

## Financial Results for the Year Ended March 31, 2015 [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 26, 2015  
 The date of the dividend payment start: June 29, 2015  
 The date of filing the securities report: June 26, 2015  
 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 2015 (April 1, 2014 - March 31, 2015)

(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, 2015	21,111	0.7	3,166	(9.5)	3,164	2.4	1,505	37.8
March 31, 2014	20,971	(0.5)	3,499	4.0	3,090	(11.5)	1,093	(38.7)

(Note) Comprehensive income: Fiscal year ended March 31, 2015: 3,378 million yen (107.1%)  
 Fiscal year ended March 31, 2014: 1,631 million yen ((17.7%))

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, 2015	29.14	—	3.1	3.9	15.0
March 31, 2014	21.15	—	2.4	4.1	16.7

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2015: — million yen  
 Fiscal year ended March 31, 2014: — 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, 2015	84,270	50,715	58.3	951.16
As of March 31, 2014	77,621	47,998	59.9	900.07

(Reference) Equity capital: As of March 31, 2015: 49,138 million yen As of March 31, 2014: 46,499 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, 2015	3,478	(4,772)	4,500	5,891
March 31, 2014	3,898	(4,418)	15	2,232

## 2. Dividends

	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	%	%
Fiscal year ended March 31, 2014	—	6.00	—	6.00	12.00	620	56.7	1.3
March 31, 2015	—	6.00	—	6.00	12.00	620	41.2	1.2
Fiscal year ending March 31, 2016 (Forecasts)	—	6.00	—	6.00	12.00		39.0	

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	10,230	(3.5)	1,190	(33.1)	1,140	(42.5)	710	(33.3)	13.74
Full fiscal year	20,670	(2.1)	2,690	(15.0)	2,730	(13.7)	1,720	14.3	33.29

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation):  
 Yes New: one company: AIRPORT FACILITIES ASIA PTE. LTD.
- (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, 2015:	54,903,750 shares	As of March 31, 2014:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2015:	3,242,446 shares	As of March 31, 2014:	3,241,952 shares
3) Average number of shares during the period	Year ended March 31, 2015:	51,661,583 shares	Year ended March 31, 2014:	51,661,979 shares

(Reference) Summary of Non-consolidated Results

**1. Non-consolidated Financial Results for the Year Ended March 2015 (April 1, 2014 - March 31, 2015)**

(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, 2015	18,349	0.3	2,507	(12.4)	2,723	1.5	1,424	46.7
March 31, 2014	18,287	(0.9)	2,862	11.0	2,682	(8.5)	971	(40.2)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2015	27.56	—
March 31, 2014	18.79	—

(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, 2015	76,598	48,146	62.9	931.95
As of March 31, 2014	72,168	45,656	63.3	883.76

(Reference) Equity capital As of March 31, 2015: 48,146 million yen As of March 31, 2014: 45,656 million yen

**2. Forecast of Non-consolidated Earnings for the Year Ending March 2016 (April 1, 2015 – March 31, 2016)**

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

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	8,800	(4.8)	1,060	(39.4)	720	(28.9)	13.94
Full fiscal year	17,850	(2.7)	2,350	(13.7)	1,590	11.7	30.78

**\* 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".

## 1. Analysis of Business Results and Financial Position

### (1) Analysis of Business Results

During the year ended March 31, 2015, the Japanese economy has been gradually recovering, despite negative impact of consumption tax rise in April, due to positive factors including a considerable decrease in import crude oil prices in the second half of the fiscal year and an improvement of employment and income conditions under the continued monetary easing policies. However, attention should be given to risks that might depress the Japanese economy including those related to prolonged backlash from last-minute demand before consumption tax rise, unfavorable effect of weakening yen, re-rise in the crude oil prices, and downturn in overseas economies.

In the aviation industry, the overall demands for airlines showed a solid growth as the demands for international flights increased significantly against the previous year's results due mainly to increased foreign passengers from neighboring countries visiting Japan by the effect of an increase of the arrival and departure capacity for international flights at Tokyo International Airport and weak yen. The decline in the crude oil prices in the second half of the fiscal year is also expected to contribute to lower fuel surcharges. In the aviation industry as a whole, however, airline companies continue to work on further cost reduction to address a severe environment surrounding the future market such as long-term falling demands in domestic market due to a decrease of population and the entry of Japanese and foreign LCCs into the market, etc.

Also, a shortage of pilots due to the aging, etc., has been a long-standing issue for the entire industry that requires attention.

In 1-chome District of Tokyo International Airport (former aircraft maintenance area), part of the facility was returned because major airline companies moved their facilities including the maintenance shop to offshore area as part of the streamlining measures, resulting in vacancy in the building. In response, we have initiated dismantlement of certain dilapidated facilities and a fundamental review of area heating & cooling system in 1-chome District since last year.

One of our major customers has been in the process under the Civil Rehabilitation Law, and although we believe that our receivables will be mostly protected, continued close attention to the rehabilitation plan is required.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥21,111 million (up 0.7% from the previous fiscal year) with contributions from full-scale operation of new property including an in-flight meal factory completed at the end of the fiscal year ended March 31, 2014, operating income of ¥3,166 million (down 9.5%) and ordinary income of ¥3,164 million (up 2.4%), and net income of ¥1,505 million (up 37.8%).

Performance by business segment is as follows:

#### (i) Real Estate Business

Real Estate Business recorded net sales of ¥15,568 million, an increase by ¥710 million (4.8%) from the previous fiscal year, despite partial cancellation of a tenant contract as part of cost reduction measures by major airline's group companies, due to full-year operation of an in-flight meal factory and maintenance center at the Tokyo International Airport completed at the end of the fiscal year ended March 31, 2014, completion of a new apartment in Omori Higashi, followed by Otorii apartment, for major airline companies near Keikyu Airport line, addition of net sales of heating & cooling system for individual building in 1-chome District of Tokyo International Airport, and addition of sales of a newly consolidated subsidiary in Singapore. In terms of cost, depreciation of in-flight meal factory and air conditioning equipment and expenses such as electricity and utilities increased, and accordingly operating income decreased by ¥232 million (9.0%) to ¥2,346 million.

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

Area Heating & Cooling Business recorded net sales of ¥3,193 million, a decrease by ¥527 million (14.2%) from the previous fiscal year as our service in the 1-chome District of Tokyo International Airport was terminated at the end of May 2014 due to a decrease in customers and facility deterioration and shifted to a heating & cooling system for individual building in Real Estate Business while the business provided by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary, at the 3-chome District of Tokyo International Airport has shown favorable growth. Operating income also decreased by ¥29 million (4.6%) to ¥605 million.

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

Net sales in Water Supply & Drainage Service and Other Business decreased by ¥43 million (1.8%) from the previous fiscal year to ¥2,350 million as a result of reviewing management fees for the waterworks & drainage management business at the Tokyo International Airport. Operating income also decreased by ¥72 million (25.1%) to ¥214 million.

### **Forecast for the fiscal year ending March 31, 2016**

Although we expect sales increase from a full-scale operation of an overseas consolidated subsidiary and a full-year operation of Otorii apartment completed during the fiscal year ended March 31, 2015, because of a return of facilities by major airline companies, the forecast for the fiscal year ending March 31, 2016 is net sales of ¥20,670 million (down 2.1% from the previous fiscal year), operating income of ¥2,690 million (down 15.0%), and ordinary income of ¥2,730 million (down 13.7%), but we expect profit attributable to owners of parent will increase by 14.3% to ¥1,720 million as the dismantlement plan of dilapidated facilities is almost completed and extraordinary loss will decrease.

## **(2) Analysis of Financial Position**

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

Total assets as of March 31, 2015 amounted to ¥84,270 million, an increase by ¥6,649 million compared to March 31, 2014, due to new investments to Sky Residence Otorii and a hangar at Hiroshima heliport as well as new consolidation of a Singapore subsidiary.

Liabilities increased by ¥3,932 million from March 31, 2014 to ¥33,555 million, mainly due to an increase in debt by a overseas subsidiary for investments in overseas projects.

Net assets increased by ¥2,717 million compared to March 31, 2014 to ¥50,715 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, 2015 decreased by 1.6 points to 58.3% compared to March 31, 2014.

### **(ii) Cash Flows**

Cash and cash equivalents (“cash”) as of March 31, 2015 amounted to ¥5,891 million, an increase of ¥3,659 million (163.9%) from March 31, 2014. Cash flows from each activity for the year ended March 31, 2015 and their significant factors are as follows:

#### **(Cash flows from operating activities)**

Net cash provided by operating activities was ¥3,478 million (previous fiscal year: ¥3,898 million), attributable to a decrease in operating liabilities including accounts payable and unearned revenue despite an increase in net income.

#### **(Cash flows from investing activities)**

Net cash used in investing activities was ¥4,772 million (previous fiscal year: ¥4,418 million used), mainly attributable to purchase of property, plant and equipment including an apartment near Keikyu Airport line, reconstruction of a hangar at Hiroshima heliport, and an investment in machinery and equipment for shared telecommunications network business in Tokyo International Airport.

#### **(Cash flows from financing activities)**

Net cash provided by financing activities was ¥4,500 million (previous fiscal year: ¥15 million provided). This increase is mainly attributable to an increase in debt to promote overseas business in a Singapore subsidiary.

**(Reference) Cash Flow Indicators**

	FY2013/3	FY2014/3	FY2015/3
Equity ratio (%)	62.2	59.9	58.3
Equity ratio at market value (%)	44.0	50.7	43.9
Debt repayment period (years)	2.9	4.3	6.6
Interest coverage ratio (times)	19.4	16.1	11.4

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, 2015 and the Year Ending March 31, 2016**

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, 2015 is expected to be ¥12 per share (including interim dividend of ¥6 per share). The dividend for the year ending March 31, 2016 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)	
	FY3/14 (As of March 31, 2014)	FY3/15 (As of March 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	2,232,163	2,891,402
Notes and accounts receivable-trade	1,231,205	1,133,796
Securities	—	3,000,000
Lease investment assets	2,326,755	3,429,585
Raw materials and supplies	24,810	23,395
Deferred tax assets	245,883	306,501
Others	510,514	211,950
Total current assets	6,571,330	10,996,629
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	152,665,408	151,893,840
Accumulated depreciation and impairment loss	(102,976,494)	(104,553,047)
Buildings and structures, net	49,688,914	47,340,793
Machinery, equipment and vehicles	17,395,206	16,395,378
Accumulated depreciation	(13,184,550)	(11,518,257)
Machinery, equipment and vehicles, net	4,210,656	4,877,121
Tools, furniture and fixtures	394,415	239,676
Accumulated depreciation	(354,599)	(209,626)
Tools, furniture and fixtures, net	39,816	30,050
Land	9,507,156	9,544,939
Construction in progress	757,489	177,653
Total property, plant and equipment	64,204,031	61,970,556
Intangible assets	75,003	41,196
Investments and other assets		
Investment securities	4,594,849	6,764,238
Long-term loans receivable	5,102	4,167
Deferred tax assets	1,488,211	323,237
Net defined benefit asset	75,235	180,682
Others	648,332	4,105,469
Allowance for doubtful accounts	(40,867)	(115,948)
Total investments and other assets	6,770,862	11,261,845
Total noncurrent assets	71,049,896	73,273,597
Total assets	77,621,226	84,270,226

(Thousands of yen)

	FY3/14 (As of March 31, 2014)	FY3/15 (As of March 31, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,205,511	998,571
Short-term loans payable	4,102,092	5,290,218
Accounts payable	4,069,162	1,617,997
Income taxes payable	96,492	595,161
Accrued expenses	112,983	801,135
Unearned revenue	838,397	756,115
Provision for bonuses	115,579	121,481
Provision for directors' bonuses	27,600	25,796
Provision for removal cost of property, plant and equipment	375,191	490,991
Others	712,852	811,819
<b>Total current liabilities</b>	<b>11,655,859</b>	<b>11,509,284</b>
Noncurrent liabilities		
Long-term loans payable	12,627,848	16,820,248
Long-term guarantee deposited	4,849,441	4,809,516
Long-term accounts payable-facilities	256,765	205,412
Net defined benefit liability	12,398	3,146
Provision for directors' retirement benefits	210,557	207,132
Provision for long-term removal cost of property, plant and equipment	10,178	—
<b>Total noncurrent liabilities</b>	<b>17,967,187</b>	<b>22,045,454</b>
<b>Total liabilities</b>	<b>29,623,046</b>	<b>33,554,738</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,921	6,982,921
Retained earnings	33,219,444	34,103,121
Treasury stock	(1,562,002)	(1,562,347)
<b>Total shareholders' equity</b>	<b>45,466,463</b>	<b>46,349,795</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,032,562	2,718,548
Foreign currency translation adjustment	—	69,583
<b>Total accumulated other comprehensive income</b>	<b>1,032,562</b>	<b>2,788,131</b>
Minority interests	1,499,156	1,577,562
<b>Total net assets</b>	<b>47,998,180</b>	<b>50,715,488</b>
<b>Total liabilities and net assets</b>	<b>77,621,226</b>	<b>84,270,226</b>

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

(Thousands of yen)

	FY3/14 (April 1, 2013 – March 31, 2014)	FY3/15 (April 1, 2014 – March 31, 2015)
Net sales	20,971,306	21,111,344
Cost of sales	16,016,243	16,249,240
Gross profit	4,955,063	4,862,104
Selling, general, and administrative expenses		
Directors' compensations	291,078	253,173
Salaries and bonuses	444,468	505,279
Provision for bonuses	61,486	76,768
Provision for directors' bonuses	27,600	25,796
Transportation and communication expenses	85,784	99,912
Depreciation	32,792	32,232
Taxes and dues	73,698	70,353
Others	439,652	632,913
Total selling, general, and administrative expenses	1,456,558	1,696,426
Operating income	3,498,505	3,165,678
Non-operating income		
Interest income	67	374
Dividends income	91,715	334,803
Commission fee	172,685	104,935
Gain on investments in silent partnership	31,364	101,875
Others	70,720	121,159
Total non-operating income	366,551	663,146
Non-operating expenses		
Interest expenses	241,255	295,720
Removal cost of property, plant and equipment	147,755	78,014
Provision for removal cost	375,191	273,366
Others	10,400	17,554
Total non-operating expenses	774,601	664,654
Ordinary income	3,090,455	3,164,170
Extraordinary income		
Compensation for remaining book value	—	4,160
Gain on sales of noncurrent assets	—	39,873
Gain on sales of investment securities	517	263
Total extraordinary income	517	44,296
Extraordinary loss		
Loss on retirement of noncurrent assets	1,288,986	320,366
Others	2,500	2
Total extraordinary loss	1,291,486	320,368
Income before income taxes and minority interests	1,799,486	2,888,099
Income taxes	532,731	889,345
Income taxes - deferred	55,593	376,740
Total income taxes	588,324	1,266,085
Income before minority interests	1,211,162	1,622,013
Minority interests in income	118,592	116,735
Net income	1,092,570	1,505,278



**(Consolidated statements of comprehensive income)**

(Thousands of yen)

	FY3/14 (April 1, 2013 – March 31, 2014)	FY3/15 (April 1, 2014 – March 31, 2015)
Income before minority interests	1,211,162	1,622,013
Other comprehensive income		
Valuation difference on available-for-sale securities	419,508	1,685,987
Foreign currency translation adjustment, before tax	—	69,583
Total other comprehensive income	419,508	1,755,570
Comprehensive income	1,630,670	3,377,583
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,512,078	3,260,848
Comprehensive income attributable to minority interests	118,592	116,735

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

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

(Thousands 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					—
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	Foreign currency translation adjustment	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			—		—
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

For the Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Thousands 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	33,219,444	(1,562,002)	45,466,463
Changes of items during the period					
Dividends from surplus			(619,940)		(619,940)
Net income			1,505,278		1,505,278
Purchase of treasury stock				(345)	(345)
Change of scope of consolidation			(1,661)		(1,661)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	883,677	(345)	883,332
Balance at the end of current period	6,826,100	6,982,921	34,103,121	(1,562,347)	46,349,795

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,032,562	—	1,032,562	1,499,155	47,998,180
Changes of items during the period					
Dividends from surplus			—		(619,940)
Net income			—		1,505,278
Purchase of treasury stock			—		(345)
Change of scope of consolidation			—		(1,661)
Net changes of items other than shareholders' equity	1,685,986	69,583	1,755,569	78,406	1,833,975
Total changes of items during the period	1,685,986	69,583	1,755,569	78,406	2,717,308
Balance at the end of current period	2,718,548	69,583	2,788,131	1,577,562	50,715,488

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

(Thousands of yen)

	FY3/14 (April 1, 2013 – March 31, 2014)	FY3/15 (April 1, 2014 – March 31, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,799,486	2,888,099
Depreciation and amortization	3,093,338	3,433,918
Increase (decrease) in provision for removal cost of property, plant and equipment	126,406	105,622
Increase (decrease) in provision for retirement benefits	(61,278)	(9,252)
Decrease (increase) in net defined benefit asset	(75,235)	(105,428)
Increase (decrease) in provision for directors' retirement benefits	(5,807)	(3,426)
Increase (decrease) in provision for bonuses	(4,621)	5,902
Increase (decrease) in provision for directors' bonuses	6,563	(1,804)
Increase (decrease) in allowance for doubtful accounts	10,267	75,081
Interest and dividend income	(91,782)	(335,177)
Interest expenses	241,255	295,720
Interest on securities	—	(279)
Loss on disposal of property, plant and equipment	1,288,986	320,365
Loss (gain) on sales of noncurrent assets	—	(39,871)
Loss (gain) on sales of investment securities	(517)	—
Decrease (increase) in notes and accounts receivable	(126,992)	97,784
Decrease (increase) in inventories	21,365	1,414
Net decrease (increase) in lease receivables and investment assets	(385,748)	(857,297)
Increase (decrease) in notes and accounts payable	(51,545)	(206,940)
Increase (decrease) in unearned revenue	24,932	(82,792)
Increase (decrease) in accrued expenses	(40,627)	658,175
Increase (decrease) in accrued consumption taxes	(334,990)	686,863
Decrease (increase) in other assets	(279,567)	(3,152,361)
Increase (decrease) in other liabilities	(208,447)	65,089
Subtotal	4,945,440	3,839,406
Interest and dividends received	91,782	335,456
Interest paid	(241,496)	(265,744)
Income taxes paid	(897,822)	(431,069)
Net cash provided by operating activities	3,897,904	3,478,048
<b>Cash flows from investing activities</b>		
Purchase of investments in capital of subsidiaries	(454,632)	(210,420)
Proceeds from sales of short-term investment securities	2,697	—
Purchase of noncurrent assets	(3,967,261)	(5,095,211)
Collection of long-term loans receivable	1,164	935
Proceeds from sales of noncurrent assets	—	532,791
Net cash used in investing activities	(4,418,032)	(4,771,904)

(Thousands of yen)

	FY3/14 (April 1, 2013 – March 31, 2014)	FY3/15 (April 1, 2014 – March 31, 2015)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	4,500,000	2,302,269
Decrease in short-term loans payable	(4,300,000)	(1,391,920)
Proceeds from long-term debt	4,000,000	7,465,249
Payments of long-term debt	(3,362,922)	(3,177,224)
Proceeds from guarantee deposits received	257,579	318,258
Repayments of guarantee deposits received	(422,142)	(358,628)
Purchase of treasury stock	(365)	(345)
Payment of cash dividends	(618,935)	(619,292)
Cash dividends paid to minority shareholders	(38,329)	(38,329)
Net cash used in financing activities	14,886	4,500,037
Effect of exchange rate change on cash and cash equivalents	—	(1,575)
Net increase (decrease) in cash and cash equivalents	(505,242)	3,204,607
Cash and cash equivalents at beginning of period	2,737,405	2,232,163
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	454,632
Cash and cash equivalents at end of period	2,232,163	5,891,402

(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 pursues 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 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	32,847	3,093,338
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.

**Fiscal year ended March 2015 (April 1, 2014– March 31, 2015)**

(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	15,568,025	3,192,863	2,350,456	21,111,344	—	21,111,344
Inter-segment net sales/transfers	218,366	825,695	217,590	1,261,651	(1,261,651)	
Total	15,786,391	4,018,558	2,568,046	22,372,995	(1,261,651)	21,111,344
Segment income	2,345,926	605,259	214,493	3,165,678	—	3,165,678
Segment assets	62,206,908	6,574,712	1,295,356	70,076,977	14,193,250	84,270,226
Segment liabilities	8,644,035	333,124	628,769	9,605,928	23,948,810	33,554,738
Other items						
Depreciation and amortization	2,755,757	522,955	92,974	3,401,686	32,232	3,433,918
Increase in property, plant and equipment and intangible assets	1,389,859	596,121	578,396	2,564,376	4,777	2,569,153

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

2. Segment income refers to operating income.