

Financial Results for the First Quarter of the Year Ending March 31, 2024 [J-GAAP] (Consolidated)

Company Name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock Exchange Listed on: Tokyo Stock Exchange (Prime Market)
 Company Code: 8864 URL: <https://www.afc.jp/english/>
 Representative: Shigeo Tamura, President & CEO
 Inquiries: Shigeyuki Kodama, Executive Officer, General Manager of Accounting and Financial Affairs Dept.
 TEL: +81-3-3747-0251
 The Date of Filing the Quarterly Securities Report: August 1, 2023
 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 2024 (April 1, 2023 – June 30, 2023)

(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, 2023	6,331	2.2	1,106	10.2	1,089	15.1	681	(12.3)
June 30, 2022	6,190	6.8	1,003	(4.2)	946	(6.6)	777	21.1

(Note) Comprehensive income: First three months ended June 30, 2023: 1,172million yen (1.5%)
 First three months ended June 30, 2022: 1,191 million yen 40.4%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months ended		
June 30, 2023	13.60	13.57
June 30, 2022	15.55	15.50

(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, 2023	104,413	59,292	54.2	1,130.63
As of March 31, 2023	100,403	57,368	54.5	1,095.16

(Reference) Equity capital: As of June 30, 2023: 56,677 million yen As of March 31, 2023: 54,799 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2023	—	7.00	—	7.00	14.00
FY ending March 31, 2024	—				
FY ending March 31, 2024 (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 2024 (April 1, 2023 - March 31, 2024)

(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	13,011	2.3	1,272	(29.6)	1,226	(27.8)	817	(37.0)	16.32
Full fiscal year	26,054	2.1	2,111	(15.6)	1,984	(6.4)	1,296	(17.1)	25.90

(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, 2023:	52,979,350 shares	As of March 31, 2023:	52,979,350 shares
2) Number of treasury stock	As of June 30, 2023:	2,850,639 shares	As of March 31, 2023:	2,941,665 shares
3) Average number of shares during the period	First three months ended June 30, 2023:	50,070,061 shares	First three months ended June 30, 2022:	49,940,747 shares

*** Financial Results report is outside the scope of an audit 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, 2023 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2023

(1) Explanation about Business Results

During the three months ended June 30, 2023, the Japanese economy continued to be on a gradual recovery trend with consumer spending, such as travels and dining out, showing solid growth. Meanwhile, there is a risk that the overseas economic downturn caused mainly by global monetary tightening might put downward pressure on the Japanese economy, and we also need to carefully monitor its effect on surging prices and the fluctuations in the financial and capital markets, etc.

In the aviation industry, the number of passengers fell slightly short of the pre-COVID-19 level but showed a year-on-year increase in both domestic and international flights thanks to high demand for homecoming and travelling during the Golden Week holidays. In May 2023, the legal status of COVID-19 under the law on infectious diseases was downgraded to Class 5, the same category as seasonal influenza, and we expect passenger demand will continue to be on a recovery trend as recovery of the socioeconomic activities further progresses.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥6,331 million (up 2.2% from the same period of the previous fiscal year) mainly because there was a continued recovery trend in water supply and drainage usage despite a decrease in net sales as a consequence of sales of hotels and office buildings for lease in February 2023. Operating income was ¥1,106 million (up 10.2%), ordinary income was ¥1,089 million (up 15.1%) mainly due to a decrease in provision for removal cost related to various constructions, and profit attributable to owners of parent was ¥681 million (down 12.3%).

Profit attributable to owners of parent decreased year-on-year as consumption taxes refund in relation to the filing of amended returns for corporate and consumption taxes was recorded as extraordinary income for the year ended March 31, 2023.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,822 million (down 0.7% from the same period of the previous fiscal year) due to a decrease in net sales as a consequence of sales of hotels and office buildings for lease in February 2023 despite an increase in net sales due to an acquisition of an office building as part of our efforts related to non-asset business, one of the priority measures in the Medium- to Long-Term Management Plan (we acquired “Shinjuku Yawaragi Building” as our second project in June 2023). Operating income was ¥807 million (up 10.2%) due to a decrease in amortization expense related to the facilities sold.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥791 million (up 0.2% from the same period of the previous fiscal year), as sales from cold/heat energy supply slightly increased year-on-year. On the other hand, operating income was ¥204 million (down 15.6%) due to periodic maintenance expenses for cooling machines and boilers.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥717 million (up 32.4% from the same period of the previous fiscal year) and operating income of ¥94 million (up 241.5%) mainly due to a downgrade of COVID-19 to Class 5 as well as water supply and drainage usage returning to the level close to the pre-COVID-19 level and steady growth in the shared telecommunications business.

As for the acquired building mentioned in (i) above, we aim to increase its property value through value enhancement work. In terms of our initiatives aimed at expanding new business domains, we installed solar power generation equipment on the rooftop of our engine maintenance shop in a Singaporean consolidated subsidiary (AIRPORT FACILITIES ASIA PTE. LTD.) and started selling electricity to the tenants of the facility for self-consumption in May 2023.

The Group will continue to make a unified effort to steadily carry out various business strategies based on the Medium- to Long-Term Management Plan.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2023 amounted to ¥104,413 million, an increase by ¥4,010 million compared to March 31, 2023, mainly due to recording of prepaid expenses for annual usage fee of national property and an increase in real estate for sale as a result of an acquisition of an office building in non-asset business despite a decrease in property, plant and equipment due to depreciation of buildings and asset retirement assets.

(Liabilities)

Total liabilities as of June 30, 2023 amounted to ¥45,120 million, an increase by ¥2,086 million compared to March 31, 2023, mainly due to recording of accrued expenses for annual usage fee of national property despite a decrease in payments of long-term loans payable.

(Net assets)

Net assets as of June 30, 2023 increased by ¥1,924 million compared to March 31, 2023 to ¥59,292 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2023 decreased by 0.3 points to 54.2% compared to March 31, 2023.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change in the Consolidated Earnings Forecast for the Year Ending March 31, 2024 which was announced in the Financial Results for the Year Ended March 31, 2023 [J-GAAP] (Consolidated) dated May 11, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	First quarter of FY3/24 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	8,598,633	6,548,967
Accounts receivable - trade	1,343,102	1,884,515
Lease receivables and investment assets	11,019,327	10,978,413
Operating loans	4,067,980	3,945,708
Merchandise	—	1,689
Real estate for sale	2,988,214	5,570,766
Raw materials and supplies	12,360	12,962
Others	851,617	4,802,367
Total current assets	28,881,236	33,745,391
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,133,640	43,263,440
Machinery, equipment and vehicles, net	5,210,042	5,072,067
Tools, furniture and fixtures, net	122,486	112,869
Land	10,805,148	10,805,148
Construction in progress	2,113,525	65,777
Total property, plant and equipment	60,384,843	59,319,303
Intangible assets		
Software	413,782	406,767
Others	35,329	35,364
Total intangible assets	449,111	442,132
Investments and other assets		
Investment securities	9,256,745	9,653,631
Deferred tax assets	652,032	485,051
Net defined benefit asset	198,748	189,037
Others	590,759	589,410
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	10,688,019	10,906,863
Total non-current assets	71,521,975	70,668,299
Total assets	100,403,211	104,413,690

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	First quarter of FY3/24 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,691,141	720,226
Short-term loans payable	5,066,580	3,231,267
Accounts payable	1,230,829	504,427
Income taxes payable	79,273	410,030
Accrued expenses	94,608	5,132,140
Unearned revenue	1,022,220	1,138,891
Provision for bonuses	152,002	66,735
Provision for bonuses for directors (and other officers)	31,400	7,212
Provision for removal cost of property, plant and equipment	179,322	66,529
Others	318,320	837,826
Total current liabilities	9,865,698	12,115,287
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	16,134,790	15,967,105
Long-term guarantee deposited	6,314,218	6,374,705
Long-term accounts payable-other	179,994	121,010
Provision for retirement benefits for directors (and other officers)	1,044	3,717
Deferred tax liabilities	41,363	41,726
Provision for removal cost of property, plant and equipment	115,447	115,447
Asset retirement obligations	4,281,762	4,281,762
Total non-current liabilities	33,168,620	33,005,473
Total liabilities	43,034,318	45,120,760
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	39,660,392	41,044,167
Treasury stock	(1,630,050)	(1,579,621)
Total shareholders' equity	51,839,332	53,273,535
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,063,074	2,441,428
Foreign currency translation adjustment	896,997	962,089
Total accumulated other comprehensive income	2,960,071	3,403,517
Subscription rights to shares	50,330	49,168
Non-controlling interests	2,519,158	2,566,708
Total net assets	57,368,892	59,292,930
Total liabilities and net assets	100,403,211	104,413,690

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

(Thousands of yen)

	First three months of FY3/22 (April 1, 2022 – June 30, 2022)	First three months of FY3/23 (April 1, 2023 - June 30, 2023)
Net sales	6,190,393	6,331,619
Cost of sales	4,633,595	4,723,853
Gross profit	1,556,798	1,607,766
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	65,271	61,611
Salaries and bonuses	139,365	151,374
Provision for bonuses	44,256	44,293
Provision for bonuses for directors (and other officers)	7,850	3,807
Provision for retirement benefits for directors (and other officers)	—	1,023
Transportation and communication expenses	16,994	17,117
Depreciation	25,591	25,186
Taxes and dues	54,793	40,259
Others	199,576	156,707
Total selling, general, and administrative expenses	553,698	501,378
Operating income	1,003,099	1,106,387
Non-operating income		
Interest income	—	0
Dividends income	53,903	35,846
Commission fee	4,093	4,001
Foreign exchange gains	347	—
Others	17,827	21,196
Total non-operating income	76,172	61,043
Non-operating expenses		
Interest expenses	71,440	65,623
Foreign exchange losses	—	748
Removal cost of property, plant and equipment	6,955	11,106
Provision for removal cost	53,192	—
Others	986	0
Total non-operating expenses	132,574	77,479
Ordinary income	946,698	1,089,951
Extraordinary income		
Consumption taxes refund	315,363	—
Others	1,833	—
Total extraordinary income	317,197	—
Extraordinary loss		
Loss on retirement of non-current assets	1,167	—
Total extraordinary loss	1,167	—
Income before income taxes	1,262,727	1,089,951
Income taxes	328,522	361,056
Income taxes for prior periods	100,174	—
Total income taxes	428,697	361,056
Profit	834,030	728,895
Profit attributable to non-controlling interests	57,027	47,550
Profit attributable to owners of parent	777,002	681,345

(Quarterly Consolidated Statements of Income)

(Thousands of yen)

	First three months of FY3/22 (April 1, 2022 - June 30, 2022)	First three months of FY3/23 (April 1, 2023 - June 30, 2023)
Profit	834,030	728,895
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,994)	378,353
Foreign currency translation adjustment	373,322	65,092
Total other comprehensive income	357,327	443,446
Comprehensive income	1,191,358	1,172,341
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,134,330	1,124,791
Comprehensive income attributable to non-controlling interests	57,027	47,550

(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 Significant Subsidiaries during the Period)

Not applicable.

Although this does not constitute a change in significant subsidiaries, AFC Asset Management Co., Ltd. and AFC Shoji Co., Ltd., which were non-consolidated subsidiaries for the year ended March 31, 2023, are included in the scope of consolidation from the three months ended June 30, 2023 as they became significant.

(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, 2023.