



FY3/24 1Q Consolidated Financial Statements [J-GAAP]

August 10, 2023

Company name:	Matsuda Sangyo Co., Ltd.	Exchanges listed on:	Tokyo Stock Exchange (Prime Market)
Company code:	7456	URL:	https://www.matsuda-sangyo.co.jp
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Filing date of quarterly report:	August 10, 2023		
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. FY3/24 1Q consolidated results (April 1, 2023 – June 30, 2023)

(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)	(%)
FY3/24 1Q	88,564	0.4	2,418	(43.3)	2,915	(34.9)	2,021	(34.6)
FY3/23 1Q	88,192	25.8	4,263	1.8	4,479	3.9	3,089	3.4

(Note) Comprehensive income: FY3/24 1Q: ¥2,802 million (-41.0%) FY3/23 1Q: ¥4,750 million (+31.1%)

	Earnings per share		Diluted earnings per share	
	(yen)		(yen)	
FY3/24 1Q	77.50		—	
FY3/23 1Q	118.43		—	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	(millions of yen)		(millions of yen)		(%)	
End-FY3/24 1Q	139,033		86,798		62.3	
End-FY3/23	129,208		84,648		65.4	

(Reference) Shareholders' equity: End-FY3/24 1Q: ¥86,615 million End-FY3/23: ¥84,481 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)				
FY3/23	—	25.00	—	25.00	50.00
FY3/24	—	—	—	—	—
FY3/24 (Projections)	—	30.00	—	30.00	60.00

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

3. Consolidated earnings projections for FY3/24 (April 1, 2023 – March 31, 2024)

(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)
1H FY3/24	158,000	(10.2)	4,000	(49.7)	4,100	(49.6)	2,800	(50.3)	107.33
FY3/24	330,000	(6.0)	9,000	(34.9)	9,300	(32.8)	6,500	(33.0)	249.17

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

(Note) The Company resolved to repurchase treasury shares at the board of directors meeting held on August 10, 2023. The impact of share buyback is taken into account in regards to earnings per share in the forecast of consolidated financial results for FY2024. For more information about share buyback, please refer to "2. Quarterly consolidated financial statements and related notes, (4) Notes on quarterly consolidated financial statements (Important Subsequent Event)" on page 10 of the attached documents.

* 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-FY3/24 1Q	26,908,581 shares	End-FY3/23	26,908,581 shares
2) Number of treasury shares	End-FY3/24 1Q	822,960 shares	End-FY3/23	822,870 shares
3) Average number of shares during the period	FY3/24 1Q	26,085,669 shares	FY3/23 1Q	26,085,871 shares

* This 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

During the first three months of the cumulated consolidated fiscal year ending March 31, 2024, amidst the continued tightening of monetary policy worldwide, the global economy showed a gradual recovery trend despite downside risks due to rising prices and other factors. In the Japanese economy, the employment and income environments improved, and personal consumption showed signs of picking up. However, the outlook remains uncertain due to factors such as the rising prices and the risk of a downswing in overseas economies including Europe, the U.S., and China.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment worked to secure precious metals materials, boost sales of products such as precious metal chemical products, and expand its industrial waste treatment outsourcing business through sales development alongside efforts to improve and expand production sites in Japan and overseas, based on a strategy of differentiating itself through its comprehensive resource recycling capability and the development of high-performance electronic materials. In addition, the food business segment responded dynamically to rising procurement prices and other challenges, aiming to increase sales volumes by sourcing products that meet customer needs and by ensuring stable supplies of safe and reliable food products.

As a result of the above, for the first three months of the cumulative consolidated fiscal year ending March 31, 2024, net sales were ¥88,564 million (up 0.4% year on year) and operating profit was ¥2,418 million (down 43.3% year on year). Ordinary profit was ¥2,915 million (down 34.9% year on year) and quarterly profit attributable to owners of parent was ¥2,021 million (down 34.6% year on year).

The following is a summary of business by segment.

Precious metals business segment:

In the electronic devices field of the electronics sector, which is the key market for the precious metals business segment, despite steady demand for automotive uses, market conditions were challenging overall due to inventory adjustment as a result of sluggish smartphone and computer demand continuing from the second half of the previous fiscal year, as well as a decline in production activities. Against this backdrop, the precious metals business segment recorded a decrease in both precious metals recycling volume and product sales volume from the electronic devices field. In addition, it was impacted by the downtrend in some platinum group metals markets. As a result, net sales and operating profit decreased year on year.

As a result of the above, net sales for the precious metals business segment were ¥59,987 million (down 6.2% year on year) and operating profit was ¥1,803 million (down 48.4% year on year).

Food business segment:

The food production sector, which is the key market for the food business segment, saw a growth in demand for food products for industrial use alongside the recovery of personal consumption and inbound demand. However, it continues to face persistently high procurement prices and logistics costs. Amidst these circumstances, the food business segment registered a decrease in the sales volume of marine products due to a decline in demand for surimi fish paste and other factors. However, the sales volume of livestock and agricultural products increased alongside an overall increase in selling prices, contributing to a year-on-year increase in net sales. Operating profit decreased year-on-year due to rising transportation and storage costs, as well as the impact of increasing procurement prices.

As a result of the above, net sales for the food business segment were ¥28,596 million (up 17.7% year on year) and operating profit was ¥614 million (down 20.3% year on year).

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and net assets status

Assets:

Total assets as of the end of the first three months of the consolidated fiscal year under review were ¥139,033 million, an increase of ¥9,824 million from the previous fiscal year end. This was mainly due to increase in notes and accounts receivable – trade, inventories, and property, plant and equipment.

Liabilities:

Total liabilities as of the end of the first three months of the consolidated fiscal year under review were ¥52,235 million, an increase of ¥7,674 million from the previous fiscal year end. This mainly reflected the difference between an increase in accounts payable-trade and short-term loans payable, and a decrease in income taxes payable.

Net assets:

Net assets as of the end of the first three months of the consolidated fiscal year under review were ¥86,798 million, an increase of ¥2,150 million from the previous fiscal year end. This was mainly due to an increase in retained earnings, which outweighed the year-end cash dividend paid of ¥652 million.

(2) Cash flows status

As of the end of the first three months of the cumulative consolidated fiscal year under review, the balance of cash and cash equivalents (hereafter, “cash”) stood at ¥13,586 million, an increase of ¥1,825 million from the previous fiscal year end.

Cash flows from operating activities:

Operating activities in the first three months of the cumulative consolidated fiscal year under review used cash of ¥952 million. This was mainly due to a decrease in cash from an increase in notes and accounts receivable-trade and inventories as well as income taxes paid, outweighing an increase in cash from quarterly profit before income taxes and accounts payable. Compared with the same period in the previous fiscal year, when operating activities used cash of ¥5,566 million, cash from operating activities increased by ¥4,614 million.

Cash flows from investing activities:

Investing activities in the first three months of the cumulative consolidated fiscal year under review used cash of ¥2,344 million. This was mainly for the acquisition of property, plant and equipment, such the new installation of factory equipment. Compared with the same period in the previous fiscal year, when investing activities used cash of ¥9,505 million, cash used by investing activities decreased by ¥7,161 million.

Cash flows from financing activities:

Financing activities in the first three months of the cumulative consolidated fiscal year under review provided cash of ¥4,928 million. This was mainly due to an increase in short-term loans payable. Compared with the same period in the previous fiscal year, when financing activities provided cash of ¥14,839 million, cash from financing activities decreased by ¥9,911 million.

(3) Qualitative information on consolidated earnings projections

There are no changes to the consolidated earnings projections for the second quarter of the cumulative consolidated fiscal year and for the full year as published in the FY3/23 Financial Statements dated May 12, 2023.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/23 (As of March 31, 2023)	End-FY3/24 1Q (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	11,761	13,586
Notes and accounts receivable – trade	25,615	28,843
Merchandise and finished goods	28,925	30,793
Work in process	606	681
Raw materials and supplies	16,058	16,461
Accounts receivable - other	2,055	2,022
Others	4,336	4,861
Allowance for doubtful accounts	(32)	(30)
Total current assets	89,327	97,219
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,954	14,037
Accumulated depreciation	(6,609)	(6,756)
Buildings and structures, net	7,345	7,280
Machinery, equipment and vehicles	13,510	13,714
Accumulated depreciation	(10,394)	(10,559)
Machinery, equipment and vehicles, net	3,116	3,154
Land	16,625	16,637
Leased assets	1,815	1,896
Accumulated depreciation	(1,054)	(1,050)
Leased assets, net	761	846
Construction in progress	1,129	2,859
Others	1,619	1,626
Accumulated depreciation	(1,392)	(1,411)
Others, net	227	215
Total property, plant and equipment	29,205	30,993
Intangible assets		
Others	1,341	1,464
Total intangible assets	1,341	1,464
Investments and other assets		
Investment securities	5,825	6,221
Deferred tax assets	695	312
Others	2,858	2,871
Allowance for doubtful accounts	(6)	(11)
Total investments and other assets	2,851	2,860
Total non-current assets	(38)	(38)
Total assets	9,334	9,355
Assets	39,880	41,813
Current assets	129,208	139,033

	(millions of yen)	
	End-FY3/23 (As of March 31, 2023)	End-FY3/24 1Q (As of June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	10,874	14,543
Short-term loans payable	2,346	8,942
Current portion of long-term loans payable	3,102	3,002
Lease obligations	246	260
Income taxes payable	2,584	831
Provision for bonuses	1,030	699
Accounts payable - other	818	886
Others	6,890	7,147
Total current liabilities	27,893	36,313
Non-current liabilities		
Long-term loans payable	13,023	12,272
Lease obligations	520	598
Deferred tax liabilities	12	11
Provision for directors' retirement benefits	788	742
Provision for executive officers' retirement benefits	22	20
Net defined benefit liability	2,183	2,159
Others	116	117
Total non-current liabilities	16,667	15,921
Total liabilities	44,560	52,235
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	75,939	77,309
Treasury shares	(995)	(995)
Total shareholders' equity	82,512	83,881
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	577	640
Deferred gains or losses on hedges	(91)	332
Foreign currency translation adjustment	2,235	2,429
Remeasurements of defined benefit plans	(751)	(668)
Total accumulated other comprehensive income	1,969	2,733
Non-controlling interests	166	182
Total net assets	84,648	86,798
Total liabilities and net assets	129,208	139,033

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(millions of yen)

	FY3/23 1Q (April 1, 2022 – June 30, 2022)	FY3/24 1Q (April 1, 2023 – June 30, 2023)
Net sales	88,192	88,564
Cost of sales	79,067	80,845
Gross profit	9,125	7,719
Selling, general, and administrative expenses	4,861	5,300
Operating profit	4,263	2,418
Non-operating income		
Interest income	2	2
Dividend income	13	11
Share of profit of entities accounted for using equity method	213	231
Purchase discounts	3	3
Insurance claim income	1	6
Foreign exchange gains	27	263
Others	18	34
Total non-operating income	281	553
Non-operating expenses		
Interest expenses	38	36
Others	26	19
Total non-operating expenses	65	56
Ordinary profit	4,479	2,915
Profit before income taxes	4,479	2,915
Income taxes – current	1,457	748
Income taxes – deferred	(74)	135
Total income taxes	1,382	883
Profit	3,097	2,031
Profit attributable to non-controlling interests	7	9
Profit attributable to owners of parent	3,089	2,021

(Quarterly consolidated statements of comprehensive income)

(millions of yen)

	FY3/23 1Q (April 1, 2022 – March 31, 2022)	FY3/24 1Q (April 1, 2023 – March 31, 2023)
Profit	3,097	2,031
Other comprehensive income		
Valuation difference on available-for-sale securities	4	62
Deferred gains or losses on hedges	952	427
Foreign currency translation adjustment	497	126
Remeasurements of defined benefit plans	80	82
Share of other comprehensive income of entities accounted for using equity method	119	72
Total other comprehensive income	1,653	771
Comprehensive income	4,750	2,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,733	2,786
Comprehensive income attributable to non-controlling interests	16	15

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/23 1Q (April 1, 2022 – June 30, 2022)	FY3/24 1Q (April 1, 2023 – June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	4,479	2,915
Depreciation	548	550
Increase (decrease) in allowance for doubtful accounts	(22)	(1)
Increase (decrease) in provision for bonuses	(356)	(331)
Increase (decrease) in net defined benefit liability	83	94
Increase (decrease) in provision for directors' retirement benefits	11	11
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(16)	(14)
Interest expenses	38	36
Share of (profit) loss of entities accounted for using equity method	(213)	(231)
Decrease (increase) in notes and accounts receivable – trade	(4,302)	(3,240)
Decrease (increase) in inventories	(3,081)	(2,300)
Increase (decrease) in accounts payable – trade	1,523	3,631
Others	(1,465)	336
Subtotal	(2,772)	1,459
Interest and dividend income received	16	14
Interest paid	(36)	(25)
Income taxes paid	(2,774)	(2,399)
Net cash provided by (used in) operating activities	(5,566)	(952)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,418)	(1,997)
Purchase of intangible assets	(82)	(327)
Purchase of investment securities	(1)	(1)
Others	(3)	(17)
Net cash provided by (used in) investing activities	(9,505)	(2,344)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,798	6,504
Proceeds from long-term loans payable	13,500	—
Repayments of long-term loans payable	(750)	(850)
Cash dividends paid	(626)	(652)
Purchase of treasury shares	(0)	(0)
Others	(81)	(72)
Net cash provided by (used in) financing activities	14,839	4,928
Effect of exchange rate change on cash and cash equivalents	308	193
Net increase (decrease) in cash and cash equivalents	76	1,825
Cash and cash equivalents at beginning of period	11,379	11,761
Cash and cash equivalents at end of period	11,455	13,586

(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. FY3/23 1Q (April 1, 2022 – June 30, 2022)

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

(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	63,924	24,268	88,192	-	88,192
Net sales & remittances between segments	-	19	19	(19)	-
Total	63,924	24,288	88,212	(19)	88,192
Segment profit	3,492	771	4,263	-	4,263

(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.

II. FY3/24 1Q (April 1, 2022 – June 30, 2023)

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

(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	59,987	28,576	88,564	-	88,564
Net sales & remittances between segments	-	19	19	(19)	-
Total	59,987	28,596	88,584	(19)	88,564
Segment profit	1,803	614	2,418	-	2,418

(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.

(Important Subsequent Event)

Share Buyback

On August 10, 2023, the Board of Directors of Matsuda Sangyo Co., Ltd. decided to repurchase treasury shares pursuant to Article 156 of the Corporation Law in accordance with provisions set out in Article 165, Paragraph 3 of the Corporation Law.

1. Objective

To increase per share value for shareholders through a flexible capital policy

2. Outline of repurchase

- (1) Type of shares to be repurchased: Common shares of Matsuda Sangyo
- (2) Total number of shares to be repurchased: Up to 200,000 shares
Equivalent to 0.77% of shares outstanding (excluding treasury shares)
- (3) Total amount to be repurchased: Up to 400 million yen
- (4) Repurchasing period: From September 1, 2023 to October 31, 2023