



FY3/17 2Q Consolidated Financial Statements [J-GAAP]

November 14, 2016

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 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. FY3/17 2Q consolidated results (April 1, 2016 – September 30, 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 2Q	79,012	(7.4)	1,245	(39.2)	1,427	(39.4)	969	(38.2)
FY3/16 2Q	85,366	(2.6)	2,047	1.9	2,355	1.7	1,569	0.6

(Note) Comprehensive income: FY3/17 2Q: ¥76 million (-95.3%) FY3/16 2Q: ¥1,643 million (+15.6%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/17 2Q	36.80	—
FY3/16 2Q	59.08	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/17 2Q	69,338	51,542	74.3
End-FY3/16	69,926	51,834	74.1

(Reference) Shareholders' equity: End-FY3/17 2Q: ¥51,517 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: 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: 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 2Q	28,908,581 shares	End-FY3/16	28,908,581 shares
2) Number of treasury shares	End-FY3/17 2Q	2,574,825 shares	End-FY3/16	2,574,801 shares
3) Average number of shares during the period	FY3/17 2Q	26,333,769 shares	FY3/16 2Q	26,560,842 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, however, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had 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 six months of the fiscal year ending March 31, 2017, the employment and income environment in the Japanese economy continued to improve, but consumer spending lacked momentum and the upturn in corporate earnings stalled. The outlook for the domestic economy also remained uncertain due to developments in the global economy, such as weak growth in emerging markets and the UK's decision to leave the EU.

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. 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 six months of the fiscal year ending March 31, 2017, consolidated net sales were ¥79,012 million (down 7.4% year on year), operating income was ¥1,245 million (down 39.2% year on year), ordinary income was ¥1,427 million (down 39.4% year on year), and profit attributable to owners of parent was ¥969 million (down 38.2% 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 no signs of growth in production activity at key customers in the semiconductor and electronics parts sectors in Japan or overseas, and the photosensitive materials sector 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 ¥50,404 million (down 10.6% year on year), and operating income was ¥796 million (down 47.6% year on year).

Food business segment

The food business segment continued to face a challenging operating environment overall due to weakness in production activity in the food processing sector, partly reflecting sluggish growth in consumer spending. In this environment, despite an increase in sales volume for agricultural products, sales volume for seafood products and livestock products declined year on year and prices fell overall. As a result, sales were lower than in the same period of the previous fiscal year.

As a result, net sales for the food business segment were ¥28,638 million (down 1.2% year on year), and operating income was ¥448 million (down 15.3% 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 ¥69,338 million, a decrease of ¥587 million from the previous fiscal year end. This mainly reflected a decrease in cash and deposits.

Liabilities

Total liabilities as of the end of the first six months were ¥17,796 million, a decrease of ¥295 million from the previous fiscal year end. This mainly reflected a decrease in loans payable.

Net assets

Net assets as of the end of the first six months were ¥51,542 million, a decrease of ¥292 million from the previous fiscal year end. This was chiefly attributable to a decline in foreign currency translation adjustment, which exceeded an increase in retained earnings.

(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 ¥7,930 million, a decrease of ¥1,594 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥1,091 million. This mainly reflected the difference between cash provided from profit before income taxes on the one hand, and cash used due to income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥4,673 million, cash from operating activities decreased by ¥3,581 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,289 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 ¥285 million, cash used in investing activities increased by ¥1,003 million.

Cash flows from financing activities

Financing activities used net cash of ¥1,001 million. Cash was mainly used for the repayment of loans and dividend payments. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥2,918 million, cash used in financing activities declined by ¥1,916 million.

(3) Qualitative information on consolidated earnings projections

The Company has revised its consolidated earnings projections for the fiscal year ending March 31, 2017, announced on May 13, 2016, as shown below. The revisions reflect weaker than expected earnings for the first six months of the fiscal year and prospects for continued sluggish production activity in the electronics sector and other customer industries targeted by the precious metals business segment.

Consolidated earnings projections for the fiscal year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

	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)	180,000	3,500	3,900	2,600	98.73
Revised projections (B)	165,000	2,700	3,100	2,100	79.74
Change (B – A)	(15,000)	(800)	(800)	(500)	-
Change (%)	(8.3)	(22.9)	(20.5)	(19.2)	-
(Reference) FY3/16	162,065	3,125	3,782	2,573	97.23

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 second 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 2Q (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	9,524	7,930
Notes and accounts receivable – trade	17,499	18,055
Merchandise and finished goods	13,966	13,666
Work in process	314	315
Raw materials and supplies	5,520	4,861
Deferred tax assets	439	407
Others	2,072	3,194
Allowance for doubtful accounts	(9)	(9)
Total current assets	49,328	48,423
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,241	8,529
Accumulated depreciation	(4,319)	(4,428)
Buildings and structures, net	3,922	4,100
Machinery, equipment and vehicles	7,748	7,708
Accumulated depreciation	(5,673)	(5,850)
Machinery, equipment and vehicles, net	2,074	1,858
Land	7,682	7,762
Leased assets	334	476
Accumulated depreciation	(100)	(138)
Leased assets, net	233	337
Construction in progress	88	389
Others	1,068	1,034
Accumulated depreciation	(844)	(855)
Others, net	224	179
Total property, plant and equipment	14,226	14,627
Intangible assets		
Others	707	752
Total intangible assets	707	752
Investments and other assets		
Investment securities	4,131	4,016
Deferred tax assets	11	3
Others	1,589	1,583
Allowance for doubtful accounts	(68)	(69)
Total investments and other assets	5,663	5,534
Total non-current assets	20,597	20,915
Total assets	69,926	69,338

(millions of yen)

	End-FY3/16 (As of March 31, 2016)	End-FY3/17 2Q (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,154	7,604
Short-term loans payable	1,559	1,566
Current portion of long-term loans payable	1,153	1,145
Lease obligations	64	97
Income taxes payable	403	461
Deferred tax liabilities	1	18
Provision for bonuses	601	763
Others	3,052	2,541
Total current liabilities	13,990	14,200
Non-current liabilities		
Long-term loans payable	2,592	2,024
Lease obligations	169	239
Deferred tax liabilities	400	443
Provision for directors' retirement benefits	664	546
Net defined benefit liability	246	245
Others	27	97
Total non-current liabilities	4,101	3,596
Total liabilities	18,091	17,796
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	45,798	46,399
Treasury shares	(3,008)	(3,008)
Total shareholders' equity	50,357	50,958
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	473	512
Deferred gains or losses on hedges	(76)	30
Foreign currency translation adjustment	1,198	137
Remeasurements of defined benefit plans	(138)	(120)
Total accumulated other comprehensive income	1,458	559
Non-controlling interests	18	24
Total net assets	51,834	51,542
Total liabilities and net assets	69,926	69,338

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

(millions of yen)

	FY3/16 2Q (April 1, 2015 – September 30, 2015)	FY3/17 2Q (April 1, 2016 – September 30, 2016)
Net sales	85,366	79,012
Cost of sales	77,285	71,436
Gross profit	8,081	7,576
Selling, general, and administrative expenses	6,033	6,331
Operating income	2,047	1,245
Non-operating income		
Interest income	7	3
Dividend income	13	14
Gain on sales of investment securities	-	3
Share of profit of entities accounted for using equity method	327	250
Purchase discounts	7	6
Foreign exchange gains	-	55
Others	79	24
Total non-operating income	436	358
Non-operating expenses		
Interest expenses	21	16
Foreign exchange losses	80	-
Loss on valuation of investment securities	-	125
Others	26	34
Total non-operating expenses	128	176
Ordinary income	2,355	1,427
Profit before income taxes	2,355	1,427
Income taxes – current	623	422
Income taxes – deferred	163	27
Total income taxes	786	449
Profit	1,569	978
Profit attributable to non-controlling interests	0	8
Profit attributable to owners of parent	1,569	969

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/16 2Q (April 1, 2015 – September 30, 2015)	FY3/17 2Q (April 1, 2016 – September 30, 2016)
Profit	1,569	978
Other comprehensive income		
Valuation difference on available-for-sale securities	(96)	38
Deferred gains or losses on hedges	189	106
Foreign currency translation adjustments	(37)	(892)
Remeasurements of defined benefit plans	1	17
Share of other comprehensive income (loss) of entities accounted for using equity method	16	(170)
Total other comprehensive income (loss)	74	(901)
Comprehensive income	1,643	76
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,643	70
Comprehensive income attributable to non-controlling interests	0	5

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/16 2Q (April 1, 2015 – September 30, 2015)	FY3/17 2Q (April 1, 2016 – September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	2,355	1,427
Depreciation	584	626
Increase (decrease) in allowance for doubtful accounts	(108)	0
Increase (decrease) in provision for bonuses	125	162
Increase (decrease) in net defined benefit liability	(53)	26
Increase (decrease) in provision for directors' retirement benefits	15	(60)
Interest and dividend income	(21)	(18)
Interest expenses	21	16
Share of (profit) loss of entities accounted for using equity method	(327)	(250)
Decrease (increase) in notes and accounts receivable – trade	428	(826)
Decrease (increase) in inventories	2,265	743
Increase (decrease) in accounts payable – trade	(460)	671
Others	1,163	(1,186)
Subtotal	5,988	1,333
Interest and dividend income received	118	157
Interest paid	(21)	(16)
Income taxes paid	(1,412)	(383)
Net cash provided by (used in) operating activities	4,673	1,091
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	141	-
Purchase of property, plant and equipment	(350)	(1,135)
Proceeds from sales of property, plant and equipment	-	5
Purchase of intangible assets	(31)	(101)
Purchase of investment securities	(5)	(7)
Proceeds from sales of investment securities	2	5
Others	(43)	(55)
Net cash provided by (used in) investing activities	(285)	(1,289)

(millions of yen)

	FY3/16 2Q (April 1, 2015 – September 30, 2015)	FY3/17 2Q (April 1, 2016 – September 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,567)	8
Repayments of long-term loans payable	(799)	(576)
Purchase of treasury shares	(188)	(0)
Cash dividends paid	(345)	(368)
Others	(18)	(65)
Net cash provided by (used in) financing activities	(2,918)	(1,001)
Effect of exchange rate change on cash and cash equivalents	(19)	(394)
Net increase (decrease) in cash and cash equivalents	1,448	(1,594)
Cash and cash equivalents at beginning of period	5,861	9,524
Cash and cash equivalents at end of period	7,310	7,930

(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 2Q (April 1, 2016 – September 30, 2016)

There is nothing to report.

(Segment Information, etc.)

I. FY3/16 2Q (April 1, 2015 – September 30, 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	56,409	28,957	85,366	-	85,366
(2) Intersegment sales and transfers	2	32	34	(34)	-
Total	56,411	28,990	85,401	(34)	85,366
Segment income	1,518	529	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. FY3/17 2Q (April 1, 2016 – September 30, 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	50,404	28,607	79,012	-	79,012
(2) Intersegment sales and transfers	-	30	30	(30)	-
Total	50,404	28,638	79,043	(30)	79,012
Segment income	796	448	1,245	-	1,245

(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.