



FY3/14 1-2Q Consolidated Financial Statements [J-GAAP]

November 11, 2013

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. FY3/14 1-2Q consolidated results (April 1, 2013 – September 30, 2013)

(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)	(%)
FY3/14 1-2Q	83,872	3.3	2,408	33.2	2,664	32.8	1,736	30.3
FY3/13 1-2Q	81,204	-16.7	1,808	-54.6	2,006	-49.6	1,332	-45.9

(Note) Comprehensive income: FY3/14 1-2Q: ¥2,463 million (95.5%) FY3/13 1-2Q: ¥1,259 million (-53.4%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/14 1-2Q	64.32	—
FY3/13 1-2Q	48.44	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/14 1-2Q	63,919	46,400	72.6
End-FY3/13	63,136	44,460	70.4

(Reference) Shareholders' equity: End-FY3/14 2Q: ¥46,400 million End-FY3/13: ¥44,457 million

2. Dividends

	Annual Dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/13	—	12.00	—	12.00	24.00
FY3/14	—	12.00			
FY3/14 (Projections)			—	12.00	24.00

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

3. Consolidated earnings projections for FY3/14 (April 1, 2013 – March 31, 2014)

(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)
FY3/14	173,000	3.4	5,600	0.6	6,000	-1.4	3,920	-2.2	145.17

(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: No
 - 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-FY3/14 1-2Q	28,908,581 shares	End-FY3/13	28,908,581 shares
2) Number of treasury stock	End-FY3/14 1-2Q	2,008,964 shares	End-FY3/13	1,851,230 shares
3) Average number of shares during the period	FY3/14 1-2Q	27,001,371 shares	FY3/13 1-2Q	27,507,568 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 six months of the current fiscal year, the Japanese economy showed signs of a pickup, such as a recovery in earnings at exporters due to the correction in the value of the yen, and an increase in public spending, including earthquake rebuilding demand, supported by the government's monetary and fiscal policies. However, the outlook for the economy remained uncertain due to the impact of rising prices from the weak yen and concerns about a downturn in the global economy.

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 of the Group's gold and silver products declined compared with the same period a year earlier, amid signs that production conditions are becoming more polarized at key customers in the semiconductor and electronic parts sectors. However, sales as a whole in the division increased year on year on the back of higher sales of platinum metal products and electronic materials.

In the environmental division, the volume of industrial waste handled by the Group increased. However, sales in the division declined year on year due to a fall in the volume and the price of silver recovered from photosensitive materials.

As a result, net sales for the precious metals business segment totaled ¥61,990 million (up 2.4% year on year), and operating income was ¥2,090 million (up 36.6% year on year).

Food business segment

The food division continued to face a challenging operating environment due to an entrenched focus on lower-priced food products by consumers and a rise in raw material prices caused mainly by the weaker yen. Against this backdrop, sales of vegetables and other agricultural products declined year on year due to a drop in sales volume, but sales volume for seafood products and livestock products grew, supporting an increase in sales year on year.

As a result, net sales for the food business segment were ¥21,910 million (up 5.9% year on year), and operating income was ¥318 million (up 14.4% year on year).

As a result of the above, for the first six months of the fiscal year ending March 31, 2014, consolidated net sales were ¥83,872 million (up 3.3% year on year), operating income was ¥2,408 million (up 33.2% year on year), ordinary income was ¥2,664 million (up 32.8% year on year), and net income was ¥1,736 million (up 30.3% 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 ¥63,919 million, an increase of ¥783 million from the previous fiscal year end. This mainly reflected increases in cash and deposits, and inventories, outweighing a decline in notes and accounts receivable – trade.

Liabilities

Total liabilities as of the end of the first six months were ¥17,518 million, a decrease of ¥1,156 million from the previous fiscal year end. This mainly reflected a decline in accrued income taxes and other accounts payable, which was greater than the increase in notes and accounts payable – trade.

Net assets

Net assets as of the end of the first six months were ¥46,400 million, an increase of ¥1,939 million from the previous fiscal year end. This primarily reflected an increase in profits generated during the six months under review.

(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 ¥9,701 million, an increase of ¥1,119 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities generated net cash of ¥1,752 million. This mainly reflected the difference between the increase in income before income taxes on the one hand and the corresponding increase in income taxes paid, the decrease in notes and accounts receivable—trade, and the increase in inventories on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥145 million, net cash used in operating activities increased by ¥1,897 million.

Cash flows from investing activities

Investing activities used net cash of ¥460 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 ¥1,301 million, net cash used in investing activities decreased by ¥840 million.

Cash flows from financing activities

Financing activities used net cash of ¥419 million. This was mainly due to dividend payment. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥1,663 million, net cash used in financing activities decreased by ¥1,244 million.

(3) Qualitative information on consolidated earnings projections

The Group has revised its consolidated earnings projections for FY3/14, which were announced on May 13, 2013, in order to factor in the weaker-than-expected results for the first six months of the fiscal year.

We have made no change to our dividend forecast announced on May 13, 2013 (year-end dividend of ¥12 per share).

.Consolidated earnings projections for FY3/14 (April 1, 2013 – March 31, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced projection (A)	175,000	6,200	6,500	4,140	153.26
Revised projection (B)	173,000	5,600	6,000	3,920	145.17
Change (B-A)	-2,000	-600	-500	-220	-8.09
Change (%)	-1.1	-9.7	-7.7	-5.3	-5.3
(Reference) FY3/13	167,263	5,568	6,085	4,008	146.51

2. Matters concerning summary information (notes)

(1) Changes in significant subsidiaries during the period

There is nothing to report.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/13 (As of March 31, 2013)	FY3/14 1-2Q (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	8,587	9,701
Notes and accounts receivable – trade	18,813	17,743
Merchandise and finished goods	8,596	9,249
Work in process	174	239
Raw materials and supplies	5,729	5,839
Deferred tax assets	595	541
Other accounts receivable	1,132	851
Others	1,750	1,666
Allowance for doubtful accounts	-43	-39
Total current assets	45,336	45,792
Fixed assets		
Property, plant and equipment		
Buildings and structures	5,809	5,955
Accumulated depreciation	-3,512	-3,654
Buildings and structures, net	2,296	2,300
Machinery and delivery equipment	4,929	5,093
Accumulated depreciation	-3,983	-4,132
Machinery and delivery equipment, net	945	960
Land	7,629	7,704
Leased assets	425	422
Accumulated depreciation	-306	-312
Leased assets, net	118	109
Construction in progress	2,248	2,293
Others	940	1,030
Accumulated depreciation	-622	-682
Others, net	317	347
Total property, plant and equipment	13,557	13,716
Intangible fixed assets		
Others	329	267
Total intangible fixed assets	329	267
Investments and other assets		
Investment securities	2,588	2,818
Deferred tax assets	177	132
Others	1,424	1,396
Allowance for doubtful accounts	-277	-203
Total investments and other assets	3,913	4,143
Total fixed assets	17,800	18,126
Total assets	63,136	63,919

(millions of yen)

	End-FY3/13 (As of March 31, 2013)	FY3/14 1-2Q (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,885	8,086
Short-term loans payable	721	1,244
Current portion of long-term loans payable	714	645
Lease obligations	54	49
Accrued income taxes	1,315	867
Reserve for bonuses	615	707
Other accounts payable	1,169	768
Others	2,867	2,152
Total current liabilities	15,343	14,522
Fixed liabilities		
Long-term loans payable	2,467	2,149
Lease obligations	64	59
Reserve for retirement benefits	230	185
Reserve for directors' retirement benefits	539	562
Others	30	39
Total fixed liabilities	3,331	2,996
Total liabilities	18,675	17,518
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	38,766	40,178
Treasury stock	-2,027	-2,226
Total shareholders' equity	44,306	45,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	230
Deferred gains or losses on hedges	-22	137
Foreign currency translation adjustments	-19	511
Total accumulated other comprehensive income	151	880
Minority interests	2	0
Total net assets	44,460	46,400
Total liabilities and net assets	63,136	63,919

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

(millions of yen)

	FY3/13 1-2Q (April 1, 2012 – September 30, 2012)	FY3/14 1-2Q (April 1, 2013 – September 30, 2013)
Net sales	81,204	83,872
Cost of sales	73,484	75,751
Gross profit	7,719	8,121
Selling, general, and administrative expenses	5,910	5,712
Operating income	1,808	2,408
Non-operating income		
Interest income	1	3
Dividends income	11	10
Equity in earnings of affiliates	301	120
Purchase discounts	13	10
House rent income	31	30
Commission income	1	174
Others	37	18
Total non-operating income	398	368
Non-operating expenses		
Interest expenses	22	20
Foreign exchange losses	108	46
Cost of lease revenue	32	32
Others	37	13
Total non-operating expenses	201	112
Ordinary income	2,006	2,664
Income before income taxes	2,006	2,664
Income taxes – current	731	882
Income taxes – deferred	-58	48
Total income taxes	673	930
Income before minority interests	1,332	1,733
Minority interests in loss	–	-2
Net income	1,332	1,736

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/13 1-2Q (April 1, 2012 – September 30, 2012)	FY3/14 1-2Q (April 1, 2013 – September 30, 2013)
Income before minority interests	1,332	1,733
Other comprehensive income		
Valuation difference on available-for-sale securities	-28	38
Deferred gains or losses on hedges	-120	160
Foreign currency translation adjustments	63	417
Share of other comprehensive income of affiliates accounted for using equity method	12	113
Total other comprehensive income	-72	729
Comprehensive income	1,259	2,463
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,259	2,465
Comprehensive income attributable to minority interests	—	-2

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/13 1-2Q (April 1, 2012 – September 30, 2012)	FY3/14 1-2Q (April 1, 2013 – September 30, 2013)
Cash flows from operating activities		
Income before income taxes	2,006	2,664
Depreciation and other amortization	560	484
Change in allowance for doubtful accounts ('-' means decrease)	110	-77
Change in allowance for bonuses ('-' means decrease)	89	92
Change in allowance for retirement benefits ('-' means decrease)	-5	-46
Change in allowance for directors' retirement bonuses ('-' means decrease)	22	22
Interest and dividends income	-13	-13
Interest expense	22	20
Equity in earnings or losses of affiliates ('-' means earnings)	-301	-120
Change in notes and accounts receivable – trade ('-' means increase)	1,758	1,110
Change in other accounts receivable ('-' means increase)	-492	264
Change in inventories ('-' means increase)	-1,305	-600
Change in accounts payable – trade ('-' means decrease)	-1,098	39
Change in other accounts payable ('-' means decrease)	645	-392
Others	-655	-459
Subtotal	1,343	2,989
Interest and dividends received	71	81
Interest paid	-22	-20
Income taxes paid	-1,537	-1,297
Cash flows from operating activities	-145	1,752
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,252	-393
Proceeds from sale of property, plant and equipment	9	–
Purchase of intangible fixed assets	-45	-39
Purchase of investment securities	-4	-4
Sale of investment securities	31	–
Others	-39	-22
Cash flows from investing activities	-1,301	-460
Cash flows from financing activities		
Net change in short-term loans payable ('-' means decrease)	-690	523
Repayment of long-term loans payable	-349	-387
Purchase of treasury stock	-255	-198
Dividends paid	-331	-324
Others	-37	-32
Cash flows from financing activities	-1,663	-419
Effect of exchange rate change on cash and cash equivalents	49	247
Change in cash and cash equivalents ('-' means decrease)	-3,061	1,119
Cash and cash equivalents at beginning of period	9,948	8,582
Cash and cash equivalents at end of period	6,886	9,701

(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)

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

There is nothing to report.

(Segment Information, etc.)

I. FY3/13 1-2Q (April 1, 2012 – September 30, 2012)

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	60,537	20,667	81,204	—	81,204
(2) Intersegment sales and transfers	2	24	26	-26	—
Total	60,539	20,691	81,231	-26	81,204
Segment income	1,530	278	1,808	—	1,808

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

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	61,988	21,884	83,872	—	83,872
(2) 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.