



FY3/16 3Q Consolidated Financial Statements [J-GAAP]

February 10, 2016

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
 Company code: 7456 URL: <http://www.matsuda-sangyo.co.jp>
 Representative: Yoshiaki Matsuda, President and Representative Director
 Inquiries: Atsushi Kinoshita, Director in Charge of IR TEL: +81-3-5381-0728
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 Quarterly results information meeting held: No

(Figures are rounded down to the nearest million yen)

1. FY3/16 3Q consolidated results (April 1, 2015 – December 31, 2015)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/16 3Q	126,135	(6.3)	2,756	(25.4)	3,296	(17.8)	2,239	(19.4)
FY3/15 3Q	134,539	7.1	3,696	3.1	4,009	(1.0)	2,779	4.6

(Note) Comprehensive income: FY3/16 3Q: ¥1,921 million (-39.4%) FY3/15 3Q: ¥3,171 million (-9.0%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/16 3Q	84.48	—
FY3/15 3Q	104.41	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/16 3Q	72,458	51,994	71.8
End-FY3/15	73,427	51,176	69.7

(Reference) Shareholders' equity: End-FY3/16 3Q: ¥51,991 million End-FY3/15: ¥51,173 million

2. Dividends

	Annual Dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/15	—	12.00	—	13.00	25.00
FY3/16	—	14.00	—		
FY3/16 (Projections)				14.00	28.00

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

Breakdown of interim dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

Breakdown of year-end dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

3. Consolidated earnings projections for FY3/16 (April 1, 2015 – March 31, 2016)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
FY3/16	163,000	(9.2)	3,000	(44.6)	3,600	(38.3)	2,500	(25.2)	94.32

(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: 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-FY3/16 3Q	28,908,581 shares	End-FY3/15	28,908,581 shares
2) Number of treasury shares	End-FY3/16 3Q	2,574,760 shares	End-FY3/15	2,308,999 shares
3) Average number of shares during the period	FY3/16 3Q	26,504,402 shares	FY3/15 3Q	26,617,197 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 fiscal year ending March 31, 2016, the Japanese economy continued to recover at a moderate pace, supported by an improvement in corporate earnings and the job market. However, there were some signs of weakness in consumer confidence, domestic production, exports and other areas. The outlook for the economy remained uncertain due to rising prices in Japan and concerns about a downturn in China and other emerging economies in Asia.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment worked hard to secure precious metals materials, boost sales of products such as precious metal chemical products, and expand its industrial waste treatment outsourcing business. The segment also actively upgraded business sites overseas, including the preparations to start up full-scale operations of a new precious metals refining plant by the Group's subsidiary in Vietnam. The food business segment also reinforced its overseas business sites and worked to provide products that address customer needs in order to expand sales volume.

As a result of the above, for the first nine months of the fiscal year ending March 31, 2016, consolidated net sales were ¥126,135 million (down 6.3% year on year), operating income was ¥2,756 million (down 25.4% year on year), ordinary income was ¥3,296 million (down 17.8% year on year), and profit attributable to owners of parent was ¥2,239 million (down 19.4% year on year).

Performance in the Matsuda Sangyo Group's business segments was as follows.

Precious metals business segment

In the precious metals division, production at key customers in the semiconductor and electronics parts sectors varied depending on market trends for smartphones, autos and other products, and has declined overall. Also, the photosensitive materials sector continued to face a contracting market. Against this backdrop, the Group handled lower volumes in precious metal recycling and industrial waste treatment, sales volume for precious metals products and electronic materials declined year on year, and the price of precious metals except gold fell. As a result, sales as a whole were lower than in the same period a year earlier.

As a result, net sales for the precious metals business segment totaled ¥80,864 million (down 12.7% year on year), and operating income was ¥1,896 million (down 32.1% year on year).

Food business segment

Despite modest growth in the industrial production index in the food processing sector, supported by an increase in corporate goods prices, the food business segment continued to face a challenging operating environment amid signs of persistent weakness in consumer confidence. Against this backdrop, despite a drop in sales volume for livestock products and agricultural products, sales in the segment increased year on year on the back of higher sales volume for seafood products and a broad rise in prices.

As a result, net sales for the food business segment were ¥45,323 million (up 7.9% year on year), and operating income was ¥859 million (down 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 ¥72,458 million, a decline of ¥968 million from the previous fiscal year end. This mainly reflected decreases in inventories and other current assets.

Liabilities

Total liabilities as of the end of the first nine months were ¥20,464 million, a decrease of ¥1,786 million from the previous fiscal year end. This mainly reflected a decrease in income taxes payable.

Net assets

Net assets as of the end of the first nine months were ¥51,994 million, an increase of ¥817 million from the previous fiscal year end. This was mainly attributable to an increase in profit attributable to owners of parent, which exceeded a decline in net assets due to the payment of 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 ¥6,424 million, an increase of ¥563 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥2,274 million. This mainly reflected the difference between cash provided from income before income taxes and decreases in inventories and other current assets on the one hand, and cash used due to an increase in notes and accounts receivable – trade and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥3,506 million, cash from operating activities increased by ¥5,781 million.

Cash flows from investing activities

Investing activities used net cash of ¥665 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 ¥1,914 million, cash used in investing activities declined by ¥1,249 million.

Cash flows from financing activities

Financing activities used net cash of ¥750 million. Cash was mainly used for dividend payments and purchase of treasury shares. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥4,009 million, cash from financing activities declined by ¥4,759 million.

(3) Qualitative information on consolidated earnings projections

The Company has revised its consolidated earnings projections for the fiscal year ending March 31, 2016, announced on November 13, 2015, as shown in the table below. The revisions reflect weaker-than-expected earnings for the first nine months of the fiscal year, low levels of production in the electronics sector – one of the client segments in the precious metals division – and prospects for a continued downward trend in precious metals prices.

Consolidated earnings projections for the fiscal year ending March 31, 2016 (April 1, 2015 – March 31, 2016)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(yen)
Previous projections (A)	183,000	4,600	5,100	3,400	128.28
Revised projections (B)	163,000	3,000	3,600	2,500	94.32
Change (B – A)	(20,000)	(1,600)	(1,500)	(900)	-
Change (%)	(10.9)	(34.8)	(29.4)	(26.5)	-
(Reference) FY3/15	179,523	5,410	5,832	3,342	125.61

2. Matters concerning summary information (notes)

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

(Changes in accounting policy)

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) from the first quarter of the current fiscal year. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the first quarter of the current fiscal year, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for "net income" has been changed, and references to

“minority interests” have been changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the third quarter of the previous fiscal year and the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter of the current fiscal year.

The above changes have no impact on the financial statements for the first nine months of the current fiscal year.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/15 (As of March 31, 2015)	End-FY3/16 3Q (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	6,003	6,424
Notes and accounts receivable – trade	19,218	21,746
Merchandise and finished goods	16,576	15,333
Work in process	309	272
Raw materials and supplies	6,667	5,687
Deferred tax assets	485	206
Accounts receivable – other	653	587
Others	3,501	1,989
Allowance for doubtful accounts	(41)	(9)
Total current assets	53,374	52,238
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,870	8,158
Accumulated depreciation	(4,096)	(4,272)
Buildings and structures, net	3,773	3,885
Machinery, equipment and vehicles	7,199	7,379
Accumulated depreciation	(5,115)	(5,523)
Machinery, equipment and vehicles, net	2,083	1,855
Land	7,852	7,710
Leased assets	150	279
Accumulated depreciation	(60)	(93)
Leased assets, net	89	185
Construction in progress	419	330
Others	1,047	1,045
Accumulated depreciation	(772)	(811)
Others, net	274	234
Total property, plant and equipment	14,494	14,202
Intangible assets		
Others	188	192
Total intangible assets	188	192
Investments and other assets		
Investment securities	3,911	4,338
Others	1,605	1,556
Allowance for doubtful accounts	(147)	(70)
Total investments and other assets	5,369	5,824
Total non-current assets	20,052	20,219
Total assets	73,427	72,458

(millions of yen)

	End-FY3/15 (As of March 31, 2015)	End-FY3/16 3Q (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,922	7,540
Short-term loans payable	3,582	5,017
Current portion of long-term loans payable	1,298	923
Lease obligations	33	54
Income taxes payable	1,401	84
Provision for bonuses	627	325
Accounts payable – other	856	593
Deferred tax liabilities	-	112
Others	2,779	2,550
Total current liabilities	18,502	17,200
Non-current liabilities		
Long-term loans payable	2,546	1,872
Lease obligations	56	131
Provision for directors' retirement benefits	599	626
Net defined benefit liability	113	24
Deferred tax liabilities	408	581
Others	24	26
Total non-current liabilities	3,748	3,263
Total liabilities	22,250	20,464
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	43,942	45,464
Treasury shares	(2,621)	(3,008)
Total shareholders' equity	48,888	50,023
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543	583
Deferred gains or losses on hedges	(79)	258
Foreign currency translation adjustment	1,798	1,100
Remeasurements of defined benefit plans	22	24
Total accumulated other comprehensive income	2,285	1,967
Non-controlling interests	2	2
Total net assets	51,176	51,994
Total liabilities and net assets	73,427	72,458

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

(millions of yen)

	FY3/15 3Q (April 1, 2014 – December 31, 2014)	FY3/16 3Q (April 1, 2015 – December 31, 2015)
Net sales	134,539	126,135
Cost of sales	122,311	114,259
Gross profit	12,227	11,875
Selling, general, and administrative expenses	8,531	9,119
Operating income	3,696	2,756
Non-operating income		
Interest income	6	8
Dividend income	17	19
Share of profit of entities accounted for using equity method	313	480
Purchase discounts	12	11
House rent income	27	7
Insurance income	18	6
Subsidy income	2	53
Others	32	26
Total non-operating income	430	612
Non-operating expenses		
Interest expenses	33	29
Foreign exchange losses	43	0
Cost of lease revenue	19	-
Loss on retirement of non-current assets	5	12
Others	15	30
Total non-operating expenses	116	72
Ordinary income	4,009	3,296
Income before income taxes	4,009	3,296
Income taxes – current	1,074	681
Income taxes – deferred	154	375
Total income taxes	1,229	1,056
Profit	2,779	2,239
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	2,779	2,239

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/15 3Q (April 1, 2014 – December 31, 2014)	FY3/16 3Q (April 1, 2015 – December 31, 2015)
Profit	2,779	2,239
Other comprehensive income		
Valuation difference on available-for-sale securities	150	40
Deferred gains or losses on hedges	(178)	337
Foreign currency translation adjustments	367	(684)
Remeasurements of defined benefit plans	5	2
Share of other comprehensive income (loss) of entities accounted for using equity method	46	(13)
Total other comprehensive income (loss)	392	(318)
Comprehensive income	3,171	1,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,171	1,920
Comprehensive income attributable to non-controlling interests	0	0

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/15 3Q (April 1, 2014 – December 31, 2014)	FY3/16 3Q (April 1, 2015 – December 31, 2015)
Cash flows from operating activities		
Income before income taxes	4,009	3,296
Depreciation	981	896
Increase (decrease) in allowance for doubtful accounts	(11)	(109)
Increase (decrease) in provision for bonuses	(303)	(302)
Increase (decrease) in net defined benefit liability	(81)	(85)
Increase (decrease) in provision for directors' retirement benefits	(20)	26
Interest and dividend income	(23)	(27)
Interest expenses	33	29
Share of (profit) loss of entities accounted for using equity method	(313)	(480)
Decrease (increase) in notes and accounts receivable – trade	(5,937)	(2,669)
Decrease (increase) in accounts receivable – other	676	64
Decrease (increase) in inventories	(1,813)	2,068
Increase (decrease) in accounts payable – trade	237	(233)
Increase (decrease) in accounts payable – other	(397)	(328)
Others	654	2,028
Subtotal	(2,308)	4,174
Interest and dividend income received	55	125
Interest paid	(33)	(29)
Income taxes paid	(1,219)	(1,995)
Net cash provided by (used in) operating activities	(3,506)	2,274
Cash flows from investing activities		
Payments into time deposits	(121)	-
Proceeds from withdrawal of time deposits	-	142
Purchase of property, plant and equipment	(1,633)	(688)
Purchase of intangible assets	(14)	(47)
Purchase of investment securities	(7)	(8)
Proceeds from sales of investment securities	-	2
Others	(137)	(65)
Net cash provided by (used in) investing activities	(1,914)	(665)

(millions of yen)

	FY3/15 3Q (April 1, 2014 – December 31, 2014)	FY3/16 3Q (April 1, 2015 – December 31, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,259	1,434
Repayments of long-term loans payable	(475)	(1,048)
Purchase of treasury shares	(95)	(387)
Cash dividends paid	(639)	(716)
Others	(39)	(32)
Net cash provided by (used in) financing activities	4,009	(750)
Effect of exchange rate change on cash and cash equivalents	110	(296)
Net increase (decrease) in cash and cash equivalents	(1,300)	563
Cash and cash equivalents at beginning of period	6,798	5,861
Cash and cash equivalents at end of period	5,497	6,424

(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)

FY3/16 3Q (April 1, 2015 – December 31, 2015)

There is nothing to report.

(Segment Information, etc.)

I. 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					
(1) Net sales to external parties	92,577	41,961	134,539	—	134,539
(2) 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.

II. FY3/16 3Q (April 1, 2015 – December 31, 2015)

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	80,860	45,274	126,135	—	126,135
(2) Intersegment sales and transfers	3	49	52	(52)	—
Total	80,864	45,323	126,188	(52)	126,135
Segment income	1,896	859	2,756	—	2,756

(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.