

Financial Results for the Third Quarter of the Year Ending March 31, 2016 [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 5, 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 Third Quarter of the Fiscal Year Ending March 2016 (April 1, 2015 - December 31, 2015)

(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, 2015	15,328	(2.9)	2,408	(10.9)	2,295	(25.1)	1,372	(19.9)
December 31, 2014	15,780	1.3	2,704	(10.0)	3,066	3.8	1,712	1.9

(Note) Comprehensive income: First nine months ended December 31, 2015: 1,462 million yen ((47.7%))
 First nine months ended December 31, 2014: 2,795 million yen (31.3%)

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2015	26.56	26.54
December 31, 2014	33.15	—

(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, 2015	89,117	51,554	55.9	964.14
As of March 31, 2015	84,270	50,715	58.3	951.16

(Reference) Equity capital: As of December 31, 2015: 49,808 million yen As of March 31, 2015: 49,138 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	6.00	—	6.00	12.00
FY ending March 31, 2016	—	6.00	—	—	—
FY ending March 31, 2016 (Forecasts)	—	—	—	6.00	12.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2016 (April 1, 2015 - March 31, 2016)

(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	20,670	(2.1)	2,690	(15.0)	2,730	(13.7)	1,720	14.3	33.29

(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. : Yes

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, 2015:	54,903,750 shares	As of March 31, 2015:	54,903,750 shares
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2) Number of treasury stock

As of December 31, 2015:	3,242,974 shares	As of March 31, 2015:	3,242,446 shares
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3) Average number of shares during the period

First nine months ended December 31, 2015:	51,661,012 shares	First nine months ended December 31, 2014:	51,661,652 shares
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* 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, 2015 (3) Qualitative Information on Consolidated Earnings Forecast" on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2015

(1) Explanation about Business Results

During the nine months ended December 31, 2015, the Japanese economy continued to show a gradual recovery with continued improvement of income and employment environment as a result of various government policies such as continued monetary easing by the Bank of Japan. However, while European and the U.S. economy maintain a steady growth, global economy shows a downturn due to stagnant economy in emerging countries including China, Brazil, and Indonesia as well as Middle East disruption.

In the aviation industry, demands continue to grow especially for international flight due to a significant increase in foreign passengers visiting Japan, as well as lower fuel costs resulting from a continued decline in crude oil price. On the other hand, domestic flights slightly decrease partly due to the opening of the Hokuriku Shinkansen which affected the flights to Hokuriku area although the number of passengers during the year-end holiday season remained the same level as the previous year's results. Furthermore, the Hokkaido Shinkansen is scheduled to go into operation in March 2016 and there are also other factors such as route expansion by emerging airlines and LCCs, which will further intensify competition within the industry, and accordingly each airline company is striving for cost reduction.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥15,328 million (down 2.9% from the same period of the previous year), operating income of ¥2,408 million (down 10.9%) and ordinary income of ¥2,295 million (down 25.1%) and profit attributable to owners of parent of ¥1,372 million (down 19.9%), partly due to the continuing effect since the previous fiscal year of the move-out from certain facilities by major airline companies.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥11,336 million (down 2.9% from the same period of the previous year), as a result of the move-out from the facilities by and rent reduction for major airline companies in Tokyo International Airport in the three months ended September 30, 2015, despite additions of a simulator facility at Tokyo International Airport and two properties including a small hangar and an engine maintenance shop by a consolidated subsidiary in Singapore. Operating income was ¥1,529 million (down 22.1%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥2,351 million (down 0.7% from the same period of the previous year), as our service in the 1-chome District of Tokyo International Airport was terminated at the end of May 2014, despite a steady growth of sales from cooling service by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary. Operating income was ¥776 million (up 42.0%) 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 ¥1,639 million (down 5.7% from the same period of the previous year) as a result of a decrease in the number of shared telecommunication lines due to partial cancellation, despite a steady growth in sales from water supply and drainage service due to an increase in the number of passengers at Tokyo International Airport. Operating income was ¥103 million (down 46.5%) due to an increase in depreciation expense associated with renewal of PBX, equipment for shared telecommunication network.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of December 31, 2015 amounted to ¥89,117 million, an increase by ¥4,846 million (5.8%) compared to March 31, 2015, as a result of new investments in a consolidated subsidiary in Singapore as well as in hotel business and solar power generation business in Japan.

(Liabilities)

Liabilities as of December 31, 2015 amounted to ¥37,562 million, an increase by ¥4,008 million (11.9%) from March 31, 2015, due to the recording of accrued expenses for undetermined national property usage fee in the Tokyo International Airport and loans payable related to overseas investments.

(Net assets)

Net assets as of December 31, 2015 increased by ¥838 million (1.7%) compared to March 31, 2015 to ¥51,554million mainly due to an increase in retained earnings.

As a result, equity ratio as of December 31, 2015 decreased by 2.4 points to 55.9% compared to March 31, 2015.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2016 which was announced in the Financial Results for the Year Ended March 31, 2015 [J-GAAP] dated May 14, 2015.

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 December 31, 2015.

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

Change in accounting policies

From the beginning of the first quarter of the current consolidated fiscal year, the Company started applying “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As the Company applied these accounting standards, the expression for quarterly net profit, etc. has been changed, and “minority interests” has been changed to “non-controlling interests”. In order to reflect these changes, the consolidated financial statements for the first nine months of the previous fiscal year have been reclassified, as well as the entire previous fiscal year.

3. Material Events concerning Going Concern

Not applicable.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/15 (As of March 31, 2015)	Third quarter of FY3/16 (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	2,891,402	5,810,095
Notes and accounts receivable-trade	1,133,796	2,355,215
Securities	3,000,000	3,000,000
Lease receivables and investment assets	3,429,585	3,949,213
Operating loans	—	3,802,394
Raw materials and supplies	23,395	15,837
Deferred tax assets	306,501	306,501
Others	211,950	281,697
Total current assets	10,996,629	19,520,956
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,340,793	45,525,303
Machinery, equipment and vehicles, net	4,877,121	4,669,260
Tools, furniture and fixtures, net	30,050	31,683
Land	9,544,939	9,428,928
Construction in progress	177,653	2,067,970
Total property, plant and equipment	61,970,556	61,723,147
Intangible assets	41,196	25,867
Investments and other assets		
Investment securities	6,764,238	6,742,206
Long-term loans receivable	4,167	3,581
Deferred tax assets	323,237	330,362
Net defined benefit asset	180,682	153,825
Others	4,105,469	651,752
Allowance for doubtful accounts	(115,948)	(34,567)
Total investments and other assets	11,261,845	7,847,160
Total non-current assets	73,273,597	69,596,175
Total assets	84,270,226	89,117,131

(Thousands of yen)

	FY3/15 (As of March 31, 2015)	Third Quarter of FY3/16 (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	998,571	563,449
Short-term loans payable	5,290,218	4,565,556
Accounts payable	1,617,997	1,413,905
Income taxes payable	595,161	424,543
Accrued expenses	801,135	2,929,352
Unearned revenue	756,115	895,410
Provision for bonuses	121,481	58,507
Provision for directors' bonuses	25,796	12,940
Provision for removal cost of property, plant and equipment	490,991	425,118
Others	811,819	825,975
Total current liabilities	11,509,284	12,114,757
Non-current liabilities		
Long-term loans payable	16,820,248	20,033,121
Long-term guarantee deposited	4,809,516	4,968,693
Long-term accounts payable-facilities	205,412	205,412
Net defined benefit liability	3,146	4,786
Long-term accounts payable-other	—	233,962
Provision for directors' retirement benefits	207,132	2,088
Total non-current liabilities	22,045,454	25,448,063
Total liabilities	33,554,738	37,562,821
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	34,103,121	34,861,423
Treasury stock	(1,562,347)	(1,562,688)
Total shareholders' equity	46,349,795	47,107,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,718,548	2,703,641
Foreign currency translation adjustment	69,583	(2,957)
Total accumulated other comprehensive income	2,788,131	2,700,684
Subscription rights to shares	—	29,359
Non-controlling interests	1,577,562	1,716,511
Total net assets	50,715,488	51,554,310
Total liabilities and net assets	84,270,226	89,117,131

(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 FY3/15 (April 1, 2014 – December 31, 2014)	First nine months of FY3/16 (April 1, 2015 – December 31, 2015)
Net sales	15,780,147	15,328,004
Cost of sales	11,888,615	11,659,573
Gross profit	3,891,532	3,668,430
Selling, general, and administrative expenses		
Directors' compensations	217,337	225,026
Salaries and bonuses	399,860	393,717
Provision for bonuses	30,558	37,051
Provision for directors' bonuses	12,898	12,940
Transportation and communication expenses	66,147	75,995
Taxes and dues	45,896	64,193
Depreciation	24,095	16,185
Others	390,524	434,496
Total selling, general, and administrative expenses	1,187,315	1,259,605
Operating income	2,704,217	2,408,825
Non-operating income		
Interest income	2,076	13
Dividends income	334,803	119,725
Commission fee	100,059	26,180
Gain on investments in silent partnership	101,875	—
Others	84,940	86,257
Total non-operating income	623,753	232,176
Non-operating expenses		
Interest expenses	219,142	231,357
Removal cost of property, plant and equipment	10,960	32,616
Provision for removal cost	20,765	5,622
Foreign exchange losses	—	1,874
Depreciation	—	72,988
Others	11,241	942
Total non-operating expenses	262,108	345,401
Ordinary income	3,065,862	2,295,600
Extraordinary income		
Compensation for remaining book value	4,160	—
Gain on sales of non-current assets	—	84,955
Others	263	—
Total extraordinary income	4,423	84,955
Extraordinary loss		
Loss on retirement of non-current assets	306,798	7,339
Loss on sales of non-current assets	2	12,609
Total extraordinary loss	306,800	19,949
Income before income taxes	2,763,485	2,360,606
Income taxes	941,828	811,085
Profit	1,821,657	1,549,521
Profit attributable to non-controlling interests	109,260	177,278
Profit attributable to owners of parent	1,712,397	1,372,242

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/15 (April 1, 2014 – December 31, 2014)	First nine months of FY3/16 (April 1, 2015 – December 31, 2015)
Profit	1,821,657	1,549,521
Other comprehensive income		
Valuation difference on available-for-sale securities	973,138	(14,906)
Foreign currency translation adjustment	—	(72,540)
Total other comprehensive income	973,138	(87,447)
Comprehensive income	2,794,796	1,462,074
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,685,536	1,284,795
Comprehensive income attributable to non-controlling interests	109,260	177,278

(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.