

Financial Results for the Year Ended March 31, 2021 [J-GAAP]

Company Name: AIRPORT FACILITIES CO., LTD. (AFC)
 Stock Exchange Listed on: Tokyo Stock Exchange (First Section)
 Company Code: 8864 URL: <https://www.afc.jp>
 Representative: Masaaki Kai, 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 29, 2021
 The Date of the Dividend Payment Start: June 30, 2021
 The Date of Filing the Securities Report: June 29, 2021
 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 2021 (April 1, 2020 - March 31, 2021)

(1) Consolidated Business Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	24,155	(2.8)	3,831	(8.4)	3,617	(4.8)	(933)	—
March 31, 2020	24,855	2.6	4,186	1.3	3,802	13.8	2,227	5.8

(Note) Comprehensive income: Fiscal year ended March 31, 2021: (661) million yen (—)
 Fiscal year ended March 31, 2020: 1,290 million yen ((35.7%))

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2021	(18.71)	—	(1.7)	3.5	15.8
March 31, 2020	44.72	44.56	4.1	3.6	16.8

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2021: — million yen
 Fiscal year ended March 31, 2020: — 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, 2021	100,429	54,964	52.1	1,049.44
As of March 31, 2020	104,483	56,333	51.5	1,080.48

(Reference) Equity capital: As of March 31, 2021: 52,378 million yen As of March 31, 2020: 53,854 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	4,758	(2,704)	(1,907)	6,583
March 31, 2020	6,900	(8,217)	1,958	6,518

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, 2020	—	7.00	—	7.00	14.00	697	31.2	1.3
March 31, 2021	—	7.00	—	7.00	14.00	698	—	1.3
Fiscal year ending March 31, 2022 (Forecasts)	—	7.00	—	7.00	14.00		43.4	

3. Forecast of Consolidated Earnings for the Year Ending March 2022 (April 1, 2021 - March 31, 2022)

(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	12,230	0.4	1,852	(17.6)	1,607	(25.3)	1,011	4.0	20.25
Full fiscal year	24,262	0.4	3,349	(12.5)	2,633	(27.2)	1,610	—	32.25

* 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, 2021:	52,979,350 shares	As of March 31, 2020:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2021:	3,068,347 shares	As of March 31, 2020:	3,136,206 shares
3) Average number of shares during the period	Year ended March 31, 2021:	49,894,036 shares	Year ended March 31, 2020:	49,810,571 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2021 (April 1, 2020 - March 31, 2021)

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	20,812	(3.6)	2,455	(18.6)	2,510	(17.5)	(1,228)	—
March 31, 2020	21,605	3.1	3,019	2.0	3,045	17.2	1,801	4.6

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2021	(24.61)	—
March 31, 2020	36.17	36.03

(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, 2021	89,380	49,879	55.7	997.58
As of March 31, 2020	91,763	51,404	55.9	1,029.43

(Reference) Equity capital As of March 31, 2021: 49,790 million yen As of March 31, 2020: 51,310 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2022 (April 1, 2021 – March 31, 2022)

(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	10,638	1.2	1,369	(14.9)	919	10.1	18.41
Full fiscal year	21,211	1.9	2,022	(19.4)	1,340	—	26.84

***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) Progress Status of the Medium-term Management Plan and (5) Earnings forecast for the fiscal year ending March 2022”.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Year Ended March 2021

During the year ended March 31, 2021, Japanese economy continued to experience severe situation due to a global pandemic of COVID-19 which started February 2020. Although the second state of emergency issued for the Tokyo metropolitan area in January 2021 was lifted in March 2021, the situation remains uncertain as another resurgence with a variant of the virus led to the third state of emergency issued for Tokyo and Kansai area in April 2021, which was later expanded to other areas and extended.

In an aviation industry, the domestic flights showed a sign of recovery at one point in summer partly due to an effect of the government's "Go-To Travel" campaign, but the demand is once again decreasing since January 2021 due to the resurgence of COVID-19. Demand for international flights is also expected to take a while before it sees a full recovery mainly due to the tightening of travel restrictions in response to the resurgence caused by variant strains of COVID-19 in various countries.

Meanwhile, certain countries including the U.K. and the U.S., are making progress in vaccination rollouts, and Japan also began administering vaccine to elder citizens in April 2021, the second group after health care workers, making steady progress toward the defeat of COVID-19.

Under such economic conditions, for the year ended March 31, 2021, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥24,155 million (down 2.8%), operating income of ¥3,831 million (down 8.4%) and ordinary income of ¥3,617 million (down 4.8%) mainly due to a decrease in sales of Water Supply & Drainage Service because of a sharp decline in the number of airport users despite a full-year operation of new facilities completed in the fiscal year ended March 31, 2020 in Real Estate Business.

Also during the year, we have forgiven rent receivables and heat charge receivables from customers in the aviation industry as a consequence of the impact of the spread of COVID-19 and multiple states of emergency issued. In addition, as the likelihood of prolonged COVID-19 pandemic forced the Company to carefully forecast the future demand, we conducted detailed examination of costs and strategic reevaluation of assets with a conservative outlook for medium- to long-term business. As a result, we recognized impairment loss on rental properties for hotel held in Kyoto as extraordinary loss during the three months ended March 31, 2021, resulting in loss attributable to owners of parent of ¥933 million for the year ended March 31, 2021 (¥2,227 million of profit attributable to owners of parent for the year ended March 31, 2020).

Meanwhile, we started operation of our first dormitory for international students outside the airport in March 2021 as part of our initiatives for business diversification. In overseas, we opened an office in Singapore in April 2020 as a base for the Group's overseas development and assigned two personnel to enhance the system of the local subsidiary. Also, as an initiative toward realization of sustainable society, we introduced clean energy in Tokyo International Airport by installing a solar self-consumption equipment in the domestic cargo terminal facility.

Leveraging our insights accumulated over the years, we will continue to take on challenges in the new fields in Japan and overseas as well as recognize and aggressively work on our social mission for environmental issues. Specifically, we launched an environment business promotion project team in April 2021, with four working groups to work on (1) establishment of CO₂ reduction target, (2) promotion of environment business (Eco-Airport), (3) promotion of biomass power generation, and (4) new businesses using new technologies.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥18,940 million (up 1.1% from the previous fiscal year) due to full-year operation of a new warehouse building of the Technical Center and an in-flight meal factory in ARC Building at Toyo International Airport, and the new extended hanger at Kobe Airport completed after December 2019. Meanwhile, operating income was ¥2,922 million (down 5.3%) mainly due to an increase in repair expenses, etc. related to energy-saving promotion and taxes and dues associated with a dormitory for international students completed in March 2021.

(ii) Area Heating & Cooling Business

Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. recorded net sales of ¥3,379 million (up 3.2% from the previous fiscal year) due to a partial extension in the Tokyo International Airport Passenger Terminal No. 2 despite a decrease in demand mainly caused by the spread of COVID-19. Operating income was ¥1,097 million (up 29.3%) due to decreases in fuel costs for electricity and gas and repair expenses.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business recorded net sales of ¥1,834 million (down 35.7% from the previous fiscal year) due to a continued significant decrease in water supply and drainage usage as a result of a sharp decline in the number of airport users triggered by the spread of COVID-19, and recorded an operating loss of ¥188 million (operating income of ¥250 million in the previous fiscal year).

(2) Summary of Financial Position as of March 31, 2021

(Assets)

Total assets as of March 31, 2021 amounted to ¥100,429 million, a decrease by ¥4,054 million compared to March 31, 2020, partly due to impairment loss recognized on hotel in Kyoto despite completion of Kanazawa Hakkei International Community Plaza which started operation as a dormitory for international students in March 2021.

(Liabilities)

Liabilities as of March 31, 2021 amounted to ¥45,464 million, a decrease by ¥2,686 million compared to March 31, 2020, mainly due to decreases in long-term loans payable and in accrued expenses because of payment of annual usage fee of national property.

(Net assets)

Net assets as of March 31, 2021 decreased by ¥1,368 million compared to March 31, 2020 to ¥54,964 million mainly due to loss attributable to owners of parent.

As a result, equity ratio as of March 31, 2021 increased by 0.6 points to 52.1% compared to March 31, 2020.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2021

Cash and cash equivalents ("cash") as of March 31, 2021 amounted to ¥6,583 million, an increase of ¥64 million from March 31, 2020.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,758 million (previous fiscal year: ¥6,900 million provided), mainly attributable to recording of noncash items including depreciation and impairment loss and collection of operating loans receivable despite cash outflows associated with acquisition of lease receivables and payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,704 million (previous fiscal year: ¥8,217 million used), mainly attributable to purchase of non-current assets associated with newly constructed Kanazawa Hakkei International Community Plaza.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,907 million (previous fiscal year: ¥1,958 million provided), mainly attributable to repayment of loans payable and payment of cash dividends.

(Reference) Cash Flow Indicators

	FY2019/3	FY2020/3	FY2021/3
Equity ratio (%)	52.6	51.5	52.1
Equity ratio at market value (%)	28.8	20.3	30.9
Debt repayment period (years)	6.5	5.2	7.2
Interest coverage ratio (times)	12.8	16.5	13.0

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

Under the “Medium-term Management Plan for FY ending March 2020 to March 2022,” the Company considered a global increase in passenger demand, enhancement of functions in Tokyo International Airport, and an increase in inbound visitors as our growth opportunities and have been working to achieve the plan.

The first year results for the fiscal year ended March 31, 2020 were almost in line with the plan, but the second year results for the fiscal year ended March 31, 2021 were, as described above, fell short of the initial forecast both in net sales and profits mainly due to the impact of COVID-19 and recording of impairment loss.

For the fiscal year ending March 31 2022, the final year of the plan, as we expect that the business environment will continue to be severe, we will use the forecasts of consolidated earnings for the fiscal year ending March 31, 2022 as the planned figures for the final year.

In the fiscal year ending March 31, 2022, we will make all-out efforts to improve earnings quickly and also develop the next Medium-term Management Plan and a long-term vision toward further growth in the world after the COVID-19 pandemic.

(5) Earnings forecast for the fiscal year ending March 2022

While the impact of COVID-19 will remain in the year ending March 31, 2022, passenger demand is expected to recover to a certain degree as vaccinations progress, and accordingly, the forecast for the fiscal year ending March 31, 2022 is net sales of ¥24,262 million (up 0.4% from the previous fiscal year), operating income of ¥3,349 million (down 12.5%), ordinary income of ¥2,633 million (down 27.2%) and profit attributable to owners of parent of ¥1,610 million (¥933 million of loss attributable to owners of parent for the previous fiscal year).

(6) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2021 and the Year Ending March 31, 2022

While we focus on maintenance of stable management base and enhancement of financial strength, we also consider profit return to shareholders is important and have been striving to stably return profits to shareholders with the dividend payout ratio of over 30% in consideration of current performance and future outlook.

Although we recognized impairment loss for the fiscal year ended March 31, 2021 as described above, it does not have material impact on cash flows for the time being, and therefore, based on the above policy and comprehensive consideration of our financial condition, etc., we plan to pay annual dividend of ¥14 per share (interim dividend of ¥7 and year-end dividend of ¥7) for the fiscal year ended March 31, 2021. We also plan to pay annual dividend of ¥14 per share (including interim dividend of ¥7) as in the past for the fiscal year ending March 31, 2022.

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)

	FY3/20 (As of March 31, 2020)	FY3/21 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	6,518,663	6,583,181
Notes and accounts receivable-trade	1,267,240	1,373,918
Lease receivables and investment assets	7,286,793	10,502,602
Operating loans	4,918,584	3,586,074
Raw materials and supplies	11,099	15,877
Others	2,240,924	146,132
Total current assets	22,243,308	22,207,786
Non-current assets		
Property, plant and equipment		
Buildings and structures	168,580,868	170,103,670
Accumulated depreciation and impairment loss	(118,168,219)	(123,525,954)
Buildings and structures, net	50,412,649	46,577,715
Machinery, equipment and vehicles	19,704,050	20,381,139
Accumulated depreciation	(13,338,264)	(13,980,546)
Machinery, equipment and vehicles, net	6,365,786	6,400,593
Tools, furniture and fixtures	1,089,247	1,105,982
Accumulated depreciation	(668,952)	(795,346)
Tools, furniture and fixtures, net	420,294	310,636
Land	14,902,098	13,985,705
Construction in progress	1,537,155	1,416,281
Total property, plant and equipment	73,637,983	68,690,931
Intangible assets		
Software	249,722	202,364
Software in progress	335,029	463,525
Others	15,219	19,813
Total intangible assets	599,972	685,702
Investments and other assets		
Investment securities	6,545,514	7,092,761
Long-term loans receivable	1,332	931
Deferred tax assets	700,505	906,445
Net defined benefit asset	149,523	228,866
Others	616,108	626,255
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	8,002,716	8,844,993
Total non-current assets	82,240,672	78,221,628
Total assets	104,483,980	100,429,415

(Thousands of yen)

	FY3/20 (As of March 31, 2020)	FY3/21 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,117,627	1,079,625
Short-term loans payable	6,642,749	6,325,177
Accounts payable	935,285	1,131,097
Income taxes payable	567,586	156,069
Accrued expenses	788,460	102,802
Unearned revenue	1,117,907	1,100,926
Provision for bonuses	135,083	129,812
Provision for bonuses for directors (and other officers)	26,715	28,355
Provision for removal cost of property, plant and equipment	226,392	78,011
Others	330,139	386,666
Total current liabilities	11,887,946	10,518,542
Non-current liabilities		
Bonds payable	6,000,000	6,100,000
Long-term loans payable	23,402,486	22,287,170
Long-term guarantee deposited	6,286,570	6,163,216
Long-term accounts payable-other	326,067	260,254
Provision for retirement benefits for directors (and other officers)	2,436	—
Deferred tax liabilities	16,311	22,566
Provision for removal cost of property, plant and equipment	190,804	112,793
Others	37,965	—
Total non-current liabilities	36,262,641	34,946,000
Total liabilities	48,150,587	45,464,542
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	40,315,327	38,680,850
Treasury stock	(1,737,829)	(1,700,228)
Total shareholders' equity	52,386,487	50,789,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,682,442	2,054,158
Foreign currency translation adjustment	(214,202)	(464,980)
Total accumulated other comprehensive income	1,468,239	1,589,177
Subscription rights to shares	94,722	89,284
Non-controlling interests	2,383,942	2,496,798
Total net assets	56,333,393	54,964,872
Total liabilities and net assets	104,483,980	100,429,415

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

	(Thousands of yen)	
	FY3/20 (April 1, 2019 – March 31, 2020)	FY3/21 (April 1, 2020 – March 31, 2021)
Net sales	24,855,730	24,155,122
Cost of sales	18,625,342	18,441,101
Gross profit	6,230,388	5,714,020
Selling, general, and administrative expenses		
Remuneration for directors (and other officers)	313,513	287,582
Salaries and bonuses	571,621	595,963
Provision for bonuses	84,670	83,347
Provision for bonuses for directors (and other officers)	26,715	28,355
Provision for retirement benefits for directors (and other officers)	1,392	348
Transportation and communication expenses	93,875	63,479
Depreciation	28,101	27,740
Taxes and dues	168,779	162,756
Others	755,681	633,086
Total selling, general, and administrative expenses	2,044,348	1,882,657
Operating income	4,186,039	3,831,363
Non-operating income		
Interest income	4,118	1
Dividends income	175,543	37,770
Commission fee	38,934	22,142
Gain on reversal of provision for removal cost of property, plant and equipment	8,821	73,210
Others	42,784	73,498
Total non-operating income	270,201	206,623
Non-operating expenses		
Interest expenses	416,094	358,723
Removal cost of property, plant and equipment	114,489	50,512
Provision for removal cost	93,959	—
Foreign exchange losses	22,590	1,401
Others	7,071	9,511
Total non-operating expenses	654,203	420,148
Ordinary income	3,802,037	3,617,837
Extraordinary income		
Insurance income	15,653	144,067
Penalty income	120,067	—
Nonrecurring income	46,739	—
Subsidy income	—	163,832
Others	6,839	12,464
Total extraordinary income	189,300	320,364
Extraordinary loss		
Loss on retirement of non-current assets	165,441	48,604
Loss on disaster	112,809	42,839
Nonrecurring loss	37,199	—
PCB treatment cost	124,330	—
Loss on response to new infectious disease	—	1,370,438
Impairment loss	—	3,118,888
Total extraordinary loss	439,781	4,580,769
Income (loss) before income taxes	3,551,556	(642,567)
Income taxes	1,009,830	503,295
Income taxes - deferred	130,318	(363,261)
Total income taxes	1,140,148	140,033
Profit (loss)	2,411,408	(782,601)
Profit attributable to non-controlling interests	183,447	151,185
Profit (loss) attributable to owners of parent	2,227,960	(933,787)

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY3/20 (April 1, 2019 – March 31, 2020)	FY3/21 (April 1, 2020 – March 31, 2021)
Profit (loss)	2,411,408	(782,601)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,135,313)	371,715
Foreign currency translation adjustment	14,738	(250,777)
Total other comprehensive income	(1,120,575)	120,937
Comprehensive income	1,290,833	(661,663)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,107,385	(812,849)
Comprehensive income attributable to non-controlling interests	183,447	151,185

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of current period	6,826,100	6,982,890	38,777,424	(1,784,131)	50,802,282
Changes of items during the period					
Dividends from surplus			(696,973)		(696,973)
Profit attributable to owners of parent			2,227,960		2,227,960
Purchase of treasury stock				(67)	(67)
Disposal of treasury stock			(116)	46,369	46,253
Retirement of treasury stock			7,032		7,032
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	1,537,903	46,301	1,584,205
Balance at the end of current period	6,826,100	6,982,890	40,315,327	(1,737,829)	52,386,487

	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	2,817,756	(232,638)	2,585,117	113,808	2,238,823	55,740,032
Changes of items during the period						
Dividends from surplus			—			(696,973)
Profit attributable to owners of parent			—			2,227,960
Purchase of treasury stock			—			(67)
Disposal of treasury stock			—			46,253
Retirement of treasury stock		3,697	3,697			10,730
Net changes of items other than shareholders' equity	(1,135,313)	14,738	(1,120,575)	(19,085)	145,118	(994,542)
Total changes of items during the period	(1,135,313)	18,436	(1,116,877)	(19,085)	145,118	593,360
Balance at the end of current period	1,682,442	(214,202)	1,468,239	94,722	2,383,942	56,333,393

For the Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	40,315,327	(1,737,829)	52,386,487
Changes of items during the period					
Dividends from surplus			(698,279)		(698,279)
Profit (loss) attributable to owners of parent			(933,787)		(933,787)
Purchase of treasury stock				(21)	(21)
Disposal of treasury stock			(2,411)	37,622	35,211
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(1,634,477)	37,601	(1,596,876)
Balance at the end of current period	6,826,100	6,982,890	38,680,850	(1,700,228)	50,789,611

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,682,442	(214,202)	1,468,239	94,722	2,383,942	56,333,393
Changes of items during the period						
Dividends from surplus			—			(698,279)
Profit (loss) attributable to owners of parent			—			(933,787)
Purchase of treasury stock			—			(21)
Disposal of treasury stock			—			35,211
Net changes of items other than shareholders' equity	371,715	(250,777)	120,937	(5,438)	112,856	228,355
Total changes of items during the period	371,715	(250,777)	120,937	(5,438)	112,856	(1,368,520)
Balance at the end of current period	2,054,158	(464,980)	1,589,177	89,284	2,496,798	54,964,872

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/20 (April 1, 2019 – March 31, 2020)	FY3/21 (April 1, 2020 – March 31, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	3,551,556	(642,567)
Depreciation	4,011,770	4,263,726
Impairment loss	—	3,118,888
Loss on disaster	112,809	42,839
Increase (decrease) in provision for removal cost of property, plant and equipment	(270,639)	(226,392)
Decrease (increase) in net defined benefit asset	54,421	(79,342)
Increase (decrease) in provision for directors' retirement benefits	1,392	(2,436)
Increase (decrease) in provision for bonuses	3,989	(5,271)
Increase (decrease) in provision for directors' bonuses	(3,343)	1,640
Interest and dividend income	(179,661)	(37,772)
Insurance income	(15,653)	(144,067)
PCB treatment cost	124,330	—
Penalty income	(120,067)	—
Subsidy income	—	(163,832)
Share-based compensation expenses	27,084	29,700
Interest expenses	416,094	358,723
Loss on retirement of non-current assets	165,441	48,604
Decrease (increase) in notes and accounts receivable	(58,582)	(107,032)
Decrease (increase) in inventories	1,808	(4,777)
Net decrease (increase) in lease receivables and investment assets	(655,685)	(3,370,897)
Decrease (increase) in operating loans receivable	798,124	1,016,029
Increase (decrease) in notes and accounts payable	(74,767)	(23,696)
Increase (decrease) in unearned revenue	72,703	(16,066)
Increase (decrease) in accrued expenses	679,729	(680,058)
Increase (decrease) in accrued consumption taxes	231,938	388,390
Decrease (increase) in other assets	(314,216)	2,140,502
Increase (decrease) in other liabilities	18,487	(160,173)
Subtotal	8,579,064	5,744,661
Interest and dividends received	179,661	37,772
Interest paid	(417,940)	(363,709)
Proceeds from insurance income	15,653	144,067
Payments for loss on disaster	(577,292)	(57,141)
Proceeds from penalty income	120,067	—
Subsidies received	—	163,832
Income taxes paid	(999,141)	(911,392)
Net cash provided by operating activities	6,900,072	4,758,089
Cash flows from investing activities		
Purchase of non-current assets	(7,702,822)	(2,661,640)
Purchase of investment securities	(514,862)	(14,277)
Payments of leasehold and guarantee deposits	—	(29,010)
Collection of long-term loans receivable	400	400
Net cash used in investing activities	(8,217,284)	(2,704,528)

(Thousands of yen)

	FY3/20 (April 1, 2019 – March 31, 2020)	FY3/21 (April 1, 2020 – March 31, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	4,928,909	1,500,000
Decrease in short-term loans payable	(4,303,517)	(2,206,398)
Proceeds from long-term debt	6,600,000	4,431,960
Payments of long-term debt	(4,901,957)	(4,873,607)
Proceeds from issuance of bonds	—	100,000
Proceeds from guarantee deposits received	492,079	282,092
Repayments of guarantee deposits received	(121,264)	(405,447)
Proceeds from sales of treasury stock	83	73
Purchase of treasury stock	(67)	(21)
Payment of cash dividends	(696,984)	(698,069)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash provided by financing activities	1,958,950	(1,907,747)
Effect of exchange rate change on cash and cash equivalents	33,738	(81,296)
Net increase in cash and cash equivalents	675,476	64,518
Cash and cash equivalents at beginning of period	5,824,573	6,518,663
Increase in cash and cash equivalents from newly consolidated subsidiary	18,614	—
Cash and cash equivalents at end of period	6,518,663	6,583,181

(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, assets, liabilities, and other items by reportable segments

Fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(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	18,727,273	3,274,631	2,853,826	24,855,730	—	24,855,730
Inter-segment net sales/transfers	245,360	850,803	243,833	1,339,997	(1,339,997)	—
Total	18,972,633	4,125,434	3,097,659	26,195,728	(1,339,997)	24,855,730
Segment income	3,086,262	849,011	250,765	4,186,039	—	4,186,039
Segment assets	81,709,093	8,608,695	1,325,314	91,643,103	12,840,877	104,483,980
Segment liabilities	42,539,352	2,645,552	847,331	46,032,237	2,118,350	48,150,587
Other items						
Depreciation and amortization	3,219,079	548,791	215,798	3,983,669	28,101	4,011,770
Increase in property, plant and equipment and intangible assets	5,122,727	1,629,772	24,993	6,777,494	376,214	7,153,708

(Note) Adjustments represent elimination of intersegment transactions.

Fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(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	18,940,904	3,379,600	1,834,617	24,155,122	—	24,155,122
Inter-segment net sales/transfers	259,243	835,351	226,441	1,321,036	(1,321,036)	—
Total	19,200,148	4,214,951	2,061,058	25,476,158	(1,321,036)	24,155,122
Segment income (loss)	2,922,033	1,097,954	(188,624)	3,831,363	—	3,831,363
Segment assets	79,804,989	8,743,957	1,229,057	89,778,005	10,651,410	100,429,415
Segment liabilities	40,687,346	2,492,381	129,192	43,308,920	2,155,621	45,464,542
Other items						
Depreciation and amortization	3,446,734	587,032	202,218	4,235,986	27,740	4,263,726
Increase in property, plant and equipment and intangible assets	1,768,708	468,943	195,677	2,433,328	136,569	2,569,898

(Notes) 1. Adjustments represent elimination of intersegment transactions.

2. Change in reportable segments, etc.

Effective April 1, 2020, we changed the allocation method for management resources of corporate assets and liabilities included in the adjustments for segment assets and liabilities. Segment assets and liabilities in the segment information for the fiscal year ended March 31, 2020 are presented under the new allocation method for management resources.