

Financial Results for the Second Quarter (Interim Period) of the Fiscal Year Ending March 31, 2025 [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/>
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 Scheduled Date of Filing of Semiannual Securities Report: November 1, 2024
 Scheduled Date of Dividend Payment Start: November 27, 2024
 Preparation of Earnings Presentation Material: Yes
 Holding of Earnings Announcement: Yes (for analysts)

(Figures are rounded off to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter (Interim Period) of the Fiscal Year Ending March 31, 2025 (April 1, 2024 – September 30, 2024)

(1) Consolidated Business Results

(Percentages are changes from the interim 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, 2024	14,093	7.4	2,527	31.1	2,644	36.2	1,748	40.8
September 30, 2023	13,114	3.1	1,926	6.6	1,941	14.2	1,241	(4.2)

(Note) Comprehensive income: First six months ended September 30, 2024: 2,379 million yen 10.8%
 First six months ended September 30, 2023: 2,146 million yen (16.4)%

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
First six months ended September 30, 2024	34.80		34.78	
September 30, 2023	24.77		24.75	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
As of September 30, 2024	111,937		62,691			53.5
As of March 31, 2024	110,461		60,765			52.6

(Reference) Equity capital: As of September 30, 2024: 59,998 million yen As of March 31, 2024: 58,109 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
FY ended March 31, 2024	—	7.00	—	10.00	17.00
FY ending March 31, 2025	—	9.00			
FY ending March 31, 2025 (Forecasts)			—	9.00	18.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages are changes from 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	29,414	13.3	3,403	6.9	3,205	0.9	2,193	8.5	43.69

(Note) Changes in the latest forecasts released: No

*** Notes**

(1) Significant changes in the scope of consolidation during the period: No

(2) Application of specific accounting treatments in preparing the interim consolidated financial statements: Yes

Note: For details, please refer to “2. Interim Consolidated Financial Statements and Major Notes (3) Notes on Interim Consolidated Financial Statements (Notes on Specific Accounting Treatments in Preparing the Interim 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 September 30, 2024:	52,979,350 shares	As of March 31, 2024:	52,979,350 shares
2) Number of treasury stock	As of September 30, 2024:	2,690,693 shares	As of March 31, 2024:	2,791,683 shares
3) Average number of shares during the period	First six months ended September 30, 2024:	50,251,625 shares	First six months ended September 30, 2023:	50,128,894 shares

*** Financial results report for the second quarter (interim period) is outside the scope of a 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 “1. Summary of Operating Results, etc., (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the First Six Months Ended September 30, 2024

During the first six months ended September 30, 2024, our business environment has been favorable supported mainly by strong inbound demand despite facing such harsh conditions as a weak yen and surging prices in the aviation industry. Meanwhile, we still need to carefully monitor factors including a rise in logistics and labor costs due to soaring raw material costs and labor shortages, which is affecting construction costs and other prices, as well as the tense situation in the Middle East and unstable movements in the financial markets.

Under such conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥14,093 million (up 7.4% from the same period of the previous fiscal year) mainly due to an increase in rental income, etc. as a result of the review of the lease terms of existing properties, reallocation in the cargo area associated with the start of operation of a fresh product center and increased properties in the non-asset business, an increase in water supply and drainage usage, and the revision of the unit price for water supply and drainage at the public bidding in the previous year in the Water Supply & Drainage Business. Operating income was ¥2,527 million (up 31.1%) despite an increase in costs due to surging prices. Ordinary income was ¥2,644 million (up 36.2%) mainly due to increases in gain on investments in silent partnership, etc. and dividends income, and profit attributable to owners of parent was ¥ 1,748 million (up 40.8%).

Performance by business segment is as follows:

Effective April 1, 2024, the Company changed its segmentation to four segments of “Airport Real Estate Business,” “Non-Airport Real Estate Business,” “Airport Infrastructure Business,” and “Other Business” from the previous three segments of “Real Estate Business,” “Area Heating & Cooling Business,” and “Water Supply & Drainage Service and Other Business.”

(i) Airport Real Estate Business

Airport Real Estate Business recorded net sales of ¥8,463 million (up 5.4% from the same period of the previous fiscal year) and operating income of ¥2,005 million (up 35.8%) due to an increase in rental income, etc. as a result of the review of the lease terms of existing properties and reallocation in the cargo area at Haneda Airport associated with the start of operation of a fresh product center.

(ii) Non-Airport Real Estate Business

Non-Airport Real Estate Business recorded net sales of ¥1,556 million (up 7.2% from the same period of the previous fiscal year) and operating income of ¥574 million (up 3.3%) mainly due to an increase in rental income because of increased properties in the non-asset business.

As of September 27, 2024, we acquired one new office building in Naka-ku, Nagoya City, as real estate for sale.

(iii) Airport Infrastructure Business

Airport Infrastructure Business recorded net sales of ¥3,674 million (up 13.0% from the same period of the previous fiscal year) mainly due to increased sales of cold/heat energy supply in Area Heating & Cooling Business, an increase in water supply and drainage usage in Water Supply & Drainage Service Business, and the revision of the unit price of water supply and drainage described above. Operating income was ¥546 million (up 23.7%).

(iv) Other Business

Other Business, which mainly consists of overseas businesses conducted by overseas subsidiaries, recorded net sales of ¥399 million (up 2.4% from the same period of the previous fiscal year) due to the weakening yen and operating income of ¥159 million (down 4.0%).

(2) Summary of Financial Position as of September 30, 2024

(Assets)

Total assets as of September 30, 2024 amounted to ¥111,937 million, an increase by ¥1,476 million compared to March 31, 2024, mainly due to recording of prepaid expenses for annual usage fee of national property and an increase in real estate for sale, etc. as a result of acquisition of a new office building in the non-asset business despite a decrease in property,

plant and equipment due to depreciation of buildings and asset retirement assets and a decrease in cash and deposits as a result of payments related to renovation work, etc.

(Liabilities)

Total liabilities as of September 30, 2024 amounted to ¥49,246 million, a decrease by ¥449 million compared to March 31, 2024, mainly due to decreases in accounts payable and notes and accounts payable-trade as a result of payments related to renovation work, etc. and a decrease due to payments of long-term loans payable despite an increase due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of September 30, 2024 increased by ¥1,925 million compared to March 31, 2024 to ¥ 62,691 million mainly due to increases in retained earnings and foreign currency translation adjustment.

As a result, equity ratio as of September 30, 2024 increased by 0.9 points to 53.5% compared to March 31, 2024.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change in the consolidated earnings forecast for the fiscal year ending March 31, 2025 which was announced in the Financial Results for the Fiscal Year Ended March 31, 2024 [J-GAAP] (Consolidated) dated May 10, 2024.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheet

(Thousands of yen)

	FY3/24 (As of March 31, 2024)	First six months of FY3/25 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	10,849,304	10,151,141
Accounts receivable - trade	1,410,637	1,625,496
Lease receivables and investment assets	10,951,505	11,170,595
Operating loans	3,720,272	3,868,582
Merchandise	2,723	2,848
Real estate for sale	10,831,897	11,693,114
Raw materials and supplies	13,719	14,583
Others	712,565	3,002,885
Total current assets	38,492,624	41,529,248
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,593,894	40,797,203
Machinery, equipment and vehicles, net	5,006,369	5,752,527
Tools, furniture and fixtures, net	139,598	127,288
Land	10,803,731	10,803,731
Construction in progress	562,390	405,500
Total property, plant and equipment	59,105,983	57,886,251
Intangible assets		
Software	352,344	312,631
Software in progress	—	18,198
Others	34,988	34,736
Total intangible assets	387,332	365,566
Investments and other assets		
Investment securities	11,457,003	11,025,165
Deferred tax assets	174,873	312,415
Net defined benefit asset	264,687	246,129
Others	589,487	583,216
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	12,475,784	12,156,659
Total non-current assets	71,969,101	70,408,477
Total assets	110,461,725	111,937,726

(Thousands of yen)

	FY3/24 (As of March 31, 2024)	First six months of FY3/25 (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,968,324	995,228
Short-term loans payable	3,313,450	3,479,569
Accounts payable	2,202,160	539,682
Income taxes payable	743,214	891,847
Accrued expenses	97,543	2,144,379
Unearned revenue	1,027,169	2,367,438
Provision for bonuses	144,273	148,035
Provision for bonuses for directors (and other officers)	28,850	14,425
Provision for removal cost of property, plant and equipment	111,862	40,804
Asset retirement obligations	110,000	113,000
Others	308,045	443,433
Total current liabilities	10,054,894	11,177,844
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	22,730,159	20,981,019
Long-term guarantee deposited	6,405,904	6,622,504
Long-term accounts payable-other	121,010	79,921
Provision for retirement benefits for directors (and other officers)	6,786	6,048
Deferred tax liabilities	51,626	56,527
Asset retirement obligations	4,225,522	4,222,522
Total non-current liabilities	39,641,008	38,068,543
Total liabilities	49,695,902	49,246,387
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,985,036
Retained earnings	42,025,075	43,272,142
Treasury stock	(1,546,962)	(1,491,017)
Total shareholders' equity	54,287,102	55,592,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,413,935	2,102,288
Foreign currency translation adjustment	1,408,697	2,303,674
Total accumulated other comprehensive income	3,822,632	4,405,963
Subscription rights to shares	22,923	13,022
Non-controlling interests	2,633,164	2,680,090
Total net assets	60,765,822	62,691,339
Total liabilities and net assets	110,461,725	111,937,726

(2) Interim Consolidated Statement of Income and Interim Consolidated Statement of Comprehensive Income**(Interim Consolidated Statement of Income)**

(Thousands of yen)

	First six months of FY3/24 (April 1, 2023 – September 30, 2023)	First six months of FY3/25 (April 1, 2024 - September 30, 2024)
Net sales	13,114,139	14,093,530
Cost of sales	10,171,956	10,479,171
Gross profit	2,942,182	3,614,358
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	109,845	99,309
Salaries and bonuses	306,568	313,250
Provision for bonuses	97,973	110,055
Provision for bonuses for directors (and other officers)	11,019	14,425
Provision for retirement benefits for directors (and other officers)	2,046	2,046
Transportation and communication expenses	42,263	40,279
Depreciation	53,157	55,999
Taxes and dues	68,705	91,277
Others	324,054	360,270
Total selling, general, and administrative expenses	1,015,633	1,086,912
Operating income	1,926,549	2,527,446
Non-operating income		
Interest income	1	47
Dividends income	55,556	91,714
Commission fee	14,516	15,304
Gain on investments in silent partnership, etc.	59,930	150,627
Foreign exchange gains	978	312
Others	34,415	61,211
Total non-operating income	165,398	319,216
Non-operating expenses		
Interest expenses	131,238	157,929
Removal cost of property, plant and equipment	19,594	10,806
Others	2	33,107
Total non-operating expenses	150,835	201,844
Ordinary income	1,941,111	2,644,819
Extraordinary loss		
Loss on retirement of non-current assets	251	6,435
Total extraordinary loss	251	6,435
Income before income taxes	1,940,860	2,638,383
Income taxes	642,549	842,513
Total income taxes	642,549	842,513
Profit	1,298,310	1,795,870
Profit attributable to non-controlling interests	56,377	46,926
Profit attributable to owners of parent	1,241,933	1,748,943

(Interim Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/24 (April 1, 2023 – September 30, 2023)	First six months of FY3/25 (April 1, 2024 - September 30, 2024)
Profit	1,298,310	1,795,870
Other comprehensive income		
Valuation difference on available-for-sale securities	230,565	(311,646)
Foreign currency translation adjustment	617,782	894,977
Total other comprehensive income	848,347	583,330
Comprehensive income	2,146,658	2,379,200
(Breakdown)		
Comprehensive income attributable to owners of parent	2,090,281	2,332,274
Comprehensive income attributable to non-controlling interests	56,377	46,926

(3) Notes on Interim Consolidated Financial Statements

(Notes on Specific Accounting Treatments in Preparing the Interim 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 six months ended September 30, 2024.

(Notes on Segment Information, etc.)

[Segment information]

I. First six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

1. Information on net sales and income or loss by reportable segment

(Thousands of yen)

	Reportable Segments					Adjustments (Note 1)	Carrying Amount on Interim Consolidated Statement of Income (Note 2)
	Airport Real Estate Business	Non- Airport Real Estate Business	Airport Infrastructure Business	Other Business	Total		
Net sales							
(1) Net sales to outside customers	8,023,029	1,450,222	3,250,811	390,076	13,114,139	—	13,114,139
(2) Intersegment sales or transfers	134,162	—	482,114	7	616,284	(616,284)	—
Total	8,157,191	1,450,222	3,732,926	390,083	13,730,423	(616,284)	13,114,139
Segment income	1,475,909	556,198	441,628	166,111	2,639,848	(713,299)	1,926,549

(Notes)1. The adjustment for segment income of ¥(713,299) thousand is corporate expenses not allocated to any reportable segments and consists mainly of general and administrative expenses that do not belong to any reportable segments.

2. Segment income is adjusted with operating income in the interim consolidated statement of income.

II. First six months ended September 30, 2024 (April 1, 2024 - September 30, 2024)

1. Information on net sales and income or loss by reportable segment

(Thousands of yen)

	Reportable Segments					Adjustments (Note 1)	Carrying Amount on Interim Consolidated Statement of Income (Note 2)
	Airport Real Estate Business	Non- Airport Real Estate Business	Airport Infrastructure Business	Other Business	Total		
Net sales							
(1) Net sales to outside customers	8,463,789	1,556,058	3,674,209	399,472	14,093,530	—	14,093,530
(2) Intersegment sales or transfers	135,718	—	534,127	12	669,858	(669,858)	—
Total	8,599,508	1,556,058	4,208,337	399,484	14,763,388	(669,858)	14,093,530
Segment income	2,005,150	574,997	546,727	159,376	3,286,251	(758,805)	2,527,446

(Notes)1. The adjustment for segment income of ¥(758,805) thousand is corporate expenses not allocated to any reportable segments and consists mainly of general and administrative expenses that do not belong to any reportable segments.

2. Segment income is adjusted with operating income in the interim consolidated statement of income.

2. Changes in reportable segments, etc.

Under the business portfolio strategy set out in the Medium- to Long-Term Management Plan (FY2022-FY2028), the Group has been strengthening airport-related business and expanding new business opportunities to develop a profit foundation toward further growth and create value within and outside airports with an aim to achieve sustainable growth. Accordingly, from the perspective of appropriately managing and evaluating the progress of the Medium- to Long-Term Management Plan, we changed our segmentation from April 1, 2024 to four segments of “Airport Real Estate Business,” “Non-Airport Real Estate Business,” “Airport Infrastructure Business,” and “Other Business” from the previous three segments of “Real Estate Business,” “Area Heating & Cooling Business,” and “Water Supply & Drainage Service and Other Business.”

Segment information for the first six months ended September 30, 2023 is prepared under the new segmentation.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Premise of going concern)

Not applicable.