

Consolidated Financial Results for the Second Quarter ended September 30, 2017

November 6, 2017

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/>
 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
 Scheduled date of filing of quarterly securities report: November 10, 2017
 Scheduled date of commencement of dividend payment: December 13, 2017
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: Yes

1. Consolidated Results for the Second Quarter ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(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 Sep. 30, 2017	34,822	7.6	17,013	9.8	17,275	9.3
Six months ended Sep. 30, 2016	32,355	(3.8)	15,490	(7.6)	15,805	(7.6)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended Sep. 30, 2017	11,799	8.8	46.45	46.37
Six months ended Sep. 30, 2016	10,840	(4.0)	42.51	42.44

Note: Comprehensive income (million yen): Six months ended September 30, 2017: 11,940 +10.1%
 Six months ended September 30, 2016: 10,840 -4.6%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2017	216,176	169,820	75.9
As of March 31, 2017	197,374	159,197	80.1

Reference: Shareholders' equity (million yen): As of September 30, 2017: 164,060 As of March 31, 2017: 158,029

2. Dividends

	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2017	—	23.20	—	23.20	46.40
Year ending March 31, 2018	—	23.50			
Year ending March 31, 2018(Forecast)			—	23.70	47.20

Note: Revision of dividend forecast for this period: Yes

3. Forecast of Consolidated Financial Results to the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	74,700	11.2	35,800	10.5	36,400	10.3	24,000	4.8	94.48

Note: Revision of financial forecast for this period: Yes

*** Notes**

(1) Changes in significant subsidiaries during the six months (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

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 and estimates, and retrospective restatement

1) Changes due to revision of accounting standards: None

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, 2017: 313,250,000 shares As of March 31, 2017: 313,250,000 shares

2) Treasury shares

As of September 30, 2017: 59,211,794 shares As of March 31, 2017: 59,272,884 shares

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

As of September 30, 2017: 254,007,713 shares As of September 30, 2016: 254,986,444 shares

Note: Treasury shares includes 313,900 shares as of September 30, 2017 and 373,800 shares as of March 31, 2017 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.

(Clarification of forecasts, including consolidated business results, etc.)

USS acquired the voting rights of Japan Automobile Auction Inc and included the company as well as two other subsidiaries in the consolidation in the second quarter of fiscal year ending in March 2018.

As a result, consolidated net sales, operating profit, ordinary profit and profit attributable to owners of parent for the fiscal year ending in March 2018 are now expected to exceed the previous forecast (released on May 11, 2017).

Consolidated business forecasts are based on information available to management as of the date of the announcement of business results since identification of assets and liabilities of the acquired company and any impact of their valuation on consolidated business results is currently being reviewed.

(Supplementary explanatory documents)

Supplementary materials for quarterly financial results will be posted on the Company's website on November 8, 2017.

4. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Second Quarter (As of September 30, 2017)
Assets		
Current assets:		
Cash and deposits	74,778	47,637
Receivables due from member dealers at auction	11,668	17,847
Notes and accounts receivable-trade	2,605	2,539
Inventories	751	717
Other	1,697	2,210
Allowance for doubtful accounts	(38)	(72)
Total current assets	91,462	70,879
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	35,979	39,204
Land	56,911	63,584
Construction in progress	342	328
Other, net	3,635	3,951
Total property, plant and equipment	96,868	107,068
Intangible assets		
Goodwill	313	27,890
Other	1,537	2,712
Total intangible assets	1,850	30,603
Investments and other assets		
Investments and other assets	7,682	8,164
Allowance for doubtful accounts	(490)	(540)
Total investments and other assets	7,192	7,623
Total non-current assets	105,911	145,296
Total assets	197,374	216,176

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Second Quarter (As of September 30, 2017)
Liabilities		
Current liabilities:		
Payables due to member dealers at auction	15,051	21,968
Notes and accounts payable-trade	372	444
Short-term loans payable	30	-
Current portion of long-term loans payable	220	220
Income taxes payable	5,108	6,483
Provision for bonuses	632	697
Other	7,385	5,427
Total current liabilities	28,801	35,241
Non-current liabilities:		
Long-term loans payable	3,820	3,582
Net defined benefit liability	368	640
Asset retirement obligations	373	601
Other	4,813	6,290
Total non-current liabilities	9,375	11,114
Total liabilities	38,176	46,355

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Second Quarter (As of September 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	173,488	179,387
Treasury shares	(47,602)	(47,485)
Total shareholders' equity	163,681	169,697
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	61
Revaluation reserve for land	(5,694)	(5,694)
Remeasurements of defined benefit plans	(3)	(3)
Total accumulated other comprehensive income	(5,652)	(5,637)
Subscription rights to shares	306	373
Non-controlling interests	861	5,387
Total net assets	159,197	169,820
Total liabilities and net assets	197,374	216,176

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

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Net sales	32,355	34,822
Cost of sales	12,809	13,761
Gross profit	19,546	21,061
Selling, general and administrative expenses	4,056	4,048
Operating profit	15,490	17,013
Non-operating income		
Interest income	15	9
Real estate rent	227	205
Miscellaneous income	116	81
Total non-operating income	359	296
Non-operating expenses		
Interest expenses	0	5
Rent cost of real estate	31	23
Miscellaneous loss	12	4
Total non-operating expenses	44	33
Ordinary profit	15,805	17,275

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Extraordinary income:		
Gain on sales of non-current assets	3	15
Gain on sales of investment securities	2	77
Total extraordinary income	5	93
Extraordinary loss:		
Loss on retirement of non-current assets	99	75
Other	25	4
Total extraordinary losses	124	80
Profit before income taxes	15,686	17,288
Income taxes	4,793	5,362
Profit	10,893	11,925
Profit attributable to non-controlling interests	52	126
Profit attributable to owners of parent	10,840	11,799

(Consolidated Quarterly Statements of Comprehensive Income)

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Profit	10,893	11,925
Other comprehensive income		
Valuation difference on available-for-sale securities	(52)	14
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	(52)	14
Comprehensive income	10,840	11,940
Comprehensive income attributable to owners of parent	10,788	11,814
Comprehensive income attributable to non-controlling interests	52	126

(3) Consolidated Quarterly Statements of Cash Flows

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Cash provided by (used in) operating activities:		
Profit before income taxes	15,686	17,288
Depreciation and other amortization	2,151	2,323
Amortization of goodwill	41	41
Increase (decrease) in allowance for doubtful accounts	0	(3)
Increase (decrease) in provision for bonuses	(18)	18
Increase (decrease) in net defined benefit liability	57	60
Interest and dividend income	(30)	(17)
Interest expenses	0	5
Loss (gain) on sales of investment securities	(2)	(77)
Loss (gain) on sales and retirement of property, plant and equipment	89	59
Net change in due from/to member dealers at auction	698	1,231
Decrease (Increase) in notes and accounts receivable-trade	242	94
Increase (decrease) in notes and accounts payable-trade	(27)	45
Increase (decrease) in accounts payable-other	115	(1,342)
Increase (decrease) in deposits received	(1,248)	(765)
Other, net	(32)	(403)
Subtotal	17,724	18,558
Interest and dividend income received	47	36
Interest expenses paid	(0)	(6)
Income taxes paid	(5,235)	(4,679)
Net cash provided by (used in) operating activities	12,535	13,909

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	(6,980)	16,000
Proceeds from redemption of securities	3,000	-
Purchase of property, plant and equipment	(3,568)	(3,272)
Proceeds from sales of property, plant and equipment	4	20
Purchase of intangible assets	(346)	(294)
Proceeds from sales of investment securities	10	86
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(31,413)
Other, net	(86)	(69)
Net cash provide by (used in) investing activities	(7,967)	(18,942)

(Million yen)

	FY 2016 Second Quarter (April 1, 2016 to September 30, 2016)	FY 2017 Second Quarter (April 1, 2017 to September 30, 2017)
Cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(30)	(30)
Repayments of long-term loans payable	(82)	(237)
Proceeds from guarantee deposits received from member dealers	81	66
Repayment of guarantee deposits received from member dealers	(50)	(48)
Purchases of treasury shares	(7,491)	(0)
Proceeds from sales of treasury shares	118	129
Decrease(increase)in money held in trust for purchase of treasury shares	854	-
Cash dividends paid	(5,277)	(5,900)
Dividends paid to non-controlling interests	-	(75)
Repayment of finance lease obligations	(55)	(1)
Other, net	(10)	(9)
Net cash provided by (used in) financing activities	(11,943)	(6,108)
Net increase (decrease) in cash and cash equivalents	(7,375)	(11,141)
Cash and cash equivalents at beginning of period	37,370	47,878
Cash and cash equivalents at end of period	29,995	36,737