

U-Shin Ltd. Consolidated Financial Results for the nine months (3Q) ended August 31, 2017

Tokyo, October 13, 2017 - U-Shin Ltd. announced its consolidated financial results for the nine months (3Q) ended August 31, 2017 of the fiscal year ending December 31, 2017. Also October 13, 2017, U-Shin Ltd. submitted its interim consolidated financial 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

| | Nine months (3Q) ended | | | | |
|--|------------------------|----------|--------------------|----------|----------------------|
| | August 31, 2016 | | August 31, 2017 | | |
| | JPY in millions | YoY % | JPY in millions | YoY % | US\$ in thousands |
| Net Sales | ¥ 113,569 | (7.6) | ¥ 115,069 | 1.3 | \$ 1,042,108 |
| Operating Income | 2,008 | (44.2) | 2,611 | 30.0 | 23,649 |
| Ordinary Income | 1,071 | (6.2) | 1,201 | 12.1 | 10,881 |
| Profit (Loss) Attributable to Owners of Parent | (2,954) | - | 2,575 | - | 23,327 |
| Net Income (Loss) per share | JPY | | JPY | | US\$ |
| Basic Net Income (Loss) | ¥ (106.61) | | ¥ 88.78 | | ¢80.40 |
| Diluted Net Income | | | 87.47 | | ¢79.21 |

Consolidated Financial Position

| | November 30, 2016 | August 31, 2017 | |
|--------------|--------------------|--------------------|----------------------|
| | JPY in millions | JPY in millions | US\$ in thousands |
| Total Assets | ¥ 143,295 | ¥ 141,569 | \$ 1,282,102 |
| Net Assets | 22,248 | 28,270 | 256,023 |
| Equity Ratio | 14.4% | 18.9% | 18.9% |

Cash Dividends

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

*The year-end dividend forecast for FY2017 is yet to be decided as of this moment.

Segment Information

| Net sales | Nine months (3Q) ended | | |
|----------------------|------------------------|--------------------|----------------------|
| | August 31, 2016 | August 31, 2017 | |
| | JPY in millions | JPY in millions | US\$ in thousands |
| Automotive | ¥ 96,718 | ¥ 95,682 | \$ 866,532 |
| Industrial Equipment | 15,080 | 17,565 | 159,076 |
| Home Security Units | 1,770 | 1,821 | 16,499 |
| Consolidated | 113,569 | 115,069 | 1,042,108 |

| Operating Income | Nine months (3Q) ended | | |
|----------------------|------------------------|--------------------|----------------------|
| | August 31, 2016 | August 31, 2017 | |
| | JPY in millions | JPY in millions | US\$ in thousands |
| Automotive | ¥ 1,994 | ¥ 1,877 | \$ 17,004 |
| Industrial Equipment | 1,816 | 2,233 | 20,229 |
| Home Security Units | 97 | 97 | 879 |
| Reconciliations | (1,900) | (1,597) | (14,464) |
| Consolidated | 2,008 | 2,611 | 23,649 |

Forecast of Consolidated Results for FY2017 (December 1, 2016 through December 31, 2017)

| | Fiscal year ending December 31, 2017 | |
|---|--------------------------------------|----------------------|
| | JPY in millions | US\$ in thousands |
| Net Sales | ¥154,400 | \$ 1,398,297 |
| Operating Income | 4,910 | 44,466 |
| Ordinary Income | 3,640 | 32,965 |
| Profit Attributable to Owners of Parent | 3,870 | 35,047 |

Reference: Net income per share forecast

¥ 139.63

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 110.42 to US\$ 1.00, the approximate exchange rate prevailing on August 31, 2017. 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 nine months ended August 31, 2017 of (1597) million yen includes intersegment eliminations of 15 million yen and corporate expenses of (1,612) million yen. "Reconciliations" of segment income for the nine months ended August 31, 2016 of (1,900) million yen includes intersegment eliminations of 21 million yen and corporate expenses of (1,922) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2017 is calculated based on the weighted-average number of common shares for the fiscal year ended November 30, 2016.

Qualitative Information on Consolidated Financial Results for the Nine Months (3Q) Period

(1) Financial Results

Consolidated net sales increased 1.3% to 115,069 million yen (US\$ 1,042,108 thousand) and operating income was up 30.0% to 2,611 million yen (US\$ 23,649 thousand), comparing to the same period of the last fiscal year. Performance of industrial equipment division boosted, and furthermore, several major items of selling and general administration expenses (SGAE) decreased such as amortization of goodwill and compensation for directors and upper management.

Ordinary income increased 12.1% to 1,201 million yen (US\$ 10,881 thousand) in comparison with the same period of the prior fiscal year, despite of recognition of foreign exchange losses (573 million yen) along with depreciations of the emerging currencies such as BRL, RUB, MXN and CNY.

Net income amounted to 2,575 million yen (US\$ 23,327 thousand), while net loss of 2,954 million yen was recorded in the last year' same period. The main reason of the profit surge was gain on sales of investment securities as 1,939 million yen, whereas we reviewed our policy of cross-shareholding to comply with the Japanese corporate governance code, and sold a part of cross-held investment securities. This is also the sake of improving our financial position and capital efficiency. In addition, we saw significant decrease of tax expenses as we recorded deferred tax assets of 1,823 million yen, along with a resolution by board of directors of U-Shin Ltd. to liquidate a US subsidiary.

(2) Operating Performance by Segment

(Automotive Division)

Net sales decreased 1.1% to 95,682 million yen (US\$ 866,532 thousand), and operating income decreased 5.9% to 1,877 million yen (US\$ 17,004 thousand) year-on-year.

Performances of Japanese sites were steadily on-going. For China, demands from Japanese OEMs' increased, while demands from Euro-American customers were in a slump. In Europe, sales and profit was below our mid-term plan. Along with the plan, we are intensifying efforts to improve performance, though it is still taking time to birth the effects. In Americas region, we saw a recovery in Brazil, while sales and profit of US and Mexican sites declined.

(Industrial Equipment Division)

Net sales increased 16.5% to 17,565 million yen (US\$ 159,076 thousand) and operating income increased 23.0% to 2,233 million yen (US\$ 20,229 thousand) year-on-year.

The boost was mainly due to last-minute demands before tightening up the regulation of exhaust gas for industrial equipment in Japan. Also a recovery was seen in Chinese and ASEAN market, and, moreover, in the North America our strong field of small and compact equipment market grew.

(Home Security Units Division)

Being almost equal to the same period of the last fiscal year, net sales increased 2.9% to 1,821 million yen (US\$ 16,499 thousand) and operating income decreased 0.4% to 97 million yen (US\$ 879 thousand).

(3) Financial Position

At the third quarter-end on August 31, 2017, total assets stood at 141,569 million yen (US\$ 1,282,102 thousand), decrease of 1,725 million yen compared to the end of the previous fiscal year-end. The main reason was a decrease of cash and deposits due to scheduled payments of bank loans and trade accounts payable. Along with an expansion of working capital, accounts receivable and inventories increased. For fixed assets, tangible assets increased as the new plant construction was in progress at Wuxi in China.

Total liabilities decreased by 7,747 million yen to 113,299 million yen (US\$ 1,026,078 thousand), primarily due to decrease of interest-bearing debts by way of scheduled repayments and conversion of convertible bonds (CB) to stocks.

Total net assets increased by 6,021 million yen to 28,270 million yen (US\$ 256,023 thousand). The reasons were an increase of shareholders' equity (4,703 million yen) by recording the net profit of the quarter (2,575 million yen), capital stock and capital surplus increase (2,130 million yen) due to stock conversion of CB and an increase of foreign currency translation adjustments (1,298 million yen) from an appreciation of JPY.

With all the above factors, as total assets decrease and net assets increase, the ratio of net assets against total assets improved by 4.4 points to 20.0% comparing to the previous fiscal year-end.

(4) Forecast for the FY2017 (December 2016 – December 2017)

No revision has been made to the forecasts announced on January 13, 2017.

Matters Regarding Summary Information (Notes)

(1) Change in important subsidiaries during the period: None.

Although, it is not eligible for the change of specified subsidiary, U-SHIN MANUFACTURING (Wuxi) CO., LTD. was added to the scope of consolidation from the accounting period of the first quarter.

(2) Change of consolidated closing date

Changed to December 31 from this fiscal year. (It was previously November 30).

Thus, the FY2017 will span 13 months period from December 1, 2016 through December 31, 2017. The accounting period is three months each from the first to third quarter (ended on February 28, May 31, and August 31 respectively), and the fourth quarter is four months period (from September 1 through December 31, 2017) during the FY2017.

Accordingly, we have changed the closing date to December 31 for six consolidated subsidiaries that previously had a closing date at November 30.

Regarding U-SHIN EUROPE LTD. whose closing date was September 30, it is consolidated for eleven months from October 1, 2016 through August 31, 2017 with this change.

With above changes, closing date of U-Shin Ltd. and all consolidated subsidiaries was unified to December 31.

(3) Maturity of convertible bond (CB)

Regarding the convertible bond of maturity in 2017, 3,900 million yen out of total issued amount of 4,000 million yen was converted to the common stocks, and the remaining 100 million yen was redeemed at maturity on September 19, 2017.

Consolidated Balance Sheet

(Millions of yen)

| | As of November 30, 2016 | As of August 31, 2017 |
|---|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 36,322 | 32,516 |
| Notes and accounts receivable - trade | 24,502 | 23,200 |
| Electronically recorded monetary claims - operating | 1,997 | 4,793 |
| Merchandise and finished goods | 7,785 | 7,324 |
| Work in process | 2,419 | 2,677 |
| Raw materials and supplies | 7,300 | 7,997 |
| Other | 5,952 | 6,124 |
| Allowance for doubtful accounts | (624) | (719) |
| Total current assets | 85,654 | 83,916 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 12,782 | 12,699 |
| Machinery, equipment and vehicles, net | 10,402 | 11,071 |
| Tools, furniture and fixtures, net | 4,625 | 4,189 |
| Land | 8,614 | 8,730 |
| Construction in progress | 2,495 | 4,270 |
| Total property, plant and equipment | 38,921 | 40,961 |
| Intangible assets | 1,449 | 1,212 |
| Investments and other assets | | |
| Investment securities | 12,862 | 12,069 |
| Other | 4,464 | 3,480 |
| Allowance for doubtful accounts | (83) | (83) |
| Total investments and other assets | 17,243 | 15,466 |
| Total non-current assets | 57,615 | 57,639 |
| Deferred assets | 26 | 13 |
| Total assets | 143,295 | 141,569 |

(Millions of yen)

| | As of November 30, 2016 | As of August 31, 2017 |
|---|-------------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 21,962 | 22,100 |
| Electronically recorded obligations - operating | 7,120 | 6,883 |
| Short-term loans payable | 12,621 | 18,452 |
| Current portion of bonds | 3,524 | 7,377 |
| Current portion of long-term loans payable | 13,110 | 11,420 |
| Accounts payable - other | 4,782 | 4,055 |
| Income taxes payable | 851 | 1,044 |
| Provision for bonuses | 793 | 1,187 |
| Provision for directors' bonuses | 1 | 5 |
| Provision for product warranties | 1,329 | 453 |
| Other provision | 1,941 | 1,658 |
| Other | 12,974 | 12,150 |
| Total current liabilities | 81,013 | 86,790 |
| Non-current liabilities | | |
| Bonds payable | 7,104 | 300 |
| Long-term loans payable | 24,566 | 20,584 |
| Other provision | 550 | 480 |
| Net defined benefit liability | 3,199 | 3,389 |
| Other | 4,612 | 1,755 |
| Total non-current liabilities | 40,033 | 26,508 |
| Total liabilities | 121,046 | 113,299 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 13,062 | 14,128 |
| Capital surplus | 13,168 | 14,233 |
| Retained earnings | (5,276) | (2,704) |
| Treasury stock | (513) | (513) |
| Total shareholders' equity | 20,440 | 25,144 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 4,050 | 4,210 |
| Deferred gains or losses on hedges | (157) | (158) |
| Foreign currency translation adjustments | (3,575) | (2,277) |
| Remeasurements of defined benefit plans | (115) | (110) |
| Total accumulated other comprehensive income | 201 | 1,664 |
| Subscription rights to shares | 1,572 | 1,427 |
| Non-controlling interests | 33 | 33 |
| Total net assets | 22,248 | 28,270 |
| Total liabilities and net assets | 143,295 | 141,569 |

Consolidated Statement of Operations

(Millions of yen)

| | Nine months ended August 31, 2016 | Nine months ended August 31, 2017 |
|--|--------------------------------------|--------------------------------------|
| Net sales | 113,569 | 115,069 |
| Cost of sales | 101,991 | 103,440 |
| Gross profit | 11,578 | 11,629 |
| Selling, general and administrative expenses | 9,570 | 9,018 |
| Operating income | 2,008 | 2,611 |
| Non-operating income | | |
| Interest and dividend income | 332 | 340 |
| Foreign exchange gains | 158 | — |
| Other | 120 | 113 |
| Total non-operating income | 611 | 454 |
| Non-operating expenses | | |
| Interest expenses | 549 | 414 |
| Commitment line fee | 311 | 221 |
| Foreign exchange losses | — | 573 |
| Amortization of bond with warrants | 250 | 234 |
| Other | 436 | 420 |
| Total non-operating expenses | 1,548 | 1,864 |
| Ordinary income | 1,071 | 1,201 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 57 |
| Gain on sales of investment securities | 29 | 1,939 |
| Insurance income | 121 | 17 |
| Other | — | 9 |
| Total extraordinary income | 151 | 2,023 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 15 | 17 |
| Loss on product warranties | 1,026 | 285 |
| Provision for business structure improvement | 135 | 129 |
| Settlement payment | 1,764 | — |
| Other | 27 | 51 |
| Total extraordinary losses | 2,969 | 483 |
| Profit (loss) before income taxes | (1,746) | 2,741 |
| Income taxes – current | 964 | 1,853 |
| Income taxes – deferred | 243 | (1,687) |
| Total income taxes | 1,208 | 166 |
| Profit (loss) | (2,955) | 2,575 |
| Loss attributable to non-controlling interests | (0) | (0) |
| Profit (loss) attributable to owners of parent | (2,954) | 2,575 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Nine months ended August 31, 2016 | Nine months ended August 31, 2017 |
|---|--------------------------------------|--------------------------------------|
| Profit (loss) | (2,955) | 2,575 |
| Other comprehensive income | | |
| Unrealized gain on available-for-sale securities | (1,320) | 160 |
| Deferred gains or losses on hedges | (55) | (1) |
| Foreign currency translation adjustments | (5,413) | 1,299 |
| Remeasurements of defined benefit plans, net of tax | 13 | 5 |
| Total other comprehensive income | (6,776) | 1,463 |
| Comprehensive income | (9,731) | 4,038 |
| Comprehensive income attributable to | | |
| Owners of parent | (9,725) | 4,038 |
| Non-controlling interests | (5) | 0 |