



FY3/20 Financial Statements [J-GAAP]

May 14, 2020

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Date of regular shareholders' meeting: June 25, 2020
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 Expected dividend payment date: June 26, 2020
 Supplementary materials for financial results prepared: Yes
 Information meeting for financial results held: No

(Figures are rounded down to the nearest million yen)

1. FY3/20 Consolidated results (April 1, 2019–March 31, 2020)

(1) Consolidated operating 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)	(%)
FY3/20	210,976	1.3	6,241	26.1	6,384	25.3	4,046	19.3
FY3/19	208,338	9.5	4,948	1.4	5,094	(0.9)	3,391	(2.0)

(Note) Comprehensive income: FY3/20 2,401 million yen (-22.2%) FY3/19 3,085 million yen (-22.2%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit / total assets	Operating margin
	(yen)	(yen)	(%)	(%)	(%)
FY3/20	153.66	—	6.8	7.3	3.0
FY3/19	128.77	—	5.9	6.3	2.4

(Reference) Equity in earnings or losses of affiliates: FY3/20 106 million yen FY3/19 181 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/20	94,509	60,527	63.9	2,294.82
FY3/19	80,915	58,968	72.8	2,236.35

(Reference) Shareholders' equity: FY3/20 60,428 million yen FY3/19 58,889 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
FY3/20	(422)	(2,674)	6,848	11,652
FY3/19	6,178	(2,166)	(3,708)	7,816

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	(%)	(%)
FY3/19	—	15.00	—	15.00	30.00	763	23.3	1.4
FY3/20	—	17.00	—	17.00	34.00	842	22.1	1.5
FY3/21 (projections)	—	18.00	—	18.00	36.00		—	

(Note) Payout ratio (consolidated) for FY3/21 is undetermined due to the difficulty of formulating earnings projections at this stage.

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

Earnings projections are undetermined at this stage, as the Group is unable to formulate appropriate and reasonable forecasts due to the highly unpredictable impact of the COVID-19 outbreak on demand trends and the entire supply chain amid uncertainties related to the slowdown in economic activity in Japan and overseas and the timing of the outbreak's containment. The Company plans to release earnings projections as soon as possible once conditions allow appropriate and reasonable forecasts to be formulated.

* Notes

(1) Material changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting from changes in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	FY3/20	28,908,581 shares	FY3/19	28,908,581 shares
2) Number of treasury shares	FY3/20	2,575,930 shares	FY3/19	2,575,791 shares
3) Average number of shares during the period	FY3/20	26,332,705 shares	FY3/19	26,332,898 shares

(Reference) Summary of non-consolidated results

1. FY3/20 Non-consolidated results (April 1, 2019–March 31, 2020)

(1) Non-consolidated operating results (Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/20	200,590	2.2	4,961	20.7	5,881	33.3	4,216	41.6
FY3/19	196,193	6.7	4,110	1.2	4,412	0.4	2,976	(1.4)

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
FY3/20	160.12	–
FY3/19	113.04	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/20	84,158	53,291	63.3	2,023.79
FY3/19	71,673	50,263	70.1	1,908.78

(Reference) Shareholders' equity: FY3/20 53,291 million yen FY3/19 50,263 million yen

*This 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. Operating results and others (4) Future outlook" on page 4 of the attached documents.

- The FY3/20 results briefing (for institutional investors and analysts) has been cancelled in response to the COVID-19 outbreak. Materials that were to be distributed at the briefing will be uploaded to the Company's website at a later date (in Japanese only).

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1. Operating results and others

(1) Analysis of operating results

Consolidated operating results	(millions of yen) [year-on-year comparison]		
Net sales	210,976	[+2,638	+1.3%]
Operating profit	6,241	[+1,293	+26.1%]
Ordinary profit	6,384	[+1,290	+25.3%]
Profit attributable to owners of parent	4,046	[+655	+19.3%]

During the consolidated fiscal year ended March 31, 2020, the Japanese economy recovered at a moderate pace, supported by improving employment and income conditions. However, exports and production showed signs of weakness due to factors such as the prolonged trade dispute between China and the US. In addition, the outlook for the economy became increasingly uncertain from early 2020, with economic activity dropping sharply worldwide amid the impact of the widening COVID-19 outbreak in Japan and overseas.

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, consolidated net sales increased 1.3% year on year to ¥210,976 million and operating profit rose 26.1% to ¥6,241 million. Ordinary profit, which includes share of profit of entities accounted for using equity method and other non-operating income, totaled ¥6,384 million, up 25.3% year on year, and profit attributable to owners of parent was ¥4,046 million, up 19.3% year on year.

The following is a summary of business by segment:

Consolidated results by segment	(millions of yen) [year-on-year comparison]				
Segment	Net sales			Operating profit	
Precious metals business segment	130,726	[-2,045	-1.5%]	4,933	[+1,488 +43.2%]
Food business segment	80,325	[+4,673	+6.2%]	1,307	[-195 -13.0%]
Eliminations or corporate	(74)			—	
Total	210,976	[+2,638	+1.3%]	6,241	[+1,293 +26.1%]

Precious metals business segment:

In the precious metals business segment, key customers in the electronics sector continued to face tough conditions due to factors such as the impact of US-China trade friction, but there were some signs of a recovery 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 previous fiscal year, despite an increase in selling prices. However, operating profit rose year on year. Although selling, general and administrative expenses increased, that was outweighed by a decline in costs and by higher selling prices for gold, palladium and other precious metals amid a steep rise in market prices. The COVID-19 outbreak had only a modest impact on consolidated results for the fiscal year under review.

As a result, net sales for the precious metals business segment decreased 1.5% year on year to ¥130,726 million, and operating profit rose 43.2% year on year to ¥4,933 million.

Food business segment:

In the food business segment, production activity at key customers in the food processing sector was firm overall. Despite continued weakness in consumer spending in Japan, there were signs of rising spending on certain food products from early 2020, spurred by social-distancing measures amid the COVID-19 outbreak, leading to higher demand for processed food products. Against that backdrop, the segment reported higher sales year on year, supported by growth in sales volumes for seafood products, livestock products and agricultural products, as well as higher selling prices. However, operating profit declined year on year, mainly reflecting increases in shipping costs and storage fees. The COVID-19 outbreak had only a modest impact on consolidated results for the fiscal year under review.

As a result, net sales for the food business segment totaled ¥80,325 million (up 6.2% year on year) and operating profit decreased to ¥1,307 million (down 13.0% year on year).

(2) Analysis of financial position

Assets:

Current assets increased ¥11,436 million from the end of the previous fiscal year, mainly reflecting increases of ¥3,835 million for cash and deposits and ¥7,434 million for inventories. Non-current assets increased ¥2,157 million compared with the end of the previous fiscal year, mainly reflecting an increase of ¥1,780 million for property, plant and equipment related to the installation and upgrade of equipment at the Group's plants. As a result, as of March 31, 2020, total assets increased ¥13,593 million year on year to ¥94,509 million.

Liabilities:

Current liabilities increased ¥6,353 million from the end of the previous fiscal year, mainly reflecting increases of ¥3,941 million for short-term loans payable, ¥513 million for current portion of long-term loans payable and ¥484 million for income taxes payable. Non-current liabilities increased ¥5,681 million from the end of the previous fiscal year, mainly due to increases of ¥3,560 million for long-term loans payable and ¥2,116 million for net defined benefit liability. As a result, as of March 31, 2020, total liabilities increased ¥12,035 million year on year to ¥33,982 million.

Net assets:

Net assets increased ¥1,558 million year on year to ¥60,527 million. Retained earnings increased ¥3,203 million, which reflected ¥4,046 million in profit attributable to owners of parent after cash dividends paid of ¥842 million, outweighing a decrease of ¥1,432 million in remeasurements of defined benefit plans.

(3) Analysis of cash flows

As of March 31, 2020, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥11,652 million, an increase of ¥3,835 million year on year. The followings are the cash flow status under review and the factors during the fiscal period.

Cash flows from operating activities:

Operating activities used net cash of ¥422 million, a decrease of ¥6,600 million compared with net cash provided of ¥6,178 million in the previous fiscal year. This mainly reflected the difference between cash provided from profit before income taxes, depreciation and decrease in notes and accounts receivable - trade on the one hand, and cash used for increase in inventories and income taxes paid on the other.

Cash flows from investing activities:

Investing activities used net cash of ¥2,674 million, an increase of ¥508 million compared with net cash used of ¥2,166 million in the previous fiscal year. 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.

Cash flows from financing activities:

Financing activities provided net cash of ¥6,848 million, an increase of ¥10,556 million compared with net cash used of ¥3,708 million in the previous fiscal year. This primarily reflected an increase in loans.

(Reference) Trend in cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Shareholders' equity ratio	74.5	73.8	70.5	72.8	63.9
Shareholders' equity ratio on a market value basis	44.3	54.3	64.2	45.3	35.3
Ratio of interest-bearing debt to cash flow	0.6	6.2	—	1.2	—
Interest coverage ratio	215.9	24.4	—	111.2	—

(Notes) Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity ratio on a market value basis: Total market value of shares/total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/interest paid

* All the indicators are calculated using consolidated financial figures.

* The total market value of shares is calculated as the product of the share price and the number of issued shares, excluding treasury shares, at the end of the fiscal year.

* Cash flows from operating activities is the cash flows from operating activities shown in the consolidated statements of cash flows.

Interest-bearing debt is the total amount of debt shown in the consolidated balance sheets on which interest is paid. In addition, interest paid is the amount of interest paid shown in the consolidated statements of cash flows.

* The ratio of interest-bearing debt to cash flow and the interest coverage ratio for FY3/18 and FY3/20 are not provided since cash flows from operating activities were negative.

* Effective from the start of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). After adopting the new standard, the Company also retroactively applied it to financial indicators for the fiscal year ended March 31, 2018 and prior fiscal years.

(4) Future outlook

The Company anticipates a number of risks related to the impact of the COVID-19 outbreak on the Group, including domestic and international regulations and requirements leading to voluntary limits on business operations that cause delays across the entire supply chain in procurement, production, shipments and other areas, as well as falling demand from customers linked to weaker consumer spending. However, at this point, there is considerable uncertainty about the concrete impact of the restrictions, such as which markets will be affected and their scale and timing. Also, given the nature of the recycling business in the precious metals business segment in particular, it will be some time before the Company will be able to ascertain the impact of changes in operating conditions at customers. These factors make it difficult at this stage to gain a clear picture of the impact of COVID-19 on the Group.

As such, earnings projections for the fiscal year ending March 31, 2021 are undetermined, as the Company is unable to formulate appropriate and reasonable forecasts for the Group.

The Company plans to release earnings projections as soon as possible once conditions allow it to formulate appropriate and reasonable forecasts.

(5) Basic policy on distribution of profits and dividends for FY3/20 and FY3/21

The Company's basic policy on distribution of profits is to meet shareholder expectations by continuing to pay stable dividends while ensuring sufficient internal reserves to invest in growth.

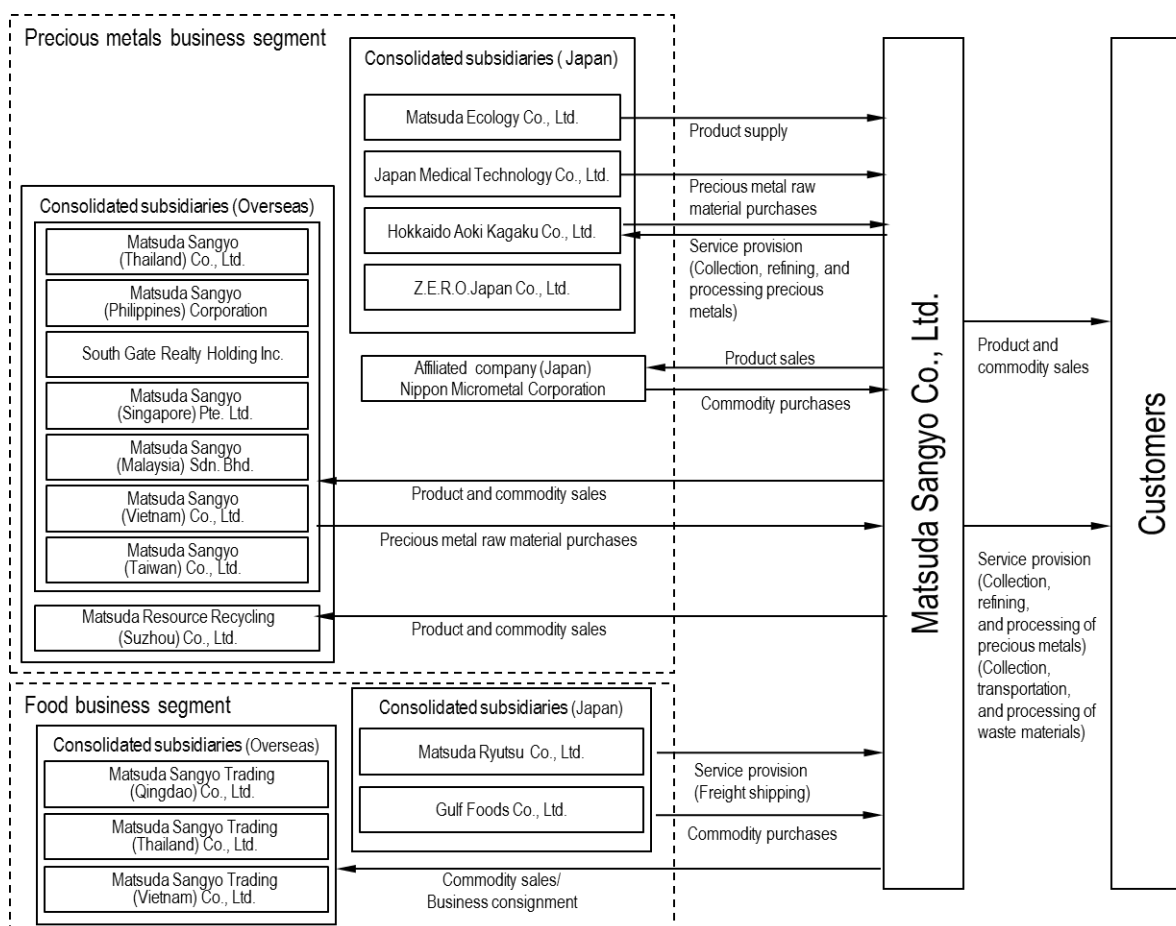
Based on this policy, the Company plans to pay a year-end ordinary dividend of ¥17 per share. In combination with the interim dividend, dividends for the full fiscal year are expected to be ¥34 per share.

For the fiscal year ending March 31, 2021, the Company plans to raise the dividend to ¥36 per share, comprising an interim dividend of ¥18 and a year-end dividend of ¥18. The Company will continue to distribute profits to its shareholders in a comprehensive way according to the operating results.

2. Corporate group

Matsuda Sangyo Group is composed of the Company, 17 subsidiaries and 1 affiliated company; the main businesses of the Group are the precious metals business segment, which involves the recovery and refining of precious metals, the sale of items such as precious metal bullion and electronic materials, and the collection, transportation, and processing of industrial wastes; and the food business segment, which involves selling processed food ingredients and providing distribution services. The following subsidiaries support the Company regarding business for regions and industries related to the precious metals business segment: Matsuda Ecology Co., Ltd., Japan Medical Technology Co., Ltd., Hokkaido Aoki Kagaku Co., Ltd., Z.E.R.O.Japan Co., Ltd., Matsuda Sangyo (Thailand) Co., Ltd., Matsuda Sangyo (Philippines) Corporation, South Gate Realty Holding Inc., Matsuda Sangyo (Singapore) Pte. Ltd., Matsuda Resource Recycling (Suzhou) Co., Ltd., Matsuda Sangyo (Malaysia) Sdn. Bhd., Matsuda Sangyo (Vietnam) Co., Ltd. and Matsuda Sangyo (Taiwan) Co., Ltd. The subsidiary Matsuda Ryutsu Co., Ltd., is responsible for distribution for the Company's food business segment, while Gulf Foods Co., Ltd., Matsuda Sangyo Trading (Qingdao) Co., Ltd., Matsuda Sangyo Trading (Thailand) Co., Ltd. and Matsuda Sangyo Trading (Vietnam) Co., Ltd. provide support regarding business for regions and industries related to the food business segment. The affiliated company Nippon Micrometal Corporation handles the production of electronic materials, particularly gold bonding wires, the main product for the precious metals business segment.

The following is an organizational chart of the business:



(Notes)

- Affiliated company is accounted for under the equity method.
- South Gate Realty Holding Inc. owns land of Matsuda Sangyo (Philippines) Corporation.

3. Basic stance on selection of accounting standards

For the time being, the Group intends to continue preparing consolidated financial statements based on Japanese Generally Accepted Accounting Principles (Japanese GAAP) to facilitate comparison with financial statements for other periods and financial statements disclosed by other companies. However, the Group will look into the possibility of adopting International Financial Reporting Standards (IFRS), taking into account conditions in Japan and overseas and trends in accounting standard adoption by other companies.

4. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 (March 31, 2020)
Assets		
Current assets		
Cash and deposits	7,816	11,652
Notes and accounts receivable – trade	20,522	19,936
Merchandise and finished goods	16,702	23,135
Work in process	542	423
Raw materials and supplies	6,942	8,062
Accounts receivable – other	762	1,123
Others	3,677	4,134
Allowance for doubtful accounts	(4)	(68)
Total current assets	56,961	68,398
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,177	11,238
Accumulated depreciation	(5,131)	(5,450)
Buildings and structures, net	4,045	5,788
Machinery, equipment and vehicles	8,800	9,237
Accumulated depreciation	(7,158)	(7,589)
Machinery, equipment and vehicles, net	1,642	1,647
Land	9,036	8,938
Leased assets	1,181	1,826
Accumulated depreciation	(449)	(771)
Leased assets, net	731	1,054
Construction in progress	1,303	1,124
Others	1,302	1,414
Accumulated depreciation	(965)	(1,089)
Others, net	337	324
Total property, plant and equipment	17,098	18,878
Intangible assets		
Others	642	579
Total intangible assets	642	579
Investments and other assets		
Investment securities	4,512	4,406
Deferred tax assets	115	665
Others	1,601	1,597
Allowance for doubtful accounts	(16)	(18)
Total investments and other assets	6,212	6,651
Total non-current assets	23,953	26,110
Total assets	80,915	94,509

(millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 (March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	8,170	7,898
Short-term loans payable	3,081	7,023
Current portion of long-term loans payable	755	1,268
Lease obligations	271	365
Income taxes payable	914	1,398
Provision for bonuses	818	918
Accounts payable - other	825	1,133
Others	2,977	4,163
Total current liabilities	17,814	24,168
Non-current liabilities		
Long-term loans payable	2,480	6,040
Lease obligations	524	733
Deferred tax liabilities	220	9
Provision for directors' retirement benefits	625	670
Provision for executive officers' retirement benefits	28	11
Net defined benefit liability	185	2,301
Others	68	47
Total non-current liabilities	4,132	9,813
Total liabilities	21,946	33,982
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	52,865	56,069
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	57,422	60,626
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	585	423
Deferred gains or losses on hedges	41	(164)
Foreign currency translation adjustments	855	990
Remeasurements of defined benefit plans	(15)	(1,447)
Total accumulated other comprehensive income	1,466	(197)
Non-controlling interests	79	98
Total net assets	58,968	60,527
Total liabilities and net assets	80,915	94,509

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(millions of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Net sales	208,338	210,976
Cost of sales	188,510	188,803
Gross profit	19,827	22,173
Selling, general and administrative expenses	14,879	15,931
Operating profit	4,948	6,241
Non-operating income		
Interest income	9	16
Dividend income	26	29
Share of profit of entities accounted for using equity method	181	106
Purchase discounts	12	11
Insurance claim income	4	42
Compensation income	—	32
Others	79	71
Total non-operating income	313	310
Non-operating expenses		
Interest expenses	56	72
Foreign exchange losses	45	50
Others	66	43
Total non-operating expenses	167	166
Ordinary profit	5,094	6,384
Extraordinary losses		
Impairment loss	77	118
Total extraordinary losses	77	118
Profit before income taxes	5,017	6,266
Income taxes – current	1,718	2,199
Income taxes – deferred	(118)	5
Total income taxes	1,599	2,205
Profit	3,417	4,061
Profit attributable to non-controlling interests	26	15
Profit attributable to owners of parent	3,391	4,046

(Consolidated statements of comprehensive income)

	(millions of yen)	
	FY3/19 (April 1, 2018– March 31, 2019)	FY3/20 (April 1, 2019– March 31, 2020)
Profit	3,417	4,061
Other comprehensive income		
Valuation difference on available-for-sale securities	(45)	(161)
Deferred gains or losses on hedges	(78)	(207)
Foreign currency translation adjustment	(227)	154
Remeasurements of defined benefit plans	37	(1,435)
Share of other comprehensive income (loss) of entities accounted for using equity method	(17)	(10)
Total other comprehensive income (loss)	(332)	(1,660)
Comprehensive income	3,085	2,401
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,060	2,382
Comprehensive income attributable to non-controlling interests	24	19

(3) Consolidated statements of changes in shareholders' equity
 FY3/19 (April 1, 2018–March 31, 2019)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,559	4,008	50,238	(3,010)	54,795
Change of items during the period					
Dividends from surplus			(763)		(763)
Profit attributable to owners of parent			3,391		3,391
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	2,627	(0)	2,626
Balance at the end of the period	3,559	4,008	52,865	(3,010)	57,422

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	630	121	1,101	(56)	1,796	55	56,648
Change of items during the period							
Dividends from surplus							(763)
Profit attributable to owners of parent							3,391
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(45)	(79)	(246)	40	(330)	23	(306)
Total change of items during the period	(45)	(79)	(246)	40	(330)	23	2,320
Balance at the end of the period	585	41	855	(15)	1,466	79	58,968

FY3/20 (April 1, 2019–March 31, 2020)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,559	4,008	52,865	(3,010)	57,422
Change of items during the period					
Dividends from surplus			(842)		(842)
Profit attributable to owners of parent			4,046		4,046
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	3,203	(0)	3,203
Balance at the end of the period	3,559	4,008	56,069	(3,010)	60,626

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	585	41	855	(15)	1,466	79	58,968
Change of items during the period							
Dividends from surplus							(842)
Profit attributable to owners of parent							4,046
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(161)	(206)	135	(1,432)	(1,664)	19	(1,644)
Total change of items during the period	(161)	(206)	135	(1,432)	(1,664)	19	1,558
Balance at the end of the period	423	(164)	990	(1,447)	(197)	98	60,527

(4) Consolidated statements of cash flows

	(millions of yen)	
	FY3/19 (April 1, 2018– March 31, 2019)	FY3/20 (April 1, 2019– March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	5,017	6,266
Depreciation	1,357	1,576
Impairment loss	77	118
Increase (decrease) in allowance for doubtful accounts	(45)	67
Increase (decrease) in provision for bonuses	55	99
Increase (decrease) in net defined benefit liability	16	75
Increase (decrease) in provision for directors' retirement benefits	0	5
Increase (decrease) in provision for executive officers' retirement benefits	4	(32)
Interest and dividend income	(35)	(45)
Interest expenses	56	72
Share of (profit) loss of entities accounted for using equity method	(181)	(106)
Decrease (increase) in notes and accounts receivable – trade	1,929	657
Decrease (increase) in accounts receivable – other	(214)	(360)
Decrease (increase) in inventories	(529)	(7,373)
Increase (decrease) in accounts payable – trade	582	(343)
Increase (decrease) in accounts payable – other	139	145
Others	(70)	336
Subtotal	8,157	1,158
Interest and dividend income received	198	55
Interest paid	(55)	(72)
Income taxes paid	(2,122)	(1,564)
Net cash provided by (used in) operating activities	6,178	(422)
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,118)	(2,522)
Proceeds from sales of property, plant and equipment	1	2
Purchase of intangible assets	(42)	(115)
Purchase of investment securities	(11)	(45)
Proceeds from sales of investment securities	22	30
Others	(17)	(23)
Net cash provided by (used in) investing activities	(2,166)	(2,674)
Cash flow from financing activities		
Net change in short-term loans payable	(4,335)	3,974
Proceeds from long-term loans payable	3,000	5,000
Repayment of long-term loans payable	(1,363)	(927)
Cash dividends paid	(763)	(842)
Others	(246)	(356)
Net cash provided by (used in) financing activities	(3,708)	6,848
Effect of exchange rate change on cash and cash equivalents	(58)	84
Change in cash and cash equivalents	244	3,835
Cash and cash equivalents at beginning of period	7,571	7,816
Cash and cash equivalents at end of period	7,816	11,652

(5) Notes on consolidated financial statements

(Notes on premise of a going concern)

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 fiscal year under review, property, plant and equipment increased ¥312 million, lease obligations under current liabilities increased ¥63 million, and lease obligations under non-current liabilities increased ¥260 million. The change in accounting standard had an immaterial impact on profits for the fiscal year under review.

(Unapplied accounting standards, etc.)

- “Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

This is a comprehensive accounting standard for revenue recognition.

Revenue recognition is based on the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

(2) Effective date

Effective from the start of the fiscal year ending March 31, 2022

(3) Effects of application of the accounting standard

Impact is currently being assessed.

(Segment information)

1. Overview of reportable segments

Reportable segments of the Company are structural units of the Company whose separate financial information is available, and are subject to regular examination by the Board of Directors so that they can decide on allocation of managerial resources and evaluate business performance.

The Company (or Matsuda Sangyo) established operation divisions respectively for products, merchandise and services in the head office. Each division formulates comprehensive domestic and foreign strategies to expand business for the corresponding products, merchandise and services.

The Company thus comprises product, merchandise and service segments built around operation divisions, and the precious metals business segment and food business segment are designated as reportable segments.

The precious metals business segment recovers and refines precious metals, sells precious metal bullions, chemical products, and electronic materials, and collects, transports and processes industrial wastes. The food business segment sells and transports seafood products, agricultural products, livestock products, and other raw materials for food processing.

2. Calculation method for net sales and profit/loss for each reportable segment

Accounting methods used for each reportable segment follow the accounting methods for the preparation of consolidated financial statements. Profit listed for each reportable segment refers to operating profit. Inter-segment sales/transfers are based on market value.

3. Information for net sales and profit/loss for each reportable segment
 FY3/19 (April 1, 2018–March 31, 2019)

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	132,771	75,566	208,338	—	208,338
Net sales & remittances between segments	—	85	85	(85)	—
Total	132,771	75,651	208,423	(85)	208,338
Segment profit	3,444	1,503	4,948	—	4,948

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment profit matches operating profit recorded on the consolidated statements of income.

FY3/20 (April 1, 2019–March 31, 2020)

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	130,726	80,250	210,976	—	210,976
Net sales & remittances between segments	—	74	74	(74)	—
Total	130,726	80,325	211,051	(74)	210,976
Segment profit	4,933	1,307	6,241	—	6,241

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment profit matches operating profit recorded on the consolidated statements of income.