



FY3/18 3Q Consolidated Financial Statements [J-GAAP]

February 9, 2018

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
 Company code: 7456 URL: <http://www.matsuda-sangyo.co.jp>
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 Date to start dividends distribution: —
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

(Figures are rounded down to the nearest million yen)

1. FY3/18 3Q consolidated results (April 1, 2017 – December 31, 2017)

(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) | (%) |
| FY3/18 3Q | 146,560 | 21.5 | 4,009 | 95.8 | 4,322 | 77.7 | 2,968 | 81.5 |
| FY3/17 3Q | 120,671 | (4.3) | 2,047 | (25.7) | 2,432 | (26.2) | 1,635 | (27.0) |

(Note) Comprehensive income: FY3/18 3Q: ¥3,166 million (+315.5%) FY3/17 3Q: ¥762 million (-60.3%)

| | Earnings per share | Diluted earnings per share |
|-----------|--------------------|----------------------------|
| | (yen) | (yen) |
| FY3/18 3Q | 112.74 | — |
| FY3/17 3Q | 62.09 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------|-------------------|-------------------|----------------------------|
| | (millions of yen) | (millions of yen) | (%) |
| End-FY3/18 3Q | 78,668 | 55,847 | 70.9 |
| End-FY3/17 | 72,715 | 53,419 | 73.4 |

(Reference) Shareholders' equity: End-FY3/18 3Q: ¥55,804 million End-FY3/17: ¥53,390 million

2. Dividends

| | Annual dividends | | | | |
|----------------------|------------------|-------|-------|-------|--------|
| | 1Q | 2Q | 3Q | 4Q | Annual |
| | (yen) | (yen) | (yen) | (yen) | (yen) |
| FY3/17 | — | 14.00 | — | 14.00 | 28.00 |
| FY3/18 | — | 14.00 | — | | |
| FY3/18 (Projections) | | | | 14.00 | 28.00 |

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

3. Consolidated earnings projections for FY3/18 (April 1, 2017 – March 31, 2018)

(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) |
| FY3/18 | 193,000 | 18.4 | 4,800 | 62.1 | 5,200 | 50.3 | 3,560 | 45.0 | 135.19 |

(Note) Revisions to the most recently announced projections of consolidated earnings: Yes

* 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-FY3/18 3Q | 28,908,581 shares | End-FY3/17 | 28,908,581 shares |
| 2) Number of treasury shares | End-FY3/18 3Q | 2,575,441 shares | End-FY3/17 | 2,575,021 shares |
| 3) Average number of shares during the period | FY3/18 3Q | 26,333,360 shares | FY3/17 3Q | 26,333,758 shares |

*These quarterly financial statements are outside the scope of quarterly review procedures.

*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 nine months of the fiscal year ending March 31, 2018, the Japanese economy continued to recover, supported by a sustained improvement in corporate earnings and employment conditions. However, consumer spending lacked momentum. Furthermore, the outlook remained unclear due to concerns about labor shortages in the Japanese economy and rising uncertainties in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment increased the use of production sites in Japan and overseas and stepped up marketing activities, while also working 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 nine months of the fiscal year ending March 31, 2018, consolidated net sales were ¥146,560 million (up 21.5% year on year), operating income was ¥4,009 million (up 95.8% year on year), ordinary income was ¥4,322 million (up 77.7% year on year), and profit attributable to owners of parent was ¥2,968 million (up 81.5% 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 activity remained strong at key customers in the electronics sector, particularly makers of semiconductors and electronic devices. Against this backdrop, the volume of precious metal recycling and industrial waste treatment handled by the Group's precious metals business segment increased year on year. Although sales volume for silver products declined, sales volume for gold products and electronic materials increased, and the price of precious metals rose. As a result, sales overall were higher than in the same period of the previous fiscal year.

As a result, net sales for the precious metals business segment totaled ¥92,770 million (up 23.6% year on year), and operating income was ¥2,672 million (up 126.1% year on year).

Food business segment

In the food business segment, production activity at key customers in the food processing sector was firm overall, supported by business expansion overseas amid sluggish consumer spending in Japan. In this environment, sales volume for seafood products and livestock products increased and sales were higher than in the same period of the previous fiscal year.

As a result, net sales for the food business segment were ¥53,836 million (up 17.9% year on year), and operating income was ¥1,336 million (up 54.4% 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 nine months were ¥78,668 million, an increase of ¥5,952 million from the previous fiscal year end. This mainly reflected increases in notes and accounts receivable – trade and inventories.

Liabilities

Total liabilities as of the end of the first nine months were ¥22,820 million, an increase of ¥3,523 million from the previous fiscal year end. This mainly reflected an increase in loans.

Net assets

Net assets as of the end of the first nine months were ¥55,847 million, an increase of ¥2,428 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which outweighed cash dividends paid.

(2) Cash flows status

As of the end of the first nine months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥6,850 million, an increase of ¥66 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥388 million. This mainly reflected the difference between cash provided from profit before income taxes and depreciation on the one hand, and cash used due to increase in notes and accounts receivable – trade, increase in inventories, and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥1,512 million, cash used by operating activities decreased by ¥1,124 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,481 million. This was mainly due to the purchase of property, plant and equipment, such as factory land and equipment. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,634 million, cash used by investing activities decreased by ¥153 million.

Cash flows from financing activities

Financing activities provided net cash of ¥1,913 million. This mainly reflected cash used due to cash dividends paid, outweighed by cash provided by proceeds from loans. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥35 million, cash from financing activities increased by ¥1,948 million.

(3) Qualitative information on consolidated earnings projections

The Company revised up its earnings projections for the full fiscal year on November 9, 2017. However, amid growth in volumes handled and rising prices for precious metals, the Company now expects earnings to exceed those upwardly revised projections. Consequently, the Company has revised its consolidated earnings projections for FY3/18 announced on November 9, 2017, as shown in the table below.

Consolidated earnings projections for FY3/18 (April 1, 2017 – March 31, 2018)

| | 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) |
| Previous projections (A) | 190,000 | 4,000 | 4,400 | 2,980 | 113.16 |
| Revised projections (B) | 193,000 | 4,800 | 5,200 | 3,560 | 135.19 |
| Change (B – A) | 3,000 | 800 | 800 | 580 | — |
| Change (%) | 1.6 | 20.0 | 18.2 | 19.5 | — |
| (Ref) FY3/17 results | 163,054 | 2,960 | 3,459 | 2,454 | 93.21 |

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

| | End-FY3/17 (As of March 31, 2017) | End-FY3/18 3Q (As of December 31, 2017) |
|--|--------------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,784 | 6,850 |
| Notes and accounts receivable – trade | 19,954 | 24,572 |
| Merchandise and finished goods | 14,226 | 14,929 |
| Work in process | 404 | 431 |
| Raw materials and supplies | 6,311 | 6,490 |
| Deferred tax assets | 449 | 342 |
| Others | 2,698 | 2,554 |
| Allowance for doubtful accounts | (9) | (7) |
| Total current assets | 50,820 | 56,164 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 8,835 | 9,074 |
| Accumulated depreciation | (4,597) | (4,847) |
| Buildings and structures, net | 4,237 | 4,227 |
| Machinery, equipment and vehicles | 8,254 | 8,382 |
| Accumulated depreciation | (6,092) | (6,597) |
| Machinery, equipment and vehicles, net | 2,161 | 1,784 |
| Land | 7,791 | 8,470 |
| Leased assets | 644 | 805 |
| Accumulated depreciation | (197) | (241) |
| Leased assets, net | 446 | 564 |
| Construction in progress | 42 | 138 |
| Others | 1,083 | 1,168 |
| Accumulated depreciation | (903) | (954) |
| Others, net | 180 | 213 |
| Total property, plant and equipment | 14,859 | 15,398 |
| Intangible assets | | |
| Others | 895 | 801 |
| Total intangible assets | 895 | 801 |
| Investments and other assets | | |
| Investment securities | 4,470 | 4,730 |
| Deferred tax assets | 3 | 3 |
| Others | 1,733 | 1,633 |
| Allowance for doubtful accounts | (68) | (64) |
| Total investments and other assets | 6,139 | 6,303 |
| Total non-current assets | 21,894 | 22,503 |
| Total assets | 72,715 | 78,668 |

(millions of yen)

| | End-FY3/17 (As of March 31, 2017) | End-FY3/18 3Q (As of December 31, 2017) |
|---|--------------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 8,223 | 8,559 |
| Short-term loans payable | 1,993 | 5,580 |
| Current portion of long-term loans payable | 994 | 795 |
| Lease obligations | 127 | 199 |
| Income taxes payable | 572 | 783 |
| Provision for bonuses | 744 | 363 |
| Others | 3,184 | 3,446 |
| Total current liabilities | 15,840 | 19,728 |
| Non-current liabilities | | |
| Long-term loans payable | 1,598 | 1,001 |
| Lease obligations | 318 | 470 |
| Deferred tax liabilities | 636 | 673 |
| Provision for directors' retirement benefits | 565 | 594 |
| Provision for executive officers' retirement benefits | 16 | 22 |
| Net defined benefit liability | 228 | 236 |
| Others | 92 | 92 |
| Total non-current liabilities | 3,456 | 3,092 |
| Total liabilities | 19,296 | 22,820 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 3,559 | 3,559 |
| Capital surplus | 4,008 | 4,008 |
| Retained earnings | 47,515 | 49,747 |
| Treasury shares | (3,009) | (3,009) |
| Total shareholders' equity | 52,074 | 54,305 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 627 | 689 |
| Deferred gains or losses on hedges | (30) | (48) |
| Foreign currency translation adjustment | 810 | 936 |
| Remeasurements of defined benefit plans | (91) | (78) |
| Total accumulated other comprehensive income | 1,315 | 1,498 |
| Non-controlling interests | 29 | 43 |
| Total net assets | 53,419 | 55,847 |
| Total liabilities and net assets | 72,715 | 78,668 |

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

(millions of yen)

| | FY3/17 3Q (April 1, 2016 – December 31, 2016) | FY3/18 3Q (April 1, 2017 – December 31, 2017) |
|---|---|---|
| Net sales | 120,671 | 146,560 |
| Cost of sales | 109,010 | 132,510 |
| Gross profit | 11,660 | 14,049 |
| Selling, general, and administrative expenses | 9,612 | 10,039 |
| Operating income | 2,047 | 4,009 |
| Non-operating income | | |
| Interest income | 5 | 6 |
| Dividend income | 20 | 22 |
| Gain on sales of investment securities | 3 | 0 |
| Share of profit of entities accounted for using equity method | 419 | 359 |
| Purchase discounts | 10 | 11 |
| Foreign exchange gains | 81 | - |
| Others | 32 | 58 |
| Total non-operating income | 572 | 458 |
| Non-operating expenses | | |
| Interest expenses | 24 | 38 |
| Foreign exchange losses | - | 66 |
| Loss on valuation of investment securities | 125 | 17 |
| Others | 37 | 23 |
| Total non-operating expenses | 187 | 145 |
| Ordinary income | 2,432 | 4,322 |
| Profit before income taxes | 2,432 | 4,322 |
| Income taxes – current | 610 | 1,220 |
| Income taxes – deferred | 173 | 118 |
| Total income taxes | 784 | 1,339 |
| Profit | 1,648 | 2,983 |
| Profit attributable to non-controlling interests | 12 | 14 |
| Profit attributable to owners of parent | 1,635 | 2,968 |

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

| | FY3/17 3Q (April 1, 2016 – December 31, 2016) | FY3/18 3Q (April 1, 2017 – December 31, 2017) |
|--|---|---|
| Profit | 1,648 | 2,983 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 98 | 62 |
| Deferred gains or losses on hedges | 198 | (18) |
| Foreign currency translation adjustments | (1,022) | 155 |
| Remeasurements of defined benefit plans | 25 | 13 |
| Share of other comprehensive income (loss) of entities accounted for using equity method | (185) | (28) |
| Total other comprehensive income (loss) | (885) | 183 |
| Comprehensive income | 762 | 3,166 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 753 | 3,152 |
| Comprehensive income attributable to non-controlling interests | 9 | 14 |

(3) Quarterly consolidated statements of cash flows

(millions of yen)

| | FY3/17 3Q (April 1, 2016 – December 31, 2016) | FY3/18 3Q (April 1, 2017 – December 31, 2017) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,432 | 4,322 |
| Depreciation | 947 | 1,017 |
| Increase (decrease) in allowance for doubtful accounts | 0 | (5) |
| Increase (decrease) in provision for bonuses | (227) | (380) |
| Increase (decrease) in net defined benefit liability | 34 | 27 |
| Increase (decrease) in provision for directors' retirement benefits | (50) | 29 |
| Increase (decrease) in provision for executive officers' retirement benefits | 3 | 5 |
| Interest and dividend income | (26) | (28) |
| Interest expenses | 24 | 38 |
| Share of (profit) loss of entities accounted for using equity method | (419) | (359) |
| Decrease (increase) in notes and accounts receivable – trade | (4,850) | (4,547) |
| Decrease (increase) in inventories | (37) | (840) |
| Increase (decrease) in accounts payable – trade | 1,043 | 272 |
| Others | 285 | 834 |
| Subtotal | (840) | 385 |
| Interest and dividend income received | 164 | 180 |
| Interest paid | (24) | (38) |
| Income taxes paid | (813) | (916) |
| Net cash provided by (used in) operating activities | (1,512) | (388) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,380) | (1,470) |
| Proceeds from sales of property, plant and equipment | 8 | 0 |
| Purchase of intangible assets | (200) | (28) |
| Purchase of investment securities | (13) | (9) |
| Proceeds from sales of investment securities | 5 | 0 |
| Others | (54) | 26 |
| Net cash provided by (used in) investing activities | (1,634) | (1,481) |

(millions of yen)

| | FY3/17 3Q (April 1, 2016 – December 31, 2016) | FY3/18 3Q (April 1, 2017 – December 31, 2017) |
|---|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 1,660 | 3,586 |
| Repayments of long-term loans payable | (864) | (795) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (737) | (737) |
| Others | (93) | (139) |
| Net cash provided by (used in) financing activities | (35) | 1,913 |
| Effect of exchange rate change on cash and cash equivalents | (408) | 22 |
| Net increase (decrease) in cash and cash equivalents | (3,590) | 66 |
| Cash and cash equivalents at beginning of period | 9,524 | 6,784 |
| Cash and cash equivalents at end of period | 5,934 | 6,850 |

(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.

(Segment Information, etc.)

I. FY3/17 3Q (April 1, 2016 – December 31, 2016)

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 | 75,065 | 45,605 | 120,671 | - | 120,671 |
| (2) Intersegment sales and transfers | - | 46 | 46 | (46) | - |
| Total | 75,065 | 45,652 | 120,718 | (46) | 120,671 |
| Segment income | 1,181 | 866 | 2,047 | - | 2,047 |

(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. FY3/18 3Q (April 1, 2017 – December 31, 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 | 92,770 | 53,789 | 146,560 | - | 146,560 |
| (2) Intersegment sales and transfers | - | 46 | 46 | (46) | - |
| Total | 92,770 | 53,836 | 146,606 | (46) | 146,560 |
| Segment income | 2,672 | 1,336 | 4,009 | - | 4,009 |

(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.