

Financial Results for the First Quarter of the Year Ending March 31, 2023 [J-GAAP] (Consolidated)

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 Stock Exchange Listed on: Tokyo Stock Exchange (Prime Market)
 Company Code: 8864 URL: <https://www.afc.jp/english/>
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 The Date of Filing the Quarterly Securities Report: August 1, 2022
 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 2023 (April 1, 2022 - June 30, 2022)

(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, 2022	6,190	6.8	1,003	(4.2)	946	(6.6)	777	21.1
June 30, 2021	5,792	(2.3)	1,048	(11.5)	1,014	(14.1)	641	(9.2)

(Note) Comprehensive income: First three months ended June 30, 2022: 1,191 million yen 40.4%
 First three months ended June 30, 2021: 848 million yen 30.9%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months ended		
June 30, 2022	15.55	15.50
June 30, 2021	12.85	12.80

(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, 2022	105,027	56,109	50.9	1,070.99
As of March 31, 2022	102,468	55,306	51.4	1,055.28

(Reference) Equity capital: As of June 30, 2022: 53,486 million yen As of March 31, 2022: 52,701 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2022	—	7.00	—	7.00	14.00
FY ending March 31, 2023	—				
FY ending March 31, 2023 (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 2023 (April 1, 2022 - March 31, 2023)

(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	12,298	3.2	1,317	(36.4)	1,174	(40.3)	934	(28.5)	18.70
Full fiscal year	24,443	2.8	2,083	(36.4)	1,597	(46.0)	1,310	59.5	26.23

(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.: Yes

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

3) Changes in accounting estimates: Yes

4) Restatement of revisions: No

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies) and (Changes in accounting estimates)” on page 9.

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of June 30, 2022:	52,979,350 shares	As of March 31, 2022:	52,979,350 shares
2) Number of treasury stock	As of June 30, 2022:	3,038,603 shares	As of March 31, 2022:	3,038,541 shares
3) Average number of shares during the period	First three months ended June 30, 2022:	49,940,747 shares	First three months ended June 30, 2021:	49,911,003 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 some conditions that we judge rational, and therefore they do not constitute a guarantee that they will be realized. Actual earnings may differ greatly 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 June 30, 2022 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2022

(1) Explanation about Business Results

During the three months ended June 30, 2022, Japanese economy continued to be on a recovery trend as dining out and travel-related consumption started to show signs of recovery after the COVID-19 quasi-state of emergency were fully lifted in late March 2022. Meanwhile, there are also concerns over the impact of the prolonged Ukraine crisis and the restraint on economic activities in China as well as rising raw material prices and rapid yen weakening, requiring close monitoring of downside risks for the economy.

In an aviation industry, passenger demand for domestic flights during the Golden Week holiday, without pandemic-related restrictions for the first time in three years, increased year on year, and demand for international flights also increased following the easing of border control by the government in April. Although the number of new COVID-19 infections is surging again subsequently, passenger demand is expected to recover with the progress in the government's efforts to both prevent the spread of infections and maintain socioeconomic activities taking into account the situation of infection.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥6,190 million (up 6.8% from the same period of the previous fiscal year) mainly because there was no debt forgiveness of rent receivables from airline companies which was recorded as part of the measures under the COVID-19 crisis in the fiscal year ended March 31, 2022. Meanwhile, operating income was ¥1,003 million (down 4.2%) and ordinary income was ¥946 million (down 6.6%) mainly due to an increase in amortization related to asset retirement obligations associated with the start of the Haneda Airport 1-Chome project. Profit attributable to owners of parent was ¥777 million (up 21.1%) mainly due to extraordinary income recorded in relation to amended tax returns of corporate tax and consumption taxes for the year ended March 31, 2021.

In terms of our efforts toward the realization of the Medium- to Long-Term Management Plan, we established "AFC Asset Management Co., LTD.," a subsidiary to pursue one of the priority measures to expand non-asset businesses and started operation in June 2022. Also, as an effort to expand into new business domains, we signed an investment agreement with an aviation fund in early July 2022.

Regarding sustainability promotion, we are working aggressively on initiatives to reduce environmental burden and held a test-ride event for hydrogen fuel cell forklifts at the Domestic Cargo Terminal Area in Tokyo International Airport as part of such effort.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,859 million (up 3.9% from the same period of the previous fiscal year) mainly because there was no debt forgiveness of rent receivables as part of the measures under the COVID-19 crisis, but operating income was ¥732 million (down 15.7%) due to an increase in amortization related to asset retirement obligations.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥789 million (up 20.2% from the same period of the previous fiscal year) and operating income of ¥242 million (up 29.2%) mainly because there was no debt forgiveness of rent receivables as part of the measures under the COVID-19 crisis and sales volume increased despite an increase in raw material costs due to a rise in the unit price of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥541 million (up 17.4% from the same period of the previous fiscal year) and operating income of ¥27 million (operating loss of ¥9 million in the same period of the previous fiscal year) due mainly to an increase in water supply and drainage usage compared to a year earlier when COVID-19 movement restrictions were in place.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2022 amounted to ¥105,027 million, an increase by ¥2,559 million compared to March 31, 2022, mainly due to recording of prepaid expenses for annual usage fee of national property.

(Liabilities)

Liabilities as of June 30, 2022 amounted to ¥48,917million, an increase by ¥1,756 million from March 31, 2022, mainly due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of June 30, 2022 increased by ¥803 million compared to March 31, 2022 to ¥56,109 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2022 decreased by 0.5 points to 50.9% compared to March 31, 2022.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change in the Consolidated Earnings Forecast for the Year Ending March 31, 2023 which was announced in “Announcement of Recording of Extraordinary Income and Revisions to Interim and Full-Year Earnings Forecast” (Japanese version only) dated June 9, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/22 (As of March 31, 2022)	First quarter of FY3/23 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	9,612,726	7,099,595
Accounts receivable - trade	1,303,500	1,845,494
Lease receivables and investment assets	10,548,425	11,063,415
Operating loans	2,999,771	4,158,101
Raw materials and supplies	15,817	17,076
Others	103,617	3,923,413
Total current assets	24,583,859	28,107,096
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,660,935	46,718,708
Machinery, equipment and vehicles, net	5,853,495	5,697,777
Tools, furniture and fixtures, net	260,775	239,004
Land	13,386,664	13,386,664
Construction in progress	1,523,927	1,680,527
Total property, plant and equipment	68,685,798	67,722,682
Intangible assets		
Software	544,968	515,833
Others	19,310	19,185
Total intangible assets	564,279	535,018
Investments and other assets		
Investment securities	6,555,547	6,587,554
Long-term loans receivable	531	431
Deferred tax assets	1,240,345	1,247,404
Net defined benefit asset	232,963	222,079
Others	614,955	615,635
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,634,077	8,662,838
Total non-current assets	77,884,155	76,920,540
Total assets	102,468,014	105,027,636

(Thousands of yen)

	FY3/22 (As of March 31, 2022)	First quarter of FY3/23 (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,778,043	661,840
Short-term loans payable	5,131,648	5,740,402
Accounts payable	1,705,873	856,554
Income taxes payable	813,465	365,592
Accrued expenses	106,714	4,953,298
Unearned revenue	1,095,026	1,190,705
Provision for bonuses	144,825	70,074
Provision for bonuses for directors (and other officers)	51,880	7,850
Provision for removal cost of property, plant and equipment	7,605	149,896
Others	216,114	332,292
Total current liabilities	11,051,197	14,328,504
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	19,524,613	18,134,527
Long-term guarantee deposited	6,127,603	6,162,946
Long-term accounts payable-other	256,789	184,349
Deferred tax liabilities	31,968	34,759
Provision for removal cost of property, plant and equipment	183,851	87,147
Asset retirement obligations	3,885,762	3,885,762
Total non-current liabilities	36,110,587	34,589,491
Total liabilities	47,161,785	48,917,996
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,799,813	39,227,230
Treasury stock	(1,683,721)	(1,683,754)
Total shareholders' equity	50,925,081	51,352,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,714,018	1,698,023
Foreign currency translation adjustment	62,452	435,775
Total accumulated other comprehensive income	1,776,471	2,133,799
Subscription rights to shares	76,178	76,178
Non-controlling interests	2,528,497	2,547,196
Total net assets	55,306,229	56,109,640
Total liabilities and net assets	102,468,014	105,027,636

(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 FY3/22 (April 1, 2021 – June 30, 2021)	First three months of FY3/23 (April 1, 2022 – June 30, 2022)
Net sales	5,792,661	6,190,393
Cost of sales	4,185,308	4,633,595
Gross profit	1,607,353	1,556,798
Selling, general, and administrative expenses		
Directors' compensations	63,180	65,271
Salaries and bonuses	136,137	139,365
Provision for bonuses	50,748	44,256
Provision for bonuses for directors (and other officers)	14,440	7,850
Transportation and communication expenses	15,582	16,994
Depreciation	7,944	25,591
Taxes and dues	50,336	54,793
Others	220,837	199,576
Total selling, general, and administrative expenses	559,205	553,698
Operating income	1,048,147	1,003,099
Non-operating income		
Dividends income	34,472	53,903
Commission fee	2,068	4,093
Foreign exchange gains	1,612	347
Others	14,098	17,827
Total non-operating income	52,252	76,172
Non-operating expenses		
Interest expenses	83,267	71,440
Removal cost of property, plant and equipment	2,616	6,955
Provision for removal cost	—	53,192
Others	10	986
Total non-operating expenses	85,894	132,574
Ordinary income	1,014,505	946,698
Extraordinary income		
Consumption taxes refund	—	315,363
Others	—	1,833
Total extraordinary income	—	317,197
Extraordinary loss		
Loss on retirement of non-current assets	1,785	1,167
Total extraordinary loss	1,785	1,167
Income before income taxes	1,012,720	1,262,727
Income taxes	328,124	328,522
Income taxes for prior periods	—	100,174
Total income taxes	328,124	428,697
Profit	684,595	834,030
Profit attributable to non-controlling interests	43,123	57,027
Profit attributable to owners of parent	641,471	777,002

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/22 (April 1, 2021 – June 30, 2021)	First three months of FY3/23 (April 1, 2022 – June 30, 2022)
Profit	684,595	834,030
Other comprehensive income		
Valuation difference on available-for-sale securities	(166,104)	(15,994)
Foreign currency translation adjustment	330,045	373,322
Total other comprehensive income	163,940	357,327
Comprehensive income	848,536	1,191,358
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	805,412	1,134,330
Comprehensive income attributable to non-controlling interests	43,123	57,027

(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)

(Application of the accounting standard for revenue recognition)

On April 1, 2022, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021, "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The impact of this application on the quarterly consolidated financial statements is insignificant.

(Changes in accounting estimates)

(Change in useful life)

As it was decided that the disaster risk management measures in the 1-chome District of Tokyo International Airport will progress based on the Fundamental Plan for National Resilience under the Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry, the useful lives of the Company's buildings, machinery and equipment on the area were shortened effective April 1, 2022 to complete depreciation of these assets within the estimated remaining useful lives.

As a result of this change, operating income, ordinary income, and income before income taxes for the three months ended June 30, 2022 decreased by ¥46 million compared to those that would have been recorded under the previous method.

(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, 2022.

(Additional information)

(Impacts of COVID-19 on the accounting estimates)

During the three months ended June 30, 2022, there was no material change in the impact of COVID-19 on the accounting estimates described in the Annual Securities Report for the year ended March 31, 2022.