

# Sumitomo Heavy Industries, Ltd.

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## CONSOLIDATED FINANCIAL REPORT

For the Three-Month Period from April 1 to June 30, 2021

*All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document has been translated from the Japanese original as a guide to non-Japanese investors, and contains forward-looking statements that are based on management's estimates, assumptions, and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded to the nearest million yen.*

**Summary of Consolidated Financial Results**  
**For the Three-Month Period from April 1 to June 30, 2021**  
 Presented July 30, 2021

**Sumitomo Heavy Industries, Ltd.**

Listed exchanges	Tokyo Stock Exchange
Stock code	6302
Head office	Tokyo
President	Shinji Shimomura
URL	<a href="http://www.shi.co.jp">www.shi.co.jp</a>
Inquiries	Michiko Watanabe General Manager, Corporate Communications Dept.
Telephone	+81 3 6737 2331
Scheduled date for submitting quarterly report	August 6, 2021
Scheduled date of payment of cash dividends	—
Availability of supplementary explanations for quarterly financial statement	No
Holding of meeting to explain quarterly financial statement	No

**1. FY2021 First Quarter Consolidated Results (April 1, 2021, to June 30, 2021)**

**(1) Business Results**

(Units: millions of yen)

	First Quarter April 1 to June 30, 2021		First Quarter April 1 to June 30, 2020	
		% change		% change
Net sales	216,267	19.7	180,657	(11.5)
Operating profit	15,045	114.7	7,006	(48.2)
Ordinary profit	15,059	164.5	5,693	(57.3)
Profit attributable to owners of parent	9,260	255.7	2,603	(70.8)
Profit attributable to owners of parent ratio (yen)	75.59		21.25	
Fully diluted profit attributable to owners of parent ratio	—		—	

Note: Comprehensive income:  
 Fiscal quarter ended June 30, 2021: 22,591 million yen, (— %)  
 Fiscal quarter ended June 30, 2020: (2,566) million yen, (—%)

## (2) Financial Position

(Units: millions of yen)

	End of First Quarter As of June 30, 2021	End of Previous Full Year March 31, 2021
Total assets	1,040,030	1,030,684
Total net assets	519,924	504,928
Equity ratio (%)	48.6	47.6

Reference: Equity:

Fiscal quarter ended June 30, 2021: 505,750 million yen

Fiscal year ended March 31, 2021: 490,697 million yen

## 2. Dividends

(Unit: yen)

	Year Ended March 31, 2021	Year Ending March 31, 2022	Year Ending March 31, 2022 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	9.00		35.00
Third quarter	—		—
End of term	56.00		35.00
Annual dividends	65.00		70.00

Note: Changes from the most recent dividend forecast: No

## 3. FY2022 Consolidated Forecasts (April 1, 2021, to March 31, 2022)

(Units: millions of yen)

	Full Year April 1, 2021, to March 31, 2022	
		% change
Net sales	870,000	2.5
Operating profit	50,000	(2.6)
Ordinary profit	46,000	(7.2)
Profit attributable to owners of parent	27,000	0.9
Profit attributable to owners of parent ratio (yen)	220.39	

Note: Changes from the most recent dividend forecast: No

## Additional Notes

- (1) Transfers of important subsidiaries during the three months ended June 30, 2021: None  
(moves of specific subsidiaries due to change in scope of consolidation)

Newly consolidated: —

Excluded from consolidation: —

(2) Special accounting measures applied in the quarterly consolidated financial report: Applicable

(3) Changes to accounting policies, changes to accounting estimates, and retrospective restatements

(i) Changes to accounting policies due to revisions to accounting standards: Yes

(ii) Changes to accounting policies not otherwise stated in (i): None

(iii) Changes to accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (share capital)

(i) Number of shares issued at end of fiscal period (including treasury shares):

As of June 30, 2021 122,905,481 shares

As of March 31, 2021 122,905,481 shares

(ii) Number of treasury shares at end of fiscal period:

As of June 30, 2021 398,502 shares

As of March 31, 2021 397,425 shares

(iii) Average number of shares during fiscal period (cumulative quarterly period):

As of June 30, 2021 122,507,252 shares

As of June 30, 2020 122,515,795 shares

\* The Quarterly Summary of Financial Results is not subject to the Quarterly Review by a Certified Public Accountant or an Independent Auditor

#### Explanations and Other Special Items regarding the Pertinent Reasons for the Earnings Forecast

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook due to a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please refer to the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* section beginning on page 9.

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# I. Qualitative Information regarding Current Quarterly Consolidated Business Performance

## 1. Explanation of Business Performance

As for the business environment surrounding the Group during the first quarter of the current consolidated fiscal year under review, there were signs of recovery in capital investments mainly in the manufacturing sector in Japan, although the impact of the spread of COVID-19 infections still remained. Turning to overseas regions, recovery of capital investments was seen due to an economic upturn in Europe, the US, China, etc. These factors resulted in a global uptick in demand for machinery. On the other hand, in some regions and sectors that were still affected by the spread of COVID-19 infections, the pace of recovery was slow, indicating a polarized gap in the global economy. Also, uncertainty over the global economy remained mainly due to escalation of trade disputes between the US and China, ongoing geopolitical risks, fluctuations in oil prices and their slump in addition to the aforementioned factors.

In this business environment, the Group formulated the “Medium-Term Management Plan 2023,” aimed to increase corporate value in a sustainable manner by solving social issues through products and services, and moved forward with measures, such as constructing a robust entity, making changes for improvement of corporate value, expanding contribution to SDGs and strengthening initiatives for reducing environmental burdens.

As a result, the Group’s orders and net sales amounted to JPY243.2 billion and JPY216.3 billion, respectively. In terms of profitability, the Group posted operating profit of JPY15.0 billion and ordinary profit of JPY15.1 billion and quarterly profit attributable to owners of parent came to JPY9.3 billion.

The situation by segment is described below.

Note that, taking into consideration the policy set forth in the “Medium-Term Management Plan 2023,” we have decided to make changes in reporting segments starting from the fiscal year ending March 31, 2022. As a result, the reporting segments of the Group were changed from “Machinery Components,” “Precision Machinery,” “Construction Machinery,” “Industrial Machinery,” “Ships” and “Environmental Facilities & Plants” to “Mechatronics,” “Industrial Machinery,” “Logistics & Construction” and “Energy & Lifelines.” Also, figures for the first quarter of the previous consolidated fiscal year (the same period of the previous year) were reclassified into each new segment category.

### (i) Mechatronics

Orders, sales and operating profit all increased due to a rise in demand for small-to-medium sized gear reducers, precision gears for robot articulations and motors in Japan, Europe, the US and China. As a result, orders increased by 30% as compared to the previous fiscal year to finish at JPY45.1 billion, while sales increased by 16% as compared to the previous fiscal year to finish at JPY35.3 billion. Further, the segment posted operating profit of JPY0.8 billion.

### (ii) Industrial Machinery

For the Plastic injection molding machine business, orders, sales and operating profit all increased due to a rise in demand in China for electrical and electronics-related products and high demand from Europe and the US. For other machine models, orders increased due to a rise in demand for semiconductor-related products, but both sales and operating profit decreased because there were less backlogs of orders for semiconductor-related products than in the previous year. As a result, orders increased by 73% as compared to the previous fiscal year to finish at JPY66.8 billion, sales came to JPY49.4 billion, up 14% from the previous fiscal year, and operating profit increased by 24% as compared to the previous fiscal year to finish at JPY3.9 billion.

### (iii) Logistics & Construction

With regard to the hydraulic excavator business, orders, sales and operating profit all increased because the Japanese and Chinese markets were strong and demand was recovering in the North America region. Turning to other businesses, the mobile crane business saw increases in all of orders, sales and operating profit as demand was recovering in Japan and the North America region. As a result of the above, orders across the segment increased by 45% as compared to the previous fiscal year to finish at JPY92.2 billion, while sales increased by 27% as compared to the previous fiscal year to finish at JPY83.7 billion. The segment posted an operating profit of JPY6.2 billion, a 123% increase as compared to the previous fiscal year.

#### **(iv) Energy & Lifelines**

Orders in the energy plant business decreased in the current fiscal year under review partly because orders were received for large-scale projects for biomass-fueled power generation plants in Europe in the previous year, and both sales and operating profit increased due primarily to a backlog of orders in Japan. For other businesses, orders for ships and other products increased but their sales decreased. However, operating profit increased due partly to a change in the sales mix. As a result of the above, orders across the segment increased by 3% as compared to the previous fiscal year to finish at JPY37.6 billion, while sales increased by 16% as compared to the previous fiscal year to finish at JPY46.2 billion. The segment posted an operating profit of JPY3.6 billion, a 321% increase as compared to the previous fiscal year.

#### **(v) Others**

Orders increased by 13% to JPY1.5 billion, sales increased by 11% to JPY1.6 billion, and operating profit increased by 82% to JPY0.7 billion from the previous fiscal year, respectively.

## **2. Explanation of the Group's Consolidated Financial Position**

### **1. Condition of Assets, Liabilities, and Net Assets**

Total assets at the end of the first quarter of the current consolidated fiscal year under review (ended June 30, 2021) amounted to JPY1.04 trillion, an increase of JPY9.3 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY12.4 billion in inventory assets and JPY7.8 billion in tangible fixed assets, while notes and accounts receivable - trade and contract assets decreased by JPY10.9 billion as compared to the end of the previous consolidated fiscal year.

Total liabilities declined to JPY520.1 billion, a decrease of JPY5.7 billion as compared to the end of the previous consolidated fiscal year. This was partly because interest-bearing liabilities decreased by JPY8.6 billion.

Net assets amounted to JPY519.9 billion, an increase of JPY15.0 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of JPY13.2 billion in foreign currency translation adjustments.

As a result of the above, the shareholders' equity ratio increased by 1.0 point from the end of the previous consolidated fiscal year to finish at 48.6%.

### **2. Cash Flow Condition**

Cash and cash equivalents at the end of the first quarter of the current consolidated fiscal year under review came to JPY92.3 billion, a decrease of JPY3.9 billion from the end of the previous consolidated fiscal year. Cash flows for the three months ended June 30, 2021 and the factors contributing to increases or decreases in cash flows are as follows.

#### **(Cash Flow from Operating Activities)**

Cash flow from operating activities increased by JPY21.8 billion during the three months ended June 30, 2021 and cash flow increased by JPY17.9 billion from the same period of the previous fiscal year. This is partly because a decrease in trade payables slowed down and profit before income taxes increased.

#### **(Cash Flow from Investing Activities)**

Cash flow from investing activities decreased by JPY11.7 billion during the three months ended June 30, 2021 and cash outflow decreased by JPY1.7 billion from the same period of the previous fiscal year. This is partly because expenses for

acquiring a business decreased.

(Cash Flow from Financing Activities)

Cash flow from financing activities decreased by JPY16.9 billion during the three months ended June 30, 2021 and cash outflow increased by JPY21.0 billion from the same period of the previous fiscal year. The main reason for the cash outflow was a decrease in interest-bearing debts.

### **3. Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates**

No change has been made to the consolidated earnings forecast for the fiscal year ending March 31, 2022 that was announced in the financial report dated May 10, 2021.



## II. Quarterly Consolidated Financial Statements and Key Explanatory Notes

### 1. Quarterly Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of March 31, 2021	End of First Quarter As of June 30, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	99,518	95,746
Notes and accounts receivable - trade	282,928	—
Notes and accounts receivable - trade and contract assets	—	272,051
Inventory assets	200,155	212,574
Other	34,276	34,102
Allowance for doubtful accounts	(3,258)	(3,470)
Total current assets	613,620	611,003
Fixed assets		
Tangible fixed assets		
Land	108,305	108,492
Other (net)	167,499	175,107
Total tangible fixed assets	275,804	283,599
Intangible fixed assets		
Goodwill	29,364	32,231
Other	47,432	48,059
Total intangible fixed assets	76,796	80,290
Investments and other assets		
Other	68,021	68,787
Allowance for doubtful accounts	(3,556)	(3,648)
Total investments and other assets	64,465	65,138
Total Fixed assets	417,064	429,027
Total assets	1,030,684	1,040,030

(Units: millions of yen)

	End of Full Year As of March 31, 2021	End of First Quarter As of June 30, 2021
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	160,260	162,110
Short-term loans payable	31,698	28,213
Current portion of long-term loans payable	3,270	3,254
Provision for construction warranties	18,192	16,451
Other provision amount	2,857	2,720
Other	124,885	126,323
<b>Total current liabilities</b>	<b>341,162</b>	<b>339,071</b>
<b>Fixed Liabilities</b>		
Bonds payable	50,000	50,000
Long-term debt due after one year	39,471	34,370
Allowance	151	154
Defined benefit liability	51,662	52,252
Deferred income taxes on revaluation	20,437	20,434
Other	22,873	23,825
<b>Total non-current liabilities</b>	<b>184,594</b>	<b>181,035</b>
<b>Total liabilities</b>	<b>525,756</b>	<b>520,106</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	30,872	30,872
Capital surplus	26,071	26,071
Retained earnings	390,336	392,599
Treasury shares	(1,100)	(1,103)
<b>Total Shareholders' equity</b>	<b>446,179</b>	<b>448,438</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,030	4,949
Deferred gains or losses on hedges	(834)	(830)
Revaluation reserve for land	40,342	40,442
Foreign currency translation adjustments	1,016	14,200

	End of Full Year As of March 31, 2021	End of First Quarter As of June 30, 2021
	Amount	Amount
Remeasurements of defined benefit plans	(1,035)	(1,449)
Total accumulated other comprehensive income	44,518	57,312
Non-controlling interests	14,230	14,175
Total net assets	504,928	519,924
Total liabilities and net assets	1,030,684	1,040,030

## 2. Quarterly Consolidated Income Statements and Quarterly Consolidated Statement of Comprehensive Income

### Quarterly Consolidated Income Statements

Three months ended June 30, 2021

(Units: millions of yen)

	Previous First Quarter April 1, 2020 to June 30, 2020	Present First Quarter April 1, 2021 to June 30, 2021
	Amount	Amount
Net sales	180,657	216,267
Cost of sales	140,755	166,252
Gross income	39,901	50,015
Selling, general and administrative expenses	32,895	34,970
Operating profit	7,006	15,045
Non-operating profit		
Interest income	221	162
Dividend income	199	193
Other	452	755
Total non-operating profit	872	1,109
Non-operating expenses		
Interest expenses	284	186
Foreign exchange losses	1,025	—
Other	876	909
Total non-operating expenses	2,185	1,095
Ordinary profit	5,693	15,059
Extraordinary losses		
Impairment loss	—	131
Total extraordinary losses	—	131
Profit before income taxes	5,693	14,928
Income taxes	2,964	5,454
Profit	2,729	9,474
Profit attributable to no-controlling interests	126	214
Profit attributable to owners of parent	2,603	9,260

**Quarterly Consolidated Statement of Comprehensive Income**  
**Three months ended June 30, 2021**

(Units: millions of yen)

	Previous First Quarter April 1, 2020 to June 30, 2020	Present First Quarter April 1, 2021 to June 30, 2021
	Amount	Amount
Profit	2,729	9,474
Other comprehensive income		
Valuation difference on available-for-sale securities	843	(83)
Deferred gains or losses on hedges	148	1
Foreign currency translation adjustments	(6,433)	13,609
Adjustment to retirement benefits	144	(414)
Share of other comprehensive income of entities accounted for using equity method	2	4
Total other comprehensive income	(5,296)	13,117
Comprehensive income	(2,566)	22,591
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	(2,493)	21,955
Quarterly comprehensive income attributable to non-controlling interests	(74)	637

### **3. Items of Special Note Concerning the Quarterly Consolidated Financial Statements**

#### **(Significant Events or Conditions that Question the Premise of a Going Concern)**

There are no applicable items.

#### **(Notes regarding Significant Fluctuations to Shareholders' Equity)**

There are no applicable items.

#### **(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)**

(Calculation of tax expenses)

The effective tax rate expected to be imposed on pretax profit (after tax effect accounting) applicable to the consolidated fiscal year in which the first quarter of the current consolidated fiscal year under review is included was estimated based on reasonable assumptions, and tax expenses were calculated by multiplying the quarterly pretax profit by the estimated effective tax rate.

#### **(Changes to Accounting Policies)**

(Application of the Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year under review. Due to this, when promised goods or services are transferred to customers, revenue is to be recognized in an amount which we expect to receive in exchange for those goods or services.

Sales incentives and late payment charges arising in the course of performance of contracts were previously recorded as "cost of goods sold," "selling, general and administrative expenses" or "non-operating expenses" but as a result of the application mentioned above, we have changed the method so that those incentives and charges are deducted from sales and are recognized as variable consideration or consideration paid to customers, taking into account the actual state of transactions.

Furthermore, previously, the percentage-of-the-completion method was applied to construction contracts for which outcomes for a portion completed are deemed certain and the completed-contract method was applied to other construction contracts. However, we have changed the methods so that with regard to obligations that are fulfilled over a certain period, the progress of work related to fulfillment of the obligations is estimated and revenue is recognized based on such estimate of the progress over that certain period. In the case of obligations that are not fulfilled over a certain period, revenue is recognized when obligations are fully fulfilled with such obligations deemed to be fulfilled at a certain point in time.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment set forth in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first quarter of the current consolidated fiscal year under review was added to or subtracted from the beginning balance of retained earnings for the first quarter of the current consolidated fiscal year under review, and thus the new accounting policy was applied from such beginning balance. However, the new accounting policy was not retrospectively applied to contracts where almost all amounts of revenue for periods prior to the beginning of the first quarter of the current consolidated fiscal year under review were recognized in accordance with the previous treatment, by applying the method set forth in Paragraph 86 of the

Accounting Standard for Revenue Recognition.

The effect of this change on profits and losses and the beginning balance of retained earnings for the first quarter of the current consolidated fiscal year under review is minor.

Due to the application of the Accounting Standard for Revenue Recognition, etc., “Notes and accounts receivable - trade” which were included in “Current assets” in the consolidated balance sheets for the previous consolidated fiscal year, are included in “Notes and accounts receivable - trade and contract assets” from the first quarter of the current consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated in accordance with the new approach to presentation.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 of July 4, 2019; hereinafter referred to as the “Accounting Standard for Fair Value Measurement”), etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 of July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. is to be applied going forward. Note that this change has no effect on financial statements for the first quarter of the current consolidated fiscal year under review.

**(Subsequent Events of Significant Importance)**

There are no applicable items.

### III. Supplemental Information

#### 1. Orders Received, Sales and Operating Profit/Loss, and Balance of Orders Received, by Segment

As described in “I. 1. Explanation of Business Performance,” the reporting segments have been changed since the fiscal year ending March 31, 2022.

##### (1) Orders Received

(Units: millions of yen)

Segment	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	34,641	45,130	10,490	30.3
Industrial Machinery	38,539	66,798	28,259	73.3
Logistics & Construction	63,588	92,166	28,577	44.9
Energy & Lifelines	36,631	37,572	941	2.6
Others	1,317	1,495	178	13.5
Total	174,716	243,161	68,445	39.2

##### (2) Sales and operating profit/loss

(Units: millions of yen)

Segment	April 1, 2020 to June 30, 2020		April 1, 2021 to June 30, 2021		Y/Y Change	
	Sales	Operating profit/loss	Sales	Operating profit/loss	Sales	Operating profit/loss
Mechatronics	30,411	(84)	35,346	766	4,935	850
Industrial Machinery	43,277	3,115	49,444	3,871	6,167	755
Logistics & Construction	65,678	2,766	83,739	6,168	18,061	3,401
Energy & Lifelines	39,883	852	46,171	3,591	6,288	2,739
Others	1,407	433	1,567	621	160	187
Adjustment	—	(77)	—	30	—	106
Total	180,657	7,006	216,267	15,045	35,611	8,039



### (3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2021	April 1, 2021 to June 30, 2021	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	47,068	56,852	9,784	20.8
Industrial Machinery	84,888	102,242	17,354	20.4
Logistics & Construction	124,782	133,209	8,427	6.8
Energy & Lifelines	272,254	263,655	(8,598)	(3.2)
Others	1,117	1,045	(72)	(6.4)
Total	530,109	557,003	26,894	5.1

Business segments of the Company are categorized as follows.

Businesses	Main Products
Mechatronics	Power transmission, control equipment, motors, inverters, laser processing systems, precision positioning equipment, control components
Industrial Machinery	Plastics machinery, film forming machines, cryogenic equipment, precision forgings, semiconductor production equipment, ion accelerators, medical machines and equipment, forging press machines, machining tools, air-conditioning equipment, defense equipment
Logistics & Construction	Hydraulic excavators, mobile cranes, road machinery, material handling systems, logistics systems, automated parking systems
Energy & Lifelines	Private power generation facilities, boilers, air pollution control equipment, water and sewage treatment systems, industrial waste treatment facilities, turbines, pumps, process equipment, pressure vessels, mixing vessels, food processing machinery, ships

## 2. (Summary) Quarterly Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous First Quarter April 1, 2020 to June 30, 2020	Present First Quarter April 1, 2021 to June 30, 2021	Y/Y Change
Profit before income taxes	5,693	14,928	9,235
Depreciation	7,362	7,561	200
(Increase) decrease in notes and accounts receivable	21,695	18,410	(3,285)
(Increase) decrease in inventories	(10,883)	(6,983)	3,900
Increase (decrease) in notes and accounts payable - trade	(12,963)	(3,629)	9,334
Payments for income taxes	(3,649)	(6,036)	(2,387)
Other	(3,360)	(2,427)	933
Cash flows from operating activities	3,896	21,825	17,929
Purchase of fixed assets	(8,547)	(9,210)	(663)
Other	(4,883)	(2,508)	2,375
Cash flows from investing activities	(13,430)	(11,718)	1,713
Increase (decrease) in loans payable	9,448	(10,066)	(19,514)
Cash dividends paid	(4,158)	(6,656)	(2,498)
Other	(1,135)	(156)	979
Cash flows from financing activities	4,155	(16,878)	(21,033)
Other	(595)	2,863	3,458
Cash and cash equivalents at beginning of year	83,630	96,242	12,612
Cash and cash equivalents at end of quarter	77,656	92,335	14,679