

Consolidated Financial Results for the Second Quarter ended September 30, 2020

November 9, 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 November 12, 2020
 Scheduled date of commencement of dividend payment December 11, 2020
 Supplementary materials for quarterly financial results Yes
 Information meeting for quarterly financial results Yes

1. Consolidated Results for the Second Quarter ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(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, 2020	34,277	(11.6)	15,901	(11.2)	16,314	(10.4)
Six months ended September 30, 2019	38,792	(0.1)	17,907	(1.2)	18,216	(1.1)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Six months ended September 30, 2020	10,945	(10.5)	43.89	43.81
Six months ended September 30, 2019	12,232	(0.8)	48.75	48.65

Note: Comprehensive income (million yen): Six months ended September 30, 2020: 11,119 - 9.8%
 Six months ended September 30, 2019: 12,331 - 0.7%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of September 30, 2020	221,198	186,830	83.6
As of March 31, 2020	219,133	183,980	83.0

Note: Equity capital (million yen): As of September 30, 2020: 184,823
 As of March 31, 2020 : 181,939

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, 2020	—	25.60	—	29.80	55.40
Year ending March 31, 2021	—	27.75			
Year ending March 31, 2021(Forecast)			—	27.75	55.50

Note: Revision of dividend forecast for this period: None

3. Forecast of Consolidated Financial Results for the year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	71,200	(8.9)	32,600	(9.5)	33,300	(9.3)	22,100	7.1	88.65

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, 2020 | : 313,250,000 shares |
| As of March 31, 2020 | : 313,250,000 shares |
| 2) Treasury shares | |
| As of September 30, 2020 | : 64,023,259 shares |
| As of March 31, 2020 | : 63,717,259 shares |
| 3) Average number of shares outstanding for each period (cumulative term) | |
| As of September 30, 2020 | : 249,346,812 shares |
| As of September 30, 2019 | : 250,913,595 shares |

Note: Treasury shares includes 432,700 shares as of September 30, 2020 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 11,2020.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 Second Quarter (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	50,729	54,780
Receivables due from member dealers at auction	5,603	6,172
Notes and accounts receivable-trade	2,894	2,150
Securities	6,000	3,000
Inventories	1,052	823
Other	1,855	1,681
Allowance for doubtful accounts	(38)	(32)
Total current assets	68,096	68,576
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,573	36,736
Land	65,031	65,031
Construction in progress	1,673	1,574
Other, net	3,469	3,315
Total property, plant and equipment	106,747	106,657
Intangible assets		
Goodwill	29,449	28,568
Other	6,671	9,129
Total intangible assets	36,120	37,698
Investments and other assets		
Investments and other assets	8,325	8,419
Allowance for doubtful accounts	(157)	(152)
Total investments and other assets	8,168	8,266
Total non-current assets	151,037	152,622
Total assets	219,133	221,198

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 Second Quarter (As of September 30, 2020)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	8,721	11,234
Notes and accounts payable-trade	376	353
Short-term borrowings	300	429
Current portion of long-term borrowings	220	220
Income taxes payable	5,623	5,591
Provisions	713	666
Other	8,542	4,494
Total current liabilities	24,497	22,988
Non-current liabilities		
Long-term borrowings	2,420	3,191
Retirement benefit liability	834	878
Asset retirement obligations	609	613
Other	6,792	6,696
Total non-current liabilities	10,656	11,379
Total liabilities	35,153	34,368
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,911	18,909
Retained earnings	206,654	210,163
Treasury shares	(56,861)	(57,585)
Total shareholders' equity	187,585	190,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	102
Revaluation reserve for land	(5,633)	(5,633)
Remeasurements of defined benefit plans	(15)	(14)
Total accumulated other comprehensive income	(5,646)	(5,544)
Share acquisition rights	494	437
Non-controlling interests	1,546	1,568
Total net assets	183,980	186,830
Total liabilities and net assets	219,133	221,198

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

(Million yen)

	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)
Net sales	38,792	34,277
Cost of sales	15,337	13,311
Gross profit	23,455	20,966
Selling, general and administrative expenses	5,548	5,064
Operating profit	17,907	15,901
Non-operating income		
Interest income	2	3
Rental income from real estate	289	312
Miscellaneous income	98	187
Total non-operating income	391	503
Non-operating expenses		
Interest expenses	6	7
Rental costs on real estate	64	75
Miscellaneous loss	10	8
Total non-operating expenses	82	90
Ordinary profit	18,216	16,314
Extraordinary income		
Gain on sales of non-current assets	7	14
Other	-	0
Total extraordinary income	7	15
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	18	31
Other	-	7
Total extraordinary losses	18	38
Profit before income taxes	18,205	16,291
Income taxes	5,876	5,272
Profit	12,329	11,018
Profit attributable to non-controlling interests	96	73
Profit attributable to owners of parent	12,232	10,945

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)
Profit	12,329	11,018
Other comprehensive income		
Valuation difference on available-for-sale securities	1	100
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	2	101
Comprehensive income	12,331	11,119
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,234	11,046
Comprehensive income attributable to non-controlling interests	96	73

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2019 Second Quarter (April 1, 2019 to September 30, 2019)	FY 2020 Second Quarter (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	18,205	16,291
Depreciation and amortization	2,432	2,592
Amortization of goodwill	991	881
Increase (decrease) in allowance for doubtful accounts	3	(11)
Increase (decrease) in provision for bonuses	51	(47)
Increase (decrease) in retirement benefit liability	9	45
Interest and dividend income	(12)	(67)
Interest expenses	6	7
Loss (gain) on sales and retirement of property, plant and equipment	10	11
Net change in due from/to member dealers at auction	1,551	1,944
Decrease (increase) in trade receivables	269	744
Increase (decrease) in trade payables	(43)	(23)
Increase (decrease) in accounts payable - other	(840)	(452)
Increase (decrease) in deposits received	(1,001)	(528)
Other, net	(47)	(273)
Subtotal	21,589	21,113
Interest and dividends received	17	70
Interest paid	(6)	(7)
Income taxes paid	(7,077)	(4,531)
Net cash provided by (used in) operating activities	14,522	16,644
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,442)	(4,964)
Proceeds from sales of property, plant and equipment	10	21
Purchase of intangible assets	(259)	(3,094)
Purchase of shares of subsidiaries and associates	(221)	-
Other, net	(23)	(29)
Net cash provided by (used in) investing activities	(2,937)	(8,067)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	129
Proceeds from long-term borrowings	-	980
Repayments of long-term borrowings	(256)	(209)
Guarantee deposits received from member dealers	88	69
Refund of guarantee deposits received from member dealers	(139)	(76)
Purchase of treasury shares	(7,641)	(978)
Proceeds from sales of treasury shares	144	109
Decrease (increase) in money trust to acquire treasury stock	3,640	-
Proceeds from share issuance to non-controlling shareholders	49	-
Dividends paid	(6,532)	(7,436)
Dividends paid to non-controlling interests	(68)	(51)
Repayments of finance lease obligations	(30)	(61)
Other, net	-	0
Net cash provided by (used in) financing activities	(10,746)	(7,525)
Net increase (decrease) in cash and cash equivalents	839	1,051
Cash and cash equivalents at beginning of period	45,452	50,829
Cash and cash equivalents at end of period	46,291	51,880