

May 10, 2019

Financial Results for the Year Ended March 31, 2019 [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, Corporate Officer, General Manager of Accounting Dept. TEL: +81-3-3747-0251
 The date of the ordinary general shareholders' meeting: June 27, 2019
 The date of the dividend payment start: June 28, 2019
 The date of filing the securities report: June 27, 2019
 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 2019 (April 1, 2018 - March 31, 2019)

(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, 2019	24,213	6.2	4,129	0.6	3,338	(10.4)	2,104	(5.2)
March 31, 2018	22,791	5.2	4,103	7.3	3,726	6.7	2,219	3.2

(Note) Comprehensive income: Fiscal year ended March 31, 2019: 2,008 million yen ((35.1%))
 Fiscal year ended March 31, 2018: 3,097 million yen (29.1%)

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, 2019	42.28	42.11	3.9	3.5	17.0
March 31, 2018	43.36	43.23	4.3	4.3	18.0

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2019: — million yen
 Fiscal year ended March 31, 2018: — 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, 2019	101,384	55,740	52.6	1,072.90
As of March 31, 2018	87,961	54,482	59.4	1,050.69

(Reference) Equity capital: As of March 31, 2019: 53,387 million yen As of March 31, 2018: 52,277 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, 2019	5,176	(13,490)	9,524	5,824
March 31, 2018	7,147	(5,383)	(2,909)	4,608

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, 2018	—	7.00	—	7.00	14.00	710	32.3	1.4
March 31, 2019	—	7.00	—	7.00	14.00	696	33.1	1.3
Fiscal year ending March 31, 2020 (Forecasts)	—	7.00	—	7.00	14.00		30.0	

3. Forecast of Consolidated Earnings for the Year Ending March 2020 (April 1, 2019 - March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	12,360	1.1	2,280	0.6	2,100	4.0	1,320	0.6	26.52
Full fiscal year	24,780	2.2	4,170	0.8	3,710	11.2	2,320	10.2	46.62

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No
 (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
 1) Changes in accounting policies with revision of accounting standards, etc. : Yes
 2) Changes in accounting policies other than 1) above: No
 3) Changes in accounting estimates: 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, 2019:	52,979,350 shares	As of March 31, 2018:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2019:	3,219,779 shares	As of March 31, 2018:	3,223,911 shares
3) Average number of shares during the period	Year ended March 31, 2019:	49,758,606 shares	Year ended March 31, 2018:	51,195,843 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2019 (April 1, 2018 - March 31, 2019)

(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, 2019	20,946	6.7	2,960	6.4	2,596	(10.7)	1,721	(12.4)
March 31, 2018	19,630	5.9	2,781	15.8	2,908	19.0	1,967	20.8

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2019	34.60	34.45
March 31, 2018	38.42	38.31

(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, 2019	88,868	51,408	57.7	1,030.84
As of March 31, 2018	77,007	50,382	65.3	1,011.01

(Reference) Equity capital As of March 31, 2019: 51,294 million yen As of March 31, 2018: 50,303 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2020 (April 1, 2019 – March 31, 2020)

(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	10,720	1.5	1,730	6.9	1,170	5.3	23.51
Full fiscal year	21,450	2.4	2,900	11.7	1,950	13.4	39.18

*** 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. (5) Future Outlook”.

1. Summary of Operating Results, etc.

(1) Summary of operating results for the year ended March 2019

During the year ended March 31, 2019, the Japanese economy continued to show a gradual recovery supported by solid personal consumption and an increase in capital investments. However, the global economic slowdown triggered by trade friction between the U.S. and China resulted in sluggish export since late 2018 and started affecting production and corporate performance. In addition, worldwide fall in stock prices originating in the U.S. in December 2018 led to temporal lower stock prices and yen's appreciation in Japan, and stock prices and exchange rates remain unstable under the continuing global monetary easing policy.

There are concerns over the impact on the Japanese economy of uncertain outlook for trade negotiation between the U.S. and China and the economic slowdown in China, as well as destabilizing factors for global economy including political and economic uncertainty and economic downturn in Europe.

In the aviation industry, strong demands of domestic and international passengers continued despite a temporary decline due to natural disasters in Hokkaido and Kansai area in last September. In particular, demands of international flights continued to be strong with the number of foreign passengers visiting Japan over the year exceeding 31 million and remain strong in this year.

With the Tokyo Olympic and Paralympic Games coming next year, in order to achieve the government target of the number of foreign passengers visiting Japan of 40 million in 2020, efforts to enhance airport functions are in progress such as an increase in arrival and departure slots at Tokyo International Airport by 39 thousand, and major domestic and foreign airlines and LCCs are expected to increase the number of flights. On the other hand, with concerns over pilot shortage, wild swing in crude oil prices and fluctuations in exchange rates, domestic airline companies are continuing to work on enhancing cost competitiveness while implementing advanced equipment, expanding network and strengthening LCC business.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥24,213 million (up 6.2% from the previous fiscal year) due to an improved occupancy ratio of our tenants in Tokyo International Airport, full-year operation of aviation related facilities in local airports and the start of leasing of the hotel in Kyoto acquired at the end of June 2018. Operating income was ¥4,129 million (up 0.6%) despite increased rates of electricity and gas in Area Heating & Cooling Business and increases in depreciation expense and real estate acquisition tax associated with the acquisition of the hotel in Kyoto.

Ordinary income was ¥3,338 million (down 10.4%) due to recording of provision for removal cost for ARC Building in relation to extension or reconstruction for a new in-flight meal factory in Tokyo International Airport although a subsidiary in Singapore recorded foreign exchange gains in non-operating income. Also in extraordinary income or loss, although the damage by typhoon was covered by insurance income, loss on retirement was recorded for one cargo facility which was recently withdrawn due to establishment of a new VIP Room by the government; and as a result, profit attributable to owners of parent was ¥2,104 million (down 5.2%).

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥18,116 million (up 6.8% from the previous fiscal year), due to an improved occupancy ratio of our tenants in Tokyo International Airport, full-year operation of a hangar at Kitakyushu Airport, start of supply of a new apartment, start of operation of the hotel in Kyoto and inclusion of a Canadian subsidiary in the scope of consolidation. Operating income was ¥3,105 million (up 6.3%).

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business recorded net sales of ¥3,242 million (up 1.0 % from the previous fiscal year), about the same level as last year due to an extremely hot summer followed by a warm winter. Meanwhile, operating income was ¥787 million (down 23.9%) due to an increase in cost attributable to increased rates of electricity and gas.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥2,854 million (up 8.4% from the previous fiscal year) as a result of a solid growth in sales of water supply and drainage usage due to increases in the number of passengers and water supply to tunnel and road constructions at Tokyo International Airport, and steady operation of the solar power facility which started electric power selling in Heiwajima, Ota-ku since February 2018. Operating income was ¥237 million (up 59.2%).

(2) Summary of financial position as of March 31, 2019

(Assets)

Total assets as of March 31, 2019 amounted to ¥101,384 million, an increase by ¥13,422 million from March 31, 2018, mainly due to the acquisition of the hotel in Kyoto.

(Liabilities)

Liabilities as of March 31, 2019 amounted to ¥45,644 million, an increase by ¥12,165 million from March 31, 2018, due to the Company's first bond issuance associated with acquisition of the hotel in Kyoto and an increase in long-term loans payable.

(Net assets)

Net assets as of March 31, 2019 increased by ¥1,257 million compared to March 31, 2018 to ¥55,740 million mainly due to an increase in retained earnings. As a result, equity ratio as of March 31, 2019 decreased by 6.7 points to 52.6% compared to March 31, 2018.

(3) Summary of cash flows for the fiscal year ended March 31, 2019

Cash and cash equivalents ("cash") as of March 31, 2019 amounted to ¥5,824 million, an increase of ¥1,216 million from March 31, 2018.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,176 million (previous fiscal year: ¥7,147 million provided), mainly attributable to cash inflow from recording income before income taxes and cash outflows from an increase in operating loans in an overseas subsidiary and purchase of other assets.

(Cash flows from investing activities)

Net cash used in investing activities was ¥13,490 million (previous fiscal year: ¥5,383 million used), mainly attributable to purchase of non-current assets, the hotel in Kyoto.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥9,524 million (previous fiscal year: ¥2,909 million used), mainly attributable to proceeds from issuance of bonds associated with the acquisition of the hotel in Kyoto and an increase in proceeds from long-term debt.

(Reference) Cash Flow Indicators

	FY2017/3	FY2018/3	FY2019/3
Equity ratio (%)	58.7	59.4	52.6
Equity ratio at market value (%)	35.2	38.1	28.8
Debt repayment period (years)	7.9	3.2	6.5
Interest coverage ratio (times)	8.3	21.1	12.8

Equity ratio: Equity capital / Total assets

Equity ratio at market value: Market capitalization / Total assets

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

Interest coverage ratio: Operating cash flows / Interest expense

(Notes) 1. All indicators are calculated using financial figures on a consolidated basis.

2. Interest-bearing debt includes all debt recorded on the consolidated balance sheets on which interest is paid.
3. Operating cash flows and interest expense are based on “Cash flows from operating activities” and “Interest paid” presented on the consolidated statement of cash flows.

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

As for the progress status of the Medium-term Management Plan developed in October 2016, net sales for the year ended March 31, 2019 was ¥24,213 million, significantly increased by 16.9% in three years from ¥20,697 million for the year ended March 31, 2016, and exceeded the target in the Medium-term Management Plan by 7.4% mainly due to an improved occupancy ratio of existing facilities and the favorable results of new investments exceeding the initial plan. Also, operating income increased 40.2% from three years ago and exceeded the target in the Medium-term Management Plan by 4.3%.

Profit attributable to owners of parent increased 8.7% from three years ago but fell below the target in the Medium-term Management Plan by 7.3%. This is mainly attributable to unexpected non-operating expenses in the fiscal year ended March 31, 2019 such as bond issuance cost associated with the acquisition of the hotel in Kyoto and unexpected increase in provision for removal cost for ARC Building in relation to extension or reconstruction for a new in-flight meal factory to meet increasing needs due to an increase in international flights. However, we consider them forward-looking expenses necessary for the future.

(5) Future Outlook

With factors including the start of operation of in-flight meal factory at Tokyo International Airport, start of operation of new aviation related facilities at Tokyo International Airport and local airports such as Kobe, and full-year operation of the hotel in Kyoto acquired in 2018, the forecast for the fiscal year ending March 31, 2020 is consolidated net sales of ¥24,780 million (up 2.2% from the previous fiscal year), operating income of ¥4,170 million (up 0.8%), ordinary income of ¥3,710 million (up 11.2%), and profit attributable to owners of parent of ¥2,320 million (up 10.2%).

(6) Development of the New Medium-term Management Plan

The Company has developed “Medium-term Management Plan for FY ending March 2020 to March 2022.” Under the plan, we will further improve the profitability of existing business in response to increasing aviation related demand surrounding the Company and also make proactive investment of ¥30 billion inside and outside airports exceeding cash flows in the next three years. We aim to achieve the targets of net sales of ¥27.5 billion, operating income of ¥4.6 billion, and profit attributable to owners of parent of ¥2.6 billion for steady increase both in sales and profit.

(7) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2019 and the Year Ending March 31, 2020

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, 2019 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)

	FY3/18 (As of March 31, 2018)	FY3/19 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	4,608,382	4,324,573
Notes and accounts receivable-trade	1,210,390	1,208,590
Securities	—	1,500,000
Lease receivables and investment assets	5,991,149	6,600,080
Operating loans	5,422,908	5,741,839
Raw materials and supplies	14,676	12,908
Others	284,004	1,456,944
Total current assets	17,531,512	20,844,937
Non-current assets		
Property, plant and equipment		
Buildings and structures	157,631,924	162,722,788
Accumulated depreciation and impairment loss	(113,097,579)	(115,363,210)
Buildings and structures, net	44,534,344	47,359,577
Machinery, equipment and vehicles	18,173,305	18,826,372
Accumulated depreciation	(12,789,035)	(13,430,679)
Machinery, equipment and vehicles, net	5,384,270	5,395,693
Tools, furniture and fixtures	424,337	1,059,644
Accumulated depreciation	(267,996)	(490,837)
Tools, furniture and fixtures, net	156,341	568,807
Land	10,307,875	14,596,026
Construction in progress	1,422,667	3,299,425
Total property, plant and equipment	61,805,499	71,219,530
Intangible assets	49,907	41,929
Investments and other assets		
Investment securities	7,483,456	7,671,946
Long-term loans receivable	2,217	1,732
Deferred tax assets	259,037	320,447
Net defined benefit asset	218,585	203,945
Others	646,334	1,090,548
Allowance for doubtful accounts	(34,567)	(10,267)
Total investments and other assets	8,575,064	9,278,352
Total non-current assets	70,430,471	80,539,812
Total assets	87,961,984	101,384,749

(Thousands of yen)

	FY3/18 (As of March 31, 2018)	FY3/19 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,023,054	1,532,544
Short-term loans payable	5,879,559	5,974,226
Accounts payable	674,381	1,064,205
Income taxes payable	651,257	557,004
Accrued expenses	93,808	109,744
Unearned revenue	977,315	1,045,001
Provision for bonuses	128,398	131,094
Provision for directors' bonuses	27,980	30,058
Provision for removal cost of property, plant and equipment	173,200	364,598
Others	421,549	384,329
Total current liabilities	10,050,504	11,192,806
Non-current liabilities		
Bonds payable	—	6,000,000
Long-term loans payable	17,279,899	21,729,366
Long-term guarantee deposited	5,638,318	5,915,755
Long-term accounts payable-other	311,526	476,128
Provision for directors' retirement benefits	6,846	1,044
Deferred tax liabilities	—	6,379
Provision for removal cost of property, plant and equipment	192,311	323,237
Total non-current liabilities	23,428,901	34,451,910
Total liabilities	33,479,405	45,644,717
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	37,381,745	38,777,424
Treasury stock	(1,786,417)	(1,784,131)
Total shareholders' equity	49,404,317	50,802,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,853,576	2,817,756
Foreign currency translation adjustment	19,613	(232,638)
Total accumulated other comprehensive income	2,873,189	2,585,117
Subscription rights to shares	79,896	113,808
Non-controlling interests	2,125,175	2,238,823
Total net assets	54,482,578	55,740,032
Total liabilities and net assets	87,961,984	101,384,749

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

(Thousands of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Net sales	22,791,701	24,213,529
Cost of sales	16,862,420	18,098,758
Gross profit	5,929,280	6,114,770
Selling, general, and administrative expenses		
Directors' compensations	305,538	329,881
Salaries and bonuses	491,488	527,022
Provision for bonuses	80,180	81,463
Provision for directors' bonuses	27,980	30,058
Transportation and communication expenses	105,672	107,075
Depreciation	14,510	28,687
Taxes and dues	163,901	170,252
Others	636,245	710,551
Total selling, general, and administrative expenses	1,825,517	1,984,991
Operating income	4,103,762	4,129,778
Non-operating income		
Interest income	1	1
Dividends income	162,625	171,384
Commission fee	53,119	21,839
Foreign exchange gains	—	44,753
Others	69,339	90,650
Total non-operating income	285,086	328,629
Non-operating expenses		
Interest expenses	339,284	421,116
Removal cost of property, plant and equipment	103,498	61,142
Provision for removal cost	16,566	495,524
Foreign exchange losses	184,194	—
Bond issuance cost	—	119,788
Others	19,180	22,508
Total non-operating expenses	662,724	1,120,079
Ordinary income	3,726,125	3,338,328
Extraordinary income		
Insurance income	—	617,417
Others	—	2,541
Total extraordinary income	—	619,959
Extraordinary loss		
Loss on retirement of non-current assets	27,902	171,720
Loss on disaster	—	555,531
Total extraordinary loss	27,902	727,251
Income before income taxes	3,698,222	3,231,036
Income taxes	1,143,500	1,009,965
Income taxes - deferred	94,187	(34,964)
Total income taxes	1,237,688	975,001
Profit	2,460,534	2,256,035
Profit attributable to non-controlling interests	240,755	151,978
Profit attributable to owners of parent	2,219,779	2,104,057

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Profit	2,460,534	2,256,035
Other comprehensive income		
Valuation difference on available-for-sale securities	435,146	(35,820)
Foreign currency translation adjustment	201,403	(211,647)
Total other comprehensive income	636,549	(247,467)
Comprehensive income	3,097,084	2,008,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,856,328	1,856,589
Comprehensive income attributable to non-controlling interests	240,755	151,978

(3) Consolidated Statements of Changes in Net Assets

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

For the Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(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	37,381,745	(1,786,417)	49,404,317
Changes of items during the period					
Dividends from surplus			(696,606)		(696,606)
Profit attributable to owners of parent			2,104,057		2,104,057
Purchase of treasury stock				(95)	(95)
Disposal of treasury stock			(38)	2,382	2,344
Change in scope of consolidation			(11,734)		(11,734)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	1,395,678	2,286	1,397,965
Balance at the end of current period	6,826,100	6,982,890	38,777,424	(1,784,131)	50,802,282

	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	2,853,576	19,613	2,873,189	79,896	2,125,175	54,482,578
Changes of items during the period						
Dividends from surplus			—			(696,606)
Profit attributable to owners of parent			—			2,104,057
Purchase of treasury stock			—			(95)
Disposal of treasury stock			—			2,344
Change in scope of consolidation		(40,604)	(40,604)			(52,338)
Net changes of items other than shareholders' equity	(35,820)	(211,647)	(247,467)	33,912	113,648	(99,906)
Total changes of items during the period	(35,820)	(252,252)	(288,072)	33,912	113,648	1,257,454
Balance at the end of current period	2,817,756	(232,638)	2,585,117	113,808	2,238,823	55,740,032

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Income before income taxes	3,698,222	3,231,036
Depreciation and amortization	3,547,173	4,033,394
Loss on disaster	—	555,531
Increase (decrease) in provision for removal cost of property, plant and equipment	(21,727)	322,324
Decrease (increase) in net defined benefit asset	(40,451)	14,639
Increase (decrease) in provision for directors' retirement benefits	5,802	(5,802)
Increase (decrease) in provision for bonuses	18	2,696
Increase (decrease) in provision for directors' bonuses	3,683	2,078
Interest and dividend income	(162,626)	(171,385)
Increase (decrease) in allowance for doubtful accounts	—	(24,300)
Insurance income	—	(617,417)
Share-based compensation expenses	31,358	36,252
Interest expenses	339,284	421,116
Bond issuance cost	—	119,788
Interest on securities	(8)	—
Loss on retirement of non-current assets	27,902	171,720
Decrease (increase) in notes and accounts receivable	(103,362)	1,372
Decrease (increase) in inventories	(1,206)	1,768
Net decrease (increase) in lease receivables and investment assets	(220,626)	349,646
Decrease (increase) in operating loans receivable	1,244,094	(548,764)
Increase (decrease) in notes and accounts payable	70,902	30,712
Increase (decrease) in unearned revenue	32,533	61,725
Increase (decrease) in accrued expenses	10,214	(32,961)
Increase (decrease) in accrued consumption taxes	232,705	(347,067)
Decrease (increase) in other assets	(49,128)	(1,615,550)
Increase (decrease) in other liabilities	(76,631)	(92,790)
Subtotal	8,568,124	5,899,762
Interest and dividends received	162,635	171,385
Interest paid	(338,680)	(402,820)
Proceeds from insurance income	—	617,417
Payments for loss on disaster	—	(76,746)
Income taxes paid	(1,245,015)	(1,032,790)
Net cash provided by operating activities	7,147,064	5,176,209
Cash flows from investing activities		
Purchase of non-current assets	(4,752,703)	(12,733,042)
Purchase of investment securities	(325,266)	(758,050)
Purchase of shares of subsidiaries	(305,830)	—
Proceeds from sales of investment securities	1	—
Collection of long-term loans receivable	606	485
Net cash used in investing activities	(5,383,192)	(13,490,607)

(Thousands of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Cash flows from financing activities		
Increase in short-term loans payable	4,400,000	3,598,051
Decrease in short-term loans payable	(3,111,376)	(4,898,051)
Proceeds from long-term debt	1,044,218	9,022,513
Payments of long-term debt	(3,414,347)	(3,621,076)
Proceeds from issuance of bonds	—	5,880,211
Proceeds from guarantee deposits received	283,400	490,112
Repayments of guarantee deposits received	(47,083)	(212,675)
Proceeds from sales of treasury stock	12	4
Purchase of treasury stock	(1,299,156)	(95)
Payment of cash dividends	(727,224)	(696,504)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash (used in) provided by financing activities	(2,909,886)	9,524,159
Effect of exchange rate change on cash and cash equivalents	40,556	(42,498)
Net increase (decrease) in cash and cash equivalents	(1,105,458)	1,167,262
Cash and cash equivalents at beginning of period	5,713,841	4,608,382
Increase in cash and cash equivalents from newly consolidated subsidiary	—	48,927
Cash and cash equivalents at end of period	4,608,382	5,824,573

(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 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.

Fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Thousands of yen)

	Reportable segment				Adjustments (Note)	Carrying amount on consolidated statements of income
	Real Estate Business	Area Heating & Cooling Business	Water Supply & Drainage Service and Other Business	Total		
Net sales						
Net sales to outside customers	18,116,348	3,242,281	2,854,899	24,213,529	—	24,213,529
Inter-segment net sales/transfers	244,428	858,712	257,411	1,360,553	(1,360,553)	—
Total	18,360,777	4,100,993	3,112,310	25,574,082	(1,360,553)	24,213,529
Segment income	3,105,139	787,387	237,252	4,129,778	—	4,129,778
Segment assets	78,186,213	7,026,093	1,500,805	86,713,112	14,671,637	101,384,749
Segment liabilities	9,284,757	1,135,945	186,950	10,607,654	35,037,062	45,644,717
Other items						
Depreciation and amortization	3,264,384	507,878	232,444	4,004,707	28,687	4,033,394
Increase in property, plant and equipment and intangible assets	12,398,513	1,175,920	21,125	13,595,559	15,608	13,611,167

(Note) Adjustments represent elimination of intersegment transactions.