



FY3/23 3Q Consolidated Financial Statements [J-GAAP]

February 10, 2023

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (Prime Market)
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 Executive Officer/
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 Date to start dividends distribution: —
 Supplementary quarterly materials prepared: None
 Results briefing for quarterly financial results held: None

(Figures are rounded down to the nearest million yen)

1. FY3/23 3Q consolidated results (April 1, 2022 – December 31, 2022)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/23 3Q	270,528	32.9	11,416	9.1	11,374	0.9	7,976	1.0
FY3/22 3Q	203,634	18.8	10,463	66.4	11,269	76.9	7,900	69.0

(Note) Comprehensive income: FY3/23 3Q: ¥10,447 million (+24.9%) FY3/22 3Q: ¥8,362 million (+83.1%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/23 3Q	305.76	—
FY3/22 3Q	302.86	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/23 3Q	137,004	83,589	60.9
End-FY3/22	115,797	74,420	64.2

(Reference) Shareholders' equity: End-FY3/23 3Q: ¥83,417 million End-FY3/22: ¥74,297 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/22	—	22.00	—	24.00	46.00
FY3/23	—	25.00	—		
FY3/23 (Projections)				25.00	50.00

(Note) Revisions to the most recently announced projections of dividends: None

3. Consolidated earnings projections for FY3/23 (April 1, 2022 – March 31, 2023)

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
FY3/23	330,000	21.2	12,800	0.9	13,300	(3.2)	9,300	(2.7)	356.51

(Note) Revisions to the most recently announced projections of consolidated earnings: None

* Notes

- (1) Material changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
 - 1) Changes in accounting policies with revision of accounting standards: No
 - 2) Changes in accounting policies other than the above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	End-FY3/23 3Q	26,908,581 shares	End-FY3/22	28,908,581 shares
2) Number of treasury shares	End-FY3/23 3Q	822,860 shares	End-FY3/22	2,822,619 shares
3) Average number of shares during the period	FY3/23 3Q	26,085,787 shares	FY3/22 3Q	26,086,356 shares

* This quarterly kessan tanshin document is outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

* Explanation of the proper use of earnings projections and other notes

This document contains earnings projections and other information that constitute forward-looking statements. These statements are based on reasonable assumptions and information currently available to the Company and provide no guarantee of future performance. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about earnings projections, please refer to “1. Qualitative information on consolidated results during the period, (3) Qualitative information on consolidated earnings projections” on page 3 of the attached documents.

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1. Qualitative information on consolidated results during the period

(1) Qualitative information on consolidated results

In the first nine months of the fiscal year ending March 31, 2023, the global economy showed signs of a moderate pickup. However, concerns about downside risks persisted due to factors such as global inflation and a widening COVID-19 outbreak in China. In the Japanese economy, consumer spending and corporate capital investment are picking up, but the outlook remains uncertain amid weakness in production activity and corporate earnings, rising prices and supply-side constraints.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment leveraged its unique strengths – integrated capabilities in resources recycling and high-performance electronic materials development – to step up marketing activities, while also actively using production sites in Japan and overseas to secure precious metals materials, boost sales of products such as precious metal chemical products and expand its industrial waste treatment outsourcing business. In addition, the food business segment responded dynamically to disruption in food supplies and rising procurement prices worldwide, aiming to increase sales volumes by sourcing products that meet increasingly diverse customer needs and by ensuring stable supplies of safe and reliable food products.

As a result of the above, for the first nine months of the fiscal year ending March 31, 2023, consolidated net sales were ¥270,528 million (up 32.9% year on year), operating profit was ¥11,416 million (up 9.1% year on year), ordinary profit was ¥11,374 million (up 0.9% year on year), and profit attributable to owners of parent was ¥7,976 million (up 1.0% year on year).

Performance in the Matsuda Sangyo Group's business segments was as follows.

Precious metals business segment

In the electronics sector, the key market for the precious metals business segment, production activity was strong in the semiconductor and electronic devices field in the first two quarters, supported by firm demand for data center applications, but production activity declined from the third quarter as the semiconductor shortage started to ease and demand for electronic parts used in PCs and smartphones contracted. However, market prices for precious metals rose overall, spurred by accelerating inflation worldwide and heightened geopolitical risks.

In this operating environment, sales and operating profit both increased compared with the same period of the previous fiscal year, reflecting higher volumes for precious metal recycling and industrial waste treated on an outsourcing basis, as well as an increase in sales volumes for gold, silver and platinum group products and a rise in sales prices in step with higher prices for precious metals in general.

As a result, net sales for the precious metals business segment totaled ¥191,198 million (up 33.9% year on year), and operating profit was ¥9,407 million (up 13.5% year on year).

Food business segment

In the food processing sector, the key market for the food business segment, there were signs of a pickup in demand from food services and other industries as restrictions on mobility to control the spread of COVID-19 were lifted, but conditions continued to be challenging overall as consumers remained budget-conscious amid a string of price hike announcements in response to rising raw material prices and the weakening of the yen.

Against this backdrop, the food business segment reported higher sales compared with the same period of the previous fiscal year, supported by an increase in sales volumes for seafood products, livestock products and agricultural products and by broadly higher sales prices. However, operating profit declined compared with the same period of the previous fiscal year due to increases in shipping costs and storage fees.

As a result, net sales for the food business segment were ¥79,391 million (up 30.4% year on year), and operating profit was ¥2,009 million (down 7.7% 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 ¥137,004 million, an increase of ¥21,206 million from the previous fiscal year end. This mainly reflected increases for notes and accounts receivable – trade, inventories, and property, plant and equipment such as land and buildings.

Liabilities

Total liabilities as of the end of the first nine months were ¥53,414 million, an increase of ¥12,037 million from the previous fiscal year end. This primarily reflected increases for accounts payable – trade and long- and short-term loans payable.

Net assets

Net assets as of the end of the first nine months were ¥83,589 million, an increase of ¥9,169 million from the previous fiscal year end. This was mainly due to an increase in retained earnings.

Treasury shares were retired on August 22, 2022 in accordance with a resolution approved by the Board of Directors on August 10, 2022. As a result, retained earnings and treasury shares each declined by ¥2,418 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 ¥9,833 million, a decrease of ¥1,545 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥4,274 million. This primarily reflected the difference between cash provided from profit before income taxes, depreciation and increase in accounts payable – trade on the one hand, and cash used for increase in notes and accounts receivable – trade, increase in inventories, and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥5,281 million, cash from operating activities decreased by ¥9,556 million.

Cash flows from investing activities

Investing activities used net cash of ¥10,357 million. This was mainly due to the purchase of property, plant and equipment such as land and buildings. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,872 million, cash used by investing activities increased by ¥8,484 million.

Cash flows from financing activities

Financing activities provided net cash of ¥12,222 million. This largely reflected increases in long- and short-term loans payable. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥1,321 million, cash from financing activities increased by ¥13,544 million.

(3) Qualitative information on consolidated earnings projections

At this stage, there are no revisions to the Company's earnings projections released on November 10, 2022.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/22 (As of March 31, 2022)	End-FY3/23 3Q (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	11,379	9,833
Notes and accounts receivable – trade	26,104	35,176
Merchandise and finished goods	27,202	33,260
Work in process	614	637
Raw materials and supplies	13,962	12,878
Accounts receivable - other	1,938	2,048
Others	4,918	4,308
Allowance for doubtful accounts	(45)	(7)
Total current assets	86,073	98,134
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,633	13,927
Accumulated depreciation	(6,061)	(6,525)
Buildings and structures, net	6,572	7,401
Machinery, equipment and vehicles	12,659	13,368
Accumulated depreciation	(9,294)	(10,245)
Machinery, equipment and vehicles, net	3,365	3,123
Land	8,768	16,649
Leased assets	1,723	1,844
Accumulated depreciation	(899)	(1,009)
Leased assets, net	824	835
Construction in progress	994	780
Others	1,537	1,650
Accumulated depreciation	(1,285)	(1,423)
Others, net	252	227
Total property, plant and equipment	20,777	29,017
Intangible assets		
Others	772	1,096
Total intangible assets	772	1,096
Investments and other assets		
Investment securities	5,484	5,708
Deferred tax assets	819	247
Others	1,895	2,822
Accumulated depreciation	-	(2)
Others, net	1,895	2,819
Allowance for doubtful accounts	(25)	(21)
Total investments and other assets	8,174	8,754
Total non-current assets	29,724	38,869
Total assets	115,797	137,004

(millions of yen)

	End-FY3/22 (As of March 31, 2022)	End-FY3/23 3Q (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	11,231	12,975
Short-term loans payable	9,724	12,440
Current portion of long-term loans payable	1,588	3,102
Lease obligations	302	269
Income taxes payable	3,128	1,505
Provision for bonuses	1,012	534
Accounts payable - other	1,312	923
Others	5,292	4,370
Total current liabilities	33,592	36,123
Non-current liabilities		
Long-term loans payable	4,239	13,773
Lease obligations	535	578
Deferred tax liabilities	12	15
Provision for directors' retirement benefits	742	777
Provision for executive officers' retirement benefits	25	20
Net defined benefit liability	2,111	2,006
Others	117	119
Total non-current liabilities	7,784	17,291
Total liabilities	41,377	53,414
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	69,940	74,219
Treasury shares	(3,413)	(995)
Total shareholders' equity	74,095	80,792
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	580	546
Deferred gains or losses on hedges	(766)	113
Foreign currency translation adjustment	1,311	2,672
Remeasurements of defined benefit plans	(923)	(708)
Total accumulated other comprehensive income	202	2,624
Non-controlling interests	122	171
Total net assets	74,420	83,589
Total liabilities and net assets	115,797	137,004

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

(millions of yen)

	FY3/22 3Q (April 1, 2021 – December 31, 2021)	FY3/23 3Q (April 1, 2022 – December 31, 2022)
Net sales	203,634	270,528
Cost of sales	180,341	244,448
Gross profit	23,292	26,080
Selling, general, and administrative expenses	12,829	14,663
Operating profit	10,463	11,416
Non-operating income		
Interest income	5	6
Dividend income	29	30
Gain on sale of investment securities	-	40
Share of profit of entities accounted for using equity method	393	345
Purchase discounts	11	11
Foreign exchange gains	44	-
Subsidy income	326	-
Others	45	70
Total non-operating income	856	505
Non-operating expenses		
Interest expenses	43	145
Foreign exchange losses	-	353
Others	7	48
Total non-operating expenses	50	547
Ordinary profit	11,269	11,374
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	88
Gain on sale of non-current assets	-	40
Total extraordinary income	-	129
Profit before income taxes	11,269	11,503
Income taxes – current	3,172	3,393
Income taxes – deferred	181	105
Total income taxes	3,354	3,498
Profit	7,915	8,005
Profit attributable to non-controlling interests	14	29
Profit attributable to owners of parent	7,900	7,976

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/22 3Q (April 1, 2021 – December 31, 2021)	FY3/23 3Q (April 1, 2022 – December 31, 2022)
Profit	7,915	8,005
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(33)
Deferred gains or losses on hedges	3	882
Foreign currency translation adjustment	218	1,274
Remeasurements of defined benefit plans	178	226
Share of other comprehensive income of entities accounted for using equity method	39	92
Total other comprehensive income	447	2,442
Comprehensive income	8,362	10,447
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,356	10,398
Comprehensive income attributable to non-controlling interests	5	49

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/22 3Q (April 1, 2021 – December 31, 2021)	FY3/23 3Q (April 1, 2022 – December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	11,269	11,503
Depreciation	1,585	1,694
Increase (decrease) in allowance for doubtful accounts	(122)	(41)
Increase (decrease) in provision for bonuses	(493)	(477)
Increase (decrease) in net defined benefit liability	193	217
Increase (decrease) in provision for directors' retirement benefits	30	34
Increase (decrease) in provision for executive officers' retirement benefits	5	(5)
Interest and dividend income	(35)	(37)
Interest expenses	43	145
Share of (profit) loss of entities accounted for using equity method	(393)	(345)
Decrease (increase) in notes and accounts receivable – trade	(5,211)	(8,613)
Decrease (increase) in accounts receivable - other	(532)	(101)
Decrease (increase) in inventories	614	(4,506)
Increase (decrease) in accounts payable – trade	607	1,408
Increase (decrease) in accounts payable - other	(565)	(385)
Others	1,126	96
Subtotal	8,121	585
Interest and dividend income received	124	201
Interest paid	(43)	(137)
Income taxes paid	(2,920)	(4,923)
Net cash provided by (used in) operating activities	5,281	(4,274)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,702)	(9,567)
Proceeds from sale of property, plant and equipment	6	115
Purchase of intangible assets	(211)	(513)
Purchase of investment securities	(21)	(14)
Proceeds from sale of investment securities	-	57
Others	55	(434)
Net cash provided by (used in) investing activities	(1,872)	(10,357)

(millions of yen)

	FY3/22 3Q (April 1, 2021 – December 31, 2021)	FY3/23 3Q (April 1, 2022 – December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,173	2,670
Proceeds from long-term loans payable	-	13,500
Repayments of long-term loans payable	(1,141)	(2,451)
Cash dividends paid	(1,095)	(1,278)
Purchase of treasury shares	(1)	0
Others	(256)	(217)
Net cash provided by (used in) financing activities	(1,321)	12,222
Effect of exchange rate change on cash and cash equivalents	95	863
Net increase (decrease) in cash and cash equivalents	2,183	(1,545)
Cash and cash equivalents at beginning of period	8,803	11,379
Cash and cash equivalents at end of period	10,987	9,833

(4) Notes on quarterly consolidated financial statements

(Notes on premise of a going concern)

There is nothing to report.

(Notes on significant changes in the amount of shareholders' equity)

There is nothing to report.

(Segment information, etc.)

I. FY3/22 3Q (April 1, 2021 – December 31, 2021)

1. Information for net sales and profit/loss for each reportable segment

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	142,794	60,839	203,634	-	203,634
Net sales & remittances between segments	-	57	57	(57)	-
Total	142,794	60,896	203,691	(57)	203,634
Segment profit	8,286	2,176	10,463	-	10,463

(Notes) 1. Adjustments correspond to the elimination of transactions and remittances between segments.

2. Total segment profit matches operating profit recorded on the quarterly consolidated statements of income.

II. FY3/23 3Q (April 1, 2022 – December 31, 2022)

1. Information for net sales and profit/loss for each reportable segment

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	191,198	79,329	270,528	-	270,528
Net sales & remittances between segments	-	61	61	(61)	-
Total	191,198	79,391	270,590	(61)	270,528
Segment profit	9,407	2,009	11,416	-	11,416

(Notes) 1. Adjustments correspond to the elimination of transactions and remittances between segments.

2. Total segment profit matches operating profit recorded on the quarterly consolidated statements of income.