

Consolidated Financial Results for the Third Quarter ended December 31, 2019

February 12, 2020

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 February 13, 2020
 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, 2019 (April 1, 2019 – December 31, 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	%
Nine months ended December 31, 2019	58,184	(0.3)	26,748	(1.3)	27,233	(1.3)
Nine months ended December 31, 2018	58,339	8.0	27,114	4.4	27,586	4.5

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended December 31, 2019	18,270	(1.1)	72.94	72.79
Nine months ended December 31, 2018	18,476	4.6	72.69	72.56

Note: Comprehensive income (million yen): Nine months ended December 31, 2019: 18,484 -0.1%
 Nine months ended December 31, 2018: 18,509 +1.8%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of December 31, 2019	205,992	181,700	87.2
As of March 31, 2019	232,703	183,535	78.1

Note: Equity capital (million yen): As of December 31, 2019: 179,689 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: 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
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: 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
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 Third 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 December 31, 2019: 313,250,000 shares As of March 31, 2019: 313,250,000 shares
 - 2) Treasury shares
As of December 31, 2019: 63,721,559 shares As of March 31, 2019: 60,174,839 shares
 - 3) Average number of shares outstanding for each period (cumulative term)
As of December 31, 2019: 250,490,979 shares As of December 31, 2018: 254,155,431 shares

Note: Treasury shares includes 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 February 12, 2020.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 Third Quarter (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	51,352	41,261
Receivables due from member dealers at auction	16,502	3,599
Notes and accounts receivable-trade	3,154	2,798
Securities	-	2,000
Inventories	1,038	1,074
Other	5,428	2,143
Allowance for doubtful accounts	(44)	(28)
Total current assets	77,431	52,848
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,972	34,862
Land	65,027	65,031
Construction in progress	1,610	1,062
Other, net	3,277	3,377
Total property, plant and equipment	104,887	104,333
Intangible assets		
Goodwill	35,297	33,809
Other	7,061	6,715
Total intangible assets	42,358	40,525
Investments and other assets		
Investments and other assets	8,560	8,445
Allowance for doubtful accounts	(535)	(159)
Total investments and other assets	8,025	8,285
Total non-current assets	155,271	153,144
Total assets	232,703	205,992

(Million yen)

	FY 2018 (As of March 31, 2019)	FY 2019 Third Quarter (As of December 31, 2019)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	22,209	5,079
Notes and accounts payable-trade	520	349
Short-term borrowings	-	559
Current portion of long-term borrowings	397	250
Income taxes payable	6,783	2,386
Provisions	722	366
Other	7,444	4,515
Total current liabilities	38,077	13,507
Non-current liabilities		
Long-term borrowings	2,640	2,475
Retirement benefit liability	771	816
Asset retirement obligations	600	606
Other	7,078	6,886
Total non-current liabilities	11,090	10,784
Total liabilities	49,168	24,292
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,913	18,913
Retained earnings	198,940	204,291
Treasury shares	(49,448)	(56,865)
Total shareholders' equity	187,287	185,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60	117
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(15)	(14)
Total accumulated other comprehensive income	(5,588)	(5,530)
Share acquisition rights	423	496
Non-controlling interests	1,412	1,514
Total net assets	183,535	181,700
Total liabilities and net assets	232,703	205,992

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

(Million yen)

	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)
Net sales	58,339	58,184
Cost of sales	22,818	23,136
Gross profit	35,520	35,047
Selling, general and administrative expenses	8,406	8,298
Operating profit	27,114	26,748
Non-operating income		
Interest income	7	4
Rental income from real estate	338	439
Miscellaneous income	180	164
Total non-operating income	526	607
Non-operating expenses		
Interest expenses	8	10
Rental cost on real estate	35	100
Miscellaneous loss	10	12
Total non-operating expenses	53	122
Ordinary profit	27,586	27,233
Extraordinary income		
Gain on sales of non-current assets	137	33
Total extraordinary income	137	33
Extraordinary losses		
Loss on sales of non-current assets	131	0
Loss on retirement of non-current assets	20	65
Other	15	0
Total extraordinary losses	168	66
Profit before income taxes	27,556	27,201
Income taxes	8,893	8,775
Profit	18,662	18,426
Profit attributable to non-controlling interests	186	155
Profit attributable to owners of parent	18,476	18,270

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

	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)
Profit	18,662	18,426
Other comprehensive income		
Valuation difference on available-for-sale securities	(153)	57
Remeasurements of defined benefit plans, net of tax	0	1
Total other comprehensive income	(153)	58
Comprehensive income	18,509	18,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,323	18,329
Comprehensive income attributable to non-controlling interests	186	155

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2018 Third Quarter (April 1, 2018 to December 31, 2018)	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	27,556	27,201
Depreciation and amortization	4,038	3,654
Amortization of goodwill	1,487	1,487
Increase (decrease) in allowance for doubtful accounts	23	(390)
Increase (decrease) in provision for bonuses	(330)	(355)
Increase (decrease) in retirement benefit liability	50	46
Interest and dividend income	(21)	(14)
Interest expenses	8	10
Loss (gain) on sales and retirement of property, plant and equipment	15	15
Net change in due from/to member dealers at auction	(54)	(4,227)
Decrease (increase) in trade receivables	192	355
Increase (decrease) in trade payables	(99)	(170)
Increase (decrease) in accounts payable - other	(1,009)	(834)
Increase (decrease) in deposits received	(1,843)	(1,464)
Other, net	(897)	173
Subtotal	29,115	25,487
Interest and dividends received	32	20
Interest paid	(8)	(10)
Income taxes paid	(13,301)	(13,274)
Net cash provided by (used in) operating activities	15,836	12,223
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,205)	(3,080)
Proceeds from sales of property, plant and equipment	622	38
Purchase of intangible assets	(313)	(387)
Purchase of shares of subsidiaries and associates	-	(221)
Other, net	(28)	(61)
Net cash provided by (used in) investing activities	(924)	(3,711)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	559
Repayments of long-term borrowings	(310)	(311)
Guarantee deposits received from member dealers	231	121
Refund of guarantee deposits received from member dealers	(464)	(180)
Purchase of treasury shares	(0)	(7,641)
Proceeds from sales of treasury shares	219	225
Decrease (increase) in money trust to acquire treasury stock	-	3,640
Proceeds from share issuance to non-controlling shareholders	-	49
Dividends paid	(12,438)	(12,920)
Dividends paid to non-controlling interests	(40)	(68)
Repayment of finance lease obligations	(16)	(42)
Other, net	-	(34)
Net cash provided by (used in) financing activities	(12,819)	(16,602)
Net increase (decrease) in cash and cash equivalents	2,092	(8,091)
Cash and cash equivalents at beginning of period	33,722	45,452
Cash and cash equivalents at end of period	35,815	37,361