



**Matsuda Sangyo Co., Ltd.**

**Six months ended September 30, 2024    Financial Statements Briefing Materials**

November 26, 2024

## Event Summary

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<b>[Company Name]</b>	Matsuda Sangyo Co., Ltd.	
<b>[Company ID]</b>	7456-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2025	
<b>[Fiscal Period]</b>	FY2025 Q2	
<b>[Date]</b>	November 26, 2024	
<b>[Number of Pages]</b>	22	
<b>[Time]</b>	14:00 – 14:52 (Total: 52 minutes, Presentation: 28 minutes, Q&A: 24 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Yoshiaki Matsuda	Representative Director, President
	Yoshinori Tanaka	Executive Officer/General Manager of CSR IR Department

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# Presentation

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**Moderator:** We will now begin the presentation of Matsuda Sangyo Co., Ltd.'s financial results for H1 of the fiscal year ending March 2025.

Thank you very much for taking time out of your busy schedule to attend today's financial results briefing.

We would like to make some requests and announcements on the occasion of the event. There will be time for questions and answers after the presentation. Due to time constraints, we may not be able to answer all questions. Please understand this in advance.

Yoshiaki Matsuda, President; and Yoshinori Tanaka, Executive Officer/General Manager of CSR IR Department, will now report on the financial results for H1 of the fiscal year ending March 2025.

**Matsuda:** Thank you all very much for attending our financial results presentation today.

I am Yoshiaki Matsuda, President of Matsuda Sangyo Co., Ltd. We will now focus on the details of the financial results for H1 of the fiscal year ending March 2025.

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1. Overview of Consolidated Financial Results
2. Segment Results and Forecast for the Full Year
3. Toward Realizing Management that is Conscious of Capital Costs and Stock Prices

## Appendix

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Today, we will explain in the flow as you see it. In the first half of this presentation, I will give an overview of the financial results for H1 of the fiscal year. After that, IR Manager Tanaka will explain the policy toward realizing management that is conscious of capital costs and stock prices, in addition to the business results by segment and the outlook for the full year.

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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 profits in the Food Business Segment.

(billion yen)

	FY3/24 1H	FY3/25 1H	Year-on-year increase (decrease)	
Net sales	178.7	222.1	43.4	24.3%
Operating profit	5.0	6.2	1.2	23.5%
Operating margin	2.8%	2.8%	(0)pt	-
Ordinary profit	5.8	6.5	0.7	12.0%
Profit attributable to owners of parent	4.0	4.6	0.6	13.8%

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

Net sales for H1 of the fiscal year ending March 2025 increased 24.3% YoY to JPY222.1 billion, and operating profit increased 23.5% to JPY6.2 billion.

By segment, in the precious metals business segment, both sales and income increased as a result of an increase in precious metals recycling volume from the jewelry sector and a firm gold market. In the food business segment, sales declined due to lower sales volume of livestock products and lower sales prices, but profits increased due to cost optimization through improved inventory turnover and price pass-through.

As a result, both sales and income increased YoY in H1 of the current fiscal year.

Profit attributable to owners of parent increased 13.8% YoY to JPY4.6 billion.

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## Consolidated Balance Sheet

Assets		(billion yen)		
	March 31, 2024	September 30, 2024	Increase (decrease)	Main reasons for change
<b>Current assets</b>	102.3	<b>108.3</b>	6.0	(+) Increase in inventories, associated with soaring precious metal market prices
<b>Non-current assets</b>	46.6	<b>48.1</b>	1.5	(+) New buildings (Iruma, Thailand) and machinery and equipment
<b>Total assets</b>	148.9	<b>156.5</b>	7.6	
Liabilities				
	March 31, 2023	September 30, 2024	Increase (decrease)	Main reasons for change
<b>Current liabilities</b>	44.5	<b>39.9</b>	(4.6)	(-) Repayment of short-term loans payable
<b>Non-current liabilities</b>	13.0	<b>19.9</b>	6.9	(+) Increase in long-term loans payable
<b>Interest-bearing debt</b>	29.4	<b>29.3</b>	(0.1)	
<b>Total liabilities</b>	57.5	<b>59.8</b>	2.3	
Net assets				
	March 31, 2023	September 30, 2024	Increase (decrease)	Main reasons for change
<b>Total net assets</b>	91.3	<b>96.6</b>	5.3	(+) Increase in retained earnings and foreign currency translation adjustment
<b>Total liabilities and net assets</b>	148.9	<b>156.5</b>	7.6	
<b>Shareholders' equity ratio</b>	61.2%	<b>61.6%</b>		

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Next, I will explain the consolidated balance sheet.

First, in the assets, current assets increased by JPY6 billion due to an increase in inventories, including a rise in precious metal prices, and non-current assets increased by JPY1.5 billion due to the construction of new buildings and production facilities at production sites. As a result, total assets increased JPY7.6 billion from the end of the previous period to JPY156.5 billion.

Total liabilities amounted to JPY59.8 billion, up JPY2.3 billion from the end of the previous period, as current liabilities decreased JPY4.6 billion due to repayment of short-term loans payable, while long-term liabilities increased JPY6.9 billion due to an increase in long-term loans payable.

Net assets increased JPY5.3 billion from the end of the previous period to JPY96.6 billion, mainly due to an increase in retained earnings.

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## Consolidated Cash Flow Statements

(billion yen)			
	FY3/24 1H	FY3/25 1H	Summary
Cash flows from operating activities	(2.0)	2.4	(+) Increase in profit before income taxes, depreciation, and accounts payable-trade (-) Increase in inventories, and income taxes paid
Cash flows from investing activities	(4.3)	(2.4)	(-) Purchase of property, plant and equipment
Free cash flows	(6.3)	0	
Cash flows from financing activities	4.6	(1.1)	(-) Repayment of short-term loans payable
Others	0.5	0.4	
Net increase (decrease) in cash and cash equivalents	(1.1)	(0.7)	
Cash and cash equivalents at end of period	10.6	13.7	

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Next is the consolidated cash flow statements.

Cash flows from operating activities for H1 of the current fiscal year increased by JPY2.4 billion, as an increase in funds due to an increase in profit before income taxes, depreciation, and accounts payable trade exceeded a decrease in funds due to an increase in inventories and income taxes paid.

Although the increase in inventories has been discussed on the previous page, the turnover period has improved as a result of working capital reduction efforts in both the precious metals business and food business segments.

As for cash flows from investing activities, expenditures amounted to JPY2.4 billion, mainly due to the purchase of tangible fixed assets such as plant and equipment.

Cash flows from financing activities decreased by JPY1.1 billion, mainly due to repayment of short-term loans payable.

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## Forecast of Full-Year Consolidated Financial Results

The forecast of financial results for the full year of FY3/25 has been revised upward as follows from the forecast published on May 13.

	FY3/24 Results	Initial forecast (Published on May 13)	Revised forecast (Published on November 5)	Increase (decrease) from initial forecast	Increase (decrease) YoY
	(billion yen)				
Net sales	360.5	380.0	<b>440.0</b>	60.0	22.0%
Operating profit	9.3	10.0	<b>11.7</b>	1.7	25.1%
Operating margin	2.6%	2.6%	<b>2.7%</b>	0.1pt	-
Ordinary profit	10.5	11.0	<b>12.5</b>	1.5	18.5%
Profit attributable to owners of parent	7.2	7.6	<b>8.7</b>	1.1	20.1%
Earnings per share (yen)	280.20	293.24	<b>337.61</b>	44.37	20.5%
ROE	8.3%	7.8%	<b>9.0%</b>	1.2pt	-

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I will conclude my presentation with an outlook for consolidated financial results for the full fiscal year ending March 2025.

On the fifth of this month, we announced a revision to our full-year earnings forecast announced on May 13.

Compared to our initial forecast, we have revised our net sales to JPY440 billion, up JPY60 billion, operating profit to JPY11.7 billion, up JPY1.7 billion, and profit attributable to owners of parent to JPY8.7 billion, up JPY1.1 billion.

We will supplement the forecast by segment later in this report.

That concludes my explanation, and the second half will be given by Tanaka, who is in charge of IR.

**Tanaka:** I am Tanaka, the executive officer in charge of IR.

I will now give an overview of our business performance for H1 of the fiscal year ending March 2025 and the outlook for the full year by segment.

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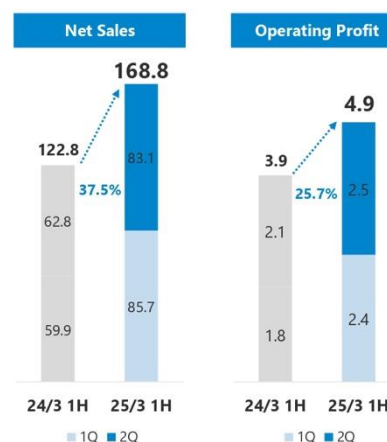
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## Precious Metals Business Segment (Overview of Financial Results)

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

	FY3/24 1H	FY3/25 1H	Increase (decrease)	
				(billion yen)
<b>Net sales</b>	122.8	<b>168.8</b>	46	37.5%
<b>Operating profit</b>	3.9	<b>4.9</b>	1	25.7%
<b>Operating margin</b>	3.2%	<b>2.9%</b>	(0.3)pt	-



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First of all, the precious metals business segment.

Consolidated net sales for H1 of the current fiscal year increased 37.5% YoY to JPY168.8 billion, and operating profit increased 25.7% to JPY4.9 billion.

In terms of net sales, the slowdown of operations in the electronic device manufacturing industry, our main customer base, had a significant impact on the precious metals recycling volume and the sales volume of our products. However, in addition to an increase in the precious metals recycling volume in the jewelry sector, the increase in the market prices of gold, silver, and other precious metals also contributed to the 37.5% increase.

Operating profit increased 25.7% YoY due to a rise in the market price of precious metals, although volume growth in the jewelry sector had a limited effect because recycling from this sector has a low added value.

The operating margin declined by about 0.3 percentage points, but this was due to a 1.4 percentage point decline in the gross profit margin, mainly reflecting an increase in volume in the jewelry sector, where profit margins are relatively low.

Factors for the increase or decrease in operating profit will be supplemented later.

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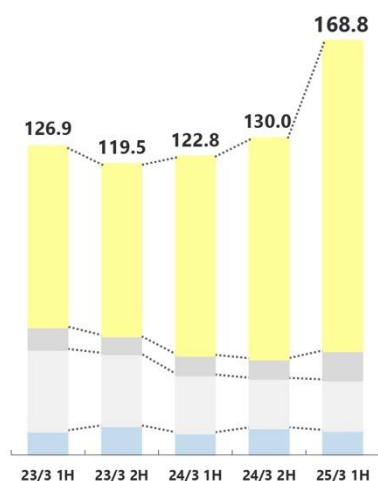
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## Precious Metals Business Segment (Net Sales by Item)

Rising gold prices and the increase in precious metals recycling volume from the jewelry sector contributed significantly to an increase in the sale of gold products. As a result, overall net sales increased by 46 billion yen year on year.



	(billion yen)			
	FY3/25 1H	Increase (decrease)		Reasons for increase (decrease)
<b>Gold</b>	<b>127.0</b>	+45.6	56.2%	Quantity increased by 16.9% and prices increased by 39.3%
<b>Silver</b>	<b>12.1</b>	4.0	49.3%	Quantity increased by 8.1% and prices increased by 41.2%
<b>Platinum group</b>	<b>20.8</b>	(3.1)	(13.0)%	Quantity decreased by 2.8% and prices decreased by 10.2%
<b>Other</b>	<b>8.9</b>	(0.5)	(5.3)%	Non-ferrous metals, industrial waste treatment, etc.

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I will now supplement the net sales of this segment by item. All comparisons of changes are with the same period of the previous year.

In H1 of this fiscal year, gold products accounted for about 75% of total net sales, followed by platinum group products at about 12% and silver products at about 7%. In H1 of last fiscal year, gold products accounted for about 66% of the total, indicating a marked increase in the jewelry sector.

Looking at the net sales increase and decrease for each item, net sales of gold products increased by 56%, with the quantity accounting for approximately 17% of the increase and the prices accounting for approximately 39% of the increase. In terms of quantity, the positive effect of the recovery of production in the electronic device sector was slight, but the recycling volume from the jewelry sector increased, which contributed to the increase in net sales. As for the prices, it is due to the rise in the precious metals market.

Net sales of silver products increased by about 49%. The breakdown of the increase is approximately 8% for the quantity and 41% for the prices, which is largely due to the increase in market prices.

Net sales of platinum group products decreased by 13%. By factor, the quantity decreased by about 3%, and the prices decreased by about 10%. The decrease in quantity was mainly due to a decline in the volume of catalysts and other recycled materials handled, while the decrease in prices was mainly due to a drop in the market price of palladium and other metals.

The other category includes a variety of nonferrous metals and industrial waste treatment, which are derivatives of precious metal recycling. Net sales decreased slightly.

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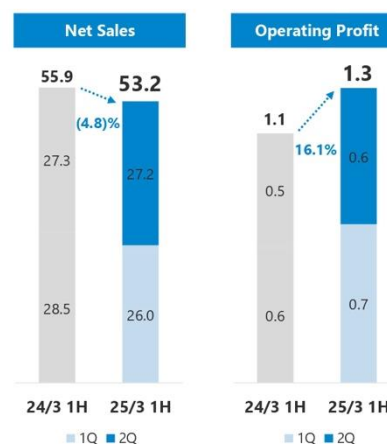
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## Food Business Segment (Overview of Financial Results)

Although net sales declined due to a decrease in the sales volume of livestock products and decline in selling prices, operating profit increased thanks to successful price pass-through and efforts to optimize costs by improving inventory turnover ratio.

	FY3/24 1H	FY3/25 1H	Increase (decrease)	
				(billion yen)
<b>Net sales</b>	55.9	<b>53.2</b>	(2.7)	(4.8)%
<b>Operating profit</b>	1.1	<b>1.3</b>	0.2	16.1%
<b>Operating margin</b>	2.1%	<b>2.5%</b>	0.4pt	-



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Next, the food business segment.

Consolidated net sales for H1 of the current fiscal year decreased 4.8% YoY to JPY53.2 billion, but operating profit increased 16.1% to JPY1.3 billion, resulting in a decrease in sales and an increase in profit.

In the external environment, domestic demand for food products was supported in part by inbound travel, but overall consumer spending was somewhat weak due to soaring prices and other factors, and there was also a variation of good and bad in the products. Net sales in the food business segment also varied by item. Although net sales of seafood products increased due to higher quantity, overall sales declined due to a significant drop in sales of livestock products, which suffered both lower quantity and lower prices.

The decline in the quantity and prices of livestock products was also affected by changes in the composition of beef, pork, and chicken products, among others.

As for operating profit in the food business segment, operating margin improved as a result of cost improvements due to better inventory turnover and progress in passing on higher purchase prices due to the weak yen and other factors. This has also reduced the increase in SG&A expenses, resulting in an increase in profit of over 16%.

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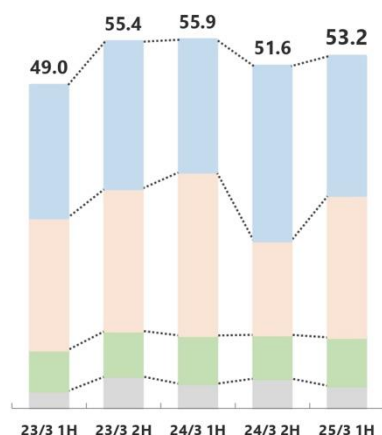
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## Food Business Segment (Net Sales by Item)

Despite an increase in the sales volume of seafood products, the sales volume of livestock and agricultural products decreased, and overall selling prices declined. As a result, net sales decreased by 2.7 billion yen year on year.



	FY3/25 1H	Increase (decrease)		Reasons for increase (decrease)
Marine products	21.0	1.1	5.5%	Quantity increased by 6.8% and prices decreased by 1.3%
Livestock products	21.5	(3.2)	(13.1)%	Quantity decreased by 4.4% and prices decreased by 8.7%
Agricultural products	7.3	(0.0)	(1.0)%	Quantity decreased by 4.8% and prices increased by 3.8%
Other	3.4	(0.5)	(12.2)%	-

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The following is a supplemental breakdown of net sales in the food business segment by item. All comparisons are also YoY here.

First, net sales of seafood products increased by more than 5%, but this increase was due to growth in sales volume, which increased by just under 7%, far exceeding the decrease due to lower prices. Shrimp, squid, and frozen fish were in a difficult situation due to a decrease in resources, but surimi fish meat, which had been poor in the previous fiscal year, turned in a strong performance and sales volume increased, which contributed to the increase in net sales.

Net sales of livestock products decreased by about 13%, but this was due to a decrease of about 4% in quantity and about 9% in prices. In the livestock products business, changes in the product mix had an impact on both quantity and price factors. Sales volume of relatively inexpensive chicken and eggs is increasing, while sales volume of pork and beef products is decreasing, and the price of eggs, which rose sharply in the previous fiscal year, has now settled down and turned downward. The decline in net sales due to these factors affected the overall decline in net sales of livestock products.

Lastly, by item, net sales of agricultural products decreased by about 1%, but the quantity decreased by about 5% and the prices increased by about 4%. Although the sales volume of both frozen and dried vegetables decreased, the decrease in net sales was controlled partly due to the progress in price pass-through.

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## Changes in Operating Profit

The precious metals business segment did not see an improvement in quantity due to the downturn in the electronic device sector, but the rise in gold and silver prices contributed.

The food business segment saw fluctuations in sales volume, but improved profit margins through cost rationalization and successful price pass-through.



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The following is a summary of the factors behind the increase or decrease in operating profit by segment for your reference.

First, in the precious metals business segment, the external environment remained sluggish in the electronic device sector, and the improvement in the precious metals recycling volume and sales of products was still limited. Accordingly, the quantity factors, including an increase in the jewelry sector, had a positive effect of only approximately JPY0.3 billion from the previous fiscal year. However, due to the rise in gold and silver prices, the price factors boosted profits by approximately JPY1.4 billion, resulting in a JPY1 billion increase in operating profit YoY, despite an increase in manufacturing costs and SG&A expenses of approximately JPY0.7 billion. The increase in manufacturing costs was mainly due to personnel expenses and depreciation and amortization.

In the food business segment, quantity factors due to a decrease in sales volume of livestock products and agricultural products lowered profits by approximately JPY0.2 billion, but cost improvements and price shifting improved profit margins, resulting in a positive effect of approximately JPY0.5 billion, exceeding the JPY0.1 billion increase in SG&A expenses to an increase of JPY0.2 billion. The increase in SG&A expenses was mainly due to higher personnel expenses.

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## Forecast of Financial Results

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

		(billion yen)				
		FY3/24 Results	Initial forecast (Published on May 13)	Revised forecast (Published on November 5)	Increase (decrease) from initial forecast	Increase (decrease) YoY
Precious Metals Business Segment	Net sales	252.9	268.0	<b>328.6</b>	60.6	29.9%
	Operating profit	7.0	7.7	<b>9.2</b>	1.5	30.6%
Food Business Segment	Net sales	107.6	112.0	<b>111.4</b>	(0.6)	3.5%
	Operating profit	2.3	2.3	<b>2.5</b>	0.2	8.1%
Total	Net sales	360.5	380.0	<b>440.0</b>	60.0	22.0%
	Operating profit	9.3	10.0	<b>11.7</b>	1.7	25.1%

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From this point on, I would like to report our full-year consolidated earnings forecast by segment.

The forecast was revised on November 5, taking into account the upward swing in H1.

First, in the precious metals business segment, we forecast net sales of JPY328.6 billion, up 29.9% YoY, and operating profit of JPY9.2 billion, up 30.6% YoY. In H2, we expect a gradual recovery of operations in the electronic device sector without any change in our initial forecast. However, we have left our initial forecast for operating profit for H2 unchanged because we do not include in our forecast the variable factors in the precious metals market, which were a factor in the upward swing in H1.

In the food business segment, we forecast net sales of JPY111.4 billion, up 3.5% YoY, and operating profit of JPY2.5 billion, up 8.1% YoY. No major change in domestic food demand is expected, and we expect no major change from H1, as Q3 will be a busy season, but Q4 will be a quiet season, including a reactionary period. Operating profit for H2 remains unchanged from our initial projection.

This is the end of my explanation of our business performance. The following materials provide a brief summary of the assumptions and other details of the forecast, which we hope you will find useful.

We have updated the progress of the measures we announced on November 21 of last year to realize management that is conscious of capital costs and stock prices. We will provide an overview of our initiatives.

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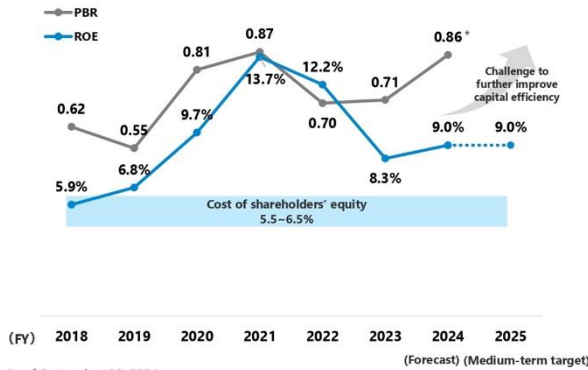
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## Recognition of Current Situation

Although we have achieved returns on equity exceeding the cost of shareholders' equity, PBR remains at about 0.7 times for the present.

### Trends of PBR, ROE and cost of shareholders' equity



- With strong performance in FY3/23 as we achieved increases in both revenue and profit for the fourth consecutive fiscal year, the latest ROE was 12.2%. This significantly exceeds Matsuda Sangyo's cost of shareholders' equity (about 5.5% - 6.5%\*).
- PBR remains around 0.7 times amid widening equity spreads, and ROE is on a downward trend after FY3/22
- The low PBR is likely to be due to:
  - A declining trend in ROE and the forecast for a decline in ROE in FY3/25
  - Low expectations of growth due to uncertainty of sustainable growth
  - Evaluation of Shareholder Returns
- 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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The recognition of current situation you are referring to is the same one we discussed last year, and there has been no change in our recognition of the situation.

The P/B ratio is set at around 0.7x, but it is currently around 0.8x. We have analyzed the factors behind the P/B ratio falling below 1x, including a narrowing of the equity spread due to a downward trend in ROE, a decline in sustainable growth expectations, and an evaluation of shareholder returns, and we have developed measures to improve the P/B ratio, which we have explained before. In light of the fact that exactly one year has passed, we would like to take this opportunity to report on our progress.

## 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)

(FY2025 targets)

Net sales 300 billion yen	Operating profit 13 billion yen	Operating margin 4.3%	ROE 9.0%	ROA 10.0%
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<Basic policy>

With the Precious Metals Business Segment and Food Business Segment positioned as the Group's growth drivers...

- **Strengthen revenue base and create new revenue sources** through continued proactive investment
- **Strengthen management base** which supports and accelerates sustainable growth
- **Enhance corporate value** by promoting ESG management

**Precious Metals Business Segment**  
Leading company that creates resource circulation (utilization)

**Food Business Segment**  
Best partner for customers in product development

**Strengthen management base**

(Priority issues and measures)

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.

#### 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.

#### 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.

Foster expectations for growth

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These are the policies and measures toward improving P/B ratio based on the recognition of the issues we explained last year. We have set forth three measures to address the important issues of improving capital efficiency and fostering expectations for growth: promotion of ROIC management, promotion of precise capital policies, and strengthening IR activities. I will explain the progress of each of these measures.

## Priority Issues and Progress of Measures

Priority issues	Measures	Progress
Improve capital efficiency	<p><b>Promote ROIC management</b></p> <p>By introducing a management system that uses ROIC as an indicator, we aim to improve the capital efficiency of each business.</p>	<ul style="list-style-type: none"> <li>Promoted clarification of invested capital by segment</li> <li>Currently identifying the value drivers of each business</li> <li>Worked to improve inventory turnover ratio by strengthening PSI management in the Food Business Segment</li> </ul>
	<p><b>Promote precise capital policies</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Ended the first half of the period between FY2022 and FY2025 under the cash allocation assumptions shown on the following page.</li> </ul> <p><b>[Cash flows from operating activities] 12.4/40.0 billion yen</b>  <b>[Business investments] 20.0/30.0 billion yen</b>  <b>[Shareholder returns] 3.1/6.0-6.5 billion yen</b></p> <p>*Cumulative for FY2022-2023</p>
Foster expectations for growth	<p><b>Strengthen IR activities</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Enhanced supplementary financial statements briefing materials and disclosure in English</li> <li>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</li> <li>Plan to hold a small meeting within FY2024 as a new opportunity for dialogue</li> </ul>

First, with regard to the promotion of ROIC management, we have been clarifying invested capital by segment and identifying value drivers for each business. Although it is still in the process of being completed, the improvement of inventory turnover and profit margins in the food business segment will also be linked to this trend.

We hope to improve capital efficiency through the promotion of ROIC management, which will lead to an improvement in ROE.

The next item is the capital policy, and I will report on its progress in the cash allocation section later in this presentation.

In strengthening IR activities to foster growth expectations, disclosure of financial results in English is under way. We are also planning to implement new opportunities for dialogue, such as small meetings, during this fiscal year.

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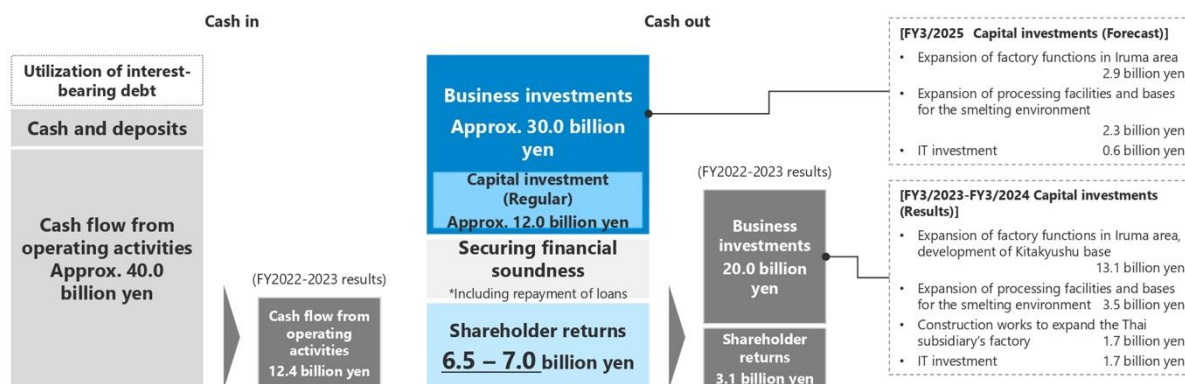
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## Capital Policy/Cash Allocation

### 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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The cash allocation is shown here.

Last year, I explained the precise implementation of capital policy as cash allocation based on the four-year medium-term management plan. I will report on our progress as we enter the turn of the second year.

As for cash-in, we expect to generate JPY40 billion in operating cash flow over the four-year period, and we have already generated JPY12.4 billion in operating cash flow over the past two years.

We are not satisfied with the progress we have made, including a significant decrease in profit in the previous fiscal year. However, we are leaving our assumptions unchanged because we fully expect to recover in the remaining two fiscal years, including improvement in the performance of the precious metals business segment and improvement in capital efficiency in both businesses.

Next, business investment for future growth is generally being maintained as planned, with JPY20 billion being invested in the expansion of plant functions, mainly for the expansion and growth of the precious metals business segment. We continue to plan to invest JPY10 billion over the remaining two years, and we intend to strengthen and expand our plant functions in stages in accordance with the growth of the target markets and customer needs in the Iruma and Kitakyushu areas.

Shareholder returns. We have returned JPY3.1 billion to shareholders over the past two years, including dividend increases and share buybacks, while ensuring financial soundness, including the capital adequacy ratio. Last year, we had projected shareholder returns of JPY6 billion to JPY6.5 billion, but in light of the JPY0.4 billion share buyback already implemented and the continued dividend increases, we have revised our projection to a range of JPY6.5 billion to JPY7 billion, up JPY0.5 billion each.

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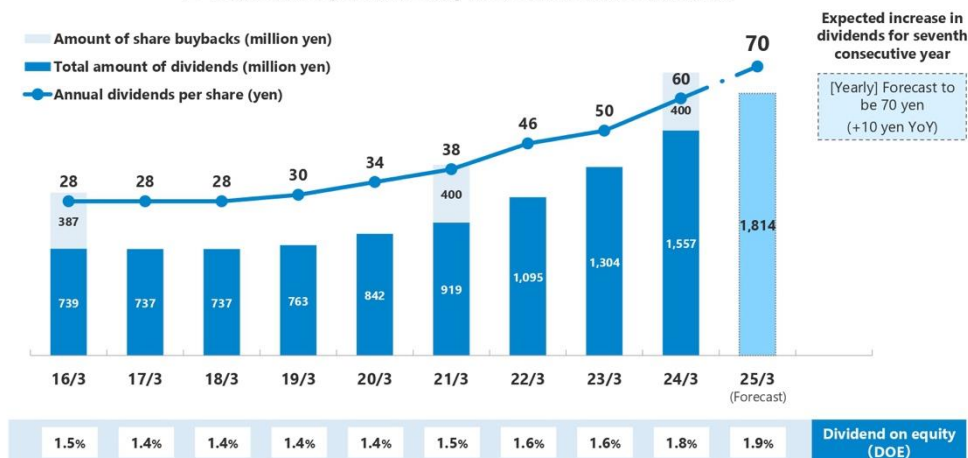
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## Shareholder Returns

### 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, as a supplement to our capital policy, I would like to discuss shareholder returns.

As you can see in the chart of our current fiscal year forecast, we plan to increase dividends for seven consecutive fiscal years starting from the fiscal year ended March 2019, and DOE, which we set at 1.5% as a lower limit, is also on an upward trend.

Depending on business performance and cash flow conditions, we will continue to consider ways to enhance shareholder returns, including the flexible acquisition of treasury shares, in order to meet shareholder expectations as much as possible.

That concludes my explanation, and we would like to answer your questions. Please also refer to the appendix for information on the precious metals market trends.

That is all from me. Thank you for your attention.

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## Question & Answer

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**Moderator [M]:** We will now move on to the Q&A session. We will answer as many questions as time permits, so please do not hesitate to contact us with any questions you may have. We would be very pleased to receive your candid comments.

**Tanaka [M]:** I will read your first question.

**Participant [Q]:** It appears that the electronic device industry is recovering, but what are your company's assumptions? Also, your company's forecast does not seem to be biased toward H2, even though a recovery is seen in your company's earnings forecast.

**Tanaka [A]:** I will answer first. Regarding the timing of recovery in the electronic device industry, we have not changed our initial forecast. We expect a recovery in H2 and beyond, but the recovery will be gradual.

In addition, since we are in the business of recycling precious metals, there is some lead time between the recovery of operations in the target industries and the time it takes for our results to be reflected in our business performance. This is a feature of precious metals recycling.

In light of this, there will be approximately a one-quarter lag between the market recovery and the Company's performance in the forecast for the precious metals business segment I explained earlier.

You have asked why our performance does not appear to be biased toward H2, but our performance in H1 was considerably higher.

As I explained earlier, the upward swing was not due to quantity factors but generally due to the rise in metal prices. For H2, such uncertain market effects are naturally not included in the forecast. Therefore, the forecast assumes an increase in sales and profit by quantity.

As a result, the outlook is not necessarily weighted toward H2. That is all I have to answer.

**Participant [Q]:** The second question. Please explain again the impact of price changes in precious metals on your business performance.

**Tanaka [A]:** We deal in precious metals through recycling, so our business performance is affected by fluctuations in the market and prices of precious metals. Naturally, with regard to net sales, fluctuations in the precious metals market have an approximate direct impact on net sales.

On the other hand, we recognize that one of the risks is the impact of price fluctuations on profits, and in order to minimize this risk as much as possible, we use forward delivery contracts for precious metals and other hedging methods.

As a result, we believe that the impact of changes and fluctuations in precious metal prices on operating profit is less than that on net sales.

However, as mentioned earlier, it is very difficult to cover 100% of the hedged raw materials for the precious metals recycling because they are small-quantity, high-mix raw materials. There will inevitably be some that will not be hedged.

These free inventories are exposed to the risk of price fluctuations.

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If the price of these items increases when they are commercialized and sold, the increase will positively affect profits. If the prices fall, conversely, it will pull down operating profit.

The above is an explanation of the impact of price fluctuations on business performance. That is all.

**Participant [Q]:** The third question. In relation to improving P/B ratios, I think it is necessary to raise expectations for increased shareholder returns. Have you considered increasing the dividend payout ratio and using it as an indicator?

**Tanaka [A]:** As I mentioned earlier in the section on management that is conscious of capital cost, for improving P/B ratios, we are naturally committed to enhancing shareholder returns through the appropriate execution of our capital policy.

Accordingly, we are making progress toward enhancement, including plans to increase dividends for the seventh consecutive fiscal year. Regarding your question about raising the dividend payout ratio and setting an index target, especially with regard to dividends, we are aiming for DOE of 1.5% or more as a lower limit.

As you already know, DOE basically includes the dividend payout ratio as an element.

Since this is calculated in the relationship between ROE and dividend payout ratio, the dividend payout ratio is also a factor, so we are not currently considering a dividend payout ratio as an indicator. However, we will keep a close eye on the dividend payout ratio in the context of DOE. That is all.

**Participant [Q]:** What do you see as the factors behind the increase or decrease in profits in the precious metals business segment in H2? Also, can you expect to see a recovery in the amount of electronic devices recovered?

**Tanaka [A]:** First of all, what are the expected factors of increase/decrease in profits in the precious metals business segment in H2? It comes down to quantity and price.

In terms of quantity, as I mentioned earlier, we expect that operations in the electronic device field, our target market, will enter a recovery trend in H2, and we are considering a positive impact on our business performance from Q3 to Q4 in terms of quantity.

On the other hand, as for the price factor as seen in H1, the market for precious metals is highly uncertain, so we do not forecast a positive or negative price impact.

Therefore, in H2, we will strive to boost the performance of the precious metals business segment by increasing quantity in response to the market recovery. That is all.

**Participant [Q]:** You cite fostering expectations for growth as the reason for a P/B ratio below 1x. What measures do you plan to take in this regard? In particular, please tell us about your approach to the recovery of business investments.

**Tanaka [A]:** Let me explain first. We recognize that improving capital efficiency and fostering expectations for growth are one of the reasons and challenges for a P/B ratio below 1x.

I would like to talk a little about this, especially the recovery of business investment.

Most of the business investments we are currently making are centered on capital expenditures for business growth in the mid- to long term, mainly in the precious metals business segment.

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The opening of the Kitakyushu plant and the establishment of a plant in the Iruma area are included in this business investment to expand the volume of precious metals business segment and to work on new products and new merchandise.

We are not yet at the stage of disclosing the timing and scale of the recovery of these investments, but we hope that we will be able to provide an answer to such questions in the next mid-term business plan, or perhaps we will be able to disclose the details of such recovery, including whether it will meet your expectations or not. That is all from me.

President, do you have anything to say about long-term business investments?

**Matsuda [A]:** Regarding the electronic components industry, in the case of semiconductors or electronic components, I wonder if semiconductors are recovering ahead. In the semiconductors, however, there are two parts: those that are ahead and those that have yet to recover. As for electronic components, we expect a slight delay in recovery.

In any case, I believe that replacement demand for smartphones, tablets, and PCs will gradually emerge in the future, and there are many products that are expected to grow in the future, such as automobiles, EVs, hybrids, and AI-related products. We will make sufficient investment in our business in the future in order to capture this demand. To meet your expectations, we will make appropriate improvements in our collection volume, recovery technology, and sales of recycled products. Then we would like to generate long-term profits in the future. That is all.

**Tanaka [M]:** We have another question. I will read it.

**Participant [Q]:** I sense a gap in the operating cash flow assumptions in terms of progress. If operating cash flow is not achieved, will you revise your assumptions for business investment and shareholder returns?

**Tanaka [A]:** I will explain this one. In the fiscal year ended March 2024, not to mention a decrease in profits, but the high prices of metals and other resources, an increase in working capital due to the depreciation of the yen, and a holiday on the last day of the fiscal year, all of these factors contributed to a very large decrease in operating cash for the fiscal year ended March 2024.

Therefore, both profit improvement and capital efficiency improvement will be necessary. Both segments are now showing improvement in both performance and capital efficiency. We are aware that the hurdles are somewhat high, but as I explained earlier, the hurdles are still within the range of our expectations, and we will strive to achieve the projected cash flow of JPY40 billion.

Although this is a hypothetical situation, even if operating cash flow does not reach the forecasted level, business investment is necessary to achieve medium- to long-term growth and expansion.

We also believe that further enhancement of shareholder returns will be necessary, so we are not considering revising our assumptions at this time. In any case, we would like to first improve our business performance and capital efficiency.

**Matsuda [A]:** Unless cash flow deteriorates for some unforeseeable and unexpected reason, we do not think much of revising future business investments or shareholder returns.

**Tanaka [M]:** We have another question and I will read it.

**Participant [Q]:** Could you tell us about the expected value of the expansion of new orders from the semiconductor industry in Kyushu?

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**Tanaka [A]:** I take it that your question includes the fact that we are naturally investing in Kitakyushu.

Since our main customers in the precious metals business segment are in the electronic device manufacturing industry, including electronic components and semiconductors, we naturally see the recent development of the semiconductor industry in Kyushu as an opportunity for us.

In this context, the establishment of factories by foreign semiconductor companies is attracting a great deal of attention, and in the surrounding area, electronic component manufacturers are also expanding and establishing new factories. We are already engaged in sales activities to these customers through various channels.

We also actively participate in events such as the Semiconductor Technology Expo held in Kyushu, where we exhibit as a materials manufacturer and make our appeal.

Through these efforts, we hope to increase orders. That is all I have to answer.

**Matsuda [A]:** The semiconductor industry in Kyushu is foreign-affiliated, but of course, we will receive requests from new customers, so we want to make sure we take care of them.

**Tanaka [M]:** Do you have any other questions? Now, we have a little time left, but we have no more questions, so I would like to conclude here. Thank you all very much for your questions.

This concludes the Q&A session.

**Matsuda [M]:** Thank you very much for joining us today. In order to meet your expectations, we will continue to make further efforts to enhance our corporate value.

We appreciate your continued support and encouragement. Thank you for your attention.

**Moderator [M]:** Now that our time has come, we will conclude the presentation of Matsuda Sangyo Co., Ltd.'s financial results for H1 of the fiscal year ending March 2025. Thank you very much for your participation today.

[END]

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