



Matsuda Sangyo Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2024

May 23, 2024

Event Summary

[Company Name]	Matsuda Sangyo Co., Ltd.
[Company ID]	7456-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2024
[Fiscal Period]	FY2024 Annual
[Date]	May 23, 2024
[Number of Pages]	31
[Time]	14:00 – 14:48 (Total: 48 minutes, Presentation: 31 minutes, Q&A: 17 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2
	Yoshiaki Matsuda President
	Yoshinori Tanaka Executive Officer, General Manager of CSR IR Department

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Presentation

Matsuda: Thank you all very much for attending our financial results presentation today. I am Yoshiaki Matsuda, President of Matsuda Sangyo.

Contents

1. Overview of Consolidated Financial Results
 2. Progress Status of the Medium-term Management Plan (FY2022 – 2025)
 3. Segment Results and Forecast for the Next Fiscal Year
- Appendix**

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I will now report on the financial results for FY2024. Today, we will explain the process as you see. First, I will give 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.

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Key Points of the Financial Statements Briefing for the Year Ended March 31, 2024



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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.

In FY2024, although sales increased while profits decreased due to the significant impact of lower profits in the precious metals business, net sales reached record levels in both the precious metals business and the food business segment.

As for management indices, ROE was 8.3% and ratio of ordinary profit to total assets was 7.6%.

In addition, the Kitakyushu Factory, which we have been investing in for some time and which has precious metal recycling capabilities, has begun operations. In the first phase, we started with the logistics function and primary processing of precious metal raw materials. We will consider capital investment in phases, keeping abreast of market trends and customer needs.

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Consolidated Financial Results

Although net sales reached a record high, profit declined due to a fall in productivity in the electronic devices field and other factors.

	FY3/23	FY3/24	Year-on-year increase (decrease)	
			(billion yen)	
Net sales	351.0	360.5	+9.4	+2.7%
Operating profit	13.8	9.3	(4.4)	(32.3)%
Operating margin	3.9%	2.6%	(1.3)pt	-
Ordinary profit	13.8	10.5	(3.2)	(23.8)%
Profit attributable to owners of parent	9.6	7.2	(2.4)	(24.9)%
Earnings per share (yen)	371.7	280.2	(91.4)	(24.6)%
ROE	12.2%	8.3%	(3.9)pt	-

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

For FY2024, net sales increased 2.7% from the previous year to JPY360.5 billion, while operating profit decreased 32.3% from the previous year to JPY9.3 billion.

The decrease in operating profit was mainly due to a decline in the volume of precious metal recycling handled from the electronic device sector, the main customer of the precious metals business segment, as production declined due to inventory adjustments and other factors.

As a result, profit attributable to owners of parent decreased 24.9% from the previous year to JPY7.2 billion.

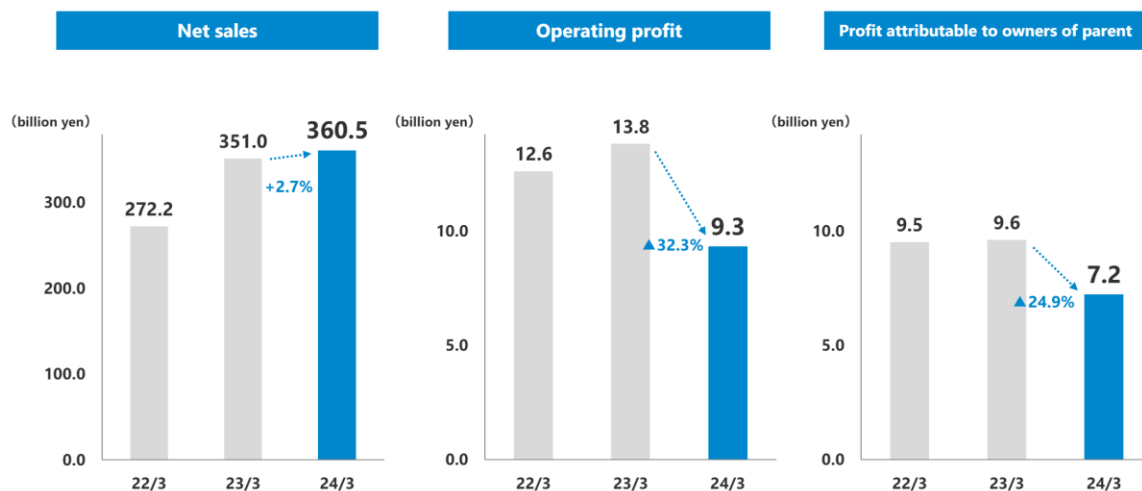
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Trends for Consolidated Financial Results



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The three-year trend of net sales, operating profit and net profit is shown below.

Consolidated Balance Sheet

Assets		(billion yen)		
	March 31, 2023	March 31, 2024	Increase (decrease)	Main reasons for change
Current assets	89.3	102.3	+12.9	(+) Increase in accounts receivable-trade and inventories
Non-current assets	39.8	46.6	+6.7	(+) New installation of factory equipment (Kitakyushu, Iruma)
Total assets	129.2	148.9	+19.7	
Liabilities				
	March 31, 2023	March 31, 2024	Increase (decrease)	Main reasons for change
Current liabilities	27.8	44.5	+16.6	(+) Increase in short-term loans payable
Non-current liabilities	16.6	13.0	(3.6)	(-) Repayment of long-term loans payable
Interest-bearing debt	19.2	29.4	+10.1	
Total liabilities	44.5	57.5	+13.0	
Net assets				
	March 31, 2023	March 31, 2024	Increase (decrease)	Main reasons for change
Total net assets	84.6	91.3	+6.7	(+) Increase in retained earnings
Total liabilities and net assets	129.2	148.9	+19.7	
Shareholders' equity ratio	65.4%	61.2%		

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Next, I will explain the consolidated balance sheet.

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Current assets increased by JPY12.9 billion due to an increase in notes and accounts receivable-trade and inventories, and fixed assets increased by JPY6.7 billion due to the construction of new plant facilities in Kitakyushu and the Iruma area, etc. Total assets increased by JPY19.7 billion from the end of the previous period to JPY148.9 billion.

Total liabilities amounted to JPY57.5 billion, up JPY13 billion from the end of the previous period, as long-term liabilities decreased JPY3.6 billion due to the repayment of long-term debt, while current liabilities increased JPY16.6 billion due to an increase in short-term debt.

Net assets increased JPY6.7 billion from the end of the previous period to JPY91.3 billion, mainly due to an increase in retained earnings.

Consolidated Cash Flow Statements

(billion yen)				
	FY3/23	FY3/24	Increase (decrease)	Summary
Cash flows from operating activities	10.6	1.8	(8.8)	Increase in profit before income taxes, depreciation, and accounts payable-trade, increase in accounts receivable-trade and inventories, and income taxes paid
Cash flows from investing activities	(12.1)	(7.9)	+4.2	New installation of factory equipment (Kitakyushu, Iruma)
Free cash flows	(1.5)	(6.1)	(4.5)	
Cash flows from financing activities	1.3	8.0	+6.7	Increase in short-term loans payable, repayment of long-term loans payable, payment of dividends, and purchase of treasury shares
Net increase (decrease) in cash and cash equivalents	0.3	2.6	+2.3	
Cash and cash equivalents at end of period	11.7	14.4	+2.6	

Next, as for the consolidated statement of cash flows, the business performance and balance sheet results are as you see now, but free cash flow has been negative for two consecutive periods, partly because we have been aggressively investing in growth with a medium- to long-term perspective.

The operating cash flow for FY2024 is also affected by approximately JPY2.2 billion due to the end of the fiscal year falling on a holiday.

The consolidated financial results are summarized above.

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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 Forecast	FY25 Target
Net sales	187.1	238.2	351.0	360.5	380.0	300.0
Operating profit	4.2	9.0	13.8	9.3	10.0	13.0
Operating margin	2.2%	3.7%	3.9%	2.6%	2.6%	4.3%
ROE	5.6%	10.0%	12.2%	8.3%	7.8%	9.0%
ROA (Ratio of net assets to ordinary profit)	6.0%	9.4%	11.3%	7.6%	-	10.0%

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I will continue with an overview of 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. In the first fiscal year of the four-year plan, we temporarily achieved our targets with the exception of the operating margin, but in the second fiscal year, FY2023, we saw a decrease in profits as explained earlier, and although we continued to achieve our net sales targets, operating profit, operating margin, and capital efficiency fell short of them.

The reason for this is the deterioration of the external environment in the precious metals business segment. However, since we expect the external environment to recover in FY2024 and beyond, we intend to accurately grasp the increased opportunities and make improvements.

In order to achieve the management targets of the mid-term plan, we will steadily pursue our growth strategy, recognizing that improving profitability and capital efficiency is an issue along with quantitative expansion of the precious metals business segment.

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Basic Policy

With the Precious Metals Business Segment and Food Business Segment as the driving forces of growth...

- **Strengthen revenue base** and **create new revenue sources** by continuing with proactive investments
- **Strengthen management foundation** to support and accelerate sustainable growth
- **Enhance corporate value** by promoting **ESG management**

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

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Growth Strategy (Roadmap)

		FY2023 (Results)	FY2024 (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	
	Expansion of production infrastructure toward expansion of business scale and domains	Expansion into Kitakyushu	Start of Phase 1 operation of the Kitakyushu Factory
Food Business Segment Best partner for customers in product development	Global expansion and growth of procurement network	Start of operation of Matsuda Sangyo Trading India Pvt. Ltd. (India base)	Expansion of PT Matsuda Sangyo Trading Indonesia (Indonesia base)
	Customer-based sales and creation of new businesses/trade areas	Operation of Shizuoka Sales Satellite Office	Building and reinforcement of supply chain functions
Strengthening management foundation	Reinforcing management functions and improving productivity through the utilization of IT	ERP renewal	
	Promotion of human capital management	DX promotion (digital democratization)	
	Initiatives toward improving capital efficiency	Creation of management talent Creation of workplace environments where diverse human resources can participate actively	
	Promotion of sustainability management	Strengthening business portfolio management	
		Initiatives toward decarbonization Improvement of labor environment (RBA)	

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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 plan to develop the Kitakyushu Factory and renew the Iruma area.

In the food business segment, we have been promoting the operation of a base in India to expand our global operations and procurement network, and in FY2024, we will also promote the development of a base in Indonesia, where we have already established a base.

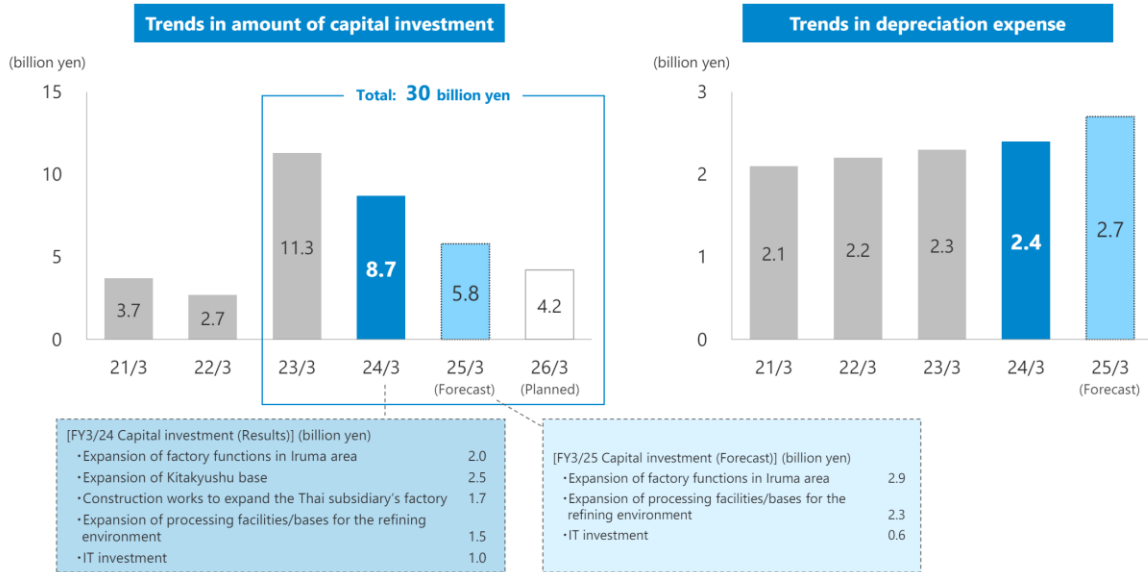
In addition, to strengthen our management foundation, we will actively promote initiatives for human capital management and sustainability management, including investments, while continuing our efforts to improve capital efficiency, which we started in FY2023.

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Next, I will explain the status of capital investment.

For FY2024, we invested approximately JPY8.7 billion in the expansion of plants in the Iruma area of Saitama Prefecture and our Thai subsidiary, the development of a base in Kitakyushu, and refining environmental treatment facilities, in order to improve and expand our production infrastructure in anticipation of future business expansion.

Capital investment in the fiscal year ending March 31, 2025, as in the fiscal year ended March 31, 2024, will total approximately JPY5.8 billion for expansion of plant functions in the Iruma area and refining environmental treatment facilities.

Depreciation and amortization expenses totaled JPY2.4 billion for FY2024. For FY2025, we expect an increase of about JPY300 million to about JPY2.7 billion. Since we plan to invest a total of JPY30 billion over the four-year period of our medium-term management plan, we plan to invest a total of JPY10 billion over the two-year period beginning in FY2025.

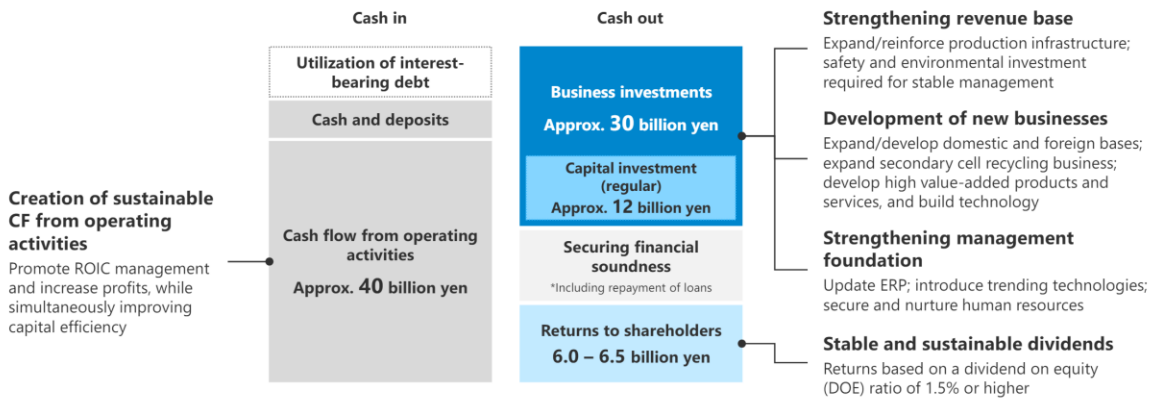
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Capital Policy

- 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 Medium-term Management Plan (Cumulative for FY2022-2025)>



This is the basic policy for capital policy, which we also explained last November, and our assumptions for the allocation of funds during the period of the medium-term management plan.

We expect to generate approximately JPY40 billion in operating cash flow over the next four years, which we will use to invest approximately JPY30 billion in business investments, including routine investments, and to return JPY6 billion to JPY6.5 billion to shareholders, taking into account the need to ensure financial soundness.

Our policy on dividends is to return a DOE ratio of 1.5% or more to shareholders.

Although there is a slight gap between our initial operating cash flow projection of approximately JPY40 billion and our forecast given the decrease in profit for FY2024, we will work to increase profits and improve capital efficiency with the aim of generating a sustainable operating cash flow.

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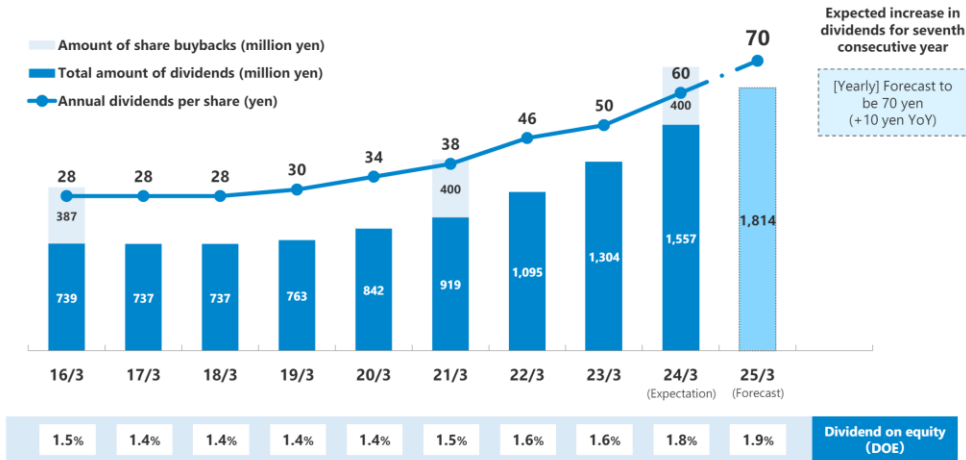
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Shareholder Returns

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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Following the capital policy, I would like to explain about shareholder returns and dividends.

Under the shareholder return policy that you have seen, we plan to pay an interim dividend of JPY30 and a year-end dividend of JPY30 for FY2024, for a total annual dividend of JPY60.

For FY2025, we expect to pay a total annual dividend of JPY70 per share, consisting of an interim dividend of JPY35 per share and a year-end dividend of JPY35 per share, an increase of JPY10 per share over the previous fiscal year. Including the forecast for the next fiscal year, this will be the seventh consecutive year of dividend increases.

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Materiality (Important Issues)

In FY2023, we continued promoting initiatives to address the materiality (important issues) identified, in order to fulfil the Group's purpose.

	Materiality (important issues)	Results of initiatives in FY2023
Environment	<p>Striking a balance between reducing environmental burden and business growth</p> <p>(1) Energy consumption and greenhouse gas emissions (2) Emissions into the atmosphere (3) Hazardous substances (4) Solid waste (5) Pollution prevention and resource reduction (6) Water management (7) Biodiversity</p>	<ul style="list-style-type: none"> □ Obtained third-party assurance on GHG emissions □ Promoted GHG emissions reduction measures <ul style="list-style-type: none"> (1) Started purchasing 100% renewable energy for the Production Departments (2) Reviewed the electrification of equipment □ Introduced internal carbon pricing system □ Promoted efforts in international initiatives <ul style="list-style-type: none"> (1) Rated B on CDP score (2) Acquisition of SBT certification
Society	<p>Acceleration of growth through the activities of diverse human resources</p> <p>(1) Right person for the right job (2) Diversity and innovation (3) Work-life balance</p> <p>Enhancement of customer satisfaction and securing the trust of society</p> <p>(1) Provision of accurate information on products and services (2) Securing product safety and reliability (3) Partnership with suppliers</p>	<ul style="list-style-type: none"> □ Implementation of female empowerment promotion program □ Continued implementation of career development support based on age groups □ Development of RBA compliance system □ Implementation of ISO management program □ Preparation for the implementation of supplier engagement

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I would like to conclude by informing you of the materiality initiatives that our group is undertaking to enhance our corporate value.

Regarding environmental issues, in FY2023, we obtained third-party guarantees for GHG emissions and are promoting measures to reduce GHG emissions, including the purchase of renewable energy. We also made progress in introducing the ICP system and responding to international initiatives.

In terms of social issues, we are implementing a program to promote the advancement of women and developing a system to comply with the RBA Code of Conduct, which is an international standard for human rights, labor, etc. In addition, supplier engagement, including human rights due diligence, has been prepared for implementation.

Along with contributing to society through business expansion, we will continue to actively address these important issues.

I would like to conclude my presentation with a request for your continued support. The IR representative will continue with an explanation of business results by segment and the outlook for the next fiscal year.

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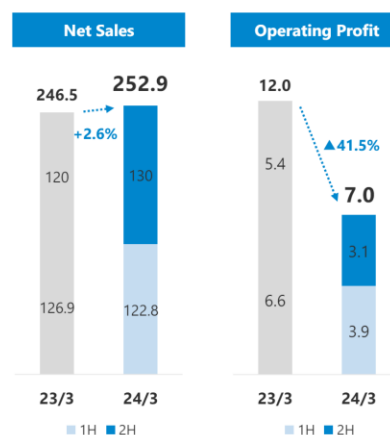
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Precious Metals Business Segment (Overview of Financial Results)

Net sales increased due to an increase in precious metals recycling volume from the jewellery sector as well as the steady market price of gold. However, operating profit fell due to the impact of a decline in precious metals recycling volume in the electronic devices field.

	FY3/23	FY3/24	Increase (decrease)	
			(billion yen)	
Net sales	246.5	252.9	+6.3	+2.6%
Operating profit	12.0	7.0	(5.0)	(41.5)%
Operating margin	4.9%	2.8%	(2.1)pt	-



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Tanaka: My name is Tanaka, and I am in charge of IR. From here, I will explain each segment's performance for FY2024 and the outlook for FY2025.

With regard to results by segment, I will first explain the precious metals business segment.

Net sales increased 2.6% from the previous year to JPY252.9 billion, but operating profit decreased 41.5% to JPY7 billion.

The decrease in operating profit in this segment was largely due to the external environment, including stagnant production conditions in the electronic device sector of the electronics industry, which is the main customer base for the precious metals recycling, product sales, and contract industrial waste disposal services.

Net sales increased due to a significant increase in the volume of precious metal recycling from the jewelry sector, steady catalyst-related sales, and a sharp rise in gold prices. However, the recycling of precious metals from the jewelry sector, which saw an increase in volume handled, is a relatively low value-added raw material of high precious metal purity, so it did not offset the impact of the volume decline in the electronic devices sector, resulting in a decline in absolute profits. In addition, the increase in costs such as fixed manufacturing costs and SG&A expenses resulted in a significant decrease in operating profit.

In terms of volume, except for gold products, which saw an increase in the jewelry sector, the volume of gold and silver products decreased.

On the cost front, fixed manufacturing costs and SG&A expenses increased approximately JPY1.2 billion from the previous year due to an increase in labor costs, including wage increases, as well as an increase in energy-related costs, such as electricity costs due to price hikes.

Depreciation and amortization expenses increased approximately JPY100 million from the previous period.

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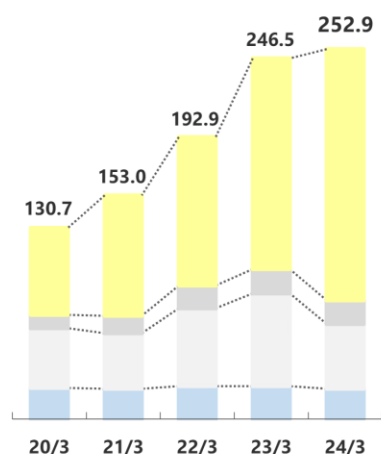
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Precious Metals Business Segment (Net Sales by Item)

Despite a decline in the sales volume of silver and platinum group metal products, the increase in gold prices and other factors contributed to a year-on-year increase in overall net sales of 6.3 billion yen.



	(billion yen)			
	FY3/24	Increase (decrease)		Reasons for increase (decrease)
Gold	171.7	+27.7	+19.2%	Quantity increased by 0.0% and prices increased by 19.2%
Silver	16.1	(0.4)	(2.6)%	Quantity decreased by 17.7% and prices increased by 15.2%
Platinum group	44.3	(19.1)	(30.2)%	Quantity decreased by 12.9% and prices decreased by 17.3%
Other	20.7	(1.8)	(8.1)%	Industrial waste processing decreased by 8.0%, decrease in electronic materials and other products

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I would like to supplement the net sales of the precious metals business segment by product category.

Net sales of gold products, which account for 68% of the business's total sales, increased 19.2%, or JPY27.7 billion, from the previous fiscal year, largely due to higher prices.

In terms of volume, the decrease in the electronic devices sector was offset by an increase in the jewelry sector, resulting in a slight increase.

For silver products, sales decreased by 2.6%, or about JPY400 million, from the previous fiscal year. Although price increases boosted sales by about 15.2%, volume factors reduced sales by 17.7%, resulting in a slight decrease in sales.

Sales of platinum group products decreased by 12.9% in volume and 17.3% in price, for a total decrease of 30.2%, or approximately JPY19.1 billion, due to a decline in both volume and price.

Although the percentage of decline in precious metal product volumes varied by product category, this was due to the jewelry sector for gold products and the catalyst sector for platinum group products, which were offset by the non-electronic device sector.

Other sales were affected by a decrease in nonferrous metals generated from precious metal recycling, a decrease in contracted industrial waste disposal, and a decrease in electronic materials and other products handled by the trading company function. This was also affected by the decline in production in the electronic device sector.

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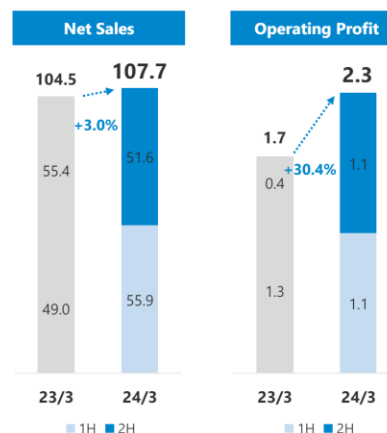
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Food Business Segment (Overview of Financial Results)

Despite rising raw material prices and transportation and storage costs, steady price pass-through and sales volume expansion led to higher revenues and income.

	FY3/23	FY3/24	Increase (decrease)	
				(billion yen)
Net sales	104.5	107.7	3.1	+3.0%
Operating profit	1.7	2.3	0.5	+30.4%
Operating margin	1.7%	2.1%	+0.5pt	-



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Next, we turn to the food business segment. Net sales in this segment increased 3% from the previous year to JPY107.7 billion, and operating profit rose 30.4% from the previous year to JPY2.3 billion.

In terms of the external environment for this business, restrictions on food products for commercial use showed signs of recovery due to the lifting of restrictions on COVID-19 and the expansion of inbound demand, but personal consumption was weak due to a series of price hikes against the backdrop of rising raw material prices and other factors.

Despite these circumstances, we were able to flexibly respond to increasingly diverse customer needs by leveraging our procurement capabilities, and in addition, we were able to pass on higher raw material prices and a weaker yen to our customers, which resulted in higher sales and profits.

In terms of volume, with the exception of seafood products, for which demand was sluggish, sales volume increased, and prices generally rose as a result of changes in market conditions and the shift of prices, resulting in a 3% increase in net sales and a new record high in sales.

In terms of costs, SG&A expenses increased by about JPY500 million from the previous year due to increases in labor, transportation, and storage costs, but both volume and price contributed to an increase in net sales, resulting in a JPY500 million increase in operating profit compared to the previous year.

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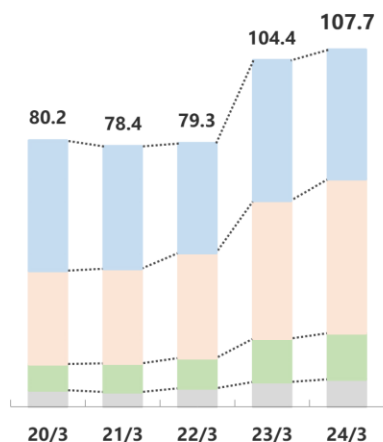
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Food Business Segment (Net Sales by Item)

Although sales volume of marine products decreased, sales volume of livestock products and agricultural products increased and sales prices rose, resulting in a year-on-year increase in overall net sales of 3.1 billion yen.



	FY3/24	Increase (decrease)		Reasons for increase (decrease)
Marine products	38.9	(3.1)	(7.5)%	Quantity decreased by 6.4% and prices decreased by 1.1%
Livestock products	46.4	+4.9	+11.8%	Quantity increased by 3.1% and prices increased by 8.7%
Agricultural products	13.9	+1.6	+13.4%	Quantity increased by 3.3% and prices increased by 10.1%
Other	8.2	(0.2)	(2.9)%	Quantity decreased by 1.9% and prices decreased by 0.9%

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We would like to supplement net sales of food business segment by item.

Seafood products decreased 6.4% in volume and 1.1% in price from the previous year, for a total decrease of 7.5% or JPY3.1 billion. Demand for seafood products was generally sluggish, and both volume and prices were poor.

Livestock products contributed 3.1% to the increase in volume and 8.7% to the increase in price, for a combined 11.8%, or JPY4.9 billion increase in sales.

The increase in volume is mainly related to pork, but the increase in net sales is also due to factors such as the impact of higher egg prices on the price side.

Sales of agricultural products increased 3.3% in volume and 10.1% in price, for a combined 13.4%, or JPY1.6 billion increase. Both frozen and dried vegetables were the result of procurement and other factors that matched customer needs.

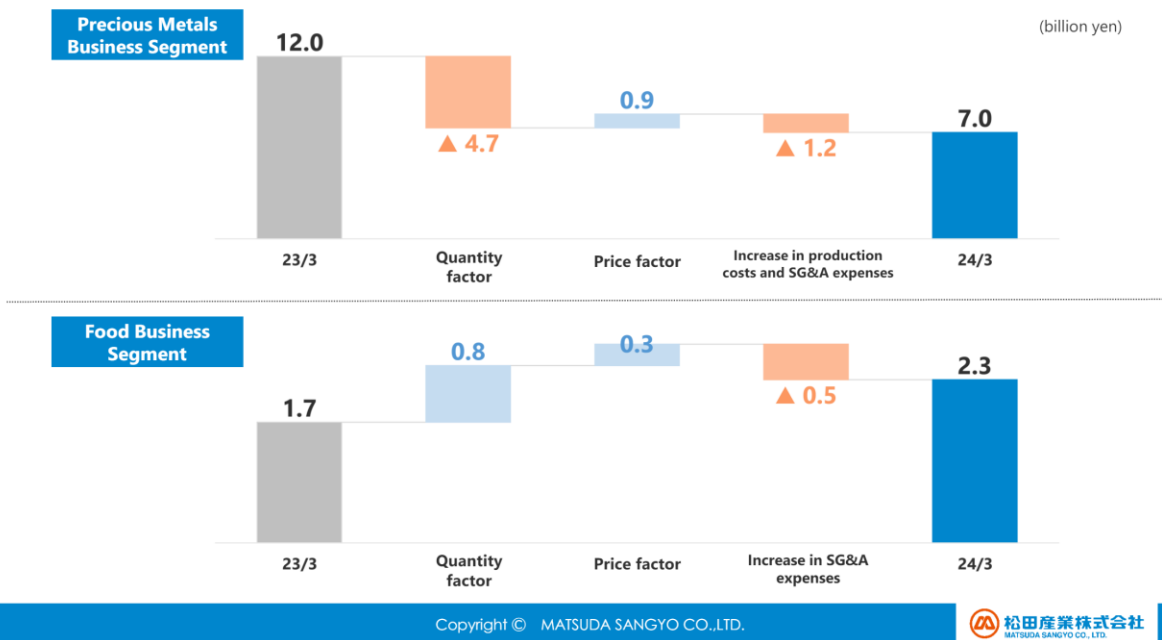
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Changes in Operating Profit



Next, I would like to supplement the overview of the factors that contributed to the increase or decrease in operating profit compared to the previous fiscal year.

Operating profit in the precious metals business segment decreased by about JPY5 billion from the previous year, but the volume declined in the electronic devices sector, which resulted in a decline in profit of about JPY4.7 billion.

The impact of the precious metals market, such as the rise in gold prices, contributed approximately JPY0.9 billion to the increase in operating profit, but including an increase of approximately JPY1.2 billion in manufacturing and SG&A expenses, operating profit decreased by JPY5 billion.

Operating profit in the food-related business increased about JPY600 million from the previous year, but volume and price factors boosted profits by roughly JPY800 million and JPY300 million, respectively, leading to a JPY600 million increase in operating profit despite a roughly JPY500 million increase in SG&A expenses.

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Forecast of Consolidated Financial Results for FY3/25

We forecast an increase in both sales and profit in FY3/25, against the backdrop of an improvement in the production situation with the recovery in demand in the electronic devices field.

(billion yen)

	FY3/24 Results	FY3/25 Forecast	Increase (decrease)	
Net sales	360.5	380.0	+19.4	+5.4%
Operating profit	9.3	10.0	+0.6	+6.9%
Operating margin	2.6%	2.6%	+0.0	-
Ordinary profit	10.5	11.0	+0.4	+4.3%
Profit attributable to owners of parent	7.2	7.6	+0.3	+4.3%
Earnings per share (yen)	280.2	293.2	+13.0	+4.6%
ROE	8.3%	7.8%	(0.5)pt	-

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Next, I will explain our consolidated earnings forecast for FY2025.

Net sales increased 5.4% YoY to JPY380 billion, operating profit increased 6.9% to JPY10 billion, and ordinary profit increased 4.3% to JPY11 billion. As a result, net profits is projected to increase 4.3% from the previous year to JPY7.6 billion, with higher revenues and profits.

The external environment, namely, the recovery of production in the field of electronic devices in the precious metals business segment, has had a significant impact on the forecast of increased sales and profit. Naturally, we will strive to expand our market share and acquire new customers while ensuring that we capture the improvement in the external environment.

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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 against the backdrop of improved production conditions in the electronic devices field.

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)

		FY3/24 Results	FY3/25 Forecast	Increase (decrease)	
Net sales	Precious Metals Business Segment	252.9	268.0	+15.0	+6.0%
	Food Business Segment	107.6	112.0	+4.3	+4.1%
	Total	360.5	380.0	+19.4	+5.4%
Operating profit	Precious Metals Business Segment	7.0	7.7	+0.6	+9.3%
	Food Business Segment	2.3	2.3	(0.0)	(0.6)%
	Total	9.3	10.0	+0.6	+6.9%

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This is the forecast for each segment.

In the precious metals business segment, we forecast a 6% increase in net sales to JPY268 billion and a 9.3% increase in operating profit to JPY7.7 billion as we expand the volume of precious metals recycling handled, the sales volume of manufactured goods, and contracted industrial waste treatment.

In the food business segment, we forecast a 4% increase in net sales to JPY112 billion, mainly due to an increase in sales volume, but we expect operating profit to remain mostly unchanged, including an increase in SG&A expenses.

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Assumptions Used in the Forecast of Financial Results

	Precious Metals Business Segment	Food Business Segment
Forecast of FY3/25 financial results	Net sales: 268.0 billion yen (+15.0 billion yen YoY) Operating profit: 7.7 billion yen (+0.6 billion yen YoY)	Net sales: 112.0 billion yen (+4.3 billion yen YoY) Operating profit: 2.3 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 FY3/24	Assumed to fall to the level of average prices for FY3/24
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	

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Next, I will provide an overview of the assumptions underlying the forecast.

As you can see in the assumptions for the forecast, in the precious metals business segment, the external environment is still the focus of attention, but we expect a gradual recovery in production in the electronic device sector from H2, roughly from early fall. Accordingly, we expect our business performance to recover toward H2.

In the food business segment, in terms of the external environment, we basically do not expect an increase in volume due to the expansion of domestic demand for food products, so we do not anticipate such an increase, but expect an increase in sales volume by expanding our market share and acquiring new customers by taking advantage of our strengths.

In addition, since there is a great deal of uncertainty regarding future assumptions for both precious metals and food raw material prices, sales prices are assumed based on historical information as shown in the table below.

Next, regarding capital investment, we are assuming that this will be carried out in line with the medium-term management plan, but as mentioned earlier, we expect depreciation expenses to increase by approximately JPY300 million.

In addition, with respect to the promotion of sustainability management and IT investments, the Company plans to address measures such as those described in the assumptions. In the short term, the increase in costs will lead to a decrease in operating profit, but we will continue to aggressively implement these measures with a view to the medium to long term.

That concludes my explanation, and I will now be happy to answer any questions you may have.

As reference materials, we have also included the current status of the Kitakyushu Plant and, although we did not explain it, materials on material recycling of PTP sheets, which is a service that reduces environmental impact.

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We also have forecasts for H1 and H2, as well as trends in the precious metals market, which we hope you will find useful.

This will end my explanation. Thank you very much for your attention.

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Question & Answer

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

Participant [Q]: First of all, P/B ratio is below 1 times, but how are you planning to make it improve?

I will respond to this question.

As you mentioned, we are aware of the fact that our P/B ratio is less than 1 times. One of the measures we are considering is to raise the return on capital, such as ROE, in order to improve capital efficiency, as we explained at the briefing last November.

In addition, we have also set forth the appropriate implementation of our capital policy, including the enhancement of shareholder returns.

Also, we will strengthen our investor relations function, including dialogue, to ensure that our sustainable growth potential is fully understood. We will strive to improve PBR by taking these three measures. That is all from me.

Matsuda [A]: Dividends and share buybacks will also affect P/B ratios, but we will take this into consideration when deciding how to pay dividends in the short term and how to conduct share buybacks in the long term, while carefully considering capital efficiency. That is all from me.

Tanaka [M]: I will move on to the next question.

Participant [Q]: You are assuming that the semiconductor industry will recover in the future, but would you please tell us about our assumptions and the timing of the impact on our performance and the scale of that impact?

Tanaka [A]: As I mentioned earlier in the assumptions for the forecast for FY2025, the external environment for the precious metals business segment, which we call the electronic devices field, which includes semiconductors and electronic components, has been in a phase of production decline, and we expect that production will recover from this phase in FY2025.

As for the timing of the recovery, as explained earlier, we expect it to begin in early fall or H2. The scale of the recovery is also uncertain, but we expect it to be gradual.

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Forecast of Financial Results

(billion yen)

	FY3/24 Results			FY3/25 Forecast			Increase (decrease)				
	1H	2H	Full year	1H	2H	Full year	1H	2H	Full year	2H	
Net sales	Precious Metals Business Segment	122.8	130.0	252.9	132.0	136.0	268.0	+9.1	+7.5%	+5.9	+4.5%
	Food Business Segment	55.9	51.6	107.6	54.0	58.0	112.0	(1.9)	(3.5)%	+6.3	+12.3%
	Total	178.7	181.7	360.5	186.0	194.0	380.0	+7.2	+4.0%	+12.2	+6.7%
Operating profit	Precious Metals Business Segment	3.9	3.1	7.0	3.4	4.3	7.7	(0.5)	(13.4)%	+1.1	+37.9%
	Food Business Segment	1.1	1.1	2.3	1.1	1.2	2.3	(0.0)	(5.0)%	+0.0	+3.9%
	Total	5.0	4.2	9.3	4.5	5.5	10.0	(0.5)	(11.5)%	+1.2	+28.7%

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As a result, we have added forecasts for H1 and H2 in the appendix and the reference materials. We hope you will take a look at the operating profit of the precious metals business segment in this section to get a sense of the timing and scale of the business. That is all from me.

Matsuda [A]: In the electronic components industry, I am not sure if I am allowed to say this, but I think that mobile-related and office automation equipment moved very well under the COVID-19 situation. After that demand subsided, the electronics industry did not show any signs of activity, or perhaps there was a bottoming out, but we think that FY2023 was the bottom, but since FY2024, we are seeing a gradual recovery. I believe that the spread of AI and other technologies will lead to considerable demand for this service in the future. That's all.

Tanaka [M]: I hope this answered your question. Now, let me move on to the next one.

Participant [Q]: What are your plans for the Kitakyushu Factory's contribution to the business performance from this fiscal year onward?

Tanaka [A]: First of all, I would like to answer the question about the Kitakyushu Factory, which has already started operation. In our earlier explanation, we mentioned that we started with the logistics function as the first step. Therefore, while there will naturally be a contribution to performance in the short term, it will not be a performance contribution that will have an impact.

In addition, we believe that our business performance will be closely related to the recovery of production in the electronic device field, and we will manage the Kitakyushu Factory while keeping a close eye on such factors.

We would like to make flexible and effective investments in the Kitakyushu Factory in order to achieve future business growth, while accurately grasping future market trends and customer needs, given its location in Kitakyushu.

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Matsuda [A]: Regarding Kitakyushu, I believe that the schedule for future investments will be a very long-term range. Initially, we will still strengthen the system related to logistics. After that, we will focus on primary processing, such as sorting and separating. After that, refining and other operations would be carried out. Therefore, we would like to invest in the long-term range from now on.

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

Kitakyushu Factory



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Participant [Q]: This is a little related to the topic of Kitakyushu Factory, but I would like to ask you about the appendix on page 27 and the reference materials. Please let us know what we can expect to see from the Kitakyushu Factory.

Tanaka [A]: I have already given an answer that is similar, so it may overlap a little. In Kitakyushu, we believe that it is important to accurately grasp the location of Kitakyushu, as well as the customers and needs of the entire Kyushu region. We would like to develop our business by responding flexibly to such needs.

Matsuda [A]: Recycling work involves extracting a small number of precious metals from a very large amount of material, so it is necessary to perform pretreatment in a large-scale workshop to raise the precious metal content as much as possible. In Kitakyushu, we have a fairly large area as a production section of our plant, and we will gradually strengthen the pre-processing facilities. Then, we intend to strengthen the equivalent back-end process, and so on.

Kitakyushu happens to be in the midst of a new wave of customers, so I think we can fully expect to provide services to such customers as well.

Tanaka [M]: I hope this answered your question. Let me move on to the next one.

Participant [Q]: I was wondering if you could disclose the ratio of revenue and profit, even if it is rough, for the current and future status of revenue and expenses for overseas business.

Tanaka [A]: We do not currently disclose the ratio of sales and profits between overseas and domestic segments, so I am afraid I will refrain from doing so.

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Overseas sales as a percentage of Matsuda Sangyo Group's total sales for FY2024 and the immediately preceding fiscal year were approximately 9% of total sales.

In terms of overseas business, we are aware that overseas markets are very large in terms of procurement and sales for both our precious metals business segment and food business segment, and we intend to expand overseas as aggressively as we have in Japan.

Matsuda [A]: In terms of overseas business, I think it will become more important to attract foreign-affiliated customers in addition to Japanese companies. We believe that the infrastructure, or rather the system, is now in place, and we have high expectations for it.

Participant [Q]: I think there are approaches to improve the corporate value and variation of the food division, or to detach the food business segment, in order to get the P/B ratio above 1 times. How do you see the current food business segment situation?

Tanaka [A]: First of all, I would like to answer that we are naturally not considering an approach to separate the food business segment at this stage. As for the variation in corporate value of the food business segment, we are proud that our food business segment, which is our trading company division, has relatively high profit margins as a benchmark in the trading company sector.

At the same time, in terms of improving capital efficiency, we will continue to improve the profit margin and other aspects of our approach, and as a result, increase corporate value.

Matsuda [A]: It is often said that the food and precious metals business are in different fields, but since we have been cooperating with each other for a long time, I think we have a great advantage in sharing fixed costs, especially in the administrative division. Also, especially in overseas business, I think we are in a very advantageous situation in terms of information sharing, etc. We would like to continue the synergy between these two areas in the future.

Tanaka [M]: That was our response. Are there any other questions?

It is a little early, but those are all the questions we have, so we will be a little early. Thank you very much for your questions. This concludes the question-and-answer session.

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.

Moderator [M]: That concludes the presentation of Matsuda Sangyo Co., Ltd.'s full-year financial results for the fiscal year ended March 31, 2024. Thank you very much for joining us today.

[END]

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