

## U-SHIN LTD. Consolidated Financial Results for the three months (1Q) ended February 29, 2016

Tokyo, April 12, 2016 - U-SHIN LTD. announced its consolidated financial results for the three months (1Q) ended February 29, 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

	Three months (1Q) ended				
	February 28, 2015		February 29, 2016		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	40,170	9.5	38,305	(4.6)	337,134
Operating Income	830	-	485	(41.6)	4,270
Ordinary Loss	(445)	-	(571)	-	(5,026)
Loss attributable to owners of parent	(632)	-	(1,896)	-	(16,690)
Net Loss per share	JPY		JPY		US\$
Basic Net Loss	¥ (23.69)		¥ (68.43)		\$ (0.60)
Diluted Net Income	-		-		-

### Consolidated Financial Position

	November 30, 2015	February 29, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	153,335	143,940	1,266,862
Net Assets	37,343	30,881	271,793
Equity ratio	23.3%	20.3%	20.3%

### Cash Dividends

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

### Segment Information

Net sales	Three months (1Q) ended		
	February 28, 2015	February 29, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	34,476	32,952	290,025
Industrial Equipment	5,099	4,750	41,811
Home Security Units	595	601	5,296
Consolidated	40,170	38,305	337,134

Operating Income	Three months (1Q) ended		
	February 28, 2015	February 29, 2016	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	855	578	5,091
Industrial Equipment	583	561	4,944
Home Security Units	36	36	317
Reconciliations	(645)	(691)	(6,083)
Consolidated	830	485	4,270

#### 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	1,408,202
Operating Income	5,000	44,006
Ordinary Income	3,000	26,403
Profit attributable to owners of parent	2,000	17,602

Reference: Net income per share forecast

¥72.17

#### Notes:

1. US\$ amounts are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 113.62 to US\$ 1, the approximate exchange rate prevailing on February 29, 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 three months ended February 29, 2016 of (691) million yen includes intersegment eliminations of (5) million yen and corporate expenses of (685) million yen. "Reconciliations" of segment income for the three months ended February 28, 2015 of (645) million yen includes intersegment eliminations of 53 million yen and corporate expenses of (698) 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 three months ended February 29, 2016.

## **Qualitative Information on Consolidated Results for the Three Months (1Q) Period**

### **(1) Financial Results**

Consolidated net sales decreased 4.6% to 38.305 billion yen (US\$ 337.134 million) and operating income decreased 41.6% to 0.485 billion yen (US\$ 4.270 million) compared to the corresponding period of the previous fiscal year. Production and sales oriented towards the Japanese main customers have been sustaining favorably, and overseas subsidiaries such as China, Thailand, and Mexico could also achieved steady production and sales. On the other hand, subsidiary in South America was affected by the local economic downturn. Due to the decline of production efficiency and the sales slowdown for some customers, European subsidiaries had a reduction of sales and income after converted in yen. Additionally, it was also caused by the depreciation of euro. As a result, consolidated performance became to decrease of sales and profits comparing to the last year.

In spite of non-operating income was improved by decreasing foreign exchange losses, we recognized ordinary loss of 0.571 billion yen (US\$ 5.026 million) (Loss of 0.445 billion yen in the same period of the previous fiscal year). This was primarily due to the decrease of operating income from the above reasons.

In case of future potential costs related to replacing defective products, loss on product warranties of 0.923 billion yen was recorded as extraordinary loss. Consequently, loss attributable to owners of parent became to 1.896 billion yen (US\$ 16.690 million) (Loss of 0.632 billion yen in the first quarter of the last year).

### **(2) Operating Performance by Segment**

#### **Automotive Division**

Net sales decreased 4.4% to 32.952 billion yen (US\$ 290.025 million), and operating income decreased 32.4% to 0.578 billion yen (US\$ 5.091 million) year-on-year. This was because of decrease in sales at subsidiaries in South America and Europe.

#### **Industrial Equipment Division**

Sales towards to construction machine and machine tools have not grown. Accordingly, net sales decreased 6.8% to 4.750 billion yen (US\$ 41.811 million), and operating income decreased 3.8% to 0.561 billion yen (US\$ 4.944 million) year-on-year.

#### **Home Security Units Division**

Net sales increased 1.1% to 0.601 billion yen (US\$ 5.296 million), and operating income decreased 1.7% to 0.036 billion yen (US\$ 0.317 million) year-on-year, approximately equal to the last year.

### **(3) Financial Position**

As of February 29, 2016, total assets stood at 143.940 billion yen (US\$ 1,266.862 million), a decrease of 9.394 billion yen compared to the end of the previous fiscal year. This was primarily due to decrease of accounts receivable and inventories with depreciation of euro. In addition, fixed assets balance decreased as a result of depreciation.

Total liabilities decreased by 2.931 billion yen compared to the end of the previous fiscal year to 113.059 billion yen (US\$ 995.069 million). This was primarily due to decrease of operating obligations such as accounts payable.

Total net assets decreased by 6.462 billion yen compared to the end of the previous fiscal year to 30.881 billion yen (US\$ 271.793 million). The main factor was decrease of unrealized gain on available-for-sale securities

and foreign currency translation adjustment because of stock and currency market fluctuations. Decrease in retained earnings due to recording loss attributable to owners of parent was also one of the reasons to decrease net assets.

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

Due to the loss on product warranties was recorded as extraordinary loss, we have changed the forecasts of 2Q which was announced on January 14, 2016 at “U-SHIN LTD. Consolidated Financial Results for the year ended November 30, 2015.” No revision has been made to the forecasts for the full year. Please refer to the announcement on April 12, 2016, “Notice Regarding the Occurrence of Extraordinary Loss and Modification on the Forecasts for 2Q” for more details (This announcement is only available in Japanese).

**Consolidated Balance Sheet**

(Millions of Yen)

	November 30, 2015	February 29, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	23,719	23,800
Notes and accounts receivable - trade	29,929	27,497
Electronically recorded monetary claims - operating	3,325	2,990
Merchandise and finished goods	8,365	7,713
Work in process	2,402	2,280
Raw materials and supplies	8,735	8,267
Other	5,638	6,223
Allowance for doubtful accounts	(625)	(634)
<b>Total current assets</b>	<b>81,490</b>	<b>78,138</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,894	13,891
Machinery, equipment and vehicles, net	12,655	11,989
Tools, furniture and fixtures, net	5,610	5,230
Land	9,127	8,992
Construction in progress	2,695	2,270
<b>Total property, plant and equipment</b>	<b>44,984</b>	<b>42,375</b>
Intangible assets		
Goodwill	6,425	6,052
Other	2,778	2,469
<b>Total intangible assets</b>	<b>9,204</b>	<b>8,521</b>
Investments and other assets		
Investment securities	13,879	11,194
Other	3,804	3,743
Allowance for doubtful accounts	(75)	(74)
<b>Total investments and other assets</b>	<b>17,608</b>	<b>14,863</b>
<b>Total non-current assets</b>	<b>71,796</b>	<b>65,760</b>
Deferred assets	47	42
<b>Total assets</b>	<b>153,335</b>	<b>143,940</b>

(Millions of Yen)

	November 30, 2015	February 29, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,036	21,666
Electronically recorded obligations - operating	7,200	6,643
Short-term loans payable	3,332	3,299
Current portion of bonds	400	400
Current portion of long-term loans payable	15,377	18,285
Accounts payable - other	4,059	3,190
Income taxes payable	1,205	1,126
Provision for bonuses	921	964
Provision for directors' bonuses	1	4
Provision for products warranties	961	1,726
Other provision	2,223	2,091
Other	9,413	8,282
Total current liabilities	67,134	67,682
Non-current liabilities		
Bonds payable	10,344	10,427
Long-term loans payable	29,175	26,880
Other provision	364	369
Net defined benefit liability	3,207	3,157
Other	5,764	4,542
Total non-current liabilities	48,856	45,377
Total liabilities	115,991	113,059
Net assets		
Shareholders' equity		
Capital stock	13,036	13,036
Capital surplus	13,142	13,142
Retained earnings	4,521	2,486
Treasury stock	(513)	(513)
Total shareholders' equity	30,187	28,152
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,570	2,754
Deferred gains or losses on hedges	(122)	(176)
Foreign currency translation adjustments	1,194	(1,363)
Remeasurements of defined benefit plans	(101)	(97)
Total accumulated other comprehensive income	5,541	1,116
Subscription rights to shares	1,575	1,575
Non-controlling interests	39	37
Total net assets	37,343	30,881
Total liabilities and net assets	153,335	143,940

**Consolidated Statement of Operations**

(Millions of Yen)

	FY2015 (Three months ended February 28, 2015)	FY2016 (Three months ended February 29, 2016)
Net sales	40,170	38,305
Cost of sales	36,077	34,440
Gross profit	4,093	3,864
Selling, general and administrative expenses	3,262	3,379
Operating income	830	485
Non-operating income		
Interest and dividend income	73	71
Currency swap income	1,366	—
Other	30	31
Total non-operating income	1,470	102
Non-operating expenses		
Interest expenses	274	193
Commitment line fee	249	305
Foreign exchange losses	1,747	390
Amortization of bond with warrants	94	82
Other	381	187
Total non-operating expenses	2,746	1,158
Ordinary loss	(445)	(571)
Extraordinary income		
Gain on sales of non-current assets	6	0
Other	1	1
Total extraordinary income	7	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	10	3
Loss on product warranties	269	923
Other	—	135
Total extraordinary losses	279	1,061
Loss before income taxes and minority interests	(717)	(1,631)
Income taxes - current	343	360
Income taxes - deferred	(430)	(95)
Total income taxes	(86)	264
Loss	(631)	(1,896)
Profit attributable to non-controlling interests	1	0
Loss attributable to owners of parent	(632)	(1,896)

**Consolidated Statement of Comprehensive Income**

(Millions of Yen)

	FY2015 (Three months ended February 28, 2015)	FY2016 (Three months ended February 29, 2016)
Loss	(631)	(1,896)
Other comprehensive income		
Unrealized gain on available-for-sale securities	530	(1,816)
Deferred gains or losses on hedges	—	(54)
Foreign currency translation adjustments	(1,141)	(2,561)
Remeasurements of defined benefit plans, net of tax	(180)	4
Total other comprehensive income	(791)	(4,428)
Comprehensive income	(1,423)	(6,324)
Comprehensive income attributable to		
Owners of parent	(1,422)	(6,321)
Non-controlling interests	(0)	(2)