



FY3/21 1Q Consolidated Financial Statements [J-GAAP]

August 7, 2020

Company name: Matsuda Sangyo Co., Ltd.	Exchanges listed on: Tokyo Stock Exchange (First Section)	
Company code: 7456	URL: https://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. FY3/21 1Q consolidated results (April 1, 2020 – June 30, 2020)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/21 1Q	53,540	7.6	1,634	2.8	1,684	3.9	1,124	2.3
FY3/20 1Q	49,774	(6.0)	1,590	25.7	1,620	18.2	1,098	22.2

(Note) Comprehensive income: FY3/21 1Q: ¥856 million (-1.3%) FY3/20 1Q: ¥867 million (+18.6%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/21 1Q	42.70	—
FY3/20 1Q	41.73	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/21 1Q	94,243	60,875	64.5
End-FY3/20	94,509	60,527	63.9

(Reference) Shareholders' equity: End-FY3/21 1Q: ¥60,775 million End-FY3/20: ¥60,428 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/20	—	17.00	—	17.00	34.00
FY3/21	—	—	—	—	—
FY3/21 (Projections)	—	18.00	—	18.00	36.00

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

3. Consolidated earnings projections for FY3/21 (April 1, 2020 – March 31, 2021)

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
1H FY3/21	106,000	4.3	3,200	(0.3)	3,300	1.4	2,220	(2.8)	84.44
FY3/21	206,000	(2.4)	5,500	(11.9)	5,700	(10.7)	3,840	(5.1)	146.07

(Note) Revisions to the most recently announced projections of consolidated earnings: Yes

* Notes

- (1) Material changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in 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-FY3/21 1Q	28,908,581 shares	End-FY3/20	28,908,581 shares
2) Number of treasury shares	End-FY3/21 1Q	2,620,087 shares	End-FY3/20	2,575,930 shares
3) Average number of shares during the period	FY3/21 1Q	26,324,546 shares	FY3/20 1Q	26,332,729 shares

* This quarterly kessan tanshin document is outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

* Explanation of the proper use of earnings projections and other notes

This document contains earnings projections and other information that constitute forward-looking statements. These statements are based on reasonable assumptions and information currently available to the Company 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, 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, 2021, the Japanese economy faced extremely challenging conditions, including a slowdown in consumer spending and a slump in corporate activity caused by the outbreak of coronavirus disease (COVID-19). The outlook also remained uncertain due to factors such as concerns about the COVID-19 outbreak and trade tensions between the US and China.

Against this backdrop, the Matsuda Sangyo Group (the Group) worked to prevent the spread of infection by prioritizing the health and safety of employees and all other people associated with the Group, while also working to expand the Group's businesses to support sustained growth and increase corporate value. The 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. In addition, the food business segment fulfilled its responsibility of ensuring stable supplies amid concerns about supply chain disruption caused by the COVID-19 outbreak and worked to expand sales volume by developing and providing products that address customer needs.

As a result of the above, for the first three months of the fiscal year ending March 31, 2021, consolidated net sales were ¥53,540 million (up 7.6% year on year), operating profit was ¥1,634 million (up 2.8% year on year), ordinary profit was ¥1,684 million (up 3.9% year on year), and profit attributable to owners of parent was ¥1,124 million (up 2.3% year on year).

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

Precious metals business segment

The precious metals business segment faced a challenging environment overall. Key customers in the electronics sector halted or cut back production due to limits on activity or voluntary measures to prevent the spread of COVID-19, leading to declines in output of electronic components and devices. In that business environment, the volume of precious metal recycling was flat year on year and the amount of industrial waste treated on an outsourcing basis declined. However, sales and operating profit increased compared with the same period of the previous fiscal year, reflecting an increase in sales volume for gold products, as well as higher precious metals prices.

As a result, net sales for the precious metals business segment totaled ¥33,797 million (up 16.5% year on year), and operating profit was ¥1,334 million (up 22.0% year on year).

Food business segment

The food business segment faced difficult conditions overall, with production activity varying widely at key customers in the food processing sector. In Japan, calls to remain at home during the state of emergency spurred some stay-at-home demand, but demand declined from commercial-use customers and from manufacturers of food souvenirs. Against that backdrop, sales volume for agricultural products increased, but sales in the segment declined year on year, reflecting lower sales volumes for seafood products and livestock products. In addition to the drop in sales, storage fees and other costs increased, resulting in a decline in operating profit compared with the same period of the previous fiscal year.

As a result, net sales for the food business segment were ¥19,762 million (down 4.9% year on year), and operating profit was ¥299 million (down 39.6% year on year).

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and net assets

Assets

Total assets as of the end of the first three months were ¥94,243 million, a decrease of ¥265 million from the previous fiscal year end. This mainly reflected the difference between an increase for notes and accounts receivable – trade and decreases for cash and deposits and inventories.

Liabilities

Total liabilities as of the end of the first three months were ¥33,368 million, a decrease of ¥613 million from the previous fiscal year end. This primarily reflected the difference between an increase for accounts payable – trade and decreases for income taxes payable and other current liabilities.

Net assets

Net assets as of the end of the first three months were ¥60,875 million, an increase of ¥347 million from the previous fiscal year end. This mainly reflected the difference between an increase for retained earnings, which outweighed year-end cash dividends paid of ¥447 million, and a decrease for foreign currency translation adjustment.

(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 ¥10,627 million, a decrease of ¥1,024 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥347 million. This mainly reflected the difference between cash provided from profit before income taxes, 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 ¥2,180 million, cash from operating activities increased by ¥2,527 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,218 million. This was mainly due to the purchase of property, plant and equipment related to the installation of equipment at the Group’s plants. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥666 million, cash used by investing activities increased by ¥552 million.

Cash flows from financing activities

Financing activities provided net cash of ¥87 million. This mainly reflected cash provided by net increase in short-term and long-term loans payable, which outweighed cash used for year-end cash dividends paid. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥2,935 million, cash from financing activities decreased by ¥2,847 million.

(3) Qualitative information on consolidated earnings projections

For details about the Group’s earnings projections, please refer to the press release issued on August 7, 2020, “Disclosure of Earnings Projections.”

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/20 (As of March 31, 2020)	End-FY3/21 1Q (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	11,652	10,627
Notes and accounts receivable – trade	19,936	22,508
Merchandise and finished goods	23,135	21,884
Work in process	423	429
Raw materials and supplies	8,062	8,264
Others	5,257	4,335
Allowance for doubtful accounts	(68)	(28)
Total current assets	68,398	68,021
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,238	11,247
Accumulated depreciation	(5,450)	(5,507)
Buildings and structures, net	5,788	5,740
Machinery, equipment and vehicles	9,237	9,248
Accumulated depreciation	(7,589)	(7,658)
Machinery, equipment and vehicles, net	1,647	1,589
Land	8,938	8,892
Leased assets	1,826	1,864
Accumulated depreciation	(771)	(841)
Leased assets, net	1,054	1,023
Construction in progress	1,124	1,808
Others	1,414	1,408
Accumulated depreciation	(1,089)	(1,100)
Others, net	324	308
Total property, plant and equipment	18,878	19,361
Intangible assets		
Others	579	568
Total intangible assets	579	568
Investments and other assets		
Investment securities	4,406	4,434
Deferred tax assets	665	278
Others	1,597	1,596
Allowance for doubtful accounts	(18)	(17)
Total investments and other assets	6,651	6,292
Total non-current assets	26,110	26,222
Total assets	94,509	94,243

(millions of yen)

	End-FY3/20 (As of March 31, 2020)	End-FY3/21 1Q (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	7,898	9,480
Short-term loans payable	7,023	6,565
Current portion of long-term loans payable	1,268	1,623
Lease obligations	365	352
Income taxes payable	1,398	258
Provision for bonuses	918	534
Others	5,297	4,023
Total current liabilities	24,168	22,837
Non-current liabilities		
Long-term loans payable	6,040	6,868
Lease obligations	733	702
Deferred tax liabilities	9	0
Provision for directors' retirement benefits	670	659
Provision for executive officers' retirement benefits	11	12
Net defined benefit liability	2,301	2,261
Others	47	25
Total non-current liabilities	9,813	10,531
Total liabilities	33,982	33,368
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	56,069	56,745
Treasury shares	(3,010)	(3,071)
Total shareholders' equity	60,626	61,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	423	449
Deferred gains or losses on hedges	(164)	(83)
Foreign currency translation adjustment	990	536
Remeasurements of defined benefit plans	(1,447)	(1,369)
Total accumulated other comprehensive income	(197)	(466)
Non-controlling interests	98	99
Total net assets	60,527	60,875
Total liabilities and net assets	94,509	94,243

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/20 1Q (April 1, 2019 – June 30, 2019)	FY3/21 1Q (April 1, 2020 – June 30, 2020)
Net sales	49,774	53,540
Cost of sales	44,329	47,978
Gross profit	5,444	5,561
Selling, general, and administrative expenses	3,854	3,926
Operating profit	1,590	1,634
Non-operating income		
Interest income	1	1
Dividend income	11	11
Share of profit of entities accounted for using equity method	1	3
Purchase discounts	2	2
Insurance claim income	19	0
Compensation income	34	-
Foreign exchange gains	-	53
Others	10	8
Total non-operating income	82	82
Non-operating expenses		
Interest expenses	15	19
Foreign exchange losses	25	-
Loss on retirement of non-current assets	3	9
Others	6	3
Total non-operating expenses	51	32
Ordinary profit	1,620	1,684
Profit before income taxes	1,620	1,684
Income taxes – current	311	236
Income taxes – deferred	201	321
Total income taxes	513	558
Profit	1,107	1,126
Profit attributable to non-controlling interests	8	2
Profit attributable to owners of parent	1,098	1,124

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/20 1Q (April 1, 2019 – June 30, 2019)	FY3/21 1Q (April 1, 2020 – June 30, 2020)
Profit	1,107	1,126
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	25
Deferred gains or losses on hedges	(265)	87
Foreign currency translation adjustment	124	(447)
Remeasurements of defined benefit plans	3	78
Share of other comprehensive income (loss) of entities accounted for using equity method	(20)	(14)
Total other comprehensive income (loss)	(240)	(270)
Comprehensive income	867	856
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	856	855
Comprehensive income attributable to non-controlling interests	10	0

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/20 1Q (April 1, 2019 – June 30, 2019)	FY3/21 1Q (April 1, 2020 – June 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,620	1,684
Depreciation	356	411
Increase (decrease) in allowance for doubtful accounts	13	(41)
Increase (decrease) in provision for bonuses	(322)	(383)
Increase (decrease) in net defined benefit liability	5	72
Increase (decrease) in provision for directors' retirement benefits	16	10
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(13)	(13)
Interest expenses	15	19
Share of (profit) loss of entities accounted for using equity method	(1)	(3)
Decrease (increase) in notes and accounts receivable – trade	(2,995)	(2,686)
Decrease (increase) in inventories	617	939
Increase (decrease) in accounts payable – trade	(514)	1,689
Others	(198)	(46)
Subtotal	(1,398)	1,652
Interest and dividend income received	13	13
Interest paid	(15)	(19)
Income taxes paid	(779)	(1,298)
Net cash provided by (used in) operating activities	(2,180)	347
Cash flows from investing activities		
Purchase of property, plant and equipment	(631)	(1,172)
Purchase of intangible assets	(29)	(33)
Purchase of investment securities	(1)	(1)
Others	(3)	(10)
Net cash provided by (used in) investing activities	(666)	(1,218)

(millions of yen)

	FY3/20 1Q (April 1, 2019 – June 30, 2019)	FY3/21 1Q (April 1, 2020 – June 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,606	(486)
Proceeds from long-term loans payable	-	1,500
Repayments of long-term loans payable	(191)	(317)
Cash dividends paid	(394)	(447)
Purchase of treasury shares	(0)	(60)
Others	(84)	(100)
Net cash provided by (used in) financing activities	2,935	87
Effect of exchange rate change on cash and cash equivalents	31	(241)
Net increase (decrease) in cash and cash equivalents	120	(1,024)
Cash and cash equivalents at beginning of period	7,816	11,652
Cash and cash equivalents at end of period	7,936	10,627

(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. FY3/20 1Q (April 1, 2019 – June 30, 2019)

1. Information for net sales and profit/loss for each reportable segment

(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					
Net sales to external parties	29,022	20,752	49,774	-	49,774
Net sales & remittances between segments	-	29	29	(29)	-
Total	29,022	20,781	49,804	(29)	49,774
Segment profit	1,093	496	1,590	-	1,590

(Notes) 1. Adjustments correspond to the elimination of transactions and remittances between segments.

2. Total segment profit matches operating profit recorded on the quarterly consolidated statements of income.

II. FY3/21 1Q (April 1, 2020 – June 30, 2020)

1. Information for net sales and profit/loss for each reportable segment

(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					
Net sales to external parties	33,797	19,742	53,540	-	53,540
Net sales & remittances between segments	-	19	19	(19)	-
Total	33,797	19,762	53,559	(19)	53,540
Segment profit	1,334	299	1,634	-	1,634

(Notes) 1. Adjustments correspond to the elimination of transactions and remittances between segments.

2. Total segment profit matches operating profit recorded on the quarterly consolidated statements of income.