

Summary of Financial and Operating Results for the Fiscal Year Ended March 31, 2019 [Japan GAAP]

May 10, 2019

Company: Hibiya Engineering, Ltd.

Stock exchange listing: Tokyo Stock Exchange (First Section)

Stock code: 1982

URL: <http://www.hibiya-eng.co.jp/English>

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Regular general meeting of shareholders: June 27, 2019 (tentative)

Date of commencement of dividend payment: June 28, 2019 (tentative)

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Supplementary explanatory documents: No

Earnings presentation: Yes (For analysts and institutional investors)

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Consolidated results of operations for the year ended March 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated results of operations (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/19	70,035	4.8	2,048	(35.4)	3,212	(21.5)	2,711	(62.7)
FY3/18	66,838	(14.7)	3,171	(43.5)	4,094	(41.3)	7,273	39.7

Note: Comprehensive income: FY3/19: 3,797 million yen [-57.7%]; FY3/18: 8,979 million yen [54.4%]

	Earnings per share	Earnings per share fully diluted	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY3/19	111.34	110.69	4.7	3.9	2.9
FY3/18	262.00	260.69	12.3	4.6	4.7

(Reference) Equity in earnings of equity method affiliates: FY3/19: 738 million yen; FY3/18: 560 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	yen
FY3/19	82,396	60,026	71.3	2,441.23
FY3/18	82,931	58,580	69.2	2,350.48

(Reference) Shareholders' equity: FY3/19: 58,727 million yen; FY3/18: 57,382 million yen

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/19	5,800	1,605	(2,434)	17,641
FY3/18	5,672	9,863	(14,211)	12,669

2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend ratio (Consolidated)	Dividend-to-equity ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/18	-	30.00	-	30.00	60.00	1,613	22.9	2.7
FY3/19	-	40.00	-	40.00	80.00	1,957	71.9	3.3
FY3/20 (Estimate)	-	40.00	-	40.00	80.00		64.1	

3. Consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	75,000	7.1	4,000	95.2	5,000	55.6	3,000	10.6	124.71

Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

(2) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: No

(b) Changes other than in (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of March 31, 2019: 25,006,321 As of March 31, 2018: 26,506,321

(b) Treasury shares

As of March 31, 2019: 949,918 As of March 31, 2018: 2,093,217

(c) Average number of shares

Period ended March 31, 2019: 24,355,935 Period ended March 31, 2018: 27,761,855

(Reference) Summary of the Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(1) Result of operations (Non-consolidated) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/19	61,016	6.5	1,696	(33.9)	2,190	(25.0)	1,864	(88.8)
FY3/18	57,290	(16.3)	2,565	(47.2)	2,922	(44.0)	16,579	323.5

	Earnings per share	Earnings per share fully diluted
FY3/19	76.56	76.11
FY3/18	594.76	591.79

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/19	62,825	44,259	70.1	1,831.36
FY3/18	63,053	43,725	69.1	1,784.07

(Reference) Shareholders' equity: FY3/19: 44,055 million yen; FY3/18: 43,554 million yen

2. Non-consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	65,000	6.5	3,500	106.3	3,900	78.0	2,500	34.1	103.92

Forward-looking statements, important notes, etc.

This report is exempt from the audit review by certified public accountant or audit firm.

These materials contain forward-looking statements that are based on information available to management as of the date of this report. Actual results may be materially different from the above forecasts for a number of reasons.

This is an English translation of the captioned report. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.

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1. Results of Operations

(1) Analysis of results of operations

In the fiscal that ended in March 2019, the Japanese economy continued to recover at a moderate pace with the support of solid internal demand. However, there were signs of weakness in some categories of exports and manufacturing because of slowing global economic growth.

In Japan's construction industry, corporate capital expenditures continued to increase as earnings improved. But the business climate remained challenging due to Japan's tight labor market and the rising cost of building materials and labor.

The Hibiya Engineering Group took many actions during the fiscal year to create life cycle total solutions on an even higher level for customers. Major goals included the growth of consistent-revenue operations that unify sales and engineering services and the use of cooperation among group companies and alliances with other companies. For working-style reforms, there were investments in human resources and ICT for more initiatives to increase the role of women in the workforce, use ICT for more efficient business processes and other goals. To build stronger ties with partner companies, a portal site was established, an internet system for processing invoices was started and other actions were taken.

As a result, orders received were 75,879 million yen, 4.5% higher than in the previous fiscal year. Sales increased 4.8% to 70,035 million yen. Operating profit was down 35.4% to 2,048 million yen and operating profit decreased 21.5% to 3,212 million yen. The primary cause was higher outsourcing expenses and other factors that brought down profitability at some large projects at newly constructed buildings. Profit attributable to owners of parent fell 62.7% to 2,711 million yen.

Results of operations for business segments are as follows.

1. Construction

Segment sales increased 5.9% to 61,448 million yen and operating profit decreased 35.1% to 1,701 million yen.

2. Equipment sales

Segment sales increased 1.3% to 5,819 million yen and operating profit decreased 12.8% to 294 million yen.

3. Equipment manufacturing

Segment sales decreased 9.7% to 2,767 million yen and operating profit decreased 80.6% to 39 million yen.

Orders received by segments

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018) (million yen)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019) (million yen)	YoY change (%)
Construction	63,788	67,314	5.5
Equipment sales	5,742	5,819	1.3
Equipment manufacturing	3,052	2,744	(10.1)
Total	72,583	75,879	4.5

Net sales by segments

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018) (million yen)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019) (million yen)	YoY change (%)
Construction	58,029	61,448	5.9
Equipment sales	5,742	5,819	1.3
Equipment manufacturing	3,066	2,767	(9.7)
Total	66,838	70,035	4.8

- Note: 1. Inter-segment transactions are eliminated.
2. Consumption and other taxes are not included in the amount.

(2) Analysis of financial condition

Assets

Total assets decreased 534 million yen from the end of the previous fiscal year to 82,396 million yen. Current assets decreased 1,787 million yen to 49,227 million yen and noncurrent assets increased 1,253 million yen to 33,169 million yen.

Major changes in current assets were an increase of 4,971 million yen in cash and deposits and decreases of 2,754 million yen in notes receivable, accounts receivable from completed construction contracts and other and 2,840 million yen in income taxes receivable.

Noncurrent assets increased primarily because of a 2,247 million yen increase in investment securities that was mainly attributable to the purchase of securities.

Liabilities

Liabilities decreased 1,980 million yen to 22,370 million yen. There was a 554 million yen increase in deferred tax liabilities and a 2,153 million yen decrease in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 60,026 million yen at the end of the fiscal year, including a contribution from profit attributable to owners of parent of 2,711 million yen.

(3) Analysis of cash flows

Net cash provided by operating activities was 5,800 million yen, 128 million yen more than in the previous fiscal year. Net cash provided by investing activities decreased 8,258 million yen to 1,605 million yen. The main reason was a decrease in the proceeds from sales of investment securities.

Net cash used in financing activities was 2,434 million yen, 11,777 million yen less than cash used in the previous fiscal year. The main reason was a decrease in the purchase of treasury shares.

The result of these cash flows was a net increase of 4,971 million yen in cash and cash equivalents to 17,641 million yen at the end of the fiscal year.

(Reference) Cash flow index trends

Years ended March 31	2015	2016	2017	2018	2019
Equity ratio (%)	67.2	62.8	65.4	69.2	71.3
Equity ratio based on market cap (%)	55.8	50.3	50.4	57.9	55.1
Cash flow/ interest-bearing debt (years)	-	-	-	-	-
Interest coverage ratio (times)	-	2,243.7	2,383.3	3,216.1	2,463.9

Equity ratio: Shareholders' equity/Total assets

Equity ratio based on market cap: Market capitalization/Total assets

Cash flow/interest-bearing debt: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest expenses

* All indicators are based on figures in the consolidated financial statements.

* Market capitalization does not include treasury stocks.

* Operating cash flows are net cash provided by operating activities shown in the consolidated statements of cash flows. Interest-bearing debt is the sum of all short-term loans payable on the consolidated balance sheets. Interest expenses are the interest paid figure on the consolidated statements of cash flows.

* Cash flow/interest-bearing debt and the interest coverage ratio are not shown for the fiscal year that ended in March 2015 because the operating cash flow was negative.

* Cash flow/interest-bearing debt is not shown for the fiscal year that ended in March 2016 because of no interest-bearing debt posted.

* Cash flow/interest-bearing debt is not shown for the fiscal year that ended in March 2017 because of no interest-bearing debt posted.

* Cash flow/interest-bearing debt is not shown for the fiscal year that ended in March 2018 because of no interest-bearing debt posted.

* Cash flow/interest-bearing debt is not shown for the fiscal year that ended in March 2019 because of no interest-bearing debt posted.

(4) Outlook for the fiscal year ending in March 2020

Japan's economy is expected to continue recovering due to monetary easing, public-sector spending and other sources of support. However, there are concerns about how the U.S.-China trade war and the October 2019 consumption tax hike will affect the economy.

In the construction industry, public-sector expenditures have declined somewhat now that the peak of demand associated with the Tokyo Olympic Games has passed. We expect market conditions to remain challenging because of this decline and the increasing cost of construction materials and labor.

The fiscal year ending in March 2020 is the final year of our three-year Sixth Medium-term Management Plan. One goal is the growth of renovation projects by submitting proposals for the maintenance and replacement of equipment (a source of consistent revenue) based on the life cycles of buildings. Establishing a sound follow-up system that reflects risk factors associated with construction projects is another goal. Our overall objective is to become a source of even more advanced life cycle total solutions.

Another priority is making investments in human resources and ICT in order to continue activities for reforming how our people do their jobs. We are recruiting people, enabling our employees to maintain the proper work-life balance, using ICT to increase productivity and taking other actions in order to achieve sustained growth.

We are also building an effective risk management framework, using capital more efficiently, consistently distributing earnings to shareholders and using other measures in order to meet the expectations of our stakeholders.

In the fiscal year ending in March 2020, we forecast orders received of 75 billion yen, sales of 75 billion yen, operating profit of 4 billion yen, ordinary profit of 5 billion yen and profit attributable to owners of parent of 3 billion yen on a consolidated basis.

The non-consolidated forecasts are orders received of 65 billion yen, sales of 65 billion yen, operating profit of 3.5 billion yen, ordinary profit of 3.9 billion yen and profit of 2.5 billion yen.

2. Basic thinking about the selection of accounting standards

The policy of the Hibiya Engineering Group is to continue preparing consolidated financial statements based on Japanese accounting standards for the time being. Using these standards allows comparing consolidated financial data in different fiscal years as well as with the financial data of other companies in Japan.

For the application of international accounting standards, actions will be taken in an appropriate manner based on all relevant factors in Japan and other countries.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	12,669	17,641
Notes receivable, accounts receivable from completed construction contracts and other	32,065	29,311
Securities	1,500	299
Costs on uncompleted construction contracts and other	802	669
Income taxes receivable	2,840	-
Other	1,150	1,322
Allowance for doubtful accounts	(12)	(16)
Total current assets	51,015	49,227
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,481	1,499
Land	93	93
Lease assets	59	63
Other	970	973
Accumulated depreciation	(1,865)	(1,948)
Total property, plant and equipment	740	681
Intangible assets	158	237
Investments and other assets		
Investment securities	26,631	28,878
Long-term loans receivable	31	-
Net defined benefit asset	33	27
Deferred tax assets	48	32
Insurance funds	1,566	1,614
Investments in silent partnership	1,712	702
Other	1,025	1,021
Allowance for doubtful accounts	(32)	(28)
Total investments and other assets	31,016	32,249
Total noncurrent assets	31,915	33,169
Total assets	82,931	82,396

(Million yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,375	16,221
Lease obligations	7	7
Income taxes payable	356	826
Advances received on uncompleted construction contracts	630	379
Provision for bonuses	1,242	456
Provision for warranties for completed construction	128	125
Provision for loss on construction contracts	421	751
Other	1,687	1,396
Total current liabilities	22,848	20,163
Noncurrent liabilities		
Lease obligations	17	13
Deferred tax liabilities	582	1,137
Net defined benefit liability	878	1,038
Asset retirement obligations	12	12
Other	10	5
Total noncurrent liabilities	1,501	2,206
Total liabilities	24,350	22,370
Net assets		
Shareholders' equity		
Capital stock	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	45,648	43,495
Treasury shares	(4,535)	(2,055)
Total shareholders' equity	52,894	53,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,201	6,228
Remeasurements of defined benefit plans	(712)	(723)
Total accumulated other comprehensive income	4,488	5,505
Subscription rights to shares	170	204
Non-controlling interests	1,027	1,095
Total net assets	58,580	60,026
Total liabilities and net assets	82,931	82,396

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

(Million yen)

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)
Net sales	66,838	70,035
Cost of sales	55,911	60,463
Gross profit	10,927	9,571
Selling, general and administrative expenses	7,755	7,522
Operating profit	3,171	2,048
Non-operating income		
Interest income	54	34
Dividend income	209	251
Share of profit of entities accounted for using equity method	560	738
Other	142	147
Total non-operating income	966	1,171
Non-operating expenses		
Interest expenses	1	2
Commission for purchase of treasury shares	35	1
Other	6	4
Total non-operating expenses	44	7
Ordinary profit	4,094	3,212
Extraordinary income		
Gain on sales of investment securities	4,523	573
Total extraordinary income	4,523	573
Extraordinary losses		
Loss on valuation of investment securities	-	27
Total extraordinary losses	-	27
Profit before income taxes	8,617	3,759
Income taxes-current	595	945
Income taxes-deferred	655	53
Total income taxes	1,250	999
Profit	7,366	2,759
Profit attributable to non-controlling interests	93	47
Profit attributable to owners of parent	7,273	2,711

(Consolidated Statements of Comprehensive Income)

(Million yen)

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)
Profit	7,366	2,759
Other comprehensive income		
Valuation difference on available-for-sale securities	1,809	1,122
Deferred gains or losses on hedges	(0)	-
Remeasurements of defined benefit plans, net of tax	(329)	8
Share of other comprehensive income of entities accounted for using equity method	133	(92)
Total other comprehensive income	1,612	1,038
Comprehensive income	8,979	3,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,863	3,728
Comprehensive income attributable to non-controlling interests	115	69

(3) Consolidated Statements of Changes in Equity
 Previous fiscal year (Apr. 1, 2017 –Mar. 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,753	5,931	49,292	(2,624)	58,352
Changes of items during period					
Dividends of surplus			(1,602)		(1,602)
Profit attributable to owners of parent			7,273		7,273
Purchase of treasury shares		(112)		(11,286)	(11,398)
Disposal of treasury shares			(73)	130	56
Retirement of treasury shares			(9,242)	9,242	-
Change in treasury shares arising from change in equity in entities accounted for using equity method				2	2
Change in ownership interest of parent due to transactions with non-controlling interests		209			209
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	96	(3,644)	(1,910)	(5,458)
Balance at end of current period	5,753	6,028	45,648	(4,535)	52,894

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,342	0	(444)	2,898	181	2,287	63,719
Changes of items during period							
Dividends of surplus							(1,602)
Profit attributable to owners of parent							7,273
Purchase of treasury shares							(11,398)
Disposal of treasury shares							56
Retirement of treasury shares							-
Change in treasury shares arising from change in equity in entities accounted for using equity method							2
Change in ownership interest of parent due to transactions with non-controlling interests							209
Net changes of items other than shareholders' equity	1,858	(0)	(268)	1,590	(10)	(1,259)	320
Total changes of items during period	1,858	(0)	(268)	1,590	(10)	(1,259)	(5,138)
Balance at end of current period	5,201	-	(712)	4,488	170	1,027	58,580

Current fiscal year (Apr. 1, 2018 –Mar. 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,753	6,028	45,648	(4,535)	52,894
Changes of items during period					
Dividends of surplus			(1,725)		(1,725)
Profit attributable to owners of parent			2,711		2,711
Purchase of treasury shares				(703)	(703)
Disposal of treasury shares			(6)	52	45
Retirement of treasury shares			(3,132)	3,132	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(2,152)	2,480	328
Balance at end of current period	5,753	6,028	43,495	(2,055)	53,222

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,201	(712)	4,488	170	1,027	58,580
Changes of items during period						
Dividends of surplus						(1,725)
Profit attributable to owners of parent						2,711
Purchase of treasury shares						(703)
Disposal of treasury shares						45
Retirement of treasury shares						-
Net changes of items other than shareholders' equity	1,026	(10)	1,016	33	67	1,117
Total changes of items during period	1,026	(10)	1,016	33	67	1,445
Balance at end of current period	6,228	(723)	5,505	204	1,095	60,026

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	8,617	3,759
Depreciation	210	174
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Decrease (increase) in net defined benefit asset	6	48
Increase (decrease) in net defined benefit liability	93	127
Increase (decrease) in provision for bonuses	(1,773)	(786)
Increase (decrease) in provision for warranties for completed construction	75	(2)
Increase (decrease) in provision for loss on construction contracts	106	330
Interest and dividend income	(263)	(285)
Interest expenses	1	2
Loss (gain) on sales of investment securities	(4,523)	(573)
Loss (gain) on valuation of investment securities	-	27
Share of (profit) loss of entities accounted for using equity method	(560)	(738)
Decrease (increase) in notes and accounts receivable - trade	9,037	2,754
Decrease (increase) in inventories	(90)	132
Increase (decrease) in notes and accounts payable - trade	(2,451)	(2,153)
Increase (decrease) in advances received on uncompleted construction contracts	472	(251)
Decrease/increase in consumption taxes receivable/payable	(922)	114
Other	(281)	442
Subtotal	7,752	3,122
Interest and dividend income received	269	366
Interest expenses paid	(1)	(2)
Income taxes paid	(2,347)	(529)
Income taxes refund	-	2,843
Net cash provided by (used in) operating activities	5,672	5,800
Cash flows from investing activities		
Purchase of securities	(1,000)	-
Purchase of property, plant and equipment	(338)	(44)
Proceeds from redemption of securities	-	1,000
Purchase of intangible assets	(28)	(148)
Purchase of investment securities	(2,090)	(957)
Proceeds from sales of investment securities	11,852	1,157
Proceeds from redemption of investment securities	1,400	500
Purchase of insurance funds	(34)	(67)
Proceeds from maturity of insurance funds	86	19
Proceeds from withdrawal of investments in silent partnership	65	69
Other	(50)	76
Net cash provided by (used in) investing activities	9,863	1,605

	FY2018 (Apr. 1, 2017 - Mar. 31, 2018)	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)
Cash flows from financing activities		
Purchase of treasury shares	(11,662)	(703)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares of subsidiaries	(934)	-
Cash dividends paid	(1,602)	(1,725)
Dividends paid to non-controlling interests	(5)	(1)
Repayments of lease obligations	(7)	(4)
Net cash provided by (used in) financing activities	<u>(14,211)</u>	<u>(2,434)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,324</u>	<u>4,971</u>
Cash and cash equivalents at beginning of period	<u>11,345</u>	<u>12,669</u>
Cash and cash equivalents at end of period	<u>12,669</u>	<u>17,641</u>