

Financial Results for the Fiscal Year Ended March 31, 2024 [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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Scheduled Date of Ordinary General Shareholders' Meeting: June 27, 2024
 Scheduled Date of Dividend Payment Start: June 28, 2024
 Scheduled Date of Filing Annual Securities Report: June 27, 2024
 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 Fiscal Year Ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(1) Consolidated Business Results

(Percentages are changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	25,950	1.7	3,183	27.1	3,175	49.6	2,020	29.1
March 31, 2023	25,516	7.3	2,503	(23.6)	2,121	(28.3)	1,564	90.4

(Note) Comprehensive income: Fiscal year ended March 31, 2024: 2,996 million yen 7.9%
 Fiscal year ended March 31, 2023: 2,777 million yen 157.4%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	40.27	40.23	3.5	3.0	12.2
March 31, 2023	31.28	31.21	2.9	2.0	9.8

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2024: — million yen
 Fiscal year ended March 31, 2023: — 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, 2024	110,461	60,765	52.6	1,157.84
As of March 31, 2023	100,403	57,368	54.5	1,095.16

(Reference) Equity capital: As of March 31, 2024: 58,109 million yen As of March 31, 2023: 54,799 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2024	784	(3,831)	5,101	10,849
March 31, 2023	2,017	1,198	(4,460)	8,598

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
Fiscal year ended March 31, 2023	—	7.00	—	7.00	14.00	700	44.7	1.3
March 31, 2024	—	7.00	—	10.00	17.00	853	42.2	1.5
Fiscal year ending March 31, 2025 (Forecasts)	—	9.00	—	9.00	18.00		41.1	

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages are changes from 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
Full fiscal year	29,414	13.3	3,403	6.9	3,205	0.9	2,193	8.5	43.69

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards, etc.: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of March 31, 2024:	52,979,350 shares	As of March 31, 2023:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2024:	2,791,683 shares	As of March 31, 2023:	2,941,665 shares
3) Average number of shares during the period	Fiscal year ended March 31, 2024:	50,158,301 shares	Fiscal year ended March 31, 2023:	50,013,504 shares

(Reference) Summary of Non-consolidated Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(1) Non-consolidated Business Results (Percentages are changes from 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, 2024	22,494	1.7	2,343	18.0	2,527	34.6	1,662	17.2
March 31, 2023	22,102	5.9	1,985	(22.9)	1,876	(27.8)	1,418	122.6

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2024	33.14	33.11
March 31, 2023	28.35	28.29

(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, 2024	97,889	51,927	53.0	1,034.20
As of March 31, 2023	88,600	50,568	57.0	1,009.60

(Reference) Equity capital As of March 31, 2024: 51,904 million yen As of March 31, 2023: 50,518 million yen

*** 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 31, 2025."

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2024

During the fiscal year ended March 31, 2024, the Japanese economy continued to be on a gradual recovery trend as the economic activity has been recovering from the COVID-19 crisis and the employment and income environment has been improving after the legal status of COVID-19 under the law on infectious diseases was downgraded to Class 5 in May 2023. Meanwhile, we still need to carefully monitor risks that may put downward pressure on the Japanese economy such as exchange rate fluctuations, surging prices, concerns over the outlook of the Chinese economy, and increasing tensions in the Middle East situation.

In the aviation industry, supported by strong inbound demand and leisure demand following the lifting of movement restrictions in Japan, the number of passengers showed favorable growth in both domestic and international flights, and we expect that strong passenger demand will continue.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥25,950 million (up 1.7% from the previous fiscal year) and operating income of ¥3,183 million (up 27.1%) mainly because there was a continued recovery trend in water supply and drainage usage despite a decrease in net sales as a consequence of sales of hotels and an office building for lease in February 2023. Ordinary income was ¥3,175 million (up 49.6%) mainly due to recording of gain on investments in silent partnership, etc. by an aircraft leasing fund and a decrease in provision for removal cost related to various constructions, and profit attributable to owners of parent was ¥2,020 million (up 29.1%).

Performance by business segment is as follows:

(i) Real Estate Business

Real estate business recorded net sales of ¥19,489 million (down 1.2% from the previous fiscal year) mainly due to a decrease in net sales as a consequence of sales of hotels and an office building for lease in February 2023 while net sales increased due to lease of office buildings acquired as part of our efforts related to non-asset business, one of the priority measures in the Medium- to Long-Term Management Plan, (we acquired “Hiroshima Motomachi NS Building (Naka-ku, Hiroshima City)” in March 2023, “Shinjuku Yawaragi Building (Shinjuku-ku, Tokyo)” in June, “Gofukukan (Aoi-ku, Shizuoka City)” in August and “Nihonbashi Hamacho 2-Chome Building (Chuo-ku, Tokyo)” in October), and variable rents of hotels and parking lot revenue of HANEDA INNOVATION CITY also increased as economic activities have become active. Operating income was ¥2,321 million (up 6.8%) due to a decrease in depreciation, etc. related to sold facilities and our efforts to improve profitability in existing facilities.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥3,461 million (up 1.4% from the previous fiscal year) as sales from cold/heat energy supply increased year-on-year mainly due to the intense summer heat. Operating income was ¥527 million (up 134.2%) as a decline in electricity and gas prices from the previous fiscal year’s level resulted in a decrease in raw material costs. From the second half of the fiscal year ended March 31, 2024, the fee structure has been revised to be linked to raw material costs to address possible fluctuations in energy prices in the future.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥3,000 million (up 26.3% from the previous fiscal year) and operating income of ¥334 million (up 215.0%) because water supply and drainage usage increased due to a recovery in the number of passengers following the downgrade of COVID-19 to Class 5 and the full opening of Haneda Airport Garden in January 2023, and the shared telecommunications business also showed steady growth.

(2) Summary of Financial Position as of March 31, 2024

(Assets)

Total assets as of March 31, 2024 amounted to ¥110,461 million, an increase by ¥10,058 million compared to March 31, 2023, mainly due to an increase in real estate for sale as a result of purchase of office buildings in non-asset business, an increase in cash and deposits due to financing from a financial institution, and an increase in investment securities as a result of additional investment in an aircraft leasing fund despite a decrease in property, plant and equipment due to depreciation of buildings and asset retirement assets.

(Liabilities)

Total liabilities as of March 31, 2024 amounted to ¥49,695 million, an increase by ¥6,661 million compared to March 31, 2023, mainly due to increases in long-term loans payable related to purchase of real estate for sale and in accounts payable related to renovation work, etc.

(Net assets)

Total net assets as of March 31, 2024 increased by ¥3,396 million compared to March 31, 2023 to ¥60,765 million mainly due to an increase in retained earnings.

As a result, equity ratio as of March 31, 2024 decreased by 1.9 points to 52.6% compared to March 31, 2023.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2024

Cash and cash equivalents (“cash”) as of March 31, 2024 amounted to ¥10,849 million, an increase of ¥2,250 million from March 31, 2023.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥784 million (previous fiscal year: ¥2,017 million provided) mainly attributable to recording of income before income taxes, noncash items such as depreciation, and a decrease in operating loans despite an increase in inventory due to purchase of real estate for sale.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,831 million (previous fiscal year: ¥1,198 million provided) mainly attributable to purchase of non-current assets and purchase of investment securities in relation to additional investment in an aircraft leasing fund.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥5,101 million (previous fiscal year: ¥4,460 million used) mainly attributable to proceeds from long-term loans payable associated with purchase of real estate for sale despite payments of long-term loans payable and payment of cash dividends.

(Reference) Cash Flow Indicators

	FY2022/3	FY2023/3	FY2024/3
Equity ratio (%)	51.4	54.5	52.6
Equity ratio at market value (%)	26.4	27.3	27.5
Debt repayment period (years)	3.6	13.5	40.9
Interest coverage ratio (times)	26.8	6.9	2.6

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. Market capitalization is calculated based on the number of issued shares excluding treasury stock.

3. Interest-bearing debt includes all debt recorded on the consolidated balance sheets on which interest is paid.

4. 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 31, 2025

Under the business portfolio strategy set out in the Medium- to Long-Term Management Plan (FY2022 – FY2028), the Group has been strengthening airport-related business and exploring new business opportunities to develop a profit foundation toward further growth and create value within and outside airports with an aim to achieve sustainable growth.

Accordingly, effective April 1, 2024, we will change our segments as follows from the perspective of appropriately managing and evaluating the progress of the Medium- to Long-Term Management Plan.

Old segment	Main business	New segment	Main business
Real Estate Business	Real estate leasing, etc. within/ outside airports Non-asset business Overseas business	Airport Real Estate Business	Real estate leasing, etc. within airports
Area Heating & Cooling Business	Supply of area heating and cooling service	Non-Airport Real Estate Business	Real estate leasing, etc. outside airports Non-asset business
Water Supply & Drainage Service and Other Business	Operation of water supply and drainage service; Shared telecommunications; Solar power generation	Airport Infrastructure Business	Supply of area heating and cooling service; Operation of water supply and drainage service; Shared telecommunications
		Other Business	Overseas business; Solar power generation

In the Airport Real Estate Business, we will strive to strengthen stable business foundation through operation of a fresh product center in the Cargo Area and review of the lease terms of existing property. In the Non-Airport Real Estate Business, in efforts to promote non-asset business, we will focus mainly on purchase of new property (real estate for sale), value enhancement work and rent revision to increase property value and possibility sell real estate for sale. In the Airport Infrastructure Business, on the premise of stable supply of infrastructure services, we expect an increase in depreciation and repair cost in relation to capital investment in the area heating & cooling business as well as an increase in maintenance cost in the water supply and drainage business while we expect water supply and drainage usage to remain at the pre-COVID-19 level.

We also expect an increase in return on investment in non-operating income due to full-year operation of the aircraft leasing fund. Accordingly, the forecast for the fiscal year ending March 31, 2025 is net sales of ¥29,414 million (up 13.3% from the previous fiscal year), operating income of ¥3,403 million (up 6.9%), ordinary income of ¥3,205 million (up 0.9%), and profit attributable to owners of parent of ¥2,193 million (up 8.5%).

(5) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2024 and the Fiscal Year Ending March 31, 2025

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 ¥17 per share (interim dividend of ¥7 and year-end dividend of ¥10) for the fiscal year ended March 31, 2024.

For the fiscal year ending March 31, 2025, we plan to pay annual dividend of ¥18 (including interim dividend of ¥9).

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)

	FY3/23 (As of March 31, 2023)	FY3/24 (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	8,598,633	10,849,304
Accounts receivable - trade	1,343,102	1,410,637
Lease receivables and investment assets	11,019,327	10,951,505
Operating loans	4,067,980	3,720,272
Merchandise	—	2,723
Real estate for sale	2,988,214	10,831,897
Raw materials and supplies	12,360	13,719
Others	851,617	712,565
Total current assets	28,881,236	38,492,624
Non-current assets		
Property, plant and equipment		
Buildings and structures	168,709,131	172,561,103
Accumulated depreciation and impairment loss	(126,575,490)	(129,967,209)
Buildings and structures, net	42,133,640	42,593,894
Machinery, equipment and vehicles	20,346,113	20,619,067
Accumulated depreciation and impairment loss	(15,136,070)	(15,612,698)
Machinery, equipment and vehicles, net	5,210,042	5,006,369
Tools, furniture and fixtures	602,577	653,653
Accumulated depreciation and impairment loss	(480,091)	(514,055)
Tools, furniture and fixtures, net	122,486	139,598
Land	10,805,148	10,803,731
Construction in progress	2,113,525	562,390
Total property, plant and equipment	60,384,843	59,105,983
Intangible assets		
Software	413,782	352,344
Others	35,329	34,988
Total intangible assets	449,111	387,332
Investments and other assets		
Investment securities	9,256,745	11,457,003
Deferred tax assets	652,032	174,873
Net defined benefit asset	198,748	264,687
Others	590,759	589,487
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	10,688,019	12,475,784
Total non-current assets	71,521,975	71,969,101
Total assets	100,403,211	110,461,725

(Thousands of yen)

	FY3/23 (As of March 31, 2023)	FY3/24 (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,691,141	1,968,324
Short-term loans payable	5,066,580	3,313,450
Accounts payable	1,230,829	2,202,160
Income taxes payable	79,273	743,214
Accrued expenses	94,608	97,543
Unearned revenue	1,022,220	1,027,169
Provision for bonuses	152,002	144,273
Provision for bonuses for directors (and other officers)	31,400	28,850
Provision for removal cost of property, plant and equipment	179,322	111,862
Asset retirement obligations	—	110,000
Others	318,320	308,045
Total current liabilities	9,865,698	10,054,894
Non-current liabilities		
Bonds payable	6,100,000	6,100,000
Long-term loans payable	16,134,790	22,730,159
Long-term guarantee deposited	6,314,218	6,405,904
Long-term accounts payable-other	179,994	121,010
Provision for retirement benefits for directors (and other officers)	1,044	6,786
Deferred tax liabilities	41,363	51,626
Provision for removal cost of property, plant and equipment	115,447	—
Asset retirement obligations	4,281,762	4,225,522
Total non-current liabilities	33,168,620	39,641,008
Total liabilities	43,034,318	49,695,902
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	39,660,392	42,025,075
Treasury stock	(1,630,050)	(1,546,962)
Total shareholders' equity	51,839,332	54,287,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,063,074	2,413,935
Foreign currency translation adjustment	896,997	1,408,697
Total accumulated other comprehensive income	2,960,071	3,822,632
Subscription rights to shares	50,330	22,923
Non-controlling interests	2,519,158	2,633,164
Total net assets	57,368,892	60,765,822
Total liabilities and net assets	100,403,211	110,461,725

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

(Thousands of yen)

	FY3/23 (April 1, 2022 - March 31, 2023)	FY3/24 (April 1, 2023 - March 31, 2024)
Net sales	25,516,472	25,950,897
Cost of sales	20,903,046	20,672,291
Gross profit	4,613,426	5,278,605
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	233,913	205,679
Salaries and bonuses	609,549	714,763
Provision for bonuses	101,139	104,766
Provision for bonuses for directors (and other officers)	31,400	25,444
Provision for retirement benefits for directors (and other officers)	1,044	4,092
Transportation and communication expenses	71,116	78,276
Depreciation	102,096	112,086
Taxes and dues	125,087	173,938
Others	834,368	676,339
Total selling, general, and administrative expenses	2,109,714	2,095,386
Operating income	2,503,712	3,183,219
Non-operating income		
Interest income	1	3
Dividends income	76,668	83,516
Commission fee	40,251	78,281
Gain on investments in silent partnership, etc.	—	170,092
Others	58,189	101,578
Total non-operating income	175,111	433,473
Non-operating expenses		
Interest expenses	287,600	284,542
Foreign exchange losses	163	1,536
Removal cost of property, plant and equipment	153,168	135,458
Provision for removal cost	110,918	—
Others	5,389	19,306
Total non-operating expenses	557,239	440,844
Ordinary income	2,121,583	3,175,847
Extraordinary income		
Gain on sale of investment securities	11,721	—
Gain on sale of non-current assets	480,066	—
Consumption taxes refund, etc.	315,363	—
Others	25,011	—
Total extraordinary income	832,162	—
Extraordinary loss		
Loss on sale of non-current assets	—	1,140
Loss on retirement of non-current assets	21,497	8,444
Loss on valuation of shares of subsidiaries	14,760	—
Loss on cancellation of golf club membership	3,000	3,000
Impairment loss	735,551	—
Total extraordinary loss	774,808	12,585
Income before income taxes	2,178,937	3,163,262
Income taxes	63,215	700,805
Income taxes – refund	(19,004)	—
Income taxes for prior periods	100,174	—
Income taxes - deferred	441,079	328,446
Total income taxes	585,464	1,029,252
Profit	1,593,473	2,134,009
Profit attributable to non-controlling interests	28,989	114,006
Profit attributable to owners of parent	1,564,483	2,020,003

(Consolidated Statement of Income)

	FY3/23 (April 1, 2022 - March 31, 2023)	FY3/24 (April 1, 2023 - March 31, 2024)
Profit	1,593,473	2,134,009
Other comprehensive income		
Valuation difference on available-for-sale securities	349,055	350,861
Foreign currency translation adjustment	834,544	511,699
Total other comprehensive income	1,183,600	862,561
Comprehensive income	2,777,073	2,996,571
(Breakdown)		
Comprehensive income attributable to owners of parent	2,748,083	2,882,564
Comprehensive income attributable to non-controlling interests	28,989	114,006

(3) Consolidated Statement of Changes in Net Assets

For the Fiscal 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

For the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	39,660,392	(1,630,050)	51,839,332
Changes of items during the period					
Dividends from surplus			(701,577)		(701,577)
Profit attributable to owners of parent			2,020,003		2,020,003
Purchase of treasury stock				(147)	(147)
Disposal of treasury stock			(8,572)	83,235	74,662
Changes in scope of consolidation			1,054,829		1,054,829
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	2,364,682	83,087	2,447,770
Balance at the end of current period	6,826,100	6,982,890	42,025,075	(1,546,962)	54,287,102

	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	2,063,074	896,997	2,960,071	50,330	2,519,158	57,368,892
Changes of items during the period						
Dividends from surplus			—			(701,577)
Profit attributable to owners of parent			—			2,020,003
Purchase of treasury stock			—			(147)
Disposal of treasury stock			—			74,662
Changes in scope of consolidation						1,054,829
Net changes of items other than shareholders' equity	350,861	511,699	862,561	(27,407)	114,006	949,160
Total changes of items during the period	350,861	511,699	862,561	(27,407)	114,006	3,396,930
Balance at the end of current period	2,413,935	1,408,697	3,822,632	22,923	2,633,164	60,765,822

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/23 (April 1, 2022 - March 31, 2023)	FY3/24 (April 1, 2023 - March 31, 2024)
Cash flows from operating activities		
Income before income taxes	2,178,937	3,163,262
Depreciation	4,822,504	4,819,377
Impairment loss	735,551	—
Increase (decrease) in provision for removal cost of property, plant and equipment	103,313	(182,906)
Decrease (increase) in net defined benefit asset	34,214	(65,938)
Increase (decrease) in provision for directors' retirement benefits	1,044	4,092
Increase (decrease) in provision for bonuses	7,177	(11,309)
Increase (decrease) in provision for directors' bonuses	(20,480)	(6,950)
Interest and dividend income	(76,670)	(83,520)
Loss (gain) on investments in silent partnership, etc.	—	(170,092)
Share-based compensation expenses	55,320	41,698
Interest expenses	287,600	284,542
Loss on valuation of shares of subsidiaries	14,760	—
Loss (gain) on sale of investment securities	(11,721)	—
Loss (gain) on sales of non-current assets	(480,066)	1,140
Loss on cancellation of golf club membership	3,000	3,000
Loss on retirement of non-current assets	21,497	8,444
Decrease (increase) in notes and accounts receivable	(39,602)	(66,700)
Decrease (increase) in inventories	(2,990,731)	(7,958,866)
Net decrease (increase) in lease receivables and investment assets	95,788	468,202
Decrease (increase) in operating loans receivable	(601,525)	622,573
Increase (decrease) in notes and accounts payable	(86,959)	295,316
Increase (decrease) in unearned revenue	(75,697)	3,982
Increase (decrease) in accrued expenses	(9,828)	6,565
Increase (decrease) in accrued consumption taxes	180,091	(425,785)
Decrease (increase) in other assets	(254,491)	(355,718)
Increase (decrease) in other liabilities	(75,870)	(52,287)
Others	(253,060)	276,923
Subtotal	3,564,096	619,048
Interest and dividends received	76,670	83,520
Interest paid	(291,753)	(294,955)
Income taxes paid	(1,331,719)	(107,407)
Income taxes refunded	—	484,374
Net cash provided by operating activities	2,017,293	784,580
Cash flows from investing activities		
Purchase of non-current assets	(2,180,999)	(2,169,743)
Proceeds from sale of non-current assets	5,517,177	276
Purchase of investment securities	(2,204,040)	(1,818,823)
Proceeds from sale of investment securities	27,629	—
Proceeds from distributions from investment partnerships	20,903	143,510
Payments of leasehold and guarantee deposits	(11,668)	(12,361)
Proceeds from collection of leasehold and guarantee deposits	—	1,000
Proceeds from collection of long-term loans receivable	400	131
Others	29,000	25,000
Net cash provided by (used in) investing activities	1,198,401	(3,831,011)

(Thousands of yen)

	FY3/23 (April 1, 2022 - March 31, 2023)	FY3/24 (April 1, 2023 - March 31, 2024)
Cash flows from financing activities		
Increase in short-term loans payable	2,200,000	9,000,000
Decrease in short-term loans payable	(2,200,000)	(9,078,540)
Proceeds from long-term loans payable	509,028	9,900,000
Payments of long-term loans payable	(4,367,244)	(4,110,178)
Proceeds from guarantee deposits received	565,221	249,699
Repayments of guarantee deposits received	(378,606)	(158,014)
Proceeds from sales of treasury stock	53	81
Purchase of treasury stock	(114)	(147)
Payment of cash dividends	(700,181)	(701,803)
Cash dividends paid to non-controlling interests	(38,329)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50,000)	—
Net cash provided by (used in) financing activities	(4,460,173)	5,101,096
Effect of exchange rate change on cash and cash equivalents	230,384	82,884
Net increase (decrease) in cash and cash equivalents	(1,014,093)	2,137,550
Cash and cash equivalents at beginning of period	9,612,726	8,598,633
Increase in cash and cash equivalents due to new consolidation	—	113,120
Cash and cash equivalents at end of period	8,598,633	10,849,304

(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, etc., "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, and solar power generation 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 31, 2023 (April 1, 2022 – March 31, 2023)

(Thousands of yen)

	Reportable Segments				Adjustments (Note)	Carrying Amount on Consolidated Financial Statements
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business	Total		
Net sales						
Net sales to outside customers	19,730,747	3,412,048	2,373,676	25,516,472	—	25,516,472
Intersegment 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.

Fiscal Year Ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(Thousands of yen)

	Reportable Segments			Total	Adjustments (Note)	Carrying Amount on Consolidated Financial Statements
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business			
Net sales						
Net sales to outside customers	19,489,227	3,461,373	3,000,296	25,950,897	—	25,950,897
Intersegment sales/ transfers	261,741	907,835	281,671	1,451,249	(1,451,249)	—
Total	19,750,968	4,369,209	3,281,968	27,402,146	(1,451,249)	25,950,897
Segment income	2,321,618	527,021	334,579	3,183,219	—	3,183,219
Segment assets	82,392,344	9,089,396	1,195,049	92,676,790	17,784,934	110,461,725
Segment liabilities	44,729,886	2,497,940	408,863	47,636,690	2,059,211	49,695,902
Other items						
Depreciation and amortization	3,962,089	639,318	105,883	4,707,291	112,086	4,819,377
Increase in property, plant and equipment and intangible assets	2,684,164	797,659	98,939	3,580,762	67,742	3,648,505

(Notes) Adjustments represent elimination of intersegment transactions.