



FY3/20 1Q Consolidated Financial Statements [J-GAAP]

August 8, 2019

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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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 1Q consolidated results (April 1, 2019 – June 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 1Q	49,774	(6.0)	1,590	25.7	1,620	18.2	1,098	22.2
FY3/19 1Q	52,941	15.8	1,265	19.8	1,371	18.6	898	18.0

(Note) Comprehensive income: FY3/20 1Q: ¥867 million (+18.6%) FY3/19 1Q: ¥731 million (+1.3%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/20 1Q	41.73	—
FY3/19 1Q	34.13	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/20 1Q	83,999	59,440	70.7
End-FY3/19	80,915	58,968	72.8

(Reference) Shareholders' equity: End-FY3/20 1Q: ¥59,351 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	—				
FY3/20 (Projections)		17.00	—	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)
1H FY3/20	92,000	(10.4)	2,300	(8.2)	2,330	(14.4)	1,570	(15.4)	59.62
FY3/20	200,000	(4.0)	5,000	1.0	5,100	0.1	3,450	1.7	131.01

(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

(Note) For details, please refer to "2. Quarterly consolidated financial statements and related notes, (4) Notes on quarterly consolidated financial statements" on page 10 of the attached documents.

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	End-FY3/20 1Q	28,908,581 shares	End-FY3/19	28,908,581 shares
2) Number of treasury shares	End-FY3/20 1Q	2,575,877 shares	End-FY3/19	2,575,791 shares
3) Average number of shares during the period	FY3/20 1Q	26,332,729 shares	FY3/19 1Q	26,332,982 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 assumptions and notes regarding the use of 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.

Contents of Attached Document

1. Qualitative information on consolidated results during the period	2
(1) Qualitative information on consolidated results.....	2
(2) Qualitative information on consolidated financial position.....	2
(3) Qualitative information on consolidated earnings projections.....	3
2. Quarterly consolidated financial statements and related notes	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and comprehensive income.....	6
(3) Quarterly consolidated statements of cash flows.....	8
(4) Notes on quarterly consolidated financial statements.....	10
(Notes on premise of a going concern).....	10
(Notes on significant changes in the amount of shareholders' equity).....	10
(Changes in accounting policy).....	10
(Segment information, etc.).....	11

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, 2020, the Japanese economy continued to recover at a moderate pace, supported by improving income and employment conditions, despite some weakness in exports and other areas. The outlook also remained unclear due to uncertainties such as the impact of trade issues on the global economy, the outlook for the Chinese economy, and economic trends and policies in overseas economies.

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 three months of the fiscal year ending March 31, 2020, consolidated net sales were ¥49,774 million (down 6.0% year on year), operating income was ¥1,590 million (up 25.7% year on year), ordinary income was ¥1,620 million (up 18.2% year on year), and profit attributable to owners of parent was ¥1,098 million (up 22.2% 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 declining production of electronic parts and devices, partly due to the impact of trade issues. Against that backdrop, there was a modest decline in the volume of precious metal recycling and the amount of industrial waste treated on an outsourcing basis by the Group's precious metals business segment. In particular, 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. However, operating income increased year on year, supported by higher selling prices and lower costs.

As a result, net sales for the precious metals business segment totaled ¥29,022 million (down 14.8% year on year), and operating income was ¥1,093 million (up 29.3% 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, despite continued weakness in domestic consumer spending. In this environment, the segment reported higher sales year on year, supported by an increase in sales volume for seafood products, livestock products and agricultural products.

As a result, net sales for the food business segment were ¥20,781 million (up 10.0% year on year), and operating income was ¥496 million (up 18.5% 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 three months were ¥83,999 million, an increase of ¥3,084 million from the previous fiscal year end. This mainly reflected an increase for notes and accounts receivable – trade due to higher sales in the food business segment.

Liabilities

Total liabilities as of the end of the first three months were ¥24,558 million, an increase of ¥2,611 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 three months were ¥59,440 million, an increase of ¥472 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 three months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥7,936 million, an increase of ¥120 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥2,180 million. This mainly reflected the difference between cash provided from profit before income taxes and decrease in inventories on the one hand, and cash used for increase in notes and accounts receivable – trade, decrease in accounts payable – 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 ¥1,604 million, cash from operating activities decreased by ¥3,785 million.

Cash flows from investing activities

Investing activities used net cash of ¥666 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 ¥253 million, cash used by investing activities increased by ¥412 million.

Cash flows from financing activities

Financing activities provided net cash of ¥2,935 million. This mainly reflected cash provided by proceeds from short-terms 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 ¥62 million, cash from financing activities increased by ¥2,872 million.

(3) Qualitative information on consolidated earnings projections

The Company has not revised its interim or full-year consolidated earnings forecasts disclosed with financial statements for the fiscal year ended March 31, 2019, released on May 13, 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 1Q (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	7,816	7,936
Notes and accounts receivable – trade	20,522	23,553
Merchandise and finished goods	16,702	17,046
Work in process	542	475
Raw materials and supplies	6,942	6,079
Others	4,440	4,458
Allowance for doubtful accounts	(4)	(8)
Total current assets	56,961	59,542
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,177	9,314
Accumulated depreciation	(5,131)	(5,205)
Buildings and structures, net	4,045	4,109
Machinery, equipment and vehicles	8,800	8,875
Accumulated depreciation	(7,158)	(7,303)
Machinery, equipment and vehicles, net	1,642	1,571
Land	9,036	9,049
Leased assets	1,181	1,494
Accumulated depreciation	(449)	(575)
Leased assets, net	731	918
Construction in progress	1,303	1,734
Others	1,302	1,343
Accumulated depreciation	(965)	(1,003)
Others, net	337	340
Total property, plant and equipment	17,098	17,724
Intangible assets		
Others	642	631
Total intangible assets	642	631
Investments and other assets		
Investment securities	4,512	4,376
Deferred tax assets	115	141
Others	1,601	1,609
Allowance for doubtful accounts	(16)	(25)
Total investments and other assets	6,212	6,101
Total non-current assets	23,953	24,457
Total assets	80,915	83,999

(millions of yen)

	End-FY3/19 (As of March 31, 2019)	End-FY3/20 1Q (As of June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable – trade	8,170	7,682
Short-term loans payable	3,081	6,674
Current portion of long-term loans payable	755	708
Lease obligations	271	334
Income taxes payable	914	385
Provision for bonuses	818	496
Others	3,803	4,129
Total current liabilities	17,814	20,411
Non-current liabilities		
Long-term loans payable	2,480	2,335
Lease obligations	524	640
Provision for directors' retirement benefits	625	638
Provision for executive officers' retirement benefits	28	9
Net defined benefit liability	185	187
Deferred tax liabilities	220	300
Others	68	35
Total non-current liabilities	4,132	4,147
Total liabilities	21,946	24,558
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	52,865	53,569
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	57,422	58,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	585	502
Deferred gains or losses on hedges	41	(224)
Foreign currency translation adjustment	855	957
Remeasurements of defined benefit plans	(15)	(11)
Total accumulated other comprehensive income	1,466	1,224
Non-controlling interests	79	89
Total net assets	58,968	59,440
Total liabilities and net assets	80,915	83,999

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

(millions of yen)

	FY3/19 1Q (April 1, 2018 – June 30, 2018)	FY3/20 1Q (April 1, 2019 – June 30, 2019)
Net sales	52,941	49,774
Cost of sales	48,022	44,329
Gross profit	4,919	5,444
Selling, general, and administrative expenses	3,653	3,854
Operating income	1,265	1,590
Non-operating income		
Interest income	0	1
Dividend income	11	11
Gain on sales of investment securities	12	-
Share of profit of entities accounted for using equity method	98	1
Purchase discounts	3	2
Insurance claim income	0	19
Compensation income	-	34
Others	11	10
Total non-operating income	139	82
Non-operating expenses		
Interest expenses	13	15
Foreign exchange losses	14	25
Others	5	10
Total non-operating expenses	33	51
Ordinary income	1,371	1,620
Profit before income taxes	1,371	1,620
Income taxes – current	277	311
Income taxes – deferred	189	201
Total income taxes	466	513
Profit	904	1,107
Profit attributable to non-controlling interests	5	8
Profit attributable to owners of parent	898	1,098

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/19 1Q (April 1, 2018 – June 30, 2018)	FY3/20 1Q (April 1, 2019 – June 30, 2019)
Profit	904	1,107
Other comprehensive income		
Valuation difference on available-for-sale securities	28	(82)
Deferred gains or losses on hedges	44	(265)
Foreign currency translation adjustments	(230)	124
Remeasurements of defined benefit plans	2	3
Share of other comprehensive income (loss) of entities accounted for using equity method	(17)	(20)
Total other comprehensive income (loss)	(173)	(240)
Comprehensive income	731	867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	725	856
Comprehensive income attributable to non-controlling interests	5	10

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/19 1Q (April 1, 2018 – June 30, 2018)	FY3/20 1Q (April 1, 2019 – June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,371	1,620
Depreciation	314	356
Increase (decrease) in allowance for doubtful accounts	0	13
Increase (decrease) in provision for bonuses	(315)	(322)
Increase (decrease) in net defined benefit liability	11	5
Increase (decrease) in provision for directors' retirement benefits	9	16
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(12)	(13)
Interest expenses	13	15
Share of (profit) loss of entities accounted for using equity method	(98)	(1)
Decrease (increase) in notes and accounts receivable – trade	(623)	(2,995)
Decrease (increase) in inventories	800	617
Increase (decrease) in accounts payable – trade	245	(514)
Others	879	(198)
Subtotal	2,597	(1,398)
Interest and dividend income received	12	13
Interest paid	(13)	(15)
Income taxes paid	(991)	(779)
Net cash provided by (used in) operating activities	1,604	(2,180)
Cash flows from investing activities		
Purchase of property, plant and equipment	(229)	(631)
Purchase of intangible assets	(11)	(29)
Purchase of investment securities	(1)	(1)
Others	(11)	(3)
Net cash provided by (used in) investing activities	(253)	(666)

(millions of yen)

	FY3/19 1Q (April 1, 2018 – June 30, 2018)	FY3/20 1Q (April 1, 2019 – June 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,314)	3,606
Proceeds from long-term loans payable	3,000	-
Repayments of long-term loans payable	(198)	(191)
Cash dividends paid	(368)	(394)
Others	(55)	(84)
Net cash provided by (used in) financing activities	62	2,935
Effect of exchange rate change on cash and cash equivalents	(83)	31
Net increase (decrease) in cash and cash equivalents	1,330	120
Cash and cash equivalents at beginning of period	7,571	7,816
Cash and cash equivalents at end of period	8,902	7,936

(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 first quarter of the current fiscal year, property, plant and equipment increased ¥188 million, lease obligations under current liabilities increased ¥49 million, and lease obligations under non-current liabilities increased ¥139 million. The change in accounting standard had an immaterial impact on profits for the first quarter of the current fiscal year.

(Segment information, etc.)

I. FY3/19 1Q (April 1, 2018 – June 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	34,067	18,874	52,941	-	52,941
(2) Intersegment sales and transfers	-	21	21	(21)	-
Total	34,067	18,896	52,963	(21)	52,941
Segment income	846	419	1,265	-	1,265

(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 1Q (April 1, 2019 – June 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	29,022	20,752	49,774	-	49,774
(2) Intersegment sales and transfers	-	29	29	(29)	-
Total	29,022	20,781	49,804	(29)	49,774
Segment income	1,093	496	1,590	-	1,590

(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.