

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on February 5, 2018 at 15:00 (GMT+9) and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

Member of the Financial Accounting Standards Foundation



February 5, 2018

CONSOLIDATED FINANCIAL RESULTS for the Year Ended December 31, 2017 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
 Listing: First Section of the Tokyo Stock Exchange
 Securities identification code: 5214
 URL: <http://www.neg.co.jp/>
 Representative: Motoharu Matsumoto, President and Representative Director
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Scheduled date of ordinary general meeting of shareholders: March 29, 2018
 Scheduled date to commence dividend payments: March 30, 2018
 Scheduled date to file securities report: March 30, 2018
 Supplementary material on financial results: Yes
 Financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the year ended December 31, 2017 (From January 1, 2017 to December 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the year ended		%		%		%		%
December 31, 2017	282,447	18.0	32,201	64.5	34,130	144.3	27,184	447.1
December 31, 2016	239,411	(4.7)	19,571	(11.2)	13,967	(2.1)	4,968	(48.4)

Note: Comprehensive income:

For the year ended December 31, 2017: 43,007million yen [-%]

For the year ended December 31, 2016: (253) million yen [-%]

	Net income per share	Diluted net income per share	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
For the year ended	Yen	yen	%	%	%
December 31, 2017	273.29	-	5.2	4.7	11.4
December 31, 2016	49.95	-	1.0	2.0	8.2

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Net income per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
December 31, 2017	764,420	543,789	70.5	5,416.93
December 31, 2016	693,917	509,564	72.7	5,069.60

Reference: Equity:

As of December 31, 2017: 538,819 million yen

As of December 31, 2016: 504,287 million yen

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Net assets per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
For the year ended				
December 31, 2017	46,159	(68,644)	9,797	113,835
December 31, 2016	48,261	(36,138)	(17,624)	126,167

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	yen	yen	yen	yen	yen		%	%
For the year ended								
December 31, 2016	-	8.00	-	8.00	16.00	7,957	160.2	1.6
December 31, 2017	-	8.00	-	50.00	-	8,952	32.9	1.7
For the year ending December 31, 2018 (Forecasts)	-	50.00	-	50.00	100.00	—	49.7	—

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017.

Accordingly, the amount of the year-end dividend per share for the year ended December 31, 2017 takes this share consolidation into account and disclosure of the total annual dividends per share are described as “-.” On the assumption that the share consolidation is not taken into account, dividends for the year ending December 31, 2017 (Forecasts) are 10 yen for Year-end and 18 yen for Total.

**3. Consolidated earnings forecasts for the year ending December 31, 2018
(From January 1, 2018 to December 31, 2018)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
		%		%		%		%	yen
For the six months ending June 30, 2018	150,000	12.6	15,000	(7.8)	14,000	(12.4)	9,000	(25.2)	90.48
For the year ending December 31, 2018	300,000	6.2	31,000	(3.7)	29,000	(15.0)	20,000	(26.4)	201.07

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- A. Changes in accounting policies due to revisions to accounting standards: None
- B. Changes in accounting policies due to other reasons: None
- C. Changes in accounting estimates: None
- D. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common stock)

A. Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2017	99,523,246 shares
As of December 31, 2016	99,523,246 shares

B. Number of treasury shares at the end of the period

As of December 31, 2017	53,734 shares
As of December 31, 2016	50,369 shares

C. Average number of shares during the period

For the year ended December 31, 2017	99,471,519 shares
For the year ended December 31, 2016	99,473,901 shares

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. The total number of issued shares at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS (Reference)

Non-consolidated performance for the year ended December 31, 2017 (From January 1, 2017 to December 31, 2017)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended		%		%		%		%
December 31, 2017	150,907	5.1	2,868	-	31,424	243.6	28,204	798.8
December 31, 2016	143,576	(10.2)	(914)	-	9,145	(41.2)	3,137	(76.8)

	Net income per share	Diluted net income per share
For the year ended	yen	yen
December 31, 2017	283.54	-
December 31, 2016	31.55	-

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Net income per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
December 31, 2017	679,905	481,246	70.8	4,838.13
December 31, 2016	619,527	453,239	73.2	4,556.41

Reference: Equity:

As of December 31, 2017: 481,246 million yen

As of December 31, 2016: 453,239 million yen

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Net assets per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

* This quarterly financial results report is exempt from quarterly review.

* Proper use of earnings forecasts, and other special directions

(Proper use of earnings forecasts)

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company and its subsidiaries (“the Company Group”) and include risks and contingencies. Actual business results may differ substantially due to a number of factors. For more details, please refer to the section of “(iii) Outlook for the year ending December 31, 2018 of (1) Overview of operating results in Operating results and financial position” on page 6.

Operating results and financial position

(1) Overview of operating results

(i) Overview of the fiscal year under review (from January 1, 2017 to December 31, 2017)

In the global economy, the economy gradually recovered in Europe and the US on the back of improved personal consumption and employment conditions. There were signs of a recovery in China, partly due to the effects of government policies. The Japanese economy was also modestly recovering, due to improved personal consumption, employment conditions and company revenue. In this environment, in the year ended December 31, 2017 (January 1 to December 31, 2017), shipments of substrate glass for liquid crystal display (LCDs) increased steadily under a firm market base. Especially, it was due to the start of full-scale shipments to new customers after the second quarter (from April 1 to June 30, 2017). Shipments of glass fiber were solid. The European and US glass fiber businesses acquired from PPG also made a contribution to sales. In terms of profit/loss, we ensured firm profits through the year from improved productivity on a company-wide basis and higher sales. As a result, both sales and profits far exceeded levels in the previous fiscal year (from January 1 to December 31, 2016).

(ii) Operating results for the fiscal year under review

(Billions of yen)

	Year ended December 31, 2016	Year ended December 31, 2017	Change (%)
Net sales	239.4	282.4	18
Operating income	19.5	32.2	65
Ordinary income	13.9	34.1	144
Profit attributable to owners of parent	4.9	27.1	447

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Year ended December 31, 2016		Year ended December 31, 2017		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	147.1	61	149.1	53	2	1
	Performance Materials and Others	92.2	39	133.2	47	41	44
Total		239.4	100	282.4	100	43	18

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Sales of substrate glass for LCDs increased due to the full-scale start of shipments to new customers through the joint-venture for the processing of glass substrates in China (Fuqing City) from the second quarter on the back of solid demand. Sales of cover glass for mobile devices (specialty glass for chemical strengthening) were stable. In glass for electronic devices, sales of products such as functional powder glass and cover glass for image sensors grew on the back of solid demand related to home appliances and automobiles. Sales of glass for optical devices were solid, with the exception of some products. Sales of substrate glass for solar cells were stable.

Performance Materials and Others:

Demand for glass fiber remained firm, primarily for high-function plastics used in auto parts. Sales reached a record high due in part to contributions from the aforementioned glass fiber business in Europe (made a subsidiary in October 2016) and in the US (made a subsidiary in September 2017). Sales of heat-resistant glass and glass tubing for pharmaceutical and medical use were firm, but sales of glass for building materials used in large domestic projects were sluggish. Glass manufacturing facilities were sold in this fiscal year.

(Profit/loss)

Improved productivity, higher sales, and a slowdown in the downturn in prices for substrate glass for LCDs boosted operating profit. In the previous fiscal year, the Company posted foreign exchange losses attributable to the revaluation of receivables and payables related to loans made by the Company to its Chinese subsidiaries, but these reverted to foreign exchange gains in this fiscal year, which improved ordinary profit. The Company posted an extraordinary loss on the closing of a plant for the cost of environmental improvement work at the former site of the Fujisawa Plant, but recorded gain on sales of non-current assets following the sale of the former site of the Wakasa-Kaminaka Plant and gain on sales of investment securities as extraordinary income. As a result, operating profit, ordinary profit and profit attributable to owners of parent all surpassed levels in the previous fiscal year.

(iii) Outlook for the year ending December 31, 2018

(Billions of yen)

	Six months ending June 30, 2018	Year ending December 31, 2018
Net sales	150.0	300.0
Operating income	15.0	31.0
Ordinary income	14.0	29.0
Profit attributable to owners of parent	9.0	20.0

Notes: Amounts less than 100 million yen are omitted.

We expect Europe and the US economies to continue recovering steadily and China to continue modest recovery as various policies take effect although consideration must be given to international situation and global economy. The Japanese economy is expected to continue recovering gradually, due in part to improved employment and income conditions.

Given this environment, in the Electronics and Information Technology segment, we expect shipments of substrate glass for LCDs to grow gradually in line with market growth. In addition to efforts to improve productivity, we are striving to enhance competitiveness by boosting production at our subsidiary for melting and forming processes in China (Xiamen City; operations to begin in the first quarter 2018), and will work to expand sales primarily in China, a market with great potential for growth. In glass for optical devices, we will accurately meet demand for telecommunications infrastructure in emerging markets. In glass for electronic devices, we will take advantage of growth in a wide range of markets, such as home appliances and automotive sector. In the Performance Materials and Others segment, sales at the aforementioned US subsidiary are expected to contribute to glass fiber sales in the fiscal year as a whole. Moreover, we will proactively respond to market growth by boosting production at the US subsidiary (operations to begin in the second quarter 2018) and improving productivity at this subsidiary and the European subsidiary. We are working to expand sales of heat-resistant glass and glass for pharmaceutical and medical use particularly in overseas markets, and will focus on glass for fire-resistant equipment and so on in sales of glass for building materials. We expect profit/loss to be affected by the future market environment, product prices, trends of exchange rates and raw material and fuel prices, in addition to the impact of amortization of goodwill for the US subsidiary, but we will endeavor to improve productivity, cut costs and enhance profitability. Through these efforts, we will put all of our energies into achieving the management targets of our medium-term management plan, EGP2018, as we reach the final fiscal year (the fiscal year ending December 31, 2018).

In light of the above outlook, the Company Group's forecasts for the fiscal year ending December 31, 2018 are as shown in the table above.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company Group and include risks and contingencies. Actual business results may differ substantially due to a number of factors. Factors that may impact actual business results include the economic conditions of global markets, various rules and regulations such as those concerning trade, significant fluctuation of supply and demand of products in principal markets as well as the financial situation showing extensive changes in prices on capital markets, exchange rates, and interest rates, in addition to rapid technological advancement. Factors not mentioned here also could have a significant impact on business results.

(2) Overview of financial position

(i) Overview of consolidated financial position for the fiscal year under review

(Billions of yen)

	As of December 31, 2016	As of December 31, 2017	Change
Total assets	693.9	764.4	70.5
Liabilities	184.3	220.6	36.2
Net assets	509.5	543.7	34.2

Note: Amounts less than 100 million yen are omitted.

(Total assets)

Total assets at the end of this fiscal year increased by 70,502 million yen compared to the end of the previous fiscal year to 764,420 million yen. In current assets, cash and deposits decreased due to expenditures made for the acquisition of a glass fiber business in the US and the redemption of current portion of bonds. In non-current assets, despite progress with depreciation, property, plant and equipment and intangible assets increased due to capital investment in the subsidiary for melting and forming processes in China (Xiamen City) and the aforementioned acquisition of a glass fiber business in the US. Moreover, the valuation of some investment securities increased, which resulted in an increase in other under investments and other assets.

(Liabilities)

Total liabilities at the end of this fiscal year increased by 36,277 million yen compared to the end of the previous fiscal year to 220,631 million yen. In current liabilities, although short-term loans payable was repaid, transfer of current portion of long-term loans payable to short-term loans payable led to an increase in short-term loans payable. Moreover, as noted above, current portion of bonds was redeemed. In non-current liabilities, long-term loans payable increased primarily due to loans taken out to acquire the aforementioned glass fiber business in the US.

(Net assets)

Total net assets at the end of this fiscal year increased by 34,224 million yen compared to the end of the previous fiscal year to 543,789 million yen. Retained earnings increased due to higher profits, and valuation difference on available-for-sale securities and foreign currency translation adjustments also rose.

(ii) Overview of consolidated cash flows for the fiscal year under review

(Billions of yen)

	Year ended December 31, 2016	Year ended December 31, 2017	Change
Cash flows from operating activities	48.2	46.1	2.1
Cash flows from investing activities	(36.1)	(68.6)	(32.5)
Cash flows from financing activities	(17.6)	9.7	(27.4)
Period-end cash and cash equivalents	126.1	113.8	(12.3)

Note: Amounts less than 100 million yen are omitted.

(Cash flows from operating activities)

Profit before income taxes increased. Depreciation was high, but fell over the previous fiscal year. Notes and accounts receivable - trade and inventories increased. As a result, net cash provided by operating activities in this fiscal year was 46,159 million yen (a decrease of 2,101 million yen compared to the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities in this fiscal year was 68,644 million yen (an increase of 32,505 million yen compared to the previous year) due to the enhancement of facilities both in Japan and overseas and the acquisition of the glass fiber business in the US.

(Cash flows from financing activities)

Net cash provided by financing activities in this fiscal year was 9,797 million yen (a decrease of 27,421 million yen compared to the previous fiscal year) due to proceeds from long-term loans payable, despite the payment of dividends to shareholders and payment of dividends to non-controlling interests by subsidiaries.

(iii) Trends of cash-flow related indices

Year ended	March 31, 2014	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Equity ratio (%)	71.2	70.2	70.6	72.7	70.5
Market value-based equity ratio (%)	37.4	37.1	41.9	45.3	56.0
Interest-bearing debt to cash flows ratio (years)	2.1	2.8	2.3	2.1	2.6
Interest coverage ratio (times)	77.1	68.1	44.1	45.0	59.0

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest paid

- Notes:
1. All calculations are based on consolidated financial figures.
 2. Market capitalization was calculated based on the number of issued shares excluding treasury stock.
 3. For operating cash flows and interest paid, calculations use "cash flows from operating activities" and "interest expenses paid," respectively, in the consolidated statement of cash flows. Moreover, interest-bearing debt corresponds to long- and short-term loans payable, bonds payable and commercial papers(Current liabilities Other) included in liabilities presented in the consolidated balance sheet.
 4. As the year ended December 31, 2014, an irregular period during which the fiscal year was changed, was a nine-month fiscal period, figures are calculated using cash flows from operating activities and interest expenses paid for the nine-month period.

(3) Basic policy on allocation of profits and cash dividends for this fiscal year and next fiscal year
(Basic policy)

The Company views returning profits to shareholders as an important issue for management. Based on a basic policy of maintaining a long-term and stable return of profits to shareholders that is not significantly affected by fluctuations in earnings, the Company decides on dividend payments while taking into account its financial situation. The Company also considers flexible profit-sharing as an opportunity presents itself.

(Year-end dividend)

The Company shall present the year-end dividend payment of 50 yen per share for approval at the Ordinary General Meeting of Shareholders scheduled to be held on March 29, 2018.

The total annual dividend per share for the year ended December 31, 2017 takes share consolidation (at a ratio of one for every five common shares) carried out on July 1, 2017 into account is 90 yen, increasing by 10 yen from the total annual dividend per share for the year ended December 31, 2016.

(Dividend forecast for the next fiscal year)

Both the interim dividend and the year-end dividend are expected to be 50 yen per share, for an annual dividend of 100 yen per share, increasing by 10 yen from the total annual dividend per share for the year ended December 31, 2017.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	132,001	117,068
Notes and accounts receivable - trade	49,133	61,145
Merchandise and finished goods	38,977	44,156
Work in process	1,456	1,605
Raw materials and supplies	19,979	23,604
Deferred tax assets	4,066	5,511
Other	9,351	10,004
Allowance for doubtful accounts	(96)	(164)
Total current assets	254,870	262,932
Non-current assets		
Property, plant and equipment		
Buildings and structures	156,325	160,349
Accumulated depreciation	(77,669)	(77,744)
Buildings and structures, net	78,656	82,605
Machinery, equipment and vehicles	694,105	686,750
Accumulated depreciation	(426,244)	(419,702)
Machinery, equipment and vehicles, net	267,860	267,048
Land	13,638	13,034
Construction in progress	5,857	29,838
Other	20,592	19,979
Accumulated depreciation	(19,205)	(18,688)
Other, net	1,386	1,291
Total property, plant and equipment	367,399	393,817
Intangible assets		
Goodwill	1,903	21,848
Other	5,276	13,171
Total intangible assets	7,179	35,019
Investments and other assets		
Investment securities	55,161	65,899
Deferred tax assets	7,094	2,896
Other	2,242	3,879
Allowance for doubtful accounts	(29)	(25)
Total investments and other assets	64,468	72,650
Total non-current assets	439,047	501,488
Total assets	693,917	764,420

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,611	37,991
Short-term loans payable	19,197	35,607
Current portion of bonds	10,000	—
Income taxes payable	1,338	1,993
Provision for loss on closing plants	437	2,930
Other provision	89	108
Other	23,350	25,205
Total current liabilities	86,024	103,835
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	40,800	53,053
Deferred tax liabilities	1,334	3,991
Provision for special repairs	23,127	23,277
Provision for loss on closing plants	—	823
Other provision	31	36
Net defined benefit liability	1,561	1,900
Other	1,474	3,711
Total non-current liabilities	98,328	116,795
Total liabilities	184,353	220,631
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,320
Retained earnings	424,441	443,667
Treasury shares	(293)	(306)
Total shareholders' equity	490,624	509,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,558	30,123
Deferred gains or losses on hedges	(418)	(208)
Foreign currency translation adjustment	(8,744)	(1,279)
Remeasurements of defined benefit plans	266	346
Total accumulated other comprehensive income	13,663	28,982
Non-controlling interests	5,276	4,969
Total net assets	509,564	543,789
Total liabilities and net assets	693,917	764,420

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	239,411	282,447
Cost of sales	187,903	211,787
Gross profit	51,508	70,659
Selling, general and administrative expenses	31,937	38,457
Operating profit	19,571	32,201
Non-operating income		
Interest income	170	272
Dividend income	1,071	1,583
Foreign exchange gains	—	1,521
Other	708	1,478
Total non-operating income	1,950	4,855
Non-operating expenses		
Interest expenses	1,097	700
Depreciation of inactive non-current assets	1,299	907
Foreign exchange losses	3,848	—
Other	1,308	1,319
Total non-operating expenses	7,553	2,927
Ordinary profit	13,967	34,130
Extraordinary income		
Gain on sales of non-current assets	537	1,317
Gain on sales of investment securities	—	1,941
Reversal of provision for special repairs	8,911	—
Total extraordinary income	9,449	3,258
Extraordinary losses		
Loss on closing of plants	—	3,430
Loss on valuation of investment securities	—	735
Loss on disaster	944	—
Other	7,271	590
Total extraordinary losses	8,215	4,756
Profit before income taxes	15,202	32,632
Income taxes - current	2,270	4,293
Income taxes - deferred	7,255	650
Total income taxes	9,526	4,944
Profit	5,676	27,688
Profit attributable to non-controlling interests	707	504
Profit attributable to owners of parent	4,968	27,184

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit	5,676	27,688
Other comprehensive income		
Valuation difference on available-for-sale securities	(731)	7,565
Deferred gains or losses on hedges	(212)	209
Foreign currency translation adjustment	(5,251)	7,369
Remeasurements of defined benefit plans, net of tax	266	79
Share of other comprehensive income of entities accounted for using equity method	—	95
Total other comprehensive income	(5,929)	15,318
Comprehensive income	(253)	43,007
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(938)	42,503
Comprehensive income attributable to non-controlling interests	684	504

(3) Consolidated statement of changes in equity

Year ended December 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	32,155	34,350	427,431	(289)	493,648
Changes of items during period					
Dividends of surplus			(7,957)		(7,957)
Profit attributable to owners of parent			4,968		4,968
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		(0)		0	0
Purchase of shares of consolidated subsidiaries		(29)			(29)
Other			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(29)	(2,989)	(4)	(3,023)
Balance at end of current period	32,155	34,320	424,441	(293)	490,624

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	23,290	(205)	(3,515)	—	19,570	6,582	519,801
Changes of items during period							
Dividends of surplus							(7,957)
Profit attributable to owners of parent							4,968
Purchase of treasury shares							(4)
Disposal of treasury shares							0
Purchase of shares of consolidated subsidiaries							(29)
Other							(0)
Net changes of items other than shareholders' equity	(731)	(212)	(5,229)	266	(5,906)	(1,305)	(7,212)
Total changes of items during period	(731)	(212)	(5,229)	266	(5,906)	(1,305)	(10,236)
Balance at end of current period	22,558	(418)	(8,744)	266	13,663	5,276	509,564

Year ended December 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	32,155	34,320	424,441	(293)	490,624
Changes of items during period					
Dividends of surplus			(7,957)		(7,957)
Profit attributable to owners of parent			27,184		27,184
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares		(0)		0	0
Other			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	19,226	(13)	19,212
Balance at end of current period	32,155	34,320	443,667	(306)	509,836

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	22,558	(418)	(8,744)	266	13,663	5,276	509,564
Changes of items during period							
Dividends of surplus							(7,957)
Profit attributable to owners of parent							27,184
Purchase of treasury shares							(14)
Disposal of treasury shares							0
Other							(0)
Net changes of items other than shareholders' equity	7,565	209	7,464	79	15,318	(306)	15,012
Total changes of items during period	7,565	209	7,464	79	15,318	(306)	34,224
Balance at end of current period	30,123	(208)	(1,279)	346	28,982	4,969	543,789

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	15,202	32,632
Depreciation	31,255	28,734
Loss on closing of plants	—	3,430
Gain on sales of non-current assets	(531)	(1,346)
Loss (gain) on sales of investment securities	(1)	(1,941)
Loss on valuation of investment securities	—	735
Increase (decrease) in provision for special repairs	(8,523)	150
Interest and dividend income	(1,242)	(1,856)
Interest expenses	1,097	700
Foreign exchange losses (gains)	3,441	(2,315)
Decrease (increase) in notes and accounts receivable - trade	(1,021)	(6,176)
Decrease (increase) in inventories	4,550	(2,181)
Increase (decrease) in notes and accounts payable - trade	680	1,327
Other, net	8,604	(3,512)
Subtotal	53,512	48,381
Interest and dividend income received	1,272	1,856
Interest expenses paid	(1,072)	(782)
Income taxes paid	(5,450)	(3,295)
Net cash provided by (used in) operating activities	48,261	46,159
Cash flows from investing activities		
Net decrease (increase) in time deposits	4,646	2,594
Proceeds from sales of investment securities	2	3,025
Purchase of non-current assets	(27,687)	(16,516)
Proceeds from sales of non-current assets	1,505	3,219
Payments for investments in capital of subsidiaries and associates	—	(1,575)
Payments for transfer of business	(7,433)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,066)	(59,389)
Other, net	(2,105)	(3)
Net cash provided by (used in) investing activities	(36,138)	(68,644)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,390	7,476
Proceeds from long-term loans payable	13,300	21,134
Repayments of long-term loans payable	(13,300)	—
Redemption of bonds	(10,000)	(10,000)
Cash dividends paid	(7,957)	(7,958)
Dividends paid to non-controlling interests	(2,019)	(811)
Other, net	(1,036)	(44)
Net cash provided by (used in) financing activities	(17,624)	9,797
Effect of exchange rate change on cash and cash equivalents	(2,187)	355
Net increase (decrease) in cash and cash equivalents	(7,688)	(12,331)
Cash and cash equivalents at beginning of period	133,856	126,167
Cash and cash equivalents at end of period	126,167	113,835