

Consolidated Financial Results for the First Quarter ended June 30, 2016

August 8, 2016

Name of Company: USS Co., Ltd.
 Stock Exchanges Listing: Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First section
 Stock Code: 4732 URL: <http://www.ussnet.co.jp/eng/index.html>
 Representative: Title: President and Representative Director Name: Yukihiro Ando
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 Date of filing of quarterly securities report: (Scheduled) August 10, 2016
 Date of commencement of dividend payment: (Scheduled) -
 Supplementary materials for quarterly financial results Yes
 Information meeting for quarterly financial results No

1. Consolidated Results for the First Quarter ended June 30, 2016 (April 1, 2016 – June 30, 2016)

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2016	16,584	(2.5)	8,130	(5.7)	8,273	(5.9)
Three months ended June 30, 2015	17,004	4.4	8,621	7.1	8,788	7.3

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Three months ended June 30, 2016	5,684	(1.8)	22.21	22.18
Three months ended June 30, 2015	5,788	10.4	22.38	22.34

Note: Comprehensive income (million yen): Three months ended June 30, 2016: 5,691 (-2.6%)
 Three months ended June 30, 2015: 5,845 (+10.0%)

(2) Consolidated Financial Position (Million yen)

	Total assets	Net assets	Equity ratio (%)
As of June 30, 2016	174,012	148,254	84.6
As of March 31, 2016	186,831	155,183	82.5

Reference: Shareholders' equity (million yen): As of June 30, 2016: 147,187 As of March 31, 2016: 154,155

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2016	—	20.40	—	20.40	40.80
Year ending March 31, 2017	—				
Year ending March 31, 2017(Estimated)		23.20	—	23.20	46.40

Note: Revision of dividend forecast for this period: No

3. Consolidated Outlook for Fiscal 2016 (April 1, 2016 – March 31, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter	34,750	3.3	16,900	0.8	17,200	0.5	11,600	2.7	45.49
For the year	71,450	4.1	34,700	0.6	35,300	0.2	23,800	5.9	93.54

Note: Change in the outlook from the latest announcement: No

*** Notes**

- (1) Significant change of subsidiaries during the term (changes of specified subsidiaries that affected the scope of consolidated reporting): No
- (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, accounting-based estimates and restatements
- 1) Changes in accounting principles associated with changes in accounting standards: Yes
Change in accounting policies
(Application of practical solution on a change in depreciation method due to tax reform 2016)
In association with amendments to Japan's Corporate Income Tax Act, the Company is applying Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) beginning with the first quarter of the fiscal year ending in March 2017. Consequently, the depreciation method for facilities attached to buildings acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.
As a result, operating income, ordinary income and profit before income taxes for the first quarter of the current fiscal year increased by 6 million yen each.
- 2) Changes in accounting principles other than in 1): No
- 3) Changes in accounting-based estimates: Yes
(Revision of Useful Life)
A decision has been made to rebuild the building and structures of the Sapporo Auction Site. Consequently, for the future, the useful life of the assets to be removed is assumed to expire in the month of the scheduled rebuilding.
As a result of the above change, the first-quarter depreciation expense increased by 39 million yen and operating income, ordinary income and profit before income taxes declined by 39 million yen each, compared to the amounts that would have been reported if the previous method had been applied consistently.
- 4) Retrospective restatement : No
- (4) Number of shares issued (common shares):
- 1) Shares issued (including treasury stock):
As of June 30, 2016: 313,250,000 shares As of March 31, 2016: 313,250,000 shares
- 2) Treasury stock:
As of June 30, 2016: 59,370,684 shares As of March 31, 2016: 55,102,684 shares
- 3) Average number of shares outstanding for each period (cumulative term):
As of June 30, 2016: 255,846,591 shares As of June 30, 2015: 258,569,765 shares
- Note: Treasury stock includes 539,200 shares as of June 30, 2016 and 568,700 shares as of March 31, 2016 held by the USS Employee Stock Ownership Plan Trust.
- (5) Additional Information
(Adoption of Implementation Guidance on Recoverability of deferred tax assets)
Effective from the current first quarter, the Company started applying the implementation guidance on recoverability of deferred tax assets (Guidance No.26 Implementation Guidance on Recoverability of Deferred Tax Assets; March 28, 2016)

Guidance on proper use of business forecasts and other special notes

(Guidance on proper use of business forecasts)

The above forecast has been prepared based on information available when this document was prepared. Actual performance may differ because of various factors.

(Supplementary explanatory documents)

Supplementary explanatory documents will be posted on the Company's website on August 8, 2016.

4. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 First Quarter (As of June 30, 2016)
Assets		
Current assets:		
Cash and deposits	62,290	53,818
Receivables due from member dealers at auction	10,612	8,904
Notes and accounts receivable-trade	2,610	2,360
Securities	3,000	-
Inventories	708	627
Other	2,263	2,125
Allowance for doubtful accounts	(44)	(43)
Total current assets	81,440	67,794
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	36,699	37,213
Land	56,937	56,915
Construction in progress	445	275
Other, net	2,018	2,409
Total property, plant and equipment	96,101	96,815
Intangible assets		
Goodwill	396	375
Other	1,181	1,374
Total intangible assets	1,578	1,750
Investments and other assets		
Investment and other assets	8,203	8,144
Allowance for doubtful accounts	(491)	(491)
Total investments and other assets	7,711	7,653
Total noncurrent assets	105,391	106,218
Total assets	186,831	174,012

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 First Quarter (As of June 30, 2016)
Liabilities		
Current liabilities:		
Payables due to member dealers at auction	13,288	11,049
Notes and accounts payable-trade	352	283
Short-term loans payable	60	30
Current portion of long-term loans payable	61	41
Income taxes payable	5,409	2,618
Provision for bonuses	618	938
Other	6,147	5,067
Total current liabilities	25,937	20,028
Noncurrent liabilities:		
Long-term loans payable	21	-
Net defined benefit liability	253	282
Asset retirement obligations	631	633
Other	4,803	4,812
Total noncurrent liabilities	5,710	5,729
Total liabilities	31,647	25,757

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 First Quarter (As of June 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,914	18,914
Retained earnings	161,926	162,333
Treasury stock	(39,856)	(47,199)
Total shareholders' equity	159,865	152,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160	128
Revaluation reserve for land	(5,863)	(5,863)
Remeasurements of defined benefit plans	(7)	(7)
Total accumulated other comprehensive income	(5,710)	(5,741)
Subscription rights to shares	262	262
Non-controlling interests	765	803
Total net assets	155,183	148,254
Total liabilities and net assets	186,831	174,012

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

(Million yen)

	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Net sales	17,004	16,584
Cost of sales	6,420	6,422
Gross profit	10,584	10,162
Selling, general and administrative expenses	1,962	2,031
Operating income	8,621	8,130
Non-operating income		
Interest income	11	8
Real estate rent	135	117
Miscellaneous income	39	37
Total non-operating income	186	163
Non-operating expenses		
Interest expenses	-	0
Rent cost of real estate	18	16
Miscellaneous loss	1	3
Total non-operating expenses	19	20
Ordinary income	8,788	8,273

(Million yen)

	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Extraordinary income:		
Gain on sales of noncurrent assets	5	1
Gain on sales of investment securities	-	0
Total extraordinary income	5	2
Extraordinary loss:		
Loss on retirement of non-current assets	25	8
Impairment loss	-	21
Loss on theft	9	-
Other	-	1
Total extraordinary losses	35	32
Profit before income taxes	8,759	8,243
Income taxes	2,926	2,519
Profit	5,833	5,723
Profit attributable to non-controlling interests	44	38
Profit attributable to owners of parent	5,788	5,684

(Consolidated Quarterly Statements of Comprehensive Income)

(Million yen)

	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Profit	5,833	5,723
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(32)
Remeasurements of defined benefit plans, net of tax	(0)	0
Total other comprehensive income	12	(31)
Comprehensive income	5,845	5,691
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	5,800	5,653
Comprehensive income attributable to non-controlling interests	44	38

(3) Consolidated Quarterly Statements of Cash Flows

(Million yen)

	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Net Cash provided by (used in) operating activities:		
Profit before income taxes	8,759	8,243
Depreciation and other amortization	780	991
Impairment loss	-	21
Amortization of goodwill	-	20
Increase (decrease) in allowance for doubtful accounts	3	(1)
Increase (decrease) in provision for bonuses	330	320
Increase (decrease) in net defined benefit liability	25	29
Interest and dividends income	(11)	(8)
Interest expenses	-	0
Loss (gain) on sales of investment securities	-	(0)
Loss (gain) on sales and retirement of property, plant and equipment	20	7
Net change in due from/to member dealers at auction	(770)	(531)
Decrease (Increase) in notes and accounts receivable-trade	299	249
Increase (decrease) in notes and accounts payable-trade	(75)	(69)
Increase (decrease) in deposits received	(79)	(891)
Other, net	(1,924)	(141)
Subtotal	7,356	8,240
Interest and dividend income received	29	25
Interest expenses paid	-	(0)
Income taxes paid	(6,596)	(5,260)
Net cash provided by (used in) operating activities	790	3,004

	(Million yen)	
	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	-	(7,480)
Purchase of securities	(4,000)	-
Proceeds from redemption of securities	4,000	3,000
Purchase of property, plant and equipment	(437)	(2,129)
Proceeds from sales of property, plant and equipment	8	1
Purchase of intangible assets	(46)	(305)
Proceeds from sales of investment securities	-	8
Other, net	(8)	(24)
Net cash provide by (used in) investing activities	(484)	(6,929)

	(Million yen)	
	FY 2015 First Quarter (April 1, 2015 through June 30, 2015)	FY 2016 First Quarter (April 1, 2016 through June 30, 2016)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	-	(30)
Repayments of long-term loans payable	-	(40)
Proceeds from guarantee deposits received from member dealers	57	38
Repayment of guarantee deposits received from member dealers	(15)	(29)
Purchases of treasury shares	-	(7,367)
Proceeds from sales of treasury shares	39	40
Decrease(increase)in money held in trust for purchase of treasury stock	-	669
Cash dividends paid	(4,977)	(5,277)
Dividends paid to non-controlling interests	(147)	-
Repayment of finance lease obligations	(17)	(29)
Other, net	0	-
Net cash provided by (used in) financing activities	(5,059)	(12,027)
Net increase (decrease) in cash and cash equivalents	(4,754)	(15,952)
Cash and cash equivalents at beginning of period	29,462	37,370
Cash and cash equivalents at end of period	24,708	21,418