

Consolidated Financial Results for the Three Months Ended June 30, 2016

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 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 7947 URL: <http://www.fpco.co.jp/>
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 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): August 5, 2016
 Scheduled date for commencement of dividend payments: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

(Amounts of less than one million yen are truncated.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(1) Consolidated Results of Operations

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Period ended June 30, 2016	41,674	1.3	3,214	39.3	3,320	39.1	2,320	43.8
June 30, 2015	41,156	7.0	2,307	55.1	2,387	52.7	1,613	77.8

(Note) Comprehensive income: Period ended June 30, 2016: 2,194 million yen (18.1%)
 Period ended June 30, 2015: 1,858 million yen (77.4%)

	Net income per share (basic)		Net income per share (diluted)	
	Yen	Yen	Yen	Yen
Period ended June 30, 2016	56.05	–	–	–
June 30, 2015	38.97	–	–	–

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen	Million yen	Million yen	Million yen	%	Yen	Yen	
As of June 30, 2016	213,134	92,336	92,336	92,336	43.1	2,220.57	2,220.57	
March 31, 2016	209,053	91,591	91,591	91,591	43.6	2,202.56	2,202.56	

(Reference) Equity: As of June 30, 2016: 91,920 million yen
 As of March 31, 2016: 91,174 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Year ended March 31, 2016	–	33.00	–	35.00	68.00
Year ending March 31, 2017	–	–	–	–	–
Year ending March 31, 2017 (forecast)	–	37.00	–	39.00	76.00

Note: Revisions to dividend forecasts published most recently: No

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
First six months Year ending March 31, 2017	87,500	3.8	7,400	22.9	7,500	13.1	5,030	12.8	121.51	121.51
March 31, 2017	176,000	3.4	15,100	14.0	15,500	10.5	10,400	11.9	251.24	251.24

Note: Revisions to consolidated business performance forecasts published most recently: No

* Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries accompanying changes in scope of consolidation): No
- (2) Application of particular accounting treatment concerning preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies and accounting estimates, and restatement
- | | |
|---|----|
| (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: | No |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement: | No |
- (4) Number of shares outstanding (common shares):
- | | |
|---|-------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | |
| As of June 30, 2016: | 44,284,212 shares |
| As of March 31, 2016: | 44,284,212 shares |
| (ii) Number of treasury shares at end of period: | |
| As of June 30, 2016: | 2,889,372 shares |
| As of March 31, 2016: | 2,889,332 shares |
| (iii) Average number of shares outstanding during the period (consolidated cumulative period) | |
| Three Months ended June 30, 2016: | 41,394,850 shares |
| Three Months ended June 30, 2015: | 41,395,031 shares |

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have been reviewed at the time of the announcement of this financial summary.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

The forecasts and other forward-looking statements presented in this material are based on information available to the Company as of the date of publication of this material. Actual performance may differ from the forecast figures due to a variety of factors. Refer to "1. Qualitative Information Relating to Consolidated Results of Operations for the First Quarters Ended June 30, 2016; (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results" on page 4 of the "Accompanying Materials" for the assumptions underlying the forecasts, notes to the use of forecasts and other related matters.

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1. Qualitative Information Relating to Consolidated Results of Operations for the First Quarter Ended June 30, 2016

(1) Explanation of Financial Results

During the first three months under review (from April 1, 2016 to June 30, 2016), the Japanese economy saw improvements in corporate earnings and the employment and income environment. However, the economic outlook remained uncertain, with the continued rise of the Japanese yen and decline in stock prices from the beginning of the year, concern regarding slowdowns in the Chinese and other overseas economies, and the impact of Britain's departure from the European Union (EU).

In this environment, we saw increases in the sales volume of new design and new function containers centered on our original products, including Multi FP, Multi Solid, OPET, and new transparent PP containers, because they are greatly appreciated by customers not only for their functionality as containers but also for the superiority of their material functions including oil, acid and heat resistance. There was also an increase in the sales volume of products using recycled raw materials, such as Eco Tray and Eco APET. In particular, the Multi FP container, which is used for both hot pots and soup containers and chilled lunchboxes, now has a new deep heat-resistant product with a lid and a new heat-resistant inner plate. Through this development, the Multi FP container, along with the new transparent PP container, has enabled new product development that allows microwave heating. This encourages proposals for the creation of new sales spaces at retailers, more and more customers are using the product, and it is also starting to be used as a container for takeaways. For transparent containers, including lids and hood packs, we are working on enhancing the lineup of OPET and new transparent PP products to replace conventional OPS containers. Eco APET containers are increasingly being used as vegetable salad containers and summer noodle containers. With consumers tending to look for affordability, we have also seen increases in the sales volume of new products such as containers with covers, which make dressed meat and prepared food look good on sales floors. The sales volume of general-purpose products also increased. The sales volume and the net sales of products manufactured by the Group in the first three months under review rose by 3.8% and 1.2% year on year, respectively.

On the other hand, the net sales of products purchased from outside the Group in the first three months under review rose by 1.3% year on year. This was attributable to efforts to strengthen procurement ability and the increase in the volume of products handled, as well as the review of unprofitable transactions.

As a result, the Group achieved consolidated net sales of 41,674 million yen, up 518 million yen or 1.3% year on year, reaching a record high.

Although there were cost increases of about 390 million yen, due mainly to the commencement of the operations of new bases and facilities and an increase in distribution costs, we achieved a profit improvement of about 1,320 million yen in total, while ordinary income in the first three months under review hit an all-time high of 3,320 million yen, up 932 million yen or 39.1% year on year, ordinary income before depreciation and amortization was 6,016 million yen, up 28.4%, and profit attributable to owners of parent reached a record of 2,320 million yen, up 43.8%. This was primarily due to the impact of lower raw materials prices, the strong sales of our original and new products, and the group-wide efforts to improve profit margins.

Regarding sales activity, we are seeking to boost net sales and profitability by accelerating the development of high-value-added products to build a rich product lineup and by shifting the sales mix to our original products. We are also taking steps to reduce carbon emissions and improve work productivity to respond to the labor shortage, while promoting sales of products using recycled materials and general-purpose products. In March 2016, we held an event called the FPCO Fair 2016: Attract Consumers through Creation - A New Market beyond There - under the main theme "Create new products and methods of selling to build a sales space that attracts consumers." From around the nation, 14,000 food retailers and other customers visited the event, where we provided information on sales floors across the country and proposed the latest products with leading food manufacturers.

In terms of logistical preparation for demand that is expected to increase in the future, we temporarily settled our six-year construction endeavor of a robust and flexible nationwide logistics network and ensured the establishment of a stable supply system for future market expansions and busy seasons. As part of our Business Continuity Plan (BCP), we launched a new initiative to ensure that our critical business functions will continue to operate even in the event of serious incidents, such as an electric outage caused by a disaster. We installed emergency power-generating equipment in our main facilities with an automatic sorter system and other machinery by March 2016, and will install it in all 21 locations nationwide by September 2016. We will also store sufficient fuel to secure an electric supply for 72 hours, or three days. We believe that these measures will contribute to our customers' business continuity and further reinforce our structure that delivers products when needed. We also introduced a voice-activated picking system to improve the productivity of picking operations. Through these measures, we

will provide a stable supply and curb the costs of the entire logistics up to product delivery to customers.

In March 2016, the Chubu Eco PET Plant adjacent to the Chubu PET Recycling Plant commenced operation. This enables integrated production to promote the FPCO “bottle to tray” recycling method, in which it reuses collected transparent PET containers and PET bottles as raw materials to produce Eco APET containers. The Chubu PET Recycling Plant collects transparent PET containers and PET bottles to produce recycled PET flakes, which are then pneumatically transported to the Chubu Eco PET Plant, where Eco APET containers are molded by sheet extrusion. With OPET sheet extrusion equipment No. 3 and product-molding machines, the Chubu Eco PET Plant also functions as a production base for OPET transparent containers. In a bid to expand production capacity of Eco APET containers, we started construction of a new integrated manufacturing plant combining a PET recycling plant with sheet extrusion and molding facilities on the site of the Kanto Yachiyo Plant. Like the recycling facilities in the Chubu area, the new plant will produce recycled PET flakes from collected PET bottles and transparent PET containers and use these as raw materials to mold Eco APET containers through sheet extrusion. We are also pushing ahead with the introduction of industrial robots at all molding plants throughout Japan. As of June 30, 2016, industrial robots were in operation on two lines. We plan to introduce industrial robots to 15 lines by March 2017 and to continue introducing them thereafter, aiming for the automation of manufacturing processes to save labor.

In June 2016, we were selected for inclusion in the 2016 Competitive IT Strategy Company Stock Selection for the second consecutive year. We were jointly chosen by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange in recognition of our IT utilization, including the introduction of a voice-activated picking system on the logistics front and the introduction of industrial robots on the production front. Additionally, in our research and development activities, we sought to accelerate and enhance research into new materials and products and product development. We also placed greater emphasis on personnel development utilizing our facilities.

With respect to the employment of disabled workers, part of the Group’s corporate social responsibility, as of June 30, 2016, the Group provided employment opportunities for 368 individuals (634 disabled workers employed), and 59 at its tie-up partners.

(Explanations of terms)

Multi FP (MFP) container:	An formed PS (polystyrene) container with cold and heat resistance to temperatures between -40°C and +110°C and with superior oil and acid resistance and thermal insulation.
Multi Solid (MSD) container:	A non-formed PS (polystyrene) container with a heat resistance temperature of +110°C that is able to create sharp figures by using scraps of materials from the Multi FP, while maintaining the characteristics of the Multi FP.
OPET transparent container:	A polyethylene terephthalate transparent container with a heat resistance temperature of +80°C that is molded from bi-axially oriented PET sheets, with superior oil and acid resistance and transparency, achieving the same thermal insulation as the OPS.
New transparent PP container:	A transparent PP container with a heat resistance temperature of +110°C, which has achieved the same transparency as OPS using standard-grade polypropylene raw material.
OPS transparent container:	A conventional transparent container with a heat resistance temperature of +80°C that is molded from the bi-axially oriented polystyrene sheets.
Eco Tray:	A recycled expanded polystyrene container for which polystyrene containers collected at supermarket shop counters and scrap pieces collected within plants are used as raw materials (sales commenced in 1992).
Eco APET container:	A recycled PET transparent container for which PET transparent containers collected at supermarket shop counters, PET bottles and scrap pieces collected within plants are used as raw materials (sales commenced in 2012).
Hood pack:	A general-purpose transparent container having a hood connected to the main body, which is used, for example, at a sales space for fried foods at a supermarket.

(2) Explanation of Financial Situation

1) State of assets, liabilities and net assets

Assets for the Group totaled 213,134 million yen at the end of the first three months under review, up 4,080 million yen from the end of the previous fiscal year.

This is attributable mainly to increases in building and structures of 1,507 million yen and machinery, equipment and vehicles of 4,538 million yen while there were some decreases in notes and accounts receivable - trade of 794 million yen, current assets-other of 166 million yen, leased assets of 488 million yen and property, plant and equipment-other of 647 million yen.

Consolidated liabilities amounted to 120,797 million yen, up 3,335 million yen from the end of the previous fiscal year.

This was chiefly attributable to rises in loans payable of 1,684 million yen and current liabilities - other of 4,531 million yen, while there was decline in income taxes payable of 1,796 million yen.

Consolidated net assets reached 92,336 million yen, up 745 million yen from the end of the previous fiscal year.

This change mainly reflected an increase in retained earnings of 871 million yen and a decline in valuation difference on available-for-sale securities of 143 million yen.

Under the basic principles of profit distribution, which have been announced, the Company plans to pay a dividend of 37 yen per share at the end of the first six months and a year-end dividend of 39 yen on the assumption that the results forecast will be achieved. The annual dividend per share will thus be 76 yen.

2) State of cash flows

Cash and cash equivalents (hereinafter “cash”) totaled 15,131 million yen at the end of the first three months under review, up 41 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash provided by operating activities amounted to 4,704 million yen (2,231 million yen in cash was provided a year earlier).

This primarily reflected a cash increase due mainly to income before income taxes of 3,315 million yen, depreciation of 2,695 million yen, a decrease in notes and accounts receivable-trade of 797 million yen and a decrease in accounts receivable-other of 687 million yen, while there were some cash decreases due mainly to a decrease in provision for bonuses of 818 million yen, an increase in inventories of 368 million yen, and income taxes paid of 3,049 million yen.

(Cash flows from investing activities)

Net cash used in investing activities reached 3,914 million yen (4,797 million yen in cash was used a year earlier).

This was mainly due to 3,875 million yen in the purchase of property, plant and equipment, including the Chubu Eco PET Plant, and other manufacturing facilities.

(Cash flows from financing activities)

Net cash used in financing activities came to 748 million yen (1,315 million yen in cash was provided a year earlier).

This primarily reflected proceeds from long-term loans payable of 5,000 million yen, a net increase in short-term loans payable of 100 million yen, repayment of long-term loans payable of 3,415 million yen, repayments of lease obligations of 1,015 million yen, and cash dividends paid of 1,417 million yen.

(3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results

As to the future outlook, unpredictable conditions, such as consumer trends and changes in raw material costs and electricity charges attributable to the foreign exchange rate and crude oil price fluctuations, are expected to persist in the operating environment surrounding the Group.

Looking at the current environment surrounding domestic companies, the employment situation has improved, and labor costs are rising significantly due to a labor shortage. Companies are having difficulty securing human resources.

In this environment, we are building a company apartment building consisting of 150 studio units in Chikusei, Ibaraki Prefecture, due to be completed in December 2016, in order to address the labor shortage in the Kanto region and secure personnel from a wider area. Also in the Chubu area, where we also face difficulty securing personnel, we are building a similar facility with 100 studio units in Wanouchi-cho, Anpachi District, Gifu Prefecture, and we plan to complete this facility by March 2017. We are promoting the introduction of industrial robots in production, and a voice-activated picking system and an automatic sorter system in distribution in order to encourage labor saving and improve work productivity. We will continue to take these steps to curb production and distribution costs. In addition, we will develop a corporate structure in which we can achieve stable profits in the medium to long term through measures including the further acceleration of product development and lineup enhancement including the Company’s original products, cost control with our nationwide distribution network, and increases in sales of products using recycled materials. The Chubu Eco PET Plant, which commenced operation in March 2016, facilitates the FPCO “bottle to tray” recycling method, in which it reuses collected transparent PET containers and PET bottles as raw materials to produce Eco APET containers. Of all APET transparent containers manufactured by the Group, the Chubu Eco PET Plant aims to increase the sales ratio of Eco APET from 74% as of March 2016 to 87% by March 2017. The new plant combining a PET recycling plant with sheet extrusion and molding facilities which is now under construction on the site of the Kanto Yachiyo Plant is scheduled for completion in August 2017.

In addition, on July 1, 2016, we acquired all the issued shares of Ueda Packaging Corporation, making it a wholly-owned consolidated subsidiary and changing its trade name to FPCO Ueda Corporation. FPCO Ueda Corporation sells food packaging materials to supermarkets and food processing companies in the San’in Region. As a member of the Group, FPCO Ueda Corporation will utilize our sales and distribution network to provide high value added services to customers and increase synergy between group companies.

The results forecasts for the first six months and the full year that were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 on May 10, 2016 remain unchanged.

2. Matters Relating to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable

(2) Application of Particular Accounting Treatment Concerning Preparation of Quarterly Consolidated Financial Statements

Not applicable

(3) Additional Information

(Application of Implementation Guidance on the Recoverability of Deferred Tax Assets)

From the first quarter under review, the Company is applying Implementation Guidance on the Recoverability of Deferred Tax Assets (Guidance No. 26 of the Accounting Standards Board of Japan, issued March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	First quarter of the current consolidated fiscal year (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	15,089	15,131
Notes and accounts receivable - trade	35,628	34,833
Merchandise and finished goods	15,686	16,115
Work in process	76	78
Raw materials and supplies	2,849	2,785
Other	4,854	4,687
Allowance for doubtful accounts	(29)	(28)
Total current assets	74,154	73,603
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	59,951	61,459
Machinery, equipment and vehicles, net	15,935	20,474
Lands	33,502	33,502
Lease assets, net	10,626	10,138
Other, net	6,742	6,095
Total property, plant and equipment	126,759	131,670
Intangible assets		
Goodwill	1,232	1,179
Other	1,057	973
Total intangible assets	2,290	2,152
Investments and other assets	5,849	5,707
Total non-current assets	134,898	139,530
Total assets	209,053	213,134
Liabilities		
Current liabilities		
Accounts payable - trade	18,472	18,603
Short-term loans payable	13,803	15,985
Commercial papers	15,000	15,000
Income taxes payable	3,220	1,423
Provision for bonuses	1,805	987
Provision for directors' bonuses	71	18
Other	17,656	22,188
Total current liabilities	70,029	74,207
Noncurrent liabilities		
Long-term loans payable	35,106	34,608
Net defined benefit liability	2,993	3,030
Provision for directors' retirement benefits	1,210	1,223
Provision for executive officers' retirement benefits	14	16
Other	8,107	7,711
Total non-current liabilities	47,432	46,590
Total liabilities	117,462	120,797

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	First quarter of the current consolidated fiscal year (As of June 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	13,150	13,150
Capital surplus	15,843	15,843
Retained earnings	66,453	67,324
Treasury shares	(4,942)	(4,942)
Total shareholders' equity	90,505	91,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	919	775
Remeasurements of defined benefit plans	(249)	(232)
Total accumulated other comprehensive income	669	543
Non-controlling interests	416	416
Total net assets	91,591	92,336
Total liabilities and net assets	209,053	213,134

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)	First three-month period of current fiscal year (April 1, 2016 - June 30, 2016)
Net sales	41,156	41,674
Cost of sales	29,060	28,154
Gross profit	12,095	13,519
Selling, general and administrative expenses	9,788	10,305
Operating income	2,307	3,214
Non-operating income		
Interest income	0	0
Dividends income	44	50
Gain on sale of scraps	46	33
Other	85	97
Total non-operating income	176	180
Non-operating expenses		
Interest expenses	67	51
Other	29	23
Total non-operating expenses	96	74
Ordinary income	2,387	3,320
Extraordinary losses		
Loss on sales and retirement of non-current assets	35	5
Total extraordinary losses	35	5
Income before income taxes	2,352	3,315
Income taxes - current	1,132	1,310
Income taxes - deferred	(383)	(314)
Total income taxes	749	995
Net income	1,603	2,319
Profit (loss) attributable to non-controlling interests	(9)	(0)
Profit attributable to owners of parent	1,613	2,320

(Quarterly Consolidated Statement of Comprehensive Income)
(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)	First three-month period of current fiscal year (April 1, 2016 - June 30, 2016)
Net income	1,603	2,319
Other comprehensive income		
Valuation difference on available-for-sale securities	243	(143)
Remeasurements of defined benefit plans, net of tax	12	17
Total other comprehensive income	255	(125)
Comprehensive income	1,858	2,194
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,868	2,194
Comprehensive income attributable to non-controlling interests	(9)	(0)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)	First three-month period of current fiscal year (April 1, 2016 - June 30, 2016)
Cash flows from operating activities		
Income before income taxes	2,352	3,315
Depreciation	2,299	2,695
Increase (decrease) in provision for bonuses	(695)	(818)
Increase (decrease) in provision for directors' bonuses	(33)	(52)
Increase (decrease) in allowance for doubtful accounts	(2)	(3)
Increase (decrease) in provision for directors' retirement benefits	(48)	12
Increase (decrease) in provision for executive officers' retirement benefits	1	2
Increase (decrease) in net defined benefit liability	25	36
Loss (gain) on sales and retirement of non-current assets	34	5
Interest and dividends income	(44)	(50)
Interest expenses	67	51
Decrease (increase) in notes and accounts receivable - trade	(2,990)	797
Decrease (increase) in inventories	587	(368)
Decrease (increase) in accounts receivable - other	1,768	687
Increase (decrease) in notes and accounts payable - trade	(1,501)	131
Other, net	2,056	1,312
Subtotal	3,876	7,754
Interest and dividend income received	44	50
Interest expenses paid	(65)	(50)
Income taxes paid	(1,623)	(3,049)
Net cash provided by (used in) operating activities	2,231	4,704
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,735)	(3,875)
Other, net	(62)	(38)
Net cash provided by (used in) investing activities	(4,797)	(3,914)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	600	100
Proceeds from long-term loans payable	6,000	5,000
Repayment of long-term loans payable	(3,125)	(3,415)
Repayments of lease obligations	(1,103)	(1,015)
Cash dividends paid	(1,054)	(1,417)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	1,315	(748)
Net increase (decrease) in cash and cash equivalents	(1,249)	41
Cash and cash equivalents at beginning of period	13,710	15,089
Cash and cash equivalents at end of period	12,461	15,131

(4) Notes to Quarterly Consolidated Financial Statements

Note to Going Concern Assumption

Not applicable

Notes on Any Significant Change in the Value of Shareholders' Equity

Not applicable