

# Consolidated Financial Results for the Third Quarter ended December 31, 2017

February 13, 2018

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 Name: Yukihiro Ando  
 Director  
 Contact Person: Title: Executive Vice President and Name: Masafumi Yamanaka  
 Officer of Supervisory Office  
 Tel: +81-52-689-1129  
 Scheduled date of filing of quarterly securities report February 14, 2018  
 Scheduled date of commencement of dividend payment -  
 Supplementary materials for quarterly financial results Yes  
 Information meeting for quarterly financial results None

## 1. Consolidated Results for the Third Quarter ended December 31, 2017 (April 1, 2017 – December 31, 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	%
Nine months ended Dec. 31, 2017	54,003	11.1	26,021	11.4	26,436	10.9
Nine months ended Dec. 31, 2016	48,622	(3.5)	23,358	(7.8)	23,833	(7.9)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended Dec. 31, 2017	17,674	8.0	69.57	69.45
Nine months ended Dec. 31, 2016	16,370	(0.7)	64.28	64.18

Note: Comprehensive income (million yen): Nine months ended December 31, 2017: 18,210 +11.2%  
 Nine months ended December 31, 2016: 16,373 -1.4%

### (2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of December 31, 2017	195,861	170,185	83.8
As of March 31, 2017	197,374	159,197	80.1

Reference: Shareholders' equity (million yen): As of December 31, 2017: 164,104 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: None

## 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	94.47

Note: Revision of financial forecast for this period: None

**\* Notes**

- (1) Changes in significant subsidiaries during the nine 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 December 31, 2017: 313,250,000 shares      As of March 31, 2017: 313,250,000 shares
  - 2) Treasury shares  
As of December 31, 2017: 59,174,094 shares      As of March 31, 2017: 59,272,884 shares
  - 3) Average number of shares outstanding for each period (cumulative term)  
As of December 31, 2017: 254,022,591 shares      As of December 31, 2016: 254,651,476 shares

Note: Treasury shares include 276,200 shares as of December 31, 2017 and 373,800 shares as of March 31, 2017 held by the USS employee stock ownership plan trust.

**\* This quarterly financial results are 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.

(Supplementary explanatory documents)

Supplementary materials for quarterly financial results will be posted on the Company's website on February 13, 2018.

#### 4. Quarterly Consolidated Financial Statements

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

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Third Quarter (As of December 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	74,778	41,846
Receivables due from member dealers at auction	11,668	4,848
Notes and accounts receivable-trade	2,605	2,213
Inventories	751	851
Other	1,697	2,000
Allowance for doubtful accounts	(38)	(62)
Total current assets	91,462	51,698
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	35,979	38,948
Land	56,911	63,567
Construction in progress	342	28
Other, net	3,635	3,712
Total property, plant and equipment	96,868	106,257
Intangible assets		
Goodwill	313	27,524
Other	1,537	2,673
Total intangible assets	1,850	30,198
Investments and other assets		
Investments and other assets	7,682	8,217
Allowance for doubtful accounts	(490)	(509)
Total investments and other assets	7,192	7,707
Total non-current assets	105,911	144,163
<b>Total assets</b>	<b>197,374</b>	<b>195,861</b>

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Third Quarter (As of December 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables due to member dealers at auction	15,051	6,043
Notes and accounts payable-trade	372	323
Short-term loans payable	30	-
Current portion of long-term loans payable	220	220
Income taxes payable	5,108	3,717
Provision for bonuses	632	357
Other	7,385	3,927
Total current liabilities	28,801	14,589
<b>Non-current liabilities</b>		
Long-term loans payable	3,820	3,527
Net defined benefit liability	368	677
Asset retirement obligations	373	603
Other	4,813	6,277
Total non-current liabilities	9,375	11,086
<b>Total liabilities</b>	<b>38,176</b>	<b>25,675</b>

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 Third Quarter (As of December 31, 2017)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	173,488	179,223
Treasury shares	(47,602)	(47,411)
Total shareholders' equity	163,681	169,606
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	46	135
Revaluation reserve for land	(5,694)	(5,633)
Remeasurements of defined benefit plans	(3)	(3)
Total accumulated other comprehensive income	(5,652)	(5,501)
<b>Subscription rights to shares</b>	306	373
<b>Non-controlling interests</b>	861	5,707
<b>Total net assets</b>	159,197	170,185
<b>Total liabilities and net assets</b>	197,374	195,861

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

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Net sales</b>	48,622	54,003
<b>Cost of sales</b>	19,195	21,279
<b>Gross profit</b>	29,427	32,724
<b>Selling, general and administrative expenses</b>	6,069	6,702
<b>Operating profit</b>	23,358	26,021
<b>Non-operating income</b>		
Interest income	22	12
Real estate rent	326	314
Miscellaneous income	185	154
Total non-operating income	534	480
<b>Non-operating expenses</b>		
Interest expenses	0	8
Rent cost of real estate	42	35
Miscellaneous loss	15	22
Total non-operating expenses	58	65
<b>Ordinary profit</b>	23,833	26,436

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	3	24
Gain on sales of investment securities	64	77
Total extraordinary income	68	101
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	0	6
Loss on retirement of non-current assets	128	79
Other	25	14
Total extraordinary losses	154	100
<b>Profit before income taxes</b>	23,747	26,436
<b>Income taxes</b>	7,293	8,315
<b>Profit</b>	16,453	18,121
<b>Profit attributable to non-controlling interests</b>	82	447
<b>Profit attributable to owners of parent</b>	16,370	17,674

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

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Profit</b>	16,453	18,121
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(80)	88
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	(80)	88
<b>Comprehensive income</b>	16,373	18,210
Comprehensive income attributable to owners of parent	16,290	17,762
Comprehensive income attributable to non-controlling interests	82	447



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

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Cash provided by (used in) operating activities</b>		
Profit before income taxes	23,747	26,436
Depreciation and other amortization	3,355	3,618
Amortization of goodwill	62	407
Increase (decrease) in allowance for doubtful accounts	(11)	(43)
Increase (decrease) in provision for bonuses	(305)	(321)
Increase (decrease) in net defined benefit liability	89	97
Interest and dividend income	(37)	(21)
Interest expenses	0	8
Loss (gain) on sales of investment securities	(64)	(77)
Loss (gain) on sales and retirement of property, plant and equipment	119	61
Net change in due from/to member dealers at auction	(874)	(1,694)
Decrease (Increase) in notes and accounts receivable-trade	508	419
Increase (decrease) in notes and accounts payable-trade	(50)	(75)
Increase (decrease) in accounts payable-other	71	(1,445)
Increase (decrease) in deposits received	(1,560)	(1,506)
Other, net	(62)	(841)
Subtotal	24,988	25,021
Interest and dividend income received	63	45
Interest expenses paid	(0)	(8)
Income taxes paid	(10,352)	(10,261)
Net cash provided by (used in) operating activities	14,698	14,796

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Cash provided by (used in) investing activities</b>		
Net decrease (increase) in time deposits	(6,980)	16,000
Proceeds from redemption of securities	3,000	-
Purchase of property, plant and equipment	(4,638)	(3,880)
Proceeds from sales of property, plant and equipment	4	45
Purchase of intangible assets	(590)	(379)
Proceeds from sales of investment securities	81	86
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(31,413)
Other, net	(107)	(140)
Net cash provide by (used in) investing activities	(9,230)	(19,681)

(Million yen)

	FY 2016 Third Quarter (April 1, 2016 to December 31, 2016)	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)
<b>Cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(30)	(30)
Repayments of long-term loans payable	(82)	(292)
Proceeds from guarantee deposits received from member dealers	124	91
Repayment of guarantee deposits received from member dealers	(68)	(54)
Purchases of treasury shares	(7,491)	(0)
Proceeds from sales of treasury shares	184	205
Decrease(increase)in money held in trust for purchase of treasury shares	854	-
Cash dividends paid	(11,178)	(11,878)
Dividends paid to non-controlling interests	-	(75)
Repayment of finance lease obligations	(69)	(2)
Other, net	(10)	(9)
Net cash provided by (used in) financing activities	(17,767)	(12,046)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,298)</b>	<b>(16,931)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>37,370</b>	<b>47,878</b>
<b>Cash and cash equivalents at end of period</b>	<b>25,072</b>	<b>30,946</b>