

Consolidated Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]



November 10, 2017

Company name: Shibaura Electronics Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6957

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Scheduled date for filing quarterly securities report: November 13, 2017

Scheduled date for commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2017	12,408	12.3	1,530	42.2	1,575	56.2	1,120	62.7
Six months ended September 30, 2016	11,050	4.6	1,076	31.7	1,008	18.8	688	15.9

(Note) Comprehensive income: Six months ended September 30, 2017: ¥1,147 million [— %]

Six months ended September 30, 2016: ¥(268) million [— %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	145.36	—
Six months ended September 30, 2016	88.70	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	28,363	20,029	70.2
As of March 31, 2017	27,113	19,343	70.9

(Reference) Equity: As of September 30, 2017: ¥19,915 million

As of March 31, 2017: ¥19,235 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	—	0.00	—	60.00	60.00
Fiscal year ending March 31, 2018	—	0.00			
Fiscal year ending March 31, 2018 (Forecast)			—	60.00	60.00

(Note) Revision to the forecast for dividends announced most recently: No

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	25,000	13.3	3,000	25.3	3,000	21.8	2,280	25.4	295.89

(Note) Revision to the financial results forecast announced most recently: Yes

Notes:

- (1) Changes in significant subsidiaries during the period under review: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: — Excluded: —
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2017: 7,779,865 shares
March 31, 2017: 7,779,865 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2017: 74,441 shares
March 31, 2017: 74,168 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2017: 7,705,584 shares
Six months ended September 30, 2016: 7,762,853 shares

Note: The Company has introduced the Board Incentive Plan (BIP Trust) from the second quarter of the fiscal year ended March 31, 2017. Shares of the Company held in the Trust are included in treasury shares to be deducted for the calculation of the “total number of treasury shares at the end of the period” and the “average number of shares during the period.”

* These quarterly financial results are outside the scope of quarterly review procedures.

* Explanation of the proper use of the financial results forecast and other notes

· The earnings forecasts and other forward-looking statements herein are based on certain information available to the Company as of the date of publication of this document and on certain assumptions deemed reasonable. As such, it is not a commitment made by the Company to achieve them and actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the financial results forecast and notes on the use of the forecast, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements” on page 3 of the appendix to this report.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

Looking at the global economy during the six months ended September 30, 2017, the U.S. economy remained strong due mainly to consumer spending despite uncertainties surrounding the economic policies of the Trump administration, and the European economy also experienced a moderate recovery. In China, the economy showed signs of recovery owing to the steady expansion of consumer spending.

Meanwhile, the Japanese economy was on a moderate recovery track owing to the steady employment environment and improvements in corporate performance.

Under these circumstances, Shibaura Electronics Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) continued to enhance the production systems to meet the demand for thermistor sensors for automobiles on top of reinforcing production systems of thermistor elements, and reinforced production facilities in response to increasing demand for thermistor sensors for air conditioning from a production perspective. From a sales perspective, the Group continued to conduct aggressive marketing activities targeting automotive manufacturers as well as domestic and overseas energy-saving and green-oriented manufacturers. As a result, the consolidated net sales of its thermistor sensors by application resulted in ¥2,640 million (an increase of 20.2% year on year) for air conditioning, ¥1,826 million (an increase of 4.2% year on year) for home appliances, ¥1,213 million (an increase of 8.4% year on year) for automobiles, ¥1,105 million (an increase of 18.0% year on year) for household equipment, ¥968 million (an increase of 2.8% year on year) for OA equipment and ¥701 million (an increase of 11.3% year on year) for industrial equipment. Meanwhile, net sales of thermistor elements increased 10.1% to ¥3,468 million, of which those for automobiles increased 13.7% to ¥2,446 million.

As a result, consolidated net sales for the six months ended September 30, 2017 increased 12.3% year on year to ¥12,408 million. In terms of profits, consolidated operating income increased 42.2% to ¥1,530 million, consolidated ordinary income increased 56.2% to ¥1,575 million and net income attributable to owners of parent increased 62.7% to ¥1,120 million.

(2) Explanation of Financial Position

(i) Status of assets, liabilities and net assets

Total assets at the end of the second quarter of the fiscal year under review increased ¥1,250 million, or 4.6%, from the end of the previous fiscal year to ¥28,363 million. Current assets increased ¥802 million, or 4.2%, to ¥19,704 million, and noncurrent assets increased ¥447 million, or 5.4%, to ¥8,659 million.

The main cause of the growth in current assets was increases in notes and accounts receivable—trade as well as in inventories, despite a decrease in cash and deposits.

The main cause of the growth in noncurrent assets was an increase in property, plant and equipment in line with the introduction of manufacturing facilities and the factory expansion by Tohoku Shibaura Electronics Co., Ltd.

Total liabilities at the end of the second quarter of the fiscal year under review increased ¥564 million, or 7.3%, from the end of the previous fiscal year to ¥8,334 million. Current liabilities increased ¥762 million, or 11.6%, to ¥7,343 million, and noncurrent liabilities decreased ¥198 million, or 16.7%, to ¥991 million.

The main cause of the growth in current liabilities was an increase in notes and accounts payable—trade.

The main cause of the decline in noncurrent liabilities was a decrease in long-term loans payable.

Net assets at the end of the second quarter of the fiscal year under review increased ¥685 million, or 3.5%, from the end of the previous fiscal year to ¥20,029 million.

The main cause of the growth in net assets was an increase in retained earnings.

Retained earnings increased ¥657 million, or 4.6%, from the end of the previous fiscal year to ¥14,912 million, as the increase in net income attributable to owners of parent was greater than the dividends of surplus amount.

As a result, the Group's equity ratio decreased 0.7 percentage points from 70.9% at the end of the previous fiscal year to 70.2%.

(ii) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2017 amounted to ¥5,484 million, up 1.6% year on year. The status of cash flows from operating, investing and financing activities and major contributing factors were as follows.

Cash flows from operating activities

Net cash provided by operating activities during the six months ended September 30, 2017 increased 21.6% year on year to ¥1,144 million. This was mainly because the cash increase primarily due to income before income taxes of ¥1,557 million and an increase of ¥715 million in notes and accounts payable—trade exceeded the cash decrease caused chiefly by an increase of ¥1,145 million in notes and accounts receivable—trade.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2017 increased 86.9% year on year to ¥968 million. This was primarily due to ¥941 million of purchase of property, plant and equipment for the capital expenditures of Fukushima Shibaura Electronics Co., Ltd.

Cash flows from financing activities

Net cash used in financing activities during the six months ended September 30, 2017 decreased 21.9% year on year to ¥702 million. This was primarily due to the cash dividends paid of ¥461 million and the repayments of long-term loans payable of ¥242 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements

Regarding the full-year consolidated financial results forecast, taking into consideration operating results for the six months ended September 30, 2017, as well as the business environment in the near future and other factors, the financial results forecast for the fiscal year under review was examined. As a result, the full-year consolidated financial results forecast for the fiscal year ending March 31, 2018 released on May 8, 2017 has been revised.

For more details, please refer to "Notice of Revision of Financial Results Forecast," which was released today (November 10, 2017).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	6,348,915	5,808,013
Notes and accounts receivable—trade	5,692,961	6,606,584
Electronically recorded monetary claims—operating	779,053	979,004
Merchandise and finished goods	1,168,638	1,371,496
Work in process	2,687,540	2,744,856
Raw materials and supplies	1,235,210	1,368,331
Other	990,101	826,641
Allowance for doubtful accounts	(817)	(339)
Total current assets	18,901,604	19,704,589
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,315,797	3,370,139
Machinery, equipment and vehicles, net	2,716,374	2,884,660
Other, net	1,268,064	1,465,802
Total property, plant and equipment	7,300,237	7,720,602
Intangible assets	138,513	130,857
Investments and other assets		
Investment securities	309,053	312,860
Other	464,328	494,963
Total investments and other assets	773,381	807,823
Total noncurrent assets	8,212,133	8,659,283
Total assets	27,113,737	28,363,872

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable—trade	3,266,911	3,945,601
Short-term loans payable	709,476	689,911
Income taxes payable	438,157	451,404
Provision for bonuses	376,541	414,774
Provision for directors' bonuses	60,000	30,000
Other	1,730,081	1,811,821
Total current liabilities	6,581,167	7,343,512
Noncurrent liabilities		
Long-term loans payable	772,147	547,932
Provision for BIP Trust	16,405	20,695
Net defined benefit liability	167,565	150,635
Other	233,048	271,753
Total noncurrent liabilities	1,189,166	991,016
Total liabilities	7,770,334	8,334,529
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,070,421	2,070,421
Retained earnings	14,254,242	14,912,022
Treasury shares	(129,911)	(128,516)
Total shareholders' equity	18,339,364	18,998,539
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160,885	163,687
Foreign currency translation adjustment	734,805	753,025
Remeasurements of defined benefit plans	78	74
Total accumulated other comprehensive income	895,770	916,787
Non-controlling interests	108,267	114,016
Total net assets	19,343,402	20,029,343
Total liabilities and net assets	27,113,737	28,363,872

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net sales	11,050,347	12,408,957
Cost of sales	8,486,289	9,334,948
Gross profit	2,564,058	3,074,008
Selling, general and administrative expenses		
Salaries, allowances and bonuses	516,562	523,929
Provision for bonuses	119,938	112,071
Provision for directors' bonuses	25,000	30,000
Retirement benefit expenses	45,752	32,071
Provision for directors' retirement benefits	3,822	—
Provision for BIP Trust	—	6,689
Other	776,249	838,259
Total selling, general and administrative expenses	1,487,324	1,543,022
Operating income	1,076,734	1,530,986
Non-operating income		
Interest income	1,588	1,701
Dividend income	2,889	2,759
Foreign exchange gains	—	1,012
Commission fee	6,611	8,303
Insurance premiums refunded cancellation	10,443	18,027
Other	28,535	19,747
Total non-operating income	50,067	51,551
Non-operating expenses		
Interest expenses	5,719	3,561
Foreign exchange losses	109,707	—
Other	2,575	3,691
Total non-operating expenses	118,002	7,252
Ordinary income	1,008,799	1,575,285
Extraordinary income		
Gain on sales of noncurrent assets	32	245
Total extraordinary income	32	245
Extraordinary losses		
Loss on disposal of noncurrent assets	10,905	18,009
Total extraordinary losses	10,905	18,009
Income before income taxes	997,926	1,557,520
Income taxes—current	318,240	430,090
Income taxes—deferred	(13,677)	1,095
Total income taxes	304,563	431,185
Net income	693,362	1,126,335
Net income attributable to non-controlling interests	4,771	6,213
Net income attributable to owners of parent	688,591	1,120,122

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net income	693,362	1,126,335
Other comprehensive income		
Valuation difference on available-for-sale securities	(25,992)	2,802
Foreign currency translation adjustment	(936,176)	18,219
Remeasurements of defined benefit plans	—	(3)
Total other comprehensive income	(962,169)	21,017
Comprehensive income	(268,806)	1,147,352
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(273,578)	1,141,139
Comprehensive income attributable to non-controlling interests	4,771	6,213

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes	997,926	1,557,520
Depreciation	603,483	637,457
Increase (decrease) in allowance for doubtful accounts	(74)	(482)
Increase (decrease) in provision for bonuses	33,283	38,232
Increase (decrease) in provision for directors' retirement benefits	(113,250)	—
Increase (decrease) in provision for BIP Trust	—	4,289
Increase (decrease) in provision for directors' bonuses	(25,000)	(30,000)
Increase (decrease) in net defined benefit liability	(47,425)	(77,347)
Interest and dividend income	(4,478)	(4,460)
Interest expenses	5,719	3,561
Foreign exchange losses (gains)	18,402	(2,732)
Loss (gain) on disposal of noncurrent assets	10,873	17,764
Decrease (increase) in notes and accounts receivable—trade	(744,959)	(1,145,148)
Decrease (increase) in inventories	(83,738)	(382,041)
Decrease (increase) in consumption taxes refund receivable	255,240	218,509
Decrease (increase) in other current assets	(7,831)	(26,890)
Increase (decrease) in notes and accounts payable—trade	117,421	715,400
Increase (decrease) in accrued consumption taxes	(59,250)	(34,411)
Increase (decrease) in other current liabilities	84,943	23,445
Other, net	114,021	33,459
Subtotal	1,155,307	1,546,125
Interest and dividend income received	4,504	4,484
Interest expenses paid	(5,486)	(3,374)
Income taxes paid	(214,340)	(404,054)
Income taxes refund	746	942
Net cash provided by (used in) operating activities	940,732	1,144,124

	(Thousand yen)	
	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Cash flows from investing activities		
Payments into time deposits	(120,816)	(108,813)
Proceeds from withdrawal of time deposits	120,800	108,807
Purchase of property, plant and equipment	(488,468)	(941,919)
Proceeds from sales of property, plant and equipment	42	693
Purchase of intangible assets	(23,216)	(14,378)
Other, net	(6,774)	(13,313)
Net cash provided by (used in) investing activities	(518,434)	(968,923)
Cash flows from financing activities		
Repayments of long-term loans payable	(372,099)	(242,432)
Purchase of treasury shares	(99,784)	(1,004)
Proceeds from disposal of treasury shares	—	2,399
Cash dividends paid	(427,150)	(461,261)
Dividends paid to non-controlling interests	(464)	(401)
Other, net	(334)	—
Net cash provided by (used in) financing activities	(899,833)	(702,699)
Effect of exchange rate change on cash and cash equivalents	(202,495)	(15,309)
Net increase (decrease) in cash and cash equivalents	(680,030)	(542,809)
Cash and cash equivalents at beginning of period	6,058,363	6,027,381
Increase in cash and cash equivalents from newly consolidated subsidiary	20,825	—
Cash and cash equivalents at end of period	5,399,158	5,484,571

(4) Notes to Quarterly Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

Not applicable

(Notes in the Case of Significant Changes in Shareholders' Equity)

Not applicable