

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japanese GAAP]



May 11, 2018

Company name: Shibaura Electronics Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6957
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 Scheduled date for the Ordinary General Meeting of Shareholders: June 28, 2018
 Scheduled date for commencing dividend payments: June 29, 2018
 Scheduled date for filing securities report: June 29, 2018
 Availability of supplementary briefing material on financial results: Yes
 Schedule of 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 Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	%
Fiscal year ended								
March 31, 2018	25,289	14.6	3,045	27.2	3,071	24.7	2,280	25.4
March 31, 2017	22,071	3.8	2,394	43.9	2,463	44.0	1,818	49.8

(Note) Comprehensive income: Fiscal year ended March 31, 2018: ¥2,647 million [81.4%]
 Fiscal year ended March 31, 2017: ¥1,459 million [107.2 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets	Operating income margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	295.96	—	11.2	10.6	12.0
March 31, 2017	235.05	—	9.7	9.3	10.8

(Reference) Equity in earnings (losses) of affiliated companies:

Fiscal year ended March 31, 2018: ¥— million

Fiscal year ended March 31, 2017: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	30,885	21,468	69.4	2,780.42
As of March 31, 2017	27,113	19,343	70.9	2,496.22

(Reference) Equity: As of March 31, 2018: ¥21,427 million
 As of March 31, 2017: ¥19,235 million

(3) Consolidated cash flows

	Net cash flow provided by (used in) operating activities	Net cash flow provided by (used in) investing activities	Net cash flow provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2018	2,701	(1,931)	(4)	6,828
March 31, 2017	2,514	(1,224)	(1,235)	6,027

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 ended March 31, 2018	—	0.00	—	75.00	75.00
Fiscal year ending March 31, 2019 (Forecast)	—	0.00	—	75.00	75.00

	Total dividends paid	Payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2017	466	25.5	2.5
Fiscal year ended March 31, 2018	583	25.3	2.8
Fiscal year ending March 31, 2019 (Forecast)		24.4	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	13,500	8.8	1,570	2.5	1,500	(4.8)	1,120	(0.0)	145.34
Full year	27,500	8.7	3,170	4.1	3,170	3.2	2,370	3.9	307.54

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) 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

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2018: 7,779,865 shares

March 31, 2017: 7,779,865 shares

2) Total number of treasury shares at the end of the period:

March 31, 2018: 73,262 shares

March 31, 2017: 74,168 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2018: 7,706,324 shares

Fiscal year ended March 31, 2017: 7,736,488 shares

Note: The Company has introduced the Board Incentive Plan (BIP Trust) from the previous fiscal year. 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.”

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	20,475	9.5	881	32.2	1,094	26.1	816	30.2
March 31, 2017	18,697	9.1	666	53.9	867	27.1	627	26.6

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2018	105.94	—
March 31, 2017	81.07	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	23,199	10,517	45.3	1,364.71
As of March 31, 2017	20,707	10,132	48.9	1,314.99

(Reference) Equity: As of March 31, 2018: ¥10,517 million

As of March 31, 2017: ¥10,132 million

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* 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 “(4) Future Outlook” on page 4 of the appendix to this report.

• The Company plans to hold a financial results briefing session for institutional investors and analysts on May 25, 2018. The explanatory materials used on that day will be posted on the Company’s website promptly after the session.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

Looking at the global economic environment surrounding the Group, consisting of Shibaura Electronics Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), in the fiscal year ended March 31, 2018, the U.S. economy continued moderate economic growth due to steady growth of consumer spending as well as steady growth of corporate performance and employment environment, whereas the European economy also recovered moderately. China staved off the slowdown in its economic growth and showed signs of recovery with steady growth of exports.

On the other hand, the Japanese economy was on a moderate recovery track owing to the steady employment environment and increases in capital investment and improvements in corporate performance in association with the recovery of the global economy.

Under these circumstances, the Group continued to enhance the production systems to meet the demand for thermistor sensors for automobiles on top of continued reinforcement of the production systems of thermistor elements, and reinforced production facilities in response to increasing demand for thermistor sensors for air conditioning from a production perspective. In order to secure production space for future, the Group started construction of the Shingburi Plant’s No. 6 Building of Thai Shibaura Denshi Co., Ltd. in November 2017, which will be completed in May 2018. 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 ¥5,053 million (an increase of 15.8% year on year) for air conditioning, ¥3,771 million (an increase of 13.7% year on year) for home appliances, ¥2,612 million (an increase of 14.5% year on year) for automobiles, ¥2,355 million (an increase of 15.7% year on year) for household equipment, ¥2,061 million (an increase of 4.6% year on year) for OA equipment and ¥1,525 million (an increase of 12.1% year on year) for industrial equipment. Meanwhile, net sales of thermistor elements increased 15.1% to ¥7,099 million, of which those for automobiles increased by 12.6% to ¥4,878 million.

As a result, consolidated net sales for the fiscal year ended March 31, 2018, increased by 14.6% year on year to ¥25,289 million. In terms of profit, consolidated operating income increased 27.2% to ¥3,045 million, consolidated ordinary income increased by 24.7% to ¥3,071 million and net income attributable to owners of parent increased by 25.4% to ¥2,280 million.

Financial results by reportable segment are as follows.

(i) Japan

Net sales increased by 9.5% year on year to ¥20,475 million owing to increased demand for thermistor sensors for automobiles and thermistor sensors for air conditioning. Operating income increased 20.0% year on year to ¥3,089 million as a result of higher sales.

(ii) Asia

Net sales increased by 25.8% year on year to ¥13,934 million as the demand for thermistor sensors for small home appliances and thermistor elements for China increased. Operating income increased 16.9% year on year to ¥699 million as a result of higher sales.

(iii) Europe

Net sales increased by 17.4% year on year to ¥909 million due to increased demand for thermistor elements for automobiles. Operating income increased 27.6% year on year to ¥56 million as a result of higher sales.

(iv) America

Net sales increased by 22.8% year on year to ¥319 million due to increased demand for thermistor elements for automobiles. Operating income was ¥2 million as a result of higher sales (operating loss of ¥1 million in the same period of the previous year).

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review increased by ¥3,771 million, or 13.9%, from the end of the previous fiscal year to ¥30,885 million. Current assets increased by ¥2,485 million, or 13.1%, to ¥21,387 million, and noncurrent assets increased by ¥1,285 million, or 15.7%, to ¥9,498 million.

The main cause of the growth in current assets was an increase in cash and deposits and notes and accounts receivable—trade mainly due to increase in net sales.

The main cause of the growth in noncurrent assets was an increase in property, plant and equipment mainly due to the introduction of machinery equipment, etc. to improve productivity of Fukushima Shibaura Electronics Co., Ltd.

Total liabilities at the end of the fiscal year under review increased by ¥1,646 million, or 21.2%, from the end of the previous fiscal year to ¥9,416 million. Current liabilities increased by ¥1,179 million, or 17.9%, to ¥7,760 million, and noncurrent liabilities increased by ¥467 million, or 39.3%, to ¥1,656 million.

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

The main cause of the increase in noncurrent liabilities was an increase in long-term loans payable. Net assets at the end of the fiscal year under review increased by ¥2,124 million, or 11.0%, from the end of the previous fiscal year to ¥21,468 million.

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

As a result, the Group's equity ratio decreased from 70.9% at the end of the previous fiscal year to 69.4%. Net assets per share based on the total number of issued shares at the end of the fiscal year under review increased from ¥2,496.22 at the end of the previous fiscal year to ¥2,780.42.

(3) Overview of Cash Flows for the Fiscal Year under Review

The Group's consolidated cash and cash equivalents ("cash") as of the end of the fiscal year under review amounted to ¥6,828 million, an increase of ¥801 million from the end of the previous fiscal 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 was ¥2,701 million compared with ¥2,514 million provided in the previous fiscal year. This was mainly because the cash increase primarily due to income before income taxes of ¥3,035 million and depreciation of ¥1,369 million considerably exceeded the cash decrease caused chiefly by an increase of ¥831 million in notes and accounts receivable—trade and income taxes paid of ¥724 million.

Cash flows from investing activities

Net cash used in investing activities was ¥1,931 million compared with ¥1,224 million used in the previous fiscal year. This was primarily due to ¥1,905 million in the purchase of property, plant and equipment for the improvement of productivity.

Cash flows from financing activities

Net cash used in financing activities was ¥4 million compared with ¥1,235 million used in the previous fiscal year. This was primarily because the cash decrease primarily due to the repayments of short-term loans payable and long-term loans payable of ¥817 million and the cash dividends paid amounting to ¥465 million exceeded the cash increase caused by proceeds from long-term loans payable of ¥1,200 million.

(4) Future Outlook

While the overall global economy is expected to moderately recover, the impact of the U.S. protectionist policy and financial policy on the global economy is uncertain.

In Japan, on the other hand, while the employment environment continues to improve firmly and corporate performance showed steady improvement, the impact of exchange rate fluctuations and the U.S. protectionist policy, etc. is unpredictable.

Despite such circumstances, the demand for thermistor elements and thermistor sensors currently continues to grow moderately and the Group will reinforce its R&D systems to address the development of next-generation products and promote aggressive business activities to gain higher market shares in the temperature sensor field. Specifically, we will stimulate needs and seeds in existing markets, expand sales in overseas markets, including the U.S., European and Chinese markets, and enter new markets by continually promoting technology-sales-integrated marketing activities, including use on environment-friendly vehicles (hybrid and EV) and environment-focused applications such as the use of high-temperature thermistors for exhaust gas control equipment. In addition, to promote cost reduction on a Group-wide basis such as further reduction in material costs and rationalization as well as efficiency improvement of overall manufacturing, we will dedicate all our strength to increasing operating performance by proactively undertaking investments in the automation of manufacturing processes and capital investment in factory construction and machinery equipment in an effort to cope with a future increase in orders especially of thermistor elements and thermistor sensors for air conditioning and automobiles.

Our forecast for the fiscal year ending March 31, 2019, is net sales of ¥27.5 billion (a year on year increase of 8.7%), operating income of ¥3.17 billion (a 4.1% increase), ordinary income of ¥3.17 billion (a 3.2% increase) and net income attributable to owners of parent of ¥2.37 billion (a 3.9% increase).

2. Basic Concept on Adoption of Accounting Standards

The Group currently applies the Japanese GAAP primarily taking into account the comparability of the accounting periods and other factors and has no intention of changing this selection in the immediate future.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Thousand yen)		
	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	6,348,915	7,130,929
Notes and accounts receivable—trade	5,692,961	6,429,852
Electronically recorded monetary claims—operating	779,053	943,367
Merchandise and finished goods	1,168,638	1,483,249
Work in process	2,687,540	2,851,605
Raw materials and supplies	1,235,210	1,364,276
Deferred tax assets	307,086	339,374
Accounts receivable—other	563,318	712,704
Other	119,696	132,016
Allowance for doubtful accounts	(817)	(340)
Total current assets	18,901,604	21,387,037
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	7,635,794	8,258,697
Accumulated depreciation	(4,319,996)	(4,726,260)
Buildings and structures, net	3,315,797	3,532,437
Machinery, equipment and vehicles	12,324,994	13,132,270
Accumulated depreciation	(9,608,619)	(10,297,842)
Machinery, equipment and vehicles, net	2,716,374	2,834,428
Land	854,371	877,640
Leased assets	6,692	—
Accumulated depreciation	(6,692)	—
Leased assets, net	—	—
Construction in progress	204,708	991,980
Other	1,550,189	1,659,112
Accumulated depreciation	(1,341,204)	(1,418,105)
Other, net	208,984	241,006
Total property, plant and equipment	7,300,237	8,477,492
Intangible assets	138,513	132,190
Investments and other assets		
Investment securities	309,053	357,397
Net defined benefit asset	182,816	286,454
Deferred tax assets	41,916	37,413
Other	239,594	207,078
Total investments and other assets	773,381	888,343
Total noncurrent assets	8,212,133	9,498,026
Total assets	27,113,737	30,885,063

(Thousand yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable—trade	3,266,911	3,749,075
Short-term loans payable	709,476	831,240
Income taxes payable	438,157	433,103
Accrued consumption taxes	90,057	46,408
Provision for bonuses	376,541	413,624
Provision for directors' bonuses	60,000	70,000
Other	1,640,023	2,217,192
Total current liabilities	6,581,167	7,760,644
Noncurrent liabilities		
Long-term loans payable	772,147	1,167,740
Deferred tax liabilities	101,574	153,021
Provision for BIP Trust	16,405	32,411
Net defined benefit liability	167,565	161,715
Asset retirement obligations	11,517	11,781
Other	119,957	129,596
Total noncurrent liabilities	1,189,166	1,656,266
Total liabilities	7,770,334	9,416,910
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,070,421	2,090,704
Retained earnings	14,254,242	16,068,576
Treasury shares	(129,911)	(129,313)
Total shareholders' equity	18,339,364	20,174,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160,885	194,692
Foreign currency translation adjustment	734,805	1,073,877
Remeasurements of defined benefit plans	78	(15,580)
Total accumulated other comprehensive income	895,770	1,252,990
Non-controlling interests	108,267	40,582
Total net assets	19,343,402	21,468,153
Total liabilities and net assets	27,113,737	30,885,063

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

	(Thousand yen)	
	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	22,071,843	25,289,477
Cost of sales	16,722,639	19,102,851
Gross profit	5,349,204	6,186,625
Selling, general and administrative expenses		
Freightage and packing expenses	229,573	272,610
Advertising expenses	13,626	13,800
Salaries, allowances and bonuses	1,147,105	1,188,804
Provision for bonuses	115,932	117,072
Provision for directors' bonuses	60,000	70,000
Retirement benefit expenses	66,815	76,825
Provision for directors' retirement benefits	3,822	—
Provision for BIP Trust	16,405	18,406
Legal welfare expenses	184,561	182,099
Traveling and transportation expenses	146,535	155,809
Communication expenses	29,370	30,557
Commission fee	253,740	267,875
Rent expenses	2,754	2,061
Depreciation	86,209	83,865
Provision of allowance for doubtful accounts	22	435
Other	598,662	660,956
Total selling, general and administrative expenses	2,955,137	3,141,179
Operating income	2,394,066	3,045,445
Non-operating income		
Interest income	3,254	2,969
Dividend income	5,423	5,324
Foreign exchange gains	8,022	—
Commission fee	12,487	17,559
Land and house rent received	11,192	11,648
Insurance income	—	2,104
Subsidy income	14,985	13,527
Insurance premiums refunded cancellation	10,443	18,027
Other	18,905	17,328
Total non-operating income	84,714	88,490
Non-operating expenses		
Interest expenses	10,051	7,203
Compensation expenses	331	111
Foreign exchange losses	—	47,010
Other	5,198	8,152
Total non-operating expenses	15,581	62,477
Ordinary income	2,463,199	3,071,458

	(Thousand yen)	
	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Extraordinary income		
Gain on sales of noncurrent assets	31	356
Total extraordinary income	31	356
Extraordinary losses		
Loss on disposal of noncurrent assets	17,243	36,356
Total extraordinary losses	17,243	36,356
Income before income taxes	2,445,988	3,035,458
Income taxes—current	639,209	728,972
Income taxes—deferred	(22,118)	15,801
Total income taxes	617,091	744,774
Net income	1,828,896	2,290,684
Net income attributable to non-controlling interests	10,419	9,910
Net income attributable to owners of parent	1,818,476	2,280,774

Consolidated Statements of Comprehensive Income

	(Thousand yen)	
	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net income	1,828,896	2,290,684
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,399)	33,807
Foreign currency translation adjustment	(361,631)	339,071
Remeasurements of defined benefit plans	78	(15,659)
Total other comprehensive income	(368,952)	357,219
Comprehensive income	1,459,944	2,647,904
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,449,524	2,637,994
Comprehensive income attributable to non-controlling interests	10,419	9,910

(3) Consolidated Statements of Changes in Equity
Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,144,612	2,069,698	12,866,359	(7,065)	17,073,604
Changes of items during the period					
Dividends of surplus			(427,584)		(427,584)
Net income attributable to owners of parent			1,818,476		1,818,476
Purchase of treasury shares				(122,846)	(122,846)
Change in the scope of consolidation			(3,009)		(3,009)
Change in ownership interest of parent due to transactions with non-controlling interests		723			723
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	723	1,387,882	(122,846)	1,265,759
Balance at the end of current period	2,144,612	2,070,421	14,254,242	(129,911)	18,339,364

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	168,285	1,096,437	—	1,264,722	102,889	18,441,217
Changes of items during the period						
Dividends of surplus						(427,584)
Net income attributable to owners of parent						1,818,476
Purchase of treasury shares						(122,846)
Change in the scope of consolidation						(3,009)
Change in ownership interest of parent due to transactions with non-controlling interests						723
Net changes of items other than shareholders' equity	(7,399)	(361,631)	78	(368,952)	5,377	(363,574)
Total changes of items during the period	(7,399)	(361,631)	78	(368,952)	5,377	902,184
Balance at the end of current period	160,885	734,805	78	895,770	108,267	19,343,402

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,144,612	2,070,421	14,254,242	(129,911)	18,339,364
Changes of items during the period					
Dividends of surplus			(466,439)		(466,439)
Net income attributable to owners of parent			2,280,774		2,280,774
Purchase of treasury shares				598	598
Change in ownership interest of parent due to transactions with non-controlling interests		20,283			20,283
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	20,283	1,814,334	598	1,835,215
Balance at the end of current period	2,144,612	2,090,704	16,068,576	(129,313)	20,174,580

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	160,885	734,805	78	895,770	108,267	19,343,402
Changes of items during the period						
Dividends of surplus						(466,439)
Net income attributable to owners of parent						2,280,774
Purchase of treasury shares						598
Change in ownership interest of parent due to transactions with non-controlling interests						20,283
Net changes of items other than shareholders' equity	33,807	339,071	(15,659)	357,219	(67,685)	289,534
Total changes of items during the period	33,807	339,071	(15,659)	357,219	(67,685)	2,124,750
Balance at the end of current period	194,692	1,073,877	(15,580)	1,252,990	40,582	21,468,153

(4) Consolidated Statements of Cash Flows

	(Thousand yen)	
	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	2,445,988	3,035,458
Depreciation	1,282,062	1,369,895
Increase (decrease) in allowance for doubtful accounts	(42)	(508)
Increase (decrease) in provision for bonuses	17,864	37,083
Increase (decrease) in provision for directors' bonuses	10,000	10,000
Increase (decrease) in net defined benefit liability	(132,084)	(135,406)
Increase (decrease) in provision for directors' retirement benefits	(113,250)	—
Increase (decrease) in provision for BIP Trust	16,405	16,006
Interest and dividend income	(8,677)	(8,293)
Interest expenses	10,051	7,203
Foreign exchange losses (gains)	3,895	(642)
Loss (gain) on disposal of noncurrent assets	17,211	35,999
Decrease (increase) in notes and accounts receivable—trade	(724,481)	(831,615)
Decrease (increase) in inventories	(352,961)	(500,984)
Decrease (increase) in accounts receivable—other	6,915	(11,704)
Decrease (increase) in consumption taxes refund receivable	(43,708)	(137,273)
Decrease (increase) in other current assets	(6,189)	(11,328)
Increase (decrease) in notes and accounts payable—trade	232,868	450,441
Increase (decrease) in accrued consumption taxes	(54,234)	(43,649)
Increase (decrease) in other current liabilities	274,878	102,993
Other, net	82,855	40,407
Subtotal	2,965,366	3,424,082
Interest and dividend income received	8,729	8,224
Interest expenses paid	(9,596)	(7,531)
Income taxes paid	(451,014)	(724,113)
Income taxes refund	746	942
Net cash provided by (used in) operating activities	2,514,230	2,701,604

	(Thousand yen)	
	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Payments into time deposits	(312,710)	(441,770)
Proceeds from withdrawal of time deposits	312,661	465,051
Purchase of property, plant and equipment	(1,173,685)	(1,905,416)
Proceeds from sales of property, plant and equipment	41	796
Purchase of intangible assets	(40,560)	(36,148)
Other, net	(9,893)	(14,049)
Net cash provided by (used in) investing activities	(1,224,147)	(1,931,538)
Cash flows from financing activities		
Increase in short-term loans payable	230,278	136,165
Decrease in short-term loans payable	(230,278)	(236,165)
Proceeds from long-term loans payable	—	1,200,000
Repayments of long-term loans payable	(680,135)	(581,566)
Purchase of treasury shares	(122,846)	(1,801)
Proceeds from disposal of treasury shares	—	2,399
Cash dividends paid	(427,536)	(465,835)
Dividends paid to non-controlling interests	(484)	(401)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,834)	(56,847)
Other, net	(334)	—
Net cash provided by (used in) financing activities	(1,235,171)	(4,052)
Effect of exchange rate change on cash and cash equivalents	(106,720)	35,313
Net increase (decrease) in cash and cash equivalents	(51,808)	801,326
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	6,027,381	6,828,707

(5) Notes to Consolidated Financial Statements
(Notes regarding Going Concern Assumptions)
Not applicable

(Segment Information)

1. Summary of reportable segments

The reportable segments of the Company are components for which discrete financial information is available and which are subject to regular review by the President in order to make decisions on allocation of management resources to and assess the performance of the respective segments.

The Company mainly engages in production and sales of thermistors. Production and sales in Japan are conducted by the Company, while the same activities overseas are handled by local subsidiaries in Asia (primarily China and Thailand), in Europe and in America. The overseas local subsidiaries are independent business entities, and therefore they plan their own comprehensive strategies on product lines for each region and deploy their own business activities.

Accordingly, the Company consists of geographical segments based on production and sales systems, and the four reportable segments are “Japan,” “Asia,” “Europe” and “America.” Each reportable segment produces and sells thermistors, as well as temperature/humidity sensors and other products.

2. Calculation method of net sales, income or loss, assets, liabilities and other items by reportable segment

The accounting method for the reportable segments is predominantly identical to the accounting method adopted for preparing Consolidated Financial Statements.

The segment income or loss is based on operating income or loss. The amounts of inter-segment sales and transfers are calculated based on prevailing market prices.

3. Net sales, income or loss, assets, liabilities and other items by reportable segment
Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Thousand yen)

	Reportable segment				Total
	Japan	Asia	Europe	America	
Net sales					
Net sales to external customers	14,822,167	6,291,420	713,291	244,963	22,071,843
Inter-segment sales or transfers	3,875,120	4,785,706	61,514	15,434	8,737,775
Total	18,697,287	11,077,127	774,805	260,398	30,809,619
Segment income or (loss)	2,573,675	597,999	44,669	(1,106)	3,215,238
Segment assets	17,437,294	8,771,236	228,175	67,413	26,504,119
Other items					
Depreciation	845,189	425,345	221	759	1,271,515
Increase in amounts of property, plant and equipment and intangible assets	777,242	424,938	2,179	910	1,205,270

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Thousand yen)

	Reportable segment				Total
	Japan	Asia	Europe	America	
Net sales					
Net sales to external customers	15,238,787	8,909,427	841,877	299,384	25,289,477
Inter-segment sales or transfers	5,236,268	5,024,936	68,007	20,459	10,349,671
Total	20,475,056	13,934,364	909,884	319,843	35,639,148
Segment income	3,089,684	699,075	56,993	2,023	3,847,777
Segment assets	20,642,129	10,499,538	286,935	97,904	31,526,508
Other items					
Depreciation	919,071	441,458	751	851	1,362,132
Increase in amounts of property, plant and equipment and intangible assets	1,405,310	527,185	1,348	—	1,933,844

4. Differences between the total of the reportable segments and the carrying amounts on the consolidated financial statements, as well as the major content of said differences (adjustment of differences)

(Thousand yen)

Net sales	Previous fiscal year	Current fiscal year
Total of the reportable segments	30,809,619	35,639,148
Elimination of inter-segment transactions	(8,737,775)	(10,349,671)
Net sales on the consolidated financial statements	22,071,843	25,289,477

(Thousand yen)

Income	Previous fiscal year	Current fiscal year
Total of the reportable segments	3,215,238	3,847,777
Elimination of inter-segment transactions	(82,920)	(28,566)
Corporate expenses (Note)	(738,250)	(773,764)
Operating income on the consolidated financial statements	2,394,066	3,045,445

Note: Corporate expenses mainly refer to general and administrative expenses that are not distributed to each reportable segment.

(Thousand yen)

Assets	Previous fiscal year	Current fiscal year
Total of the reportable segments	26,504,119	31,526,508
Elimination of inter-segment transactions	(4,527,148)	(5,508,447)
Corporate assets (Note)	5,136,766	4,867,002
Total assets on the consolidated financial statements	27,113,737	30,885,063

Note: Corporate assets consist mainly of surplus funds (cash), long-term investments (investment securities) and certain assets related to corporate administrative departments that are not distributed to each reportable segment.

(Thousand yen)

Other items	Total of the reportable segments		Adjustment		Carrying amount on the consolidated financial statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	1,271,515	1,362,132	10,546	7,762	1,282,062	1,369,895
Increase in amounts of property, plant and equipment and intangible assets	1,205,270	1,933,844	8,975	7,720	1,214,246	1,941,564

Note: The adjustment for increase in amounts of property, plant and equipment and intangible assets refers to the increase of software, etc., resulting from the improvement of the Company's computer system.

(Per-Share Information)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net assets per share	¥2,496.22	¥2,780.42
Basic earnings per share	¥235.05	¥295.96

Notes:

1. Diluted earnings per share are not provided because the Company had no securities with dilutive effects.
2. The basis for calculation of basic earnings per share is as follows:

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Basic earnings per share		
Net income attributable to owners of parent (Thousand yen)	1,818,476	2,280,774
Amounts not attributable to common shareholders (Thousand yen)	—	—
Net income attributable to owners of parent regarding common shares (Thousand yen)	1,818,476	2,280,774
Average number of common shares during the fiscal year (Shares)	7,736,488	7,706,324

3. The basis for calculation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Total net assets (Thousand yen)	19,343,402	21,468,153
Amounts deducted from total net assets (Thousand yen)	108,267	40,582
(Non-controlling interests included therein) (Thousand yen)	(108,267)	(40,582)
Net assets regarding common shares at the end of fiscal year (Thousand yen)	19,235,134	21,427,570
Number of common shares at the end of fiscal year used for calculation of net assets per share (Shares)	7,705,697	7,706,603

4. Shares of the Company remaining in the “BIP Trust Account,” which are accounted for as treasury shares in the net assets, are included in the treasury shares to be deducted for the calculation of the average number of shares during the fiscal year under review which is then used to calculate basic earnings per share. These shares are also included in the treasury shares to be deducted for the calculation of the total number of treasury shares at the end of the fiscal year under review which is then used to calculate net assets per share. The average number of such treasury shares during the previous fiscal year and during the fiscal year under review deducted for the calculation of basic earnings per share were 43,377 shares and 67,443 shares, respectively, and the total number of treasury shares at the end of the previous fiscal year and at the end of the fiscal year under review deducted for the calculation of net assets per share were 74,168 shares and 66,960 shares, respectively.

(Significant Subsequent Events)

Not applicable

4. Others

(1) Changes in Corporate Officers

1) Transfer of representative
Not applicable

2) Transfers of other corporate officers (scheduled for June 28, 2018)

i) New candidate for Director

Mr. Kazunao Kudo (currently Outside Director, Sodick Co., Ltd.)

ii) New candidate for Audit & Supervisory Board Member

Mr. Tatsumi Kyoya, Full-time Audit & Supervisory Board Member (currently Head of Office of Audit & Supervisory Board Members of the Company)

iii) Retiring Audit & Supervisory Board Member

Mr. Motokazu Nakamura, Full-time Audit & Supervisory Board Member

(Note) New candidate for Director Kazunao Kudo is a candidate for Outside Director as prescribed in Article 2, Item 15 of the Companies Act.