

# Consolidated Financial Results for the Third Quarter ended December 31, 2018

February 12, 2019

Name of Company: USS Co., Ltd.  
 Stock Exchanges Listing: Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First section  
 Stock Code: 4732 URL: <https://www.ussnet.co.jp/eng/>  
 Representative: Title: President and Representative Director Name: Yukihiro Ando  
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 Scheduled date of filing of quarterly securities report February 13, 2019  
 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, 2018 (April 1, 2018 – December 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	%
Nine months ended December 31, 2018	58,339	8.0	27,114	4.4	27,586	4.5
Nine months ended December 31, 2017	54,003	11.1	25,973	11.2	26,388	10.7

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended December 31, 2018	18,476	4.6	72.69	72.56
Nine months ended December 31, 2017	17,671	7.9	69.56	69.44

Note: Comprehensive income (million yen): Nine months ended December 31, 2018: 18,509 +1.8%  
 Nine months ended December 31, 2017: 18,188 +11.1%

Note: Provisional accounting treatment for the business combination was applied in the financial statements for the previous fiscal year. Amounts for the first nine months of the fiscal year ended March 2018 are restated to reflect the finalization of the provisional accounting treatment.

### (2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of December 31, 2018	205,661	178,508	86.0
As of March 31, 2018	222,292	172,190	76.8

Reference: Equity capital (million yen): As of December 31, 2018: 176,878 As of March 31, 2018: 170,767

Note: Financial information for the fiscal year that ended in March 2018 has been revised retroactively due to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year.

## 2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Year ended March 31, 2018	—	23.50	—	24.30	47.80
Year ending March 31, 2019	—	24.60	—		
Year ending March 31, 2019(Forecast)				24.60	49.20

Note: Revision of dividend forecast for this period: None

## 3. Forecast of Consolidated Financial Results for 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
For the year	79,200	5.4	37,300	3.4	37,800	3.1	25,000	2.9	98.35

Note: Revision of financial forecast for this period: None

**\* Notes**

(1) Changes in significant subsidiaries during the term (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: Yes

(Change in useful life of assets)

In the first quarter of the current fiscal year, consolidated subsidiary Japan Automobile Auction Inc. decided to rebuild its auction site and replace its auction system and HAA Kobe Inc. decided to replace its auction system. As a result, the useful lives of the assets that will be demolished or no longer used have been changed to the periods ending on the planned replacement dates for these assets.

This change caused depreciation expenses of third quarter of the current fiscal year to be 516 million yen higher than these expenses would have been based on the previous useful lives. As a result, operating profit, ordinary profit and profit before income taxes each declined by the same amount.

4) Retrospective restatement : None

(4) Number of shares outstanding (common shares)

1) Shares outstanding (including treasury shares)

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

2) Treasury shares

As of December 31, 2018: 59,028,139 shares      As of March 31, 2018: 59,144,794 shares

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

As of December 31, 2018: 254,155,431 shares      As of December 31, 2017: 254,022,591 shares

Note: Treasury shares includes 139,200 shares as of December 31, 2018 and 255,900 shares as of March 31, 2018 held by the USS employee stock ownership plan trust.

\* This quarterly 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 posted on the Company's website on February 12, 2019.

**Additional information**

**Application of Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Company started using Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter of the current fiscal year. As a result, deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities.

#### 4. Quarterly Consolidated Financial Statements

##### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2017 (As of March 31, 2018)	FY 2018 Third Quarter (As of December 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	39,622	41,715
Receivables due from member dealers at auction	18,846	2,943
Notes and accounts receivable-trade	2,720	2,527
Inventories	829	1,066
Other	819	2,149
Allowance for doubtful accounts	(61)	(25)
<b>Total current assets</b>	<b>62,777</b>	<b>50,376</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	37,555	35,643
Land	65,623	65,027
Construction in progress	33	355
Other, net	3,295	3,320
<b>Total property, plant and equipment</b>	<b>106,508</b>	<b>104,347</b>
<b>Intangible assets</b>		
Goodwill	37,280	35,793
Other	7,536	7,121
<b>Total intangible assets</b>	<b>44,817</b>	<b>42,914</b>
<b>Investments and other assets</b>		
Investment and other assets	8,681	8,575
Allowance for doubtful accounts	(493)	(551)
<b>Total investments and other assets</b>	<b>8,188</b>	<b>8,023</b>
<b>Total non-current assets</b>	<b>159,514</b>	<b>155,285</b>
<b>Total assets</b>	<b>222,292</b>	<b>205,661</b>

(Million yen)

	FY 2017 (As of March 31, 2018)	FY 2018 Third Quarter (As of December 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables due to member dealers at auction	22,339	6,382
Notes and accounts payable-trade	436	336
Current portion of long-term loans payable	220	220
Income taxes payable	6,954	3,368
Provision	685	355
Other	6,736	4,375
<b>Total current liabilities</b>	<b>37,373</b>	<b>15,038</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,330	3,019
Net defined benefit liability	695	744
Asset retirement obligations	598	599
Other	8,105	7,751
<b>Total non-current liabilities</b>	<b>12,728</b>	<b>12,114</b>
<b>Total liabilities</b>	<b>50,102</b>	<b>27,153</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,881	18,881
Capital surplus	18,914	18,914
Retained earnings	185,835	191,873
Treasury shares	(47,365)	(47,139)
<b>Total shareholders' equity</b>	<b>176,266</b>	<b>182,530</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	141	(12)
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(6)	(5)
<b>Total accumulated other comprehensive income</b>	<b>(5,498)</b>	<b>(5,651)</b>
<b>Share acquisition rights</b>	<b>364</b>	<b>425</b>
<b>Non-controlling interests</b>	<b>1,058</b>	<b>1,203</b>
<b>Total net assets</b>	<b>172,190</b>	<b>178,508</b>
<b>Total liabilities and net assets</b>	<b>222,292</b>	<b>205,661</b>

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

(Million yen)

	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)
<b>Net sales</b>	54,003	58,339
<b>Cost of sales</b>	21,268	22,818
<b>Gross profit</b>	32,735	35,520
<b>Selling, general and administrative expenses</b>	6,761	8,406
<b>Operating profit</b>	25,973	27,114
<b>Non-operating income</b>		
Interest income	12	7
Real estate rent	314	338
Miscellaneous income	154	180
Total non-operating income	480	526
<b>Non-operating expenses</b>		
Interest expenses	8	8
Rent cost of real estate	35	35
Miscellaneous loss	22	10
Total non-operating expenses	65	53
<b>Ordinary profit</b>	26,388	27,586
<b>Extraordinary income</b>		
Gain on sales of non-current assets	24	137
Gain on sales of investment securities	77	-
Total extraordinary income	101	137
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	6	131
Loss on retirement of non-current assets	79	20
Other	14	15
Total extraordinary losses	100	168
<b>Profit before income taxes</b>	26,388	27,556
<b>Income taxes</b>	8,289	8,893
<b>Profit</b>	18,099	18,662
<b>Profit attributable to non-controlling interests</b>	427	186
<b>Profit attributable to owners of parent</b>	17,671	18,476

**(Quarterly Consolidated Statement of Comprehensive Income)****(Million yen)**

	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)
<b>Profit</b>	18,099	18,662
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	88	(153)
Remeasurements of defined benefit plans, net of tax	0	0
<b>Total other comprehensive income</b>	<b>88</b>	<b>(153)</b>
<b>Comprehensive income</b>	<b>18,188</b>	<b>18,509</b>
Comprehensive income attributable to owners of parent	17,760	18,323
Comprehensive income attributable to non-controlling interests	427	186

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

(Million yen)

	FY 2017 Third Quarter (April 1, 2017 to December 31, 2017)	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	26,388	27,556
Depreciation and amortization	3,702	4,038
Amortization of goodwill	372	1,487
Increase (decrease) in allowance for doubtful accounts	(43)	23
Increase (decrease) in provision for bonuses	(321)	(330)
Increase (decrease) in net defined benefit liability	97	50
Interest and dividend income	(21)	(21)
Interest expenses	8	8
Loss (gain) on sales of investment securities	(77)	-
Loss (gain) on sales and retirement of property, plant and equipment	61	15
Net change in due from/to member dealers at auction	(1,694)	(54)
Decrease (Increase) in notes and accounts receivable-trade	419	192
Increase (decrease) in notes and accounts payable-trade	(75)	(99)
Increase (decrease) in accounts payable - other	(1,445)	(1,009)
Increase (decrease) in deposits received	(1,506)	(1,843)
Other, net	(841)	(897)
Subtotal	25,021	29,115
Interest and dividend income received	45	32
Interest expenses paid	(8)	(8)
Income taxes paid	(10,261)	(13,301)
Net cash provided by (used in) operating activities	14,796	15,836
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	16,000	-
Purchase of property, plant and equipment	(3,880)	(1,205)
Proceeds from sales of property, plant and equipment	45	622
Purchase of intangible assets	(379)	(313)
Proceeds from sales of investment securities	86	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(31,413)	-
Other, net	(140)	(28)
Net cash provided by (used in) investing activities	(19,681)	(924)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(30)	-
Repayments of long-term loans payable	(292)	(310)
Proceeds from guarantee deposits received from member dealers	91	231
Repayment of guarantee deposits received from member dealers	(54)	(464)
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	205	219
Cash dividends paid	(11,878)	(12,438)
Dividends paid to non-controlling interests	(75)	(40)
Repayment of finance lease obligations	(2)	(16)
Other, net	(9)	-
Net cash provided by (used in) financing activities	(12,046)	(12,819)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(16,931)</b>	<b>2,092</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>47,878</b>	<b>33,722</b>
<b>Cash and cash equivalents at end of period</b>	<b>30,946</b>	<b>35,815</b>