

# Consolidated Financial Results for the Second Quarter ended September 30, 2018

November 12, 2018

Name of Company: USS Co., Ltd.  
 Stock Exchanges Listing: Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First section  
 Stock Code: 4732 URL: <https://www.ussnet.co.jp/eng/>  
 Representative: Title: President and Representative Director Name: Yukihiro Ando  
 Contact Person: Title: Executive Vice President and Officer of Supervisory Office Name: Masafumi Yamanaka  
 Tel: +81-52-689-1129  
 Scheduled date of filing of quarterly securities report: November 13, 2018  
 Scheduled date of commencement of dividend payment: December 12, 2018  
 Supplementary materials for quarterly financial results: Yes  
 Information meeting for quarterly financial results: Yes

## 1. Consolidated Results for the Second Quarter ended September 30, 2018 (April 1, 2018 – September 30, 2018)

### (1) Consolidated Operating Results (year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2018	38,842	11.5	18,127	6.6	18,415	6.6
Six months ended September 30, 2017	34,822	7.6	17,013	9.8	17,275	9.3

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended September 30, 2018	12,333	4.5	48.53	48.44
Six months ended September 30, 2017	11,799	8.8	46.45	46.37

Note: Comprehensive income (million yen): Six months ended September 30, 2018: 12,416 +4.0%  
 Six months ended September 30, 2017: 11,940 +10.1%

### (2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2018	226,082	178,576	78.3
As of March 31, 2018	222,292	172,190	76.8

Reference: Equity capital (million yen): As of September 30, 2018: 177,005 As of March 31, 2018: 170,767

Note: Financial information for the fiscal year that ended in March 2018 has been revised retroactively due to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year.

## 2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2018	—	23.50	—	24.30	47.80
Year ending March 31, 2019	—	24.60			
Year ending March 31, 2019(Forecast)			—	24.60	49.20

Note: Revision of dividend forecast for this period: None

## 3. Forecast of Consolidated Financial Results for the year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the year	79,200	5.4	37,300	3.4	37,800	3.1	25,000	2.9	98.36

Note: Revision of financial forecast for this period: Yes

**\* Notes**

(1) Changes in significant subsidiaries during the term (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Use of simplified accounting method and special accounting policy for quarterly financial reporting: Yes

Calculation of tax expenses

The Company calculates income tax by using a reasonable estimated of the annual effective tax rate, which includes the effects of deferred taxes, and the year-to-date income before income taxes for the period. Income taxes-deferred are included in income taxes.

(3) Changes in accounting principles and estimates, and retrospective restatement

1) Changes due to revision of accounting standards: None

2) Changes other than in 1): None

3) Changes in accounting estimates: Yes

(Change in useful life of assets)

In the first quarter of the current fiscal year, consolidated subsidiary Japan Automobile Auction Inc. decided to rebuild its auction site and replace its auction system and HAA Kobe Inc. decided to replace its auction system.

As a result, the useful lives of the assets that will be demolished or no longer used have been changed to the periods ending on the planned replacement dates for these assets.

This change caused depreciation expenses of second quarter of the current fiscal year to be 343 million yen higher than these expenses would have been based on the previous useful lives. As a result, operating profit, ordinary profit and profit before income taxes each declined by the same amount.

4) Retrospective restatement : None

(4) Number of shares outstanding (common shares)

1) Shares outstanding (including treasury shares)

As of September 30, 2018: 313,250,000 shares      As of March 31, 2018: 313,250,000 shares

2) Treasury shares

As of September 30, 2018: 59,077,894 shares      As of March 31, 2018: 59,144,794 shares

3) Average number of shares outstanding for each period (cumulative term)

As of September 30, 2018: 254,137,748 shares      As of September 30, 2017: 254,007,713 shares

Note: Treasury shares includes 189,000 shares as of September 30, 2018 and 255,900 shares as of March 31, 2018 held by the USS employee stock ownership plan trust.

\* This quarterly financial results is not subject to the audit procedure.

\* Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons.

(Supplementary explanatory documents)

Supplementary explanatory documents will be posted on the Company's website on November 14, 2018.

**Additional information**

**Application of Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Company started using Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter of the current fiscal year. As a result, deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities.

#### 4. Quarterly Consolidated Financial Statements

##### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2017 (As of March 31, 2018)	FY 2018 Second Quarter (As of September 30, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	39,622	47,623
Receivables due from member dealers at auction	18,846	16,989
Notes and accounts receivable-trade	2,720	2,719
Inventories	829	856
Other	819	1,632
Allowance for doubtful accounts	(61)	(27)
<b>Total current assets</b>	<b>62,777</b>	<b>69,793</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	37,555	36,300
Land	65,623	65,027
Construction in progress	33	335
Other, net	3,295	3,020
<b>Total property, plant and equipment</b>	<b>106,508</b>	<b>104,684</b>
<b>Intangible assets</b>		
Goodwill	37,280	36,288
Other	7,536	7,163
<b>Total intangible assets</b>	<b>44,817</b>	<b>43,451</b>
<b>Investments and other assets</b>		
Investment and other assets	8,681	8,710
Allowance for doubtful accounts	(493)	(557)
<b>Total investments and other assets</b>	<b>8,188</b>	<b>8,152</b>
<b>Total non-current assets</b>	<b>159,514</b>	<b>156,289</b>
<b>Total assets</b>	<b>222,292</b>	<b>226,082</b>

(Million yen)

	FY 2017 (As of March 31, 2018)	FY 2018 Second Quarter (As of September 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables due to member dealers at auction	22,339	22,291
Notes and accounts payable-trade	436	382
Current portion of long-term loans payable	220	220
Income taxes payable	6,954	6,282
Provision	685	681
Other	6,736	5,160
<b>Total current liabilities</b>	<b>37,373</b>	<b>35,018</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,330	3,074
Net defined benefit liability	695	723
Asset retirement obligations	598	597
Other	8,105	8,092
<b>Total non-current liabilities</b>	<b>12,728</b>	<b>12,487</b>
<b>Total liabilities</b>	<b>50,102</b>	<b>47,506</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,881	18,881
Capital surplus	18,914	18,914
Retained earnings	185,835	191,988
Treasury shares	(47,365)	(47,235)
<b>Total shareholders' equity</b>	<b>176,266</b>	<b>182,548</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	141	95
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(6)	(5)
<b>Total accumulated other comprehensive income</b>	<b>(5,498)</b>	<b>(5,543)</b>
<b>Share acquisition rights</b>	<b>364</b>	<b>425</b>
<b>Non-controlling interests</b>	<b>1,058</b>	<b>1,145</b>
<b>Total net assets</b>	<b>172,190</b>	<b>178,576</b>
<b>Total liabilities and net assets</b>	<b>222,292</b>	<b>226,082</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**

(Million yen)

	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)
<b>Net sales</b>	34,822	38,842
<b>Cost of sales</b>	13,761	15,108
<b>Gross profit</b>	21,061	23,734
<b>Selling, general and administrative expenses</b>	4,048	5,606
<b>Operating profit</b>	17,013	18,127
<b>Non-operating income</b>		
Interest income	9	4
Real estate rent	205	221
Miscellaneous income	81	99
Total non-operating income	296	325
<b>Non-operating expenses</b>		
Interest expenses	5	5
Rent cost of real estate	23	23
Miscellaneous loss	4	8
Total non-operating expenses	33	38
<b>Ordinary profit</b>	17,275	18,415
<b>Extraordinary income</b>		
Gain on sales of non-current assets	15	135
Gain on sales of investment securities	77	-
Total extraordinary income	93	135
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	-	131
Loss on retirement of non-current assets	75	7
Other	4	8
Total extraordinary losses	80	147
<b>Profit before income taxes</b>	17,288	18,403
<b>Income taxes</b>	5,362	5,941
<b>Profit</b>	11,925	12,461
<b>Profit attributable to non-controlling interests</b>	126	127
<b>Profit attributable to owners of parent</b>	11,799	12,333

**(Quarterly Consolidated Statement of Comprehensive Income)****(Million yen)**

	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)
<b>Profit</b>	11,925	12,461
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	14	(45)
Remeasurements of defined benefit plans, net of tax	0	0
<b>Total other comprehensive income</b>	<b>14</b>	<b>(44)</b>
<b>Comprehensive income</b>	<b>11,940</b>	<b>12,416</b>
Comprehensive income attributable to owners of parent	11,814	12,288
Comprehensive income attributable to non-controlling interests	126	127

**(3) Quarterly Consolidated Statement of Cash Flows**

(Million yen)

	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	17,288	18,403
Depreciation and amortization	2,323	2,667
Amortization of goodwill	41	991
Increase (decrease) in allowance for doubtful accounts	(3)	31
Increase (decrease) in provision for bonuses	18	(3)
Increase (decrease) in net defined benefit liability	60	28
Interest and dividend income	(17)	(17)
Interest expenses	5	5
Loss (gain) on sales of investment securities	(77)	-
Loss (gain) on sales and retirement of property, plant and equipment	59	3
Net change in due from/to member dealers at auction	1,231	1,808
Decrease (Increase) in notes and accounts receivable-trade	94	0
Increase (decrease) in notes and accounts payable-trade	45	(54)
Increase (decrease) in accounts payable - other	(1,342)	(747)
Increase (decrease) in deposits received	(765)	(1,266)
Other, net	(403)	(575)
Subtotal	18,558	21,274
Interest and dividend income received	36	25
Interest expenses paid	(6)	(5)
Income taxes paid	(4,679)	(6,967)
Net cash provided by (used in) operating activities	13,909	14,327
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	16,000	-
Purchase of property, plant and equipment	(3,272)	(524)
Proceeds from sales of property, plant and equipment	20	619
Purchase of intangible assets	(294)	(106)
Proceeds from sales of investment securities	86	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(31,413)	-
Other, net	(69)	(18)
Net cash provided by (used in) investing activities	(18,942)	(28)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(30)	-
Repayments of long-term loans payable	(237)	(255)
Proceeds from guarantee deposits received from member dealers	66	151
Repayment of guarantee deposits received from member dealers	(48)	(105)
Purchase of treasury shares	(0)	-
Proceeds from sales of treasury shares	129	140
Cash dividends paid	(5,900)	(6,180)
Dividends paid to non-controlling interests	(75)	(40)
Repayment of finance lease obligations	(1)	(6)
Other, net	(9)	-
Net cash provided by (used in) financing activities	(6,108)	(6,297)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,141)</b>	<b>8,000</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>47,878</b>	<b>33,722</b>
<b>Cash and cash equivalents at end of period</b>	<b>36,737</b>	<b>41,723</b>