

U-SHIN LTD. Consolidated Financial Results for the nine months (3Q) ended August 31, 2016

Tokyo, October 14, 2016 - U-SHIN LTD. announced its consolidated financial results for the nine months (3Q) ended August 31, 2016 of the fiscal year ending November 30, 2016. 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

	Nine months (3Q) ended August 31				
	FY 2015		FY 2016		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 122,954	7.7	¥ 113,569	(7.6)	\$ 1,100,697
Operating Income	3,597	89.9	2,008	(44.2)	19,466
Ordinary Income	1,142	98.8	1,071	(6.2)	10,383
Profit (Loss) attributable to owners of parent	207	-	(2,954)	-	(28,632)
Net Income (Loss) per share	JPY		JPY		US\$
Basic Net Income (Loss)	¥ 7.80		¥ (106.61)		\$ (1.03)
Diluted Net Income	7.71		-		-

Consolidated Financial Position

	November 30, 2015	August 31, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 153,335	¥ 141,378	\$ 1,370,211
Net Assets	37,343	27,473	266,263
Equity ratio	23.3%	18.3%	18.3%

Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2015	-	¥ 5.00	-	¥ 5.00	¥ 10.00
FY 2016	-	¥ 0.00	-		
FY 2016 (forecast)				¥ 10.00	¥ 10.00

Segment Information

Net sales	Nine months (3Q) ended August 31		
	FY 2015		FY 2016
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 105,177	¥ 96,718	\$ 937,378
Industrial Equipment	16,039	15,080	146,155
Home Security Units	1,738	1,770	17,163
Consolidated	122,954	113,569	1,100,697

Operating Income	Nine months (3Q) ended August 31		
	FY 2015		FY 2016
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 3,576	¥ 1,994	\$ 19,332
Industrial Equipment	1,894	1,816	17,608
Home Security Units	83	97	944
Reconciliations	(1,956)	(1,900)	(18,419)
Consolidated	3,597	2,008	19,466

Forecast of Consolidated Results for FY2016 (December 1, 2015 through November 30, 2016)

	Fiscal year ending November 30, 2016	
	JPY in millions	US\$ in thousands
Net Sales	¥155,000	\$ 1,502,229
Operating Income	3,500	33,921
Ordinary Income	2,000	19,383
Loss attributable to owners of parent	(1,700)	(16,476)

Reference: Net income per share forecast

¥ (61.35)

Notes:

1. US\$ amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 103.18 to US\$ 1.00, the approximate exchange rate prevailing on August 31, 2016. Such translation should not be construed as representations that JPY amounts could be converted into US\$ at that or any other rate.
2. Amounts are rounded down to the nearest million yen or thousand US\$.
3. "Reconciliations" of segment income for the nine months ended August 31, 2016 of (1,900) million yen includes intersegment eliminations of 21 million yen and corporate expenses of (1,922) million yen. "Reconciliations" of segment income for the nine months ended August 31, 2015 of (1,956) million yen includes intersegment eliminations of 52 million yen and corporate expenses of (2,009) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2016 is calculated based on the weighted-average number of common shares for the nine months ended August 31, 2016.

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

(1) Financial Results

Consolidated net sales decreased 7.6% to 113.569 billion yen (US\$ 1,100.697 million), and operating income decreased 44.2% to 2.008 billion yen (US\$ 19.466 million) compared to the corresponding period of the previous fiscal year. As for automotive division, production and sales in Japan, China, United States and Mexico region were mostly steady. On the other hand, expenses and losses of subsidiaries in Europe region increased in relation to quality problem, start-up new products and R&D of next generation products. In addition, Brazil site was affected by the confusion of politics, society and economic situation, and industrial equipment division was impacted by a fall in the resource prices and economic slowdown in China. It is also affected by decrease of overseas sales and profits converted in yen due to the depreciation of euro and emerging currencies such as Chinese yuan.

Ordinary income decreased 6.2% to 1.071 billion yen (US\$ 10.383 million) compared to the same period of the previous fiscal year. Although foreign exchange loss was recorded at the same period of the previous fiscal year due to the fluctuation of emerging currencies along with the expectation of rate hike by FRB and Chinese yuan devaluation, non-operating income of this 3Q was improved around 1.5 billion yen from the same period of the previous fiscal year.

Net loss became to 2.954 billion yen (US\$ 28.632 million) (Profit of 0.207 billion yen in the same period of the last year). This was caused by recording extraordinary losses such as defective products expense of 0.875 billion yen in Europe, and the settlement money of 1.764 billion yen to solve the lawsuit at the subsidiary in North America.

(2) Operating Performance by Segment

Automotive Division

Net sales decreased 8.0% to 96.718 billion yen (US\$ 937.378 million), and operating income decreased 44.2% to 1.994 billion yen (US\$ 19.332 million) year-on-year. Sales to some customers in Japan and Europe declined, and special factors increased in costs such as managing fee for defective products in Slovakia site, temporary cost with the start of production of innovative products in Italy, and R&D cost in Germany site. Therefore, profit of Europe region was in downturn. In addition, market situation in Brazil continued to long-term inflation and consumption slump from the dislocated politics and social climate, and it was affecting that the production and delivery at Brazil site went below our plan.

Industrial Equipment Division

Net sales decreased 6.0% to 15.080 billion yen (US\$ 146.155 million), and operating income decreased 4.1% to 1.816 billion yen (US\$ 17.608 million) year-on-year. This decrease of sales to the main sectors of construction machine and machine tools were impacted from a fall in the resource prices and economic slowdown in China.

Home Security Units Division

Net sales increased 1.9% to 1.770 billion yen (US\$ 17.163 million), and operating income increased 16.8% to 0.097 billion yen (US\$ 0.944 million) year-on-year, approximately equal to the last year.

(3) Financial Position

At the third quarter end, on August 31, 2016, total assets stood at 141.378 billion yen (US\$ 1,370.211 million), decrease of 11.956 billion yen compared to the end of the previous fiscal year. While cash and deposits

increased by around 5.4 billion yen, the balance of accounts receivable and inventories declined from foreign exchange translation with appreciation of yen, and the balance of tangible fixed assets and goodwill decreased by depreciation.

Total liabilities decreased by 2.085 billion yen to 113.905 billion yen (US\$ 1,103.948 million), compared to the end of the previous fiscal year. This was primarily due to decrease of operating liabilities such as accounts payable with the foreign exchange translation influence.

Total net assets decreased by 9.870 billion yen to 27.473 billion yen (US\$ 266.263 million), compared to the end of the previous fiscal year. The main factor was due to decrease in retained earnings by recording net loss. In accordance to the stock and currency market was in downward direction, decrease of unrealized gain on available-for-sale securities and foreign currency translation adjustment was also one of the reasons.

(4) Forecast for FY2016 (December 2015 – November 2016)

Based on the performance for the nine months (3Q) period, we have revised the full-year forecast which was announced on July 12, 2016. Please refer to the announcement on October 14, 2016, “Notice Regarding the Revision of the Performance Forecast” for more details. (This announcement is only available in Japanese)

Consolidated Balance Sheet

(Millions of Yen)

	As of November 30, 2015	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	23,719	29,174
Notes and accounts receivable - trade	29,929	23,441
Electronically recorded monetary claims - operating	3,325	3,182
Merchandise and finished goods	8,365	7,569
Work in process	2,402	2,409
Raw materials and supplies	8,735	7,551
Other	5,638	5,551
Allowance for doubtful accounts	(625)	(571)
Total current assets	81,490	78,308
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,894	12,684
Machinery, equipment and vehicles, net	12,655	10,548
Tools, furniture and fixtures, net	5,610	4,502
Land	9,127	8,899
Construction in progress	2,695	2,587
Total property, plant and equipment	44,984	39,222
Intangible assets		
Goodwill	6,425	5,442
Other	2,778	1,934
Total intangible assets	9,204	7,376
Investments and other assets		
Investment securities	13,879	11,776
Other	3,804	4,747
Allowance for doubtful accounts	(75)	(84)
Total investments and other assets	17,608	16,439
Total non-current assets	71,796	63,039
Deferred assets	47	31
Total assets	153,335	141,378

(Millions of yen)

	As of November 30, 2015	As of August 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,036	19,262
Electronically recorded obligations - operating	7,200	6,648
Short-term loans payable	3,332	10,317
Current portion of bonds	400	1,400
Current portion of long-term loans payable	15,377	13,476
Accounts payable - other	4,059	5,000
Income taxes payable	1,205	895
Provision for bonuses	921	1,019
Provision for directors' bonuses	1	5
Provision for product warranties	961	1,567
Other provision	2,223	1,918
Other	9,413	8,760
Total current liabilities	67,134	70,274
Non-current liabilities		
Bonds payable	10,344	9,395
Long-term loans payable	29,175	26,513
Other provision	364	364
Net defined benefit liability	3,207	3,080
Other	5,764	4,275
Total non-current liabilities	48,856	43,630
Total liabilities	115,991	113,905
Net assets		
Shareholders' equity		
Capital stock	13,036	13,036
Capital surplus	13,142	13,142
Retained earnings	4,521	1,428
Treasury stock	(513)	(513)
Total shareholders' equity	30,187	27,094
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,570	3,249
Deferred gains or losses on hedges	(122)	(178)
Foreign currency translation adjustments	1,194	(4,213)
Remeasurements of defined benefit plans	(101)	(88)
Total accumulated other comprehensive income	5,541	(1,230)
Subscription rights to shares	1,575	1,575
Non-controlling interests	39	33
Total net assets	37,343	27,473
Total liabilities and net assets	153,335	141,378

Consolidated Statement of Operations

(Millions of Yen)

	FY2015 (Nine months ended August 31, 2015)	FY2016 (Nine months ended August 31, 2016)
Net sales	122,954	113,569
Cost of sales	109,470	101,991
Gross profit	13,483	11,578
Selling, general and administrative expenses	9,886	9,570
Operating income	3,597	2,008
Non-operating income		
Interest and dividend income	360	332
Currency swap income	1,718	—
Foreign exchange gains	—	158
Other	318	120
Total non-operating income	2,396	611
Non-operating expenses		
Interest expenses	708	549
Commitment line fee	303	311
Foreign exchange losses	2,960	—
Amortization of bond with warrants	255	250
Other	624	436
Total non-operating expenses	4,852	1,548
Ordinary income	1,142	1,071
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on sales of investment securities	315	29
Insurance income	18	121
Total extraordinary income	341	151
Extraordinary losses		
Loss on sales and retirement of non-current assets	19	15
Loss on product warranties	284	1,026
Settlement payment	—	1,764
Other	49	163
Total extraordinary losses	352	2,969
Income (loss) before income taxes and minority interests	1,131	(1,746)
Income taxes - current	1,134	964
Income taxes - deferred	(211)	243
Total income taxes	922	1,208
Profit (loss)	208	(2,955)
Profit (loss) attributable to non-controlling interests	1	(0)
Profit (loss) attributable to owners of parent	207	(2,954)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY2015 (Nine months ended August 31, 2015)	FY2016 (Nine months ended August 31, 2016)
Profit (loss)	208	(2,955)
Other comprehensive income		
Unrealized gain on available-for-sale securities	170	(1,320)
Deferred gains or losses on hedges	(107)	(55)
Foreign currency translation adjustments	(2,747)	(5,413)
Remeasurements of defined benefit plans, net of tax	(192)	13
Total other comprehensive income	(2,876)	(6,776)
Comprehensive income	(2,668)	(9,731)
Comprehensive income attributable to		
Owners of parent	(2,662)	(9,725)
Non-controlling interests	(5)	(5)