



## FY3/16 2Q Consolidated Financial Statements [J-GAAP]

November 13, 2015

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)  
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 Date to start dividends distribution: December 4, 2015  
 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. FY3/16 2Q consolidated results (April 1, 2015 – September 30, 2015)

#### (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)	(%)
FY3/16 2Q	85,366	(2.6)	2,047	1.9	2,355	1.7	1,569	0.6
FY3/15 2Q	87,623	4.5	2,010	(16.6)	2,316	(13.1)	1,560	(10.1)

(Note) Comprehensive income: FY3/16 2Q: ¥1,643 million (+15.6%) FY3/15 2Q: ¥1,422 million (-42.3%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/16 2Q	59.08	—
FY3/15 2Q	58.61	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/16 2Q	70,260	52,286	74.4
End-FY3/15	73,427	51,176	69.7

(Reference) Shareholders' equity: End-FY3/16 2Q: ¥52,283 million End-FY3/15: ¥51,173 million

### 2. Dividends

	Annual Dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/15	—	12.00	—	13.00	25.00
FY3/16	—	14.00	—	—	—
FY3/16 (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 FY3/16 (April 1, 2015 – March 31, 2016)

(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)
FY3/16	183,000	1.9	4,600	(15.0)	5,100	(12.6)	3,400	1.7	128.01

(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 stock)	End-FY3/16 2Q	28,908,581 shares	End-FY3/15	28,908,581 shares
2) Number of treasury shares	End-FY3/16 2Q	2,438,233 shares	End-FY3/15	2,308,999 shares
3) Average number of shares during the period	FY3/16 2Q	26,560,842 shares	FY3/15 2Q	26,625,910 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, 2016, the Japanese economy continued to recover at a moderate pace, supported by an improvement in corporate earnings and the job market. However, the upturn in consumer spending appeared to stall and there were some signs of weakness in domestic production, exports and other areas. The outlook for the economy remained uncertain due to rising prices in Japan and concerns about a downturn in China and other economies overseas.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment worked hard 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 upgraded business sites overseas, including the preparations to start up operations of a new precious metals refining plant by the Group's subsidiary in Vietnam. The food business segment also reinforced its overseas business sites and worked to provide products that address customer needs in order to expand sales volume.

As a result of the above, for the first six months of the fiscal year ending March 31, 2016, consolidated net sales were ¥85,366 million (down 2.6% year on year), operating income was ¥2,047 million (up 1.9% year on year), ordinary income was ¥2,355 million (up 1.7% year on year), and profit attributable to owners of parent was ¥1,569 million (up 0.6% year on year).

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

#### ***Precious metals business segment***

Production at key customers in the semiconductor and electronics parts sectors varied depending on market trends for smartphones, autos and other products, and the photosensitive materials sector continued to face a contracting market. Although the Group handled higher volumes in precious metal recycling and industrial waste treatment, sales volume for precious metals products and electronic materials declined year on year, and the price of precious metals fell, except for gold. As a result, sales as a whole were lower than in the same period a year earlier.

As a result, net sales for the precious metals business segment totaled ¥56,411 million (down 7.9% year on year), and operating income was ¥1,518 million (up 6.3% year on year).

#### ***Food business segment***

The food business segment continued to face a challenging operating environment amid high costs caused by the weak yen and signs of weakness in the pickup in consumer spending. However, sales volume for seafood products, livestock products and agricultural products increased year on year, and prices also rose, leading to higher sales than in the same period a year earlier.

As a result, net sales for the food business segment were ¥28,990 million (up 9.7% year on year), and operating income was ¥529 million (down 9.0% 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 ¥70,260 million, a decline of ¥3,167 million from the previous fiscal year end. This mainly reflected decreases in inventories and other current assets.

##### *Liabilities*

Total liabilities as of the end of the first six months were ¥17,973 million, a decrease of ¥4,277 million from the previous fiscal year end. This mainly reflected decreases in loans payable and income taxes payable.

##### *Net assets*

Net assets as of the end of the first six months were ¥52,286 million, an increase of ¥1,109 million from the previous fiscal year end. This was mainly attributable to an increase in profit attributable to owners of parent, which exceeded a decline in net assets due to the payment of year-end dividends for the previous fiscal year.

## (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 ¥7,310 million, an increase of ¥1,448 million from the previous fiscal year end.

### *Cash flows from operating activities*

Operating activities provided net cash of ¥4,673 million. This mainly reflected the difference between cash provided from income before income taxes and decreases in inventories and other current assets 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 used net cash of ¥1,564 million, cash from operating activities increased by ¥6,237 million.

### *Cash flows from investing activities*

Investing activities used net cash of ¥285 million. This was mainly due to the purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,421 million, cash used in investing activities declined by ¥1,135 million.

### *Cash flows from financing activities*

Financing activities used net cash of ¥2,918 million. Cash was mainly used for the repayment of debt, dividend payments and purchase of treasury shares. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥1,865 million, cash from financing activities declined by ¥4,784 million.

## (3) Qualitative information on consolidated earnings projections

The Company has revised its consolidated earnings projections for the fiscal year ending March 31, 2016, announced on May 11, 2015, as shown below. The revisions reflect weaker than expected earnings for the first six months of the fiscal year and weakness in current market conditions and precious metals prices.

Consolidated earnings projections for the fiscal year ending March 31, 2016 (April 1, 2015 – March 31, 2016)

	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)	185,000	5,400	5,800	3,900	146.83
Revised projections (B)	183,000	4,600	5,100	3,400	128.01
Change (B – A)	(2,000)	(800)	(700)	(500)	-
Change (%)	(1.1)	(14.8)	(12.1)	(12.8)	-
(Reference) FY3/15	179,523	5,410	5,832	3,342	125.61

## 2. Matters concerning summary information (notes)

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

(Changes in accounting policy)

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) from the first quarter of the current fiscal year. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the first quarter of the current fiscal year, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for "net income" has been changed, and references to "minority interests" have been changed to "non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the second quarter of the previous fiscal year and the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter of the current fiscal year.

The above changes have no impact on the financial statements for the first six months of the current fiscal year.

### 3. Quarterly consolidated financial statements

#### (1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/15 (As of March 31, 2015)	End-FY3/16 2Q (As of September 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	6,003	7,310
Notes and accounts receivable – trade	19,218	18,790
Merchandise and finished goods	16,576	15,223
Work in process	309	261
Raw materials and supplies	6,667	5,792
Deferred tax assets	485	370
Accounts receivable – other	653	451
Others	3,501	2,057
Allowance for doubtful accounts	(41)	(9)
Total current assets	53,374	50,246
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,870	8,241
Accumulated depreciation	(4,096)	(4,222)
Buildings and structures, net	3,773	4,019
Machinery, equipment and vehicles	7,199	7,251
Accumulated depreciation	(5,115)	(5,400)
Machinery, equipment and vehicles, net	2,083	1,850
Land	7,852	7,825
Leased assets	150	189
Accumulated depreciation	(60)	(79)
Leased assets, net	89	110
Construction in progress	419	273
Others	1,047	1,061
Accumulated depreciation	(772)	(821)
Others, net	274	239
Total property, plant and equipment	14,494	14,319
Intangible assets		
Others	188	192
Total intangible assets	188	192
Investments and other assets		
Investment securities	3,911	4,018
Others	1,605	1,553
Allowance for doubtful accounts	(147)	(70)
Total investments and other assets	5,369	5,501
Total non-current assets	20,052	20,013
<b>Total assets</b>	<b>73,427</b>	<b>70,260</b>

(millions of yen)

	End-FY3/15 (As of March 31, 2015)	End-FY3/16 2Q (As of September 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	7,922	7,453
Short-term loans payable	3,582	2,015
Current portion of long-term loans payable	1,298	948
Lease obligations	33	38
Income taxes payable	1,401	624
Provision for bonuses	627	753
Accounts payable – other	856	599
Deferred tax liabilities	-	28
Others	2,779	2,161
Total current liabilities	18,502	14,623
Non-current liabilities		
Long-term loans payable	2,546	2,096
Lease obligations	56	72
Provision for directors' retirement benefits	599	615
Net defined benefit liability	113	58
Deferred tax liabilities	408	478
Others	24	29
Total non-current liabilities	3,748	3,350
<b>Total liabilities</b>	<b>22,250</b>	<b>17,973</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	43,942	45,165
Treasury shares	(2,621)	(2,809)
Total shareholders' equity	48,888	49,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543	446
Deferred gains or losses on hedges	(79)	110
Foreign currency translation adjustment	1,798	1,778
Remeasurements of defined benefit plans	22	24
Total accumulated other comprehensive income	2,285	2,359
Non-controlling interests	2	2
<b>Total net assets</b>	<b>51,176</b>	<b>52,286</b>
<b>Total liabilities and net assets</b>	<b>73,427</b>	<b>70,260</b>



## (2) Quarterly consolidated statements of income and comprehensive income

### [Quarterly consolidated statements of income]

(millions of yen)

	FY3/15 2Q (April 1, 2014 – September 30, 2014)	FY3/16 2Q (April 1, 2015 – September 30, 2015)
Net sales	87,623	85,366
Cost of sales	79,897	77,285
Gross profit	7,725	8,081
Selling, general, and administrative expenses	5,715	6,033
Operating income	2,010	2,047
Non-operating income		
Interest income	3	7
Dividend income	11	13
Share of profit of entities accounted for using equity method	249	327
Purchase discounts	8	7
House rent income	26	4
Insurance income	18	5
Subsidy income	2	53
Foreign exchange gains	15	-
Others	26	16
Total non-operating income	361	436
Non-operating expenses		
Interest expenses	21	21
Foreign exchange losses	-	80
Cost of lease revenue	19	-
Loss on retirement of non-current assets	1	12
Others	12	13
Total non-operating expenses	54	128
Ordinary income	2,316	2,355
Income before income taxes	2,316	2,355
Income taxes – current	786	623
Income taxes – deferred	(30)	163
Total income taxes	755	786
Profit	1,561	1,569
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,560	1,569

**[Quarterly consolidated statements of comprehensive income]**

(millions of yen)

	FY3/15 2Q (April 1, 2014 – September 30, 2014)	FY3/16 2Q (April 1, 2015 – September 30, 2015)
Profit	1,561	1,569
Other comprehensive income		
Valuation difference on available-for-sale securities	87	(96)
Deferred gains or losses on hedges	(40)	189
Foreign currency translation adjustments	(142)	(37)
Remeasurements of defined benefit plans	3	1
Share of other comprehensive income (loss) of entities accounted for using equity method	(46)	16
Total other comprehensive income (loss)	(138)	74
Comprehensive income	1,422	1,643
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,422	1,643
Comprehensive income attributable to non-controlling interests	0	0

### (3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/15 2Q (April 1, 2014 – September 30, 2014)	FY3/16 2Q (April 1, 2015 – September 30, 2015)
Cash flows from operating activities		
Income before income taxes	2,316	2,355
Depreciation	657	584
Increase (decrease) in allowance for doubtful accounts	(12)	(108)
Increase (decrease) in provision for bonuses	93	125
Increase (decrease) in net defined benefit liability	(54)	(53)
Increase (decrease) in provision for directors' retirement bonuses	(31)	15
Interest and dividend income	(15)	(21)
Interest expenses	21	21
Share of (profit) loss of entities accounted for using equity method	(249)	(327)
Decrease (increase) in notes and accounts receivable – trade	(3,456)	428
Decrease (increase) in accounts receivable – other	470	201
(Increase) decrease in inventories	(1,212)	2,265
Increase (decrease) in accounts payable – trade	(101)	(460)
Increase (decrease) in accounts payable – other	(222)	(302)
Others	734	1,264
Subtotal	(1,059)	5,988
Interest and dividend income received	47	118
Interest paid	(21)	(21)
Income taxes paid	(530)	(1,412)
Net cash provided by (used in) operating activities	(1,564)	4,673
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	141
Purchase of property, plant and equipment	(1,292)	(350)
Purchase of intangible assets	(9)	(31)
Purchase of investment securities	(4)	(5)
Proceeds from sales of investment securities	-	2
Others	(115)	(43)
Net cash provided by (used in) investing activities	(1,421)	(285)

	(millions of yen)	
	FY3/15 2Q (April 1, 2014 – September 30, 2014)	FY3/16 2Q (April 1, 2015 – September 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,640	(1,567)
Repayments of long-term loans payable	(328)	(799)
Purchase of treasury shares	(94)	(188)
Cash dividends paid	(320)	(345)
Others	(31)	(18)
Net cash provided by (used in) financing activities	1,865	(2,918)
Effect of exchange rate change on cash and cash equivalents	(60)	(19)
Net increase (decrease) in cash and cash equivalents	(1,180)	1,448
Cash and cash equivalents at beginning of period	6,798	5,861
Cash and cash equivalents at end of period	5,617	7,310

#### (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)

FY3/16 2Q (April 1, 2015 – September 30, 2015)

There is nothing to report.

(Segment Information, etc.)

I. FY3/15 2Q (April 1, 2014 – September 30, 2014)

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	61,221	26,401	87,623	-	87,623
(2) Intersegment sales and transfers	2	32	35	(35)	-
Total	61,223	26,434	87,658	(35)	87,623
Segment income	1,428	581	2,010	-	2,010

(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. FY3/16 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.