

Financial Results for the First Quarter of the Year Ending March 31, 2014 [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: August 9, 2013
 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 First Quarter of the Fiscal Year Ending March 2014 (April 1, 2013 - June 30, 2013)

(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 three months ended								
June 30, 2013	5,087	0.0	965	5.1	1,008	(10.8)	539	(15.7)
June 30, 2012	5,086	3.9	918	19.0	1,131	38.2	640	97.6

(Note) Comprehensive income: First three months ended June 30, 2013: 717 million yen (17.6%)
 First three months ended June 30, 2012: 610 million yen (69.6%)

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
June 30, 2013	10.44	—
June 30, 2012	12.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2013	75,424	47,395	61.0	889.85
As of March 31, 2013	73,317	47,026	62.2	882.80

(Reference) Equity capital: As of June 30, 2013: 45,971 million yen As of March 31, 2013: 45,607 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2013	—	6.00	—	6.00	12.00
FY ending March 31, 2014	—				
FY ending March 31, 2014 (Forecasts)		6.00	—	6.00	12.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2014 (April 1, 2013 - March 31, 2014)

(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
First half	10,450	(1.4)	1,720	(7.3)	1,670	(17.3)	990	(16.2)	19.16
Full fiscal year	21,170	0.5	3,380	0.5	3,130	(10.3)	1,730	(2.9)	33.49

(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 June 30, 2013:	54,903,750 shares	As of March 31, 2013:	54,903,750 shares
2) Number of treasury stock	As of June 30, 2013:	3,241,556 shares	As of March 31, 2013:	3,241,454 shares
3) Average number of shares during the period	First three months ended June 30, 2013:	51,662,201 shares	First three months ended June 30, 2012:	51,662,501 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 June 30, 2013 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended June 30, 2013

(1) Explanation about Business Results

During the quarter ended June 30, 2013, weakening yen as a result of monetary easing policy contributed to the recovery in exports and other policies also started to take effects, and the Japanese economy is expected to turn toward a recovery as the improvement in corporate revenues led to increases in household income and investments. However, downturn in overseas economies such as China and Europe remains as risks to depress the Japanese economy.

In the aviation industry, despite the concerns over the weak yen and fuel cost hovering at a high level, recovering economy contributed to an increase in demands mainly of domestic passengers and such situation is expected to continue.

While the operating structure has been improved in response to an increase of the flight capacity for arrivals and departures at Tokyo International Airport and Narita International Airport and the resumed service of B787 which had been suspended since January, the Group continues to make efforts to improve the management as the competition among airline companies has been increasingly intensifying due to the “Open skies agreement” taking effect at Narita International Airport and increases in routes and flights of LCC.

In June, “Bill for Operation of the Government-managed Airports with the Use of the Private Sector Capabilities” was passed, and as it is expected to promote detailed deliberation towards the reform of airport management, we will continue to watch carefully for the future development with the hope that it would further revitalize the aviation-related industry.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥5,087 million (up 0.0% from the same period of the previous year), which remained the same level as the previous year as an increase in real estate rent revenue was offset by a decrease in clients in District Heating & Cooling Business, operating income of ¥965 million (up 5.1%) and ordinary income of ¥1,008 million (down 10.8%) due to a decrease in dividend income and net income of ¥539 million (down 15.7%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥3,665 million, an increase by ¥179 million (5.1%) from the same period of the previous year, as a result of full-year operation of Kitakyushu Airport Training Center obtained during the year ended March 31, 2013 and rent income from new large tenant at Tokyo International Airport. Operating income also increased by ¥54 million (8.8%) to ¥668 million as a result of a decrease in depreciation of the existing facilities.

(ii) District Heating & Cooling Business

District Heating & Cooling Business recorded net sales of ¥837 million, a decrease by ¥114 million (12.0%) from the same period of the previous year, due to a decrease in clients in the 1-chome District of Tokyo International Airport. Operating income also decreased by ¥47 million (17.9%) to ¥215 million.

(iii) Waterworks & Drainage Management and Other Business

Net sales in Waterworks & Drainage Management and Other Business decreased by ¥63 million (9.7%) from the same period of the previous year to ¥586 million, despite an increase in sales from shared telecommunications network business, as a result of the change of the service contract with Osaka International Airport from the waterworks & drainage management contract to maintenance and management contract. Operating income, however, increased by ¥40 million (96.2%) to ¥82 million due to decreases in expenses including a significant decrease in water charge as a result of contract change as well as decreases in land rent and maintenance and management expense.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2013 amounted to ¥75,424 million, an increase by ¥2,107 million compared to March 31, 2013, due to increases in construction-in-progress from payments for construction of a facility to provide in-flight services and apartments for single airport employees, and an increase in prepaid expense for the payment of land rent for the year ending March 31, 2014.

(Liabilities)

Liabilities as of June 30, 2013 amounted to ¥28,030 million, an increase by ¥1,739 million from March 31, 2013, due to an increase in unearned revenue arising from land rent invoiced for the year ending March 31, 2014 and proceeds from long-term loans payable.

(Net assets)

Net assets as of June 30, 2013 increased by ¥369 million compared to March 31, 2013 to ¥47,395 million due mainly to an increase in retained earnings.

As a result, an increase in net assets was surpassed by an increase in liabilities, resulting in a decrease in equity ratio by 1.2 points to 61.0% compared to March 31, 2013.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2014 which was announced in the Financial Results for the Year Ended March 31, 2013 [J-GAAP] dated May 14, 2013.

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 quarter 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 quarter ended June 30, 2013.

(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)

	FY3/13 (As of March 31, 2013)	First quarter of FY3/14 (As of June 30, 2013)
Assets		
Current assets		
Cash and deposits	1,937,693	1,927,633
Notes and accounts receivable-trade	1,104,213	997,604
Lease investment assets	1,941,007	1,937,535
Raw materials and supplies	46,175	47,004
Deferred tax assets	220,842	220,842
Short-term loans receivable	799,712	—
Others	456,394	2,978,353
Total current assets	6,506,036	8,108,971
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,731,536	47,137,072
Machinery, equipment and vehicles, net	3,125,742	3,559,008
Tools, furniture and fixtures, net	37,284	35,371
Land	8,627,706	8,664,706
Construction in progress	1,502,063	2,006,755
Total property, plant and equipment	61,024,331	61,402,912
Intangible assets	96,114	87,401
Investments and other assets		
Investment securities	3,490,582	3,700,376
Long-term loans receivable	6,266	5,933
Deferred tax assets	1,801,151	1,726,381
Others	422,885	422,885
Allowance for doubtful accounts	(30,600)	(30,600)
Total investments and other assets	5,690,284	5,824,975
Total noncurrent assets	66,810,729	67,315,288
Total assets	73,316,765	75,424,259

(Thousands of yen)

	FY3/13 (As of March 31, 2013)	First quarter of FY3/14 (As of June 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,257,057	542,801
Short-term loans payable	4,247,722	4,259,922
Accounts payable	715,383	583,513
Income taxes payable	478,046	396,462
Accrued expenses	153,850	191,169
Unearned revenue	813,465	2,295,385
Provision for bonuses	120,200	65,700
Provision for directors' bonuses	21,038	13,800
Provision for removal cost of property, plant and equipment	258,964	224,000
Others	968,940	1,074,414
Total current liabilities	9,034,665	9,647,166
Noncurrent liabilities		
Long-term loans payable	11,645,140	12,766,094
Long-term guarantee deposited	5,012,653	5,059,546
Long-term accounts payable-facilities	308,118	308,118
Provision for retirement benefits	73,676	83,949
Provision for directors' retirement benefits	216,364	164,732
Total noncurrent liabilities	17,255,951	18,382,439
Total liabilities	26,290,616	28,029,605
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	32,746,818	32,976,009
Treasury stock	(1,561,637)	(1,561,702)
Total shareholders' equity	44,994,202	45,223,328
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	613,054	748,078
Total accumulated other comprehensive income	613,054	748,078
Minority interests	1,418,893	1,423,248
Total net assets	47,026,149	47,394,654
Total liabilities and net assets	73,316,765	75,424,259

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)

(Thousands of yen)

	First three months of FY3/13 (April 1, 2012 – June 30, 2012)	First three months of FY3/14 (April 1, 2013 – June 30, 2013)
Net sales	5,085,794	5,087,274
Cost of sales	3,781,541	3,731,173
Gross profit	1,304,253	1,356,101
Selling, general, and administrative expenses		
Directors' compensations	52,077	58,647
Salaries and bonuses	110,981	108,920
Provision for bonuses	37,881	38,145
Provision for directors' bonuses	10,519	13,800
Transportation and communication expenses	19,910	22,149
Taxes and dues	26,241	26,676
Depreciation	8,886	8,260
Others	120,113	114,610
Total selling, general, and administrative expenses	386,608	391,207
Operating income	917,645	964,894
Non-operating income		
Interest income	78	9
Dividends income	341,742	77,862
Commission fee	3,573	869
Gain on investments in silent partnership	13,794	15,378
Others	27,876	31,645
Total non-operating income	387,063	125,763
Non-operating expenses		
Interest expenses	75,083	62,839
Removal cost of property, plant and equipment	98,346	16,346
Others	332	3,217
Total non-operating expenses	173,761	82,402
Ordinary income	1,130,947	1,008,255
Extraordinary loss		
Loss on retirement of noncurrent assets	8,217	24,999
Directors' retirement benefits	495	—
Total extraordinary loss	8,712	24,999
Income before income taxes	1,122,235	983,256
Income taxes	425,993	401,408
Income before minority interests	696,242	581,848
Minority interests in income	56,696	42,684
Net income	639,546	539,164

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First three months of FY3/13 (April 1, 2012 – June 30, 2012)	First three months of FY3/14 (April 1, 2013 – June 30, 2013)
Income before minority interests	696,242	581,848
Other comprehensive income		
Valuation difference on available-for-sale securities	(86,677)	135,024
Total other comprehensive income	(86,677)	135,024
Comprehensive income	609,565	716,872
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	552,869	674,188
Comprehensive income attributable to minority interests	56,696	42,684

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.