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Matsuda Sangyo Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 26, 2025

Event Summary

[Company Name]	Matsuda Sangyo Co., Ltd.
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[Event Language]	JPN
[Event Type]	Earnings Announcement
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[Participants]	
[Number of Speakers]	2

Yoshiaki Matsuda	Representative Director, President
Yoshinori Tanaka	Executive Officer, General Manager of CSR IR Department

Presentation

Moderator: Since it is now time, we will begin Matsuda Sangyo Co., Ltd.'s financial results briefing for the fiscal year ended March 2025. Thank you very much for taking time out of your busy schedule to attend today's financial results briefing.

We would like to make a variety of requests and announcements in connection with the event. This briefing will be followed by a financial report and a question-and-answer session. Questions and answers will be accepted in text format via the Q&A function on the control panel. We will move to the Q&A session at approximately 2:30 PM where we will read and answer any questions we receive.

Please note that due to time constraints, we may not be able to answer all of your questions. We kindly ask for your understanding. Please note that the chat function is not available, so if you have any problems, please let us know through the Q&A function. We will also ask you to complete a three-minute questionnaire after the briefing. Thank you for your cooperation.

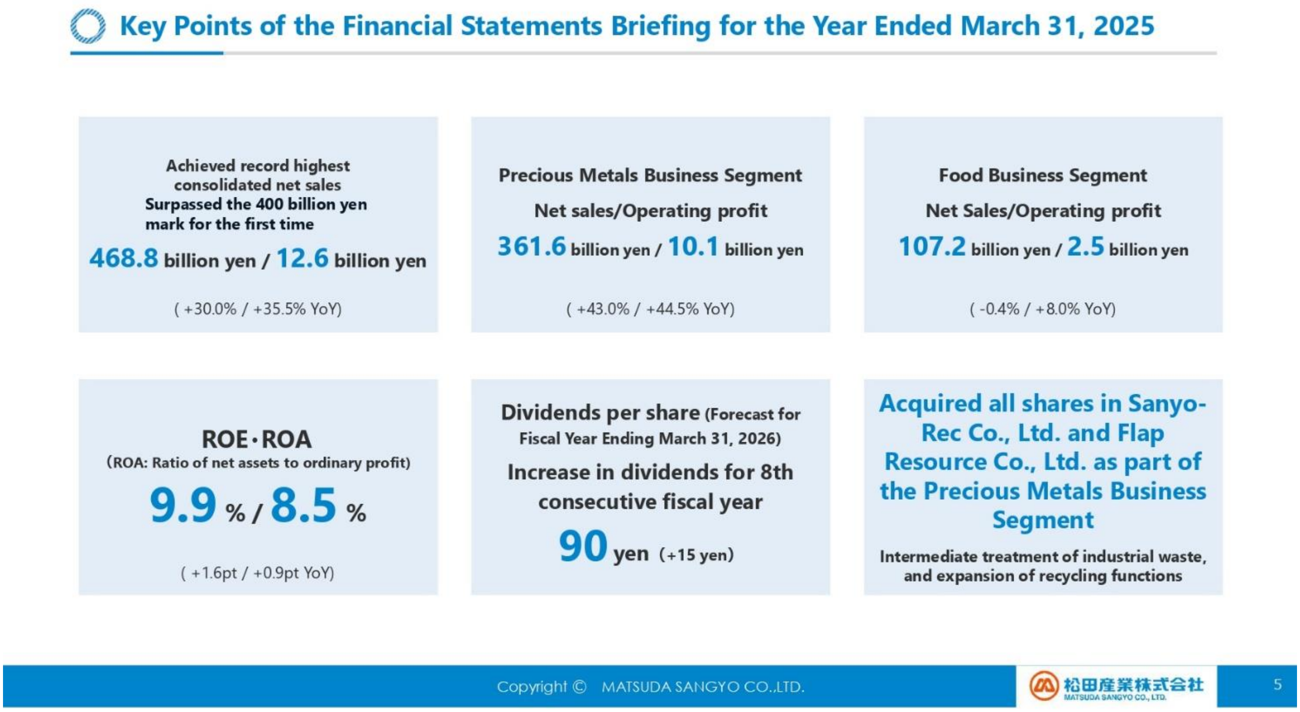
Yoshiaki Matsuda, Representative Director, President and Yoshinori Tanaka, Executive Officer, General Manager of CSR IR Department, will now report on the financial results for the fiscal year ended March 2025.

Matsuda: Thank you all very much for attending our financial results presentation today. I am Yoshiaki Matsuda, President and Representative Director of Matsuda. I will now report on the financial results for FY2025.

Contents

Let me explain today's outline.

First, I will provide an overview of the consolidated financial results and the progress of the medium-term management plan. After that, Mr. Tanaka, IR Manager, will explain the business performance by segment and the outlook for the next fiscal year.



I will now give an overview of the consolidated financial results.

The slides you are currently viewing are the key points of the financial results presentation. Consolidated net sales for FY2025 surpassed JPY400 billion for the first time, a record high, due in part to the soaring precious metals market prices.

Operating profit also increased in both the precious metals business segment and food business segment, and as management indicators, ROE improved to 9.9%, and the ordinary profit to total assets ratio rose to 8.5%, and we forecast an eighth consecutive year of dividend increase to JPY90 per share for FY2026. In addition, as announced in January of this year, the Company is making it a subsidiary through the acquisition of shares in order to expand its precious metals business segment.

Consolidated Financial Results

Sales and profit increased year-on-year due to sales and profit growth in the Precious Metals Business Segment and profit growth in the Food Business Segment

(billion yen)

	FY3/24	FY3/25	Year-on-year increase (decrease)	
Net sales	360.5	468.8	+108.3	+30.0%
Operating profit	9.3	12.6	+3.3	+35.5%
Operating margin	2.6%	2.7%	+0.1pt	-
Ordinary profit	10.5	13.5	+2.9	+28.2%
Profit attributable to owners of parent	7.2	9.4	+2.1	+29.8%
Earnings per share (yen)	280.2	364.8	+84.6	+30.2%

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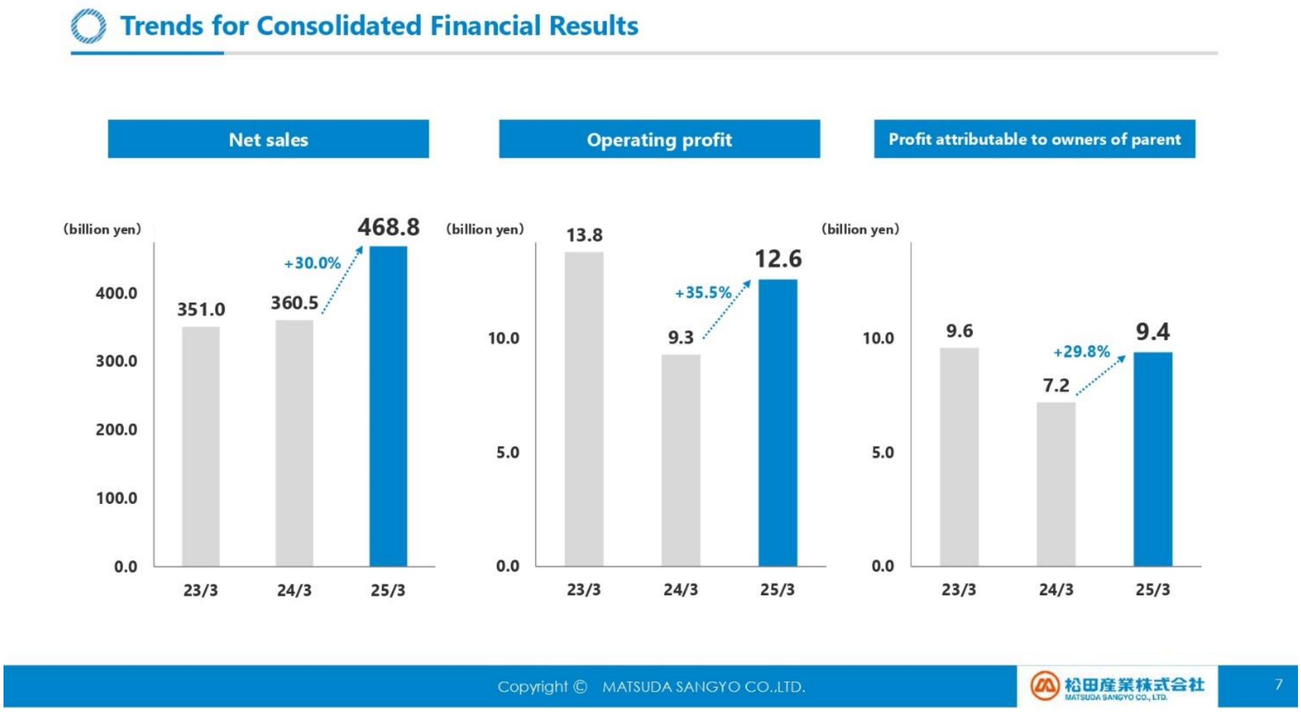
First, I will provide an overview of consolidated financial results. Net sales for FY2025 increased by 30% YoY to JPY468.8 billion, driven by higher transaction volume and rising prices in the precious metals business segment. Operating profit rose by 35.5% YoY to JPY12.6 billion.

Profit attributable to owners of parent company increased 29.8% from the previous year to JPY9.4 billion. As described above, we achieved an increase in both sales and profit, and for the first time, net sales exceeded JPY400 billion.



The three-year trend of net sales, operating profit and profit attributable to owners of parent is shown above.

Consolidated Balance Sheet

Assets (billion yen)

	March 31, 2024	March 31, 2025	Increase (decrease)	Main reasons for change
Current assets	102.3	**116.1**	+13.8	(+) Increase in inventories
Non-current assets	46.6	**52.7**	+6.1	(+) Strengthening of production facilities and acquisition of subsidiary shares
Total assets	148.9	**168.9**	+19.9	

Liabilities

	March 31, 2024	March 31, 2025	Increase (decrease)	Main reasons for change
Current liabilities	44.5	**48.6**	+4.0	(+) Increase in accounts payable and corporate taxes payable
Non-current liabilities	13.0	**20.1**	+7.1	(+) Increase in long-term loans payable for capital investment
Interest-bearing debt	29.4	**33.3**	+3.9	
Total liabilities	57.5	**68.7**	+11.2	

Net assets

	March 31, 2024	March 31, 2025	Increase (decrease)	Main reasons for change
Total net assets	91.3	**100.1**	+8.7	(+) Increase in retained earnings
Total liabilities and net assets	148.9	**168.9**	+19.9	
Shareholders' equity ratio	61.2%	**59.1%**		

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Next, I will explain the consolidated balance sheet.

First, current assets increased by JPY13.8 billion due to an increase in inventories, which were also affected by the rise in gold prices, and non-current assets increased by JPY6.1 billion due to the acquisition of buildings and equipment for production bases. As a result, total assets increased JPY19.9 billion from the end of the previous period to JPY168.9 billion.

Total liabilities increased JPY11.2 billion from the end of the previous period to JPY68.7 billion, as current liabilities increased JPY4 billion mainly due to an increase in accounts payable-trade and non-current liabilities increased JPY7.1 billion mainly due to an increase in long-term debt for capital investment purposes.

Net assets increased JPY8.7 billion to JPY100.1 billion from the end of the previous period, mainly due to an increase in retained earnings.

Consolidated Cash Flow Statements

(billion yen)

	FY3/24	FY3/25	Increase (decrease)	Summary
Cash flows from operating activities	1.8	**2.5**	+0.7	(+) Increase in profit before income taxes and trade payables (−) Increase in inventories and payment of corporate taxes
Cash flows from investing activities	(7.9)	**(6.2)**	+1.7	(−) Acquisition of tangible fixed assets and subsidiary shares
Free cash flows	(6.1)	**(3.7)**	+2.4	
Cash flows from financing activities	8.0	**0.2**	(7.8)	(+) Increase in long-term loans payable (−) Repayment of short-term loans payable and payment of dividends
Net increase (decrease) in cash and cash equivalents	2.6	**(3.0)**	(5.7)	
Cash and cash equivalents at end of period	14.4	**11.4**	(3.0)	

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Next, the consolidated statement of cash flows is as you see it now, based on the financial results and balance sheet position. Cash flows from operating activities for the period under review resulted in an increase of JPY2.5 billion, as the increase in funds due to income before income taxes and increase in notes and accounts payable exceeded the decrease in funds due to an increase in inventories and income taxes paid.

As for cash flows from investing activities, JPY6.2 billion was used for the acquisition of tangible fixed assets such as plant and equipment, as well as for the acquisition of shares in subsidiaries. Cash flows from financing activities increased by JPY200 million as the increase in long-term debt exceeded the decrease in cash due to repayment of short-term debt and other factors. The above is a summary of financial results for FY2025.

Management Indicators

To achieve the target management indicators, we face the challenges of expanding the Precious Metals Business Segment quantitatively, as well as improving profit margin and capital efficiency.

(billion yen)

	FY16-18 Average	FY19-21 Average	FY22 Results	FY23 Results	FY24 Results	FY25 Forecast	FY25 Target
Net sales	187.1	238.2	351.0	360.5	**468.8**	490.0	300.0
Operating profit	4.2	9.0	13.8	9.3	**12.6**	13.5	13.0
Operating margin	2.2%	3.7%	3.9%	2.6%	**2.7%**	2.8%	4.3%
ROE	5.6%	10.0%	12.2%	8.3%	**9.9%**	-	9.0%
ROA (Ratio of net assets to ordinary profit)	6.0%	9.4%	11.3%	7.6%	**8.5%**	-	10.0%

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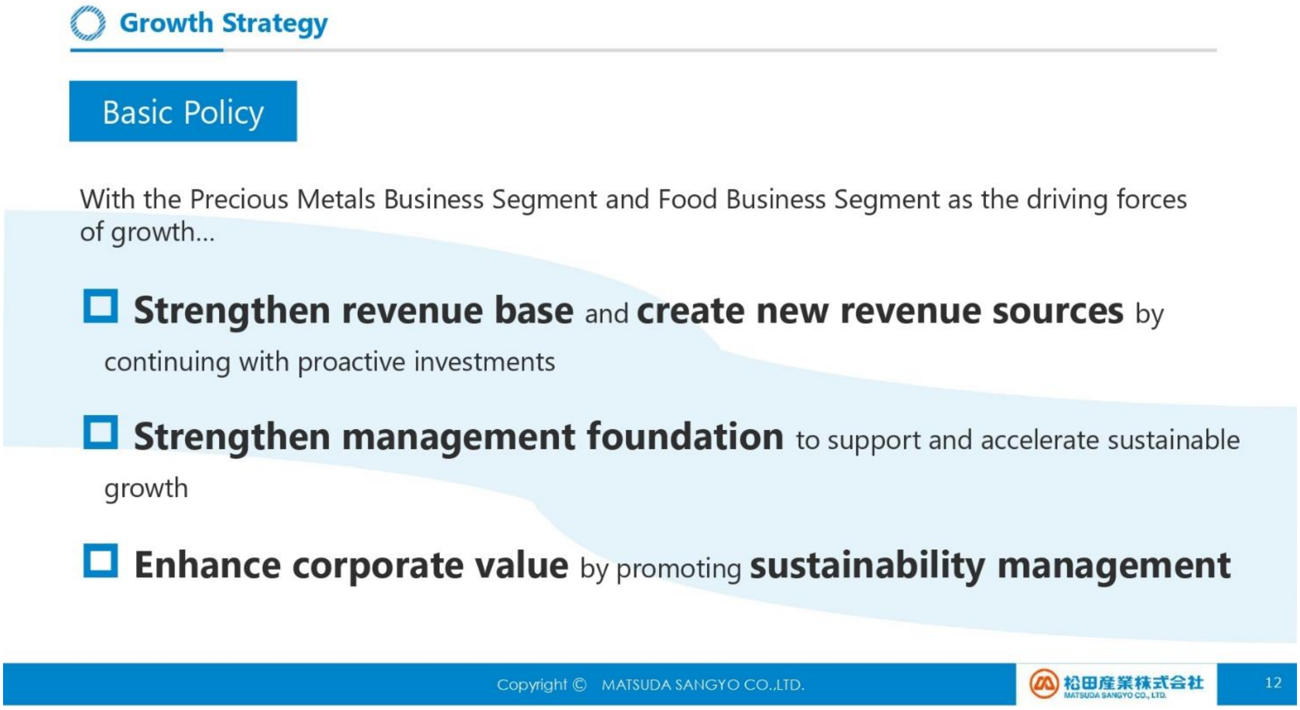
I will now outline the progress of the medium-term management plan.

First of all, as for the progress toward management targets, the figures on the right-hand side show the target values for each indicator for FY2025. Net sales significantly exceeded the target, mainly due to soaring precious metal market prices in the precious metals business segment. However, operating profit fell slightly short of the target. We will make every effort to achieve our goals in FY2026.

The operating profit margin was generally unchanged from the previous year. Although there is a deviation from the target of the medium-term plan, this is due to an increase in the volume of transactions in the jewelry sector and the soaring market prices of precious metals. In the electronic devices field, we will continue to strive to secure handling volumes, not missing opportunities for a full-fledged recovery amid the prospect of improved production conditions.

The projected operating profit margin for FY2025 will be below the mid-term target, but this is due to the increase in sales, which is a result of higher gold prices. We recognize that improving capital efficiency is a challenge, and we will steadily pursue our growth strategy through quantitative improvements in turnover and profit margins, in addition to quantitative expansion in both the precious metals and food segments.



In our growth strategy, in addition to strengthening our revenue base, creating new revenue sources and reinforcing our management foundation, our basic policy is to promote sustainability management, which will lead to increased corporate value by balancing business growth with sustainable environmental and social contributions.

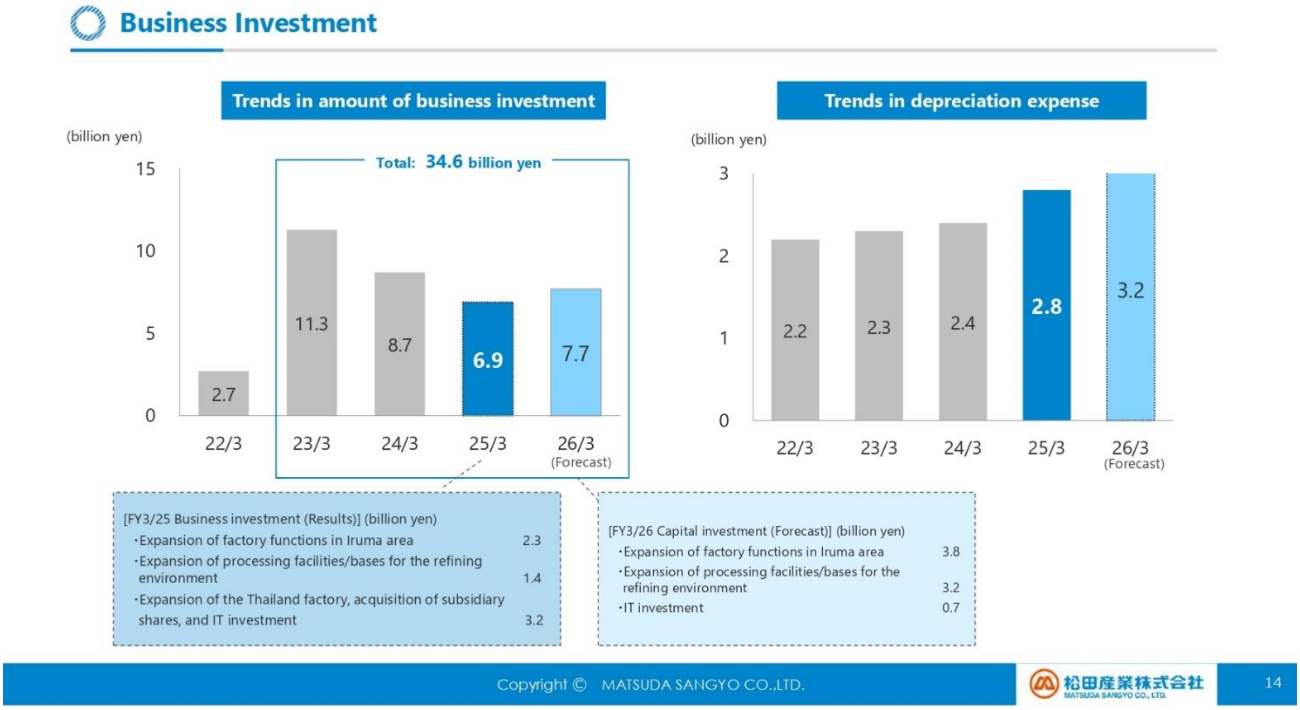
Growth Strategy (Roadmap)

		FY2024 to FY2025 (Planned)
Precious Metals Business Segment Leading company that creates resource circulation (utilization)	Develop and build technology for high value-added products/services	ECO PGC
	Expansion of processing facilities/bases for the refining environment toward the development of new businesses	PTP material recycling Secondary cell recycling business
	Expansion of production infrastructure toward expansion of business scale and domains	Start of Phase 1 operation of the Kitakyushu Factory Renewal of the Iruma area
Food Business Segment Best partner for customers in product development	Global expansion and growth of procurement network	Start of operation of PT Matsuda Sangyo Trading Indonesia (Indonesia base)
	Customer-based sales and creation of new businesses/trade areas	Building and reinforcement of supply chain functions
Strengthening management foundation	Reinforcing management functions and improving productivity through the utilization of IT	ERP renewal DX promotion (digital democratization)
	Promotion of human capital management	Creation of management talent Creation of workplace environments where diverse human resources can participate actively
	Initiatives toward improving capital efficiency	Strengthening business portfolio management
	Promotion of sustainability management	Initiatives toward decarbonization Improvement of labor environment (RBA)

I would like to explain the roadmap of our growth strategy planned under this basic policy. First, in the precious metals business segment, we are upgrading and expanding our production bases to expand our business. We have started operation of the Kitakyushu Plant and continue to make plans for renewal of the Iruma area, among others.

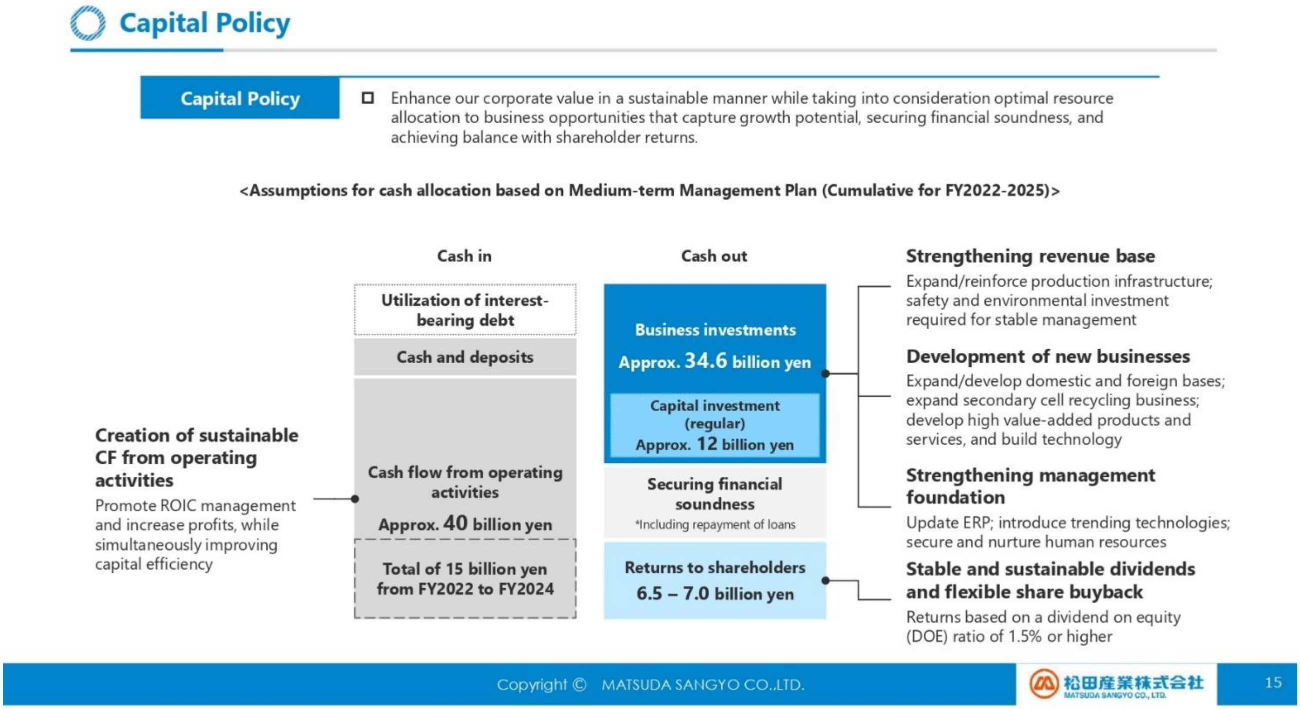
In the food business segment, our Indonesian base began full-scale operations in FY2024 as part of our efforts to expand our global operations and procurement network.

In addition, in strengthening the management foundation, we will continue our efforts to improve capital efficiency while actively pursuing human capital management and sustainability management.



Next, I will explain the status of business investment. For FY2025, we are investing approximately JPY6.9 billion in the expansion of the Iruma Plant in Saitama Prefecture and refining and environmental treatment facilities to improve and expand our production infrastructure for future business expansion. In FY2026, we plan to continue to invest a total of approximately JPY7.7 billion, including the planned investment for FY2025, such as the expansion of plant functions in the Iruma area and refining environmental treatment facilities.

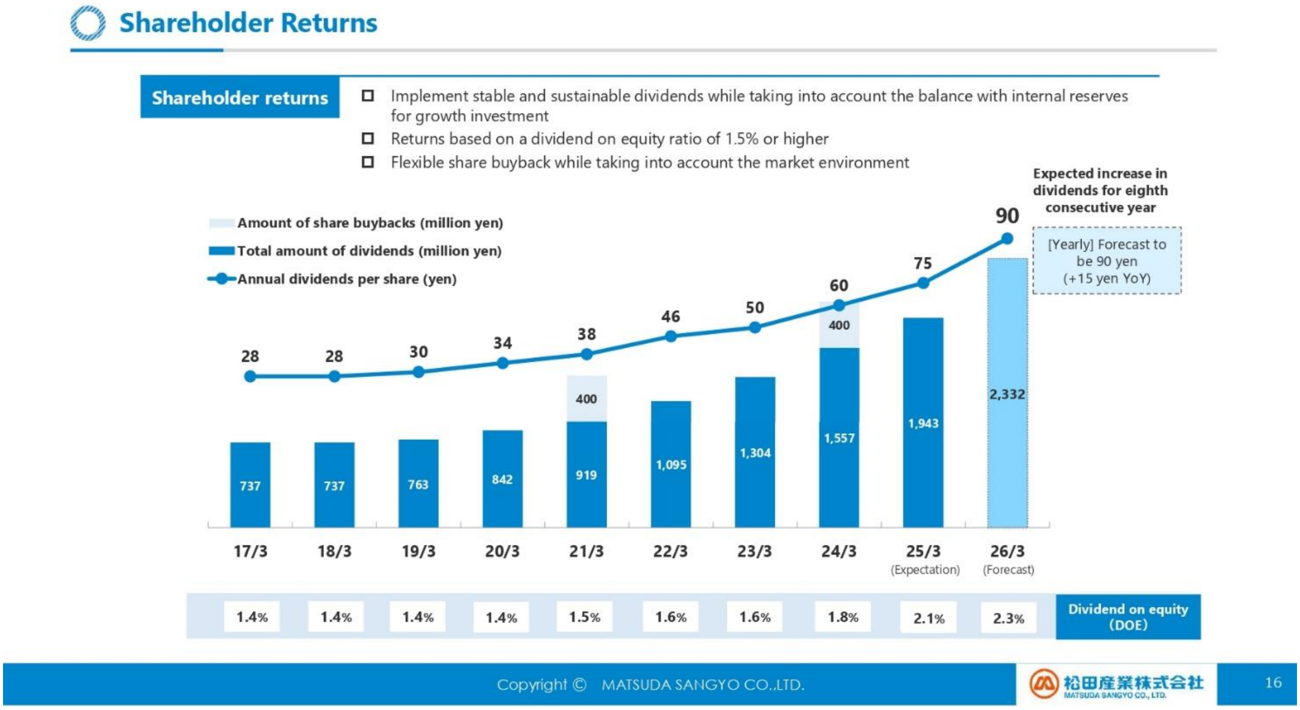
Under the medium-term management plan covering FY2022 through FY2025, we had initially planned a total investment of JPY30 billion over the four-year period. However, due to rising costs such as labor and material prices, we now expect the total investment to exceed the original plan, reaching JPY34.6 billion. Depreciation and amortization expenses totaled JPY2.8 billion for FY2025. For FY2026, we expect an increase of about JPY400 million to about JPY3.2 billion.



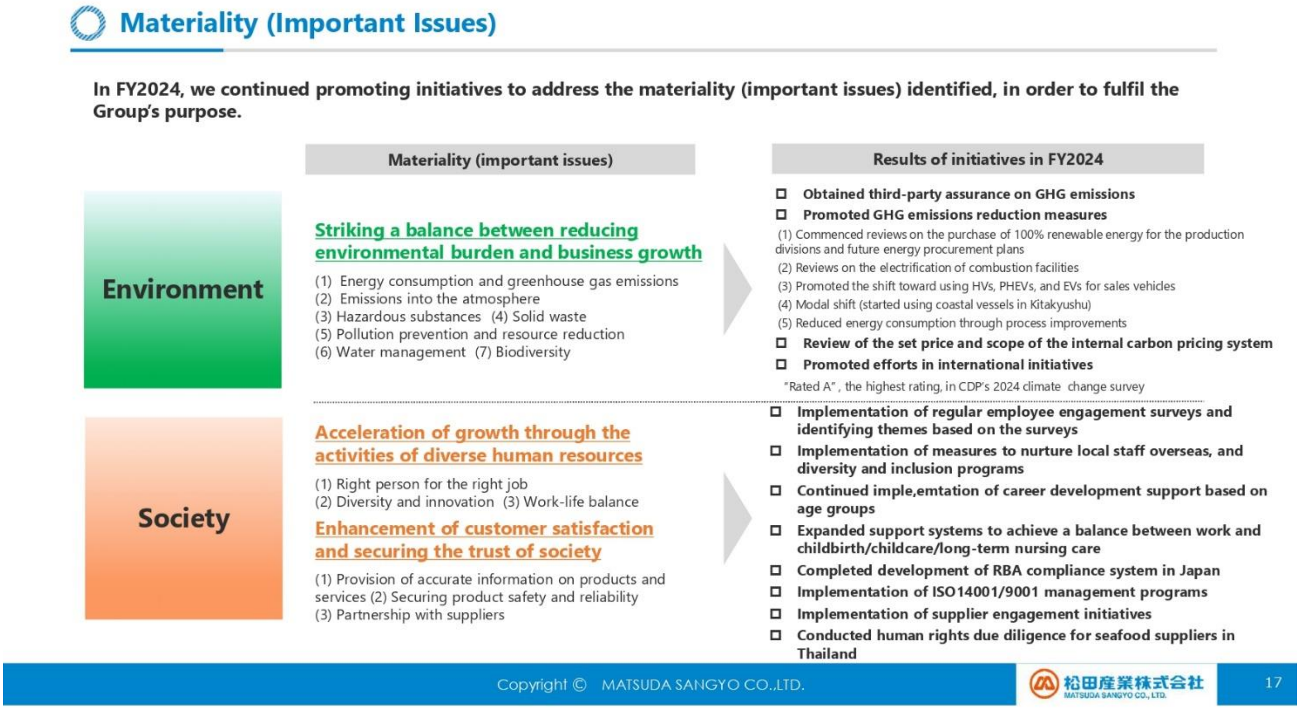
We will explain our capital policy. This is an assumption for the allocation of funds over the period of the medium-term management plan. We had an anticipated operating cash flow of approximately JPY40 billion over the four-year period. However, the cumulative operating cash flow for the three years from FY2022 to FY2024 stands at JPY15 billion, falling short of our initial expectations at this point in time. The main factors are the increase in the price of gold and the increase in funds used due to the depreciation of the yen in exchange rates.

In the allocation of funds, we had assumed that business investment, including steady-state investment, would be about JPY30 billion , but we have revised our assumption to JPY34.6 billion due to rising prices and other factors. In addition, we are planning shareholder returns in the range of JPY6.5 billion to JPY7 billion. Should operating cash flow fall short, we expect to utilize borrowings to cover the gap.

We will continue to generate operating cash flow on a sustainable basis, taking into consideration the need to ensure financial soundness, and aim to increase profits and improve capital efficiency.



Following the capital policy, I will explain shareholder returns. Under the shareholder return policy that you have seen, we plan to pay an interim dividend of JPY35 and a year-end dividend of JPY40 for FY2025, for a total annual dividend of JPY75. For FY2026, the Company expects to pay a total annual dividend of JPY90, consisting of an interim dividend of JPY45 and a year-end dividend of JPY45, an increase of JPY15 over the previous fiscal year. Including the forecast for the next fiscal year, this will be the eighth consecutive year of dividend increases.



Finally, I would like to share with you the materiality initiatives that our group is undertaking to enhance our corporate value.

Regarding environmental challenges, in FY2024, we obtained third-party assurance for our GHG emissions and have been promoting initiatives to reduce GHG emissions, such as the purchase of renewable energy. We also introduced the ICP system and responded to international initiatives.

On the social front, we conducted an employee engagement survey, identified key issues, and enhanced support for career development. We also expanded programs to help employees balance work with childbirth, childcare, and caregiving. In addition, we have completed the development of a framework to ensure compliance with the internationally recognized RBA Code of Conduct, which addresses human rights, labor practices, and other ethical standards. In addition, we have begun implementing supplier engagement.

We will continue to actively address these important issues as well as contribute to society through business expansion.

That concludes my presentation. I kindly ask for your continued support, and now I will hand it over to our IR representative who will provide a breakdown of segment performance and the outlook for the next fiscal year.

Precious Metals Business Segment (Overview of Financial Results)

Achieved sales and profit growth due to an increase in precious metals recycling volume and the steady market price of gold

(billion yen)

	FY3/24	FY3/25	Increase (decrease)	
Net sales	252.9	**361.6**	+108.7	+43.0%
Operating profit	7.0	**10.1**	+3.1	+44.5%
Operating margin	2.8%	**2.8%**	-	-

Tanaka: My name is Tanaka, and I am in charge of IR. I would like to explain our performance by segment for FY2025 and our outlook for FY2026, respectively.

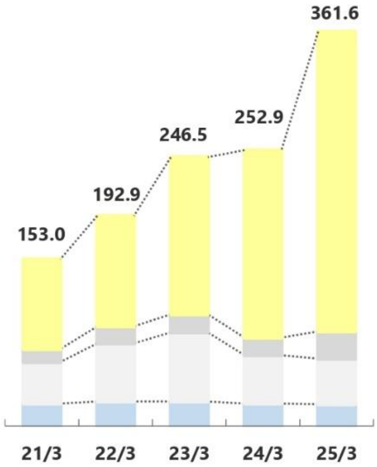
Regarding the segment performance for FY2025, first of all, the precious metals business segment. Net sales increased 43% from the previous year to JPY361.6 billion, and operating profit increased 44.5% to JPY10.1 billion.

With regard to the external environment affecting the performance of this business, although demand related to data centers for generated AI continued to grow, it did not reach the point of a full-fledged recovery in production in the electronic device field, our main customer.

Under these circumstances, the Company's resource recycling function was highly evaluated, resulting in an increase in the volume of metal recycling handled, including in the jewelry sector, as well as a steady change in the gold market price in both sales and profit increased from the previous year. Factors for the increase or decrease in operating profit will be supplemented later.

Precious Metals Business Segment (Net Sales by Item)

Significant increase in gold product sales due to rising gold prices and an increase in precious metals recycling volume from the jewelry sector, contributing to an overall year-on-year sales increase of 108.7 billion yen



(billion yen)

	FY3/25	Increase (decrease)		Reasons for increase (decrease)
Gold	274.8	+103.1	+60.1%	Quantity increased by 16.4% and prices increased by 43.6%
Silver	25.0	+8.8	+54.8%	Quantity increased by 13.6% and prices increased by 41.2%
Platinum group	41.7	(2.5)	(5.8)%	Quantity decreased by 1.3% and prices decreased by 4.5%
Other	20.0	(0.6)	(3.4)%	Industrial waste processing etc.

The following is a supplemental breakdown of net sales in this business by product category. All comparisons of increase/decrease are explained on a year-on-year basis. Gold products accounted for approximately 76% of total sales in this segment during the period, followed by platinum group products and silver products. In the previous period, gold products accounted for approximately 68% of the total, indicating a marked increase in the jewelry sector.

Looking at the sales trends by item, sales of gold products increased by approximately 60% YoY, rising by around JPY103.1 billion; of this, about 16% was attributable to higher volume and approximately 44% to price increases. In terms of volume, the increase in the volume of metal recycling handled from the jewelry sector had a particularly large impact.

Sales of silver products increased by approximately 55% YoY or JPY8.8 billion in monetary terms. This growth was driven by a roughly 14% increase in volume and a 41% increase due to higher prices.

In addition, net sales of platinum group products decreased both in terms of volume and price, with a decline of about 1% in volume factor and about 5% in price factor, for a total decline of about 6%.

Food Business Segment (Overview of Financial Results)

Although net sales declined due to a decrease in the sales volume of livestock products and agricultural products and decline in selling prices, operating profit increased efforts to optimize costs by improving inventory turnover ratio

(billion yen)

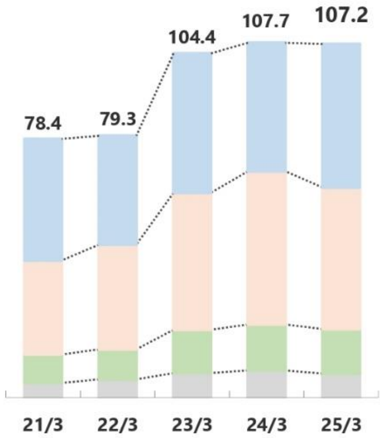
	FY3/24	FY3/25	Increase (decrease)	
Net sales	107.7	**107.2**	(0.4)	(0.4)%
Operating profit	2.3	**2.5**	+0.2	+8.0%
Operating margin	2.1%	**2.3%**	+0.2pt	-

Next, we will look at the performance of the food business segment. Net sales in this segment decreased 0.4% from the previous year to JPY107.2 billion, but operating profit increased 8% to JPY2.5 billion. In terms of the external environment for this business, although inbound demand expanded, personal consumption continued to stall due to soaring prices, and end products also showed a wide range of favorable and unfavorable conditions.

Under these circumstances, sales in the food business segment also varied by product category. While sales volume of seafood products increased, sales volume of livestock products and agricultural products decreased, and sales prices of some products also declined, resulting in a decline in overall sales. Operating profit, on the other hand, increased 8% as the profit margin improved due to cost improvements resulting from improved inventory turnover and progress in passing on higher purchase prices caused by the weak yen and other factors.

Food Business Segment (Net Sales by Item)

Although sales volume of marine products increased, sales volume of livestock products and agricultural products decreased and sales prices decline, resulting in a year-on-year decrease in overall net sales of 0.4 billion yen



(billion yen)

	FY3/25	Increase (decrease)		Reasons for increase (decrease)
Marine products	43.4	+4.5	+11.6%	Quantity increased by 6.5% and prices increased by 5.1%
Livestock products	42.9	(3.5)	(7.6)%	Quantity decreased by 5.7% and prices decreased by 1.9%
Agricultural products	13.5	(0.4)	(3.0)%	Quantity decreased by 6.4% and prices increased by 3.4%
Other	7.2	(1.0)	(12.2)%	-

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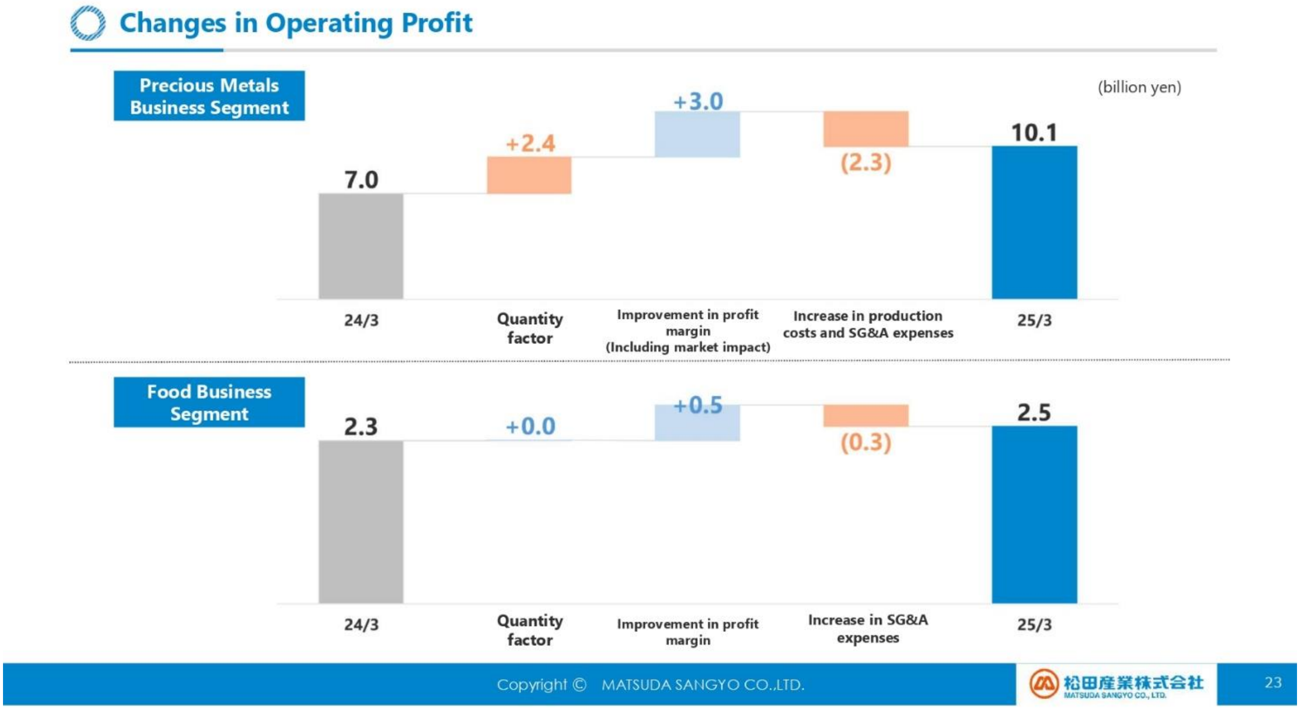
The following table supplements the sales of food business segment by product category. All comparisons here are with the previous quarter. Net sales of seafood products increased by approximately 12% YoY, or JPY4.5 billion, driven by both higher sales volume and rising prices. The increase in sales volume was due to an upturn in sales of fish surimi, which had been sluggish in the previous fiscal year, and this contributed to the increase in sales.

Net sales of livestock products decreased by about 8% or JPY3.5 billion in value, but this was due to a 6% decrease in volume and a 2% decrease in price. This decline in net sales of livestock products was due to a decrease in sales volume of pork and beef, as well as a drop in selling prices for eggs, which had surged in the previous fiscal year but have since stabilized.

The last item by product, agricultural products, showed a 3% decrease in sales, or about JPY400 million in value, but since the volume factor decreased by about 6% and the price factor increased by about 3%, the net result is a 3% decrease in net sales.



I would like to continue by supplementing the factors for increase/decrease in operating profit compared to the previous fiscal year. Operating profit in the precious metals business segment increased about JPY3.1 billion from the previous year. Although the electronic devices field showed only a moderate recovery, the jewelry segment, which saw an increase in volume, was a factor in raising profits by approximately JPY2.4 billion. In addition, an improvement in the profit margin, which includes the impact of market price increases such as the rise in gold prices, contributed approximately JPY3 billion to the increase in operating profit. Including an increase of approximately JPY2.3 billion in manufacturing and SG&A expenses, the result was an increase of JPY3.1 billion.

Operating profit in the food business segment increased by approximately JPY200 million YoY. This was primarily driven by price factors, mainly improvements in profit margins, which contributed around JPY500 million to profit. Although SG&A expenses increased by about JPY300 million, the net result was a JPY200 million increase in operating profit.

Forecast of Consolidated Financial Results

We forecast an increase in both sales and profit in FY3/26, against the backdrop of an improvement in the production situation with the recovery in demand in the electronic devices field

(billion yen)

	FY3/25 Results	FY3/26 Forecast	Increase (decrease)	
Net sales	468.8	**490.0**	+21.1	+4.5%
Operating profit	12.6	**13.5**	+0.8	+6.5%
Operating margin	2.7%	**2.8%**	+0.1pt	-
Ordinary profit	13.5	**14.3**	+0.7	+5.7%
Profit attributable to owners of parent	9.4	**10.0**	+0.5	+5.7%
Earnings per share (yen)	364.8	**385.8**	+20.9	+5.7%

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Next, I will explain our consolidated earnings forecast for FY2026. Net sales are forecast to increase 4.5% YoY to JPY490 billion, operating profit is expected to rise 6.5% YoY to JPY13.5 billion, and net income is projected to grow 5.7% YoY to JPY10 billion, reflecting an overall outlook for higher sales and earnings.

The increase in sales forecast is influenced by the expected recovery of production in the electronic device field in the precious metals business segment and the expected increase in sales volume in the food business segment. The increase in profit forecast is influenced by the increase in volume due to the recovery of production in the electronic device field, as mentioned above.

Forecast of Financial Results by Business Segment

In the precious metals business segment, both net sales and operating profit are expected to increase due to an increase in precious metals recycling volume recovery outlook for demand in the electronic devices sector

In the food business segment, operating profit is expected to remain flat due to an increase in SG&A expenses, despite an increase in net sales due to higher sales volume

(billion yen)

		FY3/25 Results	FY3/26 Forecast	Increase (decrease)	
Net sales	Precious Metals Business Segment	361.6	370.0	+8.3	+2.3%
	Food Business Segment	107.2	120.0	+12.8	+12.0%
	Total	468.8	490.0	+21.1	+4.5%
Operating profit	Precious Metals Business Segment	10.1	11.0	+0.8	+8.1%
	Food Business Segment	2.5	2.5	+0.0	+0.1%
	Total	12.6	13.5	+0.8	+6.5%

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Next is the outlook for performance by segment. In the precious metals business segment, we forecast a 2.3% increase in net sales and an 8.1% increase in operating profit amid the prospect of a recovery in production in the electronic devices field, which has a significant impact on the volume of precious metals recycling handled and products sold.

In the food business segment, we expect a 12% increase in net sales, as we anticipate an increase in sales volume by leveraging our strength in procurement to meet diversifying customer needs. On the other hand, we expect operating profit to remain generally unchanged from March 2025, including higher personnel and other costs.

Assumptions Used in the Forecast of Financial Results

	Precious Metals Business Segment	Food Business Segment
Forecast of FY3/26 financial results	Net sales: 370.0 billion yen (+8.4 billion yen YoY) Operating profit: 11.0 billion yen (+0.9 billion yen YoY)	Net sales: 120.0 billion yen (+12.9 billion yen YoY) Operating profit: 2.5 billion yen (+0.0 billion yen YoY)
External environment and quantity	Production situation in the electronic devices field is expected to recover from 2H alongside the recovery in demand for semiconductor and electronic parts ➡ Increase in precious metals recycling volume and product sales volume	Further diversification of customers' needs, with little expectation of increase in demand for food products due to a stagnation in personal consumption ➡ Increase in sales volume centered on marine products and livestock products
Selling prices	Precious metals market prices: Assumed to be on par with the average for FY3/25	Assumed to fall to the level of average prices for FY3/25
Depreciation costs associated with capital investment **IT investment**	Expansion and strengthening of production infrastructure, ERP update, DX promotion and introduction of trending technologies (RPA, BI, etc.), information security measures	
Promotion of sustainability management	Decarbonization efforts, response to international initiatives (CDP, TCFD, TNFD, etc.), improvement of working environment, promotion of human capital management	

Next, I will outline the assumptions underlying our forecast. The assumptions used in the forecast are shown on the slide. In the precious metals business segment, the external environment is still the focus of attention, but we expect a recovery in production in the electronic device sector will begin in H2, roughly in early autumn. Accordingly, we expect our business performance to recover toward H2 of the fiscal year.

In the food business segment we do not expect a significant expansion in terms of volume in line with the increase in domestic food demand in terms of the external environment, therefore, we expect to steadily increase sales volume by expanding our market share and acquiring new customers by leveraging our strengths.

As for selling prices, both precious metal market prices and food raw material costs involve a high degree of uncertainty when projecting future trends, therefore, as shown in the materials, our assumptions are based on historical data.

With regard to capital investment, we are projecting an amount that exceeds the figure presented in the medium-term management plan. However, as mentioned earlier, we expect depreciation expenses to increase by approximately JPY400 million.

In addition, we plan to steadily implement measures such as the promotion of sustainability management and IT investments as described in the assumptions. Although the increase in costs is somewhat ahead of schedule and will lower operating profit in the short term, we intend to continue to aggressively implement the plan over the medium-to-long term.

That's all for me to explain, and I have also included for your reference the business outlook for H1 and H2, as well as the trends in the precious metals market.

In addition, we have recently acquired shares and made Sanyo-Rec Co., Ltd. and Flap Resource Co., Ltd. consolidated subsidiaries. We have also included an overview of these companies.

Furthermore, we were awarded the highest A rating in the 2024 CDP Climate Change survey, and we have included the CDP logo in the materials for your reference.

We will be happy to take your questions after this. Thank you for your attention.

Question & Answer

Moderator [M]: We will move to the question-and-answer session. We would like to receive as many questions as time permits, so please feel free to submit your questions via the Q&A function. We would be very happy to receive your candid comments.

Tanaka [M]: I would like to answer your questions then. I will now read out the first question.

Participant [Q]: The first question concerns the precious metals business segment. We have received an inquiry asking for a breakdown of changes in the volume of precious metal-containing scrap recovery by quarter.

Tanaka [A]: Here is my response. First of all, regarding precious metals, we do not disclose the amount of scrap we recover at this time due to various competitive factors. On the other hand, qualitatively speaking, the volume of precious metal recycling from the electronic device sector bottomed out in the fiscal year ended March 31, 2024 compared to the decline in the previous fiscal year and signs of recovery have been seen throughout the fiscal year ended March 31, 2025.

Although there were signs of improvement, the recovery was only very moderate. This means that the content will be roughly similar from Q1 to Q2, Q3 and Q4. Naturally, I think it is fair to say that there was a gradual recovery trend from Q1 to Q4.

On the other hand, in the jewelry sector, which is mainly a buy-back market, there has been a very marked quantitative expansion due to the rise in gold prices and other factors. We observed a generally upward trend in the volume of recovered precious metal-containing scrap, increasing steadily from Q1 to Q4. This concludes our response.

Participant [Q]: Let me continue and move on to the second question regarding the progress and future updates on capital cost disclosures, as promoted by the Tokyo Stock Exchange.

Tanaka [A]: We are also disclosing information, including measures, in response to the TSE's request. We also disclose this information in the form of the cost of shareholders' equity.

Regarding management practices that take into account capital costs and share prices as requested by the TSE, we intend to provide disclosures and explanations on matters such as the progress of our initiatives and cash allocation at appropriate times. As part of this process, we will also update our capital cost estimates as needed. Furthermore, we are eager to engage in dialogue with investors to address and bridge any perception gaps that may exist concerning capital costs. That is all from me.

Participant [Q]: Okay. Let me move on to the third question. I am wondering if it is necessary to raise expectations for future increases in shareholder returns, and what are your thoughts on this?

Tanaka [A]: I will answer first. Among our shareholder return measures, dividends play a central role. As a basic guideline, we have set a target of maintaining a DOE of 1.5% or higher, and we are working toward exceeding that level. As mentioned earlier, we have implemented and are forecasting eight consecutive years of dividend increases, including the current outlook. We will continue to work toward enhancing returns to our shareholders.

As for raising shareholder expectations, we recognize the importance of clear disclosures and thorough explanations. We intend to enhance our communications by introducing new approaches to better convey our thinking on shareholder returns. Through these efforts, we aim to deepen investors' understanding of our policies and intentions.

Matsuda [A]: With regard to shareholder returns, we intend to proceed in line with a balanced approach, considering the relationship with profits as well as future investments. We believe this is a common perspective shared across many companies, and we aim to act accordingly. Naturally, there will also be investments for future carbon dioxide issues and such. I think we have to consider how to combine that with the other factors. As necessary, we would like to consider share buybacks, while keeping an eye on market conditions. That is all from me.

Participant [Q]: I will continue with the next question. Why did the profit in the precious metals business segment decline in Q4 of the previous fiscal year compared to Q3, despite not showing the same level of growth?

Tanaka [A]: It is true that the precious metals related business performed very well in Q3, but performance declined somewhat in Q4. As I explain the factors behind this, while some of the sales were accelerated in Q3, most of the increase was due to an increase in the amount of precious metals recovered from the jewelry sector, including a transitory one, which was very large in Q4.

The change in cost structure, including certain one-off factors, had a significant impact on performance, particularly on operating profit. This was also reflected in a notable decline in the operating profit margin in Q4 compared to Q3 driven by the same underlying factors. We believe that the increase in jewelry volume, which was very pronounced in the last four quarters, was the reason for the decline in performance in the last four quarters.

On the other hand, there was no significant change in the volume of metal recycling handled from Q3 to Q4 in the field of electronic devices such as electronic components and semiconductors, which we consider to be our mainstay business, as I explained earlier, As I explained earlier, there was no significant change in the volume of metal recycling handled from Q3 to Q4. It is not that there was a sudden drop in performance in Q4 or anything like that. These are the answers to your questions.

Participant [Q]: Let me continue and move on to the next question. You are forecasting a total of JPY34.6 billion in business investments over the next four years, including the current fiscal year. Please let us know what these investments will mean in the future.

Tanaka [A]: As part of the ongoing four-year medium-term management plan, we initially projected total business investments of JPY30 billion. However, as previously explained, due to slight delays in timing and rising prices, we have revised the total investment forecast to JPY34.6 billion. These investments were originally planned within the framework of the medium-term management plan, and we intend to steadily carry them out as scheduled.

As for what these investments mean for future earnings, in the case of the precious metals business segment, while the current situation reflects a modest recovery in production, the external environment remains somewhat challenging. However, from a medium- to long-term perspective, we believe that the semiconductor and electronic components sector, both in Japan and overseas, will continue to be a strong growth area.

I would say that it is the scale and quality of the opportunities that will come. This includes many business investments to improve the qualitative aspects of the functionality. Therefore, we believe that these investments will surely contribute to future earnings.

We are currently discussing a specific roadmap for such a roadmap, which we hope to explain more in the next mid-term plan and so on. We hope that you will wait for our explanation of the next medium-term plan. This is my response to the question.

Since there is still time, I would like to move on to the next question.

Participant [Q]: Once again, I would like to ask you to tell us about your company's strengths in the precious metals related business.

Tanaka [A]: Regarding the strengths of our precious metals business, we have explained our strengths in our Integrated Report and in various other places, but in a nutshell, we believe that the strength of our integrated precious metals recycling capabilities is our greatest strength among our competitors. In a nutshell, we believe that our strength in the recycling of precious metals is our greatest strength among our competitors.

When we speak of our comprehensive capabilities, we are referring to an integrated value chain that includes precious metal recycling, the sale of products such as electronic materials resulting from that recycling, and surrounding businesses such as the detoxification and collection and transport of industrial waste.

Our ability to connect this entire series of businesses in an integrated, loop-style transaction with our customers is one of our major strengths. We believe this comprehensive capability is a key advantage that enables us to deliver added value across the entire value chain.

In recent years, areas such as precious metal recycling have been gaining significant attention as part of the broader resource circulation movement. This adds social value in the form of reduced environmental impact. We aim to further strengthen our comprehensive capabilities, which incorporate both economic and environmental value, and leverage these strengths to drive our business forward.

Matsuda [A]: When it comes to precious metal recycling, simply providing recycling services alone is often not sufficient to meet customer expectations or gain their full trust. As Mr. Tanaka mentioned, the Company is also sequentially developing products and goods related to precious metals, especially technical development of products. We will provide this to Japan's advanced semiconductor and electronic component industries, while improving recycling technology with a high recycling rate, if at all possible. We are doing those things at the same time.

Our products include products related to surface treatment, such as plating solutions and electrode materials, as well as wire-connecting materials manufactured by NITTETSU MICROMETAL, a joint venture with NIPPON MICROMETAL CORPORATION. While properly supplying such items, we will also recycle them. We would like to strengthen our system to be able to do so both domestically and internationally.

In addition, industrial waste is an environmental issue that must be addressed. The technology to properly dispose of this is also part of our company's technology. We would like to resolve this issue properly while taking the GHG issue into consideration. That is all.

Tanaka [M]: That was our response. Now I would like to move on to the next question.

Participant [Q]: The next question: PBR has been under 1 for some time. What factors do you think are holding it back?

Tanaka [A]: I will answer that question. Our PBR has continued to remain below the 1 threshold, and we are working to identify the underlying issues behind this. As mentioned earlier, our ROE currently stands at 9.9%, which is a relatively high level. However, we recognize the need to further improve profitability, especially in relation to our cost of equity capital, in order to close this gap.

In addition, we believe it is critically important to find ways to convey our future potential in a manner that resonates with investors and shareholders, building a sense of shared expectation and confidence in our long-term vision. As mentioned earlier, we believe it's important to communicate how our current business investments are aligned with our vision for the future. In our next medium-term management plan, we intend to include explanations of these initiatives to help raise expectations for the future of the Matsuda Sangyo Group among our investors and stakeholders.

In addition, we are actively discussing ways to enhance shareholder returns within the Company, recognizing that this is a key area of focus. As the President mentioned earlier, enhancing shareholder returns must be balanced with our business performance and fundamentally, our ability to generate solid cash flow. We recognize the importance of improving capital efficiency and securing sufficient cash through these efforts. By allocating those resources appropriately to shareholder returns, we aim to take a comprehensive approach toward resolving the issue of our PBR remaining below 1. That is all from me.

Participant [Q]: Next question. We've received a question asking whether the impact of US tariffs has been factored into this fiscal year's plan. In addition, we have received two questions regarding the production of electronic component devices, such as whether the tariffs have had any adverse effects on the production of such devices.

Tanaka [A]: Let me explain first. Regarding US tariffs, we do not anticipate any direct impact on both businesses since we have almost no exports to the US.

We believe that the indirect effects of US tariffs are varied and involve a high degree of uncertainty. That said, one potential impact could be disruptions or changes to the supply chain, as well as price fluctuations across a wide range of products. These factors may influence our business environment moving forward.

However, at this stage, the scope and nature of the impact remain highly uncertain and still appear to be limited. Given this, we believe it is important to gather and assess information carefully, organize it appropriately, and respond accordingly as the situation develops. Therefore, we have not added this impact to our forecast for the current fiscal year.

As to your second question, have the tariffs had a negative impact on the production of electronic devices? In terms of whether or not the situation is actually becoming apparent, we are not yet aware of any obvious manifestation.

That said, while there is still much speculation, concerns have indeed been raised, particularly regarding the potential impact on the automotive sector in the US. Given that semiconductors and electronic components are widely used in automobiles, we have also heard similar concerns from manufacturers we do business with.

However, at this point, these remain concerns rather than clearly defined outlooks. We believe the impact has not yet fully materialized and is not currently having a tangible effect on our operations. Do you have any comments on this, President?

Matsuda [A]: Since this is such a big deal, we are gathering information from our customers, but I think that many of them are waiting to see how it goes. If all of these measures were to be implemented as they currently stand, it could lead to significant global disruption. However, we believe that some form of resolution or compromise will eventually emerge. That said, we will need to monitor the situation closely and be fully prepared to respond as necessary.

We believe that the only thing we can do is to properly perform our functions and continue to provide services to our customers, regardless of the circumstances. That is all.

Tanaka [A]: As a company, we have committed in our medium-term management plan to respond appropriately to social changes and linking those responses to our business in a way that contributes to society. As the President mentioned, it is crucial that we first gather accurate information, organize, and analyze it thoroughly, and then make well-informed decisions based on that analysis. That is all from me.

Since our time is getting very close, I would like to make that the last question.

Participant [Q]: Last question. Regarding the operating profit for H1 of the next fiscal year, this is the fiscal year ending March 31, 2026, we've received a question asking about the primary factors behind the projected YoY decline in operating profit for H1 of FY2026.

Tanaka [A]: Regarding the previous fiscal year, we still do not expect a full-scale recovery in terms of volume, especially in the field of electronic devices, especially in the precious metals business segment. Therefore, the effect of increased sales and profits in terms of volume will be somewhat limited.

One of the main factors is the expected increase in fixed costs, which will begin affecting results from H1. Additionally, in H1 of the previous fiscal year, there was a significant contribution to profit from the rise in precious metal market prices. Given that such a level of market-driven contribution is not anticipated this time, we are projecting a YoY decline in operating profit for H1

On the other hand, in H2 of the fiscal year, we aim to capture the recovery trend in production within the electronic device sector and expand transaction volumes accordingly. By improving operating profit margins and executing our plans steadily in H2, we are targeting overall growth in both revenue and profit for the full year. That is my answer.

Tanaka [M]: Our time is almost up, so I would like to conclude the question-and-answer session. Thank you for your attention.

Matsuda [M]: Thank you very much for coming today. We will continue to make further efforts to enhance our corporate value. We appreciate your continued support and cooperation. Thank you very much for your attention.

[END]

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Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

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