

Financial Results for the Year Ended March 31, 2023 [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, 2023
 The Date of the Dividend Payment Start: June 30, 2023
 The Date of Filing the Securities Report: June 29, 2023
 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 2023 (April 1, 2022 - March 31, 2023)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	25,516	7.3	2,503	(23.6)	2,121	(28.3)	1,564	90.4
March 31, 2022	23,777	(1.5)	3,280	(14.3)	2,962	(18.1)	821	—

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 2,777 million yen 157.4%
 Fiscal year ended March 31, 2022: 1,078 million yen —%

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
March 31, 2023	31.28	31.21	2.9	2.0	9.8
March 31, 2022	16.45	16.39	1.5	2.9	13.7

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2023: — million yen
 Fiscal year ended March 31, 2022: — 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, 2023	100,403	57,368	54.5	1,095.16
As of March 31, 2022	102,468	55,306	51.4	1,055.28

(Reference) Equity capital: As of March 31, 2023: 54,799 million yen As of March 31, 2022: 52,701 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, 2023	2,017	1,198	(4,460)	8,598
March 31, 2022	8,467	(449)	(5,117)	9,612

2. Dividends

Fiscal year ended	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
March 31, 2022	—	7.00	—	7.00	14.00	699	85.1	1.3
March 31, 2023	—	7.00	—	7.00	14.00	700	44.7	1.3
Fiscal year ending March 31, 2024 (Forecasts)	—	7.00	—	7.00	14.00		54.0	

3. Forecast of Consolidated Earnings for the Year Ending March 2024 (April 1, 2023 - March 31, 2024)

(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	13,011	2.3	1,272	(29.6)	1,226	(27.8)	817	(37.0)	16.32
Full fiscal year	26,054	2.1	2,111	(15.6)	1,984	(6.4)	1,296	(17.1)	25.90

*** 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, 2023:	52,979,350 shares	As of March 31, 2022:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2023:	2,941,665 shares	As of March 31, 2022:	3,038,541 shares
3) Average number of shares during the period	Fiscal year ended March 31, 2023:	50,013,504 shares	Fiscal year ended March 31, 2022:	49,933,408 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	22,102	5.9	1,985	(22.9)	1,876	(27.8)	1,418	122.6
March 31, 2022	20,868	0.2	2,575	4.8	2,599	3.5	696	—

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2023	28.35	28.29
March 31, 2022	12.75	12.71

(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, 2023	88,600	50,568	57.0	1,009.60
As of March 31, 2022	91,450	49,477	54.0	989.19

(Reference) Equity capital As of March 31, 2023: 50,518 million yen As of March 31, 2022: 49,401 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2024 (April 1, 2023 – March 31, 2024)

(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	11,003	(0.0)	1,018	(30.6)	697	(41.7)	13.92
Full fiscal year	22,297	0.8	1,530	(18.4)	1,044	(26.3)	20.86

*** 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 2024”.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Year Ended March 2023

During the year ended March 31, 2023, the Japanese economy continued to be on a gradual recovery trend despite the impact of the spread of COVID-19 as the world is learning to live with COVID-19. Meanwhile, there is a risk that the overseas economic downturn caused mainly by global monetary tightening might put downward pressure on the Japanese economy, and we also need to carefully monitor its effect on surging prices, supply constraints, the fluctuations in the financial and capital markets, etc.

In the aviation industry, the tourism demand for domestic flights is recovering partly thanks to support from the government's measures to stimulate demand. For the international flights, the number of visitors to Japan continues to be on a recovery trend after the government substantially eased various border controls in October 2022 and the entry restrictions on visitors from China since March 2023. In May 2023, the legal status of COVID-19 under the law on infectious diseases was downgraded to be the same category as seasonal influenza, etc., which is expected to further promote recovery of the socioeconomic activities and to contribute to further recovery of passenger demand.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥25,516 million (up 7.3% from the previous fiscal year) mainly because there was no debt forgiveness of rent receivables from airline companies which was recorded as part of the measures under the COVID-19 crisis in the fiscal year ended March 31, 2022 and there was a continued recovery trend in water supply and drainage usage year-on-year. Operating income was ¥2,503 million (down 23.6%) due to increases in amortization related to asset retirement obligations associated with the start of the Haneda Airport 1-Chome project and in raw material costs in the Area Heating & Cooling Business. Ordinary income was ¥2,121 million (down 28.3%) due to a decrease in commission fee and an increase in provision for removal cost related to various constructions. As extraordinary income and loss items, we recorded tax refund in relation to the filing of amended returns for corporate tax and consumptions for the year ended March 31, 2021, gain on sale of non-current assets related to hotels and office buildings for lease, and impairment loss for rental buildings in Osaka International Airport, and tax expense decreased in relation to the sale of hotels mentioned above. As a result, profit attributable to owners of parent amounted to ¥1,564 million (up 90.4%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥19,730 million (up 4.6% from the previous fiscal year) mainly because there was no debt forgiveness of rent receivables as part of the measures under the COVID-19 crisis, but operating income was ¥2,172 million (down 24.1%) due to an increase in amortization related to asset retirement obligations.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥3,412 million (up 15.3% from the previous fiscal year) mainly because there was no debt forgiveness of rent receivables from airline companies as part of the measures under the COVID-19 crisis although sales increased only slightly. On the other hand, a significant increase in raw material costs due to high electricity/gas prices resulted in a year-on-year decrease in operating income to ¥225 million (down 50.2%).

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business continued to show a recovery trend in water supply and drainage usage compared to a year earlier with an increase in the number of airport users as no movement restrictions were issued in the current fiscal year despite the spread of COVID-19. Net sales including other businesses amounted to ¥2,373 million (up 20.1% from the previous fiscal year) and operating income amounted to ¥106 million (operating loss of ¥33 million for the same period of the previous fiscal year).

In terms of our efforts related to not-asset business, one of the priority measures in the Medium- to Long-Term management Plan developed in May 2022, we acquired Hiroshima Motomachi NS Building as our first project in March 2023 based on the consultation with AFC Asset Management Co., LTD., established as a subsidiary dedicated to this business. We also made the first investment in January 2023 in the aviation fund with which we signed an investment agreement in July 2022 as part of our effort to expand into new business domains, and subsequently the fund purchased its first airplane.

The Group will continue to make a united effort for steady development of the business.

(2) Summary of Financial Position as of March 31, 2023

(Assets)

Total assets as of March 31, 2023 amounted to ¥100,403 million, a decrease by ¥2,064 million compared to March 31, 2022, mainly due to depreciation of buildings and asset retirement assets, sale of hotels and office buildings for lease, and recognition of impairment loss on rental buildings in Osaka International Airport, despite purchase of real estate for sale, investment in an aviation fund, and an increase in operating loans due to new loans made.

(Liabilities)

Total liabilities as of March 31, 2023 amounted to ¥43,034 million, a decrease by ¥4,127 million compared to March 31, 2022, mainly due to payments of long-term debt.

(Net assets)

Total net assets as of March 31, 2023 amounted to ¥57,368 million, an increase by ¥2,062 million compared to March 31, 2022, mainly due to an increase in retained earnings and foreign currency translation adjustment.

As a result, equity ratio as of March 31, 2023 increased by 3.1 points to 54.5% compared to March 31, 2022.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2023

Cash and cash equivalents (“cash”) as of March 31, 2023 amounted to ¥8,598 million, a decrease of ¥1,014 million from March 31, 2022.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,017 million (previous fiscal year: ¥8,467 million provided), mainly attributable to an increase in inventory due to purchase of real estate for sale, an increase in operating loans due to new loans made and an increase in income taxes paid despite recording of income before income taxes and noncash items such as depreciation.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥1,198 million (previous fiscal year: ¥449 million used), mainly attributable to proceeds from sale of non-current assets including hotels and office buildings for lease despite purchase of investment securities in relation to investment in an aviation fund and purchase of non-current assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,460 million (previous fiscal year: ¥5,117 million used), mainly attributable to payments of long-term debt and payment of cash dividends.

(Reference) Cash Flow Indicators

	FY2021/3	FY2022/3	FY2023/3
Equity ratio (%)	52.1	51.4	54.5
Equity ratio at market value (%)	30.9	28.0	28.9
Debt repayment period (years)	7.2	3.6	13.4
Interest coverage ratio (times)	13.0	26.8	6.9

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 2024

In the Real Estate Business, we expect full-year operation of the property purchased during the year ended March 31, 2023 and purchase of new properties, but we also expect an increase in costs mainly due to renovation of existing facilities. In the Area Heating & Cooling Business, there are still concerns over raw material costs remaining high. Meanwhile, in the Water Supply & Drainage Service and Other Business, we expect water supply and drainage usage to return to almost the pre-COVID-19 levels.

We also expect to record non-operating income including return on investment in the aviation fund. Accordingly, the forecast for the year ending March 31, 2024 is net sales of ¥26,054 million (up 2.1% from the previous fiscal year), operating income of ¥2,111 million (down 15.6%), ordinary income of ¥1,984 million (down 6.4%), and profit attributable to owners of parent of ¥1,296 million (down 17.1%).

(5) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2023 and the Year Ending March 31, 2024

While we focus on maintenance of stable management base and enhancement of financial strength, we also consider profit return to shareholders is important and strive to stably return profits to shareholders with the dividend payout ratio of over 40% in consideration of current performance and future outlook.

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, 2023.

For the fiscal year ending March 31, 2024, we plan to pay annual dividend of ¥14 (including interim dividend of ¥7).

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 Sheet

(Thousands of yen)

	FY3/22 (As of March 31, 2022)	FY3/23 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	9,612,726	8,598,633
Accounts receivable - trade	1,303,500	1,343,102
Lease receivables and investment assets	10,548,425	11,019,327
Operating loans	2,999,771	4,067,980
Real estate for sale	—	2,988,214
Raw materials and supplies	15,817	12,360
Others	103,617	851,617
Total current assets	24,583,859	28,881,236
Non-current assets		
Property, plant and equipment		
Buildings and structures	174,578,069	168,709,131
Accumulated depreciation and impairment loss	(126,917,133)	(126,575,490)
Buildings and structures, net	47,660,935	42,133,640
Machinery, equipment and vehicles	20,342,253	20,346,113
Accumulated depreciation and impairment loss	(14,488,757)	(15,136,070)
Machinery, equipment and vehicles, net	5,853,495	5,210,042
Tools, furniture and fixtures	1,167,685	602,577
Accumulated depreciation and impairment loss	(906,910)	(480,091)
Tools, furniture and fixtures, net	260,775	122,486
Land	13,386,664	10,805,148
Construction in progress	1,523,927	2,113,525
Total property, plant and equipment	68,685,798	60,384,843
Intangible assets		
Software	544,968	413,782
Others	19,310	35,329
Total intangible assets	564,279	449,111
Investments and other assets		
Investment securities	6,555,547	9,256,745
Long-term loans receivable	531	—
Deferred tax assets	1,240,345	652,032
Net defined benefit asset	232,963	198,748
Others	614,955	590,759
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,634,077	10,688,019
Total non-current assets	77,884,155	71,521,975
Total assets	102,468,014	100,403,211

(Thousands of yen)

	FY3/22 (As of March 31, 2022)	FY3/23 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,778,043	1,691,141
Short-term loans payable	5,131,648	5,066,580
Accounts payable	1,705,873	1,230,829
Income taxes payable	813,465	79,273
Accrued expenses	106,714	94,608
Unearned revenue	1,095,026	1,022,220
Provision for bonuses	144,825	152,002
Provision for bonuses for directors (and other officers)	51,880	31,400
Provision for removal cost of property, plant and equipment	7,605	179,322
Others	216,114	318,320
Total current liabilities	11,051,197	9,865,698
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	19,524,613	16,134,790
Long-term guarantee deposited	6,127,603	6,314,218
Long-term accounts payable-other	256,789	179,994
Provision for retirement benefits for directors (and other officers)	—	1,044
Deferred tax liabilities	31,968	41,363
Provision for removal cost of property, plant and equipment	183,851	115,447
Asset retirement obligations	3,885,762	4,281,762
Total non-current liabilities	36,110,587	33,168,620
Total liabilities	47,161,785	43,034,318
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,799,813	39,660,392
Treasury stock	(1,683,721)	(1,630,050)
Total shareholders' equity	50,925,081	51,839,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,714,018	2,063,074
Foreign currency translation adjustment	62,452	896,997
Total accumulated other comprehensive income	1,776,471	2,960,071
Subscription rights to shares	76,178	50,330
Non-controlling interests	2,528,497	2,519,158
Total net assets	55,306,229	57,368,892
Total liabilities and net assets	102,468,014	100,403,211

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

(Thousands of yen)

	FY3/22 (April 1, 2021 – March 31, 2022)	FY3/23 (April 1, 2022 – March 31, 2023)
Net sales	23,777,481	25,516,472
Cost of sales	18,405,354	20,903,046
Gross profit	5,372,127	4,613,426
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	264,873	233,913
Salaries and bonuses	598,044	609,549
Provision for bonuses	98,305	101,139
Provision for bonuses for directors (and other officers)	51,880	31,400
Provision for retirement benefits for directors (and other officers)	—	1,044
Transportation and communication expenses	63,080	71,116
Depreciation	89,287	102,096
Taxes and dues	162,175	125,087
Others	763,649	834,368
Total selling, general, and administrative expenses	2,091,295	2,109,714
Operating income	3,280,831	2,503,712
Non-operating income		
Interest income	1	1
Dividends income	45,291	76,668
Commission fee	99,046	40,251
Foreign exchange gains	1,352	—
Others	57,718	58,189
Total non-operating income	203,411	175,111
Non-operating expenses		
Interest expenses	309,779	287,600
Foreign exchange losses	—	163
Removal cost of property, plant and equipment	130,192	153,168
Provision for removal cost	78,663	110,918
Others	3,425	5,389
Total non-operating expenses	522,060	557,239
Ordinary income	2,962,181	2,121,583
Extraordinary income		
Gain on sale of investment securities	456,060	11,721
Gain on sale of non-current assets	—	480,066
Consumption taxes refund	—	315,363
Others	6,775	25,011
Total extraordinary income	462,835	832,162
Extraordinary loss		
Loss on retirement of non-current assets	266,392	21,497
Loss on valuation of shares of subsidiaries	—	14,760
Loss on cancellation of golf club membership	—	3,000
Impairment loss	1,463,674	735,551
Total extraordinary loss	1,730,066	774,808
Income before income taxes	1,694,950	2,178,937
Income taxes	980,641	63,215
Income taxes – refund	—	(19,004)
Income taxes for prior periods	—	100,174
Income taxes - deferred	(177,130)	441,079
Total income taxes	803,511	585,464
Profit	891,439	1,593,473
Profit attributable to non-controlling interests	70,027	28,989
Profit attributable to owners of parent	821,411	1,564,483

(Consolidated Statements of Income)

(Thousands of yen)

	FY3/22 (April 1, 2021 – March 31, 2022)	FY3/23 (April 1, 2022 - March 31, 2023)
Profit	891,439	1,593,473
Other comprehensive income		
Valuation difference on available-for-sale securities	(340,139)	349,055
Foreign currency translation adjustment	527,433	834,544
Total other comprehensive income	187,293	1,183,600
Comprehensive income	1,078,732	2,777,073
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,008,704	2,748,083
Comprehensive income attributable to non-controlling interests	70,027	28,989

(3) Consolidated Statements of Changes in Net Assets

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

For the Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	38,799,813	(1,683,721)	50,925,081
Changes of items during the period					
Dividends from surplus			(699,849)		(699,849)
Profit attributable to owners of parent			1,564,483		1,564,483
Purchase of treasury stock				(114)	(114)
Disposal of treasury stock			(4,054)	53,785	49,731
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	860,579	53,671	914,250
Balance at the end of current period	6,826,100	6,982,890	39,660,392	(1,630,050)	51,839,332

	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	1,714,018	62,452	1,776,471	76,178	2,528,497	55,306,229
Changes of items during the period						
Dividends from surplus			—			(699,849)
Profit attributable to owners of parent			—			1,564,483
Purchase of treasury stock			—			(114)
Disposal of treasury stock			—			49,731
Net changes of items other than shareholders' equity	349,055	834,544	1,183,600	(25,848)	(9,339)	1,148,412
Total changes of items during the period	349,055	834,544	1,183,600	(25,848)	(9,339)	2,062,663
Balance at the end of current period	2,063,074	896,997	2,960,071	50,330	2,519,158	57,368,892

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/22 (April 1, 2021 – March 31, 2022)	FY3/23 (April 1, 2022 – March 31, 2023)
Cash flows from operating activities		
Income before income taxes	1,694,950	2,178,937
Depreciation	4,135,788	4,822,504
Impairment loss	1,463,674	735,551
Increase (decrease) in provision for removal cost of property, plant and equipment	652	103,313
Decrease (increase) in net defined benefit asset	(4,097)	34,214
Increase (decrease) in provision for directors' retirement benefits	—	1,044
Increase (decrease) in provision for bonuses	15,013	7,177
Increase (decrease) in provision for directors' bonuses	23,525	(20,480)
Interest and dividend income	(45,292)	(76,670)
Share-based compensation expenses	28,595	55,320
Interest expenses	309,779	287,600
Loss on valuation of shares of subsidiaries	—	14,760
Loss (gain) on sale of investment securities	(456,060)	(11,721)
Loss (gain) on sales of non-current assets	—	(480,066)
Loss on cancellation of golf club membership	—	3,000
Loss on retirement of non-current assets	266,392	21,497
Decrease (increase) in notes and accounts receivable	70,417	(39,602)
Decrease (increase) in inventories	59	(2,990,731)
Net decrease (increase) in lease receivables and investment assets	325,918	95,788
Decrease (increase) in operating loans receivable	1,025,968	(601,525)
Increase (decrease) in notes and accounts payable	698,405	(86,959)
Increase (decrease) in unearned revenue	(8,224)	(75,697)
Increase (decrease) in accrued expenses	8,814	(9,828)
Increase (decrease) in accrued consumption taxes	(376,407)	180,091
Decrease (increase) in other assets	23,649	(254,491)
Increase (decrease) in other liabilities	(127,144)	(75,870)
Others	—	(253,060)
Subtotal	9,074,376	3,564,096
Interest and dividends received	45,292	76,670
Interest paid	(315,854)	(291,753)
Income taxes paid	(336,090)	(1,331,719)
Net cash provided by operating activities	8,467,723	2,017,293
Cash flows from investing activities		
Purchase of non-current assets	(957,793)	(2,180,999)
Proceeds from sale of non-current assets	—	5,517,177
Purchase of investment securities	(31,186)	(2,204,040)
Proceeds from sale of investment securities	529,022	27,629
Proceeds from distributions from investment partnerships	2,639	20,903
Payments of leasehold and guarantee deposits	—	(11,668)
Proceeds from collection of long-term loans receivable	400	400
Others	7,727	29,000
Net cash provided by (used in) investing activities	(449,190)	1,198,401

(Thousands of yen)

	FY3/22 (April 1, 2021 –March 31, 2022)	FY3/23 (April 1, 2022 –March 31, 2023)
Cash flows from financing activities		
Increase in short-term loans payable	1,100,000	2,200,000
Decrease in short-term loans payable	(1,100,000)	(2,200,000)
Proceeds from long-term debt	1,074,218	509,028
Payments of long-term debt	(5,419,572)	(4,367,244)
Proceeds from guarantee deposits received	103,894	565,221
Repayments of guarantee deposits received	(139,506)	(378,606)
Proceeds from sales of treasury stock	30	53
Purchase of treasury stock	(113)	(114)
Payment of cash dividends	(698,532)	(700,181)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(50,000)
Net cash used in financing activities	(5,117,911)	(4,460,173)
Effect of exchange rate change on cash and cash equivalents	128,923	230,384
Net increase in cash and cash equivalents	3,029,544	(1,014,093)
Cash and cash equivalents at beginning of period	6,583,181	9,612,726
Cash and cash equivalents at end of period	9,612,726	8,598,633

(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 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

(Note) Adjustments represent elimination of intersegment transactions.

Fiscal Year Ended March 2023 (April 1, 2022 - March 31, 2023)

(Thousands of yen)

	Reportable Segment			Total	Adjustments (Note)	Carrying Amount on Consolidated Statements of Income
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business			
Net sales						
Net sales to outside customers	19,730,747	3,412,048	2,373,676	25,516,472	—	25,516,472
Inter-segment net sales/transfers	261,121	874,572	239,834	1,375,528	(1,375,528)	—
Total	19,991,868	4,286,621	2,613,510	26,892,000	(1,375,528)	25,516,472
Segment income	2,172,494	225,002	106,215	2,503,712	—	2,503,712
Segment assets	76,148,165	8,344,325	1,098,774	85,591,265	14,811,945	100,403,211
Segment liabilities	38,756,103	2,042,272	222,534	41,020,910	2,013,408	43,034,318
Other items						
Depreciation and amortization	4,041,255	571,152	107,999	4,720,407	102,096	4,822,504
Increase in property, plant and equipment and intangible assets	1,338,022	578,480	17,590	1,934,093	7,413	1,941,506

(Notes) Adjustments represent elimination of intersegment transactions.