U-SHIN LTD. and its Consolidated Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

For the year ended November 30, 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of U-SHIN LTD.:

We have audited the accompanying consolidated balance sheet of U-SHIN LTD. and its consolidated subsidiaries as of November 30, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U-SHIN LTD. and its consolidated subsidiaries as of November 30, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

February 26, 2015

Consolidated Balance Sheet

U-SHIN LTD. and consolidated subsidiaries

As of November 30, 2014

	Millions of Yen		Thousands of U.S. dollars (Note 1)
ASSETS	2014	2013	2014
Current Assets			
Cash and cash equivalents (Note 14)	¥ 27,414	¥ 37,981	$ 231,872
Time deposits (Note 14)	100	-	846
Receivables			
Trade notes and accounts (Note 14)	36,123	31,929	305,530
Other	3,683	2,112	31,147
Allowance for doubtful accounts	(365)	(602)	(3,087)
Inventories (Note 4)	20,364	16,641	172,237
Deferred tax assets (Note 10)	1,524	1,033	12,892
Prepaid expenses and other current assets	1,129	864	9,552
Total Current Assets	89,972	89,958	760,989
Property, Plant and Equipment			
Land	9,427	9,604	79,735
Buildings and structures	25,463	23,356	215,372
Machinery and equipment	45,671	40,846	386,285
Tools, furniture and fixtures	33,999	30,491	287,564
Construction in progress	3,715	5,153	31,423
Total	118,275	109,450	1,000,379
Accumulated depreciation and impairment loss	(68,891)	(63,009)	(582,683)
Net Property, Plant and Equipment	49,384	46,441	417,696
Investments and Other Assets			
Investment securities (Notes 6, 14)	11,330	10,267	95,831
Investments in unconsolidated subsidiaries and an associated company (Note 14)	519	252	4,387
Goodwill	7,701	7,846	65,133
Deferred tax assets (Note 10)	1,415	778	11,964
Other assets	5,588	6,602	47,277
Total Investment and Other Assets	26,553	25,745	224,592
Total	¥ 165,909	¥ 162,144	$ 1,403,277

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. dollars (Note 1) 2014
LIABILITIES			
Current Liabilities			
Payables			
Trade notes and accounts (Note 14)	¥ 24,459	¥ 22,727	$ 206,873
Other	3,916	3,157	33,125
Electronically recorded monetary obligations-operating (Note 14)	7,690	7,046	65,045
Short-term bank loans (Notes 7, 14)	2,575	1,034	21,781
Current portion of long-term bonds (Notes 7, 14)	400	200	3,383
Current portion of long-term bank loans (Notes 7, 14)	8,536	9,176	72,196
Current portion of long-term lease obligations (Notes 7, 14)	411	3,767	3,474
Accrued expenses	4,892	4,818	41,379
Income tax payable	1,432	796	12,111
Other current liabilities	5,798	6,135	49,040
Total Current Liabilities	60,109	58,856	508,407
Long-term Liabilities			
Long-term bonds and convertible bonds with warrants (Notes 7, 14)	12,286	7,599	103,918
Long-term bank loans (Notes 7, 14)	42,553	49,047	359,917
Long-term lease obligations (Notes 7, 14)	2,622	2,412	22,174
Deferred tax liabilities (Note 10)	2,360	1,348	19,960
Liability for employees' retirement benefit (Note 8)	3,319	3,127	28,070
Other long-term liabilities	3,479	2,079	29,432
Total Long-term Liabilities	66,619	65,612	563,471
Total Liabilities	126,728	124,468	1,071,878
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Note 9)			
Common Stock — authorized, 120,000,000 shares; issued, 31,995,502 shares in 2014 and 31,995,502 shares in 2013	12,016	12,016	101,636
Capital surplus	12,122	12,122	102,529
Stock acquisition rights	1,734	1,502	14,662
Retained earnings	8,893	9,366	75,214
Treasury stock — at cost, 5,256,069 shares in 2014 and 2,037,037 shares in 2013	(3,447)	(1,305)	(29,149)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,701	3,044	31,303
Foreign currency translation adjustments	4,010	895	33,915
Defined retirement benefit plans	106	-	900
Total	39,135	37,640	331,010
Minority interests	46	36	389
Total Equity	39,181	37,676	331,399
Total	¥ 165,909	¥ 162,144	$ 1,403,277

See notes to consolidated financial statements.

Consolidated Statement of Operations

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2014

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales	¥ 155,985	¥ 108,473	$ 1,319,336
Cost of goods sold	139,235	96,021	1,177,667
Gross profit	16,750	12,452	141,669
Selling, general and administrative expenses	13,675	10,661	115,659
Operating income	3,075	1,791	26,010
Other income (expenses)			
Interest and dividend income	392	252	3,318
Foreign exchange gain	464	2,948	3,929
Gain on sales of property, plant and equipment (Note 12)	891	89	7,537
Subsidy income (Note 12)	901	1,582	7,624
Insurance income (Note 12)	1,000	184	8,458
Reversal of provision for product warranties	106	-	899
Interest expenses	(1,570)	(960)	(13,281)
Commitment fee	(91)	(228)	(766)
Currency swap expenses (Note 12)	(1,324)	(853)	(11,198)
Business integration related expenses (Note 12)	(128)	(1,188)	(1,082)
Loss on sales of property, plant and equipment, Loss on disposal of property, plant and equipment	(63)	(257)	(530)
Impairment loss (Note 5)	(101)	(199)	(852)
Loss on product warranties (Note 12)	(499)	(237)	(4,222)
Provision for business structure improvement expenses (Note 12)	(180)	(1,343)	(1,522)
Settlement payment (Note 12)	(1,305)	-	(11,042)
Loss on cancellation of contracts (Note 12)	(1,231)	-	(10,415)
Other, net	127	(175)	1,056
Other income (expenses) - net	(2,611)	(385)	(22,089)
Income before income taxes and minority interests	464	1,406	3,921
Income taxes (Note 10)			
Current	1,304	674	11,032
Deferred	(412)	328	(3,491)
Total income taxes	892	1,002	7,541
Net (loss) income before minority interests	(428)	404	(3,620)
Minority interests in net income	5	3	45
Net (loss) income	¥ (433)	¥ 401	$ (3,665)

	Yen		U.S. dollars
Per Share of Common Stock:			
Basic net (loss) income	¥ (15.18)	¥ 13.29	$ (0.13)
Cash dividends applicable to the year	10.00	10.00	0.08

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2014

	Millions of Yen				Thousands of U.S. dollars (Note 1)	
	2014		2013		2014	
Net (loss) income before minority interests	¥	(428)	¥	404	$	(3,620)
Other comprehensive income (Note 16):						
Unrealized gain on available-for-sale securities		657		2,360		5,560
Foreign currency translation adjustments		3,120		3,264		26,383
Defined retirement benefit plans		(5)		-		(38)
Total other comprehensive income		3,772		5,624		31,905
Comprehensive income	¥	3,344	¥	6,028	$	28,285
Total comprehensive income attributable to:						
Owners of the parent	¥	3,334	¥	6,020	$	28,199
Minority interests		10		8		86

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2014

	Thousands	Millions of yen				
	Shares of Common Stock Outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance at December 1, 2012	31,009	¥ 12,016	¥ 12,122	¥ -	¥ 9,230	¥ (585)
Cash dividends, ¥10.00 per share	-	-	-	-	(305)	-
Net income	-	-	-	-	401	-
Net changes of scope of consolidation	-	-	-	-	40	-
Purchase of treasury stock	(1,051)	-	-	-	-	(720)
Net change in the year	-	-	-	1,502	-	-
Total changes during the year	(1,051)	-	-	1,502	136	(720)
Balance at November 30, 2013	29,958	¥ 12,016	¥ 12,122	¥ 1,502	¥ 9,366	¥ (1,305)
Cumulative effects of changes in accounting policies	-	-	-	-	(10)	-
Restated balance	29,958	12,016	12,122	1,502	9,356	(1,305)
Cash dividends, ¥10.00 per share	-	-	-	-	(291)	-
Net loss	-	-	-	-	(433)	-
Net changes of scope of consolidation	-	-	-	-	261	-
Purchase of treasury stock	(3,219)	-	-	-	-	(2,142)
Net change in the year	-	-	-	232	-	-
Total changes during the year	(3,219)	-	-	232	(463)	(2,142)
Balance at November 30, 2014	26,739	¥ 12,016	¥ 12,122	¥ 1,734	¥ 8,893	¥ (3,447)

	Millions of yen					
	Accumulated other comprehensive income					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at December 1, 2012	¥ 683	¥ (2,363)	¥ -	¥ 31,103	¥ 28	¥ 31,131
Cash dividends, ¥10.00 per share	-	-	-	(305)	-	(305)
Net income	-	-	-	401	-	401
Net changes of scope of consolidation	-	-	-	40	-	40
Purchase of treasury stock	-	-	-	(720)	-	(720)
Net change in the year	2,361	3,258	-	7,121	8	7,129
Total changes during the year	2,361	3,258	-	6,537	8	6,545
Balance at November 30, 2013	¥ 3,044	¥ 895	¥ -	¥ 37,640	¥ 36	¥ 37,676
Cumulative effects of changes in accounting policies	-	-	111	101	-	101
Restated balance	3,044	895	111	37,741	36	37,777
Cash dividends, ¥10.00 per share	-	-	-	(291)	-	(291)
Net loss	-	-	-	(433)	-	(433)
Net changes of scope of consolidation	-	-	-	261	-	261
Purchase of treasury stock	-	-	-	(2,142)	-	(2,142)
Net change in the year	657	3,115	(5)	3,999	10	4,009
Total changes during the year	657	3,115	(5)	1,394	10	1,404
Balance at November 30, 2014	¥ 3,701	¥ 4,010	¥ 106	¥ 39,135	¥ 46	¥ 39,181

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance at November 30, 2013	$ 101,636	$ 102,529	$ 12,700	$ 79,215	$ (11,034)
Cumulative effects of changes in accounting policies	-	-	-	(83)	-
Restated balance	101,636	102,529	12,700	79,132	(11,034)
Cash dividends, $0.08 per share	-	-	-	(2,460)	-
Net loss	-	-	-	(3,665)	-
Net changes of scope of consolidation	-	-	-	2,207	-
Purchase of treasury stock	-	-	-	-	(18,115)
Net change in the year	-	-	1,962	-	-
Total changes during the year	-	-	1,962	(3,918)	(18,115)
Balance at November 30, 2014	$ 101,636	$ 102,529	$ 14,662	$ 75,214	$ (29,149)

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at November 30, 2013	$ 25,743	$ 7,572	$ -	$ 318,361	$ 307	$ 318,668
Cumulative effects of changes in accounting policies	-	-	938	855	-	855
Restated balance	25,743	7,572	938	319,216	307	319,523
Cash dividends, $0.08 per share	-	-	-	(2,460)	-	(2,460)
Net loss	-	-	-	(3,665)	-	(3,665)
Net changes of scope of consolidation	-	-	-	2,207	-	2,207
Purchase of treasury stock	-	-	-	(18,115)	-	(18,115)
Net change in the year	5,560	26,343	(38)	33,827	82	33,909
Total changes during the year	5,560	26,343	(38)	11,794	82	11,876
Balance at November 30, 2014	¥ 31,303	¥ 33,915	¥ 900	¥ 331,010	¥ 389	¥ 331,399

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2014

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating Activities			
Income before income taxes and minority interests	¥ 464	¥ 1,406	$ 3,921
Adjustments for:			
Income taxes (paid) refunded	(1,180)	95	(9,980)
Depreciation and amortization	8,026	5,350	67,887
Impairment loss	101	199	852
Currency swap expenses	1,189	853	10,056
Foreign exchange gain	(1,701)	(2,084)	(14,383)
Changes in assets and liabilities, net of effects:			
Increase in trade notes and accounts receivable	(2,938)	(1,352)	(24,853)
Increase in inventories	(2,452)	(1,550)	(20,738)
Increase in payables	1,664	1,010	14,078
Increase in deposits received	229	1,285	1,939
Other, net	(2,006)	2,155	(16,976)
Net cash provided by operating activities	1,396	7,367	11,803
Investing Activities			
Purchases of property, plant and equipment	(7,946)	(10,696)	(67,205)
Purchases of intangible assets	(917)	(579)	(7,754)
Proceeds from sales of property, plant and equipment	1,884	615	15,932
Acquisitions of newly consolidated subsidiaries, net of cash acquired	-	(14,260)	-
Other, net	484	50	4,090
Net cash used in investing activities	(6,495)	(24,870)	(54,937)
Financing Activities			
Net increase (decrease) in short-term bank loans	1,527	(4,616)	12,912
Proceeds from long-term bank loans	2,050	26,900	17,342
Repayment of long-term bank loans	(9,193)	(6,134)	(77,755)
Proceeds from issue of bonds and convertible bonds with warrants	5,000	7,500	42,290
Redemption of bonds	(200)	(400)	(1,692)
Proceeds from sale and leaseback	317	2,526	2,684
Purchase of treasury stock	(2,142)	(719)	(18,115)
Dividends paid	(291)	(305)	(2,463)
Repayment of loans receivable from Valeo S.A. to newly consolidated subsidiaries	-	(8,048)	-
Proceeds from sales and purchases contract based on a deferred payment plan	-	3,454	-
Repayment from sales and purchases contract based on a deferred payment plan	(3,454)	-	(29,214)
Other, net	(397)	(34)	(3,363)
Net cash (used in) provided by financing activities	(6,783)	20,124	(57,374)
Foreign currency translation adjustments on cash and cash equivalents	1,181	1,642	10,000
Net (decrease) increase in cash and cash equivalents	(10,701)	4,263	(90,508)
Cash and cash equivalents at the beginning of year	37,981	33,718	321,248
Increase in cash and cash equivalents resulting from change of scope of consolidation	134	-	1,132
Cash and cash equivalents at the end of year	¥ 27,414	¥ 37,981	$ 231,872

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

U-SHIN LTD. and consolidated subsidiaries

For the year ended November 30, 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which U-SHIN LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.23 to $1, the approximate rate of exchange at November 30, 2014. Such translations 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. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of November 30, 2014, include the accounts of the Company and its 21 significant (21 in 2013) subsidiaries (together, the “Group”). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the remaining subsidiaries and an associated company which are not consolidated or accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of subsidiaries acquired at the date of acquisition is being amortized on a straight-line basis over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(i) Consolidated subsidiaries

Number of consolidated subsidiaries: 21

TOKYO SOKUTEIKIZAI CO., LTD.
U-SHIN SHOWA LTD.
U-SHIN TRANSPORT LTD.
SANWA SEISAKUSHO LTD.
U-SHIN MANUFACTURING (ZHONGSHAN) CO., LTD.
U-SHIN INTERNATIONAL TRADING (SHANGHAI) LTD.
U-SHIN (THAILAND) CO., LTD.
U-SHIN EUROPE LTD.
ORTECH MALAYSIA SDN. BHD.
U-SHIN AUTOPARTS MEXICO, S.A. DE C.V.
YUHSHIN U.S.A.LTD.
U-Shin Holdings Europe B.V.
U-Shin France S.A.S.
U-Shin Deutschland Zugangssysteme GmbH
U-Shin Deutschland Grundvermögen GmbH
U-Shin Italia S.p.A.
U-Shin Slovakia s.r.o.

U-Shin Spain S.L.
L.L.C. Access Mechanisms
U-Shin do Brasil Sistemas Automotivos Ltda.
U-Shin Access Systems (Wuxi) CO., LTD.

Changes in the scope of consolidation during the fiscal year ended November 30, 2014, are as follows:

- Due to increasing significance, U-SHIN INTERNATIONAL TRADING (SHANGHAI) LTD. became a consolidated subsidiary of the Company.
- Due to its immaterial effect, U-Shin Access Mechanisms Mexico S.A.de C.V. was excluded from the scope of consolidation.

(ii) Unconsolidated subsidiaries
The main unconsolidated subsidiary is U-SHIN MANUFACTURING (SUZHOU) CO., LTD.
Consolidation of the unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements.
However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income.

c. Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

d. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, deposits with banks and financial institutions which are unrestricted as to withdrawal or use, and which mature or become due within three months of the date of acquisition.

e. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories

Inventories are stated at the lower of cost, determined by the weighted-average cost method, or net selling value.

g. Property, Plant and Equipment

Property, plant and equipment are stayed at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 3 to 50 years for buildings and structures, from 2 to 12 years for machinery and equipment.

h. Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Investment Securities

Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving average method. Nonmarketable securities are stated at cost determined by the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

j. Bonds with Warrants

The proceeds from issuance of bonds with warrants are allocated between the bond portion and the warrant portion, resulting in a bond discount. Bond discounts are amortized by the straight-line method over the term of the related bonds. The amounts ascribed to warrants are stated as a separate component of equity.

k. Employees' Retirement Benefits

The Company and certain domestic subsidiaries have severance lump-sum payment plans and defined contribution pension plans. Certain overseas subsidiaries have severance lump-sum payment plans and defined contribution plans. The liability for employees' retirement benefits is provided at an amount based on the projected benefit obligation at the balance sheet date. Past service costs are charged to income by the straight-line method over the 10 years which are within the average remaining years of service of the employees. An actuarial adjustment is charged to income by the straight-line method over the following 10 years which are within the average remaining years of service of the employees.

（Accounting Changes）

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss.
Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a), (b) and (c) above from December 1, 2013. The effects of adopting the revised accounting standard are immaterial.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

n. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income.
Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

p. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax and full exercise of outstanding warrants.

Diluted net income per share is not presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

q. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.”
Accounting treatments under this standard and guidance are as follows:

(a) Changes in accounting policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(b) Changes in presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of prior-period errors
When an error in prior-period financial statements is discovered, those statements are restated.

r. Changes in Presentation

(Consolidated Balance Sheet)

Prior to December 1, 2013, "Deferred tax liabilities" was disclosed separately in the "Current Liabilities" section of the consolidated balance sheet. Since during this fiscal year ended November 30, 2014, the materiality of the amount decreased, such amount is included in "Other current liabilities" in the "Current Liabilities" section of the consolidated balance sheet as of November 30, 2014. The amount included in "Other current liabilities" as of November 30, 2013 was ¥1 million.

(Consolidated Statement of Operations)

Prior to December 1, 2013, "Gain on sales of property, plant and equipment" and "Insurance income" were included in "Other - net" in the "Other income (expenses) - net" section of the consolidated statement of operations. Since during this fiscal year ended November 30, 2014, the amounts increased significantly, such amounts are disclosed separately in the "Other income (expenses) - net" section of the consolidated statement of operations for the year ended November 30, 2014. The amounts of "Gain on sales of property, plant and equipment" and "Insurance income" included in "Other - net" for the year ended November 30, 2013, were ¥89 and ¥184 million, respectively.

3. Business Combinations

Share Acquisition of U-Shin Holdings Europe B.V.

(1) Contents and amounts of significant adjustment about the allocation of acquisition cost

On May 24, 2013, the Company acquired all outstanding shares of U-Shin Holdings Europe B.V. and it became a consolidated subsidiary of the Company. During the year ended November 30, 2013, the allocation of acquisition costs had not been completed as the recognition of assets and liabilities of the acquired company had not been finally determined. During the year ended November 30, 2014, the Company completed the allocation of acquisition costs because the amounts such as intangible assets, deferred tax liabilities, etc. were fixed and also the adjustment of acquisition costs was determined with the agreement with Valeo S.A. Details of the adjustments to goodwill (after) from business combinations on May 24, 2013, are as follows:

Adjustments	Millions of Yen	Thousands of U.S. dollars
Goodwill (before)	¥ 7,496	$ 63,405
Adjustment of acquisition costs	(703)	(5,946)
Intangible assets	463	3,920
Deferred tax liabilities	176	1,487
Other	(108)	(916)
Goodwill (after)	¥ 7,324	$ 61,950

(2) Amortization method and amortization period

Goodwill	Straight-line method over 20 years
Intangible assets	Straight-line method over 15 years

4. Inventories

Inventories as of November 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Finished products	¥ 8,680	¥ 7,209	$ 73,420
Work in process	2,432	2,151	20,568
Raw material and supplies	9,252	7,281	78,249
Total	¥ 20,364	¥ 16,641	$ 172,237

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of November 30, 2014. As a result, the Group recognized an impairment loss of ¥101 million ($852 thousand) as other expense for certain asset groups of U-Shin Italia S.p.A. and U-Shin do Brasil Sistemas Automotivos Ltda. due to a continuous operating loss at those units, and the carrying amounts of the relevant assets were written down to the recoverable amounts. The recoverable amounts of those assets were measured at their value in use and the discount rate used for computation of the present value of future cash flows was 6.5% or 9%.

The Group reviewed its long-lived assets for impairment as of November 30, 2013. As a result, the Group recognized an impairment loss of ¥199 million as other expense for a certain asset group of U-Shin Italia S.p.A. due to a continuous operating loss at that unit, and the carrying amount of the relevant construction in progress was written down to the recoverable amount. The recoverable amount of that construction in progress was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 9%.

6. Investments Securities

The costs and aggregate fair values of investment securities as of November 30, 2014 and 2013, were as follows:

	Millions of Yen							
	2014							
	Cost		Unrealized gain		Unrealized loss		Carrying amount	
Securities classified as:								
Available-for-sale:								
Equity securities	¥	5,484	¥	5,751	¥	(22)	¥	11,213
Debt securities		-		-		-		-
Other		-		-		-		-
Total	¥	5,484	¥	5,751	¥	(22)	¥	11,213

	Millions of Yen							
	2013							
	Cost		Unrealized gain		Unrealized loss		Carrying amount	
Securities classified as:								
Available-for-sale:								
Equity securities	¥	5,442	¥	4,776	¥	(67)	¥	10,151
Debt securities		-		-		-		-
Other		-		-		-		-
Total	¥	5,442	¥	4,776	¥	(67)	¥	10,151

	Thousands of U.S. dollars							
	2014							
	Cost		Unrealized gain		Unrealized loss		Carrying amount	
Securities classified as:								
Available-for-sale:								
Equity securities	$	46,388	$	48,641	$	(185)	$	94,844
Debt securities		-		-		-		-
Other		-		-		-		-
Total	$	46,388	$	48,641	$	(185)	$	94,844

7. Short-term Bank Loans, Long-term Debt and Lease Liabilities

(1) Short-term bank loans, long-term debt and lease liabilities

Short-term bank loans at November 30, 2014 and 2013, consisted of notes and bank overdrafts. The annual interest rates applicable to the short-term bank loans averaged 0.5% and 1.0% at November 30, 2014 and 2013, respectively.

Long-term debt at November 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Long-term loans payable maturing through 2019 (Average interest rates were 1.6% and 1.7% at November 30, 2014 and 2013, respectively.)			
Secured loans	¥ 13,770	¥ 15,300	$ 116,468
Unsecured loans	37,319	42,923	315,645
Bonds and convertible bonds with warrants	12,686	7,799	107,301
Lease obligations	3,033	6,179	25,648
Total	¥ 66,808	¥ 72,201	$ 565,062
Less current portion	(9,347)	(13,143)	(79,053)
Long-term debt, less current portion	¥ 57,461	¥ 59,058	$ 486,009

The following is a summary of the terms for conversion and redemption of the convertible bonds with warrants:

Zero Coupon Convertible Bonds due 2018

Conversion Price (*1)	¥742
Number of shares of common stock (*2)	10,107,750
Exercise Period	From September 3, 2013 to August 15, 2018

*1: The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2: Numbers of shares of common stock are calculated on the assumption that all convertible bonds with warrants are converted.

Zero Coupon Convertible Bonds due 2019

Conversion Price (*1)	¥709
Number of shares of common stock (*2)	5,641,600
Exercise Period	From October 3, 2014 to September 5, 2017

*1: The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2: Numbers of shares of common stock are calculated on the assumption that all convertible bonds with warrants are converted.

Annual maturities of long-term debt, excluding finance leases, at November 30, 2014, were as follows:

Year Ending November 30	Millions of Yen	Thousands of U.S. dollars
2015	¥ 8,936	$ 75,579
2016	15,278	129,218
2017	16,729	141,500
2018	23,046	194,925
2019	1,100	9,304
Total	¥ 65,089	$ 550,526

Annual maturities of finance lease obligations at November 30, 2014, were as follows:

Year Ending November 30	Millions of Yen	Thousands of U.S. dollars
2015	¥ 411	$ 3,474
2016	632	5,342
2017	414	3,505
2018	1,576	13,327
Total	¥ 3,033	$ 25,648

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at November 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Investments in consolidated subsidiaries	¥ 16,741	¥ 14,612	$ 141,595

(2) Loan commitment

The Company has commitment line contracts with six banks for effective financing. The commitment amount, outstanding balance and available funds of these contracts as of November 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Commitment line contract	¥ 7,500	¥ 7,500	$ 63,436
Actual loan balance	500	-	4,229
Available funds	¥ 7,000	¥ 7,500	$ 59,207

(3) Financial covenants

The Group’s interest-bearing debt includes financial covenants on the basis of certain indicators, namely, assets and profits and others, which is common practice for bank transactions in Japan.

Short-term and long-term debt with financial covenants amount to short-term bank loans of ¥500 million, long-term debt of ¥28,490 million and bonds and convertible bonds with warrants of ¥11,500 million at November 30, 2014.

As of November 30, 2014, there was no violation of the debt covenants.

8. Liability for Employees' Retirement Benefits

The Company and certain domestic subsidiaries have severance lump-sum payment plans and defined contribution pension plans. Certain overseas subsidiaries have severance lump-sum payment plans and defined contribution plans.

Year ended November 30, 2014

Defined benefit pension plans

(1) The changes in defined benefit obligation for the year ended November 30, 2014, were as follows (including the benefit plan for which the simplified method was applied):

	Millions of Yen	Thousands of U.S. dollars
	2014	2014
Balance at beginning of year	¥ 2,964	$ 25,066
Cumulative effects of changes in accounting policies	15	128
Restated balance	2,979	25,194
Service cost	152	1,286
Interest cost	60	504
Actuarial losses	225	1,907
Benefits paid	(197)	(1,665)
Foreign currency translation adjustments	100	844
Balance at end of year	¥ 3,319	$ 28,070

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation as of November 30, 2014, was as follows:

	Millions of Yen	Thousands of U.S. dollars
	2014	2014
Unfunded defined benefit obligation	¥ 3,319	$ 28,070
Net liability arising from defined benefit obligation	¥ 3,319	$ 28,070
Liability for retirement benefits	¥ 3,319	$ 28,070
Net liability arising from defined benefit obligation	¥ 3,319	$ 28,070

(3) The components of net periodic benefit costs for the year ended November 30, 2014, were as follows (including the benefit plan for which the simplified method was applied):

	Millions of Yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 152	$ 1,286
Interest cost	60	504
Recognized actuarial gains	(4)	(35)
Others	5	49
Net periodic benefit costs	¥ 213	$ 1,804

(4) Other comprehensive income on defined retirement benefit plans as of November 30, 2014, was as follows:

	Millions of Yen	Thousands of U.S. dollars
	2014	2014
Actuarial losses	¥ (15)	$ (126)
Total	¥ (15)	$ (126)

(5) Accumulated other comprehensive income on defined retirement benefit plans as of November 30, 2014, was as follows:

	Millions of Yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gains	¥ 149	$ 1,259
Total	¥ 149	$ 1,259

(6) Assumptions used for the year ended November 30, 2014, were as follows:
Discount rate 1.0% - 2.0%

Defined contribution plan

The amount of contribution required for the defined contribution plan paid by the Company and its subsidiaries was ¥75 million for the year ended November 30, 2014.

Year ended November 30, 2013

The liability for employees' retirement benefits at November 30, 2013, consisted of the following:

	Millions of Yen
	2013
Projected benefit obligations	¥ 2,964
Unrecognized actuarial loss	163
Unrecognized prior service cost	-
Net liability	¥ 3,127

The components of net periodic benefit costs are as follows:

	Millions of Yen
	2013
Service cost	¥ 115
Interest cost	49
Amortization of prior service cost	(37)
Recognized actuarial loss	20
Defined contribution plan expenses	79
Net periodic benefit costs	¥ 226

Assumptions used for the years ended November 30, 2013, are set forth as follows:

	2013
Period attribution method for retirement benefits forecasted amount	Straight-line
Discount rate	1.1% - 3.2%
Recognized period of actuarial gain / loss	10 years
Amortization period of prior service cost	10 years

9. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company are so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than 3 million yen.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.8% for the years ended November 30, 2014 and 2013. The details related to deferred tax are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Tax loss carryforwards	¥ 1,847	¥ 962	$ 15,619
Allowance for retirement benefits	950	1,088	8,037
Other allowance	803	644	6,794
Impairment loss	746	460	6,306
Inventories	420	271	3,551
Provision for business structure improvement	409	524	3,457
After-care of products	297	353	2,509
Accrued bonus	229	254	1,935
Allowance for doubtful accounts	143	302	1,209
Land	95	659	803
Other	1,265	912	10,716
Valuation allowance	(3,410)	(3,271)	(28,843)
Total	¥ 3,794	¥ 3,158	$ 32,093
Deferred tax liabilities:			
Unrealized gain on investments	¥ (2,029)	¥ (1,667)	$ (17,159)
Deferred gain on exchange of lands	(573)	(575)	(4,845)
In-process research and development	(207)	(284)	(1,754)
Other	(410)	(170)	(3,469)
Total	¥ (3,219)	¥ (2,696)	$ (27,227)
Net deferred tax assets	¥ 575	¥ 462	$ 4,866

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended November 30, 2014 and 2013, is as follows:

	2014	2013
Statutory effective tax rate	37.8 %	37.8 %
Valuation allowance	29.9	12.2
Difference in subsidiaries' tax rates	33.7	7.4
Expenses not deductible for income tax purposes	16.8	11.6
Revenue not taxable for income tax purposes	(5.0)	(1.7)
Per capita inhabitant tax	6.9	2.5
Amortization of goodwill	32.1	6.0
Deferred gain on sales of property	28.8	5.4
Difference of tax rate related to Special Reconstruction Corporation Tax	-	(5.9)
Effect of tax rate reduction	11.0	-
Other, net	0.3	(4.0)
Accrual effective tax rate	192.3 %	71.3 %

On March 31, 2014, new tax reform laws were enacted in Japan, which changed the effective statutory tax rate from approximately 37.8% to 35.4% effective for the fiscal year beginning on or after April 1, 2014. The effect of this change on the consolidated financial statements is not material.

11. Research and Development Costs

Research and development costs charged to income were ¥6,081 million ($51,431 thousand) and ¥4,334 million for the years ended November 30, 2014 and 2013, respectively.

12. Other Income (Expenses)

Gain on sales of property, plant and equipment:

It is mainly gain from sales of land and buildings and structures of old plants in Hiroshima (Kaita) and China (Zhongshan) for the year ended November 30, 2014.

Subsidy income:

During the years ended November 30, 2014 and 2013, the Company received subsidy income granted by a local government towards the establishment of a new plant in Hiroshima.

Insurance income:

During the year ended November 30, 2014, the Company received insurance covering costs related to replacing defective products for the year ended November 30, 2012.

Currency swap expenses:

These mainly include valuation losses incurred from the currency swap contract to reduce exposure to fluctuations in foreign exchange rates on loans to a subsidiary for the year ended November 30, 2014, because of the rapid depreciation of the Japanese yen from the end of October, 2014. Also, valuation gain on foreign exchange rates resulting from the loan is recognized.

Business integration related expenses:

This includes legal fees, costs of a trademark change, etc. which are related to business combination for the years ended November 30, 2014 and 2013.

Loss on product warranties:

This is an estimated amount of future potential costs related to replacing defective products for the year ended November 30, 2014.

Provision for business structure improvement expenses:

This is a provision for restructuring factories, production lines, etc. for the years ended November 30, 2014 and 2013.

Settlement payment:

This is a payment for which the Group did not acquire the shares of Minda Valeo Security Systems Private Limited owned by Valeo S.A. which the Group had previously negotiated to acquire for the year ended November 30, 2014.

Loss on cancellation of contracts:

This is a payment for the cancellation of sales representation agreement contracts with C.T. Charlton & Associates, Inc. for the year ended November 30, 2014.

13. Related Party Disclosures

Transactions of the Company with associated companies for the years ended November 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
C.T. Charlton & Associates, Inc.			
Commission for sales representation	¥ 22	¥ 80	$ 184
Accounts payable paid	¥ -	¥ 854	$ -

14. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Company uses financial instruments, mainly bank loans, bonds and capital increase for fund raising. Derivatives are not used for speculative purposes, but to avoid financial risks as described below. The Group manages exposure to credit risk by limiting investments to highly liquid and high credit rated financial instruments.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Operating credit such as notes and accounts receivable are exposed to customers' credit risk, but the Company manages due dates and balances by customer, by identifying and responding to default risks at an early stage. Investment securities are mainly stocks and short-term monetary trusts related to safe investments. Although stocks are exposed to risks of fluctuation in market price, they are mainly comprised of stocks of companies with which the Company has business relationships, and the Company periodically updates the fair value of listed companies' stocks in order to manage the risk of loss.

The due date of payment for operating debts such as notes and accounts payable is within one year.

Some bank loans are funds raised related to equipment funds and operation funds are exposed to the risk of fluctuation in interest rate.

The Company uses derivative transactions (interest rate swaps) as a means of hedging against the risks of fluctuation in payment interest rates and to fix interest expense.

Derivatives consist primarily of forward foreign currency contracts, exchange-forward swaps and interest rate swaps. They are used to manage exposure to market risks from changes in foreign currency exchange rates or risks of fluctuation in interest rates. Please see Note 15 for more details about derivatives.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations. The Group manages its liquidity risk based on analysis of each cash flow plan from each of its departments.

(3) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on quoted market prices if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in Note 15 does not represent the market risk of the derivative transactions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(5) Fair value of financial instruments as of November 30, 2014 and 2013.

	Millions of Yen		
	2014		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 27,414	¥ 27,414	¥ -
Time deposits	100	100	-
Trade notes and accounts receivable	36,123		
Allowance for doubtful accounts	(178)		
	35,945	35,945	-
Investment securities	11,213	11,213	-
Investments in unconsolidated subsidiaries and an associated company	125	385	260
Total	¥ 74,797	¥ 75,057	¥ 260
Trade notes and accounts payable	¥ 24,459	¥ 24,459	¥ -
Electronically recorded monetary obligations-operating	7,690	7,690	-
Short-term bank loans	2,575	2,575	-
Current portion of long-term bonds	400	399	(1)
Current portion of long-term bank loans	8,536	8,592	56
Long-term bonds and convertible bonds with warrants	12,286	12,264	(22)
Long-term bank loans	42,553	43,562	1,009
Lease obligations	3,033	3,052	19
Total	¥ 101,532	¥ 102,593	¥ 1,061
Derivatives transaction	¥ (1,912)	¥ (1,912)	¥ -

	Millions of Yen		
	2013		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 37,981	¥ 37,981	¥ -
Trade notes and accounts receivable	31,929		
Allowance for doubtful accounts	(166)		
	31,763	31,763	-
Investment securities	10,151	10,151	-
Investments in unconsolidated subsidiaries and an associated company	125	130	5
Total	¥ 80,020	¥ 80,025	¥ 5
Trade notes and accounts payable	¥ 22,727	¥ 22,727	¥ -
Electronically recorded monetary obligations-operating	7,046	7,046	-
Short-term bank loans	1,034	1,034	-
Current portion of long-term bonds	200	198	(2)
Current portion of long-term bank loans	9,176	9,164	(12)
Long-term bonds and convertible bonds with warrants	7,599	7,537	(62)
Long-term bank loans	49,047	48,950	(97)
Lease obligations	6,179	6,126	(53)
Total	¥ 103,008	¥ 102,782	¥ (226)
Derivatives transaction	¥ (855)	¥ (855)	¥ -

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 231,872	$ 231,872	$ -
Time deposits	846	846	-
Trade notes and accounts receivable	305,530		
Allowance for doubtful accounts	(1,503)		
	304,027	304,027	-
Investment securities	94,844	94,844	-
Investments in unconsolidated subsidiaries and an associated company	1,060	3,254	2,194
Total	$ 632,649	$ 634,843	$ 2,194
Trade notes and accounts payable	$ 206,873	$ 206,873	$ -
Electronically recorded monetary obligations-operating	65,045	65,045	-
Short-term bank loans	21,781	21,781	-
Current portion of long-term bonds	3,383	3,373	(10)
Current portion of long-term bank loans	72,196	72,673	477
Long-term bonds and convertible bonds with warrants	103,918	103,727	(191)
Long-term bank loans	359,917	368,452	8,535
Lease obligations	25,648	25,816	168
Total	$ 858,761	$ 867,740	$ 8,979
Derivatives transaction	$ (16,175)	$ (16,175)	$ -

Cash and cash equivalents, Time deposits and Trade notes and accounts receivable

The carrying amounts of "Cash and cash equivalents", "Time deposits" and "Trade notes and accounts receivable" approximate fair value because they are settled in the short-term.

Investment securities, Investments in unconsolidated subsidiaries and an associated company

The fair values of investment securities are measured at the quoted market price of the stock exchange for stocks, and at quoted market prices obtained from the financial institution for investment trusts.

Trade notes and accounts payable, Electronically recorded monetary obligations-operating and Short-term loans

The carrying amounts of "Trade notes and accounts payable" and "Electronically recorded monetary claims-operating" approximate fair value because they are settled in the short-term.

Current portion of long-term bonds, Long-term bonds and convertible bonds with warrants

The fair values of bonds and convertible bonds with warrants are calculated by discounting the total amounts of principal and interest to present value using the interest rate assumed when similar new bonds are issued.

Current portion of long-term bank loans, Long-term bank loans and Lease obligations

The fair values of long-term bank loans and lease obligations are calculated by discounting the total amounts of principal and interest to present value using the interest rate assumed when a similar new borrowing or lease transaction occurs.

Long-term bank loans with the interest rate swaps which qualify for hedge accounting and meet specific matching criteria are calculated by discounting principal and interest transacted together with the payments on the interest rate swap to present value using the interest rate adapted and rationally estimated when a similar borrowing occurs.

Derivatives

Since interest rate swaps which qualify for hedge accounting and meet specific matching criteria are transacted together with long-term bank loans which are considered as the hedge objects, those fair values are also included in the fair values of long-term bank loans. Fair value information is included in Note 15.

(6) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Subsidiaries' stocks	¥ 393	¥ 102	$ 3,326
Unlisted stocks	¥ 117	¥ 116	$ 987

(7) Maturity analysis for financial credit and securities with maturity after the date of consolidation

	Millions of Yen			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 27,414	¥ -	¥ -	¥ -
Time deposits	100	-	-	-
Trade notes and accounts receivable	36,123	-	-	-
Total	¥ 63,637	¥ -	¥ -	¥ -

	Millions of Yen			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 37,981	¥ -	¥ -	¥ -
Trade notes and accounts receivable	31,929	-	-	-
Total	¥ 69,910	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 231,872	$ -	$ -	$ -
Time deposits	846	-	-	-
Trade notes and accounts receivable	305,530	-	-	-
Total	$ 538,248	$ -	$ -	$ -

15. Derivatives

The Group enters into foreign currency forward contracts and exchange-forward swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

(1) Derivative transactions to which hedge accounting is not applied as of November 30, 2014 and 2013.

	Millions of Yen			
	2014			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts				
Selling USD	¥ 10,194	¥ -	¥ (1)	¥ (1)
Selling EUR	781	-	(0)	(0)
Currency swap				
Selling EUR	13,169	12,476	(1,911)	(1,911)
Buying JPY	11	-	0	0
Total	¥ 24,155	¥ 12,476	¥ (1,912)	¥ (1,912)

	Millions of Yen			
	2013			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts				
Selling USD	¥ 10,299	¥ -	¥ (2)	¥ (2)
Selling EUR	821	-	(0)	(0)
Currency swap				
Selling EUR	13,863	13,169	(853)	(853)
Buying JPY	56	11	0	0
Total	¥ 25,039	¥ 13,180	¥ (855)	¥ (855)

	Thousands of U.S. dollars			
	2014			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts				
Selling USD	$ 86,223	$ -	$ (7)	$ (7)
Selling EUR	6,606	-	(1)	(1)
Currency swap				
Selling EUR	111,389	105,526	(16,167)	(16,167)
Buying JPY	95	-	0	0
Total	$ 204,313	$ 105,526	$ (16,175)	$ (16,175)

Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Derivative transactions to which hedge accounting is applied as of November 30, 2014 and 2013.

	Millions of Yen						
	2014						
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	¥	37,165	¥	31,480	¥	Note 1

	Millions of Yen						
	2013						
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	¥	42,975	¥	36,965	¥	Note 1

	Thousands of U.S. dollars						
	2014						
	Hedge item		Contract amount		Contract amount due after one year		Fair value
Interest rate swaps:							
floating rate receipt, fixed rate payment	Long-term bank loans	$	314,345	$	266,261	$	Note 1

Note 1

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

16. Comprehensive Income

The components of other comprehensive income for the years ended November 30, 2014 and 2013, were as follows:

	Millions of Yen				Thousands of U.S. dollars	
	2014		2013		2014	
Unrealized gain on available-for-sale securities						
Gains arising during the year	¥	1,019	¥	3,655	$	8,622
Reclassification adjustments to profit or loss		-		-		-
Amount before income tax effect		1,019		3,655		8,622
Income tax effect		(362)		(1,295)		(3,062)
Total	¥	657	¥	2,360	$	5,560
Foreign currency translation adjustments						
Adjustments arising during the year	¥	3,120	¥	3,264	$	26,383
Total	¥	3,120	¥	3,264	$	26,383
Defined retirement benefit plans						
Gains arising during the year	¥	(22)	¥	-	$	(183)
Reclassification adjustments to profit or loss		7		-		57
Amount before income tax effect		(15)		-		(126)
Income tax effect		10		-		88
Total	¥	(5)	¥	-	$	(38)
Total other comprehensive income	¥	3,772	¥	5,624	$	31,905

17. Subsequent Events

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at November 30, 2014, was approved at the shareholders' meeting held on February 26, 2015:

	Millions of Yen		Thousands of U.S. dollars	
Year-end cash dividends, ¥ 5 ($ 0.04) per share	¥	134	$	1,131

18. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reporting segments

The Group’s reporting segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group’s reporting segments consist of the automotive, industrial equipment, and home security units businesses. The automotive business consists of products such as lock sets, electric steering locks, door latches, climate control panels, door handles, switches and keyless entry and so on. The industrial equipment business consists of instruments for agricultural/construction/and industrial equipment and machine tools, wire harnesses, switches, controllers, lamps, operator seats and so on. The home security units business consists of locks for hotels, residential and commercial buildings, cylinders, handle sets, electric locks and so on.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each segment

The accounting policies of each reporting segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

(3) Information about sales, profit (loss), assets, and other items

	Millions of Yen				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Net sales:					
Sales to external customers	¥ 132,460	¥ 21,149	¥ 2,376	¥ -	¥ 155,985
Intersegment sales or transfers	243	159	28	(430)	-
Total	¥ 132,703	¥ 21,308	¥ 2,404	¥ (430)	¥ 155,985
Segment profit	¥ 3,691	¥ 2,475	¥ 133	¥ (3,224)	¥ 3,075
Depreciation and amortization	¥ 7,778	¥ 76	¥ 103	¥ 69	¥ 8,026

	Millions of Yen				
	2013				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Net sales:					
Sales to external customers	¥ 88,337	¥ 17,476	¥ 2,660	¥ -	¥ 108,473
Intersegment sales or transfers	224	108	9	(341)	-
Total	¥ 88,561	¥ 17,584	¥ 2,669	¥ (341)	¥ 108,473
Segment profit	¥ 1,964	¥ 1,967	¥ 231	¥ (2,370)	¥ 1,791
Depreciation and amortization	¥ 5,150	¥ 78	¥ 81	¥ 41	¥ 5,350

	Thousands of U.S. dollars				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Net sales:					
Sales to external customers	$ 1,120,353	$ 178,883	$ 20,100	$ -	$ 1,319,336
Intersegment sales or transfers	2,057	1,346	232	(3,635)	-
Total	$ 1,122,410	$ 180,229	$ 20,332	$ (3,635)	$ 1,319,336
Segment profit	$ 31,217	$ 20,932	$ 1,123	$ (27,262)	$ 26,010
Depreciation and amortization	$ 65,787	$ 643	$ 873	$ 584	$ 67,887

(4) Information about impairment loss of assets by reportable segments

	Millions of Yen				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Impairment losses of assets	¥ 101	¥ -	¥ -	¥ -	¥ 101

	Millions of Yen				
	2013				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Impairment losses of assets	¥ 199	¥ -	¥ -	¥ -	¥ 199

	Thousands of U.S. dollars				
	2014				
	Automotive Division	Industrial Equipment Division	House Security Units Division	Reconciliations	Consolidated
Impairment losses of assets	$ 852	$ -	$ -	$ -	$ 852

(5) Information about amortization of goodwill and goodwill by reportable segments

	Millions of Yen				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Amortization of goodwill	¥ 397	¥ -	¥ -	¥ -	¥ 397
Goodwill at November 30, 2014	7,701	-	-	-	7,701

	Millions of Yen				
	2013				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Amortization of goodwill	¥ 222	¥ -	¥ -	¥ -	¥ 222
Goodwill at November 30, 2013	7,846	-	-	-	7,846

	Thousands of U.S. dollars				
	2014				
	Automotive Division	Industrial Equipment Division	Home Security Units Division	Reconciliations	Consolidated
Amortization of goodwill	$ 3,360	$ -	$ -	$ -	$ 3,360
Goodwill at November 30, 2014	65,133	-	-	-	65,133

(6) Information about geographical areas

(a) Net Sales

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Net Sales:			
Japan	¥ 50,406	¥ 51,268	$ 426,336
U.S.A	1,912	2,639	16,176
Europe	70,464	38,409	182,771
Asia	21,609	13,370	595,995
Other	11,594	2,787	98,058
Total	¥ 155,985	¥ 108,473	$ 1,319,336

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Property, plant and equipment:			
Japan	¥ 16,915	¥ 16,742	$ 143,071
U.S.A	-	-	-
Europe	11,887	11,189	100,543
Asia	13,766	11,888	116,431
Other	6,816	6,622	57,651
Total	¥ 49,384	¥ 46,441	$ 417,696

(7) Information about major customers

		Sales		
		Millions of Yen		Thousands of U.S. dollars
	Related segment name	2014	2013	2014
Name of customer:				
Mazda Motor Corporation	Automotive Division	¥ 21,648	¥ 19,072	$ 183,097