



FY3/20 2Q Consolidated Financial Statements [J-GAAP]

November 11, 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>
 Representative: Yoshiaki Matsuda, President and Representative Director
 Inquiries: Atsushi Kinoshita, Director in Charge of IR TEL: +81-3-5381-0728
 Filing date of quarterly report: November 13, 2019
 Date to start dividends distribution: December 4, 2019
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. FY3/20 2Q consolidated results (April 1, 2019 – September 30, 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 2Q	101,644	(1.0)	3,211	28.1	3,254	19.5	2,283	23.0
FY3/19 2Q	102,721	9.0	2,505	13.7	2,722	12.3	1,856	13.1

(Note) Comprehensive income: FY3/20 2Q: ¥1,866 million (+27.9%) FY3/19 2Q: ¥1,459 million (-8.2%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/20 2Q	86.72	—
FY3/19 2Q	70.49	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/20 2Q	84,756	60,440	71.2
End-FY3/19	80,915	58,968	72.8

(Reference) Shareholders' equity: End-FY3/20 2Q: ¥60,347 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 2Q	28,908,581 shares	End-FY3/19	28,908,581 shares
2) Number of treasury shares	End-FY3/20 2Q	2,575,877 shares	End-FY3/19	2,575,791 shares
3) Average number of shares during the period	FY3/20 2Q	26,332,717 shares	FY3/19 2Q	26,332,956 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 six 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 uncertain 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 six months of the fiscal year ending March 31, 2020, consolidated net sales were ¥101,644 million (down 1.0% year on year), operating income was ¥3,211 million (up 28.1% year on year), ordinary income was ¥3,254 million (up 19.5% year on year), and profit attributable to owners of parent was ¥2,283 million (up 23.0% 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 challenging conditions amid a decline in production of electronic parts and devices compared with the same period of the previous fiscal year. 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 ¥60,617 million (down 8.5% year on year), and operating income was ¥2,364 million (up 45.5% 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 slightly compared with the same period of the previous fiscal year, partly due to higher shipping costs and storage fees.

As a result, net sales for the food business segment were ¥41,063 million (up 12.5% year on year), and operating income was ¥847 million (down 3.8% 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 ¥84,756 million, an increase of ¥3,841 million from the previous fiscal year end. This mainly reflected increases in notes and accounts receivable – trade and inventories.

Liabilities

Total liabilities as of the end of the first six months were ¥24,316 million, an increase of ¥2,369 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.

Net assets

Net assets as of the end of the first six months were ¥60,440 million, an increase of ¥1,471 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which outweighed year-end cash dividends paid of ¥394 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 ¥8,496 million, an increase of ¥680 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥277 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 ¥5,713 million, cash from operating activities decreased by ¥5,435 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,131 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 ¥556 million, cash used by investing activities increased by ¥575 million.

Cash flows from financing activities

Financing activities provided net cash of ¥1,565 million. This mainly reflected cash provided by proceeds from 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 used net cash of ¥4,226 million, cash from financing activities increased by ¥5,791 million.

(3) Qualitative information on consolidated earnings projections

The Company has revised its consolidated earnings projections for net sales, operating income, ordinary income and profit attributable to owners of parent for the fiscal year ending March 31, 2020, as sales and profits for the first six months of the fiscal year were expected to exceed start-of-year projections. Projections were raised to reflect upside from the first six months of the fiscal year.

For more details, please refer to the news release, "Revisions to Earnings Projections," dated November 6, 2019.

Revisions to consolidated earnings projections for FY3/20 (April 1, 2019 – March 31, 2020)

	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)
Previous projections (A)	200,000	5,000	5,100	3,450	131.01
Revised projections (B)	203,000	5,700	5,800	4,000	151.90
Change (B – A)	3,000	700	700	550	—
Change (%)	1.5	14.0	13.7	15.9	—
Reference: Results for FY3/19	208,338	4,948	5,094	3,391	128.77

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 2Q (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	7,816	8,496
Notes and accounts receivable – trade	20,522	22,348
Merchandise and finished goods	16,702	18,481
Work in process	542	527
Raw materials and supplies	6,942	6,384
Others	4,440	4,186
Allowance for doubtful accounts	(4)	(8)
Total current assets	56,961	60,416
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,177	9,355
Accumulated depreciation	(5,131)	(5,279)
Buildings and structures, net	4,045	4,075
Machinery, equipment and vehicles	8,800	9,005
Accumulated depreciation	(7,158)	(7,408)
Machinery, equipment and vehicles, net	1,642	1,596
Land	9,036	9,034
Leased assets	1,181	1,484
Accumulated depreciation	(449)	(625)
Leased assets, net	731	858
Construction in progress	1,303	1,749
Others	1,302	1,370
Accumulated depreciation	(965)	(1,028)
Others, net	337	342
Total property, plant and equipment	17,098	17,657
Intangible assets		
Others	642	641
Total intangible assets	642	641
Investments and other assets		
Investment securities	4,512	4,342
Deferred tax assets	115	171
Others	1,601	1,545
Allowance for doubtful accounts	(16)	(19)
Total investments and other assets	6,212	6,041
Total non-current assets	23,953	24,340
Total assets	80,915	84,756

(millions of yen)

	End-FY3/19 (As of March 31, 2019)	End-FY3/20 2Q (As of September 30, 2019)
Liabilities		
Current liabilities		
Accounts payable – trade	8,170	8,262
Short-term loans payable	3,081	5,584
Current portion of long-term loans payable	755	661
Lease obligations	271	330
Income taxes payable	914	1,001
Provision for bonuses	818	979
Others	3,803	3,781
Total current liabilities	17,814	20,601
Non-current liabilities		
Long-term loans payable	2,480	2,190
Lease obligations	524	583
Provision for directors' retirement benefits	625	649
Provision for executive officers' retirement benefits	28	9
Net defined benefit liability	185	189
Deferred tax liabilities	220	66
Others	68	27
Total non-current liabilities	4,132	3,715
Total liabilities	21,946	24,316
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	52,865	54,754
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	57,422	59,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	585	493
Deferred gains or losses on hedges	41	(255)
Foreign currency translation adjustment	855	806
Remeasurements of defined benefit plans	(15)	(7)
Total accumulated other comprehensive income	1,466	1,036
Non-controlling interests	79	92
Total net assets	58,968	60,440
Total liabilities and net assets	80,915	84,756

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/19 2Q (April 1, 2018 – September 30, 2018)	FY3/20 2Q (April 1, 2019 – September 30, 2019)
Net sales	102,721	101,644
Cost of sales	92,920	90,694
Gross profit	9,801	10,950
Selling, general, and administrative expenses	7,295	7,739
Operating income	2,505	3,211
Non-operating income		
Interest income	4	8
Dividend income	16	17
Gain on sales of investment securities	12	27
Share of profit of entities accounted for using equity method	160	-
Purchase discounts	6	5
Compensation income	-	32
Foreign exchange gains	30	-
Others	32	42
Total non-operating income	263	134
Non-operating expenses		
Interest expenses	28	33
Share of loss of entities accounted for using equity method	-	7
Foreign exchange losses	-	7
Others	19	43
Total non-operating expenses	47	91
Ordinary income	2,722	3,254
Profit before income taxes	2,722	3,254
Income taxes – current	839	989
Income taxes – deferred	17	(30)
Total income taxes	856	959
Profit	1,865	2,294
Profit attributable to non-controlling interests	8	11
Profit attributable to owners of parent	1,856	2,283

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/19 2Q (April 1, 2018 – September 30, 2018)	FY3/20 2Q (April 1, 2019 – September 30, 2019)
Profit	1,865	2,294
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	(91)
Deferred gains or losses on hedges	(93)	(297)
Foreign currency translation adjustments	(264)	(23)
Remeasurements of defined benefit plans	6	7
Share of other comprehensive income (loss) of entities accounted for using equity method	1	(23)
Total other comprehensive income (loss)	(405)	(428)
Comprehensive income	1,459	1,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,459	1,853
Comprehensive income attributable to non-controlling interests	0	13

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/19 2Q (April 1, 2018 – September 30, 2018)	FY3/20 2Q (April 1, 2019 – September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	2,722	3,254
Depreciation	647	723
Increase (decrease) in allowance for doubtful accounts	(46)	7
Increase (decrease) in provision for bonuses	127	160
Increase (decrease) in net defined benefit liability	22	12
Increase (decrease) in provision for directors' retirement benefits	(30)	(15)
Increase (decrease) in provision for executive officers' retirement benefits	(0)	(18)
Interest and dividend income	(21)	(26)
Interest expenses	28	33
Share of (profit) loss of entities accounted for using equity method	(160)	7
Decrease (increase) in notes and accounts receivable – trade	988	(1,802)
Decrease (increase) in inventories	2,140	(1,200)
Increase (decrease) in accounts payable – trade	(618)	72
Others	930	(200)
Subtotal	6,728	1,008
Interest and dividend income received	103	36
Interest paid	(27)	(33)
Income taxes paid	(1,091)	(733)
Net cash provided by (used in) operating activities	5,713	277
Cash flows from investing activities		
Purchase of property, plant and equipment	(542)	(1,112)
Proceeds from sales of property, plant and equipment	-	2
Purchase of intangible assets	(31)	(82)
Purchase of investment securities	(5)	(6)
Proceeds from sales of investment securities	18	30
Others	4	37
Net cash provided by (used in) investing activities	(556)	(1,131)

(millions of yen)

	FY3/19 2Q (April 1, 2018 – September 30, 2018)	FY3/20 2Q (April 1, 2019 – September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,244)	2,509
Proceeds from long-term loans payable	3,000	-
Repayments of long-term loans payable	(497)	(383)
Cash dividends paid	(368)	(394)
Others	(115)	(165)
Net cash provided by (used in) financing activities	(4,226)	1,565
Effect of exchange rate change on cash and cash equivalents	(84)	(30)
Net increase (decrease) in cash and cash equivalents	846	680
Cash and cash equivalents at beginning of period	7,571	7,816
Cash and cash equivalents at end of period	8,418	8,496

(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 second quarter of the current fiscal year, property, plant and equipment increased ¥145 million, lease obligations under current liabilities increased ¥38 million, and lease obligations under non-current liabilities increased ¥113 million. The change in accounting standard had an immaterial impact on profits for the first six months of the current fiscal year.

(Segment information, etc.)

I. FY3/19 2Q (April 1, 2018 – September 30, 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	66,266	36,454	102,721	-	102,721
(2) Intersegment sales and transfers	-	43	43	(43)	-
Total	66,266	36,498	102,765	(43)	102,721
Segment income	1,625	880	2,505	-	2,505

(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 2Q (April 1, 2019 – September 30, 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	60,617	41,026	101,644	-	101,644
(2) Intersegment sales and transfers	-	36	36	(36)	-
Total	60,617	41,063	101,680	(36)	101,644
Segment income	2,364	847	3,211	-	3,211

(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.