



## FY3/22 2Q Consolidated Financial Statements [J-GAAP]

November 10, 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>	
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Date to start dividends distribution: December 6, 2021		
Supplementary quarterly materials prepared: Yes		
Results briefing for quarterly financial results held: Yes (for institutional investors and analysts)		

(Figures are rounded down to the nearest million yen)

### 1. FY3/22 2Q consolidated results (April 1, 2021 – September 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 2Q	136,041	21.8	7,269	98.1	7,834	112.7	5,469	99.9
FY3/21 2Q	111,677	9.9	3,669	14.3	3,683	13.2	2,735	19.8

(Note) Comprehensive income: FY3/22 2Q: ¥6,805 million (+155.6%) FY3/21 2Q: ¥2,662 million (+42.7%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/22 2Q	209.66	—
FY3/21 2Q	104.10	—

(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 2Q 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 2Q	105,553	72,118	68.2
End-FY3/21	104,265	65,605	62.8

(Reference) Shareholders' equity: End-FY3/22 2Q: ¥71,997 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	—	22.00			
FY3/22 (Projections)			—	22.00	44.00

(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)
FY3/22	260,000	12.3	12,200	51.8	13,000	55.3	9,100	49.2	348,84

(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: 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 2Q	28,908,581 shares	End-FY3/21	28,908,581 shares
2) Number of treasury shares	End-FY3/22 2Q	2,822,265 shares	End-FY3/21	2,821,968 shares
3) Average number of shares during the period	FY3/22 2Q	26,086,442 shares	FY3/21 2Q	26,275,417 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 details about the Group's earnings projections, please refer to the press release issued on November 5, 2021, "Revisions to Earnings Projections and Dividend Forecast."

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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, 2022, the global economy gradually recovered from the damage inflicted by the COVID-19 pandemic, but the outlook for production activity and consumer spending remained uncertain due to factors such as ongoing restrictions in countries and regions worldwide. In Japan, there were signs of a pickup in production activity and corporate earnings, but conditions remained challenging amid limits on consumer spending due to the declaration of another state of emergency.

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 six months of the fiscal year ending March 31, 2022, consolidated net sales were ¥136,041 million (up 21.8% year on year), operating profit was ¥7,269 million (up 98.1% year on year), ordinary profit was ¥7,834 million (up 112.7% year on year), and profit attributable to owners of parent was ¥5,469 million (up 99.9% 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 six months, the application of the accounting standard reduced net sales by ¥8,716 million and decreased operating profit, ordinary profit and profit before income taxes by ¥102 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, weaker production activity in the automotive and other sectors due to a shortage of semiconductors was a concern, but production activity recovered in the electronic parts and devices field, spurred by a pickup in the smartphone market and growth in telecom infrastructure construction 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 ¥96,701 million (up 32.4% year on year), and operating profit was ¥5,901 million (up 80.7% year on year).

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

In the food processing sector, the key market for the food business segment, conditions remained challenging overall amid rising raw material prices, as well as weak demand for commercial-use food products due to a continued impact from the COVID-19 pandemic. In addition, ongoing disruption in global supply chains, including a shortage of shipping containers, 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 ¥39,378 million (up 1.7% year on year), and operating profit was ¥1,368 million (up 239.7% 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 six months were ¥105,553 million, an increase of ¥1,288 million from the previous fiscal year end. This mainly reflected the difference between increases for cash and deposits, notes and accounts receivable – trade, accounts receivable – other and other current assets, and a decrease for inventories.

##### *Liabilities*

Total liabilities as of the end of the first six months were ¥33,435 million, a decrease of ¥5,223 million from the previous fiscal year end. This primarily reflected decreases for long-term loans payable and other current liabilities.

#### *Net assets*

Net assets as of the end of the first six months were ¥72,118 million, an increase of ¥6,512 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 six months under review, the balance of cash and cash equivalents (hereafter, “cash”) stood at ¥11,131 million, an increase of ¥2,327 million from the previous fiscal year end.

#### *Cash flows from operating activities*

Operating activities provided net cash of ¥8,475 million. This mainly reflected the difference between cash provided from profit before income taxes, depreciation and decrease in inventories on the one hand, and cash used for increase in notes and accounts receivable – trade, increase in accounts receivable – other and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥4,524 million, cash from operating activities increased by ¥3,950 million.

#### *Cash flows from investing activities*

Investing activities used net cash of ¥1,188 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 ¥1,628 million, cash used by investing activities decreased by ¥439 million.

#### *Cash flows from financing activities*

Financing activities used net cash of ¥5,114 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 used net cash of ¥4,093 million, cash used by financing activities increased by ¥1,020 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 5, 2021, “Revisions to Earnings Projections and Dividend Forecast.”

## 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 2Q (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	8,803	11,131
Notes and accounts receivable – trade	23,901	24,680
Merchandise and finished goods	26,578	21,679
Work in process	536	528
Raw materials and supplies	11,266	12,361
Accounts receivable - other	1,449	2,181
Others	4,073	5,092
Allowance for doubtful accounts	(128)	(59)
<b>Total current assets</b>	<b>76,482</b>	<b>77,595</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,182	12,280
Accumulated depreciation	(5,729)	(5,932)
Buildings and structures, net	6,452	6,348
Machinery, equipment and vehicles	11,469	11,826
Accumulated depreciation	(8,288)	(8,770)
Machinery, equipment and vehicles, net	3,180	3,055
Land	8,736	8,756
Leased assets	1,814	1,777
Accumulated depreciation	(858)	(929)
Leased assets, net	955	847
Construction in progress	612	928
Others	1,458	1,503
Accumulated depreciation	(1,188)	(1,246)
Others, net	270	256
<b>Total property, plant and equipment</b>	<b>20,209</b>	<b>20,193</b>
Intangible assets		
Others	515	630
<b>Total intangible assets</b>	<b>515</b>	<b>630</b>
Investments and other assets		
Investment securities	4,947	5,203
Deferred tax assets	499	154
Others	1,642	1,807
Allowance for doubtful accounts	(30)	(30)
<b>Total investments and other assets</b>	<b>7,058</b>	<b>7,134</b>
<b>Total non-current assets</b>	<b>27,783</b>	<b>27,958</b>
<b>Total assets</b>	<b>104,265</b>	<b>105,553</b>

(millions of yen)

	End-FY3/21 (As of March 31, 2021)	End-FY3/22 2Q (As of September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	9,744	9,988
Short-term loans payable	9,007	5,381
Current portion of long-term loans payable	1,488	1,388
Lease obligations	407	320
Income taxes payable	1,708	2,627
Provision for bonuses	976	1,199
Accounts payable - other	1,564	728
Others	4,448	3,218
<b>Total current liabilities</b>	<b>29,343</b>	<b>24,852</b>
Non-current liabilities		
Long-term loans payable	5,827	5,133
Lease obligations	566	539
Deferred tax liabilities	36	76
Provision for directors' retirement benefits	701	720
Provision for executive officers' retirement benefits	18	22
Net defined benefit liability	2,137	2,068
Others	28	23
<b>Total non-current liabilities</b>	<b>9,315</b>	<b>8,583</b>
<b>Total liabilities</b>	<b>38,659</b>	<b>33,435</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	61,248	66,425
Treasury shares	(3,411)	(3,412)
<b>Total shareholders' equity</b>	<b>65,404</b>	<b>70,581</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	617	691
Deferred gains or losses on hedges	(70)	704
Foreign currency translation adjustment	671	1,005
Remeasurements of defined benefit plans	(1,127)	(985)
<b>Total accumulated other comprehensive income</b>	<b>89</b>	<b>1,415</b>
<b>Non-controlling interests</b>	<b>111</b>	<b>120</b>
<b>Total net assets</b>	<b>65,605</b>	<b>72,118</b>
<b>Total liabilities and net assets</b>	<b>104,265</b>	<b>105,553</b>

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

(millions of yen)

	FY3/21 2Q (April 1, 2020 – September 30, 2020)	FY3/22 2Q (April 1, 2021 – September 30, 2021)
Net sales	111,677	136,041
Cost of sales	100,145	120,316
Gross profit	11,531	15,725
Selling, general, and administrative expenses	7,862	8,456
Operating profit	3,669	7,269
Non-operating income		
Interest income	3	4
Dividend income	17	20
Gain on sale of investment securities	1	-
Share of profit of entities accounted for using equity method	59	213
Purchase discounts	5	7
Foreign exchange gains	-	2
Subsidy income	7	326
Others	18	27
Total non-operating income	112	601
Non-operating expenses		
Interest expenses	35	28
Foreign exchange losses	26	-
Others	35	7
Total non-operating expenses	98	36
Ordinary profit	3,683	7,834
Extraordinary income		
Gain on sale of land	347	-
Total extraordinary income	347	-
Profit before income taxes	4,030	7,834
Income taxes – current	1,209	2,505
Income taxes – deferred	81	(151)
Total income taxes	1,290	2,354
Profit	2,739	5,480
Profit attributable to non-controlling interests	4	10
Profit attributable to owners of parent	2,735	5,469



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

(millions of yen)

	FY3/21 2Q (April 1, 2020 – September 30, 2020)	FY3/22 2Q (April 1, 2021 – September 30, 2021)
Profit	2,739	5,480
Other comprehensive income		
Valuation difference on available-for-sale securities	56	74
Deferred gains or losses on hedges	31	773
Foreign currency translation adjustment	(294)	317
Remeasurements of defined benefit plans	158	141
Share of other comprehensive income (loss) of entities accounted for using equity method	(28)	17
Total other comprehensive income (loss)	(77)	1,324
Comprehensive income	2,662	6,805
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,654	6,795
Comprehensive income attributable to non-controlling interests	7	9

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

(millions of yen)

	FY3/21 2Q (April 1, 2020 – September 30, 2020)	FY3/22 2Q (April 1, 2021 – September 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,030	7,834
Depreciation	974	1,024
Increase (decrease) in allowance for doubtful accounts	(10)	(69)
Increase (decrease) in provision for bonuses	106	223
Increase (decrease) in net defined benefit liability	154	132
Increase (decrease) in provision for directors' retirement benefits	(0)	19
Increase (decrease) in provision for executive officers' retirement benefits	2	3
Interest and dividend income	(20)	(24)
Interest expenses	35	28
Share of (profit) loss of entities accounted for using equity method	(59)	(213)
Subsidy income	-	(226)
Decrease (increase) in notes and accounts receivable – trade	(1,767)	(638)
Decrease (increase) in accounts receivable - other	299	(630)
Decrease (increase) in inventories	(86)	3,101
Increase (decrease) in accounts payable – trade	2,129	(100)
Others	48	(516)
Subtotal	5,838	9,949
Interest and dividend income received	68	113
Interest paid	(36)	(29)
Income taxes paid	(1,346)	(1,558)
Net cash provided by (used in) operating activities	4,524	8,475
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,002)	(985)
Proceeds from sale of property, plant and equipment	445	2
Purchase of intangible assets	(91)	(167)
Purchase of investment securities	(6)	(7)
Proceeds from sale of investment securities	4	-
Others	21	(30)
Net cash provided by (used in) investing activities	(1,628)	(1,188)

(millions of yen)

	FY3/21 2Q (April 1, 2020 – September 30, 2020)	FY3/22 2Q (April 1, 2021 – September 30, 2021)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(4,039)	(3,625)
Proceeds from long-term loans payable	1,500	-
Repayments of long-term loans payable	(709)	(794)
Cash dividends paid	(447)	(521)
Purchase of treasury shares	(200)	(0)
Others	(197)	(171)
Net cash provided by (used in) financing activities	(4,093)	(5,114)
Effect of exchange rate change on cash and cash equivalents	(145)	154
Net increase (decrease) in cash and cash equivalents	(1,342)	2,327
Cash and cash equivalents at beginning of period	11,652	8,803
Cash and cash equivalents at end of period	10,309	11,131

#### **(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, for 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, for the first six months of the fiscal year ending March 31, 2022, the application of the accounting standard reduced net sales by ¥8,716 million and decreased operating profit, ordinary profit and profit before income taxes by ¥102 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 six months 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 2Q (April 1, 2020 – September 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	73,011	38,665	111,677	-	111,677
Net sales & remittances between segments	-	38	38	(38)	-
Total	73,011	38,704	111,715	(38)	111,677
Segment profit	3,266	402	3,669	-	3,669

(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 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.

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 six months, the new method reduced sales in the precious metals business segment by ¥4,408 million and decreased segment profit by ¥102 million. In addition, sales in the food business segment were reduced by ¥4,308 million, but there was no impact on segment profit.