

FY March 2018 Consolidated Financial Results [Japan GAAP] (April 1, 2017 to March 31, 2018)

Corporate Name: PROTO CORPORATION
 Securities Code: 4298
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 Stock Exchange Listing: TSE
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Scheduled dates:

Scheduled date for General Shareholders' Meeting: June 27, 2018

Scheduled date for dividend payment: June 6, 2018

Scheduled date of filing of financial report: June 28, 2018

Earnings supplementary explanatory documents: Yes

Earnings presentation: Yes (for institutional investors and analysts)

(Figures are rounded down to million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percentage represents change to the corresponding period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year Ended March 31, 2018	62,111	9.5	3,674	31.4	3,735	29.6	519	(65.5)
Year Ended March 31, 2017	56,717	4.5	2,795	(31.3)	2,883	(31.2)	1,506	—

Note: Comprehensive income

As of March 31, 2018: 545 million yen; (63.8%) As of March 31, 2017: 1,504 million yen; (-)

	Net Income per Share	Net Income per Share (fully diluted)	ROE (Net Income/ Shareholders' Equity)	ROA (Ordinary Income/ Total Assets)	Operating Income Ratio
	Yen	Yen	%	%	%
Year Ended March 31, 2018	25.89	—	2.0	8.7	5.9
Year Ended March 31, 2017	75.02	—	5.8	7.0	4.9

Reference: Equity in net income of affiliated companies

Year Ended March 31, 2018: - Year Ended March 31, 2017: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2018	44,417	25,977	58.4	1,293.62
As of March 31, 2017	41,934	26,401	63.0	1,316.22

Reference: Equity capital

March 31, 2018: 25,948 million yen

March 31, 2017: 26,401 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
	Million yen	Million yen	Million yen	Million yen
Year Ended March 31, 2018	3,999	(1,576)	898	15,729
Year Ended March 31, 2017	3,179	(1,197)	(886)	12,383

2. Cash Dividends

	Cash Dividends per Share					Total Annual Dividends Paid	Payout Ratio (Cons.)	Dividends on Net Assets (Cons.)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 2017	—	25.00	—	25.00	50.00	1,002	66.6	3.8
Year Ended March 2018	—	25.00	—	25.00	50.00	1,002	193.1	3.8
Year Ended March 2019 (Forecast.)	—	25.00	—	25.00	50.00		37.1	

3. Forecast for the Fiscal Year Ending March 2019 (April 1, 2018 to March 31, 2019)

(Percentage represents change to the corresponding previous period.)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six Months Ending September 30, 2018	29,513	0.4	1,735	(3.4)	1,747	(10.4)	1,108	29.2	55.24
Year Ending March 31, 2019	62,370	0.4	4,100	11.6	4,125	10.4	2,700	419.9	134.61

*** Notes**

(1) Major changes in consolidated subsidiaries during period: None

(2) Changes in accounting policies, accounting estimates and restatement of corrections

- 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: None
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None

(3) Numbers of shares issued (common stock)

1) Number of shares issued (including treasury stock)	As of March 31, 2018	20,940,000 shares	As of March 31, 2017	20,940,000 shares
2) Number of treasury stock	As of March 31, 2018	881,530 shares	As of March 31, 2017	881,430 shares
3) The average number of outstanding shares over period (cumulative term)	Year Ended March 31, 2018	20,058,535 shares	Year Ended March 31, 2017	20,082,993 shares

**Reference: Non-Consolidated Performance Summary
Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2018
(April 1, 2017 to March 31, 2018)**

(1) Non-Consolidated Operating Results (Percentage represents change to the corresponding period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year Ended March 31, 2018	28,312	10.1	3,292	34.3	3,434	32.8	105	(92.1)
Year Ended March 31, 2017	25,726	3.4	2,452	(39.8)	2,587	(39.5)	1,335	—

	Net Income per Share	Net Income per Share (fully diluted)
	Yen	Yen
Year Ended March 31, 2018	5.24	—
Year Ended March 31, 2017	66.50	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2018	30,836	24,861	80.6	1,239.45
As of March 31, 2017	29,184	25,747	88.2	1,283.63

Reference: Equity capital March 31, 2018: 24,861 million yen March 31, 2017: 25,747 million yen

*** Summary of financial results are not audited by certified public accountants or audit corporations.**

*** Explanation for appropriate use of forecasts and other notes**

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors.
2. The company will have a financial results briefing for institutional investors and analysts on May 17, 2018. The document to use on the day for the financial briefing will be posted on the company website.

1. Business Performance Overview

(1) Business Performance Overview for Current Term

(a) Business Performance Overview for Current Term

The Japanese economy in this consolidated fiscal year still has uncertainties, because of concerns over the U.S. policies based on protectionism, geopolitical risks in some regions, etc. although it continued a gentle recovery trend due to the improvement of corporate earnings, employment, export, etc.

Under this economic environment, the automobile sale industry, including the major clients of our corporate group, saw the increases in sales volume of new cars and the number of registered used cars from the previous year, because the sale of mini-vehicles rebounded from last year's drop caused by mileage data rigging and the sale of new cars, mainly new models, was favorable.

In these circumstances, our corporate group has strived to win the No.1 position in the automobile-related information field, by enhancing the development and provision of private brand products and services from the viewpoint of users through continued active business investment. In addition, we have proceeded with the establishment of new business bases utilizing our corporate group's resources, the expansion of sales opportunities through the pursuit of synergy, and the increase of contact points with users through the cementing of alliances with leading websites.

As a result, the automobile-related information business, which is our mainstay, was healthy, and sales in this consolidated fiscal year were 62,111 million yen (9.5% yr-on-yr increase). Since the drastic reform of the cost structure for Goo Series, etc. were effective, operating income was 3,674 million yen (31.4% yr-on-yr increase). Due to the posting of loss on valuation of derivatives, etc., ordinary income was 3,735 million yen (29.6% yr-on-yr increase). Due to the posting of impairment loss of fixed assets, etc., net income attributable to owners of parent was 519 million yen (65.5% yr-on-yr decrease).

The segment results are as follows.

(b) Overview by segment

Automobile-related Information

Under the business policy of comprehensively supporting the business administration of used car dealers, we have strived to increase the number of business partners, maintain and raise the unit price of transactions per customer, and strengthen our services to meet the needs of users in car life.

In this consolidated fiscal year, we have proceeded with the comprehensive support for the business administration of used car dealers through the provision of "MOTOR GATE," which is a background system of "Goo-net," and the improvement of its functions, for the purpose of completing "Goo-net Exchange," and also engaged in the cementing of alliances between leading websites of Goo-net, the increase of contact points with users through the qualitative and quantitative enhancement of searchability and content, and the improvement of usability.

As for the automobile information magazine "Goo," we conducted the drastic reform of the cost structure by changing publication cycle and renewing the contents of articles, to respond to the changes in user needs, and made efforts to optimize the roles of our information magazines and websites.

As for the sale of tires, wheels, etc., we have kept enhancing the sale of major brand products and the combined sale of tires and wheels, and strived to increase selling opportunities while pursuing synergetic effects.

Consequently, sales were 56,100 million yen (9.9% yr-on-yr increase). Operating income was 4,933 million yen (25.2% yr-on-yr increase), as the brand power of our corporate group rose through enhanced promotion and the contact points with users were increased through the fortification of alliances with leading websites, while revenue grew thanks to the drastic reform of the cost structure for Goo Series and the business of selling imported tires, wheels, etc.

Lifestyle-related Information

As for the business related to nursing care, medicine, and welfare, we have strived to enhance the brand power of products and services and increase business partners by strengthening the marketing base through the upgrade of functions of our websites, the enrichment of content and services, and so on.

As for “Goo School,” a website for retrieving information on hobbies and qualifications, “Oikura,” a website for comparing purchase prices for used goods, and the Goo Home business, we have made efforts to improve profitability by restructuring our organizations, enrich the contents of the websites, and increase the number of business partners.

Consequently, sales were 4,370 million yen (3.2% yr-on-yr increase). The major factors in sales growth are the caregiver-dispatch service, which was acquired through business transfer in December 2016, and the healthy performance of the welfare goods rental service. Operating income was 370 million yen (22.6% yr-on-yr decrease), as personnel cost augmented in the business related to nursing care, medicine, and welfare.

Real Estate Business

The company along with PROTO-RIOS INC. primarily managed rent for their own properties, leading to sales at 213 million yen (14.1% yr-on-yr increase) and operating income at 170 million yen (15.9% yr-on-yr increase)

Other Business

Sales were 1,426 million yen (12.4% yr-on-yr increase), because of the contribution of the worker dispatch business of OKINAWA CALL STAFF SERVICE Co., LTD., which was reorganized into a subsidiary in October 2017, etc. On the other hand, an operating loss of 71 million yen was posted (an operating loss of 136 million yen in the previous fiscal year), partially due to the delay in making the agricultural business profitable.

(2) Financial Standing Overview for Current Term

(a) Assets, Liabilities and Net Assets

Total assets at the end of the current consolidated fiscal year were 44,417 million yen and compared to the end of the previous year, there was an increase of 2,482 million yen. The states of assets, liabilities and net assets are as follows.

i. Assets

Current assets were 27,826 million yen, up 4,094 million yen from the end of the previous fiscal year, because cash and deposits increased as gain in operating cash flow exceeded the payment amount, there were some borrowings, and notes and accounts receivable grew, although we paid corporate income tax, dividends, etc.

Fixed assets were 16,591 million yen, down 1,612 million yen from the end of the previous fiscal year, as tangible fixed assets grew through the acquisition of the buildings and land of the headquarters of TIRE WORLD KAN BEST CO., LTD., while depreciation, goodwill amortization, and impairment loss were posted.

ii. Liabilities

Current liabilities were 16,143 million yen, up 3,516 million yen from the end of the previous fiscal year, due to an increase in short-term loans payable.

Long-term liabilities were 2,296 million yen, down 609 million yen from the end of the previous fiscal year, due to the repayment of long-term loans payable.

iii. Net assets

Net assets totaled 25,977 million yen, decreasing 424 million yen from the end of the previous fiscal year, due to dividend of surplus amounting to 1,002 million yen, net income attributable to owners of parent amounting to 519 million yen, non-controlling shareholders' equity amounting to 29 million yen.

(3) Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 15,729 million yen, an increase of 3,346 million yen from the end of the previous fiscal year. Major factors for this increase were as follows.

i. Cash flows from operating activities

Cash flows from operating activities yielded 3,999 million yen, as 1,171 million yen was paid for corporate income tax, etc. and notes and accounts receivable increased 868 million yen, while 1,990 million yen was posted as net income before taxes and other adjustments, depreciation without payment, goodwill amortization, and impairment loss totaled up to 3,416 million yen.

ii. Cash flows from investing activities

Cash flows from investing activities stood at expenditure of 1,576 million yen, as there was an income of 518 million yen from the sale of tangible fixed assets, while there was an expenditure of 2,150 million yen for the acquisition of tangible and intangible fixed assets.

iii. Cash flows from financing activities

Cash flows from financing activities yielded 898 million yen, as 1,002 million yen was paid for dividends, while there was a net increase of 1,911 million yen in short-term and long-term debts.

(Reference) Cash Flow Indicators

	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016	Year Ended March 31, 2017	Year Ended March 31, 2018
Equity ratio (%)	59.6	66.3	63.6	63.0	58.4
Equity ratio based on market value (%)	66.8	94.7	68.4	69.9	75.2
Debt coverage (%)	236.5	94.7	187.8	210.0	214.8
Interest coverage ratio (times)	46.9	105.6	77.8	80.9	138.1

Equity ratio:

Equity capital/Total assets

Equity ratio based on market value:

Total stock based on market/Total assets

Debt coverage:

Interest-bearing debt/Operating cash flow

Interest coverage ratio:

Operating cash flow/Interest paid

Notes:

1. Each index is calculated based on consolidated financial figures.

2. Market value of total stock is calculated by multiplying the closing stock price at the end of the year by the number of shares outstanding at the end of the year (after deduction of treasury stock).

3. Cash flow and interest paid are calculated using operating cash flow and interest payment amounts recorded in Consolidated Statement of Cash Flows.

4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets).

(4) Future Forecast

The PROTO Group has the “Mid-Term Management Plan (FY March 2017 to FY March 2019)” based on the diversifying users’ needs and predicted changes of the future market environment. Based on the Mid-Term Management Plan, with the business policy of “Establishment of the Brand”, the PROTO Group will make efforts to grow its business in the field of automobile-related information by strengthening the products and services for the used car dealers, maintenance shops and new car dealers, and improve profitability through achieving group synergy and reviewing the cost structure. The outlook for the term ending March 2019, which is the final fiscal year of the above Mid-Term Management Plan, is as follows.

The PROTO Group will proceed with standardizing their ID cars – the service that discloses information on the state of the vehicle, which they consider one of the strengths of the company – in the Group’s primary enterprise which is the field of automobile-related information, while improving Goo Media, increasing the number of business partners for MOTOR GATE, a background system, and enhancing services to completely cover user needs in their car life.

For the maintenance industry, the PROTO Group will promote fee-based services of “GooPit”, a specialized website for car maintenance and also strengthen “Goo Checkup” which offers transportation services for the customers of maintenance shops. For the new car dealership industry, the Group will try to increase the number of business partners (new car dealers) by providing “DataLine SalesGuide”, a sales support tool for the dealers. Furthermore, the Group will pursue to achieve synergy by sharing customers among TIRE WORLD KAN BEST CO., LTD. and AUTOWAY Co., Ltd., which mainly deals with sales of tires and wheels. It will also develop businesses that take into account the entire automobile industry by expanding the services in the used car sales industry, maintenance industry and new car sales industry.

For the field of lifestyle-related information, medical, nursing and welfare have been designated as the areas of utmost priority, and the Group plans to expand business in advertising and welfare equipment rental services as well as strengthen goods and services for cultural information, recycling and reusing information.

Accordingly, the consolidated business forecasts for the next term (ending Mar. 2019) show that sales will be 62,370 million yen (0.4% yr-on-yr increase), operating income will be 4,100 million yen (11.6% yr-on-yr increase), ordinary income will be 4,125 million yen (10.4% yr-on-yr increase), and net income attributable to owners of parent will be 2,700 million yen (419.9% yr-on-yr increase).

2. Basic Principle of Selecting Accounting Standard

The Group is intending to develop consolidated financial statements based on the Japanese standard for the time being, in consideration for the financial statements’ comparability between periods and comparability between companies.

Appropriate actions will be taken to apply IFRS in the future based on careful consideration of various domestic and international situations.

3. Consolidated Financial Statements and Annotation

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	March 31, 2017	March 31, 2018
ASSETS		
Current Assets		
Cash	12,784,134	16,120,775
Notes and accounts receivable	4,857,295	5,218,868
Electronically Recorded Monetary Claims	20,040	17,073
Goods and products	4,481,993	4,291,194
Goods in process	158,207	103,396
Raw material and inventory goods	27,170	30,157
Deferred tax assets	178,184	151,117
Other current assets	1,235,838	1,906,667
Allowance for doubtful accounts	(11,437)	(12,961)
Total Current Assets	23,731,427	27,826,289
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	9,308,270	9,041,339
Accumulated depreciation	(3,788,151)	(4,122,554)
Building and structures -Net	5,520,118	4,918,785
Land	4,793,608	5,818,155
Other tangible fixed assets	1,410,654	1,799,950
Accumulated depreciation	(822,102)	(1,079,087)
Other tangible fixed assets -Net	588,551	720,862
Total Tangible Fixed Assets	10,902,278	11,457,803
Intangible Fixed Assets		
Goodwill	4,106,727	2,288,800
Other intangible fixed assets	1,856,076	1,392,146
Total Intangible Fixed Assets	5,962,803	3,680,946
Investment and Other Assets		
Investments in securities	900,094	916,590
Deferred tax assets	106,387	209,237
Other investments	391,952	398,206
Allowance for doubtful accounts	(60,398)	(71,781)
Total investments and other assets	1,338,035	1,452,252
Total Fixed Assets	18,203,118	16,591,002
Total Assets	41,934,545	44,417,292

(Thousands of yen)

	March 31, 2017	March 31, 2018
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	2,127,447	1,347,972
Electronically recorded obligations	—	594,949
Short-term loans payable	3,850,000	6,450,000
Current portion of long-term borrowings	738,435	578,586
Accrued expenses	2,142,069	2,314,900
Accrued income taxes	589,411	1,065,665
Allowance for sales returns	73,278	75,827
Allowance for bonus payable	147,194	147,026
Provision for point card certificates	19,687	22,680
Other current liabilities	2,940,040	3,546,144
Total Current Liabilities	12,627,564	16,143,753
Long-Term Liabilities		
Long-term borrowings	2,090,659	1,561,834
Allowance for directors' retirement benefits	256,340	263,279
Asset retirement obligation	186,007	183,065
Other long-term liabilities	372,535	288,076
Total Long-Term Liabilities	2,905,542	2,296,254
Total Liabilities	15,533,107	18,440,008
NET ASSETS		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,734	2,011,734
Retained earnings	23,037,683	22,554,059
Treasury stock	(1,305,778)	(1,305,943)
Total Shareholders' Equity	25,568,260	25,084,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	143,871	155,440
Foreign currency translation adjustments	689,306	708,123
Total accumulated other comprehensive income	833,177	863,564
Non-controlling interests	—	29,248
Total Net Assets	26,401,438	25,977,283
Total Liabilities and Net Assets	41,934,545	44,417,292

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

(Thousands of yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018
Net Sales	56,717,929	62,111,962
Cost of Sales	34,908,255	38,967,882
Gross Profit	21,809,674	23,144,080
Reversal of Reserve for Returned Products	83,683	73,477
Transfer to Reserve for Returned Products	72,800	75,212
Adjusted Gross Profit	21,820,557	23,142,344
Selling, General and Administrative Expenses		
Salaries for directors and employees	6,698,825	6,801,179
Provision for allowance for directors' retirement benefits	16,400	21,759
Provision for allowance for bonus payable	97,134	97,946
Advertising	4,167,414	4,295,508
Provision for allowance for doubtful accounts	41,685	15,685
Provision for point card certificates	152	3,717
Amortization of goodwill	638,338	632,346
Others	7,364,819	7,599,598
Total Selling, General and Administrative Expenses	19,024,770	19,467,742
Operating Income	2,795,786	3,674,602
Non-Operating Income		
Interest income	17,411	10,627
Dividend income	13,743	13,424
Income from sales of used paper	24,803	21,148
Insurance return	—	71,825
Foreign exchange gains	49,841	31,536
Other income	64,661	55,558
Total Non-Operating Income	170,461	204,120
Non-Operating Expenses		
Interest expenses of loans	41,723	29,520
Loss on valuation of derivatives	29,927	101,274
Other expenses	11,470	12,359
Total Non-Operating Expenses	83,121	143,154
Ordinary Income	2,883,126	3,735,568

(Thousands of yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018
Extraordinary Income		
Gains from sales of fixed assets	1,764	115,614
Total Extraordinary Income	1,764	115,614
Extraordinary Losses		
Losses from sales of fixed assets	8,738	—
Losses from disposals of fixed assets	29,177	82,307
Impairment losses	35,300	1,696,324
Losses of disaster	25,353	—
Losses of liquidation of subsidiaries	541	4,751
Settlement package	—	77,410
Total Extraordinary Losses	99,111	1,860,793
Income before Income Taxes	2,785,779	1,990,388
Income Taxes	1,290,640	1,570,786
Adjustment of Corporate Income Tax	(11,535)	(95,290)
Corporate Income Tax Total	1,279,104	1,475,496
Net income	1,506,675	514,892
Net loss attributable to non-controlling interests	—	(4,411)
Net income attributable to owners of parent	1,506,675	519,303

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018
Net income	1,506,675	514,892
Other Comprehensive Income		
Valuation difference on available-for-sale securities	35,107	11,569
Foreign currency translation adjustments	(37,422)	18,817
Other comprehensive income	(2,315)	30,386
Comprehensive Income	1,504,359	545,279
(Breakdown)		
Comprehensive income attributable to owners of Parent	1,504,359	549,690
Comprehensive income attributable to non-controlling interests	—	(4,411)

(3) Consolidated Statements of Changes in Shareholders' Equity

Year Ended March 31, 2017

(Thousands of yen)

	Shareholder's Equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	Total Shareholder's Equity
Balance at the beginning of current year	1,824,620	2,011,734	22,436,553	(1,107,184)	25,165,723
Increase (decrease) during the year					
Cash dividends			(905,545)		(905,545)
Net income attributable to owners of parent			1,506,675		1,506,675
Acquisition of treasury stocks				(198,593)	(198,593)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	601,129	(198,593)	402,536
Balance at end of period	1,824,620	2,011,734	23,037,683	(1,305,778)	25,568,260

	Accumulated other comprehensive income			Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current year	108,764	726,729	835,493	—	26,001,217
Increase (decrease) during the year					
Cash dividends					(905,545)
Net income attributable to owners of parent					1,506,675
Acquisition of treasury stocks					(198,593)
Net changes of items other than shareholders' equity	35,107	(37,422)	(2,315)		(2,315)
Total increase (decrease) during the period	35,107	(37,422)	(2,315)	—	400,220
Balance at end of period	143,871	689,306	833,177	—	26,401,438

Year Ended March 31, 2018

(Thousands of yen)

	Shareholder's Equity				Total Shareholder's Equity
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	
Balance at the beginning of current year	1,824,620	2,011,734	23,037,683	(1,305,778)	25,568,260
Increase (decrease) during the year					
Cash dividends			(1,002,928)		(1,002,928)
Net income attributable to owners of parent			519,303		519,303
Acquisition of treasury stocks				(165)	(165)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	(483,624)	(165)	(483,789)
Balance at end of period	1,824,620	2,011,734	22,554,059	(1,305,943)	25,084,470

	Accumulated other comprehensive income			Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current year	143,871	689,306	833,177	—	26,401,438
Increase (decrease) during the year					
Cash dividends					(1,002,928)
Net income attributable to owners of parent					519,303
Acquisition of treasury stocks					(165)
Net changes of items other than shareholders' equity	11,569	18,817	30,386	29,248	59,635
Total increase (decrease) during the period	11,569	18,817	30,386	29,248	(424,154)
Balance at end of period	155,440	708,123	863,564	29,248	25,977,283

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018
Cash Flows from Operating Activities		
Income before income taxes	2,785,779	1,990,388
Depreciation	1,112,259	1,088,028
Impairment loss	35,300	1,696,324
Amortization of goodwill	638,338	632,346
Loss (gain) on valuation of derivatives	29,927	101,274
Increase (decrease) in reserve for directors' retirement allowances	13,100	6,939
Increase (decrease) in reserve for bonuses	9,101	(168)
Increase (decrease) in reserve for returned products	(10,881)	1,735
Increase (decrease) in allowance for doubtful accounts	29,133	12,255
Increase (decrease) in provision for point card certificates	(1,112)	2,993
Interest and dividend income	(31,155)	(24,051)
Interest expenses	41,723	29,520
Foreign exchange losses (gains)	(12,048)	(17,937)
Loss (gain) on sales/disposal of property and equipment	36,150	(33,306)
Loss on disaster	25,353	—
Loss (gain) on liquidation of subsidiaries	541	4,751
Decrease (increase) in trade receivables	97,698	(868,285)
Decrease (increase) in inventories	(532,852)	242,808
Increase (decrease) in accounts payable	(63,950)	(185,813)
Increase (decrease) in accrued expenses	336,405	156,322
Increase (decrease) in advances received	171,759	91,703
Increase (decrease) in accrued consumption taxes, etc	(56,248)	285,592
Others	(38,615)	(89,143)
Subtotal	4,615,707	5,124,279
Interest and dividends received	31,155	24,052
Interest paid	(39,295)	(28,966)
Income taxes paid	(1,479,311)	(1,171,863)
Income taxes refunded	51,543	51,630
Net Cash Provided by (Used in) Operating Activities	3,179,799	3,999,131

(Thousands of yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018
Cash Flows from Investing Activities		
Decrease in time deposits	(55)	(24)
Increase in time deposits	600,000	10,015
Acquisition of property and equipment	(628,189)	(1,850,851)
Proceeds from sales of property and equipment	7,003	518,995
Acquisition of intangible fixed assets	(593,600)	(299,264)
Payment of long-term prepaid expenses	(16,577)	(18,041)
Purchase of investment securities	(499,999)	—
Addition to investment securities	1,651	—
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	(22,400)
Payment for acquisition of business	(16,000)	—
Others	(51,675)	85,261
Net Cash Provided by (Used in) Investing Activities	(1,197,443)	(1,576,309)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	945,000	2,600,000
Proceeds from long-term borrowings	900,000	120,000
Payment for repaying of long-term borrowings	(1,783,935)	(808,674)
Acquisition of treasury stock	(198,593)	(165)
Dividends paid	(905,517)	(1,002,619)
Proceeds from sales and leasebacks	176,580	—
Repayments of lease obligations	(19,667)	(43,542)
Proceeds from share issuance to non-controlling shareholders	—	67,320
Repayments to non-controlling shareholders	—	(33,660)
Net Cash Provided by (Used in) Financing Activities	(886,134)	898,658
Translation Gain (Loss) Related to Cash and Cash Equivalents	(145)	25,150
Net Change in Cash and Cash Equivalents	1,096,075	3,346,631
Cash and Cash Equivalents at Beginning of Term	11,286,999	12,383,075
Cash and Cash Equivalents at End of Term	12,383,075	15,729,707