

Financial Results for the First Quarter of the Year Ending March 31, 2020 [J-GAAP] (Consolidated)

Company name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 8864 URL: <http://www.afc.jp>
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 The date of filing the quarterly securities report: August 1, 2019
 The date of the dividend payment start: —
 Preparation of quarterly earnings presentation material: No
 Holding of quarterly earnings announcement: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2020 (April 1, 2019 - June 30, 2019)

(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 three months ended								
June 30, 2019	6,109	4.2	1,219	11.2	1,236	25.8	768	35.9
June 30, 2018	5,858	6.4	1,096	5.3	982	(5.0)	565	(5.1)

(Note) Comprehensive income: First three months ended June 30, 2019: 574 million yen (11.2%)
 First three months ended June 30, 2018: 516 million yen ((47.7%))

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months ended		
June 30, 2019	15.44	15.38
June 30, 2018	11.36	11.32

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2019	103,290	55,928	51.8	1,076.34
As of March 31, 2019	101,384	55,740	52.6	1,072.90

(Reference) Equity capital: As of June 30, 2019: 53,558 million yen As of March 31, 2019: 53,387 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2019	—	7.00	—	7.00	14.00
FY ending March 31, 2020	—				
FY ending March 31, 2020 (Forecasts)		7.00	—	7.00	14.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2020 (April 1, 2019 - March 31, 2020)

(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
First half	12,360	1.1	2,280	0.6	2,100	4.0	1,320	0.6	26.52
Full fiscal year	24,780	2.2	4,170	0.8	3,710	11.2	2,320	10.2	46.62

(Note) Changes in the latest forecasts released: No

*** 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 June 30, 2019:	52,979,350 shares	As of March 31, 2019:	52,979,350 shares
2) Number of treasury stock	As of June 30, 2019:	3,219,779 shares	As of March 31, 2019:	3,219,779 shares
3) Average number of shares during the period	First three months ended June 30, 2019:	49,759,571 shares	First three months ended June 30, 2018:	49,755,432 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

(Remarks on forward-looking statements)

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 “1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2019 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2019

(1) Explanation about Business Results

During the three months ended June 30, 2019, the Japanese economy continued to show a gradual recovery supported by a pickup of personal consumption and an increase in capital investment under the continuing monetary easing policy by the Bank of Japan, but export and production were tending weaker due to the impact of the U.S.-China trade friction. Stock prices and exchange rates remain unstable under the continuing global monetary easing policy.

There are concerns over the impact on the Japanese economy of uncertain outlook for the U.S.-China trade friction, the economic slowdown in China, growing tension in the Middle East stemming from the U.S.-Iran conflict and the deteriorating Japan-Korea relations.

In the aviation industry, strong passenger demand continued due to the effect of the 10-day Golden Week holiday associated with the Imperial era change, in addition to the ongoing upward trend of the number of foreign passengers visiting Japan.

Tokyo International Airport is now working on the functional enhancement including an expansion of annual arrival and departure slots for international flights by 39 thousand before the 2020 Tokyo Olympic and Paralympic Games.

Meanwhile, airline companies are striving to enhance cost competitiveness because of concerns over unstable movement of crude oil prices and fluctuations in exchange rates while implementing advanced equipment, expanding network, and strengthening LCC business.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥6,109 million (up 4.2% from the same period of the previous year) and operating income of ¥1,219 million (up 11.2%) due to full-year operation of the hotel in Kyoto acquired in 2018. Ordinary income was ¥1,236 million (up 25.8%) and profit attributable to owners of parent was ¥768 million (up 35.9%) due to a decrease in non-operating expenses.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,633 million (up 5.9% from the same period of the previous fiscal year) due to an improved occupancy ratio of our tenants in Tokyo International Airport, full-year operation of the hotel in Kyoto that started leasing in late June in 2018 and inclusion of income from leasing training planes to Civil Aviation College. Operating income was ¥906 million (up 24.9%).

(ii) Area Heating & Cooling Business

Net sales of Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. remained almost unchanged year-on-year at ¥751 million (down 0.5% from the same period of the previous fiscal year) despite relatively low temperatures in April. However, because fuel costs for electricity and gas remained at high levels, operating income was ¥229 million (down 20.5%).

(iii) Water Supply & Drainage Service and Other Business

Net sales of Water Supply & Drainage Service and Other Business remained almost unchanged year-on-year at ¥724 million (down 0.5% from the same period of the previous fiscal year) due to a steady increase in sales of exclusive lines in shared telecommunications network service, which increased in the second half of the previous fiscal year, despite a decrease in sales of water supply and drainage usage due to a decrease in water supply for constructions at Tokyo International Airport. Operating income was ¥83 million (up 3.1%).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2019 amounted to ¥103,290 million, an increase by ¥1,905 million compared to March 31, 2019, due to an increase in construction in progress resulting from extension or reconstruction of ARC Building for in-flight meal factory to prepare for an expansion of airport slots for international flights at Tokyo International Airport and the extension of a hangar at Kobe Airport, and also due to recording of prepaid expenses for annual usage fee of national property.

(Liabilities)

Liabilities as of June 30, 2019 amounted to ¥47,361 million, an increase by ¥1,717 million from March 31, 2019, due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of June 30, 2019 increased by ¥188 million compared to March 31, 2019 to ¥55,928 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2019 decreased by 0.8 points to 51.8% compared to March 31, 2019.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2020 which was announced in the Financial Results for the Year Ended March 31, 2019 [J-GAAP] dated May 10, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/19 (As of March 31, 2019)	First quarter of FY3/20 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	4,324,573	4,602,271
Notes and accounts receivable-trade	1,208,590	1,799,049
Securities	1,500,000	—
Lease receivables and investment assets	6,600,080	7,568,823
Operating loans	5,741,839	5,523,434
Raw materials and supplies	12,908	12,103
Others	1,456,944	2,786,745
Total current assets	20,844,937	22,292,427
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,359,577	46,640,952
Machinery, equipment and vehicles, net	5,395,693	5,245,727
Tools, furniture and fixtures, net	568,807	525,463
Land	14,596,026	14,902,098
Construction in progress	3,299,425	4,639,222
Total property, plant and equipment	71,219,530	71,953,463
Intangible assets		
Software	27,023	24,919
Others	14,906	14,868
Total intangible assets	41,929	39,787
Investments and other assets		
Investment securities	7,671,946	7,235,505
Long-term loans receivable	1,732	1,632
Deferred tax assets	320,447	454,484
Net defined benefit asset	203,945	193,967
Others	1,090,548	1,129,064
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	9,278,352	9,004,386
Total non-current assets	80,539,812	80,997,637
Total assets	101,384,749	103,290,065

(Thousands of yen)

	FY3/19 (As of March 31, 2019)	First quarter of FY3/20 (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,532,544	658,511
Short-term loans payable	5,974,226	6,502,902
Accounts payable	1,064,205	992,650
Income taxes payable	557,004	475,099
Accrued expenses	109,744	3,834,174
Unearned revenue	1,045,001	1,105,414
Provision for bonuses	131,094	72,576
Provision for directors' bonuses	30,058	13,743
Provision for removal cost of property, plant and equipment	364,598	426,098
Others	384,329	457,424
Total current liabilities	11,192,806	14,538,595
Non-current liabilities		
Bonds payable	6,000,000	6,000,000
Long-term loans payable	21,729,366	20,238,037
Long-term guarantee deposited	5,915,755	5,936,386
Long-term accounts payable-other	476,128	341,063
Provision for directors' retirement benefits	1,044	1,392
Deferred tax liabilities	6,379	6,716
Provision for removal cost of property, plant and equipment	323,237	261,737
Others	—	37,965
Total non-current liabilities	34,451,910	32,823,297
Total liabilities	45,644,717	47,361,893
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,777,424	39,197,774
Treasury stock	(1,784,131)	(1,784,131)
Total shareholders' equity	50,802,282	51,222,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,817,756	2,514,051
Foreign currency translation adjustment	(232,638)	(178,258)
Total accumulated other comprehensive income	2,585,117	2,335,793
Subscription rights to shares	113,808	113,808
Non-controlling interests	2,238,823	2,255,937
Total net assets	55,740,032	55,928,172
Total liabilities and net assets	101,384,749	103,290,065

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

(Thousands of yen)

	First three months of FY3/19 (April 1, 2018 – June 30, 2018)	First three months of FY3/20 (April 1, 2019 – June 30, 2019)
Net sales	5,858,275	6,109,873
Cost of sales	4,253,585	4,370,878
Gross profit	1,604,690	1,738,994
Selling, general, and administrative expenses		
Directors' compensations	67,977	76,962
Salaries and bonuses	111,546	118,584
Provision for bonuses	44,028	45,207
Provision for directors' bonuses	15,029	13,743
Transportation and communication expenses	26,186	23,223
Depreciation	6,745	5,528
Taxes and dues	51,746	50,472
Others	185,299	185,478
Total selling, general, and administrative expenses	508,557	519,201
Operating income	1,096,132	1,219,793
Non-operating income		
Dividends income	123,503	138,660
Commission fee	2,407	1,360
Others	35,921	16,829
Total non-operating income	161,831	156,850
Non-operating expenses		
Interest expenses	91,312	104,697
Removal cost of property, plant and equipment	20,780	20,011
Foreign exchange losses	43,430	14,064
Bond issuance cost	119,788	—
Others	—	1,449
Total non-operating expenses	275,311	140,223
Ordinary income	982,652	1,236,420
Extraordinary loss		
Loss on retirement of non-current assets	4,289	—
Total extraordinary loss	4,289	—
Income before income taxes	978,362	1,236,420
Income taxes	341,953	412,310
Profit	636,409	824,110
Profit attributable to non-controlling interests	71,026	55,443
Profit attributable to owners of parent	565,383	768,666

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/19 (April 1, 2018 – June 30, 2018)	First three months of FY3/20 (April 1, 2019 – June 30, 2019)
Profit	636,409	824,110
Other comprehensive income		
Valuation difference on available-for-sale securities	123,422	(303,704)
Foreign currency translation adjustment	(243,296)	54,380
Total other comprehensive income	(119,873)	(249,324)
Comprehensive income	516,535	574,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	445,509	519,342
Comprehensive income attributable to non-controlling interests	71,026	55,443

(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)

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 June 30, 2019.