



FY3/23 1Q Consolidated Financial Statements [J-GAAP]

August 10, 2022

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (Prime Market)
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 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. FY3/23 1Q consolidated results (April 1, 2022 – June 30, 2022)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/23 1Q	88,192	25.8	4,263	1.8	4,479	3.9	3,089	3.4
FY3/22 1Q	70,120	31.0	4,189	156.4	4,311	155.9	2,987	165.7

(Note) Comprehensive income: FY3/23 1Q: ¥4,750 million (+31.1%) FY3/22 1Q: ¥3,622 million (+323.0%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
FY3/23 1Q	118.43	—
FY3/22 1Q	114.51	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/23 1Q	134,627	78,544	58.2
End-FY3/22	115,797	74,420	64.2

(Reference) Shareholders' equity: End-FY3/23 1Q: ¥78,404 million End-FY3/22: ¥74,297 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/22	—	22.00	—	24.00	46.00
FY3/23	—				
FY3/23 (Projections)		24.00	—	24.00	48.00

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

3. Consolidated earnings projections for FY3/23 (April 1, 2022 – March 31, 2023)

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
1H FY3/23	159,000	16.9	7,400	1.8	7,700	(1.7)	5,300	(3.1)	203.17
FY3/23	300,000	10.2	12,800	0.9	13,300	(3.2)	9,300	(2.7)	356.51

(Note) Revisions to the most recently announced projections of consolidated earnings: Yes

* Notes

- (1) Material changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
 - 1) Changes in accounting policies with revision of accounting standards: No
 - 2) Changes in accounting policies other than the above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	End-FY3/23 1Q	28,908,581 shares	End-FY3/22	28,908,581 shares
2) Number of treasury shares	End-FY3/23 1Q	2,822,803 shares	End-FY3/22	2,822,619 shares
3) Average number of shares during the period	FY3/23 1Q	26,085,871 shares	FY3/22 1Q	26,086,501 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

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
(Segment information, etc.).....	10

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, 2023, the global economy showed signs of recovery, but there were concerns about downside risks from factors such as rising prices and supply-side constraints. The Japanese economy also continued to face an uncertain outlook, with the steep drop in the yen increasing procurement costs, and rising prices weighing on consumer spending.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment leveraged its unique strengths – integrated capabilities in resources recycling and high-performance electronic materials development – to step up marketing activities, while also actively using production sites in Japan and overseas to secure precious metals materials, boost sales of products such as precious metal chemical products and expand its industrial waste treatment outsourcing business. In addition, the food business segment responded dynamically to disruption in food supplies and rising procurement prices worldwide, aiming to increase sales volumes by sourcing products that meet increasingly diverse customer needs and by ensuring stable supplies of safe and reliable food products.

As a result of the above, for the first three months of the fiscal year ending March 31, 2023, consolidated net sales were ¥88,192 million (up 25.8% year on year), operating profit was ¥4,263 million (up 1.8% year on year), ordinary profit was ¥4,479 million (up 3.9% year on year), and profit attributable to owners of parent was ¥3,089 million (up 3.4% year on year).

Performance in the Matsuda Sangyo Group's business segments was as follows.

Precious metals business segment

In the electronics sector, the key market for the precious metals business segment, automotive and smartphone output was sluggish due to factors such as lockdowns in China and a shortage of semiconductors, but production activity was strong in the semiconductor and electronic devices field, supported by continued firm demand, particularly for data center applications. In addition, precious metals prices increased across the board amid uncertainty about stable supplies due to the situation in Ukraine and inflation concerns. In this operating environment, sales and operating profit both increased compared with the same period of the previous fiscal year, reflecting higher volumes for precious metal recycling and industrial waste treated on an outsourcing basis, as well as an increase in sales volumes for gold, silver and platinum group products and higher prices for precious metals in general.

As a result, net sales for the precious metals business segment totaled ¥63,924 million (up 28.5% year on year), and operating profit was ¥3,492 million (up 2.4% year on year).

Food business segment

In the food processing sector, the key market for the food business segment, there were signs of a pickup in demand from the food services industry and other industries as the impact of the COVID-19 pandemic faded, but conditions remained challenging overall as consumers became more budget-conscious in the wake of price hike announcements in response to rising raw material prices and the sharp slide in the yen. Against this backdrop, the food business segment reported higher sales compared with the same period of the previous fiscal year, supported by an increase in sales volumes for seafood products and agricultural products and by higher sales prices in general. However, operating profit declined slightly compared with the same period of the previous fiscal year, when prices were at very high levels for certain food commodities.

As a result, net sales for the food business segment were ¥24,288 million (up 19.1% year on year), and operating profit was ¥771 million (down 1.0% 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 ¥134,627 million, an increase of ¥18,830 million from the previous fiscal year end. This mainly reflected increases for notes and accounts receivable – trade, inventories, and property, plant and equipment such as land and buildings.

Liabilities

Total liabilities as of the end of the first three months were ¥56,083 million, an increase of ¥14,706 million from the previous fiscal year end. This primarily reflected the difference between increases for accounts payable – trade and long- and short-term loans payable, and a decrease for income taxes payable.

Net assets

Net assets as of the end of the first three months were ¥78,544 million, an increase of ¥4,124 million from the previous fiscal year end. This was mainly due to an increase in retained earnings, which outweighed year-end cash dividends paid of ¥626 million.

(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 ¥11,455 million, an increase of ¥76 million from the previous fiscal year end.

Cash flows from operating activities

Operating activities used net cash of ¥5,566 million. This primarily reflected the difference between cash provided from profit before income taxes and increase in accounts payable – trade on the one hand, and cash used for increase in notes and accounts receivable – trade, increase in inventories, and income taxes paid on the other. Compared with the same period in the previous fiscal year, when operating activities provided net cash of ¥8,353 million, cash from operating activities decreased by ¥13,919 million.

Cash flows from investing activities

Investing activities used net cash of ¥9,505 million. This was mainly due to the purchase of property, plant and equipment such as land and buildings. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥551 million, cash used by investing activities increased by ¥8,953 million.

Cash flows from financing activities

Financing activities provided net cash of ¥14,839 million. This largely reflected increases in long- and short-term loans payable. Compared with the same period in the previous fiscal year, when financing activities used net cash of ¥7,050 million, cash from financing activities increased by ¥21,890 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 August 10, 2022, “Revisions to Earnings Projections.”

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/22 (As of March 31, 2022)	End-FY3/23 1Q (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	11,379	11,455
Notes and accounts receivable – trade	26,104	30,593
Merchandise and finished goods	27,202	30,248
Work in process	614	637
Raw materials and supplies	13,962	14,190
Accounts receivable - other	1,938	2,338
Others	4,918	6,715
Allowance for doubtful accounts	(45)	(26)
Total current assets	86,073	96,154
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,633	13,689
Accumulated depreciation	(6,061)	(6,242)
Buildings and structures, net	6,572	7,447
Machinery, equipment and vehicles	12,659	12,945
Accumulated depreciation	(9,294)	(9,611)
Machinery, equipment and vehicles, net	3,365	3,334
Land	8,768	16,881
Leased assets	1,723	1,710
Accumulated depreciation	(899)	(937)
Leased assets, net	824	773
Construction in progress	994	779
Others	1,537	1,580
Accumulated depreciation	(1,285)	(1,328)
Others, net	252	252
Total property, plant and equipment	20,777	29,468
Intangible assets		
Others	772	856
Total intangible assets	772	856
Investments and other assets		
Investment securities	5,484	5,825
Deferred tax assets	819	439
Others	1,895	1,904
Allowance for doubtful accounts	(25)	(21)
Total investments and other assets	8,174	8,148
Total non-current assets	29,724	38,473
Total assets	115,797	134,627

(millions of yen)

	End-FY3/22 (As of March 31, 2022)	End-FY3/23 1Q (As of June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	11,231	12,899
Short-term loans payable	9,724	12,584
Current portion of long-term loans payable	1,588	3,302
Lease obligations	302	284
Income taxes payable	3,128	1,700
Provision for bonuses	1,012	656
Accounts payable - other	1,312	1,101
Others	5,292	4,804
Total current liabilities	33,592	37,333
Non-current liabilities		
Long-term loans payable	4,239	15,274
Lease obligations	535	502
Deferred tax liabilities	12	13
Provision for directors' retirement benefits	742	753
Provision for executive officers' retirement benefits	25	16
Net defined benefit liability	2,111	2,080
Others	117	108
Total non-current liabilities	7,784	18,749
Total liabilities	41,377	56,083
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	69,940	72,403
Treasury shares	(3,413)	(3,413)
Total shareholders' equity	74,095	76,558
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	580	584
Deferred gains or losses on hedges	(766)	185
Foreign currency translation adjustment	1,311	1,918
Remeasurements of defined benefit plans	(923)	(841)
Total accumulated other comprehensive income	202	1,846
Non-controlling interests	122	139
Total net assets	74,420	78,544
Total liabilities and net assets	115,797	134,627

(2) Quarterly consolidated statements of income and comprehensive income

[Quarterly consolidated statements of income]

(millions of yen)

	FY3/22 1Q (April 1, 2021 – June 30, 2021)	FY3/23 1Q (April 1, 2022 – June 30, 2022)
Net sales	70,120	88,192
Cost of sales	61,751	79,067
Gross profit	8,368	9,125
Selling, general, and administrative expenses	4,178	4,861
Operating profit	4,189	4,263
Non-operating income		
Interest income	2	2
Dividend income	12	13
Share of profit of entities accounted for using equity method	114	213
Purchase discounts	3	3
Insurance claim income	7	1
Foreign exchange gains	-	27
Others	11	18
Total non-operating income	152	281
Non-operating expenses		
Interest expenses	15	38
Foreign exchange losses	6	-
Others	8	26
Total non-operating expenses	30	65
Ordinary profit	4,311	4,479
Profit before income taxes	4,311	4,479
Income taxes – current	1,132	1,457
Income taxes – deferred	186	(74)
Total income taxes	1,319	1,382
Profit	2,992	3,097
Profit attributable to non-controlling interests	5	7
Profit attributable to owners of parent	2,987	3,089

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	FY3/22 1Q (April 1, 2021 – June 30, 2021)	FY3/23 1Q (April 1, 2022 – June 30, 2022)
Profit	2,992	3,097
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	4
Deferred gains or losses on hedges	182	952
Foreign currency translation adjustment	377	497
Remeasurements of defined benefit plans	70	80
Share of other comprehensive income of entities accounted for using equity method	7	119
Total other comprehensive income	630	1,653
Comprehensive income	3,622	4,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,612	4,733
Comprehensive income attributable to non-controlling interests	9	16

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/22 1Q (April 1, 2021 – June 30, 2021)	FY3/23 1Q (April 1, 2022 – June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	4,311	4,479
Depreciation	502	548
Increase (decrease) in allowance for doubtful accounts	(58)	(22)
Increase (decrease) in provision for bonuses	(412)	(356)
Increase (decrease) in net defined benefit liability	67	83
Increase (decrease) in provision for directors' retirement benefits	10	11
Increase (decrease) in provision for executive officers' retirement benefits	1	1
Interest and dividend income	(14)	(16)
Interest expenses	15	38
Share of (profit) loss of entities accounted for using equity method	(114)	(213)
Decrease (increase) in notes and accounts receivable – trade	(2,441)	(4,302)
Decrease (increase) in inventories	4,209	(3,081)
Increase (decrease) in accounts payable – trade	2,205	1,523
Others	1,486	(1,465)
Subtotal	9,770	(2,772)
Interest and dividend income received	14	16
Interest paid	(15)	(36)
Income taxes paid	(1,416)	(2,774)
Net cash provided by (used in) operating activities	8,353	(5,566)
Cash flows from investing activities		
Purchase of property, plant and equipment	(525)	(9,418)
Purchase of intangible assets	(7)	(82)
Purchase of investment securities	(1)	(1)
Others	(16)	(3)
Net cash provided by (used in) investing activities	(551)	(9,505)

(millions of yen)

	FY3/22 1Q (April 1, 2021 – June 30, 2021)	FY3/23 1Q (April 1, 2022 – June 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,992)	2,798
Proceeds from long-term loans payable	-	13,500
Repayments of long-term loans payable	(447)	(750)
Cash dividends paid	(521)	(626)
Purchase of treasury shares	(0)	(0)
Others	(88)	(81)
Net cash provided by (used in) financing activities	(7,050)	14,839
Effect of exchange rate change on cash and cash equivalents	161	308
Net increase (decrease) in cash and cash equivalents	912	76
Cash and cash equivalents at beginning of period	8,803	11,379
Cash and cash equivalents at end of period	9,716	11,455

(4) Notes on quarterly consolidated financial statements

(Notes on premise of a going concern)

There is nothing to report.

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

There is nothing to report.

(Segment information, etc.)

I. FY3/22 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.

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

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

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	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 quarterly consolidated statements of income.