

U-Shin Ltd. Consolidated Financial Results for the six months (2Q) ended June 30, 2018

Tokyo, August 10, 2018 - U-Shin Ltd. announced its consolidated financial results for the six months (2Q) ended June 30, 2018 of the fiscal year ending December 31, 2018. Also August 10, 2018, U-Shin Ltd. submitted its quarterly consolidated 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

	Six months (2Q) ended				
	May 31, 2017		June 30, 2018		
	JPY in millions	YoY %	JPY in millions	YoY %	US\$ in thousands
Net Sales	¥ 77,507	(0.7)	¥ 80,013	-	\$ 723,844
Operating Income	1,951	52.7	3,714	-	33,603
Ordinary Income	1,162	292.1	2,750	-	24,881
Profit Attributable to Owners of Parent	6	-	1,404	-	12,705
Net Income per share	JPY		JPY		US\$
Basic Net Income	¥ 0.24		¥ 44.39		\$ 0.40
Diluted Net Income	0.24		-		-

*Along with a change of accounting period to December 31 from November 30 at the fiscal year ended December 31, 2017, the comparing period (from December 1, 2016 through May 31, 2017) is different for this second quarter. Therefore, percentage changes from the same period of previous fiscal year are not shown.

Consolidated Financial Position

	December 31, 2017	June 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Total Assets	¥ 137,592	¥ 131,842	\$ 1,192,711
Net Assets	31,217	30,971	280,183
Equity Ratio	21.7%	22.5%	22.5%

Cash Dividends

	Cash dividends per share (JPY)				
	1Q	2Q	3Q	4Q	Annual
FY 2017	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2018	-	¥ 0.00			
FY 2018 (forecast)			-	¥ 0.00	¥ 0.00

Segment Information

Net sales	Six months (2Q) ended		
	May 31, 2017	June 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 64,795	¥ 66,433	\$ 600,991
Industrial Equipment	11,505	12,415	112,315
Home Security Units	1,206	1,164	10,537
Consolidated	77,507	80,013	723,844

Operating Income	Six months (2Q) ended		
	May 31, 2017	June 30, 2018	
	JPY in millions	JPY in millions	US\$ in thousands
Automotive	¥ 1,634	¥ 2,991	\$ 27,063
Industrial Equipment	1,424	1,725	15,610
Home Security Units	60	56	511
Reconciliations	(1,168)	(1,059)	(9,581)
Consolidated	1,951	3,714	33,603

Forecast of Consolidated Results for FY2018 (January 1, 2018 through December 31, 2018)

	Fiscal year ending December 31, 2018	
	JPY in millions	US\$ in thousands
Net Sales	¥153,000	\$ 1,384,114
Operating Income	5,200	47,041
Ordinary Income	3,600	32,567
Profit Attributable to Owners of Parent	3,500	31,662

Reference: Net income per share forecast

¥ 110.63

Forecast was revised upward based on the first half results and steady trend prospect on the second half.

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 110.54 to US\$ 1.00, the approximate exchange rate prevailing on June 30, 2018. 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 six months ended June 30, 2018 of (1,059) million yen includes intersegment eliminations of 3 million yen and corporate expenses of (1,063) million yen. "Reconciliations" of segment income for the six months ended May 31, 2017 of (1,168) million yen includes intersegment eliminations of (16) million yen and corporate expenses of (1,151) million yen.
4. Net income per share of Forecast of Consolidated Results for FY2018 is calculated based on the weighted-average number of common shares for the fiscal year ended December 31, 2017.

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

(1) Financial Results

Consolidated net sales increased 3.2% to 80,013 million yen (US\$ 723,844 thousand) and operating income increased 90.4% to 3,714 million yen (US\$ 33,603 thousand) comparing to the same period of the last fiscal year. This was resulted in the solid performance that has been continued in this fiscal year.

Ordinary income increased 136.6% to 2,750 million yen (US\$ 24,881 thousand) in comparison with the same period of the prior year. Although foreign exchange loss in non-operating expenses was recorded concerning with emerging currencies such as Brazilian Real, it was recovered by increase of operating income.

Net income amounted to 1,404 million yen (US\$ 12,705 thousand). (The same period of the last year was net income of 6 million yen.) Adding to the increase of ordinary income, gain on sales of investment securities was posted. Consequently, it recovered the loss on business structure improvement regarding the liquidate expenses of U.S. plant and reduction plan of fixed expenses in Brazil plant. In addition, it compensated tax expenses concerning to the intra-group trade of equity interest of Wuxi plant in China.

(2) Operating Performance by Segment

(Automotive Division)

Net sales increased 2.5% to 66,433 million yen (US\$ 600,991 thousand), and operating income increased 83.0% to 2,991 million yen (US\$ 27,063 thousand) year-on-year. This was due to steady moving with a focus on domestic market.

(Industrial Equipment Division)

Net sales increased 7.9% to 12,415 million yen (US\$ 112,315 thousand), and operating income increased 21.1% to 1,725 million yen (US\$ 15,610 thousand) year-on-year. Although there was a reversal of the last-minute demands before tightening up the regulation of exhaust gas for Japanese agricultural equipment in the last fiscal year, it was recovered by the favorable overseas results in agricultural equipment and construction machinery.

(Home Security Units Division)

Net sales decreased 3.5% to 1,164 million yen (US\$ 10,537 thousand), and operating income decreased 5.8% to 56 million yen (US\$ 511 thousand) year-on-year, approximately equal to the last year.

(3) Financial Position

At the second quarter-end on June 30, 2018, total assets stood at 131,842 million yen (US\$ 1,192,711 thousand), decrease of 5,750 million yen compared to the end of the previous fiscal year. Cash and deposits and operating receivable such as accounts receivable decreased as for current assets, and fixed assets decreased by selling investment securities.

Total liabilities decreased by 5,504 million yen to 100,870 million yen (US\$ 912,528 thousand) compared to the end of the previous fiscal year. This was primarily due to decrease of interest-bearing debt and operating payable such as accounts payable.

Total net assets decreased by 246 million yen to 30,971 million yen (US\$ 280,183 thousand) compared to the last fiscal year-end. While clearing off the accumulative loss with recording net

income, there was a decrease of unrealized gain on available-for-sale securities and foreign currency translation adjustments with fluctuation of stock and forex market.

(4) Cash Flows

The balance of cash and cash equivalents (hereinafter “Cash”) at this second quarter-end, on June 30, 2018 was 26,438 million yen (US\$ 239,179 thousand), increase of 1,881 million yen compared to the end of the previous fiscal year.

Net cash provided by operating activities was 5,995 million yen (US\$ 54,235 thousand) (For the previous fiscal year, 911 million yen was used). Payment of working capital, interest and corporate taxes etc. were covered by ordinary revenue along with operating activities.

Net cash used by investing activities was 451 million yen (US\$ 4,082 thousand) (For the previous fiscal year, 1,724 million yen was provided). While it was used for capital investment, there were proceeds from selling available-for-sale securities (1,341 million yen) and maturity of time deposits.

Net cash used in financing activities was 3,837 million yen (US\$ 34,718 thousand) (For the previous fiscal year, 2,963 million yen was used). Decrease of interest-bearing debt by scheduled payment was the main reason.

According to the accounting standard and accounting policy, we excluded the time deposits of over three years (3,141 million yen) from the beginning balance of cash in cash flows statement of which cash (27,699 million yen) in balance sheet at the end of the previous fiscal year. The time deposits were withdrawn along with coming to maturity date, thus it is included in proceeds from withdrawal of time deposits (3,105 million yen) at cash flows statement in this cumulative period of the second quarter.

This point is the main reason that cash decreased in balance sheet, whereas cash in cash flows statement increased 1,881 million yen in this cumulative period of the second quarter.

(5) Forecast for the Fiscal Year 2018

As in the above, both sales and profit increased for the first half consolidated results, and it is prospected that the steady trend will be continued also in the second half of the fiscal year. In addition, considering the effects from cutting down on fixed expenses in each sites in Europe, China and South America, we revised upward the forecast which was announced at the “Financial Results FY2018 1Q” on May 15, 2018.

Currently, it is under consideration regarding the impact to our performance caused by the heavy rainfall disaster in Japan on July 2018, we will announce promptly in case the revision of forecast is needed.

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	27,699	26,438
Notes and accounts receivable – trade	26,882	25,068
Electronically recorded monetary claims - operating	2,798	3,078
Merchandise and finished goods	7,467	7,123
Work in process	2,802	2,747
Raw materials and supplies	7,916	7,460
Other	5,686	6,671
Allowance for doubtful accounts	(761)	(623)
Total current assets	80,491	77,964
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,467	13,693
Machinery, equipment and vehicles, net	9,757	9,728
Tools, furniture and fixtures, net	4,125	3,272
Land	8,736	8,666
Construction in progress	5,623	4,598
Total property, plant and equipment	40,711	39,959
Intangible assets	1,212	1,020
Investments and other assets		
Investment securities	12,255	10,255
Other	2,993	2,720
Allowance for doubtful accounts	(83)	(83)
Total investments and other assets	15,165	12,891
Total non-current assets	57,089	53,871
Deferred assets	11	5
Total assets	137,592	131,842

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	23,158	20,799
Electronically recorded obligations - operating	6,823	7,052
Short-term loans payable	12,370	11,072
Current portion of bonds	6,632	6,763
Current portion of long-term loans payable	11,651	7,848
Provision for bonuses	767	1,559
Provision for product warranties	471	267
Other provision	1,471	1,530
Other	19,221	17,863
Total current liabilities	82,568	74,757
Non-current liabilities		
Long-term loans payable	18,543	20,765
Provision	448	483
Net defined benefit liability	3,373	3,248
Other	1,440	1,616
Total non-current liabilities	23,805	26,113
Total liabilities	106,374	100,870
Net assets		
Shareholders' equity		
Capital stock	14,546	14,546
Capital surplus	14,652	14,649
Retained earnings	(1,193)	210
Treasury stock	(513)	(513)
Total shareholders' equity	27,490	28,892
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,749	3,686
Deferred gains or losses on hedges	(150)	(148)
Foreign currency translation adjustments	(2,191)	(2,754)
Remeasurements of defined benefit plans	(39)	(47)
Total accumulated other comprehensive income	2,367	734
Subscription rights to shares	1,321	1,321
Non-controlling interests	37	22
Total net assets	31,217	30,971
Total liabilities and net assets	137,592	131,842

Consolidated Statement of Operations

(Millions of yen)

	Six months ended May 31, 2017	Six months ended June 30, 2018
Net sales	77,507	80,013
Cost of sales	69,440	70,362
Gross profit	8,067	9,651
Selling, general and administrative expenses	6,116	5,936
Operating profit	1,951	3,714
Non-operating income		
Interest and dividend income	266	254
Other	59	135
Total non-operating income	326	390
Non-operating expenses		
Interest expenses	279	214
Commitment line fee	215	243
Foreign exchange losses	293	489
Amortization of bond with warrants	158	130
Other	167	276
Total non-operating expenses	1,114	1,354
Ordinary profit	1,162	2,750
Extraordinary income		
Gain on sales of non-current assets	17	6
Gain on sales of investment securities	29	867
Other	—	17
Total extraordinary income	47	891
Extraordinary losses		
Loss on sales and retirement of non-current assets	15	6
Impairment loss	14	70
Loss on product warranties	233	105
Loss on business structure improvement	23	348
Other	35	26
Total extraordinary losses	323	558
Profit before income taxes	887	3,083
Income taxes - current	976	1,334
Income taxes - deferred	(95)	343
Total income taxes	881	1,677
Profit	5	1,406
Profit (loss) attributable to non-controlling interests	(1)	1
Profit attributable to owners of parent	6	1,404

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended May 31, 2017	Six months ended June 30, 2018
Profit	5	1,406
Other comprehensive income		
Unrealized gain on available-for-sale securities	975	(1,062)
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustments	528	(563)
Remeasurements of defined benefit plans, net of tax	5	(8)
Total other comprehensive income	1,510	(1,633)
Comprehensive income	1,516	(227)
Comprehensive income attributable to		
Owners of parent	1,516	(228)
Non-controlling interests	(0)	1

Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended May 31, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	887	3,083
Depreciation	3,381	3,258
Impairment loss	14	70
Amortization of bond with warrants	158	130
Increase (decrease) in provision	415	739
Interest and dividend income	(266)	(254)
Interest expenses	279	214
Foreign exchange losses (gains)	195	996
Loss (gain) on sales of investment securities	(29)	(867)
Loss (gain) on sales and retirement of non-current assets	(2)	0
Decrease (increase) in notes and accounts receivable - trade	(1,559)	736
Decrease (increase) in inventories	309	247
Increase (decrease) in notes and accounts payable - trade	(1,827)	(1,096)
Increase (decrease) in accounts payable - other	(804)	(1,159)
Increase (decrease) in deposits received	(38)	(101)
Other, net	(863)	406
Subtotal	250	6,405
Interest and dividend income received	165	259
Interest expenses paid	(283)	(214)
Income taxes (paid) refund	(1,044)	(455)
Net cash provided by (used in) operating activities	(911)	5,995
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,887)	(4,782)
Purchase of intangible assets	(149)	(251)
Proceeds from sales of property, plant and equipment	87	47
Purchase of investment securities	(1)	(2)
Proceeds from sales of investment securities	116	1,341
Proceeds from withdrawal of time deposits	4,526	3,105
Other, net	31	90
Net cash provided by (used in) investing activities	1,724	(451)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,491	(1,293)
Proceeds from long-term loans payable	2,500	5,960
Repayments of long-term loans payable	(8,445)	(7,541)
Redemption of bonds	(1,200)	(100)
Repayments of lease obligations	(253)	(818)
Other, net	(55)	(44)
Net cash provided by (used in) financing activities	(2,963)	(3,837)
Effect of exchange rate change on cash and cash equivalents	340	174
Net increase (decrease) in cash and cash equivalents	(1,811)	1,881
Cash and cash equivalents at beginning of period	31,845	24,557
Increase in cash and cash equivalents from newly consolidated subsidiary	1,039	—
Cash and cash equivalents at end of period	31,074	26,438