

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

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 Stock Exchange Listed on: Tokyo Stock Exchange (Prime Market)
 Company Code: 8864 URL: <https://www.afc.jp/english/>
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 The Date of the Dividend Payment Start: November 24, 2023
 Preparation of Quarterly Earnings Presentation Material: Yes
 Holding of Quarterly Earnings Announcement: Yes (for analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2024 (April 1, 2023 – September 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 six months ended								
September 30, 2023	13,114	3.1	1,926	6.6	1,941	14.2	1,241	(4.2)
September 30, 2022	12,715	6.6	1,807	(12.8)	1,699	(13.6)	1,297	(0.8)

(Note) Comprehensive income: First six months ended September 30, 2023: 2,146 million yen (16.4%)
 First six months ended September 30, 2022: 2,568 million yen 40.2%

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
September 30, 2023	24.77	24.75
September 30, 2022	25.95	25.89

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	108,173	60,267	53.3	1,149.06
As of March 31, 2023	100,403	57,368	54.5	1,095.16

(Reference) Equity capital: As of September 30, 2023: 57,668 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: Yes

*** 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 September 30, 2023:	52,979,350 shares	As of March 31, 2023:	52,979,350 shares
2) Number of treasury stock	As of September 30, 2023:	2,791,644 shares	As of March 31, 2023:	2,941,665 shares
3) Average number of shares during the period	First six months ended September 30, 2023:	50,128,894 shares	First six months ended September 30, 2022:	49,989,263 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 September 30, 2023 (3) Qualitative Information on Consolidated Earnings Forecast.”

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

(1) Explanation about Business Results

During the six months ended September 30, 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. 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 energy prices and the deteriorating situations in the Middle East.

In the aviation industry, travel demand and inbound tourism showed favorable growth following the easing of movement restrictions, and the number of passengers increased year on year in both domestic and international flights. 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 ¥13,114 million (up 3.1% 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 ¥1,926 million (up 6.6%), ordinary income was ¥1,941 million (up 14.2%) 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 ¥1,241 million (down 4.2%).

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 ¥9,767 million (down 0.6% 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 lease of office buildings acquired as part of our aggressive 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 and “Gofukukan (Aoi-ku, Shizuoka City)” in August) and increases in variable rents and parking lot revenue following the recovery in economic activities. Operating income was ¥1,447 million (down 1.4%) due to an increase in taxes and dues associated with the acquisition of office buildings despite 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 ¥1,839 million (up 3.9% 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 ¥265 million (up 3.5%) 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 ¥1,506 million (up 34.7% from the same period of the previous fiscal year) and operating income of ¥213 million (up 161.7%) 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 and the shared telecommunications business also showed steady growth.

In addition, from the six 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 part of our aggressive efforts related to non-asset business, we acquired “Nihonbashi Hamacho 2-chome Building (Chuo-ku, Tokyo)” and “Ichibancho 27 Building (Chiyoda-ku, Tokyo)” in October 2023. We aim to increase the property value of these buildings and the acquired buildings mentioned in (i) above 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 September 30, 2023 amounted to ¥108,173 million, an increase by ¥7,770 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, recording of prepaid expenses for annual usage fee of national property 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 September 30, 2023 amounted to ¥47,906 million, an increase by ¥4,871 million compared to March 31, 2023, mainly due to an increase in short-term loans payable associated with an acquisition of real estate for sale and recording of accrued expenses for annual usage fee of national property despite a decrease in long-term loans payable.

(Net assets)

Net assets as of September 30, 2023 increased by ¥2,898 million compared to March 31, 2023 to ¥60,267 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2023 decreased by 1.2 points to 53.3% compared to March 31, 2023.

(3) Qualitative Information on Consolidated Earnings Forecast

The Consolidated Earnings Forecast for the Year Ending March 31, 2024 announced on May 11, 2023 has been revised. Please see “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 for details.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	Second quarter of FY3/24 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	8,598,633	8,276,396
Accounts receivable - trade	1,343,102	2,094,844
Lease receivables and investment assets	11,019,327	11,203,248
Operating loans	4,067,980	4,123,948
Merchandise	—	2,359
Real estate for sale	2,988,214	7,761,541
Raw materials and supplies	12,360	13,083
Others	851,617	3,330,123
Total current assets	28,881,236	36,805,547
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,133,640	42,623,387
Machinery, equipment and vehicles, net	5,210,042	4,989,661
Tools, furniture and fixtures, net	122,486	142,301
Land	10,805,148	10,805,148
Construction in progress	2,113,525	237,981
Total property, plant and equipment	60,384,843	58,798,480
Intangible assets		
Software	413,782	389,119
Others	35,329	35,239
Total intangible assets	449,111	424,358
Investments and other assets		
Investment securities	9,256,745	10,811,690
Deferred tax assets	652,032	550,275
Net defined benefit asset	198,748	179,326
Others	590,759	614,146
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	10,688,019	12,145,172
Total non-current assets	71,521,975	71,368,011
Total assets	100,403,211	108,173,558

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	Second quarter of FY3/24 (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,691,141	1,062,681
Short-term loans payable	5,066,580	8,351,875
Accounts payable	1,230,829	252,638
Income taxes payable	79,273	700,141
Accrued expenses	94,608	2,243,688
Unearned revenue	1,022,220	1,747,612
Provision for bonuses	152,002	141,723
Provision for bonuses for directors (and other officers)	31,400	14,425
Provision for removal cost of property, plant and equipment	179,322	114,599
Others	318,320	733,029
Total current liabilities	9,865,698	15,362,415
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	16,134,790	15,501,969
Long-term guarantee deposited	6,314,218	6,443,823
Long-term accounts payable-other	179,994	121,010
Provision for retirement benefits for directors (and other officers)	1,044	4,740
Deferred tax liabilities	41,363	46,201
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	32,543,895
Total liabilities	43,034,318	47,906,311
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	41,598,319
Treasury stock	(1,630,050)	(1,546,939)
Total shareholders' equity	51,839,332	53,860,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,063,074	2,293,640
Foreign currency translation adjustment	896,997	1,514,779
Total accumulated other comprehensive income	2,960,071	3,808,419
Subscription rights to shares	50,330	22,923
Non-controlling interests	2,519,158	2,575,535
Total net assets	57,368,892	60,267,247
Total liabilities and net assets	100,403,211	108,173,558

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

(Thousands of yen)

	First six months of FY3/23 (April 1, 2022 – September 30, 2022)	First six months of FY3/24 (April 1, 2023 - September 30, 2023)
Net sales	12,715,504	13,114,139
Cost of sales	9,815,318	10,171,956
Gross profit	2,900,186	2,942,182
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	121,485	109,845
Salaries and bonuses	271,993	306,568
Provision for bonuses	95,140	97,973
Provision for bonuses for directors (and other officers)	15,700	11,019
Provision for retirement benefits for directors (and other officers)	348	2,046
Transportation and communication expenses	37,088	42,263
Depreciation	50,950	53,157
Taxes and dues	95,566	68,705
Others	404,786	324,054
Total selling, general, and administrative expenses	1,093,058	1,015,633
Operating income	1,807,127	1,926,549
Non-operating income		
Interest income	0	1
Dividends income	66,107	55,556
Commission fee	9,996	14,516
Gain on investments in silent partnership, etc.	—	59,930
Foreign exchange gains	2,613	978
Others	87,211	34,415
Total non-operating income	165,929	165,398
Non-operating expenses		
Interest expenses	143,811	131,238
Removal cost of property, plant and equipment	7,264	19,594
Provision for removal cost	121,077	—
Others	1,175	2
Total non-operating expenses	273,328	150,835
Ordinary income	1,699,729	1,941,111
Extraordinary income		
Consumption taxes refund	315,363	—
Others	19,983	—
Total extraordinary income	335,347	—
Extraordinary loss		
Loss on retirement of non-current assets	1,954	251
Loss on cancellation of golf club membership	3,000	—
Total extraordinary loss	4,954	251
Income before income taxes	2,030,122	1,940,860
Income taxes	580,056	642,549
Income taxes for prior periods	100,174	—
Total income taxes	680,231	642,549
Profit	1,349,890	1,298,310
Profit attributable to non-controlling interests	52,474	56,377
Profit attributable to owners of parent	1,297,416	1,241,933

(Quarterly Consolidated Statements of Income)

(Thousands of yen)

	First six months of FY3/23 (April 1, 2022 - September 30, 2022)	First six months of FY3/24 (April 1, 2023 - September 30, 2023)
Profit	1,349,890	1,298,310
Other comprehensive income		
Valuation difference on available-for-sale securities	213,997	230,565
Foreign currency translation adjustment	1,005,016	617,782
Total other comprehensive income	1,219,013	848,347
Comprehensive income	2,568,903	2,146,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,516,429	2,090,281
Comprehensive income attributable to non-controlling interests	52,474	56,377

(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 period ended September 30, 2023.