

Consolidated Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]



November 7, 2016

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 8, 2016

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, 2016 (April 1, 2016 to September 30, 2016)

(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, 2016	11,050	4.6	1,076	31.7	1,008	18.8	688	15.9
September 30, 2015	10,565	3.2	817	(26.4)	849	(25.0)	594	(42.2)

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

Six months ended September 30, 2015: ¥552 million [(37.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	88.70	—
September 30, 2015	76.44	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	24,882	17,641	70.5
As of March 31, 2016	25,987	18,441	70.6

(Reference) Equity: As of September 30, 2016: ¥17,534 million

As of March 31, 2016: ¥18,338 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, 2016	—	0.00	—	55.00	55.00
Fiscal year ending March 31, 2017	—	0.00			
Fiscal year ending March 31, 2017 (Forecast)			—	55.00	55.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% 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
	22,400	5.4	2,000	20.2	2,000	17.0	1,500	23.6	193.23

(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: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Restatement: No

Note: For details, refer to page 4 of the appendix, “2. Matters Concerning Summary Information (Notes) (1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement (Changes in Accounting Policies).”

(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, 2016: 7,779,865 shares

March 31, 2016: 7,779,865 shares

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

September 30, 2016: 62,142 shares

March 31, 2016: 5,597 shares

3) Average number of shares during the period:

Six months ended September 30, 2016: 7,762,853 shares

Six months ended September 30, 2015: 7,774,384 shares

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

*** Presentation regarding the implementation status of the quarterly review procedures**

· These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act are in progress.

*** 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 and assumptions deemed reasonable as of the date of publication of this document. 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 Forecast of Consolidated Financial Results 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, 2016, the U.S. economy remained on a recovery trend thanks to consumer spending and a steady employment environment, whereas uncertainty about the future political and economic outlook increased in Europe due to a series of terrorist attacks and Brexit. The slowdown in the economic growth of China still continued.

On the other hand, the Japanese economy continued to face adversity due to yen appreciation and stagnant consumer spending in spite of the steady employment environment.

Under these circumstances, Shibaura Electronics Co., Ltd. (the “Company”) and its group companies (collectively, the “Group”) have continued to enhance their production systems to meet the demand for various thermistor sensors for automobiles. The Group has also conducted aggressive marketing activities targeting domestic/overseas automotive manufacturers, as well as energy-saving and green-oriented manufacturers of air conditioning, home appliances, household equipment, etc. As a result, the consolidated net sales of its thermistor sensors by application were ¥2,197 million (an increase of 6.4% year on year) for air conditioning, ¥1,752 million (an increase of 1.6% year on year) for home appliances, ¥1,119 million (an increase of 4.2% year on year) for automotives, ¥941 million (a decrease of 14.3% year on year) for OA equipment, ¥936 million (an increase of 4.6% year on year) for household equipment and ¥629 million (an increase of 4.0% year on year) for industrial equipment. Meanwhile, net sales of thermistor elements increased 14.3% to ¥3,151 million, of which those for automotives increased 21.0% to ¥2,151 million.

As a result, consolidated net sales for the six months ended September 30, 2016 increased 4.6% year on year to ¥11,050 million. In terms of profits, consolidated operating income increased 31.7% to ¥1,076 million, consolidated ordinary income increased 18.8% to ¥1,008 million and net income attributable to owners of parent increased 15.9% to ¥688 million.

(2) Explanation of Financial Position

1) Status of assets, liabilities and net assets

Total assets at the end of the second quarter of the fiscal year under review decreased ¥1,105 million, or 4.3%, from the end of the previous fiscal year to ¥24,882 million. Current assets decreased ¥687 million, or 3.8%, to ¥17,243 million, and noncurrent assets decreased ¥417 million, or 5.2%, to ¥7,639 million.

The main cause of decline in current assets was a decrease in cash and deposits primarily caused by the payment of dividends.

The main cause of decline in noncurrent assets was a decrease in property, plant and equipment due to depreciation and others.

Total liabilities at the end of the second quarter of the fiscal year under review decreased ¥305 million, or 4.0%, from the end of the previous fiscal year to ¥7,241 million. Current liabilities decreased ¥55 million, or 0.9%, to ¥5,842 million, and noncurrent liabilities decreased ¥250 million, or 15.2%, to ¥1,399 million.

The main cause of decline in current liabilities was a decrease in notes and accounts payable—trade.

The main cause of 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 decreased ¥799 million, or 4.3%, to ¥17,641 million.

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

Retained earnings increased ¥257 million, or 2.0%, from the end of the previous fiscal year, to ¥13,124 million, since an increase in retained earnings owing to net income attributable to owners of parent exceeded the distribution of surplus.

As a result, the Group’s equity ratio decreased 0.1 percentage point from 70.6% at the end of the previous fiscal year to 70.5%.

2) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2016 amounted to ¥5,399 million, down 8.8% 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 during the six months ended September 30, 2016 decreased 2.8% year on year to ¥940 million. This was mainly because the cash increase primarily due to income before income taxes of ¥997 million and depreciation of ¥603 million exceeded the cash decrease caused chiefly by an increase of ¥744 million in notes and accounts receivable—trade.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2016 decreased 50.5% year on year to ¥518 million. This was primarily due to ¥488 million of purchase of property, plant and equipment for the capital expenditures for Fukushima Shibaura Electronics Co., Ltd.

Cash flows from financing activities

Net cash used in financing activities during the six months ended September 30, 2016 increased 41.0% year on year to ¥899 million. This was primarily due to the cash dividends paid of ¥427 million and the repayments of long-term loans payable of ¥372 million.

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

No revisions have been made to the full-year consolidated financial results forecasts released on May 9, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement

(Changes in Accounting Policies)

The “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) has been applied effective from the first quarter of the fiscal year ending March 31, 2017 in accordance with the revision of the Corporation Tax Act. Consequently, the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 has been revised from a declining-balance method to a straight-line method.

The effect of this change on the quarterly consolidated financial statements for the six months ended September 30, 2016 was immaterial.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	6,381,725	5,707,597
Notes and accounts receivable—trade	5,418,057	5,577,728
Electronically recorded monetary claims—operating	441,944	633,468
Merchandise and finished goods	1,117,442	989,468
Work in process	2,597,051	2,564,495
Raw materials and supplies	1,085,137	1,103,854
Other	890,285	667,594
Allowance for doubtful accounts	(888)	(762)
Total current assets	17,930,756	17,243,445
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,600,601	3,280,904
Machinery, equipment and vehicles, net	2,609,754	2,387,109
Other, net	1,007,570	1,161,932
Total property, plant and equipment	7,217,926	6,829,946
Intangible assets	143,564	143,036
Investments and other assets		
Investment securities	345,996	286,081
Other	349,720	380,424
Total investments and other assets	695,717	666,506
Total noncurrent assets	8,057,207	7,639,488
Total assets	25,987,964	24,882,934

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable—trade	3,134,109	2,959,758
Short-term loans payable	923,309	792,866
Income taxes payable	224,494	332,230
Provision for bonuses	358,676	391,959
Provision for directors' bonuses	50,000	25,000
Other	1,206,607	1,340,338
Total current liabilities	5,897,196	5,842,154
Noncurrent liabilities		
Long-term loans payable	1,241,185	997,338
Provision for directors' retirement benefits	113,250	—
Net defined benefit liability	197,938	184,378
Other	97,175	217,516
Total noncurrent liabilities	1,649,550	1,399,233
Total liabilities	7,546,747	7,241,387
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,069,698	2,069,698
Retained earnings	12,866,359	13,124,356
Treasury shares	(7,065)	(106,850)
Total shareholders' equity	17,073,604	17,231,817
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	168,285	142,292
Foreign currency translation adjustment	1,096,437	160,260
Total accumulated other comprehensive income	1,264,722	302,553
Non-controlling interests	102,889	107,176
Total net assets	18,441,217	17,641,547
Total liabilities and net assets	25,987,964	24,882,934

(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, 2015 (From April 1, 2015 to September 30, 2015)	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	10,565,292	11,050,347
Cost of sales	8,333,714	8,486,289
Gross profit	2,231,578	2,564,058
Selling, general and administrative expenses		
Salaries, allowances and bonuses	484,419	516,562
Provision for bonuses	109,646	119,938
Provision for directors' bonuses	20,000	25,000
Retirement benefit expenses	59,493	45,752
Provision for directors' retirement benefits	5,850	3,822
Other	734,504	776,249
Total selling, general and administrative expenses	1,413,914	1,487,324
Operating income	817,664	1,076,734
Non-operating income		
Interest income	3,081	1,588
Dividend income	2,813	2,889
Foreign exchange gains	5,109	—
Commission fee	5,187	6,611
Insurance premiums refunded cancellation	4,835	10,443
Other	19,853	28,535
Total non-operating income	40,881	50,067
Non-operating expenses		
Interest expenses	7,817	5,719
Foreign exchange losses	—	109,707
Other	1,622	2,575
Total non-operating expenses	9,440	118,002
Ordinary income	849,105	1,008,799
Extraordinary income		
Gain on sales of noncurrent assets	—	32
Subsidy income	112,700	—
Total extraordinary income	112,700	32
Extraordinary losses		
Loss on disposal of noncurrent assets	1,388	10,905
Loss on reduction of noncurrent assets	112,700	—
Total extraordinary losses	114,088	10,905
Income before income taxes	847,717	997,926
Income taxes—current	248,312	318,240
Income taxes—deferred	620	(13,677)
Total income taxes	248,932	304,563
Net income	598,784	693,362
Net income attributable to non-controlling interests	4,506	4,771
Net income attributable to owners of parent	594,278	688,591

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

	(Thousand yen)	
	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net income	598,784	693,362
Other comprehensive income		
Valuation difference on available-for-sale securities	(68,577)	(25,992)
Foreign currency translation adjustment	22,280	(936,176)
Total other comprehensive income	(46,297)	(962,169)
Comprehensive income	552,487	(268,806)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	547,981	(273,578)
Comprehensive income attributable to non-controlling interests	4,506	4,771

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes	847,717	997,926
Depreciation	656,322	603,483
Increase (decrease) in allowance for doubtful accounts	(28)	(74)
Increase (decrease) in provision for bonuses	18,369	33,283
Increase (decrease) in provision for directors' retirement benefits	(8,150)	(113,250)
Increase (decrease) in provision for directors' bonuses	(20,000)	(25,000)
Increase (decrease) in net defined benefit liability	(14,256)	(47,425)
Interest and dividend income	(5,894)	(4,478)
Interest expenses	7,817	5,719
Foreign exchange losses (gains)	(1,276)	18,402
Loss (gain) on disposal of noncurrent assets	1,388	10,873
Decrease (increase) in notes and accounts receivable—trade	(247,146)	(744,959)
Decrease (increase) in inventories	(385,542)	(83,738)
Decrease (increase) in consumption taxes refund receivable	226,041	255,240
Loss on reduction of noncurrent assets	112,700	—
Subsidy income	(112,700)	—
Decrease (increase) in other current assets	(43,741)	(7,831)
Increase (decrease) in notes and accounts payable—trade	117,625	117,421
Increase (decrease) in accrued consumption taxes	(43,199)	(59,250)
Increase (decrease) in other current liabilities	(14,943)	84,943
Other, net	66,113	114,021
Subtotal	1,157,216	1,155,307
Interest and dividend income received	5,949	4,504
Interest expenses paid	(7,548)	(5,486)
Income taxes paid	(304,421)	(214,340)
Income taxes refund	4,019	746
Proceeds from subsidy income	112,700	—
Net cash provided by (used in) operating activities	967,915	940,732

	(Thousand yen)	
	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from investing activities		
Payments into time deposits	(116,243)	(120,816)
Proceeds from withdrawal of time deposits	127,857	120,800
Purchase of property, plant and equipment	(1,008,127)	(488,468)
Proceeds from sales of property, plant and equipment	—	42
Purchase of intangible assets	(51,948)	(23,216)
Other, net	906	(6,774)
Net cash provided by (used in) investing activities	(1,047,555)	(518,434)
Cash flows from financing activities		
Proceeds from long-term loans payable	200,000	—
Repayments of long-term loans payable	(424,696)	(372,099)
Cash dividends paid	(387,842)	(427,150)
Dividends paid to non-controlling interests	(484)	(464)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(23,998)	—
Other, net	(1,013)	(100,119)
Net cash provided by (used in) financing activities	(638,034)	(899,833)
Effect of exchange rate change on cash and cash equivalents	20,291	(202,495)
Net increase (decrease) in cash and cash equivalents	(697,382)	(680,030)
Cash and cash equivalents at beginning of period	6,617,955	6,058,363
Increase in cash and cash equivalents from newly consolidated subsidiary	—	20,825
Cash and cash equivalents at end of period	5,920,573	5,399,158

(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