



FY3/15 2Q Consolidated Financial Statements [J-GAAP]

November 14, 2014

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

(1) Consolidated results

(Percentages are year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-----------|-------------------|-----|-------------------|-------|-------------------|-------|-------------------|-------|
| | (millions of yen) | (%) | (millions of yen) | (%) | (millions of yen) | (%) | (millions of yen) | (%) |
| FY3/15 2Q | 87,623 | 4.5 | 2,010 | -16.6 | 2,316 | -13.1 | 1,560 | -10.1 |
| FY3/14 2Q | 83,872 | 3.3 | 2,408 | 33.2 | 2,664 | 32.8 | 1,736 | 30.3 |

(Note) Comprehensive income: FY3/15 2Q: ¥1,422 million (-42.3%) FY3/14 2Q: ¥2,463 million (95.5%)

| | Net income per share | Diluted net income per share |
|-----------|----------------------|------------------------------|
| | (yen) | (yen) |
| FY3/15 2Q | 58.61 | — |
| FY3/14 2Q | 64.32 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------|-------------------|-------------------|----------------------------|
| | (millions of yen) | (millions of yen) | (%) |
| End-FY3/15 2Q | 68,576 | 48,383 | 70.6 |
| End-FY3/14 | 66,398 | 47,449 | 71.5 |

(Reference) Shareholders' equity: End-FY3/15 2Q: ¥48,382 million End-FY3/14: ¥47,447 million

2. Dividends

| | Annual Dividends | | | | |
|----------------------|------------------|-------|-------|-------|--------|
| | 1Q | 2Q | 3Q | 4Q | Annual |
| | (yen) | (yen) | (yen) | (yen) | (yen) |
| FY3/14 | — | 12.00 | — | 12.00 | 24.00 |
| FY3/15 | — | 12.00 | | | |
| FY3/15 (Projections) | | | — | 12.00 | 24.00 |

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

3. Consolidated earnings projections for FY3/15 (April 1, 2014 – March 31, 2015)

(Percentages are year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|--------|-------------------|-----|-------------------|-----|-------------------|-----|-------------------|-----|----------------------|
| | (millions of yen) | (%) | (millions of yen) | (%) | (millions of yen) | (%) | (millions of yen) | (%) | (yen) |
| FY3/15 | 170,000 | 2.8 | 4,700 | 4.4 | 5,000 | 2.2 | 3,270 | 2.4 | 122.81 |

(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 stock) | End-FY3/15 2Q | 28,908,581 shares | End-FY3/14 | 28,908,581 shares |
| 2) Number of treasury shares | End-FY3/15 2Q | 2,308,629 shares | End-FY3/14 | 2,228,187 shares |
| 3) Average number of shares during the period | FY3/15 2Q | 26,625,910 shares | FY3/14 2Q | 27,001,371 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 current fiscal year, the Japanese economy continued to recover at a moderate pace, with the job market and corporate earnings showing signs of improvement on the back of the government's economic stimulus measures and the Bank of Japan's monetary policies. However, the outlook remained uncertain due to concerns such as a prolonged pullback in demand after the hike to consumption tax.

Under these circumstances, performance in the Matsuda Sangyo Group's business segments was as follows.

Precious metals business segment

In the precious metals division, sales volume for precious metal products expanded year on year amid a continued recovery in production at key customers in the semiconductor and electronic parts sectors. However, sales volume for electronic materials and other products fell year on year, and the price of some precious metals also declined. As a result, sales as a whole in the division were lower compared with the same period a year earlier.

In the environmental division, production activity in target sectors recovered moderately, lifting the volume of materials handled by the Group. However, sales in the division declined year on year, partly due to a drop in the price of silver recovered from photosensitive materials.

As a result, net sales for the precious metals business segment totaled ¥61,223 million (down 1.2% year on year), and operating income was ¥1,428 million (down 31.7% year on year).

Food business segment

Despite signs of a moderate recovery in the domestic economy, the food business segment faced a challenging operating environment due to the pullback in demand after the consumption tax hike and higher costs caused by the weak yen and other factors. Against this backdrop, sales in the segment increased year on year, supported by growth in sales volume for seafood products, livestock products and agricultural products, and by higher prices.

As a result, net sales for the food business segment were ¥26,434 million (up 20.6% year on year), and operating income was ¥581 million (up 82.7% year on year).

As a result of the above, for the first six months of the fiscal year ending March 31, 2015, consolidated net sales were ¥87,623 million (up 4.5% year on year), operating income was ¥2,010 million (down 16.6% year on year), ordinary income was ¥2,316 million (down 13.1% year on year), and net income was ¥1,560 million (down 10.1% 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 ¥68,576 million, an increase of ¥2,177 million from the previous fiscal year end. This mainly reflected increases in notes and accounts receivable – trade, and inventories, outweighing a decline in cash and deposits.

Liabilities

Total liabilities as of the end of the first six months were ¥20,192 million, an increase of ¥1,243 million from the previous fiscal year end. This mainly reflected increases in loans payable and accrued income taxes, which was greater than the decrease in other accounts payable.

Net assets

Net assets as of the end of the first six months were ¥48,383 million, an increase of ¥934 million from the previous fiscal year end. This mainly reflected an increase from profit growth in the first six months of the fiscal year, outweighing a decrease from the payment of year-end dividends.

(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 ¥5,617 million, a decrease of ¥1,180 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥1,564 million. This mainly reflected the difference between cash provided from income before income taxes, depreciation and a decrease in accounts receivable – other on the one hand, and cash used due to increases in income taxes paid, notes and accounts receivable – trade, and inventories on the other. Compared with the same period in the previous fiscal year, when operating activities generated net cash of ¥1,752 million, cash used by operating activities increased ¥3,316 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,421 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 ¥460 million, net cash used in investing activities increased by ¥960 million.

Cash flows from financing activities

Financing activities generated net cash of ¥1,865 million. This primarily reflected a decrease in cash due to dividends paid, outweighed by an increase from loans. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥419 million, net cash generated in financing activities increased by ¥2,284 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on May 12, 2014.

2. Matters concerning summary information (notes)

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

(Application of "Accounting Standard for Retirement Benefits," etc.)

Effective from the first quarter of fiscal year ending March 31, 2015, the Company has applied the provisions in paragraph 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26, May 17, 2012) and the provisions in paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012). Accordingly, the Company has changed the way it calculates retirement benefit liabilities and prior service costs. The method for determining the discount rate has been changed from a bond period based on the number of years approximate to the average remaining working lives of employees to a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for each such period.

The application of the accounting standard for retirement benefits, etc. conforms with the transitional treatment stipulated in Item 37 of the Accounting Standard for Retirement Benefits, and the effect of the change in calculation method of retirement benefit obligations and service costs is adjusted in retained earnings at the start of the second quarter of the current fiscal year.

As a result, at the start of the second quarter of the current fiscal year, net defined benefit liability increased by ¥113 million and retained earnings decreased by ¥72 million. The application of the accounting standard for retirement benefits, etc. had an immaterial impact on operating income, ordinary income and net income in the first six months of the current fiscal year.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(millions of yen)

| | End-FY3/14 (As of March 31, 2014) | End-FY3/15 2Q (As of September 30, 2014) |
|--|--------------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,798 | 5,617 |
| Notes and accounts receivable – trade | 16,482 | 19,908 |
| Merchandise and finished goods | 12,828 | 14,022 |
| Work in process | 313 | 233 |
| Raw materials and supplies | 6,235 | 6,279 |
| Deferred tax assets | 420 | 475 |
| Accounts receivable – other | 1,547 | 894 |
| Others | 2,597 | 2,068 |
| Allowance for doubtful accounts | -43 | -44 |
| Total current assets | 47,181 | 49,455 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,664 | 7,715 |
| Accumulated depreciation | -3,760 | -3,922 |
| Buildings and structures, net | 3,903 | 3,793 |
| Machinery, equipment and vehicles | 6,776 | 6,932 |
| Accumulated depreciation | -4,385 | -4,742 |
| Machinery, equipment and vehicles, net | 2,390 | 2,189 |
| Land | 7,773 | 7,759 |
| Leased assets | 264 | 254 |
| Accumulated depreciation | -163 | -164 |
| Leased assets, net | 101 | 89 |
| Construction in progress | 126 | 35 |
| Others | 997 | 1,011 |
| Accumulated depreciation | -682 | -716 |
| Others, net | 314 | 294 |
| Total property, plant and equipment | 14,610 | 14,162 |
| Intangible assets | | |
| Others | 215 | 193 |
| Total intangible assets | 215 | 193 |
| Investments and other assets | | |
| Investment securities | 3,040 | 3,348 |
| Deferred tax assets | 119 | 77 |
| Others | 1,436 | 1,530 |
| Allowance for doubtful accounts | -205 | -191 |
| Total investments and other assets | 4,390 | 4,765 |
| Total fixed assets | 19,216 | 19,121 |
| Total assets | 66,398 | 68,576 |

(millions of yen)

| | End-FY3/14 (As of March 31, 2014) | End-FY3/15 2Q (As of September 30, 2014) |
|---|--------------------------------------|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 8,095 | 7,952 |
| Short-term loans payable | 1,347 | 3,987 |
| Current portion of long-term loans payable | 623 | 890 |
| Lease obligations | 47 | 37 |
| Income taxes payable | 579 | 792 |
| Provision for bonuses | 623 | 717 |
| Accounts payable – other | 2,258 | 953 |
| Others | 2,278 | 2,334 |
| Total current liabilities | 15,854 | 17,666 |
| Non-current liabilities | | |
| Long-term loans payable | 2,244 | 1,649 |
| Lease obligations | 53 | 51 |
| Provision for directors' retirement benefits | 596 | 565 |
| Net defined benefit liability | 156 | 211 |
| Others | 44 | 48 |
| Total non-current liabilities | 3,095 | 2,526 |
| Total liabilities | 18,949 | 20,192 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 3,559 | 3,559 |
| Capital surplus | 4,008 | 4,008 |
| Retained earnings | 41,311 | 42,479 |
| Treasury shares | -2,526 | -2,621 |
| Total shareholders' equity | 46,353 | 47,425 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 252 | 339 |
| Deferred gains or losses on hedges | 86 | 46 |
| Foreign currency translation adjustments | 770 | 581 |
| Remeasurements of defined benefit plans | -14 | -11 |
| Total accumulated other comprehensive income | 1,094 | 956 |
| Minority interests | 1 | 1 |
| Total net assets | 47,449 | 48,383 |
| Total liabilities and net assets | 66,398 | 68,576 |

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

| | FY3/14 2Q (April 1, 2013 – September 30, 2013) | FY3/15 2Q (April 1, 2014 – September 30, 2014) |
|---|--|--|
| Net sales | 83,872 | 87,623 |
| Cost of sales | 75,751 | 79,897 |
| Gross profit | 8,121 | 7,725 |
| Selling, general, and administrative expenses | 5,712 | 5,715 |
| Operating income | 2,408 | 2,010 |
| Non-operating income | | |
| Interest income | 3 | 3 |
| Dividend income | 10 | 11 |
| Share of profit of entities accounted for using equity method | 120 | 249 |
| Purchase discounts | 10 | 8 |
| House rent income | 30 | 26 |
| Insurance income | 174 | 18 |
| Foreign exchange gains | - | 15 |
| Others | 18 | 28 |
| Total non-operating income | 368 | 361 |
| Non-operating expenses | | |
| Interest expenses | 20 | 21 |
| Foreign exchange losses | 46 | - |
| Cost of lease revenue | 32 | 19 |
| Others | 13 | 13 |
| Total non-operating expenses | 112 | 54 |
| Ordinary income | 2,664 | 2,316 |
| Income before income taxes | 2,664 | 2,316 |
| Income taxes – current | 882 | 786 |
| Income taxes – deferred | 48 | -30 |
| Total income taxes | 930 | 755 |
| Income before income taxes and minority interests | 1,733 | 1,561 |
| Minority interests in loss | -2 | 0 |
| Net income | 1,736 | 1,560 |

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

| | FY3/14 2Q (April 1, 2013 – September 30, 2013) | FY3/15 2Q (April 1, 2014 – September 30, 2014) |
|---|--|--|
| Income before minority interests | 1,733 | 1,561 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 38 | 87 |
| Deferred gains or losses on hedges | 160 | -40 |
| Foreign currency translation adjustments | 417 | -142 |
| Remeasurements of defined benefit plans | - | 3 |
| Share of other comprehensive income of affiliates accounted for using equity method | 113 | -46 |
| Total other comprehensive income | 729 | -138 |
| Comprehensive income | 2,463 | 1,422 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 2,465 | 1,422 |
| Comprehensive income attributable to minority interests | -2 | 0 |

(3) Quarterly consolidated statements of cash flows

(millions of yen)

| | FY3/14 2Q (April 1, 2013 – September 30, 2013) | FY3/15 2Q (April 1, 2014 – September 30, 2014) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 2,664 | 2,316 |
| Depreciation | 484 | 657 |
| Increase (decrease) in allowance for doubtful accounts ('-' means decrease) | -77 | -12 |
| Increase (decrease) in provision for bonuses ('-' means decrease) | 92 | 93 |
| Increase (decrease) in provision for retirement benefits ('-' means decrease) | -46 | - |
| Increase (decrease) in net defined benefit liability ('-' means decrease) | - | -54 |
| Increase (decrease) in provision for directors' retirement bonuses ('-' means decrease) | 22 | -31 |
| Interest and dividend income | -13 | -15 |
| Interest expenses | 20 | 21 |
| Share of (profit) loss of entities accounted for using equity method | -120 | -249 |
| Decrease (increase) in notes and accounts receivable – trade ('-' means increase) | 1,110 | -3,456 |
| Decrease (increase) in accounts receivable – other ('-' means increase) | 264 | 470 |
| Decrease (increase) in inventories ('-' means increase) | -600 | -1,212 |
| Increase (decrease) in accounts payable – trade ('-' means decrease) | 39 | -101 |
| Increase (decrease) in accounts payable – other ('-' means decrease) | -392 | -222 |
| Others | -459 | 734 |
| Subtotal | 2,989 | -1,059 |
| Interest and dividend income received | 81 | 47 |
| Interest paid | -20 | -21 |
| Income taxes paid | -1,297 | -530 |
| Cash flows from operating activities | 1,752 | -1,564 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | -393 | -1,292 |
| Purchase of intangible assets | -39 | -9 |
| Purchase of investment securities | -4 | -4 |
| Others | -22 | -115 |
| Cash flows from investing activities | -460 | -1,421 |

(millions of yen)

| | FY3/14 2Q (April 1, 2013 – September 30, 2013) | FY3/15 2Q (April 1, 2014 – September 30, 2014) |
|--|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable ('-' means decrease) | 523 | 2,640 |
| Repayments of long-term loans payable | -387 | -328 |
| Purchase of treasury shares | -198 | -94 |
| Cash dividends paid | -324 | -320 |
| Others | -32 | -31 |
| Cash flows from financing activities | -419 | 1,865 |
| Effect of exchange rate change on cash and cash equivalents | 247 | -60 |
| Change in cash and cash equivalents ('-' means decrease) | 1,119 | -1,180 |
| Cash and cash equivalents at beginning of period | 8,582 | 6,798 |
| Cash and cash equivalents at end of period | 9,701 | 5,617 |

(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)

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

There is nothing to report.

(Segment Information, etc.)

I. FY3/14 2Q (April 1, 2013 – September 30, 2013)

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 | | | | | |
| Net sales to external parties | 61,988 | 21,884 | 83,872 | — | 83,872 |
| Intersegment sales and transfers | 2 | 26 | 29 | -29 | — |
| Total | 61,990 | 21,910 | 83,901 | -29 | 83,872 |
| Segment income | 2,090 | 318 | 2,408 | — | 2,408 |

(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.

2. Matters concerning changes in reportable segments, etc.

There is nothing to report.

II. 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 | | | | | |
| Net sales to external parties | 61,221 | 26,401 | 87,623 | — | 87,623 |
| 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.

2. Matters concerning changes in reportable segments, etc.

Effective from the first quarter of fiscal year ending March 31, 2015, the Company has applied the provisions in paragraph 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No.26, May 17, 2012) and the provisions in paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012). Accordingly, the Company has changed the way it calculates retirement benefit liabilities and prior service costs. The method for determining the discount rate has been changed from a bond period based on the number of years approximate to the average remaining working lives of employees to a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for each such period.

The application of the accounting standard for retirement benefits, etc. had an immaterial impact on segment income in the first six months of the current fiscal year.