

# Consolidated Financial Results for the First Quarter ended June 30, 2018

August 6, 2018

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.usenet.co.jp/eng/index.html>  
 Representative: Title: President and Representative Name: Yukihiro Ando  
 Director  
 Contact Person: Title: Executive Vice President and Name: Masafumi Yamanaka  
 Officer of Supervisory Office  
 Tel: +81-52-689-1129  
 Scheduled date of filing of quarterly securities report August 10, 2018  
 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, 2018 (April 1, 2018 – June 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	%
Three months ended June 30, 2018	19,987	13.3	9,573	10.8	9,716	10.7
Three months ended June 30, 2017	17,638	6.4	8,639	6.3	8,776	6.1

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Three months ended June 30, 2018	6,438	7.4	25.33	25.28
Three months ended June 30, 2017	5,995	5.5	23.60	23.56

Note: Comprehensive income (million yen): Three months ended June 30, 2018: 6,455 +7.4%  
 Three months ended June 30, 2017: 6,009 +5.6%

### (2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of June 30, 2018	215,918	172,480	79.2
As of March 31, 2018	222,292	172,190	76.8

Reference: Equity capital (million yen): As of June 30, 2018: 171,026 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	—				
Year ending March 31, 2019(Forecast)		24.60	—	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
Second quarter	38,850	11.6	17,580	3.3	17,820	3.1	11,800	0.0	46.43
For the year	80,000	6.4	37,300	3.4	37,800	3.1	25,000	2.9	98.37

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: 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 first quarter of the current fiscal year depreciation expenses to be 130 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 June 30, 2018: 313,250,000 shares

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

2) Treasury shares

As of June 30, 2018: 59,115,694 shares

As of March 31, 2018: 59,144,794 shares

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

As of June 30, 2018: 254,117,731 shares

As of June 30, 2017: 253,990,016 shares

Note: Treasury shares includes 226,800 shares as of June 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 August 6, 2018.

**Additional information**

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting USS 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 First Quarter (As of June 30, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	39,622	36,266
Receivables due from member dealers at auction	18,846	16,432
Notes and accounts receivable-trade	2,720	2,644
Inventories	829	844
Other	819	1,834
Allowance for doubtful accounts	(61)	(23)
<b>Total current assets</b>	<b>62,777</b>	<b>57,998</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	37,555	36,930
Land	65,623	65,436
Construction in progress	33	309
Other, net	3,295	3,038
<b>Total property, plant and equipment</b>	<b>106,508</b>	<b>105,715</b>
<b>Intangible assets</b>		
Goodwill	37,280	36,784
Other	7,536	7,292
<b>Total intangible assets</b>	<b>44,817</b>	<b>44,077</b>
<b>Investments and other assets</b>		
Investment and other assets	8,681	8,660
Allowance for doubtful accounts	(493)	(532)
<b>Total investments and other assets</b>	<b>8,188</b>	<b>8,127</b>
<b>Total non-current assets</b>	<b>159,514</b>	<b>157,920</b>
<b>Total assets</b>	<b>222,292</b>	<b>215,918</b>

(Million yen)

	FY 2017 (As of March 31, 2018)	FY 2018 First Quarter (As of June 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables due to member dealers at auction	22,339	19,933
Notes and accounts payable-trade	436	366
Current portion of long-term loans payable	220	220
Income taxes payable	6,954	3,235
Provision	685	1,010
Other	6,736	6,022
<b>Total current liabilities</b>	<b>37,373</b>	<b>30,789</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,330	3,275
Net defined benefit liability	695	716
Asset retirement obligations	598	594
Other	8,105	8,062
<b>Total non-current liabilities</b>	<b>12,728</b>	<b>12,649</b>
<b>Total liabilities</b>	<b>50,102</b>	<b>43,438</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	186,092
Treasury shares	(47,365)	(47,309)
<b>Total shareholders' equity</b>	<b>176,266</b>	<b>176,579</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	141	86
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>(5,553)</b>
<b>Share acquisition rights</b>	<b>364</b>	<b>364</b>
<b>Non-controlling interests</b>	<b>1,058</b>	<b>1,089</b>
<b>Total net assets</b>	<b>172,190</b>	<b>172,480</b>
<b>Total liabilities and net assets</b>	<b>222,292</b>	<b>215,918</b>

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

(Million yen)

<b>(Quarterly Consolidated Statement of Income)</b>	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)
<b>Net sales</b>	17,638	19,987
<b>Cost of sales</b>	6,957	7,627
<b>Gross profit</b>	10,681	12,359
<b>Selling, general and administrative expenses</b>	2,041	2,786
<b>Operating profit</b>	8,639	9,573
<b>Non-operating income</b>		
Interest income	5	2
Real estate rent	103	108
Miscellaneous income	43	52
Total non-operating income	152	162
<b>Non-operating expenses</b>		
Interest expenses	2	2
Rent cost of real estate	11	11
Miscellaneous loss	1	5
Total non-operating expenses	15	19
<b>Ordinary profit</b>	8,776	9,716
<b>Extraordinary income</b>		
Gain on sales of non-current assets	2	30
Gain on sales of investment securities	77	-
Total extraordinary income	79	30
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	-	131
Loss on retirement of non-current assets	76	0
Other	-	8
Total extraordinary losses	76	140
<b>Profit before income taxes</b>	8,779	9,606
<b>Income taxes</b>	2,721	3,097
<b>Profit</b>	6,057	6,509
<b>Profit attributable to non-controlling interests</b>	61	71
<b>Profit attributable to owners of parent</b>	5,995	6,438

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

	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)
<b>Profit</b>	6,057	6,509
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(48)	(54)
Remeasurements of defined benefit plans, net of tax	0	0
<b>Total other comprehensive income</b>	<b>(48)</b>	<b>(54)</b>
<b>Comprehensive income</b>	<b>6,009</b>	<b>6,455</b>
Comprehensive income attributable to owners of parent	5,947	6,383
Comprehensive income attributable to non-controlling interests	61	71

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

(Million yen)

	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	8,779	9,606
Depreciation and amortization	1,154	1,286
Amortization of goodwill	20	495
Increase (decrease) in allowance for doubtful accounts	(8)	1
Increase (decrease) in provision for bonuses	307	325
Increase (decrease) in net defined benefit liability	30	22
Interest and dividend income	(5)	(6)
Interest expenses	2	2
Loss (gain) on sales of investment securities	(77)	-
Loss (gain) on sales and retirement of property, plant and equipment	74	101
Net change in due from/to member dealers at auction	460	7
Decrease (Increase) in notes and accounts receivable-trade	159	76
Increase (decrease) in notes and accounts payable-trade	(34)	(70)
Increase (decrease) in accounts payable - other	(1,329)	(469)
Increase (decrease) in deposits received	(564)	(349)
Other, net	(659)	(848)
Subtotal	8,307	10,181
Interest and dividend income received	20	12
Interest expenses paid	(2)	(2)
Income taxes paid	(4,793)	(6,968)
Net cash provided by (used in) operating activities	3,532	3,223
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	19,000	-
Purchase of property, plant and equipment	(2,708)	(359)
Proceeds from sales of property, plant and equipment	3	88
Purchase of intangible assets	(155)	(63)
Proceeds from sales of investment securities	86	-
Other, net	(57)	(26)
Net cash provided by (used in) investing activities	16,168	(360)

(Million yen)

	FY 2017 First Quarter (April 1, 2017 to June 30, 2017)	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(30)	-
Repayments of long-term loans payable	(55)	(55)
Proceeds from guarantee deposits received from member dealers	28	53
Repayment of guarantee deposits received from member dealers	(25)	(38)
Proceeds from sales of treasury shares	42	46
Cash dividends paid	(5,900)	(6,180)
Dividends paid to non-controlling interests	(75)	(40)
Repayment of finance lease obligations	(0)	(3)
Other, net	0	-
Net cash provided by (used in) financing activities	(6,016)	(6,219)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,684</b>	<b>(3,356)</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>61,563</b>	<b>30,366</b>