

## Financial Results for the Second 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: November 6, 2017  
 The date of the dividend payment start: November 24, 2017  
 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 2018 (April 1, 2017 - September 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 six months ended September 30, 2017	11,420	5.3	2,171	6.1	2,049	(2.0)	1,218	(3.4)
September 30, 2016	10,850	5.0	2,047	30.7	2,091	36.1	1,261	42.5

(Note) Comprehensive income: First six months ended September 30, 2017: 1,805 million yen (198.5%)  
 First six months ended September 30, 2016: 604 million yen ((20.4%))

	Basic earnings per share	Diluted earnings per share
First six months ended September 30, 2017	Yen 23.58	Yen 23.51
September 30, 2016	24.42	24.37

### (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, 2017	87,840	54,851	60.1	1,020.68
As of March 31, 2017	87,580	53,415	58.7	995.53

(Reference) Equity capital: As of September 30, 2017: 52,748 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	—	7.00			
FY ending March 31, 2018 (Forecasts)			—	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
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) Notes on Quarterly Consolidated Financial Statements (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 September 30, 2017:	54,903,750 shares	As of March 31, 2017:	54,903,750 shares
2) Number of treasury stock	As of September 30, 2017:	3,223,718 shares	As of March 31, 2017:	3,235,711 shares
3) Average number of shares during the period	First six months ended September 30, 2017:	51,673,993 shares	First six months ended September 30, 2016:	51,661,977 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 September 30, 2017 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

## **1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2017**

### **(1) Explanation about Business Results**

During the six months ended September 30, 2017, the Japanese economy showed a moderate recovery trend overall due to strong export supported by stable global economy, gradual recovery in domestic consumption and capital investments, and steady increase in public investments as a result of various government policies while the Bank of Japan continued its monetary easing policy. However, in addition to prolonged unseasonable weather and frequent natural disasters occurring around the world, there are concerns over the impact on the Japanese economy of increasing global uncertainties including the policy management in the U.S. and fluctuations in interest rates and exchange rates as well as repeated terrorist attacks and Middle East turmoil and rising tensions over the situation in North Korea.

In the aviation industry, both international and domestic flights showed solid growth due to a continuous active inbound demand in addition to outbound travelers during summer vacation season and travelers returning home during Obon holiday season. On the other hand, as fierce competition with LCCs and Shinkansen still continues, 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 consolidate subsidiaries) recorded net sales of ¥11,420 million (up 5.3% from the same period of the previous year) as a result of solid growth in sales at Tokyo International Airport, operating income of ¥2,171 million (up 6.1%), ordinary income of ¥2,049 million (down 2.0%) mainly due to foreign exchange losses in overseas, and profit attributable to owners of parent of ¥1,218 million (down 3.4%).

Performance by business segment is as follows:

#### **(i) Real Estate Business**

Real Estate Business recorded net sales of ¥8,431 million (up 5.3% from the same period of the previous year), due to an improved occupancy ratio of tenants at Tokyo International Airport, full-year operation of Haneda Asahi Cho Hotel, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥1,493 million (up 13.3%).

#### **(ii) Area Heating & Cooling Business**

Area Heating & Cooling Business recorded net sales of ¥1,667 million (down 0.1% from the same period of the previous year) as the unseasonable weather affected the sales from area heating & cooling service in the reclaimed land area offshore Tokyo International Airport by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary. Operating income was ¥562 million (down 9.7%) due to increased rates of electricity and gas and increased repair expenses.

#### **(iii) Water Supply & Drainage Service and Other Business**

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,321 million (up 12.6% 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 commencement of water supply and drainage management operations in New Chitose Airport. Operating income was ¥115 million (up 9.0%).

### **(2) Qualitative Information on Consolidated Financial Position**

#### **(Assets)**

Total assets as of September 30, 2017 amounted to ¥87,840 million, an increase by ¥260 million compared to March 31, 2017, due to purchase of land for an apartment and an increase in construction in progress resulting from payment for construction of solar power facilities.

#### **(Liabilities)**

Liabilities as of September 30, 2017 amounted to ¥32,988 million, a decrease by ¥1,176 million from March 31, 2017, due to the repayments of long-term loans payable.

**(Net assets)**

Net assets as of September 30, 2017 increased by ¥1,436 million compared to March 31, 2017 to ¥54,851 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2017 increased by 1.4 points to 60.1% 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)	Second quarter of FY3/18 (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	3,713,841	4,580,889
Notes and accounts receivable-trade	1,105,796	1,232,531
Securities	2,000,000	—
Lease receivables and investment assets	5,613,569	5,874,233
Operating loans	6,409,607	5,772,531
Raw materials and supplies	13,469	13,493
Deferred tax assets	137,464	137,464
Others	222,372	1,734,715
<b>Total current assets</b>	<b>19,216,120</b>	<b>19,345,859</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,781,042	44,837,210
Machinery, equipment and vehicles, net	4,807,542	4,545,458
Tools, furniture and fixtures, net	54,200	110,442
Land	9,659,676	9,789,111
Construction in progress	592,925	952,858
<b>Total property, plant and equipment</b>	<b>60,895,387</b>	<b>60,235,081</b>
Intangible assets		
Software	15,331	28,667
Others	15,080	15,080
<b>Total intangible assets</b>	<b>30,411</b>	<b>43,747</b>
Investments and other assets		
Investment securities	6,242,057	7,217,209
Long-term loans receivable	2,823	2,520
Deferred tax assets	407,807	223,994
Net defined benefit asset	178,133	156,143
Others	641,941	650,359
Allowance for doubtful accounts	(34,567)	(34,567)
<b>Total investments and other assets</b>	<b>7,438,196</b>	<b>8,215,660</b>
<b>Total non-current assets</b>	<b>68,363,995</b>	<b>68,494,489</b>
<b>Total assets</b>	<b>87,580,116</b>	<b>87,840,348</b>

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	Second quarter of FY3/18 (As of September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	952,151	647,075
Short-term loans payable	4,491,774	4,525,585
Accounts payable	630,096	429,862
Income taxes payable	753,798	723,839
Accrued expenses	82,989	98,130
Unearned revenue	943,936	1,995,433
Provision for bonuses	128,380	128,534
Provision for directors' bonuses	24,297	27,980
Provision for removal cost of property, plant and equipment	28,913	28,276
Others	519,819	423,841
Total current liabilities	8,556,157	9,028,560
Non-current liabilities		
Long-term loans payable	19,502,373	17,787,715
Long-term guarantee deposited	5,402,001	5,464,998
Long-term accounts payable-other	345,169	347,187
Provision for directors' retirement benefits	1,044	1,740
Provision for removal cost of property, plant and equipment	358,325	358,325
Total non-current liabilities	25,608,913	23,959,966
<b>Total liabilities</b>	<b>34,165,070</b>	<b>32,988,526</b>
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,983,993	6,984,670
Retained earnings	36,949,740	37,806,583
Treasury stock	(1,559,198)	(1,553,439)
Total shareholders' equity	49,200,635	50,063,913
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,418,429	2,834,921
Foreign currency translation adjustment	(181,790)	(150,315)
Total accumulated other comprehensive income	2,236,639	2,684,606
Subscription rights to shares	55,022	79,896
Non-controlling interests	1,922,748	2,023,405
Total net assets	53,415,045	54,851,822
<b>Total liabilities and net assets</b>	<b>87,580,116</b>	<b>87,840,348</b>

**(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 FY3/17 (April 1, 2016 – September 30, 2016)	First six months of FY3/18 (April 1, 2017 – September 30, 2017)
Net sales	10,850,250	11,420,409
Cost of sales	7,926,697	8,343,407
Gross profit	2,923,552	3,077,001
Selling, general, and administrative expenses		
Directors' compensations	138,504	140,229
Salaries and bonuses	208,380	202,604
Provision for bonuses	86,886	79,450
Provision for directors' bonuses	24,297	27,980
Transportation and communication expenses	55,103	54,762
Taxes and dues	49,696	79,552
Depreciation	3,708	6,537
Others	309,366	314,182
Total selling, general, and administrative expenses	875,942	905,299
Operating income	2,047,609	2,171,702
Non-operating income		
Interest income	192	9
Dividends income	131,555	135,770
Commission fee	4,329	47,281
Gain on reversal of provision for removal cost	106,542	—
Others	74,433	47,523
Total non-operating income	317,052	230,585
Non-operating expenses		
Interest expenses	179,636	174,086
Removal cost of property, plant and equipment	20,550	64,977
Foreign exchange losses	70,244	113,307
Others	2,540	696
Total non-operating expenses	272,970	353,068
Ordinary income	2,091,691	2,049,219
Extraordinary loss		
Loss on retirement of non-current assets	931	366
Total extraordinary loss	931	366
Income before income taxes	2,090,760	2,048,852
Income taxes	676,078	691,347
Profit	1,414,682	1,357,505
Profit attributable to non-controlling interests	153,328	138,986
Profit attributable to owners of parent	1,261,354	1,218,519

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

(Thousands of yen)

	First six months of FY3/17 (April 1, 2016 – September 30, 2016)	First six months of FY3/18 (April 1, 2017 – September 30, 2017)
Profit	1,414,682	1,357,505
Other comprehensive income		
Valuation difference on available-for-sale securities	(421,936)	416,492
Foreign currency translation adjustment	(387,881)	31,474
Total other comprehensive income	(809,817)	447,967
Comprehensive income	604,864	1,805,472
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	451,536	1,666,486
Comprehensive income attributable to non-controlling interests	153,328	138,986



**(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 September 30, 2017.

**3. Others**

**Material Events concerning Going Concern**

Not applicable.