

Consolidated Financial Results for the First Quarter ended June 30, 2017

August 7, 2017

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
 Contact Person: Title: Executive Vice President and Officer of Supervisory Office Name: Masafumi Yamanaka
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 Scheduled date of filing of quarterly securities report August 10, 2017
 Scheduled date of commencement of dividend payment -
 Supplementary materials for quarterly financial results Yes
 Information meeting for quarterly financial results None

1. Consolidated Results for the First Quarter ended June 30, 2017 (April 1, 2017 – June 30, 2017)

(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	%
Three months ended June 30, 2017	17,638	6.4	8,639	6.3	8,776	6.1
Three months ended June 30, 2016	16,584	(2.5)	8,130	(5.7)	8,273	(5.9)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Three months ended June 30, 2017	5,995	5.5	23.60	23.56
Three months ended June 30, 2016	5,684	(1.8)	22.21	22.18

Note: Comprehensive income (million yen): Three months ended June 30, 2017: 6,009 +5.6%
 Three months ended June 30, 2016: 5,691 -2.6%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of June 30, 2017	192,991	159,349	81.9
As of March 31, 2017	197,374	159,197	80.1

Reference: Shareholders' equity (million yen): As of June 30, 2017: 158,128 As of March 31, 2017: 158,029

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2017	—	23.20	—	23.20	46.40
Year ending March 31, 2018	—				
Year ending March 31, 2018(Forecast)		23.50	—	23.50	47.00

Note: Revision of dividend forecast for this period: None

3. Forecast of Consolidated Financial Results to the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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
Second quarter	33,700	4.2	16,150	4.3	16,400	3.8	11,250	3.8	44.29
For the year	68,800	2.4	33,400	3.1	33,900	2.7	23,200	1.3	91.33

Note: Revision of financial forecast for this period: None

*** 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: None
 - 4) Retrospective restatement : None
- (4) Number of shares outstanding (common shares)
- 1) Shares outstanding (including treasury shares)
As of June 30, 2017: 313,250,000 shares As of March 31, 2017: 313,250,000 shares
 - 2) Treasury shares
As of June 30, 2017: 59,244,984 shares As of March 31, 2017: 59,272,884 shares
 - 3) Average number of shares outstanding for each period (cumulative term)
As of June 30, 2017: 253,990,016 shares As of June 30, 2016: 255,846,591 shares

Note: Treasury shares includes 347,100 shares as of June 30, 2017 and 373,800 shares as of March 31, 2017 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 August 7, 2017.

4. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 First Quarter (As of June 30, 2017)
Assets		
Current assets:		
Cash and deposits	74,778	69,463
Receivables due from member dealers at auction	11,668	11,043
Notes and accounts receivable-trade	2,605	2,445
Inventories	751	623
Other	1,697	2,407
Allowance for doubtful accounts	(38)	(33)
Total current assets	91,462	85,949
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	35,979	37,182
Land	56,911	56,911
Construction in progress	342	227
Other, net	3,635	3,762
Total property, plant and equipment	96,868	98,084
Intangible assets		
Goodwill	313	292
Other	1,537	1,563
Total intangible assets	1,850	1,855
Investments and other assets		
Investment and other assets	7,682	7,588
Allowance for doubtful accounts	(490)	(486)
Total investments and other assets	7,192	7,101
Total non-current assets	105,911	107,041
Total assets	197,374	192,991

(Million yen)

FY 2016
(As of March 31, 2017)

FY 2017 First Quarter
(As of June 30, 2017)

Liabilities

Current liabilities:

Payables due to member dealers at auction	15,051	14,886
Notes and accounts payable-trade	372	338
Short-term loans payable	30	-
Current portion of long-term loans payable	220	220
Income taxes payable	5,108	2,792
Provision for bonuses	632	939
Other	7,385	5,104
Total current liabilities	28,801	24,282

Non-current liabilities:

Long-term loans payable	3,820	3,765
Net defined benefit liability	368	399
Asset retirement obligations	373	374
Other	4,813	4,820
Total non-current liabilities	9,375	9,359

Total liabilities

38,176 33,641

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 First Quarter (As of June 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	173,488	173,583
Treasury shares	(47,602)	(47,549)
Total shareholders' equity	163,681	163,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	(2)
Revaluation reserve for land	(5,694)	(5,694)
Remeasurements of defined benefit plans	(3)	(3)
Total accumulated other comprehensive income	(5,652)	(5,700)
Subscription rights to shares	306	373
Non-controlling interests	861	847
Total net assets	159,197	159,349
Total liabilities and net assets	197,374	192,991

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

(Million yen)

	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Net sales	16,584	17,638
Cost of sales	6,422	6,957
Gross profit	10,162	10,681
Selling, general and administrative expenses	2,031	2,041
Operating profit	8,130	8,639
Non-operating income		
Interest income	8	5
Real estate rent	117	103
Miscellaneous income	37	43
Total non-operating income	163	152
Non-operating expenses		
Interest expenses	0	2
Rent cost of real estate	16	11
Miscellaneous loss	3	1
Total non-operating expenses	20	15
Ordinary profit	8,273	8,776

(Million yen)

	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Extraordinary income:		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	0	77
Total extraordinary income	2	79
Extraordinary loss:		
Loss on retirement of non-current assets	8	76
Impairment loss	21	-
Other	1	-
Total extraordinary losses	32	76
Profit before income taxes	8,243	8,779
Income taxes	2,519	2,721
Profit	5,723	6,057
Profit attributable to non-controlling interests	38	61
Profit attributable to owners of parent	5,684	5,995

(Consolidated Quarterly Statements of Comprehensive Income)

(Million yen)

	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Profit	5,723	6,057
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	(48)
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	(31)	(48)
Comprehensive income	5,691	6,009
Comprehensive income attributable to owners of parent	5,653	5,947
Comprehensive income attributable to non-controlling interests	38	61

(3) Consolidated Quarterly Statements of Cash Flows

(Million yen)

	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Net Cash provided by (used in) operating activities:		
Profit before income taxes	8,243	8,779
Depreciation and other amortization	991	1,154
Impairment loss	21	-
Amortization of goodwill	20	20
Increase (decrease) in allowance for doubtful accounts	(1)	(8)
Increase (decrease) in provision for bonuses	320	307
Increase (decrease) in net defined benefit liability	29	30
Interest and dividends income	(8)	(5)
Interest expenses	0	2
Loss (gain) on sales of investment securities	(0)	(77)
Loss (gain) on sales and retirement of property, plant and equipment	7	74
Net change in due from/to member dealers at auction	(531)	460
Decrease (Increase) in notes and accounts receivable-trade	249	159
Increase (decrease) in notes and accounts payable-trade	(69)	(34)
Increase (decrease) in accounts payable-other	242	(1,329)
Increase (decrease) in deposits received	(891)	(564)
Other, net	(383)	(659)
Subtotal	8,240	8,307
Interest and dividend income received	25	20
Interest expenses paid	(0)	(2)
Income taxes paid	(5,260)	(4,793)
Net cash provided by (used in) operating activities	3,004	3,532

	(Million yen)	
	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	(7,480)	19,000
Proceeds from redemption of securities	3,000	-
Purchase of property, plant and equipment	(2,129)	(2,708)
Proceeds from sales of property, plant and equipment	1	3
Purchase of intangible assets	(305)	(155)
Proceeds from sales of investment securities	8	86
Other, net	(24)	(57)
Net cash provide by (used in) investing activities	(6,929)	16,168

	(Million yen)	
	FY 2016 First Quarter (April 1, 2016 to June 30, 2016)	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(30)	(30)
Repayments of long-term loans payable	(40)	(55)
Proceeds from guarantee deposits received from member dealers	38	28
Repayment of guarantee deposits received from member dealers	(29)	(25)
Purchases of treasury shares	(7,367)	-
Proceeds from sales of treasury shares	40	42
Decrease(increase)in money held in trust for purchase of treasury shares	669	-
Cash dividends paid	(5,277)	(5,900)
Dividends paid to non-controlling interests	-	(75)
Repayment of finance lease obligations	(29)	(0)
Other, net	-	0
Net cash provided by (used in) financing activities	(12,027)	(6,016)
Net increase (decrease) in cash and cash equivalents	(15,952)	13,684
Cash and cash equivalents at beginning of period	37,370	47,878
Cash and cash equivalents at end of period	21,418	61,563