



## FY3/21 2Q Consolidated Financial Statements [J-GAAP]

November 11, 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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 General Manager of IR Dept.  
 Filing date of quarterly report: November 12, 2020  
 Date to start dividends distribution: December 4, 2020  
 Supplementary quarterly materials prepared: Yes  
 Quarterly results information meeting held: Yes (video of meeting to be uploaded to the Company's website)  
 (Figures are rounded down to the nearest million yen)

### 1. FY3/21 2Q consolidated results (April 1, 2020 – September 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 2Q	111,677	9.9	3,669	14.3	3,683	13.2	2,735	19.8
FY3/20 2Q	101,644	(1.0)	3,211	28.1	3,254	19.5	2,283	23.0

(Note) Comprehensive income: FY3/21 2Q: ¥2,662 million (+42.7%) FY3/20 2Q: ¥1,866 million (+27.9%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/21 2Q	104.10	—
FY3/20 2Q	86.72	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/21 2Q	94,621	62,542	66.0
End-FY3/20	94,509	60,527	63.9

(Reference) Shareholders' equity: End-FY3/21 2Q: ¥62,435 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	—	18.00			
FY3/21 (Projections)			—	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)
FY3/21	220,000	4.3	6,300	0.9	6,400	0.2	4,600	13.7	175.59

(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 2Q	28,908,581 shares	End-FY3/20	28,908,581 shares
2) Number of treasury shares	End-FY3/21 2Q	2,711,997 shares	End-FY3/20	2,575,930 shares
3) Average number of shares during the period	FY3/21 2Q	26,275,417 shares	FY3/20 2Q	26,332,717 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 six 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). After the state of emergency was lifted, economic activity in Japan showed some signs of recovery, supported by the government's economic stimulus measures. However, the outlook remains uncertain due to factors such as a second global wave of COVID-19 and ongoing trade tension 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 six months of the fiscal year ending March 31, 2021, consolidated net sales were ¥111,677 million (up 9.9% year on year), operating profit was ¥3,669 million (up 14.3% year on year), ordinary profit was ¥3,683 million (up 13.2% year on year), and profit attributable to owners of parent was ¥2,735 million (up 19.8% 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, key customers in the electronics sector faced restrictions on production activity or implemented voluntary measures during the state of emergency triggered by the COVID-19 outbreak. However, after the state of emergency was lifted, production activity gradually restarted and output of electronic parts and devices also increased, supporting a modest recovery in the sector.

Against that backdrop, the amount of industrial waste treated on an outsourcing basis declined. However, sales and operating profit rose compared with the same period of the previous fiscal year, reflecting a modest increase in the volume of precious metal recycling and a rise 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 ¥73,011 million (up 20.4% year on year), and operating profit was ¥3,266 million (up 38.2% year on year).

#### ***Food business segment***

In the food business segment, consumer activity gradually picked up after the state of emergency was lifted, but with consumers still refraining from going out, key customers in the food processing sector continued to face slowing demand for commercial-use products amid weakness in the food service industry, and sluggish sales of food souvenirs. Production activity continued to vary across the food processing sector, with some companies increasing production of frozen and processed products to meet stay-at-home demand, but conditions remained challenging overall.

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 ¥38,704 million (down 5.7% year on year), and operating profit was ¥402 million (down 52.5% 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 six months were ¥94,621 million, an increase of ¥112 million from the previous fiscal year end. This mainly reflected the difference between increases for notes and accounts receivable – trade and property, plant and equipment and decreases for cash and deposits and other current assets.

##### *Liabilities*

Total liabilities as of the end of the first six months were ¥32,079 million, a decrease of ¥1,902 million from the previous fiscal year end. This primarily reflected the difference between an increase for accounts payable – trade and a decrease for short-term loans payable.

#### *Net assets*

Net assets as of the end of the first six months were ¥62,542 million, an increase of ¥2,014 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which outweighed year-end cash dividends paid of ¥447 million.

#### (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 ¥10,309 million, a decrease of ¥1,342 million from the previous fiscal year end.

#### *Cash flows from operating activities*

Operating activities provided net cash of ¥4,524 million. This mainly reflected the difference between cash provided from profit before income taxes, depreciation 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 provided net cash of ¥277 million, cash from operating activities increased by ¥4,247 million.

#### *Cash flows from investing activities*

Investing activities used net cash of ¥1,628 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 ¥1,131 million, cash used by investing activities increased by ¥496 million.

#### *Cash flows from financing activities*

Financing activities used net cash of ¥4,093 million. This mainly reflected the repayment of short-term loans payable. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥1,565 million, cash from financing activities decreased by ¥5,659 million.

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

For details about the Group’s earnings projections, please refer to the press release issued on November 11, 2020, “Revisions to 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 2Q (As of September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	11,652	10,309
Notes and accounts receivable – trade	19,936	21,637
Merchandise and finished goods	23,135	22,580
Work in process	423	494
Raw materials and supplies	8,062	8,555
Others	5,257	4,200
Allowance for doubtful accounts	(68)	(39)
Total current assets	68,398	67,738
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,238	11,426
Accumulated depreciation	(5,450)	(5,614)
Buildings and structures, net	5,788	5,812
Machinery, equipment and vehicles	9,237	11,214
Accumulated depreciation	(7,589)	(7,894)
Machinery, equipment and vehicles, net	1,647	3,320
Land	8,938	8,759
Leased assets	1,826	1,867
Accumulated depreciation	(771)	(896)
Leased assets, net	1,054	970
Construction in progress	1,124	624
Others	1,414	1,459
Accumulated depreciation	(1,089)	(1,137)
Others, net	324	321
Total property, plant and equipment	18,878	19,808
Intangible assets		
Others	579	561
Total intangible assets	579	561
Investments and other assets		
Investment securities	4,406	4,473
Deferred tax assets	665	487
Others	1,597	1,589
Allowance for doubtful accounts	(18)	(37)
Total investments and other assets	6,651	6,513
Total non-current assets	26,110	26,882
Total assets	94,509	94,621

(millions of yen)

	End-FY3/20 (As of March 31, 2020)	End-FY3/21 2Q (As of September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	7,898	9,955
Short-term loans payable	7,023	3,011
Current portion of long-term loans payable	1,268	1,578
Lease obligations	365	369
Income taxes payable	1,398	1,248
Provision for bonuses	918	1,024
Others	5,297	4,782
Total current liabilities	24,168	21,969
Non-current liabilities		
Long-term loans payable	6,040	6,521
Lease obligations	733	627
Provision for directors' retirement benefits	670	667
Provision for executive officers' retirement benefits	11	14
Net defined benefit liability	2,301	2,230
Deferred tax liabilities	9	10
Others	47	36
Total non-current liabilities	9,813	10,109
Total liabilities	33,982	32,079
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	56,069	58,356
Treasury shares	(3,010)	(3,210)
Total shareholders' equity	60,626	62,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	423	480
Deferred gains or losses on hedges	(164)	(139)
Foreign currency translation adjustment	990	671
Remeasurements of defined benefit plans	(1,447)	(1,289)
Total accumulated other comprehensive income	(197)	(278)
Non-controlling interests	98	106
Total net assets	60,527	62,542
Total liabilities and net assets	94,509	94,621

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

(millions of yen)

	FY3/20 2Q (April 1, 2019 – September 30, 2019)	FY3/21 2Q (April 1, 2020 – September 30, 2020)
Net sales	101,644	111,677
Cost of sales	90,694	100,145
Gross profit	10,950	11,531
Selling, general, and administrative expenses	7,739	7,862
Operating profit	3,211	3,669
Non-operating income		
Interest income	8	3
Dividend income	17	17
Gain on sales of investment securities	27	1
Share of profit of entities accounted for using equity method	-	59
Purchase discounts	5	5
Compensation income	32	-
Others	42	26
Total non-operating income	134	112
Non-operating expenses		
Interest expenses	33	35
Share of loss of entities accounted for using equity method	7	-
Foreign exchange losses	7	26
Others	43	35
Total non-operating expenses	91	98
Ordinary profit	3,254	3,683
Extraordinary income		
Gain on sales of land	-	347
Total extraordinary income	-	347
Profit before income taxes	3,254	4,030
Income taxes – current	989	1,209
Income taxes – deferred	(30)	81
Total income taxes	959	1,290
Profit	2,294	2,739
Profit attributable to non-controlling interests	11	4
Profit attributable to owners of parent	2,283	2,735



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

(millions of yen)

	FY3/20 2Q (April 1, 2019 – September 30, 2019)	FY3/21 2Q (April 1, 2020 – September 30, 2020)
Profit	2,294	2,739
Other comprehensive income		
Valuation difference on available-for-sale securities	(91)	56
Deferred gains or losses on hedges	(297)	31
Foreign currency translation adjustment	(23)	(294)
Remeasurements of defined benefit plans	7	158
Share of other comprehensive income (loss) of entities accounted for using equity method	(23)	(28)
Total other comprehensive income (loss)	(428)	(77)
Comprehensive income	1,866	2,662
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,853	2,654
Comprehensive income attributable to non-controlling interests	13	7

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

(millions of yen)

	FY3/20 2Q (April 1, 2019 – September 30, 2019)	FY3/21 2Q (April 1, 2020 – September 30, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,254	4,030
Depreciation	723	974
Increase (decrease) in allowance for doubtful accounts	7	(10)
Increase (decrease) in provision for bonuses	160	106
Increase (decrease) in net defined benefit liability	12	154
Increase (decrease) in provision for directors' retirement benefits	(15)	(0)
Increase (decrease) in provision for executive officers' retirement benefits	(18)	2
Interest and dividend income	(26)	(20)
Interest expenses	33	35
Share of (profit) loss of entities accounted for using equity method	7	(59)
Decrease (increase) in notes and accounts receivable – trade	(1,802)	(1,767)
Decrease (increase) in inventories	(1,200)	(86)
Increase (decrease) in accounts payable – trade	72	2,129
Others	(200)	348
Subtotal	1,008	5,838
Interest and dividend income received	36	68
Interest paid	(33)	(36)
Income taxes paid	(733)	(1,346)
Net cash provided by (used in) operating activities	277	4,524
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,112)	(2,002)
Proceeds from sales of property, plant and equipment	2	445
Purchase of intangible assets	(82)	(91)
Purchase of investment securities	(6)	(6)
Proceeds from sales of investment securities	30	4
Others	37	21
Net cash provided by (used in) investing activities	(1,131)	(1,628)

(millions of yen)

	FY3/20 2Q (April 1, 2019 – September 30, 2019)	FY3/21 2Q (April 1, 2020 – September 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,509	(4,039)
Proceeds from long-term loans payable	-	1,500
Repayments of long-term loans payable	(383)	(709)
Cash dividends paid	(394)	(447)
Purchase of treasury shares	(0)	(200)
Others	(164)	(197)
Net cash provided by (used in) financing activities	1,565	(4,093)
Effect of exchange rate change on cash and cash equivalents	(30)	(145)
Net increase (decrease) in cash and cash equivalents	680	(1,342)
Cash and cash equivalents at beginning of period	7,816	11,652
Cash and cash equivalents at end of period	8,496	10,309

#### (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 2Q (April 1, 2019 – September 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	60,617	41,026	101,644	-	101,644
Net sales & remittances between segments	-	36	36	(36)	-
Total	60,617	41,063	101,680	(36)	101,644
Segment profit	2,364	847	3,211	-	3,211

(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 2Q (April 1, 2020 – September 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	73,011	38,665	111,677	-	111,677
Net sales & remittances between segments	-	38	38	(38)	-
Total	73,011	38,704	111,715	(38)	111,677
Segment profit	3,266	402	3,669	-	3,669

(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.