

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on February 2, 2021 at 15:00 (GMT+9) and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

Member of the Financial Accounting Standards Foundation



February 2, 2021

CONSOLIDATED FINANCIAL RESULTS for the Year Ended December 31, 2020 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 5214
URL: <https://www.neg.co.jp/>
Representative: Motoharu Matsumoto, President and Representative Director
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Scheduled date of ordinary general meeting of shareholders: March 30, 2021
Scheduled date to commence dividend payments: March 31, 2021
Scheduled date to file securities report: March 31, 2021
Supplementary material on financial results: Yes
Financial results presentation meeting: Yes (conference call for institutional investors and analysts)

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

1. Consolidated performance for the year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

For the year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
December 31, 2020	242,886	(5.7)	17,660	8.6	19,109	24.3	15,252	-
December 31, 2019	257,511	(14.3)	16,258	(34.6)	15,373	(22.5)	(33,669)	-

Note: Comprehensive income:

For the year ended December 31, 2020: 10,082 million yen [-%]
For the year ended December 31, 2019: (34,352) million yen [-%]

	Earnings per share	Diluted Earnings per share	Earnings/equity	Ordinary profit/total assets	Operating profit/net sales
For the year ended	yen	yen	%	%	%
December 31, 2020	157.84	-	3.2	2.9	7.3
December 31, 2019	(348.50)	-	(6.8)	2.2	6.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
December 31, 2020	658,139	476,920	71.7	4,886.10
December 31, 2019	664,800	477,154	71.0	4,885.50

Reference: Equity:

As of December 31, 2020: 472,198 million yen

As of December 31, 2019: 472,030 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
For the year ended				
December 31, 2020	47,861	(19,759)	(7,739)	121,215
December 31, 2019	21,637	(14,316)	(21,976)	100,977

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
For the year ended	yen	yen	yen	yen	yen		%	%
December 31, 2019	-	50.00	-	50.00	100.00	9,661	-	2.0
December 31, 2020	-	50.00	-	50.00	100.00	9,663	63.4	2.0
For the year ending December 31, 2021 (Forecasts)	-	50.00	-	50.00	100.00	—	62.3	—

3. Consolidated earnings forecasts for the year ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the six months ending June 30, 2021	125,000	8.3	9,000	15.9	9,000	30.6	5,000	(26.7)	51.74
For the year ending December 31, 2021	260,000	7.0	20,000	13.2	20,000	4.7	15,500	1.6	160.39

*** Notes**

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

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

A. Changes in accounting policies due to revisions to accounting standards: None

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common stock)

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

As of December 31, 2020	99,523,246 shares
As of December 31, 2019	99,523,246 shares

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

As of December 31, 2020	2,882,008 shares
As of December 31, 2019	2,904,626 shares

C. Average number of shares during the period

For the year ended December 31, 2020	96,634,409 shares
For the year ended December 31, 2019	96,614,429 shares

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS (Reference)

Non-consolidated performance for the year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

For the year ended	Net sales		Operating profit		Ordinary profit		Profit	
		%		%		%		%
December 31, 2020	115,001	(6.8)	5,326	198.5	11,319	24.7	14,088	-
December 31, 2019	123,371	-	1,784	-	9,075	(66.6)	(47,479)	-

For the year ended	Earnings per share	Diluted Earnings per share
	yen	yen
December 31, 2020	145.79	-
December 31, 2019	(491.43)	-

Note: The method of presentation has been changed from the fiscal year ended December 31, 2020, and since figures shown for net sales and operating profit in non-consolidated operating results for the fiscal year ended December 31, 2019 reflect the reclassified amounts after the change in presentation, the year-on-year percentage changes are not shown.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
December 31, 2020	585,603	424,184	72.4	4,389.27
December 31, 2019	575,979	421,868	73.2	4,366.33

Reference: Equity:

As of December 31, 2020: 424,184 million yen

As of December 31, 2019: 421,868 million yen

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

* Proper use of earnings forecasts, and other special directions

(Proper use of earnings forecasts)

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company and its subsidiaries (“the Company Group”) and include risks and contingencies. Actual business results may differ substantially due to a number of factors. For more details, please refer to the section of “(iii) Outlook for the year ending December 31, 2021 of (1) Overview of operating results in Operating results and financial position” on page 6.

Operating results and financial position

(1) Overview of operating results

(i) Overview of the fiscal year under review (from January 1, 2020 to December 31, 2020)

The outlook for the global economy remains uncertain as the trade dispute between the US and China and the spread of the novel coronavirus disease (hereinafter called COVID-19) affect economic activity, despite showing some signs of recovery. In the domestic economy, while some improvement was seen in the employment environment and personal consumption during the latter half of the year, the recovery was only moderate.

Under these circumstances, while taking thorough measures to prevent infection, the Company Group has responded flexibly to changes in market conditions and continued business activities.

During the fiscal year ended December 31, 2020 (from January 1 to December 31, 2020), despite capturing firm demand for glass for flat panel displays (FPDs), glass fiber suffered due to significant impact on automobile-related markets as a result of the spread of infections, and net sales fell below the level of the previous fiscal year (from January 1 to December 31, 2019).

In terms of profit/loss, while there was a decline in net sales and falls in capacity utilization rates, at the same time, due to the effects of improved productivity and cost reduction, operating profit and ordinary profit came in above the level of the previous fiscal year. Profit attributable to owners of parent improved significantly compared to the previous fiscal year which recorded a large net loss.

(ii) Operating results for the fiscal year under review

(Billions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020	Change (%)
Net sales	257.5	242.8	(6)
Operating profit	16.2	17.6	9
Ordinary profit	15.3	19.1	24
Profit (Loss) attributable to owners of parent	(33.6)	15.2	-

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Year ended December 31, 2019		Year ended December 31, 2020		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	134.4	52	136.1	56	1.7	1
	Performance Materials and Others	123.0	48	106.6	44	(16.4)	(13)
Total		257.5	100	242.8	100	(14.6)	(6)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Though shipments of glass for FPDs during the second quarter (from April 1 to June 30, 2020) were affected by customer production cuts, from the third quarter (from July 1 to September 30, 2020) onward, shipments rose above the level of the previous fiscal year as a result of the rapid recovery in the display market for televisions and IT-related applications. The prices slightly

declined compared to the previous fiscal year. Sales of cover glass (glass for chemical strengthening) declined compared to the previous fiscal year as a result of slowdown in demand for smartphones, etc. While shipments of glass for optical and electronic devices, mainly for use in auto parts, decreased, shipments of glass for optical devices were firm, so total shipments increased year-on-year. The LTCC (low temperature co-fired ceramics) joint venture business also contributed to sales.

Performance Materials and Others:

Shipments of glass fiber decreased compared to the previous fiscal year, despite shipments recovering, mainly for high-performance resin used in auto parts, from the third quarter after hitting a bottom in the second quarter due to the impact of COVID-19. While shipments of heat-resistant glass and glass for building materials declined compared to the previous fiscal year due to the impact of COVID-19, shipments of glass tubing for pharmaceutical and medical use increased versus the previous fiscal year in the wake of strong demand in related markets.

(Profit/loss)

Although the decline in net sales and falls in capacity utilization rates for glass fiber caused profit to be pushed down, operating profit managed to exceed the level of the previous fiscal year due to significant improvement in productivity for mainly glass for FPDs, as well as cost reduction efforts, construction reviews, etc.

Ordinary profit exceeded the level of the previous fiscal year, as the foreign exchange losses attributable to revaluation of receivables and payables related to loans for overseas subsidiaries that were recorded in the previous fiscal year reversed became foreign exchange gains in this fiscal year.

While an extraordinary loss was recorded in association with expenses from a temporary suspension of operations following a power outage at a domestic plant in December 2020, profit attributable to owners of parent improved significantly compared with the previous fiscal year which booked large impairment losses pertaining to subsidiaries of European and US glass fiber business.

(iii) Outlook for the year ending December 31, 2021

(Billions of yen)

	Six months ending June 30, 2021	Year ending December 31, 2021
Net sales	125.0	260.0
Operating profit	9.0	20.0
Ordinary profit	9.0	20.0
Profit attributable to owners of parent	5.0	15.5

Notes: Amounts less than 100 million yen are omitted.

Although there are still no signs of the COVID-19 pandemic coming under control, the global economy is expected to remain on a path of recovery mainly in the US and China.

Under these circumstances, in the Electronics and Information Technology segment, while shipments of glass for FPDs during the first quarter of the fiscal year ending December 31, 2021 (from January 1 to March 31, 2021) are predicted to have a temporary impact from the aforementioned domestic plant power outage, we expect a steady trend against the backdrop of strong demand in the display market. In addition, we are strengthening production capacity in Xiamen, China, aiming to capture demand in the Chinese market. In cover glass (glass for chemical strengthening), we will promote the expansion of applications and sales of new products. In glass for optical and electronic devices, we will work on development and expanding sales for growth markets such as telecommunications, automobiles and medical care.

In the Performance Materials and Others segment, we are advancing the rebuilding of our global production system in response to demand trends, against the backdrop of the rapid recovery of market conditions for glass fiber. We strengthened production capacity for glass tubing for

pharmaceutical and medical use in Malaysia in October 2020. We will strive to further improve production efficiency including existing facilities and respond to satisfying strong demand in the market for pharmaceutical and medical containers. In heat-resistant glass and glass for building materials, we will make efforts to develop new products and new applications, as well as to expand sales.

We expect profit/loss to be affected by costs associated with resuming facilities in line with market recovery as well as starting up new facilities in preparation for the future, etc., but we will promote further productivity improvement and cost reduction with the aim of raising profitability. We expect to record an extraordinary loss of roughly 6,500 million yen in the fiscal year ending December 31, 2021 associated with the aforementioned power outage at a domestic plant, and this is factored into the consolidated earnings forecast.

In light of the above outlook, the Company Group's forecasts for the fiscal year ending December 31, 2021 are as shown in the table above.

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

(2) Overview of financial position

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

(Billions of yen)

	As of December 31, 2019	As of December 31, 2020	Change
Total assets	664.8	658.1	(6.6)
Liabilities	187.6	181.2	(6.4)
Net assets	477.1	476.9	(0.2)

Note: Amounts less than 100 million yen are omitted.

(Total assets)

Total net assets at the end of this fiscal year decreased by 6,660 million yen compared to the end of the previous fiscal year to 658,139 million yen. In current assets, although there was payment of dividends to shareholders and redemption of bonds payable, cash and deposits increased from the increase in cash flows from operating activities and undertaking new borrowings. At the same time, merchandise and finished goods decreased due to the production adjustment from the impact of COVID-19 and the recovery of sales from the second half.

In non-current assets, although facilities were acquired for FPD glass business and glass tubing for medical and pharmaceuticals application business, total property, plant and equipment decreased due to the progress of depreciation. In addition, investment securities decreased due to the sale of investment securities and decrease in valuation amount.

(Liabilities)

Total liabilities at the end of this fiscal year decreased by 6,426 million yen compared to the end of the previous fiscal year to 181,219 million yen. In current liabilities, in addition to notes and accounts payable - trade decreasing due to the decline in purchasing as a result of production adjustment, the current portion of bonds payable was redeemed. At the same time, short-term borrowings increased due to the transfer from long-term borrowings of those with repayment due within one year.

In non-current liabilities, although there were new borrowings undertaken, long-term borrowings decreased due to the aforementioned transfer to short-term borrowings.

(Net assets)

Total net assets at the end of this fiscal year decreased by 234 million yen compared to the end of the previous fiscal year to 476,920 million yen. Despite the payment of dividends, retained earnings increased due to recording profit attributable to owners of parent. Foreign currency translation adjustments decreased due to an appreciation in the yen exchange rate with some currencies.

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

(Billions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020	Change
Cash flows from operating activities	21.6	47.8	26.2
Cash flows from investing activities	(14.3)	(19.7)	(5.4)
Cash flows from financing activities	(21.9)	(7.7)	14.2
Period-end cash and cash equivalents	100.9	121.2	20.2

Note: Amounts less than 100 million yen are omitted.

(Cash flows from operating activities)

Profit before income taxes was recorded for this fiscal year. Although trade payables decreased, depreciation was recorded and inventories declined. As a result, net cash provided by operating activities in this fiscal year was 47,861 million yen (an increase of 26,224 million yen compared to the previous fiscal year).

(Cash flows from investing activities)

Primarily due to the acquisition of non-current assets for facilities related to glass for FPDs and glass tubing for pharmaceutical and medical use, net cash used in investing activities for this fiscal year was 19,759 million yen (an increase of 5,443 million yen versus the previous fiscal year).

(Cash flows from financing activities)

Despite the undertaking of new borrowings, net cash used in financing activities in this fiscal year was 7,739 million yen (a decrease of 14,237 million yen compared to the previous fiscal year) due to the payment of dividends to shareholders and redemption of bonds payable.

(iii) Trends of cash-flow related indices

Year ended	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Equity ratio (%)	72.7	70.5	71.2	71.0	71.7
Market value-based equity ratio (%)	45.3	56.0	35.9	35.5	33.1
Interest-bearing debt to cash flows ratio (years)	2.1	2.6	2.2	4.6	2.2
Interest coverage ratio (times)	45.0	59.0	35.6	28.1	75.7

Equity ratio: Shareholders' equity / Total assets

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

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

Interest coverage ratio: Operating cash flow / Interest paid

- Notes:
1. All calculations are based on consolidated financial figures.
 2. Market capitalization was calculated based on the number of issued shares excluding treasury stock.
 3. For operating cash flows and interest paid, calculations use "cash flows from operating activities" and "interest expenses paid," respectively, in the consolidated statement of cash flows. Moreover, interest-bearing debt corresponds to long- and short-term loans payable, bonds payable and commercial papers (Other in Current liabilities) included in liabilities presented in the consolidated balance sheet.

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

The Company views returning profits to shareholders as an important issue for management.

Based on a basic policy of maintaining a long-term and stable return of profits to shareholders that is not significantly affected by fluctuations in earnings, the Company decides on dividend payments with its target of dividend on equity ratio (DOE) at 2% or more, while taking its financial situation into account. The Company will also implement flexible profit-sharing according to the achievement of the medium-term management plan.

(Year-end dividend)

The Company shall present the year-end dividend payment of 50 yen per share for approval at the Ordinary General Meeting of Shareholders scheduled to be held on March 30, 2021. The total annual dividend including the interim dividend of 50 yen per share is 100 yen per share (same amount as the previous fiscal year).

(Dividend forecast for the next fiscal year)

The Company plans to pay 50 yen per share as the interim dividend, as well as the year-end dividend (for an annual dividend of 100 yen per share), which are the same dividend amounts as this fiscal year.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	101,509	121,440
Notes and accounts receivable - trade	52,819	59,286
Merchandise and finished goods	52,551	35,317
Work in process	3,141	2,359
Raw materials and supplies	26,295	23,186
Other	5,331	4,973
Allowance for doubtful accounts	(166)	(163)
Total current assets	241,482	246,399
Non-current assets		
Property, plant and equipment		
Buildings and structures	162,686	163,576
Accumulated depreciation	(87,253)	(91,838)
Buildings and structures, net	75,432	71,738
Machinery, equipment and vehicles	684,746	688,272
Accumulated depreciation	(427,618)	(438,447)
Machinery, equipment and vehicles, net	257,128	249,825
Land	11,467	11,399
Construction in progress	12,423	19,532
Other	21,178	22,560
Accumulated depreciation	(18,948)	(19,327)
Other, net	2,229	3,232
Total property, plant and equipment	358,682	355,727
Intangible assets	7,306	5,207
Investments and other assets		
Investment securities	52,478	47,434
Deferred tax assets	2,317	1,846
Other	2,554	1,543
Allowance for doubtful accounts	(20)	(21)
Total investments and other assets	57,329	50,804
Total non-current assets	423,318	411,739
Total assets	664,800	658,139

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,892	28,501
Short-term borrowings	23,874	47,019
Current portion of bonds payable	10,000	—
Income taxes payable	1,355	1,533
Provision for business restructuring	—	1,269
Provision for loss on closing plants	1,047	864
Other provisions	61	156
Other	25,253	24,230
Total current liabilities	96,485	103,576
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	44,604	34,668
Deferred tax liabilities	10,277	9,225
Provision for special repairs	11,867	9,341
Other provisions	18	20
Retirement benefit liability	939	1,035
Other	3,453	3,350
Total non-current liabilities	91,160	77,643
Total liabilities	187,645	181,219
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,358	34,310
Retained earnings	405,560	411,137
Treasury shares	(10,258)	(10,178)
Total shareholders' equity	461,815	467,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,147	18,775
Deferred gains or losses on hedges	48	98
Foreign currency translation adjustment	(10,981)	(14,101)
Total accumulated other comprehensive income	10,215	4,773
Non-controlling interests	5,123	4,721
Total net assets	477,154	476,920
Total liabilities and net assets	664,800	658,139

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

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	257,511	242,886
Cost of sales	202,622	191,429
Gross profit	54,888	51,456
Selling, general and administrative expenses	38,629	33,795
Operating profit	16,258	17,660
Non-operating income		
Interest income	653	710
Dividend income	1,322	1,102
Subsidy income	439	477
Foreign exchange gains	—	935
Other	1,035	1,205
Total non-operating income	3,450	4,431
Non-operating expenses		
Interest expenses	695	587
Depreciation of inactive non-current assets	584	1,228
Loss on retirement of non-current assets	249	480
Foreign exchange losses	1,604	—
Other	1,201	687
Total non-operating expenses	4,334	2,983
Ordinary profit	15,373	19,109
Extraordinary income		
Reversal of provision for special repairs	4,393	2,941
Gain on sales of investment securities	14	2,592
Other	854	938
Total extraordinary income	5,263	6,472
Extraordinary losses		
Impairment loss	34,775	2,419
Loss on accident	3,756	1,525
Business restructuring expenses	47	1,336
Other	1,326	403
Total extraordinary losses	39,905	5,685
Profit (loss) before income taxes	(19,268)	19,896
Income taxes - current	2,671	3,936
Income taxes - deferred	11,297	435
Total income taxes	13,969	4,372
Profit (loss)	(33,237)	15,524
Profit attributable to non-controlling interests	431	271
Profit (loss) attributable to owners of parent	(33,669)	15,252

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit (loss)	(33,237)	15,524
Other comprehensive income		
Valuation difference on available-for-sale securities	1,665	(2,371)
Deferred gains or losses on hedges	(60)	50
Foreign currency translation adjustment	(2,646)	(3,153)
Share of other comprehensive income of entities accounted for using equity method	(73)	32
Total other comprehensive income	(1,114)	(5,441)
Comprehensive income	(34,352)	10,082
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(34,784)	9,810
Comprehensive income attributable to non- controlling interests	431	271

(3) Consolidated statement of changes in equity

Year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,155	34,365	448,909	(10,308)	505,121
Changes during period					
Dividends of surplus			(9,661)		(9,661)
Loss attributable to owners of parent			(33,669)		(33,669)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(7)		50	42
Other			(17)		(17)
Net changes in items other than shareholders' equity					
Total changes during period	—	(7)	(43,348)	49	(43,306)
Balance at end of period	32,155	34,358	405,560	(10,258)	461,815

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	19,481	108	(8,260)	11,330	5,095	521,547
Changes during period						
Dividends of surplus						(9,661)
Loss attributable to owners of parent						(33,669)
Purchase of treasury shares						(0)
Disposal of treasury shares						42
Other						(17)
Net changes in items other than shareholders' equity	1,665	(60)	(2,720)	(1,114)	27	(1,086)
Total changes during period	1,665	(60)	(2,720)	(1,114)	27	(44,393)
Balance at end of period	21,147	48	(10,981)	10,215	5,123	477,154

Year ended December 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,155	34,358	405,560	(10,258)	461,815
Changes during period					
Dividends of surplus			(9,663)		(9,663)
Profit attributable to owners of parent			15,252		15,252
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(47)		81	34
Other			(12)		(12)
Net changes in items other than shareholders' equity					
Total changes during period	—	(47)	5,576	80	5,610
Balance at end of period	32,155	34,310	411,137	(10,178)	467,425

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	21,147	48	(10,981)	10,215	5,123	477,154
Changes during period						
Dividends of surplus						(9,663)
Profit attributable to owners of parent						15,252
Purchase of treasury shares						(0)
Disposal of treasury shares						34
Other						(12)
Net changes in items other than shareholders' equity	(2,371)	50	(3,120)	(5,441)	(402)	(5,844)
Total changes during period	(2,371)	50	(3,120)	(5,441)	(402)	(234)
Balance at end of period	18,775	98	(14,101)	4,773	4,721	476,920

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(19,268)	19,896
Depreciation	28,576	24,931
Impairment loss	34,775	2,419
Loss (gain) on sales of investment securities	(14)	(2,592)
Increase (decrease) in provision for special repairs	(5,907)	(2,525)
Foreign exchange losses (gains)	1,106	(769)
Interest and dividend income	(1,975)	(1,813)
Interest expenses	695	587
Decrease (increase) in trade receivables	3,073	(5,442)
Decrease (increase) in inventories	(14,209)	20,208
Increase (decrease) in trade payables	(3,513)	(7,390)
Other, net	440	1,506
Subtotal	23,778	49,017
Interest and dividends received	1,943	1,827
Interest paid	(771)	(631)
Proceeds from insurance income	615	376
Income taxes paid	(3,928)	(2,727)
Net cash provided by (used in) operating activities	21,637	47,861
Cash flows from investing activities		
Proceeds from sales of investment securities	125	4,434
Purchase of non-current assets	(13,962)	(25,171)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(201)	—
Other, net	(276)	977
Net cash provided by (used in) investing activities	(14,316)	(19,759)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(696)	116
Proceeds from long-term borrowings	1,225	16,233
Repayments of long-term borrowings	(11,759)	(3,048)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	(10,000)
Dividends paid	(9,661)	(9,660)
Dividends paid to non-controlling interests	(592)	(674)
Other, net	(490)	(706)
Net cash provided by (used in) financing activities	(21,976)	(7,739)
Effect of exchange rate change on cash and cash equivalents	(616)	(124)
Net increase (decrease) in cash and cash equivalents	(15,271)	20,238
Cash and cash equivalents at beginning of period	116,248	100,977
Cash and cash equivalents at end of period	100,977	121,215