

Financial Results for the Year Ended March 31, 2022 [J-GAAP]

Company Name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock Exchange Listed on: Tokyo Stock Exchange (Prime Market)
 Company Code: 8864 URL: <https://www.afc.jp/english/>
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 The Date of the Ordinary General Shareholders' Meeting: June 29, 2022
 The Date of the Dividend Payment Start: June 30, 2022
 The Date of Filing the Securities Report: June 29, 2022
 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 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated Business Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	23,777	(1.5)	3,280	(14.3)	2,962	(18.1)	821	—
March 31, 2021	24,155	(2.8)	3,831	(8.4)	3,617	(4.8)	(933)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2022: 1,078 million yen (—%)
 Fiscal year ended March 31, 2021: (661) million yen (—%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	16.45	16.39	1.5	2.9	13.7
March 31, 2021	(18.71)	—	(1.7)	3.5	15.8

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2022: — million yen
 Fiscal year ended March 31, 2021: — 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, 2022	102,468	55,306	51.4	1,055.28
As of March 31, 2021	100,429	54,964	52.1	1,049.44

(Reference) Equity capital: As of March 31, 2022: 52,701 million yen As of March 31, 2021: 52,378 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	8,467	(449)	(5,117)	9,612
March 31, 2021	4,758	(2,704)	(1,907)	6,583

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, 2021	—	7.00	—	7.00	14.00	698	—	1.3
March 31, 2022	—	7.00	—	7.00	14.00	699	85.1	1.3
Fiscal year ending March 31, 2023 (Forecasts)	—	7.00	—	7.00	14.00		63.6	

3. Forecast of Consolidated Earnings for the Year Ending March 2023 (April 1, 2022 - March 31, 2023)

(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	12,298	3.2	1,321	(36.3)	1,178	(40.1)	723	(44.7)	14.47
Full fiscal year	24,443	2.8	2,087	(36.4)	1,601	(45.9)	1,099	33.9	22.00

* 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.: 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, 2022:	52,979,350 shares	As of March 31, 2021:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2022:	3,038,541 shares	As of March 31, 2021:	3,068,347 shares
3) Average number of shares during the period	Year ended March 31, 2022:	49,933,408 shares	Year ended March 31, 2021:	49,894,036 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2022 (April 1, 2021 - March 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	20,868	0.2	2,575	4.8	2,599	3.5	636	—
March 31, 2021	20,812	(3.6)	2,455	(18.6)	2,510	(17.5)	(1,228)	—

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2022	12.75	12.71
March 31, 2021	(24.61)	—

(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, 2022	91,450	49,477	54.0	989.19
As of March 31, 2021	89,380	49,879	55.7	997.58

(Reference) Equity capital As of March 31, 2022: 49,401 million yen As of March 31, 2021: 49,790 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2023 (April 1, 2022 – March 31, 2023)

(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	10,546	0.5	878	(46.8)	600	(49.0)	12.01
Full fiscal year	20,995	0.6	1,176	(54.8)	891	40.1	17.84

***Financial Results report is outside the scope of an audit by certified public accountants or an audit corporation.**

*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, and therefore they do not constitute a guarantee that they will be realized. 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 5 “1. Summary of Operating Results, etc. (4) Earnings forecast for the fiscal year ending March 2023”.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Year Ended March 2022

During the year ended March 31, 2022, Japanese economy showed a sign of recovery after a decline in personal consumption due to COVID-19, but the recovery has been slow with GDP falling below the pre-COVID-19 level. There are also uncertainties caused by the Ukraine crisis, etc. which started in late February 2022, requiring close monitoring of downside risks from a rise in raw material prices, etc.

In an aviation industry, although flights have continued to be reduced or suspended, quasi-state of emergency, which had been implemented since early January 2022, were fully lifted in late March 2022, and we expect passenger demand will increase as a result of further easing of border restrictions by the government and the progress in various initiatives to prevent the spread of infections and continue socioeconomic activities while remaining alert to another spread of infections.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥23,777 million (down 1.5% from the previous fiscal year) due to deduction from net sales of debt forgiveness of rent receivables from airline companies in support of those facing financial difficulties resulting from the COVID-19 pandemic despite the full-year operation of a new facility completed in the year ended March 31, 2021. Operating income was ¥3,280 million (down 14.3%) and ordinary income was ¥2,962 million (down 18.1%) mainly due to an increase in removal cost of property, plant and equipment.

(Reference: For the year ended March 31, 2021, debt forgiveness of rent receivables was recorded as extraordinary loss. If such loss had been deducted from net sales in the same manner as this year, net sales, operating income, and ordinary income would have been ¥22,784 million, ¥2,460 million, and ¥2,247 million, respectively, resulting in a year-on-year increase for the year ended March 31, 2022 in these three items.)

We also recorded gain on sales of investment securities in extraordinary income while recording impairment loss in extraordinary loss as we are considering to sell rental properties for hotel in Kyoto, where inbound demand has yet to recover, with an aim to further improve asset efficiency. As a result, profit attributable to owners of parent was ¥821 million (¥933 million of loss attributable to owners of parent in the previous fiscal year).

Amid such circumstances, we are also working to expand business domains and acquired land and a building in Koshigaya City, Saitama Prefecture and started leasing them to a modified car company in December 2021. In overseas, our group company offered financing for procurement of aircraft engines to new customers in March 2022. We also established the “Innovation Promotion Division” on April 1, 2022 in charge of exploring new business opportunities inside and outside the airports and promoting creation of new businesses. Taking advantage of our know-how accumulated over the years in our businesses inside and outside the airports, the Company and the Group aim to expand business domains outside the airports and overseas.

In terms of promoting sustainability, we set the basic policy in December 2021 and established “Sustainability Promotion Committee” effective January 1, 2022, where we have been discussing measures with an intention to make aggressive efforts to, for example, reduce CO₂ emissions and promote D&I.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥18,845 million (down 0.5% from the previous fiscal year) as debt forgiveness of rent receivables to support airline companies was deducted from net sales, despite the full-year operation of a dormitory for international students completed in March 2021. Operating income was ¥2,862 million (down 2.0%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥2,957 million (down 12.5% from the previous fiscal year) due to deduction from net sales of debt forgiveness of heat charge receivables to support airline companies while sales slightly increased. Operating income was ¥452 million (down 58.8%) due to increases in raw material costs of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,974 million (up 7.6% from the previous fiscal year) and operating loss of ¥33 million (operating loss of ¥188 million in the previous fiscal year) due to an increase in water supply and drainage usage compared to a year earlier when the number of airport users dropped sharply, although not as much as expected, as well as expansion of shared telecommunications network.

(2) Summary of Financial Position as of March 31, 2022

(Assets)

Total assets as of March 31, 2022 amounted to ¥102,468 million, an increase by ¥2,038 million compared to March 31, 2021, mainly due to recording of removal cost corresponding to asset retirement obligations while depreciation of buildings, etc. and impairment loss associated with a plan to sell hotels held in Kyoto were recorded.

(Liabilities)

Total liabilities as of March 31, 2022 amounted to ¥47,161 million, an increase by ¥1,697 million compared to March 31, 2021, mainly due to recording of asset retirement obligations related to the costs to remove buildings in the 1-chome District of Tokyo International Airport to satisfy the obligation to restore the area to its original state as a disaster risk management measure in the area progressed, making it possible to reasonably estimate the timing of removal while long-term loans payable decreased.

(Net assets)

Total net assets as of March 31, 2022 amounted to ¥55,306 million, an increase by ¥341 million compared to March 31, 2021, mainly due to an increase in retained earnings from recording of profit attributable to owners of parent and dividends from surplus.

As a result, equity ratio as of March 31, 2022 decreased by 0.7 points to 51.4% compared to March 31, 2021.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2022

Cash and cash equivalents (“cash”) as of March 31, 2022 amounted to ¥9,612 million, an increase of ¥3,029 million from March 31, 2021.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥8,467 million (previous fiscal year: ¥4,758 million provided), mainly attributable to recording of income before income taxes, collection of operating loans receivable and recording of noncash items including depreciation and impairment loss despite a decrease in consumption taxes payable.

(Cash flows from investing activities)

Net cash used in investing activities was ¥449 million (previous fiscal year: ¥2,704 million used), mainly attributable to purchase of non-current assets despite proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,117 million (previous fiscal year: ¥1,907 million used), mainly attributable to payments of long-term debt and payment of cash dividends.

(Reference) Cash Flow Indicators

	FY2020/3	FY2021/3	FY2022/3
Equity ratio (%)	51.5	52.1	51.4
Equity ratio at market value (%)	20.3	30.9	28.0
Debt repayment period (years)	5.2	7.2	3.6
Interest coverage ratio (times)	16.5	13.0	26.8

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.

(4) Earnings forecast for the fiscal year ending March 2023

Fiscal year ending March 31, 2023 is the first year of the Medium- to Long-Term Management Plan discussed below. While we expect recovery of domestic passenger demand from the COVID-19 pandemic, because there are concerns over an increase in raw material costs due to a rise in crude oil, etc., we did not incorporate debt forgiveness of rent and heat charge receivables which was deducted from net sales for the fiscal year ended March 31, 2022. In addition, there will be an increase in amortization related to asset retirement obligations associated with the start of the Haneda Airport 1-Chome project. Accordingly, the forecast for the fiscal year ending March 31, 2023 is net sales of ¥24,443 million (up 2.8% from the previous fiscal year), operating income of ¥2,087 million (down 36.4%), ordinary income of ¥1,601 million (down 45.9%), and profit attributable to owners of parent of ¥1,099 million (up 33.9%).

(5) Development of the New Medium- to Long-Term Management Plan

The Company has developed a new Medium- to Long-Term Management Plan covering seven years from FY ending March 2023 to March 2029 for the Airport Facilities Group.

The Plan will strengthen the Group's airport-related operations, the core businesses, by steadily implementing following three priority measures. At the same time, the Plan aims to develop a capital efficiency-conscious business portfolio that is resilient against risks and lay the foundation for the next stage by diversifying revenue sources through engagement in non-asset businesses and by expanding profits.

(1) Haneda Airport 1-Chome project

The Group aims to expand its airport-related assets and improve profitability by reorganizing and rebuilding its facilities in the Haneda Airport 1-Chome area, where the Company was founded, into higher-quality ones that meet customers' needs in accordance with the disaster risk management for the area.

(2) Expansion of non-asset businesses

The Group aims to increase fee revenue by taking advantage of its know-how and also enter into real estate fund formation and asset management businesses by building an excellent property portfolio through the acquisition of properties outside airports and a shift to higher-value properties.

(3) Improvement of the profitability of existing businesses

The Group aims to improve profitability through capital efficiency-conscious portfolio restructuring, including withdrawal and sale, with regard to properties with inferior growth potential or profitability.

Through these measures, we aim to achieve the following consolidated targets in the fiscal year ending March 31, 2029, the final year of the Plan: net sales of ¥32 billion, operating income of ¥5 billion, and profit attributable to owners of parent of ¥3.3 billion.

Please refer to the Medium- to Long-Term Management Plan separately released today for more details.

(6) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2022 and the Year Ending March 31, 2023

While we focus on maintenance of stable management base and enhancement of financial strength, we also consider profit return to shareholders is important and have been striving to stably return profits to shareholders with the dividend payout ratio of over 30% in consideration of current performance and future outlook.

Although we recorded impairment loss for the fiscal year ended March 31, 2022 as described above, based on the above policy and comprehensive consideration of our financial condition, etc., we plan to pay annual dividend of ¥14 per share (interim dividend of ¥7 and year-end dividend of ¥7) for the fiscal year ended March 31, 2022.

For the fiscal year ending March 31, 2023, we aim for payout ratio of over 40% and plan to pay annual dividend of ¥14 (including interim dividend of ¥7) as in the past.

2. Basic Policy Regarding Selection of Accounting Standards

The Group adopts Japanese Accounting Standards to ensure comparability with domestic sector peers.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY3/21 (As of March 31, 2021)	FY3/22 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	6,583,181	9,612,726
Notes and accounts receivable-trade	1,373,918	1,303,500
Lease receivables and investment assets	10,502,602	10,548,425
Operating loans	3,586,074	2,999,771
Raw materials and supplies	15,877	15,817
Others	146,132	103,617
Total current assets	22,207,786	24,583,859
Non-current assets		
Property, plant and equipment		
Buildings and structures	170,103,670	174,578,069
Accumulated depreciation and impairment loss	(123,525,954)	(126,917,133)
Buildings and structures, net	46,577,715	47,660,935
Machinery, equipment and vehicles	20,381,139	20,342,253
Accumulated depreciation	(13,980,546)	(14,488,757)
Machinery, equipment and vehicles, net	6,400,593	5,853,495
Tools, furniture and fixtures	1,105,982	1,167,685
Accumulated depreciation	(795,346)	(906,910)
Tools, furniture and fixtures, net	310,636	260,775
Land	13,985,705	13,386,664
Construction in progress	1,416,281	1,523,927
Total property, plant and equipment	68,690,931	68,685,798
Intangible assets		
Software	202,364	544,968
Software in progress	463,525	—
Others	19,813	19,310
Total intangible assets	685,702	564,279
Investments and other assets		
Investment securities	7,092,761	6,555,547
Long-term loans receivable	931	531
Deferred tax assets	906,445	1,240,345
Net defined benefit asset	228,866	232,963
Others	626,255	614,955
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,844,993	8,634,077
Total non-current assets	78,221,628	77,884,155
Total assets	100,429,415	102,468,014

(Thousands of yen)

	FY3/21 (As of March 31, 2021)	FY3/22 (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,079,625	1,778,043
Short-term loans payable	6,325,177	5,131,648
Accounts payable	1,131,097	1,705,873
Income taxes payable	156,069	813,465
Accrued expenses	102,802	106,714
Unearned revenue	1,100,926	1,095,026
Provision for bonuses	129,812	144,825
Provision for bonuses for directors (and other officers)	28,355	51,880
Provision for removal cost of property, plant and equipment	78,011	7,605
Others	386,666	216,114
Total current liabilities	10,518,542	11,051,197
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	22,287,170	19,524,613
Long-term guarantee deposited	6,163,216	6,127,603
Long-term accounts payable-other	260,254	256,789
Deferred tax liabilities	22,566	31,968
Provision for removal cost of property, plant and equipment	112,793	183,851
Asset retirement obligations	—	3,885,762
Total non-current liabilities	34,946,000	36,110,587
Total liabilities	45,464,542	47,161,785
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,680,850	38,799,813
Treasury stock	(1,700,228)	(1,683,721)
Total shareholders' equity	50,789,611	50,925,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,054,158	1,714,018
Foreign currency translation adjustment	(464,980)	62,452
Total accumulated other comprehensive income	1,589,177	1,776,471
Subscription rights to shares	89,284	76,178
Non-controlling interests	2,496,798	2,528,497
Total net assets	54,964,872	55,306,229
Total liabilities and net assets	100,429,415	102,468,014

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

	(Thousands of yen)	
	FY3/21 (April 1, 2020 – March 31, 2021)	FY3/22 (April 1, 2021 – March 31, 2022)
Net sales	24,155,122	23,777,481
Cost of sales	18,441,101	18,405,354
Gross profit	5,714,020	5,372,127
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	287,582	264,873
Salaries and bonuses	595,963	598,044
Provision for bonuses	83,347	98,305
Provision for bonuses for directors (and other officers)	28,355	51,880
Provision for retirement benefits for directors (and other officers)	348	—
Transportation and communication expenses	63,479	63,080
Depreciation	27,740	89,287
Taxes and dues	162,756	162,175
Others	633,086	763,649
Total selling, general, and administrative expenses	1,882,657	2,091,295
Operating income	3,831,363	3,280,831
Non-operating income		
Interest income	1	1
Dividends income	37,770	45,291
Commission fee	22,142	99,046
Foreign exchange gains	—	1,352
Gain on reversal of provision for removal cost of property, plant and equipment	73,210	—
Others	73,498	57,718
Total non-operating income	206,623	203,411
Non-operating expenses		
Interest expenses	358,723	309,779
Removal cost of property, plant and equipment	50,512	130,192
Provision for removal cost	—	78,663
Foreign exchange losses	1,401	—
Others	9,511	3,425
Total non-operating expenses	420,148	522,060
Ordinary income	3,617,837	2,962,181
Extraordinary income		
Gain on sales of investment securities	—	456,060
Insurance income	144,067	—
Subsidy income	163,832	—
Others	12,464	6,775
Total extraordinary income	320,364	462,835
Extraordinary loss		
Loss on retirement of non-current assets	48,604	266,392
Loss on disaster	42,839	—
Loss on response to new infectious disease	1,370,438	—
Impairment loss	3,118,888	1,463,674
Total extraordinary loss	4,580,769	1,730,066
Income (loss) before income taxes	(642,567)	1,694,950
Income taxes	503,295	980,641
Income taxes - deferred	(363,261)	(177,130)
Total income taxes	140,033	803,511
Profit (loss)	(782,601)	891,439
Profit attributable to non-controlling interests	151,185	70,027
Profit (loss) attributable to owners of parent	(933,787)	821,411

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY3/21 (April 1, 2020 – March 31, 2021)	FY3/22 (April 1, 2021 – March 31, 2022)
Profit (loss)	(782,601)	891,439
Other comprehensive income		
Valuation difference on available-for-sale securities	371,715	(340,139)
Foreign currency translation adjustment	(250,777)	527,433
Total other comprehensive income	120,937	187,293
Comprehensive income	(661,663)	1,078,732
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(812,849)	1,008,704
Comprehensive income attributable to non-controlling interests	151,185	70,027

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	6,982,890	40,315,327	(1,737,829)	52,386,487
Changes of items during the period					
Dividends from surplus			(698,279)		(698,279)
Loss attributable to owners of parent			(933,787)		(933,787)
Purchase of treasury stock				(21)	(21)
Disposal of treasury stock			(2,411)	37,622	35,211
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(1,634,477)	37,601	(1,596,876)
Balance at the end of current period	6,826,100	6,982,890	38,680,850	(1,700,228)	50,789,611

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling 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	1,682,442	(214,202)	1,468,239	94,722	2,383,942	56,333,393
Changes of items during the period						
Dividends from surplus			—			(698,279)
Loss attributable to owners of parent			—			(933,787)
Purchase of treasury stock			—			(21)
Disposal of treasury stock			—			35,211
Net changes of items other than shareholders' equity	371,715	(250,777)	120,937	(5,438)	112,856	228,355
Total changes of items during the period	371,715	(250,777)	120,937	(5,438)	112,856	(1,368,520)
Balance at the end of current period	2,054,158	(464,980)	1,589,177	89,284	2,496,798	54,964,872

For the Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	6,982,890	38,680,850	(1,700,228)	50,789,611
Changes of items during the period					
Dividends from surplus			(698,963)		(698,963)
Profit attributable to owners of parent			821,411		821,411
Purchase of treasury stock				(113)	(113)
Disposal of treasury stock			(3,484)	16,620	13,135
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	118,963	16,506	135,470
Balance at the end of current period	6,826,100	6,982,890	38,799,813	(1,683,721)	50,925,081

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling 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	2,054,158	(464,980)	1,589,177	89,284	2,496,798	54,964,872
Changes of items during the period						
Dividends from surplus			—			(698,963)
Profit attributable to owners of parent			—			821,411
Purchase of treasury stock			—			(113)
Disposal of treasury stock			—			13,135
Net changes of items other than shareholders' equity	(340,139)	527,433	187,293	(13,105)	31,698	205,886
Total changes of items during the period	(340,139)	527,433	187,293	(13,105)	31,698	341,356
Balance at the end of current period	1,714,018	62,452	1,776,471	76,178	2,528,497	55,306,229

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/21 (April 1, 2020 – March 31, 2021)	FY3/22 (April 1, 2021 – March 31, 2022)
Cash flows from operating activities		
Income (loss) before income taxes	(642,567)	1,694,950
Depreciation	4,263,726	4,135,788
Impairment loss	3,118,888	1,463,674
Loss on disaster	42,839	–
Increase (decrease) in provision for removal cost of property, plant and equipment	(226,392)	652
Decrease (increase) in net defined benefit asset	(79,342)	(4,097)
Increase (decrease) in provision for directors' retirement benefits	(2,436)	–
Increase (decrease) in provision for bonuses	(5,271)	15,013
Increase (decrease) in provision for directors' bonuses	1,640	23,525
Interest and dividend income	(37,772)	(45,292)
Insurance income	(144,067)	–
Subsidy income	(163,832)	–
Share-based compensation expenses	29,700	28,595
Interest expenses	358,723	309,779
Loss (gain) on sale of investment securities	–	(456,060)
Loss on retirement of non-current assets	48,604	266,392
Decrease (increase) in notes and accounts receivable	(107,032)	70,417
Decrease (increase) in inventories	(4,777)	59
Net decrease (increase) in lease receivables and investment assets	(3,370,897)	325,918
Decrease (increase) in operating loans receivable	1,016,029	1,025,968
Increase (decrease) in notes and accounts payable	(23,696)	698,405
Increase (decrease) in unearned revenue	(16,066)	(8,224)
Increase (decrease) in accrued expenses	(680,058)	8,814
Increase (decrease) in accrued consumption taxes	388,390	(376,407)
Decrease (increase) in other assets	2,140,502	23,649
Increase (decrease) in other liabilities	(160,173)	(127,144)
Subtotal	5,744,661	9,074,376
Interest and dividends received	37,772	45,292
Interest paid	(363,709)	(315,854)
Proceeds from insurance income	144,067	–
Payments for loss on disaster	(57,141)	–
Subsidies received	163,832	–
Income taxes paid	(911,392)	(336,090)
Net cash provided by operating activities	4,758,089	8,467,723
Cash flows from investing activities		
Purchase of non-current assets	(2,661,640)	(957,793)
Purchase of investment securities	(14,277)	(31,186)
Proceeds from sale of investment securities	–	529,022
Proceeds from distributions from investment partnerships	–	2,639
Payments of leasehold and guarantee deposits	(29,010)	–
Proceeds from collection of long-term loans receivable	400	400
Others	–	7,727
Net cash used in investing activities	(2,704,528)	(449,190)

(Thousands of yen)

	FY3/21 (April 1, 2020 – March 31, 2021)	FY3/22 (April 1, 2021 – March 31, 2022)
Cash flows from financing activities		
Increase in short-term loans payable	1,500,000	1,100,000
Decrease in short-term loans payable	(2,206,398)	(1,100,000)
Proceeds from long-term debt	4,431,960	1,074,218
Payments of long-term debt	(4,873,607)	(5,419,572)
Proceeds from issuance of bonds	100,000	—
Proceeds from guarantee deposits received	282,092	103,894
Repayments of guarantee deposits received	(405,447)	(139,506)
Proceeds from sales of treasury stock	73	30
Purchase of treasury stock	(21)	(113)
Payment of cash dividends	(698,069)	(698,532)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash provided by financing activities	(1,907,747)	(5,117,911)
Effect of exchange rate change on cash and cash equivalents	(81,296)	128,923
Net increase in cash and cash equivalents	64,518	3,029,544
Cash and cash equivalents at beginning of period	6,518,663	6,583,181
Cash and cash equivalents at end of period	6,583,181	9,612,726

(Segment Information, etc.)

[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, assets, liabilities, and other items by reportable segments

Fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(Thousands of yen)

	Reportable Segment				Adjustments (Note)	Carrying Amount on Consolidated Statements of Income
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business	Total		
Net sales						
Net sales to outside customers	18,940,904	3,379,600	1,834,617	24,155,122	—	24,155,122
Inter-segment net sales/transfers	259,243	835,351	226,441	1,321,036	(1,321,036)	—
Total	19,200,148	4,214,951	2,061,058	25,476,158	(1,321,036)	24,155,122
Segment income (loss)	2,922,033	1,097,954	(188,624)	3,831,363	—	3,831,363
Segment assets	79,804,989	8,743,957	1,229,057	89,778,005	10,651,410	100,429,415
Segment liabilities	40,687,346	2,492,381	129,192	43,308,920	2,155,621	45,464,542
Other items						
Depreciation and amortization	3,446,734	587,032	202,218	4,235,986	27,740	4,263,726
Increase in property, plant and equipment and intangible assets	1,768,708	468,943	195,677	2,433,328	136,569	2,569,898

(Note) Adjustments represent elimination of intersegment transactions.

Fiscal Year Ended March 2022 (April 1, 2021 - March 31, 2022)

(Thousands of yen)

	Reportable Segment				Adjustments (Note)	Carrying Amount on Consolidated Statements of Income
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business	Total		
Net sales						
Net sales to outside customers	18,845,473	2,957,070	1,974,937	23,777,481	—	23,777,481
Inter-segment net sales/transfers	257,068	743,993	221,901	1,222,962	(1,222,962)	—
Total	19,102,541	3,701,064	2,196,838	25,000,444	(1,222,962)	23,777,481
Segment income (loss)	2,862,742	452,032	(33,944)	3,280,831	—	3,280,831
Segment assets	80,077,526	8,589,700	1,130,227	89,797,455	12,670,559	102,468,014
Segment liabilities	42,213,706	2,262,713	130,561	44,606,980	2,554,804	47,161,785
Other items						
Depreciation and amortization	3,351,864	576,646	117,989	4,046,500	89,287	4,135,788
Increase in property, plant and equipment and intangible assets	5,253,129	252,736	12,437	5,518,303	7,273	5,525,577

(Notes) Adjustments represent elimination of intersegment transactions.