

AFC Report

Fiscal year ended March 31, 2024

April 1, 2023 ▶ March 31, 2024

 **AIRPORT FACILITIES CO., LTD.**

Ticker Code | 8864





While taking the airport-related businesses as an important business foundation, we will accelerate our efforts in non-airport areas, striving for the early achievement of the Medium- to Long-Term Management Plan.

President and Executive Officer

Shigeo Tamura

Overview of the fiscal year under review

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

While the Japanese economy continued to be on a gradual recovery trend as the economic activity has been recovering from the COVID-19 crisis, we still need to carefully monitor risks such as surging prices and global situation, etc.

In the aviation industry, supported by strong inbound demand and leisure demand following the lifting of movement restrictions in Japan, the number of passengers showed favorable growth in both domestic and international flights, and we expect that strong passenger demand will continue.

Under this environment, for the fiscal year ended March 31, 2024, the Group achieved both increased sales and profit with net sales of ¥25.95 billion, operating income of ¥3.18 billion, ordinary income of ¥3.17 billion, and profit attributable to owners of parent of ¥2.02 billion.

Reflecting this performance, we increased the year-end dividend from the intended level at the beginning of the year by ¥3 to ¥10, resulting in an annual dividend of ¥17 per share.

The maintenance of a stable management foundation and strengthening of our financial standing remain our basic philosophy, and we will provide stable and continuous return of profits to shareholders while aiming for a payout ratio of over 40%

The Medium- to Long-Term Management Plan

In the airport-related businesses, which is the Company's business foundation, we worked to improve the profitability of existing properties while establishing the fresh products center in the domestic cargo terminal area of Tokyo International Airport.

Furthermore, the Group announced the Medium- to Long-Term Management Plan in May 2022. In the non-asset business, which is one priority measure, we have already acquired a total of five buildings and are raising property values through value enhancement works, etc. In future, we will also have a view towards the sale of real estate for sale, and strive for further business expansion.

We have also actively worked towards solving social issues through our businesses such as in efforts for reducing CO₂ emissions and for the utilization of new energy, needed to contribute to the realization of a sustainable society.

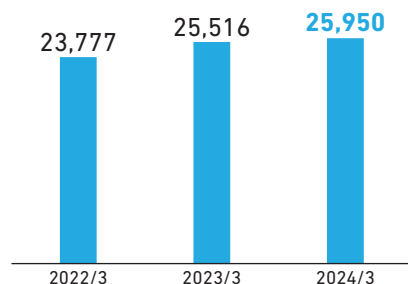
While taking the airport-related businesses as an important business foundation, we will continue to accelerate our efforts in non-airport areas to achieve sustainable growth and improve corporate value, and all officers and employees will strive for the early achievement of the Medium- to Long-Term Management Plan.

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

FY2023 Performance Highlights

Net sales

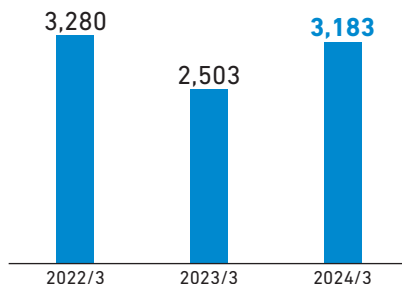
(¥ Million)



Net sales increased, mainly because there was a continued recovery trend in water supply and drainage usage due to an increase in the number of airport users, despite a decrease in net sales as a consequence of sales of hotels and an office building for lease in the previous term.

Operating income

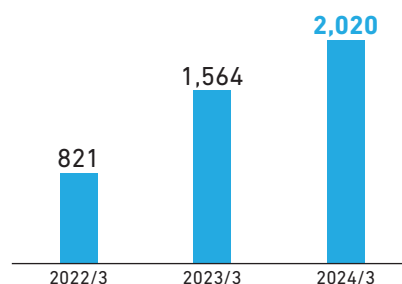
(¥ Million)



Operating income increased mainly due to decreased raw material expenses as energy prices in the area heating & cooling business trended lower than in the previous term.

Profit attributable to owners of parent

(¥ Million)

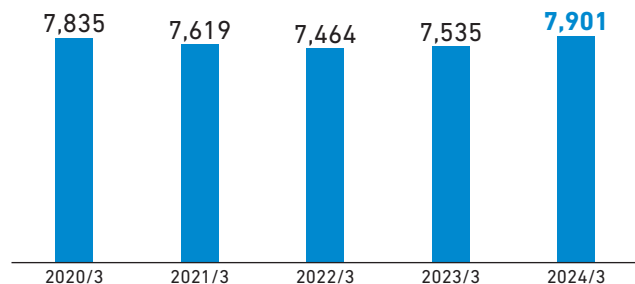


Ordinary income increased mainly due to recording of gain on investments in silent partnership, etc. by an aircraft leasing fund and a decrease in provision for removal cost related to various constructions, and profit attributable to owners of parent was ¥2,000 million.

Cash flows

EBITDA + recovery

(¥ Million)



Both net sales and operating income increased in the fiscal year ended March 31, 2024. Even viewed in terms of EBITDA + recovery*, our cash flows show a steady trend, meaning that profitability remains stable.

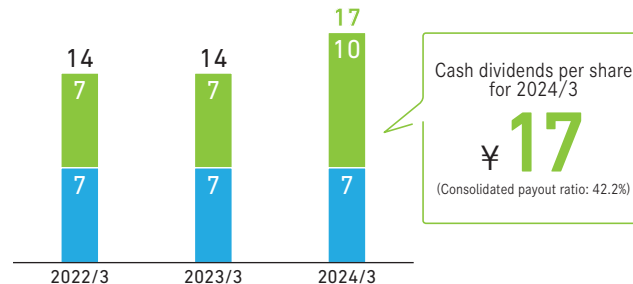
*EBITDA + recovery = (Operating income + depreciation expense) + recovery + leasing costs

Recovery refers to the principal amount repaid on the loan.

Dividends

Cash dividends per share

■ Q2 ■ Year-end (¥)



Cash dividends per share for 2024/3

¥ 17

(Consolidated payout ratio: 42.2%)

For the fiscal year ended March 2024, we delivered year-end dividend of ¥10 per share, which was ¥3 higher than the original plan, and an annual dividend of ¥17 per share, as we secured profit levels that exceeded the plan.

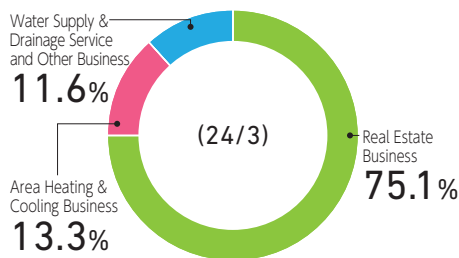
While we focus on maintenance of stable management base and enhancement of financial strength, we also strive to provide stable and continuous return profits to shareholders with the dividend payout ratio of over 40%.

Business Outline by Segment

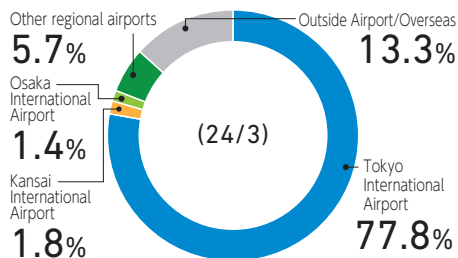
As a business portfolio, we are engaged in businesses such as Real Estate Business mainly in airports and regions near the airport, Area Heating and Cooling Business that support airport infrastructure, and Water Supply and Drainage Service and Other Businesses.

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

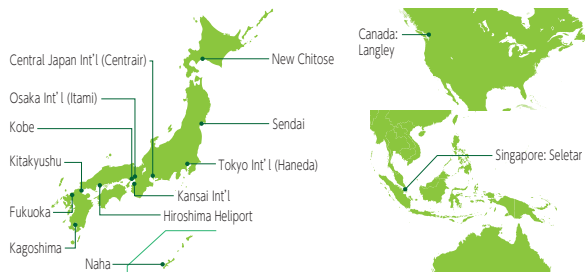
Net Sales by Business Segment



Net Sales by Region

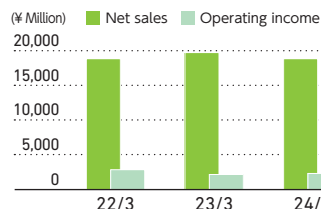


Map of airports where our facilities are located



Real Estate Business

Net sales 24/3 ¥19.4 billion (-1.2%)



Net sales were mostly flat supported by the promotion of our non-asset business, among others, although we sold certain assets such as hotels in the previous term. Meanwhile, operating income increased due to a decrease in depreciation, etc. related to sold facilities and an improvement in profitability in existing facilities.

Core business

Leasing of real estate such as multi-purpose general buildings, aviation-related facilities (hangars, maintenance plants, etc.), apartments, etc. in airports in Japan and abroad and regions along the railway line connected to the airport, and revolving business

Major companies

- Airport Facilities Co., Ltd.
- AFC Asset Management Co., Ltd.
- AIRPORT FACILITIES ASIA PTE. LTD.
- AFS PROPERTIES PTE.LTD.

Recent investments

- Gofukukan
- Nihonbashi-Hamacho 2-Chome Building
- Sakura Front Ichibancho (Former name Ichibancho 27 Building)
- Fresh Product Center



Nihonbashi-Hamacho 2-Chome Building



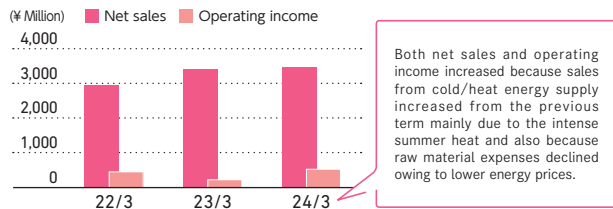
Sakura Front Ichibancho



Fresh Product Center

Area Heating & Cooling Business

Net sales 24/3 **¥3.4** billion (+1.4%)



Core business

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

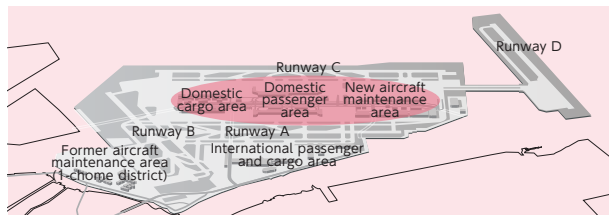
Major companies

- Tokyo Airport Heating & Cooling Co., Ltd.

Recent investments

- Upgrading transformer facilities
- Upgrading refrigeration machines

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



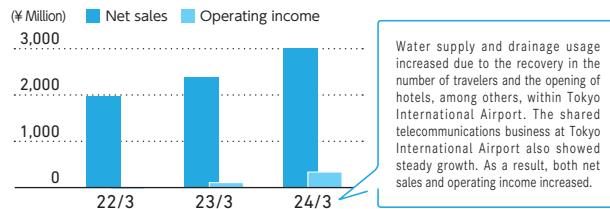
Energy Center



Electric turbo refrigerator machine

Water Supply & Drainage Service and Other Business

Net sales 24/3 **¥3.0** billion (+26.3%)



Core business

Water supply and drainage business at Tokyo International Airport and New Chitose Airport, Shared telecommunications business at Tokyo International Airport, and solar power generation business

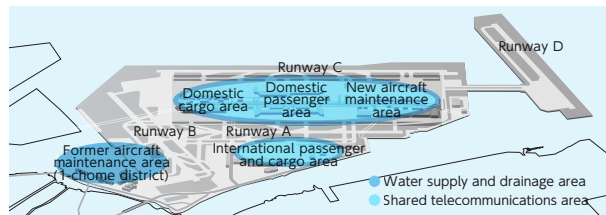
Major companies

- Airport Facilities Co., Ltd.
- AIRPORT FACILITIES ASIA PTE. LTD.

Recent investments

- Solar power generation facilities at engine maintenance plant in Singapore

Areas covered by our water supply & drainage and shared telecommunication system in Tokyo International Airport



Water supply & drainage facilities in the reclaimed land area offshore



Shared telecommunication server

Since its foundation, our company has been providing facilities essential for the operation of aircrafts and area heating and cooling service as an infrastructure within the airport, to air carriers and aviation/airport-related companies, mainly in Tokyo International Airport, and possesses a stable profit base. Also, in order to create further corporate value, our company is also putting our efforts into expanding businesses outside airports, as disclosed in the FY2022-FY2028 Medium- to Long-Term Management Plan.

PBR of our company is 0.52, and ROE is 3.5% (FY2023). While the business model to recover invested capitals in the long term is stable, we also recognize the necessity of further improving capital efficiency, considering recent requirements.

Our company is currently working on the Medium- to Long-Term Management Plan, and is aiming to improve ROE and PBR through its target of ROA 5%, based on the recognition of the issues of our companies and requirements from the Tokyo Stock Exchange.

Profit is stable because our main business is real-estate leasing and infrastructure provision mainly in airports.

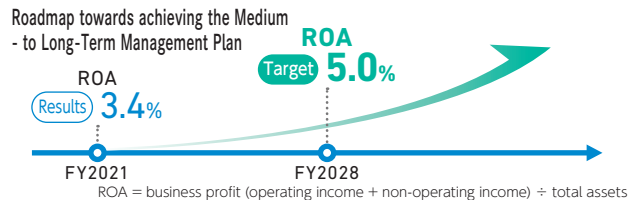
Real estate business	Infrastructure
<ul style="list-style-type: none"> ● Hangar ● In-flight meal factory ● Training facility for crews 	<ul style="list-style-type: none"> ● Area heating & cooling business ● Shared telecommunication ● Water supply and drainage

Airport = public land

Improvement of ROE

◆ **Improvement of ROA**
 → Linkage with priority measures in the Medium- to Long-Term Management Plan

◆ **Financial and capital strategy**
 → While maintaining the financial soundness, growth investment utilizing liabilities will be implemented.



Nurturing expectation for growth

 Reduction of the cost of shareholder's equity

◆ **Stable expansion of shareholder return**
 → Dividend increase linked to profit (Payout ratio of over 40%)
 → Changes in shareholder benefits (July 2023)

◆ **Reinforcement of management base**
 ◆ **Promotion of dialogues with investors and information disclosure**

*For details, please refer to the financial results briefing material for the fiscal year ended March 31, 2024.

Topic 2 Change in business segments reported

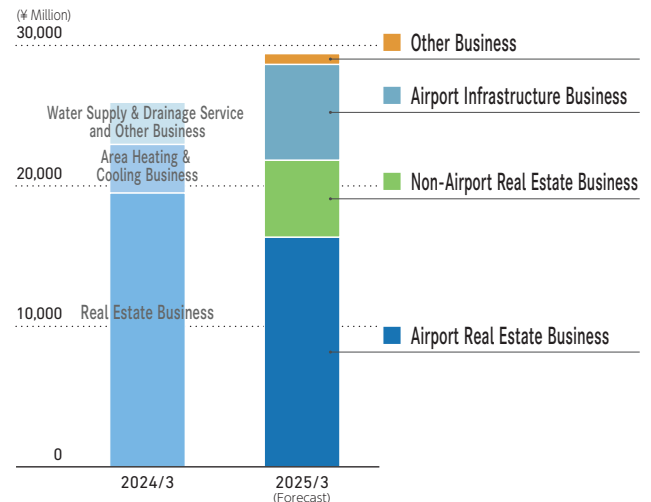
Effective April 1, 2024, we will change our segments as follows from the perspective of appropriately managing and evaluating the progress of the Medium- to Long- Term Management Plan.

[Old segment]		[New segment]	
Segment	Main business	Segment	Main business
Real Estate Business	Real estate leasing, etc. within/ outside airports Non-asset business Overseas business	Airport Real Estate Business	Real estate leasing, etc. within airports
Area Heating & Cooling Business	Supply of area heating and cooling service	Non-Airport Real Estate Business	Real estate leasing, etc. outside airports Non-asset business
Water Supply & Drainage Service and Other Business	Operation of water supply and drainage service Shared telecommunications Solar power generation	Airport Infrastructure Business	Supply of area heating and cooling service Operation of water supply and drainage service Shared telecommunications
		Other Business	Overseas business Solar power generation

Under the business portfolio strategy set out in the Medium- to Long-Term Management Plan, the company has been strengthening airport-related business and exploring new business opportunities to develop a profit foundation toward further growth and to create value within and outside airports with an aim to achieve sustainable growth.

While appropriately managing and evaluating our business progress and aiming to expand and diversify our profits, we are working to develop a capital efficiency-conscious business portfolio that is resilient to risks.

Reference: Forecast for the fiscal year ending March 31, 2025 (Net sales)



*For details of the forecast for the FY2024, please refer to page 10.

Recent Efforts

A fresh products center stars full operation Tokyo International Airport

In March 2024, construction was completed on a fresh products center within the domestic cargo terminal area of Tokyo International Airport, maintained and operated by the company.

This is a specialized facility mainly handling fresh food products such as seafood products and vegetables, and flowers, among others. The center is expected to improve the efficiency of the delivery and receipt of cargo by consolidating locations of the tenants handling fresh products, and also expected to improve safety by reducing traffic flow in the area.

In addition to contributing to improving the quality of handling air cargo, we will work to enhance our stable business foundation within the airport.



▲ Overall view



▲ Tuna packaging process



▲ Cold-storage facility

— Voice — From Cargo Planning Division, Airport Business Department

In this domestic cargo area, we aggregate a wide variety of fresh food products for the major consumption region of Tokyo by leveraging the key characteristic of air cargo, speed. The company rents warehouses, the connection point between air and ground shipping, to other companies, with some of them used for fresh food storage. From around 2017 to 2020, fresh food product tenants increased their floor space as the flow of fresh food cargo expanded from only the wholesale market route to direct shipments to retailers such as supermarkets.

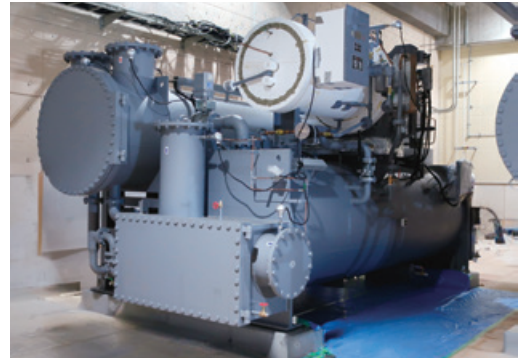
However, as we were experiencing inefficient operations mainly due to the scattered locations of warehouses used for fresh food storage within the area and the increased number of forklift operating lines, we worked to consolidate warehouses used for fresh food storage and to improve refrigeration machines, among others, given both the issue of labor shortages and quality improvements such as temperature management.

We would be extremely happy if this facility could contribute to strengthening both the networks and the capabilities of Tokyo International Airport.

Upgrading refrigeration machines for Tokyo International Airport Tokyo Airport Heating & Cooling Co., Ltd.

Our group company Tokyo Airport Heating & Cooling Co., Ltd. is upgrading refrigeration machines that are due for upgrades.

Recently, newly-introduced electric turbo refrigeration machines have become able to use non-chlorofluorocarbon gas as a refrigerant with an extremely low environmental burden, and efficient operational adjustments in response to the environmental burden have also become possible. As such, we expect up to a 60% efficiency improvement on an individual refrigerator unit level. These machines are scheduled to come into real operation in August 2024. We will continue to work to provide stable supply while using equipment that is friendly to the global environment.



▲ Electric turbo refrigerator machine

Initiatives for ESG/SDGs

Hydrogen forklift matching business being operated

For two months starting in December 2023, at the domestic cargo terminal area of Tokyo International Airport, we implemented a trial use of fuel-cell forklifts (“FCFL”) using hydrogen as fuel after being adopted as a trial company through public bidding with the city of Tokyo.

Since FCFLs produce zero CO₂ during operations and can be charged in around three minutes with hydrogen, they offer both better environmental performance and convenience than traditional engine- or battery-type forklifts.

After the trial, we received feedback demonstrating the appeal of FCFLs, including that the charging time is short and that there is no need for battery replacement, although the operability has some room for improvement.

We will continue to proactively search for methods that contribute to realizing carbon neutrality.



▲ FCFL



◀ FCFL charging

Leader training and job class-specific training held

We held internal training for all officers and employees of the AFC Group companies as part of our human resource development and awareness-raising activities.

At the training, we presented an overview of the aviation industry including our business details, deepened understanding on a wide range of themes including DE&I, considered the future of the company beyond the confines of the Group, and held an opinion exchange session.



▲ Company training



Voice From the human resource development and awareness-raising project team

In the previous fiscal year, we launched the human resource development and awareness-raising project team, and the most recent training session included all officers and employees, including those from Group companies. The training session curriculum included future changes in the business environment surrounding the aviation industry, DE&I, and the current status and issues in our Medium- to Long-Term Management Plan. The session made for a good opportunity to reconfirm the Group's goals. This was the first large-scale training session like this held at the company, and the project team will use this as an opportunity to plan more similar events in the future.

Initiatives for ESG/SDGs

Environment

E



- Generation and self-consumption of electricity from renewable energy sources through the installation of solar panels in Japan and abroad



- Installation of LED lighting
- Supporting TCFD recommendations

- Providing a facility to treat aircraft sewage (SD plant)
- Purifying discharged water at aircraft washing facilities
- Reducing water use through the usage of water-saving devices and the use of recycled water



- Reducing the use of paper through the utilization of IT digitalization



Social

S



- Conducting a comprehensive disaster drill within Tokyo International Airport
- Donating stockpiles for disaster prevention to local government



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

- Implementing Compliance training by lawyers
- Implementing interviews with physicians specializing in mental health once every month
- Promoting D&I (In-house training, childcare leave for fathers after birth, etc.)



Governance

G

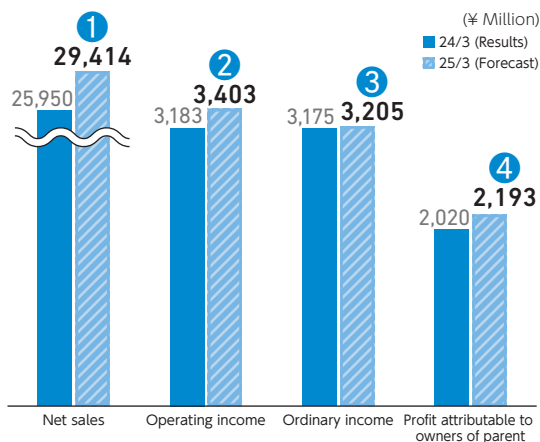


- Establishing a risk control legal compliance system through the organization of Risk Management Committee and Compliance Committee
- Updating the corporate governance report
- Improving governance by holding a meeting of the Board of Directors once a month
- Evaluating the board of Director's effectiveness
- Ensuring the transparency of management through dialogues in financial results briefings, small meetings, etc.
- Establishing a strong and appropriate governance structure with greater management transparency based on the issues reported by the Independent Verification Committee and its recommendations for improvement



Outlook for FY2024 Performance

Forecast on the consolidated performance

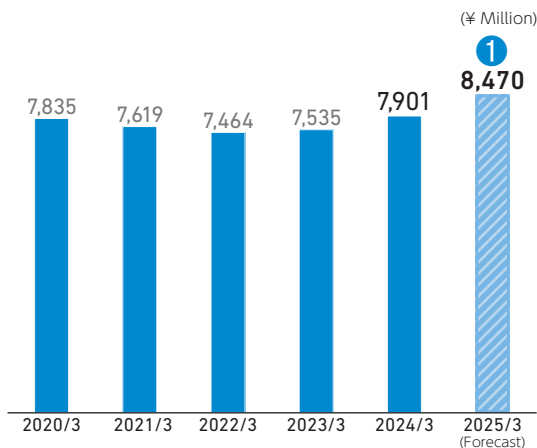


Outlook for FY2024

We will accelerate the initiatives of the Medium- to Long-Term Management Plan, such as promoting the non-asset business while working to enhance our stable business foundation within airports, aiming to further improve our business performance.

- ① (Net sales)** We expect net sales to increase 13.3% from the previous term due to operation of the fresh product center in the cargo area and review of the lease terms of the existing properties while looking to an increase in rental revenue and the selling of properties in the non-asset business.
- ② (Operating income)** Although we expect an increase in depreciation and repair cost in relation to capital investment, we expect operating income to increase 6.9% from the previous term due to an increase in net sales.
- ③ (Ordinary income)** We expect ordinary income to increase 0.9% from the previous term mainly as we expect an increase in return on investment in non-operating income due to full-year operation of the aircraft leasing fund.
- ④ (Profit attributable to owners of parent)** We expect profit attributable to owners of parent to increase 8.5% from the previous term, as we anticipate an increase in income based on the above factors and no recording of significant extraordinary income or extraordinary loss.

EBITDA + recovery



Dividend for fiscal year ending March 2025

After a comprehensive assessment of our financial conditions, toward our goal of maintaining a stable consolidated payout ratio of 40% or higher, we expect to pay out an annual dividend of ¥18 per share, exceeding that of the fiscal year ended March 31, 2024

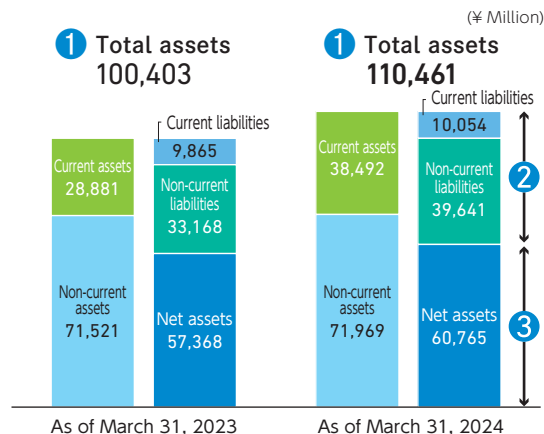
① (Fiscal year ending March 2025)

As for the fiscal year ending March 31, 2025, an increase by 7.2% from the previous term is expected due to an increase in operating income, and the company's cash flow is also expected to trend strongly.

*EBITDA + recovery = (Operating income + depreciation expense) + recovery + leasing costs
Recovery refers to the principal amount repaid on the loan.

Outline of the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2024

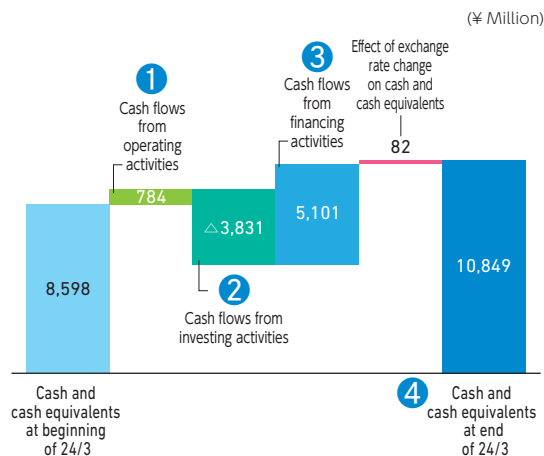
Outline of consolidated balance sheet



<Financial position as of March 31, 2024>

- (Assets)** Total assets increased by ¥10,058 million to ¥110,461 million, mainly due to an increase in real estate for sale in non-asset business, an increase in cash and deposits due to financing, and an increase in investment securities as a result of additional investment in an aircraft leasing fund despite a decrease in property, plant and equipment due to depreciation of buildings and asset retirement assets.
- (Liabilities)** Total liabilities increased by ¥6,661 million to ¥49,695 million, mainly due to increases in long-term loans payable related to purchase of real estate for sale and in accounts payable related to renovation work, etc.
- (Net assets)** Total net assets increased by ¥3,396 million to ¥60,765 million, mainly due to an increase in retained earnings. As a result, equity ratio decreased by 1.9 points to 52.6%.

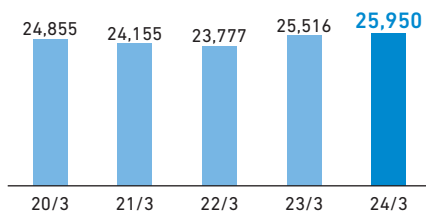
Outline of consolidated cash flow statement



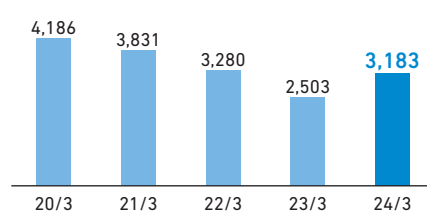
- 1** Net cash provided by operating activities was ¥784 million (previous fiscal year: ¥2,017 million provided) mainly attributable to recording of income before income taxes, noncash items such as depreciation, and a decrease in operating loans despite an increase in inventory due to purchase of real estate for sale.
- 2** Net cash used in investing activities was ¥3,831 million (previous fiscal year: ¥1,198 million provided) mainly attributable to purchase of non-current assets and purchase of investment securities in relation to additional investment in an aircraft leasing fund.
- 3** Net cash provided by financing activities was ¥5,101 million (previous fiscal year: ¥4,460 million used) mainly attributable to proceeds from long-term loans payable associated with purchase of real estate for sale despite payments of long-term loans payable and payment of cash dividends.
- 4** As a result, cash and cash equivalents as of March 31, 2024 increased by ¥2,250 million to ¥10,849 million.

Financial Highlights (Five Years)

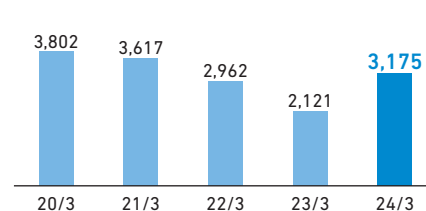
Net sales (¥ Million)



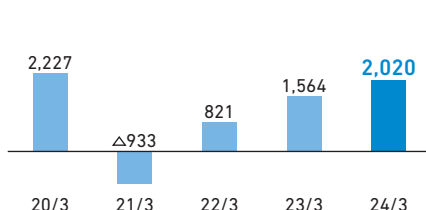
Operating income (¥ Million)



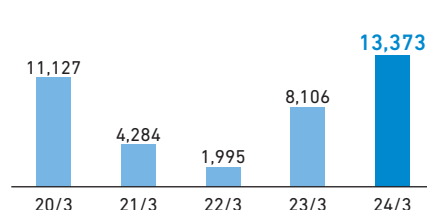
Ordinary income (¥ Million)



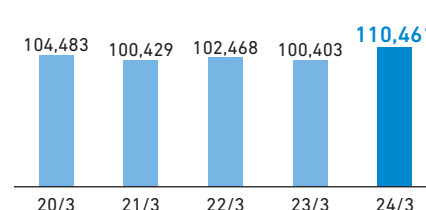
Profit attributable to owners of parent (¥ Million)



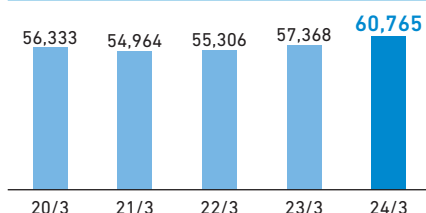
Business investment in plant and equipment/ Amount invested (¥ Million)



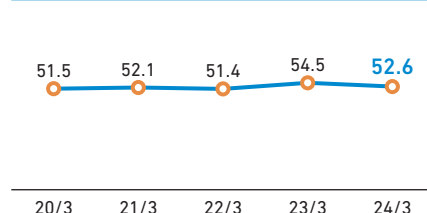
Total assets (¥ Million)



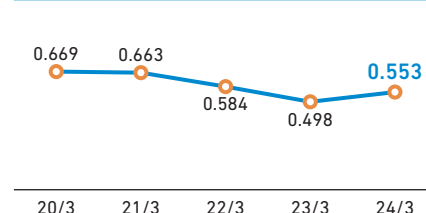
Net assets (¥ Million)



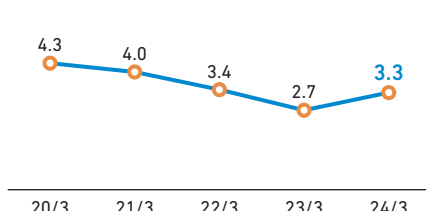
Equity ratio (%)



Debt to equity (Times)

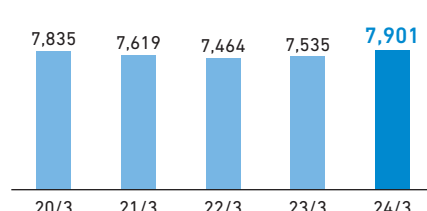


ROA (%)



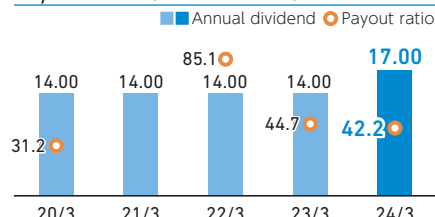
*ROA = business profit (operating income + non-operating income)/Total assets

EBITDA + recovery (¥ Million)



*EBITDA + recovery = (Operating income + depreciation expense) + recovery + leasing costs
Recovery refers to the principal amount repaid on the loan.

Annual dividend (¥) / Payout ratio (consolidated) (%)



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

Report on the General Meeting of Shareholders

As for the results of the 55th General Meeting of Shareholders held on June 27, 2024, please check the website of our company.

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

Please access the notification on the resolutions from here.

<https://www.afc.jp/english/ir/stock/meeting.html>



Report on Facilities observation tour

In April 2024, we held an observation tour of our facilities for our shareholders to deepen their understanding of the company's businesses. During the tour, our shareholders viewed our facilities at Tokyo International Airport, and we received feedback such as: "it was a great time getting to see the whole airport" and "it was interesting to be able to listen to explanations from various perspectives."

We will continue to facilitate a wide range of IR activities including facilities tours to help our shareholders gain an even deeper understanding of the company.



Newsletter service

We are offering an email newsletter service to provide the latest information of our company.

Please register from the QR below.

Please access here to register



Notification of shareholder benefits

To share our appreciation with our shareholders for their support and to allow them to experience the Group's business, we provide meal vouchers to our shareholders for Blue Corner UC, a restaurant operated by one of our Group companies.

We hope you will visit Blue Corner UC to learn more about our business.

Benefit criteria

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

Number of shares held	Portion issued on the reference date of March 31	Portion issued on the reference date of September 30	Annual Total	Reference date	Period of issuance	Valid period
100 shares or more and less than 500 shares	¥2,500 Vouchers × 1	¥2,500 Vouchers × 1	¥2,500 Vouchers × 2	March 31	Late June	From July 1 to the following June 30
500 shares or more	¥2,500 Vouchers × 2	¥2,500 Vouchers × 2	¥2,500 Vouchers × 4	September 30	Late November	From December 1 to the following November 30

How to use

Please present the voucher at the time of payment. When the amount of payment is less than the amount of the meal voucher and the change is more than ¥1,000, a meal voucher worth ¥1,000 will be provided. Please note that there will be no change for less than ¥1,000. Also, when the amount of payment is more than the amount of meal voucher, please pay the difference.

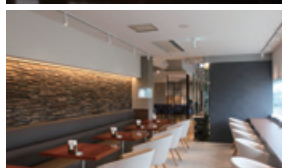


Blue Corner UC, a restaurant from which you can watch airplanes

Blue Corner UC is a restaurant located in the new aircraft maintenance area of Tokyo International Airport, lined with aviation and airport related facilities such as hangars and maintenance plants, and has been loved by people working in the area. The restaurant is glass-walled to provide a fabulous view of the runways and airport terminals and is loved by aviation enthusiasts as a perfect spot in the airport to enjoy viewing aircraft.

We invite you to enjoy the view of aircraft and a delicious meal and to experience the feeling of becoming one of the airline and airport crew members.

Name of the restaurant	Blue Corner UC
Address	Utility Center Building 2F, 3-5-10, Haneda Airport, Ota-ku, Tokyo
Tel	03-5756-9205
Opening Hours	Weekdays 11:00 to 21:00 (L.O.19:45) (Closed on weekends and holidays)
Access	Easy access from Shin Seibijo Station on the Tokyo Monorail Line. *No parking is available. *Please take care, as this is a different station from Seibijo Station.



Service hours may change based on the day's restaurant reservations. We ask that you please check the restaurant's official Instagram account for the latest information before visiting.



@BLUECORNER_1998

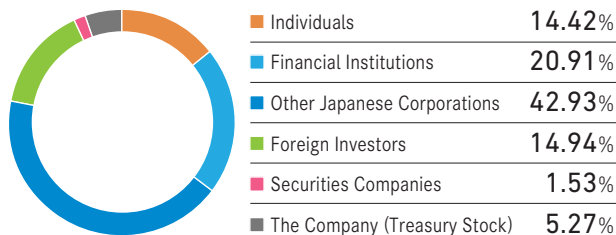
Corporate profile (As of March 31, 2024)

Corporate Name	AIRPORT FACILITIES CO., LTD.
Established	February 1970
Capital	¥6,826.10 million
Employees	124 (Consolidated) 106 (Non-consolidated)

Stock information (As of March 31, 2024)

Stock Listings	Tokyo Stock Exchange (TSE) Prime Market (Ticker Code: 8864)
Total Number of Shares Authorized	124,800,000
Total Number of Shares Issued	52,979,350
Number of Shareholders	17,817
Share Unit Number	100

Composition of Shareholders



Major Shareholders

Shareholder	Number of Shares Owned (thousands)	Voting Rights Ratio (%)
Japan Airlines Co., Ltd.	10,521	20.98
ANA HOLDINGS INC.	10,521	20.97
Development Bank of Japan Inc.	6,920	13.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,902	5.78
NOTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	1,600	3.19

Directors and corporate auditors (As of June 27, 2024)

Directors	
President and Executive Officer	Shigeo Tamura
Executive Vice President	Hideo Miyake
Executive Vice President	Tadao Nishio
Senior Executive Officer	Osamu Sasaoka
Senior Executive Officer	Satoru Watanabe
Outside Director	Takehiko Sugiyama
Outside Director	Kayo Aoyama
Outside Director	Yasuo Miki

Corporate Auditors	
Full-time Statutory Auditor	Masaaki Komiya
Full-time Statutory Auditor	Takahiro Hama
Outside Statutory Auditor	Sawako Ueno
Outside Statutory Auditor	Hiroto Suzuki