

U-SHIN LTD. Consolidated Financial Results for the six months (2Q) ended May 31, 2015

Tokyo, July 14, 2015 - U-SHIN LTD. announced its consolidated financial results for the six months (2Q) ended May 31, 2015 of the fiscal year ending November 30, 2015. 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				
	FY 2014		FY 2015		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥76,623	150.3	¥82,494	7.7	\$666,728
Operating Income	1,052	(27.6)	1,966	86.7	15,889
Ordinary Income	120	(96.7)	664	451.2	5,367
Net Income (loss)	(1,022)	-	156	-	1,266
Net Income (loss) per share	JPY		JPY		US\$
Basic Net Income(loss)	¥ (34.92)		¥ 5.93		\$ 0.05
Diluted Net Income(loss)			5.87		0.05

Consolidated Financial Position

	November 30, 2014	May 31, 2015	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥165,909	¥156,479	\$1,264,681
Net Assets	39,181	38,474	310,957
Equity ratio	22.5%	23.5%	23.5%

Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2014	-	¥ 5.00	-	¥ 5.00	¥ 10.00
FY 2015	-	¥ 5.00			
FY 2015 (forecast)			-	¥ 5.00	¥ 10.00

Segment Information

Net sales	Six months (2Q) ended May 31		
	FY 2014	FY 2015	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥64,905	¥70,713	\$571,511
Industrial Equipment	10,427	10,601	85,681
Home Security Units	1,290	1,179	9,535
Consolidated	76,623	82,494	666,728

Operating Income	Six months (2Q) ended May 31		
	FY 2014	FY 2015	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥1,501	¥1,952	\$15,779
Industrial Equipment	1,209	1,288	10,414
Home Security Units	107	64	521
Reconciliations	(1,765)	(1,339)	(10,826)
Consolidated	1,052	1,966	15,889

Forecast of Consolidated Results for FY2015 (December 1, 2014 through November 30, 2015)

	Fiscal year ending November 30, 2015	
	JPY in millions	US\$ in thousands
Net Sales	¥160,000	¥1,293,138
Operating Income	5,000	40,410
Ordinary Income	3,400	27,479
Net Income	2,000	16,164

Reference: Net income per share forecast

¥75.67

Notes:

1. US\$ amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 123.73 to US\$ 1, the approximate exchange rate prevailing on May 31, 2015. 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 six months ended May 31, 2015 of (1,339) million yen includes intersegment eliminations of 40 million yen and corporate expenses of (1,380) million yen. "Reconciliations" of segment income for the six months ended May 31, 2014 of (1,765) million yen includes intersegment eliminations of 20 million yen and corporate expenses of (1,785) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2015 is calculated based on the weighted-average number of common shares for the six months ended May 31, 2015.

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

(1) Financial Results

Consolidated net sales increased by 7.7% to 82.494 billion yen (US\$ 666.728 million) compared to the same period of the previous fiscal year. Operating income increased 86.7% to 1.966 billion yen (US\$ 15.889 million). These were primarily due to the steady sales increase in Japanese and overseas markets such as China and Europe.

Ordinary income was 0.664 billion yen (US\$ 5.367 million). This was primarily due to foreign exchange losses on the Euro and other currencies in emerging countries after ECB's QE announcement in January, while a currency swap income was recognized as non-operating items.

Net income was 0.156 billion yen (US\$ 1.266 million) as no major extraordinary income or loss was recorded.

(2) Operating Performance by Segment

Automotive Division

Net Sales increased by 8.9% to 70.713 billion yen (US\$ 571.511 million) and operating income increased by 30.0% to 1.952 billion yen (US\$ 15.779 million) year-on-year due to steady demand in our major markets.

Industrial Equipment Division

Net Sales increased by 1.7% to 10.601 billion yen (US\$ 85.681 million) and operating income increased by 6.5% to 1.288 billion yen (US\$ 10.414 million) year-on-year due to the strong sales of the products for farm equipment and machine tools.

Home Security Units Division

Net Sales decreased by 8.5% to 1.179 billion yen (US\$ 9.535 million) and operating income decreased by 39.8% to 0.064 billion yen (US\$ 0.521 million) year-on-year as demand shrink due to Japanese consumption tax hike in April, 2014 still affected performance of this segment.

(3) Financial Position

As of May 31, 2015, total assets stood at 156.479 billion yen (US\$ 1,264.681 million), a decrease of 9.430 billion yen compared to the end of the previous fiscal year. This was primarily due to decrease in cash and cash equivalents reflecting repayment of bank debt, purchase of treasury stock and decrease in fixed assets as a result of depreciation.

Total liabilities decreased by 8.723 billion yen compared to the end of the previous fiscal year to 118.004 billion yen (US\$ 953.724 million) primarily due to repayment of interest bearing debts.

Total net assets decreased by 0.706 billion yen compared to the end of the previous fiscal year to 38.474 billion yen (US\$ 310.957 million). This was primarily due to decrease of foreign currency translation adjustments and additional purchase of treasury stock, despite increase in unrealized gain on available-for-sale securities according to the stock market recovery.

(4) Cash Flows

Cash and cash equivalents as of May 31, 2015 were 22.072 billion yen (US\$ 178.390 million), a decrease of 5.342 billion yen compared to the end of the previous fiscal year.

Net cash provided by operating activities was 4.578 billion yen (US\$ 37.000 million) (1.409 billion yen was provided in the corresponding period of the previous fiscal year). This was primarily due to the income before income taxes and minority interests and non-cash items.

Net cash used in investing activities was 4.518 billion yen (US\$ 36.515 million) (3.165 billion yen was used in the corresponding period of the previous fiscal year). This was primarily due to purchase of property, plant and equipment on capital investment in Japan and overseas such as China and Europe.

Net cash used in financing activities was 5.032 billion yen (US\$ 40.671 million) (1.458 billion yen was used in the corresponding period of the previous fiscal year). This was primarily due to repayment of debts including the refund for reduction of interest rate and redemption of bonds, and purchase of treasury stock and cash dividends paid for shareholders' benefit.

(5) Forecast for FY2015 (December 2014 – November 2015)

No revision has been made to the forecasts announced on January 13, 2015.

Consolidated Balance Sheet

(Millions of Yen)

	November 30, 2014	May 31, 2015
Assets		
Current assets		
Cash and deposits	27,514	22,172
Notes and accounts receivable - trade	32,595	32,172
Electronically recorded monetary claims - operating	3,527	1,619
Merchandise and finished goods	8,680	8,536
Work in process	2,431	2,534
Raw materials and supplies	9,251	9,037
Other	6,335	5,130
Allowance for doubtful accounts	(364)	(634)
Total current assets	89,971	80,569
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,804	15,939
Machinery, equipment and vehicles, net	14,125	13,461
Tools, furniture and fixtures, net	5,312	5,961
Land	9,427	9,254
Construction in progress	3,715	3,193
Total property, plant and equipment	49,384	47,811
Intangible assets		
Goodwill	7,700	6,901
Other	3,916	3,317
Total intangible assets	11,616	10,219
Investments and other assets		
Investment securities	11,848	14,060
Other	3,393	3,834
Allowance for doubtful accounts	(375)	(75)
Total investments and other assets	14,866	17,820
Total non-current assets	75,867	75,851
Deferred assets	69	58
Total assets	165,909	156,479

(Millions of Yen)

	November 30, 2014	May 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,458	22,555
Electronically recorded obligations - operating	7,690	7,193
Short-term loans payable	2,575	2,854
Current portion of bonds	400	400
Current portion of long-term loans payable	8,535	9,125
Accounts payable - other	3,916	3,793
Income taxes payable	1,431	700
Provision for bonuses	95	1,275
Provision for directors' bonuses	377	7
Provision for product warranties	1,080	923
Other provision	2,033	2,009
Other	7,514	7,609
Total current liabilities	60,108	58,448
Non-current liabilities		
Bonds payable	12,286	11,757
Long-term loans payable	42,553	37,272
Other provision	1,458	943
Net defined benefit liability	3,318	3,180
Other	7,002	6,401
Total non-current liabilities	66,619	59,555
Total liabilities	126,728	118,004
Net assets		
Shareholders' equity		
Capital stock	12,016	12,279
Capital surplus	12,122	12,384
Retained earnings	8,892	8,915
Treasury stock	(3,446)	(4,346)
Total shareholders' equity	29,584	29,233
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,700	4,819
Deferred gains or losses on hedges	—	(101)
Foreign currency translation adjustments	4,009	2,844
Remeasurements of defined benefit plans	106	(71)
Total accumulated other comprehensive income	7,817	7,490
Subscription rights to shares	1,733	1,703
Minority interests	45	47
Total net assets	39,181	38,474
Total liabilities and net assets	165,909	156,479

Consolidated Statement of Operations

(Millions of Yen)

	FY2014 (Six months ended May 31, 2014)	FY2015 (Six months ended May 31, 2015)
Net sales	76,623	82,494
Cost of sales	68,489	73,938
Gross profit	8,133	8,555
Selling, general and administrative expenses	7,080	6,589
Operating income	1,052	1,966
Non-operating income		
Interest and dividend income	161	274
Currency swap income	—	1,718
Compensation income	90	—
Other	96	189
Total non-operating income	348	2,182
Non-operating expenses		
Interest expenses	638	494
Foreign exchange losses	146	2,139
Business integration related cost	75	—
Amortization of bond with warrants	150	166
Other	270	683
Total non-operating expenses	1,281	3,484
Ordinary income	120	664
Extraordinary income		
Gain on sales of non-current assets	884	7
Gain on sales of investment securities	2	301
Subsidy income	901	—
Other	—	18
Total extraordinary income	1,788	327
Extraordinary losses		
Loss on sales and retirement of non-current assets	13	17
Loss on product warranties	23	269
Settlement payment	1,305	—
Loss on cancellation of contracts	1,231	—
Other	203	49
Total extraordinary losses	2,778	335
Income (loss) before income taxes and minority interests	(869)	655
Income taxes - current	683	606
Income taxes - deferred	(534)	(109)
Total income taxes	149	497
Income (loss) before minority interests	(1,019)	158
Minority interests in income	3	2
Net income (loss)	(1,022)	156

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY2014 (Six months ended May 31, 2014)	FY2015 (Six months ended May 31, 2015)
Income (loss) before minority interests	(1,019)	158
Other comprehensive income		
Unrealized gain on available-for-sale securities	(312)	1,118
Deferred gains or losses on hedges	—	(101)
Foreign currency translation adjustments	63	(1,166)
Remeasurements of defined benefit plans, net of tax	(2)	(178)
Total other comprehensive income	(251)	(327)
Comprehensive income	(1,270)	(168)
Comprehensive income attributable to		
Owners of parent	(1,273)	(169)
Minority interests	3	1

Consolidated Statement of Cash Flows

(Millions of Yen)

	FY2014 (Six months ended May 31, 2014)	FY2015 (Six months ended May 31, 2015)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(869)	655
Depreciation	4,066	4,470
Amortization of goodwill	218	192
Increase (decrease) in provision	1,304	429
Currency swap income	—	(1,718)
Foreign exchange losses (gains)	262	705
Loss (gain) on sales and retirement of non-current assets	(870)	10
Subsidy income	(901)	—
Decrease (increase) in notes and accounts receivable - trade	(649)	1,547
Decrease (increase) in inventories	(988)	(197)
Increase (decrease) in notes and accounts payable - trade	511	(1,374)
Increase (decrease) in accrued expenses	(2,043)	(1,277)
Increase (decrease) in deposits received	1,506	1,228
Other, net	300	1,079
Subtotal	1,847	5,752
Interest and dividend income received	148	254
Interest expenses paid	(658)	(508)
Proceeds from subsidy income	605	—
Income taxes (paid) refund	(534)	(920)
Net cash provided by (used in) operating activities	1,409	4,578
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,168)	(3,505)
Proceeds from sales of property, plant and equipment	1,780	261
Purchase of intangible assets	(578)	(515)
Purchase of investment securities	(46)	(982)
Proceeds from sales of investment securities	6	422
Other, net	(158)	(198)
Net cash provided by (used in) investing activities	(3,165)	(4,518)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,066	281
Proceeds from long-term loans payable	700	13,770
Repayments of long-term loans payable	(4,589)	(18,448)
Redemption of bonds	(100)	(200)
Purchase of treasury stock	(1,141)	(899)
Cash dividends paid	(149)	(133)
Other, net	(243)	597
Net cash provided by (used in) financing activities	(1,458)	(5,032)
Effect of exchange rate change on cash and cash equivalents	(96)	(369)
Net increase (decrease) in cash and cash equivalents	(3,310)	(5,342)
Cash and cash equivalents at beginning of period	37,981	27,414
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	133	—
Cash and cash equivalents at end of period	34,804	22,072