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Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2022 (FY2021) [J-GAAP] (Consolidated)

November 5, 2021

Company name: Japan Airport Terminal Co., Ltd. (“the Company”) Listed stock exchange: Tokyo, 1st Section
 Code number: 9706 URL: <https://www.tokyo-airport-bldg.co.jp/company/en/>
 Representative: Nobuaki Yokota, President and COO
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Scheduled date of filing securities report: November 12, 2021
 Scheduled date of commencing dividend payment: —
 Supplementary materials on financial results (yes/no) Yes
 Holding of quarterly investors’ meeting (yes/no) Yes (for institutional investors and financial analysts)

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

1. Consolidated Financial Results for the First Six Months of FY2021 (April 1, 2021 to September 30, 2021)

(1) Consolidated Business Results (Cumulative) (%: Change from the same period of the previous year)

First Six Months of	Operating revenues		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss) attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	25,896	-	(21,825)	-	(24,305)	-	(14,478)	-
FY2020	22,293	-83.5	(32,266)	-	(30,506)	-	(22,879)	-

(Note) Comprehensive income/(loss): First six months of FY2021 ¥-21,611 million (-%) First six months of FY2020 ¥-39,482 million (-%)

First Six Months of	Net income/(loss) per share	Diluted net income per share
	Yen	Yen
FY2021	(155.45)	-
FY2020	(281.67)	-

(Note) As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of the first quarter of FY2021, the above consolidated financial results for the first six months of FY2021 are after the adoption of such accounting standards and the rate of change from the same period of the previous fiscal year is not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2021	491,829	173,932	33.5	1,767.22
As of March 31, 2021	519,193	195,544	34.3	1,910.83

(Reference) Equity capital: As of September 30, 2021 ¥164,592 million As of March 31, 2021 ¥177,968 million

(Note) As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of the first quarter of FY2021, the above consolidated financial results for the first six months of FY2021 are after the adoption of such accounting standards.

2. Dividends

	Dividends per share				
	Q1-End	Q2-End	Q3-End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	-	0.00	-	0.00	0.00
FY2021	-	0.00	-	-	-
FY2021 (Forecast)	-	-	-	-	-

(Note) 1. Revisions to the most recently announced dividends forecast for FY2021: None

2. We have decided to postpone the announcement of the outlook for dividend payment for the fiscal year ending March 31, 2022.

3. Forecast of Consolidated Financial Results for FY 2021 (April 1, 2021 to March 31, 2022)

(%: Change from the same period of the previous year)

	Operating revenues		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss) attributable to owners of the parent		Net income/(loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	69,500	49.3	(35,100)	-	(37,700)	-	(21,300)	-	(228.70)

Note: 1. Revisions to the most recently announced forecast of consolidated financial results for FY2021: Yes
 2. As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the above consolidated financial forecasts are after the adoption of such accounting standards. The rate of change from the previous fiscal year is the rate of change calculated on the assumption that the abovementioned accounting standards are adopted to the fiscal year ended March 31, 2021.

* Notes

(1) Significant changes in subsidiaries during the period under review (changes in specified subsidiaries involving changes in scope of consolidation): No

New: None Excluded: None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to page 12 of the appendix materials “2. Quarterly Consolidated Financial Statements and Notes

(3) Notes on Quarterly Consolidated Financial Statements: Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements”.

(3) Changes in accounting policies, accounting estimates, and restatement of revisions

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(Note) For details, please refer to page 12 of the appendix materials “2. Quarterly Consolidated Financial Statements and Notes

(3) Notes on Quarterly Consolidated Financial Statements: Changes in Accounting Policies”.

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the period-end (including treasury stock):

As of September 30, 2021 93,145,400 shares As of March 31, 2021 93,145,400 shares

2) Number of treasury stock at the period-end:

As of September 30, 2021 8,727 shares As of March 31, 2021 8,595 shares

3) Average number of shares outstanding (quarterly consolidated cumulative period):

Second quarter of FY2021 93,136,749 shares Second quarter of FY2020 81,228,117 shares

*** This quarterly financial report is not subject to the quarterly review by certified public accountants or auditing firms.**

*** Statements regarding the proper use of financial forecast and other special remarks**

Notes on the use of forward-looking statements

The forecast of the business results reported herein was prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. The Company makes no guarantee that these figures will be achieved. Actual results may differ significantly from forecasts due to various factors.

Supplementary materials on financial results and details of presentation at quarterly investors’ meeting

Quarterly investors’ meeting is planned to be held on November 12, 2021 for financial analysts. Presentation materials used in the meeting will be promptly posted on the Company’s website following the meeting.

Contents of the Appendix Materials

1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST SIX MONTHS OF FY2021 (APRIL 1, 2021 TO SEPTEMBER 30, 2021)	- 2 -
(1) EXPLANATION OF OPERATING RESULTS.....	- 2 -
(2) EXPLANATION OF FINANCIAL POSITION.....	- 6 -
(3) EXPLANATION OF CONSOLIDATED FINANCIAL FORECASTS AND OTHER FORWARD-LOOKING STATEMENTS.....	- 6 -
-	-
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES	- 7 -
(1) QUARTERLY CONSOLIDATED BALANCE SHEETS.....	- 7 -
(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	- 9 -
<i>Quarterly Consolidated Statements of Income</i>	- 9 -
<i>Quarterly Consolidated Statements of Comprehensive Income</i>	- 11 -
(3) NOTES ON QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS.....	- 12 -
(NOTES ON THE PREMISE OF A GOING CONCERN)	- 12 -
(NOTES ON A SIGNIFICANT CHANGE IN SHAREHOLDERS' EQUITY)	- 12 -
(ADOPTION OF SPECIAL ACCOUNTING METHODS FOR PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS)	- 12 -
(CHANGES IN ACCOUNTING POLICIES)	- 12 -
(ADDITIONAL INFORMATION).....	- 12 -
(SEGMENT INFORMATION)	- 13 -

1. Qualitative Information on Consolidated Financial Results for the First Six Months of FY2021 (April 1, 2021 to September 30, 2021)

(1) Explanation of Operating Results

During the first six months of the fiscal year ending March 31, 2022, the Japanese economy continued to face a difficult situation due to the impact of the new corona virus infection (“COVID-19”). There continue to be signs of recovery, but the pace of recovery is slowing down. Looking ahead, it is expected that the recovery trend will continue, resulting from the effects of various policies and improving overseas economies, while thorough measures are taken to prevent the spread of the infection and vaccination is promoted. However, it is necessary to pay close attention to downside risks due to the impact from the stress on the supply chain. We also need to prudently monitor the impact of the spread of the infection in Japan and overseas in addition to fluctuations in the financial and capital markets, among other factors.

Under these economic conditions, the fourth declaration of a state of emergency in Tokyo in July caused by the rebound of COVID-19 cases and the spread of the Delta variant along with the extension of the declaration slowed down the recovery of demand for domestic flights in the airline industry. For international flights, the demand is staying at a low level due to the increase in COVID-19 cases globally. In the midst of all this, the number of passengers on domestic flights at Haneda Airport exceeded the level of the same period of the previous year and is steadily recovering, but it decreased by approximately 70% compared to the same period of 2019. The number of passengers on international flights at Haneda Airport also increased year-on-year primarily due to the visit of the Tokyo 2020 Olympic and Paralympic Games athletes and people involved, but remains at a low level, down more than 95% compared to the same period in 2019. The same situation also prevailed at Narita Airport and other international hub airports where we have business operations, with each airport experiencing an ongoing significant decline in international passenger volume.

Under these circumstances, the Japan Airport Terminal Group (“JAT Group”) has taken measures at various locations within the terminal buildings in accordance with the “Guidelines for Prevention of the Spread of COVID-19 in the Aviation Field” (jointly prepared by the Scheduled Airlines Association of Japan and the All Japan Airport Terminal Association) to prevent the spread of COVID-19 and ensure the safety and security of airport users. In addition, we are working to expand the PCR testing facility at Haneda Airport by opening the Kinoshita Group’s PCR testing centers at Terminals 1 and 2, cooperating with the Japanese government and the Tokyo Metropolitan Government in the distribution of testing kits and the performance of monitoring tests, providing space for pre-entry PCR testing at Terminal 3 and performing PCR tests for overseas travelers at the Toho University Haneda Airport Terminal 3 Clinic. Furthermore, the Company provided vaccination at workplace for employees working at Haneda Airport, including employees of the JAT Group, partner companies, etc., as well as tenants, and also provided vaccination sites for Japanese citizens living overseas. In addition, during the Tokyo 2020 Olympic and Paralympic Games, we took thorough measures concerning the visitors involved in the games to prevent the spread of infection, such as securing dedicated traffic lanes to ensure smooth entry and exit. As a result of these efforts, Haneda Airport became the first airport in Japan to receive the highest rating globally of 5-star in the “COVID-19 Airport Safety Rating”, an evaluation conducted by SKYTRAX (UK) with respect to the measures against COVID-19 infection.

On the sales front, as passenger traffic is gradually recovering, we are working to capture demand by opening the Tokyo 2020 Official Shop and other facilities, as well as “Hokkaido Dosanko Plaza Haneda Airport”, an official Hokkaido antenna shop with a dine-in space for light meal and beverage. In October, we held Japan’s first art auction using a bonded warehouse at Haneda Airport Terminal 1, leveraging the Group’s experience with respect to customs management. In the e-commerce business, the Group expanded its product lineup, including a new menu of in-flight meal sets, which has been well received on our directly-managed website and launched a new LINE mini-app version of our website, “HANEDA Shopping”. Our efforts to diversify our earnings also include offering Terminal 2 international flight facilities as filming locations for movies and television dramas and the enhancement of our sales agency business for products such as “Radi-Cool”, a radiant cooling material, and “C-FACE”, a multilingual translation mask.

In terms of facilities, at domestic flights of Haneda Airport, we expanded the service coverage of “WHILL”, a personal mobility vehicle equipped with autonomous driving technology, to all departure gates. At international flights, in July the “Face Express” system, which implements face recognition technology, was put into full-scale operation and dedicated facility for business jets, which is five times the size of the existing business jet facility, was also put into service. We are working to turn Haneda Airport into a smart airport in anticipation of the end of the pandemic through these efforts which function as enhanced infection prevention measures through contactless and non-face-to-face interaction in addition to improved convenience.

Furthermore, the New Ulaanbaatar International Airport in Mongolia, in which we participate, began its operations in July. This new airport is a new symbol of the bilateral cooperation between Japan and Mongolia. Through its operation, we will contribute to the sustainable development of the Mongolian economy and

society.

As a result of the above, with respect to the consolidated financial results for the first six months of the fiscal year ending March 31, 2022, operating revenues increased from the same period of the previous year to ¥25,896 million primarily due to the increase in facility user charges revenue and merchandise sales, in line with the gradual recovery of passenger volume on domestic and international flights. Despite the recovery in revenue and sustained cost reduction from the previous fiscal year, operating loss was ¥21,825 million, ordinary loss was ¥24,305 million, and quarterly net loss attributable to owners of the parent was ¥14,478 million.

As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020) and relevant revised ASBJ regulations are adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the above explanation does not state the rate of change (%) from the same period of the previous fiscal year. For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes on Quarterly Consolidated Financial Statements: Changes in Accounting Policies and Segment Information”.

Operating Results	(Millions of yen)		
	First Six Months of FY2020 (ended September 30, 2020)	First Six Months of FY2021 (ended September 30, 2021)	Year-on-Year (%)
Operating revenues	22,293	25,896	-
[Facilities Management]	16,448	18,825	-
[Merchandise Sales]	4,607	5,546	-
[Food and Beverage]	1,237	1,523	-
Operating income/(loss)	(32,266)	(21,825)	-
Ordinary income/(loss)	(30,506)	(24,305)	-
Quarterly net income/(loss) attributable to owners of the parent	(22,879)	(14,478)	-

Haneda Airport’s passenger terminals have been awarded the world’s highest standard “5-star Airport” rating for six consecutive years in the SKYTRAX “Global Airport Rating”, an international airport evaluation. In addition, in the customer survey evaluating international airports, we were awarded first place in the “Best Airports in Asia” as the first airport in Japan and second place globally for the third consecutive year in the “World’s Best Airports”, which comprehensively evaluated various aspects of international airports. Furthermore, we were awarded first place in the “World’s Cleanest Airports” (for the sixth consecutive year), “World’s Best Domestic Airports” (for the ninth consecutive year), and “World’s Best PRM / Accessible Facilities” (for the third consecutive year). We will continue our company-wide efforts to improve our services to satisfy all customers using Haneda Airport.

In addition, as part of our efforts to address environmental issues, we have achieved the obligation to reduce the total amount of greenhouse gas emissions imposed on large-scale business establishments by the Tokyo Metropolitan Government based on the “Tokyo Cap and Trade Program” for both the first compliance period (FY2010-2014) and the second compliance period (FY2015-2019). Furthermore, with other businesses active in Haneda Airport, the JAT Group participates in the “Tokyo International Airport Eco-Airport Council” (“Council”), which was established under the chairmanship of the Director of Tokyo International Airport. We are striving to achieve the concrete action plans and targets set by the Council to reduce the impact of Haneda Airport on environment as a whole. In addition, in July 2021, Haneda Airport was selected by the Ministry of Land, Infrastructure, Transport and Tourism as one of the priority study airports to consider specific measures for the decarbonization of airports. The Council will compile the results of the study and as a member of the Council, we will continue to make every effort to achieve a “carbon-neutral society in 2050”.

Although we need to pay close attention to the further spread of COVID-19 in the short-term, we expect a recovery in demand especially for domestic flights as vaccination in Japan progresses and since the declaration of a state of emergency and stricter measures to prevent the spread of COVID-19 were fully lifted in October. The situation for international flights remains difficult, but measures are taken to resume international traffic, such as the introduction of COVID-19 vaccination certificate and shortening of the quarantine period for vaccinated persons entering the country. The JAT Group will work to enhance the value of Haneda Airport, the air gateway to Japan and the Tokyo metropolitan area, by implementing measures to appropriately respond to passenger demand and by ensuring the safe and smooth entry, exit, and transportation of all customers.

The following is a breakdown of earnings / (loss) by segment. Note that the figures for operating income / (loss) are equivalent to those for segment income / (loss).

Overview by Segment
[Facilities Management]

Operating Results	(Millions of yen)		
	First Six Months of FY2020 (ended September 30, 2020)	First Six Months of FY2021 (ended September 30, 2021)	Year-on-Year (%)
Facilities Management	16,448	18,825	-
Rent revenue	7,974	9,099	-
Facility user charges revenue	3,021	4,265	-
Other revenues	5,452	5,460	-
Intersegment sales and transfers	791	946	-
Total of Operating Revenues	17,240	19,772	-
Segment income/(loss)	(20,486)	(13,367)	-

Rent revenue increased from the same period of the previous year primarily due to the increase in revenue associated with the rental of space for PCR testing at Terminal 3.

Revenue from facility user charges increased from the same period of the previous year primarily due to the increase in the passenger service facility charge driven by the recovery in passenger volume.

Other revenues increased from the same period of the previous year due to the increase in parking revenue, paid lounge sales, and other factors as a result of the recovery in passenger volume despite the decrease in advertising revenue for both domestic and international flights.

As a result, operating revenues from facilities management operations was ¥19,772 million. Operating loss for the segment improved to ¥13,367 million.

[Merchandise Sales]

Operating Results	(Millions of yen)		
	First Six Months of FY2020 (ended September 30, 2020)	First Six Months of FY2021 (ended September 30, 2021)	Year-on-Year (%)
Merchandise Sales	4,607	5,546	-
Sales at domestic terminal stores	3,040	1,827	-
Sales at international terminal stores	723	2,145	-
Other revenues	843	1,573	-
Intersegment sales and transfers	370	372	-
Total of Operating Revenues	4,977	5,918	-
Segment income/(loss)	(5,764)	(3,248)	-

Sales at domestic terminal stores increased from the same period of the previous year because of the recovery in domestic passenger volume, but the amount of revenue recognized was lower than the same period of the previous year due to the impact of adopting the “Accounting Standard for Revenue Recognition” from this fiscal year.

Sales at international terminal stores increased from the same period of the previous year due to the increase in international passenger volume at Haneda Airport, Narita Airport and other airports.

Other revenues increased from the same period of the previous year because of the increase in revenue for the wholesaling business to each local airport.

As a result, operating revenues from merchandise sales operations was ¥5,918 million and operating loss for the segment was ¥3,248 million.

[Food and Beverage]

Operating Results	(Millions of yen)		
	First Six Months of FY2020 (ended September 30, 2020)	First Six Months of FY2021 (ended September 30, 2021)	Year-on-Year (%)
Food and Beverage	1,237	1,523	-
Sales from food and beverage stores	938	1,003	-
Sales from in-flight meals	167	343	-
Other revenues	131	176	-
Intersegment sales and transfers	548	344	-
Total of Operating Revenues	1,786	1,868	-
Segment income/(loss)	(2,393)	(1,735)	-

Sales from food and beverage operations increased from the same period of the previous year primarily due to the recovery in domestic passenger volume.

Sales from in-flight meals increased from the same period of the previous year primarily due to the increase in passenger volume of the foreign carriers, our clients in this business.

As a result, operating revenues from food and beverage operations was ¥1,868 million and operating loss for the segment was ¥1,735 million.

(2) Explanation of Financial Position

[Assets]

Current assets decreased by ¥15,930 million from the previous fiscal year end to ¥127,476 million primarily due to the decrease in cash and deposits by the scheduled payment of long-term loans payable. Fixed assets decreased by ¥11,432 million from the previous fiscal year end to ¥364,352 million primarily due to depreciation. As a result, total assets decreased by ¥27,363 million from the previous fiscal year end to ¥491,829 million.

[Liabilities]

Total liabilities decreased by ¥5,752 million from the previous fiscal year end to ¥317,896 million primarily due to the scheduled payment of long-term loans payable despite the increase in accrued expenses due to the recording of government-owned property user charges and other factors.

[Net Assets]

Total net assets decreased by ¥21,611 million from the previous fiscal year end to ¥173,932 million primarily due to the decrease in retained earnings and non-controlling interests by quarterly net loss despite the increase in accumulated other comprehensive income.

As a result, the equity ratio was 33.5% (compared to 34.3% at the previous fiscal year end).

(3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements

During the first six months of the fiscal year ending March 31, 2022, the number of passengers at Haneda Airport fell below the original forecast by approximately 40% for domestic flights and by approximately 80% for international flights primarily due to the repeated declaration of a state of emergency and the extension of applied areas and duration of the declaration caused by the rebound of COVID-19 cases. As for the consolidated financial results, despite the progress in cost reduction, operating revenues and income/loss fell below the forecast due to lower-than-expected revenue from facility user charges and merchandise sales because of the decrease in passenger volume.

With respect to the full-year forecast, although we expect a gradual recovery in the number of passengers, the pace of recovery is slower than originally forecasted. We expect that the number of passengers will fall below the original forecast by approximately 30% for domestic flights and by approximately 70% for international flights for the full year.

Taking these factors into account, we decided to revise the consolidated financial forecasts for full year of the fiscal year ending March 31, 2022, which we announced on May 7, 2021, as below.

(Millions of yen)

	Operating revenues	Operating income / (loss)	Ordinary income / (loss)	Net income / (loss) attributable to owners of the parent	Net income / (loss) per share (Yen)
Previous Forecasts (A)	103,200	(17,800)	(19,300)	(10,300)	(110.59)
Forecasts on Nov. 5 th (B)	69,500	(35,100)	(37,700)	(21,300)	(228.70)
Change (B-A)	-33,700	-17,300	-18,400	-11,000	
Change (%)	-32.7	-	-	-	
Reference: FY 2020 results	52,572	(59,020)	(57,320)	(36,578)	(445.92)

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	FY2020 (As of March 31, 2021)	First Six Months of FY2021 (As of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	120,355	87,264
Accounts receivable	5,272	4,392
Securities	-	23,000
Merchandise and finished products	9,658	7,762
Raw materials and stored goods	249	276
Other current assets	7,944	4,849
Allowance for doubtful accounts	(73)	(69)
Total current assets	143,407	127,476
Fixed assets		
Tangible fixed assets		
Buildings and structures	557,609	560,400
Accumulated depreciation and impairment loss	(301,148)	(312,233)
Buildings and structures (net)	256,460	248,167
Machinery, equipment and vehicles	37,073	35,994
Accumulated depreciation and impairment loss	(17,939)	(19,142)
Machinery, equipment and vehicles (net)	19,133	16,852
Land	12,874	12,874
Lease assets	3,530	3,533
Accumulated depreciation and impairment loss	(1,111)	(1,352)
Lease assets (net)	2,418	2,181
Construction in progress	1,626	1,233
Other tangible fixed assets	67,643	68,223
Accumulated depreciation and impairment loss	(54,833)	(56,433)
Other tangible fixed assets (net)	12,810	11,790
Total tangible fixed assets	305,324	293,099
Intangible fixed assets		
Leasehold right	33,361	32,438
Other intangible fixed assets	3,756	3,129
Total intangible fixed assets	37,117	35,567
Investments and other assets		
Investment securities	16,430	18,326
Deferred tax assets	12,414	12,855
Net defined benefit assets	945	987
Other investments	3,553	3,516
Total investments and other assets	33,343	35,684
Total fixed assets	375,785	364,352
TOTAL ASSETS	519,193	491,829

	(Millions of yen)	
	FY2020 (As of March 31, 2021)	First Six Months of FY2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable	1,274	1,272
Short-term loans payable	16,612	15,478
Current portion of bonds with stock acquisition rights	15,009	15,004
Accrued expenses	14,523	19,324
Income taxes payable	573	493
Allowance for employees' bonuses	1,176	674
Allowance for loss on store closing	575	-
Other current liabilities	9,347	7,321
Total current liabilities	59,093	59,568
Fixed liabilities		
Bonds	54,983	55,360
Long-term loans payable	175,842	169,404
Lease obligations	2,082	1,837
Deferred tax liabilities	16,740	16,233
Allowance for directors' retirement benefits	71	60
Net defined benefit liabilities	4,486	4,608
Asset retirement obligations	613	617
Other fixed liabilities	9,735	10,206
Total fixed liabilities	264,555	258,327
TOTAL LIABILITIES	323,648	317,896
NET ASSETS		
Shareholders' equity		
Common stock	38,126	38,126
Capital surplus	54,160	54,160
Retained earnings	86,060	71,582
Treasury stock	(8)	(9)
Total shareholders' equity	178,338	163,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,855	2,663
Deferred gains or losses on hedges	(1,836)	(1,548)
Foreign currency translation adjustment	19	48
Remeasurements of defined benefit plans	(408)	(429)
Total accumulated other comprehensive income	(369)	733
Non-controlling interests	17,575	9,339
TOTAL NET ASSETS	195,544	173,932
TOTAL LIABILITIES AND NET ASSETS	519,193	491,829

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

Quarterly Consolidated Statements of Income

	(Millions of yen)	
	First Six Months of FY2020 (from April 1, 2020 to September 30, 2020)	First Six Months of FY2021 (from April 1, 2021 to September 30, 2021)
Operating revenues		
Rent revenue	7,974	9,099
Facility user charges revenue	3,021	4,266
Other revenues	5,527	5,483
Sale of merchandise	4,531	5,533
Sale of food and beverage	1,238	1,513
Total operating revenues	22,293	25,896
Cost of sales		
Cost of sales of merchandise	3,586	2,926
Cost of sales of food and beverage	1,491	1,295
Total cost of sales	5,077	4,221
Gross profit	17,216	21,674
Selling, general and administrative expenses		
Salaries and wages	5,351	4,928
Provision for employees' bonuses	913	144
Provision for directors' retirement benefits	8	8
Expenses for retirement benefits	489	465
Rent expenses	5,846	4,530
Outsourcing and commission	6,717	5,896
Depreciation expenses	17,196	15,872
Other costs and expenses	12,959	11,654
Total selling, general and administrative expenses	49,482	43,499
Operating income / (loss)	(32,266)	(21,825)
Non-operating income		
Interest income	2,426	8
Dividends income	155	40
Subsidies for employment adjustment	1,627	1,369
Miscellaneous income	535	552
Total non-operating income	4,745	1,970
Non-operating expenses		
Interest expenses	1,149	1,284
Loss on retirement of fixed assets	208	91
Equity in losses of affiliates	1,514	1,596
Commission fee	37	1,450
Miscellaneous expenses	75	28
Total non-operating expenses	2,984	4,450
Ordinary income / (loss)	(30,506)	(24,305)

	(Millions of yen)	
	First Six Months of FY2020 (from April 1, 2020 to September 30, 2020)	First Six Months of FY2021 (from April 1, 2021 to September 30, 2021)
Extraordinary gains		
Government subsidies	3,902	1,422
Total extraordinary gains	3,902	1,422
Extraordinary loss		
Impairment loss	1,097	-
Loss on valuation of investment securities	-	54
Loss on valuation of other investments	5	-
Loss on reduction entry of fixed assets	3,819	1,388
Total extraordinary loss	4,923	1,443
Quarterly income / (loss) before income taxes and non-controlling interests	(31,527)	(24,326)
Income taxes – current	2,509	(1,328)
Quarterly income / (loss)	(34,036)	(22,998)
Quarterly net income / (loss) attributable to non-controlling interests	(11,157)	(8,519)
Quarterly net income / (loss) attributable to owners of the parent	(22,879)	(14,478)

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Six Months of FY2020 (from April 1, 2020 to September 30, 2020)	First Six Months of FY2021 (from April 1, 2021 to September 30, 2021)
Quarterly income / (loss)	(34,036)	(22,998)
Other comprehensive income		
Valuation difference on available-for-sale securities	117	812
Deferred gains (losses) on hedges	(5,566)	564
Foreign currency translation adjustment	(7)	28
Remeasurements of defined benefit plans	47	(18)
Share of other comprehensive income of associates accounted for using equity method	(35)	(0)
Total other comprehensive income	(5,445)	1,386
Comprehensive income	(39,482)	(21,611)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(25,604)	(13,375)
Comprehensive income attributable to non-controlling interests	(13,878)	(8,236)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes on a Significant Change in Shareholders' Equity)

Not applicable

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Calculation of tax expenses

The effective tax rate on income before taxes for the consolidated fiscal year including the second quarter after the application of tax effect accounting is reasonably estimated, and that estimated rate is applied to quarterly income before taxes to calculate estimated tax expenses. However, in cases where the use of such an estimated effective tax rate would result in a significant lack of rationality, the statutory effective tax rate is applied.

(Changes in Accounting Policies)

Adoption of the Accounting Standard for Revenue Recognition

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. The Company now recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control over the goods or services is transferred to the customer.

The Company previously recognized revenue including those from inventory that is recorded only when the product is sold and those from consignment sales stores as the gross amount of consideration received from customers. However, for transactions in which the Company's role in providing goods or services to customers falls under the category of agent, revenue is now recognized as the net amount, the amount received from customers less the amount paid to suppliers.

For the adoption of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the Company has followed the transitional treatment stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 has been added to or deducted from retained earnings at the beginning of the current first quarter, hence the new accounting policy has been applied to the relevant opening balance.

As a result, operating revenues, cost of sales, and selling, general and administrative expenses for the first six months of the fiscal year ending March 31, 2022 decreased by ¥3,831 million, ¥3,745 million, and ¥85 million, respectively. There is no impact on operating loss, ordinary loss, quarterly loss before income taxes and minority interests, and the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022.

Adoption of Accounting Standard for Fair Value Measurement

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement") and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. The Company has also decided to adopt the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement and relevant revised ASBJ regulations in accordance with the transitional treatment described in 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 effect of this change on the consolidated financial statements for the first six months of the fiscal year ending March 31, 2022 is immaterial.

(Additional Information)

Accounting estimates with respect to the impact of the spread of COVID-19

There have been no material changes made to the assumptions, including the timing when the spread of COVID-19 will be contained, described in the "Significant Accounting Estimates" section of the Securities Report for the fiscal year ended March 31, 2021.

(Segment Information)

Segment Information

I. First six months of FY2020 (from April 1, 2020 to September 30, 2020)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note 2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	16,448	4,607	1,237	22,293	-	22,293
Intersegment sales and transfers	791	370	548	1,710	(1,710)	-
Total	17,240	4,977	1,786	24,004	(1,710)	22,293
Segment income/(loss)	(20,486)	(5,764)	(2,393)	(28,644)	(3,622)	(32,266)

(Notes) 1. Adjustments to the segment income include ¥3,625 million of administration expenses for administration divisions at parent company's head office and some of the subsidiaries which are not allocated to each of the reportable segments.

2. Segment income is adjusted with operating income recorded in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

In the "Merchandise Sales" segment, the Company recorded an impairment loss of ¥1,097 million on fixed assets related to business assets.

II. First six months of FY2021 (from April 1, 2021 to September 30, 2021)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note 2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	18,825	5,546	1,523	25,896	-	25,896
Intersegment sales and transfers	946	372	344	1,664	(1,664)	-
Total	19,772	5,918	1,868	27,560	(1,664)	25,896
Segment income/(loss)	(13,367)	(3,248)	(1,735)	(18,351)	(3,473)	(21,825)

(Notes) 1. Adjustments to the segment income include ¥3,475 million of administration expenses for administration divisions at parent company's head office and some of the subsidiaries which are not allocated to each of the reportable segments.

2. Segment income is adjusted with operating income recorded in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

Not applicable

3. Matters related to changes in reportable segments, etc.

As described in the "Changes in Accounting Policies" section, from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company has adopted the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, and changed its accounting method for revenue recognition. Therefore, the measurement of income or loss in the business segments has been changed as well. As a result of this change, compared with the previous accounting method, operating revenues for the first six months of the fiscal year ending March 31, 2022 in the "Merchandise Sales" segment and the "Food and Beverage" segment decreased by ¥3,608 million and ¥331 million, respectively. There is no impact of this change on segment income/(loss).