

Financial Results for the Third Quarter of the Year Ending March 31, 2017 [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: February 3, 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 Third Quarter of the Fiscal Year Ending March 2017 (April 1, 2016 - December 31, 2016)

(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, 2016	16,177	5.5	3,113	29.3	2,967	29.3	1,854	35.1
December 31, 2015	15,328	(2.9)	2,408	(10.9)	2,295	(25.1)	1,372	(19.9)

(Note) Comprehensive income: First nine months ended December 31, 2016: 1,619 million yen (10.8 %)
 First nine months ended December 31, 2015: 1,462 million yen ((47.7 %))

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2016	35.89	35.82
December 31, 2015	26.56	26.54

(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, 2016	85,080	52,636	59.6	981.50
As of March 31, 2016	85,214	51,644	58.5	965.69

(Reference) Equity capital: As of December 31, 2016: 50,712 million yen As of March 31, 2016: 49,888 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	6.00	—	6.00	12.00
FY ending March 31, 2017	—	6.00	—	—	—
FY ending March 31, 2017 (Forecasts)	—	—	—	6.00	12.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2017 (April 1, 2016 - March 31, 2017)

(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	21,650	4.6	3,550	20.6	3,330	4.9	2,140	10.6	41.42

(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

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

1) Changes in accounting policies with revision of accounting standards, etc. : No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of December 31, 2016:	54,903,750 shares	As of March 31, 2016:	54,903,750 shares
2) Number of treasury stock	As of December 31, 2016:	3,235,769 shares	As of March 31, 2016:	3,242,974 shares
3) Average number of shares during the period	First nine months ended December 31, 2016:	51,663,979 shares	First nine months ended December 31, 2015:	51,661,012 shares

* Implementation status of quarterly review procedures

The quarterly review procedures stipulated in the Financial Instruments and Exchange Act are not applicable to this Financial Results report, and the procedures have not been completed when this Financial Results report was disclosed.

* 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 December 31, 2016 (3) Qualitative Information on Consolidated Earnings Forecast" on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2016

(1) Explanation about Business Results

During the nine months ended December 31, 2016, Japanese economy showed a moderate improvement in income and employment environment and a slight recovery in private consumption, supported by ongoing monetary easing by the Bank of Japan. Also, the result of the U.S. presidential election in November 2016 led to the depreciation of yen against dollar, which contributed to an upward trend of stock prices in Japan and the U.S. until the turn of the year. However, the recovery of Japanese economy remains uncertain due to increasing global uncertainties including concerns over the possible changes in economic and diplomatic policies in the U.S., the future development of the Brexit negotiation and increasing terrorist attacks in the Middle East.

In the aviation industry, the demand for both international and domestic flight increased from the previous year due to a continued increase of inbound demand in international flight, a slight increase in domestic flight and strong transportation demands during the New Year holidays. On the other hand, there are concerns over a rise in fuel costs due to an increase in crude oil prices as a result of an agreement to cut back oil production among OPEC in addition to the depreciation of yen. Also, as a drastic expansion of LCC market caused a fiercely competitive environment both in Japan and overseas, airline companies are working on further cost reduction in addition to implementation of advanced equipment and network expansion.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥16,177 million (up 5.5% from the same period of the previous year) due to an improved occupancy ratio in tenants and cost reduction of electricity and gas, operating income of ¥3,113 million (up 29.3%), ordinary income of ¥2,967 million (up 29.3%), and profit attributable to owners of parent of ¥1,854 million (up 35.1%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥12,026 million (up 6.1% from the same period of the previous year), due to an improved occupancy ratio of tenants around Tokyo International Airport and Kansai International Airport, opening of Haneda Asahi Cho Hotel, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥2,065 million (up 35.1%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥2,392 million (up 1.7% from the same period of the previous year) due to a steady growth of sales from cooling service in the reclaimed land area offshore Tokyo International Airport by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary. Operating income was ¥917 million (up 18.2%) due to decreased rates of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,757 million (up 7.2% 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 operation of solar power plant in Mizunami, Gifu. Operating income was ¥130 million (up 26.6%).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of December 31, 2016 amounted to ¥85,080 million, a decrease by ¥134 million compared to March 31, 2016, due to a decrease in non-current assets as a result of depreciation despite an increase in leased assets of a subsidiary in Singapore.

(Liabilities)

Liabilities as of December 31, 2016 amounted to ¥32,444 million, a decrease by ¥1,125 million from March 31, 2016, due to the repayments of long-term loans payable.

(Net assets)

Net assets as of December 31, 2016 increased by ¥991 million compared to March 31, 2016 to ¥52,636 million mainly due to an increase in retained earnings.

As a result, equity ratio as of December 31, 2016 increased by 1.1 points to 59.6% compared to March 31, 2016.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2017 which was announced in the Financial Results for the Second Quarter of the Year Ending March 31, 2017 [J-GAAP] dated October 27, 2016.

2. Summary Information (Other)

(1) Changes in Material Subsidiaries during the Period under Review

Not applicable.

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

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 December 31, 2016.

(Additional Information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

From the beginning of the first quarter of the current consolidated fiscal year, the Company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 issued on March 28, 2016).

(3) Changes in Accounting Policies and Estimates, and Restatements

Change in accounting policies

Not applicable.

3. Material Events concerning Going Concern

Not applicable.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	Third quarter of FY3/17 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	4,974,638	4,121,906
Notes and accounts receivable-trade	1,006,211	943,825
Securities	1,000,000	—
Lease receivables and investment assets	3,874,634	5,448,104
Operating loans	5,392,481	5,814,034
Raw materials and supplies	13,083	14,101
Deferred tax assets	165,175	165,175
Others	141,027	809,863
Total current assets	16,567,252	17,317,011
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,110,286	44,176,893
Machinery, equipment and vehicles, net	5,053,144	4,941,119
Tools, furniture and fixtures, net	38,910	38,186
Land	9,592,528	9,592,528
Construction in progress	1,562,242	1,666,067
Total property, plant and equipment	61,357,112	60,414,795
Intangible assets	25,064	23,032
Investments and other assets		
Investment securities	5,976,316	6,114,793
Long-term loans receivable	3,429	2,975
Deferred tax assets	468,895	426,493
Net defined benefit asset	198,997	171,898
Others	652,251	644,074
Allowance for doubtful accounts	(34,567)	(34,567)
Total investments and other assets	7,265,322	7,325,668
Total non-current assets	68,647,500	67,763,495
Total assets	85,214,753	85,080,507

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	Third quarter of FY3/17 (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,114,793	506,246
Short-term loans payable	4,379,428	4,253,762
Accounts payable	519,280	356,791
Income taxes payable	488,020	492,917
Accrued expenses	269,075	98,849
Unearned revenue	948,317	1,413,878
Provision for bonuses	131,496	61,530
Provision for directors' bonuses	25,880	12,148
Provision for removal cost of property, plant and equipment	223,321	28,913
Others	363,151	444,934
Total current liabilities	8,462,765	7,669,971
Non-current liabilities		
Long-term loans payable	19,621,404	18,906,761
Long-term guarantee deposited	5,083,361	5,322,822
Long-term accounts payable-other	394,749	389,203
Net defined benefit liability	5,370	—
Provision for directors' retirement benefits	2,436	696
Provision for removal cost of property, plant and equipment	—	154,922
Total non-current liabilities	25,107,322	24,774,405
Total liabilities	33,570,088	32,444,377
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,920	6,983,986
Retained earnings	35,418,621	36,652,828
Treasury stock	(1,562,688)	(1,559,225)
Total shareholders' equity	47,664,953	48,903,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,234,058	2,330,134
Foreign currency translation adjustment	(10,292)	(521,576)
Total accumulated other comprehensive income	2,223,766	1,808,557
Subscription rights to shares	29,359	55,022
Non-controlling interests	1,726,586	1,868,859
Total net assets	51,644,665	52,636,130
Total liabilities and net assets	85,214,753	85,080,507

(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 FY3/16 (April 1, 2015–December 31, 2015)	First nine months of FY3/17 (April 1, 2016–December 31, 2016)
Net sales	15,328,004	16,177,122
Cost of sales	11,659,573	11,796,846
Gross profit	3,668,430	4,380,276
Selling, general, and administrative expenses		
Directors' compensations	225,026	231,928
Salaries and bonuses	393,717	385,980
Provision for bonuses	37,051	39,285
Provision for directors' bonuses	12,940	12,148
Transportation and communication expenses	75,995	81,458
Taxes and dues	64,193	73,612
Depreciation	16,185	5,775
Others	434,496	436,277
Total selling, general, and administrative expenses	1,259,605	1,266,466
Operating income	2,408,825	3,113,809
Non-operating income		
Interest income	13	0
Dividends income	119,725	142,260
Commission fee	26,180	52,928
Gain on reversal of provision for removal cost	—	106,582
Others	86,257	59,141
Total non-operating income	232,176	360,913
Non-operating expenses		
Interest expenses	231,357	269,844
Removal cost of property, plant and equipment	32,616	24,288
Provision for removal cost	5,622	166,060
Foreign exchange losses	1,874	43,165
Depreciation	72,988	—
Others	942	3,398
Total non-operating expenses	345,401	506,756
Ordinary income	2,295,600	2,967,967
Extraordinary income		
Gain on sales of non-current assets	84,955	—
Total extraordinary income	84,955	—
Extraordinary loss		
Loss on retirement of non-current assets	7,339	931
Loss on sales of non-current assets	12,609	—
Total extraordinary loss	19,949	931
Income before income taxes	2,360,606	2,967,036
Income taxes	811,085	932,253
Profit	1,549,521	2,034,782
Profit attributable to non-controlling interests	177,278	180,602
Profit attributable to owners of parent	1,372,242	1,854,180

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/16 (April 1, 2015–December 31, 2015)	First nine months of FY3/17 (April 1, 2016–December 31, 2016)
Profit	1,549,521	2,034,782
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,906)	96,075
Foreign currency translation adjustment	(72,540)	(511,283)
Total other comprehensive income	(87,447)	(415,208)
Comprehensive income	1,462,074	1,619,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,284,795	1,438,971
Comprehensive income attributable to non-controlling interests	177,278	180,602

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

5. Other

(Significant Subsequent Events)

Not applicable.