

July 29, 2021

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

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 Stock Exchange Listed on: Tokyo Stock Exchange (First Section)
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 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 2022 (April 1, 2021 - June 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 three months ended								
June 30, 2021	5,792	(2.3)	1,048	(11.5)	1,014	(14.1)	641	(9.2)
June 30, 2020	5,932	(2.9)	1,185	(2.8)	1,182	(4.3)	707	(8.0)

(Note) Comprehensive income: First three months ended June 30, 2021: 848 million yen 30.9%
 First three months ended June 30, 2020: 648 million yen 12.7%

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2021	12.85	12.80
June 30, 2020	14.18	14.13

(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, 2021	103,600	55,425	50.9	1,058.58
As of March 31, 2021	100,429	54,964	52.1	1,049.44

(Reference) Equity capital: As of June 30, 2021: 52,834 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	—				
FY ending March 31, 2022 (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 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
First half	12,230	0.4	1,852	(17.6)	1,607	(25.3)	1,011	4.0	20.25
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
 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)” on page 9.

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of June 30, 2021:	52,979,350 shares	As of March 31, 2021:	52,979,350 shares
2) Number of treasury stock	As of June 30, 2021:	3,068,347 shares	As of March 31, 2021:	3,068,347 shares
3) Average number of shares during the period	First three months ended June 30, 2021:	49,911,003 shares	First three months ended June 30, 2020:	49,843,113 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, 2021 (3) Qualitative Information on Consolidated Earnings Forecast”.

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

(1) Explanation about Business Results

During the three months ended June 30, 2021, Japanese economy continued to experience severe situation due to a resurgence of COVID-19 although it showed some signs of recovery. The third state of emergency issued to Tokyo and Kansai areas in late April 2021, which was later expanded to other areas and extended, was lifted in late June in nine prefectures excluding Okinawa, but personal consumption remained weak during such period mainly in the service industries including travel and restaurants.

Vaccinations at some companies and universities started in late June in addition to those by the national and local governments, raising hopes that it would stop the spread of infections. However, the infections continued to spread, resulting in the fourth state of emergency issued in early July to Tokyo where the number of new cases surged, and the situation remains uncertain.

In the aviation industry, both international and domestic flights continued to be reduced or suspended, and passenger demand remained low throughout the period even during the Golden Week holidays although it recovered from a year earlier. While vaccination is expected to progress going forward, people are likely to be asked to refrain from traveling or returning home mainly in areas under the state of emergency or quasi-state of emergency during the Tokyo 2020 Olympic and Paralympic Games as well as summer vacation season, which will reduce the chance of rapid recovery in passenger demand, forcing airline companies and aviation-related companies to face tough business conditions for a while.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥5,792 million (down 2.3% from the same period of the previous fiscal year) as the estimated 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 ¥1,048 million (down 11.5%), ordinary income was ¥1,014 million (down 14.1%), and profit attributable to owners of parent was ¥641 million (down 9.2%). (For the fiscal year ended March 31, 2021, debt forgiveness of rent receivables was recorded as extraordinary loss in the six months ended September 30, 2020. If loss attributable to the three months ended June 30, 2020 had been deducted from net sales in the same manner as this year, net sales and profit attributable to owners of parent for the three months ended June 30, 2020 would have been ¥5,566 million and ¥451 million, respectively.)

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,674 million (down 1.3% 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 ¥869 million (down 4.2%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥656 million (down 13.2% from the same period of the previous fiscal year) as debt forgiveness of heat charge receivables to support airline companies was deducted from net sales while sales results remained almost unchanged. Operating income was ¥188 million (down 41.9%).

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥461 million (up 5.3% 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 loss of ¥9 million (operating loss of ¥46 million in the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2021 amounted to ¥103,600 million, an increase by ¥3,170 million compared to March 31, 2021, mainly due to recording of prepaid expenses for annual usage fee of national property.

(Liabilities)

Liabilities as of June 30, 2021 amounted to ¥48,174million, an increase by ¥2,710 million from March 31, 2021, mainly due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of June 30, 2021 increased by ¥460 million compared to March 31, 2021 to ¥55,425 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2021 decreased by 1.2 points to 50.9% 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, 2022 which was announced in the Financial Results for the Year Ended March 31, 2021 [J-GAAP] (Consolidated) dated May 15, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

	(Thousands of yen)	
	FY3/21 (As of March 31, 2021)	First quarter of FY3/22 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	6,583,181	6,766,591
Notes and accounts receivable-trade	1,373,918	1,763,023
Lease receivables and investment assets	10,502,602	10,650,325
Operating loans	3,586,074	3,553,761
Raw materials and supplies	15,877	15,691
Others	146,132	3,790,379
Total current assets	22,207,786	26,539,773
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,577,715	45,779,328
Machinery, equipment and vehicles, net	6,400,593	6,240,744
Tools, furniture and fixtures, net	310,636	288,864
Land	13,985,705	13,985,705
Construction in progress	1,416,281	1,437,881
Total property, plant and equipment	68,690,931	67,732,523
Intangible assets		
Software	202,364	307,410
Software in progress	463,525	319,547
Others	19,813	19,687
Total intangible assets	685,702	646,645
Investments and other assets		
Investment securities	7,092,761	6,869,058
Long-term loans receivable	931	831
Deferred tax assets	906,445	979,754
Net defined benefit asset	228,866	218,216
Others	626,255	623,746
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,844,993	8,681,340
Total non-current assets	78,221,628	77,060,509
Total assets	100,429,415	103,600,283

	(Thousands of yen)	
	FY3/21 (As of March 31, 2021)	First quarter of FY3/22 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,079,625	517,523
Short-term loans payable	6,325,177	4,818,122
Accounts payable	1,131,097	597,460
Income taxes payable	156,069	370,737
Accrued expenses	102,802	4,821,412
Unearned revenue	1,100,926	1,191,063
Provision for bonuses	129,812	77,271
Provision for directors' bonuses	28,355	14,440
Provision for removal cost of property, plant and equipment	78,011	78,011
Others	386,666	605,023
Total current liabilities	10,518,542	13,091,064
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	22,287,170	22,433,573
Long-term guarantee deposited	6,163,216	6,178,529
Long-term accounts payable-other	260,254	234,112
Deferred tax liabilities	22,566	24,506
Provision for removal cost of property, plant and equipment	112,793	112,793
Total non-current liabilities	34,946,000	35,083,515
Total liabilities	45,464,542	48,174,580
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	38,972,945
Treasury stock	(1,700,228)	(1,700,228)
Total shareholders' equity	50,789,611	51,081,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,054,158	1,888,053
Foreign currency translation adjustment	(464,980)	(134,935)
Total accumulated other comprehensive income	1,589,177	1,753,118
Subscription rights to shares	89,284	89,284
Non-controlling interests	2,496,798	2,501,593
Total net assets	54,964,872	55,425,702
Total liabilities and net assets	100,429,415	103,600,283

(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 FY3/21 (April 1, 2020 – June 30, 2020)	First three months of FY3/22 (April 1, 2021 – June 30, 2021)
Net sales	5,932,544	5,792,661
Cost of sales	4,274,026	4,185,308
Gross profit	1,658,518	1,607,353
Selling, general, and administrative expenses		
Directors' compensations	69,687	63,180
Salaries and bonuses	121,735	136,137
Provision for bonuses	47,496	50,748
Provision for directors' bonuses	14,177	14,440
Provision for retirement benefits for directors (and other officers)	348	—
Transportation and communication expenses	15,135	15,582
Depreciation	6,759	7,944
Taxes and dues	49,843	50,336
Others	148,019	220,837
Total selling, general, and administrative expenses	473,201	559,205
Operating income	1,185,316	1,048,147
Non-operating income		
Dividends income	28,114	34,472
Commission fee	7,713	2,068
Foreign exchange gains	4,409	1,612
Gain on reversal of provision for removal cost of property, plant and equipment	39,000	—
Others	16,469	14,098
Total non-operating income	95,707	52,252
Non-operating expenses		
Interest expenses	94,803	83,267
Removal cost of property, plant and equipment	536	2,616
Others	3,461	10
Total non-operating expenses	98,800	85,894
Ordinary income	1,182,223	1,014,505
Extraordinary income		
Insurance income	7,148	—
Total extraordinary income	7,148	—
Extraordinary loss		
Loss on retirement of non-current assets	0	1,785
Loss on disaster	13,376	—
Total extraordinary loss	13,376	1,785
Income before income taxes	1,175,996	1,012,720
Income taxes	387,792	328,124
Profit	788,203	684,595
Profit attributable to non-controlling interests	81,095	43,123
Profit attributable to owners of parent	707,108	641,471

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/21 (April 1, 2020 – June 30, 2020)	First three months of FY3/22 (April 1, 2021 – June 30, 2021)
Profit	788,203	684,595
Other comprehensive income		
Valuation difference on available-for-sale securities	15,214	(166,104)
Foreign currency translation adjustment	(155,408)	330,045
Total other comprehensive income	(140,193)	163,940
Comprehensive income	648,010	848,536
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	566,915	805,412
Comprehensive income attributable to non-controlling interests	81,095	43,123

(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.

As a result, net sales, operating income, ordinary income, and income before income taxes for the three months ended June 30, 2021 decreased by ¥108,816 thousand, respectively.

Also, pursuant to the transitional treatment stipulated by Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company did not disclose information on the breakdown of revenue from contracts with customers for the three months ended June 30, 2020.

(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)

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, 2021.

(Additional information)

(Impacts of COVID-19 on the accounting estimates)

During the three months ended June 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.