

Financial Results for the Third Quarter of the Year Ending March 31, 2022 [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 Filing the Quarterly Securities Report: February 1, 2022
 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 2022 (April 1, 2021 - December 31, 2021)

(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, 2021	17,748	(2.1)	3,061	(9.1)	2,883	(10.8)	1,905	19.5
December 31, 2020	18,136	(2.5)	3,368	(7.6)	3,233	(8.8)	1,593	(27.7)

(Note) Comprehensive income: First nine months ended December 31, 2021: 2,125 million yen 18.0%
 First nine months ended December 31, 2020: 1,800 million yen (22.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First nine months ended				
December 31, 2021	38.15		38.02	
December 31, 2020	31.94		31.82	

(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, 2021	103,790	56,352	51.7	1,075.22
As of March 31, 2021	100,429	54,964	52.1	1,049.44

(Reference) Equity capital: As of December 31, 2021: 53,697 million yen As of March 31, 2021: 52,378 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2021	—	7.00	—	7.00	14.00
FY ending March 31, 2022	—	7.00	—		
FY ending March 31, 2022 (Forecasts)				7.00	14.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2022 (April 1, 2021 - March 31, 2022)

(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	24,262	0.4	3,349	(12.5)	2,633	(27.2)	1,610	—	32.25

(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.: Yes

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, 2021:	52,979,350 shares	As of March 31, 2021:	52,979,350 shares
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2) Number of treasury stock

As of December 31, 2021:	3,038,511 shares	As of March 31, 2021:	3,068,347 shares
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3) Average number of shares during the period

First nine months ended December 31, 2021:	49,930,940 shares	First nine months ended December 31, 2020:	49,888,381 shares
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* 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, 2021 (3) Qualitative Information on Consolidated Earnings Forecast”.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2021

(1) Explanation about Business Results

During the nine months ended December 31, 2021, Japanese economy witnessed continued improvement in consumer spending, including travels and dining out, and recovery in business sentiment among companies after the COVID-19 state of emergency was lifted in October 2021. In the aviation industry, domestic flights continued to recover gradually after the COVID-19 state of emergency was lifted and showed steady growth, with a year-on-year increase in the demand for year-end homecoming and travelling.

Subsequently, however, a new variant “Omicron” spread around the world at a blistering pace, and the number of infections has surged in Japan after the new year. The Japanese government tightened the border control and also implemented other various measures taking into consideration the characteristics of the Omicron variant, including vaccine booster shots and oral antivirals, in a bid to both contain the spread of infections and maintain socioeconomic activities.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥17,748 million (down 2.1% from the same period of the previous fiscal year) due to deduction from net sales of debt forgiveness of rent receivables from airline companies in support of those facing financial difficulties resulting from the expansion of COVID-19 pandemic attributable to the six months ended September 30, 2021, in addition to estimated debt forgiveness attributable to the three months ended December 31, 2021, despite the operation of new facilities completed in the fiscal year ended March 31, 2021. Operating income was ¥3,061 million (down 9.1%), ordinary income was ¥2,883 million (down 10.8%), and profit attributable to owners of parent was ¥1,905 million (up 19.5%).

(Reference: For the nine months ended December 31, 2020, debt forgiveness of rent receivables attributable to the six months ended September 30, 2020 was recorded as extraordinary loss, but the estimated debt forgiveness attributable to the three months ended December 31, 2020 was not recorded as it was not decided whether receivables would be forgiven. If all of those amounts had been deducted from net sales in the same manner as this year, net sales, operating income, and ordinary income would have been ¥17,108 million, ¥2,340 million, and ¥2,205 million, respectively, resulting in a year-on-year increase for the nine months ended December 31, 2021 in these three items.)

In addition, as part of our effort to expand business domains, we acquired land and a building in Koshigaya City, Saitama Prefecture and leased them to a modified car company in the three months ended December 31, 2021. In overseas, we are planning to offer financing for procurement of aircraft engines. Taking advantage of our know-how accumulated over the years in our businesses inside and outside the airports, the Company and the Group aim to further expand our business outside the airports and overseas.

As part of our continuing effort to aggressively promote sustainability, we set the basic policy in December 2021 and established “Sustainability Promotion Committee” effective January 1, 2022, where we will discuss our medium- to long-term themes and directions as well as measures regarding material issues (materiality), KPIs, environmental risks, creation of business opportunities, and the Task Force on Climate-Related Financial Disclosures (TCFD).

It has been decided that we will transit to the “Prime Market” under the new market segments of the Tokyo Stock Exchange scheduled to start on April 4, 2022.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥14,124 million (down 0.9% from the same period of the previous fiscal year) due to deduction from net sales of debt forgiveness of rent receivables to support airline companies attributable to the six months ended September 30, 2021, in addition to estimated debt forgiveness attributable to the three months ended December 31, 2021, despite the operation of a dormitory for international students completed in March 2021. Operating income was ¥2,526 million (up 0.2%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥2,152 million (down 13.9% from the same period of the previous fiscal year) due to a slight decrease in sales as well as deduction from net sales of debt forgiveness of heat charge receivables to support airline companies attributable to the six months ended September 30, 2021, in addition to estimated debt forgiveness attributable to the three months ended December 31, 2021. Operating income was ¥532 million (down 44.2%) due to increases in raw material costs of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,470 million (up 6.9% from the same period of the previous fiscal year) and operating income of ¥2 million (operating loss of ¥107 million in the same period of the previous fiscal year) due to a slight increase in water supply and drainage usage compared to a year earlier when the number of airport users dropped sharply as well as expansion of shared telecommunications network.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of December 31, 2021 amounted to ¥103,790 million, an increase by ¥3,360 million compared to March 31, 2021, mainly due to recording of prepaid expenses for annual usage fee of national property despite depreciation of buildings, etc.

(Liabilities)

Total liabilities as of December 31, 2021 amounted to ¥47,437 million, an increase by ¥1,972 million compared to March 31, 2021, mainly due to recording of accrued expenses for annual usage fee of national property despite a decrease in loans payable through scheduled repayments.

(Net assets)

Total net assets as of December 31, 2021 increased by ¥1,388 million compared to March 31, 2021 to ¥56,352 million mainly due to an increase in retained earnings.

As a result, equity ratio as of December 31, 2021 decreased by 0.4 points to 51.7% compared to March 31, 2021.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2022 which was announced in the Financial Results for the Year Ended March 31, 2021 [J-GAAP] dated May 13, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/21 (As of March 31, 2021)	Third quarter of FY3/22 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	6,583,181	10,317,729
Notes and accounts receivable-trade	1,373,918	2,820,045
Lease receivables and investment assets	10,502,602	10,517,338
Operating loans	3,586,074	3,086,260
Raw materials and supplies	15,877	15,875
Others	146,132	1,630,652
Total current assets	22,207,786	28,387,900
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,577,715	44,358,218
Machinery, equipment and vehicles, net	6,400,593	5,956,168
Tools, furniture and fixtures, net	310,636	287,942
Land	13,985,705	14,193,015
Construction in progress	1,416,281	1,523,927
Total property, plant and equipment	68,690,931	66,319,271
Intangible assets		
Software	202,364	543,283
Software in progress	463,525	—
Others	19,813	19,436
Total intangible assets	685,702	562,719
Investments and other assets		
Investment securities	7,092,761	6,692,082
Long-term loans receivable	931	631
Deferred tax assets	906,445	1,023,943
Net defined benefit asset	228,866	196,916
Others	626,255	616,867
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,844,993	8,520,174
Total non-current assets	78,221,628	75,402,165
Total assets	100,429,415	103,790,066

(Thousands of yen)

	FY3/21 (As of March 31, 2021)	Third quarter of FY3/22 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,079,625	544,992
Short-term loans payable	6,325,177	4,539,582
Accounts payable	1,131,097	739,659
Income taxes payable	156,069	717,742
Accrued expenses	102,802	4,836,184
Unearned revenue	1,100,926	1,264,689
Provision for bonuses	129,812	85,255
Provision for bonuses for directors (and other officers)	28,355	37,440
Provision for removal cost of property, plant and equipment	78,011	—
Others	386,666	1,287,849
Total current liabilities	10,518,542	14,053,395
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	22,287,170	20,749,404
Long-term guarantee deposited	6,163,216	6,147,826
Long-term accounts payable-other	260,254	249,230
Deferred tax liabilities	22,566	24,514
Provision for removal cost of property, plant and equipment	112,793	112,793
Total non-current liabilities	34,946,000	33,383,768
Total liabilities	45,464,542	47,437,163
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,680,850	39,883,432
Treasury stock	(1,700,228)	(1,683,705)
Total shareholders' equity	50,789,611	52,008,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,054,158	1,787,928
Foreign currency translation adjustment	(464,980)	(98,872)
Total accumulated other comprehensive income	1,589,177	1,689,055
Subscription rights to shares	89,284	76,178
Non-controlling interests	2,496,798	2,578,951
Total net assets	54,964,872	56,352,903
Total liabilities and net assets	100,429,415	103,790,066

(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 FY3/21 (April 1, 2020–December 31, 2020)	First nine months of FY3/22 (April 1, 2021–December 31, 2021)
Net sales	18,136,078	17,748,157
Cost of sales	13,329,642	13,118,464
Gross profit	4,806,436	4,629,693
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	224,402	199,602
Salaries and bonuses	467,812	473,335
Provision for bonuses	43,125	59,338
Provision for bonuses for directors (and other officers)	14,177	37,440
Provision for retirement benefits for directors (and other officers)	348	—
Transportation and communication expenses	49,355	49,332
Depreciation	20,712	62,012
Taxes and dues	127,304	127,292
Others	490,713	560,234
Total selling, general, and administrative expenses	1,437,951	1,568,587
Operating income	3,368,484	3,061,106
Non-operating income		
Interest income	0	0
Dividends income	37,770	45,291
Commission fee	11,587	5,911
Foreign exchange gains	1,154	2,048
Gain on reversal of provision for removal cost of property, plant and equipment	69,253	—
Others	37,691	32,491
Total non-operating income	157,457	85,744
Non-operating expenses		
Interest expenses	273,145	237,440
Removal cost of property, plant and equipment	12,865	25,096
Others	6,835	1,123
Total non-operating expenses	292,846	263,660
Ordinary income	3,233,095	2,883,190
Extraordinary income		
Gain on sales of investment securities	—	59,580
Insurance income	143,541	—
Others	2,375	4,927
Total extraordinary income	145,916	64,507
Extraordinary loss		
Loss on retirement of non-current assets	41,421	2,332
Loss on disaster	41,819	—
Loss on response to new infectious disease	684,868	—
Total extraordinary loss	768,109	2,332
Income before income taxes	2,610,901	2,945,365
Income taxes	837,501	919,853
Profit	1,773,400	2,025,512
Profit attributable to non-controlling interests	179,578	120,481
Profit attributable to owners of parent	1,593,821	1,905,030

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/21 (April 1, 2020–December 31, 2020)	First nine months of FY3/22 (April 1, 2021–December 31, 2021)
Profit	1,773,400	2,025,512
Other comprehensive income		
Valuation difference on available-for-sale securities	238,273	(266,230)
Foreign currency translation adjustment	(211,218)	366,108
Total other comprehensive income	27,055	99,878
Comprehensive income	1,800,455	2,125,390
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,620,877	2,004,908
Comprehensive income attributable to non-controlling interests	179,578	120,481

(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)

(Application of the accounting standard for revenue recognition)

On April 1, 2021, the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, "Accounting Standard for Revenue Recognition"), etc., and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer. The variable portion of the promised consideration is deducted from net sales.

However, the Company applied the method stipulated by Paragraph 86 of the Accounting Standard for Revenue Recognition and did not retrospectively apply the new accounting policy to contracts for which almost all revenue were recognized prior to April 1, 2021 according to the previous treatment.

As a result, net sales, operating income, ordinary income, and income before income taxes for the nine months ended December 31, 2021 decreased by ¥108,830 thousand, respectively.

(Application of the accounting standard for fair value measurement)

On April 1, 2021, the Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019, "Accounting Standard for Fair Value Measurement"), etc., and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(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, 2021.

(Additional information)

(Impacts of COVID-19 on the accounting estimates)

During the nine months ended December 31, 2021, 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, 2021.