

Financial Results for the Third Quarter of the Year Ending March 31, 2021 [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 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 Third Quarter of the Fiscal Year Ending March 2021 (April 1, 2020 - December 31, 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 nine months ended								
December 31, 2020	18,136	(2.5)	3,368	(7.6)	3,233	(8.8)	1,593	(27.7)
December 31, 2019	18,619	2.6	3,647	10.3	3,547	25.5	2,206	21.3

(Note) Comprehensive income: First nine months ended December 31, 2020: 1,800 million yen ((22.2 %))
 First nine months ended December 31, 2019: 2,317 million yen (43.3 %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First nine months ended		
December 31, 2020	31.94	31.82
December 31, 2019	44.30	44.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2020	108,091	57,427	50.7	1,098.20
As of March 31, 2020	104,483	56,333	51.5	1,080.48

(Reference) Equity capital: As of December 31, 2020: 54,812 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	—	7.00	—		
FY ending March 31, 2021 (Forecasts)				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
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

*** 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 December 31, 2020:	52,979,350 shares	As of March 31, 2020:	52,979,350 shares
As of December 31, 2020:	3,068,326 shares	As of March 31, 2020:	3,136,206 shares
First nine months ended December 31, 2020:	49,888,381 shares	First nine months ended December 31, 2019:	49,799,714 shares

2) Number of treasury stock

3) Average number of shares during
the period

* 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 December 31, 2020 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2020

(1) Explanation about Business Results

During the nine months ended December 31, 2020, the Japanese economy continued to experience an unprecedented economic downturn due to a global pandemic of COVID-19 which originally started early 2020. The situation remains uncertain as the number of new infection cases soared mainly in the Tokyo metropolitan area after November, followed by the second state of emergency issued for Tokyo and three neighboring prefectures in early January 2021 as well as for several other prefectures eventually.

In the aviation industry, the domestic flights showed a sign of recovery at one point partly due to an effect of the government's "Go To Travel" campaign but are now subjected to the influence of the resurgence of COVID-19. The international flights have continued to face a severe situation, and it is expected to take a while before they fully recover as the new COVID-19 variants have been spreading mainly in Europe and the U.S. causing various countries to tighten their travel restrictions. Meanwhile, the movements to defeat COVID-19 have been making steady progress as vaccine rollout started in the U.K. and the U.S. and the Japanese government is also working to establish a vaccination system.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥18,136 million (down 2.5% 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 COVID-19 despite the start of the operation of new facilities completed in the fiscal year ended March 31, 2020. Operating income was ¥3,368 million (down 7.6%), ordinary income was ¥3,233 million (down 8.8%).

As part of the support for the impact of COVID-19, we have forgiven rent receivables and heat charge receivables from customers in the aviation industry and recorded the resulting loss as extraordinary loss, resulting in profit attributable to owners of parent of ¥1,593 million (down 27.7%)

Also during the period, we worked on the initiative to introduce clean energy in Tokyo International Airport by installing a solar self-consumption equipment in the domestic cargo terminal facility. This project has been certified as the "Project to Expand the Introduction of Local Production and Local Consumption-type Renewable Energy" subject to the subsidies from the Tokyo Metropolitan Government. We will continue to contribute to the achievement of sustainable society through our business activities.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥14,258 million (up 1.8% 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 ¥2,521 million (down 5.0%) mainly due to an increase in repair expenses, etc. related to energy-saving promotion.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥2,502 million (up 2.8%) due to a partial extension in the Tokyo International Airport Passenger Terminal No. 2 despite a decrease in demand mainly caused by COVID-19. Operating income was ¥955 million (up 27.0%) due to decreases in fuel costs for electricity and gas and repair expenses.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,375 million (down 36.9% from the same period of the previous fiscal year) due to a continued 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 COVID-19, and recorded an operating loss of ¥107 million (operating income of ¥240 million in the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of December 31, 2020 amounted to ¥108,091 million, an increase by ¥3,607 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 December 31, 2020 amounted to ¥50,664 million, an increase by ¥2,514 million from March 31, 2020, due to recording of accrued expenses for annual usage fee of national property.

(Net assets)

Net assets as of December 31, 2020 increased by ¥1,093 million compared to March 31, 2020 to ¥57,427 million mainly due to an increase in retained earnings.

As a result, equity ratio as of December 31, 2020 decreased by 0.8 points to 50.7% compared to March 31, 2020.

(3) Qualitative Information on Consolidated Earnings Forecast

At this point, there is no change in the Consolidated Earnings Forecast for the Year Ending March 31, 2021 announced in the Financial Results dated May 14, 2020. Annual dividend of ¥14 per share (including interim dividend of ¥7) are also scheduled to be paid as announced in the Financial Results.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/20 (As of March 31, 2020)	Third quarter of FY3/21 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	6,518,663	9,517,185
Notes and accounts receivable-trade	1,267,240	2,819,721
Lease receivables and investment assets	7,286,793	6,809,441
Operating loans	4,918,584	3,935,377
Raw materials and supplies	11,099	14,363
Others	2,240,924	4,592,769
Total current assets	22,243,308	27,688,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,412,649	48,444,940
Machinery, equipment and vehicles, net	6,365,786	6,531,280
Tools, furniture and fixtures, net	420,294	328,669
Land	14,902,098	14,902,098
Construction in progress	1,537,155	1,359,681
Total property, plant and equipment	73,637,983	71,566,670
Intangible assets		
Software	249,722	212,511
Software in progress	335,029	383,121
Others	15,219	15,084
Total intangible assets	599,972	610,717
Investments and other assets		
Investment securities	6,545,514	6,894,524
Long-term loans receivable	1,332	1,031
Deferred tax assets	700,505	595,346
Net defined benefit asset	149,523	117,447
Others	616,108	627,387
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,002,716	8,225,469
Total non-current assets	82,240,672	80,402,857
Total assets	104,483,980	108,091,714

(Thousands of yen)

	FY3/20 (As of March 31, 2020)	Third quarter of FY3/21 (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,117,627	555,901
Short-term loans payable	6,642,749	7,086,927
Accounts payable	935,285	957,556
Income taxes payable	567,586	462,698
Accrued expenses	788,460	4,689,995
Unearned revenue	1,117,907	1,191,016
Provision for bonuses	135,083	68,409
Provision for bonuses for directors (and other officers)	26,715	14,177
Provision for removal cost of property, plant and equipment	226,392	101,056
Others	330,139	440,724
Total current liabilities	11,887,946	15,568,463
Non-current liabilities		
Bonds payable	6,000,000	6,100,000
Long-term loans payable	23,402,486	22,554,502
Long-term guarantee deposited	6,286,570	5,988,970
Long-term accounts payable-other	326,067	253,110
Provision for retirement benefits for directors (and other officers)	2,436	—
Deferred tax liabilities	16,311	15,384
Provision for removal cost of property, plant and equipment	190,804	112,793
Others	37,965	71,488
Total non-current liabilities	36,262,641	35,096,248
Total liabilities	48,150,587	50,664,712
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	41,208,458
Treasury stock	(1,737,829)	(1,700,218)
Total shareholders' equity	52,386,487	53,317,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,682,442	1,920,716
Foreign currency translation adjustment	(214,202)	(425,421)
Total accumulated other comprehensive income	1,468,239	1,495,295
Subscription rights to shares	94,722	89,284
Non-controlling interests	2,383,942	2,525,191
Total net assets	56,333,393	57,427,001
Total liabilities and net assets	104,483,980	108,091,714

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

(Thousands of yen)

	First nine months of FY3/20 (April 1, 2019–December 31, 2019)	First nine months of FY3/21 (April 1, 2020–December 31, 2020)
Net sales	18,619,289	18,136,078
Cost of sales	13,464,637	13,329,642
Gross profit	5,154,652	4,806,436
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	243,826	224,402
Salaries and bonuses	449,443	467,812
Provision for bonuses	40,191	43,125
Provision for bonuses for directors (and other officers)	13,357	14,177
Provision for retirement benefits for directors (and other officers)	1,044	348
Transportation and communication expenses	74,017	49,355
Depreciation	19,940	20,712
Taxes and dues	127,895	127,304
Others	537,744	490,713
Total selling, general, and administrative expenses	1,507,459	1,437,951
Operating income	3,647,192	3,368,484
Non-operating income		
Interest income	0	0
Dividends income	175,543	37,770
Commission fee	21,861	11,587
Foreign exchange gains	33,950	1,154
Gain on reversal of provision for removal cost of property, plant and equipment	5,155	69,253
Others	32,120	37,691
Total non-operating income	268,631	157,457
Non-operating expenses		
Interest expenses	315,255	273,145
Removal cost of property, plant and equipment	48,879	12,865
Others	4,627	6,835
Total non-operating expenses	368,761	292,846
Ordinary income	3,547,062	3,233,095
Extraordinary income		
Insurance income	15,653	143,541
Others	6,839	2,375
Total extraordinary income	22,493	145,916
Extraordinary loss		
Loss on retirement of non-current assets	0	41,421
Nonrecurring loss	31,013	—
Loss on disaster	47,777	41,819
Loss on response to new infectious disease	—	684,868
Total extraordinary loss	78,790	768,109
Income before income taxes	3,490,764	2,610,901
Income taxes	1,098,339	837,501
Profit	2,392,425	1,773,400
Profit attributable to non-controlling interests	185,805	179,578
Profit attributable to owners of parent	2,206,619	1,593,821

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/20 (April 1, 2019–December 31, 2019)	First nine months of FY3/21 (April 1, 2020–December 31, 2020)
Profit	2,392,425	1,773,400
Other comprehensive income		
Valuation difference on available-for-sale securities	86,051	238,273
Foreign currency translation adjustment	(161,380)	(211,218)
Total other comprehensive income	(75,328)	27,055
Comprehensive income	2,317,096	1,800,455
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,131,290	1,620,877
Comprehensive income attributable to non-controlling interests	185,805	179,578

(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)

(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 December 31, 2020.

(Additional information)

(Impacts of COVID-19 on the accounting estimates)

During the nine months ended December 31, 2020, 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, 2020.