

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on February 5, 2019 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, 2019

CONSOLIDATED FINANCIAL RESULTS for the Year Ended December 31, 2018 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
 Listing: First Section of the Tokyo Stock Exchange
 Securities identification code: 5214
 URL: <https://www.neg.co.jp/>
 Representative: Motoharu Matsumoto, President and Representative Director
 Inquiries: Koichi Tsuda, Director and Senior Vice President
 TEL: +81-77-537-1700 (from overseas)

Scheduled date of ordinary general meeting of shareholders: March 28, 2019
 Scheduled date to commence dividend payments: March 29, 2019
 Scheduled date to file securities report: March 29, 2019
 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, 2018 (From January 1, 2018 to December 31, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the year ended		%		%		%		%
December 31, 2018	300,326	6.3	24,865	(22.8)	19,832	(41.9)	15,199	(44.1)
December 31, 2017	282,447	18.0	32,201	64.5	34,130	144.3	27,184	447.1

Note: Comprehensive income:

For the year ended December 31, 2018: (1,965) million yen [-%]
 For the year ended December 31, 2017: 43,007 million yen [-%]

	Earnings per share	Diluted Earnings per share	Earnings/equity	Ordinary profit/total assets	Operating profit/net sales
For the year ended	Yen	yen	%	%	%
December 31, 2018	154.26	-	2.9	2.7	8.3
December 31, 2017	273.29	-	5.2	4.7	11.4

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
December 31, 2018	725,575	521,547	71.2	5,346.03
December 31, 2017	764,420	543,789	70.5	5,416.93

Reference: Equity:

As of December 31, 2018: 516,451 million yen

As of December 31, 2017: 538,819 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, 2017.

(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, 2018	52,002	(19,551)	(28,503)	116,248
December 31, 2017	46,159	(68,644)	9,797	113,835

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, 2017	-	8.00	-	50.00	-	8,952	32.9	1.7
December 31, 2018	-	50.00	-	50.00	100.00	9,803	64.8	1.9
For the year ending December 31, 2019 (Forecasts)	-	50.00	-	60.00	110.00	—	59.0	—

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

Accordingly, for the year ended December 31, 2017, the Company describes the actual amount before the share consolidation as the amount of the second quarter-end dividend per share, while the Company describes “-” as the total annual dividends per share. On the assumption that the share consolidation is taken into account, dividends for the year ended December 31, 2017 are 40 yen for second quarter-end and 90 yen for total.

3. Consolidated earnings forecasts for the year ending December 31, 2019
(From January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the six months ending June 30, 2019	145,000	(6.2)	10,000	(28.8)	9,000	(22.3)	8,000	(1.0)	82.81
For the year ending December 31, 2019	305,000	1.6	25,000	0.5	22,000	10.9	18,000	18.4	186.33

*** 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: Yes
- 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, 2018	99,523,246 shares
As of December 31, 2017	99,523,246 shares

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

As of December 31, 2018	2,918,451 shares
As of December 31, 2017	53,734 shares

C. Average number of shares during the period

For the year ended December 31, 2018	98,535,648 shares
For the year ended December 31, 2017	99,471,519 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, 2017.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS (Reference)

Non-consolidated performance for the year ended December 31, 2018 (From January 1, 2018 to December 31, 2018)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
For the year ended		%		%		%		%
December 31, 2018	144,473	(4.3)	5,145	79.4	27,192	(13.5)	26,674	(5.4)
December 31, 2017	150,907	5.1	2,868	-	31,424	243.6	28,204	798.8

	Earnings per share	Diluted Earnings per share
For the year ended	yen	yen
December 31, 2018	270.71	-
December 31, 2017	283.54	-

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	Yen
December 31, 2018	645,369	477,552	74.0	4,943.36
December 31, 2017	679,905	481,246	70.8	4,838.13

Reference: Equity:

As of December 31, 2018: 477,552million yen

As of December 31, 2017: 481,246 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, 2017.

* This financial results report is exempt from review by Certified Public Accountants or Audit firm.

* 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, 2019 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, 2018 to December 31, 2018)

In the global economy, the US economy gradually recovered on the back of solid employment conditions and robust personal consumption. On the other hand, in Europe and China, a stronger perception of economic slowdown was recognized. The Japanese economy continued to make a modest recovery, driven by improved employment conditions and personal consumption.

In this environment, in the fiscal year ended December 31, 2018 (from January 1 to December 31, 2018), shipments of substrate glass for liquid crystal display (LCDs) were solid. In glass fiber for high-performance resin, the US subsidiary (Electric Glass Fiber America: EGFA) that the Company acquired in September, 2017 contributed to higher sales despite a decline in demand in the second half of the fiscal year. As a result, sales exceeded the levels in the previous fiscal year (from January 1 to December 31, 2017). On the other hand, profit was down over the previous fiscal year. This reflected the impact of the factors including rising prices for raw materials and fuel, up-front costs related to production capacity increase, etc. at EGFA and Electric Glass (Xiamen), as well as a shortfall in EGFA's productivity relative to initial forecasts, and foreign exchange losses.

(ii) Operating results for the fiscal year under review

(Billions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018	Change (%)
Net sales	282.4	300.3	6
Operating profit	32.2	24.8	(23)
Ordinary profit	34.1	19.8	(42)
Profit attributable to owners of parent	27.1	15.1	(44)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Year ended December 31, 2017		Year ended December 31, 2018		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	149.1	53	152.2	51	3	2
	Performance Materials and Others	133.2	47	148.1	49	14.8	11
Total		282.4	100	300.3	100	17.8	6

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of substrate glass for LCDs were solid, although prices fell slightly. Sales of cover glass for mobile devices (glass for chemical strengthening) also remained strong on the back of increasing adoption by customers. Glass for electronic devices grew moderately in line with trend in the home appliance market and glass for optical devices generally performed well, with the exception of certain products. However, sales of substrate glass for solar cells remained weak.

Performance Materials and Others:

Sales of glass fiber for high-performance resin reflected the impact of slower demand in the fourth quarter (from October 1 to December 31, 2018), especially in the European and Chinese markets, despite the positive sales contribution of EGFA. Overall sales of heat-resistant glass remained weak, being continuously affected by inventory adjustments at some customers, while shipments to China of glass tubing for pharmaceutical and medical use showed growth, and sales of glass for building materials remained favorable for fire-rated equipment.

(Profit/loss)

In this fiscal year, with prices for raw material and fuel rising, up-front costs were incurred for construction related to productivity improvement and production capacity increase at EGFA, and for the establishment of new facilities at Electric Glass (Xiamen). In addition, a shortfall in productivity at EGFA compared with initial forecasts and its goodwill amortization put downward pressure on operating profit. Ordinary profit was affected mainly by foreign exchange losses attributable to the revaluation of receivables and payables related to loans to certain overseas subsidiaries. Conversely, reversal of provision for special repairs, gain on sales of investment securities, and gain on revision of retirement benefit plan at a subsidiary in the Netherlands (Electric Glass Fiber NL: EGFN) resulted in extraordinary income. However, extraordinary losses were recorded for loss on suspension of production facilities, etc., and profit was also affected by deferred tax accounting. As a result, operating profit, ordinary profit and profit attributable to owners of parent were all down over the previous fiscal year.

(iii) Outlook for the year ending December 31, 2019

(Billions of yen)

	Six months ending June 30, 2019	Year ending December 31, 2019
Net sales	145.0	305.0
Operating profit	10.0	25.0
Ordinary profit	9.0	22.0
Profit attributable to owners of parent	8.0	18.0

Notes: Amounts less than 100 million yen are omitted.

The outlook for the global economy is becoming more uncertain, given problems such as the trade dispute between the US and China, and an economic slowdown in Europe and China. On the other hand, although consideration must be given to the impact of overseas factors, the Japanese economy is expected to maintain a modest recovery, backed by continued improvements in the employment and income environment.

Given this environment, in the Electronics and Information Technology segment, we expect moderate growth in shipments of substrate glass for LCDs for the full year, despite a slow start reflecting subdued demand at the beginning of the fiscal year. In glass for electronic devices and for optical devices, we will take advantage of growth in a wide range of markets such as home appliances, automobiles, and telecommunications infrastructure. In the Performance Materials and Others segment, demand for glass fiber is weak at present, primarily in the European and Chinese markets, but we will take prompt action to respond to trends in demand, improving productivity at EGFA and strengthening production capacity at EGFN in order to grow sales. With regard to heat-resistant glass, we will work to take in domestic and overseas demand primarily for top plates of cooking appliances, and we will take steps to respond to the increased demand for glass tubing for pharmaceutical and medical use in China, which remains a growth market. With regard to glass for building materials, we will focus on sales for fire-rated equipment. In terms of profit/loss, lower product pricing and higher prices for raw material and fuel may have an adverse impact on profit, but we will remain committed to enhancing profitability through productivity improvements and cost cut initiatives.

In light of the above outlook, the Company Group's forecasts for the fiscal year ending December 31, 2019 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, 2017	As of December 31, 2018	Change
Total assets	764.4	725.5	(38.8)
Liabilities	220.6	204.0	(16.6)
Net assets	543.7	521.5	(22.2)

Note: Amounts less than 100 million yen are omitted.

(Total assets)

Total assets at the end of this fiscal year decreased by 38,844 million yen compared to the end of the previous fiscal year to 725,575 million yen. In current assets, notes and accounts receivable - trade decreased, and merchandise and finished goods also declined. In non-current assets, property, plant and equipment declined, primarily because of depreciation. Intangible assets decreased as goodwill fell due to amortization. Investments and other assets declined, primarily reflecting the sale of some investment securities and declines in the market value of investment securities.

(Liabilities)

Total liabilities at the end of this fiscal year decreased by 16,603 million yen compared to the end of the previous fiscal year to 204,027 million yen. In current liabilities, although current portion of long-term loans payable was transferred to short-term loans payable, short-term loans payable decreased due to repayment. Current portion of bonds in non-current liabilities was transferred to current liabilities, leading to an overall increase in the current portion of bonds. In non-current liabilities, bonds payable and long-term loans payable decreased due to the aforementioned transfers. In addition, there was a reversal of provision for special repairs following the repairs of certain facilities and the cancellation of the scheduled repairs.

(Net assets)

Total net assets at the end of this fiscal year decreased by 22,241 million yen compared to the end of the previous fiscal year to 521,547 million yen. Retained earnings increased, despite the payment of dividends, due to posting of profit attributable to owners of parent. The Company acquired treasury shares of 9,999 million yen as a return to shareholders. The valuation difference on available-for-sale securities and foreign currency translation adjustments decreased.

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

(Billions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018	Change
Cash flows from operating activities	46.1	52.0	5.8
Cash flows from investing activities	(68.6)	(19.5)	49.0
Cash flows from financing activities	9.7	(28.5)	(38.3)
Period-end cash and cash equivalents	113.8	116.2	2.4

Note: Amounts less than 100 million yen are omitted.

(Cash flows from operating activities)

Although profit before income taxes decreased, depreciation increased. As previously mentioned under Liabilities above, there was a reversal of provision for special repairs. In addition, there was a foreign exchange loss. As a result, net cash provided by operating activities in this fiscal year was 52,002 million yen (an increase of 5,842 million yen compared to the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities in this fiscal year was 19,551 million yen (a decrease of 49,093 million yen compared to the previous year). This reflected investment in enhanced facilities at Electric Glass (Xiamen) and EGFA, as well as the sale of investment securities as noted above (Total assets).

(Cash flows from financing activities)

Some short-term loans were repaid. Some long-term loans were also repaid while there were proceeds from long-term loans payable. Purchase of treasury shares incurred. In addition, the Company paid dividends to shareholders and dividends to non-controlling interests of subsidiaries. As a result, net cash used in financing activities in this fiscal year was 28,503 million (an increase of 38,300 million compared to the previous year).

(iii) Trends of cash-flow related indices

Year ended	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Equity ratio (%)	70.2	70.6	72.7	70.5	71.2
Market value-based equity ratio (%)	37.1	41.9	45.3	56.0	35.9
Interest-bearing debt to cash flows ratio (years)	2.8	2.3	2.1	2.6	2.2
Interest coverage ratio (times)	68.1	44.1	45.0	59.0	35.6

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 (Other in Current liabilities) 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 with its target of dividend on equity ratio (DOE) at 2% or more, while taking its financial situation into account. The Company will also implement flexible profit-sharing according to the achievement of the medium-term business plan.

(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 28, 2019.

The total annual dividend including the interim dividend of 50 yen per share is 100 yen per share, representing an increase of 10 yen from the previous year's annual dividend after taking into account the share consolidation carried out on July 1, 2017 (at a ratio of one for every five common shares).

(Dividend forecast for the next fiscal year)

The interim dividend is expected to be 50 yen per share, the year-end dividend is expected to be 60 yen per share, for an annual dividend of 110 yen per share, increasing by 10 yen from the total annual dividend per share for the year ended December 31, 2018.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	117,068	116,785
Notes and accounts receivable - trade	61,145	56,795
Merchandise and finished goods	44,156	40,498
Work in process	1,605	1,583
Raw materials and supplies	23,604	26,034
Deferred tax assets	5,511	5,143
Other	10,004	6,235
Allowance for doubtful accounts	(164)	(191)
Total current assets	262,932	252,885
Non-current assets		
Property, plant and equipment		
Buildings and structures	160,349	165,697
Accumulated depreciation	(77,744)	(82,526)
Buildings and structures, net	82,605	83,170
Machinery, equipment and vehicles	686,750	706,590
Accumulated depreciation	(419,702)	(430,488)
Machinery, equipment and vehicles, net	267,048	276,102
Land	13,034	12,744
Construction in progress	29,838	13,404
Other	19,979	19,877
Accumulated depreciation	(18,688)	(18,759)
Other, net	1,291	1,117
Total property, plant and equipment	393,817	386,540
Intangible assets		
Goodwill	21,848	19,072
Other	13,171	12,864
Total intangible assets	35,019	31,937
Investments and other assets		
Investment securities	65,899	49,710
Deferred tax assets	2,896	1,587
Other	3,879	2,951
Allowance for doubtful accounts	(25)	(38)
Total investments and other assets	72,650	54,211
Total non-current assets	501,488	472,689
Total assets	764,420	725,575

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,991	38,781
Short-term loans payable	35,607	33,351
Current portion of bonds	—	10,000
Income taxes payable	1,993	2,450
Provision for loss on closing plants	2,930	2,062
Other provision	108	105
Other	25,205	26,239
Total current liabilities	103,835	112,992
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	53,053	46,653
Deferred tax liabilities	3,991	2,606
Provision for special repairs	23,277	17,774
Provision for loss on closing plants	823	—
Other provision	36	20
Net defined benefit liability	1,900	1,665
Other	3,711	2,314
Total non-current liabilities	116,795	91,035
Total liabilities	220,631	204,027
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,365
Retained earnings	443,667	448,909
Treasury shares	(306)	(10,308)
Total shareholders' equity	509,836	505,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,123	19,481
Deferred gains or losses on hedges	(208)	108
Foreign currency translation adjustment	(1,279)	(8,260)
Remeasurements of defined benefit plans	346	—
Total accumulated other comprehensive income	28,982	11,330
Non-controlling interests	4,969	5,095
Total net assets	543,789	521,547
Total liabilities and net assets	764,420	725,575

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

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	282,447	300,326
Cost of sales	211,787	233,234
Gross profit	70,659	67,092
Selling, general and administrative expenses	38,457	42,226
Operating profit	32,201	24,865
Non-operating income		
Interest income	272	578
Dividend income	1,583	1,334
Foreign exchange gains	1,521	—
Other	1,478	1,682
Total non-operating income	4,855	3,595
Non-operating expenses		
Interest expenses	700	1,630
Foreign exchange losses	—	4,950
Other	2,226	2,048
Total non-operating expenses	2,927	8,629
Ordinary profit	34,130	19,832
Extraordinary income		
Reversal of provision for special repairs	—	3,774
Gain on sales of investment securities	1,941	1,941
Gain on revision of retirement benefit plan	—	965
Gain on sales of non-current assets	1,317	254
Total extraordinary income	3,258	6,937
Extraordinary losses		
Loss on suspension of production facilities	—	950
Business structure improvement expenses	106	169
Loss on closing of plants	3,430	—
Other	1,218	221
Total extraordinary losses	4,756	1,341
Profit before income taxes	32,632	25,428
Income taxes - current	4,293	4,872
Income taxes - deferred	650	4,868
Total income taxes	4,944	9,741
Profit	27,688	15,687
Profit attributable to non-controlling interests	504	487
Profit attributable to owners of parent	27,184	15,199

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	27,688	15,687
Other comprehensive income		
Valuation difference on available-for-sale securities	7,565	(10,642)
Deferred gains or losses on hedges	209	317
Foreign currency translation adjustment	7,369	(6,846)
Remeasurements of defined benefit plans, net of tax	79	(346)
Share of other comprehensive income of entities accounted for using equity method	95	(134)
Total other comprehensive income	15,318	(17,652)
Comprehensive income	43,007	(1,965)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	42,503	(2,452)
Comprehensive income attributable to non-controlling interests	504	487

(3) Consolidated statement of changes in equity

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

Year ended December 31, 2018

(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	443,667	(306)	509,836
Changes of items during period					
Dividends of surplus			(9,946)		(9,946)
Profit attributable to owners of parent			15,199		15,199
Purchase of treasury shares				(10,001)	(10,001)
Capital increase of consolidated subsidiaries		45			45
Other			(11)		(11)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	45	5,241	(10,001)	(4,714)
Balance at end of current period	32,155	34,365	448,909	(10,308)	505,121

	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	30,123	(208)	(1,279)	346	28,982	4,969	543,789
Changes of items during period							
Dividends of surplus							(9,946)
Profit attributable to owners of parent							15,199
Purchase of treasury shares							(10,001)
Capital increase of consolidated subsidiaries							45
Other							(11)
Net changes of items other than shareholders' equity	(10,642)	317	(6,981)	(346)	(17,652)	125	(17,526)
Total changes of items during period	(10,642)	317	(6,981)	(346)	(17,652)	125	(22,241)
Balance at end of current period	19,481	108	(8,260)	—	11,330	5,095	521,547

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	32,632	25,428
Depreciation	28,734	29,775
Loss on suspension of production facilities	—	950
Loss on closing of plants	3,430	—
Loss (gain) on sales of investment securities	(1,941)	(1,941)
Increase (decrease) in provision for special repairs	150	(5,502)
Interest and dividend income	(1,856)	(1,913)
Interest expenses	700	1,630
Foreign exchange losses (gains)	(2,315)	3,819
Decrease (increase) in notes and accounts receivable - trade	(6,176)	2,693
Decrease (increase) in inventories	(2,181)	70
Increase (decrease) in notes and accounts payable - trade	1,327	2,970
Other, net	(4,123)	(2,545)
Subtotal	48,381	55,435
Interest and dividend income received	1,856	1,902
Interest expenses paid	(782)	(1,459)
Income taxes paid	(3,295)	(3,876)
Net cash provided by (used in) operating activities	46,159	52,002
Cash flows from investing activities		
Net decrease (increase) in time deposits	2,594	2,692
Proceeds from sales of investment securities	3,025	3,448
Purchase of non-current assets	(16,516)	(25,476)
Payments for investments in capital of subsidiaries and associates	(1,575)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(59,389)	—
Other, net	3,216	(215)
Net cash provided by (used in) investing activities	(68,644)	(19,551)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,476	(4,893)
Proceeds from long-term loans payable	21,134	5,592
Repayments of long-term loans payable	—	(8,926)
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(13)	(10,001)
Cash dividends paid	(7,958)	(9,942)
Dividends paid to non-controlling interests	(811)	(416)
Other, net	(30)	84
Net cash provided by (used in) financing activities	9,797	(28,503)
Effect of exchange rate change on cash and cash equivalents	355	(1,534)
Net increase (decrease) in cash and cash equivalents	(12,331)	2,413
Cash and cash equivalents at beginning of period	126,167	113,835
Cash and cash equivalents at end of period	113,835	116,248