

Financial Results for the Year Ended March 31, 2017 [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>
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 The date of the ordinary general shareholders' meeting: June 29, 2017
 The date of the dividend payment start: June 30, 2017
 The date of filing the securities report: June 29, 2017
 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 2017 (April 1, 2016 - March 31, 2017)

(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, 2017	21,662	4.6	3,825	29.9	3,492	10.0	2,151	11.1
March 31, 2016	20,697	(2.0)	2,944	(7.0)	3,173	0.3	1,935	28.6

(Note) Comprehensive income: Fiscal year ended March 31, 2017: 2,398 million yen (53.9%)
 Fiscal year ended March 31, 2016: 1,558 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, 2017	41.63	41.55	4.2	4.0	17.7
March 31, 2016	37.46	37.43	3.9	3.7	14.2

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2017: — million yen
 Fiscal year ended March 31, 2016: — million yen

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	87,580	53,415	58.7	995.53
As of March 31, 2016	85,214	51,644	58.5	965.69

(Reference) Equity capital: As of March 31, 2017: 51,437 million yen As of March 31, 2016: 49,888 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, 2017	3,024	(3,048)	(137)	5,713
March 31, 2016	809	(2,453)	1,731	5,974

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, 2016	—	6.00	—	6.00	12.00	619	32.0	1.2
March 31, 2017	—	6.00	—	7.00	13.00	671	31.2	1.3
Fiscal year ending March 31, 2018 (Forecasts)	—	7.00	—	7.00	14.00		31.3	

3. Forecast of Consolidated Earnings for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

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

First half	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	11,050	1.8	2,050	0.1	2,090	0.0	1,360	7.8	26.32
Full fiscal year	22,180	2.3	3,860	0.9	3,640	4.2	2,310	7.3	44.71

*** 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, 2017:	54,903,750 shares	As of March 31, 2016:	54,903,750 shares
2) Number of treasury stock	As of March 31, 2017:	3,235,711 shares	As of March 31, 2016:	3,242,974 shares
3) Average number of shares during the period	Year ended March 31, 2017:	51,664,990 shares	Year ended March 31, 2016:	51,660,953 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2017 (April 1, 2016 - March 31, 2017)

(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, 2017	18,536	4.0	2,402	19.8	2,444	(1.7)	1,627	(3.0)
March 31, 2016	17,813	(2.9)	2,005	(20.0)	2,489	(8.6)	1,679	17.9

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2017	31.50	31.44
March 31, 2016	32.50	32.47

(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, 2017	76,091	49,971	65.6	966.10
As of March 31, 2016	75,249	48,749	64.7	943.07

(Reference) Equity capital As of March 31, 2017: 49,916 million yen As of March 31, 2016: 48,719 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2018 (April 1, 2017 – March 31, 2018)

(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	9,480	2.1	1,580	0.0	1,090	0.9	21.09
Full fiscal year	18,980	2.3	2,810	14.9	1,940	19.2	37.54

*** The audit procedures are not applicable to this Financial Results report.**

*** 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 4 "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 2017

During the year ended March 31, 2017, the Japanese economy continued to show a gradual recovery under the continued monetary easing by the Bank of Japan and corporate earnings improved. After the U.S. presidential election, the depreciation of yen against dollar continued and stock prices in Japan also showed an upward trend. However, there are concerns about the impact on Japanese economy due to increasing global uncertainties including concerns over the possible changes in economic and diplomatic policies in the U.S., fluctuations in interest rates and exchange rates, the future development of the Brexit negotiation, and the repeated terrorist attacks and rising tensions in Syria and Korean Peninsula.

In the aviation industry, an increase of inbound demand in international flight continued, and a demand for domestic flight slightly increased. On the other hand, there are concerns over a rise in fuel costs due to risks of an increase in crude oil prices as a result of OPEC's crude-output cuts since the start of 2017 and changes in global situation, coupled with the depreciation of yen. Also, as competition with LCCs having increased market presence and Shinkansen has become increasingly fierce, airline companies are working on further cost reduction while implementing advanced equipment and expanding network.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥21,662 million (up 4.6% from the previous fiscal year) due to an improved occupancy ratio in tenants and cost reduction of electricity and gas, operating income of ¥3,825 million (up 29.9%), ordinary income of ¥3,492 million (up 10.0%), and profit attributable to owners of parent of ¥2,151 million (up 11.1%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥16,131 million (up 5.3% from the previous fiscal year), due to an improved occupancy ratio of tenants around Tokyo International Airport and Kansai International Airport, opening of Haneda Asahi Cho Hotel, and increased sales of a consolidated subsidiary in Singapore. Operating income was ¥2,560 million (up 26.6%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥3,200 million (up 1.0% from the previous fiscal year) due to a steady growth of sales from area heating & cooling service in the reclaimed land area offshore Tokyo International Airport by Tokyo Airport Heating & Cooling Co., Ltd., a consolidated subsidiary. Operating income was 1,143 million (up 37.6%) also due to decreased rates of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥2,330 million (up 4.9% 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 the operation of solar power plant in Mizunami, Gifu. Operating income was ¥122 million (up 32.3%).

(2) Summary of financial position as of March 31, 2017

(Assets)

Total assets as of March 31, 2017 amounted to ¥87,580 million, an increase by ¥2,365 million compared to March 31, 2016, due to an increase in leased assets of a subsidiary in Singapore.

(Liabilities)

Liabilities as of March 31, 2017 amounted to ¥34,165 million, an increase by ¥594 million from March 31, 2016, due to an increase in guarantee deposits received from new tenants.

(Net assets)

Net assets as of March 31, 2017 increased by ¥1,770 million compared to March 31, 2016 to ¥53,415 million mainly due to an increase in retained earnings.

As a result, equity ratio as of March 31, 2017 increased by 0.2 points to 58.7% compared to March 31, 2016.

(3) Summary of cash flows for the fiscal year ended March 31, 2017

Cash and cash equivalents (“cash”) as of March 31, 2017 amounted to ¥5,713 million, a decrease of ¥260 million from March 31, 2016.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,024 million (previous fiscal year: ¥809 million provided), attributable to an increase in income before income taxes and a decrease in operating loans.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,048 million (previous fiscal year: ¥2,453 million used), attributable to an increase in purchase of noncurrent assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥137 million (previous fiscal year: ¥1,731 million provided), mainly attributable to payments of long-term debt.

(Reference) Cash Flow Indicators

	FY2015/3	FY2016/3	FY2017/3
Equity ratio (%)	58.3	58.5	58.7
Equity ratio at market value (%)	43.9	32.8	35.2
Debt repayment period (years)	6.6	29.6	7.9
Interest coverage ratio (times)	11.4	2.5	8.3

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 increase in tenant occupancy ratio at Tokyo International Airport, as well as hangars at Kitakyushu Airport and Sendai Airport scheduled to begin operation and an addition of water supply and drainage services business at New Chitose Airport, the forecast for the fiscal year ending March 31, 2018 is net sales of ¥22,180 million (up 2.3% from the previous fiscal year), operating income of ¥3,860 million (up 0.9%), ordinary income of ¥3,640 million (up 4.2%), and profit attributable to owners of parent of ¥2,310 million (up 7.3%).

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, 2017, the first year of Medium-term Management Plan developed in October 2016, net sales increased 0.1% from the initial plan, almost in line with the plan, but operating income increased 7.7%, ordinary income increased 4.8% and net income increased 0.5%, slightly exceeding the Medium-term Management Plan due mainly to continued reduction in electricity and gas costs.

From the year ending March 31, 2018 onward, sales and profit are expected to slightly exceed the Medium-term Management Plan due to new plans not included in the Medium-term Management Plan such as water supply and drainage services business at New Chitose Airport, etc.

(6) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2017 and the Year Ending March 31, 2018

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.

The dividend for the year ended March 31, 2017 was planned to be ¥12 per share at the beginning of the fiscal year, but based on the above policy and the performance, it is expected to be ¥13 per share consisting of interim dividend of ¥6 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)

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	4,974,638	3,713,841
Notes and accounts receivable-trade	1,006,211	1,105,796
Securities	1,000,000	2,000,000
Lease receivables and investment assets	3,874,634	5,613,569
Operating loans	5,392,481	6,409,607
Raw materials and supplies	13,083	13,469
Deferred tax assets	165,175	137,464
Others	141,027	222,372
Total current assets	16,567,252	19,216,120
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	152,471,802	155,997,336
Accumulated depreciation and impairment loss	(107,361,515)	(110,216,294)
Buildings and structures, net	45,110,286	45,781,042
Machinery, equipment and vehicles	16,746,614	17,015,488
Accumulated depreciation	(11,693,470)	(12,207,945)
Machinery, equipment and vehicles, net	5,053,144	4,807,542
Tools, furniture and fixtures	257,079	285,405
Accumulated depreciation	(218,169)	(231,204)
Tools, furniture and fixtures, net	38,910	54,200
Land	9,592,528	9,659,676
Construction in progress	1,562,242	592,925
Total property, plant and equipment	61,357,112	60,895,387
Intangible assets	25,064	30,411
Investments and other assets		
Investment securities	5,976,316	6,242,057
Long-term loans receivable	3,429	2,823
Deferred tax assets	468,895	407,807
Net defined benefit asset	198,997	178,133
Others	652,251	641,941
Allowance for doubtful accounts	(34,567)	(34,567)
Total investments and other assets	7,265,322	7,438,196
Total noncurrent assets	68,647,500	68,363,995
Total assets	85,214,753	87,580,116

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,114,793	952,151
Short-term loans payable	4,379,428	4,491,774
Accounts payable	519,280	630,096
Income taxes payable	488,020	753,798
Accrued expenses	269,075	82,989
Unearned revenue	948,317	943,936
Provision for bonuses	131,496	128,380
Provision for directors' bonuses	25,880	24,297
Provision for removal cost of property, plant and equipment	223,321	28,913
Others	363,151	519,819
Total current liabilities	8,462,765	8,556,157
Noncurrent liabilities		
Long-term loans payable	19,621,404	19,502,373
Long-term guarantee deposited	5,083,361	5,402,001
Long-term accounts payable	394,749	345,169
Net defined benefit liability	5,370	—
Provision for directors' retirement benefits	2,436	1,044
Provision for removal cost of property, plant and equipment	—	358,325
Total noncurrent liabilities	25,107,322	25,608,913
Total liabilities	33,570,088	34,165,070
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,920	6,983,993
Retained earnings	35,418,621	36,949,740
Treasury stock	(1,562,688)	(1,559,198)
Total shareholders' equity	47,664,953	49,200,635
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,234,058	2,418,429
Foreign currency translation adjustment	(10,292)	(181,790)
Total accumulated other comprehensive income	2,223,766	2,236,639
Subscription rights to shares	29,359	55,022
Non-controlling interests	1,726,586	1,922,748
Total net assets	51,644,665	53,415,045
Total liabilities and net assets	85,214,753	87,580,116

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

(Thousands of yen)

	FY3/16 (April 1, 2015 –March 31, 2016)	FY3/17 (April 1, 2016 –March 31, 2017)
Net sales	20,697,667	21,662,319
Cost of sales	16,073,629	16,064,434
Gross profit	4,624,037	5,597,884
Selling, general, and administrative expenses		
Directors' compensations	268,263	297,555
Salaries and bonuses	494,208	495,766
Provision for bonuses	80,321	71,973
Provision for directors' bonuses	25,880	24,297
Transportation and communication expenses	98,635	108,620
Depreciation	18,233	7,712
Taxes and dues	94,646	174,396
Others	599,640	592,456
Total selling, general, and administrative expenses	1,679,828	1,772,777
Operating income	2,944,208	3,825,107
Non-operating income		
Interest income	207	2
Dividends income	121,063	142,260
Commission fee	442,465	61,828
Foreign exchange gains	1,043	87,027
Others	130,151	178,084
Total non-operating income	694,932	469,203
Non-operating expenses		
Interest expenses	319,291	357,464
Removal cost of property, plant and equipment	62,695	74,330
Provision for removal cost	9,515	369,463
Depreciation	72,988	—
Others	1,332	711
Total non-operating expenses	465,823	801,969
Ordinary income	3,173,316	3,492,342
Extraordinary income		
Gain on sales of noncurrent assets	125,009	—
Total extraordinary income	125,009	—
Extraordinary loss		
Loss on retirement of noncurrent assets	7,516	931
Loss on sales of non-current assets	12,609	—
Total extraordinary loss	20,125	931
Income before income taxes	3,278,200	3,491,411
Income taxes	846,312	1,098,398
Income taxes - deferred	309,100	7,429
Total income taxes	1,155,412	1,105,828
Profit	2,122,787	2,385,583
Profit attributable to non-controlling interests	187,353	234,491
Profit attributable to owners of parent	1,935,434	2,151,091

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY3/16 (April 1, 2015 –March 31, 2016)	FY3/17 (April 1, 2016 –March 31, 2017)
Profit	2,122,787	2,385,583
Other comprehensive income		
Valuation difference on available-for-sale securities	(484,489)	184,370
Foreign currency translation adjustment	(79,875)	(171,497)
Total other comprehensive income	(564,365)	12,873
Comprehensive income	1,558,422	2,398,456
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,371,069	2,163,964
Comprehensive income attributable to non-controlling interests	187,353	234,491

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	34,103,121	(1,562,347)	46,349,794
Changes of items during the period					
Dividends from surplus			(619,933)		(619,933)
Profit attributable to owners of parent			1,935,434		1,935,434
Purchase of treasury stock				(341)	(341)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	1,315,500	(341)	1,315,159
Balance at the end of current period	6,826,100	6,982,920	35,418,621	(1,562,688)	47,664,953

	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	2,718,548	69,583	2,788,131	—	1,577,561	50,715,488
Changes of items during the period						
Dividends from surplus			—			(619,933)
Profit attributable to owners of parent			—			1,935,434
Purchase of treasury stock			—			(341)
Disposal of treasury stock			—			—
Net changes of items other than shareholders' equity	(484,489)	(79,875)	(564,365)	29,359	149,024	(385,981)
Total changes of items during the period	(484,489)	(79,875)	(564,365)	29,359	149,024	929,177
Balance at the end of current period	2,234,058	(10,292)	2,223,766	29,359	1,726,586	51,644,665

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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Cash flows from operating activities		
Income before income taxes	3,278,200	3,491,411
Depreciation and amortization	3,551,381	3,503,898
Increase (decrease) in provision for removal cost of property, plant and equipment	(267,670)	163,917
Increase (decrease) in provision for retirement benefits	2,225	(5,370)
Decrease (increase) in net defined benefit asset	(18,315)	20,864
Increase (decrease) in provision for directors' retirement benefits	(204,695)	(1,392)
Increase (decrease) in provision for bonuses	10,015	(3,116)
Increase (decrease) in provision for directors' bonuses	84	(1,583)
Increase (decrease) in allowance for doubtful accounts	(81,381)	–
Interest and dividend income	(121,089)	(142,262)
Share-based compensation expenses	29,359	30,232
Interest expenses	319,291	357,464
Interest on securities	(181)	(1)
Loss on disposal of property, plant and equipment	7,516	931
Loss (gain) on sales of noncurrent assets	(112,399)	–
Decrease (increase) in notes and accounts receivable	233,280	(97,459)
Decrease (increase) in inventories	10,312	(386)
Net decrease (increase) in lease receivables and investment assets	2,759,173	(1,758,462)
Decrease (increase) in operating loans receivable	(5,565,515)	(1,286,674)
Increase (decrease) in notes and accounts payable	116,222	(162,641)
Increase (decrease) in unearned revenue	187,663	3,184
Increase (decrease) in accrued expenses	(529,136)	(174,723)
Increase (decrease) in accrued consumption taxes	(626,466)	13,822
Decrease (increase) in other assets	(798,572)	(71,042)
Increase (decrease) in other liabilities	(189,787)	160,703
Subtotal	1,989,512	4,041,315
Interest and dividends received	121,271	142,263
Interest paid	(322,214)	(368,827)
Income taxes paid	(979,100)	(789,988)
Net cash provided by operating activities	809,469	3,024,762
Cash flows from investing activities		
Purchase of noncurrent assets	(3,476,107)	(3,048,752)
Purchase of investment securities	(10,000)	–
Collection of long-term loans receivable	737	606
Proceeds from sales of noncurrent assets	1,032,116	–
Net cash used in investing activities	(2,453,253)	(3,048,146)

(Thousands of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Cash flows from financing activities		
Increase in short-term loans payable	3,890,491	3,600,000
Decrease in short-term loans payable	(4,863,515)	(3,600,000)
Proceeds from long-term debt	6,156,389	3,121,349
Payments of long-term debt	(3,063,024)	(2,916,644)
Proceeds from guarantee deposits received	366,620	432,562
Repayments of guarantee deposits received	(97,386)	(116,312)
Proceeds from sales of treasury stock	—	47
Purchase of treasury stock	(341)	(54)
Payment of cash dividends	(619,717)	(619,631)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash used in financing activities	1,731,186	(137,011)
Effect of exchange rate change on cash and cash equivalents	(4,166)	(100,401)
Net increase (decrease) in cash and cash equivalents	83,236	(260,797)
Cash and cash equivalents at beginning of period	5,891,402	5,974,638
Cash and cash equivalents at end of period	5,974,638	5,713,841

(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 2016 (April 1, 2015 – March 31, 2016)

(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	15,311,763	3,166,273	2,219,630	20,697,667	—	20,697,667
Inter-segment net sales/transfers	218,365	842,607	225,313	1,286,286	(1,286,286)	—
Total	15,530,129	4,008,880	2,444,943	21,983,953	(1,286,286)	20,697,667
Segment income	2,021,510	830,501	92,197	2,944,208	—	2,944,208
Segment assets	64,219,611	6,264,201	1,615,193	72,099,007	13,115,746	85,214,753
Segment liabilities	7,666,599	564,773	156,041	8,387,414	25,182,673	33,570,088
Other items						
Depreciation and amortization	2,753,233	544,596	162,330	3,460,159	18,233	3,478,393
Increase in property, plant and equipment and intangible assets	2,203,179	259,488	508,889	2,971,556	2,192	2,973,748

(Note) Adjustments represent elimination of intersegment transactions.

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.