

Financial Results for the Third 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: February 1, 2024
 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 2024 (April 1, 2023 – December 31, 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 nine months ended								
December 31, 2023	19,467	2.2	2,911	12.1	2,899	19.6	1,842	(19.4)
December 31, 2022	19,039	7.2	2,596	(15.1)	2,424	(15.9)	2,287	20.0

(Note) Comprehensive income: First nine months ended December 31, 2023: 2,897 million yen (28.1%)
 First nine months ended December 31, 2022: 4,031 million yen 89.7%

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
First nine months ended				
December 31, 2023	36.73		36.69	
December 31, 2022	45.73		45.63	

(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, 2023	113,641	60,667	51.0	1,156.23
As of March 31, 2023	100,403	57,368	54.5	1,095.16

(Reference) Equity capital: As of December 31, 2023: 58,028 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	—	7.00	—		
FY ending March 31, 2024 (Forecasts)				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
Full fiscal year	26,037	2.0	2,764	10.3	2,664	25.5	1,681	7.4	33.53

(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, 2023:	52,979,350 shares	As of March 31, 2023:	52,979,350 shares
2) Number of treasury stock	As of December 31, 2023:	2,791,609 shares	As of March 31, 2023:	2,941,665 shares
3) Average number of shares during the period	First nine months ended December 31, 2023:	50,148,510 shares	First nine months ended December 31, 2022:	50,005,429 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 December 31, 2023 (3) Qualitative Information on Consolidated Earnings Forecast.”

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2023

(1) Explanation about Business Results

During the nine months ended December 31, 2023, the Japanese economy continued to be on a gradual recovery trend as the economic activity has been recovering after the legal status of COVID-19 under the law on infectious diseases was downgraded to Class 5 in May 2023. Meanwhile, we still need to carefully monitor risks that may put downward pressure on the Japanese economy such as surging prices due to exchange rate fluctuations and high resource prices and the deteriorating situations in the Middle East.

In the aviation industry, supported by strong inbound demand and leisure demand following the lifting of movement restrictions in Japan, the number of passengers showed a steady recovery in both domestic and international flights, and we expect that passenger demand will continue to be on a recovery trend.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥19,467 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 ¥2,911 million (up 12.1%), ordinary income was ¥2,899 million (up 19.6%) mainly due to recording of gain on investments in silent partnership, etc. by an aircraft leasing fund and a decrease in provision for removal cost related to various constructions, and profit attributable to owners of parent was ¥1,842 million (down 19.4%).

Profit attributable to owners of parent decreased year-on-year because, for the nine months ended December 31, 2022, consumption taxes refund in relation to the filing of amended returns for corporate and consumption taxes was recorded as extraordinary income and also because the estimated effective tax rate used in the calculation of tax expenses declined as a consequence of sales of hotels for lease, resulting in a decrease in income taxes.

Performance by business segment is as follows:

(i) Real Estate Business

Real estate business recorded net sales of ¥14,604 million (down 1.1% from the same period of the previous fiscal year) mainly due to a decrease in net sales as a consequence of sales of hotels and office buildings for lease in February 2023 while net sales increased due to lease of office buildings acquired 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 “Hiroshima Motomachi NS Building (Naka-ku, Hiroshima City)” in March 2023, “Shinjuku Yawaragi Building (Shinjuku-ku, Tokyo)” in June, “Gofukukan (Aoi-ku, Shizuoka City)” in August and “Nihonbashi Hamacho 2-Chome Building (Chuo-ku, Tokyo)” in October) and variable rents of hotels and parking lot revenue of HANEDA INNOVATION CITY also increased as economic activities have become active. Operating income was ¥2,199 million (up 5.1%) due to a decrease in depreciation, etc. related to sold facilities.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥2,605 million (up 1.9% from the same period of the previous fiscal year) as sales from cold/heat energy supply increased year-on-year mainly due to the intense summer heat. Operating income was ¥428 million (up 11.8%) as a decline in gas prices from the previous fiscal year’s level resulted in a decrease in raw material costs although periodic maintenance expenses for cooling machines and boilers were recorded.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥2,258 million (up 31.6% from the same period of the previous fiscal year) and operating income of ¥283 million (up 132.7%) mainly because the number of passengers has recovered and water supply and drainage usage is returning to the pre-COVID-19 level following the downgrade of COVID-19 to Class 5, water supply and drainage usage increased mainly due to the full opening of Haneda Airport Garden in January 2023, and the shared telecommunications business also showed steady growth.

In addition, from the three months ended September 30, 2023, 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.

As for the buildings we have acquired as part of our efforts related to non-asset business, we aim to increase their property value through value enhancement work.

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 December 31, 2023 amounted to ¥113,641 million, an increase by ¥13,238 million compared to March 31, 2023, mainly due to an increase in real estate for sale as a result of an acquisition of office buildings in non-asset business, an increase in cash and deposits due to financing from a financial institution and an increase in investment securities as a result of additional investment in an aircraft leasing fund despite a decrease in property, plant and equipment due to depreciation of buildings and asset retirement assets.

(Liabilities)

Total liabilities as of December 31, 2023 amounted to ¥52,974 million, an increase by ¥9,939 million compared to March 31, 2023, mainly due to an increase in short- and long-term loans payable associated with acquisitions of real estate for sale.

(Net assets)

Net assets as of December 31, 2023 increased by ¥3,298 million compared to March 31, 2023 to ¥60,667 million mainly due to an increase in retained earnings.

As a result, equity ratio as of December 31, 2023 decreased by 3.5 points to 51.0% 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 “Announcement on the Difference Between Earnings Forecast and Actual Results for the Six Months Ended September 30, 2023 and Revision to Full-Year Consolidated Earnings Forecast” (Japanese version only) released on October, 26, 2023.

We will promptly make an announcement when it becomes necessary to review the forecast.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	Third quarter of FY3/24 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	8,598,633	13,269,914
Accounts receivable - trade	1,343,102	1,281,945
Lease receivables and investment assets	11,019,327	11,183,040
Operating loans	4,067,980	4,089,030
Merchandise	—	1,686
Real estate for sale	2,988,214	10,852,827
Raw materials and supplies	12,360	13,422
Others	851,617	2,041,569
Total current assets	28,881,236	42,733,437
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,133,640	41,876,987
Machinery, equipment and vehicles, net	5,210,042	4,855,368
Tools, furniture and fixtures, net	122,486	136,326
Land	10,805,148	10,805,148
Construction in progress	2,113,525	350,934
Total property, plant and equipment	60,384,843	58,024,766
Intangible assets		
Software	413,782	350,683
Others	35,329	35,113
Total intangible assets	449,111	385,797
Investments and other assets		
Investment securities	9,256,745	11,155,227
Deferred tax assets	652,032	590,399
Net defined benefit asset	198,748	169,615
Others	590,759	592,299
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	10,688,019	12,497,275
Total non-current assets	71,521,975	70,907,839
Total assets	100,403,211	113,641,276

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	Third quarter of FY3/24 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,691,141	664,084
Short-term loans payable	5,066,580	8,292,346
Accounts payable	1,230,829	405,726
Income taxes payable	79,273	952,127
Accrued expenses	94,608	268,886
Unearned revenue	1,022,220	1,760,746
Provision for bonuses	152,002	86,695
Provision for bonuses for directors (and other officers)	31,400	21,637
Provision for removal cost of property, plant and equipment	179,322	100,302
Others	318,320	821,471
Total current liabilities	9,865,698	13,374,023
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	16,134,790	22,570,968
Long-term guarantee deposited	6,314,218	6,429,519
Long-term accounts payable-other	179,994	121,010
Provision for retirement benefits for directors (and other officers)	1,044	5,763
Deferred tax liabilities	41,363	46,793
Provision for removal cost of property, plant and equipment	115,447	44,389
Asset retirement obligations	4,281,762	4,281,762
Total non-current liabilities	33,168,620	39,600,205
Total liabilities	43,034,318	52,974,228
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	41,847,271
Treasury stock	(1,630,050)	(1,546,919)
Total shareholders' equity	51,839,332	54,109,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,063,074	2,202,726
Foreign currency translation adjustment	896,997	1,716,770
Total accumulated other comprehensive income	2,960,071	3,919,496
Subscription rights to shares	50,330	22,923
Non-controlling interests	2,519,158	2,615,286
Total net assets	57,368,892	60,667,047
Total liabilities and net assets	100,403,211	113,641,276

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

(Thousands of yen)

	First nine months of FY3/23 (April 1, 2022–December 31, 2022)	First nine months of FY3/24 (April 1, 2023 - December 31, 2023)
Net sales	19,039,511	19,467,904
Cost of sales	14,874,533	15,028,432
Gross profit	4,164,977	4,439,471
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	177,699	157,712
Salaries and bonuses	483,207	555,072
Provision for bonuses	66,882	63,184
Provision for bonuses for directors (and other officers)	23,550	18,232
Provision for retirement benefits for directors (and other officers)	696	3,069
Transportation and communication expenses	54,657	60,542
Depreciation	76,427	82,566
Taxes and dues	98,104	98,883
Others	586,808	488,493
Total selling, general, and administrative expenses	1,568,032	1,527,755
Operating income	2,596,944	2,911,716
Non-operating income		
Interest income	0	1
Dividends income	76,668	83,516
Commission fee	13,857	21,881
Gain on investments in silent partnership, etc.	—	59,930
Foreign exchange gains	4,765	1,795
Others	105,683	52,174
Total non-operating income	200,976	219,301
Non-operating expenses		
Interest expenses	216,130	203,385
Removal cost of property, plant and equipment	49,305	27,899
Provision for removal cost	107,062	—
Others	1,175	4
Total non-operating expenses	373,673	231,290
Ordinary income	2,424,247	2,899,727
Extraordinary income		
Gain on sale of investment securities	11,721	—
Consumption taxes refund	315,363	—
Others	21,299	—
Total extraordinary income	348,384	—
Extraordinary loss		
Loss on retirement of non-current assets	1,978	1,678
Loss on cancellation of golf club membership	3,000	3,000
Total extraordinary loss	4,978	4,678
Income before income taxes	2,767,654	2,895,048
Income taxes	300,680	956,720
Income taxes for prior periods	100,174	—
Total income taxes	400,855	956,720
Profit	2,366,799	1,938,328
Profit attributable to non-controlling interests	79,794	96,128
Profit attributable to owners of parent	2,287,005	1,842,199

(Quarterly Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/23 (April 1, 2022 – December 31, 2022)	First nine months of FY3/24 (April 1, 2023 - December 31, 2023)
Profit	2,366,799	1,938,328
Other comprehensive income		
Valuation difference on available-for-sale securities	360,076	139,651
Foreign currency translation adjustment	1,305,112	819,773
Total other comprehensive income	1,665,189	959,425
Comprehensive income	4,031,988	2,897,753
(Breakdown)		
Comprehensive income attributable to owners of parent	3,952,194	2,801,624
Comprehensive income attributable to non-controlling interests	79,794	96,128

(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)

(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 three months ended December 31, 2023.