

Financial Results for the Year Ended March 31, 2012 [J-GAAP]

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 the ordinary general shareholders' meeting: June 28, 2012
 The date of the dividend payment start: June 29, 2012
 The date of filing the securities report: June 28, 2012
 Preparation of earnings presentation material: Yes
 Holding of earnings announcement: Yes (for analysts)

(Figures are rounded off to the nearest million yen.)

1. Consolidated Financial Results for the Year Ended March 2012 (April 1, 2011 - March 31, 2012)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2012	20,806	(7.6)	2,771	11.5	2,711	13.1	1,729	(15.5)
March 31, 2011	22,515	(4.6)	2,486	(34.8)	2,396	(32.4)	2,045	583.9

(Note) Comprehensive income: Fiscal year ended March 31, 2012: 1,985 million yen (2.6%)
 Fiscal year ended March 31, 2011: 1,935 million yen (706.3%)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
March 31, 2012	33.46	—	3.8	3.6	13.3
March 31, 2011	39.58	—	4.6	3.3	11.0

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2012: — million yen
 Fiscal year ended March 31, 2011: — million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2012	74,864	47,274	61.4	915.05
As of March 31, 2011	73,083	46,160	61.2	865.11

(Reference) Equity capital: As of March 31, 2012: 45,958 million yen As of March 31, 2011: 44,694 million yen

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2012	2,861	(4,699)	3,117	5,155
March 31, 2011	7,659	(4,395)	(3,975)	3,876

2. Dividends

Fiscal year ended	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2011	—	5.00	—	5.00	10.00	517	25.3	1.1
March 31, 2012	—	6.00	—	6.00	12.00	620	35.9	1.3
Fiscal year ending March 31, 2013 (Forecasts)	—	6.00	—	6.00	12.00		31.3	

3. Forecast of Consolidated Earnings for the Year Ending March 2013 (April 1, 2012 - March 31, 2013)

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

Fiscal year ended	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	10,640	3.8	1,670	4.2	1,640	1.1	970	20.5	18.78
Full fiscal year	21,170	1.7	3,430	23.8	3,340	23.2	1,980	14.5	38.33

4. Other Information

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation):
No

(2) 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: Yes

3) Changes in accounting estimates: Yes

4) Restatement of revisions: No

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of March 31, 2012:	54,903,750 shares	As of March 31, 2011:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2012:	3,241,249 shares	As of March 31, 2011:	3,240,783 shares
3) Average number of shares during the period	Year ended March 31, 2012:	51,662,681 shares	Year ended March 31, 2011:	51,663,281 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2012 (April 1, 2011 - March 31, 2012)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2012	18,088	(8.6)	1,937	(7.5)	2,214	3.3	1,796	(9.1)
March 31, 2011	19,794	(6.3)	2,095	(39.8)	2,144	(35.8)	1,974	590.2

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2012	34.77	—
March 31, 2011	38.21	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2012	69,030	43,823	63.5	848.26
As of March 31, 2011	66,196	42,492	64.2	822.49

(Reference) Equity capital As of March 31, 2012: 43,823 million yen As of March 31, 2011: 42,492 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2013 (April 1, 2012 – March 31, 2013)

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

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,270	4.6	1,440	(2.2)	940	(5.8)	18.20
Full fiscal year	18,540	2.5	2,810	26.9	1,830	1.9	35.42

* Implementation status of audit procedures

The audit 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

The statements about future described on this report such as earnings forecasts have been made based on information currently available and some conditions that we judge rational. Actual earnings may differ greatly 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 page 3.

1. Business Results

(1) Analysis of Business Results

During the fiscal year ended March 31, 2012, the Japanese economy continued to suffer from the severe conditions as a consequence of the damages caused by the Great East Japan Earthquake, but started to show a sign of recovery in the second half as indicated by an increase in capital investments.

However, there remain concerns over the economic slowdown due to fluctuation in foreign exchange associated with the European debt crisis, flood damages in Thailand and high oil prices.

In the aviation industry, while major airline companies have been focusing on improvement of profitability and productivity by introducing new advanced aircrafts Boeing 787s and implementing major cost saving measures, new airline companies as well as low-cost carriers (LCC) began their services in Narita and Kansai international airports, which further increased the price competition for both domestic and international flights.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥20,806 million (down 7.6% from the previous fiscal year) as the full-year impact of partial cancellation of large rental facilities for a major airline company in September 2010 and decline in sales in Waterworks & Drainage Management Business were partially offset by the continuous sales effort to attract new tenants initiated in the previous fiscal year. On the other hand, decreased depreciation and miscellaneous expenses contributed to operating income of ¥2,771 million (up 11.5%) and ordinary income of ¥2,711 million (up 13.1%). Net income was ¥1,729 million (down 15.5%) due to reversal of deferred tax assets as a result of corporate tax cuts.

Performance by business segment is as follows:

(i) Real Estate Business

Net sales of Real Estate Business increased as a result of revenues from “Kyodo Building” in Muromachi, Nihonbashi, Chuo-ku, Tokyo purchased in December 2010, recorded for the full year, and revenues from Rinku International Logistic Center near the Kansai International Airport purchased in September 2011, and Kobe Airport Hanger and “Sky Residence Minami Kamata,” an apartment building for workers in the Tokyo International Airport, completed in November. However, net sales decreased due to the full-year impact of partial cancellation of large rental facilities for a major airline company in September 2010. As a result, net sales amounted to ¥13,528 million, a decrease by ¥1,540 million (10.2%) from the previous fiscal year. Operating income also decreased by ¥154 million (9.5%) to ¥1,473 million from the previous fiscal year, but the decrease was somewhat suppressed due to decreases in depreciation and other expenses including rent expense.

(ii) District Heating & Cooling Business

In District Heating & Cooling Business in the Tokyo International Airport, sales from cooling business decreased due to energy saving measures implemented since the Great East Japan Earthquake such as Cool Biz. However, temperatures during the winter were lower than the previous year, which resulted in increased sales from heating business. As a result, net sales amounted to ¥4,358 million, an increase by ¥146 million (3.5%) from the previous fiscal year, and operating income increased by ¥529 million (88.6%) to ¥1,125 million due to decline in expenses such as electricity expense and depreciation.

(iii) Waterworks & Drainage Management and Other Business

In Waterworks & Drainage Management and Other Business, sales from waterworks & drainage management business decreased as usage of waterworks and sewage in the Tokyo International Airport, the New Chitose Airport, and the Osaka International Airport decreased due to the water saving measures implemented since the Great East Japan Earthquake; and as a result, net sales amounted to ¥2,920 million, a decrease by ¥315 million or 9.8% from the previous fiscal year, and operating income also decreased by ¥90 million (34.3%) to ¥173 million.

Forecast for the fiscal year ending March 31, 2013

While the outlook of the Japanese economy as well as global economy remain uncertain due to factors such as financial crisis in Europe, airline companies, our major customers, are rapidly improving their business performance under the severe competition by further improving business efficiency.

Under such circumstances, the earnings forecast by segment is as follows.

In the Real Estate Business, both sales and profit are expected to increase due to full-year operation of facilities in local airport and outside the airport purchased during the fiscal year ended March 31, 2012, and reuse of idle facilities in the Tokyo International Airport expected to begin during the fiscal year ending March 31, 2013.

In the District Heating & Cooling Business, both sales and profit are expected to remain at the same level as the previous fiscal year as Cool Biz is expected to be continuously encouraged for the fiscal year ending March 31, 2013.

In the Waterworks & Drainage Management and Other Business, both sales and profit are expected to decrease slightly from those of the fiscal year ended March 31, 2012 due to the changes in contract forms.

As a result, the projected consolidated performance for the year ending March 31, 2013 is net sales of ¥21,170 million (up 1.7% from the previous fiscal year), operating income of ¥3,430 million (up 23.8%), ordinary income of ¥3,340 million (up 23.2%), and net income of ¥1,980 million (up 14.5%).

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets at March 31, 2012 amounted to ¥74,864 million, an increase of ¥1,782 million from March 31, 2011. Major decreasing factors include sale of Sanbancho Building in Chiyoda-ku, Tokyo. Major increasing factors include purchase of “Rinku International Logistic Center” and newly built Kobe Airport Hanger and “Sky Residence Minami Kamata,” an apartment building in Ota-ku, Tokyo for workers in the Tokyo International Airport.

Liabilities increased by ¥669 million from March 31, 2011 to ¥27,591 million. Major decreasing factors include payment of land rent attributable to the fiscal year ended March 31, 2011 which was recorded as accrued expenses at March 31, 2011 and a decrease in guarantee deposits due to cancellation of rent properties. Major increasing factors include an increase in long-term loans payable associated with purchase of noncurrent assets.

Net assets increased by ¥1,114 million to ¥47,274 million from March 31, 2011. It decreased mainly due to dividend payment and increased mainly due to net income of ¥1,729 million.

As a result, equity ratio as of March 31, 2012 increased by 0.2 points to 61.4% compared to March 31, 2011.

(ii) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2012 amounted to ¥5,155 million, an increase of ¥1,278 million (33.0%) from March 31, 2011. Cash flows from each activity for the year ended March 31, 2012 and their significant factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,861 million (previous fiscal year: ¥7,659 million). This figure was obtained as income before income taxes and minority interests adjusted with non-cash items such as depreciation and trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,699 million (previous fiscal year: ¥4,395 million), mainly attributable to purchase of noncurrent assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,117 million (previous fiscal year: ¥3,975 million), mainly attributable to new and repayment of loans.

(Reference) Cash Flow Indicators

	FY2010/3	FY2011/3	FY2012/3
Equity ratio (%)	61.2	61.2	61.4
Equity ratio at market value (%)	37.4	25.4	26.8
Debt repayment period (years)	2.2	1.8	6.3
Interest coverage ratio (times)	24.0	32.0	10.2

Equity ratio: Equity capital / Total assets

Equity ratio at market value: Market capitalization / Total assets

Debt repayment period: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest expense

- (Notes)
1. All indicators are calculated using financial figures on a consolidated basis.
 2. Interest-bearing debt includes all debt recorded on the consolidated balance sheets on which interest is paid.
 3. Operating cash flows and interest expense are based on “Cash flows from operating activities” and “Interest paid” presented on the consolidated statement of cash flows.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2012 and the Year Ending March 31, 2013

The Real Estate Business, the Company’s primary business, requires large amounts of funds for construction and purchase of facilities. Also business planning based on a long-term point of view, such as coordinating with the airport project of the government, is essential in our business operation. Accordingly, we must plan distribution of earnings taking into consideration maintenance of management base and enhancement of financial strength.

As for internal reserves, we intend to use it for capital investment aimed at future business development and improvement of business performance.

Our dividend policy is to stably return profits to shareholders based on the comprehensive consideration over the current and future performance. Based on the above policy, the dividend for the year ended March 31, 2012 is expected to be ¥12 per share (including interim dividend of ¥6 per share). The dividend for the year ending March 31, 2013 is also expected to be ¥12 per share (including interim dividend of ¥6 per share).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/11 (As of March 31, 2011)	FY3/12 (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	3,876,330	2,855,193
Notes and accounts receivable-trade	2,112,911	1,409,289
Lease investment assets	978,839	920,135
Merchandise and finished goods	7,466	5,358
Raw materials and supplies	42,549	44,437
Deferred tax assets	212,412	94,763
Short-term loans receivable	—	2,299,417
Others	688,824	636,270
Total current assets	7,919,331	8,264,862
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	149,783,453	155,261,308
Accumulated depreciation and impairment loss	(102,550,649)	(104,940,191)
Buildings and structures, net	47,232,804	50,321,117
Machinery, equipment and vehicles	17,549,701	17,452,165
Accumulated depreciation	(14,173,345)	(14,340,614)
Machinery, equipment and vehicles, net	3,376,356	3,111,551
Tools, furniture and fixtures	414,476	419,641
Accumulated depreciation	(362,030)	(368,849)
Tools, furniture and fixtures, net	52,446	50,792
Land	9,013,879	8,038,134
Construction in progress	176,732	139,657
Total property, plant and equipment	59,852,217	61,661,251
Intangible assets	150,394	131,425
Investments and other assets		
Investment securities	2,409,901	2,508,437
Long-term loans receivable	8,927	7,596
Deferred tax assets	2,471,254	1,962,805
Others	303,357	366,259
Allowance for doubtful accounts	(32,800)	(38,233)
Total investments and other assets	5,160,639	4,806,864
Total noncurrent assets	65,163,250	66,599,540
Total assets	73,082,581	74,864,402

(Thousands of yen)

	FY3/11 (As of March 31, 2011)	FY3/12 (As of March 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,052,528	1,756,444
Short-term loans payable	5,617,232	4,963,532
Accounts payable	765,254	162,917
Income taxes payable	905,307	256,940
Accrued expenses	1,370,141	171,416
Unearned revenue	804,436	763,680
Provision for bonuses	129,670	119,239
Provision for directors' bonuses	23,400	21,038
Asset retirement obligations	39,530	—
Provision for removal cost of property, plant and equipment	—	31,801
Others	2,313,481	966,624
Total current liabilities	13,020,979	9,213,631
Noncurrent liabilities		
Long-term loans payable	8,336,794	13,092,862
Long-term guarantee deposited	4,720,038	4,606,985
Long-term accounts payable-facilities	410,824	359,471
Provision for retirement benefits	150,534	148,425
Provision for directors' retirement benefits	282,847	169,454
Deferred tax liabilities	636	—
Total noncurrent liabilities	13,901,673	18,377,197
Total liabilities	26,922,652	27,590,828
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,939	6,982,921
Retained earnings	31,996,373	33,156,964
Treasury stock	(1,561,412)	(1,561,558)
Total shareholders' equity	44,244,000	45,404,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	450,169	553,678
Total accumulated other comprehensive income	450,169	553,678
Minority interests	1,465,760	1,315,469
Total net assets	46,159,929	47,273,574
Total liabilities and net assets	73,082,581	74,864,402

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

(Thousands of yen)

	FY3/11 (April 1, 2010 – March 31, 2011)	FY3/12 (April 1, 2011 – March 31, 2012)
Net sales	22,515,441	20,805,558
Cost of sales	18,428,244	16,457,585
Gross profit	4,087,197	4,347,973
Selling, general, and administrative expenses		
Directors' compensations	263,227	214,182
Salaries and bonuses	503,327	515,373
Provision for bonuses	73,392	71,242
Provision for directors' bonuses	23,400	21,038
Transportation and communication expenses	79,639	79,359
Depreciation	29,819	37,154
Taxes and dues	78,773	77,824
Others	549,608	561,066
Total selling, general, and administrative expenses	1,601,185	1,577,238
Operating income	2,486,012	2,770,735
Non-operating income		
Interest income	2,235	77
Dividends income	17,202	74,481
Commission fee	98,559	115,841
Gain on investments in silent partnership	19,628	24,504
Others	18,286	79,154
Total non-operating income	155,910	294,057
Non-operating expenses		
Interest expenses	233,106	287,707
Removal cost of property, plant and equipment	5,413	60,080
Others	7,096	5,617
Total non-operating expenses	245,615	353,404
Ordinary income	2,396,307	2,711,388
Extraordinary income		
Reversal of provision for bonuses	2,629	—
Reversal of provision for directors' retirement benefits	16,577	—
Gain on sales of noncurrent assets	5,208,705	1,128,518
Insurance income	—	64,181
Others	3,263	1,000
Total extraordinary income	5,231,174	1,193,699

(Thousands of yen)

	FY3/11 (April 1, 2010 – March 31, 2011)	FY3/12 (April 1, 2011 – March 31, 2012)
Extraordinary loss		
Loss on retirement of noncurrent assets	8,682	172,340
Loss on valuation of investment securities	88,410	2,608
Loss on disaster	—	159,380
Loss on reduction of noncurrent assets	4,017,576	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	35,069	—
Others	85	9,169
Total extraordinary loss	4,149,822	343,497
Income before income taxes	3,477,659	3,561,590
Income taxes	1,507,728	1,051,885
Income taxes - deferred	(127,397)	627,826
Total income taxes	1,380,331	1,679,711
Income before minority interests	2,097,328	1,881,879
Minority interests in income	52,594	152,997
Net income	2,044,734	1,728,882

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY3/11 (April 1, 2010 – March 31, 2011)	FY3/12 (April 1, 2011 – March 31, 2012)
Income before minority interests	2,097,328	1,881,879
Other comprehensive income		
Valuation difference on available-for-sale securities	(162,546)	103,509
Total other comprehensive income	(162,546)	103,509
Comprehensive income	1,934,782	1,985,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,882,188	1,832,391
Comprehensive income attributable to minority interests	52,594	152,997

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY3/11 (April 1, 2010–March 31, 2011)	FY3/12 (April 1, 2011–March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,826,100	6,826,100
Balance at the end of current period	6,826,100	6,826,100
Capital surplus		
Balance at the beginning of current period	6,982,949	6,982,939
Changes of items during the period		
Disposal of treasury stock	(10)	(18)
Total changes of items during the period	(10)	(18)
Balance at the end of current period	6,982,939	6,982,921
Retained earnings		
Balance at the beginning of current period	30,623,263	31,996,373
Changes of items during the period		
Dividends from surplus	(671,624)	(568,291)
Net income	2,044,734	1,728,882
Total changes of items during the period	1,373,110	1,160,591
Balance at the end of current period	31,996,373	33,156,964
Treasury stock		
Balance at the beginning of current period	(1,561,264)	(1,561,412)
Changes of items during the period		
Purchase of treasury stock	(194)	(196)
Disposal of treasury stock	46	50
Total changes of items during the period	(148)	(146)
Balance at the end of current period	(1,561,412)	(1,561,558)
Total shareholders' equity		
Balance at the beginning of current period	42,871,048	44,244,000
Changes of items during the period		
Dividends from surplus	(671,624)	(568,291)
Net income	2,044,734	1,728,882
Purchase of treasury stock	(194)	(196)
Disposal of treasury stock	36	32
Total changes of items during the period	1,372,952	1,160,427
Balance at the end of current period	44,244,000	45,404,427

(Thousands of yen)

	FY3/11 (April 1, 2010–March 31, 2011)	FY3/12 (April 1, 2011–March 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	612,715	450,169
Changes of items during the period		
Net changes of items other than shareholders' equity	(162,546)	103,509
Total changes of items during the period	(162,546)	103,509
Balance at the end of current period	450,169	553,678
Total accumulated other comprehensive income		
Balance at the beginning of current period	612,715	450,169
Changes of items during the period		
Net changes of items other than shareholders' equity	(162,546)	103,509
Total changes of items during the period	(162,546)	103,509
Balance at the end of current period	450,169	553,678
Minority interests		
Balance at the beginning of current period	1,413,166	1,465,760
Changes of items during the period		
Net changes of items other than shareholders' equity	52,594	(150,291)
Total changes of items during the period	52,594	(150,291)
Balance at the end of current period	1,465,760	1,315,469
Total net assets		
Balance at the beginning of current period	44,896,929	46,159,929
Changes of items during the period		
Dividends from surplus	(671,624)	(568,291)
Net income	2,044,734	1,728,882
Purchase of treasury stock	(194)	(196)
Disposal of treasury stock	36	32
Net changes of items other than shareholders' equity	(109,952)	(46,782)
Total changes of items during the period	1,263,000	1,113,645
Balance at the end of current period	46,159,929	47,273,574

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/11 (April 1, 2010 – March 31, 2011)	FY3/12 (April 1, 2011 – March 31, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	3,477,659	3,561,590
Depreciation and amortization	5,047,060	3,381,930
Loss on adjustment for changes of accounting standard for asset retirement obligations	35,069	—
Increase (decrease) in provision for removal cost of property, plant and equipment	—	31,801
Loss on reduction of noncurrent assets	4,017,576	—
Increase (decrease) in provision for retirement benefits	(37,596)	(2,109)
Increase (decrease) in provision for directors' retirement benefits	22,515	(113,393)
Increase (decrease) in provision for bonuses	(85)	(10,431)
Increase (decrease) in provision for directors' bonuses	(4,800)	(2,362)
Increase (decrease) in allowance for doubtful accounts	(16,000)	5,433
Interest and dividend income	(19,437)	(74,558)
Interest expenses	233,106	287,707
Loss on disposal of property, plant and equipment	8,682	172,340
Loss (gain) on sales of property, plant and equipment	(5,208,705)	(1,128,518)
Loss (gain) on sales of investment securities	—	(0)
Loss (gain) on valuation of investment securities	88,410	2,608
Decrease (increase) in notes and accounts receivable	(877,984)	703,622
Decrease (increase) in inventories	(17,010)	220
Net decrease (increase) in lease receivables and investment assets	(189,838)	58,704
Increase (decrease) in notes and accounts payable	64,057	703,916
Increase (decrease) in unearned revenue	(218,284)	(40,756)
Increase (decrease) in accrued expenses	1,221,020	(1,207,373)
Increase (decrease) in accrued consumption taxes	225,020	(175,338)
Decrease (increase) in other assets	(465,457)	(9,925)
Increase (decrease) in other liabilities	1,669,943	(1,329,845)
Increase (decrease) in asset retirement obligations	—	(32,280)
Subtotal	9,054,921	4,782,983
Interest and dividends received	19,437	74,558
Interest paid	(239,523)	(279,061)
Income taxes paid	(1,175,996)	(1,717,679)
Net cash provided by operating activities	7,658,839	2,860,801
Cash flows from investing activities		
Proceeds from sales of short-term investment securities	—	0
Purchase of noncurrent assets	(11,706,311)	(7,654,100)
Proceeds from sales of noncurrent assets	7,310,040	2,960,588
Collection of long-term loans receivable	1,746	1,331
Fulfillment of asset retirement obligations	—	(7,250)
Net cash used in investing activities	(4,394,525)	(4,699,431)

(Thousands of yen)

	FY3/11 (April 1, 2010 – March 31, 2011)	FY3/12 (April 1, 2011 – March 31, 2012)
Cash flows from financing activities		
Increase in short-term loans payable	6,100,000	4,000,000
Decrease in short-term loans payable	(7,300,000)	(5,400,000)
Proceeds from long-term debt	3,500,000	10,248,000
Payments of long-term debt	(4,813,232)	(4,745,632)
Proceeds from guarantee deposits received	1,219,245	609,448
Repayments of guarantee deposits received	(2,008,866)	(723,592)
Purchase of treasury stock	(194)	(196)
Proceeds from sales of treasury stock	36	32
Payment of cash dividends	(672,222)	(567,863)
Purchase of treasury stock of subsidiaries	—	(303,287)
Net cash used in financing activities	(3,975,233)	3,116,910
Net increase (decrease) in cash and cash equivalents	(710,919)	1,278,280
Cash and cash equivalents at beginning of period	4,587,249	3,876,330
Cash and cash equivalents at end of period	3,876,330	5,154,610

(Segment Information)

a. Segment information

1. Overview of reportable segments

The reportable segments of the Company are units for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide how to allocate management resources and evaluate their performances.

The Company's head office develops comprehensive business strategies of each segment and pursue business activities.

The Company is, therefore, composed of three business segments with different services determined by the head office as follows: "Real Estate Business," "District Heating & Cooling Business", and "Waterworks & Drainage Management and Other Business."

"Real Estate Business" leases office buildings, "District Heating & Cooling Business" supplies cooling and heating services, and "Waterworks & Drainage Management and Other Business" operate and manage waterworks, drainage, leasing, and shared telecommunications network business.

2. Method of calculations of sales, profit (loss), assets, liabilities, and other items by reportable segments

Accounting treatments applied to reportable segments are, in general, consistent with those described in "Significant Basis for Preparation of Consolidated Financial Statements."

Inventories are valued at amount before write-off of book value to reflect decline in profitability.

Segment income (loss) is based on operating income (loss).

Intersegment sales and transfers are based on prevailing market price.

3. Sales, profit (loss), assets, liabilities, and other items by reportable segments

Fiscal year ended March 2011 (April 1, 2010– March 31, 2011)

(Thousands of yen)

	Reported segment				Adjustments Note 1	Carrying amount on consolidated statements of income Note 2
	Real Estate Business	District Heating & Cooling Business	Waterworks & Drainage Management and Other Business	Total		
Net sales						
Net sales to outside customers	15,068,222	4,212,154	3,235,065	22,515,441	—	22,515,441
Inter-segment Net sales/transfers	202	1,022,091	322,946	1,345,239	(1,345,239)	—
Total	15,068,424	5,234,245	3,558,011	23,860,680	(1,345,239)	22,515,441
Segment income	1,626,700	596,611	262,701	2,486,012	—	2,486,012
Segment assets	54,417,795	7,731,758	909,681	63,059,234	10,023,347	73,082,581
Segment liabilities	21,192,413	2,644,944	227,905	24,065,262	2,857,390	26,922,652
Other items						
Depreciation and amortization	3,793,458	1,176,130	47,653	5,017,241	29,819	5,047,060
Increase in property, plant and equipment and intangible assets	12,220,644	168,584	100,718	12,489,946	54,688	12,544,634

(Notes) 1. Adjustments represent elimination of intersegment transactions.

2. Segment income refers to operating income.

Fiscal year ended March 2012 (April 1, 2011– March 31, 2012)

(Thousands of yen)

	Reported segment				Adjustments Note 1	Carrying amount on consolidated statements of income Note 2
	Real Estate Business	District Heating & Cooling Business	Waterworks & Drainage Management and Other Business	Total		
Net sales						
Net sales to outside customers	13,528,225	4,357,732	2,919,601	20,805,558	—	20,805,558
Inter-segment Net sales/transfers	—	986,037	247,559	1,233,596	(1,233,596)	—
Total	13,528,225	5,343,769	3,167,160	22,039,154	(1,233,596)	20,805,558
Segment income	1,472,679	1,125,378	172,678	2,770,735	—	2,770,735
Segment assets	55,235,882	7,213,534	668,786	63,118,201	11,746,200	74,864,402
Segment liabilities	21,229,954	3,508,001	167,905	24,905,860	2,684,968	27,590,828
Other items						
Depreciation and amortization	2,543,213	744,914	56,650	3,344,776	37,154	3,381,930
Increase in property, plant and equipment and intangible assets	6,889,249	272,826	3,784	7,165,860	10,967	7,176,827

(Notes) 1. Adjustments represent elimination of intersegment transactions.

2. Segment income refers to operating income.

3. Change in accounting policy

Effective April 1, 2011, the depreciation method of buildings was changed from the declining balance method to the straight-line method.

The reason of this change was to match the expenses and earnings more properly by recognizing recovery of invested capital evenly as maintenance and repair costs of buildings incur regularly every period. Another reason was to prepare for the future change in accounting standards. As a result of this change, depreciation decreased ¥1,532,053 thousand in “Real Estate Business,” ¥3,327 thousand in “District Heating & Cooling Business,” and ¥762 thousand in “Waterworks & Drainage Management and Other Business,” and their segment income for the year ended March 31, 2012 increased by an equivalent amount.