

## U-Shin Ltd. Consolidated Financial Results for the nine months (3Q) ended September 30, 2018

Tokyo, November 7, 2018 - U-Shin Ltd. announced its consolidated financial results for the nine months (3Q) ended September 30, 2018 of the fiscal year ending December 31, 2018. Also November 9, 2018, U-Shin Ltd. submitted its quarterly consolidated statements stated in Japanese with an independent accountant's review by Deloitte Touche Tohmatsu LLC to Japanese Financial Service Agency. The following summary of the business results is based on the latest short financial result U-Shin Ltd. submitted to the Tokyo Stock Exchange. (Code Number: 6985)

### Consolidated Operating Results

	Nine months (3Q) ended				
	August 31, 2017		September 30, 2018		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 115,069	1.3	¥ 112,057	-	\$ 986,680
Operating Income	2,611	30.0	4,902	-	43,166
Ordinary Income	1,201	12.1	3,545	-	31,222
Profit Attributable to Owners of Parent	2,575	-	3,443	-	30,318
Net Income per share	JPY		JPY		US\$
Basic Net Income	¥ 88.78		¥ 107.94		\$ 0.95
Diluted Net Income	87.47		-		-

\*Along with a change of accounting period to December 31 from November 30 at the fiscal year ended December 31, 2017, the comparing period (from December 1, 2016 through August 31, 2017) is different for this third quarter. Therefore, percentage changes from the same period of previous fiscal year are not shown.

### Consolidated Financial Position

	December 31, 2017	September 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 137,592	¥ 132,011	\$ 1,162,381
Net Assets	31,217	32,765	288,503
Equity Ratio	21.7%	24.8%	24.8%

### Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2017	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2018	-	¥ 0.00	-	-	-
FY 2018 (forecast)	-	-	-	¥ 0.00	¥ 0.00

### Segment Information

Net sales	Nine months (3Q) ended		
	August 31, 2017	September 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 95,682	¥ 92,193	\$ 811,777
Industrial Equipment	17,565	18,150	159,821
Home Security Units	1,821	1,712	15,080
Consolidated	115,069	112,057	986,680

Operating Income	Nine months (3Q) ended		
	August 31, 2017	September 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 1,877	¥ 4,026	\$ 35,452
Industrial Equipment	2,233	2,430	21,398
Home Security Units	97	70	623
Reconciliations	(1,597)	(1,624)	(14,307)
Consolidated	2,611	4,902	43,166

**Forecast of Consolidated Results for FY2018 (January 1, 2018 through December 31, 2018)**

	Fiscal year ending December 31, 2018	
	JPY in millions	US\$ in thousands
Net Sales	¥151,000	\$ 1,329,576
Operating Income	6,100	53,711
Ordinary Income	4,400	38,742
Profit Attributable to Owners of Parent	4,000	35,220

Reference: Net income per share forecast

¥ 125.39

Forecast was revised based on the third quarter results and steady trend prospect on the fourth quarter.

## Notes:

1. U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 113.57 to US\$ 1.00, the approximate exchange rate prevailing on September 30, 2018. Such translation 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. Amounts are rounded down to the nearest million yen or thousand U.S. dollar.
3. "Reconciliations" of segment income for the nine months ended September 30, 2018 of (1,624) million yen includes intersegment eliminations of 0 million yen and corporate expenses of (1,625) million yen.  
"Reconciliations" of segment income for the nine months ended August 31, 2017 of (1,597) million yen includes intersegment eliminations of 15 million yen and corporate expenses of (1,612) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2018 is calculated based on the weighted-average number of common shares for the fiscal year ended December 31, 2017.

## **Qualitative Information on Consolidated Financial Results for the Nine Months (3Q) Period**

### **(1) Financial Results**

Consolidated net sales decreased 2.6% to 112,057 million yen (US\$ 986,680 thousand) and operating income increased 87.7% to 4,902 million yen (US\$ 43,166 thousand) comparing to the same period of the last fiscal year.

Ordinary income increased 195.1% to 3,545 million yen (US\$ 31,222 thousand) in comparison with the same period of the prior year. Although foreign exchange loss (733 million yen) was recorded concerning with emerging currencies such as Brazilian Real, it was recovered by increase of operating income.

Net income increased 33.7% to 3,443 million yen (US\$ 30,318 thousand) comparing to the same period of the last year. Extraordinary losses were recorded such as loss on business structure improvement (668 million yen) for liquidating the U.S. subsidiary and restructuring in Brazil plant. In Hiroshima plant, loss on disaster (68 million yen) also occurred caused by the heavy rainfall in July 2018. On the other hand, extraordinary gains were recorded such as gain on sales of investment securities (1,927 million yen), and gain on reversal of subscription rights to shares (1,101 million yen) along with the maturity redemption in August 2018 of convertible bond with warrants (hereinafter: CB).

### **(2) Operating Performance by Segment**

(Automotive Division)

Net sales decreased 3.6% to 92,193 million yen (US\$ 811,777 thousand), and operating income increased 114.4% to 4,026 million yen (US\$ 35,452 thousand) year-on-year. As for domestic operations, Hiroshima plant had an impact on its production and shipment by the heavy rainfall disaster in July 2018. In China, operations were affected by sales decrease of local European automobile makers, however, local Japanese automobile makers maintain their favorable performance. In Europe region, they made better performance with productivity and quality improvement, and restructuring in Brazil also contributed to the positive result.

(Industrial Equipment Division)

Net sales increased 3.3% to 18,150 million yen (US\$ 159,821 thousand), and operating income increased 8.8% to 2,430 million yen (US\$ 21,398 thousand) year-on-year. Although there was a reversal of the last-minute demands before tightening up the regulation of exhaust gas for Japanese agricultural equipment in the last fiscal year, it was recovered by the favorable overseas results in agricultural equipment and construction machinery.

(Home Security Units Division)

Net sales decreased 6.0% to 1,712 million yen (US\$ 15,080 thousand), and operating income decreased 27.1% to 70 million yen (US\$ 623 thousand) year-on-year. This was due to slump of domestic housing starts.

### **(3) Financial Position**

At the third quarter-ended on September 30, 2018, total assets stood at 132,011 million yen (US\$ 1,162,381 thousand), decrease of 5,580 million yen compared to the end of the previous fiscal year. Cash and deposits and trade receivable such as accounts receivable decreased as for current assets, and fixed assets decreased by selling investment securities.

Total liabilities decreased by 7,128 million yen to 99,246 million yen (US\$ 873,878 thousand) compared to the end of the previous fiscal year. This was primarily due to decrease of interest-bearing debt by partial conversion and maturity redemption of CB, and decrease of trade payable such as accounts payable.

Total net assets increased by 1,547 million yen to 32,765 million yen (US\$ 288,503 thousand) compared to the last fiscal year-end. Partial stock conversion of CB increased capital stock and capital surplus. In addition, maturity redemption of unconverted CB recorded gain on reversal of subscription rights to shares in extraordinary income. As the result, it contributed to increase retained earnings. On the other hand, unrealized gain on available-for-sale securities and foreign currency translation adjustments were decreased caused by fluctuation of stock and foreign exchange market.

#### **(4) Forecast for the Fiscal Year 2018**

The profit of consolidated results increased for this third quarter, and it is prospected that the steady trend will be continued also in the fourth quarter. Consequently, we revised the forecast which was announced at the “Financial Results FY2018 2Q” on August 10, 2018.

**Consolidated Balance Sheet**

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	27,699	24,481
Notes and accounts receivable - trade	26,882	23,089
Electronically recorded monetary claims - operating	2,798	5,696
Merchandise and finished goods	7,467	7,493
Work in process	2,802	2,904
Raw materials and supplies	7,916	8,690
Other	5,686	6,352
Allowance for doubtful accounts	(761)	(545)
<b>Total current assets</b>	<b>80,491</b>	<b>78,164</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,467	13,691
Machinery, equipment and vehicles, net	9,757	11,161
Tools, furniture and fixtures, net	4,125	3,579
Land	8,736	8,708
Construction in progress	5,623	4,220
<b>Total property, plant and equipment</b>	<b>40,711</b>	<b>41,361</b>
Intangible assets	1,212	1,029
Investments and other assets		
Investment securities	12,255	8,858
Other	2,993	2,716
Allowance for doubtful accounts	(83)	(123)
<b>Total investments and other assets</b>	<b>15,165</b>	<b>11,451</b>
<b>Total non-current assets</b>	<b>57,089</b>	<b>53,843</b>
Deferred assets	11	4
<b>Total assets</b>	<b>137,592</b>	<b>132,011</b>

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	23,158	20,613
Electronically recorded obligations - operating	6,823	6,974
Short-term loans payable	12,370	13,835
Current portion of bonds	6,632	200
Current portion of long-term loans payable	11,651	8,732
Provision for bonuses	767	1,290
Provision for product warranties	471	331
Other provision	1,471	1,399
Other	19,221	18,716
<b>Total current liabilities</b>	<b>82,568</b>	<b>72,092</b>
<b>Non-current liabilities</b>		
Long-term loans payable	18,543	22,008
Provision	448	445
Net defined benefit liability	3,373	3,304
Other	1,440	1,395
<b>Total non-current liabilities</b>	<b>23,805</b>	<b>27,154</b>
<b>Total liabilities</b>	<b>106,374</b>	<b>99,246</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	14,546	15,206
Capital surplus	14,652	15,308
Retained earnings	(1,193)	2,249
Treasury stock	(513)	(513)
<b>Total shareholders' equity</b>	<b>27,490</b>	<b>32,250</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	4,749	3,096
Deferred gains or losses on hedges	(150)	(141)
Foreign currency translation adjustments	(2,191)	(2,400)
Remeasurements of defined benefit plans	(39)	(64)
<b>Total accumulated other comprehensive income</b>	<b>2,367</b>	<b>491</b>
Subscription rights to shares	1,321	—
Non-controlling interests	37	23
<b>Total net assets</b>	<b>31,217</b>	<b>32,765</b>
<b>Total liabilities and net assets</b>	<b>137,592</b>	<b>132,011</b>

**Consolidated Statement of Operations**

(Millions of yen)

	Nine months ended August 31, 2017	Nine months ended September 30, 2018
Net sales	115,069	112,057
Cost of sales	103,440	98,149
Gross profit	11,629	13,907
Selling, general and administrative expenses	9,018	9,005
Operating profit	2,611	4,902
Non-operating income		
Interest and dividend income	340	348
Other	113	178
Total non-operating income	454	526
Non-operating expenses		
Interest expenses	414	311
Commitment line fee	221	246
Foreign exchange losses	573	733
Amortization of bond with warrants	234	167
Other	420	424
Total non-operating expenses	1,864	1,883
Ordinary profit	1,201	3,545
Extraordinary income		
Gain on sales of non-current assets	57	8
Gain on sales of investment securities	1,939	1,927
Gain on reversal of subscription rights to shares	—	1,101
Other	26	17
Total extraordinary income	2,023	3,054
Extraordinary losses		
Loss on sales and retirement of non-current assets	17	8
Impairment loss	15	76
Loss on product warranties	285	213
Loss on business structure improvement	129	668
Loss on disaster	—	68
Other	35	26
Total extraordinary losses	483	1,061
Profit before income taxes	2,741	5,539
Income taxes – current	1,853	1,708
Income taxes – deferred	(1,687)	385
Total income taxes	166	2,093
Profit	2,575	3,445
Profit (loss) attributable to non-controlling interests	(0)	2
Profit attributable to owners of parent	2,575	3,443

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Nine months ended August 31, 2017	Nine months ended September 30, 2018
Profit	2,575	3,445
Other comprehensive income		
Unrealized gain on available-for-sale securities	160	(1,652)
Deferred gains or losses on hedges	(1)	8
Foreign currency translation adjustments	1,299	(209)
Remeasurements of defined benefit plans, net of tax	5	(24)
Total other comprehensive income	1,463	(1,877)
Comprehensive income	4,038	1,568
Comprehensive income attributable to		
Owners of parent	4,038	1,566
Non-controlling interests	0	1