January 10, 2017

To All Persons Concerned

Name of Company U-SHIN LTD.
Name of Representative Kanae Okabe, President, Representative Director
(Code number: 6985, The First Section of the Tokyo Stock Exchange)
Person for Inquiry Kazuya Tao, Executive General Manager of Accounting & Finance Division
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Notice of Recording Extraordinary Loss, Partial Reversal of Deferred Tax Assets, Revision of Consolidated Full-Year Forecast, Differences Between Unconsolidated Results and Previous Year Results, Fiscal Year-End Dividend (No Dividend), and Covenants Breach.

Based on the latest performance movement, U-SHIN LTD. (hereinafter: “the Company”) revised the forecast of performance for FY2016, which was announced on October 14, 2016. At the same time, the Company resolved not to pay dividend of surplus with a record date of November 30, 2016 at the board of directors’ meeting held today.

1. Revision of Consolidated Performance Forecast for FY2016 (December 1, 2015 – November 30, 2016)

(1) Revision of Forecast

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit (Loss) Attributable to Owners of Parent	Net Income (Loss) per Share
Previous Forecast (A)	155,000	3,500	2,000	(1,700)	Yen (61.35)
Revised Forecast (B)	153,894	3,269	2,271	(9,659)	(348.52)
Change in Amount (B)-(A)	(1,105)	(230)	271	(7,959)	—
Rate of Change (%)	(0.7)	(7.1)	11.9	—	—
(Ref.) Last Year Results (FY2015)	164,229	4,715	2,176	226	8.49

(2) Reason of Revision

Based on the performance in Europe regions and movement of foreign exchange market, the Company revised the previous forecast of net sales and operating income to downward.

Ordinary income was revised upward from previous forecasts due to improve of non-operating income. This was mainly due to decrease of interest payment derived from low rate circumstance, and foreign exchange profit from depreciating trend of emerging currency was mitigated along with a sluggish pace of rate hike in the United States.

Net loss was revised downward from the last forecast. This is because of impairment losses of goodwill and partial reversal of deferred tax assets at the fiscal year-end for the access mechanism sector (hereinafter “UAM”), which the Company acquired from Valeo S.A., a major automotive parts manufacturer in France.

This period is the fourth year since the Company acquired UAM but, during FY2016, 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 production and delivery at Brazil site went below the plan.

As a result of instructions from the Company’s auditor (Deloitte Touche Tohmatsu LLC), and based on the entire UAM business included such special factors went below the plan, the Company records impairment in a lump for outstanding balance of goodwill (5,581 million yen) that was recorded at the acquisition, partial impairment of fixed assets (1,121 million yen) related in Brazil site, and partial reversal of deferred tax assets (1,005 million yen).

2. Differences Between Unconsolidated Results of FY2016 and Results of FY2015 (December 1, 2015 – November 30, 2016)

(1) Differences From the Previous Fiscal Year Results

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)	Net Income (Loss) per share
Results of FY2015 (A)	60,330	1,126	478	762	Yen 28.56
Results of FY2016 (B)	58,046	1,107	604	(19,219)	(693.42)
Change in Amount (B)-(A)	(2,283)	(18)	125	(19,981)	—
Rate of Change (%)	(3.8)	(1.7)	26.2	—	—

(2) Reason of Differences

Although net sales declined, operating income was approximately same level to the previous fiscal year thanks to appreciation of yen decreased the import cost of components and semi-finished products comparing to the last year. Ordinary income also increased from the last year due to improve of non-operating income followed by decreasing of interest payment and recording foreign exchange profit.

Net loss went below the previous year because of extraordinary loss. Along with impairment of goodwill of UAM and partial reversal of deferred tax assets at the consolidated P/L as on the above, at the unconsolidated P/L, over 50% price reduction has occurred for the stocks of the holding company of UAM which the Company is holding. Consequently, the Company decreased the value of the stocks, and recorded it loss on subsidiary stocks devalued (16,740 million yen) at extraordinary losses. This is a result of instructions from the Company's auditor (Deloitte Touche Tohmatsu LLC). Similarly, regarding the partial outstanding balance of receivables the Company possesses from the holding company of UAM and subsidiary in USA that covers the expense of settlement money, extraordinary loss on doubtful account of 2,539 million yen was recorded.

Such loss on subsidiary stocks devalued and loss on doubtful account do not make any influence to the consolidated business results because it is eliminated on consolidated process.

3. Covenants Breach

Along with the revision of performance forecast, it is prospected that the Company breaches covenants in terms of maintaining net assets among the covenants stipulated in the syndicated loan agreement between financial institutions and the Company, and issuance contract of convertible bond of the Company. The Company therefore requests to the related financial institutions that the agreement will be continued without applying the covenants relates to forfeiting the benefit of time. Besides, the Company secures sufficient funds in hand, and the Company's cash situation is prospected to move stably.

4. Dividend of Surplus (No Fiscal Year-End Dividend)

(1) Description of Dividend

	Dividend Decided	Latest Dividend Forecast (Announced on July 12, 2016)	Results of Previous Year (FY2015)
Record Date	November 30, 2016	Same as on the left	November 30, 2015
Dividend per Share	0.00 yen	10.00 yen	5.00 yen
Total Dividend Payment	—	—	138 million yen
Effective Date	—	—	February 29, 2016
Dividend Resource	—	—	Earned Surplus

(2) Reason

The Company recognizes continuous stable dividend as dividend policy, and distribution of profit to shareholders is important business task. To strengthen the management foundation and invest business development, the Company thinks it is the basic policy to improve substantial internal reserves and continue stable dividend corresponding to the business results. Following this basic policy, dividend in each fiscal year is decided by taking into account entirely with financial condition, periodic profit, and payout ratio, and the Company has been continued to pay dividend 10 yen annually since it was increased by 2 yen per share to 10 yen at FY2011. By flexible buying-back and retirement of treasury stocks, the Company commits to distribute profits to shareholders, at the same time, shareholder special benefit plan also have been implemented and expanded since established in 2013.

Although it was announced that the fiscal year-end dividend will be 10 yen per share, the Company, however, regrettably decided not to pay fiscal year-end dividend. This is the result of consideration for recording net loss for both consolidated and unconsolidated.

Shareholder special benefit plan will be continued as in the past.

(Reference) Breakdown of Annual Dividend

	Dividend per Share (Yen)		
Record Date	Second Quarter-end	Fiscal Year-end	Total
Results of FY2016	0.00 yen	0.00 yen	0.00 yen
Results of FY2015	5.00 yen	5.00 yen	10.00 yen

*Note: The above forecasts are based on information currently available at the time of the release of these materials. Actual business results may differ from the forecasts due to various factors.