

U-Shin Ltd. Consolidated Financial Results for the three months (1Q) ended March 31, 2018

Tokyo, May 15, 2018 - U-Shin Ltd. announced its consolidated financial results for the three months (1Q) ended March 31, 2018 of the fiscal year ending December 31, 2018. Also May 15, 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

	Three months (1Q) ended				
	February 28, 2017		March 31, 2018		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 38,321	0.0	¥ 40,925	-	\$ 385,212
Operating Income	946	95.0	1,485	-	13,978
Ordinary Income	702	-	735	-	6,921
Profit (Loss) Attributable to Owners of Parent	144	-	(295)	-	(2,777)
Net Income (Loss) per share	JPY		JPY		US\$
Basic Net Income (Loss)	¥ 5.14		¥ (9.33)		\$ (0.08)
Diluted Net Income	4.99		-		-

*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 February 28, 2017) would be different for this first quarter. Therefore, percentage changes from the same period of previous fiscal year are not shown.

Consolidated Financial Position

	December 31, 2017	March 31, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 137,592	¥ 135,495	\$ 1,275,371
Net Assets	31,217	30,059	282,940
Equity Ratio	21.7%	21.2%	21.2%

Cash Dividends

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

Segment Information

Net sales	Three months (1Q) ended		
	February 28, 2017	March 31, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 32,276	¥ 34,293	\$ 322,794
Industrial Equipment	5,445	6,053	56,983
Home Security Units	599	577	5,434
Consolidated	38,321	40,925	385,212

Operating Income	Three months (1Q) ended		
	February 28, 2017	March 31, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 911	¥ 1,120	\$ 10,550
Industrial Equipment	660	855	8,048
Home Security Units	20	21	204
Reconciliations	(647)	(512)	(4,824)
Consolidated	946	1,485	13,978

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	¥152,000	\$ 1,430,722
Operating Income	4,300	40,474
Ordinary Income	3,100	29,179
Profit Attributable to Owners of Parent	3,400	32,003

Reference: Net income per share forecast

¥ 114.25

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 106.24 to US\$ 1.00, the approximate exchange rate prevailing on March 31, 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 three months ended March 31, 2018 of (512) million yen includes intersegment eliminations of 9 million yen and corporate expenses of (522) million yen. "Reconciliations" of segment income for the three months ended February 28, 2017 of (647) million yen includes intersegment eliminations of 7 million yen and corporate expenses of (654) 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 Three Months (1Q) Period

(1) Financial Results

Consolidated net sales increased 6.7% to 40,925 million yen (US\$ 385,212 thousand) and operating income increased 56.9% to 1,485 million yen (US\$ 13,978 thousand) comparing to the same period of the last fiscal year.

Ordinary income increased 4.6% to 735 million yen (US\$ 6,921 thousand) in comparison with the same period of the prior year. This was resulted in recording foreign exchange loss of 396 million yen concerning with emerging currencies such as Mexican Peso and Brazilian Real.

Net loss amounted to 295 million yen (US\$ 2,777 thousand). (The same period of the last year was net income of 144 million yen.) This was mainly due to recording tax expenses concerning to the acquisition of equity interest of Wuxi plant in China executed on December of the last year.

(2) Operating Performance by Segment

(Automotive Division)

Net sales increased 6.3% to 34,293 million yen (US\$ 322,794 thousand), and operating income increased 22.9% to 1,120 million yen (US\$ 10,550 thousand) year-on-year. Automotive division was moving steady with a focus on domestic market.

(Industrial Equipment Division)

Net sales increased 11.2% to 6,053 million yen (US\$ 56,983 thousand), and operating income increased 29.4% to 855 million yen (US\$ 8,048 thousand) year-on-year. Although there was a reversal of the previous fiscal year regarding the last-minute demands before tightening up the regulation of exhaust gas for agricultural equipment in Japan, it was recovered by the favorable results in agricultural equipment and construction machinery for overseas.

(Home Security Units Division)

Net sales decreased 3.7% to 577 million yen (US\$ 5,434 thousand) and operating income increased 4.4% to 21 million yen (US\$ 204 thousand) year-on-year.

(3) Financial Position

At the first quarter-end on March 31, 2018, total assets stood at 135,495 million yen (US\$ 1,275,371 thousand), decrease of 2,096 million yen compared to the end of the previous fiscal year. Cash and deposits and inventories decreased for current assets, and tangible assets and investment securities decreased for fixed assets.

Total liabilities decreased by 938 million yen to 105,435 million yen (US\$ 992,430 thousand) compared to the end of the previous fiscal year. This was primarily due to decrease of notes payable and accounts payable, in addition to the decrease of current portion of long-term loan payable (current liabilities) and increase of long-term loans payable (fixed liabilities) along with refinance.

Total net assets decreased by 1,157 million yen to 30,059 million yen (US\$ 282,940 thousand) compared to the last fiscal year-end. The main reasons were decreases of unrealized gain on available-for-sale securities and foreign currency translation adjustments from fluctuation of stock and forex market.

(4) Forecast for the Fiscal Year 2018

No revision has been made to the forecasts announced on February 14, 2018.

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	27,699	26,113
Notes and accounts receivable - trade	26,882	25,912
Electronically recorded monetary claims - operating	2,798	5,062
Merchandise and finished goods	7,467	6,818
Work in process	2,802	2,784
Raw materials and supplies	7,916	7,440
Other	5,686	6,468
Allowance for doubtful accounts	(761)	(702)
Total current assets	80,491	79,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,467	12,069
Machinery, equipment and vehicles, net	9,757	9,962
Tools, furniture and fixtures, net	4,125	3,433
Land	8,736	8,720
Construction in progress	5,623	6,085
Total property, plant and equipment	40,711	40,270
Intangible assets	1,212	1,091
Investments and other assets		
Investment securities	12,255	11,564
Other	2,993	2,746
Allowance for doubtful accounts	(83)	(83)
Total investments and other assets	15,165	14,226
Total non-current assets	57,089	55,589
Deferred assets	11	7
Total assets	137,592	135,495

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,158	20,945
Electronically recorded obligations - operating	6,823	6,998
Short-term loans payable	12,370	13,758
Current portion of bonds	6,632	6,697
Current portion of long-term loans payable	11,651	8,020
Provision for product warranties	471	291
Other provision	2,238	2,624
Other	19,221	18,090
Total current liabilities	82,568	77,425
Non-current liabilities		
Long-term loans payable	18,543	22,590
Provision	448	424
Net defined benefit liability	3,373	3,357
Other	1,440	1,638
Total non-current liabilities	23,805	28,010
Total liabilities	106,374	105,435
Net assets		
Shareholders' equity		
Capital stock	14,546	14,546
Capital surplus	14,652	14,649
Retained earnings	(1,193)	(1,488)
Treasury stock	(513)	(513)
Total shareholders' equity	27,490	27,193
Accumulated other comprehensive income		
Unrealized gain on available -for-sale securities	4,749	4,268
Deferred gains or losses on hedges	(150)	(149)
Foreign currency translation adjustments	(2,191)	(2,545)
Remeasurements of defined benefit plans	(39)	(51)
Total accumulated other comprehensive income	2,367	1,522
Subscription rights to shares	1,321	1,321
Non-controlling interests	37	22
Total net assets	31,217	30,059
Total liabilities and net assets	137,592	135,495

Consolidated Statement of Operations

(Millions of yen)

	Three months ended February 28, 2017	Three months ended March 31, 2018
Net sales	38,321	40,925
Cost of sales	34,195	36,297
Gross profit	4,125	4,627
Selling, general and administrative expenses	3,179	3,142
Operating profit	946	1,485
Non-operating income		
Interest and dividend income	58	96
Foreign exchange gains	158	—
Other	26	93
Total non-operating income	243	189
Non-operating expenses		
Interest expenses	148	130
Commitment line fee	191	240
Foreign exchange losses	—	396
Amortization of bond with warrants	80	65
Other	66	106
Total non-operating expenses	487	939
Ordinary profit	702	735
Extraordinary income		
Gain on sales of non-current assets	5	0
Gain on sales of investment securities	29	—
Total extraordinary income	34	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	7	1
Loss on product warranties	76	66
Impairment loss	8	65
Provision for business structure improvement	13	41
Total extraordinary losses	105	175
Profit before income taxes	631	560
Income taxes - current	426	544
Income taxes - deferred	61	310
Total income taxes	487	854
Profit (loss)	144	(293)
Profit (loss) attributable to non-controlling interests	(0)	1
Profit (loss) attributable to owners of parent	144	(295)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended February 28, 2017	Three months ended March 31, 2018
Profit (loss)	144	(293)
Other comprehensive income		
Unrealized gain on available-for-sale securities	708	(481)
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustments	418	(353)
Remeasurements of defined benefit plans, net of tax	3	(11)
Total other comprehensive income	1,133	(845)
Comprehensive income	1,277	(1,139)
Comprehensive income attributable to		
Owners of parent	1,277	(1,140)
Non-controlling interests	0	1