U-SHIN LTD. and its Consolidated Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

For the year ended November 30, 2015

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of U-SHIN LTD.:

We have audited the accompanying consolidated balance sheet of U-SHIN LTD. and its consolidated subsidiaries as of November 30, 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U-SHIN LTD. and its consolidated subsidiaries as of November 30, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

February 26, 2016

Consolidated Balance Sheet

U-SHIN LTD. and consolidated subsidiaries

As of November 30, 2015

	Millions of Yen		Thousands of U.S. dollars (Note 1)
ASSETS	2015	2014	2015
Current Assets			
Cash and cash equivalents (Note 13)	¥ 23,719	¥ 27,414	$ 193,122
Time deposits (Note 13)	-	100	-
Receivables			
Trade notes and accounts (Note 13)	33,255	36,123	270,760
Other	2,803	3,683	22,823
Allowance for doubtful accounts	(625)	(365)	(5,091)
Inventories (Note 3)	19,503	20,364	158,796
Deferred tax assets (Note 9)	1,214	1,524	9,881
Prepaid expenses and other current assets	1,622	1,129	13,204
Total Current Assets	81,491	89,972	663,495
Property, Plant and Equipment			
Land	9,128	9,427	74,317
Buildings and structures	23,962	25,463	195,101
Machinery and equipment	43,748	45,671	356,199
Tools, furniture and fixtures	34,478	33,999	280,718
Construction in progress	2,695	3,715	21,945
Total	114,011	118,275	928,280
Accumulated depreciation and impairment loss	(69,027)	(68,891)	(562,020)
Net Property, Plant and Equipment	44,984	49,384	366,260
Investments and Other Assets			
Investment securities (Notes 5, 13)	13,389	11,330	109,013
Investments in unconsolidated subsidiaries and an associated company (Note 13)	490	519	3,991
Goodwill	6,426	7,701	52,317
Deferred tax assets (Note 9)	1,839	1,415	14,971
Other assets	4,716	5,588	38,407
Total Investments and Other Assets	26,860	26,553	218,699
Total	¥ 153,335	¥ 165,909	$ 1,248,454

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. dollars (Note 1) 2015
LIABILITIES			
Current Liabilities			
Payables			
Trade notes and accounts (Note 13)	¥ 22,037	¥ 24,459	$ 179,424
Other	4,060	3,916	33,054
Electronically recorded monetary obligations-operating (Note 13)	7,200	7,690	58,624
Short-term bank loans (Notes 6, 13)	3,333	2,575	27,136
Current portion of long-term bonds (Notes 6, 13)	400	400	3,257
Current portion of long-term bank loans (Notes 6, 13)	15,378	8,536	125,204
Current portion of long-term lease obligations (Notes 6, 13)	625	411	5,091
Accrued expenses	4,302	4,892	35,028
Income tax payable	1,206	1,432	9,815
Other current liabilities	8,593	5,798	69,974
Total Current Liabilities	67,134	60,109	546,607
Long-term Liabilities			
Long-term bonds and convertible bonds with warrants (Notes 6, 13)	10,345	12,286	84,227
Long-term bank loans (Notes 6, 13)	29,176	42,553	237,547
Long-term lease obligations (Notes 6, 13)	2,713	2,622	22,093
Deferred tax liabilities (Note 9)	2,501	2,360	20,360
Liability for employees' retirement benefits (Note 7)	3,208	3,319	26,117
Other long-term liabilities	914	3,479	7,449
Total Long-term Liabilities	48,857	66,619	397,793
Total Liabilities	115,991	126,728	944,400
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Note 8)			
Common Stock — authorized, 120,000,000 shares; issued, 28,383,411 shares in 2015 and 31,995,502 shares in 2014	13,037	12,016	106,147
Capital surplus	13,143	12,122	107,006
Stock acquisition rights	1,575	1,734	12,827
Retained earnings	4,522	8,893	36,814
Treasury stock — at cost, 671,747 shares in 2015 and 5,256,069 shares in 2014	(514)	(3,447)	(4,182)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,571	3,701	37,216
Deferred loss on derivatives under hedge accounting	(123)	-	(998)
Foreign currency translation adjustments	1,195	4,010	9,729
Defined retirement benefit plans	(102)	106	(829)
Total	37,304	39,135	303,730
Minority interests	40	46	324
Total Equity	37,344	39,181	304,054
Total	¥ 153,335	¥ 165,909	$ 1,248,454

See notes to consolidated financial statements.

Consolidated Statement of Operations

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2015

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥ 164,229	¥ 155,985	$ 1,337,153
Cost of goods sold	145,915	139,235	1,188,041
Gross profit	18,314	16,750	149,112
Selling, general and administrative expenses	13,598	13,675	110,718
Operating income	4,716	3,075	38,394
Other income (expenses)			
Interest and dividend income	522	392	4,246
Foreign exchange (loss) gain	(2,916)	464	(23,744)
Currency swap income (expenses) (Note 11)	1,718	(1,324)	13,990
Gain on sales of property, plant and equipment (Note 11)	82	891	665
Gain on sales of investment securities	327	15	2,659
Subsidy income (Note 11)	-	901	-
Insurance income (Note 11)	18	1,000	150
Reversal of provision for product warranties	-	106	-
Interest expenses	(1,253)	(1,570)	(10,203)
Business integration related expenses (Note 11)	-	(128)	-
Loss on sales and disposal of property, plant and equipment	(31)	(63)	(254)
Impairment loss (Note 4)	-	(101)	-
Loss on product warranties (Note 11)	(554)	(499)	(4,513)
Provision for business structure improvement expenses (Note 11)	(246)	(180)	(2,003)
Settlement payment (Note 11)	-	(1,305)	-
Loss on cancellation of contracts (Note 11)	-	(1,231)	-
Other, net	(562)	21	(4,558)
Other expenses - net	(2,895)	(2,611)	(23,565)
Income before income taxes and minority interests	1,821	464	14,829
Income taxes (Note 9)			
Current	1,862	1,304	15,164
Deferred	(270)	(412)	(2,199)
Total income taxes	1,592	892	12,965
Net income (loss) before minority interests	229	(428)	1,864
Minority interests in net income	2	5	18
Net income (loss)	¥ 227	¥ (433)	$ 1,846

	Yen		U.S. dollars
Per Share of Common Stock (Note 16):			
Basic net income (loss)	¥ 8.49	¥ (15.18)	$ 0.07
Diluted net income	8.36	-	0.07
Cash dividends applicable to the year	10.00	10.00	0.08

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2015

	Millions of Yen				Thousands of U.S. dollars (Note 1)	
		2015		2014		2015
Net income (loss) before minority interests	¥	229	¥	(428)	$	1,864
Other comprehensive (loss) income (Note 15):						
Unrealized gain on available-for-sale securities		870		657		7,084
Deferred loss on derivatives under hedge accounting		(123)		-		(998)
Foreign currency translation adjustments		(2,822)		3,120		(22,978)
Defined retirement benefit plans		(208)		(5)		(1,695)
Total other comprehensive (loss) income		(2,283)		3,772		(18,587)
Comprehensive (loss) income	¥	(2,054)	¥	3,344	$	(16,723)
Total comprehensive income attributable to:						
Owners of the parent	¥	(2,049)	¥	3,334	$	(16,682)
Minority interests		(5)		10		(41)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2015

	Thousands	Millions of yen				
	Shares of Common Stock Outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance at November 30, 2013	29,958	¥ 12,016	¥ 12,122	¥ 1,502	¥ 9,366	¥ (1,305)
Cumulative effects of changes in accounting policies	-	-	-	-	(10)	-
Restated balance	29,958	12,016	12,122	1,502	9,356	(1,305)
Cash dividends, ¥10.00 per share	-	-	-	-	(291)	-
Net loss	-	-	-	-	(433)	-
Net changes of scope of consolidation	-	-	-	-	261	-
Purchase of treasury stock	(3,219)	-	-	-	-	(2,142)
Net change in the year	-	-	-	232	-	-
Total changes during the year	(3,219)	-	-	232	(463)	(2,142)
Balance at November 30, 2014	26,739	¥ 12,016	¥ 12,122	¥ 1,734	¥ 8,893	¥ (3,447)
Conversion of convertible bonds	2,788	1,021	1,021	-	-	-
Cash dividends, ¥10.00 per share	-	-	-	-	(265)	-
Net income	-	-	-	-	227	-
Purchase of treasury stock	(1,815)	-	-	-	-	(1,400)
Retirement of treasury stock	-	-	-	-	(4,333)	4,333
Net change in the year	-	-	-	(159)	-	-
Total changes during the year	973	1,021	1,021	(159)	(4,371)	2,933
Balance at November 30, 2015	27,712	¥ 13,037	¥ 13,143	¥ 1,575	¥ 4,522	¥ (514)

	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at November 30, 2013	¥ 3,044	¥ -	¥ 895	¥ -	¥ 37,640	¥ 36	¥ 37,676
Cumulative effects of changes in accounting policies	-	-	-	111	101	-	101
Restated balance	3,044	-	895	111	37,741	36	37,777
Cash dividends, ¥10.00 per share	-	-	-	-	(291)	-	(291)
Net loss	-	-	-	-	(433)	-	(433)
Net changes of scope of consolidation	-	-	-	-	261	-	261
Purchase of treasury stock	-	-	-	-	(2,142)	-	(2,142)
Net change in the year	657	-	3,115	(5)	3,999	10	4,009
Total changes during the year	657	-	3,115	(5)	1,394	10	1,404
Balance at November 30, 2014	¥ 3,701	-	¥ 4,010	¥ 106	¥ 39,135	¥ 46	¥ 39,181
Conversion of convertible bonds	-	-	-	-	2,042	-	2,042
Cash dividends, ¥10.00 per share	-	-	-	-	(265)	-	(265)
Net income	-	-	-	-	227	-	227
Purchase of treasury stock	-	-	-	-	(1,400)	-	(1,400)
Retirement of treasury stock	-	-	-	-	-	-	-
Net change in the year	870	(123)	(2,815)	(208)	(2,435)	(6)	(2,441)
Total changes during the year	870	(123)	(2,815)	(208)	(1,831)	(6)	(1,837)
Balance at November 30, 2015	¥ 4,571	(123)	¥ 1,195	¥ (102)	¥ 37,304	¥ 40	¥ 37,344

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance at November 30, 2014	$ 97,838	$ 98,697	$ 14,114	$ 72,405	$ (28,061)
Conversion of convertible bonds	8,309	8,309	-	-	-
Cash dividends, $0.08 per share	-	-	-	(2,159)	-
Net income	-	-	-	1,846	-
Purchase of treasury stock	-	-	-	-	(11,399)
Retirement of treasury stock	-	-	-	(35,278)	35,278
Net change in the year	-	-	(1,287)	-	-
Total changes during the year	8,309	8,309	(1,287)	(35,591)	23,879
Balance at November 30, 2015	$ 106,147	$ 107,006	$ 12,827	$ 36,814	$ (4,182)

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at November 30, 2014	$ 30,132	$ -	$ 32,648	$ 866	$ 318,639	$ 374	$ 319,013
Conversion of convertible bonds	-	-	-	-	16,618	-	16,618
Cash dividends, $0.08 per share	-	-	-	-	(2,159)	-	(2,159)
Net income	-	-	-	-	1,846	-	1,846
Purchase of treasury stock	-	-	-	-	(11,399)	-	(11,399)
Retirement of treasury stock	-	-	-	-	-	-	-
Net change in the year	7,084	(998)	(22,919)	(1,695)	(19,815)	(50)	(19,865)
Total changes during the year	7,084	(998)	(22,919)	(1,695)	(14,909)	(50)	(14,959)
Balance at November 30, 2015	$ 37,216	$ (998)	$ 9,729	$ (829)	$ 303,730	$ 324	$ 304,054

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2015

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating Activities			
Income before income taxes and minority interests	¥ 1,821	¥ 464	$ 14,829
Adjustments for:			
Income taxes paid	(1,662)	(1,180)	(13,533)
Depreciation and amortization	8,521	8,026	69,380
Impairment loss	-	101	-
Currency swap (income) expenses	(1,718)	1,189	(13,990)
Foreign exchange loss (gain)	1,054	(1,701)	8,585
Changes in assets and liabilities, net of effects:			
Decrease (increase) in trade notes and accounts receivable	1,055	(2,938)	8,587
Increase in inventories	(387)	(2,452)	(3,150)
(Decrease) increase in payables	(447)	1,664	(3,637)
Increase in deposits received	1,313	229	10,686
Other, net	2,276	(2,006)	18,527
Net cash provided by operating activities	11,826	1,396	96,284
Investing Activities			
Purchases of property, plant and equipment	(6,131)	(7,946)	(49,922)
Purchases of intangible assets	(918)	(917)	(7,470)
Proceeds from sales of property, plant and equipment	655	1,884	5,337
Purchase of investment securities	(1,265)	(48)	(10,296)
Other, net	432	532	3,506
Net cash used in investing activities	(7,227)	(6,495)	(58,845)
Financing Activities			
Net increase in short-term bank loans	814	1,527	6,625
Proceeds from long-term bank loans	15,770	2,050	128,399
Repayment of long-term bank loans	(22,293)	(9,193)	(181,512)
Proceeds from issue of bonds and convertible bonds with warrants	-	5,000	-
Redemption of bonds	(400)	(200)	(3,257)
Proceeds from sale and leaseback	828	317	6,744
Purchase of treasury stock	(1,400)	(2,142)	(11,399)
Dividends paid	(267)	(291)	(2,171)
Repayment from sales and purchases contract based on a deferred payment plan	-	(3,454)	-
Other, net	(523)	(397)	(4,254)
Net cash used in financing activities	(7,471)	(6,783)	(60,825)
Foreign currency translation adjustments on cash and cash equivalents	(823)	1,181	(6,699)
Net decrease in cash and cash equivalents	(3,695)	(10,701)	(30,085)
Cash and cash equivalents at the beginning of year	27,414	37,981	223,207
Increase in cash and cash equivalents resulting from change of scope of consolidation	-	134	-
Cash and cash equivalents at the end of year	¥ 23,719	¥ 27,414	$ 193,122
Noncash investing and financing activities:			
Increase in common stock due to the conversion of convertible bonds with warrants	¥ 1,021	-	$ 8,309
Increase in capital surplus due to the conversion of convertible bonds with warrants	1,021	-	8,309
Decrease in convertible bonds with warrants due to the conversion of convertible bonds with warrants	(1,883)	-	(15,331)
Decrease in stock acquisition rights due to the conversion of convertible bonds with warrants	(159)	-	(1,287)
Retirement of treasury stock	4,333	-	35,278

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2015

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which U-SHIN LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.82 to $1, the approximate rate of exchange at November 30, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of November 30, 2015, include the accounts of the Company and its 21 significant (21 in 2014) subsidiaries (together, the “Group”). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the remaining subsidiaries and an associated company which are not consolidated or accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of subsidiaries acquired at the date of acquisition is being amortized on a straight-line basis over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(i) Consolidated subsidiaries

Number of consolidated subsidiaries: 21

TOKYO SOKUTEIKIZAI CO., LTD.
U-SHIN SHOWA LTD.
SANWA SEISAKUSHO LTD.
U-SHIN TRANSPORT LTD.
U-SHIN MANUFACTURING (ZHONGSHAN) CO., LTD.
U-Shin Access Systems (Wuxi) CO., LTD.
U-SHIN INTERNATIONAL TRADING (SHANGHAI) LTD.
U-SHIN (THAILAND) CO., LTD.
ORTECH MALAYSIA SDN. BHD.
U-Shin Holdings Europe B.V.
U-Shin France S.A.S.
U-Shin Deutschland Zugangssysteme GmbH
U-Shin Deutschland Grundvermögen GmbH
U-Shin Italia S.p.A.
U-Shin Spain S.L.
U-SHIN EUROPE LTD.
U-Shin Slovakia s.r.o.
L.L.C. Access Mechanisms

YUHSHIN U.S.A.LTD.
U-SHIN AUTOPARTS MEXICO, S.A. DE C.V.
U-Shin do Brasil Sistemas Automotivos Ltda.

(ii) Unconsolidated subsidiaries
The main unconsolidated subsidiary is U-SHIN MANUFACTURING (SUZHOU) CO., LTD.
Consolidation of the unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements.

However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity through other comprehensive income; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income.

c. Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and financial institutions which are unrestricted as to withdrawal or use and which mature or become due within three months of the date of acquisition.

e. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories

Inventories are stated at the lower of cost, determined by the weighted-average cost method, or net selling value.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 3 to 50 years for buildings and structures, and from 2 to 12 years for machinery and equipment.

h. Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Investment Securities

Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving average method. Nonmarketable securities are stated at cost determined by the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

j. Bonds with Warrants

The proceeds from issuance of bonds with warrants are allocated between the bond portion and the warrant portion, resulting in a bond discount. Bond discounts are amortized by the straight-line method over the term of the related bonds. The amounts ascribed to warrants are stated as a separate component of equity.

k. Employees' Retirement Benefits

The Company and certain domestic subsidiaries have severance lump-sum payment plans and defined contribution pension plans. Certain overseas subsidiaries have severance lump-sum payment plans and defined contribution plans. The liability for employees' retirement benefits is provided at an amount based on the projected benefit obligation at the balance sheet date.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over the following 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 7).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a), (b) and (c) above from December 1, 2013. The effects of adopting the revised accounting standard are immaterial.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

n. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value; and gains or losses on derivative transactions are recognized in the consolidated statement of income, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps which qualify for hedge accounting are measured at fair value at the consolidated balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

p. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

q. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections."

Accounting treatments under this standard and guidance are as follows:

(a) Changes in accounting policies

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(b) Changes in presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

r. Changes in Presentation

(Consolidated Statement of Operations)

Prior to December 1, 2014, "Commitment fee" was disclosed separately in the "Other income (expenses) - net" section of the consolidated statement of operations. Since the materiality of the amount decreased during this fiscal year ended November 30, 2015, such amount is included in "Other, net" in the "Other income (expenses) - net" section of the consolidated statement of operations for the year ended November 30, 2015. The amount included in "Other, net" as of November 30, 2014, was ¥91 million.

(Consolidated Statement of Cash Flows)

Prior to December 1, 2014, "Purchase of investment securities" was included in "Other, net" in the "Net cash used in investing activities" section of the consolidated statement of cash flows. Since the amount increased significantly during this fiscal year ended November 30, 2015, such amount is disclosed separately in the "Net cash used in investing activities" section of the consolidated statement of cash flows for the year ended November 30, 2015. The amount of "Purchase of investment securities" included in "Net cash used in investing activities" for the year ended November 30, 2014, was ¥48 million.

3. Inventories

Inventories as of November 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Finished products	¥ 8,365	¥ 8,680	$ 68,109
Work in process	2,402	2,432	19,559
Raw material and supplies	8,736	9,252	71,128
Total	¥ 19,503	¥ 20,364	$ 158,796

4. Long-lived Assets

The Group reviewed its long-lived assets for impairment for the year ended November 30, 2014. As a result, the Group recognized an impairment loss of ¥101 million as other expense for certain asset groups of U-Shin Italia S.p.A. and U-Shin do Brasil Sistemas Automotivos Ltda. due to a continuous operating loss at those units, and the carrying amounts of the relevant assets were written down to the recoverable amounts. The recoverable amounts of those assets were measured at their value in use and the discount rates used for computation of the present value of future cash flows were 6.5% and 9%.

No impairment losses were recognized for the year ended November 30, 2015.

5. Investment Securities

The costs and aggregate fair values of investment securities as of November 30, 2015 and 2014, were as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized gain	Unrealized loss	Carrying amount
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 6,539	¥ 6,939	¥ (205)	¥ 13,273
Debt securities	-	-	-	-
Other	-	-	-	-
Total	¥ 6,539	¥ 6,939	¥ (205)	¥ 13,273

	Millions of Yen			
	2014			
	Cost	Unrealized gain	Unrealized loss	Carrying amount
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,484	¥ 5,751	¥ (22)	¥ 11,213
Debt securities	-	-	-	-
Other	-	-	-	-
Total	¥ 5,484	¥ 5,751	¥ (22)	¥ 11,213

	Thousands of U.S. dollars			
	2015			
	Cost	Unrealized gain	Unrealized loss	Carrying amount
Securities classified as:				
Available-for-sale:				
Equity securities	$ 53,238	$ 56,499	$ (1,672)	$ 108,065
Debt securities	-	-	-	-
Other	-	-	-	-
Total	$ 53,238	$ 56,499	$ (1,672)	$ 108,065

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended November 30, 2015 and 2014, were as follows:

	Millions of Yen		
	2015		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥ 536	¥ 327	¥ -
Debt securities	-	-	-
Other	-	-	-
Total	¥ 536	¥ 327	¥ -

	Millions of Yen		
	2014		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥ 22	¥ 15	¥ -
Debt securities	-	-	-
Other	-	-	-
Total	¥ 22	¥ 15	¥ -

	Thousands of U.S. dollars		
	2015		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	$ 4,366	$ 2,659	$ -
Debt securities	-	-	-
Other	-	-	-
Total	$ 4,366	$ 2,659	$ -

6. Short-term Bank Loans, Long-term Debt and Lease Liabilities

(1) Short-term bank loans, long-term debt and lease liabilities

Short-term bank loans at November 30, 2015 and 2014, consisted of notes and bank overdrafts. The annual interest rates applicable to the short-term bank loans averaged 0.4% and 0.5% at November 30, 2015 and 2014, respectively.

Long-term debt at November 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term loans payable maturing through 2023 (Average interest rates were 1.4% and 1.6% at November 30, 2015 and 2014, respectively.)			
Secured loans	¥ 12,240	¥ 13,770	$ 99,658
Unsecured loans	32,314	37,319	263,093
Bonds and convertible bonds with warrants	10,745	12,686	87,484
Lease obligations	3,338	3,033	27,184
Total	¥ 58,637	¥ 66,808	$ 477,419
Less current portion	(16,403)	(9,347)	(133,552)
Long-term debt, less current portion	¥ 42,234	¥ 57,461	$ 343,867

The following is a summary of the terms for conversion and redemption of the convertible bonds with warrants:

Zero Coupon Convertible Bonds due 2018

Conversion Price (*1)	¥742
Number of shares of common stock (*2)	9,703,439
Exercise Period	From September 3, 2013 to August 15, 2018

*1: The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2: Number of shares of common stock is calculated on the assumption that all convertible bonds with warrants are converted.

Zero Coupon Convertible Bonds due 2019

Conversion Price (*1)	¥709
Number of shares of common stock (*2)	3,257,972
Exercise Period	From October 3, 2014 to September 5, 2017

*1: The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2: Number of shares of common stock is calculated on the assumption that all convertible bonds with warrants are converted.

Annual maturities of long-term debt, excluding finance leases, at November 30, 2015, were as follows:

Years Ending November 30	Millions of Yen	Thousands of U.S. dollars
2016	¥ 15,778	$ 128,460
2017	15,539	126,523
2018	15,796	128,611
2019	2,930	23,856
2020	1,530	12,457
2021 and thereafter	4,590	37,372
Total	¥ 56,163	$ 457,279

Annual maturities of finance lease obligations at November 30, 2015, were as follows:

Years Ending November 30	Millions of Yen	Thousands of U.S. dollars
2016	¥ 625	$ 5,091
2017	440	3,582
2018	2,273	18,511
Total	¥ 3,338	$ 27,184

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in the case of default and certain other specified events, all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in consolidated subsidiaries	¥ 16,741	¥ 16,741	$ 136,303

(2) Loan commitment

The Company has commitment line contracts with four banks for effective financing. The commitment amount, outstanding balance and available funds of these contracts as of November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Commitment line contract	¥ 7,500	¥ 7,500	$ 61,065
Actual loan balance	-	500	-
Available funds	¥ 7,500	¥ 7,000	$ 61,065

(3) Financial covenants

The Group's interest-bearing debt includes financial covenants on the basis of certain indicators, namely, net assets and profits and others.

Long-term debt with financial covenants amount to long-term debt of ¥24,280 million and bonds and convertible bonds with warrants of ¥9,510 million at November 30, 2015.

7. Liability for Employees' Retirement Benefits

The Company and certain domestic subsidiaries have severance lump-sum payment plans and defined contribution pension plans. Certain overseas subsidiaries have severance lump-sum payment plans and defined contribution plans.

Defined benefit pension plans

(1) The changes in defined benefit obligation for the years ended November 30, 2015 and 2014, were as follows (including the benefit plan for which the simplified method was applied):

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 3,319	¥ 2,964	$ 27,021
Cumulative effects of changes in accounting policies	-	15	-
Restated balance	3,319	2,979	27,021
Service cost	218	152	1,771
Interest cost	47	60	385
Actuarial losses	58	225	474
Benefits paid	(215)	(197)	(1,751)
Foreign currency translation adjustments	(219)	100	(1,783)
Balance at end of year	¥ 3,208	¥ 3,319	$ 26,117

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation as of November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Unfunded defined benefit obligation	¥ 3,208	¥ 3,319	$ 26,117
Net liability arising from defined benefit obligation	¥ 3,208	¥ 3,319	$ 26,117
Liability for retirement benefits	¥ 3,208	¥ 3,319	$ 26,117
Net liability arising from defined benefit obligation	¥ 3,208	¥ 3,319	$ 26,117

(3) The components of net periodic benefit costs for the years ended November 30, 2015 and 2014, were as follows (including the benefit plan for which the simplified method was applied):

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 218	¥ 152	$ 1,771
Interest cost	47	60	385
Recognized actuarial losses (gains)	21	(4)	168
Others	5	5	45
Net periodic benefit costs	¥ 291	¥ 213	$ 2,369

(4) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial losses	¥ (298)	¥ (15)	$ (2,427)
Total	¥ (298)	¥ (15)	$ (2,427)

(5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial (losses) gains	¥ (149)	¥ 149	$ (1,215)
Total	¥ (149)	¥ 149	$ (1,215)

(6) Assumption mainly used for the years ended November 30, 2015 and 2014, was as follows:

	2015	2014
Discount rate	1.0% - 2.0%	1.0% - 2.0%

Defined contribution plan

The amount of contribution required for the defined contribution plan paid by the Group was ¥85 million ($691 thousand) and ¥75 million for the years ended November 30, 2015 and 2014, respectively.

8. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not
The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company are so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than 3 million yen.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.
Under the Companies Act, stock acquisition rights are presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.3% and 37.8% for the years ended November 30, 2015 and 2014, respectively. The details related to deferred tax are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Tax loss carryforwards	¥ 2,062	¥ 1,847	$ 16,785
Other allowance	1,151	803	9,369
Allowance for retirement benefits	872	950	7,104
Impairment loss	484	746	3,939
Inventories	411	420	3,346
Provision for business structure improvement	320	409	2,605
Advances received	276	-	2,245
Accrued bonus	234	229	1,903
Allowance for doubtful accounts	131	143	1,071
After-care of products	89	297	727
Land	44	95	362
Other	877	1,265	7,141
Valuation allowance	(3,404)	(3,410)	(27,718)
Total	¥ 3,547	¥ 3,794	$ 28,879
Deferred tax liabilities:			
Unrealized gain on investments	¥ (2,163)	¥ (2,029)	$ (17,614)
Deferred gain on exchange of lands	(523)	(573)	(4,254)
In-process research and development	(26)	(207)	(214)
Other	(294)	(410)	(2,395)
Total	¥ (3,006)	¥ (3,219)	$ (24,477)
Net deferred tax assets	¥ 541	¥ 575	$ 4,402

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended November 30, 2015 and 2014, is as follows:

	2015	2014
Statutory effective tax rate	35.3 %	37.8 %
Valuation allowance	35.9	29.9
Difference in subsidiaries' tax rates	(3.6)	33.7
Expenses not deductible for income tax purposes	1.2	16.8
Revenue not taxable for income tax purposes	(5.2)	(5.0)
Per capita inhabitant tax	1.8	6.9
Tax credit for research and development expenses	(6.0)	(2.1)
Amortization of goodwill	7.5	32.1
Deferred (loss) gain on sales of property	(5.4)	28.8
Effect of tax rate reduction	4.5	11.0
Corporate income tax for prior years	23.6	3.8
Other, net	(2.2)	(1.4)
Accrual effective tax rate	87.4 %	192.3 %

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.8% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.1%. The effect of this change on the consolidated financial statements is not material.

10. Research and Development Costs

Research and development costs charged to income were ¥6,436 million ($52,401 thousand) and ¥6,081 million for the years ended November 30, 2015 and 2014, respectively.

11. Other Income (Expenses)

Gain on sales of property, plant and equipment:

It is mainly gain from sales of land and buildings and structures of old plants in Hiroshima (Kaita) and China (Zhongshan) for the year ended November 30, 2014.

Subsidy income:

During the year ended November 30, 2014, the Company received subsidy income granted by a local government toward the establishment of a new plant in Hiroshima.

Insurance income:

During the year ended November 30, 2014, the Company received insurance covering costs related to replacing defective products for the year ended November 30, 2012.

Currency swap income:

These mainly include valuation gains incurred from the currency swap contract to reduce exposure to fluctuations in foreign exchange rates on loans to a subsidiary for the year ended November 30, 2015, because of the depreciation of the euro due to the quantitative easing and other actions by the European Central Bank. Also, valuation losses on foreign exchange rates resulting from the loan are recognized.

Currency swap expenses:

These mainly include valuation losses incurred from the currency swap contract to reduce exposure to fluctuations in foreign exchange rates on loans to a subsidiary for the year ended November 30, 2014, because of the rapid depreciation of the Japanese yen from the end of October 2014. Also, valuation gain on foreign exchange rates resulting from the loan is recognized.

Business integration related expenses:

This includes legal fees, costs of a trademark change, etc., which are related to the business combination in May 2013 for the year ended November 30, 2014.

Loss on product warranties:

This is an estimated amount of future potential costs related to replacing defective products for the years ended November 30, 2015 and 2014.

Provision for business structure improvement expenses:

This is a provision for restructuring factories, production lines, etc., for the years ended November 30, 2015 and 2014.

Settlement payment:

This is a payment for which the Group did not acquire the shares of Minda Valeo Security Systems Private Limited owned by Valeo S.A., which the Group had previously negotiated to acquire for the year ended November 30, 2014.

Loss on cancellation of contracts:

This is a payment for the cancellation of sales representation agreement contracts with C.T. Charlton & Associates, Inc. for the year ended November 30, 2014.

12. Related Party Disclosures

Transactions of the Company with associated companies for the years ended November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
C.T. Charlton & Associates, Inc.			
Commission for sales representation	¥ -	¥ 22	¥ -

13. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Company uses financial instruments, mainly bank loans, bonds and capital increase for fundraising. Derivatives are not used for speculative purposes, but to manage financial risks as described below. The Group manages exposure to credit risk by limiting investments to highly liquid and high credit rated financial instruments.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Operating credit such as notes and accounts receivable are exposed to customers' credit risk, but the Company manages due dates and balances by customer, by identifying and responding to default risks at an early stage. Investment securities are mainly stocks and short-term monetary trusts related to safe investments. Although stocks are exposed to risks of fluctuation in market price, they are mainly composed of stocks of companies with which the Company has business relationships, and the Company periodically updates the fair value of listed companies' stocks in order to manage the risk of loss.

The due date of payment for operating debts such as notes and accounts payable is within one year.

Some bank loans are funds raised related to equipment funds and operation funds are exposed to the risk of fluctuation in interest rate.

The Company uses derivative transactions (interest rate swaps) as a means of hedging against the risks of fluctuation in payment interest rates and to fix interest expense.

Derivatives consist primarily of exchange-forward swaps and interest rate swaps. They are used to manage exposure to market risks from changes in foreign currency exchange rates or risks of fluctuation in interest rates. Please see Note 14 for more details about derivatives.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations. The Group manages its liquidity risk based on analysis of each cash flow plan from each of its departments.

(3) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on quoted market prices if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in Note 14 does not represent the market risk of the derivative transactions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(5) Fair value of financial instruments as of November 30, 2015 and 2014.

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 23,719	¥ 23,719	¥ -
Time deposits	-	-	-
Trade notes and accounts receivable	33,255		
Allowance for doubtful accounts	(180)		
	33,075	33,075	-
Investment securities	13,273	13,273	-
Investments in unconsolidated subsidiaries and an associated company	125	333	208
Total	¥ 70,192	¥ 70,400	¥ 208
Trade notes and accounts payable	¥ 22,037	¥ 22,037	¥ -
Electronically recorded monetary obligations-operating	7,200	7,200	-
Short-term bank loans	3,333	3,333	-
Current portion of long-term bonds	400	399	(1)
Current portion of long-term bank loans	15,378	15,409	31
Long-term bonds and convertible bonds with warrants	10,345	10,331	(14)
Long-term bank loans	29,176	29,368	192
Lease obligations	3,338	3,431	93
Total	¥ 91,207	¥ 91,508	¥ 301
Derivative transactions	¥ (74)	¥ (74)	¥ -

	Millions of Yen		
	2014		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 27,414	¥ 27,414	¥ -
Time deposits	100	100	-
Trade notes and accounts receivable	36,123		
Allowance for doubtful accounts	(178)		
	35,945	35,945	-
Investment securities	11,213	11,213	-
Investments in unconsolidated subsidiaries and an associated company	125	385	260
Total	¥ 74,797	¥ 75,057	¥ 260
Trade notes and accounts payable	¥ 24,459	¥ 24,459	¥ -
Electronically recorded monetary obligations-operating	7,690	7,690	-
Short-term bank loans	2,575	2,575	-
Current portion of long-term bonds	400	399	(1)
Current portion of long-term bank loans	8,536	8,592	56
Long-term bonds and convertible bonds with warrants	12,286	12,264	(22)
Long-term bank loans	42,553	43,562	1,009
Lease obligations	3,033	3,052	19
Total	¥ 101,532	¥ 102,593	¥ 1,061
Derivative transactions	¥ (1,912)	¥ (1,912)	¥ -

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 193,122	$ 193,122	$ -
Time deposits	-	-	-
Trade notes and accounts receivable	270,760		
Allowance for doubtful accounts	(1,464)		
	269,296	269,296	-
Investment securities	108,065	108,065	-
Investments in unconsolidated subsidiaries and an associated company	1,020	2,711	1,691
Total	$ 571,503	$ 573,194	$ 1,691
Trade notes and accounts payable	$ 179,424	$ 179,424	$ -
Electronically recorded monetary obligations-operating	58,624	58,624	-
Short-term bank loans	27,136	27,136	-
Current portion of long-term bonds	3,257	3,248	(9)
Current portion of long-term bank loans	125,204	125,460	256
Long-term bonds and convertible bonds with warrants	84,227	84,117	(110)
Long-term bank loans	237,547	239,114	1,567
Lease obligations	27,184	27,938	754
Total	$ 742,603	$ 745,061	$ 2,458
Derivative transactions	$ (599)	$ (599)	$ -

Cash and cash equivalents, Time deposits and Trade notes and accounts receivable

The carrying amounts of "Cash and cash equivalents", "Time deposits" and "Trade notes and accounts receivable" approximate fair value because they are settled in the short-term.

Investment securities, Investments in unconsolidated subsidiaries and an associated company

The fair values of investment securities are measured at the quoted market price of the stock exchange for stocks, and at quoted market prices obtained from the financial institution for investment trusts.

Trade notes and accounts payable, Electronically recorded monetary obligations-operating and Short-term loans

The carrying amounts of "Trade notes and accounts payable" and "Electronically recorded monetary claims-operating" approximate fair value because they are settled in the short-term.

Current portion of long-term bonds, Long-term bonds and convertible bonds with warrants

The fair values of bonds and convertible bonds with warrants are calculated by discounting the total amounts of principal and interest to present value using the interest rate assumed when similar new bonds are issued.

Current portion of long-term bank loans, Long-term bank loans and Lease obligations

The fair values of long-term bank loans and lease obligations are calculated by discounting the total amounts of principal and interest to present value using the interest rate assumed when a similar new borrowing or lease transaction occurs.

Long-term bank loans with interest rate swaps which qualify for hedge accounting and meet specific matching criteria are calculated by discounting principal and interest transacted together with the payments on the interest rate swap to present value using the interest rate adapted and rationally estimated when a similar borrowing occurs.

Derivatives

Since interest rate swaps that qualify for hedge accounting and meet specific matching criteria are transacted together with long-term bank loans which are considered as the hedge objects, those fair values are also included in the fair values of long-term bank loans. Fair value information is included in Note 14.

(6) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Subsidiaries' stocks	¥ 365	¥ 393	$ 2,971
Unlisted stocks	¥ 116	¥ 117	$ 948

(7) Maturity analysis for financial credit and securities with maturity after the date of consolidation

	Millions of Yen			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 23,719	¥ -	¥ -	¥ -
Trade notes and accounts receivable	33,255	-	-	-
Total	¥ 56,974	¥ -	¥ -	¥ -

	Millions of Yen			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 27,414	¥ -	¥ -	¥ -
Time deposits	100	-	-	-
Trade notes and accounts receivable	36,123	-	-	-
Total	¥ 63,637	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 193,122	$ -	$ -	$ -
Trade notes and accounts receivable	270,760	-	-	-
Total	$ 463,882	$ -	$ -	$ -

14. Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

(1) Derivative transactions to which hedge accounting is not applied as of November 30, 2015 and 2014.

	Millions of Yen			
	2015			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts				
Selling USD	¥ 8,880	¥ -	¥ (118)	¥ (118)
Selling EUR	11,604	-	442	442
Total	¥ 20,484	¥ -	¥ 324	¥ 324

	Millions of Yen			
	2014			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts				
Selling USD	¥ 10,194	¥ -	¥ (1)	¥ (1)
Selling EUR	781	-	(0)	(0)
Currency swap				
Selling EUR	13,169	12,476	(1,911)	(1,911)
Buying JPY	11	-	0	0
Total	¥ 24,155	¥ 12,476	¥ (1,912)	¥ (1,912)

	Thousands of U.S. dollars			
	2015			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts				
Selling USD	$ 72,301	$ -	$ (961)	$ (961)
Selling EUR	94,476	-	3,599	3,599
Total	$ 166,777	$ -	$ 2,638	$ 2,638

Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Derivative transactions to which hedge accounting is applied as of November 30, 2015 and 2014.

		Millions of Yen					
		2015					
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	¥	19,358	¥	8,962	¥	Note 1
floating rate receipt, fixed rate payment	Long-term bank loans		7,650		7,650		(153)
Total		¥	27,008	¥	16,612	¥	(153)

		Millions of Yen					
		2014					
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	¥	37,165	¥	31,480	¥	Note 1

		Thousands of U.S. dollars					
		2015					
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	$	157,609	$	72,965	$	Note 1
floating rate receipt, fixed rate payment	Long-term bank loans		62,286		62,286		(1,246)
Total		$	219,895	$	135,251	$	(1,246)

Fair value is based on information provided by financial institutions at the end of the fiscal year.

Note 1

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

15. Comprehensive Income

The components of other comprehensive income for the years ended November 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥ 1,332	¥ 1,019	$ 10,839
Reclassification adjustments to profit or loss	(327)	-	(2,659)
Amount before income tax effect	1,005	1,019	8,180
Income tax effect	(135)	(362)	(1,096)
Total	¥ 870	¥ 657	$ 7,084
Deferred loss on derivatives under hedge accounting			
Gains arising during the year	¥ (153)	¥ -	$ (1,246)
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	(153)	-	(1,246)
Income tax effect	30	-	248
Total	¥ (123)	¥ -	$ (998)
Foreign currency translation adjustments			
Adjustments arising during the year	¥ (2,822)	¥ 3,120	$ (22,978)
Total	¥ (2,822)	¥ 3,120	$ (22,978)
Defined retirement benefit plans			
Gains arising during the year	¥ (319)	¥ (22)	$ (2,595)
Reclassification adjustments to profit or loss	21	7	168
Amount before income tax effect	(298)	(15)	(2,427)
Income tax effect	90	10	732
Total	¥ (208)	¥ (5)	$ (1,695)
Total other comprehensive (loss) income	¥ (2,283)	¥ 3,772	$ (18,587)

16. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended November 30, 2015 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. dollars
Year ended November 30, 2015	Net Income	Weighted-Average Shares	EPS	EPS
Basic EPS - Net income available to common shareholders	¥ 227	¥ 26,699	¥ 8.49	$ 0.07
Effect of dilutive securities - Convertible bonds	-	434		
Diluted EPS - Net income for computation	¥ 227	¥ 27,133	¥ 8.36	$ 0.07

Diluted net EPS for the year ended November 30, 2014 is not disclosed as there were no potentially dilutive securities for the year ended November 30, 2014.

17. Subsequent Events

a. Establishment of a subsidiary

The Board of Directors approved the establishment of a subsidiary in China on December 22, 2015. The details are as follows:

(1) Purpose

Because U-Shin Access Systems (Wuxi) CO., LTD. which is a manufacturing subsidiary in China, has almost reached the limit of its production capacity, the Company intends to newly establish a subsidiary in Wuxi, where U-Shin Access Systems (Wuxi) CO., LTD. operates the business, and build a new plant for production capacity expansion and improvement of the production efficiency for future business expansion.

(2) Outline of subsidiary to be established

Corporate name	U-Shin Manufacturing (Wuxi) Co., Ltd.
Location	Wuxi, Jiangsu Province, China
Share capital	$30 million (¥3,600 million) (Planned)
Business activities	Manufacture and sales of automotive parts
Establishment	March 2016 (Planned)
Shareholder	U-SHIN LTD. 100%

b. Commitment line agreement

The Company concluded an agreement with Sumitomo Mitsui Banking Corporation in order to improve its financial balance and capital efficiency and to secure the mobility and stability of fundraising.

Outline of agreement

Credit lines for fund raising	¥10,000 million
Date of agreement	February 12, 2016
Term of commitment	From February 12, 2016 to February 11, 2019 (Three years)

c. Appropriations of Retained Earnings

The following appropriation of retained earnings at November 30, 2015 was approved at the shareholders' meeting held on February 26, 2016:

	Millions of Yen	Thousands of U.S. dollars
Year-end cash dividends, ¥ 5 ($ 0.04) per share	¥ 139	$ 1,128

18. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reporting segments

The Group's reporting segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reporting segments consist of the automotive, industrial equipment, and home security units businesses. The automotive business consists of products such as lock sets, electric steering locks, door latches, climate control panels, door handles, switches, keyless entry, and so on. The industrial equipment business consists of instruments for agricultural/construction/and industrial equipment and machine tools, wire harnesses, switches, controllers, lamps, operator seats, and so on. The home security units business consists of locks for hotels, residential and commercial buildings, cylinders, handle sets, electric locks, and so on.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each segment

The accounting policies of each reporting segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets, and other items

	Millions of Yen				
	2015				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Net sales:					
Sales to external customers	¥ 141,366	¥ 20,568	¥ 2,295	¥ -	¥ 164,229
Intersegment sales or transfers	269	88	9	(366)	-
Total	¥ 141,635	¥ 20,656	¥ 2,304	¥ (366)	¥ 164,229
Segment profit	¥ 4,780	¥ 2,417	¥ 98	¥ (2,579)	¥ 4,716
Depreciation and amortization	¥ 8,257	¥ 85	¥ 90	¥ 89	¥ 8,521

	Millions of Yen				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Net sales:					
Sales to external customers	¥ 132,460	¥ 21,149	¥ 2,376	¥ -	¥ 155,985
Intersegment sales or transfers	243	159	28	(430)	-
Total	¥ 132,703	¥ 21,308	¥ 2,404	¥ (430)	¥ 155,985
Segment profit	¥ 3,691	¥ 2,475	¥ 133	¥ (3,224)	¥ 3,075
Depreciation and amortization	¥ 7,778	¥ 76	¥ 103	¥ 69	¥ 8,026

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Thousands of U.S. dollars				
	2015				
Net sales:					
Sales to external customers	$ 1,151,005	$ 167,467	$ 18,681	$ -	$ 1,337,153
Intersegment sales or transfers	2,187	718	75	(2,980)	-
Total	$ 1,153,192	$ 168,185	$ 18,756	$ (2,980)	$ 1,337,153
Segment profit	$ 38,921	$ 19,682	$ 802	$ (21,011)	$ 38,394
Depreciation and amortization	$ 67,230	$ 691	$ 734	$ 725	$ 69,380

(4) Information about impairment loss of assets by reportable segments

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Millions of Yen				
	2015				
Impairment losses of assets	¥ -	¥ -	¥ -	¥ -	¥ -

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Millions of Yen				
	2014				
Impairment losses of assets	¥ 101	¥ -	¥ -	¥ -	¥ 101

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Thousands of U.S. dollars				
	2015				
Impairment losses of assets	$ -	$ -	$ -	$ -	$ -

(5) Information about amortization of goodwill and goodwill by reportable segments

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Millions of Yen				
	2015				
Amortization of goodwill	¥ 385	¥ -	¥ -	¥ -	¥ 385
Goodwill at November 30, 2015	6,426	-	-	-	6,426

	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
	Millions of Yen				
	2014				
Amortization of goodwill	¥ 397	¥ -	¥ -	¥ -	¥ 397
Goodwill at November 30, 2014	7,701	-	-	-	7,701

	Thousands of U.S. dollars				
	2015				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Amortization of goodwill	$ 3,136	$ -	$ -	$ -	$ 3,136
Goodwill at November 30, 2015	52,317	-	-	-	52,317

(6) Information about geographical areas

(a) Net Sales

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Net Sales:			
Japan	¥ 59,003	¥ 50,406	$ 480,406
U.S.A.	3,180	1,912	25,893
Europe	62,062	70,464	218,933
Asia	26,889	21,609	505,311
Other	13,095	11,594	106,610
Total	¥ 164,229	¥ 155,985	$ 1,337,153

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Property, plant and equipment:			
Japan	¥ 16,354	¥ 16,915	$ 133,152
U.S.A.	-	-	-
Europe	11,153	11,887	90,808
Asia	13,200	13,766	107,473
Other	4,277	6,816	34,827
Total	¥ 44,984	¥ 49,384	$ 366,260

(7) Information about major customers

		Sales		
		Millions of Yen		Thousands of U.S. dollars
	Related segment name	2015	2014	2015
Name of customer:				
Mazda Motor Corporation	Automotive Division	¥ 24,626	¥ 21,648	$ 200,508