

# Consolidated Financial Results for the Second Quarter ended September 30, 2019

November 11, 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 November 13, 2019  
 Scheduled date of commencement of dividend payment December 11, 2019  
 Supplementary materials for quarterly financial results Yes  
 Information meeting for quarterly financial results Yes

## 1. Consolidated Results for the Second Quarter ended September 30, 2019 (April 1, 2019 – September 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	%
Six months ended September 30, 2019	38,792	(0.1)	17,907	(1.2)	18,216	(1.1)
Six months ended September 30, 2018	38,842	11.5	18,127	6.6	18,415	6.6

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended September 30, 2019	12,232	(0.8)	48.75	48.65
Six months ended September 30, 2018	12,333	4.5	48.53	48.44

Note: Comprehensive income (million yen): Six months ended September 30, 2019: 12,331 -0.7%  
 Six months ended September 30, 2018: 12,416 +4.0%

### (2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2019	219,445	181,878	82.0
As of March 31, 2019	232,703	183,535	78.1

Reference: Equity capital (million yen): As of September 30, 2019: 179,892 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	—	25.60			
Year ending March 31, 2020(Forecast)			—	29.80	55.40

Note: Revision of dividend forecast for this period: Yes

## 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
For the year	79,700	(0.3)	37,000	(0.3)	37,600	(1.2)	25,100	(1.7)	100.29

Note: Revision of financial forecast for this period: Yes

**\* 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

Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for income before income taxes in the current fiscal year (including the second quarter). Quarterly income before income taxes is then multiplied by this estimated effective tax rate to calculate 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 September 30, 2019: 313,250,000 shares      As of March 31, 2019: 313,250,000 shares
- 2) Treasury shares  
As of September 30, 2019: 63,768,359 shares      As of March 31, 2019: 60,174,839 shares
- 3) Average number of shares outstanding for each period (cumulative term)  
As of September 30, 2019: 250,913,595 shares      As of September 30, 2018: 254,137,748 shares

Note: Treasury shares includes 46,800 shares as of September 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 November 13, 2019.

#### 4. Quarterly Consolidated Financial Statements

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

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 Second Quarter (As of September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	51,352	52,191
Receivables due from member dealers at auction	16,502	7,373
Notes and accounts receivable-trade	3,154	2,884
Inventories	1,038	1,008
Other	5,428	2,215
Allowance for doubtful accounts	(44)	(34)
<b>Total current assets</b>	<b>77,431</b>	<b>65,638</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	34,972	35,420
Land	65,027	65,027
Construction in progress	1,610	319
Other, net	3,277	3,610
<b>Total property, plant and equipment</b>	<b>104,887</b>	<b>104,379</b>
<b>Intangible assets</b>		
Goodwill	35,297	34,305
Other	7,061	6,901
<b>Total intangible assets</b>	<b>42,358</b>	<b>41,206</b>
<b>Investments and other assets</b>		
Investments and other assets	8,560	8,770
Allowance for doubtful accounts	(535)	(548)
<b>Total investments and other assets</b>	<b>8,025</b>	<b>8,221</b>
<b>Total non-current assets</b>	<b>155,271</b>	<b>153,807</b>
<b>Total assets</b>	<b>232,703</b>	<b>219,445</b>

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 Second Quarter (As of September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables due to member dealers at auction	22,209	14,632
Notes and accounts payable-trade	520	477
Current portion of long-term borrowings	397	250
Income taxes payable	6,783	5,752
Provisions	722	773
Other	7,444	4,823
<b>Total current liabilities</b>	<b>38,077</b>	<b>26,709</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,640	2,530
Retirement benefit liability	771	779
Asset retirement obligations	600	604
Other	7,078	6,942
<b>Total non-current liabilities</b>	<b>11,090</b>	<b>10,857</b>
<b>Total liabilities</b>	<b>49,168</b>	<b>37,566</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	198,940	204,640
Treasury shares	(49,448)	(56,956)
<b>Total shareholders' equity</b>	<b>187,287</b>	<b>185,478</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	60	61
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(15)	(14)
<b>Total accumulated other comprehensive income</b>	<b>(5,588)</b>	<b>(5,586)</b>
<b>Share acquisition rights</b>	<b>423</b>	<b>496</b>
<b>Non-controlling interests</b>	<b>1,412</b>	<b>1,490</b>
<b>Total net assets</b>	<b>183,535</b>	<b>181,878</b>
<b>Total liabilities and net assets</b>	<b>232,703</b>	<b>219,445</b>

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

(Million yen)

	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)
<b>Net sales</b>	38,842	38,792
<b>Cost of sales</b>	15,108	15,337
<b>Gross profit</b>	23,734	23,455
<b>Selling, general and administrative expenses</b>	5,606	5,548
<b>Operating profit</b>	18,127	17,907
<b>Non-operating income</b>		
Interest income	4	2
Rental income from real estate	221	289
Miscellaneous income	99	98
Total non-operating income	325	391
<b>Non-operating expenses</b>		
Interest expenses	5	6
Rental cost on real estate	23	64
Miscellaneous loss	8	10
Total non-operating expenses	38	82
<b>Ordinary profit</b>	18,415	18,216
<b>Extraordinary income</b>		
Gain on sales of non-current assets	135	7
Total extraordinary income	135	7
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	131	0
Loss on retirement of non-current assets	7	18
Other	8	-
Total extraordinary losses	147	18
<b>Profit before income taxes</b>	18,403	18,205
<b>Income taxes</b>	5,941	5,876
<b>Profit</b>	12,461	12,329
<b>Profit attributable to non-controlling interests</b>	127	96
<b>Profit attributable to owners of parent</b>	12,333	12,232

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

	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)
<b>Profit</b>	12,461	12,329
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(45)	1
Remeasurements of defined benefit plans, net of tax	0	0
<b>Total other comprehensive income</b>	<b>(44)</b>	<b>2</b>
<b>Comprehensive income</b>	<b>12,416</b>	<b>12,331</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,288	12,234
Comprehensive income attributable to non-controlling interests	127	96

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

(Million yen)

	FY 2018 Second Quarter (April 1, 2018 to September 30, 2018)	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	18,403	18,205
Depreciation and amortization	2,667	2,432
Amortization of goodwill	991	991
Increase (decrease) in allowance for doubtful accounts	31	3
Increase (decrease) in provision for bonuses	(3)	51
Increase (decrease) in retirement benefit liability	28	9
Interest and dividend income	(17)	(12)
Interest expenses	5	6
Loss (gain) on sales and retirement of property, plant and equipment	3	10
Net change in due from/to member dealers at auction	1,808	1,551
Decrease (increase) in trade receivables	0	269
Increase (decrease) in trade payables	(54)	(43)
Increase (decrease) in accounts payable - other	(747)	(840)
Increase (decrease) in deposits received	(1,266)	(1,001)
Other, net	(575)	(47)
Subtotal	21,274	21,589
Interest and dividends received	25	17
Interest paid	(5)	(6)
Income taxes paid	(6,967)	(7,077)
Net cash provided by (used in) operating activities	14,327	14,522
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(524)	(2,442)
Proceeds from sales of property, plant and equipment	619	10
Purchase of intangible assets	(106)	(259)
Purchase of shares of subsidiaries and associates	-	(221)
Other, net	(18)	(23)
Net cash provided by (used in) investing activities	(28)	(2,937)
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(255)	(256)
Guarantee deposits received from member dealers	151	88
Refund of guarantee deposits received from member dealers	(105)	(139)
Purchase of treasury shares	-	(7,641)
Proceeds from sales of treasury shares	140	144
Decrease (increase) in money trust to acquire treasury stock	-	3,640
Proceeds from share issuance to non-controlling shareholders	-	49
Dividends paid	(6,180)	(6,532)
Dividends paid to non-controlling interests	(40)	(68)
Repayment of finance lease obligations	(6)	(30)
Net cash provided by (used in) financing activities	(6,297)	(10,746)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,000</b>	<b>839</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>33,722</b>	<b>45,452</b>
<b>Cash and cash equivalents at end of period</b>	<b>41,723</b>	<b>46,291</b>