

Consolidated Financial Results for the Second Quarter ended September 30, 2022

November 8, 2022

Name of Company: USS Co., Ltd.
 Stock Exchanges Listing: Tokyo Stock Exchange, Nagoya Stock Exchange
 Stock Code: 4732 URL: <https://www.ussnet.co.jp/en/>
 Representative: Title: Chairman 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 November 10, 2022
 Scheduled date of commencement of dividend payment December 9, 2022
 Supplementary materials for quarterly financial results Yes
 Information meeting for quarterly financial results Yes

1. Consolidated Results for the Second Quarter ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(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, 2022	42,429	6.6	21,220	3.2	21,586	3.1
Six months ended September 30, 2021	39,784	16.1	20,570	29.4	20,945	28.4

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended September 30, 2022	14,614	2.7	59.74	59.64
Six months ended September 30, 2021	14,223	30.0	57.04	56.93

Note: Comprehensive income (million yen): Six months ended September 30, 2022: 14,712 - 3.1%
 Six months ended September 30, 2021: 15,187 36.6%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2022	238,176	186,539	77.2
As of March 31, 2022	229,354	182,473	78.4

Note: Equity capital (million yen): As of September 30, 2022: 183,783
 As of March 31, 2022 : 179,880

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, 2022		29.20		37.00	66.20
Year ending March 31, 2023		33.70			
Year ending March 31, 2023(Forecast)				33.80	67.50

Note: Revision of dividend forecast of this period: Yes

3. Forecast of Consolidated Financial Results for the year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	85,529	5.0	43,460	4.5	44,176	4.3	30,000	0.9	122.66

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

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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

USS started applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 of June 17, 2021) in the first quarter of the fiscal year ending in March 2023. In accordance with the transitional measures of Paragraph 27-2 of the Implementation Guidance on the Accounting Standard for Fair Value Measurement, the new fair value measurement method stipulated in the new implementation guidance 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, 2022 : 257,000,000 shares

As of March 31, 2022 : 313,250,000 shares

2) Treasury shares

As of September 30, 2022 : 12,489,986 shares

As of March 31, 2022 : 68,051,786 shares

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

As of September 30, 2022 : 244,606,256 shares

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

Note: Treasury shares includes 117,000 shares as of September 30, 2022 and 187,200 shares as of March 31, 2022 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 9, 2022.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2021 (As of March 31, 2022)	FY 2022 Second Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	79,380	88,628
Receivables due from member dealers at auction	14,572	15,782
Notes and accounts receivable-trade, and contract assets	2,425	2,324
Securities	3,000	3,000
Inventories	1,206	1,340
Other	3,305	2,488
Allowance for doubtful accounts	(18)	(20)
Total current assets	103,872	113,544
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,426	32,465
Land	63,577	63,577
Construction in progress	245	394
Other, net	3,130	2,822
Total property, plant and equipment	100,379	99,260
Intangible assets		
Goodwill	8,366	8,096
Other	6,209	5,973
Total intangible assets	14,575	14,070
Investments and other assets		
Investments and other assets	10,632	11,403
Allowance for doubtful accounts	(106)	(101)
Total investments and other assets	10,526	11,301
Total non-current assets	125,481	124,632
Total assets	229,354	238,176

(Million yen)

	FY 2021 (As of March 31, 2022)	FY 2022 Second Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	21,213	28,107
Notes and accounts payable-trade	698	878
Short-term borrowings	186	440
Current portion of long-term borrowings	220	220
Income taxes payable	7,578	7,107
Provisions	782	791
Other	7,203	5,285
Total current liabilities	37,884	42,831
Non-current liabilities		
Long-term borrowings	2,356	2,072
Provisions	-	19
Retirement benefit liability	872	934
Asset retirement obligations	623	628
Other	5,142	5,151
Total non-current liabilities	8,996	8,806
Total liabilities	46,880	51,637
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,915	8,992
Retained earnings	211,843	172,986
Treasury shares	(65,039)	(12,181)
Total shareholders' equity	184,600	188,678
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	930	754
Revaluation reserve for land	(5,636)	(5,636)
Remeasurements of defined benefit plans	(14)	(13)
Total accumulated other comprehensive income	(4,719)	(4,894)
Share acquisition rights	457	457
Non-controlling interests	2,136	2,298
Total net assets	182,473	186,539
Total liabilities and net assets	229,354	238,176

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

(Million yen)

	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)	FY 2022 Second Quarter (April 1, 2022 to September 30, 2022)
Net sales	39,784	42,429
Cost of sales	14,746	16,467
Gross profit	25,038	25,962
Selling, general and administrative expenses	4,467	4,741
Operating profit	20,570	21,220
Non-operating income		
Interest income	2	3
Rental income from real estate	374	360
Miscellaneous income	94	98
Total non-operating income	471	463
Non-operating expenses		
Interest expenses	6	5
Rental costs on real estate	85	85
Miscellaneous losses	4	6
Total non-operating expenses	96	97
Ordinary profit	20,945	21,586
Extraordinary income		
Gain on sale of non-current assets	13	50
Other	-	3
Total extraordinary income	13	54
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on retirement of non-current assets	1	5
Loss on disaster	-	11
Other	-	0
Total extraordinary losses	1	17
Profit before income taxes	20,957	21,623
Income taxes	6,479	6,735
Profit	14,478	14,887
Profit attributable to non-controlling interests	255	273
Profit attributable to owners of parent	14,223	14,614

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)	FY 2022 Second Quarter (April 1, 2022 to September 30, 2022)
Profit	14,478	14,887
Other comprehensive income		
Valuation difference on available-for-sale securities	707	(176)
Remeasurements of defined benefit plans, net of tax	1	1
Total other comprehensive income	709	(175)
Comprehensive income	15,187	14,712
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,932	14,438
Comprehensive income attributable to non-controlling interests	255	273

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2021 Second Quarter (April 1, 2021 to September 30, 2021)	FY 2022 Second Quarter (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	20,957	21,623
Depreciation and amortization	2,509	2,318
Amortization of goodwill	269	269
Increase (decrease) in allowance for doubtful accounts	(12)	(3)
Increase (decrease) in provision for bonuses	30	(11)
Increase (decrease) in retirement benefit liability	56	63
Interest and dividend income	(16)	(32)
Interest expenses	6	5
Loss (gain) on sale and retirement of property, plant and equipment	(12)	(45)
Net change in due from/to member dealers at auction	(302)	5,684
Decrease (increase) in trade receivables	90	100
Increase (decrease) in trade payables	(247)	179
Increase (decrease) in accounts payable-other	(149)	(532)
Increase (decrease) in deposits received	(710)	(757)
Other, net	(329)	(1,627)
Subtotal	22,140	27,233
Interest and dividends received	28	40
Interest paid	(7)	(5)
Income taxes paid	(7,179)	(7,217)
Net cash provided by (used in) operating activities	14,982	20,051
Cash flows from investing activities		
Net decrease (increase) in time deposits	-	(2,000)
Purchase of property, plant and equipment	(616)	(960)
Proceeds from sale of property, plant and equipment	13	52
Purchase of intangible assets	(310)	(241)
Purchase of investment securities	-	(1,001)
Other, net	(1)	(0)
Net cash provided by (used in) investing activities	(914)	(4,150)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	630	253
Repayments of long-term borrowings	(277)	(283)
Guarantee deposits received from member dealers	90	119
Refund of guarantee deposits received from member dealers	(61)	(87)
Purchase of treasury shares	(0)	(1,632)
Proceeds from sale of treasury shares	158	167
Decrease (increase) in money trust to acquire treasury stock	-	2,026
Dividends paid	(6,928)	(9,079)
Dividends paid to non-controlling interests	(60)	(111)
Repayments of finance lease liabilities	(5)	(26)
Net cash provided by (used in) financing activities	(6,453)	(8,653)
Net increase (decrease) in cash and cash equivalents	7,613	7,247
Cash and cash equivalents at beginning of period	64,870	75,480
Cash and cash equivalents at end of period	72,484	82,728