



FY3/17 1Q Consolidated Financial Statements [J-GAAP]

August 8, 2016

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Filing date of quarterly report: August 10, 2016
 Date to start dividends distribution: –
 Supplementary quarterly materials prepared: No
 Quarterly results information meeting held: No

(Figures are rounded down to the nearest million yen)

1. FY3/17 1Q consolidated results (April 1, 2016 – June 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 1Q	38,800	(13.8)	529	(45.4)	541	(55.7)	330	(58.2)
FY3/16 1Q	45,014	4.8	968	4.0	1,222	14.0	790	10.6

(Note) Comprehensive income: FY3/17 1Q: ¥34 million (-95.4%) FY3/16 1Q: ¥747 million (+69.6%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/17 1Q	12.53	–
FY3/16 1Q	29.71	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/17 1Q	69,876	51,500	73.7
End-FY3/16	69,926	51,834	74.1

(Reference) Shareholders' equity: End-FY3/17 1Q: ¥51,475 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	–				
FY3/17 (Projections)		14.00	–	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)
1H FY3/17	86,000	0.7	1,600	(21.9)	1,800	(23.6)	1,200	(23.5)	45.56
FY3/17	180,000	11.1	3,500	12.0	3,900	3.1	2,600	1.0	98.73

(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 1Q	28,908,581 shares	End-FY3/16	28,908,581 shares
2) Number of treasury shares	End-FY3/17 1Q	2,574,813 shares	End-FY3/16	2,574,801 shares
3) Average number of shares during the period	FY3/17 1Q	26,333,779 shares	FY3/16 1Q	26,599,543 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 three months of the fiscal year ending March 31, 2017, the Japanese economy continued to recover at a moderate pace, supported by a pickup in capital investment and improving employment conditions. However, the outlook for the economy is increasingly uncertain due to a lack of improvement in consumer confidence and corporate earnings, as well as developments in the global economy, such as slowing growth in emerging economies 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. 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 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 three months of the fiscal year ending March 31, 2017, consolidated net sales were ¥38,800 million (down 13.8% year on year), operating income was ¥529 million (down 45.4% year on year), ordinary income was ¥541 million (down 55.7% year on year), and profit attributable to owners of parent was ¥330 million (down 58.2% year on year).

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

Precious metals business segment

In the precious metals division, production activity at key customers in the semiconductor and electronics parts sectors slowed overall, 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. With the exception of silver, 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 ¥24,386 million (down 18.2% year on year), and operating income was ¥373 million (down 43.0% 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 ¥14,429 million (down 5.2% year on year), and operating income was ¥155 million (down 50.3% 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 three months were ¥69,876 million, a decrease of ¥49 million from the previous fiscal year end. This mainly reflected a decrease in property, plant and equipment due to depreciation.

Liabilities

Total liabilities as of the end of the first three months were ¥18,376 million, an increase of ¥284 million from the previous fiscal year end. This mainly reflected an increase in notes and accounts payable – trade.

Net assets

Net assets as of the end of the first three months were ¥51,500 million, a decrease of ¥334 million from the previous fiscal year end. This was mainly attributable to a decline in retained earnings due to the payment of year-end dividends for the previous fiscal year, which exceeded an increase due to profit attributable to owners of parent, and a drop in foreign currency translation adjustment.

(2) Cash flows status

As of the end of the first three months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥9,181 million, a decrease of ¥342 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥947 million. This mainly reflected the difference between cash provided from profit before income taxes and increases in accounts payable – trade and accrued expenses on the one hand, and cash used due to a decrease 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 ¥1,919 million, cash from operating activities decreased by ¥971 million.

Cash flows from investing activities

Investing activities used net cash of ¥260 million. This mainly reflected the purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants and the purchase of software and other intangible assets. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥126 million, cash used in investing activities increased by ¥134 million.

Cash flows from financing activities

Financing activities used net cash of ¥791 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 ¥1,417 million, cash used in financing activities declined by ¥625 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on May 13, 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 first 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 1Q (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	9,524	9,181
Notes and accounts receivable – trade	17,499	17,855
Merchandise and finished goods	13,966	14,638
Work in process	314	316
Raw materials and supplies	5,520	5,046
Deferred tax assets	439	323
Others	2,072	2,038
Allowance for doubtful accounts	(9)	(9)
Total current assets	49,328	49,391
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,241	8,208
Accumulated depreciation	(4,319)	(4,383)
Buildings and structures, net	3,922	3,825
Machinery, equipment and vehicles	7,748	7,722
Accumulated depreciation	(5,673)	(5,752)
Machinery, equipment and vehicles, net	2,074	1,969
Land	7,682	7,677
Leased assets	334	344
Accumulated depreciation	(100)	(109)
Leased assets, net	233	235
Construction in progress	88	194
Others	1,068	1,076
Accumulated depreciation	(844)	(866)
Others, net	224	210
Total property, plant and equipment	14,226	14,112
Intangible assets		
Others	707	742
Total intangible assets	707	742
Investments and other assets		
Investment securities	4,131	4,120
Deferred tax assets	11	11
Others	1,589	1,568
Allowance for doubtful accounts	(68)	(69)
Total investments and other assets	5,663	5,630
Total non-current assets	20,597	20,485
Total assets	69,926	69,876

(millions of yen)

	End-FY3/16 (As of March 31, 2016)	End-FY3/17 1Q (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,154	7,715
Short-term loans payable	1,559	1,441
Current portion of long-term loans payable	1,153	1,153
Lease obligations	64	66
Income taxes payable	403	142
Deferred tax liabilities	1	0
Provision for bonuses	601	381
Others	3,052	3,685
Total current liabilities	13,990	14,587
Non-current liabilities		
Long-term loans payable	2,592	2,304
Lease obligations	169	168
Deferred tax liabilities	400	413
Provision for directors' retirement benefits	664	561
Net defined benefit liability	246	246
Others	27	95
Total non-current liabilities	4,101	3,788
Total liabilities	18,091	18,376
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	45,798	45,760
Treasury shares	(3,008)	(3,008)
Total shareholders' equity	50,357	50,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	473	493
Deferred gains or losses on hedges	(76)	(77)
Foreign currency translation adjustment	1,198	869
Remeasurements of defined benefit plans	(138)	(129)
Total accumulated other comprehensive income	1,458	1,156
Non-controlling interests	18	24
Total net assets	51,834	51,500
Total liabilities and net assets	69,926	69,876

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/16 1Q (April 1, 2015 – June 30, 2015)	FY3/17 1Q (April 1, 2016 – June 30, 2016)
Net sales	45,014	38,800
Cost of sales	40,966	34,942
Gross profit	4,048	3,858
Selling, general, and administrative expenses	3,079	3,329
Operating income	968	529
Non-operating income		
Interest income	1	1
Dividend income	10	10
Gain on sales of securities	-	3
Share of profit of entities accounted for using equity method	177	119
Purchase discounts	3	3
Foreign exchange gains	2	-
Others	90	10
Total non-operating income	286	147
Non-operating expenses		
Interest expenses	11	7
Foreign exchange losses	-	27
Loss on valuation of investment securities	-	96
Others	20	4
Total non-operating expenses	32	135
Ordinary income	1,222	541
Profit before income taxes	1,222	541
Income taxes – current	172	82
Income taxes – deferred	259	123
Total income taxes	431	205
Profit	790	335
Profit attributable to non-controlling interests	0	5
Profit attributable to owners of parent	790	330

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/16 1Q (April 1, 2015 – June 30, 2015)	FY3/17 1Q (April 1, 2016 – June 30, 2016)
Profit	790	335
Other comprehensive income		
Valuation difference on available-for-sale securities	27	19
Deferred gains or losses on hedges	47	(0)
Foreign currency translation adjustments	(95)	(257)
Remeasurements of defined benefit plans	(19)	8
Share of other comprehensive income (loss) of entities accounted for using equity method	(3)	(71)
Total other comprehensive income (loss)	(43)	(301)
Comprehensive income	747	34
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	747	28
Comprehensive income attributable to non-controlling interests	0	5

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/16 1Q (April 1, 2015 – June 30, 2015)	FY3/17 1Q (April 1, 2016 – June 30, 2016)
Cash flows from operating activities		
Profit before income taxes	1,222	541
Depreciation	287	287
Increase (decrease) in allowance for doubtful accounts	(107)	0
Increase (decrease) in provision for bonuses	(248)	(219)
Increase (decrease) in net defined benefit liability	(26)	12
Increase (decrease) in provision for directors' retirement benefits	4	(37)
Interest and dividend income	(11)	(11)
Interest expenses	11	7
Share of (profit) loss of entities accounted for using equity method	(177)	(119)
Decrease (increase) in notes and accounts receivable – trade	(1,542)	(398)
Decrease (increase) in inventories	1,635	(265)
Increase (decrease) in accounts payable – trade	396	602
Others	1,787	860
Subtotal	3,230	1,258
Interest and dividend income received	12	11
Interest paid	(11)	(7)
Income taxes paid	(1,312)	(315)
Net cash provided by (used in) operating activities	1,919	947
Cash flows from investing activities		
Purchase of property, plant and equipment	(86)	(192)
Purchase of intangible assets	(16)	(62)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	-	5
Others	(22)	(8)
Net cash provided by (used in) investing activities	(126)	(260)

(millions of yen)

	FY3/16 1Q (April 1, 2015 – June 30, 2015)	FY3/17 1Q (April 1, 2016 – June 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(813)	(117)
Repayments of long-term loans payable	(249)	(288)
Cash dividends paid	(345)	(368)
Others	(8)	(17)
Net cash provided by (used in) financing activities	(1,417)	(791)
Effect of exchange rate change on cash and cash equivalents	(24)	(237)
Net increase (decrease) in cash and cash equivalents	350	(342)
Cash and cash equivalents at beginning of period	5,861	9,524
Cash and cash equivalents at end of period	6,212	9,181

(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. FY3/16 1Q (April 1, 2015 – June 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	29,805	15,209	45,014	—	45,014
(2) Intersegment sales and transfers	1	15	16	(16)	—
Total	29,806	15,225	45,031	(16)	45,014
Segment income	655	312	968	—	968

(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 1Q (April 1, 2016 – June 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	24,386	14,413	38,800	—	38,800
(2) Intersegment sales and transfers	—	15	15	(15)	—
Total	24,386	14,429	38,816	(15)	38,800
Segment income	373	155	529	—	529

(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.