

Financial Results for the Year Ended March 31, 2013 [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 27, 2013
 The date of the dividend payment start: June 28, 2013
 The date of filing the securities report: June 27, 2013
 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 2013 (April 1, 2012 - March 31, 2013)

(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, 2013	21,068	1.3	3,363	21.4	3,490	28.7	1,781	3.0
March 31, 2012	20,806	(7.6)	2,771	11.5	2,711	13.1	1,729	(15.5)

(Note) Comprehensive income: Fiscal year ended March 31, 2013: 1,982 million yen ((0.2%))
 Fiscal year ended March 31, 2012: 1,985 million yen (2.6%)

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, 2013	34.48	—	3.9	4.8	16.0
March 31, 2012	33.46	—	3.8	3.6	13.3

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2013: — million yen
 Fiscal year ended March 31, 2012: — 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, 2013	73,317	47,026	62.2	882.80
As of March 31, 2012	74,864	47,274	61.4	889.58

(Reference) Equity capital: As of March 31, 2013: 45,607 million yen As of March 31, 2012: 45,958 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, 2013	5,522	(3,833)	(3,516)	2,737
March 31, 2012	2,861	(4,699)	3,117	5,155

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, 2012	—	6.00	—	6.00	12.00	620	35.9	1.3
March 31, 2013	—	6.00	—	6.00	12.00	620	34.8	1.4
Fiscal year ending March 31, 2014 (Forecasts)	—	6.00	—	6.00	12.00		35.8	

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.)

First half	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

*** Notes**

(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. : Yes

2) Changes in accounting policies other than 1) above: No

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, 2013:	54,903,750 shares	As of March 31, 2012:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2013:	3,241,454 shares	As of March 31, 2012:	3,241,249 shares
3) Average number of shares during the period	Year ended March 31, 2013:	51,662,417 shares	Year ended March 31, 2012:	51,662,681 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2013 (April 1, 2012 - March 31, 2013)

(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, 2013	18,449	2.0	2,578	33.1	2,932	32.4	1,624	(9.6)
March 31, 2012	18,088	(8.6)	1,937	(7.5)	2,214	3.3	1,796	(9.1)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2013	31.43	—
March 31, 2012	34.77	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	68,363	44,887	65.7	868.85
As of March 31, 2012	69,030	43,823	63.5	848.26

(Reference) Equity capital As of March 31, 2013: 44,887 million yen As of March 31, 2012: 43,823 million yen

2. Forecast of Non-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		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,130	(1.7)	1,510	(14.9)	980	(14.5)	18.97
Full fiscal year	18,480	0.2	2,620	(10.6)	1,580	(2.7)	30.58

* 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. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

During the year ended March 31, 2013, despite certain lingering risks regarding economic slowdown that may be triggered by downturn of overseas economies, the Japanese economy started to show signs of recovery, especially in the second half of the fiscal year, including changes towards improvement of the export and business environment as evidenced by weakening yen and rising stock price as a result of economic and monetary policy by the new administration.

In the aviation industry, major airline companies recorded good results, despite the impact from the flight cancellation of new advanced aircrafts Boeing 787s, mainly due to the recovery of the number of passengers to the pre-earthquake level in both domestic and overseas operation and the management efforts such as cost savings and improvement of equipment efficiency.

In addition, the entry of low-cost carriers (LCC) has contributed to increasing demands and the increased capacity for flights arrivals and departures in the Tokyo International Airport and the Narita International Airport created an expectation for the growth of the aviation industry as a whole, but weak yen and high fuel costs intensified the competition among domestic and foreign airline companies.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥21,068 million (up 1.3% from the previous fiscal year), operating income of ¥3,363 million (up 21.4%), ordinary income of ¥3,490 million (up 28.7%) and net income of ¥1,781 million (up 3.0%) due to full-year operation of properties purchased during the fiscal year ended March 31, 2012, new operation of properties purchased during the fiscal year ended March 31, 2013 and marketing effort for finding large tenants in the Tokyo International Airport.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥14,355 million, an increase by ¥826 million (6.1%) from the previous fiscal year, and operating income of ¥2,345 million, an increase by ¥873 million (59.3%), as a result of full-year operation of Rinku International Logistics Center and Kobe Airport Hanger purchased during the fiscal year ended March 31, 2012, new operation of Kitakyushu Airport Training Center completed during the fiscal year ended March 31, 2013, as well as having new large tenants in West Hanger and No.7 Sogo Building in the Tokyo International Airport.

(ii) District Heating & Cooling Business

District Heating & Cooling Business recorded net sales of ¥4,244 million, a decrease by ¥113 million (2.6%) from the previous fiscal year, as sales from heating business decreased due to warm winter and a decrease in customers as a result of partial demolition of decrepit facility in the 1-chome district in the Tokyo International Airport despite an increase in sales from cooling business due to hot summer. Operating income decreased by ¥286 million (25.4%) to ¥840 million due to increase in expenses such as gas fee.

(iii) Waterworks & Drainage Management and Other Business

Net sales in Waterworks & Drainage Management and Other Business decreased by ¥451 million (15.4%) from the previous fiscal year to ¥2,469 million as a result of expiration of the waterworks & drainage management contract with the New Chitose Airport and the change in contract forms with the Osaka International Airport from the waterworks & drainage management service to maintenance management service, but operating income increased ¥5 million (2.7%) to ¥177 million as expenses such as water charge and land rent also decreased.

Forecast for the fiscal year ending March 31, 2014

By increasing sales through improvement in occupancy rate and acquisition of new customers and cutting back on costs through operation improvement, the forecast for the fiscal year ending March 31, 2014 is net sales of ¥21,170 million (up 0.5% from the previous fiscal year), operating income of ¥3,380 million (up 0.5%), ordinary income of ¥3,130 million (down 10.3%), and net income of ¥1,730 million (down 2.9%).

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets as of March 31, 2013 amounted to ¥73,317 million, a decrease by ¥1,547 million compared to March 31, 2012, mainly due to a decrease in noncurrent assets from depreciation and a decrease in cash and deposits from contractual repayment of loans payable.

Liabilities decreased by ¥1,300 million from March 31, 2012 to ¥26,291 million, mainly because a decrease from contractual repayment of long-term loans payable exceeded an increase in accounts payable due to increased consumption tax payable and an increase in provision for removal cost.

Net assets decreased by ¥247 million compared to March 31, 2012 to ¥47,026 million, mainly because retained earnings decreased due to dividends payment and deconsolidation of a consolidated subsidiary despite an increase from net income for the year.

As a result, equity ratio as of March 31, 2013 increased by 0.8 points to 62.2% compared to March 31, 2012.

(ii) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2013 amounted to ¥2,737 million, a decrease of ¥2,417 million (46.9%) from March 31, 2012. Cash flows from each activity for the year ended March 31, 2013 and their significant factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,522 million (previous fiscal year: ¥2,861 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 ¥3,833 million (previous fiscal year: ¥4,699 million), mainly attributable to purchase of noncurrent assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,516 million (previous fiscal year: ¥3,117 million provided), mainly attributable to repayment of loans.

(Reference) Cash Flow Indicators

	FY2011/3	FY2012/3	FY2013/3
Equity ratio (%)	61.2	61.4	62.2
Equity ratio at market value (%)	25.4	26.8	44.0
Debt repayment period (years)	1.8	6.3	2.9
Interest coverage ratio (times)	32.0	10.2	19.4

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, 2013 and the Year Ending March 31, 2014

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, 2013 is expected to be ¥12 per share (including interim dividend of ¥6 per share). The dividend for the year ending March 31, 2014 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)

	FY3/12 (As of March 31, 2012)	FY3/13 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	2,855,193	1,937,693
Notes and accounts receivable-trade	1,409,289	1,104,213
Lease investment assets	920,135	1,941,007
Merchandise and finished goods	5,358	—
Raw materials and supplies	44,437	46,175
Deferred tax assets	94,763	220,842
Short-term loans receivable	2,299,417	799,712
Others	636,270	456,394
Total current assets	8,264,862	6,506,036
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	155,261,308	151,754,993
Accumulated depreciation and impairment loss	(104,940,191)	(104,023,457)
Buildings and structures, net	50,321,117	47,731,536
Machinery, equipment and vehicles	17,452,165	16,981,430
Accumulated depreciation	(14,340,614)	(13,855,688)
Machinery, equipment and vehicles, net	3,111,551	3,125,742
Tools, furniture and fixtures	419,641	389,272
Accumulated depreciation	(368,849)	(351,988)
Tools, furniture and fixtures, net	50,792	37,284
Land	8,038,134	8,627,706
Construction in progress	139,657	1,502,063
Total property, plant and equipment	61,661,251	61,024,331
Intangible assets	131,425	96,114
Investments and other assets		
Investment securities	2,508,437	3,490,582
Long-term loans receivable	7,596	6,266
Deferred tax assets	1,962,805	1,801,151
Others	366,259	422,885
Allowance for doubtful accounts	(38,233)	(30,600)
Total investments and other assets	4,806,864	5,690,284
Total noncurrent assets	66,599,540	66,810,729
Total assets	74,864,402	73,316,765

(Thousands of yen)

	FY3/12 (As of March 31, 2012)	FY3/13 (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,756,444	1,257,057
Short-term loans payable	4,963,532	4,247,722
Accounts payable	162,917	715,383
Income taxes payable	256,940	478,046
Accrued expenses	171,416	153,850
Unearned revenue	763,680	813,465
Provision for bonuses	119,239	120,200
Provision for directors' bonuses	21,038	21,038
Provision for removal cost of property, plant and equipment	31,801	258,964
Others	966,624	968,940
Total current liabilities	9,213,631	9,034,665
Noncurrent liabilities		
Long-term loans payable	13,092,862	11,645,140
Long-term guarantee deposited	4,606,985	5,012,653
Long-term accounts payable-facilities	359,471	308,118
Provision for retirement benefits	148,425	73,676
Provision for directors' retirement benefits	169,454	216,364
Total noncurrent liabilities	18,377,197	17,255,951
Total liabilities	27,590,828	26,290,616
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	33,156,964	32,746,818
Treasury stock	(1,561,558)	(1,561,637)
Total shareholders' equity	45,404,427	44,994,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	553,678	613,054
Total accumulated other comprehensive income	553,678	613,054
Minority interests	1,315,469	1,418,893
Total net assets	47,273,574	47,026,149
Total liabilities and net assets	74,864,402	73,316,765

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

(Thousands of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Net sales	20,805,558	21,067,691
Cost of sales	16,457,585	16,221,265
Gross profit	4,347,973	4,846,426
Selling, general, and administrative expenses		
Directors' compensations	214,182	249,056
Salaries and bonuses	515,373	497,157
Provision for bonuses	71,242	67,898
Provision for directors' bonuses	21,038	21,038
Transportation and communication expenses	79,359	81,838
Depreciation	37,154	35,385
Taxes and dues	77,824	70,045
Others	561,066	461,457
Total selling, general, and administrative expenses	1,577,238	1,483,874
Operating income	2,770,735	3,362,552
Non-operating income		
Interest income	77	419
Dividends income	74,481	354,521
Commission fee	115,841	137,172
Gain on investments in silent partnership	24,504	28,477
Others	79,154	113,994
Total non-operating income	294,057	634,583
Non-operating expenses		
Interest expenses	287,707	274,107
Removal cost of property, plant and equipment	60,080	232,357
Others	5,617	536
Total non-operating expenses	353,404	507,000
Ordinary income	2,711,388	3,490,135
Extraordinary income		
Compensation for remaining book value	—	53,928
Gain on sales of noncurrent assets	1,128,518	—
Insurance income	64,181	—
Others	1,000	—
Total extraordinary income	1,193,699	53,928

(Thousands of yen)

	FY3/12 (April 1, 2011 –March 31, 2012)	FY3/13 (April 1, 2012 –March 31, 2013)
Extraordinary loss		
Loss on retirement of noncurrent assets	172,340	591,086
Loss on valuation of investment securities	2,608	—
Loss on disaster	159,380	—
Others	9,169	3,496
Total extraordinary loss	343,497	594,582
Income before income taxes	3,561,590	2,949,481
Income taxes	1,051,885	1,023,800
Income taxes - deferred	627,826	2,694
Total income taxes	1,679,711	1,026,494
Income before minority interests	1,881,879	1,922,987
Minority interests in income	152,997	141,752
Net income	1,728,882	1,781,235

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY3/12 (April 1, 2011 –March 31, 2012)	FY3/13 (April 1, 2012 –March 31, 2013)
Income before minority interests	1,881,879	1,922,987
Other comprehensive income		
Valuation difference on available-for-sale securities	103,509	59,376
Total other comprehensive income	103,509	59,376
Comprehensive income	1,985,388	1,982,363
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,832,391	1,840,611
Comprehensive income attributable to minority interests	152,997	141,752

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
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	6,982,939	6,982,921
Changes of items during the period		
Disposal of treasury stock	(18)	—
Total changes of items during the period	(18)	—
Balance at the end of current period	6,982,921	6,982,921
Retained earnings		
Balance at the beginning of current period	31,996,373	33,156,964
Changes of items during the period		
Dividends from surplus	(568,291)	(619,950)
Net income	1,728,882	1,781,235
Change of scope of consolidation	—	(1,571,700)
Other	—	269
Total changes of items during the period	1,160,591	(410,146)
Balance at the end of current period	33,156,964	32,746,818
Treasury stock		
Balance at the beginning of current period	(1,561,412)	(1,561,558)
Changes of items during the period		
Purchase of treasury stock	(196)	(79)
Disposal of treasury stock	50	—
Total changes of items during the period	(146)	(79)
Balance at the end of current period	(1,561,558)	(1,561,637)
Total shareholders' equity		
Balance at the beginning of current period	44,244,000	45,404,427
Changes of items during the period		
Dividends from surplus	(568,291)	(619,950)
Net income	1,728,882	1,781,235
Purchase of treasury stock	(196)	(79)
Disposal of treasury stock	32	—
Change of scope of consolidation	—	(1,571,700)
Other	—	269
Total changes of items during the period	1,160,427	(410,225)
Balance at the end of current period	45,404,427	44,994,202

(Thousands of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	450,169	553,678
Changes of items during the period		
Net changes of items other than shareholders' equity	103,509	59,376
Total changes of items during the period	103,509	59,376
Balance at the end of current period	553,678	613,054
Total accumulated other comprehensive income		
Balance at the beginning of current period	450,169	553,678
Changes of items during the period		
Net changes of items other than shareholders' equity	103,509	59,376
Total changes of items during the period	103,509	59,376
Balance at the end of current period	553,678	613,054
Minority interests		
Balance at the beginning of current period	1,465,760	1,315,469
Changes of items during the period		
Net changes of items other than shareholders' equity	(150,291)	103,424
Total changes of items during the period	(150,291)	103,424
Balance at the end of current period	1,315,469	1,418,893
Total net assets		
Balance at the beginning of current period	46,159,929	47,273,574
Changes of items during the period		
Dividends from surplus	(568,291)	(619,950)
Net income	1,728,882	1,781,235
Purchase of treasury stock	(196)	(79)
Disposal of treasury stock	32	—
Change of scope of consolidation	—	(1,571,700)
Other	—	269
Net changes of items other than shareholders' equity	(46,782)	162,800
Total changes of items during the period	1,113,645	(247,425)
Balance at the end of current period	47,273,574	47,026,149

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	3,561,590	2,949,481
Depreciation and amortization	3,381,930	3,222,352
Increase (decrease) in provision for removal cost of property, plant and equipment	31,801	227,163
Increase (decrease) in provision for retirement benefits	(2,109)	(74,749)
Increase (decrease) in provision for directors' retirement benefits	(113,393)	46,910
Increase (decrease) in provision for bonuses	(10,431)	961
Increase (decrease) in provision for directors' bonuses	(2,362)	—
Increase (decrease) in allowance for doubtful accounts	5,433	(7,633)
Interest and dividend income	(74,558)	(354,940)
Interest expenses	287,707	274,107
Loss on disposal of property, plant and equipment	172,340	591,086
Loss (gain) on sales of property, plant and equipment	(1,128,518)	—
Loss (gain) on sales of investment securities	(0)	0
Loss (gain) on valuation of investment securities	2,608	—
Decrease (increase) in notes and accounts receivable	703,622	304,089
Decrease (increase) in inventories	220	3,621
Net decrease (increase) in lease receivables and investment assets	58,704	(1,020,872)
Increase (decrease) in notes and accounts payable	703,916	(498,460)
Increase (decrease) in unearned revenue	(40,756)	49,785
Increase (decrease) in accrued expenses	(1,207,373)	(7,675)
Increase (decrease) in accrued consumption taxes	(175,338)	329,167
Decrease (increase) in other assets	(9,925)	167,521
Increase (decrease) in other liabilities	(1,329,845)	53,969
Increase (decrease) in asset retirement obligations	(32,280)	—
Subtotal	<u>4,782,983</u>	<u>6,255,883</u>
Interest and dividends received	74,558	354,940
Interest paid	(279,061)	(284,018)
Income taxes paid	<u>(1,717,679)</u>	<u>(805,004)</u>
Net cash provided by operating activities	<u>2,860,801</u>	<u>5,521,801</u>
Cash flows from investing activities		
Purchase of short-term investment securities	—	(789,889)
Proceeds from sales of short-term investment securities	0	0
Purchase of noncurrent assets	(7,654,100)	(3,044,105)
Proceeds from sales of noncurrent assets	2,960,588	—
Collection of long-term loans receivable	1,331	1,330
Fulfillment of asset retirement obligations	(7,250)	—
Net cash used in investing activities	<u>(4,699,431)</u>	<u>(3,832,664)</u>

(Thousands of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Cash flows from financing activities		
Increase in short-term loans payable	4,000,000	1,950,000
Decrease in short-term loans payable	(5,400,000)	(1,950,000)
Proceeds from long-term debt	10,248,000	1,700,000
Payments of long-term debt	(4,745,632)	(4,963,532)
Proceeds from guarantee deposits received	609,448	696,596
Repayments of guarantee deposits received	(723,592)	(291,124)
Purchase of treasury stock	(196)	(79)
Proceeds from sales of treasury stock	32	—
Payment of cash dividends	(567,863)	(619,228)
Purchase of treasury stock of subsidiaries	(303,287)	—
Cash dividends paid to minority shareholders	—	(38,329)
Net cash used in financing activities	3,116,910	(3,515,696)
Net increase (decrease) in cash and cash equivalents	1,278,280	(1,826,559)
Cash and cash equivalents at beginning of period	3,876,330	5,154,610
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(590,646)
Cash and cash equivalents at end of period	5,154,610	2,737,405

(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, 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 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	63,118,202	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.

Fiscal year ended March 2013 (April 1, 2012– March 31, 2013)

(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	14,354,504	4,244,417	2,468,770	21,067,691	—	21,067,691
Inter-segment Net sales/transfers	—	706,439	267,025	973,464	(973,464)	—
Total	14,354,504	4,950,856	2,735,795	22,041,155	(973,464)	21,067,691
Segment income	2,345,433	839,788	177,331	3,362,552	—	3,362,552
Segment assets	54,427,903	7,402,792	626,999	62,457,694	10,859,071	73,316,765
Segment liabilities	20,322,792	2,953,174	147,993	23,423,959	2,866,657	26,290,616
Other items						
Depreciation and amortization	2,571,908	565,081	49,978	3,186,967	35,385	3,222,352
Increase in property, plant and equipment and intangible assets	2,329,468	826,562	7,188	3,163,218	3,257	3,166,475

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

2. Segment income refers to operating income.

3. Change in accounting policy

Following the revision of the Corporate Tax Law of Japan, the Company changed the depreciation method for property, plant and equipment acquired after April 1, 2012 to the method under the revised Corporate Tax Law of Japan from April 1, 2012.

The impact of this change is insignificant.