



FY3/15 3Q Consolidated Financial Statements [J-GAAP]

February 12, 2015

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 3Q consolidated results (April 1, 2014 – December 31, 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 3Q	134,539	7.1	3,696	3.1	4,009	-1.0	2,779	4.6
FY3/14 3Q	125,611	1.2	3,585	-12.7	4,050	-10.5	2,657	-11.4

(Note) Comprehensive income: FY3/15 3Q: ¥3,171 million (-9.0%) FY3/14 3Q: ¥3,486 million (14.1%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/15 3Q	104.41	—
FY3/14 3Q	98.64	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/15 3Q	72,951	49,813	68.3
End-FY3/14	66,398	47,449	71.5

(Reference) Shareholders' equity: End-FY3/15 3Q: ¥49,811 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)				13.00	25.00

(Note) Revisions to the most recently announced projections of dividends: Yes

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	180,000	8.8	5,500	22.1	5,900	20.6	4,100	28.4	154.03

(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: Yes
- (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 3Q	28,908,581 shares	End-FY3/14	28,908,581 shares
2) Number of treasury shares	End-FY3/15 3Q	2,308,829 shares	End-FY3/14	2,228,187 shares
3) Average number of shares during the period	FY3/15 3Q	26,617,197 shares	FY3/14 3Q	26,937,303 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 nine months of the current fiscal year, the Japanese economy continued to recover at a moderate pace, supported by factors such as an upturn in corporate earnings, particularly at large companies in the manufacturing sector. However, the outlook for the economy remained uncertain due to a prolonged pullback in demand after the hike to consumption tax and weak consumer spending amid rising prices caused by the weak yen.

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 increased year on year amid a continued moderate 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. The price of precious metals, excluding silver, rose. As a result, sales as a whole in the division were higher 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 ¥92,580 million (up 2.8% year on year), and operating income was ¥2,794 million (down 4.9% year on year).

Food business segment

Despite an ongoing moderate recovery in the domestic economy, the food business segment continued to face a challenging operating environment due to weak consumer spending 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 ¥42,010 million (up 18.0% year on year), and operating income was ¥901 million (up 39.8% year on year).

As a result of the above, for the first nine months of the fiscal year ending March 31, 2015, consolidated net sales were ¥134,539 million (up 7.1% year on year), operating income was ¥3,696 million (up 3.1% year on year), ordinary income was ¥4,009 million (down 1.0% year on year), and net income was ¥2,779 million (up 4.6% 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 ¥72,951 million, an increase of ¥6,552 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 ¥23,137 million, an increase of ¥4,188 million from the previous fiscal year end. This mainly reflected an increase in loans payable, which was greater than the decrease in other accounts payable.

Net assets

Net assets as of the end of the first nine months were ¥49,813 million, an increase of ¥2,364 million from the previous fiscal year end. This mainly reflected an increase from profit growth in the first nine 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 nine months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥5,497 million, a decrease of ¥1,300 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥3,506 million. This mainly reflected the difference between cash provided from income before income taxes and depreciation 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 used net cash of ¥3,279 million, cash used by operating activities declined ¥227 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,914 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 ¥543 million, net cash used in investing activities increased by ¥1,370 million.

Cash flows from financing activities

Financing activities generated net cash of ¥4,009 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 generated net cash of ¥205 million, net cash generated in financing activities increased by ¥3,804 million.

(3) Qualitative information on consolidated earnings projections

As shown in the table below, the Group has revised its consolidated earnings projections for FY3/15, which were announced on November 14, 2014, in order to factor in the impact of higher profit margins and precious metal prices in the precious metals business segment.

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

	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)
Previous forecast (A)	170,000	4,700	5,000	3,270	122.81
Revised forecast (B)	180,000	5,500	5,900	4,100	154.03
Change (B-A)	10,000	800	900	830	—
Change (%)	5.9	17.0	18.0	25.4	—
(Ref.) FY3/14	165,416	4,503	4,893	3,192	118.75

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 paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the change in calculation method of retirement benefit liabilities and prior service costs is adjusted in retained earnings at the start of the third quarter of the current fiscal year.

As a result, at the start of the third 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 income before income taxes in the first nine 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 3Q (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	6,798	5,626
Notes and accounts receivable – trade	16,482	22,499
Merchandise and finished goods	12,828	14,322
Work in process	313	315
Raw materials and supplies	6,235	6,662
Deferred tax assets	420	374
Accounts receivable – other	1,547	691
Others	2,597	2,903
Allowance for doubtful accounts	-43	-46
Total current assets	47,181	53,347
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,664	7,780
Accumulated depreciation	-3,760	-4,015
Buildings and structures, net	3,903	3,765
Machinery, equipment and vehicles	6,776	6,988
Accumulated depreciation	-4,385	-4,943
Machinery, equipment and vehicles, net	2,390	2,044
Land	7,773	7,811
Leased assets	264	229
Accumulated depreciation	-163	-138
Leased assets, net	101	90
Construction in progress	126	406
Others	997	1,033
Accumulated depreciation	-682	-753
Others, net	314	279
Total property, plant and equipment	14,610	14,398
Intangible assets		
Others	215	185
Total intangible assets	215	185
Investments and other assets		
Investment securities	3,040	3,606
Deferred tax assets	119	35
Others	1,436	1,569
Allowance for doubtful accounts	-205	-190
Total investments and other assets	4,390	5,019
Total fixed assets	19,216	19,603
Total assets	66,398	72,951

(millions of yen)

	End-FY3/14 (As of March 31, 2014)	End-FY3/15 3Q (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,095	8,395
Short-term loans payable	1,347	6,606
Current portion of long-term loans payable	623	890
Lease obligations	47	34
Income taxes payable	579	420
Provision for bonuses	623	319
Accounts payable – other	2,258	828
Others	2,278	3,288
Total current liabilities	15,854	20,785
Non-current liabilities		
Long-term loans payable	2,244	1,501
Lease obligations	53	55
Provision for directors' retirement benefits	596	576
Net defined benefit liability	156	182
Others	44	36
Total non-current liabilities	3,095	2,352
Total liabilities	18,949	23,137
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	41,311	43,378
Treasury shares	-2,526	-2,621
Total shareholders' equity	46,353	48,324
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	252	403
Deferred gains or losses on hedges	86	-91
Foreign currency translation adjustments	770	1,184
Remeasurements of defined benefit plans	-14	-9
Total accumulated other comprehensive income	1,094	1,486
Minority interests	1	1
Total net assets	47,449	49,813
Total liabilities and net assets	66,398	72,951

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/14 3Q (April 1, 2013 – December 31, 2013)	FY3/15 3Q (April 1, 2014 – December 31, 2014)
Net sales	125,611	134,539
Cost of sales	113,401	122,311
Gross profit	12,210	12,227
Selling, general, and administrative expenses	8,625	8,531
Operating income	3,585	3,696
Non-operating income		
Interest income	3	6
Dividend income	19	17
Share of profit of entities accounted for using equity method	274	313
Purchase discounts	13	12
House rent income	45	27
Insurance income	187	18
Others	25	34
Total non-operating income	569	430
Non-operating expenses		
Interest expenses	29	33
Foreign exchange losses	6	43
Cost of lease revenue	46	19
Others	21	20
Total non-operating expenses	104	116
Ordinary income	4,050	4,009
Income before income taxes	4,050	4,009
Income taxes – current	1,148	1,074
Income taxes – deferred	248	154
Total income taxes	1,396	1,229
Income before income taxes and minority interests	2,653	2,779
Minority interests in income (losses)	-3	0
Net income	2,657	2,779

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/14 3Q (April 1, 2013 – December 31, 2013)	FY3/15 3Q (April 1, 2014 – December 31, 2014)
Income before minority interests	2,653	2,779
Other comprehensive income		
Valuation difference on available-for-sale securities	83	150
Deferred gains or losses on hedges	286	-178
Foreign currency translation adjustments	354	367
Remeasurements of defined benefit plans	-	5
Share of other comprehensive income of affiliates accounted for using equity method	107	46
Total other comprehensive income	832	392
Comprehensive income	3,486	3,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,489	3,171
Comprehensive income attributable to minority interests	-3	0

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/14 3Q (April 1, 2013 – December 31, 2013)	FY3/15 3Q (April 1, 2014 – December 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	4,050	4,009
Depreciation	734	981
Increase (decrease) in allowance for doubtful accounts ('-' means decrease)	-69	-11
Increase (decrease) in provision for bonuses ('-' means decrease)	-302	-303
Increase (decrease) in provision for retirement benefits ('-' means decrease)	-72	-
Increase (decrease) in net defined benefit liability ('-' means decrease)	-	-81
Increase (decrease) in provision for directors' retirement bonuses ('-' means decrease)	33	-20
Interest and dividend income	-22	-23
Interest expenses	29	33
Share of (profit) loss of entities accounted for using equity method	-274	-313
Decrease (increase) in notes and accounts receivable – trade ('-' means increase)	-1,375	-5,937
Decrease (increase) in accounts receivable – other ('-' means increase)	217	676
Decrease (increase) in inventories ('-' means increase)	-3,888	-1,813
Increase (decrease) in accounts payable – trade ('-' means decrease)	476	237
Increase (decrease) in accounts payable – other ('-' means decrease)	-322	-397
Others	-375	654
Subtotal	-1,160	-2,308
Interest and dividend income received	93	55
Interest paid	-29	-33
Income taxes paid	-2,182	-1,219
Cash flows from operating activities	-3,279	-3,506
Cash flows from investing activities		
Payments into time deposits	-	-121
Purchase of property, plant and equipment	-455	-1,633
Purchase of intangible assets	-39	-14
Purchase of investment securities	-7	-7
Others	-41	-137
Cash flows from investing activities	-543	-1,914

(millions of yen)

	FY3/14 3Q (April 1, 2013 – December 31, 2013)	FY3/15 3Q (April 1, 2014 – December 31, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable ('-' means decrease)	1,849	5,259
Repayments of long-term loans payable	-550	-475
Purchase of treasury shares	-398	-95
Cash dividends paid	-647	-639
Others	-47	-39
Cash flows from financing activities	205	4,009
Effect of exchange rate change on cash and cash equivalents	223	110
Change in cash and cash equivalents ('-' means decrease)	-3,394	-1,300
Cash and cash equivalents at beginning of period	8,582	6,798
Cash and cash equivalents at end of period	5,188	5,497

(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 3Q (April 1, 2014 – December 31, 2014)

There is nothing to report.

(Segment Information, etc.)

I. FY3/14 3Q (April 1, 2013 – December 31, 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	90,052	35,558	125,611	—	125,611
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.

2. Matters concerning changes in reportable segments, etc.

There is nothing to report.

II. FY3/15 3Q (April 1, 2014 – December 31, 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	92,577	41,961	134,539	—	134,539
Intersegment sales and transfers	3	48	52	-52	—
Total	92,580	42,010	134,591	-52	134,539
Segment income	2,794	901	3,696	—	3,696

(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 nine months of the current fiscal year.