

# Consolidated Financial Results for the Third Quarter ended December 31, 2016

February 13, 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/index.html>  
 Representative: Title: President and Representative Director Name: Yukihiro Ando  
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 Date of filing of quarterly securities report: (Scheduled) February 14, 2017  
 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, 2016 (April 1, 2016 – December 31, 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	%
Nine months ended Dec. 31, 2016	48,622	(3.5)	23,358	(7.8)	23,833	(7.9)
Nine months ended Dec. 31, 2015	50,361	2.7	25,323	5.3	25,878	5.5

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended Dec. 31, 2016	16,370	(0.7)	64.28	64.18
Nine months ended Dec. 31, 2015	16,485	4.6	63.74	63.62

Note: Comprehensive income (million yen): Nine months ended December 31, 2016: 16,373 (−1.4%)  
 Nine months ended December 31, 2015: 16,610 (+5.4%)

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

	Total assets	Net assets	Equity ratio (%)
As of Dec. 31, 2016	169,923	153,027	89.4
As of March 31, 2016	186,831	155,183	82.5

Reference: Shareholders' equity (million yen): As of December 31, 2016: 151,870 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)	87.23

Note: Change in the forecast 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
- 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 third quarter of the current fiscal year increased by 51 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 third quarter of the current fiscal year depreciation expense increased by 273 million yen and operating income, ordinary income and profit before income taxes declined by 273 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 December 31, 2016: 313,250,000 shares      As of March 31, 2016: 313,250,000 shares
- 2) Treasury stock:  
As of December 31, 2016: 59,357,684 shares      As of March 31, 2016: 55,102,684 shares
- 3) Average number of shares outstanding for each period (cumulative term):  
As of December 31, 2016: 254,651,476 shares      As of December 31, 2015: 258,606,995 shares
- Note: Treasury stock includes 454,300 shares as of December 31, 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 February 13, 2017.

#### 4. Quarterly Consolidated Financial Statements

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

(Million yen)

	FY 2015 (As of March 31, 2016)	FY2016 Third Quarter (As of Dec. 31, 2016)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	62,290	56,972
Receivables due from member dealers at auction	10,612	2,078
Notes and accounts receivable-trade	2,610	2,101
Securities	3,000	-
Inventories	708	703
Other	2,263	1,581
Allowance for doubtful accounts	(44)	(37)
Total current assets	81,440	63,399
<b>Noncurrent assets:</b>		
Property, plant and equipment		
Buildings and structures, net	36,699	37,018
Land	56,937	57,259
Construction in progress	445	402
Other, net	2,018	2,878
Total property, plant and equipment	96,101	97,558
Intangible assets		
Goodwill	396	333
Other	1,181	1,491
Total intangible assets	1,578	1,825
Investments and other assets		
Investment and other assets	8,203	7,627
Allowance for doubtful accounts	(491)	(487)
Total investments and other assets	7,711	7,139
Total noncurrent assets	105,391	106,524
<b>Total assets</b>	<b>186,831</b>	<b>169,923</b>

(Million yen)

	FY 2015 (As of March 31, 2016)	FY2016 Third Quarter (As of Dec. 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Payables due to member dealers at auction	13,288	3,879
Notes and accounts payable-trade	352	302
Short-term loans payable	60	30
Current portion of long-term loans payable	61	-
Income taxes payable	5,409	2,439
Provision for bonuses	618	313
Other	6,147	4,163
Total current liabilities	25,937	11,128
<b>Noncurrent liabilities:</b>		
Long-term loans payable	21	-
Net defined benefit liability	253	342
Asset retirement obligations	631	613
Other	4,803	4,811
Total noncurrent liabilities	5,710	5,768
<b>Total liabilities</b>	<b>31,647</b>	<b>16,896</b>

(Million yen)

	FY 2015 (As of March 31, 2016)	FY2016 Third Quarter (As of Dec. 31, 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	167,118
Treasury stock	(39,856)	(47,253)
Total shareholders' equity	159,865	157,660
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	160	79
Revaluation reserve for land	(5,863)	(5,863)
Remeasurements of defined benefit plans	(7)	(6)
Total accumulated other comprehensive income	(5,710)	(5,790)
<b>Subscription rights to shares</b>	262	309
<b>Non-controlling interests</b>	765	847
<b>Total net assets</b>	155,183	153,027
<b>Total liabilities and net assets</b>	186,831	169,923

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

(Million yen)

	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<b>Net sales</b>	50,361	48,622
<b>Cost of sales</b>	19,110	19,195
<b>Gross profit</b>	31,251	29,427
<b>Selling, general and administrative expenses</b>	5,927	6,069
<b>Operating income</b>	25,323	23,358
<b>Non-operating income</b>		
Interest income	38	22
Real estate rent	436	326
Miscellaneous income	145	185
Total non-operating income	621	534
<b>Non-operating expenses</b>		
Interest expenses	-	0
Rent cost of real estate	63	42
Miscellaneous loss	2	15
Total non-operating expenses	66	58
<b>Ordinary income</b>	25,878	23,833

(Million yen)

	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<b>Extraordinary income:</b>		
Gain on step acquisitions	48	-
Gain on sales of non-current assets	9	3
Gain on sales of investment securities	-	64
Total extraordinary income	57	68
<b>Extraordinary loss:</b>		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	101	128
Loss on sales of shares of subsidiaries	641	-
Other	10	25
Total extraordinary losses	754	154
<b>Profit before income taxes</b>	25,182	23,747
<b>Income taxes</b>	8,648	7,293
<b>Profit</b>	16,533	16,453
<b>Profit attributable to non-controlling interests</b>	48	82
<b>Profit attributable to owners of parent</b>	16,485	16,370

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

(Million yen)

	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<b>Profit</b>	16,533	16,453
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	77	(80)
Remeasurements of defined benefit plans, net of tax	(0)	0
Total other comprehensive income	77	(80)
<b>Comprehensive income</b>	16,610	16,373
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	16,562	16,290
Comprehensive income attributable to non-controlling interests	48	82



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

(Million yen)

	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<b>Net Cash provided by (used in) operating activities:</b>		
Profit before income taxes	25,182	23,747
Depreciation and other amortization	2,445	3,355
Amortization of goodwill	-	62
Increase (decrease) in allowance for doubtful accounts	6	(11)
Increase (decrease) in provision for bonuses	(281)	(305)
Increase (decrease) in net defined benefit liability	71	89
Interest and dividends income	(52)	(37)
Interest expenses	-	0
Loss (gain) on sales of investment securities	-	(64)
Loss (gain) on sales of shares of subsidiaries	641	-
Loss (gain) on sales and retirement of property, plant and equipment	91	119
Loss (gain) on step acquisitions	(48)	-
Net change in due from/to member dealers at auction	975	(874)
Decrease (increase) in notes and accounts receivable-trade	462	508
Increase (decrease) in notes and accounts payable-trade	(163)	(50)
Increase (decrease) in deposits received	(1,413)	(1,560)
Other, net	(2,126)	8
Subtotal	25,791	24,988
Interest and dividend income received	81	63
Interest expenses paid	(0)	(0)
Income taxes paid	(11,910)	(10,352)
Net cash provided by (used in) operating activities	13,961	14,698

	(Million yen)	
	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<b>Net cash provided by (used in) investing activities:</b>		
Net decrease (increase) in time deposits	(2,000)	(6,980)
Purchase of securities	(13,000)	-
Proceeds from redemption of securities	12,100	3,000
Purchase of property, plant and equipment	(5,798)	(4,638)
Proceeds from sales of property, plant and equipment	14	4
Purchase of intangible assets	(151)	(590)
Proceeds from sales of investment securities	-	81
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(117)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	630	-
Other, net	(128)	(107)
Net cash provide by (used in) investing activities	(8,451)	(9,230)

	(Million yen)	
	FY2015 Third Quarter (April 1, 2015 through Dec. 31,2015)	FY2016 Third Quarter (April 1, 2016 through Dec. 31,2016)
<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	164	124
Repayment of guarantee deposits received from member dealers	(44)	(68)
Purchases of treasury shares	-	(7,491)
Proceeds from sales of treasury shares	184	184
Decrease(increase)in money held in trust for purchase of treasury shares	-	854
Cash dividends paid	(10,266)	(11,178)
Dividends paid to non-controlling interests	(147)	-
Repayment of finance lease obligations	(64)	(69)
Other, net	0	(10)
Net cash provided by (used in) financing activities	(10,303)	(17,767)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,792)</b>	<b>(12,298)</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>24,670</b>	<b>25,072</b>