

Consolidated Financial Results for the Second Quarter ended September 30, 2021

November 8, 2021

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/en/>
 Representative: Title: Chairman 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: November 11, 2021
 Scheduled date of commencement of dividend payment: December 10, 2021
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: Yes

1. Consolidated Results for the Second Quarter ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(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, 2021	39,784	16.1	20,570	29.4	20,945	28.4
Six months ended September 30, 2020	34,277	(11.6)	15,901	(11.2)	16,314	(10.4)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended September 30, 2021	14,223	30.0	57.04	56.93
Six months ended September 30, 2020	10,945	(10.5)	43.89	43.81

Note: Comprehensive income (million yen): Six months ended September 30, 2021: 15,187 36.6%
 Six months ended September 30, 2020: 11,119 - 9.8%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2021	224,213	181,956	80.1
As of March 31, 2021	210,699	173,524	81.3

Note: Equity capital (million yen): As of September 30, 2021: 179,558
 As of March 31, 2021 : 171,394

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter - end	Second quarter - end	Third quarter - end	Fiscal year - end	Total
Year ended March 31, 2021		27.75		27.75	55.50
Year ending March 31, 2022		29.20			
Year ending March 31, 2022(Forecast)				29.20	58.40

Note: Revision of dividend forecast of this period: None

3. Forecast of Consolidated Financial Results for the year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	77,600	3.6	38,400	6.0	39,100	5.7	26,500	558.8	106.26

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

Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for income before income taxes in the current fiscal year (including the second quarter). Quarterly income before income taxes is then multiplied by this estimated effective tax rate to calculate taxes.

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

1) Changes due to revision of accounting standards: Yes

Change in accounting policy

(Application of accounting standard for revenue recognition, etc.)

USS started applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related items in the first quarter of the fiscal year ending in March 2022. In accordance with this standard, revenue expected to be received in exchange for goods or services is recognized when control of the promised item or service is transferred to a customer.

The application of the revenue recognition standard uses the transitional measures in the proviso to paragraph 84 of this standard. As a result, the cumulative effect of the retrospective application of the new accounting standard, if it is applied to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

However, the new accounting standard had no effect on retained earnings at the beginning of the current fiscal year.

Furthermore, the new accounting standard had no effect on the quarterly consolidated financial statements.

Due to the application of the new revenue recognition standard, "Notes and accounts receivable-trade," which was included in current assets in the previous fiscal year's consolidated balance sheet, is now included in "Notes and accounts receivable-trade, and contract assets." In accordance with the transitional measures in paragraph 89-2 of the new revenue recognition standard, the presentation of financial statements for the previous fiscal year has not been revised to match the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

USS started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and related items in the first quarter of the fiscal year ending in March 2022. In accordance with the transitional measures of paragraph 19 of this standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new fair value measurement method stipulated in the new standard, etc. is used for fair values in the future. As a result, the application of this standard had no effect on the consolidated quarterly financial statements.

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 September 30, 2021 : 313,250,000 shares

As of March 31, 2021 : 313,250,000 shares

2) Treasury shares

As of September 30, 2021 : 63,860,386 shares

As of March 31, 2021 : 63,943,259 shares

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

As of September 30, 2021 : 249,347,486 shares

As of September 30, 2020 : 249,346,812 shares

Note: Treasury shares includes 274,100 shares as of September 30, 2021 and 357,000 shares as of March 31, 2021 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 10, 2021.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2020 (As of March 31, 2021)	FY 2021 Second Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	67,770	75,384
Receivables due from member dealers at auction	6,596	12,963
Notes and accounts receivable-trade	2,215	-
Notes and accounts receivable-trade, and contract assets	-	2,124
Securities	3,000	3,000
Inventories	1,028	882
Other	940	1,957
Allowance for doubtful accounts	(23)	(19)
Total current assets	81,528	96,292
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,548	34,463
Land	63,686	63,702
Construction in progress	30	159
Other, net	4,037	3,521
Total property, plant and equipment	103,302	101,846
Intangible assets		
Goodwill	8,906	8,636
Other	6,281	6,096
Total intangible assets	15,188	14,732
Investments and other assets		
Investments and other assets	10,823	11,476
Allowance for doubtful accounts	(143)	(134)
Total investments and other assets	10,680	11,341
Total non-current assets	129,171	127,920
Total assets	210,699	224,213

(Million yen)

	FY 2020 (As of March 31, 2021)	FY 2021 Second Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	11,788	17,853
Notes and accounts payable-trade	707	459
Short-term borrowings	-	630
Current portion of long-term borrowings	220	220
Income taxes payable	7,408	6,840
Provisions	767	798
Other	6,030	5,421
Total current liabilities	26,922	32,223
Non-current liabilities		
Long-term borrowings	2,911	2,634
Retirement benefit liability	776	831
Asset retirement obligations	617	622
Other	5,947	5,946
Total non-current liabilities	10,253	10,034
Total liabilities	37,175	42,257
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,911	18,911
Retained earnings	196,315	203,610
Treasury shares	(57,435)	(57,275)
Total shareholders' equity	176,673	184,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	378	1,086
Revaluation reserve for land	(5,636)	(5,636)
Remeasurements of defined benefit plans	(21)	(19)
Total accumulated other comprehensive income	(5,278)	(4,569)
Share acquisition rights	432	504
Non-controlling interests	1,697	1,892
Total net assets	173,524	181,956
Total liabilities and net assets	210,699	224,213

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

(Million yen)

	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)
Net sales	34,277	39,784
Cost of sales	13,311	14,746
Gross profit	20,966	25,038
Selling, general and administrative expenses	5,064	4,467
Operating profit	15,901	20,570
Non-operating income		
Interest income	3	2
Rental income from real estate	312	374
Miscellaneous income	187	94
Total non-operating income	503	471
Non-operating expenses		
Interest expenses	7	6
Rental costs on real estate	75	85
Miscellaneous losses	8	4
Total non-operating expenses	90	96
Ordinary profit	16,314	20,945
Extraordinary income		
Gain on sale of non-current assets	14	13
Other	0	-
Total extraordinary income	15	13
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	31	1
Other	7	-
Total extraordinary losses	38	1
Profit before income taxes	16,291	20,957
Income taxes	5,272	6,479
Profit	11,018	14,478
Profit attributable to non-controlling interests	73	255
Profit attributable to owners of parent	10,945	14,223

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)
Profit	11,018	14,478
Other comprehensive income		
Valuation difference on available-for-sale securities	100	707
Remeasurements of defined benefit plans, net of tax	0	1
Total other comprehensive income	101	709
Comprehensive income	11,119	15,187
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,046	14,932
Comprehensive income attributable to non-controlling interests	73	255

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	16,291	20,957
Depreciation and amortization	2,592	2,509
Amortization of goodwill	881	269
Increase (decrease) in allowance for doubtful accounts	(11)	(12)
Increase (decrease) in provision for bonuses	(47)	30
Increase (decrease) in retirement benefit liability	45	56
Interest and dividend income	(67)	(16)
Interest expenses	7	6
Loss (gain) on sale and retirement of property, plant and equipment	11	(12)
Net change in due from/to member dealers at auction	1,944	(302)
Decrease (increase) in trade receivables	744	90
Increase (decrease) in trade payables	(23)	(247)
Increase (decrease) in accounts payable-other	(452)	(149)
Increase (decrease) in deposits received	(528)	(710)
Other, net	(273)	(329)
Subtotal	21,113	22,140
Interest and dividends received	70	28
Interest paid	(7)	(7)
Income taxes paid	(4,531)	(7,179)
Net cash provided by (used in) operating activities	16,644	14,982
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,964)	(616)
Proceeds from sale of property, plant and equipment	21	13
Purchase of intangible assets	(3,094)	(310)
Other, net	(29)	(1)
Net cash provided by (used in) investing activities	(8,067)	(914)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	129	630
Proceeds from long-term borrowings	980	-
Repayments of long-term borrowings	(209)	(277)
Guarantee deposits received from member dealers	69	90
Refund of guarantee deposits received from member dealers	(76)	(61)
Purchase of treasury shares	(978)	(0)
Proceeds from sale of treasury shares	109	158
Dividends paid	(7,436)	(6,928)
Dividends paid to non-controlling interests	(51)	(60)
Repayments of finance lease obligations	(61)	(5)
Other, net	0	-
Net cash provided by (used in) financing activities	(7,525)	(6,453)
Net increase (decrease) in cash and cash equivalents	1,051	7,613
Cash and cash equivalents at beginning of period	50,829	64,870
Cash and cash equivalents at end of period	51,880	72,484