

Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



November 6, 2020

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 9, 2020
 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, 2020 (April 1, 2020 to September 30, 2020)

(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, 2020	11,240	(15.3)	837	(24.2)	823	(29.2)	559	(32.0)
September 30, 2019	13,263	(2.6)	1,105	(28.9)	1,162	(25.5)	823	(25.1)

(Note) Comprehensive income: Six months ended September 30, 2020: ¥250 million [(70.0)%]
 Six months ended September 30, 2019: ¥834 million [(5.8)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	72.61		—	
September 30, 2019	106.81		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	34,637	23,781	68.5
As of March 31, 2020	33,575	24,101	71.6

(Reference) Equity: As of September 30, 2020: ¥23,731 million
 As of March 31, 2020: ¥24,052 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen 0.00	Yen —	Yen 75.00	Yen 75.00
Fiscal year ending March 31, 2021	—	0.00			
Fiscal year ending March 31, 2021 (Forecast)			—	65.00	65.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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
	24,000	(8.3)	2,200	(4.0)	2,120	(11.4)	1,520	(13.0)	197.11

(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, 2020: 7,779,865 shares
 - March 31, 2020: 7,779,865 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2020: 62,809 shares
 - March 31, 2020: 70,498 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2020: 7,711,559 shares
 - Six months ended September 30, 2019: 7,707,344 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.
 - The Company will hold a financial results briefing session for institutional investors and analysts on November 25, 2020. The briefing materials on financial results to be used at the session will be posted on the Company’s website promptly after the event.

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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, 2020, although the Chinese economy has shown some signs of recovery, the U.S. and European economies have substantially slowed down primarily due to restrictions on economic activities aimed at containing the spread of the novel coronavirus disease (COVID-19). As the second wave of the novel coronavirus disease (COVID-19) is becoming conspicuous, the future outlook of the global economy is extremely uncertain.

On the other hand, regarding the Japanese economy, as economic and social activities have been restrained due to the impact of the spread of the novel coronavirus disease (COVID-19), the economy has rapidly deteriorated.

Under these circumstances, the Group proactively strove to prevent the novel coronavirus disease (COVID-19). In addition, from a production perspective, the Group reviewed the manufacturing process at its each plant and aggressively implemented improvement activities to enhance its profit structure. From a sales perspective, while the face-to-face marketing was restricted, the Group conducted aggressive marketing activities by utilizing teleworking, etc. with a view to the medium-term outlook. Furthermore, from a financial perspective, the Group borrowed ¥3.0 billion in total from financial institutions in order to take all possible measures against the impact of the spread of the novel coronavirus disease (COVID-19). As a result of globally decreased demand due to the overall impact of the spread of the novel coronavirus disease (COVID-19), the consolidated net sales of its thermistor sensors by application were ¥2,523 million (a decrease of 18.3% year on year) for air conditioning, ¥1,750 million (a decrease of 3.7% year on year) for home appliances, ¥1,329 million (a decrease of 18.8% year on year) for automobiles, ¥978 million (a decrease of 10.9% year on year) for household equipment, ¥761 million (a decrease of 19.2% year on year) for OA equipment and ¥539 million (a decrease of 17.5% year on year) for industrial equipment. In addition, net sales of thermistor elements decreased by 16.5% to ¥3,024 million, of which those for automobiles decreased by 22.9% to ¥1,903 million.

As a result, consolidated net sales for the six months ended September 30, 2020 decreased by 15.3% year on year to ¥11,240 million. In terms of profit, consolidated operating income decreased by 24.2% to ¥837 million, consolidated ordinary income decreased by 29.2% to ¥823 million and net income attributable to owners of parent decreased by 32.0% to ¥559 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 ¥1,062 million, or 3.2%, from the end of the previous fiscal year to ¥34,637 million. Current assets increased by ¥1,735 million, or 8.0%, to ¥23,475 million, and noncurrent assets decreased by ¥673 million, or 5.7%, to ¥11,162 million.

The main cause of the growth in current assets was an increase of ¥2,932 million in cash and deposits mainly due to the procurement of funds from financial institutions of ¥3.0 billion to stably secure the funds necessary for our business in consideration of the spread of the novel coronavirus disease (COVID-19), despite a decrease of ¥1,190 million in notes and accounts receivable—trade and electronically recorded monetary claims—operating due to the decline in net sales.

The main cause of the decline in noncurrent assets was the progress of depreciation.

Total liabilities at the end of the second quarter of the fiscal year under review increased by ¥1,381 million, or 14.6%, from the end of the previous fiscal year to ¥10,855 million. Current liabilities decreased by ¥613 million, or 8.5%, to ¥6,615 million, and noncurrent liabilities increased by ¥1,994 million, or 88.8%, to ¥4,240 million.

The main cause of the decline in current liabilities was a decrease of ¥943 million in notes and accounts payable—trade, despite an increase of ¥534 million in short-term loans payable.

The main cause of the growth in noncurrent liabilities was an increase in long-term loans payable.

Net assets at the end of the second quarter of the fiscal year under review decreased by ¥319 million, or 1.3%, from the end of the previous fiscal year to ¥23,781 million.

The main cause of the decline in net assets was a decrease in foreign currency translation adjustment.

Retained earnings decreased by ¥23 million, or 0.1%, from the end of the previous fiscal year to ¥18,682 million, as the dividends of surplus amount was greater than the increase in net income attributable to owners of parent.

As a result, the Group's equity ratio decreased 3.1 percentage points from 71.6% at the end of the previous fiscal year to 68.5%.

(ii) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2020 amounted to ¥9,745 million, up 71.9% 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, 2020 increased 2.8% year on year to ¥1,281 million. This was mainly because the cash increase primarily due to income before income taxes of ¥809 million, depreciation of ¥827 million and a decrease of ¥1,113 million in notes and accounts receivable—trade exceeded the cash decrease caused chiefly by a decrease of ¥884 million in notes and accounts payable—trade and an increase of ¥487 million in inventories.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2020 decreased 81.1% year on year to ¥310 million. This was primarily due to ¥212 million in the purchase of property, plant and equipment mainly for the introduction of machineries to expand production capacity of thermistor elements at Fukushima Shibaura Electronics Co., Ltd., and ¥91 million in the purchase of intangible assets mainly for the introduction of software at Thai Shibaura Denshi Co., Ltd.

Cash flows from financing activities

Net cash provided by financing activities during the six months ended September 30, 2020 was ¥2,014 million, compared with ¥1,028 million used in the same period of the previous fiscal year. This was primarily because the cash increase due to the proceeds from long-term loans payable of ¥3.0 billion exceeded the cash decrease mainly due to the cash dividends paid amounting to ¥581 million and the repayments of long-term loans payable of ¥415 million.

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

The future outlook of the global economy has remained uncertain due to the global spread of the novel coronavirus disease (COVID-19), in addition to the prolonging trade friction between the U.S. and China.

As the Group's temperature sensors and thermistors are supplied to a wide range of industries in destinations mainly including Japan, U.S., Europe, China, and Southeast Asia, it is very difficult to predict the extent to which demand will decline due to the spread of the novel coronavirus disease (COVID-19).

The consolidated financial results forecast and dividend forecast for the fiscal year ending March 31, 2021 had been previously undecided, as it had been difficult to rationally calculate the impact of the spread of the novel coronavirus disease (COVID-19). However, we decided to announce the forecasts, which were calculated based on information available to the Company as of the date of publication of this document such as the orders received by the end of October, 2020.

For details, please refer to “Notice Regarding Financial Results Forecast and Dividend Forecast” announced today on November 6, 2020.

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

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	7,151,846	10,084,127
Notes and accounts receivable—trade	6,065,784	5,019,909
Electronically recorded monetary claims—operating	978,130	833,380
Merchandise and finished goods	1,915,802	2,052,450
Work in process	3,183,476	3,511,100
Raw materials and supplies	1,479,057	1,425,766
Other	966,162	548,804
Total current assets	21,740,259	23,475,540
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,074,585	4,790,739
Machinery, equipment and vehicles, net	3,715,643	3,342,389
Other, net	1,696,414	1,607,208
Total property, plant and equipment	10,486,643	9,740,338
Intangible assets	150,736	214,377
Investments and other assets		
Investment securities	412,196	363,081
Other	785,978	844,514
Total investments and other assets	1,198,174	1,207,595
Total noncurrent assets	11,835,554	11,162,311
Total assets	33,575,813	34,637,851

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable—trade	4,008,866	3,065,009
Short-term loans payable	959,009	1,493,734
Income taxes payable	266,259	269,647
Provision for bonuses	472,839	449,379
Provision for directors' bonuses	60,000	35,000
Other	1,461,797	1,302,384
Total current liabilities	7,228,772	6,615,155
Noncurrent liabilities		
Long-term loans payable	1,856,947	3,894,739
Provision for BIP Trust	58,089	51,097
Net defined benefit liability	188,112	173,204
Other	142,844	121,796
Total noncurrent liabilities	2,245,993	4,240,837
Total liabilities	9,474,765	10,855,992
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,090,704	2,090,704
Retained earnings	18,705,230	18,682,158
Treasury shares	(125,135)	(111,374)
Total shareholders' equity	22,815,412	22,806,100
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241,047	207,059
Foreign currency translation adjustment	1,040,063	760,077
Remeasurements of defined benefit plans	(43,976)	(41,489)
Total accumulated other comprehensive income	1,237,134	925,646
Non-controlling interests	48,500	50,111
Total net assets	24,101,047	23,781,859
Total liabilities and net assets	33,575,813	34,637,851

(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, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net sales	13,263,241	11,240,430
Cost of sales	10,461,024	8,866,958
Gross profit	2,802,217	2,373,472
Selling, general and administrative expenses		
Salaries, allowances and bonuses	578,786	550,531
Provision for bonuses	136,074	112,972
Provision for directors' bonuses	35,000	35,000
Retirement benefit expenses	39,351	16,301
Provision for BIP Trust	8,288	6,834
Other	899,048	813,961
Total selling, general and administrative expenses	1,696,549	1,535,600
Operating income	1,105,668	837,871
Non-operating income		
Interest income	1,627	2,045
Dividend income	2,904	2,967
Foreign exchange gains	28,814	—
Land and house rent received	5,997	6,592
Subsidy income	3,608	4,429
Insurance premiums refunded cancellation	11,925	9,474
Other	10,030	10,848
Total non-operating income	64,907	36,357
Non-operating expenses		
Interest expenses	5,277	4,932
Foreign exchange losses	—	44,087
Other	2,383	1,530
Total non-operating expenses	7,661	50,550
Ordinary income	1,162,914	823,678
Extraordinary losses		
Loss on disposal of noncurrent assets	14,547	14,429
Total extraordinary losses	14,547	14,429
Income before income taxes	1,148,366	809,248
Income taxes—current	283,792	203,429
Income taxes—deferred	39,835	44,129
Total income taxes	323,628	247,558
Net income	824,738	561,690
Net income attributable to non-controlling interests	1,490	1,765
Net income attributable to owners of parent	823,247	559,924

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net income	824,738	561,690
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,538)	(33,988)
Foreign currency translation adjustment	20,536	(279,986)
Remeasurements of defined benefit plans	2,105	2,486
Total other comprehensive income	10,103	(311,487)
Comprehensive income	834,841	250,202
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	833,350	248,436
Comprehensive income attributable to non-controlling interests	1,490	1,765

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income before income taxes	1,148,366	809,248
Depreciation	920,348	827,470
Increase (decrease) in allowance for doubtful accounts	(410)	—
Increase (decrease) in provision for bonuses	27,828	(23,459)
Increase (decrease) in provision for BIP Trust	2,833	(6,992)
Increase (decrease) in provision for directors' bonuses	(35,000)	(25,000)
Increase (decrease) in net defined benefit liability	(47,349)	(98,667)
Interest and dividend income	(4,532)	(5,012)
Interest expenses	5,277	4,932
Foreign exchange losses (gains)	(1,466)	4,830
Loss (gain) on disposal of noncurrent assets	14,547	14,429
Decrease (increase) in notes and accounts receivable—trade	156,492	1,113,649
Decrease (increase) in inventories	312,937	(487,665)
Decrease (increase) in consumption taxes refund receivable	511,953	394,563
Decrease (increase) in other current assets	(4,405)	20,641
Increase (decrease) in notes and accounts payable—trade	(847,895)	(884,245)
Increase (decrease) in accrued consumption taxes	9,221	(54,265)
Increase (decrease) in other current liabilities	(573,619)	(105,941)
Other, net	4,583	(20,153)
Subtotal	1,599,710	1,478,362
Interest and dividend income received	4,603	4,786
Interest expenses paid	(5,048)	(5,437)
Income taxes paid	(376,869)	(196,367)
Income taxes refund	23,795	31
Net cash provided by (used in) operating activities	1,246,193	1,281,376

	(Thousand yen)	
	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Payments into time deposits	(161,337)	(106,812)
Proceeds from withdrawal of time deposits	128,930	106,806
Purchase of property, plant and equipment	(1,587,752)	(212,962)
Proceeds from sales of property, plant and equipment	12	13
Purchase of intangible assets	(17,014)	(91,811)
Other, net	(10,172)	(6,107)
Net cash provided by (used in) investing activities	(1,647,333)	(310,874)
Cash flows from financing activities		
Proceeds from long-term loans payable	100,000	3,000,000
Repayments of long-term loans payable	(552,282)	(415,093)
Purchase of treasury shares	(91)	(66)
Proceeds from disposal of treasury shares	5,455	13,826
Cash dividends paid	(581,710)	(581,952)
Dividends paid to non-controlling interests	(91)	(91)
Other, net	—	(2,431)
Net cash provided by (used in) financing activities	(1,028,720)	2,014,191
Effect of exchange rate change on cash and cash equivalents	(72,688)	(51,526)
Net increase (decrease) in cash and cash equivalents	(1,502,550)	2,933,166
Cash and cash equivalents at beginning of period	7,170,792	6,812,147
Cash and cash equivalents at end of period	5,668,242	9,745,314

(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