



FY3/24 2Q Consolidated Financial Statements [J-GAAP]

November 10, 2023

Company name:	Matsuda Sangyo Co., Ltd.	Exchanges listed on:	Tokyo Stock Exchange (Prime Market)
Company code:	7456	URL:	https://www.matsuda-sangyo.co.jp
Representative:	President	Yoshiaki Matsuda	
Inquiries:	Executive Officer/ General Manager of CSR IR Dept.	Yoshinori Tanaka	TEL: +81-3-5381-0728
Filing date of quarterly report:	November 13, 2023		
Date to start dividends distribution:	—		
Supplementary quarterly materials prepared:	Yes		
Results briefing for quarterly financial results held:	Yes (Live stream of results briefing for institutional investors scheduled for November 21, 2023)		

(Figures are rounded down to the nearest million yen)

1. FY3/24 2Q consolidated results (April 1, 2023 – September 30, 2023)

(1) Consolidated results

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/24 2Q	178,780	1.6	5,081	(36.1)	5,876	(27.7)	4,062	(27.9)
FY3/23 2Q	176,004	29.4	7,953	9.4	8,128	3.7	5,634	3.0

(Note) Comprehensive income: FY3/24 2Q: ¥5,226 million (-32.4%) FY3/23 2Q: ¥7,735 million (+13.7%)

	Earnings per share		Diluted earnings per share	
	(yen)		(yen)	
FY3/24 2Q	155.78		—	
FY3/23 2Q	215.99		—	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	(millions of yen)		(millions of yen)		(%)	
End-FY3/24 2Q	140,777		89,053		63.1	
End-FY3/23	129,208		84,648		65.4	

(Reference) Shareholders' equity: End-FY3/24 2Q: ¥88,845 million End-FY3/23: ¥84,481 million

2. Dividends

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

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

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

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
FY3/24	360,000	2.6	10,000	(27.6)	1,100	(20.5)	7,600	(21.6)	291.42

(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-FY3/24 2Q	26,908,581 shares	End-FY3/23	26,908,581 shares
2) Number of treasury shares	End-FY3/24 2Q	896,302 shares	End-FY3/23	822,870 shares
3) Average number of shares during the period	FY3/24 2Q	26,079,166 shares	FY3/23 2Q	26,085,818 shares

* This document is outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

* Explanation of the proper use of earnings projections and other notes

This document contains earnings projections and other information that constitute forward-looking statements. These statements are based on reasonable assumptions and information currently available to the Company and provide no guarantee of future performance. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about earnings projections, please refer to “1. Qualitative information on consolidated results during the period, (3) Qualitative information on consolidated earnings projections” on page 3 of the attached documents.

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 projection	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	9
(Notes on premise of a going concern)	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Segment information, etc.)	9
(Important Subsequent Event).....	10

1. Qualitative information on consolidated results during the period

(1) Qualitative information on consolidated results

During the first six months of the cumulated consolidated fiscal year ending March 31, 2024, the global economy showed a general recovery trend despite risks of a downswing due to the impact of the continued tightening of monetary policy worldwide and concerns about the future of the Chinese economy, among other factors.

In the Japanese economy, the employment and income environments improved and showed signs of picking up gradually. However, the outlook remains uncertain due to the risk of a downswing in overseas economies putting downward pressure on the Japanese economy.

Against this backdrop, the Matsuda Sangyo Group's Precious Metals Business Segment worked to secure precious metals materials, boost sales of products such as high-performance electronic materials and chemical products, and expand its industrial waste treatment outsourcing business, based on a strategy of differentiating itself through its comprehensive resource recycling capability and the development of high-performance electronic materials. In addition, the Food Business Segment utilized its global procurement capabilities to source products that meet customer needs and ensure stable supplies of safe and reliable food products, with the aim of increasing sales volumes.

As a result of the above, for the first six months of the cumulative consolidated fiscal year ending March 31, 2024, net sales were ¥178,780 million (up 1.6% year on year) and operating profit was ¥5,081 million (down 36.1% year on year). Ordinary profit was ¥5,876 million (down 27.7% year on year) and quarterly profit attributable to owners of parent was ¥4,062 million (down 27.9% year on year).

The following is a summary of business by segment.

Precious metals business segment:

In the electronic devices field of the electronics sector, which is the key market for the Precious Metals Business Segment, despite steady demand for automotive uses, market conditions were challenging overall, impacted by the decline in demand for smartphones and computers that slowed down recovery on the production side.

Against this backdrop, the Precious Metals Business Segment recorded a decrease in both precious metals recycling volume and product sales volume in the electronic devices field. Although precious metals recycling volume from the jewelry sector increased and the market price of gold remained steady, net sales and operating profit decreased year on year.

As a result of the above, net sales for the Precious Metals Business Segment were ¥122,809 million (down 3.3% year on year) and operating profit was ¥3,923 million (down 40.6% year on year).

Food business segment:

The food production sector, which is the key market for the Food Business Segment, saw a gradual recovery in the food service sector alongside the recovery of personal consumption and inbound demand. However, it continues to face persistently high procurement prices and logistics costs.

Amidst these circumstances, the Food Business Segment registered a decrease in the sales volume of marine products. However, the sales volume of livestock and agricultural products increased alongside an overall increase in selling prices, contributing to a year-on-year increase in net sales. Operating profit decreased year-on-year due to rising transportation and storage costs, the impact of increasing procurement prices, and other factors.

As a result of the above, net sales for the Food Business Segment were ¥56,010 million (up 14.2% year on year) and operating profit was ¥1,157 million (down 13.8% year on year).

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and net assets status

Assets:

Total assets as of the end of the first six months of the consolidated fiscal year under review were ¥140,777 million, an increase of ¥11,569 million from the previous fiscal year end. This was mainly due to increase in notes and accounts receivable-trade, inventories, and property, plant and equipment.

Liabilities:

Total liabilities as of the end of the first six months of the consolidated fiscal year under review were ¥51,723 million, an increase of ¥7,163 million from the previous fiscal year end. This mainly reflected the difference between an increase in accounts payable-trade and short-term loans payable, and a decrease in long-term loans payable.

Net assets:

Net assets as of the end of the first six months of the consolidated fiscal year under review were ¥89,053 million, an increase of ¥4,405 million from the previous fiscal year end. This was mainly due to an increase in retained earnings.

(2) Cash flows status

As of the end of the first six months of the cumulative consolidated fiscal year under review, the balance of cash and cash equivalents (hereafter, “cash”) stood at ¥10,607 million, a decrease of ¥1,154 million from the previous fiscal year end.

Cash flows from operating activities:

Operating activities in the first six months of the cumulative consolidated fiscal year under review used cash of ¥2,055 million. This mainly reflected the difference between an increase in cash from quarterly profit before income taxes, depreciation, and accounts payable, and a decrease in cash from an increase in notes and accounts receivable-trade and inventories as well as income taxes paid. Compared with the same period in the previous fiscal year, when operating activities used cash of ¥3,754 million, cash from operating activities increased by ¥1,699 million.

Cash flows from investing activities:

Investing activities in the first six months of the cumulative consolidated fiscal year under review used cash of ¥4,340 million. This was mainly for the acquisition of property, plant and equipment, such the new installation of factory equipment. Compared with the same period in the previous fiscal year, when investing activities used cash of ¥9,492 million, cash used by investing activities decreased by ¥5,152 million.

Cash flows from financing activities:

Financing activities in the first six months of the cumulative consolidated fiscal year under review provided cash of ¥4,683 million. This was mainly due to an increase in short-term loans payable. Compared with the same period in the previous fiscal year, when financing activities provided cash of ¥12,379 million, cash from financing activities decreased by ¥7,695 million.

(3) Qualitative information on consolidated earnings projections

For details on the consolidated earnings projections, please refer to the “Notice on the Differences Between Projections and Actual Results of the Consolidated Earnings for the Second Quarter of the Fiscal Year Ending March 31, 2024, and Revision of Consolidated Earnings Projections for the Full Year” published on November 10, 2023.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/23 (As of March 31, 2023)	End-FY3/24 2Q (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	11,761	10,671
Notes and accounts receivable – trade	25,615	32,051
Merchandise and finished goods	28,925	30,934
Work in process	606	577
Raw materials and supplies	16,058	16,816
Accounts receivable - other	2,055	1,251
Others	4,336	4,780
Allowance for doubtful accounts	(32)	(16)
Total current assets	89,327	97,066
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,954	14,152
Accumulated depreciation	(6,609)	(6,930)
Buildings and structures, net	7,345	7,222
Machinery, equipment and vehicles	13,510	14,486
Accumulated depreciation	(10,394)	(11,390)
Machinery, equipment and vehicles, net	3,116	3,096
Land	16,625	16,663
Leased assets	1,815	1,864
Accumulated depreciation	(1,054)	(1,026)
Leased assets, net	761	838
Construction in progress	1,129	4,188
Others	1,619	1,687
Accumulated depreciation	(1,392)	(1,449)
Others, net	227	238
Total property, plant and equipment	29,205	32,246
Intangible assets		
Others	1,341	1,727
Total intangible assets	1,341	1,727
Investments and other assets		
Investment securities	5,825	6,355
Deferred tax assets	695	553
Others	2,858	2,879
Allowance for doubtful accounts	(6)	(23)
Total investments and other assets	2,851	2,865
Total non-current assets	(38)	(38)
Total assets	9,334	9,736
Assets	39,880	43,710
Current assets	129,208	140,777

(millions of yen)

	End-FY3/23 (As of March 31, 2023)	End-FY3/24 2Q (As of November 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	10,874	13,060
Short-term loans payable	2,346	9,592
Current portion of long-term loans payable	3,102	3,002
Lease obligations	246	261
Income taxes payable	2,584	1,891
Provision for bonuses	1,030	1,276
Accounts payable - other	818	488
Others	6,890	6,978
Total current liabilities	27,893	36,551
Non-current liabilities		
Long-term loans payable	13,023	11,522
Lease obligations	520	590
Deferred tax liabilities	12	21
Provision for directors' retirement benefits	788	754
Provision for executive officers' retirement benefits	22	20
Net defined benefit liability	2,183	2,136
Others	116	126
Total non-current liabilities	16,667	15,172
Total liabilities	44,560	51,723
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	75,939	79,350
Treasury shares	(995)	(1,163)
Total shareholders' equity	82,512	85,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	577	647
Deferred gains or losses on hedges	(91)	100
Foreign currency translation adjustment	2,235	2,929
Remeasurements of defined benefit plans	(751)	(585)
Total accumulated other comprehensive income	1,969	3,091
Non-controlling interests	166	208
Total net assets	84,648	89,053
Total liabilities and net assets	129,208	140,777

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(millions of yen)

	FY3/23 2Q (April 1, 2022 – September 30, 2022)	FY3/24 2Q (April 1, 2023 – September 30, 2023)
Net sales	176,004	178,780
Cost of sales	158,404	163,313
Gross profit	17,600	15,467
Selling, general, and administrative expenses	9,646	10,385
Operating profit	7,953	5,081
Non-operating income		
Interest income	4	5
Dividend income	21	19
Gain on sale of investment securities	40	5
Share of profit of entities accounted for using equity method	296	443
Purchase discounts	7	6
Insurance claim income	5	9
Foreign exchange gains	—	355
Others	42	90
Total non-operating income	418	936
Non-operating expenses		
Interest expenses	95	81
Foreign exchange losses	116	—
Others	32	60
Total non-operating expenses	244	142
Ordinary profit	8,128	5,876
Profit before income taxes	8,128	5,876
Income taxes – current	2,611	1,829
Income taxes – deferred	(141)	(38)
Total income taxes	2,470	1,791
Profit	5,657	4,084
Profit attributable to non-controlling interests	23	22
Profit attributable to owners of parent	5,634	4,062

(Quarterly consolidated statements of comprehensive income)

(millions of yen)

	FY3/23 2Q (April 1, 2022 – September 31, 2022)	FY3/24 2Q (April 1, 2023 – September 31, 2023)
Profit	5,657	4,084
Other comprehensive income		
Valuation difference on available-for-sale securities	(47)	69
Deferred gains or losses on hedges	618	200
Foreign currency translation adjustment	1,182	598
Remeasurements of defined benefit plans	151	165
Share of other comprehensive income of entities accounted for using equity method	173	107
Total other comprehensive income	2,077	1,142
Comprehensive income	7,735	5,226
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,696	5,185
Comprehensive income attributable to non-controlling interests	38	41

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	FY3/23 2Q (April 1, 2022 – September 30, 2022)	FY3/24 2Q (April 1, 2023 – September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	8,128	5,876
Depreciation	1,111	1,162
Increase (decrease) in allowance for doubtful accounts	(21)	(15)
Increase (decrease) in provision for bonuses	256	246
Increase (decrease) in net defined benefit liability	154	191
Increase (decrease) in provision for directors' retirement benefits	22	(34)
Increase (decrease) in provision for executive officers' retirement benefits	(7)	(1)
Interest and dividend income	(25)	(24)
Interest expenses	95	81
Share of (profit) loss of entities accounted for using equity method	(296)	(443)
Decrease (increase) in notes and accounts receivable – trade	(3,546)	(6,336)
Decrease (increase) in inventories	(6,278)	(2,509)
Increase (decrease) in accounts payable – trade	1,399	2,051
Others	(1,875)	143
Subtotal	(884)	387
Interest and dividend income received	190	150
Interest paid	(89)	(100)
Income taxes paid	(2,970)	(2,492)
Net cash provided by (used in) operating activities	(3,754)	(2,055)
Cash flows from investing activities		
Payments into time deposits	—	(60)
Purchase of property, plant and equipment	(9,383)	(3,582)
Purchase of intangible assets	(223)	(666)
Purchase of investment securities	(9)	(7)
Others	122	(23)
Net cash provided by (used in) investing activities	(9,492)	(4,340)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,150	7,246
Proceeds from long-term loans payable	13,500	—
Repayments of long-term loans payable	(1,501)	(1,601)
Cash dividends paid	(626)	(652)
Purchase of treasury shares	(0)	(168)
Others	(143)	(141)
Net cash provided by (used in) financing activities	12,379	4,683
Effect of exchange rate change on cash and cash equivalents	737	557
Net increase (decrease) in cash and cash equivalents	(130)	(1,154)
Cash and cash equivalents at beginning of period	11,379	11,761
Cash and cash equivalents at end of period	11,248	10,607

(4) Notes on quarterly consolidated financial statements

(Notes on premise of a going concern)

There is nothing to report.

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

There is nothing to report.

(Segment information, etc.)

I. FY3/23 2Q (April 1, 2022 – September 30, 2022)

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

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	126,985	49,018	176,004	-	176,004
Net sales & remittances between segments	-	40	40	(40)	-
Total	126,985	49,058	176,044	(40)	176,004
Segment profit	6,610	1,343	7,953	-	7,953

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment profit matches operating profit recorded on the consolidated statements of income.

II. FY3/24 2Q (April 1, 2023 – September 30, 2023)

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

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	122,809	55,971	178,780	-	178,780
Net sales & remittances between segments	-	39	39	(39)	-
Total	122,809	56,010	178,819	(39)	178,780
Segment profit	3,923	1,157	5,081	-	5,081

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment profit matches operating profit recorded on the consolidated statements of income.

(Important Subsequent Event)

(Common control transactions)

At the Board of Directors meeting convened on November 10, 2023, the Company passed a resolution on the partial sale of the shares of Matsuda Sangyo (Thailand) Co., Ltd., a consolidated subsidiary of the Company, to SEAM Holdings (Thailand) Co., Ltd., a consolidated subsidiary of the Company established on October 20, 2023.

1 Overview of transaction

(1) Names and businesses of the constituent enterprises

Name of consolidated subsidiary	Matsuda Sangyo (Thailand) Co., Ltd.
Business contents	Precious Metals Business Segment in Thailand

(2) Scheduled date of share transfer

December 15, 2023

(3) Legal form of the business combination

Partial sale of shares for cash consideration

(4) Overview of transaction including objectives of transaction

Matsuda Sangyo (Thailand) Co., Ltd., a consolidated subsidiary of the Company, is engaged in business based on Thailand's Foreign Business Act (applicable to companies with 50% or more foreign capital). The business combination is aimed at future business expansion and development of domestic corporations in Thailand under the supervision of SEAM Holdings (Thailand) Co., Ltd., in view of the market growth potential of the Precious Metals Business Segment in Thailand and its neighboring countries and regions.

2 Overview of accounting procedures to be implemented

Transactions under common control shall be handled based on the Accounting Standards for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3 Matters regarding changes in the Company's equity in transactions with non-controlling shareholders

(1) Main factors behind changes to capital surplus

Partial sale of the shares of subsidiaries without changes to the scope of consolidation

(2) Amount of capital surplus that changes due to transactions with non-controlling shareholders

The amount of capital surplus that changes due to transactions with non-controlling shareholders is currently being assessed.

4 Impact on business results

The impact of this share transfer on the Company's consolidated business results for the fiscal year ending March 2024 is minor.