



## FY3/18 2Q Consolidated Financial Statements [J-GAAP]

November 13, 2017

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)  
 Company code: 7456 URL: <http://www.matsuda-sangyo.co.jp>  
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 Date to start dividends distribution: December 5, 2017  
 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. FY3/18 2Q consolidated results (April 1, 2017 – September 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 2Q	94,282	19.3	2,203	77.0	2,422	69.7	1,641	69.4
FY3/17 2Q	79,012	(7.4)	1,245	(39.2)	1,427	(39.4)	969	(38.2)

(Note) Comprehensive income: FY3/18 2Q: ¥1,590 million (+1,979.3%) FY3/17 2Q: ¥76 million (-95.3%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/18 2Q	62.34	—
FY3/17 2Q	36.80	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/18 2Q	77,208	54,640	70.7
End-FY3/17	72,715	53,419	73.4

(Reference) Shareholders' equity: End-FY3/18 2Q: ¥54,598 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	—	14.00	—	—	—
FY3/18 (Projections)	—	—	—	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)
FY3/18	190,000	16.5	4,000	35.1	4,400	27.2	2,980	21.4	113.16

(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 2Q	28,908,581 shares	End-FY3/17	28,908,581 shares
2) Number of treasury shares	End-FY3/18 2Q	2,575,267 shares	End-FY3/17	2,575,021 shares
3) Average number of shares during the period	FY3/18 2Q	26,333,427 shares	FY3/17 2Q	26,333,769 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 six 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. However, despite signs of a pickup in some areas, consumer spending continued to lack strength, partly due to sluggish growth in real wages. Furthermore, 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 six months of the fiscal year ending March 31, 2018, consolidated net sales were ¥94,282 million (up 19.3% year on year), operating income was ¥2,203 million (up 77.0% year on year), ordinary income was ¥2,422 million (up 69.7% year on year), and profit attributable to owners of parent was ¥1,641 million (up 69.4% 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 activity was strong at key customers in the electronics sector, particularly at manufacturers of semiconductors and electronic 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, sales volume for gold products and electronic materials increased, and excluding platinum, 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 ¥60,180 million (up 19.4% year on year), and operating income was ¥1,390 million (up 74.6% year on year).

#### **Food business segment**

In the food business segment, production activity at key customers in the food processing sector was solid overall on the back of rising exports, despite sluggish 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 ¥34,131 million (up 19.2% year on year), and operating income was ¥813 million (up 81.2% 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 ¥77,208 million, an increase of ¥4,492 million from the previous fiscal year end. This mainly reflected increases in cash and deposits and notes and accounts receivable – trade.

##### *Liabilities*

Total liabilities as of the end of the first six months were ¥22,568 million, an increase of ¥3,271 million from the previous fiscal year end. This mainly reflected increases in loans and income taxes payable.

##### *Net assets*

Net assets as of the end of the first six months were ¥54,640 million, an increase of ¥1,221 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 six months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥7,853 million, an increase of ¥1,069 million from the previous fiscal year end.

*Cash flows from operating activities*

Operating activities provided net cash of ¥7 million. This mainly reflected the difference between cash provided from profit before income taxes, depreciation, decrease in inventories, and dividend income on the one hand, and cash used due to 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 provided net cash of ¥1,091 million, cash from operating activities decreased by ¥1,083 million.

*Cash flows from investing activities*

Investing activities used net cash of ¥1,076 million. This was mainly due to the purchase of property, plant and equipment, such as factory land and equipment. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,289 million, cash used by investing activities decreased by ¥213 million.

*Cash flows from financing activities*

Financing activities provided net cash of ¥2,131 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 ¥1,001 million, cash from financing activities increased by ¥3,133 million.

**(3) Qualitative information on consolidated earnings projections**

In light of results for the first six months of the fiscal year, the Company has revised its consolidated earnings projections for the fiscal year ending March 31, 2018, which were announced on May 12, 2017. For more details about the revisions, please refer to the news release, "Revisions to Earnings Projections," dated November 9, 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 2Q (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	6,784	7,853
Notes and accounts receivable – trade	19,954	23,208
Merchandise and finished goods	14,226	13,430
Work in process	404	413
Raw materials and supplies	6,311	6,645
Deferred tax assets	449	540
Others	2,698	2,880
Allowance for doubtful accounts	(9)	(7)
Total current assets	50,820	54,963
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,835	9,014
Accumulated depreciation	(4,597)	(4,754)
Buildings and structures, net	4,237	4,259
Machinery, equipment and vehicles	8,254	8,337
Accumulated depreciation	(6,092)	(6,423)
Machinery, equipment and vehicles, net	2,161	1,913
Land	7,791	8,455
Leased assets	644	701
Accumulated depreciation	(197)	(233)
Leased assets, net	446	468
Construction in progress	42	44
Others	1,083	1,140
Accumulated depreciation	(903)	(922)
Others, net	180	217
Total property, plant and equipment	14,859	15,359
Intangible assets		
Others	895	822
Total intangible assets	895	822
Investments and other assets		
Investment securities	4,470	4,533
Deferred tax assets	3	3
Others	1,733	1,591
Allowance for doubtful accounts	(68)	(65)
Total investments and other assets	6,139	6,063
Total non-current assets	21,894	22,244
<b>Total assets</b>	<b>72,715</b>	<b>77,208</b>

(millions of yen)

	End-FY3/17 (As of March 31, 2017)	End-FY3/18 2Q (As of September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	8,223	8,197
Short-term loans payable	1,993	5,136
Current portion of long-term loans payable	994	823
Lease obligations	127	172
Income taxes payable	572	875
Deferred tax liabilities	-	0
Provision for bonuses	744	878
Others	3,184	3,294
<b>Total current liabilities</b>	<b>15,840</b>	<b>19,377</b>
Non-current liabilities		
Long-term loans payable	1,598	1,200
Lease obligations	318	409
Deferred tax liabilities	636	648
Provision for directors' retirement benefits	565	584
Provision for executive officers' retirement benefits	16	20
Net defined benefit liability	228	234
Others	92	92
<b>Total non-current liabilities</b>	<b>3,456</b>	<b>3,190</b>
<b>Total liabilities</b>	<b>19,296</b>	<b>22,568</b>
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	47,515	48,789
Treasury shares	(3,009)	(3,009)
<b>Total shareholders' equity</b>	<b>52,074</b>	<b>53,347</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	627	637
Deferred gains or losses on hedges	(30)	(79)
Foreign currency translation adjustment	810	776
Remeasurements of defined benefit plans	(91)	(82)
<b>Total accumulated other comprehensive income</b>	<b>1,315</b>	<b>1,250</b>
Non-controlling interests	29	41
<b>Total net assets</b>	<b>53,419</b>	<b>54,640</b>
<b>Total liabilities and net assets</b>	<b>72,715</b>	<b>77,208</b>

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

(millions of yen)

	FY3/17 2Q (April 1, 2016 – September 30, 2016)	FY3/18 2Q (April 1, 2017 – September 30, 2017)
Net sales	79,012	94,282
Cost of sales	71,436	85,410
Gross profit	7,576	8,871
Selling, general, and administrative expenses	6,331	6,668
Operating income	1,245	2,203
Non-operating income		
Interest income	3	4
Dividend income	14	15
Gain on sales of investment securities	3	-
Share of profit of entities accounted for using equity method	250	248
Purchase discounts	6	7
Foreign exchange gains	55	-
Others	24	22
Total non-operating income	358	298
Non-operating expenses		
Interest expenses	16	23
Foreign exchange losses	-	29
Loss on valuation of investment securities	125	17
Others	34	8
Total non-operating expenses	176	79
Ordinary income	1,427	2,422
Profit before income taxes	1,427	2,422
Income taxes – current	422	836
Income taxes – deferred	27	(65)
Total income taxes	449	770
Profit	978	1,652
Profit attributable to non-controlling interests	8	10
Profit attributable to owners of parent	969	1,641



**[Quarterly consolidated statements of comprehensive income]**

(millions of yen)

	FY3/17 2Q (April 1, 2016 – September 30, 2016)	FY3/18 2Q (April 1, 2017 – September 30, 2017)
Profit	978	1,652
Other comprehensive income		
Valuation difference on available-for-sale securities	38	10
Deferred gains or losses on hedges	106	(47)
Foreign currency translation adjustments	(892)	3
Remeasurements of defined benefit plans	17	8
Share of other comprehensive income (loss) of entities accounted for using equity method	(170)	(37)
Total other comprehensive income (loss)	(901)	(62)
Comprehensive income	76	1,590
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	70	1,577
Comprehensive income attributable to non-controlling interests	5	12

**(3) Quarterly consolidated statements of cash flows**

(millions of yen)

	FY3/17 2Q (April 1, 2016 – September 30, 2016)	FY3/18 2Q (April 1, 2017 – September 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,427	2,422
Depreciation	626	685
Increase (decrease) in allowance for doubtful accounts	0	(4)
Increase (decrease) in provision for bonuses	162	134
Increase (decrease) in net defined benefit liability	26	19
Increase (decrease) in provision for directors' retirement benefits	(60)	19
Increase (decrease) in provision for executive officers' retirement benefits	1	3
Interest and dividend income	(18)	(19)
Interest expenses	16	23
Share of (profit) loss of entities accounted for using equity method	(250)	(248)
Decrease (increase) in notes and accounts receivable – trade	(826)	(3,234)
Decrease (increase) in inventories	743	470
Increase (decrease) in accounts payable – trade	671	(47)
Others	(1,188)	97
Subtotal	1,333	321
Interest and dividend income received	157	171
Interest paid	(16)	(23)
Income taxes paid	(383)	(462)
Net cash provided by (used in) operating activities	1,091	7
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,135)	(1,111)
Proceeds from sales of property, plant and equipment	5	-
Purchase of intangible assets	(101)	(28)
Purchase of investment securities	(7)	(5)
Proceeds from sales of investment securities	5	-
Others	(55)	69
Net cash provided by (used in) investing activities	(1,289)	(1,076)

(millions of yen)

	FY3/17 2Q (April 1, 2016 – September 30, 2016)	FY3/18 2Q (April 1, 2017 – September 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8	3,142
Repayments of long-term loans payable	(576)	(568)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(368)	(368)
Others	(65)	(73)
Net cash provided by (used in) financing activities	(1,001)	2,131
Effect of exchange rate change on cash and cash equivalents	(394)	6
Net increase (decrease) in cash and cash equivalents	(1,594)	1,069
Cash and cash equivalents at beginning of period	9,524	6,784
Cash and cash equivalents at end of period	7,930	7,853

#### (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 2Q (April 1, 2016 – September 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	50,404	28,607	79,012	-	79,012
(2) Intersegment sales and transfers	-	30	30	(30)	-
Total	50,404	28,638	79,043	(30)	79,012
Segment income	796	448	1,245	-	1,245

(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 2Q (April 1, 2017 – September 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	60,180	34,101	94,282	-	94,282
(2) Intersegment sales and transfers	-	29	29	(29)	-
Total	60,180	34,131	94,312	(29)	94,282
Segment income	1,390	813	2,203	-	2,203

(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.