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Consolidated Financial Results for the Six Months Ended September 30, 2024 [J-GAAP]

November 12, 2024

Company name: Matsuda Sangyo Co., Ltd.
Exchanges listed on: Tokyo Stock Exchange (Prime Market)
Company code: 7456
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Scheduled date to file semi-annual securities report: November 13, 2024
Scheduled date to commence dividend payments: December 10, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (Live stream of results briefing for institutional investors scheduled for November 26, 2024)

(Figures are rounded down to the nearest million yen.)

1. Consolidated financial results for the six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages are year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
September 30, 2024	222,170	24.3	6,278	23.5	6,580	12.0	4,622	13.8
September 30, 2023	178,780	1.6	5,081	(36.1)	5,876	(27.7)	4,062	(27.9)

(Note) Comprehensive income For the six months ended September 30, 2024: ¥6,085 million [16.4%]
For the six months ended September 30, 2023: ¥5,226 million [(32.4)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	(yen)	(yen)
September 30, 2024	178.34	—
September 30, 2023	155.78	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	(millions of yen)	(millions of yen)	(%)
September 30, 2024	156,504	96,682	61.6
March 31, 2024	148,937	91,374	61.2

(Reference) Equity As of September 30, 2024: ¥96,409 million As of March 31, 2024: ¥91,115 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal year ended March 31, 2024	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2025	—	35.00			
Fiscal year ending March 31, 2025 (Forecast)			—	35.00	70.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentages are year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Full year	440,000	22.0	11,700	25.1	12,500	18.5	8,750	20.1	337.61

(Note) Revisions to the forecast of consolidated earnings most recently announced: None

* Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	26,908,581 shares
As of March 31, 2024	26,908,581 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	991,381 shares
As of March 31, 2024	991,326 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	25,917,238 shares
Six months ended September 30, 2023	26,079,166 shares

*** Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.**

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

This document contains earnings forecasts 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 forecasts, please refer to “1. Qualitative information on semi-annual consolidated results, (3) Qualitative information on consolidated earnings forecasts” on page 3 of the attached documents.

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1. Qualitative information on semi-annual consolidated results

(1) Qualitative information on consolidated results

During the semi-annual consolidated financial period under review, the Japanese economy showed signs of gradual recovery, underpinned by a rebound in personal consumption and improvements in the employment and income environment. However, amid persistently high interest levels alongside prolonged inflation particularly in Europe and the United States, the downturn in the Chinese economy, and heightening geopolitical risks, the future outlook remained uncertain.

Against this backdrop, the Matsuda Sangyo Group's Precious Metals Business Segment advanced efforts to improve and expand production facilities within and outside Japan, and worked to secure precious metals materials, boost sales of products such as high-performance electronic materials, 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 semi-annual consolidated financial period, net sales were ¥222,170 million (up 24.3% year on year) and operating profit was ¥6,278 million (up 23.5% year on year). Ordinary profit was ¥6,580 million (up 12.0% year on year) and semi-annual profit attributable to owners of parent was ¥4,622 million (up 13.8% 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 signs of expansion in demand for generative artificial intelligence (AI) technology, there was sluggish growth in demand for smartphones and automotives, and overall demand did not recover. In addition, the production situation for semiconductors and electronic parts continued to stagnate.

Against this backdrop, the Precious Metals Business Segment recorded year-on-year increases in both net sales and operating profit on the back of an increase in precious metals recycling volume from the jewelry sector as well as the steady market price of gold.

As a result of the above, net sales for the Precious Metals Business Segment were ¥168,887 million (up 37.5% year on year) and operating profit was ¥4,933 million (up 25.7% year on year).

Food business segment:
In the food production sector, which is the key market for the Food Business Segment, despite the growth in inbound demand, personal consumption was sluggish due to the impact of rising prices. The market environment was unstable due to persistently high logistics costs and other factors.

Amid these circumstances, the Food Business Segment registered an increase in the sales volume of seafood products. However, the sales volume of livestock and agricultural products decreased, along with an overall decline in selling prices, which contributed to a year-on-year fall in net sales. On the other hand, due to efforts to optimize costs by improving inventory turnover ratio, operating profit increased year on year.

As a result of the above, net sales for the Food Business Segment were ¥53,299 million (down 4.8% year on year) and operating profit was ¥1,344 million (up 16.1% 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 semi-annual consolidated financial period under review were ¥156,504 million, an increase of ¥7,567 million from the previous fiscal year end. This was mainly due to increases in inventories and property, plant and equipment.

Liabilities:

Total liabilities as of the end of the semi-annual consolidated financial period under review were ¥59,822 million, an increase of ¥2,259 million from the previous fiscal year end. This mainly reflected the difference between an increase in accounts payable-trade, current portion of long-term loans payable, income taxes payable, and long-term loans payable, and a decrease in short-term loans payable.

Net assets:

Net assets as of the end of the first end of the semi-annual consolidated financial period under review were ¥96,682 million, an increase of ¥5,307 million from the previous fiscal year end. This was mainly due to an increase in retained earnings alongside and increase in foreign currency translation adjustment.

2) Cash flows status

As of the end of the semi-annual consolidated financial period under review, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥13,735 million, a decrease of ¥713 million from the previous fiscal year end.

Cash flows from operating activities:

Operating activities in the semi-annual consolidated financial period under review provided cash of ¥2,450 million. This mainly reflected the difference between an increase in cash from semi-annual profit before income taxes, depreciation, an increase in accounts payable-trade and a decrease in accounts receivable-trade, and a decrease in cash from an increase in inventories as well as income taxes paid. Compared with the same period in the previous fiscal year, when operating activities used cash of ¥2,055 million, cash from operating activities increased by ¥4,505 million.

Cash flows from investing activities:

Investing activities in the semi-annual consolidated financial period under review used cash of ¥2,408 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 ¥4,340 million, cash used by investing activities decreased by ¥1,931 million.

Cash flows from financing activities:

Financing activities in the semi-annual consolidated financial period under review used cash of ¥1,160 million. This mainly reflected the difference between an increase in cash from a decrease in cash from the repayment of short-term loans payable and cash dividends paid and an increase in long-term loans payable. Compared with the same period in the previous fiscal year, when financing activities provided cash of ¥4,683 million, cash from financing activities decreased by ¥5,844 million.

(3) Qualitative information on consolidated earnings forecasts

The Company's consolidated earnings forecasts for the full fiscal year ending March 31, 2025, announced on May 13, 2024, have been revised. For details, please refer to the "Notice Concerning Revisions to Consolidated Financial Results Forecasts" announced on November 5, 2024.

2. Semi-annual consolidated financial statements and related notes

(1) Semi-annual consolidated balance sheets

(millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	14,568	13,870
Notes and accounts receivable – trade	31,990	31,514
Merchandise and finished goods	28,183	32,947
Work in process	688	673
Raw materials and suppliers	19,471	20,600
Accounts receivable – other	1,981	1,936
Others	5,433	6,824
Allowance for doubtful accounts	(16)	(16)
Total current assets	102,300	108,352
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,750	18,426
Accumulated depreciation	△7,197	△7,636
Buildings and structures, net	10,553	10,790
Machinery, equipment and vehicles	15,285	15,732
Accumulated depreciation	(11,884)	(12,547)
Machinery, equipment and vehicles, net	3,401	3,185
Land	16,666	16,738
Leased assets	1,775	1,765
Accumulated depreciation	(968)	(1,019)
Leased assets, net	806	745
Construction in progress	2,636	3,659
Others	1,750	1,870
Accumulated depreciation	(1,480)	(1,569)
Others, net	269	300
Total property, plant and equipment	34,335	35,420
Intangible assets		
Others	2,135	2,317
Total intangible assets	2,135	2,317
Investments and other assets		
Investment securities	6,984	7,319
Deferred tax assets	310	194
Others	2,926	2,966
Accumulated depreciation	(28)	(39)
Others, net	2,897	2,927
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	10,166	10,413
Total non-current assets	46,637	48,152
Total assets	148,937	156,504

(millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	12,397	13,628
Short-term loans payable	15,559	7,333
Current portion of long-term loans payable	3,002	4,270
Lease obligations	288	251
Income taxes payable	640	2,157
Provision for bonuses	1,061	1,421
Accounts payable – other	1,253	1,038
Advances received	7,515	7,480
Others	2,796	2,319
Total current liabilities	44,516	39,900
Non-current liabilities		
Long-term loans payable	10,021	16,994
Lease obligations	534	509
Deferred tax liabilities	135	105
Provision for directors' retirement benefits	789	773
Provision for executive officers' retirement benefits	23	27
Net defined benefit liability	1,430	1,387
Others	111	124
Total non-current liabilities	13,046	19,921
Total liabilities	57,562	59,822
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	81,793	85,638
Treasury shares	(1,395)	(1,395)
Total shareholders' equity	87,965	91,810
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	810	863
Deferred gains or losses on hedges	(630)	(247)
Foreign currency translation adjustment	2,948	3,839
Remeasurements of defined benefit plans	21	143
Total accumulated other comprehensive income	3,149	4,599
Non-controlling interests	259	272
Total net assets	91,374	96,682
Total liabilities and net assets	148,937	156,504

(2) Semi-annual consolidated statements of income and comprehensive income

(Semi-annual consolidated statements of income)

(millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	178,780	222,170
Cost of sales	163,313	204,836
Gross profit	15,467	17,333
Selling, general and administrative expenses	10,385	11,055
Operating profit	5,081	6,278
Non-operating income		
Interest income	5	7
Dividend income	19	21
Gain on sale of investment securities	5	—
Share of profit of entities accounted for using equity method	443	548
Purchase discounts	6	6
Insurance claim income	9	11
Foreign exchange gains	355	—
Others	90	70
Total non-operating income	936	665
Non-operating expenses		
Interest expenses	81	156
Foreign exchange losses	—	178
Others	60	27
Total non-operating expenses	142	362
Ordinary profit	5,876	6,580
Profit before income taxes	5,876	6,580
Income taxes – current	1,829	2,124
Income taxes – deferred	(38)	(162)
Total income taxes	1,791	1,961
Profit	4,084	4,618
Profit (loss) attributable to non-controlling interests	22	(3)
Profit attributable to owners of parent	4,062	4,622

(Semi-annual consolidated statements of comprehensive income)

(millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	4,084	4,618
Other comprehensive income		
Valuation difference on available-for-sale securities	69	52
Deferred gains or losses on hedges	200	385
Foreign currency translation adjustment	598	942
Remeasurements of defined benefit plans	165	123
Share of other comprehensive income of entities accounted for using equity method	107	△38
Total other comprehensive income	1,142	1,466
Comprehensive income	5,226	6,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,185	6,071
Comprehensive income attributable to non-controlling interests	41	13

(3) Semi-annual consolidated statements of cash flows

(millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,876	6,580
Depreciation	1,162	1,333
Increase (decrease) in allowance for doubtful accounts	(15)	(0)
Increase (decrease) in provision for bonuses	246	359
Increase (decrease) in net defined benefit liability	191	135
Increase (decrease) in provision for directors' retirement benefits	(34)	(16)
Increase (decrease) in provision for executive officers' retirement benefits	(1)	3
Interest and dividend income	(24)	(28)
Interest expenses	81	156
Share of (profit) loss of entities accounted for using equity method	(443)	(548)
Decrease (increase) in notes and accounts receivable – trade	(6,336)	783
Decrease (increase) in notes and accounts receivable – other	806	48
Decrease (increase) in inventories	(2,509)	(5,610)
Increase (decrease) in accounts payable – trade	2,051	1,044
Increase (decrease) in accounts payable – other	(284)	(33)
Others	(378)	(1,297)
Subtotal	387	2,910
Interest and dividend income received	150	284
Interest paid	(100)	(80)
Income taxes paid	(2,492)	(663)
Net cash provided by (used in) operating activities	(2,055)	2,450
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,582)	(2,024)
Purchase of intangible assets	(666)	(327)
Others	(91)	(57)
Net cash provided by (used in) investing activities	(4,340)	(2,408)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,246	(8,500)
Proceeds from long-term loans payable	—	10,100
Repayments of long-term loans payable	(1,601)	(1,858)
Cash dividends paid	(652)	(777)
Purchase of treasury shares	(168)	(0)
Others	(141)	(124)
Net cash provided by (used in) financing activities	4,683	(1,160)
Effect of exchange rate change on cash and cash equivalents	557	405
Net increase (decrease) in cash and cash equivalents	(1,154)	(713)
Cash and cash equivalents at beginning of period	11,761	14,449
Cash and cash equivalents at end of period	10,607	13,735

(4) Notes on semi-annual 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 policies)

Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first six months ended September 30, 2024.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the first six months ended September 30, 2024. The change in the accounting policies has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. This change in accounting policies has no impact on the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

(Segment information, etc.)

I. Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

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

(millions of yen)

	Reportable Segments			Adjustment (Note) 1	Amount recorded on consolidated statements of income (Note) 2
	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.

II. Six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

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

(millions of yen)

	Reportable Segments			Adjustment (Note) 1	Amount recorded on consolidated statements of income (Note) 2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	168,887	53,282	222,170	-	222,170
Net sales & remittances between segments	-	16	16	(16)	-
Total	168,887	53,299	222,186	(16)	222,170
Segment profit	4,933	1,344	6,278	-	6,278

(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)

There is nothing to report.