



FY3/19 1Q Consolidated Financial Statements [J-GAAP]

August 9, 2018

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Filing date of quarterly report: August 10, 2018
 Date to start dividends distribution: –
 Supplementary quarterly materials prepared: No
 Quarterly results information meeting held: No

(Figures are rounded down to the nearest million yen)

1. FY3/19 1Q consolidated results (April 1, 2018 – June 30, 2018)

(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)	(%)
FY3/19 1Q	52,941	15.8	1,265	19.8	1,371	18.6	898	18.0
FY3/18 1Q	45,721	17.8	1,055	99.5	1,156	113.6	761	130.8

(Note) Comprehensive income: FY3/19 1Q: ¥731 million (+1.3%) FY3/18 1Q: ¥722 million (+2,011.9%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/19 1Q	34.13	–
FY3/18 1Q	28.93	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/19 1Q	81,002	57,010	70.3
End-FY3/18	80,261	56,648	70.5

(Reference) Shareholders' equity: End-FY3/19 1Q: ¥56,949 million End-FY3/18: ¥56,592 million

Note: Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The changes have been retroactively applied to amounts for the fiscal year ended March 31, 2018.

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/18	–	14.00	–	14.00	28.00
FY3/19	–				
FY3/19 (Projections)		15.00	–	15.00	30.00

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

3. Consolidated earnings projections for FY3/19 (April 1, 2018 – March 31, 2019)

(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 FY3/19	96,000	1.8	2,400	8.9	2,500	3.2	1,680	2.3	63.79
FY3/19	200,000	5.2	5,000	2.5	5,200	1.1	3,500	1.2	132.91

(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-FY3/19 1Q	28,908,581 shares	End-FY3/18	28,908,581 shares
2) Number of treasury shares	End-FY3/19 1Q	2,575,642 shares	End-FY3/18	2,575,524 shares
3) Average number of shares during the period	FY3/19 1Q	26,332,982 shares	FY3/18 1Q	26,333,475 shares

*These quarterly financial statements are outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

*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 and provide no guarantee of future performance. 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, 2019, the Japanese economy continued to recover at a moderate pace, supported by improving corporate earnings and employment conditions. However, the outlook remained unclear due to weakness in consumer spending and rising uncertainty in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment stepped up marketing activities and actively used production sites in Japan and overseas 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, 2019, consolidated net sales were ¥52,941 million (up 15.8% year on year), operating income was ¥1,265 million (up 19.8% year on year), ordinary income was ¥1,371 million (up 18.6% year on year), and profit attributable to owners of parent was ¥898 million (up 18.0% 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 remained firm overall, centered on electronic parts and devices. Against this backdrop, the Group's precious metals division increased the volume of precious metal recycling, boosted sales volume for precious metal products and increased the amount of industrial waste treatment. Along with higher sales prices for precious metals, that growth supported higher sales overall compared with the same period of the previous fiscal year.

As a result, net sales for the precious metals business segment totaled ¥34,067 million (up 18.7% year on year), and operating income was ¥846 million (up 37.9% year on year).

Food business segment

In the food business segment, production activity at key customers in the food processing sector increased gradually, despite weakness in consumer spending in Japan. Production activity was mainly supported by strong demand for processed food products and moves into overseas markets. In this environment, the Group's food business segment reported higher sales compared with the same period of the previous fiscal year, supported by an increase in sales volume for seafood products and livestock products and by rising sales prices for seafood products.

As a result, net sales for the food business segment were ¥18,896 million (up 10.8% year on year), and operating income was ¥419 million (down 5.3% 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 ¥81,002 million, an increase of ¥741 million from the previous fiscal year end. This mainly reflected the difference between increases for cash and deposits and for notes and accounts receivable – trade, and decrease in inventories.

Liabilities

Total liabilities as of the end of the first three months were ¥23,992 million, an increase of ¥379 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 ¥57,010 million, an increase of ¥362 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 ¥8,902 million, an increase of ¥1,330 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥1,604 million. This mainly reflected the difference between cash provided from profit before income taxes and decrease in inventories on the one hand, and cash used for income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥1,975 million, cash from operating activities increased by ¥3,580 million.

Cash flows from investing activities

Investing activities used net cash of ¥253 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 ¥264 million, cash used by investing activities decreased by ¥10 million.

Cash flows from financing activities

Financing activities provided net cash of ¥62 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 provided net cash of ¥2,513 million, cash from financing activities decreased by ¥2,450 million.

(3) Qualitative information on consolidated earnings projections

We have made no change to our consolidated earnings projections announced on May 11, 2018.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/18 (As of March 31, 2018)	End-FY3/19 1Q (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	7,571	8,902
Notes and accounts receivable – trade	22,502	23,074
Merchandise and finished goods	16,778	16,036
Work in process	393	432
Raw materials and supplies	6,531	6,384
Others	3,584	3,221
Allowance for doubtful accounts	(0)	(0)
Total current assets	57,362	58,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,201	9,159
Accumulated depreciation	(4,875)	(4,933)
Buildings and structures, net	4,325	4,225
Machinery, equipment and vehicles	8,383	8,400
Accumulated depreciation	(6,740)	(6,801)
Machinery, equipment and vehicles, net	1,643	1,599
Land	8,925	8,911
Leased assets	849	900
Accumulated depreciation	(284)	(322)
Leased assets, net	564	577
Construction in progress	199	324
Others	1,135	1,132
Accumulated depreciation	(927)	(929)
Others, net	208	203
Total property, plant and equipment	15,867	15,840
Intangible assets		
Others	774	744
Total intangible assets	774	744
Investments and other assets		
Investment securities	4,575	4,692
Deferred tax assets	72	68
Others	1,673	1,669
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	6,256	6,366
Total non-current assets	22,898	22,950
Total assets	80,261	81,002

(millions of yen)

	End-FY3/18 (As of March 31, 2018)	End-FY3/19 1Q (As of June 30, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	7,626	7,837
Short-term loans payable	7,402	5,102
Current portion of long-term loans payable	1,063	1,356
Lease obligations	206	214
Income taxes payable	1,155	387
Provision for bonuses	763	447
Others	3,104	3,702
Total current liabilities	21,321	19,046
Non-current liabilities		
Long-term loans payable	535	3,043
Lease obligations	456	451
Provision for directors' retirement benefits	604	583
Provision for executive officers' retirement benefits	23	23
Net defined benefit liability	224	230
Deferred tax liabilities	333	552
Others	115	60
Total non-current liabilities	2,291	4,945
Total liabilities	23,613	23,992
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	50,238	50,768
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	54,795	55,326
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	630	659
Deferred gains or losses on hedges	121	164
Foreign currency translation adjustment	1,101	851
Remeasurements of defined benefit plans	(56)	(51)
Total accumulated other comprehensive income	1,796	1,623
Non-controlling interests	55	60
Total net assets	56,648	57,010
Total liabilities and net assets	80,261	81,002

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

(millions of yen)

	FY3/18 1Q (April 1, 2017 – June 30, 2017)	FY3/19 1Q (April 1, 2018 – June 30, 2018)
Net sales	45,721	52,941
Cost of sales	41,315	48,022
Gross profit	4,405	4,919
Selling, general, and administrative expenses	3,349	3,653
Operating income	1,055	1,265
Non-operating income		
Interest income	2	0
Dividend income	10	11
Gain on sales of investment securities	-	12
Share of profit of entities accounted for using equity method	111	98
Purchase discounts	4	3
Others	11	12
Total non-operating income	140	139
Non-operating expenses		
Interest expenses	10	13
Foreign exchange losses	13	14
Loss on valuation of investment securities	11	-
Others	5	5
Total non-operating expenses	41	33
Ordinary income	1,156	1,371
Profit before income taxes	1,156	1,371
Income taxes – current	220	277
Income taxes – deferred	168	189
Total income taxes	389	466
Profit	766	904
Profit attributable to non-controlling interests	4	5
Profit attributable to owners of parent	761	898

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/18 1Q (April 1, 2017 – June 30, 2017)	FY3/19 1Q (April 1, 2018 – June 30, 2018)
Profit	766	904
Other comprehensive income		
Valuation difference on available-for-sale securities	4	28
Deferred gains or losses on hedges	70	44
Foreign currency translation adjustments	(86)	(230)
Remeasurements of defined benefit plans	4	2
Share of other comprehensive income (loss) of entities accounted for using equity method	(37)	(17)
Total other comprehensive income (loss)	(44)	(173)
Comprehensive income	722	731
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	716	725
Comprehensive income attributable to non-controlling interests	5	5

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/18 1Q (April 1, 2017 – June 30, 2017)	FY3/19 1Q (April 1, 2018 – June 30, 2018)
Cash flows from operating activities		
Profit before income taxes	1,156	1,371
Depreciation	338	314
Increase (decrease) in allowance for doubtful accounts	(5)	0
Increase (decrease) in provision for bonuses	(295)	(315)
Increase (decrease) in net defined benefit liability	9	11
Increase (decrease) in provision for directors' retirement benefits	9	9
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(13)	(12)
Interest expenses	10	13
Share of (profit) loss of entities accounted for using equity method	(111)	(98)
Decrease (increase) in notes and accounts receivable – trade	(531)	(623)
Decrease (increase) in inventories	(1,010)	800
Increase (decrease) in accounts payable – trade	(953)	245
Others	(161)	879
Subtotal	(1,555)	2,597
Interest and dividend income received	13	12
Interest paid	(10)	(13)
Income taxes paid	(422)	(991)
Net cash provided by (used in) operating activities	(1,975)	1,604
Cash flows from investing activities		
Purchase of property, plant and equipment	(345)	(229)
Purchase of intangible assets	(25)	(11)
Purchase of investment securities	(1)	(1)
Others	108	(11)
Net cash provided by (used in) investing activities	(264)	(253)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,206	(2,314)
Proceeds from long-term loans payable	-	3,000
Repayments of long-term loans payable	(288)	(198)
Cash dividends paid	(368)	(368)
Others	(36)	(55)
Net cash provided by (used in) financing activities	2,513	62
Effect of exchange rate change on cash and cash equivalents	(28)	(83)
Net increase (decrease) in cash and cash equivalents	245	1,330
Cash and cash equivalents at beginning of period	6,784	7,571
Cash and cash equivalents at end of period	7,029	8,902

(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.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities. Figures for the previous fiscal year in the consolidated financial statements have been reclassified to reflect these changes.

(Segment information, etc.)

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

1. Sales and income 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.

II. FY3/19 1Q (April 1, 2018 – June 30, 2018)

1. Sales and income 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	34,067	18,874	52,941	—	52,941
(2) Intersegment sales and transfers	—	21	21	(21)	—
Total	34,067	18,896	52,963	(21)	52,941
Segment income	846	419	1,265	—	1,265

(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.