

Consolidated Financial Results for the Six Months Ended September 30, 2015 [Japanese GAAP]



November 6, 2015

Company name: Shibaura Electronics Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6957

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Scheduled date of filing quarterly securities report: November 9, 2015

Scheduled date of 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, 2015 (April 1, 2015 to September 30, 2015)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2015	10,565	3.2	817	(26.4)	849	(25.0)	594	(42.2)
September 30, 2014	10,234	11.9	1,111	121.3	1,131	79.4	1,028	134.0

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

Six months ended September 30, 2014: ¥879 million [(17.8%)]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2015	76.44	-
September 30, 2014	132.24	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2015	26,170	18,289	69.5
As of March 31, 2015	26,462	18,126	68.1

(Reference) Equity: As of September 30, 2015: ¥18,192 million

As of March 31, 2015: ¥18,033 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, 2015	-	0.00	-	50.00	50.00
Fiscal year ending March 31, 2016	-	0.00	-	-	-
Fiscal year ending March 31, 2016 (Forecast)	-	-	-	50.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent		Net income per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	21,000	4.4	2,000	5.9	2,000	3.8	1,380	(16.3)	177.51

(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 retrospective 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) Retrospective 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, 2015: 7,779,865 shares
March 31, 2015: 7,779,865 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2015: 5,548 shares
March 31, 2015: 5,455 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2015: 7,774,384 shares
Six months ended September 30, 2014: 7,774,535 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of the quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, the 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 might 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 4 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, 2015, the U.S. economy remained steady chiefly due to favorable consumer spending and the European economy continued to follow a mild recovery path led by the Euro-zone nations, whereas a slowdown in the economic growth of China became increasingly clear.

In Japan, yen depreciation and economic measures have improved corporate earnings and the employment situation, putting personal consumption on an upward trend. However, the declining economic growth of China and emerging nations have begun to halt the domestic economic recovery.

Under these circumstances, Shibaura Electronics Co., Ltd. (the “Company”), and its group companies (collectively, the “Group”), has continued to enhance its production systems to meet the demand for various thermistor sensors for automobiles. Thermistor elements for automobiles have continued to enjoy favorable sales and thermistor sensors for air-conditioning and industrial equipment enjoyed sales increases from the same period of the previous fiscal year, whereas sales of thermistor sensors for small home appliances decreased. In September 2015, the Group established a sales company in Detroit, Michigan, to achieve sales expansion in the U.S. market.

As a result, the Group’s consolidated net sales for the six months ended September 30, 2015, increased 3.2% from the same period of the previous fiscal year to ¥10,565 million. Meanwhile, consolidated operating income decreased 26.4% to ¥817 million, consolidated ordinary income decreased 25.0% to ¥849 million and net income attributable to shareholders of parent decreased 42.2% to ¥594 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 ¥292 million, or 1.1%, from the end of the previous fiscal year to ¥26,170 million. Current assets decreased ¥222 million, or 1.3%, to ¥17,534 million, and noncurrent assets decreased ¥69 million, or 0.8%, to ¥8,635 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 investment securities affected by a decline in market prices of some of the shares held.

Total liabilities at the end of the second quarter of the fiscal year under review decreased ¥455 million, or 5.5%, from the end of the previous fiscal year to ¥7,881 million. Current liabilities decreased ¥264 million, or 4.3%, to ¥5,953 million, and noncurrent liabilities decreased ¥191 million, or 9.0%, to ¥1,927 million.

The main cause of decline in current liabilities is a decrease in notes payable—facilities.

The main cause of decline in noncurrent liabilities is a decrease in long-term loans payable.

Net assets at the end of the second quarter of the fiscal year under review increased ¥163 million, or 0.9%, to ¥18,289 million.

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

Retained earnings increased ¥205 million, or 1.7%, from the end of the previous fiscal year, to ¥12,247 million, since an increase in retained earnings owing to net income attributable to shareholders of parent exceeded the distribution of surplus.

As a result, the Group’s equity ratio increased 1.4 percentage points from 68.1% at the end of the previous fiscal year to 69.5%.

2) Status of cash flows

The Group's consolidated cash and cash equivalents ("cash") as of September 30, 2015 amounted to ¥5,920 million, down 8.4% from the same period 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, 2015 decreased 11.0% from the same period of the previous fiscal year to ¥967 million. This was mainly because cash increase primarily due to income before income taxes of ¥847 million and depreciation of ¥656 million exceeded cash decrease caused chiefly by an increase of ¥385 million in inventory assets.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2015 was ¥1,047 million, compared with ¥242 million in net cash provided by investing activities for the same period of the previous fiscal year. This was primarily due to the payment of ¥1,008 million for the purchase of property, plant and equipment for the extension of facilities of Thai Shibaura Denshi Co., Ltd., and 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, 2015 increased 385.5% from the same period of the previous fiscal year to ¥638 million. This was mainly because the repayments of long-term loans payable exceeded the proceeds from long-term loans payable, as well as the payment of dividends amounting to ¥387 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 11, 2015.

2. Matters Concerning Summary Information (Notes)

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

(Changes in Accounting Policies)

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Consolidated Accounting Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”) and others have been applied effective from the first quarter of the fiscal year ending March 31, 2016. As a result, any change resulting from a change in the Company’s ownership interests in a subsidiary when the Company retains control over the subsidiary is accounted for as “capital surplus,” and acquisition-related costs are expensed in the fiscal year in which the costs are incurred. For any business combinations carried out on or after April 1, 2015, an adjustment to the provisional amount of purchase price allocation due to its finalization will be reflected in the quarterly consolidated financial statements for the period during which that business combination occurs. In addition, changes have been made in the presentation of consolidated financial statements concerning “net income” and by renaming “minority interests” as “non-controlling interests.” To reflect these changes in presentation, reclassification adjustments have been made to the consolidated financial statements for the first half of the previous fiscal year and for the previous fiscal year presented herein.

In the quarterly consolidated statements of cash flows for the six months ended September 30, 2015, the recording method has been changed as follows. Cash flows in relation to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are recognized under “cash flows from financing activities,” whereas cash flows concerning the costs related to the purchase of shares of subsidiaries resulting in changes in scope of consolidation or the expenses incurred in relation to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are recognized under “cash flows from operating activities.”

The Accounting Standard for Business Combinations, etc. are adopted from the beginning of the first quarter of the fiscal year ending March 31, 2016 onwards, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

This adoption does not have an effect on the quarterly consolidated financial statements for the six months ended September 30, 2015.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	6,957,893	6,250,804
Notes and accounts receivable—trade	5,603,154	5,877,541
Merchandise and finished goods	902,857	1,088,559
Work in process	2,458,028	2,545,735
Raw materials and supplies	979,152	1,091,219
Other	857,668	681,874
Allowance for doubtful accounts	(856)	(826)
Total current assets	17,757,899	17,534,907
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,399,645	3,904,133
Machinery, equipment and vehicles, net	2,776,870	2,766,170
Other, net	1,564,259	1,075,361
Total property, plant and equipment	7,740,775	7,745,664
Intangible assets	139,318	163,317
Investments and other assets		
Investment securities	375,677	297,943
Other	449,113	428,432
Total investments and other assets	824,790	726,376
Total noncurrent assets	8,704,884	8,635,358
Total assets	26,462,784	26,170,266

(Thousand yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable—trade	2,956,671	3,086,118
Short-term loans payable	1,082,465	1,048,963
Income taxes payable	298,021	234,785
Provision for bonuses	360,184	378,553
Provision for directors' bonuses	40,000	20,000
Other	1,480,606	1,185,246
Total current liabilities	6,217,947	5,953,666
Noncurrent liabilities		
Long-term loans payable	1,740,930	1,547,701
Provision for directors' retirement benefits	115,300	107,150
Net defined benefit liability	137,936	119,063
Other	124,669	153,571
Total noncurrent liabilities	2,118,835	1,927,487
Total liabilities	8,336,783	7,881,153
Net assets		
Shareholders' equity		
Capital stock	2,144,612	2,144,612
Capital surplus	2,069,698	2,069,698
Retained earnings	12,041,527	12,247,084
Treasury shares	(6,807)	(6,977)
Total shareholders' equity	16,249,030	16,454,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	205,270	136,692
Foreign currency translation adjustment	1,578,830	1,601,111
Total accumulated other comprehensive income	1,784,100	1,737,803
Non-controlling interests	92,869	96,891
Total net assets	18,126,000	18,289,112
Total liabilities and net assets	26,462,784	26,170,266

(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, 2014 (From April 1, 2014 to September 30, 2014)	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net sales	10,234,877	10,565,292
Cost of sales	7,784,251	8,333,714
Gross profit	2,450,626	2,231,578
Selling, general and administrative expenses		
Salaries, allowances and bonuses	470,717	484,419
Provision for bonuses	109,593	109,646
Provision for directors' bonuses	20,000	20,000
Retirement benefit expenses	35,567	59,493
Provision for directors' retirement benefits	5,643	5,850
Other	697,708	734,504
Total selling, general and administrative expenses	1,339,231	1,413,914
Operating income	1,111,395	817,664
Non-operating income		
Interest income	3,183	3,081
Dividend income	3,099	2,813
Foreign exchange gains	—	5,109
Commission fee	4,201	5,187
Insurance income	11,784	—
Other	16,329	24,688
Total non-operating income	38,598	40,881
Non-operating expenses		
Interest expenses	8,782	7,817
Foreign exchange loss	5,408	—
Other	4,098	1,622
Total non-operating expenses	18,289	9,440
Ordinary income	1,131,704	849,105
Extraordinary income		
Gain on sales of noncurrent assets	372,079	—
Subsidy income	—	112,700
Total extraordinary income	372,079	112,700
Extraordinary loss		
Loss on disposal of noncurrent assets	17,469	1,388
Loss on reduction of noncurrent assets	—	112,700
Total extraordinary loss	17,469	114,088
Income before income taxes	1,486,315	847,717
Income taxes—current	459,597	248,312
Income taxes—deferred	(4,632)	620
Total income taxes	454,965	248,932
Net income	1,031,349	598,784
Net income attributable to non-controlling interests	3,227	4,506
Net income attributable to shareholders of parent	1,028,122	594,278

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousands of yen)

	For the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net income	1,031,349	598,784
Other comprehensive income		
Valuation difference on available-for-sale securities	51,335	(68,577)
Foreign currency translation adjustment	(203,192)	22,280
Total other comprehensive income	(151,856)	(46,297)
Comprehensive income	879,493	552,487
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of parent	876,265	547,981
Comprehensive income attributable to non-controlling interests	3,227	4,506

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Income before income taxes	1,486,315	847,717
Depreciation	535,082	656,322
Increase (decrease) in allowance for doubtful accounts	77	(28)
Increase (decrease) in provision for bonuses	30,436	18,369
Increase (decrease) in provision for directors' retirement benefits	5,643	(8,150)
Increase (decrease) in provision for directors' bonuses	(20,000)	(20,000)
Increase (decrease) in net defined benefit liability	(78,130)	(14,256)
Interest and dividend income	(6,282)	(5,894)
Interest expenses	8,782	7,817
Foreign exchange loss (gain)	9,938	(1,276)
Loss (gain) on disposal of noncurrent assets	(354,610)	1,388
Decrease (increase) in notes and accounts receivable—trade	(317,020)	(247,146)
Decrease (increase) in inventory assets	(474,906)	(385,542)
Decrease (increase) in consumption taxes refund receivable	21,604	226,041
Loss on reduction of noncurrent assets	—	112,700
Subsidy income	—	(112,700)
Decrease (increase) in other current assets	(39,823)	(43,741)
Increase (decrease) in notes and accounts payable—trade	612,074	117,625
Increase (decrease) in accrued consumption taxes	23,861	(43,199)
Increase (decrease) in other current liabilities	15,904	(14,943)
Other, net	168	66,113
Subtotal	1,459,115	1,157,216
Interest and dividend income received	6,437	5,949
Interest expenses paid	(8,587)	(7,548)
Income taxes paid	(369,289)	(304,421)
Income taxes refund	—	4,019
Subsidy income received	—	112,700
Net cash provided by operating activities	1,087,675	967,915

(Thousand yen)

	For the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from investing activities		
Payments into time deposits	(79,732)	(116,243)
Proceeds from withdrawal of time deposits	131,865	127,857
Purchase of property, plant and equipment	(428,173)	(1,008,127)
Proceeds from sales of property, plant and equipment	628,376	—
Purchase of intangible assets	(4,894)	(51,948)
Other, net	(4,684)	906
Net cash provided by (used in) investing activities	242,756	(1,047,555)
Cash flows from financing activities		
Proceeds from long-term loans payable	500,000	200,000
Repayments of long-term loans payable	(319,082)	(424,696)
Cash dividends paid	(310,519)	(387,842)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(23,998)
Other, net	(1,805)	(1,497)
Net cash used in financing activities	(131,407)	(638,034)
Effect of exchange rate change on cash and cash equivalents	(66,201)	20,291
Net increase (decrease) in cash and cash equivalents	1,132,823	(697,382)
Cash and cash equivalents at beginning of period	5,263,023	6,617,955
Increase in cash and cash equivalents from newly consolidated subsidiary	68,451	—
Cash and cash equivalents at end of period	6,464,297	5,920,573

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.