



## FY3/22 1Q Consolidated Financial Statements [J-GAAP]

August 11, 2021

Company name: Matsuda Sangyo Co., Ltd.	Exchanges listed on: Tokyo Stock Exchange (First Section)	
Company code: 7456	URL: <a href="https://www.matsuda-sangyo.co.jp">https://www.matsuda-sangyo.co.jp</a>	
Representative: President	Yoshiaki Matsuda	
Inquiries: Executive Officer/ General Manager of IR Dept.	Yoshinori Tanaka	TEL: +81-3-5381-0728
Filing date of quarterly report: August 12, 2021		
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. FY3/22 1Q consolidated results (April 1, 2021 – June 30, 2021)

#### (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)	(%)
FY3/22 1Q	70,120	31.0	4,189	156.4	4,311	155.9	2,987	165.7
FY3/21 1Q	53,540	7.6	1,634	2.8	1,684	3.9	1,124	2.3

(Note) Comprehensive income: FY3/22 1Q: ¥3,622 million (+323.0%) FY3/21 1Q: ¥856 million (-1.3%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/22 1Q	114.51	—
FY3/21 1Q	42.70	—

(Note) Effective from the start of the first quarter of FY3/22, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 29), etc. The above amounts for FY3/22 1Q reflect the new accounting standard.

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/22 1Q	101,780	68,936	67.6
End-FY3/21	104,265	65,605	62.8

(Reference) Shareholders' equity: End-FY3/22 1Q: ¥68,814 million End-FY3/21: ¥65,494 million

### 2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/21	—	18.00	—	20.00	38.00
FY3/22	—				
FY3/22 (Projections)		21.00	—	21.00	42.00

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

3. Consolidated earnings projections for FY3/22 (April 1, 2021 – March 31, 2022)

(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 FY3/22	130,000	16.4	6,500	77.2	6,700	81.9	4,600	68.2	176.33
FY3/22	250,000	8.0	10,700	33.1	11,100	32.6	7,700	26.3	295.17

(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: Yes
  - 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-FY3/22 1Q	28,908,581 shares	End-FY3/21	28,908,581 shares
2) Number of treasury shares	End-FY3/22 1Q	2,822,141 shares	End-FY3/21	2,821,968 shares
3) Average number of shares during the period	FY3/22 1Q	26,086,501 shares	FY3/21 1Q	26,324,546 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.

**Contents of Attached Document**

None..... 1

None..... 1

**1. Qualitative information on consolidated results during the period ..... 2**

    (1) Qualitative information on consolidated results ..... 2

    (2) Qualitative information on consolidated financial position..... 2

    (3) Qualitative information on consolidated earnings projections ..... 3

**2. Quarterly consolidated financial statements and related notes..... 4**

    (1) Quarterly consolidated balance sheets ..... 4

    (2) Quarterly consolidated statements of income and comprehensive income..... 6

    (3) Quarterly consolidated statements of cash flows ..... 8

        (Notes on premise of a going concern)..... 10

        (Notes on significant changes in the amount of shareholders' equity)..... 10

        (Changes in accounting policy)..... 10

        (Segment information, etc.) ..... 11

## 1. Qualitative information on consolidated results during the period

### (1) Qualitative information on consolidated results

In the first three months of the fiscal year ending March 31, 2022, conditions in the Japanese economy remained challenging due to the impact of the COVID-19 pandemic. Despite some signs of a pickup in production activity and corporate earnings, consumer spending and other indicators remained weak.

Against that backdrop, the Matsuda Sangyo Group (the Group) worked to prevent the spread of infection in Japan and overseas by prioritizing the health and safety of employees and all people associated with the Group, while also working to expand the Group's businesses to support sustained growth and increased corporate value. The 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. In addition, the food business segment worked to increase sales volume 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 three months of the fiscal year ending March 31, 2022, consolidated net sales were ¥70,120 million (up 31.0% year on year), operating profit was ¥4,189 million (up 156.4% year on year), ordinary profit was ¥4,311 million (up 155.9% year on year), and profit attributable to owners of parent was ¥2,987 million (up 165.7% year on year).

Effective from the start of the first quarter of FY3/22, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 29, March 31, 2020; "Revenue Recognition Standard"), etc. In the first quarter, the application of the accounting standard reduced net sales by ¥4,008 million and increased operating profit, ordinary profit and profit before income taxes by ¥114 million. For more details, please refer to "2. Quarterly consolidated financial statements and related notes, (4) Notes on consolidated financial statements, (Changes in accounting policy) and (Segment information, etc.)."

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, conditions improved from the slump in 1Q last year caused by the COVID-19 pandemic, with production activity rebounding sharply in the electronic parts and devices field, spurred by a recovery in the autos and smartphone markets and growth in telecom infrastructure due to the rollout of 5G. Against that backdrop, 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 volume for gold and silver products and higher prices for precious metals in general.

As a result, net sales for the precious metals business segment totaled ¥49,752 million (up 47.2% year on year), and operating profit was ¥3,410 million (up 155.6% year on year).

#### ***Food business segment***

In the food processing sector, the key market for the food business segment, stay-at-home demand remained firm amid a continued impact from the COVID-19 pandemic, but conditions were still challenging overall due to weak demand for commercial-use food products. In addition, ongoing disruption to global supply chains remained a risk to stable supplies of food ingredients. Against that backdrop, the food business segment reported higher sales and operating profit 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.

As a result, net sales for the food business segment were ¥20,386 million (up 3.2% year on year), and operating profit was ¥779 million (up 159.9% year on year).

### (2) Qualitative information on consolidated financial position

#### (1) Assets, liabilities and net assets

##### *Assets*

Total assets as of the end of the first three months were ¥101,780 million, a decrease of ¥2,485 million from the previous fiscal year end. This mainly reflected the difference between increases for cash and deposits and notes and accounts receivable – trade and decreases for inventories and other current assets.

##### *Liabilities*

Total liabilities as of the end of the first three months were ¥32,844 million, a decrease of ¥5,815 million from the previous fiscal year end. This primarily reflected the difference between an increase for accounts payable – trade and decreases for short-term and long-term loans payable, income taxes payable, provision for bonuses and other current liabilities.

#### *Net assets*

Net assets as of the end of the first three months were ¥68,936 million, an increase of ¥3,330 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which outweighed year-end cash dividends paid of ¥521 million. The increase in retained earnings includes an adjustment of ¥229 million at the start of the first quarter related to the application of the Revenue Recognition Standard.

#### (2) Cash flows status

As of the end of the first three months under review, the balance of cash and cash equivalents (hereafter, “cash”) stood at ¥9,716 million, an increase of ¥912 million from the previous fiscal year end.

#### *Cash flows from operating activities*

Operating activities provided net cash of ¥8,353 million. This mainly reflected the difference between cash provided from profit before income taxes, depreciation, increase in accounts payable – trade, and decrease in inventories on the one hand, and cash used for increase in notes and accounts receivable – trade and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥347 million, cash from operating activities increased by ¥8,005 million.

#### *Cash flows from investing activities*

Investing activities used net cash of ¥551 million. This was mainly due to the purchase of property, plant and equipment related to the installation and upgrade of production equipment and machinery. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥1,218 million, cash used by investing activities decreased by ¥666 million.

#### *Cash flows from financing activities*

Financing activities used net cash of ¥7,050 million. This mainly reflected a decrease in short-term loans payable, repayments of long-term loans payable and payment of year-end dividends. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥87 million, cash from financing activities decreased by ¥7,138 million.

### **(3) Qualitative information on consolidated earnings projections**

For details about the Group’s earnings projections, please refer to the press release issued on August 11, 2021, “Revisions to Earnings Projections.”

## 2. Quarterly consolidated financial statements and related notes

### (1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/21 (As of March 31, 2021)	End-FY3/22 1Q (As of June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	8,803	9,716
Notes and accounts receivable – trade	23,901	26,458
Merchandise and finished goods	26,578	22,108
Work in process	536	595
Raw materials and supplies	11,266	11,576
Accounts receivable - other	1,449	1,398
Others	4,073	2,396
Allowance for doubtful accounts	(128)	(70)
Total current assets	76,482	74,179
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,182	12,285
Accumulated depreciation	(5,729)	(5,872)
Buildings and structures, net	6,452	6,413
Machinery, equipment and vehicles	11,469	11,708
Accumulated depreciation	(8,288)	(8,551)
Machinery, equipment and vehicles, net	3,180	3,157
Land	8,736	8,763
Leased assets	1,814	1,821
Accumulated depreciation	(858)	(931)
Leased assets, net	955	889
Construction in progress	612	752
Others	1,458	1,504
Accumulated depreciation	(1,188)	(1,232)
Others, net	270	271
Total property, plant and equipment	20,209	20,249
Intangible assets		
Others	515	495
Total intangible assets	515	495
Investments and other assets		
Investment securities	4,947	5,060
Deferred tax assets	499	161
Others	1,642	1,664
Allowance for doubtful accounts	(30)	(30)
Total investments and other assets	7,058	6,855
Total non-current assets	27,783	27,600
Total assets	104,265	101,780

(millions of yen)

	End-FY3/21 (As of March 31, 2021)	End-FY3/22 1Q (As of June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	9,744	12,041
Short-term loans payable	9,007	3,014
Current portion of long-term loans payable	1,488	1,388
Lease obligations	407	366
Income taxes payable	1,708	1,382
Provision for bonuses	976	563
Accounts payable - other	1,564	1,455
Others	4,448	3,660
<b>Total current liabilities</b>	<b>29,343</b>	<b>23,872</b>
Non-current liabilities		
Long-term loans payable	5,827	5,480
Lease obligations	566	534
Deferred tax liabilities	36	93
Provision for directors' retirement benefits	701	709
Provision for executive officers' retirement benefits	18	20
Net defined benefit liability	2,137	2,103
Others	28	29
<b>Total non-current liabilities</b>	<b>9,315</b>	<b>8,971</b>
<b>Total liabilities</b>	<b>38,659</b>	<b>32,844</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	61,248	63,943
Treasury shares	(3,411)	(3,411)
<b>Total shareholders' equity</b>	<b>65,404</b>	<b>68,099</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	617	609
Deferred gains or losses on hedges	(70)	109
Foreign currency translation adjustment	671	1,052
Remeasurements of defined benefit plans	(1,127)	(1,056)
<b>Total accumulated other comprehensive income</b>	<b>89</b>	<b>715</b>
<b>Non-controlling interests</b>	<b>111</b>	<b>121</b>
<b>Total net assets</b>	<b>65,605</b>	<b>68,936</b>
<b>Total liabilities and net assets</b>	<b>104,265</b>	<b>101,780</b>

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

(millions of yen)

	FY3/21 1Q (April 1, 2020 – June 30, 2020)	FY3/22 1Q (April 1, 2021 – June 30, 2021)
Net sales	53,540	70,120
Cost of sales	47,978	61,751
Gross profit	5,561	8,368
Selling, general, and administrative expenses	3,926	4,178
Operating profit	1,634	4,189
Non-operating income		
Interest income	1	2
Dividend income	11	12
Share of profit of entities accounted for using equity method	3	114
Purchase discounts	2	3
Insurance claim income	0	7
Foreign exchange gains	53	-
Others	8	11
Total non-operating income	82	152
Non-operating expenses		
Interest expenses	19	15
Foreign exchange losses	-	6
Loss on retirement of non-current assets	9	0
Others	3	8
Total non-operating expenses	32	30
Ordinary profit	1,684	4,311
Profit before income taxes	1,684	4,311
Income taxes – current	236	1,132
Income taxes – deferred	321	186
Total income taxes	558	1,319
Profit	1,126	2,992
Profit attributable to non-controlling interests	2	5
Profit attributable to owners of parent	1,124	2,987



**[Quarterly consolidated statements of comprehensive income]**

(millions of yen)

	FY3/21 1Q (April 1, 2020 – June 30, 2020)	FY3/22 1Q (April 1, 2021 – June 30, 2021)
Profit	1,126	2,992
Other comprehensive income		
Valuation difference on available-for-sale securities	25	(7)
Deferred gains or losses on hedges	87	182
Foreign currency translation adjustment	(447)	377
Remeasurements of defined benefit plans	78	70
Share of other comprehensive income (loss) of entities accounted for using equity method	(14)	7
Total other comprehensive income (loss)	(270)	630
Comprehensive income	856	3,622
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	855	3,612
Comprehensive income attributable to non-controlling interests	0	9

**(3) Quarterly consolidated statements of cash flows**

(millions of yen)

	FY3/21 1Q (April 1, 2020 – June 30, 2020)	FY3/22 1Q (April 1, 2021 – June 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,684	4,311
Depreciation	411	502
Increase (decrease) in allowance for doubtful accounts	(41)	(58)
Increase (decrease) in provision for bonuses	(383)	(412)
Increase (decrease) in net defined benefit liability	72	67
Increase (decrease) in provision for directors' retirement benefits	10	10
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(13)	(14)
Interest expenses	19	15
Share of (profit) loss of entities accounted for using equity method	(3)	(114)
Decrease (increase) in notes and accounts receivable – trade	(2,686)	(2,441)
Decrease (increase) in inventories	939	4,209
Increase (decrease) in accounts payable – trade	1,689	2,205
Others	(46)	1,486
Subtotal	1,652	9,770
Interest and dividend income received	13	14
Interest paid	(19)	(15)
Income taxes paid	(1,298)	(1,416)
Net cash provided by (used in) operating activities	347	8,353
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,172)	(525)
Purchase of intangible assets	(33)	(7)
Purchase of investment securities	(1)	(1)
Others	(10)	(16)
Net cash provided by (used in) investing activities	(1,218)	(551)

(millions of yen)

	FY3/21 1Q (April 1, 2020 – June 30, 2020)	FY3/22 1Q (April 1, 2021 – June 30, 2021)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(486)	(5,992)
Proceeds from long-term loans payable	1,500	-
Repayments of long-term loans payable	(317)	(447)
Cash dividends paid	(447)	(521)
Purchase of treasury shares	(60)	(0)
Others	(100)	(88)
Net cash provided by (used in) financing activities	87	(7,050)
Effect of exchange rate change on cash and cash equivalents	(241)	161
Net increase (decrease) in cash and cash equivalents	(1,024)	912
Cash and cash equivalents at beginning of period	11,652	8,803
Cash and cash equivalents at end of period	10,627	9,716

#### **(4) Notes on quarterly consolidated financial statements**

(Notes on premise of a going concern)

There is nothing to report.

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

There is nothing to report.

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. Under the new standard, the Company recognizes revenue when control of promised goods or services is transferred to a customer, with the amount expected to be received upon exchange of the goods or services recognized as revenue. Previously, revenue in the precious metals business segment and the food business segment was recognized as an aggregate amount. However, as a result of the application of the accounting standard, goods or services for which the Group is deemed to have performed a role in supplying them to customers (directly or as an agent), net amounts are recognized for revenue for goods and services provided as an agent. In addition, the timing of the transfer of goods and services in the precious metals business segment and the food business segment has been aligned with contracts. Furthermore, in paid supply transactions in the food business segment, paid supply goods were recognized as extinguished under previous accounting treatment. However, for paid supply transactions with buyback obligations, paid supply goods are not recognized as extinguished.

The application of the Revenue Recognition Standard is subject to the transitional treatment provided for in the supplementary provisions of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retroactive application, if the new accounting policy is applied prior to the beginning of the first quarter, is added to or subtracted from retained earnings at the beginning of the first quarter and the new accounting policy is applied to balances at the beginning of said period. However, the method stipulated in Paragraph 86 of the Revenue Recognition Standard has been applied, and the new accounting policy has not been retroactively applied to contracts for which almost all revenue had been recognized prior to the beginning of the first quarter, in accordance with the previous accounting policy. In addition, the method stipulated in provision (1) of Paragraph 86 of the Revenue Recognition Standard has been applied. After conducting accounting procedures based on contract conditions and reflecting all changes in contracts made prior to the beginning of the first quarter, the cumulative effect has been added to or subtracted from retained earnings at the beginning of the first quarter.

As a result, in the first quarter, the application of the accounting standard reduced net sales by ¥4,008 million and increased operating profit, ordinary profit and profit before income taxes by ¥114 million. In addition, the balance of retained earnings at the start of the period increased by ¥229 million.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers in the first quarter of the previous fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Standard"), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies in the Fair Value Measurement Standard going forward. These changes had no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

I. FY3/21 1Q (April 1, 2020 – June 30, 2020)

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	33,797	19,742	53,540	-	53,540
Net sales & remittances between segments	-	19	19	(19)	-
Total	33,797	19,762	53,559	(19)	53,540
Segment profit	1,334	299	1,634	-	1,634

(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. FY3/22 1Q (April 1, 2021 – June 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	49,752	20,367	70,120	-	70,120
Net sales & remittances between segments	-	18	18	(18)	-
Total	49,752	20,386	70,139	(18)	70,120
Segment profit	3,410	779	4,189	-	4,189

(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.

2. Changes in reportable segments

As explained in “Changes in accounting policy,” the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. As result, the method of calculation for profit and loss in business segments has also changed.

Compared with the previous method, in the first quarter, the new method reduced sales in the precious metals business segment by ¥1,830 million and increased segment profit by ¥114 million. In addition, sales in the food business segment were reduced by ¥2,178 million, but there was no impact on segment profit.