



FY3/18 1Q Consolidated Financial Statements [J-GAAP]

August 10, 2017

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. FY3/18 1Q consolidated results (April 1, 2017 – June 30, 2017)

(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)	(%)
FY3/18 1Q	45,721	17.8	1,055	99.5	1,156	113.6	761	130.8
FY3/17 1Q	38,800	(13.8)	529	(45.4)	541	(55.7)	330	(58.2)

(Note) Comprehensive income: FY3/18 1Q: ¥722 million (+2,011.9%) FY3/17 1Q: ¥34 million (-95.4%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/18 1Q	28.93	–
FY3/17 1Q	12.53	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/18 1Q	74,127	53,772	72.5
End-FY3/17	72,715	53,419	73.4

(Reference) Shareholders' equity: End-FY3/18 1Q: ¥53,737 million End-FY3/17: ¥53,390 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/17	–	14.00	–	14.00	28.00
FY3/18	–				
FY3/18 (Projections)		14.00	–	14.00	28.00

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

3. Consolidated earnings projections for FY3/18 (April 1, 2017 – March 31, 2018)

(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)
1H FY3/18	84,000	6.3	1,400	12.4	1,600	12.1	1,140	17.6	43.29
FY3/18	175,000	7.3	3,200	8.1	3,500	1.2	2,490	1.4	94.55

(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: 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 shares)	End-FY3/18 1Q	28,908,581 shares	End-FY3/17	28,908,581 shares
2) Number of treasury shares	End-FY3/18 1Q	2,575,155 shares	End-FY3/17	2,575,021 shares
3) Average number of shares during the period	FY3/18 1Q	26,333,475 shares	FY3/17 1Q	26,333,779 shares

*These quarterly financial statements are outside the scope of quarterly review procedures.

*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, 2018, the Japanese economy continued to recover at a moderate pace, supported by improving corporate earnings and employment conditions, despite some signs of weakness in consumer spending. However, the outlook remained unclear due to concerns about labor shortages in the Japanese economy and rising uncertainties in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment increased the use of production sites in Japan and overseas and stepped up marketing activities, while also working to secure precious metals materials, boost sales of products such as precious metal chemical products and expand its industrial waste treatment outsourcing business. The food business segment worked hard to develop and provide products that address customer needs and actively implemented marketing activities, which included expanding the use of overseas business, as well as domestic business sites, in order to increase sales volume.

As a result of the above, for the first three months of the fiscal year ending March 31, 2018, consolidated net sales were ¥45,721 million (up 17.8% year on year), operating income was ¥1,055 million (up 99.5% year on year), ordinary income was ¥1,156 million (up 113.6% year on year), and profit attributable to owners of parent was ¥761 million (up 130.8% 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 electronics sector was strong overall, centered on electronic parts and devices. Against this backdrop, the volume of precious metal recycling and industrial waste treatment handled by the Group's precious metals division increased year on year. Despite a drop in sales volume for silver products due to factors such as a contracting market in the photosensitive materials sector, sales volume for precious metals products and electronic materials increased and the price of precious metals rose. As a result, sales overall were higher than in the same period of the previous fiscal year.

As a result, net sales for the precious metals business segment totaled ¥28,688 million (up 17.6% year on year), and operating income was ¥613 million (up 64.2% year on year).

Food business segment

In the food business segment, production activity in the food processing sector was solid overall supported partly by rising exports, despite sluggish growth in consumer spending in Japan. In this environment, prices for *surimi* fish paste dropped and sales volume for agricultural products declined. However, sales volume increased for seafood products and livestock products, leading to higher sales compared with the same period of the previous fiscal year.

As a result, net sales for the food business segment were ¥17,047 million (up 18.1% year on year), and operating income was ¥442 million (up 184.6% 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 three months were ¥74,127 million, an increase of ¥1,412 million from the previous fiscal year end. This mainly reflected increases in notes and accounts receivable – trade and inventories.

Liabilities

Total liabilities as of the end of the first three months were ¥20,355 million, an increase of ¥1,058 million from the previous fiscal year end. This mainly reflected an increase in loans.

Net assets

Net assets as of the end of the first three months were ¥53,772 million, an increase of ¥353 million from the previous fiscal year end. This mainly reflected a decrease due to year-end cash dividends paid, outweighed by an increase in retained earnings.

(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 ¥7,029 million, an increase of ¥245 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥1,975 million. This primarily reflected the difference between cash provided from profit before income taxes on the one hand, and cash used due to increase in notes and accounts receivable – trade, increase in inventories, decrease in accounts payable – trade and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥947 million, cash from operating activities decreased by ¥2,922 million.

Cash flows from investing activities

Investing activities used net cash of ¥264 million. This was mainly due to the purchase of property, plant and equipment, such as factory equipment. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥260 million, cash used by investing activities increased by ¥3 million.

Cash flows from financing activities

Financing activities provided net cash of ¥2,513 million. This mainly reflected cash used due to year-end cash dividends paid, outweighed by cash provided by proceeds from loans. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥791 million, cash from financing activities increased by ¥3,305 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on May 12, 2017.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/17 (As of March 31, 2017)	End-FY3/18 1Q (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	6,784	7,029
Notes and accounts receivable – trade	19,954	20,484
Merchandise and finished goods	14,226	15,209
Work in process	404	423
Raw materials and supplies	6,311	6,309
Deferred tax assets	449	263
Others	2,698	2,783
Allowance for doubtful accounts	(9)	(7)
Total current assets	50,820	52,497
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,835	8,820
Accumulated depreciation	(4,597)	(4,673)
Buildings and structures, net	4,237	4,146
Machinery, equipment and vehicles	8,254	8,261
Accumulated depreciation	(6,092)	(6,252)
Machinery, equipment and vehicles, net	2,161	2,008
Land	7,791	7,779
Leased assets	644	673
Accumulated depreciation	(197)	(217)
Leased assets, net	446	456
Construction in progress	42	96
Others	1,083	1,063
Accumulated depreciation	(903)	(892)
Others, net	180	171
Total property, plant and equipment	14,859	14,658
Intangible assets		
Others	895	859
Total intangible assets	895	859
Investments and other assets		
Investment securities	4,470	4,541
Deferred tax assets	3	3
Others	1,733	1,631
Allowance for doubtful accounts	(68)	(65)
Total investments and other assets	6,139	6,111
Total non-current assets	21,894	21,630
Total assets	72,715	74,127

(millions of yen)

	End-FY3/17 (As of March 31, 2017)	End-FY3/18 1Q (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,223	7,266
Short-term loans payable	1,993	5,180
Current portion of long-term loans payable	994	905
Lease obligations	127	165
Income taxes payable	572	295
Deferred tax liabilities	-	9
Provision for bonuses	744	448
Others	3,184	2,706
Total current liabilities	15,840	16,976
Non-current liabilities		
Long-term loans payable	1,598	1,399
Lease obligations	318	412
Deferred tax liabilities	636	649
Provision for directors' retirement benefits	565	575
Provision for executive officers' retirement benefits	16	18
Net defined benefit liability	228	231
Others	92	92
Total non-current liabilities	3,456	3,378
Total liabilities	19,296	20,355
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	47,515	47,909
Treasury shares	(3,009)	(3,009)
Total shareholders' equity	52,074	52,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	627	631
Deferred gains or losses on hedges	(30)	39
Foreign currency translation adjustment	810	686
Remeasurements of defined benefit plans	(91)	(87)
Total accumulated other comprehensive income	1,315	1,269
Non-controlling interests	29	34
Total net assets	53,419	53,772
Total liabilities and net assets	72,715	74,127

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

(millions of yen)

	FY3/17 1Q (April 1, 2016 – June 30, 2016)	FY3/18 1Q (April 1, 2017 – June 30, 2017)
Net sales	38,800	45,721
Cost of sales	34,942	41,315
Gross profit	3,858	4,405
Selling, general, and administrative expenses	3,329	3,349
Operating income	529	1,055
Non-operating income		
Interest income	1	2
Dividend income	10	10
Gain on sales of securities	3	-
Share of profit of entities accounted for using equity method	119	111
Purchase discounts	3	4
Others	10	11
Total non-operating income	147	140
Non-operating expenses		
Interest expenses	7	10
Foreign exchange losses	27	13
Loss on valuation of investment securities	96	11
Others	4	5
Total non-operating expenses	135	41
Ordinary income	541	1,156
Profit before income taxes	541	1,156
Income taxes – current	82	220
Income taxes – deferred	123	168
Total income taxes	205	389
Profit	335	766
Profit attributable to non-controlling interests	5	4
Profit attributable to owners of parent	330	761

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/17 1Q (April 1, 2016 – June 30, 2016)	FY3/18 1Q (April 1, 2017 – June 30, 2017)
Profit	335	766
Other comprehensive income		
Valuation difference on available-for-sale securities	19	4
Deferred gains or losses on hedges	(0)	70
Foreign currency translation adjustments	(257)	(86)
Remeasurements of defined benefit plans	8	4
Share of other comprehensive income (loss) of entities accounted for using equity method	(71)	(37)
Total other comprehensive income (loss)	(301)	(44)
Comprehensive income	34	722
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28	716
Comprehensive income attributable to non-controlling interests	5	5

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/17 1Q (April 1, 2016 – June 30, 2016)	FY3/18 1Q (April 1, 2017 – June 30, 2017)
Cash flows from operating activities		
Profit before income taxes	541	1,156
Depreciation	287	338
Increase (decrease) in allowance for doubtful accounts	0	(5)
Increase (decrease) in provision for bonuses	(219)	(295)
Increase (decrease) in net defined benefit liability	12	9
Increase (decrease) in provision for directors' retirement benefits	(37)	9
Increase (decrease) in provision for executive officers' retirement benefits	-	1
Interest and dividend income	(11)	(13)
Interest expenses	7	10
Share of (profit) loss of entities accounted for using equity method	(119)	(111)
Decrease (increase) in notes and accounts receivable – trade	(398)	(531)
Decrease (increase) in inventories	(265)	(1,010)
Increase (decrease) in accounts payable – trade	602	(953)
Others	860	(161)
Subtotal	1,258	(1,555)
Interest and dividend income received	11	13
Interest paid	(7)	(10)
Income taxes paid	(315)	(422)
Net cash provided by (used in) operating activities	947	(1,975)
Cash flows from investing activities		
Purchase of property, plant and equipment	(192)	(345)
Purchase of intangible assets	(62)	(25)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	5	-
Others	(8)	108
Net cash provided by (used in) investing activities	(260)	(264)

(millions of yen)

	FY3/17 1Q (April 1, 2016 – June 30, 2016)	FY3/18 1Q (April 1, 2017 – June 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(117)	3,206
Repayments of long-term loans payable	(288)	(288)
Cash dividends paid	(368)	(368)
Others	(17)	(36)
Net cash provided by (used in) financing activities	(791)	2,513
Effect of exchange rate change on cash and cash equivalents	(237)	(28)
Net increase (decrease) in cash and cash equivalents	(342)	245
Cash and cash equivalents at beginning of period	9,524	6,784
Cash and cash equivalents at end of period	9,181	7,029

(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)

There is nothing to report.

(Segment Information, etc.)

I. FY3/17 1Q (April 1, 2016 – June 30, 2016)

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	24,386	14,413	38,800	—	38,800
(2) Intersegment sales and transfers	—	15	15	(15)	—
Total	24,386	14,429	38,816	(15)	38,800
Segment income	373	155	529	—	529

(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. FY3/18 1Q (April 1, 2017 – June 30, 2017)

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	28,688	17,032	45,721	—	45,721
(2) Intersegment sales and transfers	—	14	14	(14)	—
Total	28,688	17,047	45,736	(14)	45,721
Segment income	613	442	1,055	—	1,055

(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.