

Consolidated Financial Results for the Third Quarter ended December 31, 2020

February 8, 2021

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 10, 2021
 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, 2020 (April 1, 2020 – December 31, 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	%
Nine months ended December 31, 2020	53,964	(7.3)	25,758	(3.7)	26,370	(3.2)
Nine months ended December 31, 2019	58,184	(0.3)	26,748	(1.3)	27,233	(1.3)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Nine months ended December 31, 2020	17,715	(3.0)	71.05	70.92
Nine months ended December 31, 2019	18,270	(1.1)	72.94	72.79

Note: Comprehensive income (million yen): Nine months ended December 31, 2020: 18,060 - 2.3%
 Nine months ended December 31, 2019: 18,484 - 0.1%

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)
As of December 31, 2020	215,470	186,909	85.8
As of March 31, 2020	219,133	183,980	83.0

Note: Equity capital (million yen): As of December 31, 2020 : 184,862
 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	88.64

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, 2020 : 313,250,000 shares
As of March 31, 2020 : 313,250,000 shares
- 2) Treasury shares
As of December 31, 2020 : 63,971,659 shares
As of March 31, 2020 : 63,717,259 shares
- 3) Average number of shares outstanding for each period (cumulative term)
As of December 31, 2020 : 249,318,461 shares
As of December 31, 2019 : 250,490,979 shares

Note: Treasury shares includes 381,100 shares as of December 31, 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 **February 8, 2021**.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 Third Quarter (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	50,729	53,840
Receivables due from member dealers at auction	5,603	2,993
Notes and accounts receivable-trade	2,894	1,864
Securities	6,000	3,000
Inventories	1,052	851
Other	1,855	1,097
Allowance for doubtful accounts	(38)	(22)
Total current assets	68,096	63,625
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,573	36,138
Land	65,031	65,031
Construction in progress	1,673	1,896
Other, net	3,469	3,152
Total property, plant and equipment	106,747	106,219
Intangible assets		
Goodwill	29,449	28,127
Other	6,671	9,068
Total intangible assets	36,120	37,196
Investments and other assets		
Investments and other assets	8,325	8,577
Allowance for doubtful accounts	(157)	(148)
Total investments and other assets	8,168	8,429
Total non-current assets	151,037	151,844
Total assets	219,133	215,470

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 Third Quarter (As of December 31, 2020)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	8,721	7,504
Notes and accounts payable-trade	376	382
Short-term borrowings	300	316
Current portion of long-term borrowings	220	220
Income taxes payable	5,623	3,661
Provisions	713	341
Other	8,542	4,866
Total current liabilities	24,497	17,292
Non-current liabilities		
Long-term borrowings	2,420	3,136
Retirement benefit liability	834	744
Asset retirement obligations	609	615
Other	6,792	6,772
Total non-current liabilities	10,656	11,268
Total liabilities	35,153	28,560
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,911	18,909
Retained earnings	206,654	210,009
Treasury shares	(56,861)	(57,485)
Total shareholders' equity	187,585	190,313
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	198
Revaluation reserve for land	(5,633)	(5,636)
Remeasurements of defined benefit plans	(15)	(13)
Total accumulated other comprehensive income	(5,646)	(5,451)
Share acquisition rights	494	437
Non-controlling interests	1,546	1,609
Total net assets	183,980	186,909
Total liabilities and net assets	219,133	215,470

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

(Million yen)

	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)	FY 2020 Third Quarter (April 1, 2020 to December 31, 2020)
Net sales	58,184	53,964
Cost of sales	23,136	20,567
Gross profit	35,047	33,397
Selling, general and administrative expenses	8,298	7,639
Operating profit	26,748	25,758
Non-operating income		
Interest income	4	5
Rental income from real estate	439	470
Miscellaneous income	164	274
Total non-operating income	607	750
Non-operating expenses		
Interest expenses	10	10
Rental costs on real estate	100	115
Miscellaneous loss	12	12
Total non-operating expenses	122	138
Ordinary profit	27,233	26,370
Extraordinary income		
Gain on sales of non-current assets	33	50
Other	-	0
Total extraordinary income	33	51
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	65	56
Other	0	8
Total extraordinary losses	66	65
Profit before income taxes	27,201	26,356
Income taxes	8,775	8,493
Profit	18,426	17,862
Profit attributable to non-controlling interests	155	147
Profit attributable to owners of parent	18,270	17,715

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)	FY 2020 Third Quarter (April 1, 2020 to December 31, 2020)
Profit	18,426	17,862
Other comprehensive income		
Valuation difference on available-for-sale securities	57	196
Remeasurements of defined benefit plans, net of tax	1	1
Total other comprehensive income	58	197
Comprehensive income	18,484	18,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,329	17,913
Comprehensive income attributable to non-controlling interests	155	147

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY 2019 Third Quarter (April 1, 2019 to December 31, 2019)	FY 2020 Third Quarter (April 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	27,201	26,356
Depreciation and amortization	3,654	3,917
Amortization of goodwill	1,487	1,322
Increase (decrease) in allowance for doubtful accounts	(390)	(25)
Increase (decrease) in provision for bonuses	(355)	(372)
Increase (decrease) in retirement benefit liability	46	(88)
Interest and dividend income	(14)	(69)
Interest expenses	10	10
Loss (gain) on sales and retirement of property, plant and equipment	15	1
Net change in due from/to member dealers at auction	(4,227)	1,393
Decrease (increase) in trade receivables	355	1,030
Increase (decrease) in trade payables	(170)	5
Increase (decrease) in accounts payable - other	(834)	(25)
Increase (decrease) in deposits received	(1,464)	(1,065)
Other, net	173	144
Subtotal	25,487	32,534
Interest and dividends received	20	83
Interest paid	(10)	(11)
Income taxes paid	(13,274)	(9,552)
Net cash provided by (used in) operating activities	12,223	23,054
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,080)	(5,145)
Proceeds from sales of property, plant and equipment	38	81
Purchase of intangible assets	(387)	(3,265)
Purchase of shares of subsidiaries and associates	(221)	-
Other, net	(61)	(38)
Net cash provided by (used in) investing activities	(3,711)	(8,367)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	559	16
Proceeds from long-term borrowings	-	980
Repayments of long-term borrowings	(311)	(264)
Guarantee deposits received from member dealers	121	106
Refund of guarantee deposits received from member dealers	(180)	(104)
Purchase of treasury shares	(7,641)	(978)
Proceeds from sales of treasury shares	225	194
Decrease (increase) in money trust to acquire treasury stock	3,640	-
Proceeds from share issuance to non-controlling shareholders	49	-
Dividends paid	(12,920)	(14,364)
Dividends paid to non-controlling interests	(68)	(51)
Repayments of finance lease obligations	(42)	(82)
Other, net	(34)	(28)
Net cash provided by (used in) financing activities	(16,602)	(14,575)
Net increase (decrease) in cash and cash equivalents	(8,091)	111
Cash and cash equivalents at beginning of period	45,452	50,829
Cash and cash equivalents at end of period	37,361	50,940