

Financial Results for the Second Quarter of the Year Ending March 31, 2022 [J-GAAP] (Consolidated)

Company Name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock Exchange Listed on: Tokyo Stock Exchange (First Section)
 Company Code: 8864 URL: <https://www.afc.jp>
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 The Date of Filing the Quarterly Securities Report: November 1, 2021
 The Date of the Dividend Payment Start: November 29, 2021
 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 2022 (April 1, 2021 - September 30, 2021)

(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, 2021	11,922	(2.1)	2,073	(7.8)	1,968	(8.5)	1,308	34.5
September 30, 2020	12,181	(3.0)	2,250	(10.2)	2,153	(11.3)	972	(36.5)

(Note) Comprehensive income: First six months ended September 30, 2021: 1,831 million yen 108.5%
 First six months ended September 30, 2020: 878 million yen (32.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First six months ended				
September 30, 2021	26.20		26.11	
September 30, 2020	19.49		19.42	

(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, 2021	103,184	56,408	52.1	1,077.16
As of March 31, 2021	100,429	54,964	52.1	1,049.44

(Reference) Equity capital: As of September 30, 2021: 53,794 million yen As of March 31, 2021: 52,378 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2021	—	7.00	—	7.00	14.00
FY ending March 31, 2022	—	7.00			
FY ending March 31, 2022 (Forecasts)			—	7.00	14.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2022 (April 1, 2021 - March 31, 2022)

(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	24,262	0.4	3,349	(12.5)	2,633	(27.2)	1,610	—	32.25

(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: 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, 2021:	52,979,350 shares	As of March 31, 2021:	52,979,350 shares
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2) Number of treasury stock

As of September 30, 2021:	3,038,419 shares	As of March 31, 2021:	3,068,347 shares
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3) Average number of shares during the period

First six months ended September 30, 2021:	49,925,991 shares	First six months ended September 30, 2020:	49,877,063 shares
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* 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, 2021 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2021

(1) Explanation about Business Results

During the six months ended September 30, 2021, Japanese economy continued to experience severe situation due to a resurgence of COVID-19 although it showed signs of recovery. The fourth state of emergency, initially issued in July, was later expanded to include many more prefectures and extended repeatedly in response to an exponential growth in infections from late July to early September. The Tokyo 2020 Olympic and Paralympic Games, which were held mostly without spectators, resulted in a limited economic benefit, and services and travels also remained stagnant.

While the outlook still remains uncertain, the economy is expected to turn around as the state of emergency was fully lifted in October and the vaccinations have been steadily progressing.

In the aviation industry, although passenger demand recovered from a year earlier, both international and domestic flights continued to be reduced or suspended. Domestic flights experienced sluggish demand for traveling or returning home during summer vacation season including Obon holiday season mainly in areas under the state of emergency or quasi-state of emergency, and international flights also continued to be affected by strict restrictions on entry and exit issued by a number of governments. While the prospect for recovery in passenger demand is uncertain, airline companies are working on network reorganization, enhancement of alliance with LCCs and cost reduction and the number of domestic flights is planned to increase in anticipation of a growth in the number of travelers as the state of emergency was lifted.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥11,922 million (down 2.1% from the same period of the previous fiscal year) as the debt forgiveness of rent receivables from airline companies in support of those facing financial difficulties due to the prolonged COVID-19 pandemic was deducted from net sales, despite the operation of new facilities completed in the fiscal year ended March 31, 2021. Operating income was ¥2,073 million (down 7.8%), ordinary income was ¥1,968 million (down 8.5%), and profit attributable to owners of parent was ¥1,308 million (up 34.5%).

(Reference: For the six months ended September 30, 2020, debt forgiveness of rent receivables was recorded as extraordinary loss. If such loss had been deducted from net sales in the same manner as this year, net sales, operating income, and ordinary income would have been ¥11,499 million, ¥1,568 million, and ¥1,472 million, respectively, resulting in a year-on-year increase for the six months ended September 30, 2021 in these three items.)

In addition, the Group launched a new internal core system in July with an aim to standardize and improve efficiency of our basic operation including sales management in the real estate business as well as to enhance customer services. We will continue our efforts to enhance information infrastructure security and improve productivity.

In terms of promoting sustainability, our solar power generation equipment installed in the Domestic Cargo Terminal Area in Tokyo International Airport last December started full-year operation. We also established the Sustainability Promotion Department as the responsible department in July with an aim to further accelerate these initiatives.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥9,463 million (down 0.8% from the same period of the previous fiscal year) as debt forgiveness of rent receivables to support airline companies was deducted from net sales, despite the operation of a dormitory for international students completed in March 2021. Operating income was ¥1,710 million (down 1.6%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥1,482 million (down 14.0% from the same period of the previous fiscal year) and operating income of ¥351 million (down 38.8%) due to a slight decrease in net sales as the average summer temperature was somewhat lower than last year, in addition to deducting debt forgiveness of heat charge receivables to support airline companies from net sales.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥977 million (up 7.2% from the same period of the previous fiscal year) as water supply and drainage usage showed some recovery compared to a year earlier when the number of airport users dropped sharply due to the spread of COVID-19, and recorded an operating income of ¥10 million (operating loss of ¥64 million in the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2021 amounted to ¥103,184 million, an increase by ¥2,755 million compared to March 31, 2021, mainly due to recording of prepaid expenses for annual usage fee of national property despite depreciation of buildings, etc.

(Liabilities)

Total liabilities as of September 30, 2021 amounted to ¥46,775 million, an increase by ¥1,311 million compared to March 31, 2021, mainly due to recording of accrued expenses for annual usage fee of national property despite a decrease in loans payable through scheduled repayments.

(Net assets)

Net assets as of September 30, 2021 increased by ¥1,443 million compared to March 31, 2021 to ¥56,408 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2021 was the same level as of March 31, 2021 at 52.1%.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2022 which was announced in the Financial Results for the Year Ended March 31, 2021 [J-GAAP] dated May 13, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/21 (As of March 31, 2021)	Second quarter of FY3/22 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	6,583,181	7,933,420
Notes and accounts receivable-trade	1,373,918	2,632,508
Lease receivables and investment assets	10,502,602	10,567,714
Operating loans	3,586,074	3,267,795
Raw materials and supplies	15,877	17,094
Others	146,132	2,424,710
Total current assets	22,207,786	26,843,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,577,715	45,057,011
Machinery, equipment and vehicles, net	6,400,593	6,113,837
Tools, furniture and fixtures, net	310,636	311,578
Land	13,985,705	13,985,705
Construction in progress	1,416,281	1,367,327
Total property, plant and equipment	68,690,931	66,835,460
Intangible assets		
Software	202,364	576,872
Software in progress	463,525	-
Others	19,813	19,561
Total intangible assets	685,702	596,434
Investments and other assets		
Investment securities	7,092,761	7,231,733
Long-term loans receivable	931	731
Deferred tax assets	906,445	857,951
Net defined benefit asset	228,866	207,566
Others	626,255	621,620
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,844,993	8,909,337
Total non-current assets	78,221,628	76,341,231
Total assets	100,429,415	103,184,475

(Thousands of yen)

	FY3/21 (As of March 31, 2021)	Second quarter of FY3/22 (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,079,625	662,641
Short-term loans payable	6,325,177	4,538,850
Accounts payable	1,131,097	505,117
Income taxes payable	156,069	695,554
Accrued expenses	102,802	4,308,519
Unearned revenue	1,100,926	1,191,584
Provision for bonuses	129,812	154,540
Provision for bonuses for directors (and other officers)	28,355	28,880
Provision for removal cost of property, plant and equipment	78,011	—
Others	386,666	368,931
Total current liabilities	10,518,542	12,454,619
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	22,287,170	21,720,846
Long-term guarantee deposited	6,163,216	6,121,064
Long-term accounts payable-other	260,254	241,671
Deferred tax liabilities	22,566	24,888
Provision for removal cost of property, plant and equipment	112,793	112,793
Total non-current liabilities	34,946,000	34,321,263
Total liabilities	45,464,542	46,775,883
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,680,850	39,636,072
Treasury stock	(1,700,228)	(1,683,652)
Total shareholders' equity	50,789,611	51,761,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,054,158	2,164,038
Foreign currency translation adjustment	(464,980)	(130,908)
Total accumulated other comprehensive income	1,589,177	2,033,129
Subscription rights to shares	89,284	76,178
Non-controlling interests	2,496,798	2,537,873
Total net assets	54,964,872	56,408,591
Total liabilities and net assets	100,429,415	103,184,475

(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 FY3/21 (April 1, 2020 – September 30, 2020)	First six months of FY3/22 (April 1, 2021 – September 30, 2021)
Net sales	12,181,659	11,922,990
Cost of sales	8,941,795	8,736,994
Gross profit	3,239,864	3,185,996
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	132,867	128,451
Salaries and bonuses	255,595	266,995
Provision for bonuses	95,156	101,728
Provision for bonuses for directors (and other officers)	28,355	28,880
Provision for retirement benefits for directors (and other officers)	348	—
Transportation and communication expenses	30,895	31,758
Depreciation	13,745	34,802
Taxes and dues	88,588	88,871
Others	344,063	430,911
Total selling, general, and administrative expenses	989,615	1,112,399
Operating income	2,250,249	2,073,597
Non-operating income		
Interest income	0	0
Dividends income	29,221	34,800
Commission fee	7,708	4,537
Foreign exchange gains	2,684	1,162
Gain on reversal of provision for removal cost of property, plant and equipment	39,300	—
Others	24,793	21,962
Total non-operating income	103,707	62,464
Non-operating expenses		
Interest expenses	185,424	161,066
Removal cost of property, plant and equipment	8,830	5,332
Others	5,949	1,071
Total non-operating expenses	200,204	167,470
Ordinary income	2,153,752	1,968,591
Extraordinary income		
Insurance income	143,541	—
Gain on sales of investment securities	—	59,580
Others	2,375	—
Total extraordinary income	145,916	59,580
Extraordinary loss		
Loss on retirement of non-current assets	22,305	2,332
Loss on disaster	35,010	—
Loss on debt forgiveness	681,702	—
Total extraordinary loss	739,018	2,332
Income before income taxes	1,560,650	2,025,839
Income taxes	507,252	638,351
Profit	1,053,397	1,387,487
Profit attributable to non-controlling interests	80,855	79,404
Profit attributable to owners of parent	972,542	1,308,083

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/21 (April 1, 2020–September 30, 2020)	First six months of FY3/22 (April 1, 2021–September 30, 2021)
Profit	1,053,397	1,387,487
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,597)	109,879
Foreign currency translation adjustment	(158,560)	334,072
Total other comprehensive income	(175,157)	443,952
Comprehensive income	878,240	1,831,439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	797,385	1,752,035
Comprehensive income attributable to non-controlling interests	80,855	79,404

(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, 2021, the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, "Accounting Standard for Revenue Recognition"), etc., and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer. The variable portion of the promised consideration is deducted from net sales.

However, the Company applied the method stipulated by Paragraph 86 of the Accounting Standard for Revenue Recognition and did not retrospectively apply the new accounting policy to contracts for which almost all revenue were recognized prior to April 1, 2021 according to the previous treatment.

This application had no impact on profit or loss for the six months ended September 30, 2021.

(Application of the accounting standard for fair value measurement)

On April 1, 2021, the Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019, "Accounting Standard for Fair Value Measurement"), etc., and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(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, 2021.

(Additional information)

(Impacts of COVID-19 on the accounting estimates)

During the six months ended September 30, 2021, 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, 2021.