



FY3/19 3Q Consolidated Financial Statements [J-GAAP]

February 12, 2019

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: —
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

(Figures are rounded down to the nearest million yen)

1. FY3/19 3Q consolidated results (April 1, 2018 – December 31, 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 3Q | 159,693 | 9.0 | 3,660 | (8.7) | 3,862 | (10.6) | 2,556 | (13.9) |
| FY3/18 3Q | 146,560 | 21.5 | 4,009 | 95.8 | 4,322 | 77.7 | 2,968 | 81.5 |

(Note) Comprehensive income: FY3/19 3Q: ¥2,195 million (-30.7%) FY3/18 3Q: ¥3,166 million (+315.5%)

| | Earnings per share | Diluted earnings per share |
|-----------|--------------------|----------------------------|
| | (yen) | (yen) |
| FY3/19 3Q | 97.07 | — |
| FY3/18 3Q | 112.74 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------|-------------------|-------------------|----------------------------|
| | (millions of yen) | (millions of yen) | (%) |
| End-FY3/19 3Q | 81,001 | 58,078 | 71.6 |
| End-FY3/18 | 80,261 | 56,648 | 70.5 |

(Reference) Shareholders' equity: End-FY3/19 3Q: ¥58,004 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 | — | 15.00 | — | | |
| FY3/19 (Projections) | | | | 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) |
| 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 3Q | 28,908,581 shares | End-FY3/18 | 28,908,581 shares |
| 2) Number of treasury shares | End-FY3/19 3Q | 2,575,759 shares | End-FY3/18 | 2,575,524 shares |
| 3) Average number of shares during the period | FY3/19 3Q | 26,332,930 shares | FY3/18 3Q | 26,333,360 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. 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, 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 risks to the global economy from trade issues and 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 nine months of the fiscal year ending March 31, 2019, consolidated net sales were ¥159,693 million (up 9.0% year on year), operating income was ¥3,660 million (down 8.7% year on year), ordinary income was ¥3,862 million (down 10.6% year on year), and profit attributable to owners of parent was ¥2,556 million (down 13.9% year on year).

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

Precious metals business segment

In the precious metals business segment, activity generally remained firm at the segment's key customers in the electronics sector, but there were signs of slowing growth in the electronic parts and devices field. Against this backdrop, the Group's precious metals business segment increased the volume of precious metal recycling, boosted sales volume for precious metal products, excluding silver, and increased the amount of industrial waste treatment. That supported higher sales overall compared with the same period of the previous fiscal year, despite a decline in sales prices for precious metal products, excluding palladium.

As a result, net sales for the precious metals business segment totaled ¥101,069 million (up 8.9% year on year), but operating income was ¥2,272 million (down 15.0% year on year), reflecting an increase in selling, general and administrative expenses.

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 ¥58,690 million (up 9.0% year on year), and operating income was ¥1,387 million (up 3.8% 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 ¥81,001 million, an increase of ¥740 million from the previous fiscal year end. This mainly reflected a decrease of ¥1,873 million for merchandise and finished goods, and increases of ¥1,678 million for notes and accounts receivable – trade and ¥690 million for property, plant and equipment.

Liabilities

Total liabilities as of the end of the first nine months were ¥22,923 million, a decrease of ¥689 million from the previous fiscal year end. This mainly reflected an increase of ¥1,063 million for accounts payable – trade and a decrease of ¥2,370 million for loans payable.

Net assets

Net assets as of the end of the first nine months were ¥58,078 million, an increase of ¥1,430 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which exceeded year-end cash dividends paid.

(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 ¥8,103 million, an increase of ¥531 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥4,704 million. This mainly reflected the difference between cash provided from profit before income taxes, depreciation, decrease in inventories, and increase in accounts payable – trade on the one hand, and cash used for 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 ¥388 million, cash from operating activities increased by ¥5,093 million.

Cash flows from investing activities

Investing activities used net cash of ¥880 million. This was mainly due to the purchase of property, plant and equipment, such as factory equipment and vehicles. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,481 million, cash used by investing activities decreased by ¥600 million.

Cash flows from financing activities

Financing activities used net cash of ¥3,319 million. This mainly reflected decreases in loans. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥1,913 million, cash from financing activities decreased by ¥5,232 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 3Q (As of December 31, 2018) |
|--|--------------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,571 | 8,103 |
| Notes and accounts receivable – trade | 22,502 | 24,181 |
| Merchandise and finished goods | 16,778 | 14,905 |
| Work in process | 393 | 510 |
| Raw materials and supplies | 6,531 | 6,638 |
| Others | 3,584 | 3,234 |
| Allowance for doubtful accounts | (0) | (2) |
| Total current assets | 57,362 | 57,570 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 9,201 | 9,273 |
| Accumulated depreciation | (4,875) | (5,106) |
| Buildings and structures, net | 4,325 | 4,166 |
| Machinery, equipment and vehicles | 8,383 | 8,586 |
| Accumulated depreciation | (6,740) | (7,085) |
| Machinery, equipment and vehicles, net | 1,643 | 1,501 |
| Land | 8,925 | 8,840 |
| Leased assets | 849 | 1,114 |
| Accumulated depreciation | (284) | (390) |
| Leased assets, net | 564 | 723 |
| Construction in progress | 199 | 980 |
| Others | 1,135 | 1,318 |
| Accumulated depreciation | (927) | (972) |
| Others, net | 208 | 346 |
| Total property, plant and equipment | 15,867 | 16,558 |
| Intangible assets | | |
| Others | 774 | 673 |
| Total intangible assets | 774 | 673 |
| Investments and other assets | | |
| Investment securities | 4,575 | 4,528 |
| Deferred tax assets | 72 | 84 |
| Others | 1,673 | 1,602 |
| Allowance for doubtful accounts | (64) | (16) |
| Total investments and other assets | 6,256 | 6,199 |
| Total non-current assets | 22,898 | 23,430 |
| Total assets | 80,261 | 81,001 |

(millions of yen)

| | End-FY3/18 (As of March 31, 2018) | End-FY3/19 3Q (As of December 31, 2018) |
|---|--------------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 7,626 | 8,689 |
| Short-term loans payable | 7,402 | 2,828 |
| Current portion of long-term loans payable | 1,063 | 1,158 |
| Lease obligations | 206 | 260 |
| Income taxes payable | 1,155 | 307 |
| Provision for bonuses | 763 | 413 |
| Others | 3,104 | 4,750 |
| Total current liabilities | 21,321 | 18,408 |
| Non-current liabilities | | |
| Long-term loans payable | 535 | 2,643 |
| Lease obligations | 456 | 535 |
| Provision for directors' retirement benefits | 604 | 603 |
| Provision for executive officers' retirement benefits | 23 | 26 |
| Net defined benefit liability | 224 | 243 |
| Deferred tax liabilities | 333 | 380 |
| Others | 115 | 82 |
| Total non-current liabilities | 2,291 | 4,514 |
| Total liabilities | 23,613 | 22,923 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 3,559 | 3,559 |
| Capital surplus | 4,008 | 4,008 |
| Retained earnings | 50,238 | 52,030 |
| Treasury shares | (3,010) | (3,010) |
| Total shareholders' equity | 54,795 | 56,588 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 630 | 529 |
| Deferred gains or losses on hedges | 121 | (124) |
| Foreign currency translation adjustment | 1,101 | 1,054 |
| Remeasurements of defined benefit plans | (56) | (43) |
| Total accumulated other comprehensive income | 1,796 | 1,416 |
| Non-controlling interests | 55 | 73 |
| Total net assets | 56,648 | 58,078 |
| Total liabilities and net assets | 80,261 | 81,001 |

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

(millions of yen)

| | FY3/18 3Q (April 1, 2017 – December 31, 2017) | FY3/19 3Q (April 1, 2018 – December 31, 2018) |
|---|---|---|
| Net sales | 146,560 | 159,693 |
| Cost of sales | 132,510 | 144,902 |
| Gross profit | 14,049 | 14,790 |
| Selling, general, and administrative expenses | 10,039 | 11,130 |
| Operating income | 4,009 | 3,660 |
| Non-operating income | | |
| Interest income | 6 | 6 |
| Dividend income | 22 | 24 |
| Gain on sales of investment securities | 0 | 13 |
| Share of profit of entities accounted for using equity method | 359 | 198 |
| Purchase discounts | 11 | 9 |
| Others | 58 | 48 |
| Total non-operating income | 458 | 300 |
| Non-operating expenses | | |
| Interest expenses | 38 | 41 |
| Foreign exchange losses | 66 | 29 |
| Loss on valuation of investment securities | 17 | - |
| Others | 23 | 27 |
| Total non-operating expenses | 145 | 98 |
| Ordinary income | 4,322 | 3,862 |
| Extraordinary losses | | |
| Impairment loss | - | 77 |
| Total extraordinary losses | - | 77 |
| Profit before income taxes | 4,322 | 3,785 |
| Income taxes – current | 1,220 | 1,049 |
| Income taxes – deferred | 118 | 160 |
| Total income taxes | 1,339 | 1,209 |
| Profit | 2,983 | 2,575 |
| Profit attributable to non-controlling interests | 14 | 19 |
| Profit attributable to owners of parent | 2,968 | 2,556 |

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

| | FY3/18 3Q (April 1, 2017 – December 31, 2017) | FY3/19 3Q (April 1, 2018 – December 31, 2018) |
|--|---|---|
| Profit | 2,983 | 2,575 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 62 | (100) |
| Deferred gains or losses on hedges | (18) | (244) |
| Foreign currency translation adjustments | 155 | (26) |
| Remeasurements of defined benefit plans | 13 | 10 |
| Share of other comprehensive income (loss) of entities accounted for using equity method | (28) | (18) |
| Total other comprehensive income (loss) | 183 | (380) |
| Comprehensive income | 3,166 | 2,195 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,152 | 2,175 |
| Comprehensive income attributable to non-controlling interests | 14 | 19 |

(3) Quarterly consolidated statements of cash flows

(millions of yen)

| | FY3/18 3Q (April 1, 2017 – December 31, 2017) | FY3/19 3Q (April 1, 2018 – December 31, 2018) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,322 | 3,785 |
| Depreciation | 1,017 | 995 |
| Impairment loss | - | 77 |
| Increase (decrease) in allowance for doubtful accounts | (5) | (46) |
| Increase (decrease) in provision for bonuses | (380) | (349) |
| Increase (decrease) in net defined benefit liability | 27 | 35 |
| Increase (decrease) in provision for directors' retirement benefits | 29 | (21) |
| Increase (decrease) in provision for executive officers' retirement benefits | 5 | 2 |
| Interest and dividend income | (28) | (30) |
| Interest expenses | 38 | 41 |
| Share of (profit) loss of entities accounted for using equity method | (359) | (198) |
| Decrease (increase) in notes and accounts receivable – trade | (4,547) | (1,684) |
| Decrease (increase) in inventories | (840) | 1,640 |
| Increase (decrease) in accounts payable – trade | 272 | 1,069 |
| Others | 834 | 1,163 |
| Subtotal | 385 | 6,481 |
| Interest and dividend income received | 180 | 112 |
| Interest paid | (38) | (40) |
| Income taxes paid | (916) | (1,847) |
| Net cash provided by (used in) operating activities | (388) | 4,704 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,470) | (864) |
| Proceeds from sales of property, plant and equipment | 0 | 1 |
| Purchase of intangible assets | (28) | (32) |
| Purchase of investment securities | (9) | (9) |
| Proceeds from sales of investment securities | 0 | 22 |
| Others | 26 | 1 |
| Net cash provided by (used in) investing activities | (1,481) | (880) |

(millions of yen)

| | FY3/18 3Q (April 1, 2017 – December 31, 2017) | FY3/19 3Q (April 1, 2018 – December 31, 2018) |
|---|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 3,586 | (4,579) |
| Proceeds from long-term loans payable | - | 3,000 |
| Repayments of long-term loans payable | (795) | (796) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (737) | (763) |
| Others | (139) | (178) |
| Net cash provided by (used in) financing activities | 1,913 | (3,319) |
| Effect of exchange rate change on cash and cash equivalents | 22 | 26 |
| Net increase (decrease) in cash and cash equivalents | 66 | 531 |
| Cash and cash equivalents at beginning of period | 6,784 | 7,571 |
| Cash and cash equivalents at end of period | 6,850 | 8,103 |

(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 3Q (April 1, 2017 – December 31, 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 | 92,770 | 53,789 | 146,560 | - | 146,560 |
| (2) Intersegment sales and transfers | - | 46 | 46 | (46) | - |
| Total | 92,770 | 53,836 | 146,606 | (46) | 146,560 |
| Segment income | 2,672 | 1,336 | 4,009 | - | 4,009 |

(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 3Q (April 1, 2018– December 31, 2018)

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 | 101,069 | 58,623 | 159,693 | - | 159,693 |
| (2) Intersegment sales and transfers | - | 66 | 66 | (66) | - |
| Total | 101,069 | 58,690 | 159,760 | (66) | 159,693 |
| Segment income | 2,272 | 1,387 | 3,660 | - | 3,660 |

(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.