Matsuda Sangyo Co., Ltd.

Financial Statements Briefing for the Fiscal Year Ending March 2021

May 27, 2021

Event Summary

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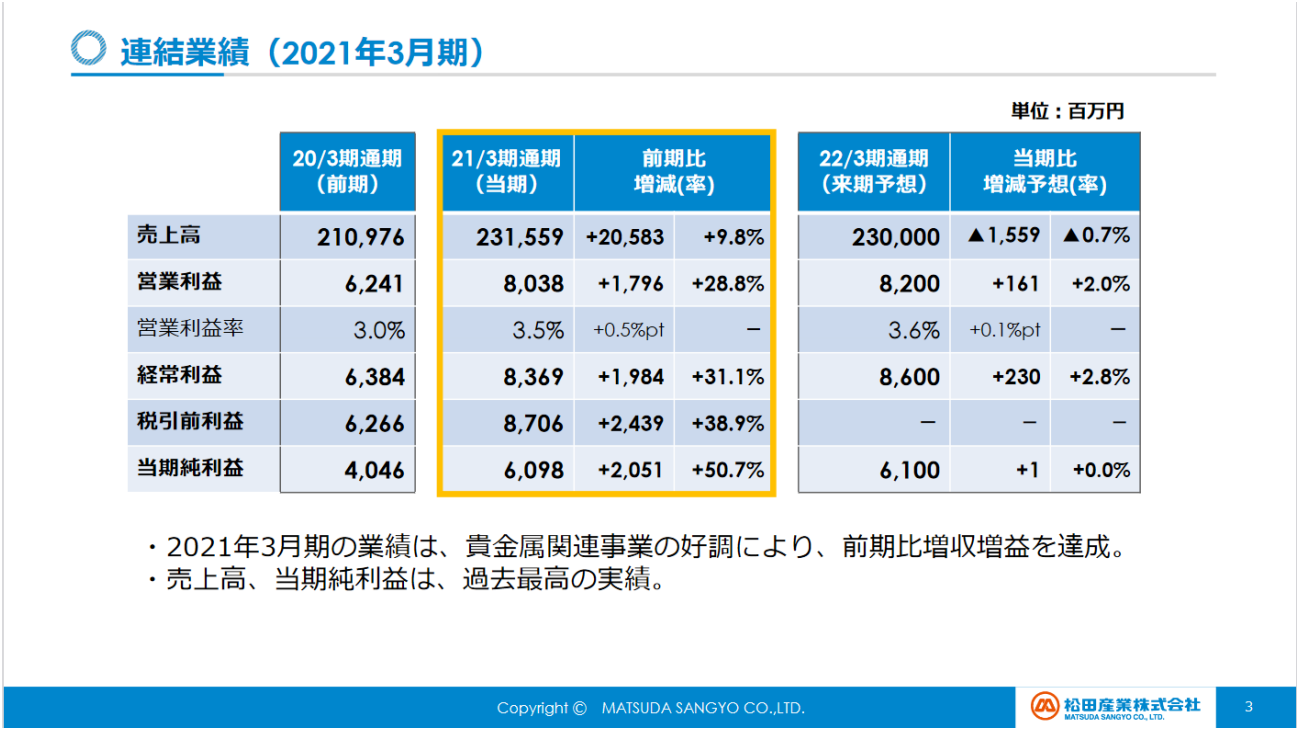
[Venue Size]	
[Participants]	
[Number of Speakers]	2
	Yoshiaki Matsuda — Director, President, Executive Officer
	Yoshinori Tanaka — Executive Officer, General Manager of IR Department

Presentation

Matsuda: I am Matsuda, President of Matsuda Sangyo Co., Ltd. We will now begin our Financial Statements Briefing for the Fiscal Year Ended March 2021.

Normally, we would give a presentation face-to-face, but in light of the ongoing spread of the new coronavirus infection, and in consideration of your health and safety, we have decided to give it via video. We ask for your understanding and patience in this matter.

In response to the new coronavirus infection, our group is continuing our business activities while placing the highest priority on the safety of our employees and all other related parties and striving to prevent infection.



	20/3期通期（前期）	21/3期通期（当期）	前期比増減(率)		22/3期通期（来期予想）	当期比増減予想(率)	
売上高	210,976	231,559	+20,583	+9.8%	230,000	▲1,559	▲0.7%
営業利益	6,241	8,038	+1,796	+28.8%	8,200	+161	+2.0%
営業利益率	3.0%	3.5%	+0.5%pt	–	3.6%	+0.1%pt	–
経常利益	6,384	8,369	+1,984	+31.1%	8,600	+230	+2.8%
税引前利益	6,266	8,706	+2,439	+38.9%	–	–	–
当期純利益	4,046	6,098	+2,051	+50.7%	6,100	+1	+0.0%

I will now provide an overview of the financial results for the fiscal year ended March 2021.

This is a summary of the consolidated financial figures for the fiscal year ended March 2021.

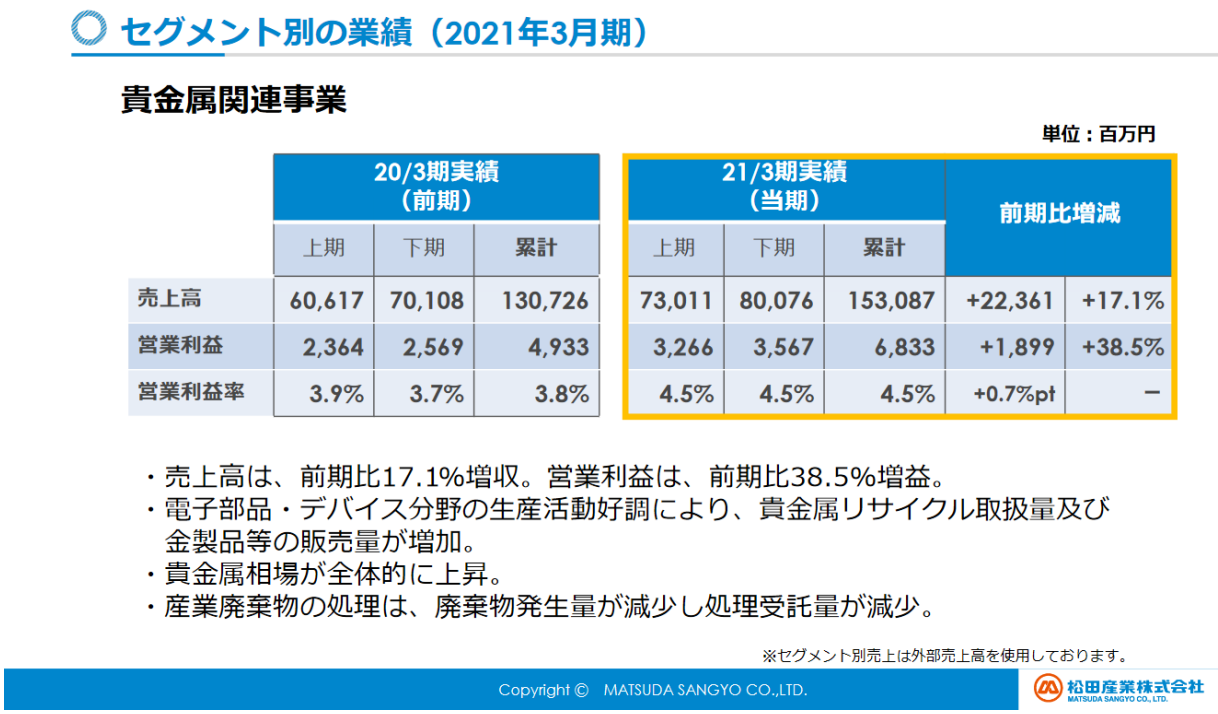
Consolidated net sales for the current fiscal year increased by 9.8% from the previous fiscal year to JPY231.55 billion due to the strong performance of the precious metals business segment, resulting in a record high in terms of net sales.

Operating profit increased by 28.8% to JPY8.03 billion, and ordinary profit increased by 31.1% to JPY8.36 billion, including equity in earnings of affiliates of NIPPON MICROMETAL, in which we hold a 30% stake. Income before income taxes includes an extraordinary gain from the sale of idle land.

As a result, net profit attributable to owners of parent company increased by 50.7% YoY to JPY6.09 billion. Net income reached a record high, due in part to the gradual reduction of the corporate tax rate.

The following is a summary of our consolidated business results for the fiscal year ended March 2021.

Here, we would like to reiterate our earnings forecast that we announced on May 13. For the fiscal year ending March 2022, we forecast consolidated net sales of JPY230 billion, operating profit of JPY8.2 billion, ordinary profit of JPY8.6 billion, and net income of JPY6.1 billion.



セグメント別の業績（2021年3月期）

貴金属関連事業

単位：百万円

	20/3期実績（前期）			21/3期実績（当期）			前期比増減	
	上期	下期	累計	上期	下期	累計		
売上高	60,617	70,108	130,726	73,011	80,076	153,087	+22,361	+17.1%
営業利益	2,364	2,569	4,933	3,266	3,567	6,833	+1,899	+38.5%
営業利益率	3.9%	3.7%	3.8%	4.5%	4.5%	4.5%	+0.7%pt	−

・売上高は、前期比17.1%増収。営業利益は、前期比38.5%増益。
・電子部品・デバイス分野の生産活動好調により、貴金属リサイクル取扱量及び金製品等の販売量が増加。
・貴金属相場が全体的に上昇。
・産業廃棄物の処理は、廃棄物発生量が減少し処理受託量が減少。

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Next, I will explain the business results by segment.

The first is the precious metals business segment. Net sales in this segment increased by 17.1% from the previous fiscal year to JPY153.08 billion, and operating profit increased by 38.5% from the previous fiscal year to JPY6.83 billion.

The electronic components and devices field of the electronics industry, which is the main customer of this business, quickly recovered from the effects of the new coronavirus infection, and production activities became more active, which led to an increase in the volume of precious metal recycling handled by our group and the sales volume of gold products, et cetera. In addition, the market price of precious metals rose, resulting in a significant increase in both sales and profits compared to the previous fiscal year.

In the area of contracted industrial waste treatment, the volume of waste generated decreased and the volume handled by our company also decreased.

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セグメント別の業績（2021年3月期）

食品関連事業

単位：百万円

	20/3期実績（前期）			21/3期実績（当期）			前期比増減	
	上期	下期	累計	上期	下期	累計		
売上高	41,026	39,223	80,250	38,665	39,806	78,472	▲1,774	▲2.2%
営業利益	847	460	1,307	402	802	1,204	▲103	▲7.9%
営業利益率	2.1%	1.2%	1.6%	1.0%	2.0%	1.5%	▲0.1%pt	−

・売上高は、前期比2.2%減収。営業利益は、前期比7.9%減益。
・巣ごもり需要により家庭用需要は増加したものの、業務用需要の縮小により全体的に厳しい市場環境。

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Next is the food business segment.

Net sales in this segment decreased by 2.2% from the previous fiscal year to JPY78.472 billion, and operating profit decreased by 7.9% from the previous fiscal year to JPY1.2 billion.

In the food manufacturing industry, which is the main customer base for this business, demand for cold and processed foods for home use increased due to the stay-at-home demand as people refrained from going out due to the spread of the new coronavirus infection, but on the other hand, demand for professional use decreased significantly due to the sluggishness of the restaurant industry and souvenir sales. As a result, the overall situation was difficult.

In this market environment, our group also saw an increase in sales volume of agricultural and seafood products, but a decrease in sales volume of livestock products.

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連結貸借対照表・キャッシュ・フロー計算書

単位：百万円

(連結)		20.3期末	21.3期末	増減	主な増減要因
	流動資産	68,398	76,482	+8,083	棚卸資産6,761、売上債権3,965
	固定資産	26,110	27,783	+1,672	関工場生産設備および新規設備等
資産合計		94,509	104,265	+9,756	
	流動負債	24,168	29,343	+5,175	買掛金1,846、短期借入金1,984
	固定負債	9,813	9,315	▲ 498	
	うち有利子負債	15,429	17,296	+1,866	
負債合計		33,982	38,659	+4,677	
純資産合計		60,527	65,605	+5,078	
負債純資産合計		94,509	104,265	+9,756	
自己資本比率		63.9%	62.8%	–	

	20.3期	21.3期	増減
営業キャッシュ・フロー	▲ 422	185	+607
投資キャッシュ・フロー	▲ 2,674	▲ 3,181	▲ 507
フリーキャッシュ・フロー	▲ 3,096	▲ 2,996	+100

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Next, I will explain the consolidated balance sheet.

As for assets, current assets increased by JPY8.08 billion due to an increase in notes and accounts receivable trade and inventories, and fixed assets increased by JPY1.67 billion due to the installation of new pretreatment facility at the Seki Plant. Total assets increased by JPY9.75 billion from the end of the previous fiscal year to JPY104.26 billion.

The new pretreatment facility at the Seki Plant has been in operation since July 2020.

Total liabilities increased by JPY4.67 billion from the end of the previous fiscal year to JPY38.65 billion, as current liabilities increased by JPY5.17 billion, mainly due to an increase in accounts payable trade of JPY1.84 billion and an increase in short-term loans payable of JPY1.98 billion.

Net assets increased by JPY5.07 billion from the end of the previous fiscal year to JPY65.6 billion, mainly due to an increase in retained earnings and a decrease of approximately JPY400 million from the acquisition of treasury stock.

As for cash flow, the results are as you can see from the business performance and the status of the balance sheet.

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計画の進捗

		2020年3月期 実績	2021年3月期 実績	2022年3月期 予想	中期経営計画 目標
連　結	売上高	2,109億円	2,315億円	2,300億円	2,200億円
	営業利益	62億円	80億円	82億円	55億円
	営業利益率	3.0%	3.5%	3.6%	2.5%
	自己資本利益率	6.8%	9.7%	–	6.0%

※中期経営計画の目標を1年前倒しですべて達成

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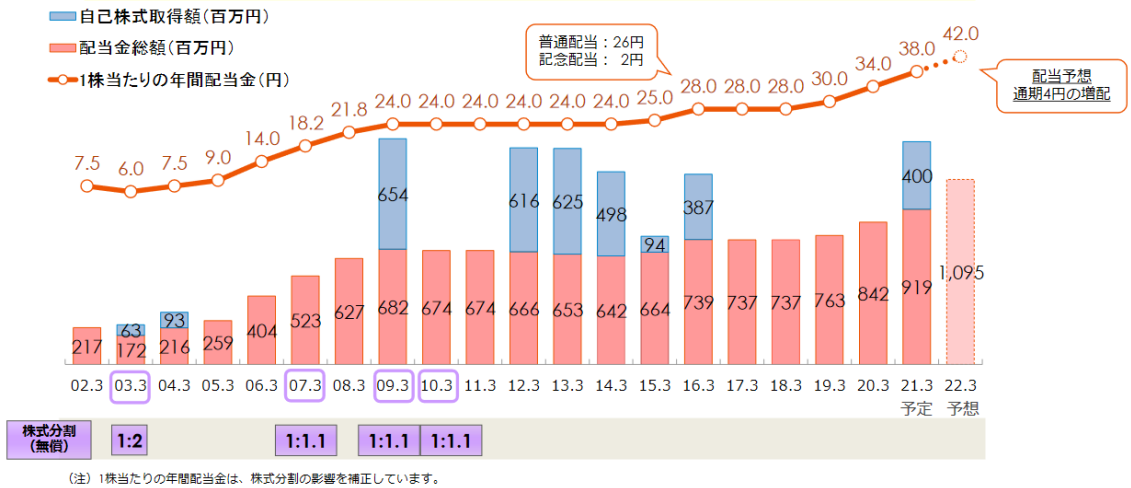
We have achieved all of the numerical targets for consolidated net sales, operating profit, operating margin, and return on equity set forth in our medium-term management plan, which ends in the fiscal year ending March 2022, one year ahead of schedule. We also expect to continue to achieve our forecast for the fiscal year ending March 2022.

株主還元

成長投資のための内部留保とのﾊﾞﾗﾝｽを考慮しつつ、株主様への安定かつ持続的な配当を実施する事により、株主様の期待に応えてまいります。
なお、次期の配当については、通期で4円増配の42円を予想しております。



（注）1株当たりの年間配当金は、株式分割の影響を補正しています。

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I would like to explain about shareholder return.

Our basic capital policy is to aim for sustainable enhancement of corporate value by balancing the optimal allocation of resources to business opportunities that capture growth potential, securing financial soundness,

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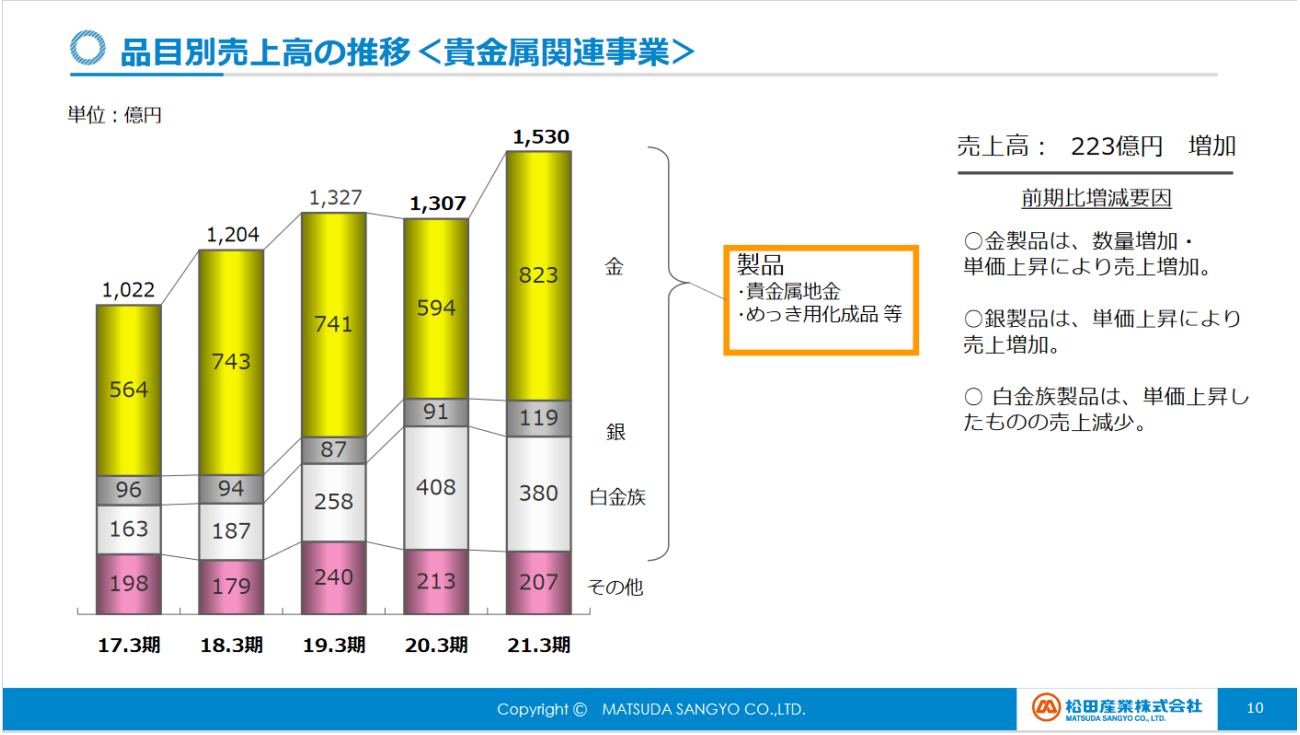
and shareholder returns. In this context, we will respond to the expectations of our shareholders by providing stable and sustainable dividends.

We plan to pay an interim dividend of JPY18 per share and a year-end dividend of JPY20 per share for the fiscal year ended March 2021. As a result, we plan to increase the dividend for the full year by JPY4 compared to the previous year. In addition, we repurchased approximately JPY400 million of its own shares during the current fiscal year to increase shareholder value per share.

The dividend for the fiscal year ending March 2022 is expected to increase by JPY4 from the previous fiscal year, to JPY21 for the interim and JPY21 for the year-end, for a total annual dividend of JPY42.

We would like to ask for your continued support, and that is all for my explanation. The IR Department will continue to explain the details of the financial results and the status of capital investment.



Tanaka: I'm Tanaka, Executive Officer in charge of IR. I will now explain the details of the financial results, including the breakdown of sales by segment, full-year forecasts, and the status of capital investment.

First, I will explain the details of sales by segment.

In the Precious Metals business, sales of precious metal bullion, precious metal chemical products, et cetera, manufactured by our company account for about 90% of total sales, and are categorized into gold, silver, and platinum group products, so I will focus on the details of this business.

Sales in the precious metals business segment for the fiscal year ended March 2021 increased by 17.1% YoY to JPY153 billion, the breakdown of which is summarized in the graph.

Sales of gold products totaled JPY82.3 billion, an increase of about 38% from the previous fiscal year. It also accounts for more than 50% of the total sales. As for the content, the volume of precious metal recycling increased due to the strong performance of the electronic components and devices field, which is the main customer of our group, and the proactive sales activities in Japan and overseas, and the demand for our

products became strong. As a result, the quantity has increased, and in addition, the unit price has risen due to the rise in the gold price.

In addition, the jewelry industry, which has a large scale of distribution and demand in the precious metals market, was generally sluggish, and the volume of precious metal recycling handled by our company also decreased.

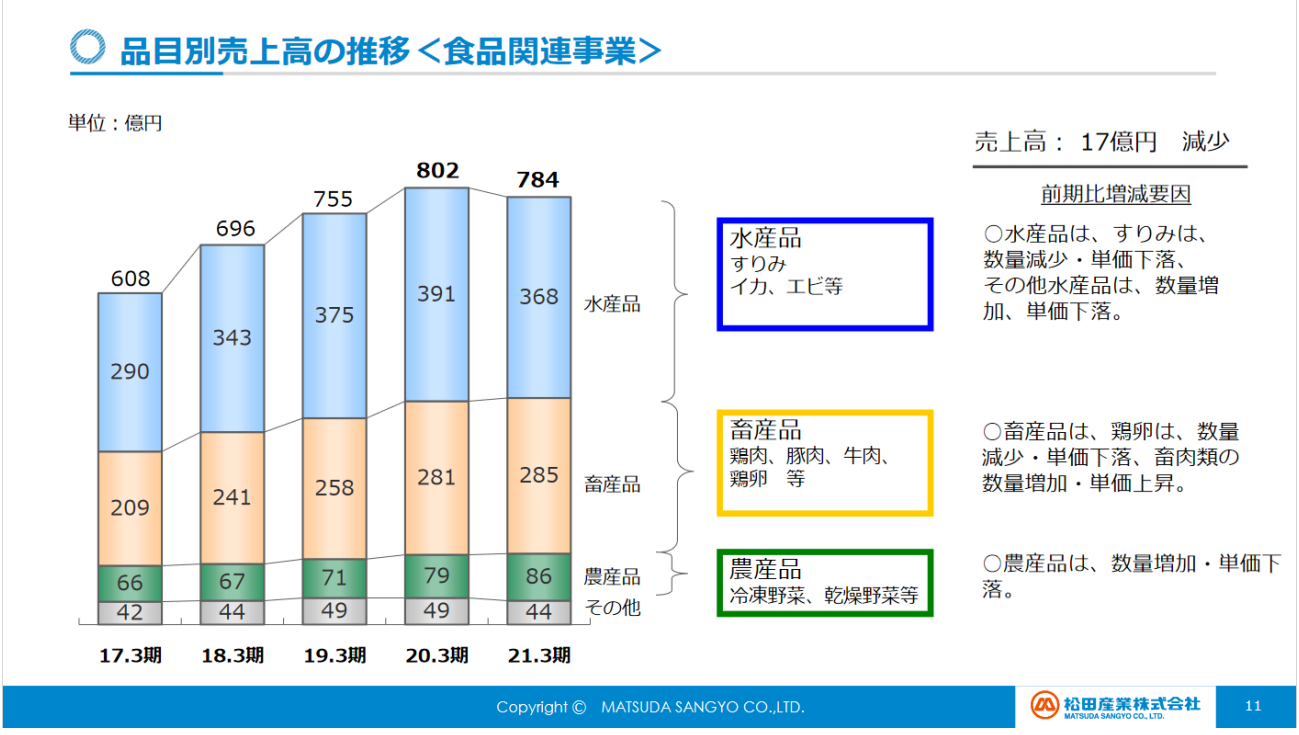
Sales of silver products totaled JPY11.9 billion, an increase of about 31% from the previous fiscal year. Although the volume decreased slightly due to the shrinking volume of precious metal recycling from the sensitive materials industry, sales increased due to the increase in unit prices accompanying the rise in the market price.

Next, sales of platinum group products totaled JPY38 billion, a decrease of about 7% from the previous fiscal year. This was mainly due to a decrease in sales of platinum. Although recycling of precious metals from the electronic components and devices field and the catalyst market was steady, sales decreased since the volume of transactions from the jewelry industry shrank.

In other platinum group products such as palladium and rhodium, the volume remained generally unchanged, while the unit price increased due to market influences.

As for other sales, there was a slight decrease in sales due to a decline in industrial waste treatment contracts. The reason for this regarding the contracted treatment of industrial waste was that the amount of generated waste decreased due to the impact of the spread of the new coronavirus infection.

Regarding operating profit in the precious metals business segment, despite an increase in personnel expenses and depreciation expenses, it increased compared to the previous fiscal year due to an increase in gross profit that included the price impact of higher precious metals market prices, in addition to an increase in sales from higher volumes.



Next, we will look at sales in the food business segment.

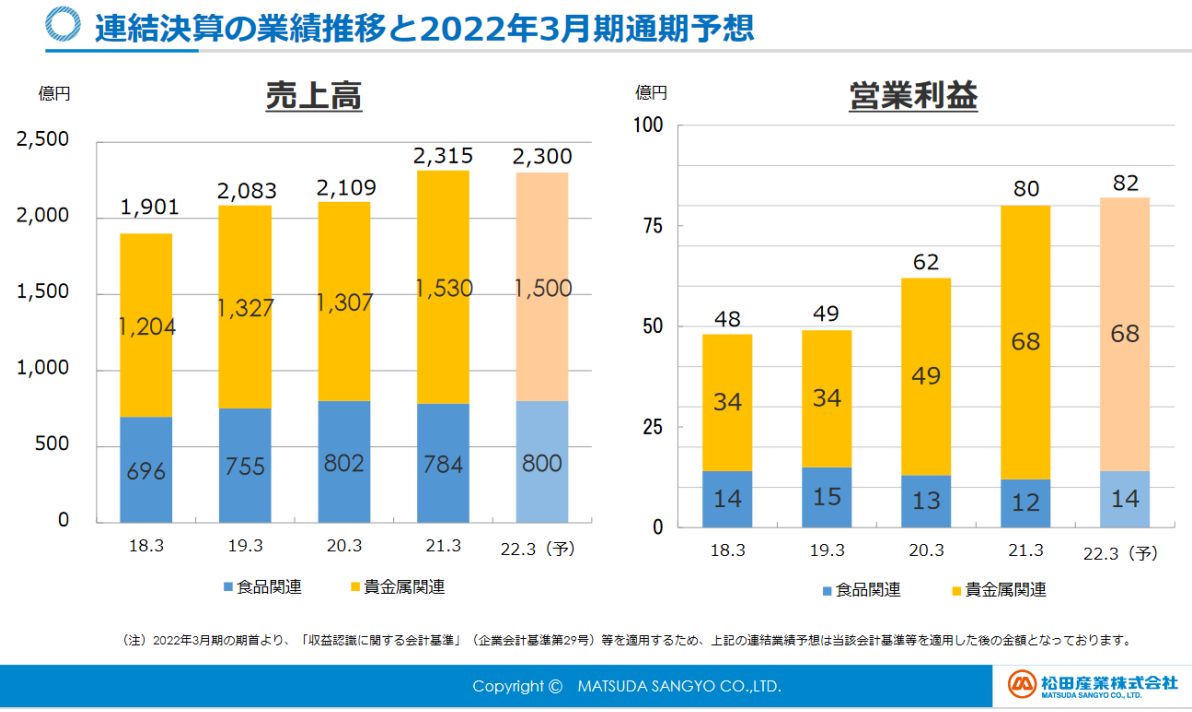
Net sales in this segment decreased by 2.2% from the previous fiscal year to JPY78.4 billion, the breakdown of which is summarized in the graph.

Sales of seafood products totaled JPY36.8 billion, a decrease of about 6% from the previous fiscal year. In the area of surimi, unit prices also declined due to a shift in demand from high-priced products to low-priced products, as well as a decrease in volume in line with a decline in demand. Sales of other seafood products also remained almost unchanged due to a decline in unit prices, despite an increase in volume, amid a difficult market environment. For seafood products as a whole, the decline in unit prices offset the increase in volume.

Sales of livestock products totaled JPY28.5 billion, an increase of about 1% from the previous fiscal year. In eggs, volume declined due to a combination of declining demand and a decline in production caused by avian influenza. Unit prices also fell, resulting in a decrease in sales, but overall sales of livestock products increased due to an increase in the volume of livestock meat and higher unit prices.

Next, sales of agricultural products totaled JPY8.6 billion, an increase of about 9% from the previous fiscal year. In a difficult market environment, we took advantage of our strengths in quality and stable supply capabilities to increase the volume of frozen and dried vegetables, and despite a slight decline in unit prices, overall sales increased.

Operating profit in the food business segment decreased compared to the previous fiscal year due to a decrease in gross profit resulting from a decline in sales and a lower profit margin caused by lower demand.



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Next, I will explain our outlook for the fiscal year ending March 2022.

In the precious metals business segment, we expect production in the electronic components and devices field in the electronics industry, which is our main customer base, to continue to be strong. In this environment, our group will strive to differentiate our business in response to customer needs in order to expand sales of products such as high-performance electronics materials and precious metal chemical products, as well as the collection of precious metal recycling raw materials.

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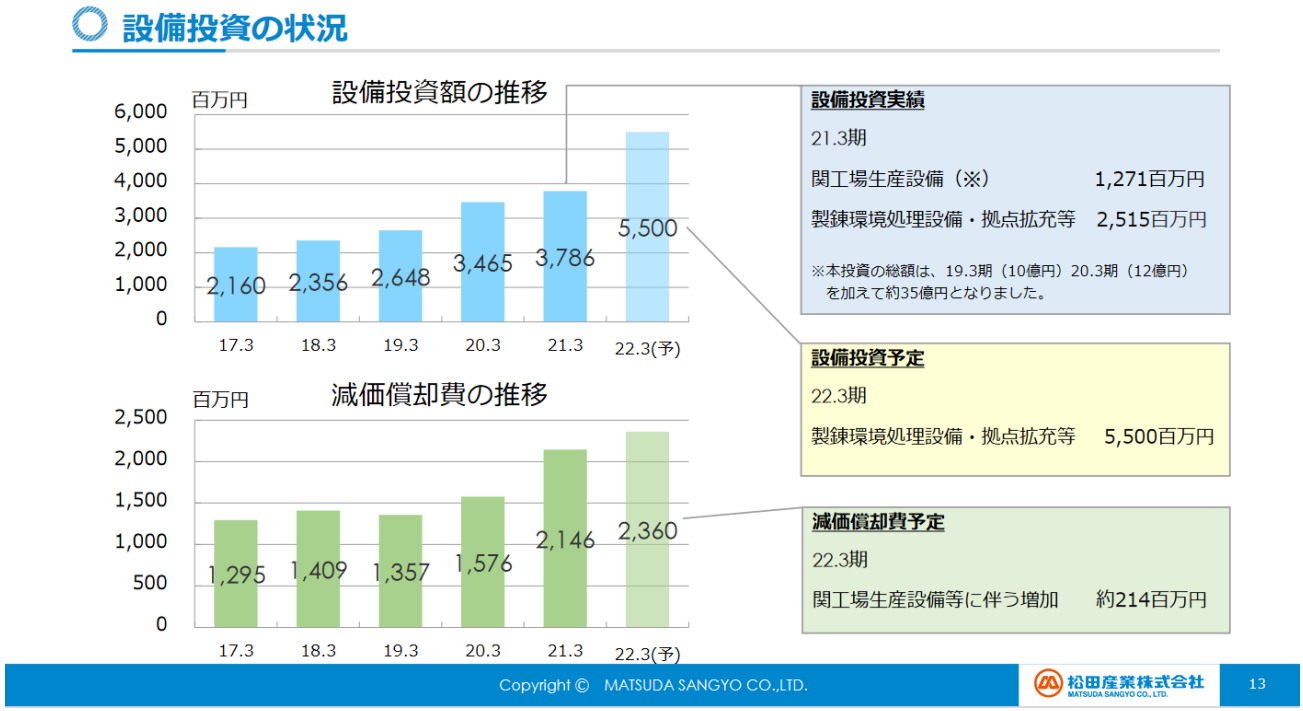
The forecast for the metals-related business is for net sales of JPY150 billion and operating profit of JPY6.8 billion, but we do not anticipate any profit impact from fluctuations in the precious metal market in the fiscal year ended March 2021. We will strive to achieve this by acquiring new customers in Japan and overseas, expanding the handling volume of precious metal recycling and sales volume of manufactured products by increasing the market share, and improving the volume of industrial waste treatment contracts.

In the food business segment, the market environment remains uncertain due to the impact of the new coronavirus infection, but in this environment, our group will strive to improve our performance by differentiating ourselves through the stable supply of safe and high-quality food ingredients.

We are forecasting net sales of JPY80 billion and operating profit of JPY1.4 billion for the food business segment. We will strive to achieve these targets by expanding our product lineup to meet customer needs, accelerating global expansion including the use of overseas bases, and increasing sales volume.

We plan to apply the accounting standard for revenue recognition from the beginning of the fiscal year ending March 2022, and because of this, the forecasted net sales are expected to decrease from the previous fiscal year.

The impact of the adoption of this accounting standard on operating profit, et cetera, will be limited and insignificant.

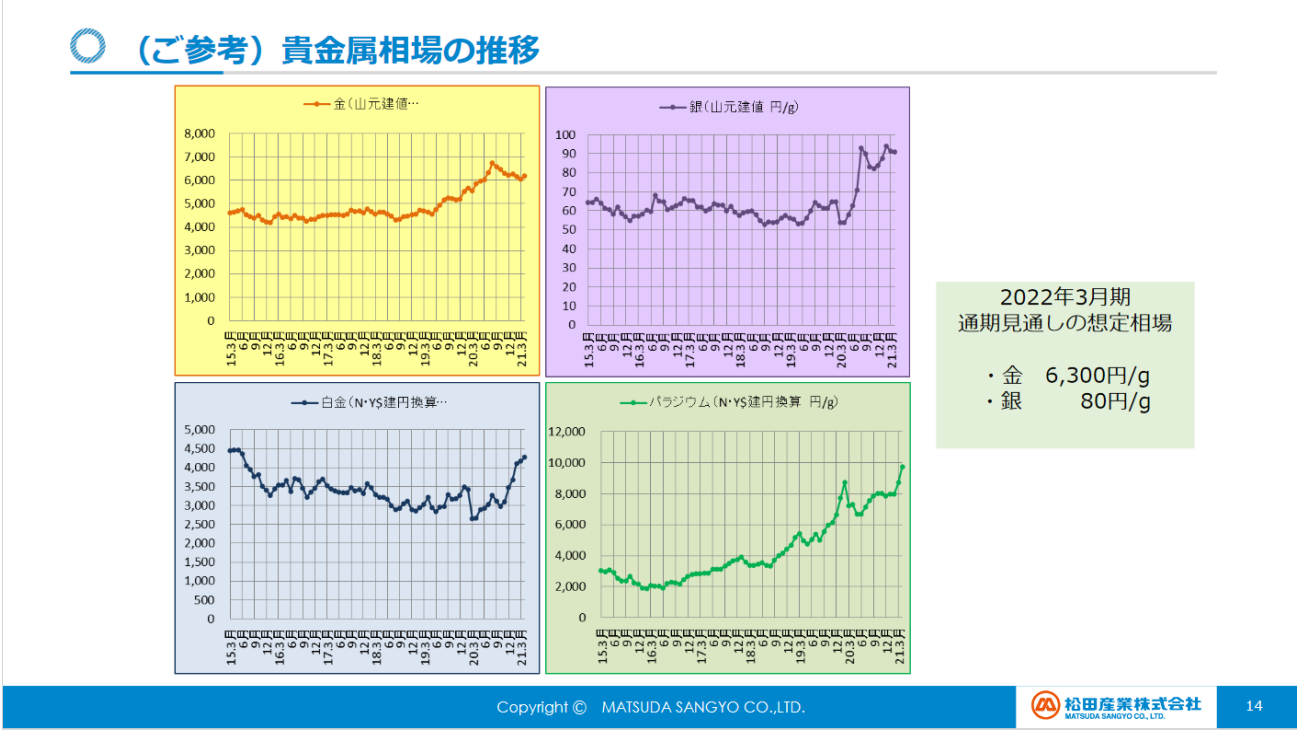


Next, I would like to explain the status of capital investment.

For the fiscal year ended March 2021, we invested approximately JPY3.8 billion in capital expenditures, including the introduction of new facilities such as the Seki Plant production facility and the construction and establishment of the Sendai Sales Office, which will serve as a joint base for our precious metals business segment and food business segment, as well as the renewal of aging existing facilities.

As a result, depreciation and amortization for the fiscal year ended March 2021 increased by JPY570 million compared to the previous fiscal year to approximately JPY2.14 billion.

For the fiscal year ending March 2022, we plan to make capital investments totaling approximately JPY5.5 billion in refining and environmental processing facilities, including renewal of aging facilities, and expansion of business bases. In the fiscal year ending March 2022, depreciation is expected to increase by approximately JPY200 million compared to the previous fiscal year, due in part to the full-year depreciation of the production facility at the Seki Plant, which started operations in July 2020.



Last but not least, we have included the precious metal market trends for your reference.

That was the overview of our financial results. I would like to conclude the financial statements briefing for the fiscal year ended March 2021. We ask you for your continued support.

Thank you very much for viewing.

[END]

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2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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