

U-SHIN LTD. Consolidated Financial Results for the six months (2Q) ended May 31, 2016

Tokyo, July 12, 2016 - U-SHIN LTD. announced its consolidated financial results for the six months (2Q) ended May 31, 2016 of the fiscal year ending November 30, 2016. The following summary of the business results that U-SHIN LTD. submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 6985)

Consolidated Operating Results

	Six months (2Q) ended May 31				
	FY 2015		FY 2016		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 82,494	7.7	¥ 78,070	(5.4)	\$ 703,719
Operating Income	1,966	86.7	1,277	(35.0)	11,515
Ordinary Income	664	451.2	296	(55.4)	2,672
Profit (Loss) attributable to owners of parent	156	-	(1,646)	-	(14,842)
Net Income (Loss) per share	JPY		JPY		US\$
Basic Net Income (Loss)	¥ 5.93		¥ (59.42)		\$ (0.53)
Diluted Net Income	5.87		-		-

Consolidated Financial Position

	November 30,	May 31, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 153,335	¥ 149,110	\$ 1,344,065
Net Assets	37,343	31,106	280,393
Equity ratio	23.3%	19.8%	19.8%

Cash Dividends

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

Segment Information

Net sales	Six months (2Q) ended May 31		
	FY 2015	FY 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 70,713	¥ 66,876	\$ 602,817
Industrial Equipment	10,601	9,987	90,027
Home Security Units	1,179	1,206	10,874
Consolidated	82,494	78,070	703,719

Operating Income	Six months (2Q) ended May 31		
	FY 2015	FY 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 1,952	¥ 1,241	\$ 11,189
Industrial Equipment	1,288	1,213	10,937
Home Security Units	64	83	753
Reconciliations	(1,339)	(1,260)	(11,364)
Consolidated	1,966	1,277	11,515

Forecast of Consolidated Results for FY2016 (December 1, 2015 through November 30, 2016)

	Fiscal year ending November 30, 2016	
	JPY in millions	US\$ in thousands
Net Sales	¥160,000	\$ 1,442,221
Operating Income	4,000	36,055
Ordinary Income	2,000	18,027
Profit attributable to owners of parent	0	0

Reference: Net income per share forecast

¥0.00

Notes:

1. US\$ amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 110.94 to US\$ 1, the approximate exchange rate prevailing on May 31, 2016. Such translation should not be construed as representations that JPY amounts could be converted into US\$ at that or any other rate.
2. Amounts are rounded down to the nearest million yen or thousand US\$.
3. "Reconciliations" of segment income for the six months ended May 31, 2016 of (1,260) million yen includes intersegment eliminations of 13 million yen and corporate expenses of (1,274) million yen.
"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.
4. Net income per share of Forecast of Consolidated Results for FY2016 is calculated based on the weighted-average number of common shares for the six months ended May 31, 2016.

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

(1) Financial Results

Consolidated net sales decreased 5.4% to 78.070 billion yen (US\$ 703.719 million), and operating income decreased 35.0% to 1.277 billion yen (US\$ 11.515 million) compared to the corresponding period of the previous fiscal year. As for automotive division, production and sales in Japan, China, United States and Mexico region were mostly steady. On the other hand in Europe region, they increased such costs as quality problem, start-up new products and R&D. Brazil site was affected by the economic recession. Industrial equipment division was impacted from a fall in the resource prices and economic slowdown in China. Due to the depreciation of euro, yuan and emerging currencies, overseas sales and profits reduced after converted in yen. As a result, consolidated performance became to decrease of sales and profits comparing to the last year.

Ordinary income decreased 55.4% to 0.296 billion yen (US\$ 2.672 million) compared to the same period of the previous fiscal year. This is reflected by improvement of non-operating income through decreasing foreign exchange losses.

Loss attributable to owners of parent became to 1.646 billion yen (US\$ 14.842 million) (Profit of 0.156 billion yen in the same period of the last year). This is caused by recording extraordinary loss of 0.903 billion yen in relation to defective products at the subsidiary in Europe.

(2) Operating Performance by Segment

Automotive Division

Net sales decreased 5.4% to 66.876 billion yen (US\$ 602.817 million), and operating income decreased 36.4% to 1.241 billion yen (US\$ 11.189 million) year-on-year. As for sales, Japan, China, Thailand, United States and Mexico were mostly steady though, sales to some customers in Japan and Europe declined. As for costs, special factors increased such as managing fee for defective products in Slovakia site, temporary cost with the start of production of innovative product in Italy, and R&D cost in Germany site. Therefore, profit of Europe region was in downturn. In addition, market situation in Brazil continued to worsen significantly, and it is affecting that the performance of Brazil site went below our expectation, adding to the consumption slump along with the market sluggish and inflation.

Industrial Equipment Division

Net sales decreased 5.8% to 9.987 billion yen (US\$ 90.027 million), and operating income decreased 5.8% to 1.213 billion yen (US\$ 10.937 million) year-on-year. Sales towards to construction machine and machine tools have not grown because of the impact from a fall in the resource prices and economic slowdown in China.

Home Security Units Division

Net sales increased 2.3% to 1.206 billion yen (US\$ 10.874 million), and operating income increased 29.7% to 0.083 billion yen (US\$ 0.753 million) year-on-year, approximately equal to the last year.

(3) Financial Position

At the first half end, on May 31, 2016, total assets stood at 149.110 billion yen (US\$ 1,344.065 million), decrease of 4.224 billion yen compared to the end of the previous fiscal year. Main reason was decrease of accounts receivable and inventories, while cash and deposits balance increased. It is including the affection of foreign exchange translation with appreciation of yen. Fixed assets balance also decreased followed by normal depreciation.

Total liabilities increased by 2.012 billion yen to 118.003 billion yen (US\$ 1,063.671 million), compared to the end of the previous fiscal year. This was primarily due to increase of short-term loan.

Total net assets decreased by 6.237 billion yen to 31.106 billion yen (US\$ 280.393 million), compared to the end of the previous fiscal year. The main factor was due to decrease in retained earnings by recording loss attributable to owners of parent. In accordance to the stock and currency market was in downward direction, decrease of unrealized gain on available-for-sale securities and foreign currency translation adjustment was also one of the reasons.

(4) Cash Flows

Cash and cash equivalents at the first half end, on May 31, 2016 were 30.765 billion yen (US\$ 277.317 million), increase of 7.046 billion yen compared to the end of the previous fiscal year.

Net cash provided by operating activities was 8.734 billion yen (US\$ 78.729 million) (For the corresponding period of the previous fiscal year, 4.578 billion yen was provided). This is mainly from the compression of working capital along with decrease in accounts receivable and inventories.

Net cash used in investing activities was 3.936 billion yen (US\$ 35.485 million) (For the corresponding period of the previous fiscal year, 4.518 billion yen was used). This was primarily due to the acquisition of fixed assets derived from capital investment in Europe, China, and Japan.

Net cash provided by financing activities was 3.660 billion yen (US\$ 32.994 million) (For the corresponding period of the previous fiscal year, 5.032 billion yen was used). While repaying long-term loan and bond, we increased short-term loan with taking into account of the interest market movement.

(5) Forecast for FY2016 (December 2015 – November 2016)

We have revised the full-year forecast basis on the consolidated performance for the first half went below the forecast which was announced on January 14, 2016. Please refer to the announcement on July 12, 2016, “Notice regarding difference between Q2 forecast and actual and revision of full-year forecast, and dividends from surplus and revision of dividends forecast” for more details. (This announcement is only available in Japanese)

Reason of Revision: as for dividends

① Suspension of Interim Dividend

As following our basic policy that we improve substantial internal reserves and continue stable dividends corresponding to our performance, we have continued to pay dividend of 10 yen per share annually (i.e., Interim: 5 yen, Year-end: 5 yen).

With purchase and retirement of treasury stock, we manage to improve shareholders' value. Shareholder special benefit plan also have been implemented and expanded since 2013.

While we have planned to pay dividend at 10 yen annually, 5 yen for interim and 5 yen at year-end, net loss for the first half of FY2016 became to 1.646 billion yen (US\$ 14.842 million).

We are prospecting that net profit will be even for FY2016; however, it could be influenced by the macroeconomic environment and the uncertainty of automobile industry. Due to such reasons, we are afraid that we postpone the interim dividend in order to examine the performance for the second half of FY2016.

② Year-end Dividend

Currently, the year-end dividend for FY2016 is planned to pay at 10 yen per share, and it will be 10 yen per share annually same as past year. Shareholder special benefit is also planned as well.

③ New Policies Along with our Globalization

As a global company that 70% of sales is dominated in overseas, we adopt the following policies to introduce the international standards, and to perform appropriate distribution to our stockholders.

1. Our all group companies will unify accounting period ending December from FY2017. This is to integrate and optimize our global business management.
2. We accelerate to adopt the IFRS to unify group's accounting standards, and enhance convenience of performance comparison for investors.
3. Under the circumstances of increasing the uncertainty of our business, we intend to pay continuous and steady dividend corresponding to our performance and enhance the optimized balance of internal reserves.

Consolidated Balance Sheet

(Millions of Yen)

	November 30, 2015	May 31, 2016
Assets		
Current assets		
Cash and deposits	23,719	31,775
Notes and accounts receivable - trade	29,929	26,752
Electronically recorded monetary claims - operating	3,325	1,329
Merchandise and finished goods	8,365	7,558
Work in process	2,402	2,409
Raw materials and supplies	8,735	7,858
Other	5,638	6,782
Allowance for doubtful accounts	(625)	(617)
Total current assets	81,490	83,849
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,894	13,514
Machinery, equipment and vehicles, net	12,655	11,446
Tools, furniture and fixtures, net	5,610	5,020
Land	9,127	8,996
Construction in progress	2,695	2,250
Total property, plant and equipment	44,984	41,229
Intangible assets		
Goodwill	6,425	5,941
Other	2,778	2,253
Total intangible assets	9,204	8,195
Investments and other assets		
Investment securities	13,879	12,203
Other	3,804	3,679
Allowance for doubtful accounts	(75)	(84)
Total investments and other assets	17,608	15,799
Total non-current assets	71,796	65,224
Deferred assets	47	36
Total assets	153,335	149,110

(Millions of Yen)

	November 30, 2015	May 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,036	21,520
Electronically recorded obligations - operating	7,200	6,869
Short-term loans payable	3,332	7,077
Current portion of bonds	400	1,400
Current portion of long-term loans payable	15,377	18,315
Accounts payable - other	4,059	3,490
Income taxes payable	1,205	1,117
Provision for bonuses	921	1,284
Provision for directors' bonuses	1	8
Provision for product warranties	961	1,683
Other provision	2,223	2,125
Other	9,413	8,993
Total current liabilities	67,134	73,886
Non-current liabilities		
Bonds payable	10,344	9,311
Long-term loans payable	29,175	26,581
Other provision	364	389
Net defined benefit liability	3,207	3,180
Other	5,764	4,653
Total non-current liabilities	48,856	44,117
Total liabilities	115,991	118,003
Net assets		
Shareholders' equity		
Capital stock	13,036	13,036
Capital surplus	13,142	13,142
Retained earnings	4,521	2,736
Treasury stock	(513)	(513)
Total shareholders' equity	30,187	28,402
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,570	3,516
Deferred gains or losses on hedges	(122)	(170)
Foreign currency translation adjustments	1,194	(2,159)
Remeasurements of defined benefit plans	(101)	(93)
Total accumulated other comprehensive income	5,541	1,092
Subscription rights to shares	1,575	1,575
Non-controlling interests	39	36
Total net assets	37,343	31,106
Total liabilities and net assets	153,335	149,110

Consolidated Statement of Operations

(Millions of Yen)

	FY2015 (Six months ended May 31, 2015)	FY2016 (Six months ended May 31, 2016)
Net sales	82,494	78,070
Cost of sales	73,938	70,221
Gross profit	8,555	7,849
Selling, general and administrative expenses	6,589	6,571
Operating income	1,966	1,277
Non-operating income		
Interest and dividend income	274	244
Currency swap income	1,718	—
Other	189	76
Total non-operating income	2,182	320
Non-operating expenses		
Interest expenses	494	384
Commitment line fee	255	312
Foreign exchange losses	2,139	205
Amortization of bond with warrants	166	166
Other	428	232
Total non-operating expenses	3,484	1,301
Ordinary income	664	296
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on sales of investment securities	301	3
Insurance income	18	119
Total extraordinary income	327	122
Extraordinary losses		
Loss on sales and retirement of non-current assets	17	14
Loss on product warranties	269	989
Other	49	136
Total extraordinary losses	335	1,140
Income (loss) before income taxes and minority interests	655	(720)
Income taxes - current	606	746
Income taxes - deferred	(109)	179
Total income taxes	497	926
Profit (loss)	158	(1,646)
Profit (loss) attributable to non-controlling interests	2	(0)
Profit (loss) attributable to owners of parent	156	(1,646)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY2015 (Six months ended May 31, 2015)	FY2016 (Six months ended May 31, 2016)
Profit (loss)	158	(1,646)
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,118	(1,054)
Deferred gains or losses on hedges	(101)	(48)
Foreign currency translation adjustments	(1,166)	(3,357)
Remeasurements of defined benefit plans, net of tax	(178)	8
Total other comprehensive income	(327)	(4,451)
Comprehensive income	(168)	(6,098)
Comprehensive income attributable to		
Owners of parent	(169)	(6,095)
Non-controlling interests	1	(3)

Consolidated Statement of Cash Flows

(Millions of Yen)

	FY2015 (Six months ended May 31, 2015)	FY2016 (Six months ended May 31, 2016)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	655	(720)
Depreciation	4,470	3,941
Amortization of goodwill	192	180
Increase (decrease) in provision	(481)	1,285
Currency swap revenue	(1,718)	—
Foreign exchange losses (gains)	705	1,457
Loss (gain) on sales and retirement of non-current assets	10	13
Decrease (increase) in notes and accounts receivable - trade	1,547	3,711
Decrease (increase) in inventories	(197)	480
Increase (decrease) in notes and accounts payable - trade	(1,374)	584
Increase (decrease) in deposits received	1,228	(134)
Other, net	712	(811)
Subtotal	5,752	9,988
Interest and dividend income received	254	198
Interest expenses paid	(508)	(356)
Income taxes (paid) refund	(920)	(1,096)
Net cash provided by (used in) operating activities	4,578	8,734
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,505)	(2,214)
Purchase of intangible assets	(515)	(396)
Proceeds from sales of property, plant and equipment	261	69
Purchase of investment securities	(982)	(15)
Proceeds from sales of investment securities	422	12
Payments for investments in capital of subsidiaries and associates	—	(338)
Payments into time deposits	—	(1,052)
Other, net	(198)	(1)
Net cash provided by (used in) investing activities	(4,518)	(3,936)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	281	3,800
Proceeds from long-term loans payable	13,770	5,900
Repayments of long-term loans payable	(18,448)	(5,555)
Redemption of bonds	(200)	(200)
Purchase of treasury stock	(899)	—
Cash dividends paid	(133)	(121)
Other, net	597	(163)
Net cash provided by (used in) financing activities	(5,032)	3,660
Effect of exchange rate change on cash and cash equivalents	(369)	(1,411)
Net increase (decrease) in cash and cash equivalents	(5,342)	7,046
Cash and cash equivalents at beginning of period	27,414	23,719
Cash and cash equivalents at end of period	22,072	30,765