

Financial Results for the Second Quarter of the Year Ending March 31, 2016 [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: November 6, 2015
 The date of the dividend payment start: November 24, 2015
 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 2016 (April 1, 2015 - September 30, 2015)

(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 six months ended								
September 30, 2015	10,338	(2.5)	1,566	(11.9)	1,537	(22.5)	885	(16.9)
September 30, 2014	10,605	0.7	1,778	(6.0)	1,982	6.9	1,065	0.1

(Note) Comprehensive income: First six months ended September 30, 2015: 760 million yen ((55.4%))
 First six months ended September 30, 2014: 1,704 million yen (11.9%)

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
September 30, 2015	17.13	17.13
September 30, 2014	20.61	—

(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, 2015	82,885	51,162	59.7	958.47
As of March 31, 2015	84,270	50,715	58.3	951.16

(Reference) Equity capital: As of September 30, 2015: 49,515 million yen As of March 31, 2015: 49,138 million yen

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	6.00	—	6.00	12.00
FY ending March 31, 2016	—	6.00			
FY ending March 31, 2016 (Forecasts)			—	6.00	12.00

(Note) Changes in the latest forecasts released: No

3. Forecast of Consolidated Earnings for the Year Ending March 2016 (April 1, 2015 - March 31, 2016)

(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	20,670	(2.1)	2,690	(15.0)	2,730	(13.7)	1,720	14.3	33.29

(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. : Yes
- 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, 2015:	54,903,750 shares	As of March 31, 2015:	54,903,750 shares
2) Number of treasury stock	As of September 30, 2015:	3,242,773 shares	As of March 31, 2015:	3,242,446 shares
3) Average number of shares during the period	First six months ended September 30, 2015:	51,661,062 shares	First six months ended September 30, 2014:	51,661,697 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, 2015 (3) Qualitative Information on Consolidated Earnings Forecast” on page 4.

1. Qualitative Information on Consolidated Financial Results for the Quarter Ended September 30, 2015

(1) Explanation about Business Results

During the six months ended September 30, 2015, the Japanese economy continued to show a gradual recovery with continued improvement of income and employment environment as a result of various government policies such as continued monetary easing by the Bank of Japan. However, while the U.S. economy maintains a steady growth, attention should be given to risks that might depress the Japanese economy, including the Greek crisis and increased tensions in the Middle East situation as well as significant fluctuation in the stock market affected by economic downturn in China since the beginning of this fiscal year.

In the aviation industry, demands, especially for international flights, continue to grow due to a significant increase in foreign passengers visiting Japan as well as stable crude oil prices. On the other hand, domestic flights face increasingly severe competition, although passengers during the summer busy season exceeded the previous year's results, due to factors such as a slight decrease in demand on the Hokuriku routes caused by the start of operation of Shinkansen and entry of LCC, and accordingly close attention is required to the industry trends including cost reduction measures implemented by airline companies.

As for our receivable due from Skymark Airlines Inc., which filed for protection under the Civil Rehabilitation Law in January 2015, almost the entire amount is expected to be preserved as anticipated based on the rehabilitation plan finalized in September 2015.

Also, we have been recently developing new businesses in overseas including Singapore, and we expect some of those which have successfully formed since last year will contribute to business performance in the future.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥10,338 million (down 2.5% from the same period of the previous year) due to the move-out from part of facilities by major airline companies, operating income of ¥1,566 million (down 11.9%) and ordinary income of ¥1,537 million (down 22.5%) and profit attributable to owners of parent of ¥885 million (down 16.9%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥7,603 million, a decrease by ¥201 million (2.6%) from the same period of the previous year, as a result of a decrease in leased area and rent reduction for airline companies in Tokyo International Airport, despite additions of a simulator facility at Tokyo International Airport and two properties including a small aircraft hangar and an engine maintenance shop by a consolidated subsidiary in Singapore. Operating income also decreased by ¥323 million (24.3%) to ¥1,008 million.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥1,644 million, a slight decrease of ¥4 million (0.3%) 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, despite a steady growth of sales from cooling service by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary.

(iii) Water Supply & Drainage Service and Other Business

Net sales in Water Supply & Drainage Service and Other Business decreased by ¥61 million (5.3%) to ¥1,090 million from the same period of the previous year as a result of a decrease in the number of shared telecommunication lines due to partial cancellation by a major airline company for its cost reduction purpose, despite a steady growth in sales from water supply and drainage service due to an increase in the number of passengers at Tokyo International Airport. Operating income also decreased by ¥66 million (44.9%) to ¥81 million due to an increase in depreciation expense associated with renewal of PBX, equipment for shared telecommunication network.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of September 30, 2015 amounted to ¥82,885 million, a decrease by ¥1,384 million compared to March 31, 2015, due to sales of securities to pay for construction contracts.

(Liabilities)

Liabilities as of September 30, 2015 amounted to ¥31,723 million, a decrease by ¥1,831 million from March 31, 2015, due to the scheduled repayments of long-term loans payable.

(Net assets)

Net assets as of September 30, 2015 increased by ¥446 million compared to March 31, 2015 to ¥51,162 million mainly due to an increase in retained earnings.

As a result, equity ratio as of September 30, 2015 increased by 1.4 points to 59.7% compared to March 31, 2015.

(3) Qualitative Information on Consolidated Earnings Forecast

There is no change as to Consolidated Earnings Forecast for the Year Ending March 2016 which was announced in the Financial Results for the Year Ended March 31, 2015 [J-GAAP] dated May 14, 2015.

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 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 September 30, 2015.

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

Change in accounting policies

From the beginning of the first quarter of the current consolidated fiscal year, the Company started applying “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As the Company applied these accounting standards, the expression for quarterly net profit, etc. has been changed, and “minority interests” has been changed to “non-controlling interests”. In order to reflect these changes, the consolidated financial statements for the first six months of the previous fiscal year have been reclassified, as well as the entire previous fiscal year.

3. Material Events concerning Going Concern

Not applicable.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY3/15 (As of March 31, 2015)	Second quarter of FY3/16 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	2,891,402	4,739,449
Notes and accounts receivable-trade	1,133,796	1,945,982
Securities	3,000,000	—
Lease investment assets	3,429,585	5,641,630
Raw materials and supplies	23,395	16,694
Deferred tax assets	306,501	306,501
Others	211,950	315,539
Total current assets	10,996,629	12,965,798
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,340,793	46,218,866
Machinery, equipment and vehicles, net	4,877,121	5,522,059
Tools, furniture and fixtures, net	30,050	32,146
Land	9,544,939	9,428,928
Construction in progress	177,653	1,047,217
Total property, plant and equipment	61,970,556	62,249,218
Intangible assets	41,196	27,918
Investments and other assets		
Investment securities	6,764,238	6,423,499
Long-term loans receivable	4,167	3,751
Deferred tax assets	323,237	433,432
Net defined benefit asset	180,682	162,777
Others	4,105,469	653,738
Allowance for doubtful accounts	(115,948)	(34,567)
Total investments and other assets	11,261,845	7,642,631
Total non-current assets	73,273,597	69,919,768
Total assets	84,270,226	82,885,566

(Thousands of yen)

	FY3/15 (As of March 31, 2015)	Second quarter of FY3/16 (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	998,571	652,293
Short-term loans payable	5,290,218	3,958,563
Accounts payable	1,617,997	629,983
Income taxes payable	595,161	531,502
Accrued expenses	801,135	1,968,488
Unearned revenue	756,115	877,041
Provision for bonuses	121,481	132,175
Provision for directors' bonuses	25,796	25,880
Provision for removal cost of property, plant and equipment	490,991	437,976
Others	811,819	787,727
Total current liabilities	11,509,284	10,001,630
Non-current liabilities		
Long-term loans payable	16,820,248	16,382,374
Long-term guarantee deposited	4,809,516	4,900,489
Long-term accounts payable-facilities	205,412	205,412
Long-term accounts payable-other	—	227,234
Net defined benefit liability	3,146	4,202
Provision for directors' retirement benefits	207,132	1,740
Total non-current liabilities	22,045,454	21,721,451
Total liabilities	33,554,738	31,723,082
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	34,103,121	34,684,264
Treasury stock	(1,562,347)	(1,562,571)
Total shareholders' equity	46,349,795	46,930,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,718,548	2,488,004
Foreign currency translation adjustment	69,583	67,572
Total accumulated other comprehensive income	2,788,131	2,555,576
Subscription rights to shares	—	29,359
Non-controlling interests	1,577,562	1,646,833
Total net assets	50,715,488	51,162,483
Total liabilities and net assets	84,270,226	82,885,566

(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 FY3/15 (April 1, 2014–September 30, 2014)	First six months of FY3/16 (April 1, 2015–September 30, 2015)
Net sales	10,604,744	10,338,154
Cost of sales	8,017,385	7,902,977
Gross profit	2,587,359	2,435,176
Selling, general, and administrative expenses		
Directors' compensations	129,909	130,389
Salaries and bonuses	211,983	210,170
Provision for bonuses	70,666	83,985
Provision for directors' bonuses	25,796	25,880
Transportation and communication expenses	49,480	47,097
Taxes and dues	35,254	46,053
Depreciation	16,057	14,022
Others	269,939	310,626
Total selling, general, and administrative expenses	809,084	868,225
Operating income	1,778,275	1,566,950
Non-operating income		
Interest income	1,149	13
Dividends income	328,210	110,025
Commission fee	2,578	22,077
Gain on investments in silent partnership	16,528	—
Others	44,163	75,225
Total non-operating income	392,628	207,341
Non-operating expenses		
Interest expenses	146,795	149,257
Removal cost of property, plant and equipment	10,614	30,270
Provision for removal cost	20,765	—
Foreign exchange losses	—	2,235
Depreciation	—	54,741
Others	10,446	713
Total non-operating expenses	188,620	237,218
Ordinary income	1,982,283	1,537,073
Extraordinary income		
Gain on sales of non-current assets	—	6,707
Others	263	—
Total extraordinary income	263	6,707
Extraordinary loss		
Loss on retirement of non-current assets	306,798	7,339
Loss on sales of non-current assets	2	12,609
Total extraordinary loss	306,800	19,949
Income before income taxes	1,675,746	1,523,831
Income taxes	560,197	531,112
Profit	1,115,549	992,718
Profit attributable to non-controlling interests	51,047	107,600
Profit attributable to owners of parent	1,064,502	885,118

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First six months of FY3/15 (April 1, 2014–September 30, 2014)	First six months of FY3/16 (April 1, 2015–September 30, 2015)
Profit	1,115,549	992,718
Other comprehensive income		
Valuation difference on available-for-sale securities	588,640	(230,543)
Foreign currency translation adjustment	—	(2,010)
Total other comprehensive income	588,640	(232,554)
Comprehensive income	1,704,189	760,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,653,142	652,563
Comprehensive income attributable to non-controlling interests	51,047	107,600

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.