

Consolidated Financial Results for the Third Quarter ended December 31, 2022

February 7, 2023

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 February 9, 2023
 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 Third Quarter ended December 31, 2022 (April 1, 2022 – December 31, 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	%
Nine months ended December 31, 2022	64,408	8.0	31,833	4.5	32,373	4.2
Nine months ended December 31, 2021	59,623	10.5	30,462	18.3	31,080	17.9

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended December 31, 2022	21,871	(1.6)	89.42	89.26
Nine months ended December 31, 2021	22,218	25.4	89.21	89.04

Note: Comprehensive income (million yen): Nine months ended December 31, 2022: 22,058 - 5.8%
 Nine months ended December 31, 2021: 23,407 29.6%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of December 31, 2022	213,545	185,710	85.6
As of March 31, 2022	229,354	182,473	78.4

Note: Equity capital (million yen): As of December 31, 2022: 182,844
 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: None

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	122.65

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 third 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 December 31, 2022 : 257,000,000 shares

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

2) Treasury shares

As of December 31, 2022 : 12,436,886 shares

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

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

As of December 31, 2022 : 244,584,944 shares

As of December 31, 2021 : 249,047,384 shares

Note: Treasury shares includes 63,900 shares as of December 31, 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 February 7, 2023.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2021 (As of March 31, 2022)	FY 2022 Third Quarter (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	79,380	77,906
Receivables due from member dealers at auction	14,572	2,410
Notes and accounts receivable-trade, and contract assets	2,425	2,551
Securities	3,000	3,000
Inventories	1,206	1,342
Other	3,305	2,418
Allowance for doubtful accounts	(18)	(20)
Total current assets	103,872	89,609
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,426	32,076
Land	63,577	63,577
Construction in progress	245	564
Other, net	3,130	2,664
Total property, plant and equipment	100,379	98,882
Intangible assets		
Goodwill	8,366	7,961
Other	6,209	5,858
Total intangible assets	14,575	13,819
Investments and other assets		
Investments and other assets	10,632	11,336
Allowance for doubtful accounts	(106)	(102)
Total investments and other assets	10,526	11,233
Total non-current assets	125,481	123,936
Total assets	229,354	213,545

(Million yen)

	FY 2021 (As of March 31, 2022)	FY 2022 Third Quarter (As of December 31, 2022)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	21,213	8,079
Notes and accounts payable-trade	698	596
Short-term borrowings	186	740
Current portion of long-term borrowings	220	220
Income taxes payable	7,578	3,916
Provisions	782	440
Other	7,203	4,780
Total current liabilities	37,884	18,773
Non-current liabilities		
Long-term borrowings	2,356	2,017
Provisions	-	38
Retirement benefit liability	872	955
Asset retirement obligations	623	630
Other	5,142	5,419
Total non-current liabilities	8,996	9,062
Total liabilities	46,880	27,835
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,915	8,992
Retained earnings	211,843	172,000
Treasury shares	(65,039)	(12,078)
Total shareholders' equity	184,600	187,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	930	698
Revaluation reserve for land	(5,636)	(5,636)
Remeasurements of defined benefit plans	(14)	(12)
Total accumulated other comprehensive income	(4,719)	(4,950)
Share acquisition rights	457	457
Non-controlling interests	2,136	2,409
Total net assets	182,473	185,710
Total liabilities and net assets	229,354	213,545

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

(Million yen)

	FY 2021 Third Quarter (April 1, 2021 to December 31, 2021)	FY 2022 Third Quarter (April 1, 2022 to December 31, 2022)
Net sales	59,623	64,408
Cost of sales	22,336	25,376
Gross profit	37,286	39,031
Selling, general and administrative expenses	6,824	7,198
Operating profit	30,462	31,833
Non-operating income		
Interest income	4	6
Rental income from real estate	559	524
Miscellaneous income	195	160
Total non-operating income	759	691
Non-operating expenses		
Interest expenses	9	8
Rental costs on real estate	124	128
Miscellaneous losses	7	14
Total non-operating expenses	141	150
Ordinary profit	31,080	32,373
Extraordinary income		
Gain on sale of non-current assets	17	61
Gain on sale of shares of subsidiaries and associates	1,627	-
Other	-	3
Total extraordinary income	1,645	64
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on retirement of non-current assets	20	18
Loss on cancellation of rental contracts	-	26
Loss on disaster	-	12
Other	0	0
Total extraordinary losses	20	57
Profit before income taxes	32,705	32,380
Income taxes	9,724	10,090
Profit	22,981	22,289
Profit attributable to non-controlling interests	763	418
Profit attributable to owners of parent	22,218	21,871

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2021 Third Quarter (April 1, 2021 to December 31, 2021)	FY 2022 Third Quarter (April 1, 2022 to December 31, 2022)
Profit	22,981	22,289
Other comprehensive income		
Valuation difference on available-for-sale securities	423	(232)
Remeasurements of defined benefit plans, net of tax	2	1
Total other comprehensive income	425	(230)
Comprehensive income	23,407	22,058
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,643	21,640
Comprehensive income attributable to non-controlling interests	763	418

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2021 Third Quarter (April 1, 2021 to December 31, 2021)	FY 2022 Third Quarter (April 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	32,705	32,380
Depreciation and amortization	3,794	3,508
Amortization of goodwill	404	404
Increase (decrease) in allowance for doubtful accounts	(13)	(2)
Increase (decrease) in provision for bonuses	(355)	(386)
Increase (decrease) in retirement benefit liability	80	85
Interest and dividend income	(17)	(34)
Interest expenses	9	8
Loss (gain) on sale of shares of subsidiaries and associates	(1,627)	-
Loss (gain) on sale and retirement of property, plant and equipment	1	(42)
Net change in due from/to member dealers at auction	626	(971)
Decrease (increase) in trade receivables	175	(126)
Increase (decrease) in trade payables	(286)	(102)
Increase (decrease) in accounts payable-other	(213)	(690)
Increase (decrease) in deposits received	(1,099)	(1,226)
Other, net	(459)	(1,189)
Subtotal	33,724	31,615
Interest and dividends received	37	46
Interest paid	(10)	(8)
Income taxes paid	(13,206)	(13,814)
Net cash provided by (used in) operating activities	20,544	17,837
Cash flows from investing activities		
Net decrease (increase) in time deposits	-	(2,600)
Purchase of property, plant and equipment	(896)	(1,414)
Proceeds from sale of property, plant and equipment	28	67
Purchase of intangible assets	(483)	(331)
Purchase of investment securities	-	(1,001)
Proceeds from sale of shares of subsidiaries and associates	1,670	-
Other, net	(22)	(42)
Net cash provided by (used in) investing activities	297	(5,322)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	301	553
Repayments of long-term borrowings	(332)	(338)
Guarantee deposits received from member dealers	134	164
Refund of guarantee deposits received from member dealers	(101)	(107)
Purchase of treasury shares	(3,886)	(1,632)
Proceeds from sale of treasury shares	242	251
Decrease (increase) in money trust to acquire treasury stock	(3,113)	2,026
Dividends paid	(14,218)	(17,323)
Dividends paid to non-controlling interests	(60)	(111)
Repayments of finance lease liabilities	(23)	(37)
Other, net	-	(33)
Net cash provided by (used in) financing activities	(21,057)	(16,589)
Net increase (decrease) in cash and cash equivalents	(215)	(4,073)
Cash and cash equivalents at beginning of period	64,870	75,480
Cash and cash equivalents at end of period	64,654	71,406