

## U-Shin Ltd. Consolidated Financial Results for the six months (2Q) ended May 31, 2017

Tokyo, July 14, 2017 - U-Shin Ltd. announced its consolidated financial results for the six months (2Q) ended May 31, 2017 of the fiscal year ending December 31, 2017. The following summary of the business results that U-Shin Ltd. submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 6985)

### Consolidated Operating Results

	Six months (2Q) ended				
	May 31, 2016		May 31, 2017		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 78,070	(5.4)	¥ 77,507	(0.7)	\$ 698,521
Operating Income	1,277	(35.0)	1,951	52.7	17,583
Ordinary Income	296	(55.4)	1,162	292.1	10,478
Profit (Loss) Attributable to Owners of Parent	(1,646)	-	6	-	62
Net Income (Loss) per share	JPY		JPY		US\$
Basic Net Income (Loss)	¥ (59.42)		¥ 0.24		¢0.21
Diluted Net Income	-		0.24		¢0.21

### Consolidated Financial Position

	November 30, 2016	May 31, 2017	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 143,295	¥ 141,414	\$ 1,274,460
Net Assets	22,248	24,810	223,597
Equity Ratio	14.4%	16.5%	16.5%

### Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2016	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2017	-	¥ 0.00			
FY 2017 (forecast)			-	-	-

\*The year-end dividend forecast for FY2017 is yet to be decided as of this moment.

### Segment Information

Net sales	Six months (2Q) ended		
	May 31, 2016	May 31, 2017	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 66,876	¥ 64,795	\$ 583,953
Industrial Equipment	9,987	11,505	103,692
Home Security Units	1,206	1,206	10,874
Consolidated	78,070	77,507	698,521

Operating Income	Six months (2Q) ended		
	May 31, 2016	May 31, 2017	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 1,241	¥ 1,634	\$ 14,729
Industrial Equipment	1,213	1,424	12,839
Home Security Units	83	60	541
Reconciliations	(1,260)	(1,168)	(10,526)
Consolidated	1,277	1,951	17,583

**Forecast of Consolidated Results for FY2017 (December 1, 2016 through December 31, 2017)**

	Fiscal year ending December 31, 2017	
	JPY in millions	US\$ in thousands
Net Sales	¥154,400	\$ 1,391,492
Operating Income	4,910	44,250
Ordinary Income	3,640	32,804
Profit Attributable to Owners of Parent	3,870	34,877

Reference: Net income per share forecast

¥ 139.63

## 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 110.96 to US\$ 1.00, the approximate exchange rate prevailing on May 31, 2017. 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 six months ended May 31, 2017 of (1168) million yen includes intersegment eliminations of (16) million yen and corporate expenses of (1,151) million yen.  
"Reconciliations" of segment income for the six months ended May 31, 2016 of (1,260) million yen includes intersegment eliminations of 13 million yen and corporate expenses of (1,274) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2017 is calculated based on the weighted-average number of common shares for the fiscal year ended November 30, 2016.

## **Qualitative Information on Consolidated Results for the Six Months (2Q) Period**

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

Consolidated net sales decreased 0.7% to 77,507 million yen (US\$ 698,521 thousand), approximately same to the corresponding period of the last year. This was the result of steady progress in automotive and industrial equipment division. Operating income increased 52.7% to 1,951 million yen (US\$ 17,583 thousand), and ordinary income increased 292.1% to 1,162 million yen (US\$ 10,478 thousand) comparing to the same period of the last fiscal year.

Net income amounted to 6 million yen (US\$ 62 thousand) (The last year was loss of 1,646 million yen). It was affected by the tax provision for prior years considering progress of tax audit in an overseas subsidiary.

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

(Automotive Division)

Net sales decreased 3.1% to 64,795 million yen (US\$ 583,953 thousand), and operating income increased 31.7% to 1,634 million yen (US\$ 14,729 thousand) year-on-year. Steady performance in both domestic and overseas such as China contributed the results.

(Industrial Equipment Division)

Net sales increased 15.2% to 11,505 million yen (US\$ 103,692 thousand), and operating income increased 17.4% to 1,424 million yen (US\$ 12,839 thousand) year-on-year. Performance of agricultural machinery was favorably progressed in domestic, China and North America, and construction machinery also exceeded the forecast.

(Home Security Units Division)

Net sales increased 0.0% to 1,206 million yen (US\$ 10,874 thousand), and operating income decreased 28.2% to 60 million yen (US\$ 541 thousand) year-on-year.

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

At the second quarter-end on May 31, 2017, total assets stood at 141,414 million yen (US\$ 1,274,460 thousand), decrease of 1,881 million yen compared to the end of the previous fiscal year. This was mainly due to decrease in cash and deposits along with scheduled payments of loans payable.

Total liabilities decreased by 4,443 million yen to 116,603 million yen (US\$ 1,050,863 thousand), compared to the end of the previous fiscal year. This was primarily due to scheduled payments of loans payable and decrease of interest-bearing debt from stock conversion of CB.

Total net assets increased by 2,561 million yen to 24,810 million yen (US\$ 223,597 thousand), compared to the end of the previous fiscal year. The main reasons were due to increase of shareholders' equity by increasing capital stock and capital surplus along with stock conversion of CB, and increase of unrealized gain on available-for-sale securities and foreign currency translation adjustments in accordance with the stock and currency market fluctuations.

### **(4) Cash Flows**

The balance of cash and cash equivalents (hereinafter "Cash") at this second quarter-end, on May 31, 2017 were 31,074 million yen (US\$ 280,051 thousand), decrease of 771 million yen compared to the end of the previous fiscal year.

Net cash used in operating activities was 911 million yen (US\$ 8,215 thousand) (For the previous fiscal year, 8,734 million yen was provided). Increasing working capital such as accounts receivable was the main reason.

Net cash provided by investing activities was 1,724 million yen (US\$ 15,538 thousand) (For the previous fiscal year, 3,936 million yen was used). In case of excluding revenue from maturity of time deposits (4,526 million yen), cash flow used in capital investment in Europe, China and Japan was 2,802 million yen.

Net cash used in financing activities was 2,963 million yen (US\$ 26,710 thousand) (For the previous fiscal year, 3,660 million yen was provided). Scheduled payments of loans payable was the main factor.

Excluding the above things, by adding U-SHIN MANUFACTURING (Wuxi) CO., LTD. to the scope of consolidation from the first quarter, cash in hands of the company, 1,039 million yen has increased as the consolidated cash.

**(5) Forecast for the FY2017 (December 2016 – December 2017)**

No revision has been made to the forecasts announced on January 13, 2017.

**Matters Regarding Summary Information (Notes)**

**(1) Change in important subsidiaries during the period: None.**

Although, it is not eligible for the change of specified subsidiary, U-SHIN MANUFACTURING (Wuxi) CO., LTD. was added to the scope of consolidation from the accounting period of the first quarter.

**(2) Change of consolidated closing date**

From this fiscal year, we have changed our closing date to December 31 from November 30. Thus, the FY2017 will span 13 months period from December 1, 2016 through December 31, 2017. The accounting period will be three months each from the first to third quarter (ended on February 28, May 31, and August 31 respectively), and the fourth quarter will be four months period (from September 1 through December 31, 2017) during the FY2017.

Accordingly, we have changed the closing date to December 31 for six consolidated subsidiaries that previously had a closing date at November 30.

Regarding U-SHIN EUROPE LTD. whose closing date was September 30, it is consolidated for eight months from October 1, 2016 through May 31, 2017 with this change.

With above changes, closing date of U-Shin Ltd. and all consolidated subsidiaries was unified to December 31.

**Consolidated Balance Sheet**

(Millions of yen)

	As of November 30, 2016	As of May 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	36,322	31,074
Notes and accounts receivable - trade	24,502	23,857
Electronically recorded monetary claims - operating	1,997	4,513
Merchandise and finished goods	7,785	7,491
Work in process	2,419	2,668
Raw materials and supplies	7,300	7,407
Other	5,952	6,364
Allowance for doubtful accounts	(624)	(689)
<b>Total current assets</b>	<b>85,654</b>	<b>82,687</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,782	12,614
Machinery, equipment and vehicles, net	10,402	10,911
Tools, furniture and fixtures, net	4,625	4,345
Land	8,614	8,672
Construction in progress	2,495	3,490
<b>Total property, plant and equipment</b>	<b>38,921</b>	<b>40,033</b>
Intangible assets	1,449	1,201
Investments and other assets		
Investment securities	12,862	14,188
Other	4,464	3,369
Allowance for doubtful accounts	(83)	(83)
<b>Total investments and other assets</b>	<b>17,243</b>	<b>17,473</b>
<b>Total non-current assets</b>	<b>57,615</b>	<b>58,709</b>
Deferred assets	26	17
<b>Total assets</b>	<b>143,295</b>	<b>141,414</b>

(Millions of yen)

	As of November 30, 2016	As of May 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	21,962	21,537
Electronically recorded obligations - operating	7,120	6,271
Short-term loans payable	12,621	17,416
Current portion of bonds	3,524	1,581
Current portion of long-term loans payable	13,110	12,122
Accounts payable – other	4,782	4,599
Income taxes payable	851	587
Provision for bonuses	793	1,352
Provision for directors' bonuses	1	7
Provision for product warranties	1,329	1,491
Other provision	1,941	1,869
Other	12,974	13,667
<b>Total current liabilities</b>	<b>81,013</b>	<b>82,507</b>
<b>Non-current liabilities</b>		
Bonds payable	7,104	6,957
Long-term loans payable	24,566	19,608
Other provision	550	400
Net defined benefit liability	3,199	3,284
Other	4,612	3,845
<b>Total non-current liabilities</b>	<b>40,033</b>	<b>34,096</b>
<b>Total liabilities</b>	<b>121,046</b>	<b>116,603</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	13,062	13,632
Capital surplus	13,168	13,737
Retained earnings	(5,276)	(5,273)
Treasury stock	(513)	(513)
<b>Total shareholders' equity</b>	<b>20,440</b>	<b>21,583</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	4,050	5,026
Deferred gains or losses on hedges	(157)	(156)
Foreign currency translation adjustments	(3,575)	(3,047)
Remeasurements of defined benefit plans	(115)	(110)
<b>Total accumulated other comprehensive income</b>	<b>201</b>	<b>1,711</b>
Subscription rights to shares	1,572	1,482
Non-controlling interests	33	33
<b>Total net assets</b>	<b>22,248</b>	<b>24,810</b>
<b>Total liabilities and net assets</b>	<b>143,295</b>	<b>141,414</b>

**Consolidated Statement of Operations**

(Millions of yen)

	Six months ended May 31, 2016	Six months ended May 31, 2017
Net sales	78,070	77,507
Cost of sales	70,221	69,440
Gross profit	7,849	8,067
Selling, general and administrative expenses	6,571	6,116
Operating income	1,277	1,951
Non-operating income		
Interest and dividend income	244	266
Other	76	59
Total non-operating income	320	326
Non-operating expenses		
Interest expenses	384	279
Commitment line fee	312	215
Foreign exchange losses	205	293
Amortization of bond with warrants	166	158
Other	232	167
Total non-operating expenses	1,301	1,114
Ordinary income	296	1,162
Extraordinary income		
Gain on sales of non-current assets	0	17
Gain on sales of investment securities	3	29
Insurance income	119	—
Total extraordinary income	122	47
Extraordinary losses		
Loss on sales and retirement of non-current assets	14	15
Loss on product warranties	989	233
Other	136	73
Total extraordinary losses	1,140	323
Profit (loss) before income taxes	(720)	887
Income taxes - current	746	976
Income taxes - deferred	179	(95)
Total income taxes	926	881
Profit (loss)	(1,646)	5
Loss attributable to non-controlling interests	(0)	(1)
Profit (loss) attributable to owners of parent	(1,646)	6

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Six months ended May 31, 2016	Six months ended May 31, 2017
Profit (loss)	(1,646)	5
Other comprehensive income		
Unrealized gain on available-for-sale securities	(1,054)	975
Deferred gains or losses on hedges	(48)	1
Foreign currency translation adjustments	(3,357)	528
Remeasurements of defined benefit plans, net of tax	8	5
Total other comprehensive income	(4,451)	1,510
Comprehensive income	(6,098)	1,516
Comprehensive income attributable to		
Owners of parent	(6,095)	1,516
Non-controlling interests	(3)	(0)



**Consolidated Statement of Cash Flows**

(Millions of yen)

	Six months ended May 31, 2016	Six months ended May 31, 2017
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(720)	887
Depreciation	3,941	3,381
Amortization of goodwill	180	—
Increase (decrease) in provision	1,285	415
Foreign exchange losses (gains)	1,457	195
Loss (gain) on sales and retirement of non-current assets	13	(2)
Decrease (increase) in notes and accounts receivable - trade	3,711	(1,559)
Decrease (increase) in inventories	480	309
Increase (decrease) in notes and accounts payable - trade	584	(1,827)
Increase (decrease) in accounts payable - other	11	(804)
Increase (decrease) in deposits received	(134)	(38)
Other, net	(822)	(706)
Subtotal	9,988	250
Interest and dividend income received	198	165
Interest expenses paid	(356)	(283)
Income taxes (paid) refund	(1,096)	(1,044)
Net cash provided by (used in) operating activities	8,734	(911)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,214)	(2,887)
Purchase of intangible assets	(396)	(149)
Proceeds from sales of property, plant and equipment	69	87
Purchase of investment securities	(15)	(1)
Proceeds from sales of investment securities	12	116
Payments for investments in capital of subsidiaries and associates	(338)	—
Payments into time deposits	(1,052)	—
Proceeds from withdrawal of time deposits	—	4,526
Other, net	(1)	31
Net cash provided by (used in) investing activities	(3,936)	1,724
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,800	4,491
Proceeds from long-term loans payable	5,900	2,500
Repayments of long-term loans payable	(5,555)	(8,445)
Redemption of bonds	(200)	(1,200)
Purchase of treasury stock	—	(0)
Cash dividends paid	(121)	(4)
Other, net	(163)	(304)
Net cash provided by (used in) financing activities	3,660	(2,963)
Effect of exchange rate change on cash and cash equivalents	(1,411)	340
Net increase (decrease) in cash and cash equivalents	7,046	(1,811)
Cash and cash equivalents at beginning of period	23,719	31,845
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,039
Cash and cash equivalents at end of period	30,765	31,074