

U-SHIN LTD. Consolidated Financial Results for the year ended November 30, 2016

Tokyo, January 13, 2017 - U-SHIN LTD. announced its consolidated financial results for the year ended 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

	Year ended November 30				
	FY 2015		FY 2016		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 164,229	5.3	¥ 153,894	(6.3)	\$ 1,368,922
Operating Income	4,715	53.3	3,269	(30.7)	29,082
Ordinary Income	2,176	105.9	2,271	4.4	20,204
Profit (Loss) Attributable to Owners of Parent	226	-	(9,659)	-	(85,925)
Net Income (Loss) per share	JPY		JPY		US\$
Basic Net Income (Loss)	¥ 8.49		¥ (348.52)		\$ (3.10)
Diluted Net Income	8.36		-		-

Consolidated Financial Position

	November 30, 2015	November 30, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 153,335	¥ 143,295	\$ 1,274,645
Net Assets	37,343	22,248	197,907
Equity Ratio	23.3%	14.4%	14.4%

Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2015	-	¥ 5.00	-	¥ 5.00	¥ 10.00
FY 2016	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2017 (forecast)	-	¥ 0.00	-	-	-

Segment Information

Net sales	Year ended November 30		
	FY 2015	FY 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 141,366	¥ 131,422	\$ 1,169,035
Industrial Equipment	20,568	20,070	178,532
Home Security Units	2,294	2,400	21,353
Consolidated	164,229	153,894	1,368,922

Operating Income	Year ended November 30		
	FY 2015	FY 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 4,780	¥ 3,170	\$ 28,200
Industrial Equipment	2,417	2,423	21,554
Home Security Units	98	133	1,186
Reconciliations	(2,580)	(2,457)	(21,858)
Consolidated	4,715	3,269	29,082

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	\$ 1,373,421
Operating Income	4,910	43,675
Ordinary Income	3,640	32,378
Profit (Loss) Attributable to Owners of Parent	3,870	34,424

Reference: Net income per share forecast

¥ 139.63

Notes:

1. US\$ amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 112.42 to US\$ 1.00, the approximate exchange rate prevailing on November 30, 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 year ended November 30, 2016 of (2,457) million yen includes intersegment eliminations of 14 million yen and corporate expenses of (2,471) million yen. "Reconciliations" of segment income for the year ended November 30, 2015 of (2,580) million yen includes intersegment eliminations of 85 million yen and corporate expenses of (2,665) 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.

Financial Results and Financial Position

(1) Analysis of Financial Results

(Financial Results for the Fiscal Year Ended November 30, 2016)

During the period for the year ended November 30, 2016, the world economy was concerned the slowdown of Chinese economy and Brexit. On the other hand, moderate recovery was seen in overall such as economic recovery and expectations to economic policy of the next administration at the late year in the United States, propping up from infrastructure investment and consumption stimulus by Chinese government, and modest recovery of economy in Europe.

Regarding also in Japanese economy, it was seen that export weakened due to appreciation of yen and cautious stances toward capital investment in corporate sector. Individual consumption, however, remained robust, and economic condition is moving out from a soft patch, reflecting the public demand supported by front-loading budget implementation of the government, and exports rebounding along with depreciation of yen.

Under such circumstances, our group is committing to strengthen the fundamentals of manufacturer such as stable quality and cost reduction by accelerating integration of the access mechanism sector (hereinafter “UAM”), which we acquired from Valeo S.A., a major automotive parts manufacturer in France.

In specific, we intensify to bolster up UAM from Headquarters and Hiroshima, our mother plant, and it is in progress to execute improvements speedy and precisely. We seconded around 10 people of engineers and administrators from our mother plant to let them grasp the fact details and integrate improvement, and structured the system to run PDCA with monitoring from Japan. Also, we promote planning, preparing, and enforcing the series of performance improvement such as extensive capital investment, reallocation of manufacturing sites, strengthening the R&D organization and its labor, and active communication with our customers.

As the results of the above efforts, consolidated net sales decreased 6.3% to 153.894 billion yen (US\$ 1,368.922 million), and operating income decreased 30.7% to 3.269 billion yen (US\$ 29.082 million) compared to the previous fiscal year. Although production and sales in Japan, China, Thailand, United States and Mexico regions were mostly steady, sales to some customers in Japan and Europe declined. Regarding UAM business, 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 our plan. It is also affected by decrease of overseas sales and profits converted in yen due to the depreciation of euro and emerging currencies.

Ordinary income increased 4.4% to 2.271 billion yen (US\$ 20.204 million) compared to the previous fiscal year. This was due to decrease of interest payment derived from low rate circumstance, and foreign exchange profit. At the previous fiscal year, foreign exchange loss was recorded due to the fluctuation of emerging currencies along with the expectation to rate hike in the United States and Chinese yuan devaluation. In contrast, foreign exchange profit was recorded for this fiscal year because depreciating trend of emerging currency was mitigated along with a sluggish pace of rate hike in the United States.

Net loss became to 9.659 billion yen (US\$ 85.925 million) (The last year was profit of 0.226 billion yen). This was caused by recording extraordinary losses such as defective products expense (0.862 billion yen) in Slovakia at the first quarter, and the settlement money (1.740 billion yen) to solve the lawsuit at the subsidiary in North America at the third quarter. In addition, we recorded impairment loss of goodwill (5.581 billion

yen), partial fixed assets (1.121 billion yen), and reversal of deferred tax assets (1.005 billion yen) at the fiscal year-end concerning UAM.

This period is the fourth year since we acquired UAM but, based on the circumstance that the results went below the plan due to the above special factors, we recorded impairment loss in a lump for outstanding balance of goodwill that was recorded at the acquisition, partial impairment loss of fixed assets related in Brazil site, and reversal of deferred tax assets.

Financial results by segment were as follows.

(Automotive Division)

Net sales decreased 7.0% to 131.422 billion yen (US\$ 1,169.035 million), and operating income decreased 33.7% to 3.170 billion yen (US\$ 28.200 million) year-on-year. As mentioned in the above, these were because of performance downturn in Europe region, and decrease of overseas sales and profits converted in yen due to the appreciation of yen.

(Industrial Equipment Division)

Net sales decreased 2.4% to 20.070 billion yen (US\$ 178.532 million), and operating income increased 0.2% to 2.423 billion yen (US\$ 21.554 million) year-on-year. Sales and delivery were impacted from a fall in the resource prices and economic slowdown in China, but it is gradually bottoming out.

(Home Security Units Division)

Net sales increased 4.6% to 2.400 billion yen (US\$ 21.353 million), and operating income increased 35.5% to 0.133 billion yen (US\$ 1.186 million) year-on-year. Getting out from the demand decrease due to the consumption tax rise, it was contributed from sales expanding of electric key, in which we have strength.

(Forecast for the Fiscal Year from December 1, 2016 through December 31, 2017)

In addition that there will be no factors of temporary poor business performance in Europe sites (UAM), we plan to stabilize quality and decrease costs by executing capital investment by bolstering up from Japan. The other sites in overseas and Japan are prospected move steady. We also commit to reduce the labor costs and overhead expenses in headquarters. Plus, it becomes not necessary to depreciate goodwill (0.400 billion yen annually). Thus, U-Shin Group expects to consolidated net sales of 154.400 billion yen (US\$ 1,373.421 million), operating income of 4.910 billion yen (US\$ 43.675 million), ordinary income of 3.640 billion yen (US\$ 32.378 million), and net income of 3.870 billion yen (US\$ 34.424 million) for FY2017.

Under the condition of approval at the next annual general stockholders' meeting, we plan to change accounting period (ending date of the fiscal year) from the end of November to the end of December. Due to the FY2017 will be migrating period, it will be an irregular accounting period of 13 months, and the forecast is calculated by 13 months period.

(2) Analysis on the Financial Position

(Assets, Liabilities and Net Assets)

At the fiscal year-end on November 30, 2016, total assets stood at 143.295 billion yen (US\$ 1,274.645 million), decrease of 10.039 billion yen compared to the end of the previous fiscal year. While cash and deposits increased by making sufficient funds in hand, the balance of current assets such as accounts receivable and inventories declined caused by foreign exchange translation with appreciation of yen. It was also caused by the decrease in the balance of goodwill (depreciation: 0.344 billion yen, impairment: 5.581 billion yen) and fixed assets for both tangible and intangible (depreciation: 7.677 billion yen, impairment: 1.121 billion yen) along with depreciation and impairment loss.

Total liabilities increased by 5.055 billion yen to 121.046 billion yen (US\$ 1,076.738 million), compared to the end of the previous fiscal year. This was primarily due to increase of accrued payable including settlement money.

Total net assets decreased by 15.095 billion yen to 22.248 billion yen (US\$ 197.907 million), compared to the end of the previous fiscal year. The main factor was due to decrease in retained earnings by recording net loss, and decrease of unrealized gain on available-for-sale securities and foreign currency translation adjustment in accordance with the stock and currency market fluctuation.

(Cash Flows)

The balance of cash and cash equivalents (hereinafter “Cash”) at the fiscal year-end, on November 30, 2016 were 31.845 billion yen (US\$ 283.274 million), increase of 8.126 billion yen compared to the end of the previous fiscal year.

Net cash provided by operating activities was 19.536 billion yen (US\$ 173.782 million) (For the previous fiscal year, 11.825 billion yen was provided). While net loss was recorded, working capital and non-cash items such as impairment loss and depreciation increased, and cash flow from operating activities increased comparing to the previous year.

Net cash used in investing activities was 10.735 billion yen (US\$ 95.496 million) (For the previous fiscal year, 7.227 billion yen was used). This was primarily due to the purchases of fixed assets of ordinary capital investment in Japan, Europe and China, and payments for investments in capital (1.302 million yen) to new company established in Wuxi, China. Meanwhile, fund in hand was used for time deposits (4.543 million yen) temporary.

Net cash provided by financing activities was 1.405 billion yen (US\$ 12.500 million) (For the previous fiscal year, 7.470 billion yen was used). We advanced loans payable for necessary funds, and made an effort to increase funds in hand.

(3) Basic Policy of Profit Distribution and Dividend of FY2016 and FY2017

We recognize 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, we think 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 we had been continuing 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, we commit 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, however, we regrettably decided not to pay fiscal year-end dividend. This is the result of consideration for recording net loss for both consolidated and unconsolidated.

The dividend forecast for the FY2017 is undecided at this time.

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

Consolidated Balance Sheet

(Millions of Yen)

	As of November 30, 2015	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	23,719	36,322
Notes and accounts receivable - trade	29,929	24,502
Electronically recorded monetary claims - operating	3,325	1,997
Merchandise and finished goods	8,365	7,785
Work in process	2,402	2,419
Raw materials and supplies	8,735	7,300
Deferred tax assets	1,213	1,205
Other	4,424	4,746
Allowance for doubtful accounts	(625)	(624)
Total current assets	81,490	85,654
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,962	22,353
Accumulated depreciation and impairment loss	(9,067)	(9,570)
Buildings and structures, net	14,894	12,782
Machinery, equipment and vehicles	43,748	41,518
Accumulated depreciation and impairment loss	(31,092)	(31,115)
Machinery, equipment and vehicles, net	12,655	10,402
Tools, furniture and fixtures	34,477	33,945
Accumulated depreciation and impairment loss	(28,866)	(29,319)
Tools, furniture and fixtures, net	5,610	4,625
Land	9,127	8,614
Construction in progress	2,695	2,495
Total property, plant and equipment	44,984	38,921
Intangible assets		
Software	622	423
Goodwill	6,425	—
Other	2,156	1,026
Total intangible assets	9,204	1,449
Investments and other assets		
Investment securities	13,879	12,862
Long-term loans receivable	184	169
Deferred tax assets	1,838	1,369
Other	1,780	2,926
Allowance for doubtful accounts	(75)	(83)
Total investments and other assets	17,608	17,243
Total non-current assets	71,796	57,615
Deferred assets		
Bond issuance cost	47	26
Total deferred assets	47	26
Total assets	153,335	143,295

(Millions of yen)

	As of November 30, 2015	As of November 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,036	21,962
Electronically recorded obligations - operating	7,200	7,120
Short-term loans payable	3,332	12,621
Current portion of bonds	400	3,524
Current portion of long-term loans payable	15,377	13,110
Lease obligations	625	377
Accounts payable - other	4,059	4,782
Income taxes payable	1,205	851
Provision for bonuses	921	793
Provision for directors' bonuses	1	1
Provision for product warranties	961	1,329
Provision for business structure improvement	826	642
Other provision	1,397	1,299
Other	8,788	12,596
Total current liabilities	67,134	81,013
Non-current liabilities		
Bonds payable	10,344	7,104
Long-term loans payable	29,175	24,566
Lease obligations	2,713	2,001
Deferred tax liabilities	2,500	2,066
Provision for business structure improvement	76	90
Other provision	288	460
Net defined benefit liability	3,207	3,199
Other	550	544
Total non-current liabilities	48,856	40,033
Total liabilities	115,991	121,046
Net assets		
Shareholders' equity		
Capital stock	13,036	13,062
Capital surplus	13,142	13,168
Retained earnings	4,521	(5,276)
Treasury stock	(513)	(513)
Total shareholders' equity	30,187	20,440
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,570	4,050
Deferred gains or losses on hedges	(122)	(157)
Foreign currency translation adjustments	1,194	(3,575)
Remeasurements of defined benefit plans	(101)	(115)
Total accumulated other comprehensive income	5,541	201
Subscription rights to shares	1,575	1,572
Non-controlling interests	39	33
Total net assets	37,343	22,248
Total liabilities and net assets	153,335	143,295

Consolidated Statement of Operations

(Millions of Yen)

	FY2015 (Year ended November 30, 2015)	FY2016 (Year ended November 30, 2016)
Net sales	164,229	153,894
Cost of sales	145,915	138,110
Gross profit	18,313	15,783
Selling, general and administrative expenses	13,598	12,514
Operating income	4,715	3,269
Non-operating income		
Interest income	262	211
Dividend income	259	260
Currency swap income	1,718	—
Foreign exchange gains	—	206
Other	346	201
Total non-operating income	2,586	879
Non-operating expenses		
Interest expenses	911	710
Commitment line fee	307	327
Foreign exchange losses	2,916	—
Amortization of bond with warrants	341	333
Other	649	504
Total non-operating expenses	5,125	1,877
Ordinary income	2,176	2,271
Extraordinary income		
Gain on sales of non-current assets	81	47
Gain on sales of investment securities	326	62
Insurance income	18	121
Other	70	—
Total extraordinary income	496	231
Extraordinary losses		
Loss on sales and retirement of non-current assets	31	19
Impairment loss	—	6,703
Loss on product warranties	554	1,074
Provision for business structure improvement	246	144
Settlement payment	—	1,740
Other	20	23
Total extraordinary losses	851	9,706
Profit (loss) before income taxes	1,821	(7,203)
Income taxes - current	1,862	1,554
Income taxes - deferred	(270)	903
Total income taxes	1,592	2,457
Profit (loss)	228	(9,661)
Profit attributable to non-controlling interests	2	(1)
Profit (loss) attributable to owners of parent	226	(9,659)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY2015 (Year ended November 30, 2015)	FY2016 (Year ended November 30, 2016)
Profit (loss)	228	(9,661)
Other comprehensive income		
Unrealized gain on available-for-sale securities	870	(520)
Deferred gains or losses on hedges	(122)	(34)
Foreign currency translation adjustments	(2,822)	(4,775)
Remeasurements of defined benefit plans, net of tax	(208)	(14)
Total other comprehensive income	(2,282)	(5,344)
Comprehensive income	(2,053)	(15,005)
Comprehensive income attributable to		
Owners of parent	(2,048)	(14,999)
Non-controlling interests	(4)	(5)

Consolidated Statement of Cash Flows

(Millions of Yen)

	FY2015 (Year ended November 30, 2015)	FY2016 (Year ended November 30, 2016)
Cash flows from operating activities		
Income (loss) before income taxes	1,821	(7,203)
Depreciation	8,521	7,694
Impairment loss	—	6,703
Amortization of goodwill	385	344
Amortization of bond with warrants	341	333
Increase (decrease) in provision	(751)	617
Interest and dividend income	(521)	(471)
Interest expenses	911	710
Currency swap expenses (revenue)	(1,718)	—
Foreign exchange losses (gains)	1,054	2,866
Loss (gain) on sales and retirement of non-current assets	(50)	(27)
Decrease (increase) in notes and accounts receivable - trade	1,054	4,785
Decrease (increase) in inventories	(386)	453
Increase (decrease) in notes and accounts payable - trade	(856)	1,875
Increase (decrease) in accounts payable - other	409	1,228
Increase (decrease) in deposits received	1,312	2,354
Other, net	2,144	(260)
Subtotal	13,671	22,004
Interest and dividend income received	449	474
Interest expenses paid	(928)	(711)
Proceeds from subsidy income	295	—
Income taxes (paid) refund	(1,662)	(2,230)
Net cash provided by (used in) operating activities	11,825	19,536
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,131)	(4,273)
Purchase of intangible assets	(917)	(941)
Proceeds from sales of property, plant and equipment	655	179
Purchase of investment securities	(1,264)	(100)
Proceeds from sales of investment securities	536	235
Payments for investments in capital of subsidiaries and associates	—	(1,302)
Payments into time deposits	—	(4,543)
Other, net	(105)	10
Net cash provided by (used in) investing activities	(7,227)	(10,735)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	813	9,473
Proceeds from long-term loans payable	15,770	8,900
Repayments of long-term loans payable	(22,293)	(15,775)
Redemption of bonds	(400)	(400)
Proceeds from sales and leaseback	828	—
Repayments of lease obligations	(441)	(557)
Purchase of treasury stock	(1,400)	(0)
Cash dividends paid	(266)	(118)
Other, net	(81)	(117)
Net cash provided by (used in) financing activities	(7,470)	1,405
Effect of exchange rate change on cash and cash equivalents	(822)	(2,079)
Net increase (decrease) in cash and cash equivalents	(3,695)	8,126
Cash and cash equivalents at beginning of period	27,414	23,719
Cash and cash equivalents at end of period	23,719	31,845