.		
			Monetary Compensation	Non-monetary Compensation	
Directors	230	156	37	35	13
(Outside Directors)	(13)	(13)			(3)
Statutory Auditors	46	46	—	—	6
(Outside Auditors)	(9)	(9)			(3)
<b>Total</b>	<b>276</b>	<b>203</b>	<b>37</b>	<b>35</b>	<b>19</b>

(Note) 1. The above-mentioned directors include four directors from among the six directors who retired from directorship at the end of the 53rd general shareholders' meeting held on June 29, 2022, excluding the two outside directors who received no compensation, and two statutory auditors.  
2. The salaries of the employees who are also directors are not included in the total amount of directors' compensation.

## Evaluation of the board of director's effectiveness

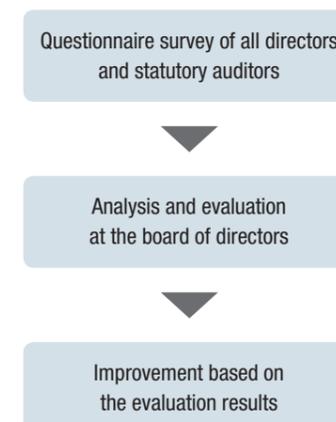
The board of directors conducts self-evaluation and analysis in terms of the effectiveness of the board of directors in order to strengthen its own functions, thereby contributing to an increase in AFC's enterprise value. In fiscal year 2022, all directors and statutory auditors were asked to respond to a questionnaire survey in January-February 2023. Based on the survey results, analysis and evaluation was conducted at a meeting of the board in February 2023. The following is an outline of the results thereof.

The survey results indicate generally favorable evaluation with respect to matters such as the review of the composition of the board, including the number of board members and the ratio of internal directors to outside directors, which resulted in improved evaluation for such matters.

On the other hand, opinions were expressed and problems were recognized and share with respect to the discussions on governance and sustainability in the board, and the method of implementing the evaluation of effectiveness.

In light of the survey results, AFC will promptly respond to the above-mentioned problems after conducting a sufficient study and make ongoing efforts to enhance the functions of the board.

### Implementation evaluation process



<b>Period</b>	From January to February, 2023
<b>Targets</b>	All directors and statutory auditors, 13 in total
<b>Questions</b>	<ul style="list-style-type: none"> <li>■ Operation of the board of directors</li> <li>■ Information exchange among internal and outside directors</li> <li>■ Discussion and statements made at the board of directors</li> <li>■ The entire board of directors</li> <li>■ Dialogues with shareholders (investors)</li> </ul>
<b>Evaluation points</b>	<ul style="list-style-type: none"> <li>■ The improvement and speeding up of deliberation is pursued by distributing materials and giving explanations to outside directors in advance before the meeting of the board of directors and providing an opportunity for questions and answers.</li> <li>■ Questions and discussions in the meeting of the board of directors are gradually becoming active.</li> </ul> <p style="text-align: right;">etc.</p>
<b>Opinions</b>	<ul style="list-style-type: none"> <li>■ It is desirable that internal directors take initiatives to actively express opinions.</li> <li>■ It is doubtful that the training of directors/statutory auditors and the development plan of next-generation executive candidates do not seem to be implemented systematically, leaving it up to the qualities of individuals.</li> <li>■ Further deepened discussion on sustainability and ESG will be necessary in the future.</li> </ul> <p style="text-align: right;">etc.</p>

Cross-shareholdings under the national policy

Policy of cross-shareholdings under the national policy

As for listed shares cross-held under the national policy other than for the purpose of investment, our policy is to hold shares only when it is judged as rational from a quantitative and qualitative perspective, by individually considering the necessity regarding business activities, such as business cooperation, maintenance of transactions, and enhancement of transactions. The state of cross-shareholdings under the national policy is reported once a year at the meeting of the board of directors, and the board of directors considers selling stocks that are deemed to have lost their significance in light of the cross-holding policy. At the meeting of the board of directors held in January 2023, the state of cross-shareholdings under the national policy was verified quantitatively and qualitatively, and the rationality of holding was confirmed.

Changes in the state of cross-shareholdings under the national policy



Efforts to fulfill the criteria to keep listing

As of December 2022, our company had failed to fulfill the criteria for listing on the Prime Market of the Tokyo Stock Exchange in terms of the average net value of trade per day. In order to fulfill the above criteria, our company is currently working on the following measures.

1 IR improvement

Our company established the Public Relations Investor and Relations Division as a department in charge of IR, to promote constructive dialogue with shareholders and investors, and is actively working on IR activities.

While we are holding a results briefing for analysts twice every year, we are also striving to secure convenience, such as changing the venue to a more accessible location. We also conduct IR meetings and interviews, and we are also considering resuming the facilities observation tour for shareholders in FY2023.

Our company website provides information, such as reference materials for results briefings and the AFC Report, which is sent to our shareholders twice every year. Further, we also prepare the Integrated Report to ensure that our stakeholders understand the Group's pursuit of both economic value and social value and our aim for achieving sustainable growth. In addition, information on our company, such as new projects, are actively disclosed as necessary.

We are also actively disclosing IR materials in English for our overseas investors. We launched the English website of our company, which also includes financial results, reference materials for results briefings, and the AFC Report, in English. Notices of ordinary general meeting of shareholders are also partly available in English, from the notice for the meeting held in June 2022.

We will continue working to provide information to our shareholders through the improvement of IR.

2 Improvement of shareholder return

The basic policy of shareholder return in our company is focusing on the balance between factors such as the maintenance of stable management foundation, internal reserve in preparation for new business and investment opportunities, and medium- to long-term performance forecast, and the payout ratio. In the Medium- to Long-Term Management Plan formulated in May 2022, we decided to aim for a consolidated payout ratio of 40% or higher, increased from the previous goal of 30% or higher.

Also, as mentioned in the press release dated in February 22, 2023, the shareholder benefit was changed from the discount coupon for affiliated hotels to a meal voucher for Blue Corner UC, a restaurant operated by our group company. In Blue Corner, you can watch airplanes within Haneda Airport (new aircraft maintenance area) while enjoying meals. This place makes you feel more familiar with Haneda Airport, the base of our business.

We will continuously aim for the improvement of shareholder return by considering the economic situation, business performance and financial condition.

Compliance

1 Basic policy on compliance

While various rules are being strengthened throughout the world, companies are required to have an even stronger awareness of compliance. Our group organizes the Compliance Committee comprised of all representative directors and full-time statutory auditors in order to maintain and enhance compliance awareness.

The Compliance Committee conducts deliberations on important matters essential to ensuring compliance with laws and public regulations, the articles of incorporation, and internal regulations by executives and employees in their performance of job duties and strives to keep business operations appropriate and improve them, prevent non-compliance, and otherwise avoid and reduce legal risks on a group-wide basis. The Compliance Committee is convened twice every year and is chaired by the president.

The activity policy of the committee in FY2022 is to ensure compliance in each division, complying with the corporate governance code, and the appropriate management and storage of aviation and security information. The committee identifies risks and reviews the state of compliance in each division, and it confirms the impact of law amendments on each business, in order to implement the PDCA cycle for compliance management.

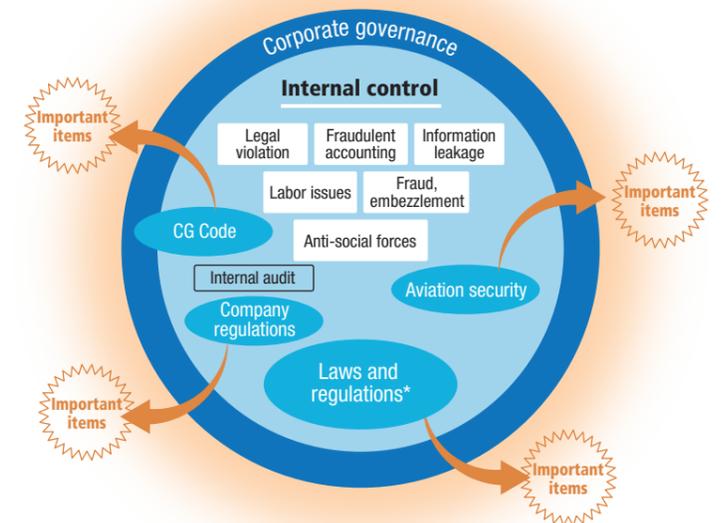
2 Compliance Committee

The Compliance Committee is comprised of the president serving as the chair and all other representative directors and full-time statutory auditors, and conducts deliberations on matters essential to ensuring compliance with laws and public regulations, the articles of incorporation, and internal regulations by executives and employees in their performance of job duties and strives to keep business operations appropriate and improve them, prevent non-compliance, and otherwise avoid legal risks on a group-wide basis.

Regarding the internal control on financial reporting, the president and the Audit Office governed by the board of corporate auditors implement audit and evaluation to ensure the proper operation of business in order to cope with the internal control report based on the Financial Instruments and Exchange Act.

In FY2022, the following items were reported and discussed:

- (1) Risk countermeasures taken by each division
- (2) Responding to the revised Corporate Governance Code
- (3) Whistleblowing
- (4) Employment of disabled persons
- (5) State of overtime work
- (6) Aviation security information
- (7) Internal audit.



\* The Risk Management Committee will ascertain the state of compliance with laws and implement follow-up to manage our company's risk of loss.

3 Internal control system

Under the basic policy on the internal control system, in order to ensure compliance with the Companies Act and the Regulations for Enforcement of the Companies Act on a group-wide basis, AFC strives to develop the internal control system, for example by developing various regulations and establishing committees related to compliance and risk management.

With respect to compliance problems, including legal violations, AFC has created whistleblowing contact points through which employees can consult with or report to the company so that the problems can be promptly addressed.

AFC Group deals with anti-social forces firmly based on its corporate philosophy and basic policy on the internal control system. When it has received undue demands from anti-social forces, AFC Group, under the Compliance Committee's leadership, engages in close cooperation with lawyers and police. AFC Group routinely ensures that executives and employees are aware of its corporate philosophy and basic policy on the internal control system and eliminates any relationship with anti-social forces on a group-wide basis through day-to-day business activities and audit activities. The board of directors constantly checks whether the internal control system is functioning appropriately and reforms the system as necessary in order to continuously make improvements.

**4 Development of Guiding Principles**

In October 2022, our company formulated the Guiding Principles to show the basic policy and attitude toward action that each of our officers and employees should value, based on the Corporate Philosophy. With the Guiding Principles, all employees are reviewing their own behavior and work processes, and raising awareness about compliance.

**5 Compliance training**

In January 2023, matters on compliance were featured in training for young employees given by lawyers.

The training session was content-rich and included guidance on how it is important to notify a whistleblowing contact point without hesitation upon witnessing any compliance violations, based on the idea of observing corporate ethics and social norms, and taking measures at an early stage.



**6 Information security**

In order to adequately maintain information security, a management system has been established based on the Information Security Management Regulations and other regulations, and secure operation is implemented. Especially regarding measures against information leakage, multiple system guards are secured in preparation against both an invasion/attack from outside the company and a leakage of information from the company. Information security training is implemented regularly in a quiz format from January 2023, in order to reinforce the awareness of individual employees through education on the importance of information management and information security measures within the in-house system.

Further, the Information Security Committee has been organized for the purpose of ascertaining the state of information security measures, formulating and reviewing guidelines for information security measures, and sharing and verifying information on information security measures. The Committee implements verification activities twice a year.

**7 Whistleblowing System**

AFC has established a whistleblowing system in order to handle consultations and reports from executives and employees regarding illegal acts. Reports are received through internal contact points, including the General Affairs Department under the General Affairs Headquarters and the statutory auditors as well as through an external contact point in the form of an outside law firm. When reports have been received, investigations are conducted as necessary, and correctional measures are taken if illegal acts have been found.

While there was one warning in FY2021, there was no warning in FY2022.

**Risk management**

**1 Risk management policy**

Since the AFC Group builds, operates, and manages facilities and functions necessary for airports, it is responsible for supporting the safe operation of airports and the flight services of airlines. Therefore, in order to prevent the AFC Group's business risks from causing disruptions to the operation of airports and flight services, the group strives to develop and improve its integrated risk management system. The AFC Group has established the Risk Management Committee, which is comprised of directors, heads of business divisions, and representatives of subsidiaries, in order to identify risks and ensure appropriate operation and improvement of the risk management system. Risk Management Committee is convened twice every year and is chaired by the president.

**2 Risk Management Committee**

The Risk Management Committee is comprised of the president serving as the chair, directors, heads of business divisions, and representatives of subsidiaries, in order to identify risks and ensure appropriate operation and improvement of the risk management system.

Our company is engaged in infrastructure business, including heating and cooling, water supply and drainage, and shared communication in Haneda Airport, and stable operation is essential for the business of the AFC Group. Also, because airports serve a highly important role at the time of an emergency, such as a disaster, we recognize that stable supply and smooth restoration in ordinary times and under emergencies are crucial for the Group.

In FY2022, the following items were reported and discussed:

- (1) Measures taken against the resurgence of the COVID-19
- (2) Responses taken against cases of trouble caused to our facilities
- (3) Criteria for keeping listing on the Prime Market
- (4) Measures taken to comply with the Act on the Promotion of Women's Active Engagement in Professional Life, Act on Childcare Leave, Caregiver Leave, etc., and other laws and regulations
- (5) State of disaster countermeasures
- (6) State of information management.

**Business Continuity Plan (BCP)**

In order to respond flexibly and adequately whenever a major natural disaster such as an earthquake occurs, our group formulates a business continuity plan (BCP) aiming for the early restoration of the businesses of our group and the functions of the airport, and implements training and maintains the system.

The BCP of our group is also aligned with the Airport Advanced Business Continuity Planning (A2-BCP) formulated by the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, and incorporates plans to maintain the functions of the entire airport and to aim for the early restoration thereof as the relevant organization.

When a disaster occurs, we first take initial response, such as ensuring the security of tenants and employees and preventing secondary disasters, and then organize a BCP team to implement activities.

Through regular training on BCP, our group is raising the disaster prevention awareness among group employees, streamlining issues that are found out through training, and preparing a manual based on such findings.

**3 Business risks and measures taken against each risk**

Risk items	Major relevant risks	Efforts
<b>Business risks</b>	<ul style="list-style-type: none"> <li>■ Risk of relying on a limited number of clients</li> <li>■ Risks regarding the measures taken by the national government</li> <li>■ Risks of foreign business</li> </ul>	<ul style="list-style-type: none"> <li>• Against the impact of the reduction of aviation demand on business performance, we are trying to steadily grasp various needs and to reduce the impact of risks by utilizing the knowledge we have developed over many years.</li> <li>• We are trying to disperse risks by paying close attention to risks according to changes in airport plans and operational policies of the national government, airport companies, etc., which administrate the establishment of airports, and by developing new businesses.</li> <li>• We gather information on business risks abroad through our business contractors and try to reduce such risks.</li> </ul>
<b>Risks of natural disasters and impacts of the natural environment</b>	<ul style="list-style-type: none"> <li>■ Disaster risks</li> <li>■ Risks regarding the impact of natural environment</li> </ul>	<ul style="list-style-type: none"> <li>• In preparation against the risks of the occurrence of natural disasters and fire, our group conducts seismic diagnosis for all facilities and is taking measures regarding reinforcement work. We are also insuring our properties against fire, etc. Also, assuming the occurrence of disasters, we are trying to improve the communication and information gathering mechanisms and systems to restore functions promptly.</li> <li>• The area heating and cooling business and water supply and drainage business tend to have an impact on our management and financial conditions with seasonal factors such as temperature rise.</li> </ul>
<b>Financial risks</b>	<ul style="list-style-type: none"> <li>■ Risks of the impairment loss of non-current assets</li> <li>■ Risks regarding the realizability of deferred tax assets</li> </ul>	<ul style="list-style-type: none"> <li>• When there is a notable deterioration of the profitability of invested non-current assets and the decline of market values, impairment loss may be recorded, which may affect the management results and financial state.</li> <li>• If it is decided that some or all of deferred tax assets cannot be realized, the amount of deferred tax assets is reduced, which may affect the management results and financial state.</li> </ul>
<b>Fluctuation risks of other business environments</b>	<ul style="list-style-type: none"> <li>■ Fluctuation risks of other business environments, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Our group also faces other risks due to the fluctuation of business environments arising from various causes, including COVID-19, which may affect the management results and financial conditions.</li> </ul>

**» Key consolidated financial information for the period of eleven years**

(Note) Amounts are shown by rounding down the amount below one million yen.

	FY2012	FY2013	FY2014
<b>Trends in business performance</b>			
Net sales [million yen]	21,067	20,971	21,111
[Amount for each segment]			
Real estate business	14,354	14,857	15,568
Area heating & cooling business	4,244	3,720	3,192
Water Supply & Drainage Service and Other Business	2,468	2,393	2,350
Operating income (loss) [million yen]	3,362	3,498	3,165
[Amount for each segment]			
Real estate business	2,345	2,577	2,345
Area heating & cooling business	839	634	605
Water Supply & Drainage Service and Other Business	177	286	214
Ordinary income [million yen]	3,490	3,090	3,164
Profit (loss) attributable to owners of parent [million yen]	1,781	1,092	1,505
<b>Trends in financial conditions</b>			
Net assets [million yen]	47,026	47,998	50,715
Total assets [million yen]	73,316	77,621	84,270
Interest-bearing liabilities [million yen]	15,920	16,746	22,112
Business investment in plant and equipment [million yen]	3,166	7,541	1,980
Depreciation expense [million yen]	3,222	3,093	3,434
<b>Information per share</b>			
Net assets per share (BPS) [yen]	882.80	900.07	951.16
Profit (loss) per share (EPS) [yen]	34.48	21.15	29.14
Dividend per share [yen]	12	12	12
<b>Information on cash flow</b>			
Cash flows from operating activities [million yen]	5,521	3,897	3,478
Cash flows from investing activities [million yen]	(3,832)	(4,418)	(4,771)
Cash flows from financing activities [million yen]	(3,515)	14	4,500
<b>Management indicators</b>			
Rate of ordinary income to the amount of total assets (ROA) [%]	4.8	4.1	3.9
Return on equity (ROE) [%]	3.9	2.3	3.1
Debt to equity [Times]	0.349	0.360	0.450
EBITDA + recovery [million yen]	5,341	5,443	5,367
Equity ratio [%]	62.2	59.9	58.3
Price-to-earnings ratio (PER) [Times]	18.10	36.03	23.13
Payout ratio [%]	34.8	56.7	41.2

(Note) Price-to-earnings ratio and payout ratio are not shown for FY2020 due to current loss attributable to owners of parent, etc.

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
20,697	21,662	22,791	24,213	24,855	24,155	23,777	25,516
15,311	16,131	16,950	18,116	18,727	18,940	18,845	19,730
3,166	3,200	3,208	3,242	3,274	3,379	2,957	3,412
2,219	2,330	2,632	2,854	2,853	1,834	1,974	2,373
2,944	3,825	4,103	4,129	4,186	3,831	3,280	2,503
2,021	2,560	2,919	3,105	3,086	2,922	2,862	2,172
830	1,143	1,034	787	849	1,097	452	225
92	122	148	237	250	(188)	(33)	106
3,173	3,492	3,726	3,338	3,802	3,617	2,962	2,121
1,935	2,151	2,219	2,104	2,227	(933)	821	1,564
51,644	53,415	54,482	55,740	56,333	54,964	55,306	57,368
85,214	87,580	87,961	101,384	104,483	100,429	102,468	100,403
24,003	23,994	23,159	33,703	36,045	34,712	30,756	27,301
2,973	3,048	4,504	13,611	7,153	2,569	1,899	1,545
3,551	3,503	3,547	4,033	4,011	4,263	4,135	4,822
965.69	995.53	1,050.69	1,072.90	1,080.48	1,049.44	1,055.28	1,095.16
37.46	41.63	43.36	42.28	44.72	(18.71)	16.45	31.28
12	13	14	14	14	14	14	14
809	3,024	7,147	5,176	6,900	4,758	8,467	2,017
(2,453)	(3,048)	(5,383)	(13,490)	(8,217)	(2,704)	(449)	1,198
1,731	(137)	(2,909)	9,524	1,958	(1,907)	(5,117)	(4,460)
3.7	4.0	4.3	3.5	3.6	3.5	2.9	2.0
3.9	4.2	4.2	3.9	4.1	(1.7)	1.5	2.9
0.481	0.466	0.443	0.519	0.669	0.663	0.584	0.498
5,176	6,161	6,737	7,501	7,835	7,619	7,464	7,535
58.5	58.7	59.4	52.6	51.5	52.1	51.4	54.5
13.59	13.52	14.60	13.07	8.98	-	32.94	17.55
32.0	31.2	32.3	33.1	31.2	-	85.1	44.7

»» Financial conditions

Explanation on financial conditions

1 Total assets

Total assets as of the end of FY2022 are 100,403 million yen, decreasing by 2,064 million yen from the end of the previous fiscal year.

Despite the acquisition of Hiroshima Motomachi NS Building, investment in an airport fund, and an increase in business loans due to new loans, non-current assets decreased due to the recording of depreciation expenses related to asset retirement obligations, the sale of the hotels in Kyoto and office buildings, and the recording of depreciation expenses for Osaka Sogo Building.

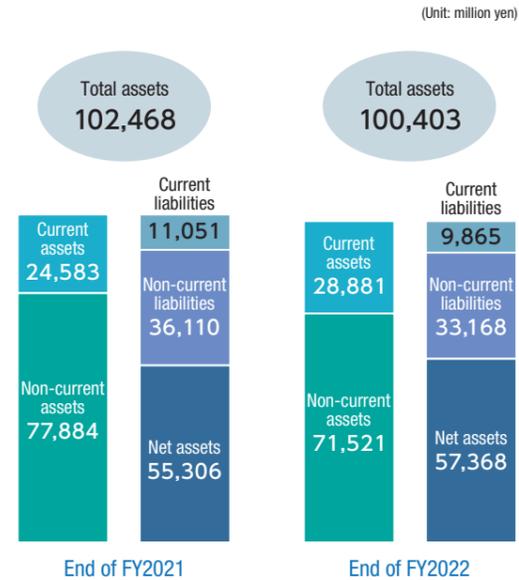
2 Liabilities

Total liabilities as of the end of FY2022 are 43,034 million yen, decreasing by 4,127 million yen from the end of the previous fiscal year.

Major reasons include the repayment of long-term borrowing.

3 Net assets

Total net assets as of the end of FY2022 are 57,368 million yen, due to increases in retained earnings and in foreign currency translation adjustments associated with the depreciation of the yen, increasing by 2,062 million yen from the end of the previous fiscal year. Among the above, total shareholders' equity is 51,839 million yen, increasing by 914 million yen from the end of the previous fiscal year. The equity ratio is 54.5% (increase by 3.1 points).



Explanation on cash flow

Cash and cash equivalents (hereinafter referred to as "funds") as of the end of FY2022 are 8,598 million yen, decreasing by 1,014 million yen from the end of the previous fiscal year. The cash flow situation in FY2022 and factors thereof are as follows.

1 Cash flows from operating activities

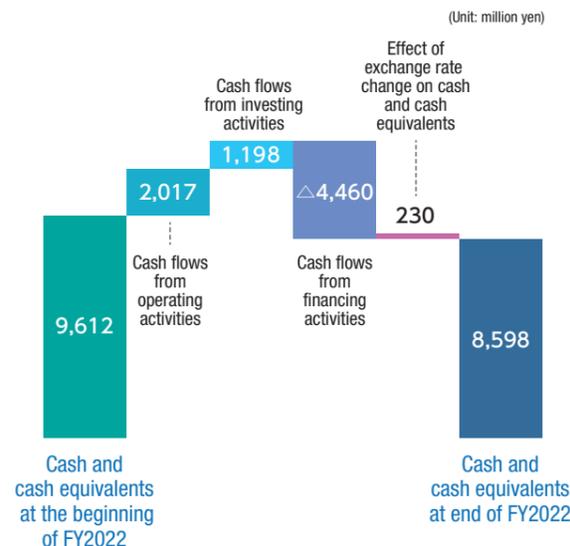
Net cash provided by operating activities resulted in income of 2,017 million yen (compared to income of 8,467 million yen in the same period of the preceding year). This is mainly attributable to an increase in inventory assets due to the acquisition of real estate for sales, increase in operating loans due to new loans, and an increase in payments, such as corporate tax, despite income before income taxes and non-cash depreciation.

2 Cash flows from investing activities

Net cash provided by investing activities resulted in income of 1,198 million yen (compared to expenditure of 449 million yen in the same period of the preceding year). This is mainly attributable to income from the sales of non-current assets related to hotels for rent and office buildings, despite expenses due to the purchase of investment securities related to investment in an aircraft fund and expenses due to the purchase of non-current assets.

3 Cash flows from financing activities

Net cash used in financing activities resulted in an expense of 4,460 million yen (compared to expenditure of 5,117 million yen in the preceding year). This is mainly attributable to the repayment of long-term borrowing and payment of dividends.



»» Non-financial information highlights

	FY2019	FY2020	FY2021	FY2022
<b>Personnel affairs</b>				
Number of employees in the company	109	110	116	113
Number of employees in the group	116	115	122	119
Average hours of overtime work (non-consolidated, monthly)	21 hours	17 hours	15 hours	19 hours
Average years of continuous employment (non-consolidated)	13 years and 6 month	14 years and 6 month	14 years and a month	14 years and 6 month
Ratio of female employees (non-consolidated)	20.2%	24.5%	28.4%	30.1%
Ratio of those in the manager positions among female employees (non-consolidated)	0%	0%	4.3%	4.1%
Consultation rate of medical checkups (including comprehensive medical examinations)	100%	100%	100%	100%
Average days of paid leave taken (average for the fiscal year)	12 days	12 days	12 days	14 days
Number of those newly employed (non-consolidated) (number of women newly employed) *Including mid-career recruitments	3 (1)	6 (4)	8 (4)	7 (5)
<b>Environment</b>				
CO <sub>2</sub> emission (consolidated; t-CO <sub>2</sub> )	42,152	37,944	37,358	39,015
Amount of renewable (solar) energy power generation (thousand kWh)	5,021	5,402	6,395	6,138
Water use (thousand m <sup>3</sup> )	1,946	1,138	1,233	1,547
Waste discharge amount (ton)	1,615	1,518	1,419	915
Ratio of recycling to the amount of discharged waste (%)	9.7	13.3	21.4	18.8

»» Qualifications (including those who passed the examination)

As of March 31, 2023

Real estate transaction agents	30	Labor and social security attorneys	4	Class 1 / class 2 health officers	16
Fire prevention managers	51	First-class registered architects	5	Certified Building Administrators	4
Certified Construction Managers of Japan	3	Second/third-class chief electricity engineers	18	Boiler expert (first/second class)	28
High pressure gas production safety technical managers (Class 1 to 3 Refrigeration Safety Manager Certificates)	20	First-class chief engineers for piping work	3	First-class building work process supervisors	2
Qualified Persons for Energy Management	7	Certified environmental measurer (concentration, noise, oscillation)	1	Pollution control manager	9

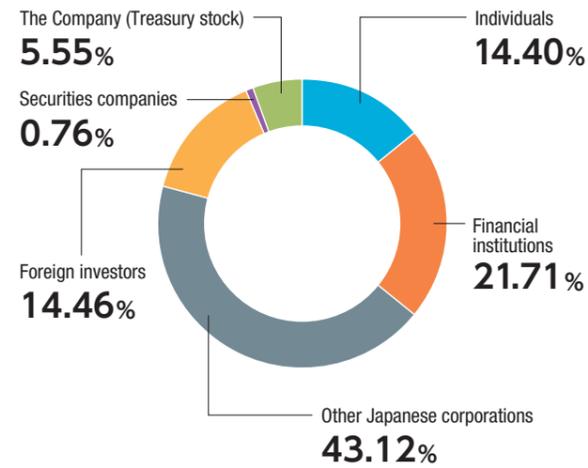
Stock information

(As of March 31, 2023)

Securities code	8864
Stock Listings	Prime Market of the Tokyo Stock Exchange (from April 4, 2022)
Total number of shares authorized	124,800,000
Total number of shares issued	52,979,350
Number of shareholders	10,474
Share unit number	100

Composition of shareholders

(As of March 31, 2023)



Major shareholders (top 10)

(As of March 31, 2023)

Shareholder	Number of Shares Owned (thousands)	Ratio of Shareholding (%)
Japan Airlines Co., Ltd.	10,521	21.02
ANA HOLDINGS INC.	10,521	21.02
Development Bank of Japan Inc.	6,920	13.82
The Master Trust Bank of Japan, Ltd. (trust account)	2,654	5.30
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	1,600	3.19
BNYM AS AGT/CLTS NON TREATY JASDEC	1,231	2.46
BNYM AS AGT/CLTS TREATY JASDEC	889	1.77
Resona Bank, Limited.	800	1.59
Custody Bank of Japan, Ltd. (Trust account)	720	1.43
Toshiko Banno	654	1.30

(Note) 1. Our company holds 2,941,000 treasury shares but is excluded from the above major shareholders.  
2. Ratio of shareholding is calculated by excluding the treasury shares.

Corporate profile

Corporate Name	AIRPORT FACILITIES CO., LTD. (AFC)	Employees	119 (consolidated) 113 (non-consolidated) (as of March 31, 2023)
Established	February 1970	Location	Head Office No. 5 Sogo Building, 1-6-5 Haneda Airport, Ota-ku, Tokyo 144-0041 Tel.: +81-3-3747-0251 (Main)
Representative	President and CEO Shigeo Tamura		
Capital	6,826,100,000 yen		

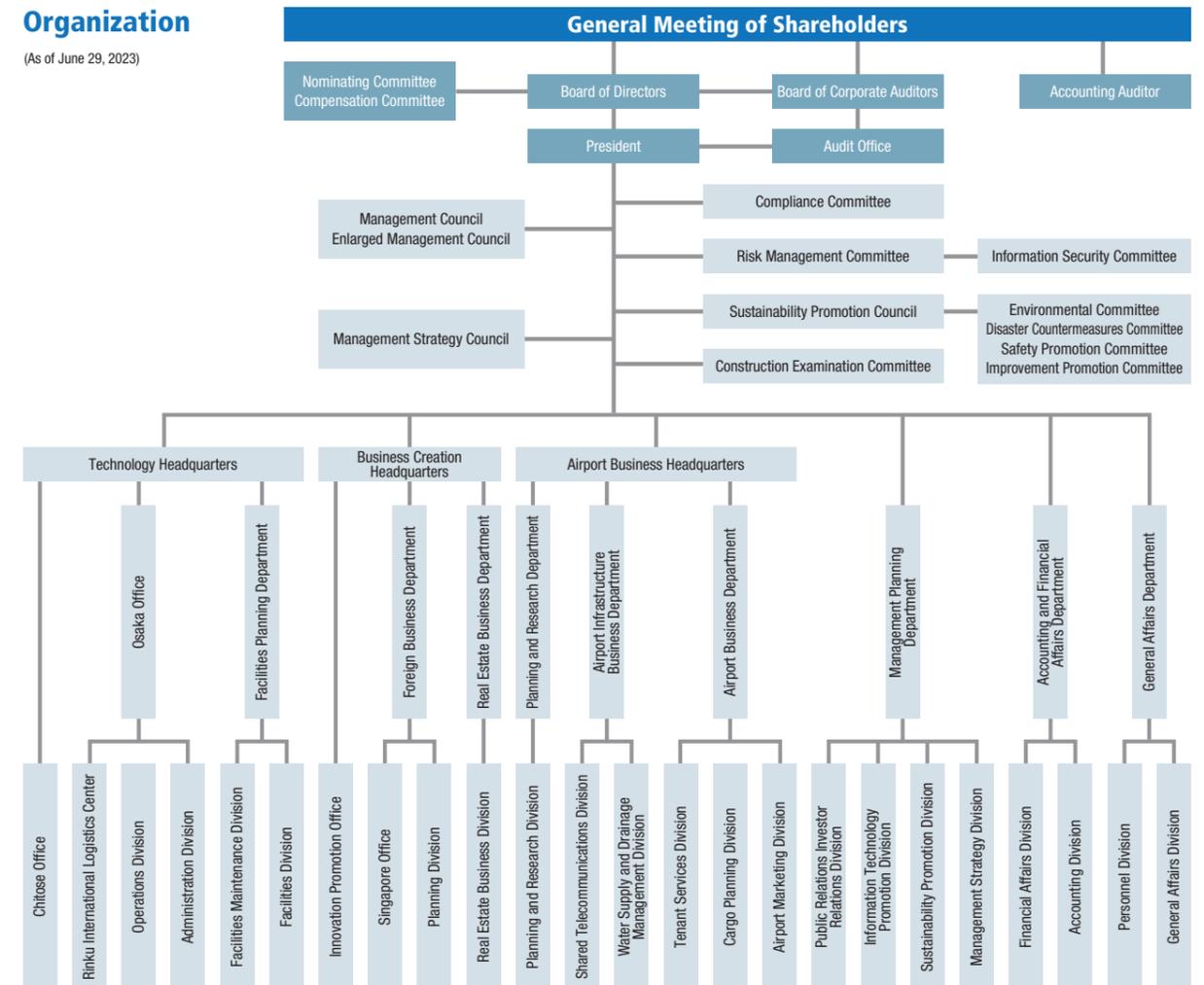
Group Companies

(As of June 29, 2023)

Company Name	Location	Capital	Description of Business
Tokyo Airport Heating & Cooling Co., Ltd.	Haneda Airport, Ota-ku, Tokyo	2,900 million yen	Supplying air conditioning to various facilities at Haneda Airport
AFC Asset Management Co., Ltd.		50 million yen	Real estate consulting business / Real estate fund business
AFC TRADING Co., LTD.		30 million yen	Merchandising business at Haneda Airport
Aqua Techno Service Co., Ltd.		30 million yen	Operating and managing plumbing/facilities, real estate management at Haneda Airport
Blue Corner Co., Ltd.		20 million yen	Restaurant and concession stand business at Haneda Airport
S Cube Co., Ltd.	Heiwa, Chitose-shi, Hokkaido	10 million yen	Operating and managing plumbing/facilities, real estate management at New Chitose Airport
AIRPORT FACILITIES ASIA PTE. LTD.	Singapore	23.7 million SGD / 18.9 million USD	Construction, acquisition and leasing business of aviation-related facilities in Seletar Airport
AFS PROPERTIES PTE. LTD.	Singapore	28.4 million USD	Financing flight simulators in Seletar Airport
AFN PROPERTIES LTD.	Vancouver/Canada	5.5 million CAD	Construction, acquisition and leasing business of aviation-related facilities in Langley Regional Airport

Organization

(As of June 29, 2023)





No. 5 Sogo Building, 1-6-5 Haneda Airport, Ota-ku, Tokyo 144-0041  
Tel.: +81-3-3747-0251 (Main)

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