



## FY3/20 3Q Consolidated Financial Statements [J-GAAP]

February 12, 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. FY3/20 3Q consolidated results (April 1, 2019 – December 31, 2019)

#### (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)	(%)
FY3/20 3Q	157,405	(1.4)	5,232	42.9	5,484	42.0	3,740	46.3
FY3/19 3Q	159,693	9.0	3,660	(8.7)	3,862	(10.6)	2,556	(13.9)

(Note) Comprehensive income: FY3/20 3Q: ¥3,355 million (+52.9%) FY3/19 3Q: ¥2,195 million (-30.7%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/20 3Q	142.03	—
FY3/19 3Q	97.07	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/20 3Q	91,020	61,481	67.4
End-FY3/19	80,915	58,968	72.8

(Reference) Shareholders' equity: End-FY3/20 3Q: ¥61,385 million End-FY3/19: ¥58,889 million

### 2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/19	—	15.00	—	15.00	30.00
FY3/20	—	17.00	—		
FY3/20 (Projections)				17.00	34.00

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

### 3. Consolidated earnings projections for FY3/20 (April 1, 2019 – March 31, 2020)

(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)
FY3/20	203,000	(2.6)	5,700	15.2	5,800	13.9	4,000	18.0	151.90

(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: Yes
  - 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-FY3/20 3Q	28,908,581 shares	End-FY3/19	28,908,581 shares
2) Number of treasury shares	End-FY3/20 3Q	2,575,877 shares	End-FY3/19	2,575,791 shares
3) Average number of shares during the period	FY3/20 3Q	26,332,712 shares	FY3/19 3Q	26,332,930 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, 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, 2020, the Japanese economy recovered at a moderate pace, supported by improving employment and income conditions, despite some weakness in exports and production activity. However, the outlook remained unclear due to factors such as the impact of trade issues on the global economy and the impact of the consumption tax hike on the domestic economy.

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, 2020, consolidated net sales were ¥157,405 million (down 1.4% year on year), operating income was ¥5,232 million (up 42.9% year on year), ordinary income was ¥5,484 million (up 42.0% year on year), and profit attributable to owners of parent was ¥3,740 million (up 46.3% 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 continued to face tough conditions due to the impact of US-China trade friction, despite some signs of a pickup in production activity for electronic parts and devices. Against that backdrop, the volume of precious metal recycling and the amount of industrial waste treated on an outsourcing basis by the segment was flat overall. However, precious metal product sales volume fell due to a drop in the amount of precious metal bullion purchased, leading to a decline in sales overall compared with the same period of the previous fiscal year, despite an increase in selling prices. However, operating income rose year on year, supported by lower costs and higher selling prices amid steep rises in precious metal prices.

As a result, net sales for the precious metals business segment totaled ¥93,593 million (down 7.4% year on year), and operating income was ¥3,890 million (up 71.2% year on year).

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

In the food business segment, production activity at key customers in the food processing sector was firm overall amid rising demand for processed food products. Against that backdrop, the segment reported higher sales year on year, supported by increases in sales volume for seafood products, livestock products and agricultural products, as well as higher selling prices. However, operating income declined compared with the same period of the previous fiscal year due to factors such as higher procurement prices and increases in shipping costs and storage fees.

As a result, net sales for the food business segment were ¥63,867 million (up 8.8% year on year), and operating income was ¥1,341 million (down 3.3% 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 nine months were ¥91,020 million, an increase of ¥10,104 million from the previous fiscal year end. This mainly reflected increases in notes and accounts receivable – trade and inventories, as well as an increase in property, plant and equipment related to the installation of new equipment at plants in the precious metals business segment.

##### *Liabilities*

Total liabilities as of the end of the first nine months were ¥29,538 million, an increase of ¥7,591 million from the previous fiscal year end. This was mainly attributable to an increase in short-term loans payable to provide funds for working capital, and an increase in long-term loans payable for the installation of new equipment at plants in the precious metals business segment.

##### *Net assets*

Net assets as of the end of the first nine months were ¥61,481 million, an increase of ¥2,513 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which outweighed year-end and interim cash dividends paid of ¥842 million.

(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 ¥8,736 million, an increase of ¥920 million from the previous fiscal year end.

*Cash flows from operating activities*

Operating activities used net cash of ¥2,460 million. This mainly reflected the difference between cash provided from profit before income taxes on the one hand, and cash used for increase in notes and accounts receivable – trade and increase in inventories on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥4,704 million, cash from operating activities decreased by ¥7,164 million.

*Cash flows from investing activities*

Investing activities used net cash of ¥2,029 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 ¥880 million, cash used by investing activities increased by ¥1,148 million.

*Cash flows from financing activities*

Financing activities provided net cash of ¥5,385 million. This mainly reflected cash provided by proceeds from loans payable, which outweighed cash used for year-end and interim cash dividends paid. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥3,319 million, cash from financing activities increased by ¥8,704 million.

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

We have made no change to our consolidated earnings projections announced on November 6, 2019.

## 2. Quarterly consolidated financial statements and related notes

### (1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/19 (As of March 31, 2019)	End-FY3/20 3Q (As of December 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	7,816	8,736
Notes and accounts receivable – trade	20,522	26,609
Merchandise and finished goods	16,702	18,425
Work in process	542	581
Raw materials and supplies	6,942	7,288
Others	4,440	4,186
Allowance for doubtful accounts	(4)	(9)
Total current assets	56,961	65,818
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,177	9,474
Accumulated depreciation	(5,131)	(5,353)
Buildings and structures, net	4,045	4,121
Machinery, equipment and vehicles	8,800	9,094
Accumulated depreciation	(7,158)	(7,503)
Machinery, equipment and vehicles, net	1,642	1,590
Land	9,036	8,916
Leased assets	1,181	1,712
Accumulated depreciation	(449)	(736)
Leased assets, net	731	976
Construction in progress	1,303	2,401
Others	1,302	1,377
Accumulated depreciation	(965)	(1,059)
Others, net	337	318
Total property, plant and equipment	17,098	18,325
Intangible assets		
Others	642	602
Total intangible assets	642	602
Investments and other assets		
Investment securities	4,512	4,588
Deferred tax assets	115	159
Others	1,601	1,545
Allowance for doubtful accounts	(16)	(19)
Total investments and other assets	6,212	6,274
Total non-current assets	23,953	25,202
Total assets	80,915	91,020

(millions of yen)

	End-FY3/19 (As of March 31, 2019)	End-FY3/20 3Q (As of December 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	8,170	8,579
Short-term loans payable	3,081	5,179
Current portion of long-term loans payable	755	1,286
Lease obligations	271	343
Income taxes payable	914	688
Provision for bonuses	818	478
Others	3,803	4,843
Total current liabilities	17,814	21,400
Non-current liabilities		
Long-term loans payable	2,480	6,357
Lease obligations	524	680
Provision for directors' retirement benefits	625	659
Provision for executive officers' retirement benefits	28	10
Net defined benefit liability	185	188
Deferred tax liabilities	220	224
Others	68	17
Total non-current liabilities	4,132	8,138
Total liabilities	21,946	29,538
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	52,865	55,762
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	57,422	60,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	585	551
Deferred gains or losses on hedges	41	(258)
Foreign currency translation adjustment	855	776
Remeasurements of defined benefit plans	(15)	(4)
Total accumulated other comprehensive income	1,466	1,065
Non-controlling interests	79	95
Total net assets	58,968	61,481
Total liabilities and net assets	80,915	91,020

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

(millions of yen)

	FY3/19 3Q (April 1, 2018 – December 31, 2018)	FY3/20 3Q (April 1, 2019 – December 31, 2019)
Net sales	159,693	157,405
Cost of sales	144,902	140,397
Gross profit	14,790	17,008
Selling, general, and administrative expenses	11,130	11,776
Operating income	3,660	5,232
Non-operating income		
Interest income	6	12
Dividend income	24	25
Gain on sales of investment securities	13	27
Share of profit of entities accounted for using equity method	198	143
Purchase discounts	9	8
Foreign exchange gains	-	17
Others	48	105
Total non-operating income	300	341
Non-operating expenses		
Interest expenses	41	54
Foreign exchange losses	29	-
Others	27	34
Total non-operating expenses	98	89
Ordinary income	3,862	5,484
Extraordinary losses		
Impairment loss	77	115
Total extraordinary losses	77	115
Profit before income taxes	3,785	5,369
Income taxes – current	1,049	1,512
Income taxes – deferred	160	103
Total income taxes	1,209	1,615
Profit	2,575	3,753
Profit attributable to non-controlling interests	19	13
Profit attributable to owners of parent	2,556	3,740



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

(millions of yen)

	FY3/19 3Q (April 1, 2018 – December 31, 2018)	FY3/20 3Q (April 1, 2019 – December 31, 2019)
Profit	2,575	3,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(100)	(33)
Deferred gains or losses on hedges	(244)	(299)
Foreign currency translation adjustments	(26)	(60)
Remeasurements of defined benefit plans	10	11
Share of other comprehensive income (loss) of entities accounted for using equity method	(18)	(16)
Total other comprehensive income (loss)	(380)	(397)
Comprehensive income	2,195	3,355
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,175	3,338
Comprehensive income attributable to non-controlling interests	19	16

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

(millions of yen)

	FY3/19 3Q (April 1, 2018 – December 31, 2018)	FY3/20 3Q (April 1, 2019 – December 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,785	5,369
Depreciation	995	1,160
Impairment loss	77	115
Increase (decrease) in allowance for doubtful accounts	(46)	8
Increase (decrease) in provision for bonuses	(349)	(339)
Increase (decrease) in net defined benefit liability	35	14
Increase (decrease) in provision for directors' retirement benefits	(21)	(4)
Increase (decrease) in provision for executive officers' retirement benefits	2	(16)
Interest and dividend income	(30)	(37)
Interest expenses	41	54
Share of (profit) loss of entities accounted for using equity method	(198)	(143)
Decrease (increase) in notes and accounts receivable – trade	(1,684)	(6,065)
Decrease (increase) in inventories	1,640	(2,105)
Increase (decrease) in accounts payable – trade	1,069	387
Others	1,163	685
<b>Subtotal</b>	<b>6,481</b>	<b>(918)</b>
Interest and dividend income received	112	47
Interest paid	(40)	(53)
Income taxes paid	(1,847)	(1,536)
<b>Net cash provided by (used in) operating activities</b>	<b>4,704</b>	<b>(2,460)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(864)	(1,997)
Proceeds from sales of property, plant and equipment	1	2
Purchase of intangible assets	(32)	(90)
Purchase of investment securities	(9)	(10)
Proceeds from sales of investment securities	22	30
Others	1	36
<b>Net cash provided by (used in) investing activities</b>	<b>(880)</b>	<b>(2,029)</b>

(millions of yen)

	FY3/19 3Q (April 1, 2018 – December 31, 2018)	FY3/20 3Q (April 1, 2019 – December 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,579)	2,105
Proceeds from long-term loans payable	3,000	5,000
Repayments of long-term loans payable	(796)	(591)
Cash dividends paid	(763)	(842)
Others	(179)	(285)
Net cash provided by (used in) financing activities	(3,319)	5,385
Effect of exchange rate change on cash and cash equivalents	26	24
Net increase (decrease) in cash and cash equivalents	531	920
Cash and cash equivalents at beginning of period	7,571	7,816
Cash and cash equivalents at end of period	8,103	8,736

#### **(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.

(Changes in accounting policy)

Group subsidiaries that have adopted International Financial Reporting Standards (IFRS) have applied IFRS standard 16 for leases (IFRS 16), effective from the first quarter of the fiscal year under review. As a result, in principle, lessees now recognize all assets and liabilities arising from a lease on their balance sheets. In accordance with transitional measures, the Company has adopted a method to recognize the cumulative impact of applying IFRS 16 as of the date of initial application.

As a result, as of the end of the third quarter of the current fiscal year, property, plant and equipment increased ¥309 million, lease obligations under current liabilities increased ¥57 million, and lease obligations under non-current liabilities increased ¥262 million. The change in accounting standard had an immaterial impact on profits for the first nine months of the current fiscal year.

(Segment information, etc.)

I. FY3/19 3Q (April 1, 2018 – December 31, 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	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.

II. FY3/20 3Q (April 1, 2019 – December 31, 2019)

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	93,593	63,812	157,405	-	157,405
(2) Intersegment sales and transfers	-	55	55	(55)	-
Total	93,593	63,867	157,460	(55)	157,405
Segment income	3,890	1,341	5,232	-	5,232

(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.