



FY3/14 1-3Q Consolidated Financial Statements [J-GAAP]

February 12, 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. FY3/14 1-3Q consolidated results (April 1, 2013 – December 31, 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 1-3Q	125,611	1.2	3,585	-12.7	4,050	-10.5	2,657	-11.4
FY3/13 1-3Q	124,133	-15.0	4,108	-28.3	4,524	-22.7	2,998	-15.9

(Note) Comprehensive income: FY3/14 1-3Q: ¥3,486 million (14.1%) FY3/13 1-3Q: ¥3,056 million (-10.3%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/14 1-3Q	98.64	—
FY3/13 1-3Q	109.29	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/14 1-3Q	65,778	46,902	71.3
End-FY3/13	63,136	44,460	70.4

(Reference) Shareholders' equity: End-FY3/14 3Q: ¥46,901 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	166,000	-0.8	4,500	-19.2	5,000	-17.8	3,320	-17.2	123.24

(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 1-3Q	28,908,581 shares	End-FY3/13	28,908,581 shares
2) Number of treasury stock	End-FY3/14 1-3Q	2,151,290 shares	End-FY3/13	1,851,230 shares
3) Average number of shares during the period	FY3/14 1-3Q	26,937,303 shares	FY3/13 1-3Q	27,433,981 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 nine months of the current fiscal year, the Japanese economy continued to recover at a moderate pace, supported by a pickup in exports due to the weak yen and a spike in demand ahead of the hike in consumption tax. However, the global economy lacked strength and the outlook remained uncertain.

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 electronic materials and platinum metal products increased, supported by a moderate recovery in production at key customers in the semiconductor and electronic parts sectors. However, sales as a whole in the division declined year on year due to weaker sales of gold and silver products.

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 price of silver recovered from photosensitive materials.

As a result, net sales for the precious metals business segment totaled ¥90,056 million (down 1.7% year on year), and operating income was ¥2,940 million (down 18.5% year on year).

Food business segment

The food division continued to face a challenging operating environment due to sluggish consumer spending and the rising cost of raw materials, partly due to the impact of the weak yen. Against this backdrop, sales volume for seafood products and livestock products grew, supporting an increase in sales year on year. Sales of vegetables and other agricultural products also increased, with higher prices offsetting the impact of a decline in volumes compared with the previous fiscal year.

As a result, net sales for the food business segment were ¥35,598 million (up 9.2% year on year), and operating income was ¥644 million (up 28.4% year on year).

As a result of the above, for the first nine months of the fiscal year ending March 31, 2014, consolidated net sales were ¥125,611 million (up 1.2% year on year), operating income was ¥3,585 million (down 12.7% year on year), ordinary income was ¥4,050 million (down 10.5% year on year), and net income was ¥2,657 million (down 11.4% 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 nine months were ¥65,778 million, an increase of ¥2,642 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 nine months were ¥18,875 million, an increase of ¥200 million from the previous fiscal year end. This mainly reflected the increases in notes and accounts payable – trade and loans payable, which was greater than the decreases in other accounts payable, accrued income taxes and reserve for bonuses.

Net assets

Net assets as of the end of the first nine months were ¥46,902 million, an increase of ¥2,441 million from the previous fiscal year end. This primarily reflected an increase in profits generated during the nine months under review.

(2) Cash flows status

As of the end of the first nine months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥5,188 million, a decrease of ¥3,394 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥3,279 million. This mainly reflected the difference between the increase in income before income taxes on the one hand and a corresponding increase in income taxes paid, an increase in notes and accounts receivable—trade, and an increase in inventories on the other. The increase in inventories was related to stock building due to the startup of a new plant. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥698 million, cash generated by operating activities declined ¥3,978 million.

Cash flows from investing activities

Investing activities used net cash of ¥543 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 ¥1,543 million, net cash used in investing activities decreased by ¥1,000 million.

Cash flows from financing activities

Financing activities generated net cash of ¥205 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 ¥958 million, net cash generated in financing activities increased by ¥1,163 million.

(3) Qualitative information on consolidated earnings projections

As shown in the table below, the Group has revised its consolidated earnings projections for FY3/14, which were announced on November 11, 2013, in order to factor in earnings performance for the first nine 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)	173,000	5,600	6,000	3,920	145.17
Revised projection (B)	166,000	4,500	5,000	3,320	123.24
Change (B-A)	-7,000	-1,100	-1,000	-600	—
Change (%)	-4.0	-19.6	-16.7	-15.3	—
(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 1-3Q (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	8,587	5,188
Notes and accounts receivable – trade	18,813	20,214
Merchandise and finished goods	8,596	12,381
Work in process	174	256
Raw materials and supplies	5,729	5,941
Deferred tax assets	595	317
Other accounts receivable	1,132	904
Others	1,750	2,464
Allowance for doubtful accounts	-43	-46
Total current assets	45,336	47,622
Fixed assets		
Property, plant and equipment		
Buildings and structures	5,809	5,915
Accumulated depreciation	-3,512	-3,693
Buildings and structures, net	2,296	2,221
Machinery and delivery equipment	4,929	5,099
Accumulated depreciation	-3,983	-4,208
Machinery and delivery equipment, net	945	891
Land	7,629	7,684
Leased assets	425	420
Accumulated depreciation	-306	-328
Leased assets, net	118	92
Construction in progress	2,248	2,383
Others	940	1,022
Accumulated depreciation	-622	-706
Others, net	317	316
Total property, plant and equipment	13,557	13,589
Intangible fixed assets		
Others	329	220
Total intangible fixed assets	329	220
Investments and other assets		
Investment securities	2,588	3,039
Deferred tax assets	177	98
Others	1,424	1,412
Allowance for doubtful accounts	-277	-204
Total investments and other assets	3,913	4,346
Total fixed assets	17,800	18,155
Total assets	63,136	65,778

(millions of yen)

	End-FY3/13 (As of March 31, 2013)	FY3/14 1-3Q (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,885	8,494
Short-term loans payable	721	2,570
Current portion of long-term loans payable	714	624
Lease obligations	54	45
Accrued income taxes	1,315	262
Reserve for bonuses	615	313
Other accounts payable	1,169	837
Others	2,867	2,889
Total current liabilities	15,343	16,037
Fixed liabilities		
Long-term loans payable	2,467	2,006
Lease obligations	64	46
Reserve for retirement benefits	230	159
Reserve for directors' retirement benefits	539	573
Others	30	52
Total fixed liabilities	3,331	2,838
Total liabilities	18,675	18,875
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	38,766	40,775
Treasury stock	-2,027	-2,426
Total shareholders' equity	44,306	45,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	275
Deferred gains or losses on hedges	-22	264
Foreign currency translation adjustments	-19	443
Total accumulated other comprehensive income	151	983
Minority interests	2	1
Total net assets	44,460	46,902
Total liabilities and net assets	63,136	65,778

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

(millions of yen)

	FY3/13 1-3Q (April 1, 2012 – December 31, 2012)	FY3/14 1-3Q (April 1, 2013 – December 31, 2013)
Net sales	124,133	125,611
Cost of sales	111,253	113,401
Gross profit	12,880	12,210
Selling, general, and administrative expenses	8,771	8,625
Operating income	4,108	3,585
Non-operating income		
Interest income	4	3
Dividends income	18	19
Equity in earnings of affiliates	379	274
Purchase discounts	19	13
House rent income	46	45
Commission income	3	187
Others	54	25
Total non-operating income	526	569
Non-operating expenses		
Interest expenses	33	29
Foreign exchange losses	7	6
Cost of lease revenue	46	46
Others	24	21
Total non-operating expenses	111	104
Ordinary income	4,524	4,050
Income before income taxes	4,524	4,050
Income taxes – current	1,395	1,148
Income taxes – deferred	129	248
Total income taxes	1,525	1,396
Income before minority interests	2,998	2,653
Minority interests in loss	–	-3
Net income	2,998	2,657

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/13 1-3Q (April 1, 2012 – December 31, 2012)	FY3/14 1-3Q (April 1, 2013 – December 31, 2013)
Income before minority interests	2,998	2,653
Other comprehensive income		
Valuation difference on available-for-sale securities	-10	83
Deferred gains or losses on hedges	-19	286
Foreign currency translation adjustments	90	354
Share of other comprehensive income of affiliates accounted for using equity method	-2	107
Total other comprehensive income	57	832
Comprehensive income	3,056	3,486
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,056	3,489
Comprehensive income attributable to minority interests	—	-3

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/13 1-3Q (April 1, 2012 – December 31, 2012)	FY3/14 1-3Q (April 1, 2013 – December 31, 2013)
Cash flows from operating activities		
Income before income taxes	4,524	4,050
Depreciation and other amortization	850	734
Change in allowance for doubtful accounts ('-' means decrease)	100	-69
Change in allowance for bonuses ('-' means decrease)	-314	-302
Change in allowance for retirement benefits ('-' means decrease)	-9	-72
Change in allowance for directors' retirement bonuses ('-' means decrease)	33	33
Interest and dividends income	-23	-22
Interest expense	33	29
Equity in earnings or losses of affiliates ('-' means earnings)	-379	-274
Change in notes and accounts receivable – trade ('-' means increase)	404	-1,375
Change in other accounts receivable ('-' means increase)	435	217
Change in inventories ('-' means increase)	-1,017	-3,888
Change in accounts payable – trade ('-' means decrease)	-1,063	476
Change in other accounts payable ('-' means decrease)	-288	-322
Others	-363	-375
Subtotal	2,921	-1,160
Interest and dividends received	81	93
Interest paid	-34	-29
Income taxes paid	-2,270	-2,182
Cash flows from operating activities	698	-3,279
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,484	-455
Proceeds from sale of property, plant and equipment	10	–
Purchase of intangible fixed assets	-47	-39
Purchase of investment securities	-6	-7
Sale of investment securities	31	–
Others	-46	-41
Cash flows from investing activities	-1,543	-543
Cash flows from financing activities		
Net change in short-term loans payable ('-' means decrease)	-93	1,849
Proceeds from long-term loans payable	800	–
Repayment of long-term loans payable	-523	-550
Purchase of treasury stock	-425	-398
Dividends paid	-659	-647
Others	-55	-47
Cash flows from financing activities	-958	205
Effect of exchange rate change on cash and cash equivalents	64	223
Change in cash and cash equivalents ('-' means decrease)	-1,738	-3,394
Cash and cash equivalents at beginning of period	9,948	8,582
Cash and cash equivalents at end of period	8,209	5,188

(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 1-3Q (April 1, 2013 – December 31, 2013)

There is nothing to report.

(Segment Information, etc.)

I. FY3/13 1-3Q (April 1, 2012 – December 31, 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	91,582	32,551	124,133	—	124,133
(2) Intersegment sales and transfers	3	35	39	-39	—
Total	91,586	32,586	124,173	-39	124,133
Segment income	3,606	502	4,108	—	4,108

(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 1-3Q (April 1, 2013 – December 31, 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	90,052	35,558	125,611	—	125,611
(2) Intersegment sales and transfers	3	40	43	-43	—
Total	90,056	35,598	125,654	-43	125,611
Segment income	2,940	644	3,585	—	3,585

(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.