

Financial Results for the First Quarter of the Year Ending March 31, 2018 [J-GAAP] (Consolidated)

Company name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 8864 URL: <http://www.afc.jp>
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 The date of filing the quarterly securities report: August 2, 2017
 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 First Quarter of the Fiscal Year Ending March 2018 (April 1, 2017 - June 30, 2017)

(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 three months ended | | | | | | | | |
| June 30, 2017 | 5,503 | 5.5 | 1,040 | 2.9 | 1,034 | 0.8 | 595 | 0.5 |
| June 30, 2016 | 5,216 | 3.6 | 1,011 | 24.7 | 1,026 | 25.9 | 592 | 27.6 |

(Note) Comprehensive income: First three months ended June 30, 2017: 988 million yen (269.3%)
 First three months ended June 30, 2016: 267 million yen ((50.1%))

| | Basic earnings per share | Diluted earnings per share |
|--------------------------|--------------------------|----------------------------|
| First three months ended | Yen | Yen |
| June 30, 2017 | 11.53 | 11.51 |
| June 30, 2016 | 11.47 | 11.46 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of June 30, 2017 | 89,947 | 54,003 | 57.8 | 1,006.52 |
| As of March 31, 2017 | 87,580 | 53,415 | 58.7 | 995.53 |

(Reference) Equity capital: As of June 30, 2017: 52,005 million yen As of March 31, 2017: 51,437 million yen

2. Dividends

| | Dividends per share | | | | |
|--------------------------------------|---------------------|------|-----|------|--------|
| | Q1 | Q2 | Q3 | Q4 | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY ended March 31, 2017 | — | 6.00 | — | 7.00 | 13.00 |
| FY ending March 31, 2018 | — | | | | |
| FY ending March 31, 2018 (Forecasts) | | 7.00 | — | 7.00 | 14.00 |

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

(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 |
| First half | 11,050 | 1.8 | 2,050 | 0.1 | 2,090 | 0.0 | 1,360 | 7.8 | 26.32 |
| Full fiscal year | 22,180 | 2.3 | 3,860 | 0.9 | 3,640 | 4.2 | 2,310 | 7.3 | 44.71 |

(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) 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 June 30, 2017: | 54,903,750 shares | As of March 31, 2017: | 54,903,750 shares |
| 2) Number of treasury stock | As of June 30, 2017: | 3,235,808 shares | As of March 31, 2017: | 3,235,711 shares |
| 3) Average number of shares during the period | First three months ended June 30, 2017: | 51,667,953 shares | First three months ended June 30, 2016: | 51,660,776 shares |

* The quarterly review procedures are not applicable to this Financial Results report.

* Explanation of the proper use of earnings forecasts and other special notes

(Remarks on forward-looking statements)

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 “1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2017 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2017

(1) Explanation about Business Results

During the quarter ended June 30, 2017, the Japanese economy saw strong export supported by stable global economy and also showed signs of recovery in domestic consumption and capital investments while the Bank of Japan continued monetary easing. Also, the announcement by major companies of their favorable results for the year ended March 31, 2017 contributed to a recovery in the Nikkei Stock Average to the ¥20,000 level from late June for the first time in eighteen months, and the overall economy continued to show a moderate recovery trend. However, there are concerns over the impacts on the Japanese economy of increasing global uncertainties about the policy management in the U.S., fluctuations in interest rates and exchange rates, the future development of the Brexit negotiation in the U.K., the repeated terrorist attacks and Middle East turmoil, and rising tensions over the situation in North Korea.

In the aviation industry, a demand for international flight and domestic flight increased from the same period of the previous year due to a better configuration of Golden Week holidays in addition to an increasing inbound demand. On the other hand, as competition with Japanese and foreign LCCs having increased market presence and expanding Shinkansen has become increasingly fierce, airline companies are working on strict cost management while implementing advanced equipment, expanding network and enhancing in-flight services.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥5,503 million (up 5.5% from the same period of the previous year) due to an improved occupancy ratio in tenants in Tokyo International Airport, operating income of ¥1,040 million (up 2.9%), ordinary income of ¥1,034 million (up 0.8%), and profit attributable to owners of parent of ¥595 million (up 0.5%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥4,102 million (up 5.2% from the same period of the previous year), due to an improved occupancy ratio of tenants in Tokyo International Airport, addition of Haneda Asahi Cho Hotel which opened in September 2016, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥745 million (up 9.7%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥747 million (up 0.1% from the same period of the previous year) as the sales from Area Heating & Cooling Business in the offshore reclaimed area of Tokyo International Airport by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary, remained the same level year-on-year. Operating income was ¥242 million (down 19.1%) due to repair expenses.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥653 million (up 14.4% from the same period of the previous year) as a result of a solid growth in sales of water supply and drainage usage due to a growing number of passengers at Tokyo International Airport and the commencement of water supply and drainage business in New Chitose Airport. Operating income was ¥53 million (up 62.5%).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2017 amounted to ¥89,947 million, an increase by ¥2,367 million compared to March 31, 2017, due to an increase in construction in progress resulting from the start of construction of solar power facilities in Heiwajima and the renewal of boilers in Tokyo Airport Heating & Cooling Co., Ltd., and also due to recording of prepaid expenses for annual usage fee of national property.

(Liabilities)

Liabilities as of June 30, 2017 amounted to ¥35,944 million, an increase by ¥1,779 million from March 31, 2017, due to recording of accrued expenses for annual usage fee of each national property in Tokyo International Airport.

(Net assets)

Net assets as of June 30, 2017 increased by ¥588 million compared to March 31, 2017 to ¥54,003 million mainly due to an increase in retained earnings.

As a result, equity ratio as of June 30, 2017 decreased by 0.9 points to 57.8% compared to March 31, 2017.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2018 which was announced in the Financial Results for the Year Ended March 31, 2017 [J-GAAP] dated May 11, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | FY3/17 (As of March 31, 2017) | First quarter of FY3/18 (As of June 30, 2017) |
|-----------------------------------------|----------------------------------|--------------------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,713,841 | 5,420,890 |
| Notes and accounts receivable-trade | 1,105,796 | 1,452,580 |
| Securities | 2,000,000 | — |
| Lease receivables and investment assets | 5,613,569 | 5,475,149 |
| Operating loans | 6,409,607 | 5,988,138 |
| Raw materials and supplies | 13,469 | 15,109 |
| Deferred tax assets | 137,464 | 137,464 |
| Others | 222,372 | 2,620,754 |
| Total current assets | 19,216,120 | 21,110,087 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 45,781,042 | 45,234,363 |
| Machinery, equipment and vehicles, net | 4,807,542 | 4,676,874 |
| Tools, furniture and fixtures, net | 54,200 | 104,318 |
| Land | 9,659,676 | 9,789,111 |
| Construction in progress | 592,925 | 1,147,666 |
| Total property, plant and equipment | 60,895,387 | 60,952,335 |
| Intangible assets | | |
| Software | 15,331 | 21,605 |
| Others | 15,080 | 15,080 |
| Total intangible assets | 30,411 | 36,686 |
| Investments and other assets | | |
| Investment securities | 6,242,057 | 6,808,989 |
| Long-term loans receivable | 2,823 | 2,671 |
| Deferred tax assets | 407,807 | 252,207 |
| Net defined benefit asset | 178,133 | 167,138 |
| Others | 641,941 | 652,418 |
| Allowance for doubtful accounts | (34,567) | (34,567) |
| Total investments and other assets | 7,438,196 | 7,848,859 |
| Total non-current assets | 68,363,995 | 68,837,880 |
| Total assets | 87,580,116 | 89,947,967 |

(Thousands of yen)

| | FY3/17 (As of March 31, 2017) | First quarter of FY3/18 (As of June 30, 2017) |
|-------------------------------------------------------------|----------------------------------|--------------------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 952,151 | 675,309 |
| Short-term loans payable | 4,491,774 | 4,524,029 |
| Accounts payable | 630,096 | 333,683 |
| Income taxes payable | 753,798 | 391,268 |
| Accrued expenses | 82,989 | 3,645,621 |
| Unearned revenue | 943,936 | 1,000,155 |
| Provision for bonuses | 128,380 | 64,266 |
| Provision for directors' bonuses | 24,297 | 13,990 |
| Provision for removal cost of property, plant and equipment | 28,913 | 28,276 |
| Others | 519,819 | 555,228 |
| Total current liabilities | 8,556,157 | 11,231,828 |
| Non-current liabilities | | |
| Long-term loans payable | 19,502,373 | 18,599,909 |
| Long-term guarantee deposited | 5,402,001 | 5,400,937 |
| Long-term accounts payable-other | 345,169 | 352,198 |
| Provision for directors' retirement benefits | 1,044 | 1,392 |
| Provision for removal cost of property, plant and equipment | 358,325 | 358,325 |
| Total non-current liabilities | 25,608,913 | 24,712,762 |
| Total liabilities | 34,165,070 | 35,944,591 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,826,100 | 6,826,100 |
| Capital surplus | 6,983,993 | 6,983,993 |
| Retained earnings | 36,949,740 | 37,183,987 |
| Treasury stock | (1,559,198) | (1,559,253) |
| Total shareholders' equity | 49,200,635 | 49,434,827 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,418,429 | 2,770,995 |
| Foreign currency translation adjustment | (181,790) | (200,795) |
| Total accumulated other comprehensive income | 2,236,639 | 2,570,199 |
| Subscription rights to shares | 55,022 | 55,022 |
| Non-controlling interests | 1,922,748 | 1,943,327 |
| Total net assets | 53,415,045 | 54,003,376 |
| Total liabilities and net assets | 87,580,116 | 89,947,967 |

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

(Thousands of yen)

| | First three months of FY3/17 (April 1, 2016 – June 30, 2016) | First three months of FY3/18 (April 1, 2017 – June 30, 2017) |
|------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| Net sales | 5,216,170 | 5,503,895 |
| Cost of sales | 3,779,624 | 4,030,359 |
| Gross profit | 1,436,545 | 1,473,535 |
| Selling, general, and administrative expenses | | |
| Directors' compensations | 68,877 | 68,127 |
| Salaries and bonuses | 106,202 | 102,399 |
| Provision for bonuses | 43,044 | 39,324 |
| Provision for directors' bonuses | 12,148 | 13,990 |
| Transportation and communication expenses | 28,070 | 26,842 |
| Taxes and dues | 27,305 | 45,150 |
| Depreciation | 1,738 | 3,021 |
| Others | 138,052 | 133,844 |
| Total selling, general, and administrative expenses | 425,439 | 432,699 |
| Operating income | 1,011,106 | 1,040,835 |
| Non-operating income | | |
| Dividends income | 113,134 | 127,901 |
| Commission fee | 25,203 | 27,005 |
| Others | 36,899 | 34,759 |
| Total non-operating income | 175,237 | 189,666 |
| Non-operating expenses | | |
| Interest expenses | 84,322 | 87,789 |
| Removal cost of property, plant and equipment | 5,070 | 26,649 |
| Foreign exchange losses | 70,484 | 80,172 |
| Others | 195 | 1,345 |
| Total non-operating expenses | 160,072 | 195,956 |
| Ordinary income | 1,026,272 | 1,034,545 |
| Extraordinary loss | | |
| Loss on retirement of non-current assets | 931 | 39 |
| Total extraordinary loss | 931 | 39 |
| Income before income taxes | 1,025,341 | 1,034,505 |
| Income taxes | 359,417 | 379,674 |
| Profit | 665,923 | 654,831 |
| Profit attributable to non-controlling interests | 73,493 | 58,907 |
| Profit attributable to owners of parent | 592,429 | 595,923 |

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

| | First three months of FY3/17 (April 1, 2016 – June 30, 2016) | First three months of FY3/18 (April 1, 2017 – June 30, 2017) |
|----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| Profit | 665,923 | 654,831 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (354,636) | 352,565 |
| Foreign currency translation adjustment | (43,681) | (19,005) |
| Total other comprehensive income | (398,317) | 333,560 |
| Comprehensive income | 267,605 | 988,391 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 194,112 | 929,483 |
| Comprehensive income attributable to non-controlling interests | 73,493 | 58,907 |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Application of Specific Accounting Treatments in Preparing the Quarterly Consolidated Financial Statements)

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 June 30, 2017.

3. Others

Material Events concerning Going Concern

Not applicable.