

## Financial Results for the Year Ended March 31, 2014 [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, 2014  
 The date of the dividend payment start: June 30, 2014  
 The date of filing the securities report: June 27, 2014  
 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 2014 (April 1, 2013 - March 31, 2014)

(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, 2014	20,971	(0.5)	3,499	4.0	3,090	(11.5)	1,093	(38.7)
March 31, 2013	21,068	1.3	3,363	21.4	3,490	28.7	1,781	3.0

(Note) Comprehensive income: Fiscal year ended March 31, 2014: 1,631 million yen ((17.7%))  
 Fiscal year ended March 31, 2013: 1,982 million yen ((0.2%))

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, 2014	21.15	—	2.4	4.1	16.7
March 31, 2013	34.48	—	3.9	4.8	16.0

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2014: — million yen  
 Fiscal year ended March 31, 2013: — 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, 2014	77,621	47,998	59.9	900.07
As of March 31, 2013	73,317	47,026	62.2	882.80

(Reference) Equity capital: As of March 31, 2014: 46,499 million yen As of March 31, 2013: 45,607 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, 2014	3,898	(4,418)	15	2,232
March 31, 2013	5,522	(3,833)	(3,516)	2,737

## 2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2013	—	6.00	—	6.00	12.00	620	34.8	1.4
March 31, 2014	—	6.00	—	6.00	12.00	620	56.7	1.3
Fiscal year ending March 31, 2015 (Forecasts)	—	6.00	—	6.00	12.00		40.0	

## 3. Forecast of Consolidated Earnings for the Year Ending March 2015 (April 1, 2014 - March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	10,440	(0.8)	1,540	(18.6)	1,760	(5.1)	870	(18.2)	16.84
Full fiscal year	20,350	(3.0)	2,710	(22.5)	2,910	(5.8)	1,550	41.8	30.00

**\* 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. : No

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

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of March 31, 2014:	54,903,750 shares	As of March 31, 2013:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2014:	3,241,952 shares	As of March 31, 2013:	3,241,454 shares
3) Average number of shares during the period	Year ended March 31, 2014:	51,661,979 shares	Year ended March 31, 2013:	51,662,417 shares

(Reference) Summary of Non-consolidated Results

**1. Non-consolidated Financial Results for the Year Ended March 2014 (April 1, 2013 - March 31, 2014)**

(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, 2014	18,287	(0.9)	2,862	11.0	2,682	(8.5)	971	(40.2)
March 31, 2013	18,449	2.0	2,578	33.1	2,932	32.4	1,624	(9.6)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2014	18.79	—
March 31, 2013	31.43	—

(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, 2014	72,168	45,656	63.3	883.76
As of March 31, 2013	68,363	44,887	65.7	868.85

(Reference) Equity capital As of March 31, 2014: 45,656 million yen As of March 31, 2013: 44,887 million yen

**2. Forecast of Non-consolidated Earnings for the Year Ending March 2015 (April 1, 2014 – March 31, 2015)**

(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	9,080	(1.1)	1,640	(4.9)	870	(18.0)	16.84
Full fiscal year	17,650	(3.5)	2,470	(7.9)	1,420	46.2	27.49

**\* 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, 2014, the Japanese economy's recovery has been gradually recovering due to recovery of exports, continued increases in private consumptions and capital investments and rising stock market 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 passengers showed a steady growth in both domestic and international operation, with a record-high number of foreign visitors to Japan. Cargo volume exceeded the previous year's figure in both domestic and international operation as domestic demand increased due to vitalized logistics and international transportation demand from Japan recovered in the second half of the year. However, while intensifying competition among airline companies has continued to depress unit price, weakening yen and fuel cost hovering at a high level are imposing a heavy burden, airline companies continue to work on management improvement aiming at further cost savings and revenue increase.

In 1-chome District of Tokyo International Airport (former aircraft maintenance area), part of the facility was returned recently because major airline companies moved their facilities including the maintenance plant to offshore area as part of the streamlining measures, resulting in vacancy in the building. In response, we dismantled certain dilapidated facilities. It also resulted in a decline in operation rate of area heating & cooling operation service in the area provided by us for a long time, and we began fundamental review of area heating & cooling system at the end of the fiscal year ended March 31, 2014.

For the fiscal year ended March 31, 2014, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥20,971 million (down 0.5% from the previous fiscal year), operating income of ¥3,499 million (up 4.0%), ordinary income of ¥3,090 million (down 11.5%) due to a decrease in dividends from subsidiary and removal cost of dilapidated facilities, and net income of ¥1,093 million (down 38.7%) due to extraordinary loss related to disposition of dilapidated assets.

Performance by business segment is as follows:

#### (i) Real Estate Business

Real Estate Business recorded net sales of ¥14,858 million, an increase by ¥503 million (3.5%) from the previous fiscal year, and operating income of ¥2,577 million, an increase by ¥232 million (9.9%), as a result of new operation of "Kitakyushu Airport Training Center" and "Maintenance Center" at the Tokyo International Airport completed during the fiscal year ended March 31, 2013 and "In-flight meal factory" completed during the fiscal year ended March 31, 2014.

#### (ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥3,720 million, a decrease by ¥524 million (12.4%) from the previous fiscal year due to decrease in customers in the 1-chome district despite stable revenue from the business of Tokyo Airport Heating & Cooling Co., Ltd. in the offshore area which is one of the largest operation in Japan. Operating income decreased by ¥205 million (24.4%) to ¥635 million due to increase in expenses such as electricity and gas fee.

#### (iii) Water Supply & Drainage Service and Other Business

Net sales in Water Supply & Drainage Service and Other Business decreased by ¥75 million (3.0%) from the previous fiscal year to ¥2,394 million as a result of the change in contract forms with the Osaka International Airport despite an increase in sales from local shared communication service and solar energy business, but operating income increased ¥109 million (61.5%) to ¥286 million as expenses such as shared communication charge and land rent decreased.

### Forecast for the fiscal year ending March 31, 2015

Although we will aim to increase sales through acquisition of new customers and cutting back on costs through operation improvement, because of vacancy in the 1-chome district and decrease in area heating & cooling business, the forecast for the fiscal year ending March 31, 2015 is net sales of ¥20,350 million (down 3.0% from the previous fiscal year), operating income of ¥2,710 million (down 22.5%), and ordinary income of ¥2,910 million (down 5.8%), but we expect net income will increase to ¥1,550 million (41.8%) as extraordinary loss will decrease.

## (2) Analysis of Financial Position

### (i) Assets, liabilities and net assets

Total assets as of March 31, 2014 amounted to ¥77,621 million, an increase by ¥4,304 million compared to March 31, 2013, mainly due to completion of in-flight meal factory and investment to change thermal energy in the 1-chome district area of the Tokyo International Airport as well as an increase in unrealized gain in investment securities from stock price rise.

Liabilities increased by ¥3,332 million from March 31, 2013 to ¥29,623 million, mainly due to an increase in other payables from investments in noncurrent assets and new borrowings.

Net assets increased by ¥972 million compared to March 31, 2013 to ¥47,998 million, mainly due to an increase in retained earnings from recording net income and an increase in valuation difference on available-for-sale securities.

As a result, equity ratio as of March 31, 2014 decreased by 2.3 points to 59.9% compared to March 31, 2013.

### (ii) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2014 amounted to ¥2,232 million, a decrease of ¥505 million (18.5%) from March 31, 2013. Cash flows from each activity for the year ended March 31, 2014 and their significant factors are as follows:

#### (Cash flows from operating activities)

Net cash provided by operating activities was ¥3,898 million (previous fiscal year: ¥5,522 million), attributable to a decrease in income before income taxes and minority interests and adjustments of non-cash items such as depreciation and trade receivables.

#### (Cash flows from investing activities)

Net cash used in investing activities was ¥4,418 million (previous fiscal year: ¥3,833 million used), mainly attributable to purchase of property, plant and equipment including in-flight meal factory.

#### (Cash flows from financing activities)

Net cash provided by financing activities was ¥15 million (previous fiscal year: ¥3,516 million used). This slight increase is attributable to new borrowings.

### (Reference) Cash Flow Indicators

	FY2012/3	FY2013/3	FY2014/3
Equity ratio (%)	61.4	62.2	59.9
Equity ratio at market value (%)	26.8	44.0	50.7
Debt repayment period (years)	6.3	2.9	4.3
Interest coverage ratio (times)	10.2	19.4	16.1

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, 2014 and the Year Ending March 31, 2015

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, 2014 is expected to be ¥12 per share (including interim dividend of ¥6 per share). The dividend for the year ending March 31, 2015 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)	
	FY3/13 (As of March 31, 2013)	FY3/14 (As of March 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	1,937,693	2,232,163
Notes and accounts receivable-trade	1,104,213	1,231,205
Lease investment assets	1,941,007	2,326,755
Raw materials and supplies	46,175	24,810
Deferred tax assets	220,842	245,883
Short-term loans receivable	799,712	—
Others	456,394	510,514
Total current assets	6,506,036	6,571,330
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	151,754,993	152,665,408
Accumulated depreciation and impairment loss	(104,023,457)	(102,976,494)
Buildings and structures, net	47,731,536	49,688,914
Machinery, equipment and vehicles	16,981,430	17,395,206
Accumulated depreciation	(13,855,688)	(13,184,550)
Machinery, equipment and vehicles, net	3,125,742	4,210,656
Tools, furniture and fixtures	389,272	394,415
Accumulated depreciation	(351,988)	(354,599)
Tools, furniture and fixtures, net	37,284	39,816
Land	8,627,706	9,507,156
Construction in progress	1,502,063	757,489
Total property, plant and equipment	61,024,331	64,204,031
Intangible assets	96,114	75,003
Investments and other assets		
Investment securities	3,490,582	4,594,849
Long-term loans receivable	6,266	5,102
Deferred tax assets	1,801,151	1,488,211
Net defined benefit asset	—	75,235
Others	422,885	648,332
Allowance for doubtful accounts	(30,600)	(40,867)
Total investments and other assets	5,690,284	6,770,862
Total noncurrent assets	66,810,729	71,049,896
<b>Total assets</b>	<b>73,316,765</b>	<b>77,621,226</b>

(Thousands of yen)

	FY3/13 (As of March 31, 2013)	FY3/14 (As of March 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,257,057	1,205,511
Short-term loans payable	4,247,722	4,102,092
Accounts payable	715,383	4,069,162
Income taxes payable	478,046	96,492
Accrued expenses	153,850	112,983
Unearned revenue	813,465	838,397
Provision for bonuses	120,200	115,579
Provision for directors' bonuses	21,038	27,600
Provision for removal cost of property, plant and equipment	258,964	375,191
Others	968,940	712,852
<b>Total current liabilities</b>	<b>9,034,665</b>	<b>11,655,859</b>
Noncurrent liabilities		
Long-term loans payable	11,645,140	12,627,848
Long-term guarantee deposited	5,012,653	4,849,441
Long-term accounts payable-facilities	308,118	256,765
Provision for retirement benefits	73,676	—
Net defined benefit liability	—	12,398
Provision for directors' retirement benefits	216,364	210,557
Provision for long-term removal cost of property, plant and equipment	—	10,178
<b>Total noncurrent liabilities</b>	<b>17,255,951</b>	<b>17,967,187</b>
<b>Total liabilities</b>	<b>26,290,616</b>	<b>29,623,046</b>
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	33,219,444
Treasury stock	(1,561,637)	(1,562,002)
<b>Total shareholders' equity</b>	<b>44,994,202</b>	<b>45,466,463</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	613,054	1,032,562
<b>Total accumulated other comprehensive income</b>	<b>613,054</b>	<b>1,032,562</b>
Minority interests	1,418,893	1,499,156
<b>Total net assets</b>	<b>47,026,149</b>	<b>47,998,180</b>
<b>Total liabilities and net assets</b>	<b>73,316,765</b>	<b>77,621,226</b>

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

(Thousands of yen)

	FY3/13 (April 1, 2012 – March 31, 2013)	FY3/14 (April 1, 2013 – March 31, 2014)
Net sales	21,067,691	20,971,306
Cost of sales	16,221,265	16,016,243
Gross profit	4,846,426	4,955,063
Selling, general, and administrative expenses		
Directors' compensations	249,056	291,078
Salaries and bonuses	497,157	444,468
Provision for bonuses	67,898	61,486
Provision for directors' bonuses	21,038	27,600
Transportation and communication expenses	81,838	85,784
Depreciation	35,385	32,792
Taxes and dues	70,045	73,698
Others	461,457	439,652
Total selling, general, and administrative expenses	1,483,874	1,456,558
Operating income	3,362,552	3,498,505
Non-operating income		
Interest income	419	67
Dividends income	354,521	91,715
Commission fee	137,172	172,685
Gain on investments in silent partnership	28,477	31,364
Others	113,994	70,720
Total non-operating income	634,583	366,551
Non-operating expenses		
Interest expenses	274,107	241,255
Removal cost of property, plant and equipment	232,357	375,191
Others	536	158,155
Total non-operating expenses	507,000	774,601
Ordinary income	3,490,135	3,090,455
Extraordinary income		
Compensation for remaining book value	53,928	—
Gain on sales of investment securities	—	517
Total extraordinary income	53,928	517
Extraordinary loss		
Loss on retirement of noncurrent assets	591,086	1,288,986
Others	3,496	2,500
Total extraordinary loss	594,582	1,291,486
Income before income taxes and minority interests	2,949,481	1,799,486
Income taxes	1,023,800	532,731
Income taxes - deferred	2,694	55,593
Total income taxes	1,026,494	588,324
Income before minority interests	1,922,987	1,211,162
Minority interests in income	141,752	118,592
Net income	1,781,235	1,092,570



**(Consolidated statements of comprehensive income)**

(Thousands of yen)

	FY3/13 (April 1, 2012 – March 31, 2013)	FY3/14 (April 1, 2013 – March 31, 2014)
Income before minority interests	1,922,987	1,211,162
Other comprehensive income		
Valuation difference on available-for-sale securities	59,376	419,508
Total other comprehensive income	59,376	419,508
Comprehensive income	1,982,363	1,630,670
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,840,611	1,512,078
Comprehensive income attributable to minority interests	141,752	118,592

### (3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of current period	6,826,100	6,982,921	33,156,964	(1,561,558)	45,404,427
Changes of items during the period					
Dividends from surplus			(619,950)		(619,950)
Net income			1,781,235		1,781,235
Purchase of treasury stock				(79)	(79)
Change of scope of consolidation			(1,571,700)		(1,571,700)
Other			269		269
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(410,146)	(79)	(410,225)
Balance at the end of current period	6,826,100	6,982,921	32,746,818	(1,561,637)	44,994,202

	Accumulated other comprehensive income		Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	553,678	553,678	1,315,469	47,273,574
Changes of items during the period				
Dividends from surplus				(619,950)
Net income				1,781,235
Purchase of treasury stock				(79)
Change of scope of consolidation				(1,571,700)
Other				269
Net changes of items other than shareholders' equity	59,376	59,376	103,424	162,800
Total changes of items during the period	59,376	59,376	103,424	(247,425)
Balance at the end of current period	613,054	613,054	1,418,893	47,026,149

For the Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of current period	6,826,100	6,982,921	32,746,818	(1,561,637)	44,994,202
Changes of items during the period					
Dividends from surplus			(619,945)		(619,945)
Net income			1,092,570		1,092,570
Purchase of treasury stock				(365)	(365)
Change of scope of consolidation					—
Other					—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	472,626	(365)	472,261
Balance at the end of current period	6,826,100	6,982,921	33,219,444	(1,562,002)	45,466,463

	Accumulated other comprehensive income		Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	613,054	613,054	1,418,893	47,026,149
Changes of items during the period				
Dividends from surplus				(619,945)
Net income				1,092,570
Purchase of treasury stock				(365)
Change of scope of consolidation				—
Other				—
Net changes of items other than shareholders' equity	419,508	419,508	80,262	499,770
Total changes of items during the period	419,508	419,508	80,262	972,031
Balance at the end of current period	1,032,562	1,032,562	1,499,155	47,998,180

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

	FY3/13 (April 1, 2012 – March 31, 2013)	FY3/14 (April 1, 2013 – March 31, 2014)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,949,481	1,799,486
Depreciation and amortization	3,222,352	3,093,338
Increase (decrease) in provision for removal cost of property, plant and equipment	227,163	126,406
Increase (decrease) in provision for retirement benefits	(74,749)	(61,278)
Increase (decrease) in provision for retirement benefits	—	(75,235)
Increase (decrease) in provision for directors' retirement benefits	46,910	(5,807)
Increase (decrease) in provision for bonuses	961	(4,621)
Increase (decrease) in provision for directors' bonuses	—	6,563
Increase (decrease) in allowance for doubtful accounts	(7,633)	10,267
Interest and dividend income	(354,940)	(91,782)
Interest expenses	274,107	241,255
Loss on disposal of property, plant and equipment	591,086	1,288,986
Loss (gain) on sales of investment securities	0	(517)
Decrease (increase) in notes and accounts receivable	304,089	(126,992)
Decrease (increase) in inventories	3,621	21,365
Net decrease (increase) in lease receivables and investment assets	(1,020,872)	(385,748)
Increase (decrease) in notes and accounts payable	(498,460)	(51,545)
Increase (decrease) in unearned revenue	49,785	24,932
Increase (decrease) in accrued expenses	(7,675)	(40,627)
Increase (decrease) in accrued consumption taxes	329,167	(334,990)
Decrease (increase) in other assets	167,521	(279,567)
Increase (decrease) in other liabilities	53,969	(208,447)
Subtotal	6,255,883	4,945,440
Interest and dividends received	354,940	91,782
Interest paid	(284,018)	(241,496)
Income taxes paid	(805,004)	(897,822)
Net cash provided by operating activities	5,521,801	3,897,904
<b>Cash flows from investing activities</b>		
Purchase of short-term investment securities	(789,889)	—
Purchase of investments in capital of subsidiaries	—	(454,632)
Proceeds from sales of short-term investment securities	0	2,697
Purchase of noncurrent assets	(3,044,105)	(3,967,261)
Collection of long-term loans receivable	1,330	1,164
Net cash used in investing activities	(3,832,664)	(4,418,032)

(Thousands of yen)

	FY3/13 (April 1, 2012 – March 31, 2013)	FY3/14 (April 1, 2013 – March 31, 2014)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	1,950,000	4,500,000
Decrease in short-term loans payable	(1,950,000)	(4,300,000)
Proceeds from long-term debt	1,700,000	4,000,000
Payments of long-term debt	(4,963,532)	(3,362,922)
Proceeds from guarantee deposits received	696,596	257,579
Repayments of guarantee deposits received	(291,124)	(422,142)
Purchase of treasury stock	(79)	(365)
Payment of cash dividends	(619,228)	(618,935)
Cash dividends paid to minority shareholders	(38,329)	(38,329)
Net cash used in financing activities	(3,515,696)	14,886
Net increase (decrease) in cash and cash equivalents	(1,826,559)	(505,242)
Cash and cash equivalents at beginning of period	5,154,610	2,737,405
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(590,646)	—
Cash and cash equivalents at end of period	2,737,405	2,232,163

(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," "Area Heating & Cooling Business", and "Water Supply & Drainage Service and Other Business."

"Real Estate Business" leases office buildings, "Area Heating & Cooling Business" supplies cooling and heating services, and "Water Supply & Drainage Service 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 is based on operating income.

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 2013 (April 1, 2012– March 31, 2013)**

(Thousands of yen)

	Reportable segment				Adjustments Note 1	Carrying amount on consolidated statements of income Note 2
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service 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.

**Fiscal year ended March 2014 (April 1, 2013– March 31, 2014)**

(Thousands of yen)

	Reportable segment				Adjustments Note 1	Carrying amount on consolidated statements of income Note 2
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business	Total		
Net sales						
Net sales to outside customers	14,857,660	3,720,062	2,393,584	20,971,306	—	20,971,306
Inter-segment Net sales/transfers	218,003	734,790	256,900	1,209,693	(1,209,693)	—
Total	15,075,663	4,454,852	2,650,484	22,180,999	(1,209,693)	20,971,306
Segment income	2,577,485	634,705	286,315	3,498,505	—	3,498,505
Segment assets	59,459,861	7,258,706	943,034	67,661,601	9,959,625	77,621,226
Segment liabilities	11,686,583	344,016	267,251	12,297,850	17,325,196	29,623,046
Other items						
Depreciation and amortization	2,410,805	585,376	64,310	3,060,491	32,848	3,093,339
Increase in property, plant and equipment and intangible assets	6,408,961	859,320	265,021	7,533,302	7,613	7,540,915

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

2. Segment income refers to operating income.