

Consolidated Financial Results for the Fiscal Year ended March 31, 2021

May 11, 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 annual general meeting of shareholders June 15, 2021
 Scheduled date of commencement of dividend payment June 16, 2021
 Scheduled date of filing of securities report June 16, 2021
 Supplementary materials for financial results Yes
 Information meeting for financial results Yes (For institutional investors and securities analysts)

1. Consolidated Financial Results for the Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Consolidated Operating Results

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2021	74,874	(4.2)	36,227	0.6	36,996	0.8
Year ended March 31, 2020	78,143	(2.2)	36,009	(3.0)	36,710	(3.5)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Year ended March 31, 2021	4,022	(80.5)	16.13	16.10
Year ended March 31, 2020	20,634	(19.2)	82.44	82.28

Note: Comprehensive income (million yen): Year ended March 31, 2021: 4,628 - 77.7%
 Year ended March 31, 2020: 20,764 - 19.7%

	ROE(%)	ROA(%)	Operating margin(%)
Year ended March 31, 2021	2.3	17.2	48.4
Year ended March 31, 2020	11.3	16.2	46.1

(2) Consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (yen)
As of March 31, 2021	210,699	173,524	81.3	687.48
As of March 31, 2020	219,133	183,980	83.0	729.12

Note: Equity capital (million yen): As of March 31, 2021: 171,394
 As of March 31, 2020: 181,939

(3) Consolidated Statement of Cash Flows

	Cash flows from operating activities (Million yen)	Cash flows from investing activities (Million yen)	Cash flows from financing activities (Million yen)	Cash and cash equivalents at end of period (Million yen)
Year ended March 31, 2021	38,407	(9,330)	(15,035)	64,870
Year ended March 31, 2020	27,245	(4,906)	(16,963)	50,829

2. Dividends

	Dividend per share (yen)					Total dividends (million yen)	Dividend payout ratio (consolidated) (%)	Dividend rate for net assets (consolidated) (%)
	First quarter - end	Second quarter - end	Third quarter - end	Fiscal year - end	Total			
Year ended March 31, 2020	-	25.60	-	29.80	55.40	13,824	67.0	7.7
Year ended March 31, 2021	-	27.75	-	27.75	55.50	13,856	344.5	7.8
Year ending March 31, 2022(Forecast)	-	29.20	-	29.20	58.40		55.0	

Notes: 1. Total dividends paid for the fiscal year ended March 2020 and for the fiscal year ended March 2021 include payments of 1 million yen and 22 million yen each for shares held by the USS employee stock ownership plan trust.

2. Dividend payout ratio (consolidated) is calculated by dividing total dividends paid by profit attributable to owners of parent.

3. Forecast of Consolidated Financial Results for the Fiscal Year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	38,260	11.6	18,460	16.1	18,800	15.2	12,700	16.0	50.94
For the year	77,600	3.6	38,400	6.0	39,100	5.7	26,500	558.8	106.29

*Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):
None

(2) 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

(3) Number of shares outstanding (common shares)

- 1) Shares outstanding (including treasury shares)
 - As of March 31, 2021 : 313,250,000 shares
 - As of March 31, 2020 : 313,250,000 shares
- 2) Treasury shares
 - As of March 31, 2021 : 63,943,259 shares
 - As of March 31, 2020 : 63,717,259 shares
- 3) Average number of shares
 - As of March 31, 2021 : 249,313,925 shares
 - As of March 31, 2020 : 250,269,847 shares

Note: Treasury shares includes 357,000 shares as of March 31, 2021 held by the USS employee stock ownership plan trust.

Reference: Non-consolidated Results

Non-consolidated Financial Results for the Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Non-consolidated Operating Results

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2021	55,287	(2.8)	35,035	(0.1)	36,251	(7.1)
Year ended March 31, 2020	56,854	(0.1)	35,056	(2.0)	39,024	5.9

	Profit		Profit per share	Diluted profit per share
	Million yen	%	Yen	Yen
Year ended March 31, 2021	(5,227)	-	(20.96)	-
Year ended March 31, 2020	28,162	9.7	112.53	112.29

(2) Non-consolidated Financial Position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (yen)
As of March 31, 2021	196,897	168,025	85.1	672.23
As of March 31, 2020	213,696	187,876	87.7	750.93

Note: Equity capital (million yen): As of March 31, 2021: 167,593

As of March 31, 2020: 187,382

(Reason for the difference of the non-consolidated business results of current and previous fiscal year)

Booking of the extraordinary losses on the revaluation of affiliated company shares in the current fiscal year mainly caused the difference between the current and previous fiscal year's actual business results.

* This 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.

(Impairment Losses)

After JAA was made a consolidated subsidiary in August 2017 the company converted its auction site in Edogawa-ku, Tokyo and the auction site in Kobe City, Hyogo Prefecture operated by HAA Kobe into consolidated subsidiaries. Following their inclusion in the consolidation the two auction sites revised their service standards to bring them into conformity with those of USS. These included admission standards, auction rules, and fee systems. The changes were made to raise profitability of the two auction sites to the level of other auction sites operated by the company. However, as a result of matching the service standards of JAA and HAA Kobe's auction sites to that of USS it became increasingly difficult to differentiate them from our other used car auction sites. Consequently, the number of vehicles consigned to the two sites declined as users dispersed among our other auction sites.

Accordingly, in the fiscal year ended March 2020, we recorded an extraordinary losses of 3,863 million yen as impairment losses on goodwill related to JAA auction site. Considering that the external environment has deteriorated further due to the prolonged COVID-19 pandemic and other factors, we reviewed our future plans. Now, we expect HAA Kobe's profits to fall short of the earlier estimate. Consequently, we have booked an extraordinary losses of 18,801 million yen as impairment losses on goodwill related to HAA Kobe auction site in the fiscal year ended March 2021.

In addition, an extensive review of the customer-related assets of the JAA and HAA Kobe auction sites revealed that most members of both the auction sites did not meet our membership criteria and could not registered as USS members. In view of the above, we recorded an extraordinary losses of 2,923 million yen on loss on retirement of non-current assets.

(Supplementary explanatory documents)

We will promptly deliver the video of the financial results briefing on our website.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	50,729	67,770
Receivables due from member dealers at auction	5,603	6,596
Notes and accounts receivable-trade	2,894	2,215
Securities	6,000	3,000
Inventories	1,052	1,028
Prepaid expenses	171	161
Other	1,684	778
Allowance for doubtful accounts	(38)	(23)
Total current assets	68,096	81,528
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,573	35,548
Machinery, equipment and vehicles, net	759	872
Tools, furniture and fixtures, net	2,536	3,043
Land	65,031	63,686
Leased assets, net	173	121
Construction in progress	1,673	30
Total property, plant and equipment	106,747	103,302
Intangible assets		
Goodwill	29,449	8,906
Other	6,671	6,281
Total intangible assets	36,120	15,188
Investments and other assets		
Investment securities	627	1,248
Long-term loans receivable	48	44
Long-term prepaid expenses	73	484
Deferred tax assets	1,507	1,615
Deferred tax assets for land revaluation	2,455	2,456
Retirement benefit asset	45	45
Investment property, net	2,775	4,166
Other	790	760
Allowance for doubtful accounts	(157)	(143)
Total investments and other assets	8,168	10,680
Total non-current assets	151,037	129,171
Total assets	219,133	210,699

(Million yen)

	FY 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
Liabilities		
Current liabilities		
Payables due to member dealers at auction	8,721	11,788
Notes and accounts payable-trade	376	707
Short-term borrowings	300	-
Current portion of long-term borrowings	220	220
Lease obligations	78	7
Income taxes payable	5,623	7,408
Deposits received	1,771	1,893
Provision for bonuses	713	767
Other	6,691	4,128
Total current liabilities	24,497	26,922
Non-current liabilities		
Long-term borrowings	2,420	2,911
Lease obligations	41	35
Long-term accounts payable-other	187	278
Deferred tax liabilities	1,655	747
Retirement benefit liability	834	776
Long-term guarantee deposits	4,907	4,886
Asset retirement obligations	609	617
Total non-current liabilities	10,656	10,253
Total liabilities	35,153	37,175
Net assets		
Shareholders' equity		
Share capital	18,881	18,881
Capital surplus	18,911	18,911
Retained earnings	206,654	196,315
Treasury shares	(56,861)	(57,435)
Total shareholders' equity	187,585	176,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	378
Revaluation reserve for land	(5,633)	(5,636)
Remeasurements of defined benefit plans	(15)	(21)
Total accumulated other comprehensive income	(5,646)	(5,278)
Share acquisition rights	494	432
Non-controlling interests	1,546	1,697
Total net assets	183,980	173,524
Total liabilities and net assets	219,133	210,699

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

(Million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Net sales	78,143	74,874
Cost of sales	30,954	28,341
Gross profit	47,188	46,533
Selling, general and administrative expenses	11,179	10,306
Operating profit	36,009	36,227
Non-operating income		
Interest income	6	6
Rental income from real estate	594	636
Miscellaneous income	265	306
Total non-operating income	866	950
Non-operating expenses		
Interest expenses	13	13
Rental costs on real estate	135	155
Miscellaneous losses	15	12
Total non-operating expenses	165	181
Ordinary profit	36,710	36,996
Extraordinary income		
Gain on sale of non-current assets	38	56
Other	-	0
Total extraordinary income	38	57
Extraordinary losses		
Loss on sale of non-current assets	0	14
Loss on retirement of non-current assets	126	2,995
Impairment losses	3,873	18,812
Other	12	9
Total extraordinary losses	4,013	21,832
Profit before income taxes	32,736	15,220
Income taxes-current	12,006	12,141
Income taxes-deferred	(91)	(1,179)
Income taxes	11,914	10,962
Profit	20,821	4,258
Profit attributable to non-controlling interests	187	235
Profit attributable to owners of parent	20,634	4,022

(Consolidated Statement of Comprehensive Income)

(Million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Profit	20,821	4,258
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	376
Remeasurements of defined benefit plans, net of tax	0	(6)
Total other comprehensive income	(57)	370
Comprehensive income	20,764	4,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,577	4,392
Comprehensive income attributable to non-controlling interests	187	235

(3) Consolidated Statement of Changes in Equity

Fiscal Year ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,881	18,913	198,940	(49,448)	187,287
Changes during period					
Dividends of surplus			(12,920)		(12,920)
Profit attributable to owners of parent			20,634		20,634
Purchase of treasury shares				(7,641)	(7,641)
Disposal of treasury shares		(1)		227	225
Reversal of revaluation reserve for land					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	(1)	7,714	(7,413)	298
Balance at end of period	18,881	18,911	206,654	(56,861)	187,585

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	60	(5,633)	(15)	(5,588)	423	1,412	183,535
Changes during period							
Dividends of surplus							(12,920)
Profit attributable to owners of parent							20,634
Purchase of treasury shares							(7,641)
Disposal of treasury shares							225
Reversal of revaluation reserve for land							-
Net changes in items other than shareholders' equity	(57)	-	0	(57)	70	133	146
Total changes during period	(57)	-	0	(57)	70	133	445
Balance at end of period	2	(5,633)	(15)	(5,646)	494	1,546	183,980

Fiscal Year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,881	18,911	206,654	(56,861)	187,585
Changes during period					
Dividends of surplus			(14,364)		(14,364)
Profit attributable to owners of parent			4,022		4,022
Purchase of treasury shares				(978)	(978)
Disposal of treasury shares		(0)		404	404
Reversal of revaluation reserve for land			2		2
Net changes in items other than shareholders' equity					-
Total changes during period	-	(0)	(10,338)	(573)	(10,912)
Balance at end of period	18,881	18,911	196,315	(57,435)	176,673

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	2	(5,633)	(15)	(5,646)	494	1,546	183,980
Changes during period							
Dividends of surplus							(14,364)
Profit attributable to owners of parent							4,022
Purchase of treasury shares							(978)
Disposal of treasury shares							404
Reversal of revaluation reserve for land							2
Net changes in items other than shareholders' equity	376	(2)	(6)	367	(61)	150	456
Total changes during period	376	(2)	(6)	367	(61)	150	(10,456)
Balance at end of period	378	(5,636)	(21)	(5,278)	432	1,697	173,524

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	32,736	15,220
Depreciation and amortization	5,099	5,372
Impairment losses	3,873	18,812
Amortization of goodwill	1,983	1,741
Increase (decrease) in allowance for doubtful accounts	(383)	(28)
Increase (decrease) in provision for bonuses	(8)	53
Increase (decrease) in retirement benefit liability	63	(66)
Decrease (increase) in retirement benefit asset	(5)	0
Interest and dividend income	(17)	(75)
Interest expenses	13	13
Loss (gain) on sale and retirement of property, plant and equipment	71	18
Loss (gain) on sale and retirement of intangible assets	16	2,935
Net change in due from/to member dealers at auction	(2,589)	2,074
Decrease (increase) in trade receivables	259	679
Increase (decrease) in trade payables	(144)	330
Increase (decrease) in deposits received	(451)	121
Other, net	(3)	682
Subtotal	40,513	47,888
Interest and dividends received	22	87
Interest paid	(14)	(14)
Income taxes paid	(13,276)	(9,553)
Net cash provided by (used in) operating activities	27,245	38,407
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,913)	(5,241)
Proceeds from sale of property, plant and equipment	46	92
Purchase of intangible assets	(606)	(3,744)
Purchase of shares of subsidiaries and associates	(221)	-
Other, net	(210)	(437)
Net cash provided by (used in) investing activities	(4,906)	(9,330)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300	(300)
Proceeds from long-term borrowings	-	980
Repayments of long-term borrowings	(397)	(488)
Guarantee deposits received from member dealers	163	153
Refund of guarantee deposits received from member dealers	(239)	(137)
Purchase of treasury shares	(7,641)	(978)
Proceeds from sale of treasury shares	259	268
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	(76)	(83)
Other, net	(34)	(33)
Net cash provided by (used in) financing activities	(16,963)	(15,035)
Net increase (decrease) in cash and cash equivalents	5,376	14,041
Cash and cash equivalents at beginning of period	45,452	50,829
Cash and cash equivalents at end of period	50,829	64,870