

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

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 Stock Exchange Listed on: Tokyo Stock Exchange (First Section)
 Company Code: 8864 URL: <http://www.afc.jp>
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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 2021 (April 1, 2020 - June 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 three months ended								
June 30, 2020	5,932	(2.9)	1,185	(2.8)	1,182	(4.3)	707	(8.0)
June 30, 2019	6,109	4.2	1,219	11.2	1,236	25.8	768	35.9

(Note) Comprehensive income: First three months ended June 30, 2020: 648 million yen (12.7%)
 First three months ended June 30, 2019: 574 million yen (11.2%)

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2020	14.18	14.13
June 30, 2019	15.44	15.38

(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, 2020	106,136	56,594	50.9	1,084.85
As of March 31, 2020	104,483	56,333	51.5	1,080.48

(Reference) Equity capital: As of June 30, 2020: 54,072 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	—				
FY ending March 31, 2021 (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 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
First half	12,590	0.2	2,010	(19.8)	1,850	(23.8)	760	(50.3)	15.24
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 June 30, 2020:	52,979,350 shares	As of March 31, 2020:	52,979,350 shares
2) Number of treasury stock	As of June 30, 2020:	3,136,237 shares	As of March 31, 2020:	3,136,206 shares
3) Average number of shares during the period	First three months ended June 30, 2020:	49,843,113 shares	First three months ended June 30, 2019:	49,759,571 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, 2020 (3) Qualitative Information on Consolidated Earnings Forecast”.

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

(1) Explanation about Business Results

During the three months ended June 30, 2020, the Japanese economy continued to experience an unprecedented economic downturn around the world due to the pandemic of the novel coronavirus. Following the issuance of a state of emergency by the Japanese government in early April, people increasingly started to refrain from going out, resulting in a significant decrease in personal consumption such as travel and dining out as well as export and production. Although the state of emergency was lifted in late May and the government-led initiatives to resume economic activities have been underway along with the measures to prevent the spread of the infection, there are concerns over the second wave and the situation remains uncertain for the time being.

In the aviation industry, both international and domestic flights continued to be reduced or suspended, and passenger demand for travel and business trip including foreign passengers visiting Japan dropped drastically. After the state of emergency was lifted, there have been a movement to restore service in certain domestic flights as well as those by the government to boost demand for domestic travel and ease travel ban. However, due to the concern that the impact of the novel coronavirus infection may be prolonged, the airline companies expect that severe business environment will continue.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥5,932 million (down 2.9% 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 ¥1,185 million (down 2.8%), ordinary income was ¥1,182 million (down 4.3%) and profit attributable to owners of parent was ¥707 million (down 8.0%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,738 million (up 2.2% 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 ¥907 million (up 0.1%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥756 million (up 0.6% from the same period of the previous fiscal year), which was only a slight increase due to a decrease in demand because of the impact of the novel coronavirus and cool outside temperature despite the operation of new facilities in certain customers. Operating income was ¥323 million (up 40.9%) due to reductions in repair expenses and raw material costs.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥437 million (down 39.5% from the same period of the previous fiscal year) due to a 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 ¥46 million (operating income of ¥83 million in the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2020 amounted to ¥106,136 million, an increase by ¥1,652 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 June 30, 2020 amounted to ¥49,542 million, an increase by ¥1,392 million from March 31, 2020, due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of June 30, 2020 increased by ¥260 million compared to March 31, 2020 to ¥56,594 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2020 decreased by 0.6 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, 2021 which was announced in the Financial Results for the Year Ended March 31, 2020 [J-GAAP] dated May 14, 2020, but it is subject to change depending on future developments of the novel coronavirus infection.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/20 (As of March 31, 2020)	First quarter of FY3/20 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	6,518,663	4,243,970
Notes and accounts receivable-trade	1,267,240	1,748,455
Lease receivables and investment assets	7,286,793	6,925,263
Operating loans	4,918,584	4,695,195
Raw materials and supplies	11,099	12,757
Others	2,240,924	7,071,556
Total current assets	22,243,308	24,697,198
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,412,649	49,645,636
Machinery, equipment and vehicles, net	6,365,786	6,189,186
Tools, furniture and fixtures, net	420,294	387,354
Land	14,902,098	14,902,098
Construction in progress	1,537,155	1,709,699
Total property, plant and equipment	73,637,983	72,833,974
Intangible assets		
Software	249,722	236,902
Software in progress	335,029	341,442
Others	15,219	15,174
Total intangible assets	599,972	593,519
Investments and other assets		
Investment securities	6,545,514	6,567,694
Long-term loans receivable	1,332	1,231
Deferred tax assets	700,505	693,790
Net defined benefit asset	149,523	138,831
Others	616,108	620,801
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,002,716	8,012,083
Total non-current assets	82,240,672	81,439,577
Total assets	104,483,980	106,136,775

(Thousands of yen)

	FY3/20 (As of March 31, 2020)	First quarter of FY3/21 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,117,627	732,152
Short-term loans payable	6,642,749	7,190,279
Accounts payable	935,285	642,534
Income taxes payable	567,586	449,448
Accrued expenses	788,460	4,716,250
Unearned revenue	1,117,907	1,156,171
Provision for bonuses	135,083	75,531
Provision for directors' bonuses	26,715	14,177
Provision for removal cost of property, plant and equipment	226,392	164,892
Others	330,139	457,178
Total current liabilities	11,887,946	15,598,616
Non-current liabilities		
Bonds payable	6,000,000	6,000,000
Long-term loans payable	23,402,486	21,192,198
Long-term guarantee deposited	6,286,570	6,268,824
Long-term accounts payable-other	326,067	239,294
Provision for directors' retirement benefits	2,436	—
Deferred tax liabilities	16,311	14,911
Provision for removal cost of property, plant and equipment	190,804	190,804
Others	37,965	37,965
Total non-current liabilities	36,262,641	33,943,997
Total liabilities	48,150,587	49,542,614
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	40,673,533
Treasury stock	(1,737,829)	(1,737,841)
Total shareholders' equity	52,386,487	52,744,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,682,442	1,697,657
Foreign currency translation adjustment	(214,202)	(369,610)
Total accumulated other comprehensive income	1,468,239	1,328,046
Subscription rights to shares	94,722	94,722
Non-controlling interests	2,383,942	2,426,708
Total net assets	56,333,393	56,594,161
Total liabilities and net assets	104,483,980	106,136,775

(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 FY3/20 (April 1, 2019 – June 30, 2019)	First three months of FY3/21 (April 1, 2020 – June 30, 2020)
Net sales	6,109,873	5,932,544
Cost of sales	4,370,878	4,274,026
Gross profit	1,738,994	1,658,518
Selling, general, and administrative expenses		
Directors' compensations	76,962	69,687
Salaries and bonuses	118,584	121,735
Provision for bonuses	45,207	47,496
Provision for directors' bonuses	13,743	14,177
Provision for retirement benefits for directors (and other officers)	348	348
Transportation and communication expenses	23,223	15,135
Depreciation	5,528	6,759
Taxes and dues	50,472	49,843
Others	185,130	148,019
Total selling, general, and administrative expenses	519,201	473,201
Operating income	1,219,793	1,185,316
Non-operating income		
Dividends income	138,660	28,114
Commission fee	1,360	7,713
Foreign exchange gains	—	4,409
Gain on reversal of provision for removal cost of property, plant and equipment	—	39,000
Others	16,829	16,469
Total non-operating income	156,850	95,707
Non-operating expenses		
Interest expenses	104,697	94,803
Removal cost of property, plant and equipment	20,011	536
Foreign exchange losses	14,064	—
Others	1,449	3,461
Total non-operating expenses	140,223	98,800
Ordinary income	1,236,420	1,182,223
Extraordinary income		
Insurance income	—	7,148
Total extraordinary income	—	7,148
Extraordinary loss		
Loss on retirement of non-current assets	—	0
Loss on disaster	—	13,376
Total extraordinary loss	—	13,376
Income before income taxes	1,236,420	1,175,996
Income taxes	412,310	387,792
Profit	824,110	788,203
Profit attributable to non-controlling interests	55,443	81,095
Profit attributable to owners of parent	768,666	707,108

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/20 (April 1, 2019 – June 30, 2019)	First three months of FY3/21 (April 1, 2020 – June 30, 2020)
Profit	824,110	788,203
Other comprehensive income		
Valuation difference on available-for-sale securities	(303,704)	15,214
Foreign currency translation adjustment	54,380	(155,408)
Total other comprehensive income	(249,324)	(140,193)
Comprehensive income	574,786	648,010
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	519,342	566,915
Comprehensive income attributable to non-controlling interests	55,443	81,095

(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, 2020.

(Additional information)

(Impacts of the novel coronavirus on the accounting estimates)

During the three months ended June 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.