

Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]



November 8, 2019

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 11, 2019
 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, 2019 (April 1, 2019 to September 30, 2019)

(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, 2019	13,263	(2.6)	1,105	(28.9)	1,162	(25.5)	823	(25.1)
September 30, 2018	13,622	9.8	1,555	1.6	1,561	(0.9)	1,099	(1.9)

(Note) Comprehensive income: Six months ended September 30, 2019: ¥834 million [(5.8) %]

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	106.81		—	
September 30, 2018	142.62		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	32,352	22,935	70.7
As of March 31, 2019	34,676	22,678	65.3

(Reference) Equity: As of September 30, 2019: ¥22,888 million

As of March 31, 2019: ¥22,632 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, 2019	—	0.00	—	75.00	75.00
Fiscal year ending March 31, 2020	—	0.00			
Fiscal year ending March 31, 2020 (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, 2020 (April 1, 2019 to March 31, 2020)

(% 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
	27,500	1.4	2,500	(10.3)	2,500	(12.7)	1,820	(11.4)	236.17

(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, 2019: 7,779,865 shares
March 31, 2019: 7,779,865 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2019: 70,498 shares
March 31, 2019: 73,513 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2019: 7,707,344 shares
Six months ended September 30, 2018: 7,706,498 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, 2019, the slowdown of the U.S. and Chinese economies has become evident due to the intensified and prolonged trade friction between the U.S. and China, and the European economy has weakened due to Brexit. As a result, the outlook for the global economy has remained uncertain.

On the other hand, regarding the Japanese economy, the export to China has declined due factors such as the friction between the U.S. and China and the economic slowdown in China, and the risk of deterioration of corporate performance has increased due to the uncertainty in the outlook for the global economy.

In spite of these circumstances, in anticipation of an increased demand for thermistor elements in the future, from a production perspective, the Group expanded the production lines of thermistor elements to reinforce the production systems with the completion of the construction of No. 10 Building in May 2019 at Fukushima Shibaura Electronics Co., Ltd. It also continued to develop the production systems in order to meet the demand for thermistor sensors for automobiles. 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. However, due to the impacts of circumstances including the prolonged slowdown of the Chinese economy, the consolidated net sales of its thermistor sensors by application resulted in ¥3,090 million (a decrease of 2.1% year on year) for air conditioning, ¥1,818 million (a decrease of 8.9% year on year) for home appliances, ¥1,638 million (an increase of 13.0% year on year) for automobiles, ¥1,097 million (a decrease of 4.1% year on year) for household equipment, ¥943 million (a decrease of 5.8% year on year) for OA equipment and ¥653 million (a decrease of 24.1% year on year) for industrial equipment. Meanwhile, net sales of thermistor elements decreased by 1.9% to ¥3,622 million, of which those for automobiles decreased by 1.9% to ¥2,468 million.

As a result, consolidated net sales for the six months ended September 30, 2019 decreased by 2.6% year on year to ¥13,263 million. In terms of profit, consolidated operating income decreased by 28.9% to ¥1,105 million, consolidated ordinary income decreased by 25.5% to ¥1,162 million and net income attributable to owners of parent decreased by 25.1% to ¥823 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 decreased by ¥2,323 million, or 6.7%, from the end of the previous fiscal year to ¥32,352 million. Current assets decreased by ¥2,473 million, or 11.0%, to ¥20,039 million, and noncurrent assets increased by ¥150 million, or 1.2%, to ¥12,313 million.

The main cause of the decline in current assets was a decrease of ¥1,471 million in cash and deposits due to the payments made for the purchase of property, plant and equipment and decline in net sales, and a decrease of ¥511 million in consumption taxes refund receivable included in other under current assets.

The main cause of the growth in noncurrent assets was an increase in property, plant and equipment, etc. mainly due to the extension of plant and the introduction of machineries to expand production capacity of thermistor elements at Fukushima Shibaura Electronics Co., Ltd., and the extension of plant and the introduction of machineries to increase production at Thai Shibaura Denshi Co., Ltd.

Total liabilities at the end of the second quarter of the fiscal year under review decreased by ¥2,580 million, or 21.5%, from the end of the previous fiscal year to ¥9,417 million. Current liabilities decreased by ¥2,234 million, or 24.8%, to ¥6,789 million, and noncurrent liabilities decreased by ¥345 million, or 11.6%, to ¥2,627 million.

The main cause of the decline in current liabilities was a decrease of ¥853 million in notes and accounts payable—trade due to a decrease in purchase including materials accompanying a decrease in net sales as well as a decrease of ¥1,140 million in accounts payable included in

other under current liabilities due to the payments made for the purchase of property, plant and equipment.

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 ¥257 million, or 1.1%, from the end of the previous fiscal year to ¥22,935 million.

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

Retained earnings increased by ¥240 million, or 1.4%, from the end of the previous fiscal year to ¥17,780 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 increased 5.4 percentage points from 65.3% at the end of the previous fiscal year to 70.7%.

(ii) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2019 amounted to ¥5,668 million, down 4.1% 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, 2019 decreased 28.8% year on year to ¥1,246 million. This was mainly because the cash increase primarily due to income before income taxes of ¥1,148 million and depreciation of ¥920 million exceeded the cash decrease caused chiefly by a decrease of ¥847 million in notes and accounts payable—trade.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2019 decreased 4.0% year on year to ¥1,647 million. This was primarily due to ¥1,587 million in the purchase of property, plant and equipment, etc. for the extension of plant and the introduction of machineries to expand production capacity of thermistor elements at Fukushima Shibaura Electronics Co., Ltd., and for the extension of plant and the introduction of machineries to increase production at Thai Shibaura Denshi Co., Ltd.

Cash flows from financing activities

Net cash used in financing activities during the six months ended September 30, 2019 increased 12.5% year on year to ¥1,028 million. This was primarily due to the cash dividends paid of ¥581 million and the repayments of long-term loans payable of ¥552 million.

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

No revisions have been made to the first-half and full-year consolidated financial results forecast released on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	7,480,311	6,009,300
Notes and accounts receivable—trade	6,300,843	6,219,156
Electronically recorded monetary claims— operating	1,077,076	971,278
Merchandise and finished goods	1,860,350	1,812,373
Work in process	3,289,219	3,137,240
Raw materials and supplies	1,464,618	1,375,594
Other	1,040,888	514,334
Allowance for doubtful accounts	(423)	—
Total current assets	22,512,884	20,039,279
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,295,133	5,117,482
Machinery, equipment and vehicles, net	3,938,947	3,989,350
Other, net	2,661,497	1,944,844
Total property, plant and equipment	10,895,578	11,051,677
Intangible assets	125,065	121,144
Investments and other assets		
Investment securities	366,104	349,728
Other	776,397	791,021
Total investments and other assets	1,142,501	1,140,750
Total noncurrent assets	12,163,146	12,313,572
Total assets	34,676,030	32,352,852

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable—trade	4,276,392	3,423,112
Short-term loans payable	1,124,409	1,011,921
Income taxes payable	350,621	266,309
Provision for bonuses	448,283	476,111
Provision for directors' bonuses	70,000	35,000
Other	2,754,524	1,577,279
Total current liabilities	9,024,231	6,789,733
Noncurrent liabilities		
Long-term loans payable	2,596,355	2,239,708
Provision for BIP Trust	46,960	49,793
Net defined benefit liability	179,065	181,758
Other	151,176	156,564
Total noncurrent liabilities	2,973,557	2,627,824
Total liabilities	11,997,788	9,417,558
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,090,704	2,090,704
Retained earnings	17,540,578	17,780,827
Treasury shares	(130,498)	(125,135)
Total shareholders' equity	21,645,397	21,891,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	196,800	184,262
Foreign currency translation adjustment	831,216	851,752
Remeasurements of defined benefit plans	(40,553)	(38,448)
Total accumulated other comprehensive income	987,462	997,566
Non-controlling interests	45,381	46,717
Total net assets	22,678,241	22,935,293
Total liabilities and net assets	34,676,030	32,352,852

(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, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net sales	13,622,727	13,263,241
Cost of sales	10,378,717	10,461,024
Gross profit	3,244,009	2,802,217
Selling, general and administrative expenses		
Salaries, allowances and bonuses	554,689	578,786
Provision for bonuses	125,288	136,074
Provision for directors' bonuses	35,000	35,000
Retirement benefit expenses	17,767	39,351
Provision for BIP Trust	6,979	8,288
Other	949,283	899,048
Total selling, general and administrative expenses	1,689,009	1,696,549
Operating income	1,555,000	1,105,668
Non-operating income		
Interest income	1,451	1,627
Dividend income	2,903	2,904
Foreign exchange gains	—	28,814
Commission fee	9,278	—
Subsidy income	9,052	3,608
Insurance premiums refunded cancellation	—	11,925
Other	13,933	16,027
Total non-operating income	36,619	64,907
Non-operating expenses		
Interest expenses	2,253	5,277
Foreign exchange losses	26,206	—
Other	2,090	2,383
Total non-operating expenses	30,549	7,661
Ordinary income	1,561,070	1,162,914
Extraordinary losses		
Loss on disposal of noncurrent assets	22,982	14,547
Total extraordinary losses	22,982	14,547
Income before income taxes	1,538,088	1,148,366
Income taxes—current	418,179	283,792
Income taxes—deferred	19,245	39,835
Total income taxes	437,424	323,628
Net income	1,100,663	824,738
Net income attributable to non-controlling interests	1,595	1,490
Net income attributable to owners of parent	1,099,067	823,247

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net income	1,100,663	824,738
Other comprehensive income		
Valuation difference on available-for-sale securities	38,980	(12,538)
Foreign currency translation adjustment	(254,002)	20,536
Remeasurements of defined benefit plans	778	2,105
Total other comprehensive income	(214,243)	10,103
Comprehensive income	886,419	834,841
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	884,823	833,350
Comprehensive income attributable to non-controlling interests	1,595	1,490

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes	1,538,088	1,148,366
Depreciation	726,475	920,348
Increase (decrease) in allowance for doubtful accounts	111	(410)
Increase (decrease) in provision for bonuses	47,961	27,828
Increase (decrease) in provision for BIP Trust	6,979	2,833
Increase (decrease) in provision for directors' bonuses	(35,000)	(35,000)
Increase (decrease) in net defined benefit liability	(71,710)	(47,349)
Interest and dividend income	(4,354)	(4,532)
Interest expenses	2,253	5,277
Foreign exchange losses (gains)	(6,681)	(1,466)
Loss (gain) on disposal of noncurrent assets	22,982	14,547
Decrease (increase) in notes and accounts receivable—trade	(429,972)	156,492
Decrease (increase) in inventories	(655,644)	312,937
Decrease (increase) in consumption taxes refund receivable	266,495	511,953
Decrease (increase) in other current assets	(25,761)	(4,405)
Increase (decrease) in notes and accounts payable—trade	443,523	(847,895)
Increase (decrease) in accrued consumption taxes	15,432	9,221
Increase (decrease) in other current liabilities	269,901	(573,619)
Other, net	(3,743)	4,583
Subtotal	2,107,338	1,599,710
Interest and dividend income received	4,216	4,603
Interest expenses paid	(2,016)	(5,048)
Income taxes paid	(360,255)	(376,869)
Income taxes refund	—	23,795
Net cash provided by (used in) operating activities	1,749,283	1,246,193

Shibaura Electronics Co., Ltd. (6957)
Consolidated Financial Results for the Six Months Ended September 30, 2019

	(Thousand yen)	
	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from investing activities		
Payments into time deposits	(86,160)	(161,337)
Proceeds from withdrawal of time deposits	76,033	128,930
Purchase of property, plant and equipment	(1,668,309)	(1,587,752)
Proceeds from sales of property, plant and equipment	151	12
Purchase of intangible assets	(21,581)	(17,014)
Other, net	(15,464)	(10,172)
Net cash provided by (used in) investing activities	(1,715,330)	(1,647,333)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	100,000
Repayments of long-term loans payable	(332,436)	(552,282)
Purchase of treasury shares	(882)	(91)
Proceeds from disposal of treasury shares	—	5,455
Cash dividends paid	(580,976)	(581,710)
Dividends paid to non-controlling interests	(91)	(91)
Net cash provided by (used in) financing activities	(914,386)	(1,028,720)
Effect of exchange rate change on cash and cash equivalents	(36,690)	(72,688)
Net increase (decrease) in cash and cash equivalents	(917,123)	(1,502,550)
Cash and cash equivalents at beginning of period	6,828,707	7,170,792
Cash and cash equivalents at end of period	5,911,584	5,668,242

(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