

Consolidated Financial Results for the Third Quarter ended December 31, 2015

February 8, 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
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 Date of filing of quarterly securities report: (Scheduled) February 10, 2016
 Date of commencement of dividend payment: (Scheduled) —
 Supplementary materials for quarterly financial results Yes
 Information meeting for quarterly financial results No

1. Consolidated Results for the Third Quarter ended December 31, 2015 (April 1, 2015 – December 31, 2015)

(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	%
Nine months ended Dec. 31, 2015	50,361	2.7	25,323	5.3	25,878	5.5
Nine months ended Dec. 31, 2014	49,013	(0.5)	24,055	2.6	24,518	2.6

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended Dec. 31, 2015	16,485	4.6	63.74	63.62
Nine months ended Dec. 31, 2014	15,759	9.9	60.97	60.85

Note: Comprehensive income (million yen):
 Nine months ended December 31, 2015: 16,610 +5.4%
 Nine months ended December 31, 2014: 15,762 +8.2%

(2) Consolidated Financial Position (Million yen)

	Total assets	Net assets	Equity ratio (%)
As of Dec. 31, 2015	169,809	150,448	88.0
As of March 31, 2015	174,106	144,039	82.2

Reference: Equity capital (million yen): As of December 31, 2015: 149,408 As of March 31, 2015: 143,098

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2015	—	18.50	—	19.20	37.70
Year ending March 31, 2016	—	20.40	—		
Year ending March 31, 2016 (Estimated)				20.40	40.80

Note: Revision of dividend forecast for this period: No

3. Consolidated Outlook for Fiscal 2015 (April 1, 2015 – March 31, 2016)

(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
For the year	70,000	3.8	35,200	5.4	35,900	5.5	23,400	8.0	90.47

Note: Change in the outlook from the latest announcement: No

* 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
Changes in Accounting Policies
(Application of the Accounting Standards for Business Combinations)

Since the first quarter of the accounting period under review, the Company has applied the Accounting standard for Business Combinations (Accounting Standards Board of Japan “ASBJ” Statement No. 21, issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013). In line with the application of these standards, the Company included the balance resulting from the changes in a parent’s ownership interest in a subsidiary, in which the parent retains control, as capital surplus, and included the costs related to the acquisition of additional ownership interests in the costs of the fiscal period in which the relevant costs were incurred. In regard to the business combinations executed after the beginning of the first quarter of the accounting period under review, the Company has decided to revise the allocation of acquisition costs in response to the tentative decisions related to accounting processing, and to reflect this to the quarterly financial statements for the period in which the relevant business combinations are executed. The Company has also changed the method of disclosing quarterly net income, etc., and the method of reporting changes in minority interests to non-controlling interests. In order to reflect these changes, the financial statements of the cumulative third quarter and the fiscal year for the previous fiscal year have been restated.

In the cash flow statement of the cumulative third quarter, the cash flow for the costs of the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) financing activities, and the cash flow for the costs of the acquisition of ownership interests in subsidiaries resulting in change in scope of consolidation or the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) operating activities.

The accounting standards for business combinations have been applied in accordance with the transitional treatment provided in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures. These standards were applied prospectively from the beginning of the first quarter of the accounting period under review.

The application of these accounting standards had negligible effect on the consolidated financial statements for the period of the current fiscal year.

2) Changes in accounting principles other than in 1): No

3) Changes in accounting-based estimates: Yes

(Change in useful life of assets)

The Company has taken a decision to reconstruct the buildings and structures at its Shizuoka Auction Site in the second quarter of the current fiscal year. To factor in the accompanying removal of assets, the remaining useful life of the said assets is enduringly altered to end of the month of reconstruction.

As a result, depreciation for the third quarter of the current fiscal year shall increase by 79million yen and operating income, ordinary income and income before income taxes shall decrease respectively by an equivalent amount compared to the amounts that would have reported if the useful life of assets had not been altered.

4) Retrospective restatement : No

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

1) Shares issued (including treasury stock):

As of December 31, 2015: 313,250,000 shares As of March 31, 2015: 313,250,000 shares

2) Treasury stock:

As of December 31, 2015: 54,579,435 shares As of March 31, 2015: 54,691,235 shares

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

As of December 31, 2015: 258,606,995 shares As of December 31, 2014: 258,472,668 shares

Note: Treasury stock includes 685,600 shares as of March 31, 2015 and 591,000 shares as of December 31, 2015 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 when this document was prepared. Actual performance may differ because of various factors.

4. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	FY 2014 (As of March 31, 2015)	FY2015 Third Quarter (As of Dec. 31, 2015)
Assets		
Current assets:		
Cash and deposits	49,862	48,243
Receivables due from member dealers at auction	7,885	3,069
Notes and accounts receivable-trade	2,963	2,093
Securities	10,100	10,000
Inventories	1,125	688
Other	1,436	1,816
Allowance for doubtful accounts	(39)	(34)
Total current assets	73,334	65,875
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	31,070	29,667
Land	57,760	56,949
Construction in progress	456	5,754
Other, net	2,100	1,867
Total property, plant and equipment	91,388	94,238
Intangible assets		
Goodwill	-	417
Other	1,137	1,111
Total intangible assets	1,137	1,528
Investments and other assets		
Investments and other assets	8,331	8,659
Allowance for doubtful accounts	(85)	(492)
Total investments and other assets	8,245	8,167
Total noncurrent assets	100,771	103,934
Total assets	174,106	169,809

(Million yen)

	FY 2014 (As of March 31, 2015)	FY2015 Third Quarter (As of Dec. 31, 2015)
Liabilities		
Current liabilities:		
Payables due to member dealers at auction	9,753	5,835
Notes and accounts payable-trade	556	252
Short-term loans payable	-	102
Income taxes payable	5,916	2,698
Provision	618	319
Other	7,066	4,305
Total current liabilities	23,910	13,513
Noncurrent liabilities:		
Long-term loans payable	300	196
Net defined benefit liability	149	220
Asset retirement obligations	682	629
Other	5,023	4,800
Total noncurrent liabilities	6,156	5,847
Total liabilities	30,067	19,361
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,933	18,930
Retained earnings	149,718	155,936
Treasury stock	(38,878)	(38,789)
Total shareholders' equity	148,654	154,959
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	180
Revaluation reserve for land	(5,659)	(5,732)
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	(5,555)	(5,551)
Subscription rights to shares	273	307
Non-controlling interests	666	733
Total net assets	144,039	150,448
Total liabilities and net assets	174,106	169,809

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

(Million yen)

	FY2014 Third Quarter (April 1, 2014 through Dec. 31, 2014)	FY2015 Third Quarter (April 1, 2015 through Dec. 31, 2015)
Net sales	49,013	50,361
Cost of sales	18,803	19,110
Gross profit	30,210	31,251
Selling, general and administrative expenses	6,155	5,927
Operating income	24,055	25,323
Non-operating income		
Interest income	27	38
Real estate rent	380	436
Miscellaneous income	129	145
Total non-operating income	538	621
Non-operating expenses		
Interest expenses	0	-
Rent cost of real estate	64	63
Miscellaneous loss	10	2
Total non-operating expenses	75	66
Ordinary income	24,518	25,878
Extraordinary income:		
Gain on step acquisitions	-	48
Gain on sales of noncurrent assets	26	9
Gain on sales of investment securities	276	-
Other	26	-
Total extraordinary income	329	57
Extraordinary loss:		
Loss on sales of noncurrent assets	0	-
Loss on retirement of noncurrent assets	124	101
Loss on sales of shares of subsidiaries	-	641
Other	-	10
Total extraordinary losses	125	754
Income before income taxes	24,722	25,182

(Million yen)

	FY2014 Third Quarter (April 1, 2014 through Dec. 31, 2014)	FY2015 Third Quarter (April 1, 2015 through Dec. 31, 2015)
Income taxes	8,837	8,648
Profit	15,884	16,533
Profit attributable to non-controlling interests	124	48
Profit attributable to owners of parent	15,759	16,485

(Consolidated Quarterly Statements of Comprehensive Income)

(Million yen)

	FY2014 Third Quarter (April 1, 2014 through Dec. 31, 2014)	FY2015 Third Quarter (April 1, 2015 through Dec. 31, 2015)
Profit	15,884	16,533
Other comprehensive income		
Valuation difference on available-for-sale securities	(122)	77
Remeasurements of defined benefit plans, net of tax	-	(0)
Total other comprehensive income	(122)	77
Comprehensive income	15,762	16,610
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	15,637	16,562
Comprehensive income attributable to non-controlling interests	124	48

(3) Consolidated Quarterly Statements of Cash Flows

(Million yen)

	FY2014 Third Quarter (April 1, 2014 through Dec. 31, 2014)	FY2015 Third Quarter (April 1, 2015 through Dec. 31, 2015)
Net cash provided by (used in) operating activities:		
Income before income taxes	24,722	25,182
Depreciation and other amortization	2,663	2,445
Amortization of goodwill	5	-
Increase (decrease) in allowance for doubtful accounts	6	6
Increase (decrease) in provision for bonuses	(283)	(281)
Increase (decrease) in net defined benefit liability	34	71
Interest and dividends income	(38)	(52)
Interest expenses	0	-
Loss (gain) on sales of investment securities	(276)	-
Loss (gain) on sales of shares of subsidiaries	-	641
Loss (gain) on sales and retirement of property, plant and equipment	66	91
Loss (gain) on step acquisitions	-	(48)
Net change in due from/to member dealers at auction	(2,029)	975
Decrease (increase) in notes and accounts receivable-trade	615	462
Increase (decrease) in notes and accounts payable-trade	(186)	(163)
Increase (decrease) in deposits received	(1,581)	(1,413)
Other, net	725	(2,126)
Subtotal	24,445	25,791
Interest and dividends income received	59	81
Interest expenses paid	(0)	(0)
Income taxes paid	(13,441)	(11,910)
Net cash provided by (used in) operating activities	11,062	13,961

(Million yen)

	FY2014 Third Quarter (April 1, 2014 through Dec. 31, 2014)	FY2015 Third Quarter (April 1, 2015 through Dec. 31, 2015)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	(6,700)	(2,000)
Purchase of securities	(10,100)	(13,000)
Proceeds from redemption of securities	3,000	12,100
Purchase of property, plant and equipment	(1,798)	(5,798)
Proceeds from sales of property, plant and equipment	48	14
Purchase of intangible assets	(319)	(151)
Proceeds from sales of investment securities	553	-
Proceeds from sales of investments in real estates	229	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	630
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(117)
Other, net	(157)	(128)
Net cash provided by (used in) investing activities	(15,245)	(8,451)
Net cash provided by (used in) financing activities:		
Repayment of long-term loans payable	(192)	(129)
Proceeds from guarantee deposits received from member dealers	147	164
Repayments of guarantee deposits received from member dealers	(82)	(44)
Purchase of treasury stock	(0)	-
Proceeds from sales of treasury stock	173	184
Cash dividends paid	(9,656)	(10,266)
Dividends paid to non-controlling interests	-	(147)
Repayments of finance lease obligations	(26)	(64)
Other, net	0	0
Net cash provided by (used in) financing activities	(9,637)	(10,303)
Net increase (decrease) in cash and cash equivalents	(13,820)	(4,792)
Cash and cash equivalents at beginning of period	34,618	29,462
Cash and cash equivalents at end of period	20,798	24,670

