



FY3/23 2Q Consolidated Financial Statements [J-GAAP]

November 10, 2022

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (Prime Market)
 Company code: 7456 URL: <https://www.matsuda-sangyo.co.jp>
 Representative: President Yoshiaki Matsuda
 Executive Officer/
 General Manager of CSR IR Dept. Yoshinori Tanaka TEL: +81-3-5381-0728
 Filing date of quarterly report: November 11, 2022
 Date to start dividends distribution: December 6, 2022
 Supplementary quarterly materials prepared: Yes
 Results briefing for quarterly financial results held: Yes (Video to be posted on Company website on November 25, 2022)

(Figures are rounded down to the nearest million yen)

1. FY3/23 2Q consolidated results (April 1, 2022 – September 30, 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 2Q	176,004	29.4	7,953	9.4	8,128	3.7	5,634	3.0
FY3/22 2Q	136,041	21.8	7,269	98.1	7,834	112.7	5,469	99.9

(Note) Comprehensive income: FY3/23 2Q: ¥7,735 million (+13.7%) FY3/22 2Q: ¥6,805 million (+155.6%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/23 2Q	215.99	—
FY3/22 2Q	209.66	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/23 2Q	135,708	81,528	60.0
End-FY3/22	115,797	74,420	64.2

(Reference) Shareholders' equity: End-FY3/23 2Q: ¥81,367 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: Yes

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: Yes

* 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 2Q	26,908,581 shares	End-FY3/22	28,908,581 shares
2) Number of treasury shares	End-FY3/23 2Q	822,848 shares	End-FY3/22	2,822,619 shares
3) Average number of shares during the period	FY3/23 2Q	26,085,818 shares	FY3/22 2Q	26,086,442 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 six months of the fiscal year ending March 31, 2023, the global economy showed signs of a modest pickup, but concerns about downside risks persisted due to inflation worldwide and supply-side disruptions caused by supply-chain constraints. The Japanese economy also continued to face an uncertain outlook amid rising procurement costs caused by the steep drop in the yen and signs of sluggish consumer spending and slowing corporate production activity due to the impact of China's zero-COVID policy, among other factors.

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 six months of the fiscal year ending March 31, 2023, consolidated net sales were ¥176,004 million (up 29.4% year on year), operating profit was ¥7,953 million (up 9.4% year on year), ordinary profit was ¥8,128 million (up 3.7% year on year), and profit attributable to owners of parent was ¥5,634 million (up 3.0% 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, automotive and smartphone output was sluggish due to factors such as China's zero-COVID policy and a shortage of semiconductors, but production activity was strong in the semiconductor and electronic devices field, supported by continued firm demand, particularly for data center applications. In addition, market prices for gold and other precious metals rose, 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 gold and other precious metals.

As a result, net sales for the precious metals business segment totaled ¥126,985 million (up 31.3% year on year), and operating profit was ¥6,610 million (up 12.0% 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 sharp slide in 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 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 ¥49,058 million (up 24.6% year on year), and operating profit was ¥1,343 million (down 1.8% 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 ¥135,708 million, an increase of ¥19,910 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 six months were ¥54,179 million, an increase of ¥12,802 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 six months were ¥81,528 million, an increase of ¥7,108 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 six months under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥11,248 million, a decrease of ¥130 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥3,754 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 ¥8,475 million, cash from operating activities decreased by ¥12,230 million.

Cash flows from investing activities

Investing activities used net cash of ¥9,492 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 ¥1,188 million, cash used by investing activities increased by ¥8,303 million.

Cash flows from financing activities

Financing activities provided net cash of ¥12,379 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 ¥5,114 million, cash from financing activities increased by ¥17,493 million.

(3) Qualitative information on consolidated earnings projections

For details about the Group's consolidated earnings projections, please refer to the press release issued on November 10, 2022, "Notice on the Differences Between Projections and Actual Results of the Consolidated Earnings for the Second Quarter of the Fiscal Year Ending March 31, 2023, and Revision of Consolidated Earnings Projections for the Full Year."

Also, regarding dividends from surplus, the Company revised its forecast for the FY3/23 year-end dividend to ¥25 per share (increase of ¥1 per share). As a result, together with the interim dividend, the Company now forecasts an annual dividend of ¥50 per share. For further details, please refer to the press release issued on November 10, 2022, "Notice of Decision on the Distribution of Interim Dividends and Revision of Year-end Dividend Forecast."

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 2Q (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	11,379	11,248
Notes and accounts receivable – trade	26,104	30,068
Merchandise and finished goods	27,202	34,177
Work in process	614	654
Raw materials and supplies	13,962	13,697
Accounts receivable - other	1,938	1,699
Others	4,918	5,722
Allowance for doubtful accounts	(45)	(27)
Total current assets	86,073	97,241
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,633	13,854
Accumulated depreciation	(6,061)	(6,431)
Buildings and structures, net	6,572	7,423
Machinery, equipment and vehicles	12,659	13,153
Accumulated depreciation	(9,294)	(9,956)
Machinery, equipment and vehicles, net	3,365	3,197
Land	8,768	16,929
Leased assets	1,723	1,743
Accumulated depreciation	(899)	(982)
Leased assets, net	824	761
Construction in progress	994	809
Others	1,537	1,634
Accumulated depreciation	(1,285)	(1,388)
Others, net	252	246
Total property, plant and equipment	20,777	29,367
Intangible assets		
Others	772	912
Total intangible assets	772	912
Investments and other assets		
Investment securities	5,484	5,714
Deferred tax assets	819	638
Others	1,895	1,855
Allowance for doubtful accounts	(25)	(21)
Total investments and other assets	8,174	8,187
Total non-current assets	29,724	38,467
Total assets	115,797	135,708

(millions of yen)

	End-FY3/22 (As of March 31, 2022)	End-FY3/23 2Q (As of September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	11,231	12,946
Short-term loans payable	9,724	10,953
Current portion of long-term loans payable	1,588	3,302
Lease obligations	302	266
Income taxes payable	3,128	2,739
Provision for bonuses	1,012	1,268
Accounts payable - other	1,312	645
Others	5,292	4,080
Total current liabilities	33,592	36,203
Non-current liabilities		
Long-term loans payable	4,239	14,524
Lease obligations	535	508
Deferred tax liabilities	12	9
Provision for directors' retirement benefits	742	765
Provision for executive officers' retirement benefits	25	18
Net defined benefit liability	2,111	2,050
Others	117	100
Total non-current liabilities	7,784	17,976
Total liabilities	41,377	54,179
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	69,940	72,529
Treasury shares	(3,413)	(995)
Total shareholders' equity	74,095	79,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	580	533
Deferred gains or losses on hedges	(766)	(147)
Foreign currency translation adjustment	1,311	2,650
Remeasurements of defined benefit plans	(923)	(770)
Total accumulated other comprehensive income	202	2,265
Non-controlling interests	122	160
Total net assets	74,420	81,528
Total liabilities and net assets	115,797	135,708

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/22 2Q (April 1, 2021 – September 30, 2021)	FY3/23 2Q (April 1, 2022 – September 30, 2022)
Net sales	136,041	176,004
Cost of sales	120,316	158,404
Gross profit	15,725	17,600
Selling, general, and administrative expenses	8,456	9,646
Operating profit	7,269	7,953
Non-operating income		
Interest income	4	4
Dividend income	20	21
Gain on sale of investment securities	-	40
Share of profit of entities accounted for using equity method	213	296
Purchase discounts	7	7
Foreign exchange gains	2	-
Subsidy income	326	-
Others	27	47
Total non-operating income	601	418
Non-operating expenses		
Interest expenses	28	95
Foreign exchange losses	-	116
Others	7	32
Total non-operating expenses	36	244
Ordinary profit	7,834	8,128
Profit before income taxes	7,834	8,128
Income taxes – current	2,505	2,611
Income taxes – deferred	(151)	(141)
Total income taxes	2,354	2,470
Profit	5,480	5,657
Profit attributable to non-controlling interests	10	23
Profit attributable to owners of parent	5,469	5,634

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/22 2Q (April 1, 2021 – September 30, 2021)	FY3/23 2Q (April 1, 2022 – September 30, 2022)
Profit	5,480	5,657
Other comprehensive income		
Valuation difference on available-for-sale securities	74	(47)
Deferred gains or losses on hedges	773	618
Foreign currency translation adjustment	317	1,182
Remeasurements of defined benefit plans	141	151
Share of other comprehensive income of entities accounted for using equity method	17	173
Total other comprehensive income	1,324	2,077
Comprehensive income	6,805	7,735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,795	7,696
Comprehensive income attributable to non-controlling interests	9	38

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/22 2Q (April 1, 2021 – September 30, 2021)	FY3/23 2Q (April 1, 2022 – September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	7,834	8,128
Depreciation	1,024	1,111
Increase (decrease) in allowance for doubtful accounts	(69)	(21)
Increase (decrease) in provision for bonuses	223	256
Increase (decrease) in net defined benefit liability	132	154
Increase (decrease) in provision for directors' retirement benefits	19	22
Increase (decrease) in provision for executive officers' retirement benefits	3	(7)
Interest and dividend income	(24)	(25)
Interest expenses	28	95
Share of (profit) loss of entities accounted for using equity method	(213)	(296)
Subsidy income	(226)	-
Decrease (increase) in notes and accounts receivable – trade	(638)	(3,546)
Decrease (increase) in accounts receivable - other	(630)	245
Decrease (increase) in inventories	3,101	(6,278)
Increase (decrease) in accounts payable – trade	(100)	1,399
Others	(516)	(2,121)
Subtotal	9,949	(884)
Interest and dividend income received	113	190
Interest paid	(29)	(89)
Income taxes paid	(1,558)	(2,970)
Net cash provided by (used in) operating activities	8,475	(3,754)
Cash flows from investing activities		
Purchase of property, plant and equipment	(985)	(9,383)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(167)	(223)
Purchase of investment securities	(7)	(9)
Proceeds from sale of investment securities	-	57
Others	(30)	64
Net cash provided by (used in) investing activities	(1,188)	(9,492)

(millions of yen)

	FY3/22 2Q (April 1, 2021 – September 30, 2021)	FY3/23 2Q (April 1, 2022 – September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,625)	1,150
Proceeds from long-term loans payable	-	13,500
Repayments of long-term loans payable	(794)	(1,501)
Cash dividends paid	(521)	(626)
Purchase of treasury shares	(0)	(0)
Others	(171)	(143)
Net cash provided by (used in) financing activities	(5,114)	12,379
Effect of exchange rate change on cash and cash equivalents	154	737
Net increase (decrease) in cash and cash equivalents	2,327	(130)
Cash and cash equivalents at beginning of period	8,803	11,379
Cash and cash equivalents at end of period	11,131	11,248

(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 2Q (April 1, 2021 – September 30, 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	96,701	39,339	136,041	-	136,041
Net sales & remittances between segments	-	38	38	(38)	-
Total	96,701	39,378	136,079	(38)	136,041
Segment profit	5,901	1,368	7,269	-	7,269

(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 2Q (April 1, 2022 – September 30, 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	126,985	49,018	176,004	-	176,004
Net sales & remittances between segments	-	40	40	(40)	-
Total	126,985	49,058	176,044	(40)	176,004
Segment profit	6,610	1,343	7,953	-	7,953

(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.