



# Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 [Japanese GAAP]

February 14, 2018

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
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 Scheduled date of annual general meeting of shareholders: March 29, 2018  
 Scheduled filing date for Securities Report: March 29, 2018  
 Scheduled starting date of dividend payments: March 30, 2018  
 Preparation of supplementary materials on the Consolidated Financial Results: Yes  
 Holding of an explanatory meeting on Consolidated Financial Results: Yes (For institutional investors and analysts)

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(Amounts of less than one million yen have been omitted.)

## 1. Consolidated financial results for the fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

### (1) Consolidated operating results

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2017	33,456	-	5,345	-	4,997	-	3,817	-
Year ended December 20, 2016	29,134	6.4	5,113	8.2	4,733	6.9	3,069	4.0

(Note) Comprehensive income Year ended December 31, 2017: 4,715 million yen [(-)%] Year ended December 20, 2016: 2,757 million yen [(16.0)%]

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating income ratio
	Yen	Yen	%	%	%
Year ended December 31, 2017	116.58	-	13.0	14.3	16.0
Year ended December 20, 2016	93.73	-	11.4	15.0	17.6

(Reference) Equity in earnings (losses) of affiliates Year ended December 31, 2017: 0 million yen Year ended December 20, 2016: - million yen

(Notes)

1. The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. Therefore, year-on-year changes are not stated for the year ended December 31, 2017.

2. On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, basic earnings per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	37,642	31,103	82.6	949.99
As of December 20, 2016	32,444	27,706	85.4	846.16

(Reference) Equity As of December 31, 2017: 31,103 million yen As of December 20, 2016: 27,706 million yen

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, net assets per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2017	4,346	(1,919)	(1,317)	5,928
Year ended December 20, 2016	3,355	(4,366)	(1,262)	4,737

(Note) The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017.

## 2. Payment of dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on equity (DOE) (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended December 20, 2016	-	38.00	-	40.00	78.00	1,277	41.6	4.7
Year ended December 31, 2017	-	40.00	-	52.00	92.00	1,506	39.5	5.1
Year ending December 31, 2018 (forecast)	-	24.00	-	24.00	48.00		39.4	

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Regarding dividends for the fiscal year ended December 20, 2016 and the fiscal year ended December 31, 2017, the amount stated is the actual dividend paid before the stock split.

3. Consolidated operating forecasts for the fiscal year ending December 31, 2018 (January 1, 2018 - December 31, 2018)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending December 31, 2018	34,000	-	5,740	-	5,270	-	3,990	-	121.87

(Note)

1. The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. Therefore, year-on-year changes are not stated.

2. On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, basic earnings per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

\*Notes

(1) Significant changes in subsidiaries during the period

(changes in specified subsidiaries resulting in the change in the scope of consolidation) : None

New: 0 companies (Company name: )

Exclude: 0 companies (Company name: )

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to amendment to the accounting standards, etc. : None

2) Changes in accounting policies other than those in 1) above : Yes

3) Changes in accounting estimates : Yes

4) Retrospective restatements : None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2017	33,117,234 shares	As of December 20, 2016	33,117,234 shares
As of December 31, 2017	376,572 shares	As of December 20, 2016	373,632 shares
Year ended December 31, 2017	32,742,188 shares	Year ended December 20, 2016	32,743,968 shares

2) Number of treasury shares at the end of the period

3) Average number of shares during the period

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, the number of shares issued 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 were calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

\*The financial results are not subject to audit.

\*Explanation on the appropriate use of operating forecasts and other special instructions

Operating forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable, and actual performance may differ substantially due to various factors. For notes on the use of preconditions of operating forecasts and the use of operating forecasts, refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of operating results" on page 2 of the supplementary materials.

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## 1. Overview of Operating Results, etc.

## (1) Analysis of operating results

## 1) Operating results for the fiscal year under review

During the fiscal year under review, the Japanese economy continued on a moderate recovery trend as personal consumption picked up amid improvement in the employment environment. However, the overall economic outlook remains uncertain, owing to factors such as unstable operation of the U.S. administration, political risks in Europe, together with the concerns over economic slowdowns in China and other Asian emerging economies. In the beauty industry, business conditions continue to pose challenges due to the adverse impact of demographic trends and other factors.

Amid this environment, the Milbon Group worked with salons toward the goal of “supporting ‘the development of lifelong hair designers’ to create lifelong customers by understanding their generational perspectives and values, with the aim of improving productivity through consumption that spreads across generations.”

In the hair coloring product category, ORDEVE Addicthy, which allows customers to freely realize individual color design, was launched in February. The product received a highly favorable response for giving customers the chance to enjoy the vibrant shades of colors. Sales were significantly higher than planned, as a result. In the hair care product category, the enhanced version of Aujua released in November was very well received. In overseas markets, the East Asia region, including China and South Korea, continued to grow steadily.

As a result of the above efforts, consolidated net sales for the fiscal year under review amounted to 33,456 million yen, operating income was 5,345 million yen, ordinary income was 4,997 million yen, and profit attributable to owners of parent was 3,817 million yen.

Due to the change in the accounting period, the fiscal year under review is the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. Therefore, year-on-year comparisons are not stated.

Breakdown of net sales by product category and breakdown of net sales into domestic and overseas sales are shown below:  
[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

Product category	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	17,711	60.8	19,511	58.3	–	–
Hair coloring products	9,892	34.0	12,095	36.2	–	–
Permanent wave products	1,260	4.3	1,569	4.7	–	–
Others	270	0.9	279	0.8	–	–
Total	29,134	100.0	33,456	100.0	–	–

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	25,287	86.8	27,974	83.6	–	–
Overseas sales	3,847	13.2	5,481	16.4	–	–
Total	29,134	100.0	33,456	100.0	–	–

2) Outlook for fiscal 2018

Japan's economic outlook is uncertain due to factors including the political disorder in Europe and the U.S., concerns about the economic slowdowns in China and other Asian emerging economies, and geopolitical risks in East Asia. In the beauty industry, business conditions continue to pose challenges due to the adverse impact of demographic trends.

Amid this environment, the Milbon Group will work with salons premised on the goal of "aiming to improve labor productivity by supporting lifelong hair designers who enhance the two time values of fulfilling 'lifelong beauty' and communicating the 'lifetime beauty' of customers."

The Company anticipates net sales of 34,000 million yen, operating income of 5,740 million yen, ordinary income of 5,270 million yen, and profit attributable to owners of parent of 3,990 million yen on a consolidated basis for the next fiscal year.

(2) Analysis of financial position

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year ended December 31, 2017 increased by 5,198 million yen compared to the end of the previous fiscal year to 37,642 million yen.

Current assets increased by 2,695 million yen compared to the end of the previous fiscal year to 16,106 million yen. This was mainly due to the 2,141 million yen increase in cash and deposits, the 1,271 million yen increase in notes and accounts receivable - trade and the 1,000 million yen decrease in securities (jointly managed designated money trusts, etc.).

Non-current assets increased by 2,503 million yen compared to the end of the previous fiscal year to 21,535 million yen. This was due mainly to the 2,120 million yen increase in investment securities attributable to factors such as purchases of investment securities and higher prices of listed stocks.

Current liabilities increased by 1,404 million yen compared to the end of the previous fiscal year to 5,995 million yen. This was due mainly to the 458 million yen increase in accounts payable - trade and the 277 million yen increase in provision for sales returns.

Non-current liabilities increased by 397 million yen compared to the end of the previous fiscal year to 543 million yen.

Net assets increased by 3,396 million yen compared to the end of the previous fiscal year to 31,103 million yen. This was due mainly to the 2,507 million yen increase in retained earnings, the 579 million yen increase in valuation difference on available- for-sale securities attributable to factors such as higher prices of listed stocks and the 338 million yen increase in foreign currency translation adjustment attributable to the depreciation of the yen.

As a result, the equity ratio changed from 85.4% at the end of the previous fiscal year to 82.6%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 846.16 yen per share at the end of the previous fiscal year to 949.99 yen per share.

On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Net assets per share stated above was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the current fiscal year increased by 1,190 million yen compared to the end of the previous fiscal year to 5,928 million yen, as a result of using the net cash provided by operating activities for the payment of income taxes and the purchase of property, plant and equipment.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 4,346 million yen. This was mainly the result of posting 5,217 million yen in profit before income taxes, depreciation of 1,278 million yen, 1,369 million yen in income taxes paid and the 1,232 million yen increase in notes and accounts receivable - trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,919 million yen. This was mainly due to the purchase of investment securities of 1,439 million yen and the purchase of property, plant and equipment of 1,151 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,317 million yen. This was mainly due to the cash dividends paid to shareholders of 1,308 million yen.

## (Reference) Cash flow-related indicators

	Year ended December 20, 2013	Year ended December 20, 2014	Year ended December 20, 2015	Year ended December 20, 2016	Year ended December 31, 2017
Equity ratio (%)	84.1	85.7	85.1	85.4	82.6
Equity ratio based on market value (%)	243.3	183.0	264.2	223.3	329.6
Interest-bearing debt to cash flows ratio (%)	2.3	3.0	2.1	2.4	1.8

(Notes) Equity ratio: Equity/net assets

Equity ratio based on market value: Total market capitalization/total assets

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

- \* All indicators were calculated using consolidated financial statements.
- \* Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of outstanding shares at the end of the period (excluding treasury shares). For the fiscal year ended December 31, 2017, total market capitalization was calculated by the following formula, due to the impact at the end of the period of ex-rights resulting from the stock split:  
Closing stock price at the end of the period multiplied by (total number of outstanding shares at the end of the period plus the number of additional shares resulting from the stock split)
- \* Cash flows were shown as an operating cash flow in the consolidated statements of cash flows.
- \* Interest-bearing debt refers to all debt posted in the balance sheets upon which interest is paid. The amount of interest paid in the consolidated statements of cash flows was treated as an interest payment in the calculations above.
- \* Interest-coverage ratio is not shown due to the fact that there were no interest payments.

(3) Basic policy on the distribution of profit and dividends for the fiscal year under review and the following fiscal year

The Milbon Group considers the returning of profits to shareholders as an important management issue and makes it a basic policy to pay dividends in accordance with its operating results, while enhancing its business structure by maintaining internal reserves to the end of improving its earnings in the future. Moreover, we have set the target dividend payout ratio at 40%. Interim dividends are determined at the Board of Directors meetings and year-end dividends at the general meeting of shareholders, and it is the Group's basic policy to pay dividends twice every fiscal year.

For the current fiscal year, upon comprehensively taking into account factors including our financial position and profit levels, we have decided to pay a year-end dividend of 52 yen per share. As a result, the total annual dividend per share will amount to 92 yen per share, which includes the interim dividend of 40 yen per share that has already been paid.

For the following fiscal year, we plan to pay an annual dividend of 48 yen per share. This amount takes into consideration the impact of the stock split conducted at a ratio of two shares for every one share of common stock on January 1, 2018.

(4) Business and other risks

Risks that could potentially affect the operating results, stock price and financial position of the Milbon Group include the following.

The future risks identified in this section are based on assessments made by the Company as of the end of the fiscal year under review. The Group recognizes the possibility of these risk events actually occurring and has prepared policies to prevent and avert such risks and take appropriate measures to minimize the impact of such risks when they do occur.

1) Risks associated with global expansion

The Milbon Group is aggressively expanding its business into the overseas markets. Global expansion entails risks relating to intellectual property rights including counterfeit goods, unforeseeable changes in laws and regulations, and risks of social unrest due to terrorism, war and other factors. Such risks could have a major impact on the Group's operating results and financial position.

2) Information security

The Milbon Group has taken various measures to protect information assets including customers' personal information and confidential information. However, unforeseeable events, such as the leakage of information due to unauthorized access, could have a major impact on the Group's operating results and financial position.

3) Risks associated with debt collection

The Milbon Group deliberates and records necessary reserves upon regularly reviewing its business partners from both quantitative and qualitative perspectives and in terms of collection status. However, deterioration in the business partner's credit standing or events such as bankruptcy could have a major impact on the Group's operating results and financial position.

4) Risks associated with major accidents

The Milbon Group utilizes company cars in its sales activities. The Group implements safety measures that place maximum priority on human life, including strict control over driving and the reinforcement of safety training. However, should a major accident event occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

5) Risks associated with product-related health hazards

Many Milbon Group products come into direct contact with consumers' hair and scalp, and as such the Milbon Group places top priority on its efforts to ensure product safety and quality. However, should an unforeseeable incident involving a major health hazard occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

## 2. Outline of the Milbon Group

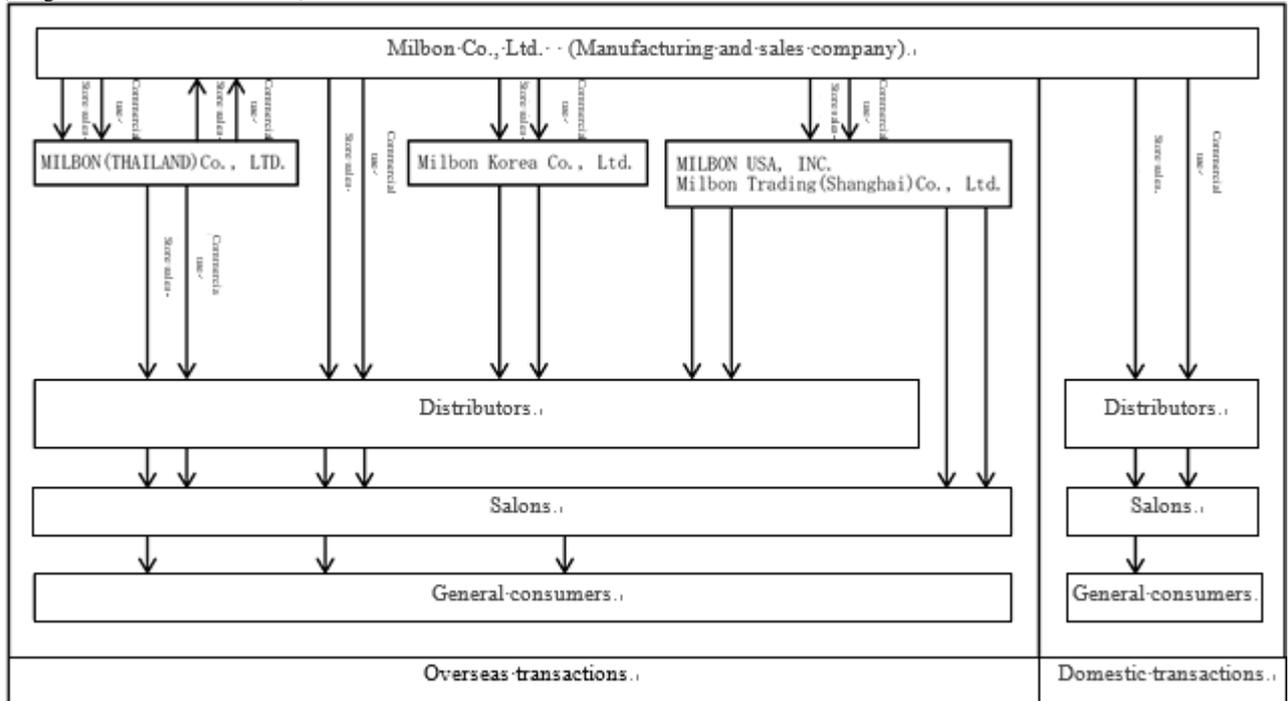
Name	Location	Capital stock or capital contribution	Main line of business	Percentage of voting rights held (%)	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC.	New York, USA	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd.	Shanghai, China	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd.	Seoul, South Korea	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD.	Rayong, Thailand	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.

(Notes) 1. All companies fall under the category of "specified subsidiary."

2. In addition to the companies noted above, the Group has one equity-method affiliate.

The following diagram shows the positioning of Milbon Group companies and the Group's businesses.

(Diagram of business activities)



- (Notes)
1. For overseas transactions, sales channels differ depending on the country.
  2. The main items for store sales are hair-care products.

### 3. Basic Rationale for Selecting the Accounting Standards

The Milbon Group currently prepares the consolidated financial statements according to the generally accepted accounting standards in Japan (Japanese GAAP), as it makes it possible to compare the consolidated financial statements against previous fiscal year and against other companies.

With regard to adoption of International Financial Reporting Standards (IFRS), it is the Group's policy to respond to this issue appropriately based on consideration of various domestic and international circumstances.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Fiscal Year (As of December 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	4,023,328	6,164,763
Notes and accounts receivable - trade	3,805,519	5,076,624
Securities	1,000,000	–
Merchandise and finished goods	2,974,165	2,991,885
Work in process	36,684	57,709
Raw materials and supplies	883,147	1,025,671
Deferred tax assets	289,131	458,893
Other	573,252	450,693
Allowance for doubtful accounts	(173,901)	(119,553)
Total current assets	13,411,329	16,106,686
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,826,282	11,148,669
Accumulated depreciation	(5,031,190)	(4,286,940)
Buildings and structures, net	6,795,092	6,861,729
Machinery, equipment and vehicles	6,219,285	6,172,774
Accumulated depreciation	(3,841,667)	(4,002,956)
Machinery, equipment and vehicles, net	2,377,617	2,169,817
Land	5,154,087	5,029,802
Construction in progress	21,093	12,981
Other	2,161,337	2,476,243
Accumulated depreciation	(1,828,094)	(1,923,830)
Other, net	333,243	552,412
Total property, plant and equipment	14,681,134	14,626,742
Intangible assets	789,601	943,654
Investments and other assets		
Investment securities	2,621,957	4,748,113
Net defined benefit asset	249,854	275,188
Deferred tax assets	6,667	9,750
Other	737,198	996,332
Allowance for doubtful accounts	(53,556)	(63,862)
Total investments and other assets	3,562,121	5,965,522
Total non-current assets	19,032,857	21,535,919
Total assets	32,444,187	37,642,605

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Fiscal Year (As of December 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	687,193	1,145,987
Accounts payable - other	2,788,818	2,535,084
Income taxes payable	678,180	786,252
Provision for sales returns	15,198	292,501
Provision for bonuses	137,562	318,617
Other	284,059	916,809
<b>Total current liabilities</b>	<b>4,591,012</b>	<b>5,995,253</b>
Non-current liabilities		
Net defined benefit liability	32,270	47,859
Deferred tax liabilities	30,667	411,511
Other	83,788	84,614
<b>Total non-current liabilities</b>	<b>146,726</b>	<b>543,986</b>
<b>Total liabilities</b>	<b>4,737,738</b>	<b>6,539,239</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,946	200,066
Retained earnings	25,248,823	27,756,292
Treasury shares	(544,946)	(554,227)
<b>Total shareholders' equity</b>	<b>26,903,823</b>	<b>29,402,131</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	752,695	1,332,021
Foreign currency translation adjustment	43,336	381,392
Remeasurements of defined benefit plans	6,592	(12,178)
<b>Total accumulated other comprehensive income</b>	<b>802,624</b>	<b>1,701,234</b>
<b>Total net assets</b>	<b>27,706,448</b>	<b>31,103,366</b>
<b>Total liabilities and net assets</b>	<b>32,444,187</b>	<b>37,642,605</b>

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

(Thousand yen)

	Fiscal Year Ended December 20, 2016 (December 21, 2015 - December 20, 2016)	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)
Net sales	29,134,631	33,456,268
Cost of sales	9,034,279	10,659,047
Gross profit	20,100,351	22,797,220
Selling, general and administrative expenses	14,986,915	17,452,054
Operating income	5,113,435	5,345,165
Non-operating income		
Interest income	4,377	6,981
Dividend income	54,452	67,316
Share of profit of entities accounted for using equity method	–	979
Company house defrayment income	59,582	74,078
Gain on surrender of insurance	5,910	14,439
Other	28,226	40,884
Total non-operating income	152,549	204,680
Non-operating expenses		
Sales discounts	472,361	512,060
Foreign exchange losses	59,340	10,032
Depreciation	–	11,962
Other	605	18,006
Total non-operating expenses	532,307	552,062
Ordinary income	4,733,678	4,997,783
Extraordinary income		
Gain on sales of non-current assets	95	70
Gain on sales of investment securities	–	788,540
Total extraordinary income	95	788,611
Extraordinary losses		
Loss on retirement of non-current assets	66,238	48,144
Loss on renewal of brand	–	520,594
Impairment loss	241,389	–
Total extraordinary losses	307,627	568,739
Profit before income taxes	4,426,145	5,217,656
Income taxes - current	1,410,348	1,438,644
Income taxes - deferred	(53,420)	(38,174)
Total income taxes	1,356,928	1,400,469
Profit	3,069,216	3,817,186
Profit attributable to owners of parent	3,069,216	3,817,186

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	Fiscal Year Ended December 20, 2016 (December 21, 2015 - December 20, 2016)	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)
Profit	3,069,216	3,817,186
Other comprehensive income		
Valuation difference on available-for-sale securities	15,474	579,325
Foreign currency translation adjustment	(268,114)	338,055
Remeasurements of defined benefit plans, net of tax	(59,351)	(18,771)
Total other comprehensive income	(311,991)	898,609
Comprehensive income	2,757,224	4,715,795
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,757,224	4,715,795
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity  
Fiscal Year Ended December 20, 2016 (December 21, 2015 - December 20, 2016)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	199,748	23,440,262	(542,094)	25,097,916
Changes of items during period					
Dividends of surplus			(1,260,656)		(1,260,656)
Profit attributable to owners of parent			3,069,216		3,069,216
Purchase of treasury shares				(3,196)	(3,196)
Disposal of treasury shares		198		344	542
Net changes of items other than shareholders' equity					
Total changes of items during period	-	198	1,808,560	(2,852)	1,805,906
Balance at end of current period	2,000,000	199,946	25,248,823	(544,946)	26,903,823

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	737,221	311,451	65,944	1,114,616	26,212,533
Changes of items during period					
Dividends of surplus					(1,260,656)
Profit attributable to owners of parent					3,069,216
Purchase of treasury shares					(3,196)
Disposal of treasury shares					542
Net changes of items other than shareholders' equity	15,474	(268,114)	(59,351)	(311,991)	(311,991)
Total changes of items during period	15,474	(268,114)	(59,351)	(311,991)	1,493,914
Balance at end of current period	752,695	43,336	6,592	802,624	27,706,448

## Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	199,946	25,248,823	(544,946)	26,903,823
Changes of items during period					
Dividends of surplus			(1,309,716)		(1,309,716)
Profit attributable to owners of parent			3,817,186		3,817,186
Purchase of treasury shares				(9,508)	(9,508)
Disposal of treasury shares		119		227	347
Net changes of items other than shareholders' equity					
Total changes of items during period	—	119	2,507,469	(9,280)	2,498,308
Balance at end of current period	2,000,000	200,066	27,756,292	(554,227)	29,402,131

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	752,695	43,336	6,592	802,624	27,706,448
Changes of items during period					
Dividends of surplus					(1,309,716)
Profit attributable to owners of parent					3,817,186
Purchase of treasury shares					(9,508)
Disposal of treasury shares					347
Net changes of items other than shareholders' equity	579,325	338,055	(18,771)	898,609	898,609
Total changes of items during period	579,325	338,055	(18,771)	898,609	3,396,917
Balance at end of current period	1,332,021	381,392	(12,178)	1,701,234	31,103,366

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal Year Ended December 20, 2016 (December 21, 2015 - December 20, 2016)	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,426,145	5,217,656
Depreciation	1,083,053	1,278,755
Impairment loss	241,389	–
Increase (decrease) in allowance for doubtful accounts	129,589	(44,328)
Increase (decrease) in provision for bonuses	33,743	176,422
Increase (decrease) in provision for sales returns	(3,196)	277,302
Decrease (increase) in net defined benefit asset	(58,967)	(52,382)
Increase (decrease) in net defined benefit liability	7,428	10,214
Interest and dividend income	(58,830)	(74,297)
Share of (profit) loss of entities accounted for using equity method	–	(979)
Foreign exchange losses (gains)	17,141	(35,648)
Loss (gain) on sales of investment securities	–	(788,540)
Loss (gain) on sales of non-current assets	(95)	(70)
Loss on retirement of non-current assets	54,466	48,144
Decrease (increase) in notes and accounts receivable - trade	(402,947)	(1,232,633)
Decrease (increase) in inventories	(710,690)	(25,676)
Increase (decrease) in notes and accounts payable - trade	47,738	399,781
Other, net	390	487,603
Subtotal	4,806,360	5,641,322
Interest and dividend income received	59,647	75,003
Income taxes paid	(1,510,759)	(1,369,467)
Net cash provided by (used in) operating activities	3,355,248	4,346,858
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,748,157)	(1,151,251)
Proceeds from sales of property, plant and equipment	1,500	300,091
Purchase of intangible assets	(520,297)	(386,997)
Payments of loans receivable	(3,000)	(6,400)
Collection of loans receivable	4,599	7,020
Payments into time deposits	(1,348)	(619)
Proceeds from withdrawal of time deposits	28,620	61,605
Purchase of investment securities	(200,000)	(1,439,880)
Proceeds from sales of investment securities	–	938,007
Proceeds from redemption of investment securities	100,000	–
Payments for guarantee deposits	(47,798)	(315,192)
Proceeds from collection of guarantee deposits	15,591	48,847
Purchase of insurance funds	(3,314)	–
Proceeds from cancellation of insurance funds	12,634	54,873
Other, net	(5,836)	(29,961)
Net cash provided by (used in) investing activities	(4,366,808)	(1,919,858)
<b>Cash flows from financing activities</b>		
Net decrease (increase) in treasury shares	(2,654)	(9,161)
Cash dividends paid	(1,259,571)	(1,308,689)
Net cash provided by (used in) financing activities	(1,262,225)	(1,317,850)
Effect of exchange rate change on cash and cash equivalents	(75,736)	81,441
Net increase (decrease) in cash and cash equivalents	(2,349,522)	1,190,590
Cash and cash equivalents at beginning of period	7,086,948	4,737,426
Cash and cash equivalents at end of period	4,737,426	5,928,017