Six months ended September 30, 2024

Financial Statements Briefing Materials



Matsuda Sangyo Co., Ltd.

November 26, 2024

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Contents

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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1. Overview of Consolidated Financial Results

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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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Consolidated Balance Sheet

Assets (billion yen)

	March 31, 2024	September 30, 2024	Increase (decrease)	Main reasons for change
Current assets	102.3	**108.3**	6.0	(+) Increase in inventories, associated with soaring precious metal market prices
Non-current assets	46.6	**48.1**	1.5	(+) New buildings (Iruma, Thailand) and machinery and equipment
Total assets	148.9	**156.5**	7.6	

Liabilities

	March 31, 2023	September 30, 2024	Increase (decrease)	Main reasons for change
Current liabilities	44.5	**39.9**	(4.6)	(-) Repayment of short-term loans payable
Non-current liabilities	13.0	**19.9**	6.9	(+) Increase in long-term loans payable
Interest-bearing debt	29.4	**29.3**	(0.1)	
Total liabilities	57.5	**59.8**	2.3	

Net assets

	March 31, 2023	September 30, 2024	Increase (decrease)	Main reasons for change
Total net assets	91.3	**96.6**	5.3	(+) Increase in retained earnings and foreign currency translation adjustment
Total liabilities and net assets	148.9	**156.5**	7.6	

Shareholders' equity ratio	61.2%	**61.6%**

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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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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.

(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
Net sales	360.5	380.0	**440.0**	60.0	22.0%
Operating profit	9.3	10.0	**11.7**	1.7	25.1%
Operating margin	2.6%	2.6%	**2.7%**	0.1pt	-
Ordinary profit	10.5	11.0	**12.5**	1.5	18.5%
Profit attributable to owners of parent	7.2	7.6	**8.7**	1.1	20.1%
Earnings per share (yen)	280.20	293.24	**337.61**	44.37	20.5%
ROE	8.3%	7.8%	**9.0%**	1.2pt	-

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2. Segment Results and Forecast for the Full Year

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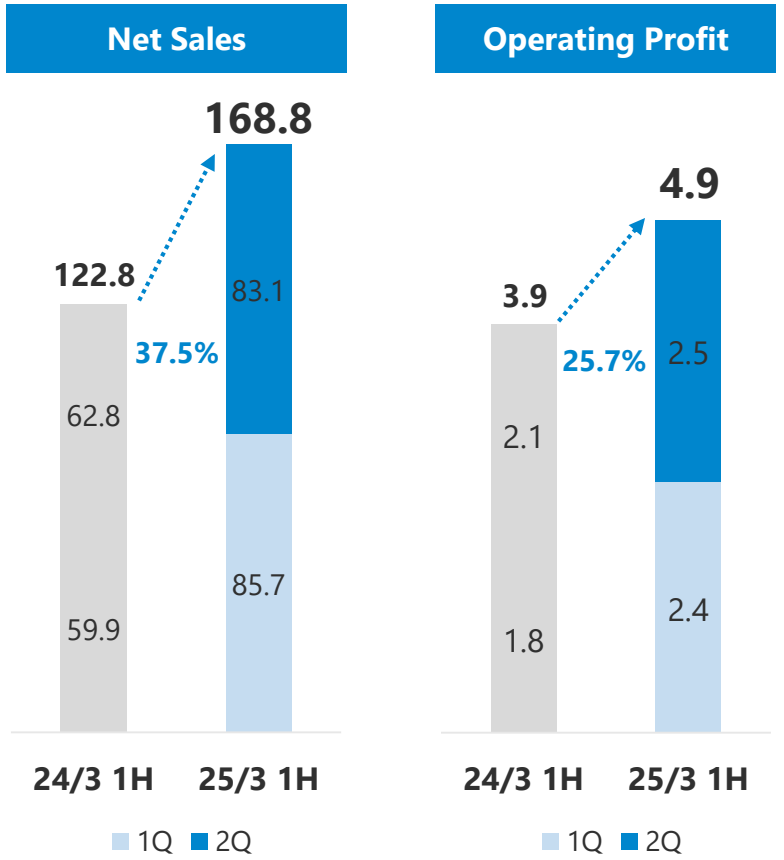
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Precious Metals Business Segment (Overview of Financial Results)

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.

(billion yen)

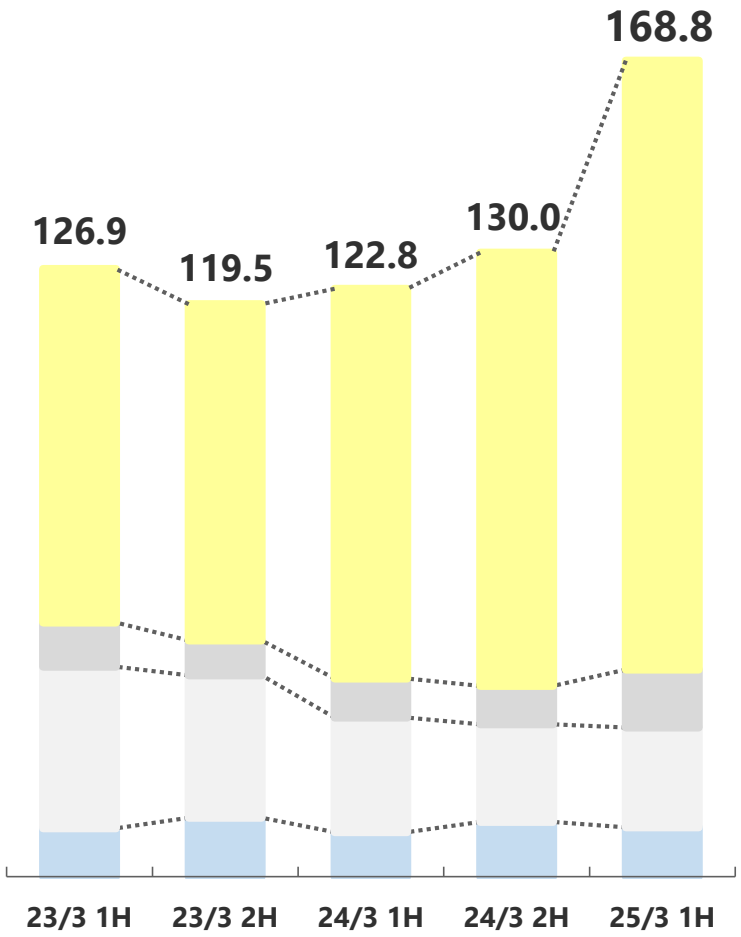
	FY3/24 1H	FY3/25 1H	Increase (decrease)	
Net sales	122.8	**168.8**	46	37.5%
Operating profit	3.9	**4.9**	1	25.7%
Operating margin	3.2%	**2.9%**	(0.3)pt	-



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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)
Gold	**127.0**	+45.6	56.2%	Quantity increased by 16.9% and prices increased by 39.3%
Silver	**12.1**	4.0	49.3%	Quantity increased by 8.1% and prices increased by 41.2%
Platinum group	**20.8**	(3.1)	(13.0)%	Quantity decreased by 2.8% and prices decreased by 10.2%
Other	**8.9**	(0.5)	(5.3)%	Non-ferrous metals, industrial waste treatment, etc.

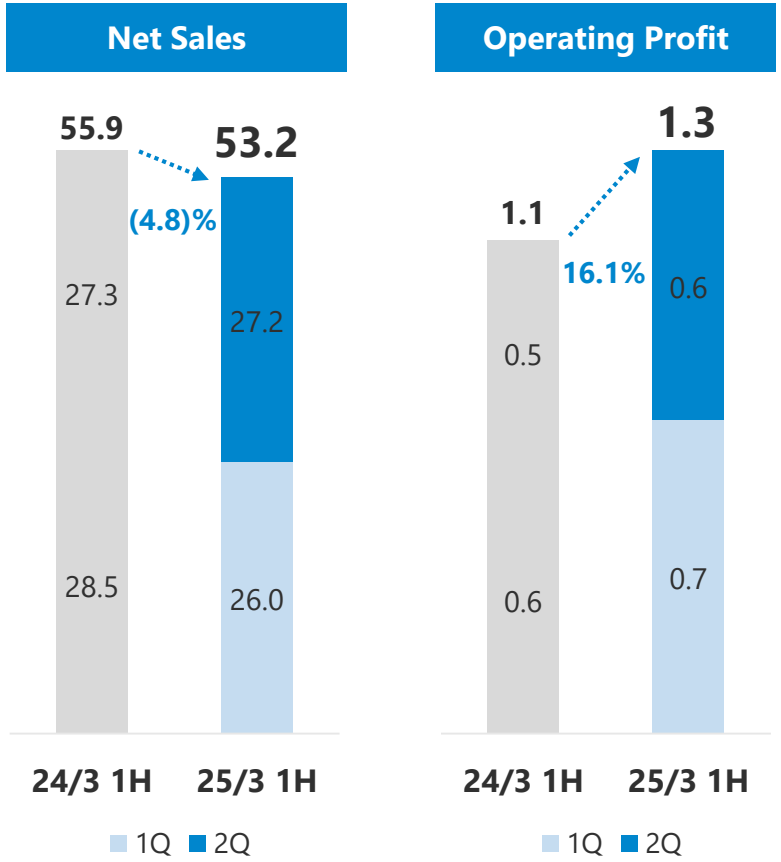
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Food Business Segment (Overview of Financial Results)

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.

(billion yen)

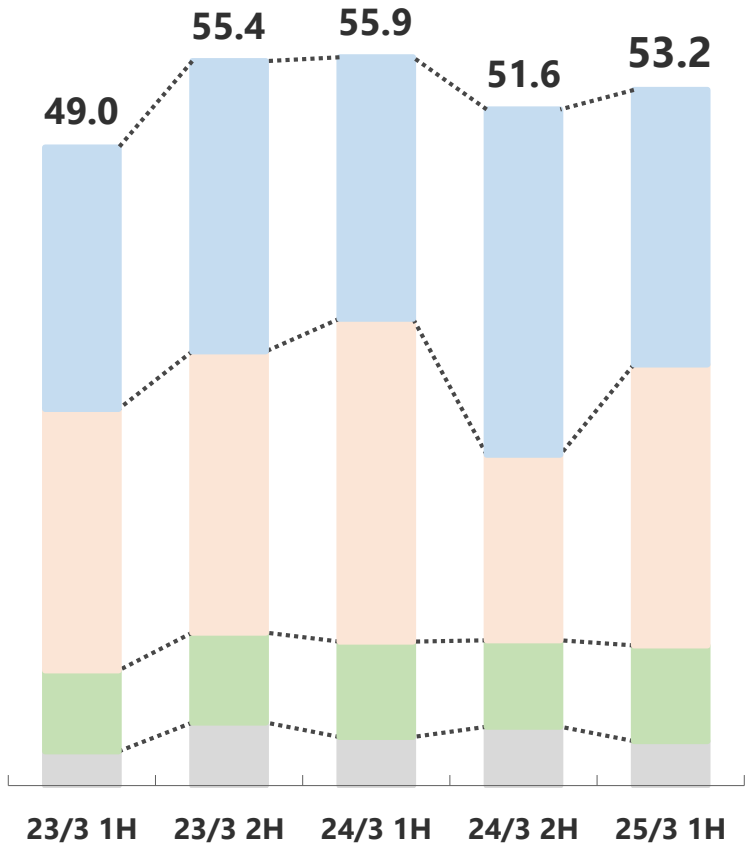
	FY3/24 1H	FY3/25 1H	Increase (decrease)	
Net sales	55.9	**53.2**	(2.7)	(4.8)%
Operating profit	1.1	**1.3**	0.2	16.1%
Operating margin	2.1%	**2.5%**	0.4pt	-



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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.



(billion yen)

	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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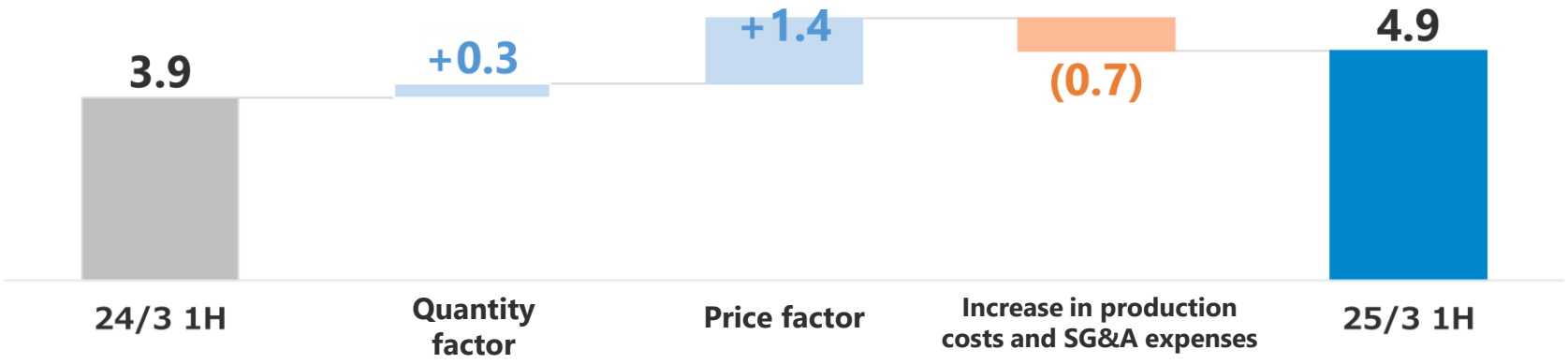
Changes in Operating Profit

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.

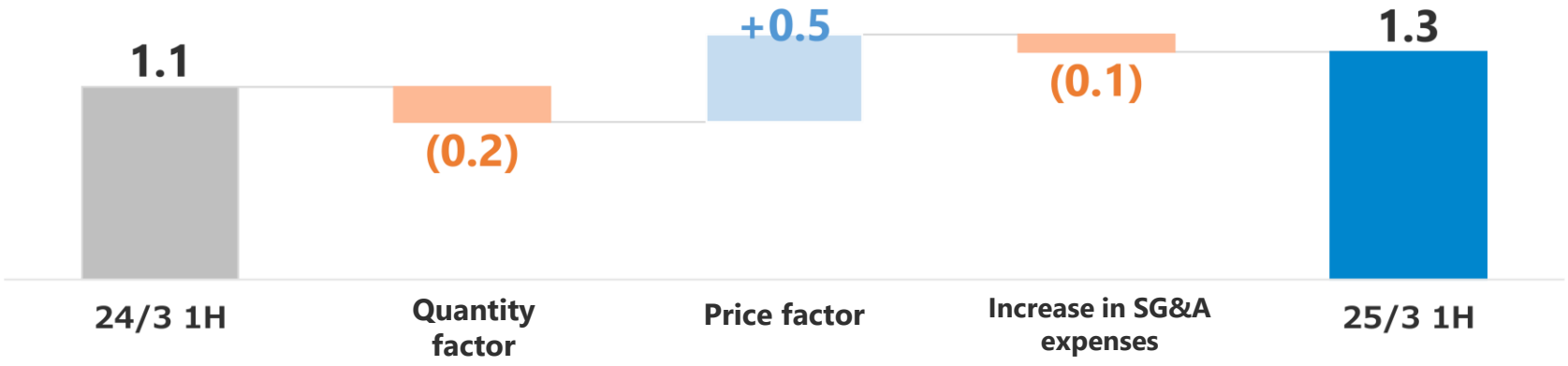
The food business segment saw fluctuations in sales volume, but improved profit margins through cost rationalization and successful price pass-through.

(billion yen)

Precious Metals Business Segment



Food Business Segment



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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	**328.6**	60.6	29.9%
	Operating profit	7.0	7.7	**9.2**	1.5	30.6%
Food Business Segment	Net sales	107.6	112.0	**111.4**	(0.6)	3.5%
	Operating profit	2.3	2.3	**2.5**	0.2	8.1%
Total	Net sales	360.5	380.0	**440.0**	60.0	22.0%
	Operating profit	9.3	10.0	**11.7**	1.7	25.1%

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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: 328.6 billion yen (+75.6 billion yen YoY) Operating profit: 9.2 billion yen (+2.1 billion yen YoY)	Net sales: 111.4 billion yen (+3.6 billion yen YoY) Operating profit: 2.5 billion yen (+0.1 billion yen YoY)
External environment and quantity	• There are no changes to the initial assumption about the recovery from the decline in operations in the electronic devices field, which is expected to occur after the second half of the fiscal year • The precious metals recycling volume from the jewelry sector will remain strong ➢ Precious metal recycling volume and product sales volume will begin to recover gradually	• There are no changes to the initial assumption that the external environment will recover on the back of a growth in inbound demand • Customer needs will further diversify (strengthen procurement capabilities) ➢ Sales volume will increase, particularly for seafood and agricultural products
Selling prices	Market price of precious metals: Expected to be on par with the average for the first half of the fiscal year ending March 31, 2025 (Gold: 11,600 yen/g, Silver: 146 yen/g)	Expected to be around the average prices for the first half of the fiscal year ended March 31, 2024
Depreciation costs associated with capital investment and 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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3. Toward Realizing Management that is Conscious of Capital Costs and Stock Prices

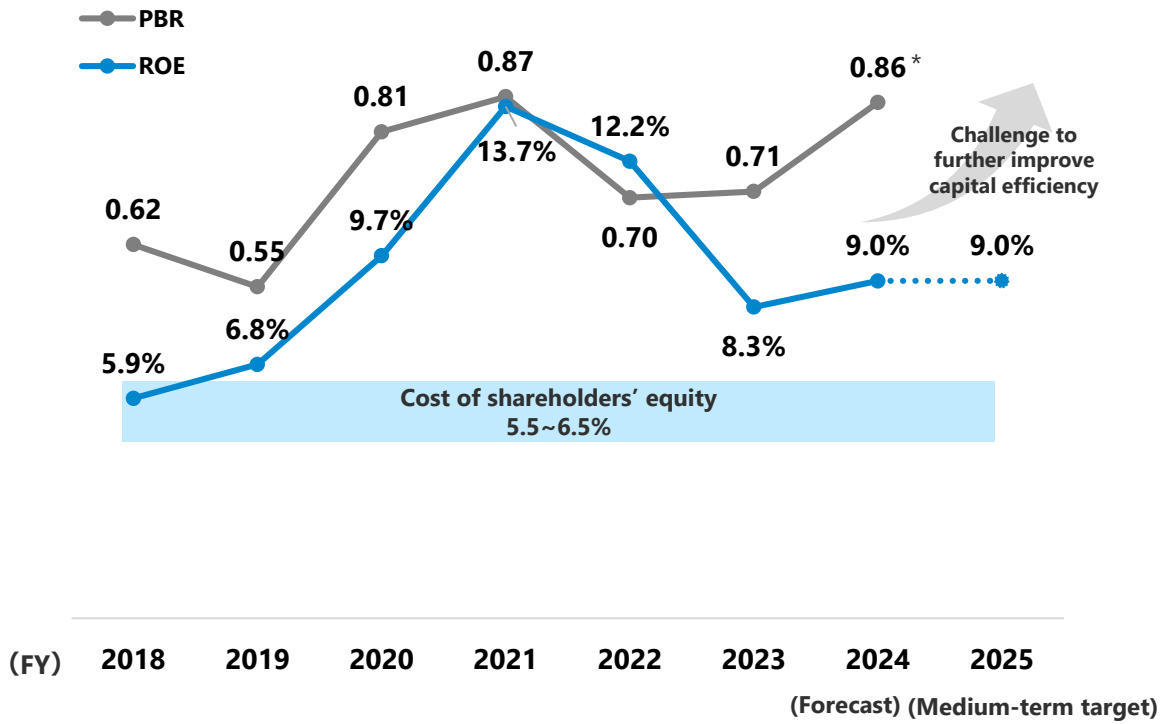
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Recognition of Current Situation

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



* As of September 30, 2024

- 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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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	Operating profit	Operating margin	ROE	ROA
300 billion yen	13 billion yen	4.3%	9.0%	10.0%

<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

Foster expectations for growth

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.

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Priority Issues and Progress of Measures

Priority issues	Measures	Progress
Improve capital efficiency	**Promote ROIC management** By introducing a management system that uses ROIC as an indicator, we aim to improve the capital efficiency of each business.	• Promoted clarification of invested capital by segment • Currently identifying the value drivers of each business • Worked to improve inventory turnover ratio by strengthening PSI management in the Food Business Segment
	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.	• Ended the first half of the period between FY2022 and FY2025 under the cash allocation assumptions shown on the following page. **[Cash flows from operating activities] 12.4/40.0 billion yen** **[Business investments] 20.0/30.0 billion yen** **[Shareholder returns] 3.1/6.0-6.5 billion yen** *Cumulative for FY2022-2023
Foster expectations for growth	**Strengthen IR activities** We will strengthen dialogues with investors and shareholders toward enhancing understanding of scenarios aimed at sustainable growth, competitive advantages, and initiatives to address sustainability issues, and utilize the opinions in management.	• Enhanced supplementary financial statements briefing materials and disclosure in English • Engaged in discussions in the Board of Directors on the current status and challenges toward the realization of management that is conscious of capital costs and stock prices • Plan to hold a small meeting within FY2024 as a new opportunity for dialogue

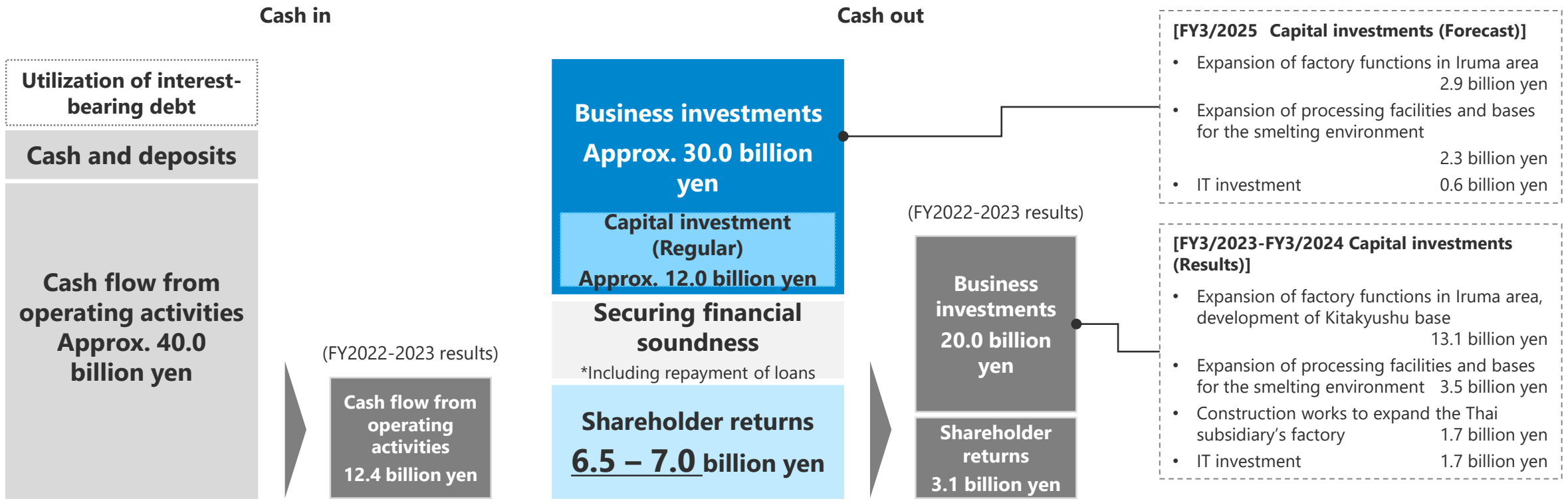
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Capital Policy/Cash Allocation

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)>

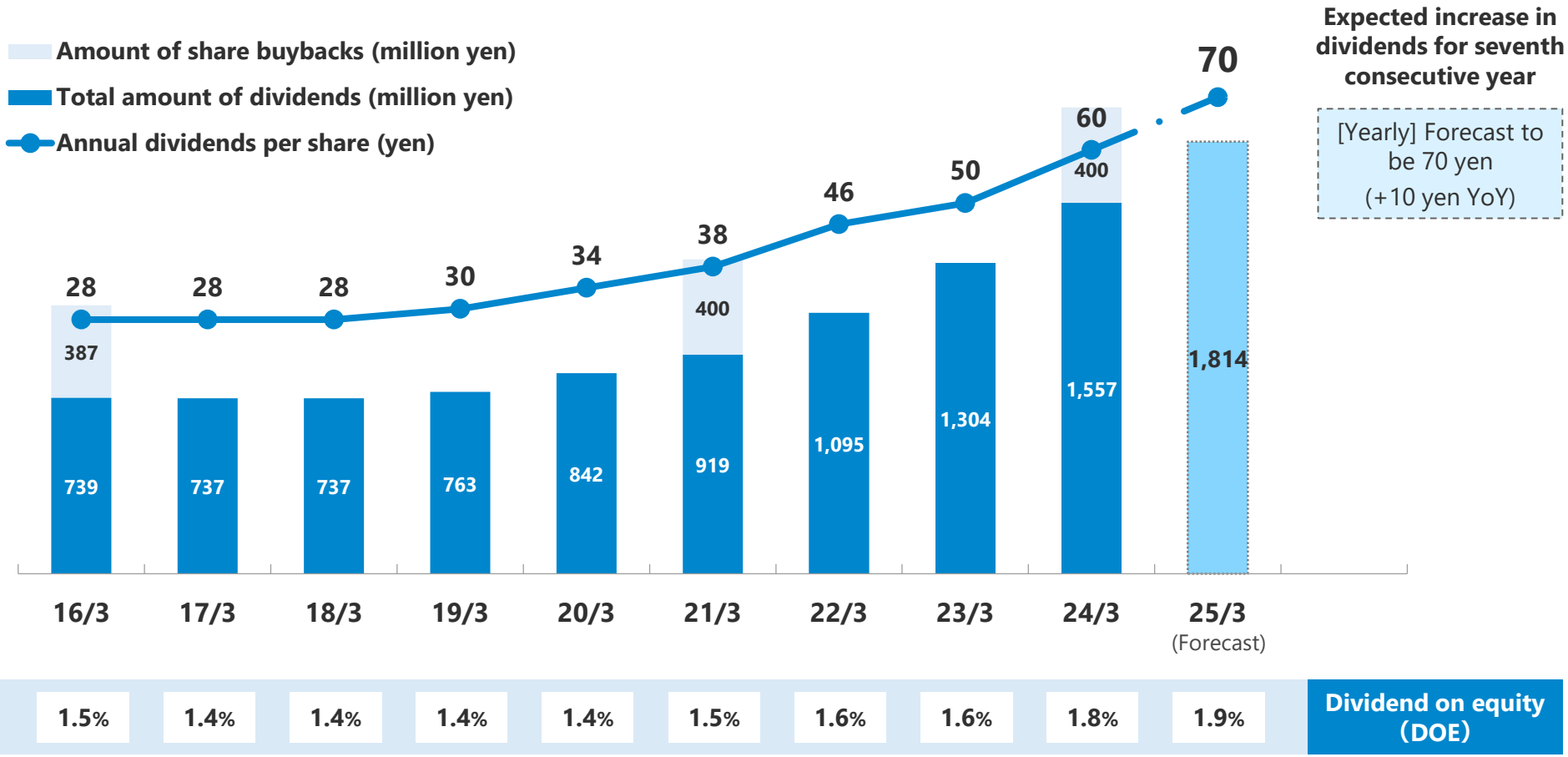


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Shareholder Returns

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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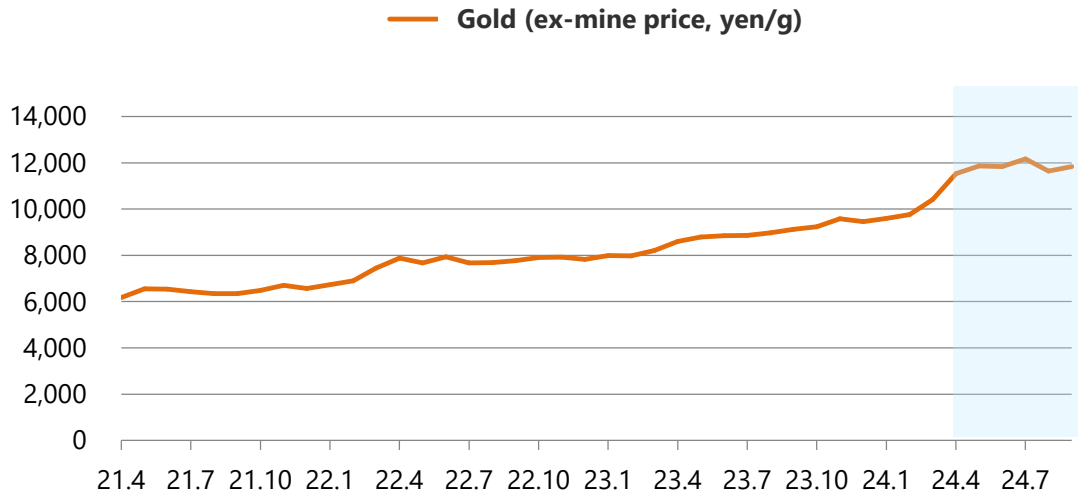
Appendix

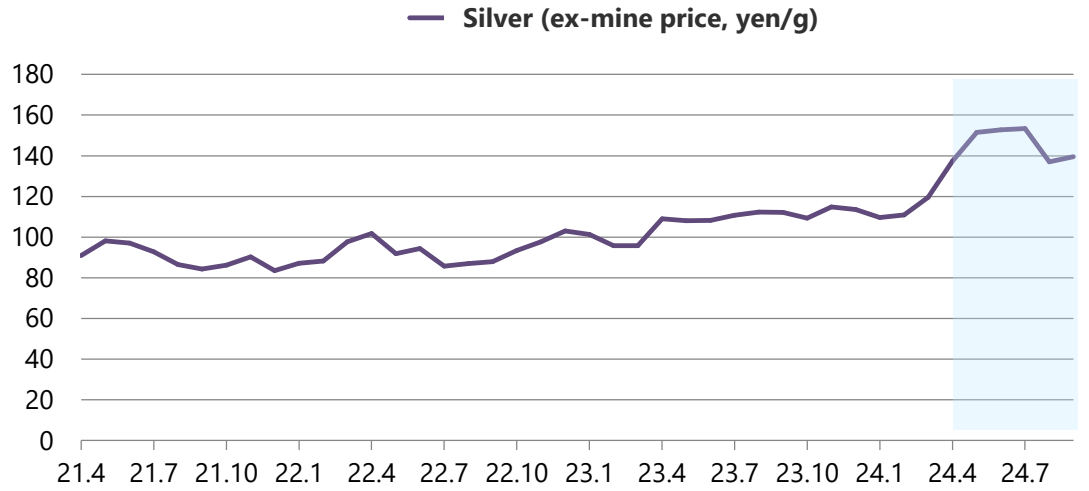
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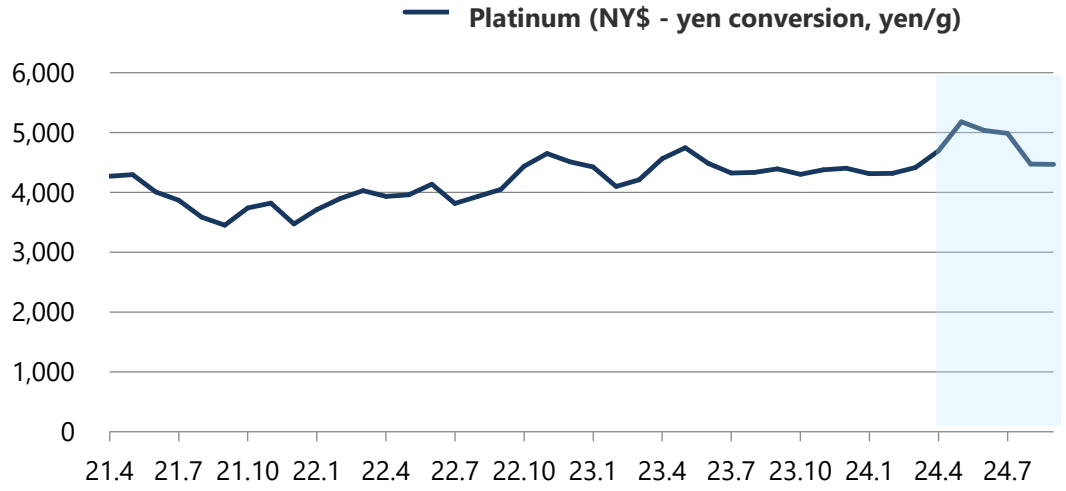
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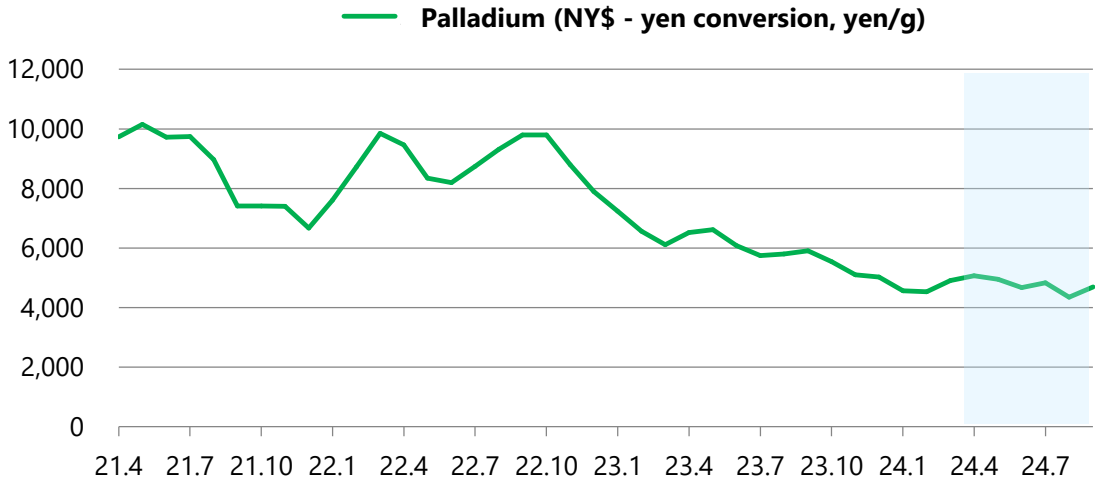
Trends for Precious Metals Market Prices

In FY3/25, the price of gold is assumed to be 11,600 yen/g and the price of silver 146 yen/g.





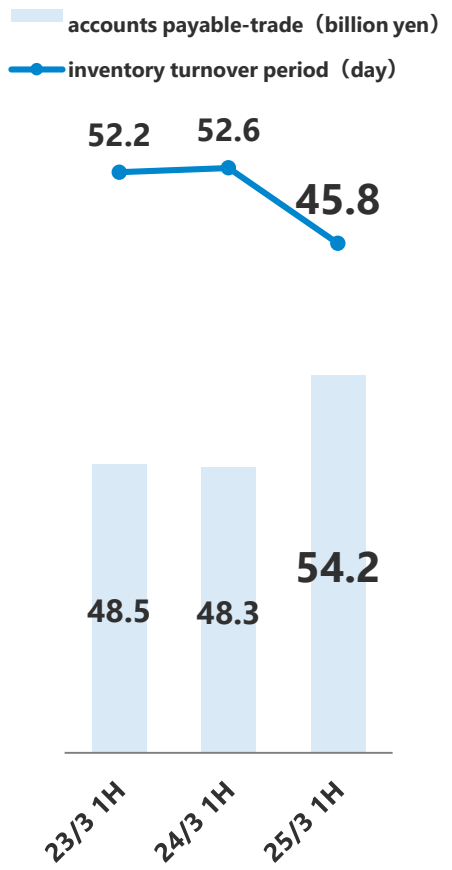




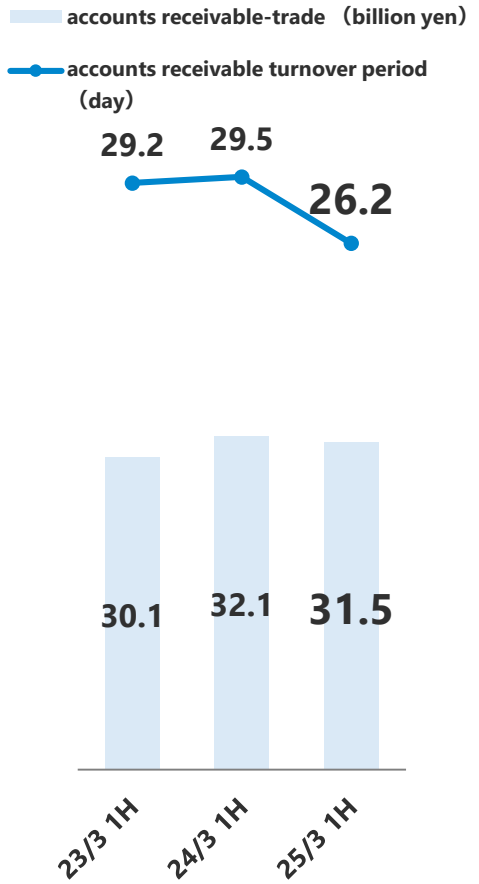
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Working capital

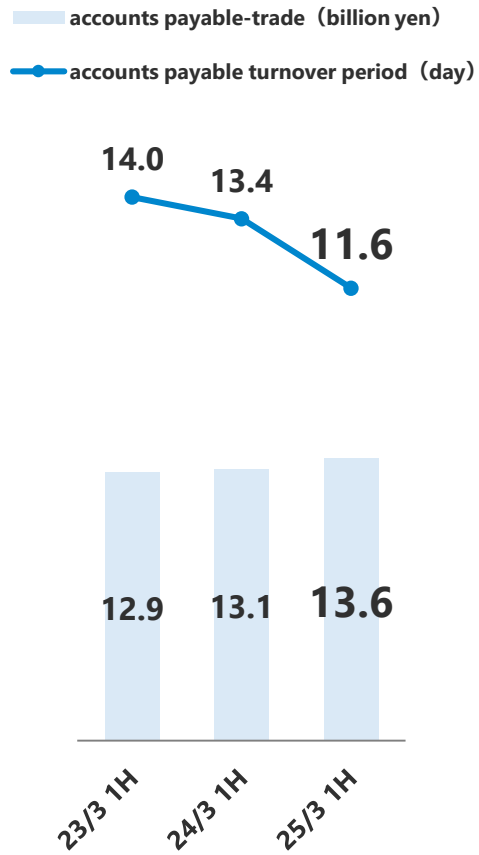
Inventories



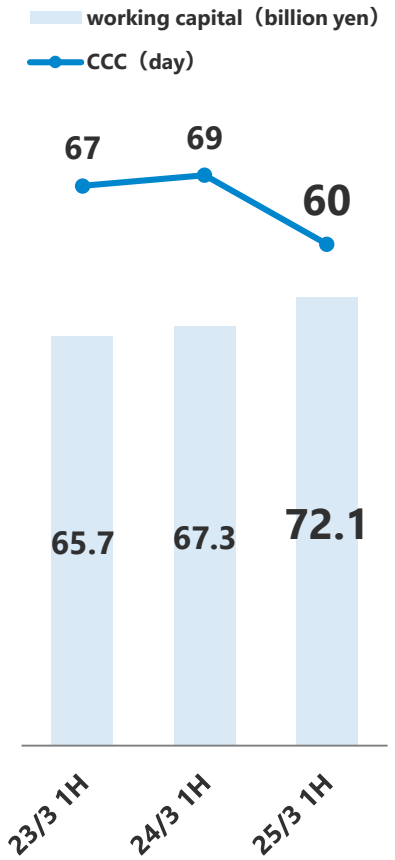
Accounts receivable-trade



Accounts payable-trade



Cash Conversion Cycle



*1 Inventory conversion period＝Inventories (Average for beginning and end of fiscal year) ÷Cost of sales×183
*2 Receivables conversion period＝Accounts receivable-trade (Average for beginning and end of fiscal year)÷Net sales×183
*3 Payables conversion period＝Accounts payable-trade (Average for beginning and end of fiscal year)÷Cost of sales×183
*4 CCC (Cash Conversion Cycle)＝Inventory conversion period＋Receivables conversion period－Payables conversion period

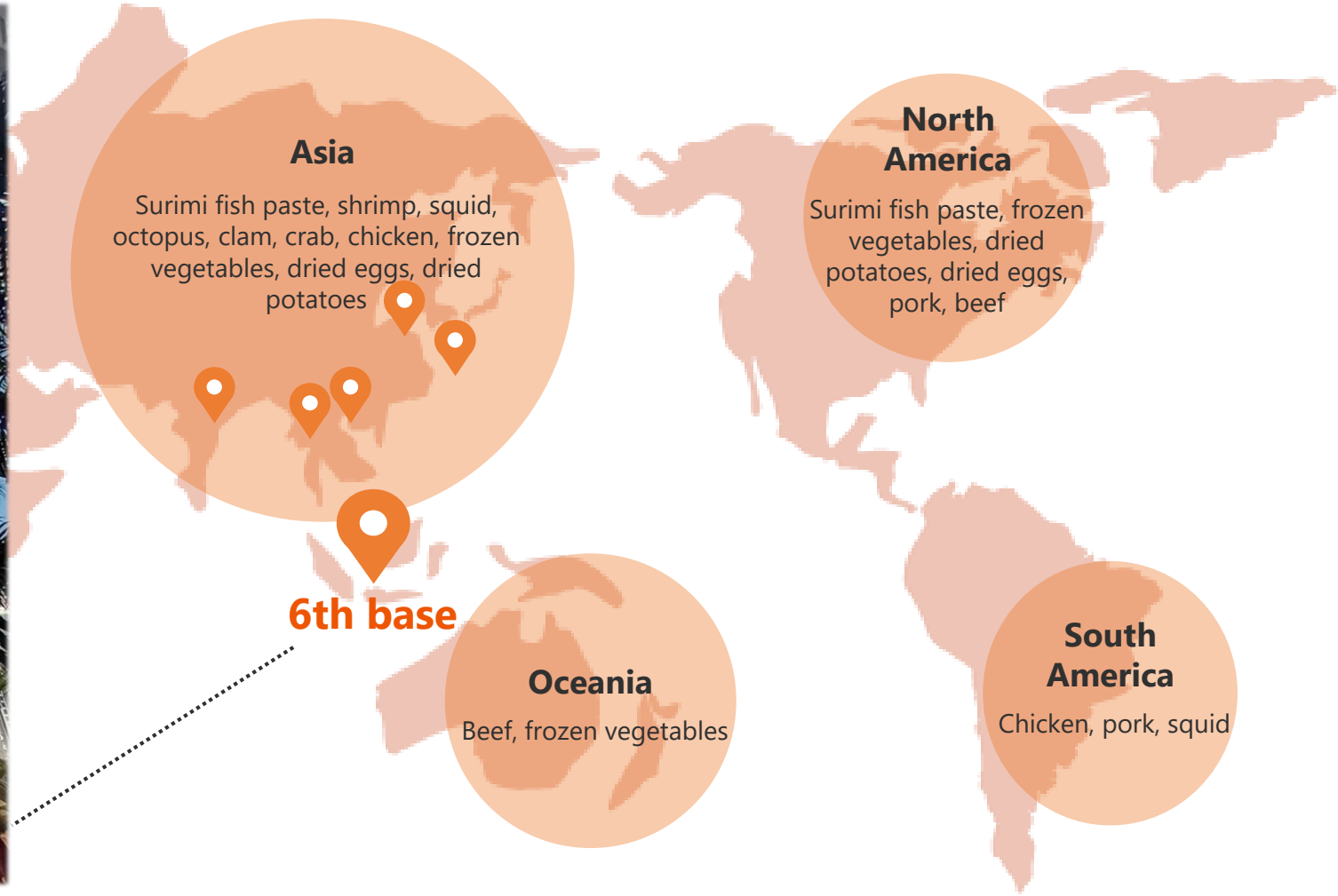
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Indonesia branch

Commenced operations at the Indonesia base, which is the sixth overseas office for the Food Business Segment



PT Matsuda Sangyo Trading Indonesia
(Indonesia branch)



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