

## Financial Results for the Third 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: February 8, 2018  
 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 2018 (April 1, 2017 - December 31, 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 nine months ended								
December 31, 2017	16,992	5.0	3,215	3.3	2,967	(0.0)	1,767	(4.7)
December 31, 2016	16,177	5.5	3,113	29.3	2,967	29.3	1,854	35.1

(Note) Comprehensive income: First nine months ended December 31, 2017: 2,872 million yen (77.4%)  
 First nine months ended December 31, 2016: 1,619 million yen (10.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First nine months ended		
December 31, 2017	34.21	34.11
December 31, 2016	35.89	35.82

### (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, 2017	87,231	55,556	61.2	1,032.76
As of March 31, 2017	87,580	53,415	58.7	995.53

(Reference) Equity capital: As of December 31, 2017: 53,372 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 December 31, 2017:	54,903,750 shares	As of March 31, 2017:	54,903,750 shares
2) Number of treasury stock	As of December 31, 2017:	3,223,911 shares	As of March 31, 2017:	3,235,711 shares
3) Average number of shares during the period	First nine months ended December 31, 2017:	51,675,978 shares	First nine months ended December 31, 2016:	51,663,979 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 December 31, 2017 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

## **1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2017**

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

During the nine months ended December 31, 2017, the Japanese economy showed a moderate recovery trend overall due to strong export supported by the expansion of global economy, gradual increase in domestic capital investments and production while the Bank of Japan continued its monetary easing policy. Many companies revised upward their full-year earnings forecast on the back of their favorable earnings for the period ended September 30, 2017. The Nikkei Stock Average also remains on an upward trend after recovering to ¥22,000 level in October 2017. However, 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.

The aviation industry continued to see strong inbound demand under such environment, and the results during the New Year holidays also showed solid growth for both international and domestic flights. On the other hand, with continuing fierce competition with LCCs and Shinkansen and concerns over the increase in fuel prices, 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 ¥16,992 million (up 5.0% from the same period of the previous year) as a result of solid growth in sales at Tokyo International Airport, operating income of ¥3,215 million (up 3.3%), ordinary income of ¥2,967 million (down 0.0%) mainly due to foreign exchange losses in overseas, and profit attributable to owners of parent of ¥1,767 million (down 4.7%).

Performance by business segment is as follows:

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

Real Estate Business recorded net sales of ¥12,645 million (up 5.1% 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 ¥2,188 million (up 6.0%).

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

Area Heating & Cooling Business recorded net sales of ¥2,390 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 ¥889 million (down 3.0%) due to increased rates of electricity and gas and increased repair expenses despite a decrease in depreciation.

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

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,956 million (up 11.3% 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 ¥136 million (up 4.7%).

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

#### **(Assets)**

Total assets as of December 31, 2017 amounted to ¥87,231 million, a decrease by ¥348 million compared to March 31, 2017, mainly due to an increase in depreciation of buildings and others despite an increase in investment securities as a result of the rise in stock prices.

#### **(Liabilities)**

Liabilities as of December 31, 2017 amounted to ¥31,674 million, a decrease by ¥2,490 million from March 31, 2017, due to the repayments of long-term loans payable.

**(Net assets)**

Net assets as of December 31, 2017 increased by ¥2,141 million compared to March 31, 2017 to ¥55,556 million mainly due to an increase in valuation difference on mark-to-market available-for-sale securities and an increase in retained earnings.

As a result, equity ratio as of December 31, 2017 increased by 2.5 points to 61.2% 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)	Third quarter of FY3/18 (As of December 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	3,713,841	4,919,770
Notes and accounts receivable-trade	1,105,796	1,183,127
Securities	2,000,000	—
Lease receivables and investment assets	5,613,569	6,025,463
Operating loans	6,409,607	5,615,148
Raw materials and supplies	13,469	15,385
Deferred tax assets	137,464	137,464
Others	222,372	620,553
<b>Total current assets</b>	<b>19,216,120</b>	<b>18,516,912</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,781,042	44,402,018
Machinery, equipment and vehicles, net	4,807,542	5,114,975
Tools, furniture and fixtures, net	54,200	106,730
Land	9,659,676	9,789,111
Construction in progress	592,925	680,665
<b>Total property, plant and equipment</b>	<b>60,895,387</b>	<b>60,093,502</b>
Intangible assets		
Software	15,331	26,692
Others	15,080	15,080
<b>Total intangible assets</b>	<b>30,411</b>	<b>41,773</b>
Investments and other assets		
Investment securities	6,242,057	7,693,661
Long-term loans receivable	2,823	2,368
Deferred tax assets	407,807	72,932
Net defined benefit asset	178,133	145,148
Others	641,941	699,708
Allowance for doubtful accounts	(34,567)	(34,567)
<b>Total investments and other assets</b>	<b>7,438,196</b>	<b>8,579,253</b>
<b>Total non-current assets</b>	<b>68,363,995</b>	<b>68,714,529</b>
<b>Total assets</b>	<b>87,580,116</b>	<b>87,231,442</b>

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	Third quarter of FY3/18 (As of December 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	952,151	692,820
Short-term loans payable	4,491,774	4,484,697
Accounts payable	630,096	591,729
Income taxes payable	753,798	442,636
Accrued expenses	82,989	86,475
Unearned revenue	943,936	1,464,892
Provision for bonuses	128,380	57,648
Provision for directors' bonuses	24,297	13,990
Provision for removal cost of property, plant and equipment	28,913	47,843
Others	519,819	460,503
<b>Total current liabilities</b>	<b>8,556,157</b>	<b>8,343,236</b>
Non-current liabilities		
Long-term loans payable	19,502,373	17,161,474
Long-term guarantee deposited	5,402,001	5,489,987
Long-term accounts payable-other	345,169	355,033
Provision for directors' retirement benefits	1,044	6,498
Provision for removal cost of property, plant and equipment	358,325	318,240
<b>Total non-current liabilities</b>	<b>25,608,913</b>	<b>23,331,233</b>
<b>Total liabilities</b>	<b>34,165,070</b>	<b>31,674,470</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	37,993,938
Treasury stock	(1,559,198)	(1,553,565)
<b>Total shareholders' equity</b>	<b>49,200,635</b>	<b>50,251,143</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,418,429	3,177,202
Foreign currency translation adjustment	(181,790)	(55,712)
<b>Total accumulated other comprehensive income</b>	<b>2,236,639</b>	<b>3,121,490</b>
Subscription rights to shares	55,022	79,896
Non-controlling interests	1,922,748	2,104,442
<b>Total net assets</b>	<b>53,415,045</b>	<b>55,556,971</b>
<b>Total liabilities and net assets</b>	<b>87,580,116</b>	<b>87,231,442</b>

**(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 FY3/17 (April 1, 2016–December 31, 2016)	First nine months of FY3/18 (April 1, 2017–December 31, 2017)
Net sales	16,177,122	16,992,394
Cost of sales	11,796,846	12,396,304
Gross profit	4,380,276	4,596,089
Selling, general, and administrative expenses		
Directors' compensations	231,928	237,561
Salaries and bonuses	385,980	387,765
Provision for bonuses	39,285	34,854
Provision for directors' bonuses	12,148	13,990
Transportation and communication expenses	81,458	83,479
Taxes and dues	73,612	114,247
Depreciation	5,775	10,024
Others	436,277	499,065
Total selling, general, and administrative expenses	1,266,466	1,380,987
Operating income	3,113,809	3,215,102
Non-operating income		
Interest income	0	0
Dividends income	142,260	162,625
Commission fee	52,928	49,369
Gain on reversal of provision for removal cost	106,582	—
Others	59,141	50,641
Total non-operating income	360,913	262,637
Non-operating expenses		
Interest expenses	269,844	257,430
Removal cost of property, plant and equipment	24,288	88,606
Provision for removal cost	166,060	—
Foreign exchange losses	43,165	146,629
Others	3,398	17,637
Total non-operating expenses	506,756	510,302
Ordinary income	2,967,967	2,967,437
Extraordinary loss		
Loss on retirement of non-current assets	931	366
Total extraordinary loss	931	366
Income before income taxes	2,967,036	2,967,070
Income taxes	932,253	979,412
Profit	2,034,782	1,987,657
Profit attributable to non-controlling interests	180,602	220,022
Profit attributable to owners of parent	1,854,180	1,767,634

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

(Thousands of yen)

	First nine months of FY3/17 (April 1, 2016–December 31, 2016)	First nine months of FY3/18 (April 1, 2017–December 31, 2017)
Profit	2,034,782	1,987,657
Other comprehensive income		
Valuation difference on available-for-sale securities	96,075	758,772
Foreign currency translation adjustment	(511,283)	126,077
Total other comprehensive income	(415,208)	884,850
Comprehensive income	1,619,574	2,872,508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,438,971	2,652,485
Comprehensive income attributable to non-controlling interests	180,602	220,022



### **(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 December 31, 2017.

#### **(Changes in Accounting Policies)**

Not applicable.

#### **(Changes in Accounting Estimates)**

Not applicable.

### **3. Others**

#### **(Significant Subsequent Events)**

The Board of Directors meeting held on January 25, 2018 passed a resolution on the acquisition of treasury stock in accordance with Article 156 of the Companies Act applied by replacing the terms pursuant to Article 165, Paragraph 3 of the Act, and also on the retirement of treasury stock in accordance with Article 178 of the Act.

#### 1. Reasons for Acquisition and Retirement of Treasury Stock

To execute flexible capital policy corresponding to changes in the business environment.

#### 2. Details of the Acquisition

(1) Class of shares to be acquired	Common stock of the Company
(2) Total number of shares to be acquired	Up to 2,100,000 shares
(3) Total acquisition amount	¥1,417 million
(4) Announcement of the result of the acquisition	The result of the acquisition will be announced after the close of trading at 8:45 a.m. on January 26, 2018.
(5) Method of the acquisition	The Company will place a purchase order through off-auction own shares repurchase trading system of Tokyo Stock Exchange (ToSTNeT-3).

#### 3. Details of the Retirement

(1) Class of shares to be retired	Common stock of the Company
(2) Total number of shares to be retired	2,100,000 shares (3.82% of total issued shares before the retirement)
(3) Total number of issued shares after the retirement	52,803,750 shares
(4) Scheduled date of the retirement	February 14, 2018

(Note) Total number of shares to be retired in 3. (2) above shall be limited to the number of shares that becomes available for acquisition in the acquisition of treasury stock scheduled on January 26, 2018 (the planned number of shares to be acquired is 2,100,000 shares).

(Reference)	Treasury stock as of December 31, 2017	
	Total number of issued shares (excluding treasury stock)	51,679,839 shares
	Treasury stock	3,223,911 shares