

Financial Results for the Year Ended March 31, 2020 [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 26, 2020
 The Date of the Dividend Payment Start: June 29, 2020
 The Date of Filing the Securities Report: June 26, 2020
 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 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	24,855	2.6	4,186	1.3	3,802	13.8	2,227	5.8
March 31, 2019	24,213	6.2	4,129	0.6	3,338	(10.4)	2,104	(5.2)

(Note) Comprehensive income: Fiscal year ended March 31, 2020: 1,290 million yen ((35.7%))
 Fiscal year ended March 31, 2019: 2,008 million yen ((35.1%))

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, 2020	44.72	44.56	4.1	3.6	16.8
March 31, 2019	42.28	42.11	3.9	3.5	17.0

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2020: — million yen
 Fiscal year ended March 31, 2019: — 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, 2020	104,483	56,333	51.5	1,080.48
As of March 31, 2019	101,384	55,740	52.6	1,072.90

(Reference) Equity capital: As of March 31, 2020: 53,854 million yen As of March 31, 2019: 53,387 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, 2020	6,900	(8,217)	1,958	6,518
March 31, 2019	5,176	(13,490)	9,524	5,824

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, 2019	—	7.00	—	7.00	14.00	696	33.1	1.3
March 31, 2020	—	7.00	—	7.00	14.00	697	31.2	1.3
Fiscal year ending March 31, 2021 (Forecasts)	—	7.00	—	7.00	14.00		53.1	

3. Forecast of Consolidated Earnings for the Year Ending March 2021 (April 1, 2020 - March 31, 2021)

(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	12,590	0.2	2,010	(19.8)	1,850	(23.8)	760	(50.3)	15.24
Full fiscal year	25,690	3.3	3,960	(5.3)	3,210	(15.5)	1,310	(41.1)	26.28

(Note) The above forecasts incorporate the impact of the spread of novel coronavirus infection based on the currently available estimate, but they are subject to change depending on the future development.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): Yes
Newly included: AFS PROPERTIES PTE. LTD.
- (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, 2020:	52,979,350 shares	As of March 31, 2019:	52,979,350 shares
2) Number of treasury stock	As of March 31, 2020:	3,136,206 shares	As of March 31, 2019:	3,219,779 shares
3) Average number of shares during the period	Year ended March 31, 2020:	49,810,571 shares	Year ended March 31, 2019:	49,758,606 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	21,605	3.1	3,019	2.0	3,045	17.2	1,801	4.6
March 31, 2019	20,946	6.7	2,960	6.4	2,596	(10.7)	1,721	(12.4)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2020	36.17	36.03
March 31, 2019	34.60	34.45

(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, 2020	91,763	51,404	55.9	1,029.43
As of March 31, 2019	88,868	51,408	57.7	1,030.84

(Reference) Equity capital As of March 31, 2020: 51,310 million yen As of March 31, 2019: 51,294 million yen

2. Forecast of Non-consolidated Earnings for the Year Ending March 2021 (April 1, 2020 – March 31, 2021)

(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	10,800	(0.9)	1,310	(34.3)	650	(52.0)	13.04
Full fiscal year	22,130	2.4	2,290	(24.7)	1,020	(43.3)	20.46

(Note) The above forecasts incorporate the impact of the spread of novel coronavirus infection based on the currently available estimate, but they are subject to change depending on the future development.

*** 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 Future Outlook”.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Year Ended March 2020

During the year ended March 31, 2020, under the continuing monetary easing policy by the Bank of Japan, the Japanese economy continued to see sluggish export and production as a consequence of the prolonged U.S.-China trade friction and the slowdown of the Chinese economy during 2019 and, on top of that, started to suffer serious damage from the pandemic of the novel coronavirus, which was first identified in Wuhan, China, after the turn of the year.

Especially since March 2020, the infection has spread from China to Europe, the U.S. and all over the world causing many countries to expand the areas subject to the travel and entry restrictions. Also in Japan, Tokyo Metropolitan area and many other regions implemented various measures to reduce the movement of people including issuing a request to refrain from making nonessential outings and hosting events. As a result, the number of inbound visitors and personal consumption significantly declined, leading to an unprecedented economic downturn around the world.

In the aviation industry, during 2019, the number of passengers showed steady growth for both international and domestic flights, with international flights supported by the Rugby World Cup and strong inbound demand from China and Southeast Asia. Since March 2020, however, the business environment surrounding airline companies has become extremely harsh due to the impacts caused by the novel coronavirus, including a significant decline both in domestic and international flights, stagnant demand for air cargo, the postponement of the 2020 Tokyo Olympic and Paralympic Games to next summer and cancelation of business trips and events.

Under such economic conditions, the Group (the Company and its consolidated subsidiaries) recorded net sales of ¥24,855 million (up 2.6% from the previous fiscal year) due to full-year operation of the hotel in Kyoto acquired in June 2018, the launch of the business that leases training planes to Civil Aviation College, and a start of leasing new facilities. Operating income was ¥4,186 million (up 1.3%). Ordinary income was ¥3,802 million (up 13.8%) due to an absence of bond issuance cost which was recorded in non-operating expenses in the previous fiscal year and a decrease in provision for removal cost. Although the Company recorded extraordinary loss during the year related to the damage caused by typhoons in fall 2019, profit attributable to owners of parent increased to ¥2,227 million (up 5.8%), and the consolidated financial results for the fiscal year ended March 31, 2020 progressed largely as planned with increased net sales and profit.

Performance by business segment is as follows:

(i) Real Estate Business

Real Estate Business recorded net sales of ¥18,727 million (up 3.3% from the previous fiscal year), due to an improved tenant occupancy ratio in Tokyo International Airport, a revision of the agreements to raise rents for certain existing facilities, full-year operation of the hotel in Kyoko whose lease started in late June 2018, start of leasing training planes to Civil Aviation College in April 2019, start of leasing the new extended hangar at Kobe Airport and an aircraft equipment warehouse at Tokyo International Airport completed in December, and start of leasing a renovated in-flight meal factory in ARC Building in January 2020. Operating income was ¥3,086 million (down 0.6%) due to the cost increase including an increase in repair expenses and recording of taxes and dues associated with acquisition of new property.

(ii) Area Heating & Cooling Business

Net sales of Area Heating & Cooling Business operated by our consolidated subsidiary Tokyo Airport Heating & Cooling Co., Ltd. remained almost unchanged year-on-year at ¥3,274 million (up 0.9% from the previous fiscal year). Operating income was ¥849 million (up 7.8%) due to reduction of repair expenses and raw material costs, despite an increase in depreciation of boiler equipment that was renewed in 2018.

(iii) Water Supply & Drainage Service and Other Business

Water Supply & Drainage Service and Other Business saw a solid growth of water supply and drainage usage at Tokyo International Airport and a rebound in demand at New Chitose Airport from the decline after the earthquake in September 2018 until February 2020. After March 2020, although water supply and drainage usage significantly decreased due to a sharp drop in the number of airport users affected by the novel coronavirus, the use of exclusive lines in shared telecommunications network service at Tokyo International Airport increased. As a result, net sales was ¥2,853 million (down 0.0% from the previous fiscal year) and operating income was ¥250 million (up 5.6%).

(2) Summary of Financial Position as of March 31, 2020

(Assets)

Total assets as of March 31, 2020 amounted to ¥104,483 million, an increase by ¥3,099 million compared to March 31, 2019, due to the completion of the extension of a hangar at Kobe Airport and the construction of an aircraft equipment warehouse, an increase in construction in progress associated with the extension or reconstruction of in-flight meal factory in ARC Building at Tokyo International Airport completed in January 2020 and the construction of an aircraft sewage treatment facility (SD plant) completed in February 2020, and an additional investment in Haneda Innovation City in Zone 1 of the Former Haneda Airport Ground.

(Liabilities)

Liabilities as of March 31, 2020 amounted to ¥48,150 million, an increase by 2,505 million compared to March 31, 2019, due to an increase in long-term loans payable associated with acquisition of new property.

(Net assets)

Net assets as of March 31, 2020 increased by ¥593 million compared to March 31, 2019 to ¥56,333 million mainly due to an increase in retained earnings. As a result, equity ratio as of March 31, 2020 decreased by 1.1 points to 51.5% compared to March 31, 2019.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2020

Cash and cash equivalents (“cash”) as of March 31, 2020 amounted to ¥6,518 million, an increase of ¥694 million from March 31, 2019.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥6,900 million (previous fiscal year: ¥5,176 million provided), mainly attributable to income before income taxes, depreciation and amortization, collection of operating loans receivable, despite cash outflows associated with the payment of income taxes and acquisition of lease investment assets.

(Cash flows from investing activities)

Net cash used in investing activities was ¥8,217 million (previous fiscal year: ¥13,490 million used), mainly attributable to purchase of non-current assets associated with extension and reconstruction of ARC Building.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥1,958 million (previous fiscal year: ¥9,524 million provided), mainly attributable to an increase in long-term debt associated with acquisition of new property.

(Reference) Cash Flow Indicators

	FY2018/3	FY2019/3	FY2020/3
Equity ratio (%)	59.4	52.6	51.5
Equity ratio at market value (%)	38.1	28.8	20.3
Debt repayment period (years)	3.2	6.5	5.2
Interest coverage ratio (times)	21.1	12.8	16.5

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 and Future Outlook

As for the progress status of the Medium-term Management Plan for three years developed in May 2019, the financial results for the fiscal year ended March 31, 2020 progressed largely as planned as mentioned above.

Regarding the fiscal year ending March 31, 2021, we originally forecasted a significant increase in net sales based on the factors including the start of leasing an in-flight meal factory in ARC Building and an aircraft equipment warehouse at Tokyo International Airport from December 2019 and full-year operation of the new extended hangar at Kobe Airport as well as the start of operation of the Haneda Innovation City scheduled to be completed in July 2020. However, due to the spread of the novel coronavirus since March, the aviation industry has suffered a sharp drop in the number of passengers for domestic and international flights, and we not only received direct impacts such as a significant sales decline in water supply and drainage service at Tokyo International Airport and New Chitose Airport but also expect to receive requests for rent reduction from aviation-related tenants in the real estate business. With respect to rent, although it has yet to be determined, we plan to exempt rent by forgiving rent receivable rather than not recording rent income as a temporary measure. Under such circumstances, the forecasts for the fiscal year ending March 31, 2021 include consolidated net sales of ¥25,690 million (up 3.3% from the previous fiscal year), operating income of ¥3,960 million (down 5.3%), ordinary income of ¥3,210 million (down 15.5%), and profit attributable to owners of parent of ¥1,310 million (down 41.1%), and we assume a significant decline in profit is unavoidable especially for the first half of the fiscal year ending March 31, 2021.

The forecasts for the fiscal year ending March 31, 2022 remain unchanged from those set forth in “Medium-term Management Plan for FY ending March 2020 to March 2022” at this point, but because the future outlook is extremely uncertain, we will continue to closely monitor the situation without making any prejudgment and take appropriate measures.

(5) Basic Policy Regarding Distribution of Earnings and Dividends for the Year Ended March 31, 2020 and the Year Ending March 31, 2021

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, 2020 is expected to be ¥14 per share consisting of interim dividend of ¥7 per share and year-end dividend of ¥7 per share (payout ratio of 31%). Although a profit decline appears to be unavoidable due to the impact of the novel coronavirus, we plan to pay dividends for the next fiscal year at ¥14 per share as usual (including interim dividend of ¥7 per share, the dividend payout ratio of approx. 53%) at this point.

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)

	FY3/19 (As of March 31, 2019)	FY3/20 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	4,324,573	6,518,663
Notes and accounts receivable-trade	1,208,590	1,267,240
Securities	1,500,000	—
Lease receivables and investment assets	6,600,080	7,286,793
Operating loans	5,741,839	4,918,584
Raw materials and supplies	12,908	11,099
Others	1,456,944	2,240,924
Total current assets	20,844,937	22,243,308
Non-current assets		
Property, plant and equipment		
Buildings and structures	162,722,788	168,580,868
Accumulated depreciation and impairment loss	(115,363,210)	(118,168,219)
Buildings and structures, net	47,359,577	50,412,649
Machinery, equipment and vehicles	18,826,372	19,704,050
Accumulated depreciation	(13,430,679)	(13,338,264)
Machinery, equipment and vehicles, net	5,395,693	6,365,786
Tools, furniture and fixtures	1,059,644	1,089,247
Accumulated depreciation	(490,837)	(668,952)
Tools, furniture and fixtures, net	568,807	420,294
Land	14,596,026	14,902,098
Construction in progress	3,299,425	1,537,155
Total property, plant and equipment	71,219,530	73,637,983
Intangible assets		
Software	27,023	249,722
Software in progress	—	335,029
Others	14,906	15,219
Total intangible assets	41,929	599,972
Investments and other assets		
Investment securities	7,671,946	6,545,514
Long-term loans receivable	1,732	1,332
Deferred tax assets	320,447	700,505
Net defined benefit asset	203,945	149,523
Others	1,090,548	616,108
Allowance for doubtful accounts	(10,267)	(10,267)
Total investments and other assets	9,278,352	8,002,716
Total non-current assets	80,539,812	82,240,672
Total assets	101,384,749	104,483,980

(Thousands of yen)

	FY3/19 (As of March 31, 2019)	FY3/20 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,532,544	1,117,627
Short-term loans payable	5,974,226	6,642,749
Accounts payable	1,064,205	935,285
Income taxes payable	557,004	567,586
Accrued expenses	109,744	788,460
Unearned revenue	1,045,001	1,117,907
Provision for bonuses	131,094	135,083
Provision for directors' bonuses	30,058	26,715
Provision for removal cost of property, plant and equipment	364,598	226,392
Others	384,329	330,139
Total current liabilities	11,192,806	11,887,946
Non-current liabilities		
Bonds payable	6,000,000	6,000,000
Long-term loans payable	21,729,366	23,402,486
Long-term guarantee deposited	5,915,755	6,286,570
Long-term accounts payable-other	476,128	326,067
Provision for directors' retirement benefits	1,044	2,436
Deferred tax liabilities	6,379	16,311
Provision for removal cost of property, plant and equipment	323,237	190,804
Others	—	37,965
Total non-current liabilities	34,451,910	36,262,641
Total liabilities	45,644,717	48,150,587
Net assets		
Shareholders' equity		
Capital stock	6,826,100	6,826,100
Capital surplus	6,982,890	6,982,890
Retained earnings	38,777,424	40,315,327
Treasury stock	(1,784,131)	(1,737,829)
Total shareholders' equity	50,802,282	52,386,487
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,817,756	1,682,442
Foreign currency translation adjustment	(232,638)	(214,202)
Total accumulated other comprehensive income	2,585,117	1,468,239
Subscription rights to shares	113,808	94,722
Non-controlling interests	2,238,823	2,383,942
Total net assets	55,740,032	56,333,393
Total liabilities and net assets	101,384,749	104,483,980

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

(Thousands of yen)

	FY3/19 (April 1, 2018 –March 31, 2019)	FY3/20 (April 1, 2019 –March 31, 2020)
Net sales	24,213,529	24,855,730
Cost of sales	18,098,758	18,625,342
Gross profit	6,114,770	6,230,388
Selling, general, and administrative expenses		
Directors' compensations	329,881	313,513
Salaries and bonuses	527,022	571,621
Provision for bonuses	81,463	84,670
Provision for directors' bonuses	30,058	26,715
Provision for retirement benefits for directors (and other officers)	1,392	1,392
Transportation and communication expenses	107,075	93,875
Depreciation	28,687	28,101
Taxes and dues	170,252	168,779
Others	709,159	755,681
Total selling, general, and administrative expenses	1,984,991	2,044,348
Operating income	4,129,778	4,186,039
Non-operating income		
Interest income	1	4,118
Dividends income	171,384	175,543
Commission fee	21,839	38,934
Foreign exchange gains	44,753	—
Others	90,650	51,605
Total non-operating income	328,629	270,201
Non-operating expenses		
Interest expenses	421,116	416,094
Removal cost of property, plant and equipment	61,142	114,489
Provision for removal cost	495,524	93,959
Foreign exchange losses	—	22,590
Bond issuance cost	119,788	—
Others	22,508	7,071
Total non-operating expenses	1,120,079	654,203
Ordinary income	3,338,328	3,802,037
Extraordinary income		
Insurance income	617,417	15,653
Penalty income	—	120,067
Nonrecurring income	—	46,739
Others	2,541	6,839
Total extraordinary income	619,959	189,300
Extraordinary loss		
Loss on retirement of non-current assets	171,720	165,441
Loss on disaster	555,531	112,809
Nonrecurring loss	—	37,199
PCB treatment cost	—	124,330
Total extraordinary loss	727,251	439,781
Income before income taxes	3,231,036	3,551,556
Income taxes	1,009,965	1,009,830
Income taxes - deferred	(34,964)	130,318
Total income taxes	975,001	1,140,148
Profit	2,256,035	2,411,408
Profit attributable to non-controlling interests	151,978	183,447
Profit attributable to owners of parent	2,104,057	2,227,960

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Profit	2,256,035	2,411,408
Other comprehensive income		
Valuation difference on available-for-sale securities	(35,820)	(1,135,313)
Foreign currency translation adjustment	(211,647)	14,738
Total other comprehensive income	(247,467)	(1,120,575)
Comprehensive income	2,008,567	1,290,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,856,589	1,107,385
Comprehensive income attributable to non-controlling interests	151,978	183,447

(3) Consolidated Statements of Changes in Net Assets

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
Retirement of treasury stock			(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
Retirement of treasury stock		(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

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
Change in scope of consolidation			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
Change in scope of consolidation		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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Income before income taxes	3,231,036	3,551,556
Depreciation and amortization	4,033,394	4,011,770
Loss on disaster	555,531	112,809
Increase (decrease) in provision for removal cost of property, plant and equipment	322,324	(270,639)
Decrease (increase) in net defined benefit asset	14,639	54,421
Increase (decrease) in provision for directors' retirement benefits	(5,802)	1,392
Increase (decrease) in provision for bonuses	2,696	3,989
Increase (decrease) in provision for directors' bonuses	2,078	(3,343)
Interest and dividend income	(171,385)	(179,661)
Increase (decrease) in allowance for doubtful accounts	(24,300)	–
Insurance income	(617,417)	(15,653)
PCB treatment cost	–	124,330
Penalty income	–	(120,067)
Share-based compensation expenses	36,252	27,084
Interest expenses	421,116	416,094
Bond issuance cost	119,788	–
Loss on retirement of non-current assets	171,720	165,441
Decrease (increase) in notes and accounts receivable	1,372	(58,582)
Decrease (increase) in inventories	1,768	1,808
Net decrease (increase) in lease receivables and investment assets	349,646	(655,685)
Decrease (increase) in operating loans receivable	(548,764)	798,124
Increase (decrease) in notes and accounts payable	30,712	(74,767)
Increase (decrease) in unearned revenue	61,725	72,703
Increase (decrease) in accrued expenses	(32,961)	679,729
Increase (decrease) in accrued consumption taxes	(347,067)	231,938
Decrease (increase) in other assets	(1,615,550)	(314,216)
Increase (decrease) in other liabilities	(92,790)	18,487
Subtotal	5,899,762	8,579,064
Interest and dividends received	171,385	179,661
Interest paid	(402,820)	(417,940)
Proceeds from insurance income	617,417	15,653
Payments for loss on disaster	(76,746)	(577,292)
Proceeds from penalty income	–	120,067
Income taxes paid	(1,032,790)	(999,141)
Net cash provided by operating activities	5,176,209	6,900,072
Cash flows from investing activities		
Purchase of non-current assets	(12,733,042)	(7,702,822)
Purchase of investment securities	(758,050)	(514,862)
Collection of long-term loans receivable	485	400
Net cash used in investing activities	(13,490,607)	(8,217,284)

(Thousands of yen)

	FY3/19 (April 1, 2018 –March 31, 2019)	FY3/20 (April 1, 2019 –March 31, 2020)
Cash flows from financing activities		
Increase in short-term loans payable	3,598,051	4,928,909
Decrease in short-term loans payable	(4,898,051)	(4,303,517)
Proceeds from long-term debt	9,022,513	6,600,000
Payments of long-term debt	(3,621,076)	(4,901,957)
Proceeds from issuance of bonds	5,880,211	–
Proceeds from guarantee deposits received	490,112	492,079
Repayments of guarantee deposits received	(212,675)	(121,264)
Proceeds from sales of treasury stock	4	83
Purchase of treasury stock	(95)	(67)
Payment of cash dividends	(696,504)	(696,984)
Cash dividends paid to non-controlling interests	(38,329)	(38,329)
Net cash provided by financing activities	9,524,159	1,958,950
Effect of exchange rate change on cash and cash equivalents	(42,498)	33,738
Net increase in cash and cash equivalents	1,167,262	675,476
Cash and cash equivalents at beginning of period	4,608,382	5,824,573
Increase in cash and cash equivalents from newly consolidated subsidiary	48,927	18,614
Cash and cash equivalents at end of period	5,824,573	6,518,663

(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 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.

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	80,463,201	8,115,835	1,325,314	89,904,352	14,579,628	104,483,980
Segment liabilities	9,027,516	779,675	847,331	10,654,523	37,496,063	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.