

Financial Results for the Year Ended March 31, 2018 [J-GAAP]

Company name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 8864 URL: <http://www.afc.jp>
 Representative: Hiroshi Maruyama, President and CEO
 Inquiries: Takahiro Hama, General Manager of Accounting Dept. TEL: +81-3-3747-0251
 The date of the ordinary general shareholders' meeting: June 28, 2018
 The date of the dividend payment start: June 29, 2018
 The date of filing the securities report: June 28, 2018
 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 2018 (April 1, 2017 - March 31, 2018)

(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, 2018	22,791	5.2	4,103	7.3	3,726	6.7	2,219	3.2
March 31, 2017	21,662	4.6	3,825	29.9	3,492	10.0	2,151	11.1

(Note) Comprehensive income: Fiscal year ended March 31, 2018: 3,097 million yen (29.1%)
 Fiscal year ended March 31, 2017: 2,398 million yen (53.9%)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
March 31, 2018	43.36	43.23	4.3	4.3	18.0
March 31, 2017	41.63	41.55	4.2	4.0	17.7

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2018: — million yen
 Fiscal year ended March 31, 2017: — 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, 2018	87,961	54,482	59.4	1,050.69
As of March 31, 2017	87,580	53,415	58.7	995.53

(Reference) Equity capital: As of March 31, 2018: 52,277 million yen As of March 31, 2017: 51,437 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, 2018	7,147	(5,383)	(2,909)	4,608
March 31, 2017	3,024	(3,048)	(137)	5,713

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, 2017	—	6.00	—	7.00	13.00	671	31.2	1.3
March 31, 2018	—	7.00	—	7.00	14.00	710	32.3	1.4
Fiscal year ending March 31, 2019 (Forecasts)	—	7.00	—	7.00	14.00		30.3	

3. Forecast of Consolidated Earnings for the Year Ending March 2019 (April 1, 2018 - March 31, 2019)

(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	11,850	3.8	2,200	1.3	2,080	1.5	1,250	2.6	25.13
Full fiscal year	23,690	3.9	4,180	1.9	3,850	3.3	2,290	3.2	46.03

*** 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, 2018:	52,979,350 shares	As of March 31, 2017:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2018:	3,223,911 shares	As of March 31, 2017:	3,235,711 shares
3) Average number of shares during the period	Year ended March 31, 2018:	51,195,843 shares	Year ended March 31, 2017:	51,664,990 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2018 (April 1, 2017 - March 31, 2018)

(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, 2018	19,630	5.9	2,781	15.8	2,908	19.0	1,967	20.8
March 31, 2017	18,536	4.0	2,402	19.8	2,444	(1.7)	1,627	(3.0)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2018	38.42	38.31
March 31, 2017	31.50	31.44

(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, 2018	77,007	50,382	65.3	1,011.01
As of March 31, 2017	76,091	49,971	65.6	966.10

(Reference) Equity capital As of March 31, 2018: 50,303 million yen As of March 31, 2017: 49,916 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2019 (April 1, 2018 – March 31, 2019)

(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	10,200	3.9	1,550	(4.9)	1,050	(5.5)	21.11
Full fiscal year	20,450	4.2	3,060	5.2	1,940	(1.4)	39.00

*** 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) Future Outlook".

1. Summary of Operating Results, etc.

(1) Summary of operating results for the year ended March 2018

During the year ended March 31, 2018, the Japanese economy showed a gradual recovery due to a strong export supported by the expansion of global economy and steady increase in domestic capital investments and production while the Bank of Japan continued its monetary easing policy, and major companies' performance also showed favorable growth. Since the start of the year, however, the appreciation of the yen and decline in stock prices accelerated as a consequence of a rise in long-term interest rates and the announcement of import restrictions in the U.S. Also, amid the confusion of international politics and economy, there are concerns about the impact of global uncertainties such as fluctuations in crude oil prices, interest rates and exchange rates on the Japanese economy.

In the aviation industry, airline companies continue to show a favorable growth supported by a strong demand in Japan and overseas including record-high inbound tourists under the enhanced tourism policy by the government. Domestic airline companies are working on implementing advanced equipment, expanding network and enhancing in-flight services while striving to improve cost competitiveness. Also, major airline companies are working on strengthening their group's LCC business and expanding business alliance with overseas airline companies with the aim of further growth of domestic and international businesses.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥22,791 million (up 5.2% from the previous fiscal year) as a result of solid sales growth at Tokyo International Airport, operating income of ¥4,103 million (up 7.3 %), ordinary income of ¥3,726 million (up 6.7%), and profit attributable to owners of parent of ¥2,219 million (up 3.2%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥16,950 million (up 5.1% from the previous fiscal year), due to an improved occupancy ratio of tenants at Tokyo International Airport, full-year operation of Hotel JAL City in Haneda Asahi Cho, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥2,919 million (up 14.1%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥3,208 million (up 0.3% from the previous fiscal year) as the sales from the reclaimed land area offshore Tokyo International Airport by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary, remained the same level year-on-year. Operating income was ¥1,034 million (down 9.5%) due to increased rates of electricity and gas and increased repair expenses despite a decrease in depreciation.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥2,632 million (up 13.0% from the previous fiscal year) as a result of a solid growth in sales of water supply and drainage usage due to a growing number of passengers at Tokyo International Airport and an increase in water supply to constructions at the airport, as well as the commencement of water supply and drainage management operations in New Chitose Airport. Operating income was ¥148 million (up 22.1 %).

(2) Summary of financial position as of March 31, 2018

(Assets)

Total assets as of March 31, 2018 amounted to ¥87,961 million, an increase by ¥381 million from March 31, 2017, mainly due to completion of construction of solar power facilities and apartments, etc.

(Liabilities)

Liabilities as of March 31, 2018 amounted to ¥33,479 million, a decrease by ¥685 million from March 31, 2017, mainly due to the repayments of long-term loans payable.

(Net assets)

Net assets as of March 31, 2018 increased by ¥1,067 million compared to March 31, 2017 to ¥54,482 million mainly due to an increase in valuation difference on mark-to-market available-for-sale securities and an increase in retained earnings.

As a result, equity ratio as of March 31, 2018 increased by 0.7 points to 59.4% compared to March 31, 2017.

(3) Summary of cash flows for the fiscal year ended March 31, 2018

Cash and cash equivalents (“cash”) as of March 31, 2018 amounted to ¥4,608 million, a decrease of ¥1,105 million from March 31, 2017.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,147 million (previous fiscal year: ¥3,024 million provided), mainly attributable to an increase in income before income taxes and steady collection of operating loans.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,383 million (previous fiscal year: ¥3,048 million used), mainly attributable to a significant increase in purchase of noncurrent assets such as solar power facilities and apartments, compared to the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,909 million (previous fiscal year: ¥137 million used), mainly attributable to purchase of treasury stock.

(Reference) Cash Flow Indicators

	FY2016/3	FY2017/3	FY2018/3
Equity ratio (%)	58.5	58.7	59.4
Equity ratio at market value (%)	32.8	35.2	38.1
Debt repayment period (years)	29.6	7.9	3.2
Interest coverage ratio (times)	2.5	8.3	21.1

Equity ratio: Equity capital / Total assets

Equity ratio at market value: Market capitalization / Total assets

Debt repayment period: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest expense

- (Notes)
1. All indicators are calculated using financial figures on a consolidated basis.
 2. Interest-bearing debt includes all debt recorded on the consolidated balance sheets on which interest is paid.
 3. Operating cash flows and interest expense are based on “Cash flows from operating activities” and “Interest paid” presented on the consolidated statement of cash flows.
 4. Debt repayment period of 29.6 years for the fiscal year ended March 31, 2016 was due to a decrease in operating cash flows as a result of operating loans extended by an overseas consolidated subsidiary.

(4) Future Outlook

With factors including an improvement of tenant occupancy ratio at Tokyo International Airport from the previous fiscal year, full-year operation of new apartment near the airport, of new aviation related facilities at local airports such as New Chitose Airport, Sendai Airport and Kagoshima Airport, and of solar power generation business in Heiwajima, Ota-ku, and various new project plans, the forecast for the fiscal year ending March 31, 2019 is consolidated net sales of ¥23,690 million (up 3.9% from the previous fiscal year), operating income of ¥4,180 million (up 1.9%), ordinary income of ¥3,850 million (up 3.3%), and profit attributable to owners of parent of ¥2,290 million (up 3.2%).

The above forecast is based on available information as of the date this report was released and actual results may differ from these forecasts depending on various factors.

(5) Progress Status of the Medium-term Management Plan

For the year ended March 31, 2018, the second year of Medium-term Management Plan developed in October 2016, net sales increased 3.3%, operating income increased 8.1%, ordinary income increased 7.4%, and profit attributable to owners of parent increased 3.1%, all slightly exceeding the targets in the Medium-term Management Plan due to an improvement of rent income and the commencement of water supply and drainage management operations in New Chitose Airport.

(6) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2018 and the Year Ending March 31, 2019

We plan distribution of earnings taking into consideration maintenance of stable management base and enhancement of financial strength, and our dividend policy is to stably return profits to shareholders based on the comprehensive consideration over the current performance and future outlook, with the dividend payout ratio of over 30% in principle.

Based on the above policy and the performance, the dividend for the year ended March 31, 2018 is expected to be ¥14 per share consisting of interim dividend of ¥7 per share and year-end dividend of ¥7 per share. The dividend for the next fiscal year is expected to be ¥14 per share (including interim dividend of ¥7 per share).

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)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	3,713,841	4,608,382
Notes and accounts receivable-trade	1,105,796	1,210,390
Securities	2,000,000	—
Lease receivables and investment assets	5,613,569	5,991,149
Operating loans	6,409,607	5,422,908
Raw materials and supplies	13,469	14,676
Deferred tax assets	137,464	171,932
Others	222,372	284,004
Total current assets	19,216,120	17,703,445
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	155,997,336	157,631,924
Accumulated depreciation and impairment loss	(110,216,294)	(113,097,579)
Buildings and structures, net	45,781,042	44,534,344
Machinery, equipment and vehicles	17,015,488	18,173,305
Accumulated depreciation	(12,207,945)	(12,789,035)
Machinery, equipment and vehicles, net	4,807,542	5,384,270
Tools, furniture and fixtures	285,405	424,337
Accumulated depreciation	(231,204)	(267,996)
Tools, furniture and fixtures, net	54,200	156,341
Land	9,659,676	10,307,875
Construction in progress	592,925	1,422,667
Total property, plant and equipment	60,895,387	61,805,499
Intangible assets	30,411	49,907
Investments and other assets		
Investment securities	6,242,057	7,483,456
Long-term loans receivable	2,823	2,217
Deferred tax assets	407,807	87,105
Net defined benefit asset	178,133	218,585
Others	641,941	646,334
Allowance for doubtful accounts	(34,567)	(34,567)
Total investments and other assets	7,438,196	8,403,131
Total noncurrent assets	68,363,995	70,258,538
Total assets	87,580,116	87,961,984

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	952,151	1,023,054
Short-term loans payable	4,491,774	5,879,559
Accounts payable	630,096	674,381
Income taxes payable	753,798	651,257
Accrued expenses	82,989	93,808
Unearned revenue	943,936	977,315
Provision for bonuses	128,380	128,398
Provision for directors' bonuses	24,297	27,980
Provision for removal cost of property, plant and equipment	28,913	173,200
Others	519,819	421,549
Total current liabilities	8,556,157	10,050,504
Noncurrent liabilities		
Long-term loans payable	19,502,373	17,279,899
Long-term guarantee deposited	5,402,001	5,638,318
Long-term accounts payable	345,169	311,526
Provision for directors' retirement benefits	1,044	6,846
Provision for removal cost of property, plant and equipment	358,325	192,311
Total noncurrent liabilities	25,608,913	23,428,901
Total liabilities	34,165,070	33,479,405
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,983,993	6,982,890
Retained earnings	36,949,740	37,381,745
Treasury stock	(1,559,198)	(1,786,417)
Total shareholders' equity	49,200,635	49,404,317
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,418,429	2,853,576
Foreign currency translation adjustment	(181,790)	19,613
Total accumulated other comprehensive income	2,236,639	2,873,189
Subscription rights to shares	55,022	79,896
Non-controlling interests	1,922,748	2,125,175
Total net assets	53,415,045	54,482,578
Total liabilities and net assets	87,580,116	87,961,984

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

(Thousands of yen)

	FY3/17 (April 1, 2016 –March 31, 2017)	FY3/18 (April 1, 2017 –March 31, 2018)
Net sales	21,662,319	22,791,701
Cost of sales	16,064,434	16,862,420
Gross profit	5,597,884	5,929,280
Selling, general, and administrative expenses		
Directors' compensations	297,555	305,538
Salaries and bonuses	495,766	491,488
Provision for bonuses	71,973	80,180
Provision for directors' bonuses	24,297	27,980
Transportation and communication expenses	108,620	105,672
Depreciation	7,712	14,510
Taxes and dues	174,396	163,901
Others	592,456	636,245
Total selling, general, and administrative expenses	1,772,777	1,825,517
Operating income	3,825,107	4,103,762
Non-operating income		
Interest income	2	1
Dividends income	142,260	162,625
Commission fee	61,828	53,119
Foreign exchange gains	87,027	—
Others	178,084	69,339
Total non-operating income	469,203	285,086
Non-operating expenses		
Interest expenses	357,464	339,284
Foreign exchange losses	—	184,194
Removal cost of property, plant and equipment	74,330	85,750
Provision for removal cost	369,463	16,566
Others	711	36,928
Total non-operating expenses	801,969	662,724
Ordinary income	3,492,342	3,726,125
Extraordinary loss		
Loss on retirement of noncurrent assets	931	27,902
Total extraordinary loss	931	27,902
Income before income taxes	3,491,411	3,698,222
Income taxes	1,098,398	1,143,500
Income taxes - deferred	7,429	94,187
Total income taxes	1,105,828	1,237,688
Profit	2,385,583	2,460,534
Profit attributable to non-controlling interests	234,491	240,755
Profit attributable to owners of parent	2,151,091	2,219,779

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Profit	2,385,583	2,460,534
Other comprehensive income		
Valuation difference on available-for-sale securities	184,370	435,146
Foreign currency translation adjustment	(171,497)	201,403
Total other comprehensive income	12,873	636,549
Comprehensive income	2,398,456	3,097,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,163,964	2,856,328
Comprehensive income attributable to non-controlling interests	234,491	240,755

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	6,982,920	35,418,621	(1,562,688)	47,664,953
Changes of items during the period					
Dividends from surplus			(619,972)		(619,972)
Profit attributable to owners of parent			2,151,091		2,151,091
Purchase of treasury stock				(54)	(54)
Disposal of treasury stock		1,072		3,544	4,617
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	1,072	1,531,119	3,490	1,535,681
Balance at the end of current period	6,826,100	6,983,993	36,949,740	(1,559,198)	49,200,635

	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	2,234,058	(10,292)	2,223,766	29,359	1,726,586	51,644,665
Changes of items during the period						
Dividends from surplus			—			(619,972)
Profit attributable to owners of parent			—			2,151,091
Purchase of treasury stock			—			(54)
Disposal of treasury stock			—			4,617
Net changes of items other than shareholders' equity	184,370	(171,497)	12,873	25,663	196,162	234,698
Total changes of items during the period	184,370	(171,497)	12,873	25,663	196,162	1,770,380
Balance at the end of current period	2,418,429	(181,790)	2,236,639	55,022	1,922,748	53,415,045

For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	6,983,993	36,949,740	(1,559,198)	49,200,635
Changes of items during the period					
Dividends from surplus			(723,436)		(723,436)
Profit attributable to owners of parent			2,219,779		2,219,779
Purchase of treasury stock				(1,299,156)	(1,299,156)
Disposal of treasury stock		676		5,820	6,496
Retirement of treasury stock		(1,780)	(1,064,337)	1,066,117	—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(1,103)	432,004	(227,218)	203,682
Balance at the end of current period	6,826,100	6,982,890	37,381,745	(1,786,417)	49,404,317

	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	2,418,429	(181,790)	2,236,639	55,022	1,922,748	53,415,045
Changes of items during the period						
Dividends from surplus			—			(723,436)
Profit attributable to owners of parent			—			2,219,779
Purchase of treasury stock			—			(1,299,156)
Disposal of treasury stock			—			6,496
Retirement of treasury stock			—			—
Net changes of items other than shareholders' equity	435,146	201,403	636,549	24,874	202,426	863,850
Total changes of items during the period	435,146	201,403	636,549	24,874	202,426	1,067,532
Balance at the end of current period	2,853,576	19,613	2,873,189	79,896	2,125,175	54,482,578

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from operating activities		
Income before income taxes	3,491,411	3,698,222
Depreciation and amortization	3,503,898	3,547,173
Increase (decrease) in provision for removal cost of property, plant and equipment	163,917	(21,727)
Increase (decrease) in provision for retirement benefits	(5,370)	—
Decrease (increase) in net defined benefit asset	20,864	(40,451)
Increase (decrease) in provision for directors' retirement benefits	(1,392)	5,802
Increase (decrease) in provision for bonuses	(3,116)	18
Increase (decrease) in provision for directors' bonuses	(1,583)	3,683
Interest and dividend income	(142,262)	(162,626)
Share-based compensation expenses	30,232	31,358
Interest expenses	357,464	339,284
Interest on securities	(1)	(8)
Loss on disposal of property, plant and equipment	931	27,902
Decrease (increase) in notes and accounts receivable	(97,459)	(103,362)
Decrease (increase) in inventories	(386)	(1,206)
Net decrease (increase) in lease receivables and investment assets	(1,758,462)	(220,626)
Decrease (increase) in operating loans receivable	(1,286,674)	1,244,094
Increase (decrease) in notes and accounts payable	(162,641)	70,902
Increase (decrease) in unearned revenue	3,184	32,533
Increase (decrease) in accrued expenses	(174,723)	10,214
Increase (decrease) in accrued consumption taxes	13,822	232,705
Decrease (increase) in other assets	(71,042)	(49,128)
Increase (decrease) in other liabilities	160,703	(76,631)
Subtotal	4,041,315	8,568,124
Interest and dividends received	142,263	162,635
Interest paid	(368,827)	(338,680)
Income taxes paid	(789,988)	(1,245,015)
Net cash provided by operating activities	3,024,762	7,147,064
Cash flows from investing activities		
Purchase of noncurrent assets	(3,048,752)	(4,752,703)
Purchase of investment securities	—	(325,266)
Purchase of shares of subsidiaries	—	(305,830)
Proceeds from sales of investment securities	—	1
Collection of long-term loans receivable	606	606
Net cash used in investing activities	(3,048,146)	(5,383,192)

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	3,600,000	4,400,000
Decrease in short-term loans payable	(3,600,000)	(3,111,376)
Proceeds from long-term debt	3,121,349	1,044,218
Payments of long-term debt	(2,916,644)	(3,414,347)
Proceeds from guarantee deposits received	432,562	283,400
Repayments of guarantee deposits received	(116,312)	(47,083)
Proceeds from sales of treasury stock	47	12
Purchase of treasury stock	(54)	(1,299,156)
Payment of cash dividends	(619,631)	(727,224)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash used in financing activities	(137,011)	(2,909,886)
Effect of exchange rate change on cash and cash equivalents	(100,401)	40,556
Net increase (decrease) in cash and cash equivalents	(260,797)	(1,105,458)
Cash and cash equivalents at beginning of period	5,974,638	5,713,841
Cash and cash equivalents at end of period	5,713,841	4,608,382

(Segment Information)

a. Segment information

1. Overview of reportable segments

The reportable segments of the Company are units for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide how to allocate management resources and evaluate their performances.

The Company's head office develops comprehensive business strategies of each segment and pursues business activities.

The Company is, therefore, composed of three business segments with different services determined by the head office as follows: "Real Estate Business," "Area Heating & Cooling Business", and "Water Supply & Drainage Service and Other Business."

"Real Estate Business" leases office buildings, "Area Heating & Cooling Business" supplies cooling and heating services, and "Water Supply & Drainage Service and Other Business" operate and manage waterworks, drainage, and shared telecommunications network business.

2. Method of calculations of sales, profit (loss), assets, liabilities, and other items by reportable segments

Accounting treatments applied to reportable segments are, in general, consistent with those described in "Significant Basis for Preparation of Consolidated Financial Statements."

Inventories are valued at amount before write-off of book value to reflect decline in profitability.

Segment income is based on operating income.

Intersegment sales and transfers are based on prevailing market price.

3. Sales, profit (loss), assets, liabilities, and other items by reportable segments

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(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	16,131,968	3,200,254	2,330,096	21,662,319	—	21,662,319
Inter-segment net sales/transfers	220,631	856,363	244,062	1,321,057	(1,321,057)	—
Total	16,352,600	4,056,618	2,574,158	22,983,377	(1,321,057)	21,662,319
Segment income	2,560,035	1,143,033	122,039	3,825,107	—	3,825,107
Segment assets	66,928,371	6,114,395	1,444,185	74,486,952	13,093,163	87,580,116
Segment liabilities	8,013,201	331,441	143,788	8,488,431	25,676,639	34,165,070
Other items						
Depreciation and amortization	2,746,652	547,975	201,558	3,496,186	7,712	3,503,898
Increase in property, plant and equipment and intangible assets	2,596,585	397,704	27,816	3,022,105	26,345	3,048,450

(Note) Adjustments represent elimination of intersegment transactions.

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(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	16,950,039	3,208,872	2,632,788	22,791,701	—	22,791,701
Inter-segment net sales/transfers	244,354	832,629	228,324	1,305,307	(1,305,307)	—
Total	17,194,393	4,041,502	2,861,112	24,097,008	(1,305,307)	22,791,701
Segment income	2,919,882	1,034,925	148,955	4,103,762	—	4,103,762
Segment assets	66,820,155	6,351,665	1,801,930	74,973,751	12,988,232	87,961,984
Segment liabilities	7,904,315	533,378	183,794	8,621,488	24,857,917	33,479,405
Other items						
Depreciation and amortization	2,853,384	470,343	208,933	3,532,662	14,510	3,547,173
Increase in property, plant and equipment and intangible assets	3,261,072	746,008	441,759	4,448,840	55,843	4,504,683

(Note) Adjustments represent elimination of intersegment transactions.