

Financial Results for the Second 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-group.jp>
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 The date of filing the quarterly securities report: November 7, 2014
 The date of the dividend payment start: November 25, 2014
 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 2015 (April 1, 2014 - September 30, 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 six months ended								
September 30, 2014	10,605	0.7	1,778	(6.0)	1,982	6.9	1,065	0.1
September 30, 2013	10,528	(0.7)	1,893	2.0	1,854	(8.2)	1,064	(10.0)

(Note) Comprehensive income: First six months ended September 30, 2014: 1,704 million yen (11.9%)
 First six months ended September 30, 2013: 1,522 million yen (60.1%)

	Net income per share	Diluted net income per share
First six months ended	Yen	Yen
September 30, 2014	20.61	—
September 30, 2013	20.59	—

(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, 2014	81,712	49,354	58.5	926.07
As of March 31, 2014	77,621	47,998	59.9	900.07

(Reference) Equity capital: As of September 30, 2014: 47,842 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 September 30, 2014:	54,903,750 shares	As of March 31, 2014:	54,903,750 shares
2) Number of treasury stock	As of September 30, 2014:	3,242,171 shares	As of March 31, 2014:	3,241,952 shares
3) Average number of shares during the period	First six months ended September 30, 2014:	51,661,697 shares	First six months ended September 30, 2013:	51,662,107 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, 2014 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2014

(1) Explanation about Business Results

During the six months ended September 30, 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 various government policies have taken effects. 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, demands of international passengers during the summer busy season exceeded the previous year's results due to an increase of the arrival and departure slots for international flights at Tokyo International Airport as well as a continued upward trend in foreign passengers visiting Japan. Domestic flights, however, fell below the previous year's results as there were more cancelled flights due to large typhoons this year.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥10,605 million (up 0.7% 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 ¥1,778 million (down 6.0%) and ordinary income of ¥1,982 million (up 6.9%) and net income of ¥1,065 million (up 0.1%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥7,804 million, an increase by ¥416 million (5.6%) 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 ¥22 million (1.6%) to ¥1,332 million due to an increase in depreciation and electricity cost.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥1,649 million, a decrease by ¥305 million (15.6%) 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 ¥41 million (12.2%) to ¥299 million.

(iii) Water Supply & Drainage Service and Other Business

Net sales in Water Supply & Drainage Service and Other Business decreased by ¥34 million (2.9%) from the same period of the previous year to ¥1,151 million as a result of reviewing management fees for the waterworks & drainage management business at the Tokyo International Airport. Operating income also decreased by ¥51 million (25.7%) to ¥148 million.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2014 amounted to ¥81,712 million, an increase by ¥4,091 million compared to March 31, 2014, due to an increase in prepaid expense for the payment of land rent for the year ending March 31, 2015 and in unrealized gain in investment securities as a result of rise in stock price.

(Liabilities)

Liabilities as of September 30, 2014 amounted to ¥32,359 million, an increase by ¥2,735 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 September 30, 2014 increased by ¥1,356 million compared to March 31, 2014 to ¥49,354 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 September 30, 2014 decreased by 1.4 points to 58.5 % 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 September 30, 2014.

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

Not applicable.

3. Material Events concerning Going Concern

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/14 (As of March 31, 2014)	Second quarter of FY3/15 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	2,232,163	2,702,913
Notes and accounts receivable-trade	1,231,205	1,154,276
Lease investment assets	2,326,755	2,260,630
Raw materials and supplies	24,810	7,443
Deferred tax assets	245,883	245,883
Short-term loans receivable	—	3,436,615
Others	510,514	1,469,428
Total current assets	6,571,330	11,277,188
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	49,688,914	48,234,423
Machinery, equipment and vehicles, net	4,210,656	4,694,563
Tools, furniture and fixtures, net	39,816	31,162
Land	9,507,156	9,510,578
Construction in progress	757,489	527,503
Total property, plant and equipment	64,204,031	62,998,229
Intangible assets	75,003	58,038
Investments and other assets		
Investment securities	4,594,849	5,509,454
Long-term loans receivable	5,102	4,582
Deferred tax assets	1,488,211	1,162,246
Net defined benefit asset	75,235	75,235
Others	648,332	662,021
Allowance for doubtful accounts	(40,867)	(34,567)
Total investments and other assets	6,770,862	7,378,971
Total noncurrent assets	71,049,896	70,435,238
Total assets	77,621,226	81,712,426

(Thousands of yen)

	FY3/14 (As of March 31, 2014)	Second quarter of FY3/15 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,205,511	648,560
Short-term loans payable	4,102,092	4,255,394
Accounts payable	4,069,162	936,811
Income taxes payable	96,492	503,948
Accrued expenses	112,983	95,560
Unearned revenue	838,397	1,867,375
Provision for bonuses	115,579	132,189
Provision for directors' bonuses	27,600	25,796
Provision for removal cost of property, plant and equipment	375,191	359,465
Others	712,852	788,328
Total current liabilities	11,655,859	9,613,426
Noncurrent liabilities		
Long-term loans payable	12,627,848	17,288,500
Long-term guarantee deposited	4,849,441	4,991,330
Long-term accounts payable-facilities	256,765	256,765
Net defined benefit liability	12,398	20,711
Provision for directors' retirement benefits	210,557	177,599
Provision for long-term removal cost of property, plant and equipment	10,178	10,178
Total noncurrent liabilities	17,967,187	22,745,083
Total liabilities	29,623,046	32,358,509
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	33,973,975
Treasury stock	(1,562,002)	(1,562,154)
Total shareholders' equity	45,466,463	46,220,842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,032,562	1,621,202
Total accumulated other comprehensive income	1,032,562	1,621,202
Minority interests	1,499,156	1,511,873
Total net assets	47,998,180	49,353,917
Total liabilities and net assets	77,621,226	81,712,426

(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 FY3/14 (April 1, 2013 – September 30, 2013)	First six months of FY3/15 (April 1, 2014 – September 30, 2014)
Net sales	10,527,549	10,604,744
Cost of sales	7,872,271	8,017,385
Gross profit	2,655,278	2,587,359
Selling, general, and administrative expenses		
Directors' compensations	126,924	129,909
Salaries and bonuses	197,453	211,983
Provision for bonuses	71,448	70,666
Provision for directors' bonuses	27,600	25,796
Transportation and communication expenses	44,985	49,480
Taxes and dues	41,456	35,254
Depreciation	16,312	16,057
Others	236,362	269,939
Total selling, general, and administrative expenses	762,540	809,084
Operating income	1,892,738	1,778,275
Non-operating income		
Interest income	19	1,149
Dividends income	86,813	328,210
Commission fee	2,436	2,578
Gain on investments in silent partnership	15,378	16,528
Others	37,808	44,163
Total non-operating income	142,454	392,628
Non-operating expenses		
Interest expenses	123,620	146,795
Removal cost of property, plant and equipment	17,689	10,614
Provision for removal cost	37,015	20,765
Others	3,254	10,446
Total non-operating expenses	181,578	188,620
Ordinary income	1,853,614	1,982,283
Extraordinary income		
Others	—	263
Total extraordinary income	—	263
Extraordinary loss		
Loss on retirement of noncurrent assets	25,047	306,798
Loss on sales of noncurrent assets	—	2
Total extraordinary loss	25,047	306,800
Income before income taxes	1,828,567	1,675,746
Income taxes	725,144	560,197
Income before minority interests	1,103,423	1,115,549
Minority interests in income	39,890	51,047
Net income	1,063,533	1,064,502

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/14 (April 1, 2013–September 30, 2013)	First six months of FY3/15 (April 1, 2014–September 30, 2014)
Income before minority interests	1,103,423	1,115,549
Other comprehensive income		
Valuation difference on available-for-sale securities	418,961	588,640
Total other comprehensive income	418,961	588,640
Comprehensive income	1,522,384	1,704,189
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,482,494	1,653,142
Comprehensive income attributable to minority interests	39,890	51,047

**(3) Notes on Quarterly Consolidated Financial Statements
(Notes on Premise of Going Concern)**

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.