

Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



November 9, 2018

Company name: Shibaura Electronics Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6957

URL: <http://www.shibaura-e.co.jp>

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Scheduled date for filing quarterly securities report: November 12, 2018

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, 2018 (April 1, 2018 to September 30, 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	%
Six months ended September 30, 2018	13,622	9.8	1,555	1.6	1,561	(0.9)	1,099	(1.9)
September 30, 2017	12,408	12.3	1,530	42.2	1,575	56.2	1,120	62.7

(Note) Comprehensive income: Six months ended September 30, 2018: ¥886 million [(22.7)%]

Six months ended September 30, 2017: ¥1,147 million [— %]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended September 30, 2018	142.62	—	—	—
September 30, 2017	145.36	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	31,881	21,770	68.2
As of March 31, 2018	30,732	21,468	69.7

(Reference) Equity: As of September 30, 2018: ¥21,728 million

As of March 31, 2018: ¥21,427 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen —	Yen 0.00	Yen —	Yen 75.00	Yen 75.00
Fiscal year ending March 31, 2019	—	0.00			
Fiscal year ending March 31, 2019 (Forecast)			—	75.00	75.00

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

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
Full year	27,500	8.7	3,170	4.1	3,170	3.2	2,370	3.9	307.54

(Note) Revision to the financial results forecast announced most recently: No

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, 2018: 7,779,865 shares
March 31, 2018: 7,779,865 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2018: 73,440 shares
March 31, 2018: 73,262 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2018: 7,706,498 shares
Six months ended September 30, 2017: 7,705,584 shares

Note: The Company has introduced the Board Incentive Plan (BIP Trust). 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 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 “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, 2018, the U.S. economy remained strong mainly due to consumer spending, and the European economy also experienced a moderate recovery with steady growth of consumer spending. Meanwhile, in China, the economy showed signs of slowdown due to trade friction between the U.S. and China, and the outlook for the global economy became increasingly uncertain due to Brexit and geopolitical risks in the Middle East.

On the other hand, while the Japanese economy was on a moderate recovery track owing to the continued steady employment environment and improvements in corporate performance, the outlook for exports, etc. is uncertain due to the risk of trade friction.

Under these circumstances, the Group expanded the production lines of thermistor elements to meet steadily expanding demand for thermistor elements, and developed the production systems due to increasing demand for thermistor sensors for automobiles from a production perspective. Furthermore, in order to meet increasing demand for thermistor sensors for air conditioning, construction of the Shingburi Plant's No. 6 Building of Thai Shibaura Denshi Co., Ltd. was completed in June 2018, and the new plant has been operating successfully since August 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 ¥3,157 million (an increase of 19.6% year on year) for air conditioning, ¥1,996 million (an increase of 9.3% year on year) for home appliances, ¥1,449 million (an increase of 19.5% year on year) for automobiles, ¥1,144 million (an increase of 3.6% year on year) for household equipment, ¥1,001 million (an increase of 3.5% year on year) for OA equipment and ¥861 million (an increase of 22.8% year on year) for industrial equipment. Meanwhile, net sales of thermistor elements increased 6.4% to ¥3,690 million, of which those for automobiles increased by 2.8% to ¥2,515 million.

As a result, consolidated net sales for the six months ended September 30, 2018 increased by 9.8% year on year to ¥13,622 million. In terms of profit, consolidated operating income increased 1.6% to ¥1,555 million, consolidated ordinary income decreased by 0.9% to ¥1,561 million and net income attributable to owners of parent decreased by 1.9% to ¥1,099 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 by ¥1,149 million, or 3.7%, from the end of the previous fiscal year to ¥31,881 million. Current assets decreased by ¥249 million, or 1.2%, to ¥20,798 million, and noncurrent assets increased by ¥1,399 million, or 14.4%, to ¥11,083 million.

The main cause of the decline in current assets was a decrease of ¥907 million in cash and deposits due to the purchase of noncurrent assets and a decrease of ¥266 million in consumption taxes refund receivable included in other under current assets, despite an increase of ¥582 million in inventories including work in process and an increase of ¥318 million in notes and accounts receivable—trade including electronically recorded monetary claims—operating.

The main cause of the growth in noncurrent assets was an increase in property, plant and equipment mainly due to the extension of facilities of Thai Shibaura Denshi Co., Ltd.

Total liabilities at the end of the second quarter of the fiscal year under review increased by ¥847 million, or 9.1%, from the end of the previous fiscal year to ¥10,111 million. Current liabilities increased by ¥1,129 million, or 14.6%, to ¥8,890 million, and noncurrent liabilities decreased by ¥282 million, or 18.8%, to ¥1,220 million.

The main cause of the growth in current liabilities was an increase of ¥366 million in notes and accounts payable—trade due to an increase in purchase including materials

accompanying an increase in net sales as well as an increase of ¥769 million in accounts payable included in other under current liabilities.

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 by ¥302 million, or 1.4%, from the end of the previous fiscal year to ¥21,770 million.

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

Retained earnings increased by ¥516 million, or 3.2%, from the end of the previous fiscal year to ¥16,584 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 1.5 percentage points from 69.7% at the end of the previous fiscal year to 68.2%.

(ii) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2018 amounted to ¥5,911 million, up 7.8% 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, 2018 increased 52.9% year on year to ¥1,749 million. This was mainly because income before income taxes of ¥1,538 million exceeded the cash decrease caused by an increase of ¥655 million in inventories.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2018 increased 77.0% year on year to ¥1,715 million. This was primarily due to ¥1,668 million of purchase of property, plant and equipment for the capital expenditures of Thai Shibaura Denshi Co., Ltd.

Cash flows from financing activities

Net cash used in financing activities during the six months ended September 30, 2018 increased 30.1% year on year to ¥914 million. This was primarily due to the cash dividends paid of ¥580 million and the repayments of long-term loans payable of ¥332 million.

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

No revisions have been made to the full-year consolidated financial results forecast released on May 11, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	7,130,929	6,223,137
Notes and accounts receivable—trade	6,429,852	6,603,913
Electronically recorded monetary claims—operating	943,367	1,087,437
Merchandise and finished goods	1,483,249	1,703,007
Work in process	2,851,605	3,172,274
Raw materials and supplies	1,364,276	1,406,758
Other	844,721	602,137
Allowance for doubtful accounts	(340)	(422)
Total current assets	21,047,662	20,798,243
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,532,437	3,640,600
Machinery, equipment and vehicles, net	2,834,428	3,612,223
Other, net	2,110,627	2,505,472
Total property, plant and equipment	8,477,492	9,758,296
Intangible assets	132,190	129,948
Investments and other assets		
Investment securities	357,397	413,823
Other	717,389	781,411
Total investments and other assets	1,074,786	1,195,234
Total noncurrent assets	9,684,469	11,083,479
Total assets	30,732,132	31,881,722

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable—trade	3,749,075	4,115,831
Short-term loans payable	831,240	805,474
Income taxes payable	433,103	454,298
Provision for bonuses	413,624	461,586
Provision for directors' bonuses	70,000	35,000
Other	2,263,600	3,018,380
Total current liabilities	7,760,644	8,890,572
Noncurrent liabilities		
Long-term loans payable	1,167,740	854,497
Provision for BIP Trust	32,411	39,391
Net defined benefit liability	161,715	153,923
Other	141,467	172,819
Total noncurrent liabilities	1,503,334	1,220,632
Total liabilities	9,263,979	10,111,204
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,090,704	2,090,704
Retained earnings	16,068,576	16,584,626
Treasury shares	(129,313)	(130,195)
Total shareholders' equity	20,174,580	20,689,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	194,692	233,673
Foreign currency translation adjustment	1,073,877	819,874
Remeasurements of defined benefit plans	(15,580)	(14,801)
Total accumulated other comprehensive income	1,252,990	1,038,746
Non-controlling interests	40,582	42,023
Total net assets	21,468,153	21,770,518
Total liabilities and net assets	30,732,132	31,881,722

(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, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Net sales	12,408,957	13,622,727
Cost of sales	9,334,948	10,378,717
Gross profit	3,074,008	3,244,009
Selling, general and administrative expenses		
Salaries, allowances and bonuses	523,929	554,689
Provision for bonuses	112,071	125,288
Provision for directors' bonuses	30,000	35,000
Retirement benefit expenses	32,071	17,767
Provision for BIP Trust	6,689	6,979
Other	838,259	949,283
Total selling, general and administrative expenses	1,543,022	1,689,009
Operating income	1,530,986	1,555,000
Non-operating income		
Interest income	1,701	1,451
Dividend income	2,759	2,903
Foreign exchange gains	1,012	—
Commission fee	8,303	9,278
Subsidy income	350	9,052
Insurance premiums refunded cancellation	18,027	—
Other	19,397	13,933
Total non-operating income	51,551	36,619
Non-operating expenses		
Interest expenses	3,561	2,253
Foreign exchange losses	—	26,206
Other	3,691	2,090
Total non-operating expenses	7,252	30,549
Ordinary income	1,575,285	1,561,070
Extraordinary income		
Gain on sales of noncurrent assets	245	—
Total extraordinary income	245	—
Extraordinary losses		
Loss on disposal of noncurrent assets	18,009	22,982
Total extraordinary losses	18,009	22,982
Income before income taxes	1,557,520	1,538,088
Income taxes—current	430,090	418,179
Income taxes—deferred	1,095	19,245
Total income taxes	431,185	437,424
Net income	1,126,335	1,100,663
Net income attributable to non-controlling interests	6,213	1,595
Net income attributable to owners of parent	1,120,122	1,099,067

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Net income	1,126,335	1,100,663
Other comprehensive income		
Valuation difference on available-for-sale securities	2,802	38,980
Foreign currency translation adjustment	18,219	(254,002)
Remeasurements of defined benefit plans	(3)	778
Total other comprehensive income	21,017	(214,243)
Comprehensive income	1,147,352	886,419
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,141,139	884,823
Comprehensive income attributable to non-controlling interests	6,213	1,595

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	1,557,520	1,538,088
Depreciation	637,457	726,475
Increase (decrease) in allowance for doubtful accounts	(482)	111
Increase (decrease) in provision for bonuses	38,232	47,961
Increase (decrease) in provision for BIP Trust	4,289	6,979
Increase (decrease) in provision for directors' bonuses	(30,000)	(35,000)
Increase (decrease) in net defined benefit liability	(77,347)	(71,710)
Interest and dividend income	(4,460)	(4,354)
Interest expenses	3,561	2,253
Foreign exchange losses (gains)	(2,732)	(6,681)
Loss (gain) on disposal of noncurrent assets	17,764	22,982
Decrease (increase) in notes and accounts receivable—trade	(1,145,148)	(429,972)
Decrease (increase) in inventories	(382,041)	(655,644)
Decrease (increase) in consumption taxes refund receivable	218,509	266,495
Decrease (increase) in other current assets	(26,890)	(25,761)
Increase (decrease) in notes and accounts payable—trade	715,400	443,523
Increase (decrease) in accrued consumption taxes	(34,411)	15,432
Increase (decrease) in other current liabilities	23,445	269,901
Other, net	33,459	(3,743)
Subtotal	1,546,125	2,107,338
Interest and dividend income received	4,484	4,216
Interest expenses paid	(3,374)	(2,016)
Income taxes paid	(404,054)	(360,255)
Income taxes refund	942	—
Net cash provided by (used in) operating activities	1,144,124	1,749,283

Shibaura Electronics Co., Ltd. (6957)
Consolidated Financial Results for the Six Months Ended September 30, 2018

	(Thousand yen)	
	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Cash flows from investing activities		
Payments into time deposits	(108,813)	(86,160)
Proceeds from withdrawal of time deposits	108,807	76,033
Purchase of property, plant and equipment	(941,919)	(1,668,309)
Proceeds from sales of property, plant and equipment	693	151
Purchase of intangible assets	(14,378)	(21,581)
Other, net	(13,313)	(15,464)
Net cash provided by (used in) investing activities	(968,923)	(1,715,330)
Cash flows from financing activities		
Repayments of long-term loans payable	(242,432)	(332,436)
Purchase of treasury shares	(1,004)	(882)
Proceeds from disposal of treasury shares	2,399	—
Cash dividends paid	(461,261)	(580,976)
Dividends paid to non-controlling interests	(401)	(91)
Net cash provided by (used in) financing activities	(702,699)	(914,386)
Effect of exchange rate change on cash and cash equivalents	(15,309)	(36,690)
Net increase (decrease) in cash and cash equivalents	(542,809)	(917,123)
Cash and cash equivalents at beginning of period	6,027,381	6,828,707
Cash and cash equivalents at end of period	5,484,571	5,911,584

(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

(Additional Information)

For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Following the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year, deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in noncurrent liabilities.