

Financial Results for the First 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>
 Representative: Hiroshi Maruyama, President and CEO
 Inquiries: Takahiro Hama, General Manager of Accounting Dept. TEL: +81-3-3747-0251
 The date of filing the quarterly securities report: August 3, 2016
 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 2017 (April 1, 2016 - June 30, 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 three months ended								
June 30, 2016	5,216	3.6	1,011	24.7	1,026	25.9	592	27.6
June 30, 2015	5,032	(3.0)	810	(16.1)	814	(33.7)	464	(36.0)

(Note) Comprehensive income: First three months ended June 30, 2016: 267 million yen ((50.1%))
 First three months ended June 30, 2015: 536 million yen ((45.6%))

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2016	11.47	11.46
June 30, 2015	8.98	—

(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, 2016	86,759	51,563	57.4	963.46
As of March 31, 2016	85,214	51,644	58.5	965.69

(Reference) Equity capital: As of June 30, 2016: 49,772 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	—	—	—	—	—
FY ending March 31, 2017(Forecasts)	—	6.00	—	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
First half	10,850	5.0	1,680	7.2	1,610	4.7	1,040	17.5	20.13
Full fiscal year	21,630	4.5	3,490	18.5	3,290	3.7	2,130	10.1	41.23

(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. Summary Information (Other), (2) Application of Specific Accounting Treatments in Preparing the Quarterly Consolidated Financial Statements” on page 4.

(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, 2016:	54,903,750 shares	As of March 31, 2016:	54,903,750 shares
2) Number of treasury stock	As of June 30, 2016:	3,242,974 shares	As of March 31, 2016:	3,242,974 shares
3) Average number of shares during the period	First three months ended June 30, 2016:	51,660,776 shares	First three months ended June 30, 2015:	51,661,147 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 June 30, 2016 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2016

(1) Explanation about Business Results

During the quarter ended June 30, 2016, the Japanese economy showed a moderate recovery trend supported by improvement in income and employment environment as a result of the continued monetary easing policy by the Bank of Japan for the last few years and a negative interest rates policy introduced in late January. However, such recovery may come to a temporary halt due to factors including the economic downturn in China, Europe and resource rich countries, the stagnant economy in Kyushu area because of the earthquake in Kumamoto and Oita in Japan in mid-April, as well as further appreciation of the yen and decline in stock prices as a consequence of the repeated terrorist attacks in multiple locations in the world and the Brexit vote in mid-June.

In the aviation industry, while the demand for international flight continues to grow due to an increase in foreign passengers visiting Japan, domestic flights slightly decreased and fuel costs also seems to have bottomed out.

The current market environment has been tough for both international and domestic flights due to factors including business expansion by LCCs and a competition with Shinkansen. In order to survive such tough environment, airline companies are working on expansion of route network as well as further cost reduction by measures such as increasing advanced flight equipment with high fuel consumption efficiency and consolidating facilities.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥5,216 million (up 3.6% from the same period of the previous year) partly due to an increase in occupancy ratio in some leasing property, operating income of ¥1,011 million (up 24.7%), ordinary income of ¥1,026 million (up 25.9%), and profit attributable to owners of parent of ¥592 million (up 27.6%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥3,898 million (up 4.2% from the same period of the previous year), due to occupancy by a new tenant of a pilot training center at Tokyo International Airport, an improved occupancy ratio of Rinku International Logistics Center, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥678 million (up 31.1 %).

(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) 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 ¥299 million (up 16.8%) 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 ¥570 million (4.5% 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 year-round operation of solar power generation business in Mizunami, Gifu. However, operating income was ¥32 million (down 10.1%) due to an increase in depreciation expense.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2016 amounted to ¥86,759 million, an increase by ¥1,544 million compared to March 31, 2016, due to an increase in loans payable of a subsidiary in Singapore, etc.

(Liabilities)

Liabilities as of June 30, 2016 amounted to ¥35,195 million, an increase by ¥1,625 million from March 31, 2016, due to recording of accrued expenses for national property usage fee (land) by estimate as the invoice was not received as of June 30, 2016, in addition to an increase in loans payable of a subsidiary in Singapore.

(Net assets)

Net assets as of June 30, 2016 decreased by ¥80 million compared to March 31, 2016 to ¥51,563 million mainly due to a decrease in valuation difference on available-for-sale securities.

As a result, equity ratio as of June 30, 2016 decreased by 1.2 points to 57.4% 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 Year Ended March 31, 2016 [J-GAAP] dated May 12, 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 June 30, 2016.

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

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)	First quarter of FY3/17 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	4,974,638	8,294,815
Notes and accounts receivable-trade	1,006,211	1,320,299
Securities	1,000,000	—
Lease investment assets	3,874,634	3,741,030
Operating loans	5,392,481	4,908,625
Raw materials and supplies	13,083	13,504
Deferred tax assets	165,175	165,175
Others	141,027	114,310
Total current assets	16,567,252	18,557,762
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,110,286	44,416,764
Machinery, equipment and vehicles, net	5,053,144	5,115,530
Tools, furniture and fixtures, net	38,910	37,278
Land	9,592,528	9,592,528
Construction in progress	1,562,242	2,116,978
Total property, plant and equipment	61,357,112	61,279,081
Intangible assets	25,064	25,315
Investments and other assets		
Investment securities	5,976,316	5,455,439
Long-term loans receivable	3,429	3,278
Deferred tax assets	468,895	635,135
Net defined benefit asset	198,997	189,964
Others	652,251	648,056
Allowance for doubtful accounts	(34,567)	(34,567)
Total investments and other assets	7,265,322	6,897,307
Total non-current assets	68,647,500	68,201,704
Total assets	85,214,753	86,759,466

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	First quarter of FY3/17 (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,114,793	637,030
Short-term loans payable	4,379,428	4,351,959
Accounts payable	519,280	453,836
Income taxes payable	488,020	329,038
Accrued expenses	269,075	1,121,029
Unearned revenue	948,317	1,067,227
Provision for bonuses	131,496	67,314
Provision for directors' bonuses	25,880	12,148
Provision for removal cost of property, plant and equipment	223,321	128,486
Others	363,151	555,427
Total current liabilities	8,462,765	8,723,497
Non-current liabilities		
Long-term loans payable	19,621,404	20,990,577
Long-term guarantee deposited	5,083,361	5,079,747
Long-term accounts payable-other	394,749	395,537
Net defined benefit liability	5,370	6,129
Provision for directors' retirement benefits	2,436	—
Total non-current liabilities	25,107,322	26,471,991
Total liabilities	33,570,088	35,195,489
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,920	6,982,920
Retained earnings	35,418,621	35,701,086
Treasury stock	(1,562,688)	(1,562,688)
Total shareholders' equity	47,664,953	47,947,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,234,058	1,879,422
Foreign currency translation adjustment	(10,292)	(53,973)
Total accumulated other comprehensive income	2,223,766	1,825,448
Subscription rights to shares	29,359	29,359
Non-controlling interests	1,726,586	1,761,750
Total net assets	51,644,665	51,563,977
Total liabilities and net assets	85,214,753	86,759,466

(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 FY3/16 (April 1, 2015 – June 30, 2015)	First three months of FY3/17 (April 1, 2016 – June 30, 2016)
Net sales	5,032,958	5,216,170
Cost of sales	3,804,331	3,779,624
Gross profit	1,228,626	1,436,545
Selling, general, and administrative expenses		
Directors' compensations	61,632	68,877
Salaries and bonuses	108,647	106,202
Provision for bonuses	41,994	43,044
Provision for directors' bonuses	12,940	12,148
Transportation and communication expenses	19,195	28,070
Taxes and dues	27,548	27,305
Depreciation	7,984	1,738
Others	138,106	138,052
Total selling, general, and administrative expenses	418,048	425,439
Operating income	810,578	1,011,106
Non-operating income		
Dividends income	72,940	113,134
Commission fee	18,269	25,203
Others	28,172	36,899
Total non-operating income	119,382	175,237
Non-operating expenses		
Interest expenses	75,360	84,322
Removal cost of property, plant and equipment	9,992	5,070
Foreign exchange losses	2,188	70,484
Depreciation	27,370	—
Others	174	195
Total non-operating expenses	115,085	160,072
Ordinary income	814,875	1,026,272
Extraordinary income		
Gain on sales of non-current assets	6,707	—
Total extraordinary income	6,707	—
Extraordinary loss		
Loss on retirement of non-current assets	7,204	931
Total extraordinary loss	7,204	931
Income before income taxes	814,378	1,025,341
Income taxes	292,631	359,417
Profit	521,746	665,923
Profit attributable to non-controlling interests	57,573	73,493
Profit attributable to owners of parent	464,172	592,429

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/16 (April 1, 2015 – June 30, 2015)	First three months of FY3/17 (April 1, 2016 – June 30, 2016)
Profit	521,746	665,923
Other comprehensive income		
Valuation difference on available-for-sale securities	53,401	(354,636)
Foreign currency translation adjustment	(39,124)	(43,681)
Total other comprehensive income	14,276	(398,317)
Comprehensive income	536,023	267,605
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	478,449	194,112
Comprehensive income attributable to non-controlling interests	57,573	73,493

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.