



FY3/17 3Q Consolidated Financial Statements [J-GAAP]

February 10, 2017

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Quarterly results information meeting held: No

(Figures are rounded down to the nearest million yen)

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

(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)	(%)
FY3/17 3Q	120,671	(4.3)	2,047	(25.7)	2,432	(26.2)	1,635	(27.0)
FY3/16 3Q	126,135	(6.3)	2,756	(25.4)	3,296	(17.8)	2,239	(19.4)

(Note) Comprehensive income: FY3/17 3Q: ¥762 million (-60.3%) FY3/16 3Q: ¥1,921 million (-39.4%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/17 3Q	62.09	—
FY3/16 3Q	84.48	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/17 3Q	71,398	51,859	72.6
End-FY3/16	69,926	51,834	74.1

(Reference) Shareholders' equity: End-FY3/17 3Q: ¥51,831 million End-FY3/16: ¥51,815 million

2. Dividends

	Annual Dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/16	—	14.00	—	14.00	28.00
FY3/17	—	14.00	—		
FY3/17 (Projections)				14.00	28.00

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

Breakdown of interim dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

Breakdown of year-end dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

3. Consolidated earnings projections for FY3/17 (April 1, 2016 – March 31, 2017)

(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)
FY3/17	165,000	1.8	2,700	(13.6)	3,100	(18.0)	2,100	(18.4)	79.74

(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: Yes
 - 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-FY3/17 3Q	28,908,581 shares	End-FY3/16	28,908,581 shares
2) Number of treasury shares	End-FY3/17 3Q	2,574,923 shares	End-FY3/16	2,574,801 shares
3) Average number of shares during the period	FY3/17 3Q	26,333,758 shares	FY3/16 3Q	26,504,402 shares

*Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this report. At the time of disclosure of this report, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

*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, 2017, the employment and income environment in the Japanese economy continued to improve, but consumer spending was stagnant and the upturn in corporate earnings stalled. The outlook for the domestic economy also remained unclear, partly due to uncertainties in the global economy.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment worked to secure precious metals materials, boost sales of products such as precious metal chemical products, and expand its industrial waste treatment outsourcing business. While remaining focused on the domestic market, the segment also actively developed its operations overseas, including the start of full-scale operations at a refining plant run by the Group's subsidiary in Vietnam in the first quarter of the fiscal year. The food business segment worked hard to develop and provide products that address customer needs and actively implemented marketing activities, which included the use of overseas business sites, in order to expand sales volume.

As a result of the above, for the first nine months of the fiscal year ending March 31, 2017, consolidated net sales were ¥120,671 million (down 4.3% year on year), operating income was ¥2,047 million (down 25.7% year on year), ordinary income was ¥2,432 million (down 26.2% year on year), and profit attributable to owners of parent was ¥1,635 million (down 27.0% year on year).

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

Precious metals business segment

In the precious metals division, there were signs of a pickup in production of electronic parts and devices at key customers in the electronics sector, but there was no broad-based recovery across the sector. The photosensitive materials sector also continued to face a contracting market. Against this backdrop, the volume of precious metal recycling and industrial waste treatment handled by the Group was largely unchanged, but sales volume for precious metals products and electronic materials declined year on year and the price of precious metals also fell. As a result, sales overall were lower than in the same period of the previous fiscal year.

As a result, net sales for the precious metals business segment totaled ¥75,065 million (down 7.2% year on year), and operating income was ¥1,181 million (down 37.7% year on year).

Food business segment

Although there were signs of rising sales at convenience stores and in other channels, the food business segment continued to face a challenging operating environment due to weak growth in production activity in the food processing sector. In this environment, despite falling prices across the food sector and a drop in sales volume for surimi fish paste, sales increased compared with the same period in the previous fiscal year, driven by growth in sales volume for seafood products (excluding surimi fish paste), agricultural products and livestock products.

As a result, net sales for the food business segment were ¥45,652 million (up 0.7% year on year), and operating income was ¥866 million (up 0.7% 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 ¥71,398 million, an increase of ¥1,472 million from the previous fiscal year end. This mainly reflected an increase in notes and accounts receivable – trade.

Liabilities

Total liabilities as of the end of the first nine months were ¥19,539 million, an increase of ¥1,447 million from the previous fiscal year end. This mainly reflected increases in notes and accounts payable – trade and loans payable.

Net assets

Net assets as of the end of the first nine months were ¥51,859 million, an increase of ¥24 million from the previous fiscal year end. This was chiefly attributable to an increase in retained earnings.

(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 ¥5,934 million, a decrease of ¥3,590 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥1,512 million. This mainly reflected the difference between cash provided from profit before income taxes and an increase in accounts payable – trade on the one hand, and cash used due to an increase in notes and accounts receivable – trade and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥2,274 million, cash from operating activities decreased by ¥3,787 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,634 million. This mainly reflected the purchase of property, plant and equipment related to land and equipment at the Group's plants. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥665 million, cash used in investing activities increased by ¥969 million.

Cash flows from financing activities

Financing activities used net cash of ¥35 million. Cash was mainly used for dividend payments. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥750 million, cash used in financing activities declined by ¥714 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on November 14, 2016.

2. Matters concerning summary information (notes)

(1) Changes in accounting policies, changes in accounting estimates and restatement of revisions

(Changes in accounting policy)

Following revisions to the Corporation Tax Act, the Company has applied the Practical Solution on Change in Depreciation Method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ), PITF No. 32, June 17, 2016), effective from the first quarter of the current fiscal year. As a result, the depreciation method for building fixtures and structures purchased on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This change in depreciation method had an immaterial impact on operating income, ordinary income and profit before income taxes in the third quarter of the current fiscal year.

(2) Additional information

Effective from the first quarter of the current fiscal year, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/16 (As of March 31, 2016)	End-FY3/17 3Q (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	9,524	5,934
Notes and accounts receivable – trade	17,499	22,154
Merchandise and finished goods	13,966	14,115
Work in process	314	336
Raw materials and supplies	5,520	5,162
Deferred tax assets	439	224
Others	2,072	2,133
Allowance for doubtful accounts	(9)	(9)
Total current assets	49,328	50,052
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,241	8,654
Accumulated depreciation	(4,319)	(4,503)
Buildings and structures, net	3,922	4,150
Machinery, equipment and vehicles	7,748	7,747
Accumulated depreciation	(5,673)	(5,990)
Machinery, equipment and vehicles, net	2,074	1,756
Land	7,682	7,741
Leased assets	334	587
Accumulated depreciation	(100)	(167)
Leased assets, net	233	420
Construction in progress	88	400
Others	1,068	1,016
Accumulated depreciation	(844)	(858)
Others, net	224	157
Total property, plant and equipment	14,226	14,627
Intangible assets		
Others	707	939
Total intangible assets	707	939
Investments and other assets		
Investment securities	4,131	4,262
Deferred tax assets	11	3
Others	1,589	1,581
Allowance for doubtful accounts	(68)	(69)
Total investments and other assets	5,663	5,779
Total non-current assets	20,597	21,346
Total assets	69,926	71,398

(millions of yen)

	End-FY3/16 (As of March 31, 2016)	End-FY3/17 3Q (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,154	7,994
Short-term loans payable	1,559	3,219
Current portion of long-term loans payable	1,153	1,084
Lease obligations	64	120
Income taxes payable	403	184
Deferred tax liabilities	1	11
Provision for bonuses	601	373
Others	3,052	2,934
Total current liabilities	13,990	15,922
Non-current liabilities		
Long-term loans payable	2,592	1,796
Lease obligations	169	300
Deferred tax liabilities	400	625
Provision for directors' retirement benefits	664	555
Net defined benefit liability	246	243
Others	27	95
Total non-current liabilities	4,101	3,617
Total liabilities	18,091	19,539
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	45,798	46,696
Treasury shares	(3,008)	(3,009)
Total shareholders' equity	50,357	51,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	473	572
Deferred gains or losses on hedges	(76)	122
Foreign currency translation adjustment	1,198	(6)
Remeasurements of defined benefit plans	(138)	(112)
Total accumulated other comprehensive income	1,458	575
Non-controlling interests	18	27
Total net assets	51,834	51,859
Total liabilities and net assets	69,926	71,398

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

(millions of yen)

	FY3/16 3Q (April 1, 2015 – December 31, 2015)	FY3/17 3Q (April 1, 2016 – December 31, 2016)
Net sales	126,135	120,671
Cost of sales	114,259	109,010
Gross profit	11,875	11,660
Selling, general, and administrative expenses	9,119	9,612
Operating income	2,756	2,047
Non-operating income		
Interest income	8	5
Dividend income	19	20
Gain on sales of investment securities	-	3
Share of profit of entities accounted for using equity method	480	419
Purchase discounts	11	10
Foreign exchange gains	-	81
Others	93	32
Total non-operating income	612	572
Non-operating expenses		
Interest expenses	29	24
Foreign exchange losses	0	-
Loss on valuation of investment securities	6	125
Others	36	37
Total non-operating expenses	72	187
Ordinary income	3,296	2,432
Profit before income taxes	3,296	2,432
Income taxes – current	681	610
Income taxes – deferred	375	173
Total income taxes	1,056	784
Profit	2,239	1,648
Profit attributable to non-controlling interests	0	12
Profit attributable to owners of parent	2,239	1,635

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/16 3Q (April 1, 2015 – December 31, 2015)	FY3/17 3Q (April 1, 2016 – December 31, 2016)
Profit	2,239	1,648
Other comprehensive income		
Valuation difference on available-for-sale securities	40	98
Deferred gains or losses on hedges	337	198
Foreign currency translation adjustments	(684)	(1,022)
Remeasurements of defined benefit plans	2	25
Share of other comprehensive income (loss) of entities accounted for using equity method	(13)	(185)
Total other comprehensive income (loss)	(318)	(885)
Comprehensive income	1,921	762
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,920	753
Comprehensive income attributable to non-controlling interests	0	9

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/16 3Q (April 1, 2015 – December 31, 2015)	FY3/17 3Q (April 1, 2016 – December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	3,296	2,432
Depreciation	896	947
Increase (decrease) in allowance for doubtful accounts	(109)	0
Increase (decrease) in provision for bonuses	(302)	(227)
Increase (decrease) in net defined benefit liability	(85)	34
Increase (decrease) in provision for directors' retirement benefits	26	(50)
Interest and dividend income	(27)	(26)
Interest expenses	29	24
Share of (profit) loss of entities accounted for using equity method	(480)	(419)
Decrease (increase) in notes and accounts receivable – trade	(2,669)	(4,850)
Decrease (increase) in inventories	2,068	(37)
Increase (decrease) in accounts payable – trade	(233)	1,043
Others	1,764	288
Subtotal	4,174	(840)
Interest and dividend income received	125	164
Interest paid	(29)	(24)
Income taxes paid	(1,995)	(813)
Net cash provided by (used in) operating activities	2,274	(1,512)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	142	-
Purchase of property, plant and equipment	(688)	(1,380)
Proceeds from sales of property, plant and equipment	-	8
Purchase of intangible assets	(47)	(200)
Purchase of investment securities	(8)	(13)
Proceeds from sales of investment securities	2	5
Others	(65)	(54)
Net cash provided by (used in) investing activities	(665)	(1,634)

(millions of yen)

	FY3/16 3Q (April 1, 2015 – December 31, 2015)	FY3/17 3Q (April 1, 2016 – December 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,434	1,660
Repayments of long-term loans payable	(1,048)	(864)
Purchase of treasury shares	(387)	(0)
Cash dividends paid	(716)	(737)
Others	(32)	(93)
Net cash provided by (used in) financing activities	(750)	(35)
Effect of exchange rate change on cash and cash equivalents	(296)	(408)
Net increase (decrease) in cash and cash equivalents	563	(3,590)
Cash and cash equivalents at beginning of period	5,861	9,524
Cash and cash equivalents at end of period	6,424	5,934

(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)

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

There is nothing to report.

(Segment Information, etc.)

I. FY3/16 3Q (April 1, 2015 – December 31, 2015)

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	80,860	45,274	126,135	-	126,135
(2) Intersegment sales and transfers	3	49	52	(52)	-
Total	80,864	45,323	126,188	(52)	126,135
Segment income	1,896	859	2,756	-	2,756

(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. FY3/17 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.