

Consolidated Summary Report <under Japanese GAAP>

For the fiscal year ended December 31, 2017

February 1, 2018

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
 Code number : 2811 URL <http://www.kagome.co.jp>
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Annual general meeting date: March 28, 2018

Dividend payment date: March 8, 2018

Securities report issuing date: March 16, 2018

Supplemental information for financial statements: Available

Schedule for "investor meeting presentation": Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Data for the Fiscal Year ended December 31, 2017

(1) Operation Results (% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2017	214,210	5.8	11,968	9.3	12,618	11.5	10,100	49.3
December 31, 2016	202,534	3.5	10,946	62.8	11,315	61.3	6,764	96.6

(Reference) Comprehensive income December 31, 2017: 12,100million yen (274.2%); December 31, 2016: 3,233 million yen (357.9%)

	Earnings Per Share	Diluted Earnings per Share	Net income to Net Assets Attributable to KAGOME Shareholders	Ordinary Income to Total Assets	Operating Income to Net Sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2017	114.03	113.96	10.4	6.1	5.6
December 31, 2016	68.30	68.28	6.4	5.3	5.4

(Reference) Equity in earnings by the equity method December 31, 2017: (44)million yen; December 31, 2016: 46 million yen

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
	million yen	million yen	%	yen
Fiscal year ended December 31, 2017	195,737	105,853	52.1	1,150.50
December 31, 2016	219,804	97,991	42.1	1,043.89

(Reference) Shareholders' equity as of December 31, 2017: 101,949 million yen; December 31, 2016: 92,432 million yen

(3) Conditions of Cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the period
	million yen	million yen	million yen	million yen
Fiscal year ended December 31, 2017	16,598	17,271	(40,761)	21,550
December 31, 2016	18,824	(18,576)	6,904	28,313

2. Dividends on Common Stock

	Dividends per Share					Total dividends	Dividend payout ratio	Dividend on Net Assets ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended December 31, 2016	—	—	—	24.50	24.50	2,179	35.9	2.2
December 31, 2017	—	—	—	30.00	30.00	2,668	26.3	2.7
Fiscal year ending December 31, 2018(Forecast)	—	—	—	35.00	35.00		31.0	

(Reference) Fiscal year ending December 31, 2018(Forecast) Ordinary dividend: 30.00 yen; Anniversary dividend: 5.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018

(% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the 2Q ending June 30, 2018	104,400	0.3	5,700	(7.8)	5,800	(12.9)	4,100	(14.2)	46.27
For the year ending December 31, 2018	215,000	0.4	13,000	8.6	13,000	3.0	10,000	(1.0)	112.85

4. Other (For more details, please see “Other information” in page 8)

(1) Changes in significant subsidiaries during the year: Yes

New companies : None Excluded companies: 1 (Kagome (Hangzhou) Food Co., Ltd.)

Note: This section shows whether or not there is a change in Specified Subsidiaries (“*tokutei kogaisha*” in Japanese) that led to the change of the consolidation scope during the year.

(2) Changes in accounting policies, procedures, estimates, retrospective restatements, etc.

(A) Changes due to revision of accounting standards: None

(B) Changes due to reasons other than (A): None

(C) Changes in accounting estimates: None

(D) Retrospective restatements: None

(3) Number of shares outstanding (common shares):

(A) Total stocks outstanding

including treasury stocks:

Dec. 31, 2017	99,616,944 shares	Dec. 31, 2016	99,616,944 shares
Dec. 31, 2017	11,003,718 shares	Dec. 31, 2016	11,070,797 shares
Dec. 31, 2017	88,613,226 shares	Dec. 31, 2016	88,546,147 shares
Fiscal year ended December 31, 2017	88,578,624 shares	Fiscal year ended December 31, 2016	99,046,140 shares

(B) Treasury stocks:

(C) Total stocks outstanding

excluding treasury stocks:

(D) Average outstanding stocks:

(Reference) Non-consolidated Financial Data

1. Non-consolidated Financial Data for the Fiscal Year ended December 31, 2017

(1) Operation Results

(% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2017	168,937	6.8	10,449	16.3	11,641	22.4	5,318	76.2
December 31, 2016	158,128	4.6	8,987	54.0	9,514	45.8	3,018	(6.8)

	Earnings Per Share	Diluted Earnings per Share
Fiscal year ended December 31, 2017	yen 60.04	yen 60.00
December 31, 2016	30.47	30.46

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
Fiscal year ended December 31, 2017	million yen 151,916	million yen 90,788	% 59.7	yen 1023.34
December 31, 2016	184,323	86,785	47.1	979.61

(Reference) Shareholders' equity as of December 31, 2017: 90,681 million yen; December 31, 2016: 86,740 million yen

* This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external audit.

*Notes for using forecasted information etc.

(Caution regarding forward-looking statements)

This financial summary report contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the company and/or the group as a whole (the “forward-looking statements”). The forward-looking statements are made based upon, among other things, the company’s current estimations, perceptions and evaluations. Accordingly, due to various risks and uncertainties, the statements and assumptions are inherently not guarantees of future performance, may be considered differently from alternative perspectives and may result in material differences from the actual result.

(Method for obtaining supplemental information for annual financial statements)

Supplementary information will be published on TD-net for viewing in Japan, and on Kagome’s Website.

Overview of Operating Results

(1) Analysis of Operating Results for the Current Fiscal Year

During the consolidated year under review (January 1, 2017 to December 31, 2017), the Japanese economy remained on a moderate recovery track thanks to the economic measures implemented by the government and the Bank of Japan. The food industry saw steady individual consumption despite the progress in the diversification of values demanded by consumers such as quicker and easier use, health, and eating alone.

Under these circumstances, the Company has set the objective of becoming a “strong company that can maintain sustainable growth by working on solving social issues through food” in 7 years. In the three-year mid-term management plan starting from the fiscal year ended December 2016, the Company is working on the following four priority issues to further bolster its corporate value, with the aim of realizing its future vision: (1) increasing the value of existing businesses and categories; (2) creating new business models through innovation; (3) promoting globalization; and (4) improving productivity through work style reform.

Net sales increased due to the strong sales performance of the main beverage business in the domestic business, among other factors.

Operating income also increased due to the reform of the profit structure through the efficient use of sales promotion costs as well as an increase in sales, mainly in the domestic business, among other causes.

Extraordinary gain of 2,171 million yen was recorded from the sale of shares of Preferred Brands International, Inc. (hereinafter “PBI”), which is a consolidated subsidiary of the Company, and extraordinary gain of 1,721 million yen was recorded from the sale of investment securities.

Extraordinary loss of 1,297 million yen was recorded as impairment loss, of Kagome Australia Pty Ltd., which is a consolidated subsidiary of the Company.

As a result, net sales for the consolidated year under review rose 5.8% year on year to 214,210 million yen. Operating income was up 9.3% year on year to 11,968 million yen. Ordinary income was 11.5% higher than a year earlier, ending the year at 12,618 million yen. Profit attributable to shareholders of parent was 10,100 million yen, which was up 49.3% year on year.

The business results by segment are as outlined below.

It should be noted that the reporting segment categories have been changed from the beginning of this consolidated fiscal year.

Name of segment	Net sales			Operating income		
	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Increase or Decrease	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Increase or Decrease
Beverages	79,649	88,657	9,007	4,008	5,951	1,943
Food, etc.	67,264	68,984	1,720	4,135	4,749	614
Processed food	146,913	157,642	10,728	8,143	10,700	2,557
Agriculture	11,487	11,409	(77)	862	(236)	(1,098)
Others	16,753	18,057	1,304	688	666	(22)
Adjustments	(15,354)	(16,835)	(1,481)	—	—	—
Domestic business in total	159,800	170,273	10,473	9,695	11,131	1,436
International business	47,360	48,847	1,486	1,250	837	(413)
Adjustments	(4,626)	(4,910)	(284)	—	—	—
Total	202,534	214,210	11,675	10,946	11,968	1,022

<Domestic Business>

Net sales of the domestic business increased to 170,273 million yen, up 6.6% year on year, and operating income rose to 11,131 million yen, up 14.8% year on year. Net sales by business are as shown below.

(a) Processed food business

In the processed food business, the Company manufactures and sells beverages, condiments and other products.

Net sales of this business increased to 157,642 million yen, up 7.3% year on year, and operating income rose to 10,700 million yen, up 31.4% year on year.

[Beverages: Yasai Seikatsu 100 series, tomato juice and others]

In the category of beverages, the Company focused on activities to stimulate demand for vegetable beverages in general by creating new value to be provided under the catch phrase “Vegetables for everyone with enjoyment and prudence,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

In tomato juice, the Kagome Tomato Juice, which we launched in February 2016 as Japan’s first food with functional claims that increases HDL (good) cholesterol, has gained in popularity among customers. Sales remained strong, reflecting an increase in the number of customers who continue to drink to control the level of cholesterol in blood.

With respect to vegetable beverages, sales of Kagome Yasai Juice have been strong since its release in October 2017 as a food with functional claims, containing GABA that is reported to have the function of lowering blood pressure.

As for the Yasai Seikatsu 100 series, we focused on a “Vegetables in the morning” proposal to help solve the problem of insufficient vegetable consumption at breakfast. We also focused on expanding sales of the Yasai Seikatsu 100 Smoothie series to develop new opportunities for drinking vegetable beverages. They have been well received by customers for their features of adequately satisfying the appetite, something no other existing vegetable beverages can provide, and meeting needs for a container with a cap that is suitable for snacks. As a result, sales remained strong.

The Yasai Ichinichi Kore Ippon series achieved strong sales due to our strengthened activities to convey the value of “Vegetable juice first,” or the effect of curbing the increase in blood sugar level after eating by drinking vegetable juice before eating.

Accordingly, net sales of the beverages category increased to 88,657 million yen, up 11.3% year on year, and operating income increased to 5,951 million yen, up 48.5% year on year.

[Food, etc.: tomato ketchup, condiment, sauces, beverages for direct marketing sales/gifts, etc. using tomatoes and others]

Sales of tomato ketchup remained steady. For home use, we stepped up the campaigns for conveying the value of tomato ketchup and its promotion with the catch phrase “Control salt intake with tomatoes.” For business use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels. We also focused on activities to stimulate overall demand for tomato ketchup by holding the “Kagome Napolitan Stadium 2017” in May 2017 to decide the best Napolitan spaghetti in Japan among local Napolitan spaghettis around the nation.

As for condiment made with tomatoes other than tomato ketchup, “Tomato Pazza,” a dish of seafood and vegetables made to suit one’s taste with liberal helpings of tomato sauce, received a high evaluation as the seafood dish with added vegetables, and we focused on developing dishes to suit a range of situations, including home cooking, takeout food and restaurants.

For other products designed as gifts, we focused on sales of products with unique values that only the Company can provide; specifically, health, delicious taste, compassion and exclusivity. In addition, products for direct marketing sales saw a strong performance in sales of supplements, the development of which we focused on as a mainstay product second to the core beverage “Tsubuyori Yasai” and other beverages.

As a result of these initiatives, net sales of the category of food, etc. increased to 68,984 million yen, up 2.6% year on year, and operating income increased to 4,749 million yen, up 14.8% year on year.

(b) Agriculture business

In the agriculture business, the Company mainly sells fresh tomatoes, mesclun greens, packaged salads, etc.

Net sales of this business decreased 0.7% year on year to 11,409 million yen with an operating loss of 236 million yen in comparison with operating income of 862 million yen a year earlier.

As for fresh tomatoes, our main business, we focused on sales of high value-added products such as High Lycopene Tomatoes, which have significant quantities of lycopene, a nutritional element of tomatoes, and β -Carotene Tomatoes, which have significant β -carotene content. As a result, the shipment of fresh tomatoes increased year on year, but net sales declined and made an operating loss due to lower market prices throughout a year.

In the sales of mesclun greens, which we are cultivating as the new mainstay products after fresh tomatoes, we began selling “Green Vege Bowl baby leaf mix” and “Green Vege Bowl baby leaf spinach” which is eatable without washing.

(c) Other businesses

Other businesses include transportation and warehousing, real estate leasing, contracted service businesses and others. Net sales increased to 18,057 million yen, up 7.8% year on year, and operating income decreased to 666 million yen, down 3.2% year on year.

<International Business>

In the international business, we operate the business under a core management strategy according to which vertically integrated business should be established from the development of tomato seeds to agricultural production, product development, processing and sales.

Net sales of the business increased to 48,847 million yen, up 3.1% year on year, and operating income decreased to 837 million yen, down 33.0% year on year. In the comparison with the previous fiscal year, a positive impact due to the depreciation of the yen is included. When this impact is excluded, net sales decreased 1.1% from the previous fiscal year and operating income decreased 36.3% from the previous fiscal year.

Net sales of the major subsidiaries denominated in local currencies are as outlined below.

KAGOME INC. (United States) saw a decrease in income due to a temporary decline in sales within the group attributable to a change in the time of dealing with the Company, although sales to global food service companies remained firm. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) remained moderately performance. Kagome Australia Pty Ltd. (Australia) experienced a decline in sales due to a significant fall in crop yields of raw tomatoes, the main raw ingredient, affected by record rainfalls during the harvest season and other bad weather.

PBI (United States) was excluded from the scope of consolidation upon sales of its shares in November 2017, and accordingly its net sales for ten months are used in consolidation for the fiscal year under review.

(2) Outlook for the Next Fiscal Year

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Profit attributable to shareholders of parent (million yen)	Earnings per share (yen)
Fiscal year ending December 31, 2018 (Forecast)	215,000	13,000	13,000	10,000	112.85
Fiscal year ending December 31, 2017	214,210	11,968	12,618	10,100	114.03
Rate of change	0.4%	8.6%	3.0%	△1.0%	△1.0%

The food industry in 2018 in Japan is expected to see a continuation of uncertain circumstances. They include continued reduction of market size caused by a shrinking population, rising costs of imported raw materials, physical distribution costs, and changes in world affairs. Under these circumstances, the Company set the period of the fiscal year 2016 to the fiscal year 2018 as the three-year mid-term management plan and achieved good results for both the first and second years.

For the last year, which is the fiscal year 2018, the Company will aim for sustainable growth and will aim to achieve the mid-term management plan by implementing actions to address important issues and continuing the reform of the profit structure. The financial forecasts for the following period were reviewed from the quantitative targets for the fiscal year 2018 under the mid-term management plan of the Consolidated Summary Report for the fiscal year ended December 31, 2016, which was submitted on February 2, 2017, due to the exclusion of PBI from consolidation and other environmental changes.

<Domestic Business>

We will strengthen mutual cooperation between Kagome businesses such as beverage, foods, institutional and industrial, and agriculture. At the same time, we will unfold a consistent corporate marketing strategy through the integration of marketing functions, including product planning and development, promotion, and collection of consumer information. We will aim through such measures to increase the value of existing businesses and categories as well as create a new business model through innovation.

To strengthen the SCM function, the physical distribution joint venture company of domestic food manufacturers including the Company, F-LINE CORPORATION, will step up actions to address the issues of food distribution and ensure a more efficient physical distribution system.

<International Business>

In regards to the international business as a whole, we will aim for further growth by reinforcing vertical collaboration between the tomato-related businesses owned by Group companies, such as seeds and seedling development, cultivation, processing and sales, and maximizing customer value.

In December 2017, Kagome Senegal Sarl (the Republic of Senegal) was established as the base for the development of the tomato business within the Economic Community of West African States (ECOWAS), where demand is increasing. The cultivation, purchase and sale of processed tomatoes will begin in this country. In future, the Company will aim to enter the processed tomato market in this country and ECOWAS intraregionally.

Kagome Australia Pty Ltd., which is in weak performance, recorded an impairment loss in FY2017, will aim to be a profitable company by structural reform from next fiscal year.

As for businesses in Asia, we will aim to monetize the businesses by redeveloping the business strategy and optimizing business content.

The forecast above is a forward-looking statement that was prepared based on economic circumstances at the time of preparing this summary of financial results. Actual performance may differ from the financial outlooks herein for various unforeseeable reasons.

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1. Other Information

(1) Changes in Significant Subsidiaries

Kagome (Hangzhou) Food Co., Ltd. was excluded from the scope of consolidation of Kagome Co., Ltd. due to the liquidation of the company.

(2) Changes in accounting policies, procedures, estimates, retrospective restatements, etc.

Not applicable.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2017
Assets			
Current assets:			
Cash and deposits	¥ 38,918	¥ 22,150	\$ 196,018
Notes and accounts receivable	33,617	36,042	318,956
Merchandise and finished goods	19,648	21,143	187,106
Work in process	932	919	8,133
Raw material and supplies	19,985	19,636	173,770
Deferred tax assets	660	506	4,478
Derivatives	5,675	2,568	22,726
Other current assets	6,325	7,051	62,398
Allowance for doubtful accounts	(264)	(351)	(3,106)
Total current assets	125,498	109,667	970,504
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	16,966	18,824	166,584
Machinery, equipment and vehicles, net	18,535	17,821	157,708
Tools and furniture, net	1,101	942	8,336
Land	13,241	12,874	113,929
Lease assets, net	650	851	7,531
Construction in progress	3,138	1,935	17,124
Property, plant and equipment net	53,634	53,250	471,239
Intangible assets:			
Goodwill	6,515	503	4,451
Trademark right	2,192	0	0
Customer relationship	2,496	-	-
Software	1,442	1,426	12,619
Other intangible assets	321	266	2,354
Total intangible assets	12,968	2,196	19,434
Investments and other assets:			
Investment securities	19,532	22,364	197,912
Long-term loans receivable	1,691	1,581	13,991
Deferred tax assets	93	95	841
Other assets	6,460	6,663	58,965
Allowance for doubtful accounts	(75)	(82)	(726)
Total investments and other assets	27,702	30,621	270,982
Total fixed assets	94,305	86,069	761,673
Total assets	¥ 219,804	¥ 195,737	\$ 1,732,186

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2017
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 13,729	¥ 16,554	\$ 146,496
Short-term borrowings	38,232	21,218	187,770
Current portion of long-term borrowings	8,285	1,447	12,805
Other payable	12,096	12,039	106,540
Income taxes payable	704	3,918	34,673
Deferred tax liabilities	1,104	14	124
Accrued bonuses for employees	1,241	1,251	11,071
Accrued bonuses for directors	101	105	929
Derivatives liabilities	12	2	18
Other current liabilities	3,050	3,158	27,947
Total current liabilities	78,558	59,710	528,407
Long-term liabilities:			
Long-term borrowings	27,952	14,154	125,257
Deferred tax liabilities	3,704	3,882	34,354
Net defined benefit liability	5,427	5,045	44,646
Provision for loss on guarantees	172	190	1,681
Other	5,996	6,900	61,062
Total long-term liabilities	43,253	30,173	267,018
Total liabilities	121,812	89,883	795,425
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	176,858
Capital surplus	22,362	22,362	197,894
Retained earnings	66,492	74,303	657,549
Treasury stock	(27,163)	(26,985)	(238,805)
Total shareholder's equity	81,677	89,665	793,496
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	6,487	8,971	79,389
Deferred gains or losses on derivatives under hedge accounting	4,287	2,420	21,416
Foreign currency translation adjustments	1,276	1,754	15,522
Remeasurements of defined benefit plans	(1,296)	(864)	(7,646)
Total accumulated other comprehensive income	10,754	12,283	108,699
Subscription rights to shares	44	106	938
Non-controlling interests	5,514	3,798	33,611
Total net assets	97,991	105,853	936,752
Total liabilities and net assets	¥ 219,804	¥ 195,737	\$ 1,732,186

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Fiscal year ended Dec. 31, 2016	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2017
Net sales	¥ 202,534	¥ 214,210	\$ 1,895,664
Cost of sales	111,607	117,738	1,041,929
Gross profit	90,927	96,472	853,735
Selling, general and administrative expenses	79,981	84,503	747,814
Operating income	10,946	11,968	105,912
Other income			
Interest income	255	409	3,619
Dividend income	314	341	3,018
Share of profit of entities accounted for using equity method	46	-	-
Insurance income	194	4	35
Gain on valuation of derivatives	-	391	3,460
Other	413	413	3,655
Total other income	1,224	1,559	13,796
Other expenses			
Interest expenses	195	477	4,221
Share of loss of entities accounted for using equity method	-	44	389
Foreign exchange losses	293	41	363
Other	366	346	3,062
Total other expenses	854	910	8,053
Ordinary income	11,315	12,618	111,664
Extraordinary gain			
Gain on sales of fixed assets	1,689	354	3,133
Gain on sales of investment securities	-	1,721	15,230
Gain on sales of shares of subsidiaries and associates	-	2,171	19,212
Gain on transfer of business	-	330	2,920
Compensation income for expropriation	236	11	97
Gain on forgiveness of debts	307	-	-
Total extraordinary gain	2,233	4,590	40,619
Extraordinary loss			
Loss on disposal of fixed assets	167	195	1,726
Impairment loss	606	1,337	11,832
Loss on valuation of investment securities	223	2	18
Loss on disaster	62	-	-
Expense for voluntary recall of goods	414	-	-
Business structure improvement expenses	631	-	-
Provision for loss on guarantees	172	-	-
Other	-	62	549
Total extraordinary loss	2,279	1,598	14,142
Profit before income taxes	11,269	15,610	138,142
Income taxes			
Income taxes - current	2,208	4,688	41,487
Income taxes - deferred	1,917	544	4,814
Total income taxes	4,125	5,232	46,301
Net income	¥ 7,144	¥ 10,377	\$ 91,832
Profit attributable to Shareholders of parent	6,764	10,100	89,381
Profit attributable to non-controlling interests	379	276	2,442
Other comprehensive income			
Unrealized gain on available- for- sale securities	43	2,484	21,982
Deferred gains or losses on derivatives under hedge accounting	(2,667)	(1,850)	(16,372)
Foreign currency translation adjustments	(1,014)	656	5,805
Remeasurements of defined benefit plans	(275)	435	3,850
Share of other comprehensive income of an affiliate by the equity method	4	(2)	(18)
Total other comprehensive income	(3,910)	1,723	15,248
Comprehensive income	¥ 3,233	¥ 12,100	\$ 107,080
Comprehensive income attributable to Shareholders of parent	3,359	11,621	102,841
Comprehensive income attributable to non-controlling interests	(125)	479	4,239

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

(3) Consolidated Statements of Changes in Net Assets

Millions of Yen

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated other Comprehensive Income	Subscription rights to shares	Non-controlling interests	Total Net Assets
Balance, January 1, 2016	19,985	23,733	61,916	(314)	105,320	6,444	6,952	1,787	(1,024)	14,160	19	6,844	126,344
Cash dividends			(2,188)		(2,188)								(2,188)
Profit attributable to Shareholders of parent			6,764		6,764								6,764
Repurchase of treasury stock				(27,094)	(27,094)								(27,094)
Disposal of treasury stock				245	245								245
Transfer of loss on disposal of treasury shares					—								—
Change of scope of consolidation					—								—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1,370)			(1,370)								(1,370)
Net changes of items other than shareholders' equity						43	(2,665)	(511)	(271)	(3,405)	25	(1,329)	(4,709)
Total changes of items during period	—	(1,370)	4,576	(26,848)	(23,642)	43	(2,665)	(511)	(271)	(3,405)	25	(1,329)	(28,352)
Balance, December 31, 2016	¥ 19,985	¥ 22,362	¥ 66,492	¥ (27,163)	¥ 81,677	¥ 6,487	¥ 4,287	¥ 1,276	¥ (1,296)	¥ 10,754	¥ 44	¥ 5,514	¥ 97,991
Cash dividends			(2,179)		(2,179)								(2,179)
Profit attributable to Shareholders of parent			10,100		10,100								10,100
Repurchase of treasury stock				(5)	(5)								(5)
Disposal of treasury stock		(1)		182	181								181
Transfer of loss on disposal of treasury shares		1	(1)		—								—
Change of scope of consolidation			(109)		(109)								(109)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—								—
Net changes of items other than shareholders' equity						2,484	(1,866)	478	432	1,528	61	(1,716)	(126)
Total changes of items during period	—	—	7,811	177	7,988	2,484	(1,866)	478	432	1,528	61	(1,716)	7,861
Balance, December 31, 2017	¥ 19,985	¥ 22,362	¥ 74,303	¥ (26,985)	¥ 89,665	¥ 8,971	¥ 2,420	¥ 1,754	¥ (864)	¥ 12,283	¥ 106	¥ 3,798	¥ 105,853

Thousands of U.S. Dollars

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated other Comprehensive Income	Subscription rights to shares	Non-controlling interests	Total Net Assets
Balance, December 31, 2016	\$ 176,858	\$ 197,894	\$ 588,425	\$ (240,381)	\$ 722,805	\$ 57,407	\$ 37,938	\$ 11,292	\$ (11,469)	\$ 95,168	\$ 389	\$ 48,796	\$ 867,177
Cash dividends			(19,283)		(19,283)								(19,283)
Profit attributable to Shareholders of parent			89,381		89,381								89,381
Repurchase of treasury stock				(44)	(44)								(44)
Disposal of treasury stock		(9)		1,611	1,602								1,602
Transfer of loss on disposal of treasury shares		9	(9)		—								—
Change of scope of consolidation			(965)		(965)								(965)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—								—
Net changes of items other than shareholders' equity						21,982	(16,513)	4,230	3,823	13,522	540	(15,186)	(1,115)
Total changes of items during period	—	—	69,124	1,566	70,690	21,982	(16,513)	4,230	3,823	13,522	540	(15,186)	69,566
Balance, December 31, 2017	\$ 176,858	\$ 197,894	\$ 657,549	\$ (238,805)	\$ 793,496	\$ 79,389	\$ 21,416	\$ 15,522	\$ (7,646)	\$ 108,699	\$ 938	\$ 33,611	\$ 936,752

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

(4) Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Fiscal Year ended Dec. 31, 2016	Fiscal Year ended Dec. 31, 2017	Fiscal Year ended Dec. 31, 2017
Cash flows from operating activities:			
Profit before income taxes	¥ 11,269	¥ 15,610	\$ 138,142
Depreciation and amortization	5,732	5,813	51,442
Impairment loss	990	1,337	11,832
Amortization of goodwill	752	722	6,389
Interest and dividend income	(569)	(750)	(6,637)
Interest expense	195	477	4,221
Increase (decrease) in accrued bonuses	714	18	159
Increase (decrease) in other provisions	147	93	823
Increase (decrease) in net defined benefit liability	147	242	2,142
Share of loss (profit) of entities accounted for using equity method	(46)	44	389
Loss (gain) on sales of investment securities	-	(1,721)	(15,230)
Loss (gain) on valuation of securities	223	2	18
Loss (gain) on sales of shares of subsidiaries and associates	-	(2,171)	(19,212)
Loss (gain) on sales and disposal of fixed assets- net	(1,521)	(158)	(1,398)
Loss (gain) on transfer of business	-	(330)	(2,920)
Gain on forgiveness of debts	(307)	-	-
Compensation income for expropriation	(236)	(11)	(97)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(1,748)	(2,993)	(26,487)
Decrease (increase) in inventories	4,041	(1,876)	(16,602)
Decrease (increase) in accounts receivable- other	164	(974)	(8,619)
Increase (decrease) in notes and accounts payable	(1,374)	3,113	27,549
Increase (decrease) in accounts payable- other	2,173	1,203	10,646
Proceeds from lease and guarantee deposits received	1,255	615	5,442
Decrease (increase) in other current assets	156	(260)	(2,301)
Increase (decrease) in other current liabilities	(110)	(255)	(2,257)
Other- Increase (decrease)- net	542	(53)	(469)
Subtotal	22,591	17,738	156,973
Cash received from interest and dividend income	541	772	6,832
Cash paid for interest expense	(196)	(449)	(3,973)
Income taxes paid	(4,264)	(1,474)	(13,044)
Proceeds from compensation for expropriation	153	11	97
Net cash provided by (used in) operating activities	18,824	16,598	146,885
Cash flows from investing activities:			
Disbursement for time deposits	(10,676)	(96)	(850)
Proceeds from withdrawal of time deposits	546	10,122	89,575
Purchases of marketable and investment securities	(64)	(682)	(6,035)
Proceeds from sales and redemption of securities	-	2,938	26,000
Acquisition of fixed assets	(6,836)	(9,202)	(81,434)
Proceeds from sales of fixed assets	2,210	1,830	16,195
Collection of loans receivable	58	263	2,327
Proceeds from transfer of business	-	868	7,681
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	-	(90)	(796)
Purchase of shares of subsidiaries and associates	(3,741)	(48)	(425)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	11,246	99,522
Other- Increase (decrease)- net	(73)	122	1,080
Net cash provided by (used in) investing activities	(18,576)	17,271	152,841
Cash flows from financing activities:			
Increase (decrease) in short- term borrowings	28,160	(17,918)	(158,566)
Proceeds from long- term borrowings	11,333	8,634	76,407
Repayments of long- term borrowings	(904)	(29,277)	(259,088)
Repayments of finance lease obligations	(57)	(123)	(1,088)
Dividends paid	(2,187)	(2,180)	(19,292)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,715)	-	-
Proceeds from share issuance to non-controlling shareholders	195	0	0
Dividends paid to non-controlling interests	(72)	(69)	(611)
Decrease (increase) in treasury shares	(26,848)	173	1,531
Other	-	0	0
Net cash provided by (used in) financing activities	6,904	(40,761)	(360,717)
Foreign translation adjustment on cash and cash equivalents	86	377	3,336
Net increase (decrease) in cash and cash equivalents	7,238	(6,513)	(57,637)
Cash and cash equivalents at beginning of period	21,075	28,313	250,558
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(249)	(2,204)
Cash and cash equivalents at end of period	¥ 28,313	¥ 21,550	\$ 190,708

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.