

**Second Quarter of the  
Fiscal Year Ending March 31, 2024**

**Financial Statements  
Briefing Materials**



Matsuda Sangyo Co., Ltd.

November 21, 2023



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# 1. Overview of Financial Results for FY3/24 2Q

## 1-1 Consolidated Financial Results

Although net sales increased year-on-year partly due to contributions from the food business segment, operating profit declined due to a decrease in the precious metals recycling volume and product sales volume in the electronic devices field.

(billion yen)

	FY3/23 1H	FY3/24 1H	Year-on-year increase (decrease)	
Net sales	176.0	178.7	2.7	1.6%
Operating profit	7.9	5.0	(2.8)	(36.1)%
Operating margin	4.5%	2.8%	(1.7)pt	-
Ordinary profit	8.1	5.8	(2.2)	(27.7)%
Profit attributable to owners of parent	5.6	4.0	(1.5)	(27.9)%

## 1-2 Consolidated Balance Sheet

Assets		(billion yen)		
	March 31, 2023	September 30, 2023	Increase (decrease)	Main reasons for change
Current assets	89.3	97.0	7.7	(+) Increase in notes and accounts receivable-trade and inventories
Non-current assets	39.8	43.7	3.8	(+) New buildings (Kitakyushu, Iruma, Thailand) and machinery and equipment
<b>Total assets</b>	129.2	<b>140.7</b>	11.5	
<b>Liabilities</b>				
	March 31, 2023	September 30, 2023	Increase (decrease)	Main reasons for change
Current liabilities	27.8	36.5	8.6	(+) Increase in accounts payable-trade and short-term loans payable
Non-current liabilities	16.6	15.1	(1.4)	(-) Repayment of long-term loans
Interest bearing debt	19.2	24.9	5.7	
<b>Total liabilities</b>	44.5	<b>51.7</b>	7.1	
<b>Net assets</b>				
	March 31, 2023	September 30, 2023	Increase (decrease)	Main reasons for change
<b>Total net assets</b>	84.6	<b>89.0</b>	4.4	(+) Increase in retained earnings
<b>Total liabilities and net assets</b>	129.2	<b>140.7</b>	11.5	
<b>Shareholder's equity ratio</b>	65.4%	<b>63.1%</b>		

## 1-3 Consolidated Cash Flow Statements

(billion yen)

	FY3/23 1H	FY3/24 1H	Main reasons for change in the current period
<b>Cash flows from operating activities</b>	(3.7)	<b>(2.0)</b>	(+) Increase in quarterly profit before taxes and accounts payable-trade (-) Increase in notes and accounts receivable-trade and inventories, payment of income taxes, etc.
<b>Cash flows from investing activities</b>	(9.4)	<b>(4.3)</b>	(-) Payment for acquisition of property, plant and equipment
<b>Free cash flows</b>	(13.2)	<b>(6.3)</b>	
<b>Cash flows from financing activities</b>	12.3	<b>4.6</b>	(+) Increase in short-term loans payable
<b>Net increase (decrease) in cash and cash equivalents</b>	(0.1)	<b>(1.1)</b>	
<b>Cash and cash equivalents at end of period</b>	11.2	<b>10.6</b>	

## 1-4 Forecast of Full-Year Consolidated Financial Results

The forecast of financial results for the full year of FY3/24 has been revised upward as follows from the forecast published on May 12.

		(billion yen)			
	FY3/23 Results	Initial forecast (Published on May 12)	Revised forecast (Published on November 10)	Increase (decrease) from initial forecast	Increase (decrease) YoY
Net sales	351.0	330.0	360.0	30.0	2.6%
Operating profit	13.8	9.0	10.0	1.0	(27.6)%
Operating margin	3.9%	2.7%	2.8%	0.1pt	-
Ordinary profit	13.8	9.3	11.0	1.7	(20.5)%
Profit attributable to owners of parent	9.6	6.5	7.6	1.1	(21.6)%
Earnings per share (yen)	371.7	249.1	291.4	42.2	(21.6)%
ROE	12.2%	7.3%	8.3%	1.0pt	-

# (Matsuda Sangyo's policy in response to TSE's requests)

## Recognition of current situation

Although we have seen an expansion in our consolidated ROE and the equity spread in the cost of shareholders' equity, PBR remains below 1 time.

## 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.

(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.

**Foster expectations of 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.





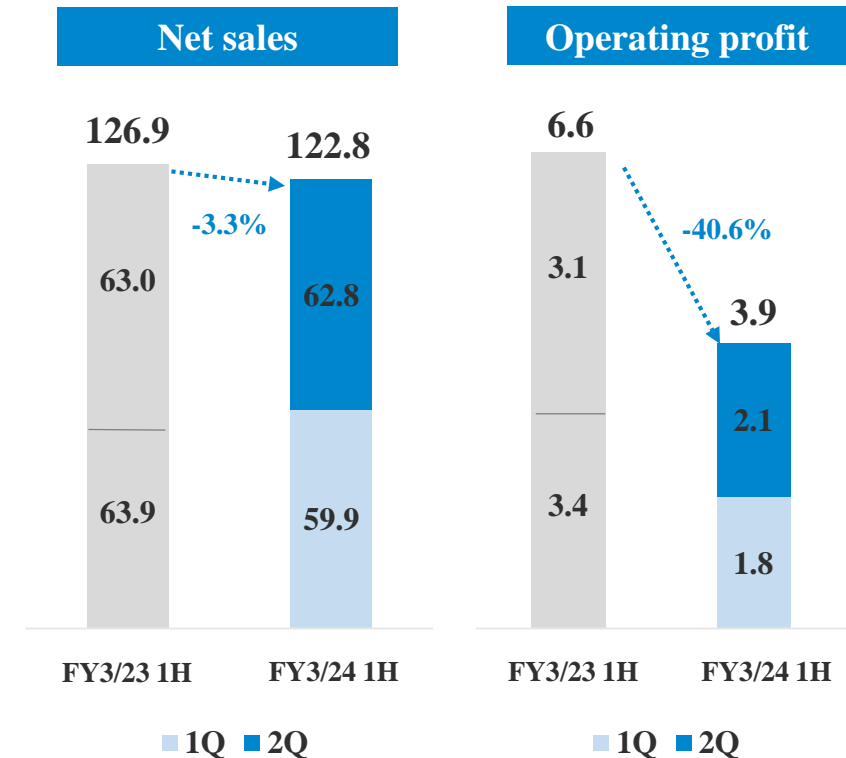
## 2. Segment Results and Forecasts

## 2-1 Precious Metals Business Segment (Overview of Financial Results)

Despite an increase in precious metals recycling volume in the jewelry field and steady gold prices, operations were sluggish in the electronic devices field, which is our key market, resulting in significant falls in the precious metals recycling volume and product sales volume.

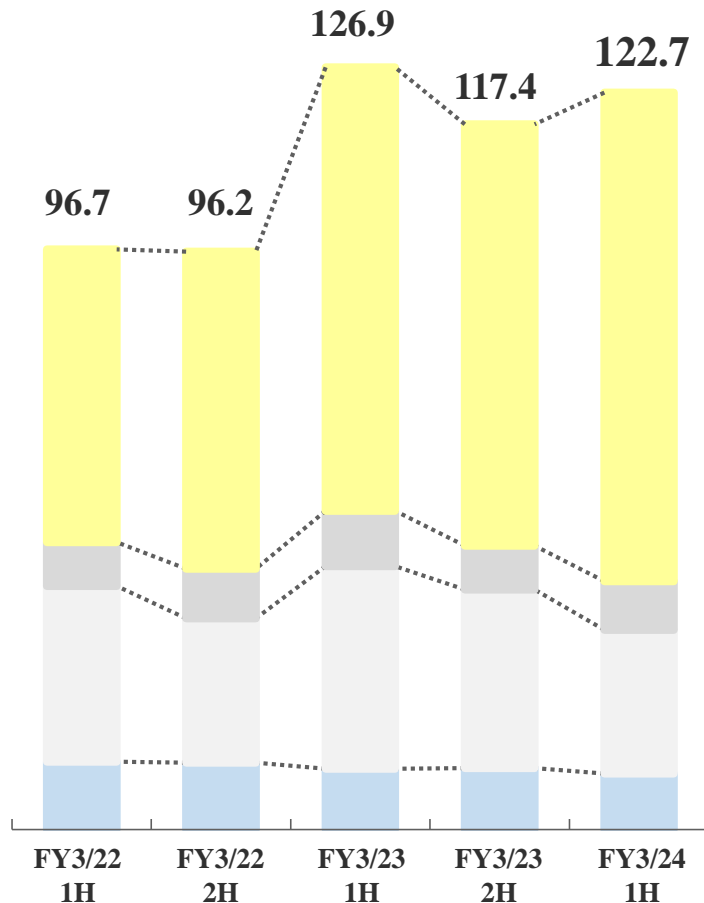
(billion yen)

	FY3/23 1H	FY3/24 1H	Increase (decrease)	
Net sales	126.9	<b>122.8</b>	(4.1)	(3.3)%
Operating profit	6.6	<b>3.9</b>	(2.6)	(40.6)%
Operating margin	5.2%	<b>3.2%</b>	(2.0)pt	-



## 2-1 Precious Metals Business Segment (Net Sales by Item)

Sales of gold increased by 7.4 billion yen year-on-year due to the rise in gold prices and increase in precious metals recycling volume in the jewelry field. However, as both precious metals recycling volume and product sales volume fell in the electronic devices field, overall net sales decreased by 4.1 billion yen year-on-year.

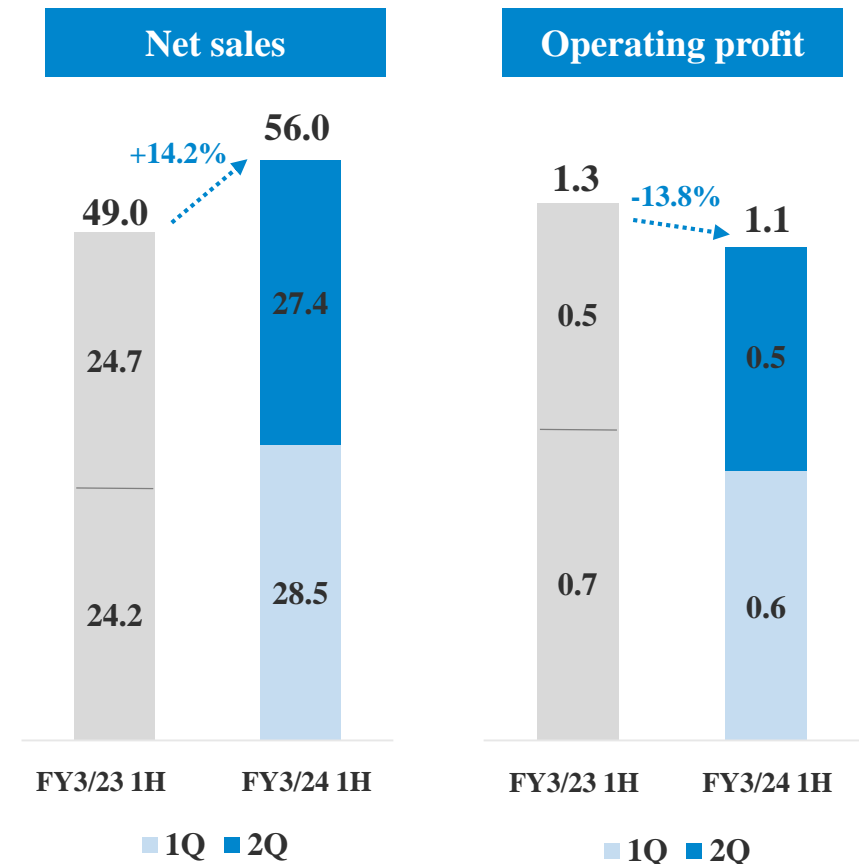


	(billion yen)			
	FY24/3 1H	Increase (decrease) YoY		Reasons for increase (decrease)
<b>Gold</b>	<b>81.3</b>	7.4 10.1%		Quantity decreased by 2.1% and prices increased by 12.2%
<b>Silver</b>	<b>8.1</b>	(1.0) (11.9)%		Quantity decreased by 24.2% and prices increased by 12.3%
<b>Platinum group</b>	<b>23.9</b>	(9.7) (28.9)%		Quantity decreased by 17.1% and prices decreased by 11.9%
<b>Other</b>	<b>9.3</b>	(0.7) (7.6)%		Non-ferrous metal products decreased by 11.0%, etc.

## 2-2 Food Business Segment (Overview of Financial Results)

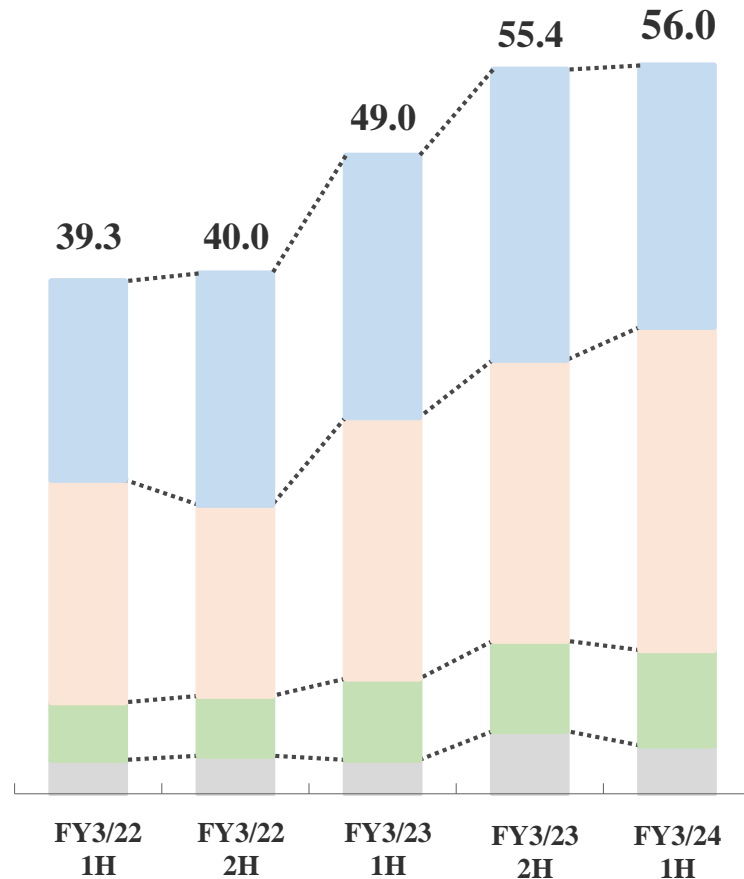
Despite a year-on-year increase in net sales on the back of an increase in sales volume and rising selling prices, operating profit fell slightly year-on-year due to the impact of an increase in transportation and storage costs, as well as rising procurement prices.

	(billion yen)			
	FY3/23 1H	FY3/24 1H	Increase (decrease)	
Net sales	49.0	56.0	6.9	14.2%
Operating profit	1.3	1.1	(0.2)	(13.8)%
Operating margin	2.7%	2.1%	(0.6)pt	-



## 2-2 Food Business Segment (Net Sales by Item)

Although sales volume fell due to a decline in demand for marine products, overall net sales increased by 6.9 billion yen year-on-year due to a steady increase in the sales volume of agricultural products, etc. and rising selling prices.



	(billion yen)			
	FY3/24 1H	Increase (decrease) YoY		Reasons for increase (decrease)
Marine products	20.0	0.0	0.2%	Quantity decreased by 6.1% and prices increased by 6.1%
Livestock products	24.7	4.7	23.6%	Quantity increased by 4.4% and prices increased by 19.2%
Agricultural products	7.3	1.1	17.9%	Quantity increased by 5.2% and prices increased by 12.7%
Other	3.7	1.0	40.4%	Quantity increased by 49.1% and prices decreased by 8.7%

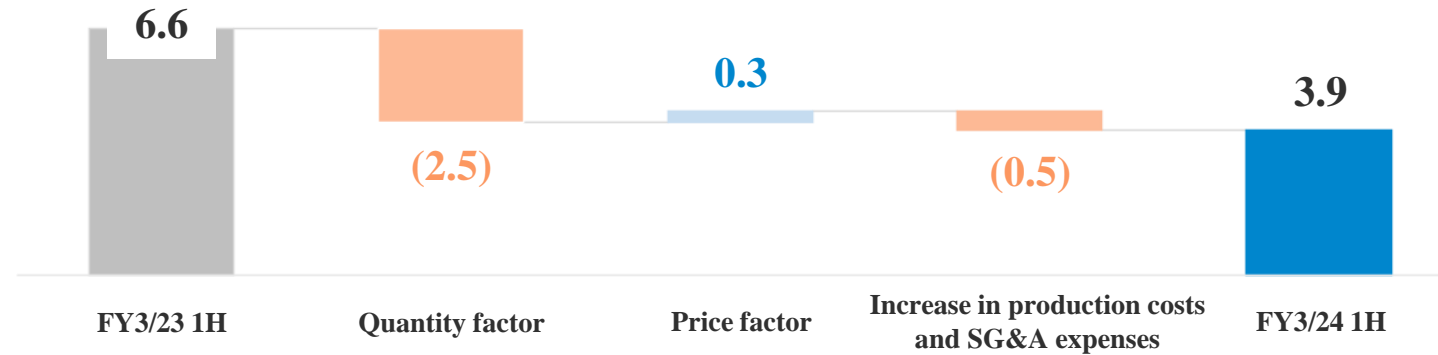
## 2-3 Changes in Operating Profit

In the Precious Metals Business Segment, operating profit was impacted by a fall in quantity due to the decline in operations in the electronic devices field.

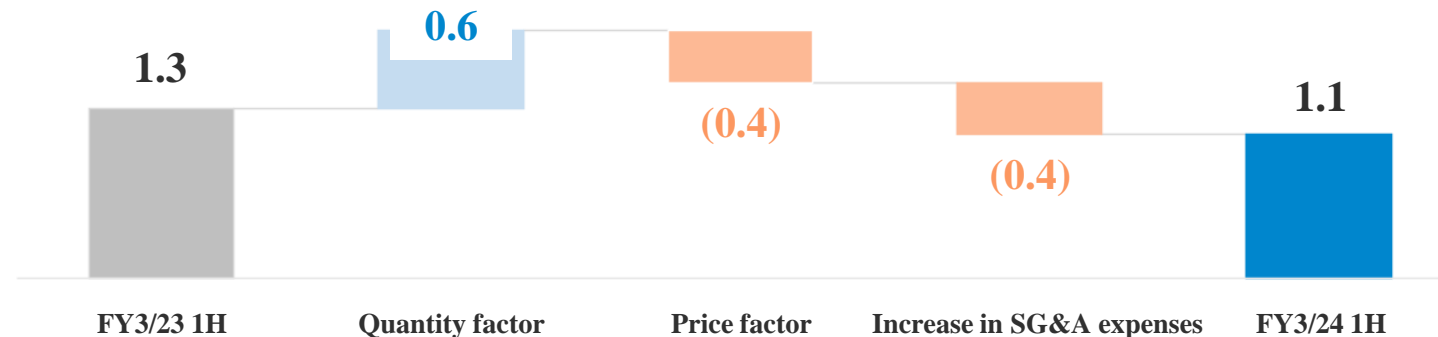
In the Food Business Segment, while an increase in sales volume contributed to profits, it was unable to counter the rising procurement prices and increase in SG&A expenses.

(billion yen)

### Precious Metals Business Segment



### Food Business Segment



## 2-4 Forecast of Financial Results

The forecast of financial results by business segment was revised upward for both the Precious Metals Business Segment and Food Business Segment.

(billion yen)						
	FY3/23 Results	Initial forecast (Published on May 12)	Revised forecast (Published on November 10)	Increase (decrease) from initial forecast	Increase (decrease) YoY	
<b>Precious Metals Business Segment</b>	Net sales	246.5	<b>230.0</b>	<b>250.0</b>	20.0	1.4%
	Operating profit	12.0	<b>7.1</b>	<b>7.8</b>	0.7	(35.2)%
<b>Food Business Segment</b>	Net sales	104.4	<b>100.0</b>	<b>110.0</b>	10.0	5.2%
	Operating profit	1.7	<b>1.9</b>	<b>2.2</b>	0.3	24.0%
<b>Total</b>	Net sales	351.0	<b>330.0</b>	<b>360.0</b>	30.0	2.6%
	Operating profit	13.8	<b>9.0</b>	<b>10.0</b>	1.0	(27.6)%

## 2-4 Forecast of Financial Results (Changes in the Assumptions Used in the Forecast)

Due to the increase in volume of precious metals recovered from the jewelry field and increase in gold prices in the Precious Metals Business Segment, and higher-than-expected increase in selling prices in the Food Business Segment, financial results have exceeded the initial forecast.

		Assumptions used in the forecast in May	Recognition of current situation/Changes in assumptions
Precious Metals Business Segment	External environment and quantity	<ul style="list-style-type: none"> <li>Decline in operations in the electronic devices field alongside a decline in demand (excluding automobiles) and adjustments to excess inventory, <u>with recovery expected in the second half of the fiscal year</u></li> <li>➔ Decrease in precious metals recycling volume and product sales volume</li> </ul>	<ul style="list-style-type: none"> <li><b>Electronic devices field <u>expected to recover after the next fiscal year</u></b></li> <li><b>Increase in volume of precious metals recovered from the jewelry field</b></li> </ul>
	Selling prices	<ul style="list-style-type: none"> <li>Precious metals market prices: Assumed to be on par with the average for FY3/23 2H (Gold: 8,000 yen/g, Silver: 95 yen/g)</li> </ul>	<ul style="list-style-type: none"> <li><b>Higher-than-expected increase in gold prices</b></li> <li><b>Precious metals market prices: Assumed to be on par with the average for FY3/24 1H (Gold: 8,700 yen/g, Silver: 106 yen/g)</b></li> </ul>
Food Business Segment	External environment and quantity	<ul style="list-style-type: none"> <li>Recovery in the external environment due to growth in inbound demand and other factors; strengthening of procurement capabilities in anticipation of diversifying customer needs</li> <li>➔ Increase in sales volume with a focus on marine and agricultural products</li> </ul>	<ul style="list-style-type: none"> <li><b>Increase in sales volume for livestock and agricultural products, and decrease in sales volume for marine products</b></li> </ul>
	Selling prices	<ul style="list-style-type: none"> <li>Assumed to fall to the level of average prices for FY3/23 1H</li> </ul>	<ul style="list-style-type: none"> <li><b>Despite a higher-than-expected increase in selling prices, there will be a lull in rising prices followed by a gradual decline</b></li> </ul>



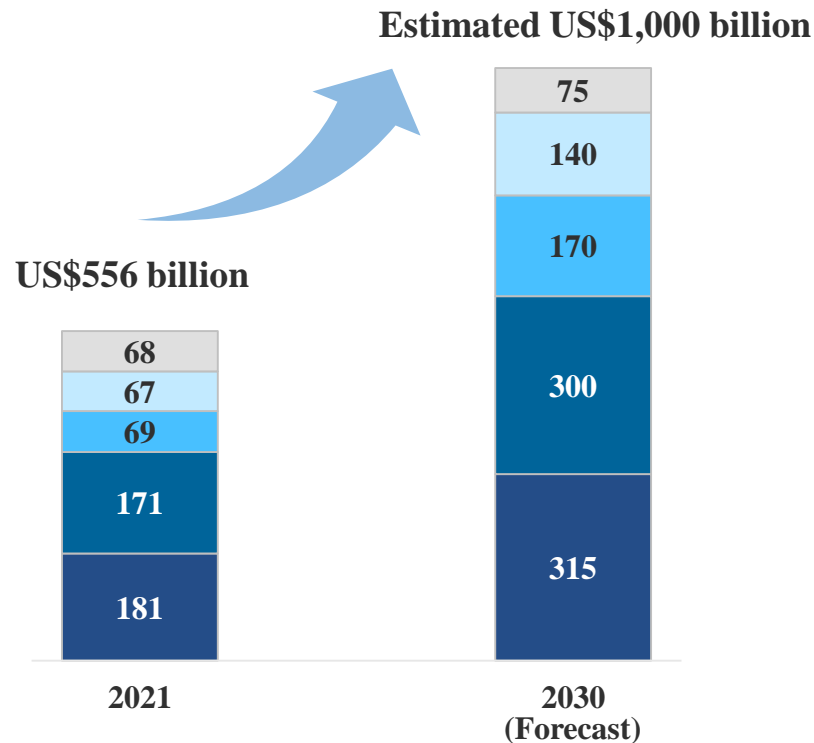


## (Supplementary Information: Recognition of the External Environment for the Precious Metals Business Segment)

The electronic devices field will continue to see a decline in operations in the near future, but will expand in the medium- to long-term due to the shift to IoT and EVs.

Demand for resource recycling is expected to grow further in the future with a view to securing rare mineral resources.

(Outlook for the global semiconductor market)



Color	Target field
Grey	For consumer electronics
Very light blue	For industrial electronics
Light blue	For automobiles/EVs
Medium blue	For communications
Dark blue	For data technology

Source: Prepared by Matsuda Sangyo based on data from the German Electro and Digital Industry Association (ZVEI)

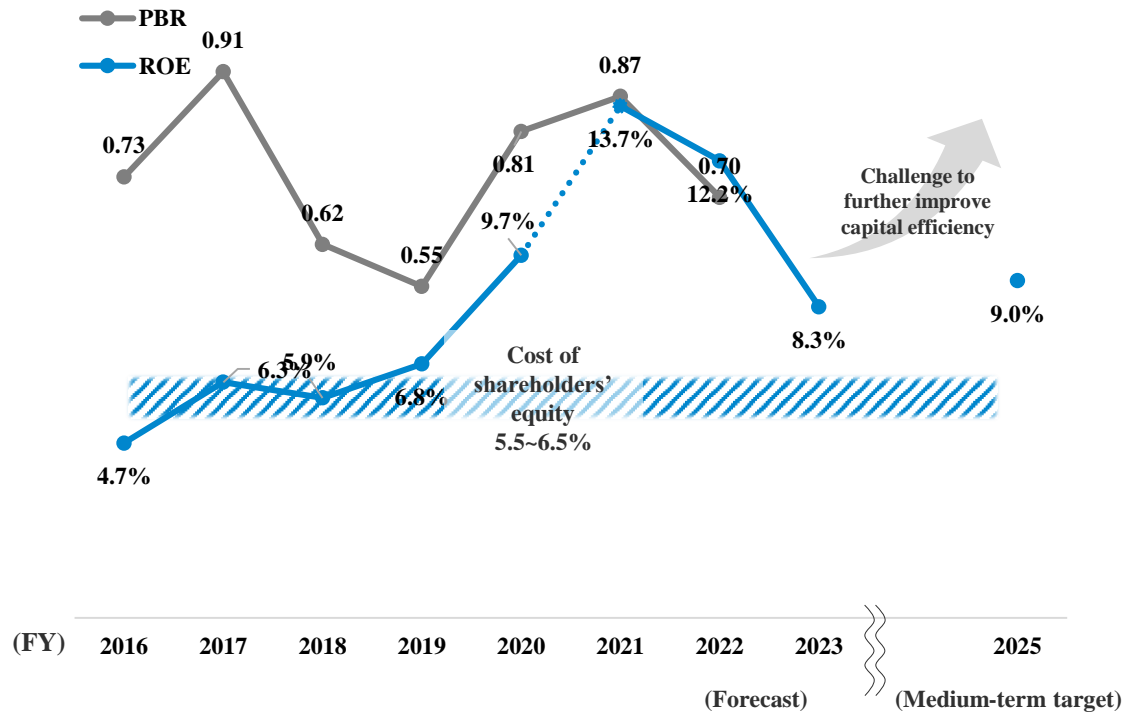


### **3. Toward Realizing Management that is Conscious of Capital Costs and Stock Prices**

## 3-1 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 and ROE



- 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 decline in expected ROE accompanying the forecast for a decline in profits in FY3/24
  - 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.

## 3-2 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 <b>300 billion yen</b>	Operating profit <b>13 billion yen</b>	Operating margin <b>4.3%</b>	ROE <b>9.0%</b>	ROA <b>10.0%</b>
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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.

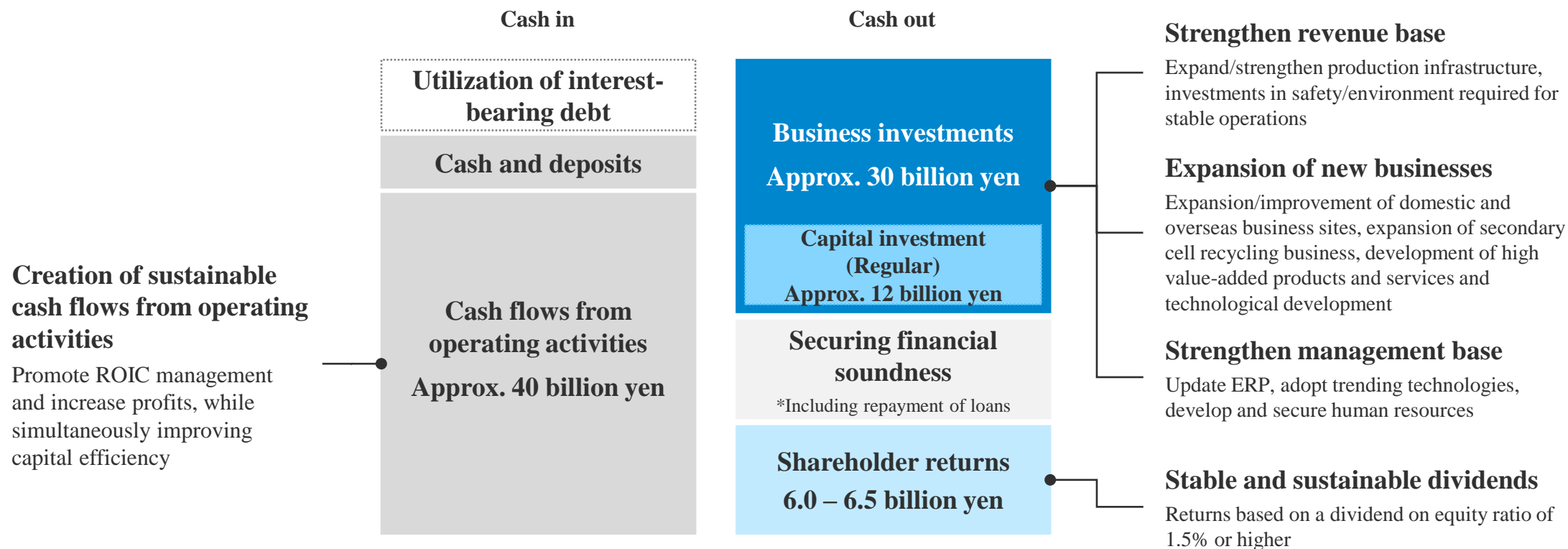
Foster expectations for growth

## 3-3 Capital Policy/Cash Allocation

### Capital policy

We will enhance corporate value sustainably, taking into account optimal resource distribution to business opportunities with a view to growth potential, securing financial soundness, and striking a balance with shareholder returns.

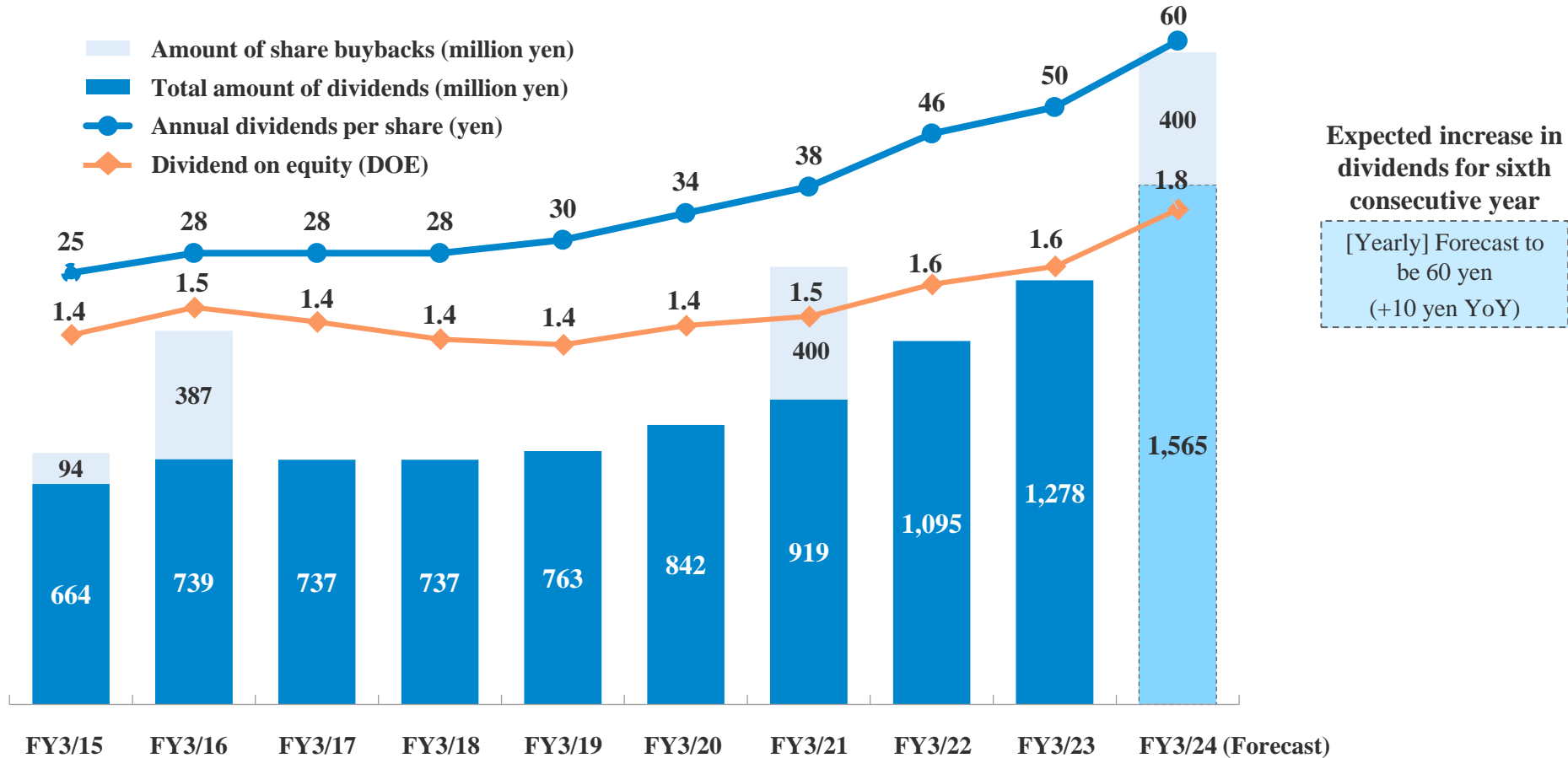
### Assumption of cash allocation based on the Medium-term Management Plan (cumulative for FY2022-2025)



# 3-4 Shareholder Returns

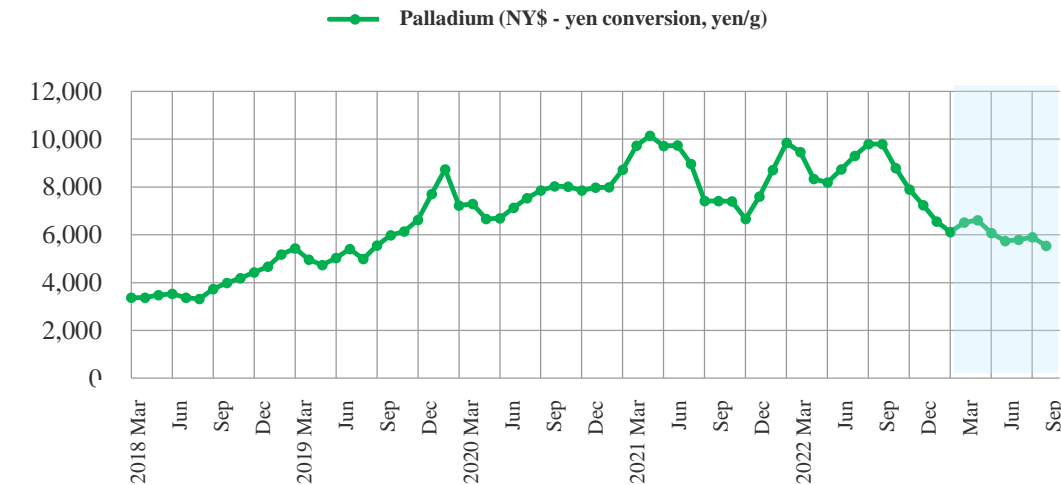
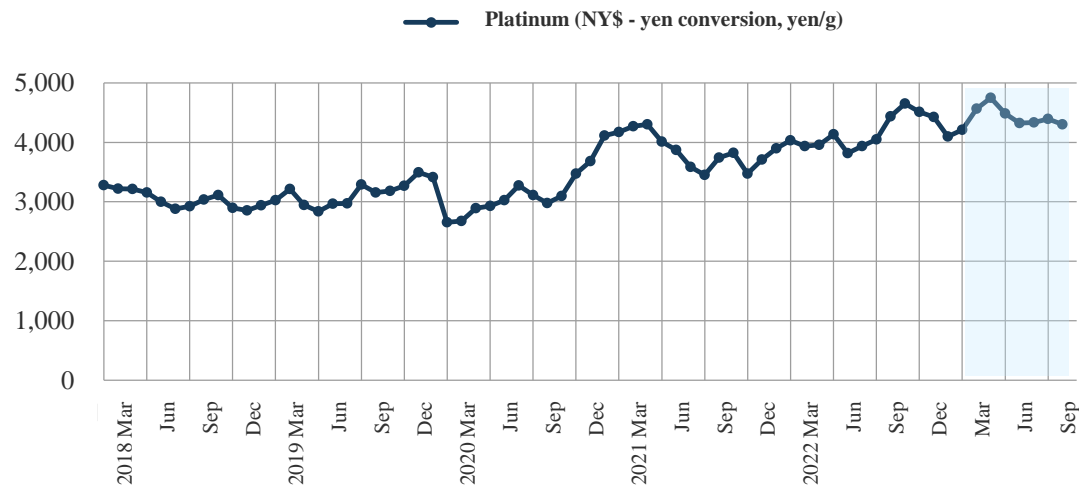
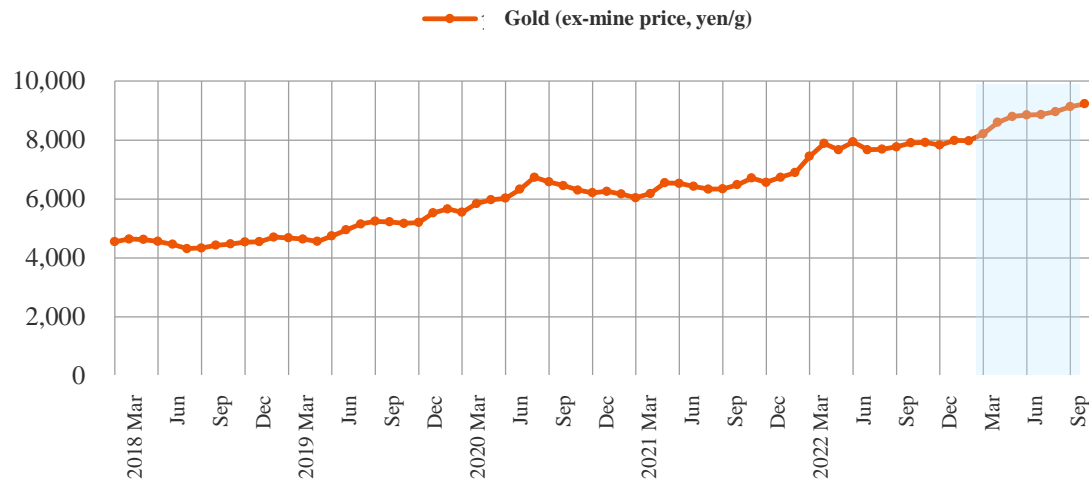
## Shareholder returns

- 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



# Appendix

Market prices for FY3/24 are assumed to be 8,700 yen/g for gold, and 106 yen/g for silver.







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<Inquiries>

Matsuda Sangyo Co., Ltd.  
CSR IR Dept.

Inquiry form: <https://www.matsuda-sangyo.co.jp/ja/contact/contact4.html>



**松田産業株式会社**

MATSUDA SANGYO CO., LTD.