

Consolidated Earning Results for the Second Quarter ended September 30, 2013

November 12, 2013

Company Name : **USS Co., Ltd.**

Stock Exchanges Listings : Tokyo and Nagoya

Stock Code : 4732

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(URL <http://www.ussnet.co.jp>)

Representative: Yukihiro Ando, Chairman & President

Contact : Masafumi Yamanaka, Senior Managing Director & Officer of Supervisory Office

Date of Filing of Quarterly Report (Scheduled): November 13, 2013

Starting Date of Dividend Payment (Scheduled): December 9, 2013

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results to be held: Yes

1. Consolidated Results for the Second Quarter ended September 30, 2013 (April 1, 2013 – September 30, 2013)

(1) Consolidated Operating Results (Accumulated)

(millions of yen)

	Net sales		Operating income		Ordinary income	
Six months ended Sep. 30, 2013	32,379	4.6%	15,144	7.8%	15,420	8.2%
Six months ended Sep. 30, 2012	30,944	(1.6%)	14,052	5.5%	14,256	6.3%

	Net income		Net income per share (yen)		Diluted net income per share (yen)	
Six months ended Sep. 30, 2013	9,298	6.2%	35.87		35.80	
Six months ended Sep. 30, 2012	8,759	10.4%	32.54		32.47	

Note: 1. Comprehensive Income (millions of yen): As of Sep 30, 2013: 9,483 +9.3% As of Sep 30, 2012: 8,678 +9.6%
 2. Percent indication shows percentage of change from corresponding figure for the same quarter of the prior fiscal year.
 3. USS implemented one-to-ten split of common stock on October 1, 2013. "Net income per share" and "Diluted net income per share" is calculated as if the stock split had taken place at the beginning of previous fiscal year.

(2) Consolidated Financial Position

(millions of yen)

	Total assets	Net assets	Equity ratio (%)
As of Sep 30, 2013	155,031	125,532	80.5
As of March 31, 2013	154,543	119,676	77.1

Reference: Shareholders' equity (millions of yen): As of September 30, 2013: 124,875 As of March 31, 2013: 119,112

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2013	—	161.50	—	146.00	307.50
Year ending March 31, 2014	—	159.50			
Year ending March 31, 2014 (Estimated)			—	16.95	—

Note: 1. Revision of dividends forecast for this period: Yes
 2. Estimated second quarter dividend for FY3/2013 includes 30 yen commemorative dividend.
 3. The year-end dividend forecast for the fiscal year ending in March 2014 is calculated based on the number of shares outstanding after the one-to-ten common share stock split were implemented on October 1, 2013.
 The year-end dividend forecast for the fiscal year ending in March 2014 based on the number of shares outstanding prior to the stock split is ¥169.50 per common share. Combined with the interim dividend, the annual dividend will be an estimated ¥329.00 per common share.

3. Consolidated Outlook for Fiscal 2013 (April 1, 2013 – March 31, 2014)

(millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
For the year	65,450 3.5%	30,800 5.1%	31,350 4.9%	18,950 3.3%	73.10

Note: Percent indication shows percentage of change from corresponding figure for annual period of the prior fiscal year.

Note: Revision of outlook for this period: Yes

Note: The forecast of net income per share for the fiscal year ending in March 2014 is calculated based on the number of shares outstanding after the one-to-ten common share stock split came into effect on October 1, 2013.

4. Other Information

(1) Significant change of subsidiaries during the term (changes of specified subsidiaries that affected the scope of consolidated reporting): No

(2) Use of simplified accounting method and special accounting policy for quarterly financial reporting: Yes

Calculation of tax expenses

The Company calculates interim income tax expense by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes for the reporting period.

The income taxes-deferred is included in income taxes.

(3) Changes in accounting principals, accounting-based estimates and revised restatements

1) Changes in accounting principals associated with changes in accounting standards: No

2) Other changes in accounting principals : No

3) Changes in accounting-based estimates : No

4) Revised restatements : No

(4) Number of shares issued (common shares):

1) Number of shares issued (including treasury stock):

As of September 30, 2013: 313,250,000 shares As of March 31, 2013: 313,250,000 shares

2) Number of treasury stock:

As of September 30, 2013: 54,903,630 shares

As of March 31, 2013: 55,067,530 shares

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

As of September 30, 2013: 259,186,141 shares

As of September 30, 2012: 269,164,504 shares

Note: 1. USS implemented one-to-ten split of common stock on October 1, 2013. Common shares are calculated as if the stock split had taken place at the beginning of previous fiscal year.

2. Number of Treasury stock as of March 31, 2013 includes 969,300 shares, and as of Sep 30, 2013 includes 886,800 shares held by the USS Employee Stock Ownership Plan Trust.

Guidance on Proper use of Business Forecasts and other Special Notes

(Guidance on Proper use of Business Forecasts)

The above forecast has been prepared based on information available at the time of this writing. Actual performance is subject to various factors and is therefore to change.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(millions of yen)

	FY 2012 (As of March 31, 2013)	FY2013 Second Quarter (As of Sep 30, 2013)
Assets		
Current assets:		
Cash and deposits	37,033	38,436
Receivables due from member dealers at auction	13,660	7,784
Notes and accounts receivable-trade	2,662	2,407
Short-term investment securities	508	—
Inventories	947	919
Other	1,277	1,749
Allowance for doubtful accounts	(41)	(34)
Total current assets	56,047	51,262
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	27,537	32,485
Land	58,190	58,233
Construction in progress	1,197	217
Other, net	1,545	2,387
Total property, plant and equipment	88,470	93,324
Intangible assets		
Goodwill	17	11
Other	800	1,187
Total intangible assets	818	1,199
Investments and other assets		
Investments and other assets	9,298	9,337
Allowance for doubtful accounts	(91)	(92)
Total investments and other assets	9,206	9,244
Total noncurrent assets	98,496	103,769
Total assets	154,543	155,031

(millions of yen)

	FY 2012 (As of March 31, 2013)	FY2013 Second Quarter (As of Sep 30, 2013)
Liabilities		
Current liabilities:		
Payables due to member dealers at auction	16,185	9,209
Notes and accounts payable-trade	556	467
Short-term loans payable	93	93
Income taxes payable	4,921	5,310
Provision	523	547
Other	5,885	7,315
Total current liabilities	28,165	22,943
Noncurrent liabilities:		
Long-term loans payable	864	701
Provision	75	82
Asset retirement obligations	687	691
Other	5,075	5,079
Total noncurrent liabilities	6,701	6,555
Total liabilities	34,866	29,498
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,969	18,985
Retained earnings	125,599	131,128
Treasury stock	(39,177)	(39,051)
Total shareholders' equity	124,273	129,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158	250
Revaluation reserve for land	(5,319)	(5,319)
Total accumulated other comprehensive income	(5,160)	(5,068)
Subscription rights to shares	237	243
Minority interests	327	413
Total net assets	119,676	125,532
Total liabilities and net assets	154,543	155,031

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

(millions of yen)

	FY2012 Second Quarter (April 1, 2012 through Sep 30, 2012)	FY2013 Second Quarter (April 1, 2013 through Sep 30, 2013)
Net sales	30,944	32,379
Cost of sales	12,311	12,730
Gross profit	18,632	19,649
Selling, general and administrative expenses	4,580	4,504
Operating income	14,052	15,144
Non-operating income		
Interest income	6	21
Real estate rent	201	236
Miscellaneous income	99	71
Total non-operating income	306	330
Non-operating expenses		
Interest expenses	3	2
Rent cost of real estate	32	32
Loss on valuation of compound financial instruments	54	8
Miscellaneous loss	12	9
Total non-operating expenses	102	53
Ordinary income	14,256	15,420
Extraordinary income:		
Gain on sales of noncurrent assets	10	7
Total extraordinary income	10	7
Extraordinary loss:		
Loss on sales of noncurrent assets	0	5
Loss on retirement of noncurrent assets	16	173
Other	—	22
Total extraordinary losses	17	201

(millions of yen)

	FY2012 Second Quarter (April 1, 2012 through Sep 30, 2012)	FY2013 Second Quarter (April 1, 2013 through Sep 30, 2013)
Income before income taxes and minority interests	14,250	15,227
Income taxes	5,515	5,835
Income before minority interests	8,734	9,391
Minority interests in income	(24)	93
Net income	8,759	9,298

(Consolidated Quarterly Statements of Comprehensive Income)

(millions of yen)

	FY2012 Second Quarter (April 1, 2012 through Sep 30, 2012)	FY2013 Second Quarter (April 1, 2013 through Sep 30, 2013)
Income before minority interests	8,734	9,391
Other comprehensive income		
Valuation difference on available-for-sale securities	(56)	91
Total other comprehensive income	(56)	91
Comprehensive income	8,678	9,483
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	8,702	9,390
Comprehensive income attributable to minority interests	(24)	93

(3) Consolidated Quarterly Statements of Cash Flows

(millions of yen)

	FY2012 Second Quarter (April 1, 2012 through Sep 30, 2012)	FY2013 Second Quarter (April 1, 2013 through Sep 30, 2013)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	14,250	15,227
Depreciation and other amortization	1,710	1,829
Amortization of goodwill	(6)	14
Increase (decrease) in allowance for doubtful accounts	(8)	(5)
Increase (decrease) in provision for bonuses	(19)	23
Increase (decrease) in provision for retirement benefits	(101)	7
Interest and dividends income	(13)	(30)
Interest expenses	3	2
Loss (gain) on valuation of compound financial instruments	54	8
Loss (gain) on sales and retirement of property, plant and equipment	6	168
Net change in due from/to member dealers at auction	367	(1,099)
Decrease (increase) in notes and accounts receivable-trade	363	254
Increase (decrease) in notes and accounts payable-trade	(80)	(88)
Increase (decrease) in deposits received	(1,002)	(1,027)
Other, net	(647)	(731)
Subtotal	14,875	14,553
Interest and dividends income received	15	31
Interest expenses paid	(3)	(1)
Income taxes paid	(6,941)	(5,509)
Net cash provided by (used in) operating activities	7,945	9,072

(millions of yen)

	FY2012 Second Quarter (April 1, 2012 through Sep 30, 2012)	FY2013 Second Quarter (April 1, 2013 through Sep 30, 2013)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	6,100	(6,500)
Purchase of property, plant and equipment	(254)	(4,177)
Proceeds from sales of property, plant and equipment	21	17
Purchase of intangible assets	(73)	(49)
Proceeds from redemption of investment securities	100	500
Purchase of long-term prepaid expenses	(7)	(20)
Purchase of investments in subsidiaries	—	(15)
Other, net	(28)	(3)
Net cash provide by (used in) investing activities	5,857	(10,247)
Net cash provided by (used in) financing activities:		
Repayment of long-term loans payable	(146)	(162)
Proceeds from guarantee deposits received from member dealers	119	119
Repayments of guarantee deposits received from member dealers	(38)	(33)
Purchase of treasury stock	(12,309)	—
Proceeds from sales of treasury stock	101	103
Cash dividends paid	(3,644)	(3,769)
Repayments of finance lease obligations	(186)	(179)
Other, net	0	0
Net cash provided by (used in) financing activities	(16,103)	(3,921)
Net increase (decrease) in cash and cash equivalents	(2,300)	(5,097)
Cash and cash equivalents at beginning of period	28,540	34,833
Cash and cash equivalents at end of period	26,240	29,736

Significant Subsequent Events

Stock split and change in stock unit

Based on the resolutions of The Board of Directors on August 5, 2013, USS conducted a stock split and change the stock unit (tangen) on October 1, 2013 as follows.

1. Purpose of stock split and change in stock unit

Based on the action plan for consolidating trading units that has been announced by all securities exchanges in Japan, USS has decided to conduct a one-to-ten split of its common stock in order to improve convenience and liquidity for exchanges where USS stock is listed. In addition, the stock unit was increased from 10 shares to 100 shares. There is no effective change in the investment unit for USS stock in association with the stock split and change in the stock unit.

2. Summary of the stock split

(1) Stock split method

A one-to-ten split of USS common stock had taken place for shareholders listed or recorded in the final shareholder register on September 30, 2013.

(2) Increase in number of shares

Shares issued prior to the split	31,325,000
Increase due to the split	281,925,000
Shares issued after the split	313,250,000
Authorized shares after the split	1,200,000,000

Note: The number of shares issued prior to the split may increase prior to the stock split record date due to the exercise of stock acquisition rights.

(3) Stock split timetable

Record date announcement	September 13, 2013 (Friday)
Record date	September 30, 2013 (Monday)
Effective date	October 1, 2013 (Tuesday)

3. Change in stock unit

(1) Revised stock unit

On the effective date of the stock split listed in “2. Summary of the stock split,” the stock unit changed from 10 shares to 100 shares.

(2) Date of change

Effective date October 1, 2013 (Tuesday)

(Reference)Due to the timing of stock transfer after a trade, the unit for USS stock on the Tokyo Stock Exchange and Nagoya Stock Exchange changed from 10 shares to 100 shares on September 26, 2013 (Thursday).

4. Per share information and effect of split

Per share information calculated as if the stock split had taken place at the beginning of previous fiscal year is as follows.

	Second quarter of previous fiscal year (April 1 to Sep 30, 2012)	Second quarter of current fiscal year (April 1 to Sep 30, 2013)
Net income per share	32.54	35.87
Diluted net income per share	32.47	35.80