

Financial Results for the Third Quarter of the Year Ending March 31, 2015 [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 4, 2015
 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 2015 (April 1, 2014 - December 31, 2014)

(1) Consolidated Business Results (Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months ended								
December 31, 2014	15,780	1.3	2,704	(10.0)	3,066	3.8	1,712	1.9
December 31, 2013	15,575	(1.3)	3,004	4.8	2,953	(0.2)	1,680	(2.1)

(Note) Comprehensive income: First nine months ended December 31, 2014: 2,795 million yen (31.3%)
 First nine months ended December 31, 2013: 2,129 million yen (31.5%)

	Net income per share	Diluted net income per share
First nine months ended	Yen	Yen
December 31, 2014	33.15	—
December 31, 2013	32.52	—

(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, 2014	80,955	50,135	60.0	940.05
As of March 31, 2014	77,621	47,998	59.9	900.07

(Reference) Equity capital: As of December 31, 2014: 48,564 million yen As of March 31, 2014: 46,499 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2014	—	6.00	—	6.00	12.00
FY ending March 31, 2015	—	6.00	—	—	—
FY ending March 31, 2015 (Forecasts)	—	—	—	6.00	12.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2015 (April 1, 2014 - March 31, 2015)

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	20,350	(3.0)	2,710	(22.5)	2,910	(5.8)	1,550	41.8	30.00

(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 December 31, 2014:	54,903,750 shares	As of March 31, 2014:	54,903,750 shares
2) Number of treasury stock	As of December 31, 2014:	3,242,214 shares	As of March 31, 2014:	3,241,952 shares
3) Average number of shares during the period	First nine months ended December 31, 2014:	51,661,652 shares	First nine months ended December 31, 2013:	51,662,038 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 December 31, 2014 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended December 31, 2014

(1) Explanation about Business Results

During the nine months ended December 31, 2014, the Japanese economy experienced downturn triggered by consumption tax rise in April, but is showing gradual recovery as employment and income environment has continued to improve and also due to decline in the price of imported crude oil and favorable effects of government policies. However, attention should be given to risks that might depress the Japanese economy including those related to prolonged backlash from last-minute demand before consumption tax rise, unfavorable effect of weakening yen, and downturn in overseas economies.

In the aviation industry, the overall demands for airlines continued to show a solid growth with an increase of the arrival and departure capacity for international flights at Tokyo International Airport as the demands for international flights significantly increased due mainly to foreign passengers visiting Japan by the effect of weak yen while demands for domestic flights remained the same level year-on-year during the New Year holidays. The decline in the crude oil price also led to lower fuel surcharges, which largely contributed to the business environment of airline companies. In the entire aviation industry, however, an increasingly intensified price competition and a shortage of pilots have become long-term issues that require attention.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥15,780 million (up 1.3% from the same period of the previous year) with contributions from full-scale operation of new property including an in-flight meal factory completed at the end of the fiscal year ended March 31, 2014, operating income of ¥2,704 million (down 10.0%) and ordinary income of ¥3,066 million (up 3.8%) and net income of ¥1,712 million (up 1.9%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥11,674 million, an increase by ¥651 million (5.9%) from the same period of the previous year, as a result of full-scale operation of an in-flight meal factory and maintenance center at the Tokyo International Airport completed at the end of the fiscal year ended March 31, 2014 and new rent income from Omori Higashi apartment for major airline companies. Operating income, however, decreased by ¥235 million (10.7%) to ¥1,964 million due to an increase in depreciation and electricity cost.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥2,368 million, a decrease by ¥398 million (14.4 %) 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 due to a decrease in customers and facility deterioration and shifted to a heating & cooling system for individual building in Real Estate Business while the business provided by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary, at the 3-chome District of Tokyo International Airport has shown favorable growth. Operating income also decreased by ¥9 million (1.7 %) to ¥547 million.

(iii) Water Supply & Drainage Service and Other Business

Net sales in Water Supply & Drainage Service and Other Business decreased by ¥47 million (2.6 %) from the same period of the previous year to ¥1,738 million as a result of reviewing management fees for the waterworks & drainage management business at the Tokyo International Airport. Operating income also decreased by ¥55 million (22.3 %) to ¥193 million.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of December 31, 2014 amounted to ¥80,955 million, an increase by ¥3,334 million compared to March 31, 2014, due to an increase of rental properties under the lease agreement and in unrealized gain in investment securities as a result of rise in stock price.

(Liabilities)

Liabilities as of December 31, 2014 amounted to ¥30,820 million, an increase by ¥1,197 million from March 31, 2014, due to an increase in unearned revenue arising from land rent invoiced for the year ending March 31, 2015 and proceeds from long-term loans payable.

(Net assets)

Net assets as of December 31, 2014 increased by ¥2,136 million compared to March 31, 2014 to ¥50,135 million mainly due to an increase in retained earnings from recording net income for the period and in valuation difference on available-for-sale securities.

As a result, equity ratio as of December 31, 2014 increased by 0.1 points to 60.0 % compared to March 31, 2014.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2015 which was announced in the Financial Results for the Year Ended March 31, 2014 [J-GAAP] dated May 14, 2014.

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 and minority interests 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 and minority interests for the consolidated fiscal year including the period ended December 31, 2014.

(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)

	FY3/14 (As of March 31, 2014)	Third quarter of FY3/15 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	2,232,163	3,122,792
Notes and accounts receivable-trade	1,231,205	1,090,312
Securities	—	1,000,000
Lease receivables and investment assets	2,326,755	3,969,834
Raw materials and supplies	24,810	8,382
Short-term loans receivable	—	464,865
Deferred tax assets	245,883	245,883
Others	510,514	507,428
Total current assets	6,571,330	10,409,496
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	49,688,914	48,100,620
Machinery, equipment and vehicles, net	4,210,656	4,553,677
Tools, furniture and fixtures, net	39,816	28,689
Land	9,507,156	9,510,579
Construction in progress	757,489	358,132
Total property, plant and equipment	64,204,031	62,551,697
Intangible assets	75,003	49,611
Investments and other assets		
Investment securities	4,594,849	6,317,292
Long-term loans receivable	5,102	4,375
Net defined benefit asset	75,235	47,470
Deferred tax assets	1,488,211	949,325
Others	648,332	660,035
Allowance for doubtful accounts	(40,867)	(34,567)
Total investments and other assets	6,770,862	7,943,930
Total noncurrent assets	71,049,896	70,545,238
Total assets	77,621,226	80,954,734

(Thousands of yen)

	FY3/14 (As of March 31, 2014)	Third quarter of FY3/15 (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,205,511	529,933
Short-term loans payable	4,102,092	4,101,548
Accounts payable	4,069,162	850,722
Income taxes payable	96,492	633,099
Accrued expenses	112,983	119,214
Unearned revenue	838,397	1,342,611
Provision for bonuses	115,579	56,886
Provision for directors' bonuses	27,600	12,898
Provision for removal cost of property, plant and equipment	375,191	359,465
Others	712,852	765,730
Total current liabilities	11,655,859	8,772,106
Noncurrent liabilities		
Long-term loans payable	12,627,848	16,766,600
Long-term guarantee deposited	4,849,441	4,819,522
Long-term accounts payable-facilities	256,765	256,765
Net defined benefit liability	12,398	2,673
Provision for directors' retirement benefits	210,557	192,366
Provision for long-term removal cost of property, plant and equipment	10,178	10,178
Total noncurrent liabilities	17,967,187	22,048,104
Total liabilities	29,623,046	30,820,210
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	33,219,444	34,311,901
Treasury stock	(1,562,002)	(1,562,185)
Total shareholders' equity	45,466,463	46,558,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,032,562	2,005,700
Total accumulated other comprehensive income	1,032,562	2,005,700
Minority interests	1,499,156	1,570,087
Total net assets	47,998,180	50,134,524
Total liabilities and net assets	77,621,226	80,954,734

(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 FY3/14 (April 1, 2013–December 31, 2013)	First nine months of FY3/15 (April 1, 2014–December 31, 2014)
Net sales	15,574,641	15,780,147
Cost of sales	11,561,301	11,888,615
Gross profit	4,013,340	3,891,532
Selling, general, and administrative expenses		
Directors' compensations	222,801	217,337
Salaries and bonuses	354,749	399,860
Provision for bonuses	28,324	30,558
Provision for directors' bonuses	13,800	12,898
Transportation and communication expenses	63,183	66,147
Taxes and dues	54,312	45,896
Depreciation	24,479	24,095
Others	247,530	390,524
Total selling, general, and administrative expenses	1,009,178	1,187,315
Operating income	3,004,162	2,704,217
Non-operating income		
Interest income	19	2,076
Dividends income	91,715	334,803
Commission fee	32,754	100,059
Gain on investments in silent partnership	31,363	101,875
Others	41,069	84,940
Total non-operating income	196,920	623,753
Non-operating expenses		
Interest expenses	181,111	219,142
Removal cost of property, plant and equipment	21,166	10,960
Provision for removal cost	36,491	20,765
Others	9,194	11,241
Total non-operating expenses	247,962	262,108
Ordinary income	2,953,120	3,065,862
Extraordinary income		
Compensation for remaining book value	—	4,160
Others	—	263
Total extraordinary income	—	4,423
Extraordinary loss		
Loss on retirement of noncurrent assets	38,903	306,798
Loss on sales of noncurrent assets	—	2
Total extraordinary loss	38,903	306,800
Income before income taxes	2,914,217	2,763,485
Income taxes	1,142,005	941,828
Income before minority interests	1,772,212	1,821,657
Minority interests in income	91,916	109,260
Net income	1,680,296	1,712,397

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First nine months of FY3/14 (April 1, 2013–December 31, 2013)	First nine months of FY3/15 (April 1, 2014–December 31, 2014)
Income before minority interests	1,772,212	1,821,657
Other comprehensive income		
Valuation difference on available-for-sale securities	356,636	973,138
Total other comprehensive income	356,636	973,138
Comprehensive income	2,128,848	2,794,796
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,036,932	2,685,536
Comprehensive income attributable to minority interests	91,916	109,260

(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)

Skymark Airlines Inc., one of our major tenants, decided by resolution at the board meeting held on January 28, 2015 to file with the Tokyo District Court to commence civil rehabilitation proceedings. After the filing, the Tokyo District Court issued a protective order to prohibit payment and a supervision order and appointed a supervisor. The rehabilitation plan has not been finalized nor approved yet, but Skymark Airlines intends to continue its flight operations.

The amount due from Skymark Airlines as of December 31, 2014 was mainly long-term lease receivable and amounted to approx.¥3,400 million.

We believe our receivable will be mostly preserved as the Tokyo District Court issued on January 28, 2015 an order to state that liabilities related to rent, utility expenses, communication costs, etc. and liabilities related to lease payments for flight equipment, furniture and fixtures required for operation (air transport business) are not subject to the prohibition of “repayment and provision of security.”