

Financial Results for the Second 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>
 Representative: Tomoyuki Takahashi, President and CEO
 Inquiries: Kazuhiko Muraishi, Director, Senior Corporate Officer, General Manager of Accounting Dept. TEL: +81-3-3747-0251
 The date of filing the quarterly securities report: November 8, 2013
 The date of the dividend payment start: November 25, 2013
 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 2014 (April 1, 2013 - September 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 six months ended								
September 30, 2013	10,528	(0.7)	1,893	2.0	1,854	(8.2)	1,064	(10.0)
September 30, 2012	10,600	3.4	1,856	15.8	2,019	24.5	1,181	46.7

(Note) Comprehensive income: First six months ended September 30, 2013: 1,522 million yen (60.1%)
 First six months ended September 30, 2012: 951 million yen (5.6%)

	Net income per share	Diluted net income per share
First six months ended	Yen	Yen
September 30, 2013	20.59	—
September 30, 2012	22.87	—

(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, 2013	74,436	48,200	62.8	905.49
As of March 31, 2013	73,317	47,026	62.2	882.80

(Reference) Equity capital: As of September 30, 2013: 46,780 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	—	6.00			
FY ending March 31, 2014 (Forecasts)			—	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
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 September 30, 2013:	54,903,750 shares	As of March 31, 2013:	54,903,750 shares
2) Number of treasury stock	As of September 30, 2013:	3,241,798 shares	As of March 31, 2013:	3,241,454 shares
3) Average number of shares during the period	First six months ended September 30, 2013:	51,662,107 shares	First six months ended September 30, 2012:	51,662,491 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, 2013” (3) Qualitative Information on Consolidated Earnings Forecast on page 4.

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

(1) Explanation about Business Results

During the six months ended September 30, 2013, the Japanese economy's recovery has been becoming reality due to recovery of exports and continued increases in private consumptions and capital investments while various policies including monetary easing and weakening yen started to take effects. On the other hand, increases in import prices and downturn in overseas economies continued to constitute risks to depress the Japanese economy.

In the aviation industry, number of domestic passengers continued to increase steadily and the actual demands of domestic passengers during the summer high seasons exceeded the previous year's result for many airline companies. While major airline companies increase their supplies, domestic LCCs have been increasing the number of destinations and flights at a rapid pace since they started operation last year, making competitions among airline companies more intensifying. Although the favorable recovery of the economic conditions is expected to support continuous solid demands, cost burdens such as weakening yen and fuel cost hovering at a high level are having adverse effects on revenues; and accordingly, airline companies continue to implement management improvement efforts including cost reduction.

Tokyo International Airport, our business location, has been undergoing the functional enhancement including the expansion of terminals in response to an increase of the international flight capacity for arrivals and departures scheduled in next spring. In addition, as the further increase of the flight capacity is expected to be discussed as a result of the decision to host 2020 Olympic/Paralympic Games in Tokyo, we consider this as an opportunity for our business expansion and intend to collaborate closely with relevant parties.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥10,528 million (down 0.7% from the same period of the previous year), operating income of ¥1,893 million (up 2.0%) and ordinary income of ¥1,854 million (down 8.2%) due to a decrease in dividend from subsidiary, and net income of ¥1,064 million (down 10.0%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥7,389 million, an increase by ¥286 million (4.0%) from the same period of the previous year, due to rent income from new large tenant at Tokyo International Airport starting in the previous period and full-year operation of Kitakyushu Airport Training Center despite the impact of cost reduction by major airline companies. Operating income also increased by ¥94 million (7.5%) to ¥1,354 million as a result of a decrease in depreciation expense of the existing facilities.

(ii) District Heating & Cooling Business

District Heating & Cooling Business recorded net sales of ¥1,954 million, a decrease by ¥280 million (12.5%) 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 ¥132 million (28.0%) to ¥340 million due to increased price of electricity and gas.

(iii) Waterworks & Drainage Management and Other Business

Net sales in Waterworks & Drainage Management and Other Business decreased by ¥78 million (6.2%) from the same period of the previous year to ¥1,185 million due to change of the contract form of the waterworks & drainage management business at Osaka International Airport. Operating income, however, increased by ¥76 million (61.3%) to ¥199 million due to a significant decrease in outsourcing expense for maintenance and management service and a decrease in land rent.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2013 amounted to ¥74,436 million, an increase by ¥1,120 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 unrealized gains on investment securities from rising stock price.

(Liabilities)

There were no major movements in liabilities and the ending balance as of September 30, 2013 amounted to ¥26,236 million, a decrease by ¥54 million from March 31, 2013, as an increase in long-term loans payable was slightly surpassed by contract repayments.

(Net assets)

Net assets as of September 30, 2013 increased by ¥1,174 million compared to March 31, 2013 to ¥48,200 million mainly due to an increase in retained earnings from recording net income for the period and an increase in valuation difference on available-for-sale securities.

As a result, equity ratio increased by 0.6 points to 62.8% 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 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, 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)	Second quarter of FY3/14 (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	1,937,693	2,002,153
Notes and accounts receivable-trade	1,104,213	1,079,418
Lease investment assets	1,941,007	1,927,590
Raw materials and supplies	46,175	39,488
Deferred tax assets	220,842	220,842
Short-term loans receivable	799,712	-
Others	456,394	2,254,284
Total current assets	6,506,036	7,523,775
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,731,536	46,512,277
Machinery, equipment and vehicles, net	3,125,742	3,451,161
Tools, furniture and fixtures, net	37,284	36,005
Land	8,627,706	8,664,706
Construction in progress	1,502,063	2,060,906
Total property, plant and equipment	61,024,331	60,725,055
Intangible assets	96,114	79,046
Investments and other assets		
Investment securities	3,490,582	4,141,546
Long-term loans receivable	6,266	5,642
Deferred tax assets	1,801,151	1,569,148
Others	422,885	422,779
Allowance for doubtful accounts	(30,600)	(30,600)
Total investments and other assets	5,690,284	6,108,515
Total noncurrent assets	66,810,729	66,912,616
Total assets	73,316,765	74,436,391

(Thousands of yen)

	FY3/13 (As of March 31, 2013)	Second quarter of FY3/14 (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,257,057	657,456
Short-term loans payable	4,247,722	3,942,092
Accounts payable	715,383	209,301
Income taxes payable	478,046	732,075
Accrued expenses	153,850	57,993
Unearned revenue	813,465	1,785,993
Provision for bonuses	120,200	131,441
Provision for directors' bonuses	21,038	27,600
Provision for removal cost of property, plant and equipment	258,964	261,015
Others	968,940	1,200,248
Total current liabilities	9,034,665	9,005,214
Noncurrent liabilities		
Long-term loans payable	11,645,140	11,840,894
Long-term guarantee deposited	5,012,653	4,807,519
Long-term accounts payable-facilities	308,118	308,118
Provision for retirement benefits	73,676	94,643
Provision for directors' retirement benefits	216,364	180,007
Total noncurrent liabilities	17,255,951	17,231,181
Total liabilities	26,290,616	26,236,395
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	33,500,379
Treasury stock	(1,561,637)	(1,561,872)
Total shareholders' equity	44,994,202	45,747,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	613,054	1,032,014
Total accumulated other comprehensive income	613,054	1,032,014
Minority interests	1,418,893	1,420,454
Total net assets	47,026,149	48,199,996
Total liabilities and net assets	73,316,765	74,436,391

(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 FY3/13 (April 1, 2012–September 30, 2012)	First six months of FY3/14 (April 1, 2013–September 30, 2013)
Net sales	10,600,070	10,527,549
Cost of sales	7,976,595	7,872,271
Gross profit	2,623,475	2,655,278
Selling, general, and administrative expenses		
Directors' compensations	110,724	126,924
Salaries and bonuses	214,924	197,453
Provision for bonuses	74,905	71,448
Provision for directors' bonuses	21,038	27,600
Transportation and communication expenses	41,128	44,985
Taxes and dues	40,427	41,456
Depreciation	17,635	16,312
Others	247,095	236,362
Total selling, general, and administrative expenses	767,876	762,540
Operating income	1,855,599	1,892,738
Non-operating income		
Interest income	215	19
Dividends income	350,285	86,813
Commission fee	7,354	2,436
Gain on investments in silent partnership	13,794	15,378
Others	37,298	37,808
Total non-operating income	408,946	142,454
Non-operating expenses		
Interest expenses	146,826	123,620
Loss on retirement of noncurrent assets	98,645	54,704
Others	454	3,254
Total non-operating expenses	245,925	181,578
Ordinary income	2,018,620	1,853,614
Extraordinary loss		
Removal cost of property, plant and equipment	40,118	25,047
Directors' retirement benefits	495	-
Total extraordinary loss	40,613	25,047
Income before income taxes	1,978,007	1,828,567
Income taxes	734,706	725,144
Income before minority interests	1,243,301	1,103,423
Minority interests in income	61,865	39,890
Net income	1,181,436	1,063,533

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/13 (April 1, 2012–September 30, 2012)	First six months of FY3/14 (April 1, 2013–September 30, 2013)
Income before minority interests	1,243,301	1,103,423
Other comprehensive income		
Valuation difference on available-for-sale securities	(292,416)	418,961
Total other comprehensive income	(292,416)	418,961
Comprehensive income	950,885	1,522,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	889,020	1,482,494
Comprehensive income attributable to minority interests	61,865	39,890

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Significant Subsequent Events)

Establishment of an overseas affiliate

The Company resolved at the board of directors' meeting held on October 31, 2013 to establish a local affiliate in Singapore and open a local office.

• Purpose of the establishment

To construct and acquire aviation-related facilities in overseas and provide those facilities to aviation-related companies

The company name, time of establishment, business description, amount of capital, and ownership ratio are to be determined.