

Consolidated Financial Results for the Year ended March 31, 2017

May 11, 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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 Scheduled date of annual general meeting of shareholders June 13, 2017
 Scheduled date of filing of securities report June 14, 2017
 Scheduled date of commencement of dividend payment June 14, 2017
 Supplementary materials for financial results Yes
 Information meeting for financial results Yes

1. Consolidated Financial Results for the Year ended March 31, 2017 (April 1, 2016 – March 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	%
Year ended March 31, 2017	67,179	(2.1)	32,396	(6.1)	32,999	(6.3)
Year ended March 31, 2016	68,607	1.7	34,491	3.2	35,218	3.5

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Year ended March 31, 2017	22,909	1.9	90.02	89.87
Year ended March 31, 2016	22,477	3.8	86.92	86.76

Note: Comprehensive income (million yen): Year ended March 31, 2017: 22,895 +1.9%
 Year ended March 31, 2016: 22,473 +4.7%

	ROE (%)	ROA (%)	Operating margin (%)
Year ended March 31, 2017	14.7	17.2	48.2
Year ended March 31, 2016	15.1	19.5	50.3

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (yen)
Year ended March 31, 2017	197,374	159,197	80.1	622.21
Year ended March 31, 2016	186,831	155,183	82.5	597.16

Reference: Shareholders' equity (million yen): As of March 31, 2017: 158,029
 As of March 31, 2016: 154,155

2. Dividends

(Reference date)	Dividend per share (yen)					Total dividends (Fiscal year) (million yen)	Dividends payout ratio (consolidated) (%)	Dividends rate for net assets (consolidated) (%)
	First quarter	Second quarter	Third quarter	Fiscal year	Total			
Year ended March 31, 2016	—	20.40	—	20.40	40.80	10,566	47.0	7.1
Year ended March 31, 2017	—	23.20	—	23.20	46.40	11,801	51.5	7.6
Year ending March 31, 2018 (Forecast)	—	23.50	—	23.50	47.00		51.5	

Notes: 1. Total dividends paid for the fiscal year ended March 2016 and for the fiscal year ended March 2017 include payments of 24 million yen and 20 million yen each for shares held by the USS employee stock ownership plan trust.

2. Dividend payout ratio (consolidated) is calculated by dividing total dividends paid by profit attributable to owners of parent.

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
Second quarter	33,700	4.2	16,150	4.3	16,400	3.8	11,250	3.8	44.29
For the year	68,800	2.4	33,400	3.1	33,900	2.7	23,200	1.3	91.34

Notes:

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):
None

(2) Changes in accounting principles and estimates, and retrospective restatement

1) Changes due to revision of 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 fiscal year ended March 31, 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 profit, ordinary profit and profit before income taxes for the fiscal year ended March 31, 2017 increased by 79 million yen each.

2) Changes other than in 1): None

3) Changes in accounting estimates: Yes

(Revision of Useful Life)

A decision has been made to rebuild the building and structures of the Sapporo Auction Site in the fiscal year ended March 31, 2017. 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, for the fiscal year ended March 31, 2017 depreciation expense increased by 390 million yen and operating profit, ordinary profit and profit before income taxes declined by 390 million yen each, compared to the amounts that would have been reported if the previous method had been applied consistently.

4) Retrospective restatement: None

(3) Number of shares outstanding (common shares)

1) Shares outstanding (including treasury shares)

As of March 31, 2017: 313,250,000 shares As of March 31, 2016: 313,250,000 shares

2) Treasury shares

As of March 31, 2017: 59,272,884 shares As of March 31, 2016: 55,102,684 shares

3) Average number of shares

As of March 31, 2017: 254,484,985 shares As of March 31, 2016: 258,589,672 shares

Note: Treasury shares includes 373,800 shares as of March 31, 2017 and 568,700 shares as of March 31, 2016 held by the USS employee stock ownership plan trust.

* This 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.

(Supplementary explanatory documents)

Supplementary explanatory documents will be distributed at the information meeting to be held on May 12, 2017, also posted on the Company's WEB site immediately after the meeting.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of March 31, 2017)
Assets		
Current assets:		
Cash and deposits	62,290	74,778
Receivables due from member dealers at auction	10,612	11,668
Notes and accounts receivable-trade	2,610	2,605
Securities	3,000	-
Inventories	708	751
Prepaid expenses	126	116
Deferred tax assets	570	919
Other	1,565	661
Allowance for doubtful accounts	(44)	(38)
Total current assets	81,440	91,462
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	36,699	35,979
Machinery, equipment and vehicles, net	747	727
Tools, furniture and fixtures, net	1,100	2,787
Land	56,937	56,911
Lease assets, net	170	119
Construction in progress	445	342
Total property, plant and equipment	96,101	96,868
Intangible assets		
Goodwill	396	313
Other	1,181	1,537
Total intangible assets	1,578	1,850
Investments and other assets		
Investment securities	674	483
Long-term loans receivable	458	446
Long-term prepaid expenses	215	172
Deferred tax assets	716	843

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of March 31, 2017)
Deferred tax assets for land revaluation	2,556	2,482
Real estate for investment, net	3,171	2,833
Other	411	421
Allowance for doubtful accounts	(491)	(490)
Total investments and other assets	7,711	7,192
Total noncurrent assets	105,391	105,911
Total assets	186,831	197,374

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of March 31, 2017)
Liabilities		
Current liabilities:		
Payables due to member dealers at auction	13,288	15,051
Notes and accounts payable-trade	352	372
Short-term loans payable	60	30
Current portion of bonds	20	20
Current portion of long-term loans payable	61	220
Lease obligations	70	2
Income taxes payable	5,409	5,108
Deposits received	2,207	1,974
Provision for bonuses	618	632
Other	3,849	5,389
Total current liabilities	25,937	28,801
Non-current liabilities:		
Bonds payable	20	-
Long-term loans payable	21	3,820
Lease obligations	2	-
Long-term accounts payable-other	179	179
Net defined benefit liability	253	368
Long-term guarantee deposited	4,601	4,634
Asset retirement obligations	631	373
Total noncurrent liabilities	5,710	9,375
Total liabilities	31,647	38,176

(Million yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of March 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,914	18,913
Retained earnings	161,926	173,488
Treasury shares	(39,856)	(47,602)
Total shareholders' equity	159,865	163,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160	46
Revaluation reserve for land	(5,863)	(5,694)
Remeasurements of defined benefit plans	(7)	(3)
Total accumulated other comprehensive income	(5,710)	(5,652)
Subscription rights to shares	262	306
Non-controlling interests	765	861
Total net assets	155,183	159,197
Total liabilities and net assets	186,831	197,374

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

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net sales	68,607	67,179
Cost of sales	25,867	26,413
Gross profit	42,740	40,765
Selling, general and administrative expenses		
Advertising expenses	434	422
Promotion expenses	827	745
Provision of allowance for doubtful accounts	34	30
Directors' compensations	267	279
Employees' salaries and bonuses	2,660	2,505
Provision for bonuses	274	263
Depreciation	326	332
Taxes and dues	324	348
Amortization of goodwill	20	83
Enterprise tax	290	546
Other	2,787	2,811
Total selling, general and administrative expenses	8,248	8,368
Operating profit	34,491	32,396
Non-operating income		
Interest income	52	28
Real estate rent	560	429
Miscellaneous income	199	222
Total non-operating income	811	680

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Non-operating expenses		
Interest expenses	0	1
Rent cost of real estate	80	56
Miscellaneous loss	3	19
Total non-operating expenses	84	77
Ordinary profit	35,218	32,999
Extraordinary income		
Gain on step acquisitions	48	-
Gain on sales of non-current assets	15	13
Gain on sales of investment securities	-	140
Total extraordinary income	63	154
Extraordinary losses		
Loss on sales of non-current assets	0	485
Loss on retirement of non-current assets	211	154
Loss on sales of shares of subsidiaries	641	-
Other	10	32
Total extraordinary losses	864	672
Profit before income taxes	34,418	32,481
Income taxes-current	11,325	9,828
Income taxes-deferred	534	(353)
Total income taxes	11,860	9,475
Profit	22,557	23,006
Profit attributable to non-controlling interests	80	96
Profit attributable to owners of parent	22,477	22,909

(Consolidated Statements of Comprehensive Income)

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Profit	22,557	23,006
Other comprehensive income		
Valuation difference on available-for-sale securities	57	(114)
Revaluation reserve for land	(134)	-
Remeasurements of defined benefit plans, net of tax	(7)	3
Total other comprehensive income	(84)	(110)
Comprehensive income	22,473	22,895
Comprehensive income attributable to owners of parent	22,392	22,799
Comprehensive income attributable to non-controlling interests	80	96

(3) Consolidated Statement of Changes in Net Assets

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	18,881	18,881
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	18,881	18,881
Capital surplus		
Balance at the beginning of current period	18,933	18,914
Changes of items during the period		
Disposal of treasury stock	(19)	(1)
Total changes of items during the period	(19)	(1)
Balance at the end of current period	18,914	18,913
Retained earnings		
Balance at the beginning of current period	149,718	161,926
Changes of items during the period		
Dividends from surplus	(10,266)	(11,178)
Profit attributable to owners of parent	22,477	22,909
Decrease resulting from exclusion of subsidiaries from consolidation	(72)	-
Reversal of revaluation reserve for land	70	(168)
Total changes of items during the period	12,208	11,562
Balance at the end of current period	161,926	173,488
Treasury shares		
Balance at the beginning of current period	(38,878)	(39,856)
Changes of items during the period		
Purchase of treasury stock	(1,145)	(8,230)
Disposal of treasury stock	168	484
Total changes of items during the period	(977)	(7,746)
Balance at the end of current period	(39,856)	(47,602)

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Total shareholders' equity		
Balance at the beginning of current period	148,654	159,865
Changes of items during the period		
Dividends from surplus	(10,266)	(11,178)
Profit attributable to owners of parent	22,477	22,909
Purchase of treasury stock	(1,145)	(8,230)
Disposal of treasury stock	149	483
Decrease resulting from exclusion of subsidiaries from consolidation	(72)	-
Reversal of revaluation reserve for land	70	(168)
Total changes of items during the period	11,211	3,815
Balance at the end of current period	159,865	163,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	103	160
Changes of items during the period		
Net changes of items other than shareholders' equity	57	(114)
Total changes of items during the period	57	(114)
Balance at the end of current period	160	46
Revaluation reserve for land		
Balance at the beginning of current period	(5,659)	(5,863)
Changes of items during the period		
Net changes of items other than shareholders' equity	(204)	168
Total changes of items during the period	(204)	168
Balance at the end of current period	(5,863)	(5,694)
Remeasurements of defined benefit plans		
Balance at the beginning of current period	0	(7)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7)	3
Total changes of items during the period	(7)	3
Balance at the end of current period	(7)	(3)

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(5,555)	(5,710)
Changes of items during the period		
Net changes of items other than shareholders' equity	(154)	58
Total changes of items during the period	(154)	58
Balance at the end of current period	(5,710)	(5,652)
Subscription rights to shares		
Balance at the beginning of current period	273	262
Changes of items during the period		
Net changes of items other than shareholders' equity	(11)	43
Total changes of items during the period	(11)	43
Balance at the end of current period	262	306
Non-controlling interests		
Balance at the beginning of current period	666	765
Changes of items during the period		
Net changes of items other than shareholders' equity	98	96
Total changes of items during the period	98	96
Balance at the end of current period	765	861
Total net assets		
Balance at the beginning of current period	144,039	155,183
Changes of items during the period		
Dividends from surplus	(10,266)	(11,178)
Profit attributable to owners of parent	22,477	22,909
Purchase of treasury stock	(1,145)	(8,230)
Disposal of treasury stock	149	483
Decrease resulting from exclusion of subsidiaries from consolidation	(72)	-
Reversal of revaluation reserve for land	70	(168)
Net changes of items other than shareholders' equity	(66)	198
Total changes of items during the period	11,144	4,013
Balance at the end of current period	155,183	159,197

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net Cash provided by (used in) operating activities:		
Profit before income taxes	34,418	32,481
Depreciation and other amortization	3,413	4,691
Amortization of goodwill	20	83
Increase (decrease) in allowance for doubtful accounts	15	(7)
Increase (decrease) in provision for bonuses	18	13
Increase (decrease) in net defined benefit liability	93	119
Interest and dividends income	(72)	(46)
Interest expenses	0	1
Loss (gain) on sales of investment securities	-	(140)
Loss (gain) on sales of shares of subsidiaries	641	-
Loss (gain) on sales and retirement of property, plant and equipment	196	619
Loss (gain) on sales and retirement of intangible assets	0	7
Loss (gain) on step acquisitions	(48)	-
Net change in due from/to member dealers at auction	886	707
Decrease (Increase) in notes and accounts receivable-trade	(54)	4
Increase (decrease) in notes and accounts payable-trade	(63)	20
Increase (decrease) in deposits received	(47)	(233)
Other, net	(1,516)	844
Subtotal	37,901	39,167
Interest and dividend income received	103	69
Interest expenses paid	(0)	(1)
Income taxes paid	(11,974)	(10,353)
Net cash provided by (used in) operating activities	26,030	28,882

	(Million yen)	
	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	(2,346)	(1,980)
Purchase of securities	(13,000)	-
Proceeds from redemption of securities	18,100	3,000
Purchase of property, plant and equipment	(8,455)	(5,148)
Proceeds from sales of property, plant and equipment	23	37
Purchase of intangible assets	(275)	(729)
Proceeds from sales of investment securities	-	167
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	-
Purchase of long-term prepaid expenses	(96)	(53)
Other, net	(156)	(117)
Net cash provide by (used in) investing activities	(5,694)	(4,823)

	(Million yen)	
	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(20)	(30)
Proceeds from long-term loans payable	-	4,040
Repayments of long-term loans payable	(266)	(82)
Proceeds from guarantee deposits received from member dealers	205	154
Repayment of guarantee deposits received from member dealers	(58)	(82)
Purchases of treasury shares	(1,145)	(8,230)
Proceeds from sales of treasury shares	234	1,095
Decrease(increase) in money held in trust for purchase of treasury shares	(854)	854
Cash dividends paid	(10,266)	(11,178)
Dividends paid to non-controlling interests	(147)	-
Repayment of finance lease obligations	(100)	(70)
Other, net	(9)	(19)
Net cash provided by (used in) financing activities	(12,427)	(13,550)
Net increase (decrease) in cash and cash equivalents	7,907	10,507
Cash and cash equivalents at beginning of period	29,462	37,370
Cash and cash equivalents at end of period	37,370	47,878