



FY3/19 2Q Consolidated Financial Statements [J-GAAP]

November 12, 2018

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Date to start dividends distribution: December 5, 2018
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. FY3/19 2Q consolidated results (April 1, 2018 – September 30, 2018)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/19 2Q	102,721	9.0	2,505	13.7	2,722	12.3	1,856	13.1
FY3/18 2Q	94,282	19.3	2,203	77.0	2,422	69.7	1,641	69.4

(Note) Comprehensive income: FY3/19 2Q: ¥1,459 million (-8.2%) FY3/18 2Q: ¥1,590 million (+1,979.3%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/19 2Q	70.49	—
FY3/18 2Q	62.34	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/19 2Q	77,327	57,738	74.6
End-FY3/18	80,261	56,648	70.5

(Reference) Shareholders' equity: End-FY3/19 2Q: ¥57,683 million End-FY3/18: ¥56,592 million

Note: Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The changes have been retroactively applied to amounts for the fiscal year ended March 31, 2018.

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/18	—	14.00	—	14.00	28.00
FY3/19	—	15.00			
FY3/19 (Projections)			—	15.00	30.00

(Note) Revisions to the most recently announced projections of dividends: No

3. Consolidated earnings projections for FY3/19 (April 1, 2018 – March 31, 2019)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
FY3/19	200,000	5.2	5,000	2.5	5,200	1.1	3,500	1.2	132.91

(Note) Revisions to the most recently announced projections of consolidated earnings: No

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards: No
 - 2) Changes in accounting policies other than the above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	End-FY3/19 2Q	28,908,581 shares	End-FY3/18	28,908,581 shares
2) Number of treasury shares	End-FY3/19 2Q	2,575,665 shares	End-FY3/18	2,575,524 shares
3) Average number of shares during the period	FY3/19 2Q	26,332,956 shares	FY3/18 2Q	26,333,427 shares

* These quarterly financial statements are outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

*Notes on appropriate use of earnings projections and other special remarks

Earnings projections and other forward-looking statements in this document are based on reasonable assumptions and information available to the Company at the time of release. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about earnings projections assumptions and notes regarding the use of earnings projections, please refer to "1. Qualitative information on consolidated results during the period, (3) Qualitative information on consolidated earnings projections" on page 3 of the attached documents.

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1. Qualitative information on consolidated results during the period

(1) Qualitative information on consolidated results

In the first six months of the fiscal year ending March 31, 2019, the Japanese economy continued to recover at a moderate pace, supported by improving corporate earnings and employment conditions. However, the outlook remained unclear due to risks to the global economy from trade issues and uncertainty in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment stepped up marketing activities and actively used production sites in Japan and overseas to secure precious metals materials, boost sales of products such as precious metal chemical products and expand its industrial waste treatment outsourcing business. The food business segment worked hard to develop and provide products that address customer needs and actively implemented marketing activities, which included expanding the use of overseas business, as well as domestic business sites, in order to increase sales volume.

As a result of the above, for the first six months of the fiscal year ending March 31, 2019, consolidated net sales were ¥102,721 million (up 9.0% year on year), operating income was ¥2,505 million (up 13.7% year on year), ordinary income was ¥2,722 million (up 12.3% year on year), and profit attributable to owners of parent was ¥1,856 million (up 13.1% year on year).

Performance in the Matsuda Sangyo Group's business segments was as follows.

Precious metals business segment

In the precious metals business segment, production at key customers in the electronics sector remained firm overall, despite some signs of slowing momentum in electronic parts and devices. Against this backdrop, the Group's precious metals business segment increased the volume of precious metal recycling, boosted sales volume for precious metal products and increased the amount of industrial waste treatment. That supported higher sales overall compared with the same period of the previous fiscal year, despite a decline in sales prices for precious metal products.

As a result, net sales for the precious metals business segment totaled ¥66,266 million (up 10.1% year on year), and operating income was ¥1,625 million (up 16.9% year on year).

Food business segment

In the food business segment, production activity at key customers in the food processing sector increased gradually, despite weakness in consumer spending in Japan. Production activity was mainly supported by strong demand for processed food products and moves into overseas markets. In this environment, the Group's food business segment reported higher sales compared with the same period of the previous fiscal year, supported by an increase in sales volume for seafood products and livestock products and by rising sales prices for seafood products.

As a result, net sales for the food business segment were ¥36,498 million (up 6.9% year on year), and operating income was ¥880 million (up 8.3% year on year).

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and net assets

Total assets

Total assets as of the end of the first six months were ¥77,327 million, a decrease of ¥2,933 million from the previous fiscal year end. This mainly reflected decreases in notes and accounts receivable – trade and inventories.

Liabilities

Total liabilities as of the end of the first six months were ¥19,589 million, a decrease of ¥4,023 million from the previous fiscal year end. This mainly reflected decreases in loans.

Net assets

Net assets as of the end of the first six months were ¥57,738 million, an increase of ¥1,090 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which exceeded year-end cash dividends paid.

(2) Cash flows status

As of the end of the first six months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥8,418 million, an increase of ¥846 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥5,713 million. This mainly reflected the difference between cash provided from profit before income taxes, decrease in notes and accounts receivable – trade and decrease in inventories on the one hand, and cash used for income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥7 million, cash from operating activities increased by ¥5,705 million.

Cash flows from investing activities

Investing activities used net cash of ¥556 million. This was mainly due to the purchase of property, plant and equipment, such as factory equipment and vehicles. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,076 million, cash used by investing activities decreased by ¥520 million.

Cash flows from financing activities

Financing activities used net cash of ¥4,226 million. This mainly reflected decreases in loans. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥2,131 million, cash from financing activities decreased by ¥6,357 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on May 11, 2018.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/18 (As of March 31, 2018)	End-FY3/19 2Q (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	7,571	8,418
Notes and accounts receivable – trade	22,502	21,442
Merchandise and finished goods	16,778	14,603
Work in process	393	478
Raw materials and supplies	6,531	6,425
Others	3,584	3,046
Allowance for doubtful accounts	(0)	(1)
Total current assets	57,362	54,413
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,201	9,183
Accumulated depreciation	(4,875)	(5,003)
Buildings and structures, net	4,325	4,179
Machinery, equipment and vehicles	8,383	8,484
Accumulated depreciation	(6,740)	(6,929)
Machinery, equipment and vehicles, net	1,643	1,555
Land	8,925	8,902
Leased assets	849	1,049
Accumulated depreciation	(284)	(374)
Leased assets, net	564	674
Construction in progress	199	281
Others	1,135	1,317
Accumulated depreciation	(927)	(955)
Others, net	208	362
Total property, plant and equipment	15,867	15,956
Intangible assets		
Others	774	712
Total intangible assets	774	712
Investments and other assets		
Investment securities	4,575	4,575
Deferred tax assets	72	81
Others	1,673	1,604
Allowance for doubtful accounts	(64)	(16)
Total investments and other assets	6,256	6,244
Total non-current assets	22,898	22,914
Total assets	80,261	77,327

(millions of yen)

	End-FY3/18 (As of March 31, 2018)	End-FY3/19 2Q (As of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	7,626	6,958
Short-term loans payable	7,402	1,165
Current portion of long-term loans payable	1,063	1,249
Lease obligations	206	241
Income taxes payable	1,155	897
Provision for bonuses	763	890
Others	3,104	3,600
Total current liabilities	21,321	15,003
Non-current liabilities		
Long-term loans payable	535	2,851
Lease obligations	456	514
Provision for directors' retirement benefits	604	593
Provision for executive officers' retirement benefits	23	25
Net defined benefit liability	224	235
Deferred tax liabilities	333	305
Others	115	59
Total non-current liabilities	2,291	4,585
Total liabilities	23,613	19,589
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	50,238	51,725
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	54,795	56,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	630	575
Deferred gains or losses on hedges	121	33
Foreign currency translation adjustment	1,101	837
Remeasurements of defined benefit plans	(56)	(47)
Total accumulated other comprehensive income	1,796	1,399
Non-controlling interests	55	55
Total net assets	56,648	57,738
Total liabilities and net assets	80,261	77,327

(2) Quarterly consolidated statements of income and comprehensive income**[Quarterly consolidated statements of income]**

(millions of yen)

	FY3/18 2Q (April 1, 2017 – September 30, 2017)	FY3/19 2Q (April 1, 2018 – September 30, 2018)
Net sales	94,282	102,721
Cost of sales	85,410	92,920
Gross profit	8,871	9,801
Selling, general, and administrative expenses	6,668	7,295
Operating income	2,203	2,505
Non-operating income		
Interest income	4	4
Dividend income	15	16
Gain on sales of investment securities	-	12
Share of profit of entities accounted for using equity method	248	160
Purchase discounts	7	6
Foreign exchange gains	-	30
Others	22	32
Total non-operating income	298	263
Non-operating expenses		
Interest expenses	23	28
Foreign exchange losses	29	-
Loss on valuation of investment securities	17	-
Others	8	19
Total non-operating expenses	79	47
Ordinary income	2,422	2,722
Profit before income taxes	2,422	2,722
Income taxes – current	836	839
Income taxes – deferred	(65)	17
Total income taxes	770	856
Profit	1,652	1,865
Profit attributable to non-controlling interests	10	8
Profit attributable to owners of parent	1,641	1,856

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/18 2Q (April 1, 2017 – September 30, 2017)	FY3/19 2Q (April 1, 2018 – September 30, 2018)
Profit	1,652	1,865
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(54)
Deferred gains or losses on hedges	(47)	(93)
Foreign currency translation adjustments	3	(264)
Remeasurements of defined benefit plans	8	6
Share of other comprehensive income (loss) of entities accounted for using equity method	(37)	1
Total other comprehensive income (loss)	(62)	(405)
Comprehensive income	1,590	1,459
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,577	1,459
Comprehensive income attributable to non-controlling interests	12	0

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/18 2Q (April 1, 2017 – September 30, 2017)	FY3/19 2Q (April 1, 2018 – September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	2,422	2,722
Depreciation	685	647
Increase (decrease) in allowance for doubtful accounts	(4)	(46)
Increase (decrease) in provision for bonuses	134	127
Increase (decrease) in net defined benefit liability	19	22
Increase (decrease) in provision for directors' retirement benefits	19	(30)
Increase (decrease) in provision for executive officers' retirement benefits	3	(0)
Interest and dividend income	(19)	(21)
Interest expenses	23	28
Share of (profit) loss of entities accounted for using equity method	(248)	(160)
Decrease (increase) in notes and accounts receivable – trade	(3,234)	988
Decrease (increase) in inventories	470	2,140
Increase (decrease) in accounts payable – trade	(47)	(618)
Others	97	930
Subtotal	321	6,728
Interest and dividend income received	171	103
Interest paid	(23)	(27)
Income taxes paid	(462)	(1,091)
Net cash provided by (used in) operating activities	7	5,713
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,111)	(542)
Purchase of intangible assets	(28)	(31)
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	-	18
Others	69	4
Net cash provided by (used in) investing activities	(1,076)	(556)

(millions of yen)

	FY3/18 2Q (April 1, 2017 – September 30, 2017)	FY3/19 2Q (April 1, 2018 – September 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,142	(6,244)
Proceeds from long-term loans payable	-	3,000
Repayments of long-term loans payable	(568)	(497)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(368)	(368)
Others	(73)	(114)
Net cash provided by (used in) financing activities	2,131	(4,226)
Effect of exchange rate change on cash and cash equivalents	6	(84)
Net increase (decrease) in cash and cash equivalents	1,069	846
Cash and cash equivalents at beginning of period	6,784	7,571
Cash and cash equivalents at end of period	7,853	8,418

(4) Notes on quarterly consolidated financial statements

(Notes on premise of a going concern)

There is nothing to report.

(Notes on significant changes in the amount of shareholders' equity)

There is nothing to report.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities. Figures for the previous fiscal year in the consolidated financial statements have been reclassified to reflect these changes.

(Segment Information, etc.)

I. FY3/18 2Q (April 1, 2017 – September 30, 2017)

1. Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business segment	Food business segment	Total		
Net sales					
(1) Net sales to external parties	60,180	34,101	94,282	-	94,282
(2) Intersegment sales and transfers	-	29	29	(29)	-
Total	60,180	34,131	94,312	(29)	94,282
Segment income	1,390	813	2,203	-	2,203

(Notes) 1. Adjustments correspond to the elimination of transactions and transfers between segments.

2. Total segment income matches operating income recorded on the quarterly consolidated statements of income.

II. FY3/19 2Q (April 1, 2018 – September 30, 2018)

1. Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business segment	Food business segment	Total		
Net sales					
(1) Net sales to external parties	66,266	36,454	102,721	-	102,721
(2) Intersegment sales and transfers	-	43	43	(43)	-
Total	66,266	36,498	102,765	(43)	102,721
Segment income	1,625	880	2,505	-	2,505

(Notes) 1. Adjustments correspond to the elimination of transactions and transfers between segments.

2. Total segment income matches operating income recorded on the quarterly consolidated statements of income.