

Financial Results for the Second 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: November 7, 2016
 The date of the dividend payment start: November 24, 2016
 Preparation of quarterly earnings presentation material: Yes
 Holding of quarterly earnings announcement: Yes (for analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2017 (April 1, 2016 - September 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 six months ended								
September 30, 2016	10,850	5.0	2,047	30.7	2,091	36.1	1,261	42.5
September 30, 2015	10,338	(2.5)	1,566	(11.9)	1,537	(22.5)	885	(16.9)

(Note) Comprehensive income: First six months ended September 30, 2016: 604 million yen ((20.4 %))
 First six months ended September 30, 2015: 760 million yen ((55.4 %))

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
September 30, 2016	24.42	24.37
September 30, 2015	17.13	17.13

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	85,632	51,931	58.4	968.39
As of March 31, 2016	85,214	51,644	58.5	965.69

(Reference) Equity capital: As of September 30, 2016: 50,034 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: Yes

The forecast was slightly revised based on the Medium-term Management Plan disclosed separately.

*** 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 September 30, 2016:	54,903,750 shares	As of March 31, 2016:	54,903,750 shares
2) Number of treasury stock	As of September 30, 2016:	3,235,769 shares	As of March 31, 2016:	3,242,974 shares
3) Average number of shares during the period	First six months ended September 30, 2016:	51,661,977 shares	First six months ended September 30, 2015:	51,661,062 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 September 30, 2016 (3) Qualitative Information on Consolidated Earnings Forecast" on page 4.

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

(1) Explanation about Business Results

During the six months ended September 30, 2016, while Japanese economy showed a moderate improvement in income and employment environment as a result of the continued negative interest rates policy introduced by the Bank of Japan in late January, such recovery seemed to come to a temporary halt due to domestic factors including the earthquake in Kumamoto in April and the impact of wind and flood damages in summer season, and global factors including the fluctuations in the financial and capital market as a consequence of the repeated terrorist attacks in Europe and the Brexit in addition to the economic downturn in China.

In the aviation industry, the demand for international flight continues to grow due to an increase of inbound visitors to Japan and a significant increase of outbound travelers in summer season, and domestic flights also showed a slight increase. And because the fuel cost started to increase slightly from the bottomed-out level and the current market environment is severe for both international and domestic flights due to factors including expansion by LCCs and a competition with Shinkansen, 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 ¥10,850 million (up 5.0% 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 ¥2,047 million (up 30.7%), ordinary income of ¥2,091 million (up 36.1%), and profit attributable to owners of parent of ¥1,261 million (up 42.5%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥8,007 million (up 5.3% from the same period of the previous year), due to an improved occupancy ratio of tenants around Tokyo International Airport and Kansai International Airport, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥1,318 million (up 30.8 %).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥1,669 million (up 1.5% 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 ¥623 million (up 30.6 %) 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 ¥1,173 million (up 7.6% 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 ¥105 million (up 30.2 %).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2016 amounted to ¥85,632 million, an increase by ¥417 million compared to March 31, 2016, due to an increase in operating loans of a subsidiary in Singapore, etc.

(Liabilities)

Liabilities as of September 30, 2016 amounted to ¥33,701 million, an increase by ¥130 million from March 31, 2016, due to an increase in guarantee deposits received from new tenants, in addition to an increase in loans payable of a subsidiary in Singapore.

(Net assets)

Net assets as of September 30, 2016 increased by ¥288 million compared to March 31, 2016 to ¥51,931 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2016 decreased by 0.1 points to 58.4% compared to March 31, 2016.

(3) Qualitative Information on Consolidated Earnings Forecast

Consolidated Earnings Forecast for the Year Ending March 2017, announced in the Financial Results for the Year Ended March 31, 2016 [J-GAAP] (Consolidated) dated May 12, 2016, was slightly revised up in all items based on the Medium-term Management Plan disclosed separately.

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 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 September 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)	Second quarter of FY3/17 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	4,974,638	3,011,940
Notes and accounts receivable-trade	1,006,211	1,104,106
Securities	1,000,000	—
Lease receivables and investment assets	3,874,634	5,661,448
Operating loans	5,392,481	6,147,470
Raw materials and supplies	13,083	12,982
Deferred tax assets	165,175	165,175
Others	141,027	1,766,386
Total current assets	16,567,252	17,869,510
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,110,286	44,880,278
Machinery, equipment and vehicles, net	5,053,144	4,975,848
Tools, furniture and fixtures, net	38,910	39,565
Land	9,592,528	9,592,528
Construction in progress	1,562,242	1,431,860
Total property, plant and equipment	61,357,112	60,920,081
Intangible assets	25,064	24,178
Investments and other assets		
Investment securities	5,976,316	5,368,163
Long-term loans receivable	3,429	3,126
Deferred tax assets	468,895	655,111
Net defined benefit asset	198,997	180,931
Others	652,251	645,890
Allowance for doubtful accounts	(34,567)	(34,567)
Total investments and other assets	7,265,322	6,818,657
Total non-current assets	68,647,500	67,762,917
Total assets	85,214,753	85,632,428

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	Second quarter of FY3/17 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,114,793	593,793
Short-term loans payable	4,379,428	4,272,289
Accounts payable	519,280	229,233
Income taxes payable	488,020	663,265
Accrued expenses	269,075	86,271
Unearned revenue	948,317	1,890,551
Provision for bonuses	131,496	134,622
Provision for directors' bonuses	25,880	24,297
Provision for removal cost of property, plant and equipment	223,321	20,175
Others	363,151	442,024
Total current liabilities	8,462,765	8,356,522
Non-current liabilities		
Long-term loans payable	19,621,404	19,708,937
Long-term guarantee deposited	5,083,361	5,253,306
Long-term accounts payable-other	394,749	381,885
Net defined benefit liability	5,370	—
Provision for directors' retirement benefits	2,436	348
Total non-current liabilities	25,107,322	25,344,477
Total liabilities	33,570,088	33,701,000
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	36,370,010
Treasury stock	(1,562,688)	(1,559,225)
Total shareholders' equity	47,664,953	48,620,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,234,058	1,812,122
Foreign currency translation adjustment	(10,292)	(398,173)
Total accumulated other comprehensive income	2,223,766	1,413,948
Subscription rights to shares	29,359	55,022
Non-controlling interests	1,726,586	1,841,585
Total net assets	51,644,665	51,931,428
Total liabilities and net assets	85,214,753	85,632,428

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

(Thousands of yen)

	First six months of FY3/16 (April 1, 2015 – September 30, 2015)	First six months of FY3/17 (April 1, 2016 – September 30, 2016)
Net sales	10,338,154	10,850,250
Cost of sales	7,902,977	7,926,697
Gross profit	2,435,176	2,923,552
Selling, general, and administrative expenses		
Directors' compensations	130,389	138,504
Salaries and bonuses	210,170	208,380
Provision for bonuses	83,985	86,886
Provision for directors' bonuses	25,880	24,297
Transportation and communication expenses	47,097	55,103
Taxes and dues	46,053	49,696
Depreciation	14,022	3,708
Others	310,626	309,366
Total selling, general, and administrative expenses	868,225	875,942
Operating income	1,566,950	2,047,609
Non-operating income		
Interest income	13	192
Dividends income	110,025	131,555
Commission fee	22,077	4,329
Gain on reversal of provision for removal cost	—	106,542
Others	75,225	74,433
Total non-operating income	207,341	317,052
Non-operating expenses		
Interest expenses	149,257	179,636
Removal cost of property, plant and equipment	30,270	20,550
Foreign exchange losses	2,235	70,244
Depreciation	54,741	—
Others	713	2,540
Total non-operating expenses	237,218	272,970
Ordinary income	1,537,073	2,091,691
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	7,339	931
Loss on sales of non-current assets	12,609	—
Total extraordinary loss	19,949	931
Income before income taxes	1,523,831	2,090,760
Income taxes	531,112	676,078
Profit	992,718	1,414,682
Profit attributable to non-controlling interests	107,600	153,328
Profit attributable to owners of parent	885,118	1,261,354

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/16 (April 1, 2015 – September 30, 2015)	First six months of FY3/17 (April 1, 2016 – September 30, 2016)
Profit	992,718	1,414,682
Other comprehensive income		
Valuation difference on available-for-sale securities	(230,543)	(421,936)
Foreign currency translation adjustment	(2,010)	(387,881)
Total other comprehensive income	(232,554)	(809,817)
Comprehensive income	760,164	604,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	652,563	451,536
Comprehensive income attributable to non-controlling interests	107,600	153,328

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.