

Financial Results for the Second Quarter of the Year Ending March 31, 2021 [J-GAAP] (Consolidated)

Company Name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock Exchange Listed on: Tokyo Stock Exchange (First Section)
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 The Date of the Dividend Payment Start: November 26, 2020
 Preparation of Quarterly Earnings Presentation Material: Yes
 Holding of Quarterly Earnings Announcement: Yes (for analysts)

(Figures are rounded off to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2021 (April 1, 2020 - September 30, 2020)

(1) Consolidated Business Results (Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended								
September 30, 2020	12,181	(3.0)	2,250	(10.2)	2,153	(11.3)	972	(36.5)
September 30, 2019	12,559	2.8	2,507	10.7	2,429	20.2	1,532	16.8

(Note) Comprehensive income: First six months ended September 30, 2020: 878 million yen ((32.2 %))
 First six months ended September 30, 2019: 1,297 million yen ((1.9 %))

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months ended		
September 30, 2020	19.49	19.42
September 30, 2019	30.77	30.63

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	106,859	56,854	50.8	1,088.70
As of March 31, 2020	104,483	56,333	51.5	1,080.48

(Reference) Equity capital: As of September 30, 2020 : 54,338 million yen As of March 31, 2020: 53,854 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	—	7.00	—	7.00	14.00
FY ending March 31, 2021	—	7.00			
FY ending March 31, 2021 (Forecasts)			—	7.00	14.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2021 (April 1, 2020 - March 31, 2021)

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	25,690	3.3	3,960	(5.3)	3,210	(15.5)	1,310	(41.1)	26.28

(Note) Changes in the latest forecasts released: No

*The above forecasts incorporate the impact of the spread of the novel coronavirus infection based on the currently available estimate, but they are subject to change depending on the future development.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

(2) Application of specific accounting treatments in preparing the quarterly consolidated financial statements: Yes
 Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes on Quarterly Consolidated Financial Statements (Application of Specific Accounting Treatments in Preparing the Quarterly Consolidated Financial Statements)” on page 9.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

1) Changes in accounting policies with revision of accounting standards, etc.: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of September 30, 2020:	52,979,350 shares	As of March 31, 2020:	52,979,350 shares
2) Number of treasury stock	As of September 30, 2020:	3,068,337 shares	As of March 31, 2020:	3,136,206 shares
3) Average number of shares during the period	First six months ended September 30, 2020:	49,877,063 shares	First six months ended September 30, 2019:	49,783,847 shares

* Financial Results report is outside the scope of a quarterly review by certified public accountants or an audit corporation.

*** Explanation of the proper use of earnings forecasts and other special notes**

The statements about future described on this report such as earnings forecasts have been made based on information currently available and certain assumptions considered reasonable, and it is not intended to assure that we will achieve such results. Actual earnings may differ significantly from the above forecasts for various reasons. For the assumptions for earnings forecasts and cautions regarding the use of the earnings forecasts, please refer to page 4 “1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2020 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2020

(1) Explanation about Business Results

During the six months ended September 30, 2020, the Japanese economy continued to experience an unprecedented economic downturn due to a resurgence of the novel coronavirus infections which originally started early this year causing a negative impact on various industries, personal consumptions and employment. After a state of emergency issued by the Japanese government in early April was lifted in late May and the economic activities gradually resumed, consumptions started showing signs of recovery thanks to the government's support measures for households and businesses. However, the situation remains uncertain with the number of new infection cases as of September 30, 2020 still being at the same level as in April.

In the aviation industry, both international and domestic flights continued to be reduced or suspended due to the novel coronavirus. As for the domestic flights, after the request to refrain from nonessential travel to other prefectures was lifted in mid-June, flight schedules are gradually returning to normal, and domestic travelers appear to be returning boosted, in part, by the government's "Go To Travel" campaign. However, the situation of international flights is still severe, and it is expected to take a while before it fully recovers. As it is difficult to completely contain the infection and the impact of the novel coronavirus may be prolonged, the airline companies are striving to further reduce costs.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥12,181 million (down 3.0% from the same period of the previous fiscal year) due to a decrease in sales of Water Supply & Drainage Service because of the impact of the novel coronavirus despite the start of the operation of new facilities completed in the fiscal year ended March 31, 2020. Operating income was ¥2,250 million (down 10.2%), ordinary income was ¥2,153 million (down 11.3%).

Also, as a response to the impact of the novel coronavirus, we recorded loss on debt forgiveness as extraordinary loss regarding rent receivables and heat charge receivables from customers in the aviation industry, resulting in profit attributable to owners of parent of ¥972 million (down 36.5%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥9,545 million (up 1.5% from the same period of the previous fiscal year) due to the start of operation of a new warehouse building of the Technical Center, an in-flight meal factory in ARC Building at Tokyo International Airport, and the new extended hangar at Kobe Airport completed after December 2019.

Operating income was ¥1,738 million (down 6.1%) mainly due to an increase in energy-saving promotion cost.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥1,724 million (up 2.3%) due to a partial extension in the Tokyo International Airport Passenger Terminal No. 2 despite a decrease in demand mainly caused by the novel coronavirus. Operating income was ¥575 million (up 21.1%) due to decreases in fuel costs for electricity and gas and repair expenses.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥910 million (down 38.2% from the same period of the previous fiscal year) due to a continued significant decrease in water supply and drainage usage as a result of a sharp decline in the number of airport users triggered by the impact of the novel coronavirus, and recorded an operating loss of ¥64 million (operating income of ¥178 million in the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2020 amounted to ¥106,859 million, an increase by ¥2,375 million compared to March 31, 2020, due to an increase in advance payment associated with a construction work of a new dormitory for international students in Kanto Gakuin University to be completed in March 2021, which was included in others in current assets, and also due to recording of prepaid expenses for annual usage fee of national property.

(Liabilities)

Liabilities as of September 30, 2020 amounted to ¥50,005 million, an increase by ¥1,854 million from March 31, 2020, due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of September 30, 2020 increased by ¥520 million compared to March 31, 2020 to ¥56,854 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2020 decreased by 0.7 points to 50.8% compared to March 31, 2020.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change in the Consolidated Earnings Forecast for the Year Ending March 31, 2021 announced in the Financial Results dated May 14, 2020 although it may be revised depending on future development of the novel coronavirus infection. Annual dividend of ¥14 per share (including interim dividend of ¥7) are also scheduled to be paid as announced in the Financial Results.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/20 (As of March 31, 2020)	Second quarter of FY3/21 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	6,518,663	6,484,395
Notes and accounts receivable-trade	1,267,240	2,629,175
Lease receivables and investment assets	7,286,793	6,898,087
Operating loans	4,918,584	4,282,094
Raw materials and supplies	11,099	11,184
Others	2,240,924	5,908,339
Total current assets	22,243,308	26,213,277
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,412,649	48,879,269
Machinery, equipment and vehicles, net	6,365,786	6,199,614
Tools, furniture and fixtures, net	420,294	360,526
Land	14,902,098	14,902,098
Construction in progress	1,537,155	1,699,606
Total property, plant and equipment	73,637,983	72,041,115
Intangible assets		
Software	249,722	225,908
Software in progress	335,029	378,039
Others	15,219	15,129
Total intangible assets	599,972	619,077
Investments and other assets		
Investment securities	6,545,514	6,525,792
Long-term loans receivable	1,332	1,131
Deferred tax assets	700,505	707,830
Net defined benefit asset	149,523	128,139
Others	616,108	633,304
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,002,716	7,985,931
Total non-current assets	82,240,672	80,646,125
Total assets	104,483,980	106,859,403

(Thousands of yen)

	FY3/20 (As of March 31, 2020)	Second quarter of FY3/21 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,117,627	704,483
Short-term loans payable	6,642,749	7,112,235
Accounts payable	935,285	643,521
Income taxes payable	567,586	606,459
Accrued expenses	788,460	4,677,886
Unearned revenue	1,117,907	1,145,307
Provision for bonuses	135,083	151,067
Provision for bonuses for directors (and other officers)	26,715	28,355
Provision for removal cost of property, plant and equipment	226,392	155,944
Others	330,139	392,930
Total current liabilities	11,887,946	15,618,190
Non-current liabilities		
Bonds payable	6,000,000	6,000,000
Long-term loans payable	23,402,486	21,700,800
Long-term guarantee deposited	6,286,570	6,244,665
Long-term accounts payable-other	326,067	246,202
Provision for retirement benefits for directors (and other officers)	2,436	—
Deferred tax liabilities	16,311	15,339
Provision for removal cost of property, plant and equipment	190,804	112,793
Others	37,965	67,252
Total non-current liabilities	36,262,641	34,387,053
Total liabilities	48,150,587	50,005,244
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	40,315,327	40,936,557
Treasury stock	(1,737,829)	(1,700,224)
Total shareholders' equity	52,386,487	53,045,323
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,682,442	1,665,845
Foreign currency translation adjustment	(214,202)	(372,763)
Total accumulated other comprehensive income	1,468,239	1,293,082
Subscription rights to shares	94,722	89,284
Non-controlling interests	2,383,942	2,426,468
Total net assets	56,333,393	56,854,158
Total liabilities and net assets	104,483,980	106,859,403

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**(Quarterly Consolidated Statements of Income)**

(Thousands of yen)

	First six months of FY3/20 (April 1, 2019 – September 30, 2019)	First six months of FY3/21 (April 1, 2020 – September 30, 2020)
Net sales	12,559,145	12,181,659
Cost of sales	9,011,708	8,941,795
Gross profit	3,547,436	3,239,864
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	148,399	132,867
Salaries and bonuses	232,189	255,595
Provision for bonuses	90,414	95,156
Provision for bonuses for directors (and other officers)	25,740	28,355
Provision for retirement benefits for directors (and other officers)	696	348
Transportation and communication expenses	50,375	30,895
Depreciation	11,885	13,745
Taxes and dues	90,103	88,588
Others	389,935	344,063
Total selling, general, and administrative expenses	1,039,737	989,615
Operating income	2,507,698	2,250,249
Non-operating income		
Interest income	0	0
Dividends income	144,665	29,221
Commission fee	7,580	7,708
Foreign exchange gains	—	2,684
Gain on reversal of provision for removal cost of property, plant and equipment	—	39,300
Others	22,355	24,793
Total non-operating income	174,602	103,707
Non-operating expenses		
Interest expenses	210,795	185,424
Removal cost of property, plant and equipment	21,348	8,830
Foreign exchange losses	19,154	—
Others	1,449	5,949
Total non-operating expenses	252,748	200,204
Ordinary income	2,429,553	2,153,752
Extraordinary income		
Insurance income	—	143,541
Others	—	2,375
Total extraordinary income	—	145,916
Extraordinary loss		
Loss on retirement of non-current assets	—	22,305
Loss on disaster	—	35,010
Loss on debt forgiveness	—	681,702
Total extraordinary loss	—	739,018
Income before income taxes	2,429,553	1,560,650
Income taxes	781,914	507,252
Profit	1,647,638	1,053,397
Profit attributable to non-controlling interests	115,584	80,855
Profit attributable to owners of parent	1,532,054	972,542

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/20 (April 1, 2019–September 30, 2019)	First six months of FY3/21 (April 1, 2020–September 30, 2020)
Profit	1,647,638	1,053,397
Other comprehensive income		
Valuation difference on available-for-sale securities	(282,932)	(16,597)
Foreign currency translation adjustment	(67,479)	(158,560)
Total other comprehensive income	(350,412)	(175,157)
Comprehensive income	1,297,226	878,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,181,642	797,385
Comprehensive income attributable to non-controlling interests	115,584	80,855

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Application of Specific Accounting Treatments in Preparing the Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated as income before income taxes for the period multiplied by the estimated effective tax rate. The effective tax rate is reasonably estimated taking into consideration deferred tax accounting as the rate applicable to income before income taxes for the consolidated fiscal year including the period ended September 30, 2020.

(Additional information)

(Impacts of the novel coronavirus on the accounting estimates)

During the six months ended September 30, 2020, there was no material change in the impact of the novel coronavirus infection on the accounting estimates described in the Annual Securities Report for the year ended March 31, 2020.