

# Consolidated Financial Results for the Second Quarter ended September 30, 2016

November 7, 2016

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.ussnet.co.jp/eng/index.html>  
 Representative: Title: President and Representative Director Name: Yukihiro Ando  
 Contact Person: Title: Executive Vice President and Officer of Supervisory Office Name: Masafumi Yamanaka  
 Tel: +81-52-689-1129  
 Date of filing of quarterly securities report: (Scheduled) November 10, 2016  
 Date of commencement of dividend payment: (Scheduled) December 13, 2016  
 Supplementary materials for quarterly financial results Yes  
 Information meeting for quarterly financial results Yes

## 1. Consolidated Results for the Second Quarter ended September 30, 2016 (April 1, 2016 – September 30, 2016)

### (1) Consolidated Operating Results (year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2016	32,355	(3.8)	15,490	(7.6)	15,805	(7.6)
Six months ended Sep. 30, 2015	33,643	4.3	16,763	6.6	17,106	6.7

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended Sep. 30, 2016	10,840	(4.0)	42.51	42.44
Six months ended Sep. 30, 2015	11,292	8.7	43.66	43.58

Note: Comprehensive income (million yen): Six months ended September 30, 2016: 10,840 (−4.6%)  
 Six months ended September 30, 2015: 11,368 (+9.4%)

### (2) Consolidated Financial Position (Million yen)

	Total assets	Net assets	Equity ratio (%)
As of Sep. 30, 2016	184,913	153,360	82.3
As of March 31, 2016	186,831	155,183	82.5

Reference: Shareholders' equity (million yen): As of September 30, 2016: 152,231 As of March 31, 2016: 154,155

## 2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2016	—	20.40	—	20.40	40.80
Year ending March 31, 2017	—	23.20			
Year ending March 31, 2017 (Estimated)			—	23.20	46.40

Note: Revision of dividend forecast for this period: No

## 3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2017

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2017	66,800	(2.6)	31,700	(8.1)	32,300	(8.3)	22,200	(1.2)	87.24

Note: Change in the forecast from the latest announcement: Yes

**\* Notes**

- (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 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, accounting-based estimates and restatements
- 1) Changes in accounting principles associated with changes in accounting standards: Yes
- Change in accounting policies  
(Application of practical solution on a change in depreciation method due to tax reform 2016)  
In association with amendments to Japan's Corporate Income Tax Act, the Company is applying Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) beginning with the first quarter of the fiscal year ending in March 2017. Consequently, the depreciation method for facilities attached to buildings acquired and structures on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.  
As a result, operating income, ordinary income and profit before income taxes for the second quarter of the current fiscal year increased by 28 million yen each.
- 2) Changes in accounting principles other than in 1): No
- 3) Changes in accounting-based estimates: Yes  
(Revision of Useful Life)  
A decision has been made to rebuild the building and structures of the Sapporo Auction Site in the current first quarter. Consequently, for the future, the useful life of the assets to be removed is assumed to expire in the month of the scheduled rebuilding.  
As a result of the above change, the second quarter of the current fiscal year depreciation expense increased by 156 million yen and operating income, ordinary income and profit before income taxes declined by 156 million yen each, compared to the amounts that would have been reported if the previous method had been applied consistently.
- 4) Retrospective restatement : No
- (4) Number of shares issued (common shares):
- 1) Shares issued (including treasury stock):  
As of September 30, 2016: 313,250,000 shares      As of March 31, 2016: 313,250,000 shares
- 2) Treasury stock:  
As of September 30, 2016: 59,402,584 shares      As of March 31, 2016: 55,102,684 shares
- 3) Average number of shares outstanding for each period (cumulative term):  
As of September 30, 2016: 254,986,444 shares      As of September 30, 2015: 258,588,493 shares
- Note: Treasury stock includes 499,200 shares as of September 30, 2016 and 568,700 shares as of March 31, 2016 held by the USS Employee Stock Ownership Plan Trust.
- (5) Additional Information  
(Adoption of Implementation Guidance on Recoverability of deferred tax assets)  
Effective from the current first quarter, the Company started applying the implementation guidance on recoverability of deferred tax assets (Guidance No.26 Implementation Guidance on Recoverability of Deferred Tax Assets; March 28, 2016)

**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 when this document was prepared. Actual performance may differ because of various factors.

(Supplementary explanatory documents)

Supplementary explanatory documents will be posted on the Company's website on November 9, 2016.

#### 4. Quarterly Consolidated Financial Statements

##### (1) Consolidated Quarterly Balance Sheets

(Million yen)

	FY 2015 (As of March 31, 2016)	FY2016 Second Quarter (As of Sep. 30, 2016)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	62,290	61,895
Receivables due from member dealers at auction	10,612	10,998
Notes and accounts receivable-trade	2,610	2,368
Securities	3,000	-
Inventories	708	607
Other	2,263	1,673
Allowance for doubtful accounts	(44)	(43)
Total current assets	81,440	77,500
<b>Noncurrent assets:</b>		
Property, plant and equipment		
Buildings and structures, net	36,699	37,592
Land	56,937	57,259
Construction in progress	445	295
Other, net	2,018	3,176
Total property, plant and equipment	96,101	98,323
Intangible assets		
Goodwill	396	354
Other	1,181	1,541
Total intangible assets	1,578	1,895
Investments and other assets		
Investment and other assets	8,203	7,686
Allowance for doubtful accounts	(491)	(493)
Total investments and other assets	7,711	7,193
Total noncurrent assets	105,391	107,412
<b>Total assets</b>	<b>186,831</b>	<b>184,913</b>

(Million yen)

FY 2015  
(As of March 31, 2016)

FY2016 Second Quarter  
(As of Sep. 30, 2016)

**Liabilities**

**Current liabilities:**

Payables due to member dealers at auction	13,288	14,373
Notes and accounts payable-trade	352	324
Short-term loans payable	60	30
Current portion of long-term loans payable	61	-
Income taxes payable	5,409	5,023
Provision for bonuses	618	600
Other	6,147	5,454
Total current liabilities	25,937	25,805

**Noncurrent liabilities:**

Long-term loans payable	21	-
Net defined benefit liability	253	310
Asset retirement obligations	631	611
Other	4,803	4,825
Total noncurrent liabilities	5,710	5,747

**Total liabilities**

31,647 31,553

(Million yen)

	FY 2015 (As of March 31, 2016)	FY2016 Second Quarter (As of Sep. 30, 2016)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,881	18,881
Capital surplus	18,914	18,914
Retained earnings	161,926	167,488
Treasury stock	(39,856)	(47,290)
Total shareholders' equity	159,865	157,994
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	160	108
Revaluation reserve for land	(5,863)	(5,863)
Remeasurements of defined benefit plans	(7)	(6)
Total accumulated other comprehensive income	(5,710)	(5,762)
<b>Subscription rights to shares</b>	262	310
<b>Non-controlling interests</b>	765	818
<b>Total net assets</b>	155,183	153,360
<b>Total liabilities and net assets</b>	186,831	184,913

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

(Million yen)

	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Net sales</b>	33,643	32,355
<b>Cost of sales</b>	12,917	12,809
<b>Gross profit</b>	20,725	19,546
<b>Selling, general and administrative expenses</b>	3,962	4,056
<b>Operating income</b>	16,763	15,490
<b>Non-operating income</b>		
Interest income	25	15
Real estate rent	271	227
Miscellaneous income	88	116
Total non-operating income	385	359
<b>Non-operating expenses</b>		
Interest expenses	-	0
Rent cost of real estate	40	31
Miscellaneous loss	1	12
Total non-operating expenses	42	44
<b>Ordinary income</b>	17,106	15,805

(Million yen)

	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	6	3
Gain on sales of investment securities	-	2
Total extraordinary income	6	5
<b>Extraordinary loss:</b>		
Loss on retirement of non-current assets	58	99
Other	10	25
Total extraordinary losses	69	124
<b>Profit before income taxes</b>	17,043	15,686
<b>Income taxes</b>	5,694	4,793
<b>Profit</b>	11,349	10,893
<b>Profit attributable to non-controlling interests</b>	57	52
<b>Profit attributable to owners of parent</b>	11,292	10,840

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

(Million yen)

	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Profit</b>	11,349	10,893
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	18	(52)
Remeasurements of defined benefit plans, net of tax	(0)	0
Total other comprehensive income	18	(52)
<b>Comprehensive income</b>	11,368	10,840
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	11,310	10,788
Comprehensive income attributable to non-controlling interests	57	52



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

(Million yen)

	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Net Cash provided by (used in) operating activities:</b>		
Profit before income taxes	17,043	15,686
Depreciation and other amortization	1,605	2,151
Amortization of goodwill	-	41
Increase (decrease) in allowance for doubtful accounts	8	0
Increase (decrease) in provision for bonuses	(0)	(18)
Increase (decrease) in net defined benefit liability	41	57
Interest and dividends income	(38)	(30)
Interest expenses	-	0
Loss (gain) on sales of investment securities	-	(2)
Loss (gain) on sales and retirement of property, plant and equipment	52	89
Net change in due from/to member dealers at auction	310	698
Decrease (Increase) in notes and accounts receivable-trade	312	242
Increase (decrease) in notes and accounts payable-trade	(50)	(27)
Increase (decrease) in deposits received	(1,062)	(1,248)
Other, net	(2,118)	83
Subtotal	16,104	17,724
Interest and dividend income received	52	47
Interest expenses paid	(0)	(0)
Income taxes paid	(6,599)	(5,235)
Net cash provided by (used in) operating activities	9,556	12,535

	(Million yen)	
	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Net cash provided by (used in) investing activities:</b>		
Net decrease (increase) in time deposits	(3,000)	(6,980)
Purchase of securities	(10,000)	-
Proceeds from redemption of securities	8,000	3,000
Purchase of property, plant and equipment	(3,154)	(3,568)
Proceeds from sales of property, plant and equipment	11	4
Purchase of intangible assets	(94)	(346)
Proceeds from sales of investment securities	-	10
Other, net	(15)	(86)
Net cash provide by (used in) investing activities	(8,252)	(7,967)

	(Million yen)	
	FY2015 Second Quarter (April 1, 2015 through Sep. 30,2015)	FY2016 Second Quarter (April 1, 2016 through Sep. 30,2016)
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term loans payable	-	(30)
Repayments of long-term loans payable	(129)	(82)
Proceeds from guarantee deposits received from member dealers	121	81
Repayment of guarantee deposits received from member dealers	(28)	(50)
Purchases of treasury shares	-	(7,491)
Proceeds from sales of treasury shares	117	118
Decrease(increase)in money held in trust for purchase of treasury stock	-	854
Cash dividends paid	(4,977)	(5,277)
Dividends paid to non-controlling interests	(147)	-
Repayment of finance lease obligations	(39)	(55)
Other, net	0	(10)
Net cash provided by (used in) financing activities	(5,083)	(11,943)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,779)</b>	<b>(7,375)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>29,462</b>	<b>37,370</b>
<b>Cash and cash equivalents at end of period</b>	<b>25,682</b>	<b>29,995</b>