



FY3/22 3Q Consolidated Financial Statements [J-GAAP]

February 10, 2022

Company name: Matsuda Sangyo Co., Ltd.	Exchanges listed on: Tokyo Stock Exchange (First Section)	
Company code: 7456	URL: https://www.matsuda-sangyo.co.jp	
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Filing date of quarterly report: February 10, 2022		
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 3Q consolidated results (April 1, 2021 – December 31, 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 3Q	203,634	18.8	10,463	66.4	11,269	76.9	7,900	69.0
FY3/21 3Q	171,385	8.9	6,287	20.2	6,371	16.2	4,676	25.0

(Note) Comprehensive income: FY3/22 3Q: ¥8,362 million (+83.1%) FY3/21 3Q: ¥4,568 million (+36.1%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/22 3Q	302.86	—
FY3/21 3Q	178.17	—

(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 3Q 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 3Q	111,275	73,100	65.6
End-FY3/21	104,265	65,605	62.8

(Reference) Shareholders' equity: End-FY3/22 3Q: ¥72,983 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 3Q	28,908,581 shares	End-FY3/21	28,908,581 shares
2) Number of treasury shares	End-FY3/22 3Q	2,822,595 shares	End-FY3/21	2,821,968 shares
3) Average number of shares during the period	FY3/22 3Q	26,086,356 shares	FY3/21 3Q	26,244,344 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.

Contents of Attached Document

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
(4) Notes on quarterly consolidated financial statements	10
(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 nine months of the fiscal year ending March 31, 2022, the global economy showed signs of a pickup overall, despite stalled production activity and supply-chain disruption caused by intermittent outbreaks of COVID-19. In Japan as well, the impact of the pandemic subsided somewhat heading into the end of 2021 and there was a moderate recovery in corporate earnings, production activity and consumer spending.

Against that backdrop, the Matsuda Sangyo Group (the Group) worked to prevent the spread of infection by prioritizing the health and safety of employees and all people associated with the Group, while also driving business expansion. 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 nine months of the fiscal year ending March 31, 2022, consolidated net sales were ¥203,634 million (up 18.8% year on year), operating profit was ¥10,463 million (up 66.4% year on year), ordinary profit was ¥11,269 million (up 76.9% year on year), and profit attributable to owners of parent was ¥7,900 million (up 69.0% 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 nine months, the application of the accounting standard reduced net sales by ¥13,876 million and increased operating profit, ordinary profit and profit before income taxes by ¥47 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, production activity declined in the automotive sector and other industries due to a shortage of semiconductors, 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, despite a drop in the prices of some precious metals, 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 and an increase in sales volumes for gold and silver products.

As a result, net sales for the precious metals business segment totaled ¥142,794 million (up 29.1% year on year), and operating profit was ¥8,286 million (up 57.4% 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 and higher logistics costs. In addition, ongoing disruption in global supply chains, including a shortage of shipping containers, remained a risk to stable supplies of food ingredients. Despite that backdrop, the food business segment reported higher sales and operating profit compared with the same period of the previous fiscal year. This reflected efforts by the business to stand out in the market by sourcing products that meet customer needs and by leveraging its strengths in procurement to ensure stable supplies, resulting in higher sales volumes for seafood products, livestock products and agricultural products.

As a result, net sales for the food business segment were ¥60,896 million (up 0.0% year on year), and operating profit was ¥2,176 million (up 112.5% year on year).

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and net assets

Assets

Total assets as of the end of the first nine months were ¥111,275 million, an increase of ¥7,009 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 a decrease for inventories.

Liabilities

Total liabilities as of the end of the first nine months were ¥38,174 million, a decrease of ¥485 million from the previous fiscal year end. This largely reflected the difference between increases for accounts payable – trade and short-term loans payable, and decreases for accounts payable - other and long-term loans payable.

Net assets

Net assets as of the end of the first nine months were ¥73,100 million, an increase of ¥7,495 million from the previous fiscal year end. This mainly reflected an increase in retained earnings, which exceeded year-end and interim cash dividends paid of ¥1,095 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 nine months under review, the balance of cash and cash equivalents (hereafter, “cash”) stood at ¥10,987 million, an increase of ¥2,183 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities provided net cash of ¥5,281 million. This mainly reflected cash provided by profit before income taxes and depreciation, outweighing cash used for increase in notes and accounts receivable – trade and income taxes paid. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥2,113 million, cash from operating activities increased by ¥3,168 million.

Cash flows from investing activities

Investing activities used net cash of ¥1,872 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 ¥2,631 million, cash used by investing activities decreased by ¥758 million.

Cash flows from financing activities

Financing activities used net cash of ¥1,321 million. This largely reflected cash provided by increase in short-term loans payable, outweighed by cash used for repayments of long-term loans payable and for cash dividends paid. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥2,118 million, cash used by financing activities decreased by ¥797 million.

(3) Qualitative information on consolidated earnings projections

At this stage, there are no revisions to the Company’s earnings projections released on November 5, 2021.

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 3Q (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	8,803	10,987
Notes and accounts receivable – trade	23,901	29,194
Merchandise and finished goods	26,578	24,097
Work in process	536	583
Raw materials and supplies	11,266	12,330
Accounts receivable - other	1,449	1,983
Others	4,073	3,816
Allowance for doubtful accounts	(128)	(9)
Total current assets	76,482	82,981
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,182	12,335
Accumulated depreciation	(5,729)	(6,035)
Buildings and structures, net	6,452	6,300
Machinery, equipment and vehicles	11,469	12,118
Accumulated depreciation	(8,288)	(9,024)
Machinery, equipment and vehicles, net	3,180	3,094
Land	8,736	8,744
Leased assets	1,814	1,714
Accumulated depreciation	(858)	(898)
Leased assets, net	955	816
Construction in progress	612	1,103
Others	1,458	1,554
Accumulated depreciation	(1,188)	(1,280)
Others, net	270	273
Total property, plant and equipment	20,209	20,332
Intangible assets		
Others	515	652
Total intangible assets	515	652
Investments and other assets		
Investment securities	4,947	5,323
Deferred tax assets	499	188
Others	1,642	1,822
Allowance for doubtful accounts	(30)	(26)
Total investments and other assets	7,058	7,308
Total non-current assets	27,783	28,293
Total assets	104,265	111,275

(millions of yen)

	End-FY3/21 (As of March 31, 2021)	End-FY3/22 3Q (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable – trade	9,744	10,623
Short-term loans payable	9,007	10,187
Current portion of long-term loans payable	1,488	1,588
Lease obligations	407	284
Income taxes payable	1,708	1,956
Provision for bonuses	976	482
Accounts payable - other	1,564	765
Others	4,448	4,205
Total current liabilities	29,343	30,093
Non-current liabilities		
Long-term loans payable	5,827	4,586
Lease obligations	566	542
Deferred tax liabilities	36	92
Provision for directors' retirement benefits	701	731
Provision for executive officers' retirement benefits	18	23
Net defined benefit liability	2,137	2,077
Others	28	26
Total non-current liabilities	9,315	8,080
Total liabilities	38,659	38,174
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	61,248	68,282
Treasury shares	(3,411)	(3,412)
Total shareholders' equity	65,404	72,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	617	624
Deferred gains or losses on hedges	(70)	(63)
Foreign currency translation adjustment	671	934
Remeasurements of defined benefit plans	(1,127)	(949)
Total accumulated other comprehensive income	89	545
Non-controlling interests	111	117
Total net assets	65,605	73,100
Total liabilities and net assets	104,265	111,275

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

(millions of yen)

	FY3/21 3Q (April 1, 2020 – December 31, 2020)	FY3/22 3Q (April 1, 2021 – December 31, 2021)
Net sales	171,385	203,634
Cost of sales	153,067	180,341
Gross profit	18,318	23,292
Selling, general, and administrative expenses	12,030	12,829
Operating profit	6,287	10,463
Non-operating income		
Interest income	4	5
Dividend income	24	29
Gain on sale of investment securities	1	-
Share of profit of entities accounted for using equity method	159	393
Purchase discounts	8	11
Foreign exchange gains	-	44
Subsidy income	12	326
Others	32	45
Total non-operating income	243	856
Non-operating expenses		
Interest expenses	53	43
Foreign exchange losses	57	-
Others	49	7
Total non-operating expenses	159	50
Ordinary profit	6,371	11,269
Extraordinary income		
Gain on sale of land	347	-
Total extraordinary income	347	-
Profit before income taxes	6,719	11,269
Income taxes – current	1,750	3,172
Income taxes – deferred	284	181
Total income taxes	2,034	3,354
Profit	4,685	7,915
Profit attributable to non-controlling interests	8	14
Profit attributable to owners of parent	4,676	7,900

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/21 3Q (April 1, 2020 – December 31, 2020)	FY3/22 3Q (April 1, 2021 – December 31, 2021)
Profit	4,685	7,915
Other comprehensive income		
Valuation difference on available-for-sale securities	127	7
Deferred gains or losses on hedges	20	3
Foreign currency translation adjustment	(428)	218
Remeasurements of defined benefit plans	206	178
Share of other comprehensive income (loss) of entities accounted for using equity method	(43)	39
Total other comprehensive income (loss)	(116)	447
Comprehensive income	4,568	8,362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,563	8,356
Comprehensive income attributable to non-controlling interests	4	5

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/21 3Q (April 1, 2020 – December 31, 2020)	FY3/22 3Q (April 1, 2021 – December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	6,719	11,269
Depreciation	1,545	1,585
Increase (decrease) in allowance for doubtful accounts	14	(122)
Increase (decrease) in provision for bonuses	(450)	(493)
Increase (decrease) in net defined benefit liability	225	193
Increase (decrease) in provision for directors' retirement benefits	10	30
Increase (decrease) in provision for executive officers' retirement benefits	4	5
Interest and dividend income	(28)	(35)
Interest expenses	53	43
Share of (profit) loss of entities accounted for using equity method	(159)	(393)
Decrease (increase) in notes and accounts receivable – trade	(6,778)	(5,211)
Decrease (increase) in accounts receivable - other	41	(532)
Decrease (increase) in inventories	785	614
Increase (decrease) in accounts payable – trade	1,003	607
Increase (decrease) in accounts payable - other	(73)	(565)
Others	1,450	1,126
Subtotal	4,362	8,121
Interest and dividend income received	77	124
Interest paid	(53)	(43)
Income taxes paid	(2,272)	(2,920)
Net cash provided by (used in) operating activities	2,113	5,281
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,948)	(1,702)
Proceeds from sale of property, plant and equipment	445	6
Purchase of intangible assets	(121)	(211)
Purchase of investment securities	(10)	(21)
Proceeds from sale of investment securities	4	-
Others	(1)	55
Net cash provided by (used in) investing activities	(2,631)	(1,872)

(millions of yen)

	FY3/21 3Q (April 1, 2020 – December 31, 2020)	FY3/22 3Q (April 1, 2021 – December 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(996)	1,173
Proceeds from long-term loans payable	1,500	-
Repayments of long-term loans payable	(1,101)	(1,141)
Cash dividends paid	(919)	(1,095)
Purchase of treasury shares	(309)	(1)
Others	(292)	(256)
Net cash provided by (used in) financing activities	(2,118)	(1,321)
Effect of exchange rate change on cash and cash equivalents	(242)	95
Net increase (decrease) in cash and cash equivalents	(2,878)	2,183
Cash and cash equivalents at beginning of period	11,652	8,803
Cash and cash equivalents at end of period	8,773	10,987

(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 nine months of the fiscal year ending March 31, 2022, the application of the accounting standard reduced net sales by ¥13,876 million and increased operating profit, ordinary profit and profit before income taxes by ¥47 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 nine 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 3Q (April 1, 2020 – December 31, 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	110,565	60,819	171,385	-	171,385
Net sales & remittances between segments	-	57	57	(57)	-
Total	110,565	60,877	171,443	(57)	171,385
Segment profit	5,263	1,024	6,287	-	6,287

(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 3Q (April 1, 2021 – December 31, 2021)

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

(millions of yen)

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

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

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

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 nine months, the new method reduced sales in the precious metals business segment by ¥6,476 million and increased segment profit by ¥47 million. In addition, sales in the food business segment were reduced by ¥7,399 million, but there was no impact on segment profit.