



FY3/15 1Q Consolidated Financial Statements [J-GAAP]

August 7, 2014

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. FY3/15 1Q consolidated results (April 1, 2014 – June 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 1Q	42,940	-0.4	931	-33.8	1,072	-22.6	714	-18.0
FY3/14 1Q	43,133	3.2	1,407	35.5	1,385	22.6	871	19.7

(Note) Comprehensive income: FY3/15 1Q: ¥440 million (-76.7%) FY3/14 1Q: ¥1,891 million (83.9%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/15 1Q	26.81	–
FY3/14 1Q	32.21	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/15 1Q	67,016	47,404	70.7
End-FY3/14	66,398	47,449	71.5

(Reference) Shareholders' equity: End-FY3/15 1Q: ¥47,403 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	–				
FY3/15 (Projections)		12.00	–	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)
1H FY3/15	80,000	-4.6	2,150	-10.7	2,300	-13.7	1,500	-13.6	55.78
FY3/15	170,000	2.8	4,700	4.4	5,000	2.2	3,270	2.4	121.62

(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 1Q	28,908,581 shares	End-FY3/14	28,908,581 shares
2) Number of treasury shares	End-FY3/15 1Q	2,308,240 shares	End-FY3/14	2,228,187 shares
3) Average number of shares during the period	FY3/15 1Q	26,651,997 shares	FY3/14 1Q	27,052,829 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, 2015, the Japanese economy showed signs of a moderate recovery, with corporate earnings improving on the back of government policies that supported a continued weak yen and gains in the equity market. However, the outlook for the economy remained uncertain due to concerns about a 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 metals other than gold expanded year on year amid continued signs of a recovery in production at key customers in the semiconductor and electronic parts sectors. However, sales volume for gold products, 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 than in the same period a year earlier.

In the environmental division, production activity in target sectors recovered, 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 ¥30,013 million (down 7.0% year on year), and operating income was ¥650 million (down 47.3% year on year).

Food business segment

Despite signs of recovery in the domestic economy, the food business segment faced a challenging operating environment due to weak consumer spending after the consumption tax hike and higher costs caused by the weak yen and high oil prices. However, sales volume and sales value for seafood products and livestock products increased year on year. Also, although sales volume for vegetables and other agricultural products declined slightly, sales rose compared with the same period of the previous fiscal year, partly due to higher prices.

As a result, net sales for the food business segment were ¥12,946 million (up 18.9% year on year), and operating income was ¥280 million (up 63.0% year on year).

As a result of the above, for the first three months of the fiscal year ending March 31, 2015, consolidated net sales were ¥42,940 million (down 0.4% year on year), operating income was ¥931 million (down 33.8% year on year), ordinary income was ¥1,072 million (down 22.6% year on year), and net income was ¥714 million (down 18.0% 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 three months were ¥67,016 million, an increase of ¥617 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 three months were ¥19,611 million, an increase of ¥662 million from the previous fiscal year end. This mainly reflected an increase in loans payable.

Net assets

Net assets as of the end of the first three months were ¥47,404 million, a decrease of ¥44 million from the previous fiscal year end. This mainly reflected a decline in valuation differences and translation adjustments, such as deferred gains or losses on hedges, which exceeded profits in the first quarter, and the payment of year-end dividends.

(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 ¥5,504 million, a decrease of ¥1,293 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥1,800 million. This mainly reflected the difference between the increase in income before income taxes and depreciation on the one hand and a corresponding decrease in income taxes paid, an increase in notes and accounts receivable—trade, and an increase in inventories on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥1,517 million, cash used by operating activities declined ¥283 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,195 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 ¥254 million, net cash used in investing activities increased by ¥940 million.

Cash flows from financing activities

Financing activities generated net cash of ¥1,742 million. This was mainly due to the increase in loans payable. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥148 million, net cash generated in financing activities increased by ¥1,891 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 significant subsidiaries during the period

(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 reviewed the calculation method for retirement benefit obligations and service costs, retaining the straight-line method to attribute projected retirement benefit obligations to each fiscal period and changing the method for determining the discount rate to multiple discount rates for each 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 first quarter of the current fiscal year.

As a result, at the start of the first 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 three 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 1Q (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	6,798	5,504
Notes and accounts receivable – trade	16,482	18,380
Merchandise and finished goods	12,828	13,488
Work in process	313	314
Raw materials and supplies	6,235	6,423
Deferred tax assets	420	395
Accounts receivable – other	1,547	1,217
Others	2,597	2,224
Allowance for doubtful accounts	-43	-44
Total current assets	47,181	47,902
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,664	7,661
Accumulated depreciation	-3,760	-3,846
Buildings and structures, net	3,903	3,814
Machinery, equipment and vehicles	6,776	6,886
Accumulated depreciation	-4,385	-4,563
Machinery, equipment and vehicles, net	2,390	2,323
Land	7,773	7,761
Leased assets	264	247
Accumulated depreciation	-163	-158
Leased assets, net	101	89
Construction in progress	126	47
Others	997	989
Accumulated depreciation	-682	-697
Others, net	314	291
Total property, plant and equipment	14,610	14,328
Intangible assets		
Others	215	204
Total intangible assets	215	204
Investments and other assets		
Investment securities	3,040	3,240
Deferred tax assets	119	103
Others	1,436	1,442
Allowance for doubtful accounts	-205	-205
Total investments and other assets	4,390	4,580
Total fixed assets	19,216	19,113
Total assets	66,398	67,016

(millions of yen)

	End-FY3/14 (As of March 31, 2014)	End-FY3/15 1Q (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,095	7,904
Short-term loans payable	1,347	3,696
Current portion of long-term loans payable	623	590
Lease obligations	47	41
Income taxes payable	579	264
Provision for bonuses	623	360
Accounts payable – other	2,258	1,112
Others	2,278	2,655
Total current liabilities	15,854	16,626
Non-current liabilities		
Long-term loans payable	2,244	2,096
Lease obligations	53	47
Provision for directors' retirement benefits	596	554
Provision for retirement benefits	156	236
Others	44	50
Total non-current liabilities	3,095	2,985
Total liabilities	18,949	19,611
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	41,311	41,634
Treasury shares	-2,526	-2,620
Total shareholders' equity	46,353	46,582
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	252	311
Deferred gains or losses on hedges	86	-149
Foreign currency translation adjustments	770	673
Remeasurements of defined benefit plans	-14	-13
Total accumulated other comprehensive income	1,094	821
Minority interests	1	0
Total net assets	47,449	47,404
Total liabilities and net assets	66,398	67,016

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

(millions of yen)

	FY3/14 1Q (April 1, 2013 – June 30, 2013)	FY3/15 1Q (April 1, 2014 – June 30, 2014)
Net sales	43,133	42,940
Cost of sales	38,729	39,138
Gross profit	4,403	3,802
Selling, general, and administrative expenses	2,996	2,870
Operating income	1,407	931
Non-operating income		
Interest income	0	1
Dividend income	7	9
Share of profit of entities accounted for using equity method	39	135
Purchase discounts	5	4
House rent income	15	15
Others	9	17
Total non-operating income	77	182
Non-operating expenses		
Interest expenses	11	10
Foreign exchange losses	59	3
Cost of lease revenue	19	19
Others	9	9
Total non-operating expenses	99	42
Ordinary income	1,385	1,072
Income before income taxes and minority interests	1,385	1,072
Income taxes – current	298	210
Income taxes – deferred	217	147
Total income taxes	515	358
Income before minority interests	870	713
Minority interests in loss	-1	-0
Net income	871	714

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/14 1Q (April 1, 2013 – June 30, 2013)	FY3/15 1Q (April 1, 2014 – June 30, 2014)
Income before minority interests	870	713
Other comprehensive income		
Valuation difference on available-for-sale securities	24	59
Deferred gains or losses on hedges	543	-236
Foreign currency translation adjustments	383	-68
Remeasurements of defined benefit plans	-	1
Share of other comprehensive income of affiliates accounted for using equity method	69	-28
Total other comprehensive income	1,021	-272
Comprehensive income	1,891	440
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,892	441
Comprehensive income attributable to minority interests	-1	-0

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/14 1Q (April 1, 2013 – June 30, 2013)	FY3/15 1Q (April 1, 2014 – June 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	1,385	1,072
Depreciation	270	328
Increase (decrease) in allowance for doubtful accounts ('-' means decrease)	-1	1
Increase (decrease) in provision for bonuses ('-' means decrease)	-262	-262
Increase (decrease) in provision for retirement benefits ('-' means decrease)	-23	-
Increase (decrease) in net defined benefit liability ('-' means decrease)	-	-32
Increase (decrease) in provision for directors' retirement bonuses ('-' means decrease)	11	-42
Interest and dividend income	-8	-10
Interest expenses	11	10
Share of (profit) loss of entities accounted for using equity method	-39	-135
Decrease (increase) in notes and accounts receivable – trade ('-' means increase)	232	-1,911
Decrease (increase) in accounts receivable – other ('-' means increase)	65	154
Decrease (increase) in inventories ('-' means increase)	-2,052	-873
Increase (decrease) in accounts payable – trade ('-' means decrease)	209	-173
Increase (decrease) in accounts payable – other ('-' means decrease)	-100	-51
Others	-66	608
Subtotal	-368	-1,317
Interest and dividend income received	8	10
Interest paid	-11	-10
Income taxes paid	-1,145	-482
Cash flows from operating activities	-1,517	-1,800
Cash flows from investing activities		
Purchase of property, plant and equipment	-213	-1,178
Purchase of intangible assets	-28	-6
Purchase of investment securities	-1	-1
Others	-10	-9
Cash flows from investing activities	-254	-1,195

(millions of yen)

	FY3/14 1Q (April 1, 2013 – June 30, 2013)	FY3/15 1Q (April 1, 2014 – June 30, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable ('-' means decrease)	469	2,349
Repayments of long-term loans payable	-223	-180
Purchase of treasury shares	-54	-94
Cash dividends paid	-324	-320
Others	-15	-11
Cash flows from financing activities	-148	1,742
Effect of exchange rate change on cash and cash equivalents	233	-40
Change in cash and cash equivalents ('-' means decrease)	-1,687	-1,293
Cash and cash equivalents at beginning of period	8,582	6,798
Cash and cash equivalents at end of period	6,895	5,504

(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 1Q (April 1, 2014 – June 30, 2014)

There is nothing to report.

(Segment Information, etc.)

I. FY3/14 1Q (April 1, 2013 – June 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					
(1) Net sales to external parties	32,262	10,870	43,133	—	43,133
(2) Intersegment sales and transfers	1	13	14	-14	—
Total	32,263	10,884	43,147	-14	43,133
Segment income	1,234	172	1,407	—	1,407

(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 1Q (April 1, 2014 – June 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	30,012	12,928	42,940	—	42,940
(2) Intersegment sales and transfers	1	17	18	-18	—
Total	30,013	12,946	42,959	-18	42,940
Segment income	650	280	931	—	931

(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 reviewed the calculation method for retirement benefit obligations and service costs, retaining the straight-line method to attribute projected retirement benefit obligations to each fiscal period and changing the method for determining the discount rate to multiple discount rates for each period.

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