

Consolidated Financial Results for the First Quarter ended June 30, 2019

August 6, 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: Chairman 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 August 8, 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 First Quarter ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(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	%
Three months ended June 30, 2019	19,861	(0.6)	9,184	(4.1)	9,331	(4.0)
Three months ended June 30, 2018	19,987	13.3	9,573	10.8	9,716	10.7

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Three months ended June 30, 2019	6,258	(2.8)	24.84	24.79
Three months ended June 30, 2018	6,438	7.4	25.33	25.28

Note: Comprehensive income (million yen): Three months ended June 30, 2019: 6,307 -2.3%
 Three months ended June 30, 2018: 6,455 +7.4%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of June 30, 2019	220,723	178,277	79.9
As of March 31, 2019	232,703	183,535	78.1

Reference: Equity capital (million yen): As of June 30, 2019: 176,445 As of March 31, 2019: 181,698

2. Dividends

(Reference date)	Dividend per share (yen)				
	First quarter - end	Second quarter - end	Third quarter - end	Fiscal year - end	Total
Year ended March 31, 2019	—	24.60	—	25.80	50.40
Year ending March 31, 2020	—				
Year ending March 31, 2020(Forecast)		25.60	—	25.60	51.20

Note: Revision of dividend forecast for this period: None

3. Forecast of Consolidated Financial Results for the year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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
First half	39,500	1.7	18,600	2.6	18,840	2.3	12,560	1.8	49.96
For the year	80,800	1.1	38,200	2.9	38,700	1.7	25,800	1.0	102.76

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, 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 June 30, 2019: 313,250,000 shares As of March 31, 2019: 313,250,000 shares
 - 2) Treasury shares
As of June 30, 2019: 62,559,679 shares As of March 31, 2019: 60,174,839 shares
 - 3) Average number of shares outstanding for each period (cumulative term)
As of June 30, 2019: 251,889,041 shares As of June 30, 2018: 254,117,731 shares

Note: Treasury shares includes 84,100 shares as of June 30, 2019 and 115,100 shares as of March 31, 2019 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 August 6, 2019.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 First Quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	51,352	43,051
Receivables due from member dealers at auction	16,502	13,355
Notes and accounts receivable-trade	3,154	2,952
Inventories	1,038	881
Other	5,428	5,736
Allowance for doubtful accounts	(44)	(41)
Total current assets	77,431	65,936
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,972	35,851
Land	65,027	65,027
Construction in progress	1,610	188
Other, net	3,277	3,627
Total property, plant and equipment	104,887	104,695
Intangible assets		
Goodwill	35,297	34,801
Other	7,061	7,011
Total intangible assets	42,358	41,812
Investments and other assets		
Investments and other assets	8,560	8,817
Allowance for doubtful accounts	(535)	(539)
Total investments and other assets	8,025	8,278
Total non-current assets	155,271	154,786
Total assets	232,703	220,723

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 First Quarter (As of June 30, 2019)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	22,209	19,268
Notes and accounts payable-trade	520	377
Short-term borrowings	-	300
Current portion of long-term borrowings	397	397
Income taxes payable	6,783	2,655
Provisions	722	1,068
Other	7,444	7,379
Total current liabilities	38,077	31,446
Non-current liabilities		
Long-term borrowings	2,640	2,585
Retirement benefit liability	771	808
Asset retirement obligations	600	602
Other	7,078	7,002
Total non-current liabilities	11,090	10,998
Total liabilities	49,168	42,445
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	198,940	198,666
Treasury shares	(49,448)	(54,412)
Total shareholders' equity	187,287	182,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60	45
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(15)	(15)
Total accumulated other comprehensive income	(5,588)	(5,603)
Share acquisition rights	423	423
Non-controlling interests	1,412	1,408
Total net assets	183,535	178,277
Total liabilities and net assets	232,703	220,723

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

(Million yen)

	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)	FY 2019 First Quarter (April 1, 2019 to June 30, 2019)
Net sales	19,987	19,861
Cost of sales	7,627	7,929
Gross profit	12,359	11,931
Selling, general and administrative expenses	2,786	2,747
Operating profit	9,573	9,184
Non-operating income		
Interest income	2	1
Rental income from real estate	108	141
Miscellaneous income	52	40
Total non-operating income	162	183
Non-operating expenses		
Interest expenses	2	3
Rental cost on real estate	11	26
Miscellaneous loss	5	6
Total non-operating expenses	19	36
Ordinary profit	9,716	9,331
Extraordinary income		
Gain on sales of non-current assets	30	1
Total extraordinary income	30	1
Extraordinary losses		
Loss on sales of non-current assets	131	0
Loss on retirement of non-current assets	0	7
Other	8	-
Total extraordinary losses	140	7
Profit before income taxes	9,606	9,325
Income taxes	3,097	3,003
Profit	6,509	6,322
Profit attributable to non-controlling interests	71	63
Profit attributable to owners of parent	6,438	6,258

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

	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)	FY 2019 First Quarter (April 1, 2019 to June 30, 2019)
Profit	6,509	6,322
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	(15)
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	(54)	(14)
Comprehensive income	6,455	6,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,383	6,243
Comprehensive income attributable to non-controlling interests	71	63

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2018 First Quarter (April 1, 2018 to June 30, 2018)	FY 2019 First Quarter (April 1, 2019 to June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	9,606	9,325
Depreciation and amortization	1,286	1,225
Amortization of goodwill	495	495
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in provision for bonuses	325	346
Increase (decrease) in retirement benefit liability	22	37
Interest and dividend income	(6)	(3)
Interest expenses	2	3
Loss (gain) on sales and retirement of property, plant and equipment	101	5
Net change in due from/to member dealers at auction	7	204
Decrease (increase) in trade receivables	76	201
Increase (decrease) in trade payables	(70)	(142)
Increase (decrease) in accounts payable - other	(469)	(363)
Increase (decrease) in deposits received	(349)	757
Other, net	(848)	(375)
Subtotal	10,181	11,719
Interest and dividends received	12	6
Interest paid	(2)	(3)
Income taxes paid	(6,968)	(7,770)
Net cash provided by (used in) operating activities	3,223	3,952
Cash flows from investing activities		
Purchase of property, plant and equipment	(359)	(1,511)
Proceeds from sales of property, plant and equipment	88	3
Purchase of intangible assets	(63)	(111)
Purchase of shares of subsidiaries and associates	-	(272)
Other, net	(26)	(7)
Net cash provided by (used in) investing activities	(360)	(1,899)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	300
Repayments of long-term borrowings	(55)	(55)
Guarantee deposits received from member dealers	53	43
Refund of guarantee deposits received from member dealers	(38)	(73)
Purchase of treasury shares	-	(5,024)
Proceeds from sales of treasury shares	46	47
Decrease (increase) in money trust to acquire treasury stock	-	1,023
Dividends paid	(6,180)	(6,532)
Dividends paid to non-controlling interests	(40)	(68)
Repayment of finance lease obligations	(3)	(15)
Net cash provided by (used in) financing activities	(6,219)	(10,353)
Net increase (decrease) in cash and cash equivalents	(3,356)	(8,300)
Cash and cash equivalents at beginning of period	33,722	45,452
Cash and cash equivalents at end of period	30,366	37,151