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Matsuda Sangyo Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

November 26, 2025

Event Summary

[Company Name]	Matsuda Sangyo Co., Ltd.	
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[Event Language]	JPN	
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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2026	
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[Date]	November 26, 2025	
[Number of Pages]	23	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Yoshiaki Matsuda	Representative Director, President
	Yoshinori Tanaka	Director Executive Officer, General Manager of CSR & IR Department

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Presentation

Moderator: It is now time, so we will begin the Q2 financial results briefing of Matsuda Sangyo Co., Ltd. for the fiscal year ending March 31, 2026. Thank you very much for taking the time out of your busy schedule to attend today's financial results briefing. We would like to make some requests and announcements before we begin the briefing.

This briefing will be followed by a question-and-answer session after the financial results report. Questions 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. We will read and answer any questions we receive.

Due to time constraints, we may not be able to answer all questions. Please understand this in advance. Please note that the chat function is not available, so if you have any problems, please let us know through the Q&A function.

Yoshiaki Matsuda, President and Representative Director, and Yoshinori Tanaka, Director, Executive Officer, General Manager of CSR & IR Department, will now report on the financial results for Q2 of the fiscal year ending March 31, 2026.

Matsuda: Thank you all very much for attending our financial results briefing today. I am Yoshiaki Matsuda, President of Matsuda Sangyo Co., Ltd. I will now present the financial results for Q2 of the fiscal year ending March 31, 2026, focusing on the details.

I will explain today's agenda. In the first half of the presentation, I will give an overview of the Q2 financial results. Afterwards, Tanaka, IR Manager, will provide an explanation of the updated actions taken to realize management that is conscious of capital costs and stock prices, in addition to segment-specific business results and full-year forecasts.

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Consolidated Financial Results

Net sales and operating profit increased year on year on the back of an increase in sales and profits in the Precious Metals Business Segment and an increase in sales profits in the Food Business Segment.

(billion yen)

	FY3/25 1H	FY3/26 1H	Year-on-year increase (decrease)	
Net sales	222.1	288.2	+66.0	+29.7%
Operating profit	6.2	8.0	+1.7	+28.4%
Operating margin	2.8%	2.8%	(0)pt	-
Ordinary profit	6.5	8.4	+1.8	+28.3%
Profit attributable to owners of parent	4.6	6.0	+1.4	+31.7%

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First, I will provide an overview of the consolidated financial results.

Net sales for Q2 of the fiscal year ending March 2026 increased 29.7% from the same period last year to JPY288.2 billion, and operating profit increased 28.4% to JPY8 billion.

By segment, in the precious metals business segment, both sales and profits increased as a result of efforts to increase the volume of precious metal recycling handled, including in the jewelry sector, and the rise in precious metal market prices. In the food business segment, sales volume of seafood products declined, but higher sales volume of livestock products and agricultural products and higher sales prices resulted in higher sales and profits.

As a result, both sales and profit increased YoY in H1 of the current fiscal year. Profit attributable to owners of the parent increased 31.7% YoY to JPY6 billion.

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Consolidated Balance Sheet

Assets		(billion yen)		
	March 31, 2025	September 30, 2025	Increase (decrease)	Main reasons for change
Current assets	116.1	127.2	+11.0	(+) Increase in notes and accounts receivable trade, inventories
Non-current assets	52.7	55.4	+2.7	(+) New installation of factory equipment
Total assets	168.9	182.7	+13.8	
Liabilities				
	March 31, 2025	September 30, 2025	Increase (decrease)	Main reasons for change
Current liabilities	48.6	53.4	+4.7	(+) Increase in accounts payable trade, advances received (-) Repayment of short-term loans payable
Non-current liabilities	20.1	26.5	+6.3	(+) Increase in long-term loans payable
Interest-bearing debt	33.3	36.5	+3.1	
Total liabilities	68.7	79.9	+11.1	
Net assets				
	March 31, 2025	September 30, 2025	Increase (decrease)	Main reasons for change
Total net assets	100.1	102.7	+2.6	(+) Increase in retained earnings (-) Decrease in deferred gains or losses on hedges
Total liabilities and net assets	168.9	182.7	+13.8	
Shareholders' equity ratio	59.1%	56.0%		

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Next, I will explain the consolidated balance sheet.

First of all, current assets increased by JPY11 billion due to an increase in inventories, including the soaring prices of precious metals. Fixed assets also increased by JPY2.7 billion due to the installation of new factory equipment, etc. As a result, total assets increased by JPY13.8 billion from the end of the previous period to JPY182.7 billion.

As for liabilities, current liabilities increased by JPY4.7 billion due to increases in accounts payable trade and advances received, and long-term liabilities increased by JPY6.3 billion mainly due to an increase in long-term loans payable. This resulted in a total of JPY79.9 billion, an increase of JPY11.1 billion from the end of the previous period.

Net assets increased JPY2.6 billion to JPY102.7 billion from the end of the previous period, mainly due to an increase in retained earnings.

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Consolidated Cash Flow Statements

(billion yen)			
	FY3/25 1H	FY3/26 1H	Summary
Cash flows from operating activities	2.4	3.6	(+) Increase in profit before income taxes, depreciation, and accounts payable-trade (-) Increase in notes and accounts receivable trade, inventories, and income taxes paid
Cash flows from investing activities	(2.4)	(2.5)	(-) Purchase of property, plant and equipment
Free cash flows	0	1.1	
Cash flows from financing activities	(1.1)	1.3	(+) Increase in long-term loans payable (-) Repayment of short-term loans payable, payment of dividends
Others	0.4	(0.3)	
Net increase (decrease) in cash and cash equivalents	(0.7)	2.2	
Cash and cash equivalents at end of period	13.7	13.6	

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Next is the consolidated statement of cash flows.

For H1 of the fiscal year, cash flows from operating activities increased by JPY3.6 billion. This increase resulted from higher cash flows from profit before income taxes, depreciation, and an increase in accounts payable trade, which more than offset lower cash flows from increases in notes and accounts receivable trade, inventories, and income taxes paid.

As for cash flows from investing activities, JPY2.5 billion was used for the acquisition of tangible fixed assets such as plant and equipment. Cash flows from financing activities resulted in an increase of JPY1.3 billion, primarily due to an increase in long-term loans payable.

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Forecast of Full-Year Consolidated Financial Results

The forecast of financial results for the full year of FY3/26 has been revised upward as follows from the forecast published on May 9.

	FY3/25 Results	Initial forecast (Published on May 9)	Revised forecast (Published on November 4)	Increase (decrease) from initial forecast	Increase (decrease) YoY
	(billion yen)				
Net sales	468.8	490.0	550.0	+60.0	+17.3%
Operating profit	12.6	13.5	15.4	+1.9	+21.5%
Operating margin	2.7%	2.8%	2.8%	+0pt	-
Ordinary profit	13.5	14.3	16.2	+1.9	+19.8%
Profit attributable to owners of parent	9.4	10.0	11.5	+1.5	+21.6%
Earnings per share (yen)	364.87	385.84	443.72	+57.88	+21.6%

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Next, I will explain our forecast of full-year consolidated financial results for the fiscal year ending March 31, 2026. On November 4, we revised the full-year forecast announced on May 9 and announced it publicly.

Compared to our initial forecast, we have revised our net sales to JPY550 billion, up JPY60 billion, operating profit to JPY15.4 billion, up JPY1.9 billion, and profit attributable to owners of the parent to JPY11.5 billion, up JPY1.5 billion. We will provide supplementary information on the forecast of business performance by segment later.

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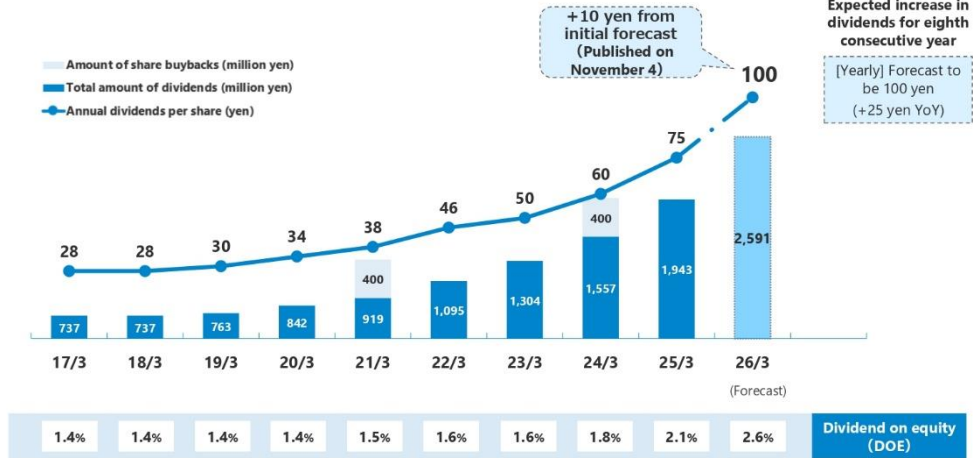
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Shareholder Returns

Shareholder returns

- Implement stable and sustainable dividends while taking into account the balance with internal reserves for growth investment
- Returns based on a dividend on equity ratio of 1.5% or higher
- Flexible share buyback while taking into account the market environment



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Finally, I would like to talk about shareholder returns.

As you can see the trend up to the current year's forecast, we plan to increase the dividend for eight consecutive fiscal years beginning in the fiscal year ending March 31, 2019. The dividend on equity (DOE), which have set the lower limit at 1.5%, is also on an upward trend at around 2.6%.

Depending on business performance and cash flow conditions, we will consider ways to enhance shareholder returns, including flexible purchases of our own shares, to continue to meet shareholder expectations as much as possible.

That concludes my explanation, and Tanaka, in charge of IR, will provide the second half. Thank you for your attention.

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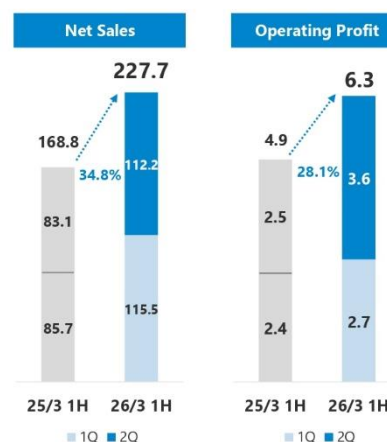
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Precious Metals Business Segment (Overview of Financial Results)

Increase the volume of precious metal recycling, including the jewelry sector, the rise in precious metal prices provided a tailwind, resulting in an increase in net sales and operating profit compared to the same period of the previous year.

	FY3/25 1H	FY3/26 1H	Increase (decrease)	
				(billion yen)
Net sales	168.8	227.7	+58.8	+34.8%
Operating profit	4.9	6.3	+1.3	+28.1%
Operating margin	2.9%	2.8%	(0.1)pt	-



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Tanaka: My name is Tanaka, and I am in charge of IR. I would like to present an overview of our business performance for H1 of the fiscal year ending March 31, 2026, as well as our outlook for the full year, by segment.

First, I will explain the precious metals business segment. In H1 of the current fiscal year, net sales of the precious metals business segment increased 34.8% YoY to JPY227.7 billion, and operating profit increased 28.1% YoY to JPY6.3 billion.

The increase in the volume of precious metal recycling and product sales was due to the continued strong performance of the jewelry sector and the gradual recovery of production in the electronic devices sector, as well as the significant impact of rising market prices for gold and other metals, resulting in a significant 34.8% YoY increase.

Operating profit also increased by 28.1% YoY, thanks to the contribution of the increase in volume and the rise in precious metal prices. The operating margin declined 0.1 percentage points from the same period of the previous year. The main reason for the decline in the operating margin is that the impact on profits is limited by hedging transactions, compared to the significant impact of the rise in precious metals prices on sales growth.

In addition, an increase in the volume of precious metals recycled from the jewelry sector is one factor contributing to the decline in the operating margin. Factors for the change in operating profit will be explained later.

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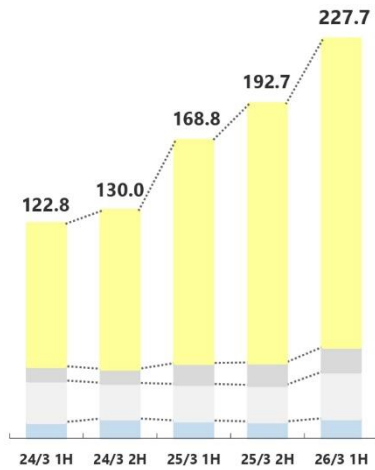
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Precious Metals Business Segment (Net Sales by Item)

Rising precious metal prices and the increase the volume of precious metal recycling, including the jewelry sector contributed significantly to an increase in the sale of gold products. As a result, overall net sales increased by 58.8 billion yen year on year.



	(billion yen)			Reasons for increase (decrease)
	FY3/26 1H	Increase (decrease)		
Gold	175.9	+48.9	+38.5%	Quantity increased by 4.1% and prices increased by 34.4%
Silver	14.1	+1.9	+16.1%	Quantity increased by 0.7% and prices increased by 15.4%
Platinum group	26.8	+6.0	+29.0%	Quantity increased by 14.4% and prices increased by 14.5%
Other	10.7	+1.8	+21.2%	Non-ferrous metals, industrial waste treatment, etc.

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Next, I will explain the YoY comparison of net sales by item in this business segment.

In H1 of this fiscal year, gold products accounted for about 77% of the total, followed by the platinum group for about 12%, and silver for about 6%. In the same period of the previous year, gold products accounted for approximately 75% of total sales, so the composition of sales by item category has further increased due to the increase in sales from various factors, including the relatively significant rise in the market price of gold.

The 38.5% increase in net sales of gold products can be broken down into a 4.1% increase in quantity factor and a 34.4% increase in price factor.

The 16.1% increase in net sales of silver products was due to quantity increasing by 0.7% and prices increasing by 15.4%. As with gold, the details show that the increase in the market price is a contributing factor.

Net sales of platinum group products increased 29%, with quantity increasing by 14.4% and price increasing by 14.5%. The gradual recovery in the electronic devices sector contributed to an improvement in the volume of precious metal recycling handled, resulting in a large increase in the quantity factor as well.

Other products include non-ferrous metals and industrial waste treatment, which are the products of precious metal recycling all of which are contributing to the increase in net sales.

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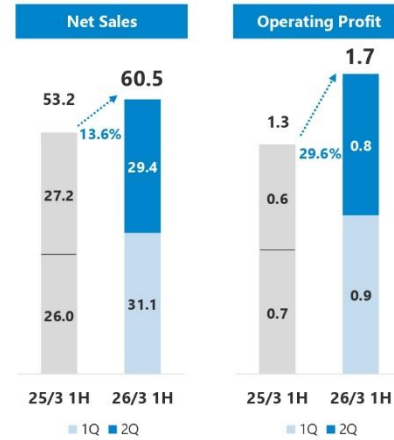
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Food Business Segment (Overview of Financial Results)

Despite a decrease in the sales volume of marine products, the sales volume of agricultural and livestock products increased, and sales prices also increased. As a result, increase in net sales and operating profit compared to the same period of the previous year.

	FY3/25 1H	FY3/26 1H	Increase (decrease)	
				(billion yen)
Net sales	53.2	60.5	+7.2	+13.6%
Operating profit	1.3	1.7	+0.3	+29.6%
Operating margin	2.5%	2.9%	+0.4pt	-



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Next is the food business segment.

Net sales for H1 of this fiscal year increased by 13.6% YoY to JPY60.5 billion. Operating profit also rose by 29.6% to JPY1.7 billion, driven by increased gross profit accompanying the sales growth.

While domestic food demand has been supported by inbound tourism, general consumer spending showed some weakness due to factors like rising prices. However, through proactive sales leveraging our global procurement network, we expanded sales of products tailored to customer needs. Additionally, we successfully passed on increases in raw material costs and other price pressures. Consequently, we achieved significant growth in both sales and profit.

The operating margin also improved by 0.4 percentage points from the same period of the previous fiscal year. In addition to differentiation through proposal-based sales and progress in price shifting, improved inventory turnover also contributed to the improvement in the operating margin by reducing costs such as storage fees.

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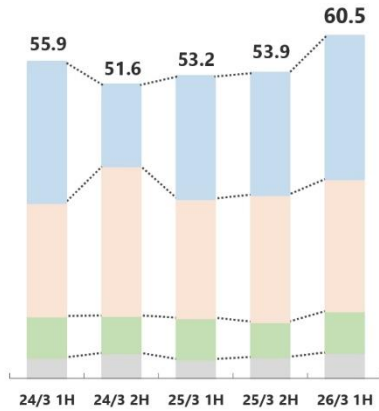
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Food Business Segment (Net Sales by Item)

Despite a decrease in the sales volume of marine products, the sales volume of livestock and agricultural products increased, and overall selling prices increased. As a result, net sales increased by 7.2 billion yen year on year.



	(billion yen)			Reasons for increase (decrease)
	FY3/26 1H	Increase (decrease)		
Marine products	23.3	+2.2 +10.9%		Quantity decreased by 0.9% and prices increased by 11.8%
Livestock products	25.1	+3.6 +17.0%		Quantity increased by 8.2% and prices increased by 8.7%
Agricultural products	7.3	+0 +1.0%		Quantity increased by 1.4% and prices decreased by 0.4%
Other	4.6	+1.2 +36.4%	-	

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I will now explain the YoY comparison of net sales by item category in the food business segment.

Sales of seafood products increased by 10.9%, with quantity decreasing by 0.9% but prices increasing by 11.8%. Changes in customer needs and demand trends have changed the product mix in detail, resulting in a slight decrease in quantity but an increase in prices.

Net sales of livestock products increased 17%, with quantity and price factors contributing 8.2% and 8.7%, respectively. Regarding chicken eggs included in livestock products, it decreased slightly, but the volume of meat products with relatively high unit prices increased, and this was reflected in the price factor.

Net sales of agricultural products increased by 1%, with quantity also increasing by 1.4% and prices decreasing by 0.4%. Although the increase in net sales of agricultural products may appear to be small, these products have been making a greater contribution to our business performance through proposal-based sales.

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Changes in Operating Profit

In the Precious Metals business segment, the profit margin improved due to gradual volume improvement in the electronic device field, higher volume in the jewelry field, and higher gold prices.

In the Food Business Segment, the profit margin improved due to an increase in sales volume, cost rationalization, and pass-through of cost increases.



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Next is a summary of the factors behind the changes in operating profit by segment for your reference.

The precious metals business segment saw an increase of approximately JPY1.8 billion compared to the previous period due to volume effects, driven by continued strong performance in the jewelry sector and an improvement in precious metal recycling volumes and finished product sales volumes resulting from a gradual recovery in the electronic devices sector. Additionally, price factors, including rising precious metal market prices and improved profit margins, boosted profits by approximately JPY1.5 billion. On the other hand, there was an increase of approximately JPY1.9 billion in manufacturing costs and SG&A expenses, including personnel expenses and depreciation. This net resulted in an increase of JPY1.4 billion in operating profit compared to the same period last year.

In the food business segment, sales of relatively high-value-added products increased due to proposal-based sales that responded to customer needs. This resulted in a quantity-driven increase of approximately JPY300 million. Additionally, including the effect of price pass-through, a price-driven increase of approximately JPY300 million occurred. This exceeded the increase in SG&A expenses, such as personnel costs, of approximately JPY200 million, leading to an overall profit increase of JPY400 million.

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Forecast of Financial Results

The earnings forecast for each business segment have been revised as follows:

		(billion yen)				
		FY3/25 Results	Initial forecast (Published on May 9)	Revised forecast (Published on November 4)	Increase (decrease) from initial forecast	Increase (decrease) YoY
Precious Metals Business Segment	Net sales	361.6	370.0	430.0	+60.0	+18.9%
	Operating profit	10.1	11.0	12.4	+1.4	+21.8%
Food Business Segment	Net sales	107.2	120.0	120.0	-	+11.9%
	Operating profit	2.4	2.5	3.0	+0.5	+20.1%
Total	Net sales	468.8	490.0	550.0	+60.0	+17.3%
	Operating profit	12.6	13.5	15.4	+1.9	+21.5%

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From here, I would like to present our full-year consolidated earnings forecast by segment. The forecast was revised on November 4, taking into consideration the upward swing in H1 of the fiscal year.

For the full year, we forecast an 18.9% YoY increase in net sales in the precious metals business segment to JPY430 billion, and a 21.8% YoY increase in operating profit to JPY12.4 billion. In H2 of the fiscal year, the Company's initial forecast for operating profit for H2 of the fiscal year remains unchanged because of the initially planned increase in the volume of precious metal recycling and sales of products based on a recovery in production in the electronic devices sector.

For the full year, we forecast an 11.9% YoY increase for the food business segment's net sales to JPY120 billion, and a 20.1% YoY increase in operating profit to JPY3 billion. In the food business segment, the initial forecast for operating profit for H2 of the fiscal year remains unchanged, taking into account the fact that Q4 will be an off-peak period.

Please refer to the next page for a brief summary of the external environment and our outlook for sales prices in H2. This is the end of my explanation of our business performance.

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Recognition of Current Situation

We have achieved returns on equity exceeding the cost of shareholders' equity and PBR at 1x or higher.
Recently, return on capital has improved.

Trends of PBR, ROE and cost of shareholders' equity



- In the FY2025 forecast, along with business expansion, ROE will reach 11%, significantly exceeding our shareholder equity cost (trending at 5.5-6.5%)
- As of the end of September 2025, PBR exceeded 1x, and has improved to 1x at present.
- We will maintain and improve PBR at 1x or higher
We recognize that the following are priority issues toward improving PBR to improve capital efficiency in order to limit and improve the decline in return on capital, including ROE and to foster growth expectations.

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I would like to continue by explaining our progress and forecasts for H1 of the current fiscal year with respect to realizing management that is conscious of capital costs and stock prices.

First of all, regarding the current situation, our P/B ratio has been below 1x for a long time, but as the stock price has risen, it has exceeded 1x and is currently around 1.1x. Today, it is at about 1.2x, due to another rise in the stock price.

ROE, which had been on a declining trend for two consecutive fiscal years, peaking in the fiscal year ended March 31, 2022, bottomed out in the fiscal year ended March 31, 2024, and began to rise. This year, we expect the rate to improve to around 11%.

On the other hand, our cost of equity capital, as determined by CAPM, has generally remained within the range of 5.5% to 6.5%. While we recognize that the equity spread is also trending upward due to improvements in ROE, we believe that the cost of capital has also risen at this stage, driven by heightened expectations reflected in the recent stock price increase. Therefore, we aim to further enhance capital profitability, including ROE. Regarding the P/B ratio, we intend to steadily advance our ongoing initiatives not only to maintain it above 1x but also to pursue further improvement.

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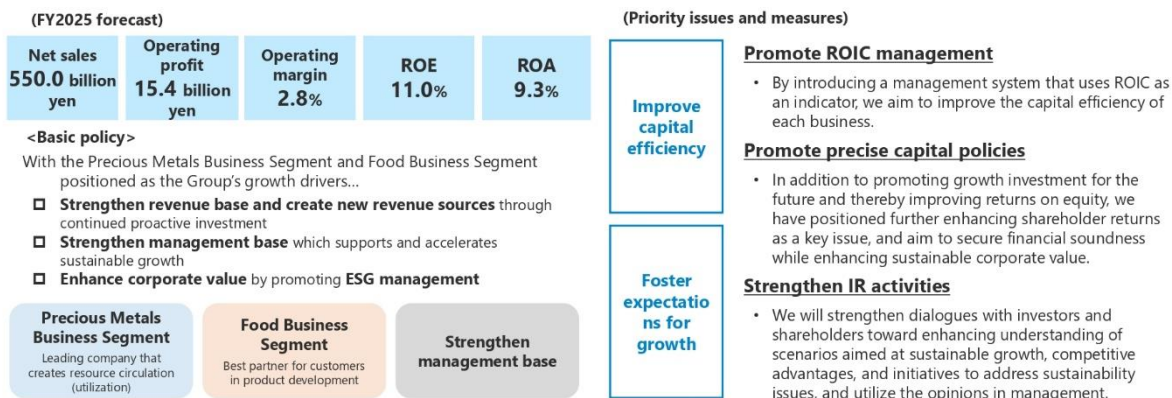


○ Policies and Measures Toward Improving PBR

Policy

In addition to aiming to achieve our management indicators by steadily promoting our Medium-term Management Plan, we have positioned "improving capital efficiency" and "fostering expectations for growth" as priority issues toward improving returns on equity.

Medium-term Management Plan (FY2022 – 2025)



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As you can see, our policies and measures to improve the P/B ratio remain largely unchanged, and we intend to further enhance the precision of these measures and steadily implement them.

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Priority Issues and Progress of Measures

Priority issues	Measures	Progress
Improve capital efficiency	Promote ROIC management By introducing a management system that uses ROIC as an indicator, we aim to improve the capital efficiency of each business.	<ul style="list-style-type: none"> Continuing discussions aimed at improving capital efficiency In the Food Business, implementing improvements to inventory turnover ratio through strengthened PSI management
	Promote precise capital policies In addition to promoting growth investment for the future and thereby improving returns on equity, we have positioned further enhancing shareholder returns as a key issue, and aim to secure financial soundness while enhancing sustainable corporate value.	・FY2022 to FY2025 (interim period) [Cash flows from operating activities] 18.8/40.0 billion yen [Business investments] 30.2/34.6 billion yen [Shareholder returns] 7.1/6.5-7.0 billion yen
Foster expectations for growth	Strengthen IR activities We will strengthen dialogues with investors and shareholders toward enhancing understanding of scenarios aimed at sustainable growth, competitive advantages, and initiatives to address sustainability issues, and utilize the opinions in management.	<ul style="list-style-type: none"> Enhanced supplementary financial statements briefing materials and disclosure in English Engaged in discussions in the Board of Directors on the current status and challenges toward the realization of management that is conscious of capital costs and stock prices As new dialogue opportunities, implementing investor engagement dialogues and planning small meetings

As an overview of the progress of our measures, one of our measures is to promote ROIC management. We are currently analyzing the ROIC tree by segment to understand and identify issues and to consider measures for improvement. Although we are still working in parallel with the promotion of understanding in some areas, we believe that the improvement in inventory turnover seen in the food business segment is a sign of its effectiveness. Through these improvements, we hope to improve cash flow by reducing working capital.

With regard to the second measure, the promotion of precise capital policies, as it will be described in the next cash allocation slide, the equity ratio has resulted in a slight decrease in the equity ratio due to the utilization of bank borrowings. This is because a gap emerged between the projected and actual operating cash flow, and the amount of business investments increased due to rising prices. In this context, we are promoting sustainable and stable dividend payments. DOE has exceeded the lower limit of 1.5% and is now above 2%, or about 2.6% including the dividend increase.

Lastly, regarding the strengthening of our IR activities, we are increasing opportunities for meetings with institutional investors and utilizing opportunities such as corporate dialogues. We are actively exchanging various opinions, including on disclosure practices.

We intend to incorporate the feedback gathered through these dialogues into our company's internal processes and use it to drive future improvements.

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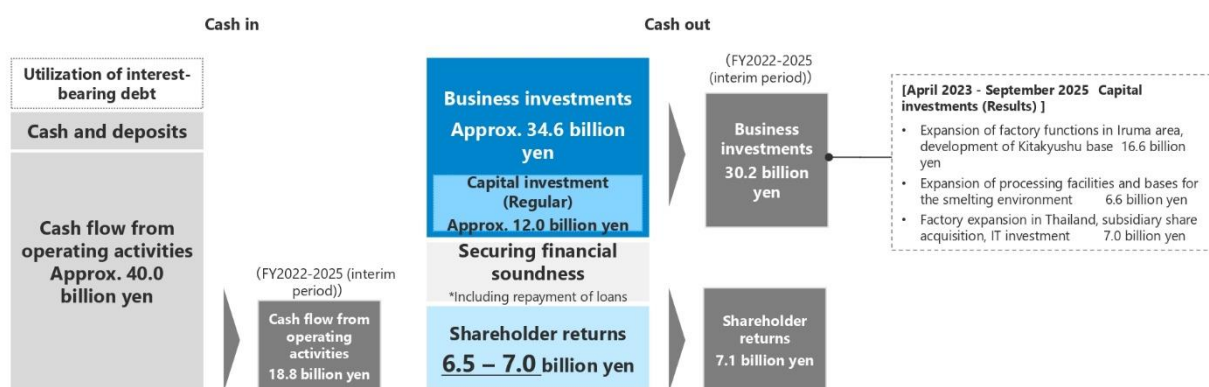
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Capital Policy/Cash Allocation

Capital policy (basic policy)

Enhance our corporate value in a sustainable manner while taking into consideration optimal resource allocation to business opportunities that capture growth potential, securing financial soundness, and achieving balance with shareholder returns.

<Assumptions for cash allocation based on the Medium-term Management Plan (Cumulative for FY2022 – 2025)>



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Finally, we have summarized the progress of cash allocations, including actual results up to the interim period and the full-year forecast, for your reference.

We had assumed that cash flow from operating activities would be approximately JPY40 billion over the four-year period of the medium-term management plan, of which this fiscal year is the final year. However, the cumulative total through H1 of the current fiscal year has been less than JPY19 billion.

The main reason for this is the increase in working capital due to the rise in the precious metals market, and we intend to make improvements as we move toward a new medium-term plan for the next fiscal year and beyond.

Regarding the cash outflow, business investments have exceeded the initial projection in terms of amount due to soaring material prices and other factors, exceeding the cumulative total of JPY30 billion as of H1 of the fiscal year. We expect the final amount to be around JPY34.6 billion. There are no specific cases of investment postponement or suspension. We are steadily proceeding according to our initial plan with a view to expanding the precious metals recycling business over the medium to long term.

In terms of shareholder returns, the Company has increased the interim dividend for the current fiscal year, taking into account the increase and revision of the earnings forecast. As a result, a total of JPY7.1 billion is planned.

With that, we would like to use the remainder of this briefing to answer your questions. Please refer to the appendix at the back of the materials for the precious metal market trends and other information. Thank you for your attention.

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Question & Answer

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

Tanaka [M]: Okay, I will read out the first question.

Participant [Q]: Noting that the H1 results were strong but the full-year forecast leaves the H2 profit outlook unchanged from the initial forecast, I would like to know about the sales volume and price assumptions for H2.

Tanaka [A]: I will answer this one. For H2 of the fiscal year, operating profit is unchanged from the initial plan for both precious metals and food business segments.

Therefore, the sales volume is also generally in line with our initial assumptions. We kindly ask for your understanding that we are unable to provide specific figures regarding sales volume projections at this time.

Also, regarding the prices. In particular, regarding the precious metal price assumptions for the precious metals business segment, we have included our sales price estimates for H2 of the fiscal year in the materials I have just explained to you for your reference.

The average price of precious metals in September, which is the last month of H1 of the fiscal year, is used as a general guideline. This concludes my response to your question.

Tanaka [M]: We will now move on to the second question.

Participant [Q]: You said that the P/B ratio has always been below 1x, but it is now above 1.1x. How does management recognize this improvement in this context?

Tanaka [A]: Okay, I would like to answer this question first. We recognize that the rise in the gold price has naturally had an impact on the stock price, but we also recognize that the improvement in return on capital, ROE, etc., due to improved performance has also led to an improvement in the P/B ratio through the stock price.

Although we are still in the middle of the process, we recognize that we are strengthening our IR efforts by enhancing disclosures, including information related to sustainability. Through the measures mentioned earlier, we intend to continue aiming for the maintenance and further improvement of our P/B ratio through our stock price going forward. That is all.

Tanaka [M]: We will now move on to the third question.

Participant [Q]: Regarding US tariffs, please tell us about the current situation regarding the impact related to US tariffs and trade wars, specifically the divergence from your anticipated projections.

Tanaka [A]: Regarding this, we are not aware of any direct impact on our group's performance due to US tariffs or what might be termed a trade war. In particular, our direct sales to and revenue from the US are very minimal, so we have not been significantly impacted by these tariffs or similar measures.

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On the other hand, we will have to keep a very close eye on whether or not our customers' industries will be affected by the US tariffs or trade wars in the future.

Matsuda [A]: Regarding the issue of President Trump's US tariffs on trade-related matters, while we believe our company has not been significantly impacted at this time, we anticipate that going forward, customers, particularly overseas customers, may become hesitant about future investments in each respective country. The situation has calmed down for now, but I believe we must continue to closely monitor developments going forward. That is all.

Tanaka [M]: That concludes our answer. Let's move on to the next question.

Participant [Q]: Are there any newly emerging risks? If there are changes in risks and opportunities, please let me know.

Tanaka [A]: No major risks have arisen in the recent past. However, while this isn't a short-term perspective, the recent rise in gold prices will inevitably lead to increased costs for our customers in the electronic device manufacturing industry and related sectors. Looking ahead, it is only natural to expect a shift toward reducing the use of gold in the medium to long term. Consequently, we recognize this as a medium- to long-term risk for our company. That is all from me.

Matsuda [A]: With regard to precious metal materials, there has been a movement for some time to reduce the use of gold, in other words, to avoid using expensive metals as much as possible.

Therefore, although reducing the use of gold has progressed considerably over the past 20 to 30 years, the recent rise in the price of precious metals, especially gold, poses a significant risk to customers who use gold as a material.

Naturally, there is a possibility that this trend to reduce the use of gold will continue. However, even considering that, expanding the market or developing corresponding technologies, such as methods to extract gold from low-grade or low-concentration ore, must be properly established. I believe these will become key challenges moving forward. We would like to respond to such things.

Tanaka [M]: That concludes our answer. Let's move on to the next question.

Participant [Q]: In the current medium-term management plan, I believe the idea was to actively invest in growth and realize the results in the next medium-term management plan. Do you still hold that view right now?

Tanaka [A]: I will answer this one first as well. We are currently planning a cumulative investment of JPY30 billion over the next four years.

As I explained earlier, we are now making steady progress in accordance with the plan, and although we expect the investment amount to increase by a little less than JPY5 billion due to soaring material prices, we intend to proceed firmly in terms of the details.

Furthermore, as a significant portion of the investments made under this medium-term management plan is aimed at realizing the next medium-term plan and generating cash flow thereafter, our fundamental approach remains unchanged, as you inquired.

Therefore, we would like to realize the results of the investments we made during the current four-year medium-term plan period from the next medium-term plan onward. That is all.

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Tanaka [M]: Next question.

Participant [Q]: I think you were working on a recycling business for rechargeable batteries. Could you update us on this?

Tanaka [A]: Yes. Our company has been involved in lithium-ion battery recycling relatively early on within Japan, establishing what you might call a transaction framework for this business.

Currently, we have basically established a scheme for transactions, and we are working on a scheme to enhance this scheme.

On the other hand, in terms of the external environment, the volume of lithium-ion batteries from end-of-life vehicles is not expected to increase for some time yet, so we are currently engaged in the recovery and recycling of batteries from the manufacturing stage. That side of the business is still minor in terms of impact on business performance, but we are making good progress in terms of content.

Regarding the recycling of lithium-ion batteries, this is also a matter of great importance for Japan's economic policy. While the industry often refers to "battery-to-battery" recycling, we intend to leverage our recycling capabilities to steadily advance preparations for the future. That is all from me.

Matsuda [A]: Regarding lithium-ion batteries, the treatment volume is gradually increasing. I think we can expand steadily, though.

In addition, we are aware that there have been various accidents related to the safety of lithium-ion batteries in recent years, so we believe that we must establish a system to ensure that lithium-ion batteries can be safely handled. That is all.

Tanaka [M]: Okay. Let's move on to the next question.

Participant [Q]: What is the current situation of the overseas business of precious metal recycling?

Tanaka [A]: We have been expanding our precious metal recycling business overseas for quite some time now, establishing overseas subsidiaries mainly in Southeast Asia.

Currently, in addition to doing business with Japanese manufacturers, we are fully utilizing the capabilities of our overseas subsidiaries to expand our business with foreign-affiliated customers as well.

Southeast Asia is a major base for the manufacture of electronic components and semiconductors, and we intend to continue to focus our efforts on this area in the future. That is all for my response.

Matsuda [A]: During the COVID-19 pandemic, there was a period when sales of office automation equipment, etc., were quite strong. Along with that, I think there was a period when sales of electronic components were also very strong a few years ago. However, after a lull in sales, things calmed down, and now that we are here again, there is a sense that overseas customers are taking the lead.

I don't think this is an extreme move, but we want to make sure that we don't miss anything in our sales activities. When it comes to overseas business, I think it is necessary to capture customers with overseas capital rather than Japanese capital.

I believe that this system is gradually being established, and I have the impression that it is beginning to produce results. This is our answer.

Tanaka [M]: Let's move on to the next question.

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Participant [Q]: Regarding China's ban on seafood imports, the situation remains fluid. Please inform us of your company's initial response and the outlook going forward.

Tanaka [A]: We are, of course, aware of the recent embargo on seafood products by China.

Since our sales to China have been relatively limited from the beginning, we do not believe that the embargo will have a significant impact on our business conditions or performance at this point in time.

That said, China remains a major consumer market for such products, including future prospects. Therefore, from the perspective of the future market, we hope these issues can be resolved as soon as possible.

At this point in time, there is no significant impact on the Company's business situation. Therefore, we are aware that this is not something that requires a particular initial response. That concludes my response.

Matsuda [A]: We are in a very tense political situation with China, and to be honest, we are hoping that it will not affect our commercial distribution.

Regarding China, purchases and imports overwhelmingly dominate over sales, so we do not currently anticipate a significant impact from this aspect.

Even if there is some kind of impact, I believe that we must be able to establish a system that will allow us to properly operate alternatives from other countries.

Tanaka [M]: That is all for our answer. We will now move on to the next question.

Participant [Q]: Can you tell us two or three challenges that your company faces as you aim for growth?

Tanaka [A]: This year is the final year of our four-year medium-term plan, and we are currently working on the next medium-term management plan, which will naturally include a growth strategy.

We are currently analyzing and grasping the underlying challenges involved, so it is difficult to discuss specifics at this stage. However, one challenge we recognize, as also mentioned earlier in the question regarding precious metals, is the need to expand our business overseas, particularly focusing on precious metal recycling operations.

In addition, after all, the food business segment already has a procurement network as one of its strengths here.

This is a network that has been cultivated with great effort in the past and continues to expand today. Through this network, we will maintain our ability to provide our customers with a stable supply of quality products. Considering that this will ultimately lead to our company's growth and differentiation, and will also contribute to our expansion, we believe this area remains a challenge. The further expansion of the procurement network.

Additionally, I would like you to understand that this applies to the entire Matsuda Sangyo Group. Over the past three years or so, we have indeed seen a significant weakening in our ability to generate operating cash flow, or overall cash flow.

This reflects the impact on operating cash flow stemming from rising precious metal prices in the external environment, which has increased working capital. However, as a company, it remains necessary to allocate the cash generated toward growth investments or shareholder returns. We are aware that the issue of how to improve our operating cash flow under these circumstances is an issue that we will have to address in the future. This concludes my response to your question.

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Matsuda [A]: As Tanaka just answered, regarding whether increased net sales putting pressure on operating cash flow is necessarily a bad thing, I don't believe it's inherently negative if it stems solely from business expansion. However, ultimately, we must ensure sufficient cash remains, so we will carefully consider this aspect as we manage the Company going forward.

Regarding what is truly important for growth, there is the matter of how effectively we address the carbon dioxide issue. Furthermore, customer needs have become highly complex, and when viewed globally, the laws and regulations, as well as tax systems, of each country have also become quite intricate.

In addition, we must provide our customers with services that integrate sales, logistics, and production in order to properly respond to their needs.

I have always felt that we need to refine such matters. We would like to take sufficient action on this issue as well.

Tanaka [M]: We only have a few minutes left, and that is all of the questions we have received. If you have any questions, we have some time to answer one more question. Anyone?

Since all of the questions have been answered, we would like to conclude the question-and-answer session. Thank you all for your questions.

Matsuda [M]: Thank you very much for gathering here today. In order to meet your expectations, we will continue to make further efforts to enhance our corporate value. We look forward to your continued support and encouragement. Thank you for your attention.

Moderator [M]: Now that it is closing time, we will conclude the Q2 financial results briefing of Matsuda Sangyo Co., Ltd. for the fiscal year ending March 31, 2026.

Thank you very much for your participation today.

[END]

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