

Consolidated Financial Results for the Year ended March 31, 2018

May 8, 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/index.html>
 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 annual general meeting of shareholders June 12, 2018
 Scheduled date of commencement of dividend payment June 13, 2018
 Scheduled date of filing of securities report June 13, 2018
 Supplementary materials for financial results Yes
 Information meeting for financial results Yes

1. Consolidated Financial Results for the Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	75,153	11.9	36,071	11.3	36,676	11.1
Year ended March 31, 2017	67,179	(2.1)	32,396	(6.1)	32,999	(6.3)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Year ended March 31, 2018	24,285	6.0	95.59	95.42
Year ended March 31, 2017	22,909	1.9	90.02	89.87

Note: Comprehensive income (million yen): Year ended March 31, 2018: 25,132 +9.8%
 Year ended March 31, 2017: 22,895 +1.9%

	ROE (%)	ROA (%)	Operating margin (%)
Year ended March 31, 2018	14.8	17.5	48.0
Year ended March 31, 2017	14.7	17.2	48.2

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (yen)
Year ended March 31, 2018	222,380	172,190	76.8	672.03
Year ended March 31, 2017	197,374	159,197	80.1	622.21

Reference: Equity capital (million yen): As of March 31, 2018: 170,767
 As of March 31, 2017: 158,029

2. Dividends

(Reference date)	Dividend per share (yen)					Total dividends (million yen)	Dividend payout ratio (consolidated) (%)	Dividend rate for net assets (consolidated) (%)
	First quarter	Second quarter	Third quarter	Fiscal year	Total			
Year ended March 31, 2017	—	23.20	—	23.20	46.40	11,801	51.5	7.6
Year ended March 31, 2018	—	23.50	—	24.30	47.80	12,158	50.1	7.4
Year ending March 31, 2019 (Forecast)	—	24.60	—	24.60	49.20		50.1	

Notes: 1. Total dividends paid for the fiscal year ended March 2017 and for the fiscal year ended March 2018 include payments of 20 million yen and 13 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, 2019 (April 1, 2018 – March 31, 2019)

(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	38,850	11.6	17,580	3.3	17,820	3.1	11,800	0.0	46.43
For the year	80,000	6.4	37,300	3.4	37,800	3.1	25,000	2.9	98.38

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: None

2) Changes other than in 1): None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of shares outstanding (common shares)

1) Shares outstanding (including treasury shares)

As of March 31, 2018: 313,250,000 shares As of March 31, 2017: 313,250,000 shares

2) Treasury shares

As of March 31, 2018: 59,144,794 shares As of March 31, 2017: 59,272,884 shares

3) Average number of shares

As of March 31, 2018: 254,039,756 shares As of March 31, 2017: 254,484,985 shares

Note: Treasury shares includes 255,900 shares as of March 31, 2018 and 373,800 shares as of March 31, 2017 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)

The company plans to hold an information meeting on May 10, 2018. Supplementary explanatory documents to be handed out at the meeting will be posted on the Company's website immediately after the meeting.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	74,778	39,622
Receivables due from member dealers at auction	11,668	18,846
Notes and accounts receivable-trade	2,605	2,720
Inventories	751	829
Prepaid expenses	116	154
Deferred tax assets	919	665
Other	661	665
Allowance for doubtful accounts	(38)	(61)
Total current assets	91,462	63,442
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,979	37,555
Machinery, equipment and vehicles, net	727	785
Tools, furniture and fixtures, net	2,787	2,426
Land	56,911	65,623
Leased assets, net	119	83
Construction in progress	342	33
Total property, plant and equipment	96,868	106,508
Intangible assets		
Goodwill	313	37,280
Other	1,537	7,536
Total intangible assets	1,850	44,817
Investments and other assets		
Investment securities	483	637
Long-term loans receivable	446	443
Long-term prepaid expenses	172	154
Deferred tax assets	843	865
Deferred tax assets for land revaluation	2,482	2,455
Net defined benefit asset	-	34
Real estate for investment, net	2,833	2,810
Other	421	703
Allowance for doubtful accounts	(490)	(493)
Total investments and other assets	7,192	7,611
Total non-current assets	105,911	158,937
Total assets	197,374	222,380

(Million yen)

	FY 2016 (As of March 31, 2017)	FY 2017 (As of March 31, 2018)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	15,051	22,339
Notes and accounts payable-trade	372	436
Short-term loans payable	30	-
Current portion of bonds	20	-
Current portion of long-term loans payable	220	220
Lease obligations	2	12
Income taxes payable	5,108	6,954
Deposits received	1,974	2,610
Provision for bonuses	632	685
Other	5,389	4,113
Total current liabilities	28,801	37,373
Non-current liabilities		
Long-term loans payable	3,820	3,330
Lease obligations	-	7
Long-term accounts payable-other	179	204
Deferred tax liabilities	-	1,915
Net defined benefit liability	368	695
Long-term guarantee deposited	4,634	6,065
Asset retirement obligations	373	598
Total non-current liabilities	9,375	12,816
Total liabilities	38,176	50,190
Net assets		
Shareholders' equity		
Capital stock	18,881	18,881
Capital surplus	18,913	18,914
Retained earnings	173,488	185,835
Treasury shares	(47,602)	(47,365)
Total shareholders' equity	163,681	176,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	141
Revaluation reserve for land	(5,694)	(5,633)
Remeasurements of defined benefit plans	(3)	(6)
Total accumulated other comprehensive income	(5,652)	(5,498)
Subscription rights to shares	306	364
Non-controlling interests	861	1,058
Total net assets	159,197	172,190
Total liabilities and net assets	197,374	222,380

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

(Million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net sales	67,179	75,153
Cost of sales	26,413	29,174
Gross profit	40,765	45,979
Selling, general and administrative expenses		
Advertising expenses	422	434
Promotion expenses	745	830
Provision of allowance for doubtful accounts	30	27
Directors' compensations	279	355
Employees' salaries and bonuses	2,505	2,606
Provision for bonuses	263	277
Depreciation	332	473
Taxes and dues	348	219
Amortization of goodwill	83	1,033
Enterprise tax	546	606
Other	2,811	3,042
Total selling, general and administrative expenses	8,368	9,907
Operating profit	32,396	36,071
Non-operating income		
Interest income	28	13
Real estate rent	429	425
Miscellaneous income	222	242
Total non-operating income	680	681
Non-operating expenses		
Interest expenses	1	10
Rent cost of real estate	56	47
Miscellaneous loss	19	18
Total non-operating expenses	77	76
Ordinary profit	32,999	36,676
Extraordinary income		
Gain on sales of non-current assets	13	32
Gain on sales of investment securities	140	77
Total extraordinary income	154	109
Extraordinary losses		
Loss on sales of non-current assets	485	7
Loss on retirement of non-current assets	154	83
Other	32	37
Total extraordinary losses	672	128
Profit before income taxes	32,481	36,657
Income taxes-current	9,828	11,377
Income taxes-deferred	(353)	239
Total income taxes	9,475	11,617
Profit	23,006	25,039
Profit attributable to non-controlling interests	96	753
Profit attributable to owners of parent	22,909	24,285

(Consolidated Statements of Comprehensive Income)**(Million yen)**

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Profit	23,006	25,039
Other comprehensive income		
Valuation difference on available-for-sale securities	(114)	94
Remeasurements of defined benefit plans, net of tax	3	(2)
Total other comprehensive income	(110)	92
Comprehensive income	22,895	25,132
Comprehensive income attributable to owners of parent	22,799	24,378
Comprehensive income attributable to non-controlling interests	96	753

(3) Consolidated Statement of Changes in Net Assets

(Million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	18,881	18,881
Changes of items during period	-	-
Total changes of items during period	-	-
Balance at the end of current period	18,881	18,881
Capital surplus		
Balance at the beginning of current period	18,914	18,913
Changes of items during period	(1)	1
Disposal of treasury shares	(1)	1
Total changes of items during period	(1)	1
Balance at the end of current period	18,913	18,914
Retained earnings		
Balance at the beginning of current period	161,926	173,488
Changes of items during period	(11,178)	(11,878)
Dividends of surplus		
Profit attributable to owners of parent	22,909	24,285
Reversal of revaluation reserve for land	(168)	(61)
Total changes of items during period	11,562	12,346
Balance at the end of current period	173,488	185,835
Treasury shares		
Balance at the beginning of current period	(39,856)	(47,602)
Changes of items during period	(8,230)	(0)
Purchase of treasury shares	(8,230)	(0)
Disposal of treasury shares	484	236
Total changes of items during period	(7,746)	236
Balance at the end of current period	(47,602)	(47,365)
Total shareholders' equity		
Balance at the beginning of current period	159,865	163,681
Changes of items during period	(11,178)	(11,878)
Dividends of surplus		
Profit attributable to owners of parent	22,909	24,285
Purchase of treasury shares	(8,230)	(0)
Disposal of treasury shares	483	238
Reversal of revaluation reserve for land	(168)	(61)
Total changes of items during period	3,815	12,584
Balance at the end of current period	163,681	176,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	160	46
Changes of items during period	(114)	94
Net changes of items other than shareholders' equity	(114)	94
Total changes of items during period	(114)	94
Balance at the end of current period	46	141
Revaluation reserve for land		
Balance at the beginning of current period	(5,863)	(5,694)
Changes of items during period	168	61
Net changes of items other than shareholders' equity	168	61
Total changes of items during period	168	61
Balance at the end of current period	(5,694)	(5,633)

(Million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Remeasurements of defined benefit plans		
Balance at the beginning of current period	(7)	(3)
Changes of items during period	3	(2)
Net changes of items other than shareholders' equity		
Total changes of items during period	3	(2)
Balance at the end of current period	(3)	(6)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(5,710)	(5,652)
Changes of items during period	58	153
Net changes of items other than shareholders' equity		
Total changes of items during period	58	153
Balance at the end of current period	(5,652)	(5,498)
Subscription rights to shares		
Balance at the beginning of current period	262	306
Changes of items during period	43	57
Net changes of items other than shareholders' equity		
Total changes of items during period	43	57
Balance at the end of current period	306	364
Non-controlling interests		
Balance at the beginning of current period	765	861
Changes of items during period	96	196
Net changes of items other than shareholders' equity		
Total changes of items during period	96	196
Balance at the end of current period	861	1,058
Total net assets		
Balance at the beginning of current period	155,183	159,197
Changes of items during period	(11,178)	(11,878)
Dividends of surplus		
Profit attributable to owners of parent	22,909	24,285
Purchase of treasury shares	(8,230)	(0)
Disposal of treasury shares	483	238
Reversal of revaluation reserve for land	(168)	(61)
Net changes of items other than shareholders' equity	198	407
Total changes of items during period	4,013	12,992
Balance at the end of current period	159,197	172,190

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net Cash provided by (used in) operating activities		
Profit before income taxes	32,481	36,657
Depreciation and other amortization	4,691	5,066
Amortization of goodwill	83	1,033
Increase (decrease) in allowance for doubtful accounts	(7)	(62)
Increase (decrease) in provision for bonuses	13	5
Increase (decrease) in net defined benefit liability	119	110
Decrease (increase) in net defined benefit asset	-	(0)
Interest and dividend income	(46)	(23)
Interest expenses	1	10
Loss (gain) on sales of investment securities	(140)	(77)
Loss (gain) on sales and retirement of property, plant and equipment	619	58
Loss (gain) on sales and retirement of intangible assets	7	0
Net change in due from/to member dealers at auction	707	603
Decrease (Increase) in notes and accounts receivable-trade	4	(87)
Increase (decrease) in notes and accounts payable-trade	20	37
Increase (decrease) in deposits received	(233)	235
Other, net	844	(838)
Subtotal	39,167	42,730
Interest and dividend income received	69	47
Interest expenses paid	(1)	(11)
Income taxes paid	(10,353)	(10,261)
Net cash provided by (used in) operating activities	28,882	32,505
Net Cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(1,980)	21,000
Proceeds from redemption of securities	3,000	-
Purchase of property, plant and equipment	(5,148)	(3,988)
Proceeds from sales of property, plant and equipment	37	56
Purchase of intangible assets	(729)	(459)
Proceeds from sales of investment securities	167	86
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(51,071)
Purchase of long-term prepaid expenses	(53)	(67)
Other, net	(117)	(54)
Net cash provided by (used in) investing activities	(4,823)	(34,498)

(Million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(30)	(30)
Proceeds from long-term loans payable	4,040	-
Repayments of long-term loans payable	(82)	(489)
Proceeds from guarantee deposits received from member dealers	154	146
Repayment of guarantee deposits received from member dealers	(82)	(75)
Purchase of treasury shares	(8,230)	(0)
Proceeds from sales of treasury shares	1,095	265
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	(70)	(5)
Other, net	(19)	(19)
Net cash provided by (used in) financing activities	(13,550)	(12,162)
Net increase (decrease) in cash and cash equivalents	10,507	(14,155)
Cash and cash equivalents at beginning of period	37,370	47,878
Cash and cash equivalents at end of period	47,878	33,722