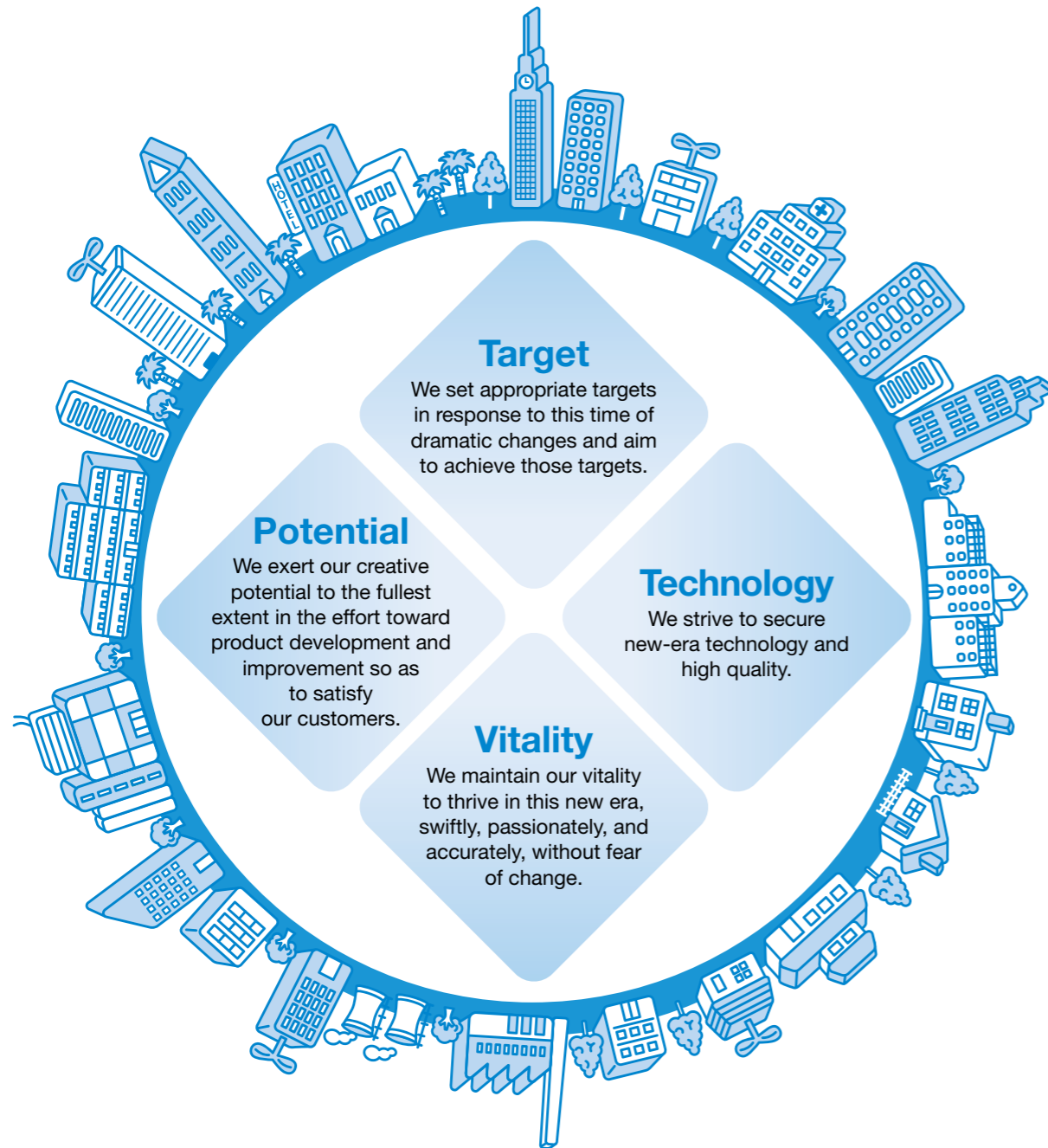




INTEGRATED REPORT 2023

For Human Happiness and a Beautiful Earth

Company Creed



Guiding Precepts

- Maintaining Frontier Spirit:** We endeavor to develop new business fields with a vigorous frontier spirit, while exerting our creativity.
- Carrying Out Our Words:** We endeavor to carry out our words with an indomitable spirit, while understanding our company's policy correctly.
- Giving Top Priority to Customer Confidence:** We endeavor to increase customer confidence in our company with a spirit of good faith, while recognizing that each one of us is a representative of our company.
- Building Cooperative Relationships:** We endeavor to establish healthy and cheerful workplaces with a spirit of friendship and cooperation, while regarding harmony among people as a fundamental principle.
- Engaging in Self-Enlightenment:** We endeavor to pursue self-improvement with a spirit of striving toward lofty ideals, while deepening our knowledge from a broad perspective.

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Editorial Policy

■ Purpose of publication

This Report was initially published as the Environmental and Social Report from 2010 to report on the Matsuda Sangyo Group's environmental and social activities, and was published as the Corporate Value Report from 2016. Since FY2022, it has been upgraded to the Integrated Report, which reports to all stakeholders on the Group's efforts toward creating future new value through its business. In light of the rapidly changing social environment, Matsuda Sangyo positions this report as a part of our communication tools for creating value together with all stakeholders, including investors and shareholders.

■ Key points for this fiscal year

With regard to changes in the Integrated Report from the previous fiscal year, the value creation process of the Matsuda Sangyo Group has been updated, and the growth strategies of each business segment have been newly added (p.28-33). In addition, the section on the sources of corporate value of each business segment (p.14-25) incorporates interviews with officers to communicate the business content and future outlook to readers in a way that is easy to understand. In these ways, we hope that this Report can provide readers with greater understanding and insight into the Matsuda Sangyo Group.

■ Period covered

FY2022 (April 1, 2022 – March 31, 2023)

However, some information related to initiatives outside of the fiscal year covered is included.

Inquiries

CSR IR Dept. Shinjuku Nomura Bldg. 26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo Tel: +81-3-5381-0728

■ Scope of data collection

Head Office, Production Departments, Precious Metals Business Segment business sites, Food Business Segment business sites (Information on the various environmental activities is mainly based on data from the production departments.)
The names of each division/department are correct as of April 1, 2023.

■ Reference guidelines

IFRS, "Integrated Reporting Framework"
METI, "Guidance for Collaborative Value Creation 2.0"

■ Publication date and next scheduled issue

Publication date: September 2023

Next scheduled issue: September 2024 (Japanese edition), October 2024 (English edition)

Forward-looking Predictions/Projections/Plans

The forward-looking statements included in this Report are drawn up based on information available at the time of writing, and actual results and events may differ from predictions due to changes in the business environment or other factors. We ask for your understanding on this.

Management Message

To be a company that continuously evolves and adapts to social changes, and which customers and society always need



Matsuda Sangyo Group's vision

Based on its corporate philosophy of "Making effective use of the limited earth resources and contributing to society through business," the Matsuda Sangyo Group is working toward realizing sustainable growth based on the pillars of its Precious Metals Business Segment and its Food Business Segment. The Precious Metals Business Segment is an integration of the precious metals related business that recycles the limited resources of precious metals to make effective use of them, and the environmental related business that strives to pass down a clean environment to future generations, and the Food Business Segment aims to enrich the lives of people through a stable supply of food resources that are rich blessings from the Earth.

The Medium-term Management Plan (FY2022–2025) sets out the basic policy of strengthening revenue base and creating new revenue sources by continuing with proactive investments, strengthening management foundation to support and accelerate sustainable growth, and enhancing corporate value by promoting sustainability management, with a view to realizing

the Group's vision "To be a company that continuously evolves and adapts to social changes, and which customers and society always need." By working on our growth strategy with the two business segments as the driving force, alongside making effective use of resources and securing resources sustainably, we aim to provide high added value that contributes to resolving the problems faced by our customers and society.

The Matsuda Sangyo Group was founded as a business that extracted and recycled silver from used materials in photo-sensitive materials and photograph development, followed by the launch of the business of selling egg whites that were then unused by food manufacturing plants to the boiled fish paste product industry. Starting with the establishment of these businesses, it has now grown into a cross-industrial company comprising the Precious Metals Business Segment and the Food Business Segment of today. However, what the establishment of these businesses has in common is the creation and commercialization of new value from things that are unused. These businesses were born out of an awareness of "mottainai" (wastefulness), and the creativity and challenge toward commercialization. This spirit of entrepreneurship has been passed on to the present day and is linked to our corporate philosophy.

Matsuda Sangyo has applied our creativity and spirit of challenge in various ways to date, including in the field of sophisticated technology such as the recycling of precious metals, development and production of precious metal products, and environmental conservation, as well as in the development of sales channels to tap new markets. These have been supported by the presence of our customers and society. Thanks to their expectations of our company and the various things they have taught us, our creativity and challenges have borne fruit, and we have learned the importance of gratitude and kindness through that. Since our founding, Matsuda Sangyo has continued to play a role in resolving environmental and social issues. Our purpose is to contribute to society through the Precious Metals Business Segment and the Food Business Segment based on the common mission of effectively utilizing Earth's resources, and I feel strongly that we will continue to be a company that is always needed by our customers and society.

Reflecting on FY2022 and looking ahead to FY2023

We have entered the second year of the Medium-term Management Plan (FY2022–2025) that started in FY2022. The Plan sets out the following management targets on a consolidated basis for its final year in FY2025 (fiscal year ending March 2026): net sales of ¥300 billion, operating profit of ¥13 billion,

operating margin of 4.3%, return on equity (ROE) of 9.0%, and ordinary profit to total assets ratio of 10.0%.

In FY2022, the first year of the Plan, the Precious Metals Business Segment achieved its best business results on record due to an increase in the volume handled by the business segment and other factors, against the backdrop of an external environment boosted by the strong performance of the electronic devices industry.

The outlook for FY2023 is a complete turnaround from the positive performance of FY2022, with forecasts for a decline in both sales and profits. There is growing uncertainty in the global economy, with no signs of an end to the situation in Ukraine, alongside worldwide inflation and concerns of an economic slowdown in China. Under these circumstances, the FY2023 results forecast has been lowered temporarily due to the deterioration of the external environment for the Precious Metals Business Segment and other factors. However, we will continue to steadily promote our growth strategy in both the Precious Metals Business Segment and the Food Business Segment, toward the achievement of the management targets set out in the Medium-term Management Plan.

In the Precious Metals Business Segment, due to deterioration of the production trends in the electronic devices sector and expected delays in recovery, we forecast a 6.7% decline in sales and 41.0% fall in operating profit. With regard to sales, the decline is stemmed at just 6.7% as we can expect quantitative growth for precious metals recycling in sectors other than electronic devices. However, operating profit is expected to fall by a significant margin due to the great impact from the deterioration of environment in the electronic devices sector. Demand for semiconductors and electronic components continues to decline due to a slump in demand for smartphones, computers, and servers for data centers. Additionally, there are various concerns about the external environment, including concerns about an economic slowdown in China and fluctuations in precious metal prices. However, we will work steadily on the tasks that should be carried out toward the realization of our medium-term vision of becoming "leading company that creates resource circulation (utilization)," and continue to acquire new customers and increase the share of existing customers. In our lithium-ion battery (LIB) recycling business as well, which we are focusing on with a view to achieving medium- to long-term growth, we will build a full-fledged scheme toward increasing quantities in the future. The electronic devices sector is facing difficult conditions in the short-term, but its nature as a medium- to long-term growth sector that is indispensable in the evolution of a digital society remains unchanged. Furthermore, as recycling needs are also expected to grow as we move toward building a circular society, the Matsuda Sangyo Group plans to continue with proactive investments toward medium- to long-term sustainable growth.

In the Food Business Segment, operating profit is forecast to increase by 7.1% despite the expected 4.3% decline in sales. Against an increase in inbound demand, overall end-user food demand is uncertain due to rising prices and other factors.

Furthermore, transportation, storage, and other costs are also expected to increase alongside rising prices. However, we will make maximum use of product proposal capabilities to meet the needs of diversifying customers, as well as our global procurement capabilities, to increase sales volume. While the external environment is fraught with difficulties, such as concerns about a global economic downturn associated with inflation and the further diversification of needs related to sustainability, we will continue to expand our business by drawing even closer to our customers and business partners, and developing safe, reliable and sustainable products that capture their needs while building sales channels, in order to realize our medium-term vision of becoming the "best partner for customers in product development."

Strengthening our management foundation

With a view to achieving the basic policy to "Strengthen management foundations to support and accelerate sustainable growth" set out in our Medium-term Management Plan (FY2022–2025), the Matsuda Sangyo Group will promote human capital management that contributes to nurturing management talent, the active participation of diverse human resources, and the creation of a nurturing workplace environment. We will also put effort into promoting DX aimed at realizing productivity improvements and strengthening management functions through the utilization of IT, and strengthening governance and risk management. We will promote sustainability management in order to be a company that is trusted and always needed by our customers and society. As we identified "Striking a balance between reducing environmental burden and business growth," within our issues of materiality, we are also addressing decarbonization. Responding to climate change leads to a sustainable society, which we perceive as the mission of the Matsuda Sangyo Group. To that end, we aim to realize carbon neutrality and have set out to achieve this target by 2050.

Conclusion

We will work to further strengthen the business growth of the Matsuda Sangyo Group as well as the relationship of trust with all stakeholders through various opportunities, strike a balance between the realization of a sustainable environment, society, and economy and the sustainable growth of our corporate group, and enhance our corporate value.

July 2023

Yoshiaki Matsuda

President and Representative Director
MATSUDA SANGYO Co., Ltd.

Making effective use of the limited earth resources and contributing to society through business

Everything began with the Spirit of “mottainai” × Spirit of challenge

Our purpose is to practice our corporate philosophy and continue to be a company which customers and society always need.

The Matsuda Sangyo Group began as a company that makes effective use of earth resources, born of our founder’s awareness of “mottainai” (meaning “wastefulness”) and the desire to contribute to society through creativity and a spirit of challenge.

Our businesses have fostered a corporate culture that places importance on gratitude and kindness, and the desire to be “even more needed by our customers” has continued to this very day, leading to our corporate philosophy of “making effective use of the limited earth resources and contributing to society through business.”

Today, the world is confronted by various materialities (important social issues) such as environmental issues and the food crisis, as we strive to move toward the realization of a sustainable society.

Even prior to the arrival of concepts such as sustainability and SDGs, the Matsuda Sangyo Group has continued to grow and develop based on the theme

“For Human Happiness and a Beautiful Earth.” Going forward, we will continue to contribute to solving materialities through our business.



Took over Matsuda Shoten in 1960, and established and developed Matsuda Sangyo while elevating the founding spirit into the corporate philosophy and taking the company through repeated corporate restructuring. (1960–2003)

Hiroshi Matsuda



Fostered a spirit of “mottainai” while working in the family business that included a newspaper store. Went to Tokyo and in 1935, founded Matsuda Shoten, the predecessor of Matsuda Sangyo. (1930s)

Taro Matsuda

Matsuda Sangyo's History

	1930s–1950s	1960s–1970s	1980s	1990s	2000s	2010s	2020s
Developments around the world		From the 1960s Pollution becomes a growing social problem 1971 Opening of first McDonald's restaurant in Japan	1980s Popularization of convenience stores 1980s–1990s Overseas expansion by Japanese corporations (hollowing out of domestic industries)	1991 Liberalization of beef import, start of new labelling method for food additives 1995 Release of Windows 95, Staple Food Control Act abolished 1997 Release of first-generation Prius	2000s Popularization of electronic money 2007 Release of iPhone	2015 SDGs adopted by the United Nations, Paris Agreement adopted	2021 Publication of IPCC Sixth Assessment Report 2022 Enforcement of the Plastic Resource Circulation Act

Growth trajectory

Founding period

Establishment and expansion of business

Acceleration of overseas strategy

Dramatic growth based on our core businesses

Started the business that will pioneer a circular society

Founding of Matsuda Sangyo

Established the company that provided the foundation for the Food Business Segment and Precious Metals Business Segment (precious metals related business/environmental related business).


1951 Establishment (formally a surviving company)

Started manufacturing products in the Precious Metals Business Segment from high-purity precious metals by using purification technology. Established the Quality Assurance Department in the Food Business Segment, and strengthened efforts to provide safe and reliable food materials through the company's proprietary high-precision inspection system.

1992 Merger of respective operating companies
1995 Over-the-counter share registration

Merger of the respective operating companies, and over-the-counter share registration as Matsuda Sangyo Co., Ltd.

1992 Merger of respective operating companies
1995 Over-the-counter share registration



Aiming to achieve dramatic business growth by further resolving social issues in response to the demands of the times.

2022 Transition to Prime Market

Net sales
 ¥351,028 million




Precious Metals Business Segment

<p>1935 Founding Started the business of refining silver bullion from waste liquid containing silver, which has been discarded after the use of chemicals in photosensitive materials such as photographic film or chemicals used in the development of photographs</p> <p>1957 Full-scale launch of silver recycling business</p>	<p>1965 Establishment and full-scale operation of refining facilities for silver, etc. Systematization of the precious metal recycling business and industrial waste treatment business, and start of business site expansion</p> <p>1970 Start of the refining and recovery of gold, silver, platinum, and palladium, and the production and sale of electronic component materials for the semiconductor industry</p> <p>1971 Establishment of Musashi Factory in Iruma City, Saitama Prefecture to refine precious metals.</p> <p>1978 Establishment of Matsuda Precious Metal Industry (de facto surviving corporation) Established for the purpose of expanding the precious metal recycling business targeting the semiconductor and electronic components industries</p>	<p>1986 Establishment of Iruma Factory in Iruma City, Saitama Prefecture to handle the pre-processing for precious metals refining</p> <p>1987 Started production and sale of bonding wire (Establishment of NIPPON MICROMETAL CORPORATION) Launched the full-scale sale of precious metal component materials by supplying recovered and refined gold and selling gold bonding wire, the lead material for semiconductors which are indispensable to the electronics industry</p>	<p>1992 Establishment of Singapore branch office (now a local subsidiary); palladium registered on the Tokyo Commodity Exchange</p> <p>1993 Gold, silver, and platinum bullion registered on the Tokyo Commodity Exchange</p> <p>1995 Accredited by the London Platinum and Palladium Market (LPPM) The quality of Matsuda's bullion is highly appraised, and its platinum and palladium bullion are accredited as a designated brand</p> <p>1996 Introduced waste liquid concentration/high-temperature oxidation treatment facility (MCR system) ahead of the rest of the country</p> <p>1997 Establishment of JAPAN MEDICAL TECHNOLOGY Co., Ltd. acquisition of HOKKAIDO AOKI KAGAKU Co., Ltd.</p> <p>1998 Establishment of Z.E.R.O. JAPAN Commercialization of the treatment of polychlorinated biphenyl (PCB) (Development and maintenance of VTR devices)</p>
<p>2000 Accredited by the London Bullion Market Association (LBMA) The quality of Matsuda's bullion is highly appraised, and its gold and silver bullion are accredited as good delivery</p> <p>2004 Establishment of subsidiary in Thailand</p> <p>2004 Establishment of subsidiary in Philippines</p> <p>2005 Establishment of subsidiary in Singapore</p> <p>2009 Establishment of subsidiary in Malaysia</p>	<p>2014 Establishment of subsidiary in Vietnam Commenced operation of Musashi No. 3 Factory in Iruma City, Saitama</p> <p>2017 Commenced operation of Seki Factory in Seki City, Gifu</p> <p>2019 Establishment of subsidiary in Taiwan</p>	<p>2020 Launch of recycling business for large lithium-ion batteries Contributing to the realization of a resource circulation society through the building and strengthening of a recycling chain for large lithium-ion batteries, in partnership with other companies</p> <p>2021 Establishment of subsidiary in Republic of Korea</p> <p>2023 Start of material recycling of PTP sheets</p>	






Food Business Segment

<p>1948 Founding Proposed the utilization and supply of egg whites that were then unused from a mayonnaise factory near the location where the company was founded, as a binder for surimi fish paste products. This led to the launch of the wholesale business for food materials.</p> <p>1956 Expansion of business selling egg whites</p>	<p>1973 Started dealing in frozen vegetables, dried vegetables, and plant-based protein</p> <p>1976 Started dealing in frozen fish</p> <p>1979 Started dealing in livestock products</p>	<p>1988 Establishment of Quality Assurance Dept.</p> 	<p>1990 Establishment of MATSUDA RYUTSU Co., Ltd. Establishment of MATSUDA RYUTSU Co., Ltd. to handle contract delivery for each group company</p> <p>1998 Entered the industrial and food service sectors</p>
<p>2000 Started the supply of food materials to the food service and ready-made meal sectors Strengthened development of processed products</p> 	<p>2011 Started acquiring Marine Stewardship Council (MSC) certification</p> <p>2012–2013 Establishment of subsidiary in China (Qingdao) Establishment of subsidiary in Thailand (Bangkok) Strengthened food procurement functions</p> <p>2016 Acquired Gulf Foods Co., Ltd. as a subsidiary</p> <p>2017 Establishment of subsidiary in Vietnam</p>	<p>2022 Establishment of subsidiary in India</p> <p>2023 Establishment of subsidiary in Indonesia</p> 	

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 (FY)

Promoting Sustainability Management

Approach to sustainability

Purpose

The purpose of the Matsuda Sangyo Group is to put into practice our corporate philosophy of “making effective use of the limited earth resources and contributing to society through business,” and to continue being a company that customers and society always need.

Triggered by our founder’s realization of “mottainai” (wastefulness), our business began by giving value to things that were unused and things that customers had trouble disposing of. Through our business, we have fostered a corporate culture that cherishes gratitude and kindness, and we have continued to tackle new creative challenges and developed the business with the desire to be “even more needed by our customers.”

Based on our strong wish “For Human Happiness and a Beautiful Earth,” we believe that the creation of new value that is rooted in the effective use of the Earth’s resources and which meets the needs of the times, contributes to the realization of a sustainable environment, society, and economy.

To fulfill our purpose, we established the Basic Policy on Sustainability* in December 2022 and identified materiality (important issues) that should be addressed.

*Matsuda Sangyo Group’s Basic Policy on Sustainability is available on our corporate website.

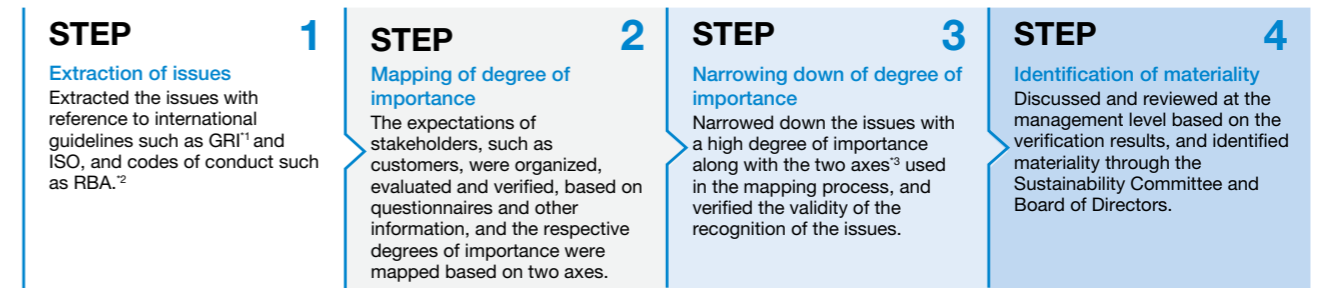
<https://www.matsuda-sangyo.co.jp/en/sustainability.html>

Communication with stakeholders

Stakeholders	Relationship with stakeholders	Communication methods	Department in charge
Customers	Our founding spirit was that we must never forget that we are what we are because of our customers, and that we should cherish our customers above all and dare to fight bravely with fellowship. Based on this spirit, the Matsuda Sangyo Group strives to conduct its business activities while constantly keeping in mind that our corporate group exists only because of our customers.	<ul style="list-style-type: none"> Regular sales activities Corporate website Whistleblowing system / Inquiry services Publication of Integrated Report 	Divisions in charge of sales Divisions in charge of each business CSR Dept.
Employees	The Matsuda Sangyo Group regards employees as the driving forces behind the creation of new value. For this reason, we have positioned “respect humankind” as an important principle of basic policy for management, and we undertake improvements to the organization and workplace environment, education, and capacity building based on the stance that “the capacity of humankind is limitless.”	<ul style="list-style-type: none"> Employee training Internal portal site Corporate newsletter / E-mail newsletter Whistleblowing system / Consultation services Publication of Integrated Report 	Human Resources Dept. General Affairs Dept. Legal Dept. CSR Dept.
Investors and shareholders	To gain the understanding and support of all shareholders and investors, the Matsuda Sangyo Group engages in IR (investor relations) activities based on appropriate and timely disclosure of management information and two-way communication.	<ul style="list-style-type: none"> General Meeting of Shareholders Financial statements briefing Company briefing (for private investors) Corporate website (IR/Information for investors) Inquiry services Publication of Integrated Report 	CSR Dept. IR Dept. General Affairs Dept.
Local community	We recognize that the Group’s business is directly linked to the conservation of the Earth’s environment and the building of a circular society, and that the business itself contributes to society. By promoting communication and cooperation with local communities, we are promoting businesses with social meaning and working to expand our social contribution. (Refer to p.60–61)	<ul style="list-style-type: none"> Volunteering activities by employees in local communities (Iruma district) Participation in / sponsorship of local events Factory tours Participation in Iruma City’s Zero-carbon Council Whistleblowing system / Inquiry services Publication of Integrated Report 	Division in charge of production General Affairs Dept.

Steps in identifying materiality

In 2022, the Matsuda Sangyo Group engaged in reviews in line with the following steps.



¹ An international non-profit organization whose purpose is to formulate international standards related to sustainability as well as information disclosure frameworks.

² The world’s largest business federation whose purpose is to promote social responsibility in the global supply chain. (Responsible Business Alliance)

³ “Important issues in society that need to be addressed” and “important issues to Matsuda Sangyo”

The Matsuda Sangyo Group’s materiality

The Matsuda Sangyo Group has positioned the following three issues as our materiality: striking a balance between reducing environmental burden and business growth; acceleration of growth through the activities of diverse human resources; and, enhancement of customer satisfaction and securing the trust of society. To promote efforts to address such materiality, we will work to improve governance, and at the same time, incorporate them into our business plans to lead to the creation of new business opportunities.

Striking a balance between reducing environmental burden and business growth

Today, the impact of climate change not only on human society, but also on the Earth’s environment, is becoming increasingly severe. In light of this, we have begun efforts to capture the reduction of greenhouse gases as a priority issue. Specifically, in the Precious Metals Business Segment, we will promote the reduction of energy consumption such as electricity and fuels as one of our environmental targets under the ISO integrated management system. We will also set and promote targets for initiatives to encourage the reduction of hazardous substances, materials, and water consumption, as well as the recycling of landfill waste.

Acceleration of growth through the activities of diverse human resources

In order to realize diversity, in which diverse human resources coexist, as well as the acceptance, recognition, and utilization of diverse values, and to link it to innovation and accelerate growth, we are working to create workplace environments that

offer peace of mind, along with working styles that achieve harmony between work and private life, to all employees, including female employees. Furthermore, in order to enhance work-life balance, we have revised the childcare leave regulations and introduced a childcare leave system for employees with newborn babies.

Enhancement of customer satisfaction and securing the trust of society

Providing accurate information on products and services, and securing the safety and reliability of products, are the social responsibilities of a corporation. We are striving to improve quality by setting quality targets based on ISO standards.

Environment	Striking a balance between reducing environmental burden and business growth (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
Society	Acceleration of growth through the activities of diverse human resources (1) Right person for the right job (2) Diversity and innovation (3) Work-life balance Enhancement of customer satisfaction and securing the trust of society (1) Provision of accurate information on products and services (2) Securing product safety and reliability (3) Partnership with suppliers

Roles of the Sustainability Committee

The Matsuda Sangyo Group has established a Sustainability Committee, which is responsible for the following six roles: (1) formulation of overall policy; (2) deciding on important matters that should be addressed; (3) evaluation of risks and opportunities; (4) setting of targets; (5) formulation of action plans; and, (6) verification and monitoring of actions.

Note: Please refer to the Corporate Governance Structure (p.53) for details on the sustainability promotion system.

Value Creation Process

Human capital

No. of employees
1,605
Gender ratio
 Male **79.3%** Female **20.7%**
 (Matsuda Sangyo Group total)
Offices to support continuous employment
3 offices (outsourced)

Financial capital

Capital invested / Interest-bearing debt + Shareholders' equity
¥104.0 billion
 (Quarterly average from the end of FY2022 to the end of FY2023)

Production capital

Number of production bases
12 bases (domestic and overseas)
Property, plant, and equipment
¥29,205 million

Intellectual capital

Patents
 Product patents, Process patents
Number of development personnel
Approx. 50 people

Society-related capital

Approvals and permits

- (Specially Controlled) Industrial Waste Collection Transportation:
47 prefectures, 3 ordinance-designated cities
- (Specially Controlled) Industrial Waste Disposal Business
 *Intermediate processing
- Number of joint research projects:
17

Natural capital

Energy use
Fuel
64,623MWh
 (electric power conversion)
Electricity
20,960MWh
Water consumption
Approx. 142,000 tons



	Output	Outcomes
Precious metals	Precious metals recycled Gold (Au) Approx. 20 tons Silver (Ag) Approx. 150 tons Platinum group metals (PGM) Approx. 10 tons Industrial waste processing (including waste liquids produced by the Company itself) Detoxified sewage discharge 138,000 m³ Disposed to landfill without recycling 264 tons	Stable supply of mineral resources <ul style="list-style-type: none"> Contribute to prevention of the depletion of mineral resources Contribute to building a circular society Contribute to reducing customers' CO₂ emissions Contribution to the development of the electronics industry Environmental conservation, reduction of environmental burden <ul style="list-style-type: none"> Detoxification of industrial waste Recycling from industrial waste Recycling rate 92.4%
	Greenhouse gas (GHG) emissions Scope1 16,715 t-CO₂ Scope2 7,302 t-CO₂ Scope3 927,667 t-CO₂	Targets in Medium-term Management Plan (FY2025, consolidated basis) Net sales ¥300.0 billion Operating profit ¥13.0 billion Operating margin 4.3% Return on equity (ROE) 9.0% Ordinary profit to total assets ratio 10.0% Reduction of GHG emissions <ul style="list-style-type: none"> Medium-term targets (FY2030) Scope 1, 2 reduction targets 42% (compared to FY2020) Scope 3 reduction target 25% (compared to FY2020) Long-term targets (FY2050) Realization of carbon neutrality
	Supply of food materials Marine products Approx. 90,000 t Livestock products Approx. 90,000 t Agricultural products Approx. 50,000 t <small>(Overseas procurement Approx. 77%)</small>	Stable supply of safe and reliable food resources Contribution to a better dietary lifestyle Effective utilization of food resources <ul style="list-style-type: none"> Commercialization of residues from food production and low-grade products Contribute to reduction of customers' food losses Protection of natural resources <ul style="list-style-type: none"> Contribute to ecosystem conservation by offering products certified by the Marine Stewardship Council (MSC) and other organizations
Both business segments		
Food		

Realization of Matsuda Sangyo Group's vision

To become a leading company that creates resource circulation (utilization)
 To become a unique company that grows together with the industrial sector

To be a company that continuously evolves and adapts to social changes, and which customers and society always need

To become the best partner for customers in product development

(All data is current as of March 31, 2023)

Sources of Corporate Value (Overview of the Precious Metals Business Segment)

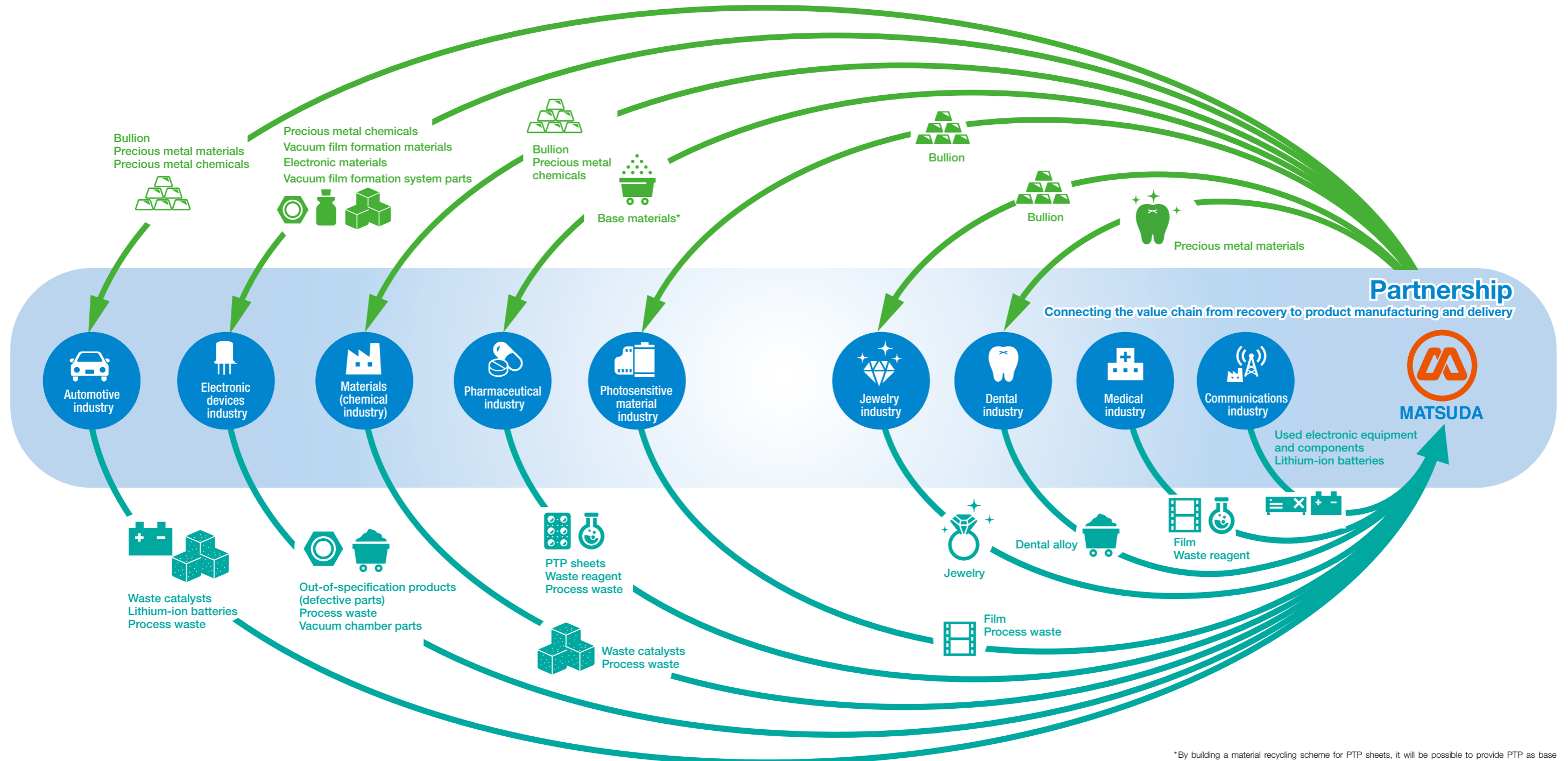
Overview of the Precious Metals Business Segment

The Precious Metals Business Segment is comprised of the precious metals related business and the environmental related business.

The precious metals related business collects out-of-specification components generated in the manufacturing processes for semiconductors and electronic components, from domestic and overseas manufacturers. It then recycles the precious metals contained in these components. The technologies involved include preprocessing such as crushing and firing, to the refining process for separation and concentration, all of which are carried out in an integrated manner in-house. The gold, silver, platinum, palladium, and other precious metals obtained are used to produce bullion, semiconductors and electronic materials and components, and chemicals. In this way, we recycle precious metals, which are the limited earth resources.

The environmental related business has its roots in recovering silver from photosensitive materials in photographs and is engaged in the detoxification of waste acid/waste alkali and the processing of hazardous heavy metals. In recent years, it has been working on expanding its approvals and permits for handling resource recycling, which requires a high level of knowledge and technical knowhow. This includes lithium-ion batteries (LIB) generated by the automotive industry and the other industries, whose discharge volume is expected to increase in the future (refer to p.21), PTP* sheets generated by the pharmaceutical industry (refer to p.30), and nonferrous metals mainly generated by the electronic devices industry. In addition, the environmental related business is also engaged in expanding facilities, further promoting environmental conservation, and activities to pass down a beautiful environment to future generations.

*Press Through Pack



*By building a material recycling scheme for PTP sheets, it will be possible to provide PTP as base material for the pharmaceutical industry in the future.

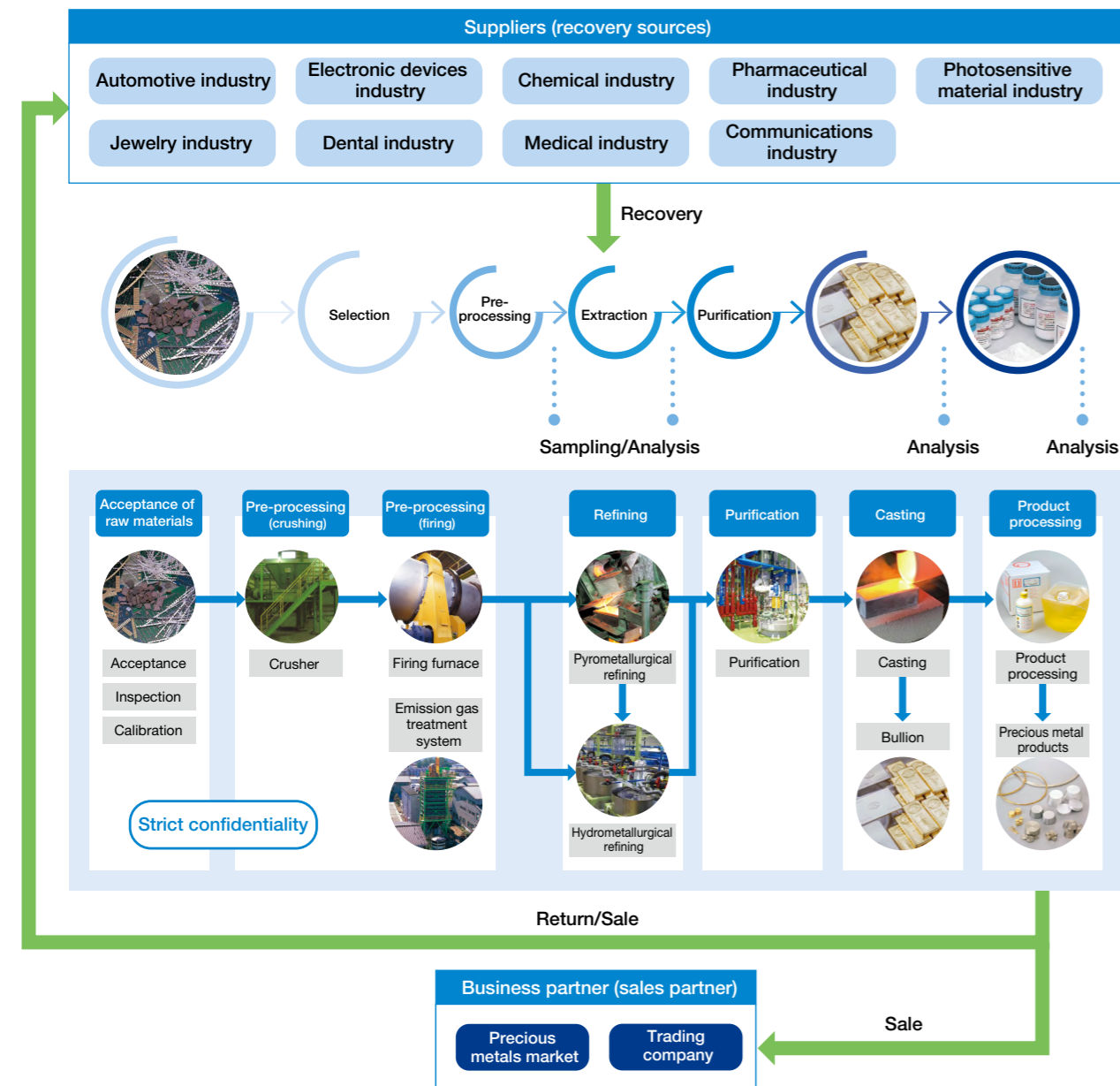
Sources of Corporate Value (Business Activities of the Precious Metals Related Business)

Precious metals related business

Matsuda Sangyo Group's precious metals related business contributes to various fields through its precious metal products for industrial use and solutions for the recovery and purification of precious metals. These include the electronics industry, as well as jewelry, catalyst, dental, and home appliance recycling industries, to name a few. In fields where the use of precious metals is essential, such as semiconductors and electronic devices, building a recycling system across the processes of research and development, procurement, production, and sales is a prerequisite for the sustainable use of precious metals, which is a limited resource. Matsuda Sangyo has developed a system that enables it to carry out all processes in-house, from the production and sale of precious metal chemicals and processed products to the recovery and purification of used precious metals. We provide innovative life cycle solutions for building a circular resource system for precious metals, manage the lifecycle of precious metals as an urban mining-style company engaged in refining precious metals, and promote the effective use of precious metals resources to drive the circular economy.

Flow of precious metal recycling process

Recycling process that provides the value of the precious metals related business



Sources of Corporate Value (Strengths of the Precious Metals Related Business)

Value 1: Refining

Full range of services from scrap recovery to purification

We carry out an integrated processes from preprocessing such as crushing and firing, refining process for separation and concentration, and further, to the purification process to obtain highly purified bullion. This enables all-round recycling, including precious metal plating in the electronic component manufacturing process and precious metal thin-film deposition process.

Confidentiality system

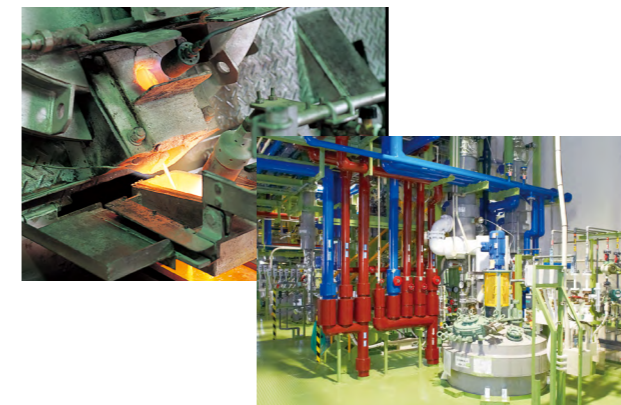
Out-of-specification components, etc. are recovered as raw material from electronic component factories. As these contain our customers' intellectual property information, it is possible to carry out crushing through Matsuda Sangyo's mobile crushing vehicles at recovery sites (customers' premises) before transporting them to our factories. In addition, the Iruma Factory is recognized as a site that can destroy, without the customer's presence, confidential materials in out-of-specification components that have acquired Evaluation Assurance Level (EAL) 6 of Common Criteria (ISO/IEC 15408), which is an evaluation standard for IT security.



Pyrometallurgical and hydrometallurgical refining technologies

Matsuda Sangyo, which was founded with the business of recovering and refining silver, has fused together technologies developed over many years to build refining processes that are suitable for raw materials. The pyrometallurgical refining process makes use of reactions at high temperatures to recover precious metals, which are easily separated by applying heat. Hydrometallurgical refining uses chemicals such as acids and alkalis to recover precious metal materials.

With regard to high-purity precious metals, mineral resources and metals are managed by a sophisticated security system under strict confidentiality, maintained 24 hours a day, 365 days a year.



Value 2: Product

Acceptance of bulk orders of main materials used in semiconductor and electronic device manufacturing

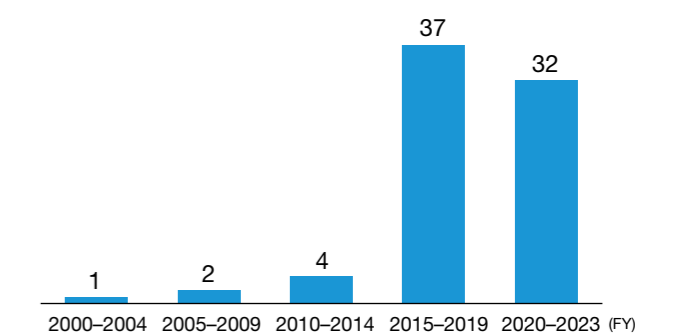
We manufacture processed material and chemical compounds by using high-purity precious metals, obtained through our historic purification technology, as a raw material. These are used in a wide range of electronic equipment and key devices for automotive parts. We accept bulk orders of main materials that are used in semiconductor and electronic component manufacturing.

Intellectual property initiatives

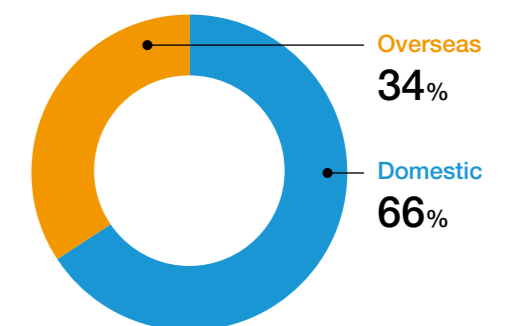
Matsuda Sangyo has accumulated much knowhow in the field of precious metal technology through its precious metal refining and purification processes. We apply these technologies in the field of precious metal chemistry to supply various manufacturers with the surface treatment chemicals / surface treatment materials, plating chemicals, catalyst raw materials, and other materials that are indispensable in the manufacturing of electronic components and semiconductors. These technologies are important intellectual properties in the manufacturing of products, and we are working on formulating intellectual property strategies that combine business strategies and R&D strategies.

Going forward, the value of intellectual property will become even more important in enhancing corporate value. Hence, we are striving to improve intellectual property literacy across the company by conducting intellectual property education. We have also established a system to encourage self-motivated inventions, including a deposit system to recommend inventions that contribute to the development of the business, and improvement awards for regular improvement activities.

Changes in the number of registered patents



Breakdown of patent registration numbers



Sources of Corporate Value (Strengths of the Precious Metals Related Business)

Value 3: Service

Provision of precision cleaning services for vacuum film formation systems parts

We offer precision cleaning services for components of vacuum film formation systems to restore them to a clean state through advanced separation and cleaning technologies. Precious metals deposited on the jigs are recovered and purified, then recycled as raw material for precious metal vacuum film formation material. In addition, the inside vacuum chamber is cleaned and tidied up through component cleaning, which helps to improve yield in the film formation process.

Value 4: Quality

Trust in the Matsuda brand through our robust quality assurance and confidentiality system, and provision of products that reduce burden on the Earth's environment

Establishing the Matsuda brand

Matsuda bullion is registered as deliverable-grade gold and silver with the London Bullion Market Association (LBMA) and deliverable-grade platinum and palladium with the London Platinum and Palladium Market (LPPM). In Japan, our gold, silver, platinum, and palladium are designated as deliverable grades on the Osaka Exchange, and Matsuda Sangyo is accredited as a designated appraiser.



LBMA's certification of conformity with standards

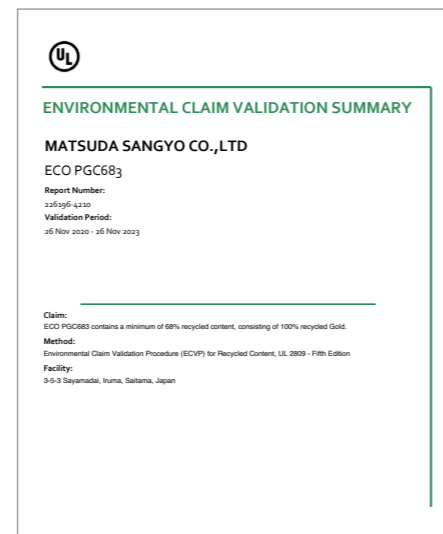
"ECO-Series" products that reduce environmental burden and promote the circulation of limited resources

Matsuda Sangyo supplies potassium gold cyanide (Product name: ECO PGC 683) made from 100% recycled gold (Au). We obtained certification*1 from UL Japan, a third-party organization, in 2020 ahead of other domestic manufacturers. Recycled gold generates lower carbon dioxide emissions than newly produced gold*2 in addition to contributing to the circulation of limited and valuable precious metal resources. Hence, Matsuda Sangyo collectively names products manufactured using 100% recycled precious metals as "ECO-Series" products and has newly added sodium gold sulfite (Product name: ECO Auro Assist 100) to the lineup. Going forward, we will continue to expand the "ECO-Series" product range to contribute to reducing GHG emissions for our customers.

*1 Verifies that ECO PGC 683 is manufactured from 100% recycled gold, based on standards set by UL LLC in the United States.

*2 Gold newly extracted from mines

Note: Matsuda Sangyo has two brands: PGC and ECO PGC 693. For details, please refer to the corporate website.



Quality assurance system

Matsuda Sangyo has spent many years building a quality control and assurance system and continues to implement the PDCA cycle and make daily improvements even today.

Based on more than 70 years of precious metal purification knowhow, we carry out content surveys and quality control by using high-precision analysis technology. The precious metal bullion produced through these systems has been recognized as "good deliverables" on the market.

We supply an extensive lineup of surface treatment chemicals / surface treatment materials, including products that reduce burden on the Earth's environment, to meet the advanced needs of our customers. Furthermore, we have strengthened our in-house research and development system for plating chemicals and provide total support from liquid management and analysis to defect countermeasures.

Building an ISO management system

Matsuda Sangyo has also been working on acquiring various certifications. We acquired the environmental management certification ISO 14001 in 1999 and the quality management certification ISO 9001 in 2006. In 2017, we integrated the separately adopted Quality Policy and Environmental Policy as the Quality and Environmental Policy, and we have been operating the integrated management system since November 2017 after a joint audit for both the ISO 9001 and ISO 14001 certifications by the accreditation body. We also launched operation of the system at our overseas business sites by 2020 and will gradually expand operation at more sites. The Singapore, Thailand, Malaysia, and Taiwan sites have acquired ISO 9001 certification, while the Singapore, Thailand, Malaysia, Taiwan, and Vietnam sites have acquired ISO 14001 certification. Additionally, the Taiwan and Vietnam sites have acquired the ISO 45001 certification for occupational safety and health management.

Note: Please see the table on the right for information on the ISO operational status in the Precious Metals Business Segment. Details on quality control in the Food Business Segment are provided on p.25.

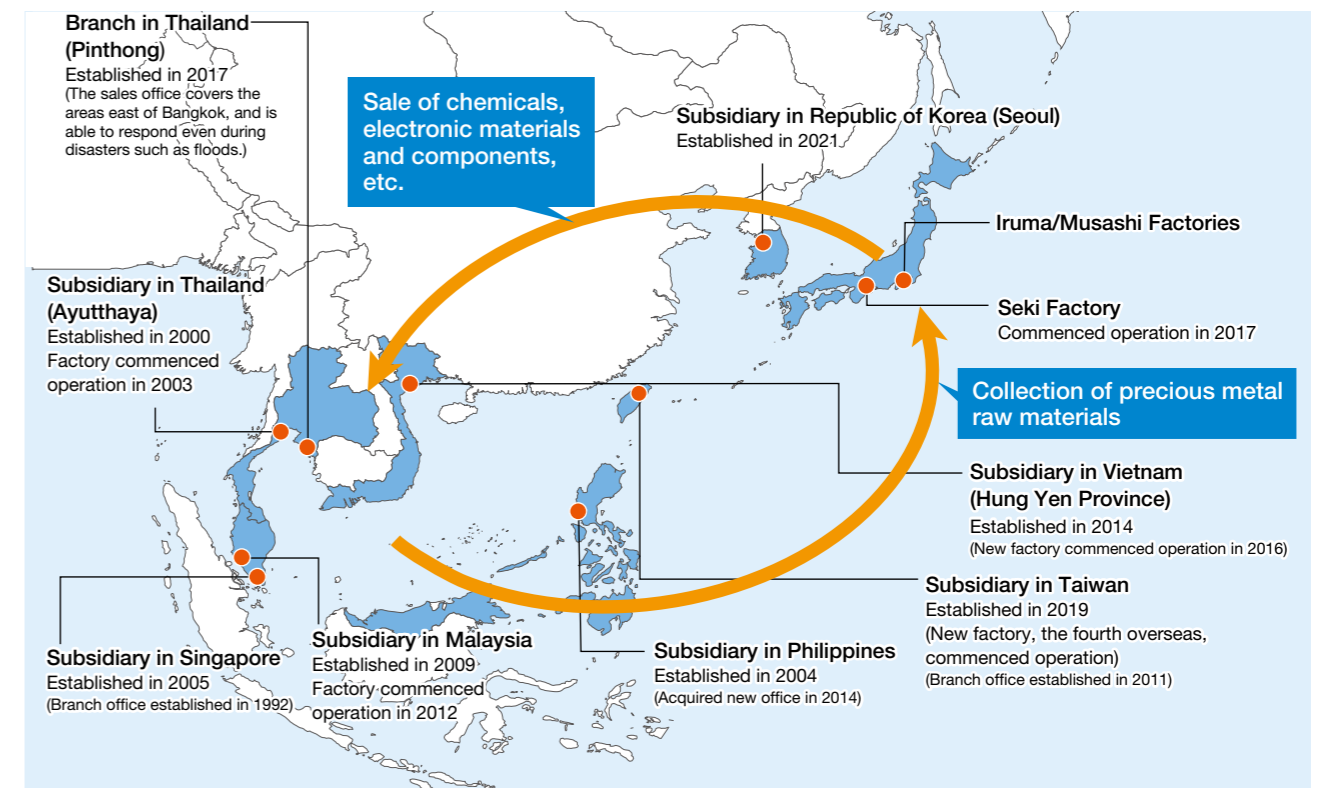
ISO operational status at each business site in the Precious Metals Business Segment

	ISO integrated management system	ISO 9001	ISO 14001	ISO 45001
Precious Metals Recycling Division	●			
Environmental Solution Division	●			
Precious Metals Material Division	●			
Metals / Environment Sales Division	●			
Metals / Environment International Business Division	●			
Production Control Division	●			
Quality Assurance Dept.	●			
Technical Development Dept.	●			
Bullion and Commodity Operations Dept.	●			
Singapore		●	●	
Thailand		●	●	
Malaysia		●	●	
Taiwan (local subsidiary)		●	●	●
Vietnam			●	●

Value 5: Global Network

Network for the collection of precious metal raw materials and the supply of precious metal materials and products, extending across East Asia

Matsuda Sangyo has built a network in Japan and across East Asia for the collection of precious metal raw materials and the supply of precious metal materials and products. The electronics industry, which is our main customer, is aggressively expanding overseas and particularly into East Asia. Since 1992, Matsuda Sangyo has expanded into Singapore, Thailand, Philippines, Malaysia, Taiwan, Vietnam, and the Republic of Korea. We aim to further expand our networks for collecting precious metals and supplying precious metal materials as products, and to support our customers in their business activities.



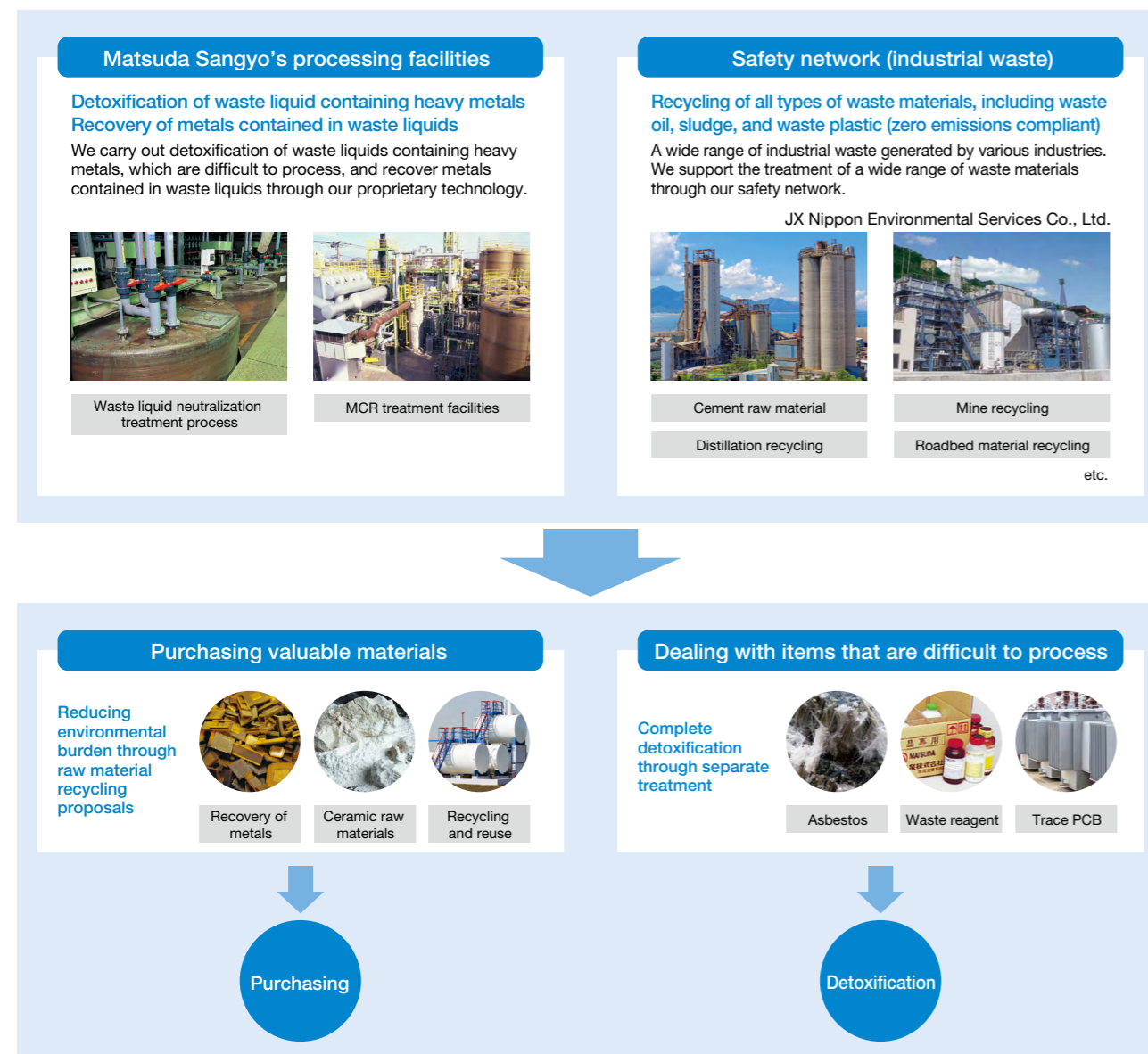
Sources of Corporate Value (Business Activities of the Environmental Related Business)

Environmental-related business

The Matsuda Sangyo Group's environmental related business proposes recycling solutions to a wide range of industries to transform waste to recycled products. As people living in the 21st century, it is our mission to protect the Earth's environment by further promoting the development of a circular society. Since our founding, Matsuda Sangyo has developed a diverse range of businesses centered around the effective use of resources. By leveraging on the wealth of technologies and knowhow we have built up in that process, we propose various solutions to customers, such as "reduce, reuse, and recycle," and as their best partner, contribute to the protection of the Earth's environment and to business activities. In addition to the detoxification of waste liquid containing heavy metals, Matsuda Sangyo also recovers metals contained in waste liquids through our proprietary technology, and meets a wide range of needs including resource circulation and reducing environmental impact. We have built an advanced circulation network that makes the shift from simple treatment to recycling, and we receive high appraisal for our proposals to improve recycling rates through an experienced environmental solutions team, as well as our safe and reliable collection, transportation, and processing technologies.

Resource circulation solutions

Solutions that provide the value of the environmental related business



Sources of Corporate Value (Strengths of the Environmental Related Business)

Value 1: Technology

Detoxification technology that has developed over our 90-year history

Matsuda Sangyo has also developed detoxification technology for industrial waste and built a network for the collection, transportation, and recycling of industrial waste, enabling us to support a wide range of customers' needs from cost reduction to the effective utilization of resources. Through the detoxification and effective use of industrial waste, we contribute to efficient recycling to help our customers achieve their zero-emissions goals. We also provide proposals for the purchase of rare metals and precious metals from among the waste matter and are able to provide support regardless of the type or quantity of the waste.

Value 2: Solution

From waste to recycled products Proposing recycling solutions to a wide range of industries

Capability to handle a wide range of waste matter, from specially controlled industrial waste to difficult-to-treat waste

We are able to support the collection and transportation of waste chemicals and mercury-containing waste, etc. across all of Japan. We are also able to deal with difficult-to-treat waste, which falls under the scope of various laws and regulations other than the Waste Management and Public Cleansing Act. In addition, we are able to analyze unlabeled chemicals on the site by using portable fluorescent X-ray analysis devices.

Proper treatment and recycling based on the properties of waste matter

Waste generated from production sites can take various forms, such as the fragments of materials that make up a product, the accompanying chemical agents and solvents that have been used, and mixtures that are a combination of such matter. Even if they contain valuables, it is not easy to sort and separate them for recycling; even if disposed of, it is not easy to treat them properly so that they can be recycled or returned to nature. However, we carry out proper treatment and recycling based on the properties of waste matter by harnessing our numerous technologies and knowhow, and thereby contribute to our customers' efforts to protect the Earth's environment.

Value 3: Collect & Transport

Adapting to the treatment of increasingly diverse waste through our nationwide network

Acquisition of industrial waste collection and transportation permits in 47 prefectures

We have acquired industrial waste and specially controlled industrial waste collection and transportation permits in 47 prefectures, and own transshipment and storage facilities for industrial waste in major cities in Japan as well as intermediate treatment facilities for industrial waste in each region centered around large-scale facilities in Saitama and Gifu. We can propose the optimal solutions to the problem of increasingly diverse and complex waste by utilizing our nationwide resource circulation network of treatment operators. We also conduct periodic audits of our treatment contractors and select only proper subcontractors who meet our standards.

Topics

Rare metal recycling from large lithium-ion batteries

Together with Taiheiyo Cement Corporation, we recover iron, copper, and rare metals from large lithium-ion batteries for high-capacity power storage used in next-generation cars and solar power systems. While lithium-ion batteries have become the mainstream form of power storage device, they are not easy to dispose of due to their high voltage, high capacity, and high energy density properties, as well as the fact that they are disposed of after electricity storage. Lithium-ion batteries also contain useful metals, so it is necessary to establish methods for recycling and using the resources. Matsuda Sangyo safely transports and dismantles the lithium-ion batteries, which are subjected to heat treatment and detoxification in the roasting facility of Tsuruga Cement Co., Ltd., a subsidiary of Taiheiyo Cement Corporation. After that, the base metals are recovered using the crushing and sorting facilities in Matsuda Sangyo's factories, and the rare metals are concentrated. The residue is recycled as cement raw material and fuel. Through this process, the largest possible volume of useful metals is recovered, while the residue is converted. This makes it possible to detoxify as well as recover and recycle resources (100% recycled) from large lithium-ion batteries, which are difficult to treat, in a safe and highly efficient manner. Furthermore, we have partnered with automotive manufacturers to promote advanced recycling initiatives to recover and recycle resources from battery materials, and initiatives to reuse lithium-ion batteries that have been removed from scrapped vehicles.



Sources of Corporate Value (Overview of the Food Business Segment)

Overview of the Food Business Segment

The Food Business Segment procures food materials from an extensive worldwide network and supplies them to processed food manufacturers as well as food service and ready-made meal sectors. Matsuda Sangyo proposed utilizing and supplying then unused egg whites from the mayonnaise factory near to its founding site as a binder for surimi fish paste products. From there, we launched the wholesale business for food materials. Based on the spirit of "mottainai" that has been deeply rooted since our founding days, we are engaged in the effective utilization of a wide range of food resources such as low-grade products.

Against the backdrop of growing food demand in emerging economies, rising food prices worldwide, and a shortage of food resources during disasters, Matsuda Sangyo supports better dietary lifestyles for people through our business, based on our mission of ensuring stable supplies of safe and reliable food materials. The Quality Assurance Dept., which has acquired ISO 9001 certification, plays a central role in establishing a proprietary quality control system in Matsuda Sangyo. Through this system, we conduct quality control with the aim of providing safe and reliable food materials. In recent years, we have begun handling high quality and sustainable European beef, ahead of the rest of the industry, and we can expect it to be utilized in the food processing industry in the future. Going forward, we will continue to pursue quality, speed, and price without being constrained by fixed ideas, and explore a wide range of sources for food materials.

Product lineup

Marine products

We propose a wide range of seafood products from around the world, including our "surimi (fish paste)" with its industry-leading track record.



Livestock products

We strive to ensure stable supplies of livestock meat and processed products including chicken eggs, which is the starting point of our Food Business Segment.




Agricultural products

We procure vegetables and fruit from carefully selected production sites around the world.





Customers


Fish paste product manufacturers




Ham/sausage manufacturers




Frozen food manufacturers



Confectionery/bread manufacturers



Food service / ready-made meal sectors



Sources of Corporate Value (Strengths of the Food Business Segment)

Partnership

As the best partners for our customers, we work alongside with customers to discover new needs.

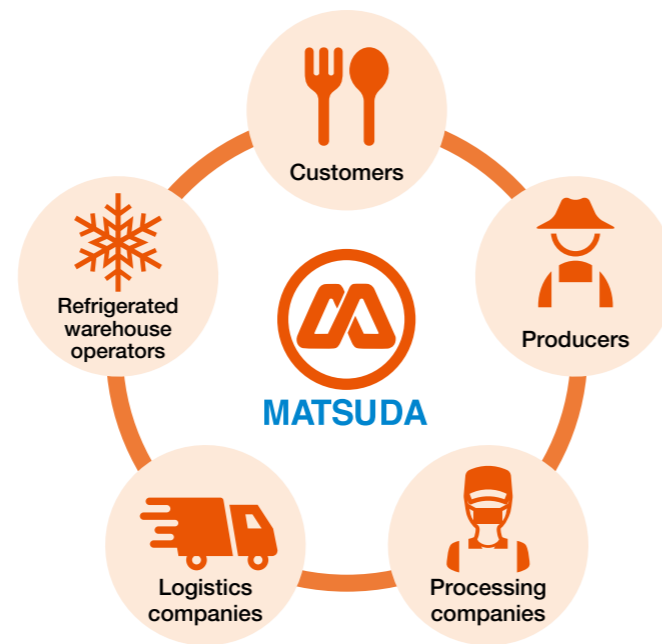
The Food Business Segment is able to provide value to customers by connecting the entire supply chain, including domestic and overseas producers, processing companies, logistics companies, and refrigerated warehouse operators, thereby realizing our vision of being the “Best partner for customers in product development.”

Value 1: Working closely with producers and processing companies to realize customers’ needs

Value 2: Gathering information in a timely manner from Japan and overseas, such as daily harvest / catch information and market trends, in order to resolve customers’ problems and provide better quality products and highly precise services

Value 3: Conducting thorough quality control in-house to procure safe and reliable food materials, in addition to improve cost performance

To provide these values, we will continue to build strong partnerships and develop co-creative relationships with all the parties in the supply chain.



Value 1: Response

Carrying out primary processing tailored to customers’ needs to facilitate their processing processes and contribute to reducing food loss

Spirit of “mottainai” × Spirit of challenge that have been deeply rooted since our founding days

Matsuda Sangyo took its first step by selling excess egg whites to the boiled fish paste product industry as an auxiliary ingredient for making “kamaboko” (boiled fish paste), and we have since established our product proposal function as our greatest strength. Based on the spirit of “mottainai” and spirit of challenge that have been deeply rooted since our founding days, we supply a wide range of food materials to satisfy the high-specification and increasingly diversifying needs of our customers with the times, and are enhancing our functions as the best partner for customers in product development.



Product proposal functions that satisfy the diversifying needs of customers

The values customers place in food have also become increasingly diverse in recent years. In light of that, Matsuda Sangyo is working on measures and proposals to make suggestions of products that are delicious, that can be easily prepared, and that used without food waste for the food service / ready-made meal sectors that specialize in individual meals and convenience, as well as to become the best development and manufacturing partner for the domestic and overseas manufacturers that we work with. We have built an attentive support system that recommends production sites and processing companies in line with our customers’ needs, and procures processed food materials through optimal technologies to suit the formats and lot sizes required by customers, among other features. In this way, we are striving to gain the trust of our existing customers while also gaining new customers.



Value 2: Global Network

Careful selection and delivery of food materials with high cost-performance from a procurement network spread across the world

Addressing the food resource shortage caused by climate change and the spread of diseases

The Matsuda Sangyo Group has increased the sales volume of marine products, livestock products, and agricultural products using our procurement capabilities as a strength in dealing flexibly with customers’ basic needs of quality, price, and stable supply. In March 2022, we established Matsuda Sangyo Trading India Pvt. Ltd. as a new local subsidiary in Mumbai, India, and the company commenced operation in May. As India has rich agricultural resources in addition to marine resources, the local subsidiary has been able to offer substitute supplies of potatoes from India or nearby China during poor potato harvests in North America. Food is indispensable to human lives, so there is always demand. To satisfy that demand, Matsuda Sangyo is constantly working on developing production sites to ensure there is a wide range of options that can provide stable supplies of food materials even in the event of unexpected circumstances, such as abnormal weather conditions, changes in political and economic situations, or logistical disruptions.



Value 3: Quality

Providing safe and reliable food materials by setting up a proprietary Quality Assurance Dept., offering guidance to production sites, and establishing a tracing system

Global quality control system based on ISO 9001

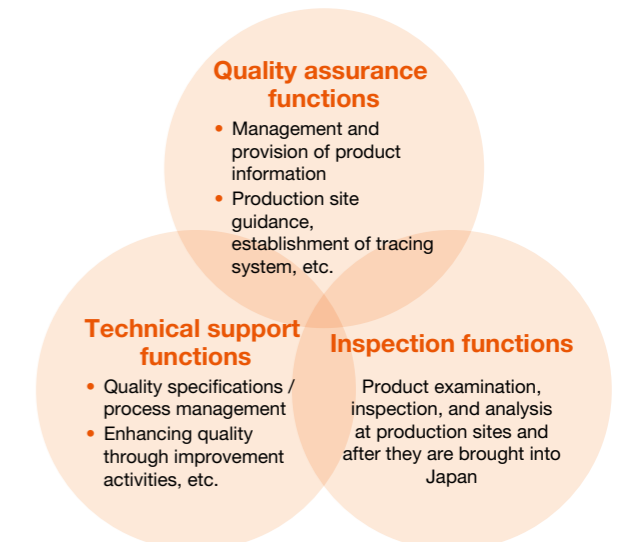
In 1998, we established our proprietary Quality Assurance Dept., acquired ISO 9001 certification, and are now engaged in quality control activities to ensure the safe and reliable supply of food products. In addition to food material inspections, we also work to improve quality, provide guidance to production sites and guidance to improve production at partner factories in Japan and overseas, publish quality specifications, and implement traceability initiatives. Through these and other efforts, we provide customers with Matsuda Sangyo’s unique safety and reliability as added value, even as we continue to expand our procurement network in countries and regions around the world.

Stable supply of food and ecosystem conservation through management across the supply chain

Due to the effects of climate change, there are concerns that changes in habitats of natural marine products may lead to a decrease in resources and that supply instability may potentially have an impact on the procurement of ingredients and materials. Some of Matsuda Sangyo’s marine products have fulfilled criteria set by the Marine Stewardship Council (MSC) to be certified with the MSC’s blue ecolabel (“ecolabel of the sea”). This proves that our marine products are caught, processed, and distributed through appropriate methods to protect marine life and conserve their ecosystems for the future. Since we first acquired the certification in 2011, a growing number of business sites have acquired this certification. Today, domestic and overseas business sites are able to handle MSC-certified products. Along with global procurement and quality control, we are engaged in efforts to utilize natural resources sustainably and procure ingredients and materials in a stable manner through management across the supply chain.

Global quality control system based on ISO 9001

We have built an integrated quality system with three interlocking functions. In addition to improving quality of ingredients and materials through the implementation of various inspections, we also constantly provide guidance to local partner packers.



Progress and Outlook of Medium-term Management Plan

Progress of Medium-term Management Plan

Reflections and results forecast

In FY2022, we achieved a historical high in our business results due to an increase in volume handled, among other factors. During the first fiscal year of the Medium-term Management Plan, we achieved all our targets with the exception of operating margin. However, we forecast a decline in both sales and profit for FY2023.

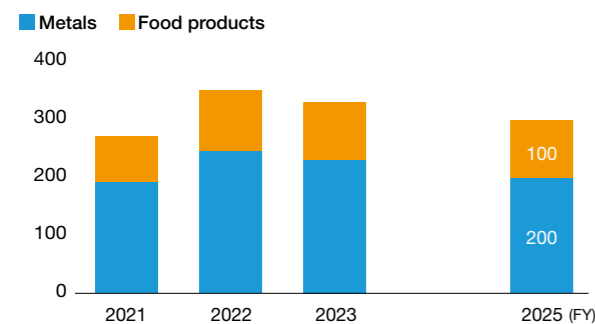
Amidst the continuing uncertainty in outlook, including the rapid acceleration of inflation to an extent never seen before, we lowered our FY2023 results forecast for the Precious Metals Business Segment due to a deterioration in the external environment. However, we will continue to steadily promote our growth strategy toward achieving our management targets for FY2025.

With regard to our results for FY2022, the Precious Metals Business Segment achieved increases in both sales and profit (with record-high performance) due to increases in the volume of precious metal recycling and the contracted processing of industrial waste, alongside an increase in product sales.

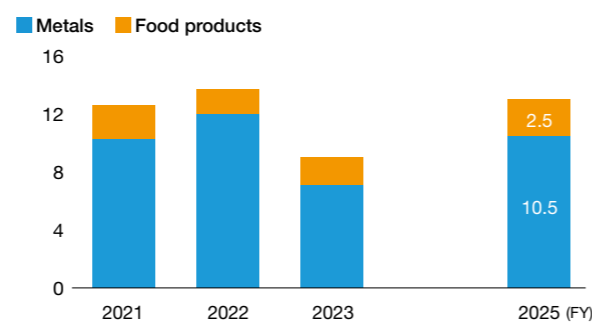
In the Food Business Segment, sales volume increased across all items. Due to the significant overall increase in sales prices, net sales increased for all items with an overall year-on-year increase of ¥25 billion.

	FY2016–2018 Average	FY2019–2021 Average	FY2022 Results	FY2023 Forecast	FY2025 Target
Net sales	187.1	238.2	351.0	330.0	300.0
Operating profit	4.2	9.0	13.8	9.0	13.0
Operating margin	2.2%	3.7%	3.9%	2.7%	4.3%
ROE	5.6%	10.0%	12.2%	7.3%	9.0%
ROA (Ordinary profit to total assets ratio)	6.0%	9.4%	11.3%	—	10.0%

Net sales (billion yen)



Operating profit (billion yen)

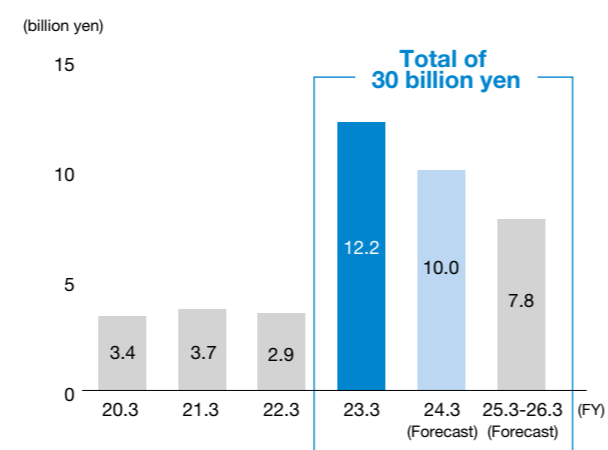


Capital investment for business expansion

Capital investment for the fiscal year ended March 2023 was approximately ¥12.2 billion and included acquisition of land and buildings in the Iruma area of Saitama Prefecture and the acquisition of land in Kitakyushu City toward improving and expanding production infrastructure with a view to future business expansion, as well as investment in processing facilities for the refining environment.

We plan to inject a total of approximately ¥10 billion into capital investment for the fiscal year ending March 2024, in areas such as expanding factory functions in the Iruma area, expanding the Kitakyushu base (refer to p.31), and investing in processing facilities for the refining environment, following up from FY2023.

In the Medium-term Management Plan, we have planned for a total investment of ¥30 billion cumulatively over four years, and our investment plan for the two years after the fiscal year ending March 2024 amounts to ¥7.8 billion combined.



Business expansion initiatives

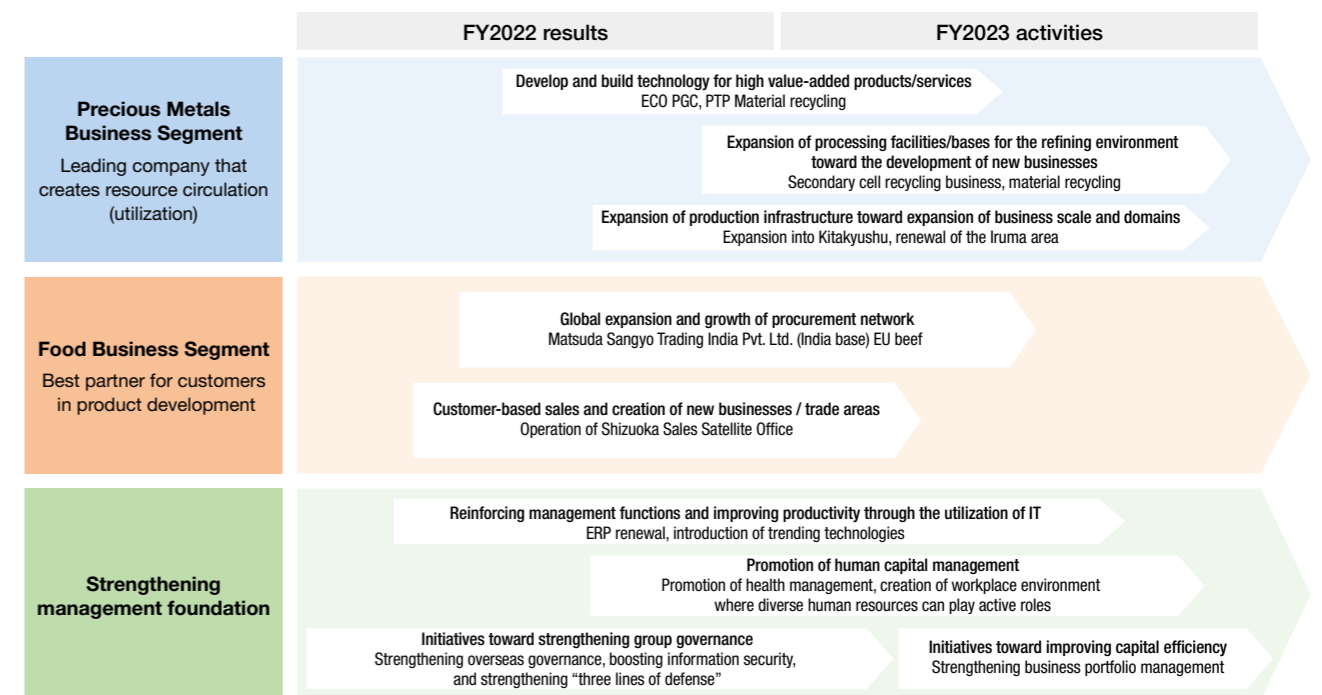
In the Precious Metals Business Segment, we are working to develop high value-added products and services, build technologies, and expand production infrastructure toward the development of new businesses and expansion of business scale, based on our vision of becoming a “leading company that creates resource circulation (utilization).”

In the Food Business Segment, we are advancing global expansion and the growth of our procurement network, customer-based sales, and the creation of new businesses and trade areas, based on our vision of becoming the “best partner

for customers in product development.”

Furthermore, as a part of efforts to strengthen our management foundation to support sustainable growth an enhance corporate value, we are reinforcing management functions and improving productivity through the utilization of IT, promoting human capital management, and strengthening Group governance.

In FY2023, we put company-wide efforts into initiatives aimed at improving capital efficiency.



Sustainability management

We are strengthening efforts to address important issues in order to enhance corporate value.

For “E” (environment), in FY2022, we formulated an action plan to reduce GHG emissions, and promoted international initiatives.

In FY2023, we will advance efforts to acquire third-party certification for GHG emissions. In addition, we are utilizing the ISO 14001 management system, which the Precious Metals Business Segment has acquired certification for, to set GHG reduction targets at production sites, and activities toward reducing GHG emissions have already commenced. Furthermore, we aim to acquire certification for the SBTi 1.5°C target.

For “S” (society), in FY2022, we advanced efforts to improve the working environment so that all employees, including female employees, can work with peace of mind, with a view to the realization of diversity and innovation. These efforts include the introduction of a female empowerment promotion program and

childcare leave system for employees with newborn babies. In FY2023, we launched career development support and management talent development toward ensuring that the right person is assigned to the right job across the company.

In FY2022, we also started to develop a system in compliance with RBA, an international standard for CSR, with the aim of elevating our company-wide Code of Conduct, including for our business activities. We also formulated a human rights policy and supplier guidelines.

In FY2023, we plan to complete the development of a system in line with the Code of Conduct in the following five areas: human rights and labor, health and safety, environment, ethics, and supply chain management.

Going forward, we will continue to make proactive efforts to address these important issues in order to enhance our corporate value.

Progress and Outlook of Medium-term Management Plan (Precious Metals Business Segment)

Medium-term Vision

A leading company that creates resource circulation (utilization)

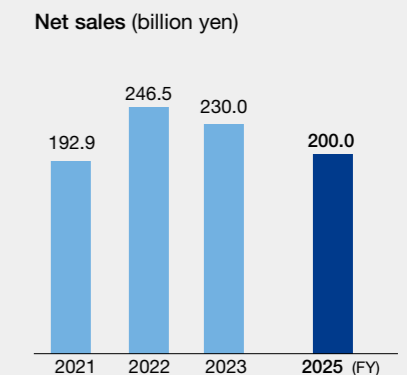
Business strategies

- Differentiate the business by enhancing overall resource recycling capability
 - Develop and provide products and services that can reduce environmental burden
 - Develop and sell high-performance electronic materials
- Expand domestic market share and explore new markets overseas
- Cultivate the electronic devices industry, and develop the chemical/automotive industries as well as the secondary cell/e-scrap market
- Develop technologies and expand production infrastructure with a view to expanding business scale and domains
- Pursue safety, reliability, and trust by strengthening the quality control system and thoroughly managing industrial waste disposal

Reflecting on FY2022 and looking ahead to FY2023

Despite sluggish demand for personal electronic devices in the electronic devices sector, which is our main customer, production activities remained steady until the first half of the fiscal year, underpinned by demand for uses in automobiles and industrial equipment. However, production activities have continued to decline from the second half of the fiscal year accompanying a fall in demand. Against this backdrop, the volume of precious metals recycling, the contracted processing of industrial waste, and the sales volume of gold, silver, and platinum group products increased. As a result, net sales for the Precious Metals Business Segment was ¥246,578 million (up 27.8% year on year) and operating profit was ¥12,043 million (up 16.4% year on year).

The outlook for FY2023 is a decline in sales as well as operating profit due to expectations of a deterioration in production trends in the electronic devices sector along with a delay in recovery. While the fall in sales is expected to remain at about 6.7% due to expectations of an increase in jewelry-related and catalyst-related sales, operating profit is forecast to fall significantly due to the major impact from the deterioration of the electronic devices environment.



Interview

Reflecting on FY2022 and looking ahead to FY2023

Semiconductor demand in the first half of FY2022 was fair, but conditions were tough in the second half due to a drop in demand for smartphones, computers, and other devices as the COVID-19 pandemic came to an end, as well as due to the impact of a slowdown in the Chinese economy. Nevertheless, we were able to achieve our initial targets partly due to the high prices of precious metal and metal resources.

In this Medium-term Management Plan, we have planned to invest ¥30 billion cumulatively over a four-year period. We also boosted the capabilities of pre-processing facilities at the Seki Factory in 2017, and we are currently constructing a new plant with precious metal recycling functions in Kitakyushu. As many of the raw materials entrusted to us by our customers are waste products from the manufacturing processes or out-of-spec products that are not released into the market, maintaining a high level of confidentiality and disposing of confidential material are of the highest importance. We are putting effort into enhancing our security functions at factories, business sites, and in transportation, in preparation for future recovery in demand.

Playing a part in the circular economy and expanding the circle of resource circulation

The Matsuda Sangyo Group has centered our business around a circular economy (resource circulation) with a focus on electronics and semiconductor manufacturers. We now also put effort into recovering used equipment released into the market (aftermarket), and we are expanding the circle of resource circulation. As an example, Matsuda Sangyo has been engaged in the recycling of secondary cells (lithium-ion batteries, etc.) jointly with Taiheiyo Cement Corporation since more than 10 years ago, and has been advancing a recycling scheme since 2021. As the recycling market is expected to go through rapid growth in the next few years, Matsuda Sangyo aims to develop this as a pillar of our future business by enhancing our processing technologies.

Building a sustainable society and moving toward further growth

Matsuda Sangyo undertook a structural reform of the Precious Metals Business Segment in 2015, seeking significant changes through business integration at the time. Veteran employees with a career track record also put effort into acquiring knowledge in new business fields, enabling us to expand the scope of business and realize comprehensive and diverse business expansion through the provision of one-stop solutions. This has become a strength of Matsuda Sangyo. Recently, we have also been working on initiatives in line with the RBA Code of Conduct (refer to p.59 for details) toward building a sustainable society and putting effort into improving CSR across the entire supply chain. By introducing a mentoring program for young employees, we are supporting their growth while revitalizing the organization at the same time. We have, for many years, approached initiatives with the slogan “making effective use of the Earth’s resources.” Going forward, we remain committed to providing safety and reliability to customers while inspiring them, and will strive to be a company that is always needed by the market.



Ryuichi Yamazaki
Director and Managing Executive Officer
General Manager of Metals,
Environment Sales Division

Interview

Reflecting on FY2022 and looking ahead to FY2023



Junichi Tsuzuki
Director and Senior Executive Officer
General Manager of Metals,
Environment International
Business Division

The Precious Metals Business Segment has established the ambitious goal of expanding its international business against the backdrop of aggressive overseas expansion by the electronics industry, which is the main customer of the Precious Metals Business Segment. The division responsible for realizing this goal is the Metals/Environment International Business Division.

Despite steady performance in the first half of FY2022, conditions became severe in the second half of the year due to a decline in production in the electronic devices industry. In the Medium-term Management Plan, we advanced efforts to strengthen security functions and expand processing facilities at our overseas bases. Key topics during the year included the launch of business by the local subsidiary in the Republic of Korea, established in 2021, as well as the large-scale investment injected into the renewal of the local subsidiary in Thailand, established in 2000. As the products handled by customers and their needs change in tandem with the times, we are working to introduce facilities to support these changes and develop a system that can capture demand when market conditions recover.

Strengthening security and business expansion corresponding to customers' needs

The international business faces several challenges. The circumstances in each country are different, so we have to respond to different regulations and administrative guidelines in each country. Furthermore, it is necessary to enhance technologies and processing

facilities to adapt to the changing configuration of electronic components brought about by technological trends. Security is also extremely important. In addition to anti-theft measures that will allow customers to entrust their needs to us with peace of mind, we also ensure thorough management from the receipt of products from customers to processing. We surface potential problems through repeated communication and dialogue with customers, and as a company that is engaged in the “venous industry” of recycling, contribute to the resolution of these problems through the proposal of appropriate processing methods and provision of products that suit the actual conditions in each country and region. We aim to expand our business through ongoing market research and the formulation and implementation of strategies adapted to the local conditions, and to be a company that can continue to fulfill the expectations of our customers.

Aiming for further growth through respect for diverse cultures, trust, and cooperation

Employees from diverse cultures and mindsets in the Metals/Environment International Business Division respect, trust, and cooperate with one another, working together for mutual improvement and enhancing the organization’s driving force. We place importance on having an awareness of problems at all times, clarifying and improving the issues and the persons responsible, and accurately capturing changes in the needs of our customers and society, while at the same time, maintaining a posture of innovation and challenge. Going forward, we will continue to pursue both social and economic value through our business activities, and work toward becoming a company that has a purpose in society regardless of the times.

Progress and Outlook of Medium-term Management Plan (Precious Metals Business Segment)

Topics

Acquisition of industrial waste treatment business permit for the waste PTP sheet material recycling scheme that uses our crushing and separation facilities

PTP*1 sheets are a form of packaging used for pharmaceutical tablets and capsules and are made from plastic films such as polyvinyl chloride (PVC) and polypropylene (PP), and aluminum foil. They are widely popular due to their convenience and irreversibility. The production sites of pharmaceutical manufacturers generated a large volume of PTP sheet process offcuts due to the need to comply with stringent standards, including the Act on Pharmaceuticals and Medical Devices*2, but it had been difficult to recycle such material as they are a composite material made of plastic and aluminum. Therefore, by combining the advanced separation technology of Daido Jushi Co., Ltd. (hereafter, "Daido Jushi") with Matsuda Sangyo's knowhow of a wide range of plastic/metal composite materials, built up through our waste collection, transportation, and treatment business and precious metals recycling business, we developed a material recycling scheme for waste PTP sheets. We entered into a technical partnership with Daido Jushi, introduced recycling facilities specializing in PTP separation and sorting into Matsuda Sangyo's Seki No. 2 Factory (Seki City, Gifu Prefecture), and obtained an industrial waste treatment business permit. As this recycling scheme does not involve incineration processes, we believe it can contribute to carbon neutrality in the pharmaceuticals industry, and to the realization of a decarbonized society.

Plastics that have been sorted can be used as building material, while aluminum can enter into domestic resource circulation as recycled raw material for secondary alloys. Therefore, we have successfully built an ideal recycling scheme. The strengths of this business lie in securing places that will accept the recycled raw materials beforehand, and establishing a scheme that covers processes from recovery to reuse. We have also received requests from pharmaceutical manufacturers and other waste generating sources to recycle the waste into materials that can be used in their own companies, in the local community, or in the medical industry, in a visible manner. In response to these requests, we plan to further expand the methods of reuse by taking industry needs into consideration. In addition, by using this facility and by fusing Daido Jushi's separation technology with the knowhow of various metal scrap materials that Matsuda Sangyo has built up over the years, we will also consider establishing a new recycling scheme for other composite materials discharged by manufacturers, such as PET film. We will accelerate efforts to build a material recycling scheme toward the realization of domestic resource circulation for plastics, aluminum, and other composite materials.

*1 Press Through Pack

*2 A law related to securing the quality, effectiveness, and safety of pharmaceuticals and medical equipment

Overview of treatment business permits acquired

Date of permit acquisition	June 26, 2023
Facility location	Matsuda Sangyo Co., Ltd. Seki No. 2 Factory (10 Nozomigaoka, Seki, Gifu)
Scope of business	Intermediate processing (crushing, sorting)
Processing capability	Waste plastics, scrap metal (excluding crushed vehicles, etc., industrial waste containing asbestos, industrial waste from mercury-containing products) - 3.2t/day (0.4t/hour)



Crushing and separation facilities



Post-separation resin



Post-separation aluminum

Plans to build a new factory with precious metal recycling functions in Kitakyushu City

The Matsuda Sangyo Group has set out the basic policy "Strengthen revenue base and create new revenue sources by continuing with proactive investments" in our Medium-term Management Plan, along with the plan to invest a total of ¥30 billion cumulatively over a four-year period. As a part of that, we decided in October 2022 to build a new factory, equipped with precious metal recycling functions, in Kitakyushu City. This will be Matsuda Sangyo's first factory to be opened in the Kyushu region, a major hub for the electronics industry centered on semiconductors that is attracting large-scale investments successively from domestic and overseas. By building this new factory, Matsuda Sangyo aims to provide high-quality services at a location near to our customers, and to expand our business efficiently and swiftly. Moreover, Kitakyushu City is taking an extremely proactive stance toward reducing environmental burden, issuing its declaration of becoming a zero-carbon city and its goal of coexistence between cities and nature. Another deciding factor for Matsuda Sangyo was the development of infrastructure in Kitakyushu that is vital for our company in our goal to be an "eco factory." These include a highly convenient logistics network that can promote CO₂ emissions reduction through a modal shift, and systems for renewable energy including wind power generation. The first phase of operation scheduled for 2024 will begin with logistics functions and primary processing for precious metals raw materials, and we plan to roll our capital investments for the second phase while assessing market trends and customer needs.

Through this expansion, we are further advancing our corporate philosophy of "Making effective use of the limited earth resources and contributing to society through business."



Illustration of completed facility



Progress and Outlook of Medium-term Management Plan (Food Business Segment)

Medium-term Vision

Best partner for customers in product development

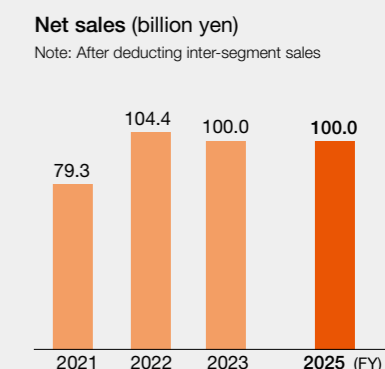
Business strategies

- Reinforce the core businesses (sale of raw ingredients) by expanding the procurement network and product lineup
- Develop safe, reliable, and sustainable products that meet customers' needs, and establish commercial distribution
- Expand sales domains by accelerating global development
- Expand supply chain domains with a focus on the core businesses
- Build consistent quality systems by enhancing quality assurance and strengthening technological support

Reflecting on FY2022 and looking ahead to FY2023

Having overcome the pandemic, the food manufacturing industry, which is the main customer of the Food Business Segment, is experiencing growing demand for commercial food products. Against this backdrop, sales volume increased for marine products, livestock products, and agricultural products and overall sales price also increased. As a result, the Food Business Segment recorded net sales of ¥104,530 million (up 31.6% year on year). However, due to the impact of increases in transportation and storage costs as well as rising procurement prices, operating profit was ¥1,774 million (down 23.9% year on year).

With regard to the outlook for the Food Business Segment, due to the changing tides in the domestic economic environment as it shifts from deflation to inflation, personal consumption is expected to shrink against expectations of a rapid recovery in inbound demand. On the other hand, higher transportation costs brought about by rising energy prices worldwide and higher storage costs due to the acceleration in investment accompanying decarbonization are also expected, while sales and operating profit are expected to remain largely unchanged.



Interview

Reflecting on FY2022 and looking ahead to FY2023

Matsuda Sangyo has, from before, been able to meet a wide range of customer needs by promoting the diversification of production areas. In FY2022, the sales volume of marine products, livestock products, and agricultural products increased. The presence of our new local subsidiary in India has also played an important role, enabling us to respond to a shortfall in potato supply caused by unseasonable weather. Going forward, by further expanding our supply network that can respond to climate change and geopolitical risks and by securing sustainable raw materials, we will continue to work on resolving the issues faced by our customers and society, toward achieving the targets set out in our Medium-term Management Plan.



Kenji Isawa
Director and Senior Executive Officer
General Manager of Foods Division

Innovation for further growth and the creation of new value

I was assigned to the Foods Division after joining the company where I was engaged in sales. I then gained experience in the Human Resources Dept. and returned to sales once again after that. These experiences prompted me to consider the meaning of the work I have been appointed to do, and I became conscious of a management approach that focuses on people and the organization. I began to recognize the problems and challenges occurring on site through repeated two-way communication with the persons-in-charge of each line and each business site. At the same time, I think I have gradually become able to put the spotlight on the employees who are working diligently and earnestly behind the scenes. Young employees also have more opportunities to grow and play an active role, and I feel strongly that the organization is growing with a sense of solidarity even as each department works in a self-driven manner. Going forward, I hope that we can continue to create new value while placing importance on nurturing a culture in which each individual can experience growth while feeling rewarded and joyful and having fun.

Building relationships of trust with customers and growing through synergy

Our businesses are not viable through the efforts of our company alone. Hence, I consider it important to repeatedly collect information and stay updated through a wide range of sources on a regular basis, build an efficient commercial distribution, and deliver what our customers want quickly, reliably, and carefully. Based on the values of "gratitude and kindness" as well as "creativity and challenges" that have long been rooted in our company, we aim to continue to grow through synergy with our customers. By enhancing our lineup of high quality, safe, and reliable products that leverage on the strength of our quality assurance functions, built up over many years, we will continue to meet the expectations of our customers going forward. Furthermore, Matsuda Sangyo is a company with heterogenous yet hybrid business formats that also operates in the Precious Metals Business Segment, which sets us apart from our peers. This is linked to our strength of being able to anticipate future changes, such as the SDGs and other advanced initiatives undertaken by our customers, and to reflect them in our business strategies. In the future, we aim to become the best partner for customers in product development while making the most of our strength as a company with heterogenous yet hybrid business formats.

Topics

Developing safe and reliable products by securing sustainable raw materials, and establishing commercial distribution

Matsuda Sangyo began engaging in activities toward developing local suppliers in Europe since the early stages of the business and has steadily expanded its market share. Today, we have established trade relations with multiple corporations and countries including Poland, Ireland, and the United Kingdom. Among these, we have boosted our partnership with Foyle Food Group, thereby achieving not only the stable procurement of food materials, but also realizing, the procurement and sale of safe, reliable, and sustainable raw materials that are compliant with the United Kingdom's stringent traceability system. Currently, 90% of the beef that we handle is from Europe, and we are capable of proposing solutions to a wide range of customers by procuring a wide variety of items for our product lineup.

Matsuda Sangyo began trading in British beef since 2019, and currently boasts the top domestic market share for British beef at about 80% of the Japanese market. In March 2023, we were invited to the British Embassy to hold a British beef seminar and sampling event. Through such activities, we are working to further enhance awareness of British beef, and to further expand the share of British beef in the Japanese market. While harnessing the quality assurance knowhow that we have built to date, we will also continue to create products that leverage on the characteristics of each country going forward. We also aim to approach our medium- to long-term initiatives with consideration for the quality of food materials and the recent climate change issues.



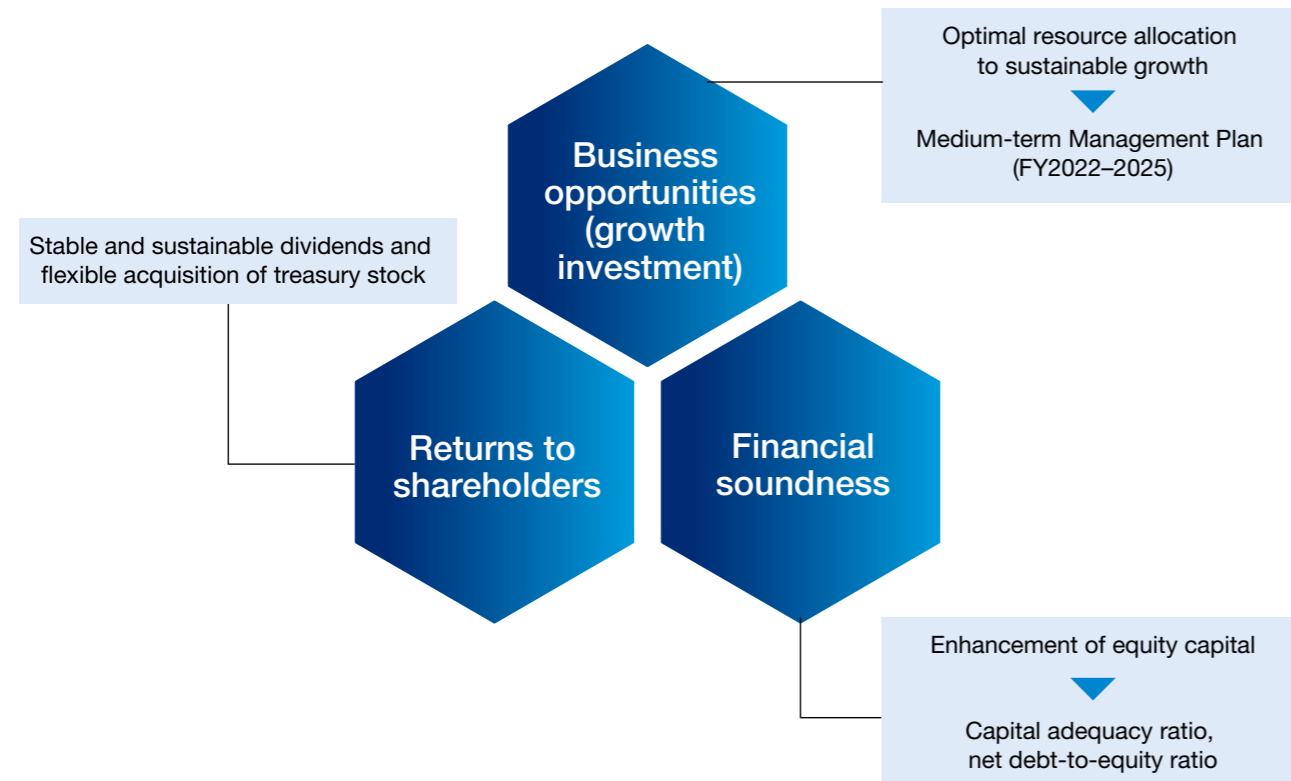
Expanding sales domain by accelerating global expansion, and nurturing trust

In FY2022, the volume of frozen vegetables handled was 34,000 t, an increase of 19% from the previous fiscal year. Of this, we recorded a year-on-year increase in the portion of frozen vegetables produced in China. In addition to securing the volume of China-produced frozen French fries, which we have newly launched, we have been able to supply potatoes produced in India and China for use in the production of snacks and fried potatoes in times of crop failure or shortages of North American potatoes due to unseasonable weather. The Matsuda Sangyo Group's attentive sales that emphasize communication with customers, as well as raw material procurement at the same level as in Japan (stable quality, reasonable prices, and aftersales services), are highly appraised by local manufacturers and are the reasons why we have become their partner of choice. In a market flooded by a dizzying range of products, we resolve customers' problems by quickly and accurately procuring products suited to their needs and injecting them into the market. Furthermore, we provide customers with peace of mind and foster trust by offering advice on the appropriate purchase methods; this in turn helps to expand our sales domain. In the future, we will continue to address problems such as concerns about the supply of food resources and rising logistics costs, while at the same time further strengthen our procurement capabilities, including the use of overseas bases, engage in sales activities that accurately capture the needs of our customers, and develop products with a focus on safety, reliability, and stable supply. By doing so, we aim to differentiate ourselves, expand our business domains, and secure profits.

Financial and Capital Strategy

Basic approach to capital policy (capital allocation)

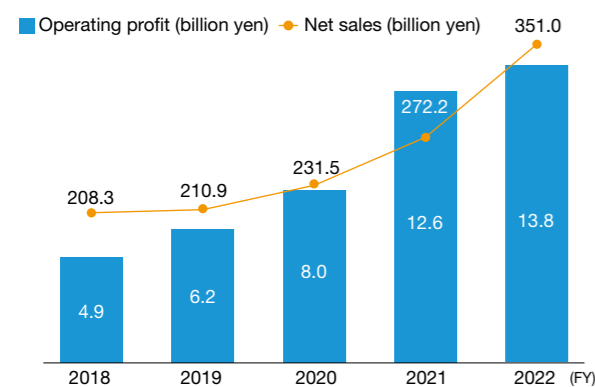
Matsuda Sangyo has established the basic capital policy of enhancing our corporate value in a sustainable manner while taking into consideration optimal resource allocation to business opportunities that capture growth potential, securing financial soundness, and achieving balance with shareholder returns. We have positioned, as our policy, actively promoting growth investment in the future and addressing sustainability issues toward improving returns on capital, as well as further enhancing returns to shareholders. With these in mind, we will work toward the sustainable improvement of our corporate value.



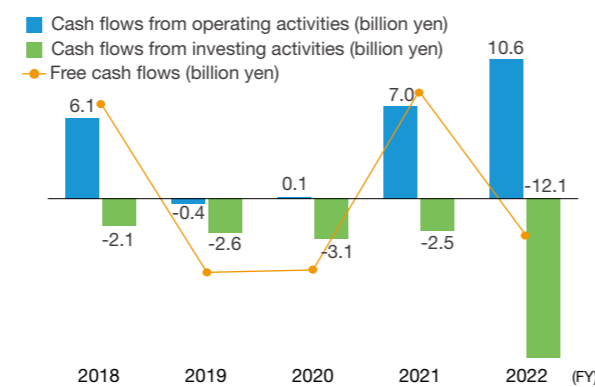
Creation of cash flows from operating activities

It is necessary to increase profits and, at the same time, enhance capital efficiency and expand cash flows from operating activities, in order to allocate capital in a way that enables proactive investment in business opportunities, the securing of financial soundness, and the further enhancement of returns to shareholders. The Matsuda Sangyo Group is working on promoting ROIC management in efforts to improve cash flows from operating activities

Changes in business performance

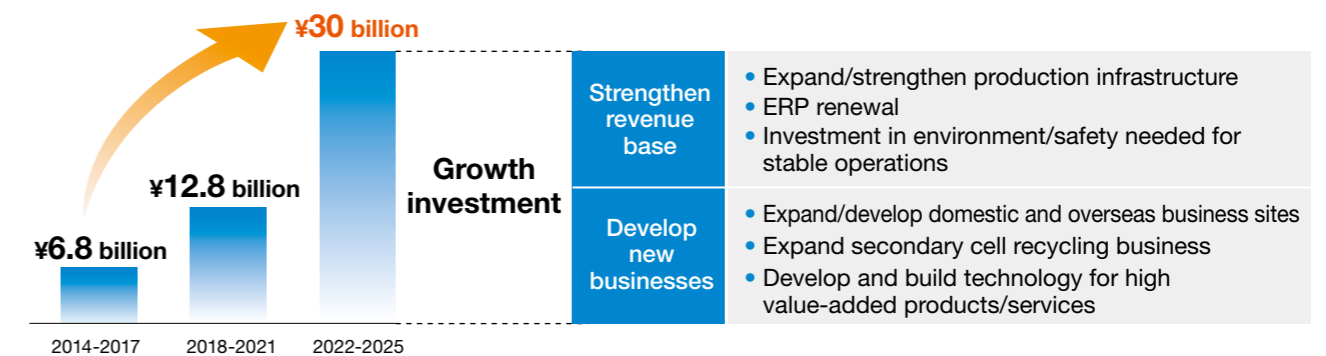


Changes in cash flow



Optimal allocation of resources to business opportunities (growth investment)

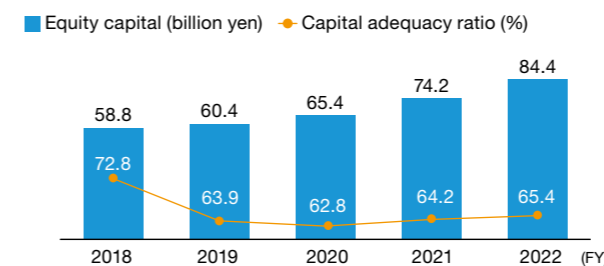
Matsuda Sangyo aims to enhance corporate value, and is actively advancing investments toward the sustainable growth of the Group as a whole. In the Medium-term Management Plan (FY2022-2025) under the Medium- to Long-term Management Strategy, we set out the plan of investing ¥30 billion in sustainable growth cumulatively over four years. With regard to growth investment, we verify the economic value by using the hurdle rate of capital cost + α , and use it to select investment projects and determine whether or not to implement them. (The progress status of the Medium-term Management Plan is detailed under "Growth Strategy.")



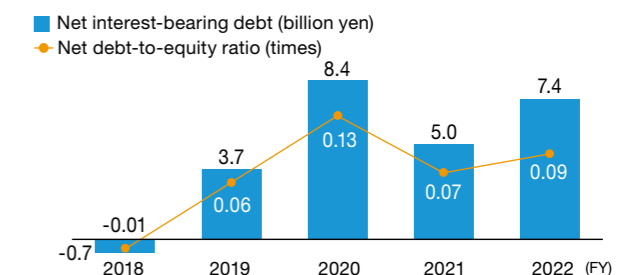
Securing financial soundness

Matsuda Sangyo needs to continue maintaining a sound financial structure in order to continue with stable and robust business operations. Particularly in the Precious Metals Business Segment, an adequate financial structure is required in order to ensure that credit transactions can be carried out with peace of mind. This is because the Precious Metals Business Segment deals in highly valuable precious metals, and the economic value of the precious metals held in trust until payment is made to customers amounts to several tens of billions of yen.

Changes in equity capital (consolidated)



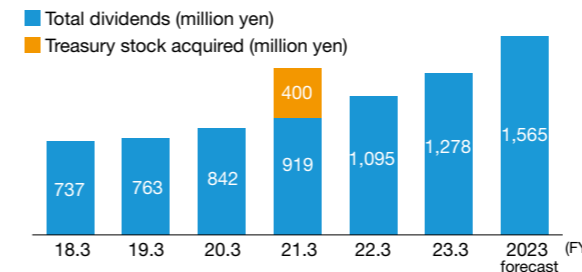
Net debt-to-equity ratio (consolidated)



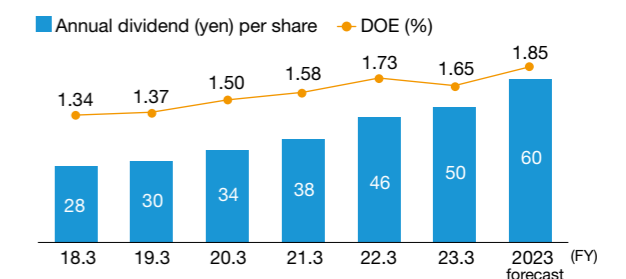
Returns to shareholders

Matsuda Sangyo's basic policy for shareholder returns is to enhance shareholder value and meet the expectations of shareholders by providing stable and sustainable dividends while maintaining a balance with internal reserves for growth investment and acquiring treasury stock flexibly in consideration of the market environment. With regard to dividends, Matsuda Sangyo has set a dividend on equity (DOE) ratio of 1.5% or higher as a guideline for stable and sustainable provision of dividends.

Changes in returns to shareholders



Changes in dividends per share, dividend on equity (DOE) ratio



Strengthening Human Capital Management

Basic approach to human capital management

The Matsuda Sangyo Group has set out the message of becoming “a company that continuously evolves and adapts to social changes, and which customers and society always need” as its vision for the next generation. To realize this vision, we consider it necessary to reaffirm the current status of the corporate group (revenue structure, intrinsic organizational strengths), and to work on developing human resources and strengthening the organization as measures for the future.



Matsuda Sangyo’s human resource development

To realize the vision set out in our Medium-term Management Plan (FY2022–2025), it is necessary to develop human resources which can create a stable company with growth potential, increase profits even in these rapidly changing times, and continue to create corporate value by advancing the Precious Metals Business Segment and Food Business Segment, and using these business segments to complement each other as independent and heterogenous yet hybrid business formats. To that end, we are strengthening, across the organization, the development of management talent and coordination of the four functions that underpin the foundations of our businesses: sales, production/technology, logistics, and management/systems. We are also working on expanding our investment in human capital in a sustainable manner.

Development of management talents

We have embarked on efforts to visualize human resource requirements and are further enhancing measures to bring about the growth of human resources and the organization through job-grade-based training and other means. Other than job-grade-based training, we also conduct an MBA course through distance learning for management and potential management staff, with the aim of helping them to acquire the

knowledge and skills that they should be equipped with so as to improve their organizational management skills. On top of that, training is conducted for selected employees to enable them to put into practice the knowledge they have gained thus far through training and distance learning courses.

Developing human resources who are capable of coordinating the four functions

The Matsuda Sangyo Group has organized several cross-departmental project activities. Members who participate in these projects are able to gain diverse knowledge and experience that they will not be able to experience in their day-to-day jobs, and thereby achieve dramatic growth. Suitable employees of Matsuda Sangyo are welcome to participate regardless of their nationality, sex, age, job duties, and job classification. In this way, this activity provides an opportunity to strengthen our organizational strength and develop human resources at the same time.

Support for career development

With the aim of linking autonomous career development to personal growth and organizational revitalization, we conduct age-group-based career training for each age group from those in their 20s to those in their 50s. In addition, career interviews are conducted for interested employees by nationally certified career counsellors to support the growth of each individual employee.



Interview

Thorough survey of the regions we are responsible of to uncover new products

I am currently affiliated with the Sendai Sales Office of the Foods Division as a sales representative, and my responsibilities include procuring confectionery ingredients, mainly eggs and fruit, from domestic and overseas suppliers, and selling them to customers in Japan. As I had majored a different field when I was a student, I did not know anything when I was first assigned to the Foods Division. However, I honed my sales techniques through OJT and learnt problem-solving skills through personnel and departmental training. With a desire to produce results, I utilized the skills I had acquired through the training programs to conduct thorough surveys on the characteristics of the Tohoku region, which I am in charge of, and on other companies in the same industry, with the awareness of proposing products accurately to meet the potential needs of our customers. As a result of these efforts and with the help of various people, I successfully created a new procurement and sales route for strawberries from scratch in the second year of joining the company. I visited farmers and customers in person, and felt a great sense of achievement and fulfillment when I received appreciation for successfully meeting customers’ needs and solving the problems faced by producers. I feel that the appeal of Matsuda Sangyo is its willingness to entrust young employees with positions of responsibilities.

In addition to getting a real sense of growth in my daily work, I am also able to reexamine myself objectively through career development support. This helps me to strive daily toward my future career goals. By building my capabilities and experience from a young age and levelling up my career, I aim to become a human resource who can manage and move the organization in the future.



Foods Division,
Sendai Sales Office
Kenta Sasahara
Joined Matsuda Sangyo
in 2019

Creating a workplace where diverse human resources can play active roles

We are advancing efforts to create a workplace environment where all employees who resonate with our vision and philosophy of “Respect humankind; the capacity of humankind is limitless,” can work dynamically, safely, and healthily for a long time.

Dissemination of corporate philosophy

We have compiled our corporate philosophy, fundamental values and principles, and Code of Conduct into a proprietary booklet on Matsuda Sangyo’s philosophy. To facilitate the practice and realization of this philosophy into our daily activities, it is incorporated into the action assessment of the personnel evaluation. As a part of activities to disseminate it, we strive to deepen understanding of the corporate philosophy in job-grade-based training or specialized training courses conducted internally, in line with the position and work of each employee.

Promotion of diversity

We have introduced a female empowerment promotion program and conduct training for supervisors who are responsible for the appropriate management of female members, as well as provide support for the career development of female employees.

To foster diversity of knowledge and experience in the

organization, we are putting effort into strengthening mid-career recruitment of human resources with a high level of expertise, knowledge, and experience. In the past, the percentage of experienced recruits was below 20% of all employees recruited, but this has increased to above 60% in recent years.

Employment of persons with disabilities and re-employment system

We are promoting the employment of persons with disabilities, with a focus on the production departments. Currently, the percentage of employees who are working after the retirement age of 60 exceeds 90%, and most of these employees continue working until they are 65 years old. Even after 65 years old, employees can continue working if it is desired by the company and the employee.



Participants of the female empowerment promotion program

Strengthening Human Capital Management

Relationship with offices that support continuous employment

The three offices that support continuous employment in Saitama Prefecture, which we have outsourced work to, have been involved in Matsuda Sangyo's work for many years in areas such as the sorting of films and substrates. With recycling becoming more widespread across the world and the work of sorting/separation gaining greater importance, we consider our partnership with offices that support continuous employment as a part of our human capital, rather than simply work outsourcing and support. Going forward, we will continue to work hard to maintain this relationship. (Refer to p.61)

Initiatives to improve retention rate among young employees

In addition to conducting pre-hiring assessments from FY2020, we also conduct pulse surveys during follow-up training to prevent unexpected resignations. In the future, we will consider implementing effective measures toward further improving retention rate across the company.

Promoting female empowerment

Matsuda Sangyo has formulated an Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life, with a view to realizing an environment where women can work dynamically and take on active roles. Through the establishment of various measures and systems, we will create an environment where more women can work actively in our company for a long time. We will continue to work toward female empowerment while reflecting the progress status of our initiatives in the Action Plan as appropriate.

Progress status of Matsuda Sangyo's Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life Non-financial KPIs and targets

Percentage of women among new hires

19.3% (FY2022) → 20.0% (FY2025)

Average length of continued service for women compared to men

61.8% (FY2022) → 70.0% (FY2025)

Health management initiatives



To realize sustainable growth and enhance corporate value, we consider it necessary for each individual employee to approach their work dynamically and healthily. We enacted the Health Declaration in FY2021 and were selected for the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category) in FY2022 and thereafter. We also provide full premium subsidies for enrolling in health insurance as a welfare benefit for employees, based on the stance that "the families who support employees are just as important as the employees."

Concrete initiatives

Contents of initiatives	Details
Physical health	<ul style="list-style-type: none"> In addition to regular medical examinations, employees who are 35 years and older are recommended to undergo multiphasic health screening For female employees to undergo medical examinations for diseases and conditions specific to women Prevention of diseases and follow-up after disease onset
Mental health	<ul style="list-style-type: none"> Stress checks Harassment training Introduction of EAP service (Employee Assistance Program, "Consultation Service on Physical and Mental Health") Establishment of a harassment whistleblowing system

Work style reform initiatives

We have established telecommuting and shift-work systems in consideration of the various family circumstances that employees face, such as childcare and nursing care demands. At the same time, we are striving to create an environment where employees can work for a long time with peace of mind in consideration of their individual circumstances, through the utilization of childcare or nursing care leave (sabbatical) systems and injury and sick leave systems.

To enable both male and female employees to strike a balance between work and childcare, we have revised our Childcare Leave Regulations and introduced a childcare leave system for employees with newborn babies. We are continuing with efforts to create an environment where the childrearing generation can continue to work with motivation in the future.

Percentage of childcare leave taken

Females	100%	▶	100%
	(as of March 2022)		(as of March 2023)
Males	11.1%	▶	15.0%
	(as of March 2022)		(as of March 2023)



Interview

A desire to harness my work and childcare experience to create a comfortable workplace environment

Profile

- 2006** Joined the company [Management Dept., Accounting Section (Now the Accounting Dept., Accounting Section)]
- 2007** Concurrent post [IR Dept. (Now the CSR IR Dept.)]
- 2014** Childbirth, took childcare leave for the first time
- Returned to work
- Childbirth, took childcare leave for the second time
- 2016** Returned to work
- 2020** Promoted to management
- April 2023** Personnel transfer [Finance Dept., Finance Section] Promoted to Assistant Manager Removal of concurrent post [CSR IR Dept.]
- To date

The department that I was assigned to after I joined the company has managers and a culture that supports employees to take up challenges regardless of our sex. For this reason, I have had the experience of acquiring qualifications and taking business trips since I was a young employee, and I felt a real sense of my personal growth. Thereafter, I went through childbirth twice but returned to work each time.

At the time, I did not have many senior colleagues who had returned to work after taking childcare leave, so I felt a little anxious and worried. However, with support from my workplace, I gained a strong desire to become a precedent in the company (laughs).

As I was able to utilize various systems such as childcare leave and reduced working hours, and thanks to the understanding of the company and cooperation of my family when my children fell ill suddenly and I had to return home, or when I was unable to work overtime, I have, until now, been able to build up my career successfully. I am truly grateful for that.

I am currently serving as the Assistant Manager in the Finance Section of the Finance Dept., and my work is centered around the management of the organization.

Going forward, I hope to become a role model for junior employees and help to create a culture that is free of gender discrimination, where everyone can achieve balance between work and childcare while working at a reasonable pace and developing their careers.



Finance Dept.,
Finance Section
Assistant Manager
Sanae Takana
Joined Matsuda Sangyo
in 2006

Human Rights Policy

The Matsuda Sangyo Group considers people to be the greatest asset a company can have and has established "Respect humankind" as a basic management policy. All officers and employees comply with the laws and regulations of the respective countries and regions in all business activities and fulfill their responsibility of respecting human rights. To build a sustainable society, it is vital to realize a world where the human rights of all people are respected.

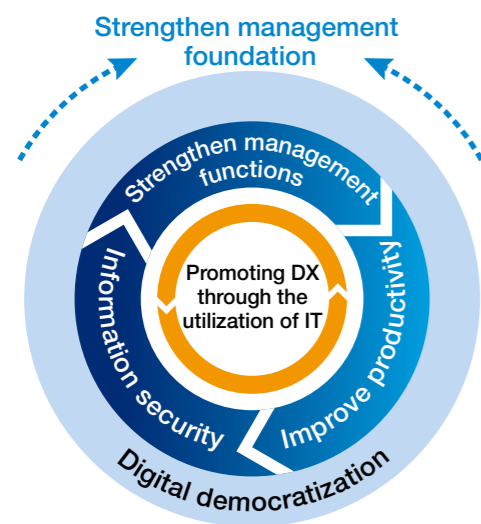
We enacted the Matsuda Sangyo Group Human Rights Policy in October 2022, and based on this Policy, disclose information on our commitment to human rights issues, human rights due diligence, dialogues and consultations with stakeholders, and training of Group officers and employees on the corporate website and reports. The full text of the Policy is available on our corporate website.

🔗 https://www.matsuda-sangyo.co.jp/ja/sustainability/human_rights.html

Promoting DX

Promoting DX through the utilization of IT

The Matsuda Sangyo Group has established promoting digital transformation (DX) as a strategy under the basic policy “Strengthen management foundation to support and accelerate sustainable growth” set out in our Medium-term Management Plan (FY2022–2025), and we aim to strengthen our management functions and improve productivity by promoting DX through the utilization of IT. Additionally, we are advancing efforts to reinforce information security measures so as to implement such IT utilization more safely and securely.

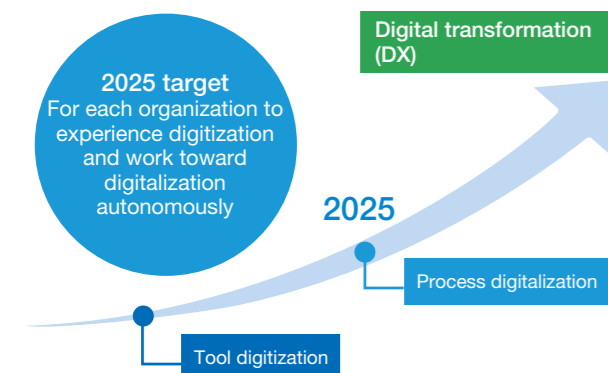


We advocate “digital democratization” (digitalization of all information and its autonomous use), which is an essential foundation for promoting DX through the utilization of IT. To that end, we are working to develop an environment in which everyone can use digital tools to solve their problems.

Initiatives toward digital democratization

- Provision of a digital platform based on autonomous utilization (RPA*1, BI*2, etc.)
- Sustainable creation of human resources for DX through training and utilization

*1 Tools for automation / performing tasks on behalf of workers, such as routine work
*2 Mechanisms and methods for utilizing knowledge, etc. obtained by analyzing information related to business decision-making



Strengthening management functions and improving productivity

In tandem with globalization and other social changes as well as business expansion, the risks that need to be addressed are growing and becoming increasingly diverse. The ways in which people communicate, such as marketing aimed at creating business opportunities, are also changing.

The Matsuda Sangyo Group is putting effort into strengthening its management functions to visualize information in a more timely and efficient manner through the utilization of IT, based on the stance that sensitivity and recognition capability are crucial for confronting these risks and opportunities. We are also advancing improvements and reforms of our work processes through the active utilization of IT, in order to achieve the productivity improvements necessary for further enhancing the market competitiveness that is vital for sustainable growth.

In our DX promotion initiative, the Matsuda Sangyo Group aims to strengthen management functions and improve productivity through the utilization of IT. To achieve that, we are autonomously advancing digitalization and automation in the respective functions (organizations) of sales, production, logistics, and management.

Information security framework

The Matsuda Sangyo Group is working to strengthen its security measures by adopting the “Zero Trust” model and applying the NIST Cybersecurity Framework’s approach to sophisticated cyberattacks. This approach considers it impossible to completely prevent intrusion, so based on the premise that attacks will occur, the key lies in how quickly one can recover from an attack.

In addition, we are developing technical measures, physical measures, and personnel measures in a well-balanced manner to ensure that the respective measures function more effectively.



Examples of initiatives to strengthen management functions and improve productivity

Sales × Digital Automation of marketing activities Introduction of DX in sales and marketing automation

In the Precious Metals Business Segment, we have refreshed our corporate website to attract customers to our products and services and encourage them to make purchases. We send out e-mail newsletters regularly, and the number of inquiries and registered members has increased by close to four times from before. Moreover, we have further enhanced our website to enable the utilization of cookie information from visitors who accept their use to accurately capture customer needs, so that we can provide the information that customers want from their perspective.

Production × Digital Development of smart factories Factory automation

In a recycling business that handles a wide range of materials, there are inevitably tasks that need to be carried out by humans. However, some of the processes at the factories in Matsuda Sangyo’s Precious Metals Business Segment have undergone factory automation to improve production efficiency. In addition to using tablet devices to operate equipment, we have also introduced automatic controls and remote operations for the preparation of various chemical solutions used in our processes to enhance safety at work.

Logistics × Digital

Enhancing the efficiency of berth operations Using a cloud system for the loading and unloading of trucks

There are sometimes many trucks waiting to be unloaded and loaded at Matsuda Sangyo’s factories in the Iruma area of Saitama Prefecture. To reduce waiting time and drivers’ workloads, and to enhance the efficiency of berth operations, we have introduced a system that successfully helped to reduce such waiting times. By using this system to automate communication with drivers waiting in the dedicated area, we aim to further improve work efficiency.

Management × Digital Digitalization of work processes Significant reduction in annual working hours through the introduction of RPA

In the Food Business Segment, we are using RPA to automate some inventory management and sales management tasks. As a result, we have reduced working hours for the employees responsible for these tasks and improved work efficiency. The automation of some tasks through the introduction of RPA also has the effect of reducing working hours and eliminating input errors. It is an example of how we have realized improvements in productivity across both the aspects of enhancing efficiency and raising the quality of various management work.

Information security initiatives

Technical measures

With regard to endpoint security measures, we have introduced next-generation anti-virus (NGAV) software, which can handle unknown viruses, as well as an endpoint detection and response (EDR) system to detect unauthorized behaviors on terminals. These measures allow us to prevent the intrusion of viruses through cyberattacks, and to minimize the extent of damage even in the event of a virus infection. In addition, as a part of network security measures, we have introduced secure access service edge (SASE) and utilize web filtering and intrusion prevention system (IPS) functions in the cloud to constantly monitor and control all communications. Through the multi-layered defense of endpoints and networks, we ensure a high level of information security.

Physical measures

We implement the following measures at each facility.

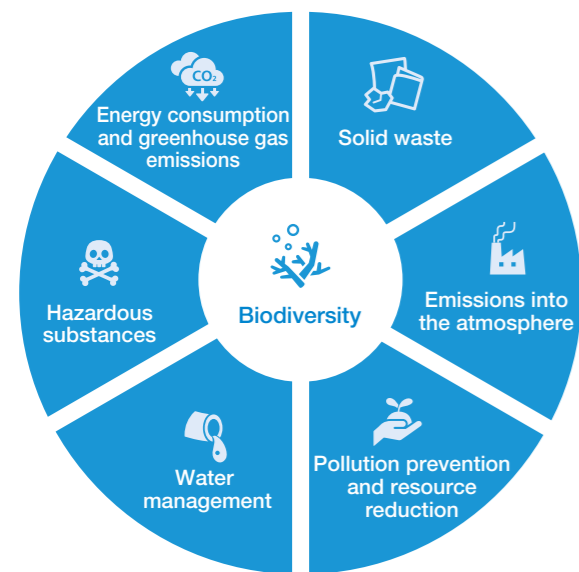
- Entry/exit management and room access restrictions through the use of employee passes
- Installation of surveillance cameras
- Introduction of security systems

Personnel measures

With respect to education, we conduct internal training to foster and establish the awareness that “those who utilize data must protect their own data.” Specifically, we proactively implement initiatives such as using an internal portal site as well as videos and other tools to ensure that employees understand the risks and conduct tests to raise awareness of information security rules. With regard to systems, we have introduced a managed detection and response (MDR) service and developed a system in which highly skilled cybersecurity specialists carry out monitoring and respond to security incidents 24 hour a day, 365 days a year.



Sustainability Management (Strengthening Environmental Response)



Important environmental issues

The Matsuda Sangyo Group has established “striking a balance between reducing environmental burden and business growth” as an important matter of environmental materiality. Specifically, we are engaged in the seven efforts shown on the left.

To promote efforts to resolve these issues, the Precious Metals Business Segment has made efforts by setting out environmental targets in its ISO management system.

Group-wide greenhouse gas emission reduction targets

	FY2030 (short-term)	FY2050 (long-term)
Scope 1+2	Compared to FY2020 42% reduction	Realization of carbon neutrality
Scope 3	Compared to FY2020 25% reduction	

Energy consumption and greenhouse gas emissions

Abnormal weather conditions are now intensifying around the world as a result of climate change, and these are having a severe impact on nature and human society.

Scientific studies led by the Intergovernmental Panel on Climate Change (IPCC) have pointed out the strong possibility that it may no longer be possible to halt global warming if the average temperature rise of the world is not suppressed to 1.5°C below pre-industrial levels (around 1850).

The Matsuda Sangyo Group perceives climate change response, which leads to the realization of a sustainable society, as the mission of our company. We are engaged in efforts to achieve carbon neutrality by 2050.

Toward achieving carbon neutrality, we have implemented measures in line with TCFD*1 recommendations (refer to p.44–45 for details), and declared our commitment to the SBT*2 1.5°C target. In July 2022, we responded to the CDP*3 Climate Change Program Questionnaire and received a “B-” rating.

*1 Task Force on Climate-Related Financial Disclosures, established by the Financial Stability Board to promote information disclosure of climate-related risks and opportunities

*2 An international community that promotes science-based GHG emission reduction targets for companies

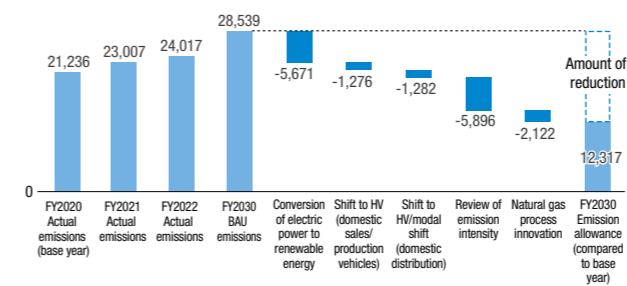
*3 A non-governmental organization (NGO) managed by a British charity that evaluates the initiatives and information disclosure by companies and local governments in the environmental field in three areas: climate change, water resources, and forest protection.

Changes in group-wide energy consumption

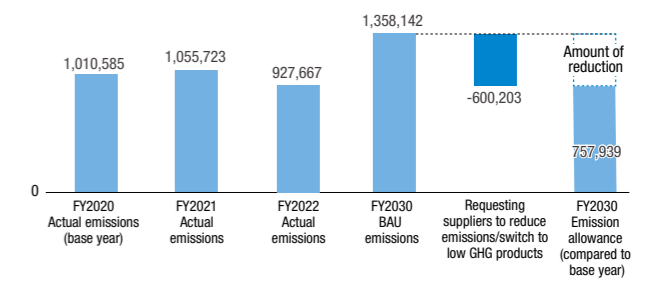
		FY2021	FY2022	Unit	
INPUT	Energy	Reclaimed oil	1,830	2,119	kl crude oil equivalent
		Heavy oil	119	17	kl crude oil equivalent
		Natural gas	2,258	2,088	kl crude oil equivalent
		Liquefied petroleum gas (LPG)	192	303	kl crude oil equivalent
		Kerosene	24	20	kl crude oil equivalent
		Diesel fuel	2,136	2,149	kl crude oil equivalent
		Gasoline	49	33	kl crude oil equivalent
		Electric power	5,009	5,345	kl crude oil equivalent

Changes in group-wide GHG emissions and breakdown of reduction targets

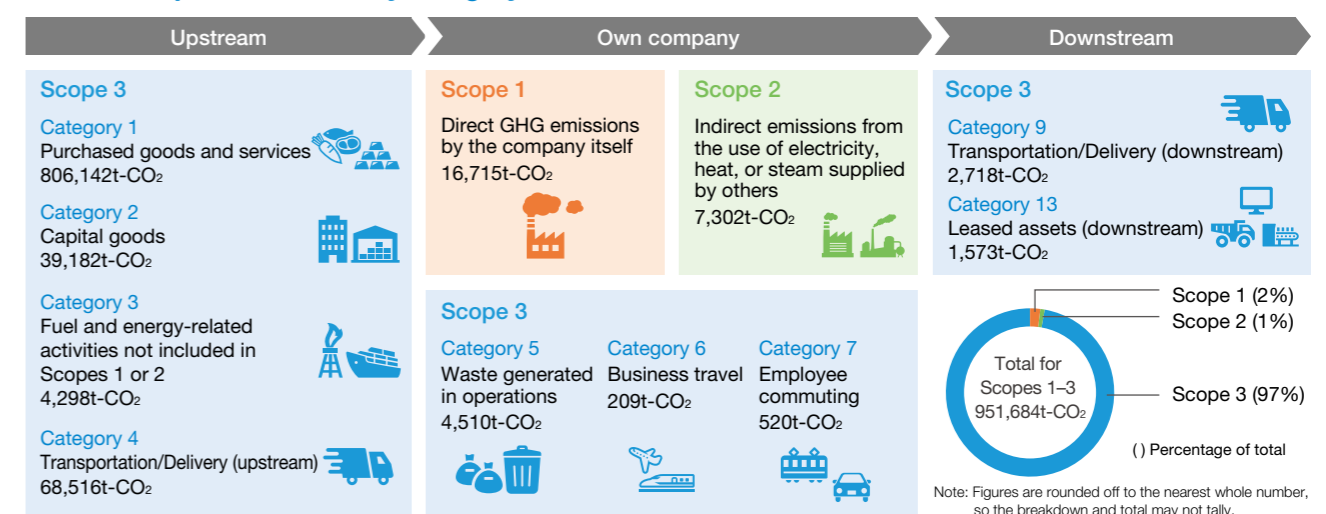
Scope 1+2 (t-CO₂/year)



Scope 3 (t-CO₂/year)



FY2022 Scope 3 emissions by category



Note: These aggregated results have received third-party assurance from Sustainability Accounting Co., Ltd.

FY2022 GHG emissions were calculated using IDEA Version 3.1*.

*IDEA Version 3.1 is a database that can quantify the environmental burden of all products and services in Japan, including approximately 4,700 types of agricultural, forestry, fishery, and industrial products (emissions of chemical substances such as CO₂, NO_x, SO_x, PM2.5, arsenic, cadmium, chromium, and lead, and consumption of resources such as iron and copper).

Energy consumption and CO₂ emissions of production bases (domestic)

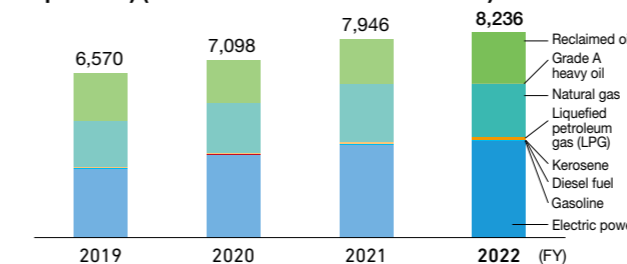
Energy consumption

The Matsuda Sangyo Group calculates GHG emissions for the entire Group and is advancing efforts to reduce emissions. However, as the production departments produce more than 60% of all GHG emissions generated by the Group, we are putting particular effort into reducing energy consumption. Total energy consumption in FY2022 across the five factories in Iruma (Iruma Factory, Iruma No. 2 Factory, Musashi Factory, Musashi No. 3 Factory, R&D Center) and the Seki Factory had increased by 4% year on year. This was due to an increase in the processing volume at the five factories in the Iruma area.

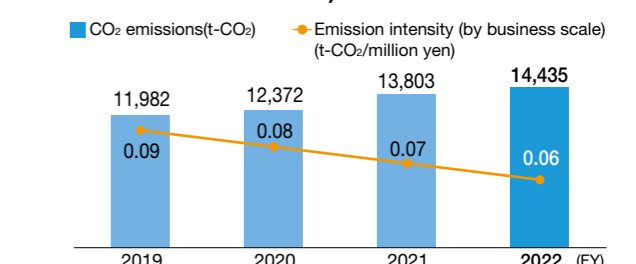
Carbon dioxide (CO₂) emissions

We are striving to reduce carbon dioxide (CO₂) emissions by improving our facilities and streamlining operations, among other efforts. Although emissions increased in FY2022, emission intensity fell due to an increase in the number of employees at the relevant business sites.

Changes in total energy consumption (kl crude oil equivalent) (five factories in Iruma area + Seki)



Changes in CO₂ emissions and emission intensity (five factories in Iruma area + Seki)



Sustainability Management (Strengthening Environmental Response)

TCFD

Disclosure based on TCFD recommendations

The Matsuda Sangyo Group discloses important climate-related information (governance, strategy, risk management, indicators, and targets) based on the TCFD recommendations

Governance

With a view to striking a balance between the realization of a sustainable environment, society, and economy, and enhancing the corporate value of the Matsuda Sangyo Group, we have established a Sustainability Committee under the direct supervision of the Board of Directors, for the purpose of facilitating the promotion of decisions and initiatives on important matters related to promoting sustainability management, including climate-related matters. The Sustainability Committee is composed of the Directors (including Outside Directors) and members nominated by the Board of Directors from among the Executive Officers. The President and Representative Director chairs the Committee. The roles of the Sustainability Committee are as follows: (1) formulation of overall policy; (2) deciding on important matters that should be addressed; (3) evaluation of risks and opportunities; (4) setting of targets; (5) formulation of action plans; and, (6) verification and monitoring of actions. It convenes regular meetings four times a year in principle, and the details of meetings are reported to the Board of Directors and the Audit and Supervisory Committee. The Board of Directors checks and supervises the important matters decided upon by the Sustainability Committee, including processes, while keeping in mind the need to strike a balance between social trends, particularly recommendations by international initiatives as well as domestic and overseas policies, with the business growth of the Matsuda Sangyo Group.

Note: Please refer to the Corporate Governance Structure (p.57) for details on the governance system.

Strategy

The Matsuda Sangyo Group has established “striking a balance between reducing environmental burden and business growth” as an important policy in the Medium-term Management Plan (FY2022–2025) announced in May 2022. We consider scenario analysis necessary for achieving this target, and we are reviewing the risks and opportunities brought about by climate change.

Analysis and evaluation of climate-related risks and opportunities

In climate scenario analysis, we set out two hypothetical scenarios: the 1.5°C scenario with increased risks for transitioning to a low-carbon/decarbonized society, and the 4°C scenario with increased physical risks accompanying climate change without achieving low-carbon/decarbonization goals. Based on these, we select the key drivers for our corporate Group and extract, evaluate, and identify the risks and opportunities.

With regard to the results of this analysis, the validity of the evaluation is checked and shared within the Sustainability Committee.

(Reference information for the scenarios)

- International Energy Agency (IEA), “World Energy Outlook,” 2021
- IPCC, “Special Report on Global Warming of 1.5°C,” 1998
- IPCC, “Special Report on Climate Change and Land,” 1999
- Ministry of the Environment, “Report on the Market Size and Employment of the Environmental Industry,” 2021
- World Resources Institute (WRI), “Aqueduct Water Risk Atlas 3.0,” 2019

Note: Please refer to p.45 for details on the results of the climate change scenario analysis.

Risk management

The Matsuda Sangyo Group has established the Total Risk Management (TRM) Committee to identify the actualization of risks that have a serious impact on our business and corporate management and to manage them as company-wide risks. The TRM Committee evaluates potential risks, carries out centralized management of company-wide risks, promotes response, and monitors the management status, among other activities, then reports the results of the activities to the Board of Directors and Audit and Supervisory Committee. The standard for risk evaluation is based on references such as the relevant laws and regulations and international standards, while climate change-related risks are based on references such as the IEA’s “World Energy Outlook 2021” and IPCC’s “Special Report on Global Warming of 1.5°C” (1998). The probability of occurrence and degree of impact of potential risks are evaluated for each business and region, and company-wide risks that should be addressed as priority are identified. Through this method, we comprehensively evaluate the business risks of the corporate Group and formulate the response policy for risks of high priority. With regard to climate-related risks, we have drawn up two hypothetical scenarios (1.5°C scenario, 4°C scenario), based on which we select the key drivers for our corporate Group, and extract and evaluate risks and opportunities. The Sustainability Committee then verifies them and identify the risks, and we promote responses and monitor progress in an expert subcommittee established for the purpose of managing the risks recognized as important to the business and corporate management.

Note: For climate change-related risks that have been identified, we promote responses and monitor progress under the system detailed on p.57.

Indicators and targets

The Matsuda Sangyo Group established its greenhouse gas emissions reduction targets for the whole corporate group in July 2022.

Note: The targets are set out on p.43.

Main measures toward reduction:

- Improve energy consumption efficiency
- Expand the adoption of renewable energy
- Review and improve manufacturing and treatment processes (including fuel conversion, CO₂ capture)
- Introduce and update high-efficiency facilities
- Enhance the efficiency of logistics, modal shift
- Provide products and services that can reduce environmental burden
- Cooperation through engagement with the supply chain

Scenario analysis based on TCFD recommendations


The impact of risks and opportunities is defined as follows.

¥100 million ≤ Medium < ¥1,000 million, ¥1,000 million ≤ High


Scenario	Classification	Key driver	Prerequisite	Implications for the Matsuda Sangyo Group	Impact (Medium- to long-term)
1.5°C	Policy / Legal regulations	Carbon pricing (carbon tax, emissions trading system, etc.)	<ul style="list-style-type: none"> • Rise in prices in countries and regions 	Food Business Segment <ul style="list-style-type: none"> • Increased procurement costs • Changes to / consolidation of suppliers Precious Metals Business Segment <ul style="list-style-type: none"> • Increased procurement costs • Less sales competition 	Risk: Large
		Strengthening of CO ₂ emissions regulations (strengthening of regulations under the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy, etc.)	<ul style="list-style-type: none"> • Promotion of energy transition to electricity • Demand for rationalization of energy consumption 	Across all businesses <ul style="list-style-type: none"> • Increased capital investment • Increased technological development costs • Increased procurement costs 	Risk: Medium
		Strengthening of regulations on agricultural land development Strengthening of emissions regulations on the FLAG (forestry, land, and agriculture) sector	<ul style="list-style-type: none"> • Restrictions on new development of primary industrial areas in many countries to suppress the emission of greenhouse gases through land use and conversion • Realization of appropriate distribution of forestry and agricultural products produced in optimal places through international trade, and improvements in production efficiency across the world • Export restrictions and embargoes on food products • Strengthening of compliance with social safeguards and environmental restrictions on the development of afforested areas and mining businesses toward illegal metal mining, which is one of the factors behind forest destruction 	Food Business Segment <ul style="list-style-type: none"> • Restrictions on supply and sales volume • Decline in sales opportunity • Increased procurement costs 	Risk: Large
4°C	Technology	Strengthening of regulations on waste generation	<ul style="list-style-type: none"> • Expansion of target waste recycling utilization rate based on the 4th Fundamental Plan for Establishing a Sound Material-Cycle Society (Government of Japan) • Technological development toward improving waste recycling utilization rate, and progress in investment • Through the strengthening of policies toward the realization of a circular economy, particularly in Europe, the closed loop of “reuse, recycling, and sharing” creates many industries 	Precious Metals Business Segment <ul style="list-style-type: none"> • Increased demand for resource recycling 	Opportunity: Medium
		Transition to low-carbon technologies (development of low-emission technology, and products and services)	<ul style="list-style-type: none"> • Products and materials reflect a circular business model that provides lasting value, such as recovery, reuse, and recycling after use • Development of technologies to promote non-ferrous metal recycling that uses energy resources which contribute to decarbonization, such as biomass, waste plastic, etc. toward carbon neutrality 	Food Business Segment <ul style="list-style-type: none"> • Decline in sales opportunity 	Risk: Large
		Rise in average temperature Changes in rainfall patterns	<ul style="list-style-type: none"> • Frequent occurrences of water shortage and flooding around the world; comparing the end of the 20th and 21st centuries, the flood incidence in Japan has quadrupled • Reduced total workforce due to decline in labor productivity (The average rate of total workforce reduction in the 3°C scenario is predicted to be 25% in Asia and 16.7% in the Americas.) 	Precious Metals Business Segment <ul style="list-style-type: none"> • Increased disaster readiness and reconstruction expenses Across all businesses <ul style="list-style-type: none"> • Increased personnel expenses to cover the decline in labor productivity (need to increase personnel by 120% for 20% decline in productivity) • Increased utility costs accompanying temperature rise 	Risk: Large
4°C	Rise in sea levels		<ul style="list-style-type: none"> • Tsunami hazard doubles with a 0.5 m rise in sea level (Frequency of high waves will increase to 7–15 days by 2030, and to 25–75 days by 2050) • With regard to the food system, the risk of grain yield decreasing by more than 5% in a certain year, compared to current risk levels, will be 1.4 times in Asia and 1.9 times worldwide by 2050 • In Asia, 40% of the land area is expected to undergo biome migration by 2050 (45% globally) 	Across all businesses <ul style="list-style-type: none"> • Increased disaster readiness and reconstruction expenses • Relocation of customer bases Food Business Segment <ul style="list-style-type: none"> • Less agricultural land, increased difficulty in securing habitats • Decreased agricultural yield, increased difficulty in securing food resources • Decline in sales 	Risk: Large

Note: Risks and opportunities deemed to have a “small” impact in the analysis have been omitted as their impact is minor. The impact of TCFD risks and opportunities was revised in July 2023.


Sustainability Management (Strengthening Environmental Response)



Emissions into the atmosphere



Hazardous substances



Pollution prevention and resource reduction

In FY2022, we controlled all of these factors within the scope of voluntary standards. In FY2023, we have set targets for each process and will proceed with reduction efforts under the ISO Environmental Management System.

Regulated substances such as hazardous substances in emission gas

Matsuda Sangyo has set voluntary standards that are more stringent than legal standards for the contained amount of regulated substances, such as hazardous substances in emission gas, and achieved all the standards.

Measurements in a high-temperature oxidation reactor (as of February 16, 2023; and as of July 26, 2022 for dioxins)

Analysis items	(Unit)	Legal regulation	Voluntary standards	Analysis results
Dust	g/m ³ N	0.25	0.1	0.0012
SOx (sulfur oxide)	m ³ N/h	11.342	11.342	0.0093
NOx (nitrogen oxide)	ppm	250	180	60
CO (carbon monoxide)	ppm	—	—	Less than 1.5
HCl (hydrogen chloride)	mg/m ³ N	200	200	4.5
Dioxins	ng-TEQ/m ³ N	10	0.1	0
Ag (silver)	mg/m ³ N	—	—	0.002

Note: The scope of measurements covered Musashi Factory and Musashi No. 2 Factory.

Measurement in a waste incinerator (as of January 19, 2023; and as of July 5, 2022 for dioxins)

Analysis items	(Unit)	Legal regulation	Voluntary standards	Analysis results
Dust	g/m ³ N	0.15	0.1	0.0075
SOx (sulfur oxide)	m ³ N/h	4.625	4.625	Less than 0.0025
NOx (nitrogen oxide)	ppm	250	180	90
CO (carbon monoxide)	ppm	100	100	Less than 2
HCl (hydrogen chloride)	mg/m ³ N	500	200	0.49
Dioxins	ng-TEQ/m ³ N	5	0.1	0.039

Note: The scope of measurements covered Musashi Factory, Musashi No. 2 Factory, and Iruma Factory.

Regulated substances such as hazardous substances in wastewater

Matsuda Sangyo has set voluntary standards that are more stringent than legal standards for the contained amount of regulated substances, such as hazardous substances in wastewater, and achieved all the standards.

Substances in wastewater (Musashi Factory: as of March 22, 2023; and Musashi No. 2 Factory: as of March 22, 2023)

Analysis items	(Unit)	Legal regulation	Voluntary standards	Analysis results	
				Musashi Factory	Musashi No. 2 factory
BOD*1	mg/l	600	540	1.0	3.4
COD*2	mgO/l	—	—	Less than 100	Less than 100
Cd (cadmium)	mg/l	0.03	0.027	Less than 0.003	Less than 0.003
CN (cyanide)	mg/l	1	0.9	Less than 0.1	Less than 0.1
Pb (lead)	mg/l	0.1	0.09	Less than 0.05	Less than 0.05
Cr ⁶⁺ (hexavalent chromium)	mg/l	0.5	0.45	Less than 0.05	Less than 0.05
As (arsenic)	mg/l	0.1	0.09	Less than 0.01	Less than 0.01
Hg (mercury)	mg/l	0.005	0.0045	Less than 0.0005	Less than 0.0005
Se (selenium)	mg/l	0.1	0.09	Less than 0.01	Less than 0.01
F (fluorine)	mg/l	8	8	Less than 1	Less than 1
B (boron)	mg/l	10	10	1.05	Less than 1

*1 Biochemical oxygen demand

*2 Chemical oxygen demand

Hazardous substances

Matsuda Sangyo handles various chemical substances in its precious metal refining and waste detoxification processes.

In managing these chemical substances, Matsuda Sangyo positions the occupational health and safety for workers as a matter of top priority, based on which it approaches the important matters of reducing the discharge of hazardous substances to the air, water, and soil, and eliminating hazardous substances from products.

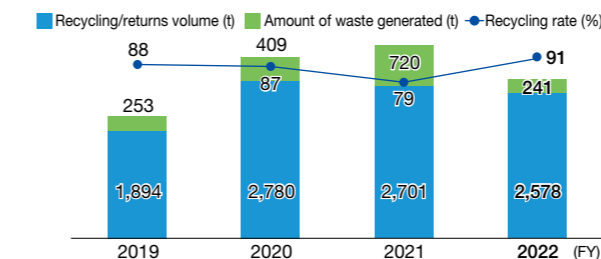
Quantity of class I designated chemical substances Released/Transferred

Chemical substance	(Unit)	Business site	Amount Released			Amount Transferred Outside	
			Air	Water	Soil	Sewage systems	Waste
Silver	kg	Musashi Factory	1.5	0.0	0.0	50	0.0
		Musashi No. 2 Factory	19	0.0	0.0	5.0	53
Cyanides	kg	R&D Center	0.6	0.0	0.0	0.0	0.0
		Iruma No. 2 Factory	28	0.0	0.0	0.0	0.0
		Seki Factory	23	0.0	0.0	0.8	3.9
Fluorides	kg	Iruma No. 2 Factory	6.4	0.0	0.0	3.1	670
		Seki Factory	56	0.0	0.0	23	4,900
Lead	kg	Musashi Factory	0.0	0.0	0.0	0.0	0.0
Dioxins	mg-TEQ	Musashi Factory	0.0	0.0	0.0	0.0	0.0
		Iruma Factory	1.8	0.0	0.0	0.0	0.0
Ferric chloride	kg	Musashi Factory	0.0	0.0	0.0	0.0	0.0
		Iruma No. 2 Factory	0.0	0.0	0.0	0.0	0.0
		R&D Center	0.0	0.0	0.0	0.0	0.0
Manganese compounds	kg	Musashi Factory	0.0	0.0	0.0	0.0	0.0
		R&D Center	0.0	0.0	0.0	0.0	0.0
Mercury and its compounds	kg	Musashi Factory	0.0	0.0	0.0	0.0	0.0
		Iruma Factory	0.0	0.0	0.0	0.0	0.0

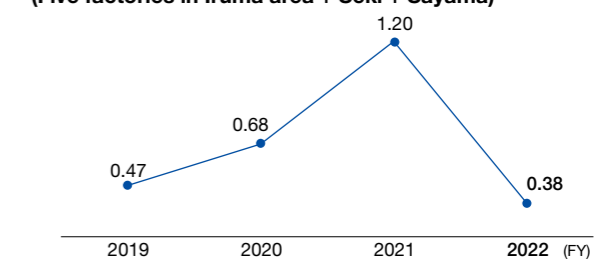
Solid waste

In FY2022, we succeeded in reducing the volume of industrial waste discharged to landfill, and in reducing the waste discharge intensity. In FY2023, we have set targets for each process and will proceed with reduction efforts by utilizing the ISO Environmental Management System.

Changes in amount of waste generated and recycling rate (Five factories in Iruma area + Seki + Sayama)



Changes in waste discharge intensity (amount of waste discharged to landfill) (Five factories in Iruma area + Seki + Sayama)



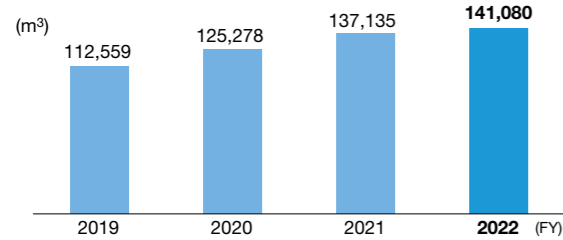
Volume of waste generated by each business site (FY2022)

	Requirements for businesses discharge a vast quantity of waste (excluding intermediate treatment)	Discharge (kg/year)								
		Musashi Factory	Iruma Factory	Iruma No. 2 Factory	R&D Center	Musashi No. 3 Factory	Seki Factory	Seki No. 2 Factory	Sayama Business Operation center	Hidaka Yard
Specialty controlled industrial waste	Discharge of 50,000 kg/year Quantities shown in the brackets are for FY2020	481,714.0	0.0	1,208.0	0.0	0.0	8,450.0	0.0	0.0	0.0
Industrial waste	Discharge of 1,000,000 kg/year Quantities shown in the brackets are for FY2020	34,531.0	57,331.0	87,455.0	0.0	60,999.0	444,340.0	1,049.0	35,929.0	172,280.0
		(34,652.0)	(55,177.0)	(76,444.0)	(0.0)	(73,540.0)	(464,296.0)	(2,030.0)	(41,355.0)	(60,660.0)

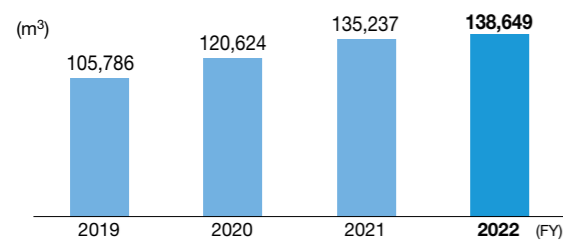
Sustainability Management (Strengthening Environmental Response)

Water management

Changes in water consumption (city water) (Five factories in Iruma area + Seki)



Amount of water discharged (sewage effluent) (five factories in Iruma area + Seki)



The volume of water discharged increased in FY2022 due to business growth. In FY2023, we will proceed with reduction efforts by utilizing the ISO Environmental Management System.

Utilization of water (city water)

With the full-scale operation of newly installed processes at the Seki Factory throughout the year, water consumption has increased by approximately 2%.

Water consumption in the precious metals refining process and chemicals manufacturing process has remained unchanged from the previous year.

Wastewater volume

With the full-scale operation of newly installed processes at the Seki Factory throughout the year, wastewater volume has also increased by approximately 2%.

Wastewater volume in the precious metals refining process and chemicals manufacturing process has also remained unchanged from the previous year.

Biodiversity

The Matsuda Sangyo Group has established biodiversity as one of seven items to address toward achieving our important environmental goal of “striking a balance between reducing environmental burden and business growth.”

Mineral resources are vital toward enhancing convenience and enriching our lives. However, the extraction of such resources from mines carries the risk of causing problems concerning human rights and the environment.

In the Precious Metals Business Segment, we have been contributing to biodiversity since our founding days by recycling precious metals, a valuable resource, from urban mines* without any extraction activities.

In addition, we are developing biotopes at our factories in the Iruma area as habitats for creatures living in the area. We are also growing bananas, mangoes, and other crops within the factory premises of our overseas subsidiaries in Thailand and Vietnam.

In the Food Business Segment, we handle products that have been certified with the Marine Stewardship Council's (MSC) blue Eco-Label for meeting its standards. Going forward, we will continue to expand the number of certified products and contribute to biodiversity.

We also plan to join the Marine Eco-Label Japan Council as a part of efforts to participate in the creation of systems to protect the marine environment and resources in accordance with international standards.

* A concept that regards industrial products accumulated on the ground as potential mineral resources lying dormant in cities

Living things making their habitat in Musashi Factory's biotope

Factory	Living things
Musashi Factory	Goldfish, killifish (black), loach, dragonfly larva, pearlshell, red tip photinia, persimmon, camellia, kumquat, azalea, sakurabara rose, water lily, mandarin orange, lily, Japanese boxwood, grass, snow willow, Japanese maple
MST	Bananas
MSV	Mangoes



Environmental management system

Matsuda Sangyo has established, and operates, an environmental management system based on the ISO 14001 certification, based on our Quality and Environmental Policy that is centered around the following five pillars: customer satisfaction first and securing the trust of society, compliance focus, striking a balance between reducing environmental burden and business growth, proper management of hazardous chemical substances, and accomplishment of the plan-do-check-act (PDCA) cycle.

Our Quality and Environmental Policy was revised in April 2023.

We are also engaged in efforts in accordance with the Code of Conduct established by the RBA*.

* The Responsible Business Alliance (RBA) is the world's largest corporate federation whose purpose is to promote social responsibility in global supply chains. It aims to improve corporate social responsibility (CSR) in the areas of labor, health and safety, environment, ethics, and supply chain management.

Environmental accounting

Environmental conservation costs (classified by business activities)

Target period: April 1, 2022 – March 31, 2023

(Unit: Thousands of yen)

	Classification	Main initiatives	Cost	Amount of investment
(1) Business area cost	1 Pollution prevention cost	Maintenance and management of emission gas processing facilities, wastewater processing facilities, etc.	347,753	89,782
	2 Global environmental conservation cost	Energy conservation activities (solar power generation, power saving, etc.)	9,487	15,608
	3 Resource circulation cost	Processing/disposal of industrial waste (in-house, contracted)	307,237	29,454
(2) Upstream/downstream cost			0	0
(3) Administration cost		Management activities through the environmental management system	30,244	3,669
(4) R&D cost		Enhancing the efficiency of industrial waste processing	89,480	0
(5) Social activity cost		Local community cleaning activities	3,762	0
(6) Environmental remediation cost			0	0
Total			787,962	138,514

Third-party assurance for GHG emissions

The Matsuda Sangyo Group obtained third-party assurance for our calculations of GHG emissions in FY2022.



Sustainability Management (Supply Chain Management)

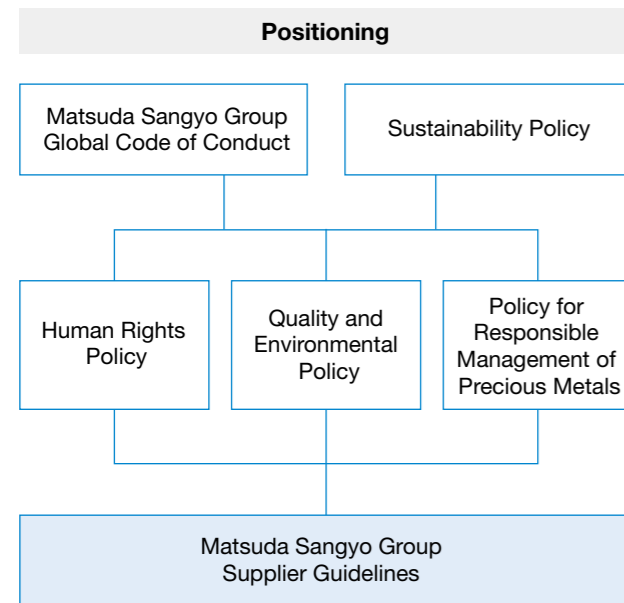
Basic approach

The Matsuda Sangyo Group conducts responsible procurement activities to realize a business that supports a sustainable society, based on our corporate philosophy of "Making effective use of the limited earth resources and contributing to society through business." To build relationships of trust with our procurement partners, position coexistence and mutual prosperity as our foundation, and promote responsible procurement activities toward the realization of a sustainable environment and society with the cooperation of our procurement partners, we newly enacted the Matsuda Sangyo Group Supplier Guidelines in March 2023.

Enactment of the Matsuda Sangyo Group Supplier Guidelines

The Matsuda Sangyo Group Supplier Guidelines we have enacted supports, and is based on, the Code of Conduct established by the international standards of the RBA*. The RBA Code of Conduct prescribes standards to ensure that corporations fulfill their responsibilities in areas such as ensuring the safety and dignity of their workers and reducing environmental burden across their manufacturing processes. By identifying potential problems and risks and reviewing management processes and operational methods, it aims to create a better workplace environment and bring about the realization of a sustainable society. In addition to compliance within our corporate group, we will also extend this to our suppliers in the future to deepen their understanding of social responsibility across the entire supply chain.

* The Responsible Business Alliance (RBA) is the world's largest corporate federation whose purpose is to promote social responsibility in global supply chains. It aims to improve corporate social responsibility (CSR) in the areas of labor, occupational health and safety, environment, ethics, and supply chain management.



Basic policy

The Matsuda Sangyo Group will build relationships of trust with our procurement partners, position coexistence and mutual prosperity as our foundation, and promote responsible procurement activities toward the realization of a sustainable environment and society that is linked to our corporate philosophy, with the cooperation of our procurement partners.

Legal and ethical compliance

We conduct procurement activities in compliance with the relevant domestic and foreign laws and social norms, the Matsuda Sangyo Group Global Code of Conduct, and the RBA Code of Conduct. If there are any contradictions between these laws and norms, we comply with the most stringent standard.

With regard to the minerals contained in Matsuda Sangyo Group's products, we have established an investigation system for the minerals used intentionally in the materials and products we procure and ensure that they are not related to any human rights infringement, conflicts, or environmental destruction. The procurement of precious metals (gold, silver, platinum, and palladium) is carried out in accordance with our Group's Policy for Responsible Management of Precious Metals.

We fulfill our contract obligations with our business partners, and appropriately manage the confidential matters and personal information related to our procurement transactions.

Fair trade

In addition to quality, price, and delivery times, we also evaluate technological capabilities, proposal capabilities, and sustainability initiatives appropriately, and select fair and transparent business partners.

We do not give or receive gifts or entertainment to and from our business partners and government officials in Japan and abroad, beyond what is required by law and appropriate

social customs.

We do not conduct transactions or impose unreasonable demands or obligations based on the use of our dominant position.

Consideration for human rights, labor, and environment

We respect international standards related to human rights and conduct procurement activities in consideration of labor and the environment.

We engage in procurement activities that contribute to reducing the environmental burden on the Earth by promoting the use of products that do not contain chemical substances restricted by domestic or foreign laws or industry norms, as well as green procurement that contributes to reducing environmental burden.

We thoroughly manage the food material supply chain, and conduct procurement activities that contribute to preventing water, soil, and air pollution as well as to protecting ecosystems.

Securing safe and reliable raw materials and products

We procure raw materials and products that fulfill our requirements in the aspects of quality, safety, delivery times, and service.

We prioritize the safe procurement of raw materials and products, including during unforeseen circumstances such as disasters, and conduct procurement activities at fair prices based on economic rationality.

Note: The full text of the Matsuda Sangyo Group Supplier Guidelines (Japanese Version) is available on our corporate website.

https://www.matsuda-sangyo.co.jp/ja/policy/supplier_guideline.html

Responsible precious metals procurement initiatives

The Organisation for Economic Co-operation and Development (OECD) establishes criteria*1 to ensure non-involvement in risks such as mineral extraction from conflict-affected and high-risk areas (CAHRAs), human rights infringement in the form of child labor or forced labor in the supply chain, complicity in conflict, money laundering, bribery, misrepresentation of origin, and unpaid taxes, fees, and mining royalties to the government. It also calls on businesses to procure minerals responsibly. In response to this, LBMA and LPPM*2 have established guidance*3 to ensure that the risks outlined above as well as risks that have an adverse impact on ESG factors are not present in the precious metals supply chain, and require good delivery refiners to address it.

The Matsuda Sangyo Group realizes the supply of responsible precious metal bullion by establishing management systems based on guidance set forth by LBMA and LPPM, adopting our supply chain policy, Policy for Responsible

Management of Precious Metals*4, and conducting careful investigations to ensure that these risks are not present in the sources of our precious metal raw materials. Additionally, our activities in this regard are audited by a designated third-party body, and certified by LBMA and LPPM each year.

*1 OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

*2 Refer to p.18 for details on LBMA and LPPM.

*3 LBMA Responsible Gold Guidance, LBMA Responsible Silver Guidance, LPPM Responsible Platinum/Palladium Guidance

*4 <https://www.matsuda-sangyo.co.jp/en/policy/conflictminerals.html>

Strengthening Governance and Risk Management

Approach to corporate governance

Matsuda Sangyo has built a management system aimed at responding swiftly to changes in the management environment, and to realize fair and highly reliable management. We also put effort into complying with laws, social norms, and ethics, and work to enhance our compliance system by providing timely education and training to all officers and employees, and take proactive steps to disclose information in order to enhance management transparency. In these ways, we strive to strengthen corporate management.

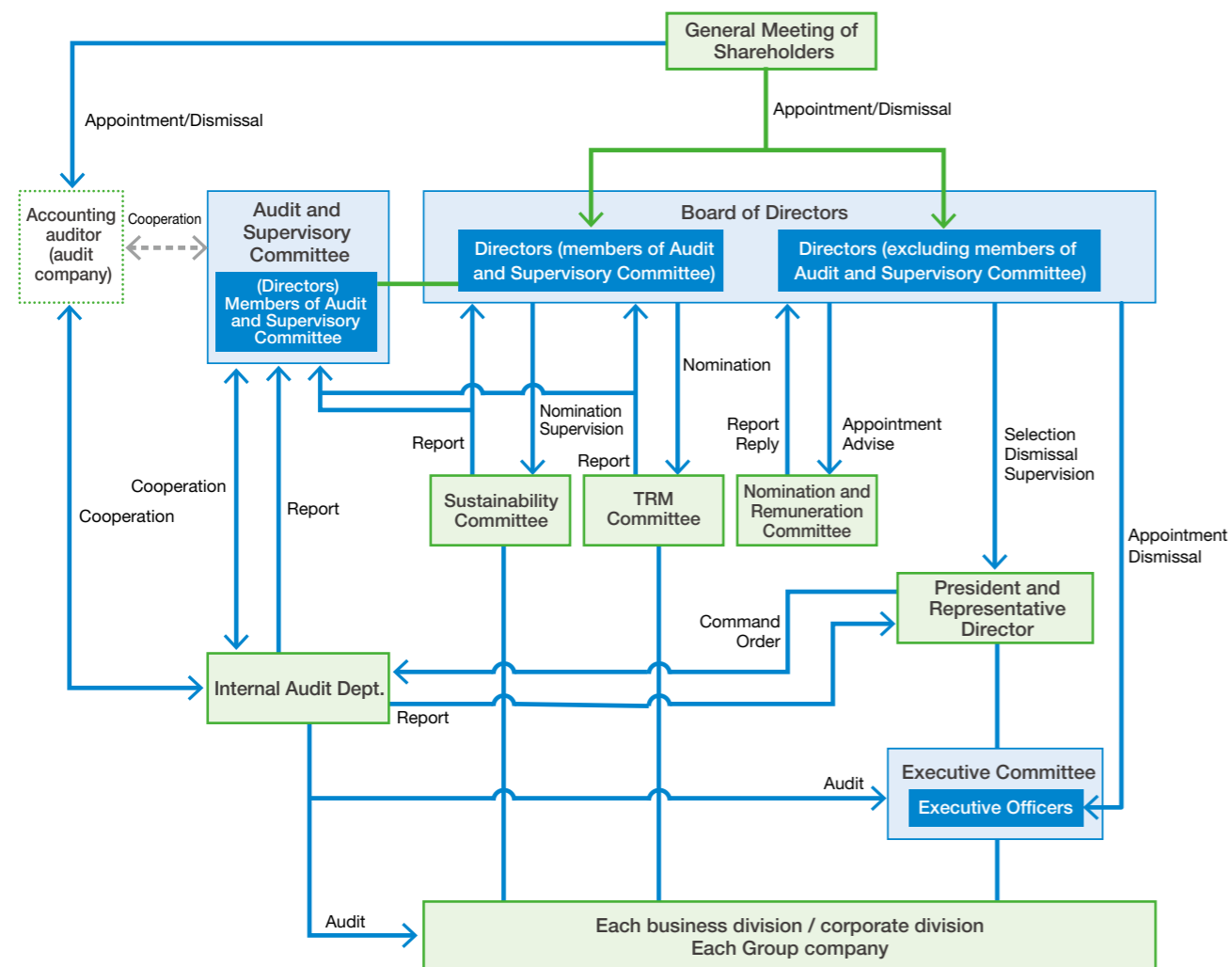
Corporate Governance Guidelines

Matsuda Sangyo enacted its Corporate Governance Guidelines in 2015, setting out a basic framework for the company's corporate governance. The Guidelines were established and are reviewed continuously for the purpose of pursuing the best corporate governance, in order to enable us to fulfill our social responsibility to our stakeholders through sustainable growth and enhancement of our corporate value.

Japanese version of Corporate Governance Guidelines (URL)

<https://www.matsuda-sangyo.co.jp/ja/sustainability/governance/governance01.html>

Organizational chart (as of June 28, 2023)



Corporate governance system

Matsuda Sangyo has adopted a company format with an Audit and Supervisory Committee to realize effective corporate governance and ensure transparency and fairness in our decision-making. We have also introduced an executive officer system to strengthen both our management and business execution functions, with a view to building a system that can respond more swiftly and appropriately to changes in the market environment. On top of that, we have also established a Nomination and Remuneration Committee, a Sustainability Committee, and a Total Risk Management (TRM) Committee to enhance corporate governance and strengthen risk management.

Board of Directors

The Board of Directors convenes a regular meeting once a month in principle, as well as extraordinary meetings where necessary. It deliberates and decides on important management matters including legal matters and supervises the status of business execution by each executive officer. Matsuda Sangyo's Board of Directors is made up of 11 members, comprising seven internal directors and four independent outside directors (of whom one is female). The independent outside directors make up more than one-third of the members of the Board.

Audit and Supervisory Committee

The Audit and Supervisory Committee convenes monthly, and supervises and conducts audits on the execution of duties by the directors, as well as the status of construction and operation of the internal control system, including compliance and risk management. It comprises four members (one full-time member, three part-time members), all of whom are independent outside directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established on June 28, 2023, as a voluntary advisory body of the Board of Directors to ensure independence, objectivity, and transparency in decisions pertaining to the nomination of candidates for directors and executive officers, and their remuneration. It convenes according to a predetermined annual schedule as well as extraordinary meetings as necessary. The Committee deliberates mainly on policies, procedures, and other matters related to the nomination and remuneration of directors and executive officers in response to consultations from the Board of Directors. It then reports to the Board of Directors. Matsuda Sangyo's Nomination and Remuneration Committee consists of three members, two of whom are independent outside directors and one an inside director, creating a system in which independent outside directors form the majority.

Sustainability Committee

The Sustainability Committee was established under the supervision of the Board of Directors with the aim of striking a balance between realizing a sustainable environment, society, and economy, and enhancing our corporate value. It primarily deliberates on the formulation of overall policy, deciding on important matters that should be addressed, evaluation of risks and opportunities, setting of targets, formulation of action plans, verification and monitoring of actions, and other matters to drive efforts to address sustainability issues. Matsuda Sangyo's Sustainability Committee consists of 15 members, nine of whom are directors including two independent outside directors, and six are executive officers.

Total Risk Management (TRM) Committee

The Total Risk Management (TRM) Committee anticipates, manages, and corrects risks in order to prevent the materialization of various risks that could have serious impact on corporate management, as well as to respond swiftly and precisely in the event of an emergency. These wide-ranging risks include compliance, environment, disaster, quality, information security, credit management, commodity market prices, foreign exchange control, and sustainability.

Executive Committee

The Executive Committee convenes meetings once a month in principle to deliberate and decide on matters entrusted by the Board of Directors and other important matters related to the execution of duties. It is comprised of 13 executive officers.

Strengthening Governance and Risk Management

FY2023 Composition of Committees and Executive Committee

Name	Position	Audit and Supervisory Committee	Nomination and Remuneration Committee	Sustainability Committee	TRM Committee	Executive Committee
Yoshiaki Matsuda	President and Representative Director President Executive Officer		●	●		●
Koji Tsushima	Executive Vice President, Executive Vice President Executive Officer			■	★	★
Ryuichi Yamazaki	Director Managing Executive Officer			★	★	★
Junichi Tsuzuki	Director Senior Executive Officer			★	★	★
Kenji Isawa	Director Senior Executive Officer			★	★	★
Takehiro Ueda	Director Executive Officer			★	■	★
Masayuki Wada	Director Executive Officer			★	●	★
Shinichi Hatakeyama	Director (Outside, Independent) Audit and Supervisory Committee Member	●		★		
Toshihiko Uchiyama	Director (Outside, Independent) Audit and Supervisory Committee Member	★	★			
Toshiyuki Kojima	Director (Outside, Independent) Audit and Supervisory Committee Member	★	★			
Reiko Miyata	Director (Outside, Independent) Audit and Supervisory Committee Member	★		★		
Yuichiro Shindo	Executive Officer			★	★	★
Yuji Masui	Executive Officer			★	★	★
Yoshinori Tanaka	Executive Officer			★	■	★
Hiroyuki Kawamura	Executive Officer			★	★	★
Kazuo Ikeda	Executive Officer			★	★	★
Hidehito Imai	Executive Officer			★	★	★

● Chairperson ■ Vice Chairperson ★ Member

Key experiences and expertise of directors (skill matrix)

Name	Position	Corporate management	Priority business and work experience	Finance and accounting	Legal affairs and risk management	HR, labor relations, and HR development	ESG (environment, society, governance, IT)
Yoshiaki Matsuda	President and Representative Director President Executive Officer	●	●				
Koji Tsushima	Executive Vice President, Executive Vice President Executive Officer	●	●				
Ryuichi Yamazaki	Director Managing Executive Officer	●	●				
Junichi Tsuzuki	Director Senior Executive Officer	●	●				
Kenji Isawa	Director Senior Executive Officer	●	●			●	
Takehiro Ueda	Director Executive Officer	●	●	●			●
Masayuki Wada	Director Executive Officer	●	●		●	●	●
Shinichi Hatakeyama	Director (Outside, Independent) Audit and Supervisory Committee Member			●	●		
Toshihiko Uchiyama	Director (Outside, Independent) Audit and Supervisory Committee Member			●	●		
Toshiyuki Kojima	Director (Outside, Independent) Audit and Supervisory Committee Member	●			●	●	
Reiko Miyata	Director (Outside, Independent) Audit and Supervisory Committee Member					●	●

Nomination of directors (policy and procedures)

Matsuda Sangyo appoints candidates for directors who are not members of the Audit and Supervisory Committee by comprehensively assessing their experience, career history, personality, and work achievements. Candidates for directors who are members of the Audit and Supervisory Committee are appointed based on a comprehensive assessment that includes their expertise in diverse fields, experience, and personality aspects as suitable candidates to fulfill the roles of giving advice that contributes to enhancing medium- to long-term corporate value, supervising management through the Board of Directors, supervising of conflicts of interest by the company and the relevant persons-in-charge, and reflecting intentions to the Board of Directors from an independent and neutral position, among others. Directors are nominated with advice from independent outside directors who are members of the Audit and Supervisory Committee.

Candidates for directors who are not members of the Audit and Supervisory Committee are determined by the Board of Directors with recommendation by the Representative Director and based on the list of candidates presented by the Selection and Deliberation Committee of Candidates for Directors. Candidates for directors who are members of the Audit and Supervisory Committee are determined by the Board of Directors with recommendation by the Representative Director and the consent of the Audit and Supervisory Committee.

Future policies and procedures will be reviewed in the newly established Nomination and Remuneration Committee.

Strengthening Governance and Risk Management

Directors' remuneration (policy and procedures)

Future policies and procedures related to the remuneration of directors will be reviewed in the newly established Nomination and Remuneration Committee. The following sets out the current policy and procedures.

Resolution on directors' remuneration at the Ordinary General Meeting of Shareholders

At the 66th Ordinary General Meeting of Shareholders held on June 25, 2015, a resolution was passed to set the remuneration of directors who are not members of the Audit and Supervisory Committee at less than ¥30 million a month (not including the employee portion of remuneration for directors who are also concurrently employees), and the remuneration of directors who are members of the Audit and Supervisory Committee at less than ¥5 million a month.

Remuneration of directors who are not members of the Audit and Supervisory Committee

The remuneration of directors who are not members of the Audit and Supervisory Committee consists of a fixed remuneration component and a retirement allowance (subject to a resolution at the Ordinary General Meeting of Shareholders). The basic policy is to pay the full amount of remuneration on a monetary basis. A draft proposal on the amount of fixed monthly remuneration for individual directors is prepared in consultation with the President and Representative Director, Executive Vice President, and the Director in charge of Human Resources, based on the standards established within the range of total remuneration with consideration for the evaluation of the responsibilities each director should fulfill, their position, and their performance. The President and Representative Director, who has been entrusted by resolution of the Board of Directors, makes the decision based on the draft proposal. The amount of retirement allowance for individual directors who are not members of the Audit and Supervisory Committee is drafted in consultation with the President and Representative Director, Executive Vice President, and the Director in charge of Human Resources, based on the Officer Retirement Allowance Regulations. Based on resolution at the Ordinary General Meeting of Shareholders, the final decision is made based on the draft proposal by the President and Representative Director who has been entrusted by resolution of the Board of Directors. Retirement allowances are paid out in a lump sum at the end of the month following the date of retirement. The Board of Directors receives advice from independent outside directors who are members of the Audit and Supervisory Committee, on matters related to the remuneration of directors.

Remuneration of directors who are members of the Audit and Supervisory Committee

The monthly remuneration of individual directors who are members of the Audit and Supervisory Committee is determined based on the policy for the remuneration of Audit and Supervisory Committee members, within the range of the total remuneration. Upon consultation with the President and Representative Director and comprehensive consideration of the evaluation of the responsibilities that members of the Committee should fulfill, their experience, expertise, and other factors, the final decision is made with the unanimous agreement of all members of the Audit and Supervisory Committee.

Toward enhancing the effectiveness of the Board of Directors

Matsuda Sangyo conducts evaluations of the effectiveness of the Board of Directors, capturing the Company's vision for the Board of Directors and current challenges, with the aim of improving its operation and enhancing its functions. For details, please refer to the Japanese version of Corporate Governance Report (URL below).

🔗 <https://www.matsuda-sangyo.co.jp/ja/sustainability/governance/governance01.html>

Overview of results of evaluation on effectiveness in FY2022

(1) The appropriate selection of agenda items based on laws and internal regulations, as well as the frequency of meetings, the content of materials, and the deliberation time. (2) Agenda items and management plans indicating the broad direction of the Company's corporate strategy, establishment of appropriate risk-taking and risk management systems, compliance-related matters, etc., are adequately discussed. (3) Adequate support is given to securing opportunities for providing information to each director and the Audit and Supervisory Committee, opportunities for obtaining advice from external experts, and opportunities for collaborating with the internal audit section, and the provision of opportunities for training to each director. (4) Issues requiring consideration include further visualization of management indicators for management targets, and the review of communication themes through the sharing of quantitative and qualitative indicators on the progress status of activities required as a result of recent changes in the business environment importance of disclosing non-financial information.

Initiatives toward enhancing the effectiveness of the Board of Directors

In FY2022, we conducted seminars and briefings on current affairs as necessary to enhance the effectiveness of the Board of Directors. In FY2023, we will continue to address issues identified and work on strengthening both our supervisory and decision-making functions.

Risk management

Internal control

Matsuda Sangyo has established an internal control system based on the Companies Act and the Regulations for Enforcement of the Companies Act. For details, please refer to the Japanese version of Securities Report (URL below).

🔗 <https://www.matsuda-sangyo.co.jp/ja/ir/library/securities.html>

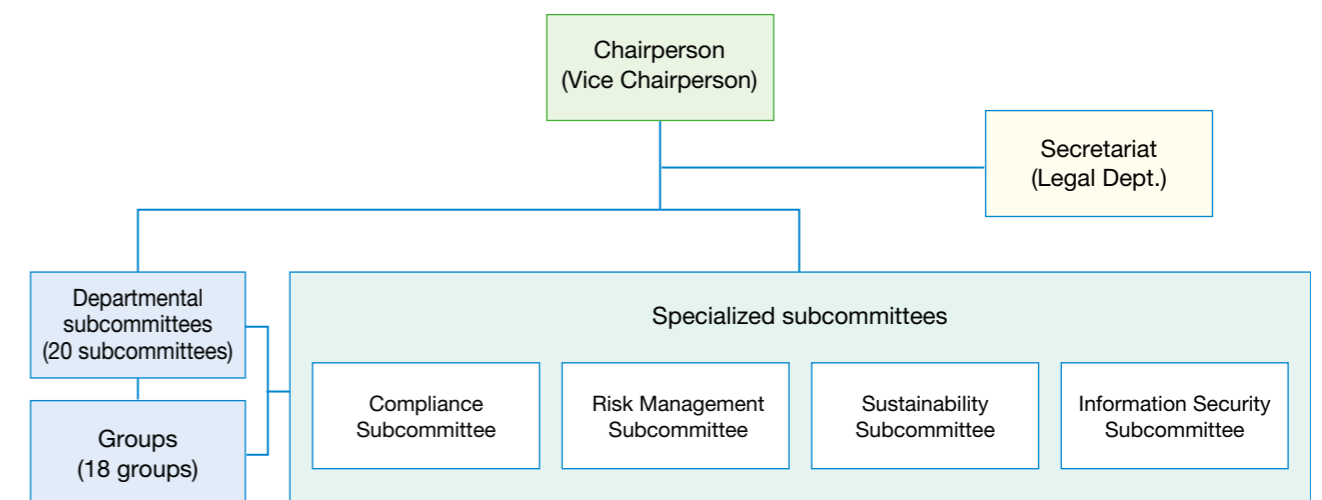
Risk management system

Matsuda Sangyo has established the Total Risk Management (TRM) Committee, supervised by the Board of Directors, as an organization for overseeing risk management for the entire corporate Group, including the subsidiaries. The TRM Committee undertakes risk management by preventing the emergence of various risks that have severe impact on corporate management, and taking swift and precise response in the event of an emergency. It also builds, operates, and evaluates the risk management system as well as conducts education and training, and reports on the results of these activities to the Board of Directors.

The TRM Committee has established departmental subcommittees and groups to oversee the risks for each department. Within the departmental subcommittees and groups, the respective elements — incidence of occurrence, degree of impact on economic loss, and degree of detection — are evaluated on a five-step scale, and the multiplier of the result is quantified as the risk degree. The TRM Committee oversees the countermeasures, progress, etc. for important risks identified through this method.

Specialized subcommittees are established under the TRM Committee to manage cross-organizational and highly important risks, and the identification and evaluation of risks, development of countermeasures, monitoring, and remedial actions are conducted in a systematic manner.

The management status, etc. of these risks is reviewed periodically and the results are reported to the Board of Directors and Audit and Supervisory Committee.



Strengthening Group governance

With the aim of maximizing the value of the entire corporate Group, Matsuda Sangyo is working on strengthening Group governance, taking reference from the Practical Guidelines for Corporate Governance Systems (METI) and other guidance.

Matsuda Sangyo's internal control system and the TRM Committee are established for the entire corporate Group, and the Regulations for the Management of Affiliated Companies sets out a system for managing subsidiaries by classifying the business divisions and corporate divisions respectively as "business management" and "administrative management."

Strengthening Governance and Risk Management

Significant business risks

The following are the primary risks identified as having the potential to have a significant impact on Matsuda Sangyo Group's financial position, operating results, and cash flow status. Note that forward-looking items referenced here are based on assessments made as of March 31, 2023.

Risks	Significant risk factors	Details
Price fluctuations for products and commodities	<ul style="list-style-type: none"> Foreign exchange Precious metals prices Commodity market conditions 	<p>The main raw materials used in the manufacturing of products handled by the Precious Metals Business Segment of the Matsuda Sangyo Group are recycled raw materials that contain precious metallic elements, primarily including gold, silver, platinum, and palladium. In principle, their purchase and sales prices are based on the market prices of precious metal bullion, and conditions in the international commodities market as well as foreign exchange fluctuations could impact these prices. The Matsuda Sangyo Group conducts forward transactions on commodities with the aim of avoiding market risks associated with price fluctuations. However, as complete avoidance for all volumes traded is difficult, price fluctuations could potentially impact business performance depending on the trends for precious metal prices during the manufacturing and inventory periods.</p> <p>The products handled by the Food Business Segment of the Matsuda Sangyo Group are materials and ingredients used for food processing, such as marine products, livestock products, and agricultural products. The majority of these are produced overseas, so both purchase and sales prices are affected by commodity market conditions and foreign exchange fluctuations. The Matsuda Sangyo Group engages in forward exchange contracts and addresses these fluctuations by transferring them onto the sales prices. However, in the event of a decline in sales prices due to factors such as supply and demand balance of the products, there is a possibility of incurring losses, such as inventory asset write-down loss, which could potentially affect business performance.</p>
Quality issues, etc.	<ul style="list-style-type: none"> Food labelling Contamination 	<p>The Food Business Segment of the Matsuda Sangyo Group adheres strictly to food labeling requirements in both purchasing and sale based on regulations, and takes thorough measures such as enhancing quality management guidance for overseas production areas and strengthening measures to prevent contamination. However, in the event of issues related to food safety, etc., or if measures such as import bans are implemented, they could potentially impact business performance.</p>
Legal regulations	<ul style="list-style-type: none"> Environmental laws such as the Waste Management and Public Cleansing Law 	<p>In cases where legal regulations related to the Group's Precious Metals Business Segment are strengthened, it may be necessary to take on additional capital investment burden to deal with such situations. The Company and some Group companies are engaged in the businesses of collecting, transporting, and treating industrial waste as business operators based on the Waste Management and Public Cleansing Law, so compliance with various laws is an important premise for business continuity. As a part of our efforts to ensure compliance across all our management activities, the Matsuda Sangyo Group has enacted the Matsuda Sangyo Group Global Code of Conduct as the highest internal standard for our business activities and other social activities, as well as the Compliance Regulations which sets out provisions on matters toward the realization of compliance.</p>
Management of waste, etc.	<ul style="list-style-type: none"> Environmental conservation Safety 	<p>The Group's Precious Metals Business Segment uses toxic and deleterious substances in the manufacturing process, so we undertake appropriate, environmentally conscious disposal for waste liquids and emissions into the atmosphere. However, if any issues arise in the management of these substances through accidents at factories or other incidents, it could potentially impact our business results.</p>
Country risks	<ul style="list-style-type: none"> Political economy Social conditions 	<p>The Precious Metals Business Segment and Food Business Segment of the Matsuda Sangyo Group are engaged in business activities in various countries and regions outside of Japan. If unforeseen circumstances caused by environmental changes, such as political economy and social conditions, in these countries or regions, they could potentially impact our business results and financial position.</p>
Natural disasters, climate change, and spread of infectious diseases, etc.	<ul style="list-style-type: none"> Earthquakes, floods, etc. Abnormal weather conditions Pandemic 	<p>The occurrence of natural disasters such as earthquakes and floods in countries or regions where the Matsuda Sangyo Group's Precious Metals Business Segment and Food Business Segment engage in business activities could have an impact on the Group's business activities. The Matsuda Sangyo Group introduces safety verification systems, conducts disaster drills, and puts in place various measures to ensure business continuity, in preparation for the occurrence of large-scale disasters. However, it is impossible to avoid damage completely, and such disasters could have an impact on our business results and financial position.</p> <p>Abnormal weather conditions due to climate change and other factors could also have an impact on the manufacturing of products handled by the Food Business Segment, and thereby affect our business results and financial position.</p> <p>The spread of unknown infectious diseases could also have an impact on our business due to the suspension of production activities. The Matsuda Sangyo Group strives to prevent the spread of infections among employees should there be an outbreak of an infectious disease, such as by implementing teleworking from home, staggered working hours, and shift work. At the same time, while we have established a supply system for products, commodities, and services, procurement and business activities could be interrupted or come to a standstill due to the spread of infections within or outside the company. This could have an impact on our business results and financial position.</p>
Information security	<ul style="list-style-type: none"> System/communications disruptions Cyberattacks Information leaks 	<p>Many of the business activities conducted by the Matsuda Sangyo Group are facilitated by computer systems and communication networks. Disruptions, malfunctions, or defects in these systems and networks, as well as functional failures in data centers, could potentially disrupt our business operations and affect our business results. Additionally, the leakage of various forms of personal information, including customer data, due to cyberattacks or other unforeseen circumstances could potentially damage our social trust and incur significant financial burden. This could in turn impact the Group's business results and financial position.</p>

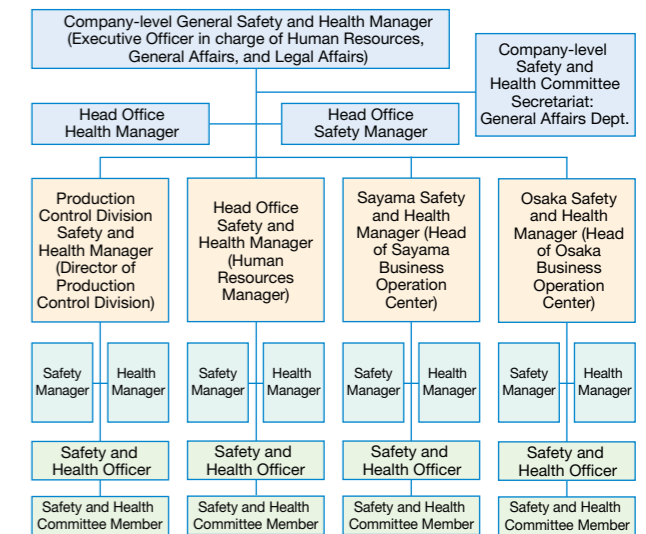
Health and safety

Action Guidelines Safety First

The Matsuda Sangyo Group has built communication tools for communicating, to the management, issues that threaten safety, such as accidents and near-miss incidents and the relevant corrective measures, or issues that have been identified.

First, we identify on-site safety concerns in the four domains of sales, logistics, production, and management. These concerns are then shared at the safety and health committee within each domain, and efforts are advanced to resolve the issues. Furthermore, we have established a system under the Company-level Safety and Health Committee, through which we share the issues and initiatives in each domain and roll them out across the company as needed. To address safety issues, we apply the ISO Integrated Management System for remedial actions and record documentation. This allows us to build up initiatives from the past and incorporate them into our operational guidelines where necessary. By doing so, we can take active steps to prevent accidents and near-miss incidents.

Safety and health management organization structure for the whole company



Safety management process based on RBA Code of Conduct

To ensure that all workers can engage in their duties safely and with peace of mind in the working environment in the electronics industry, efforts are made to disseminate the Code of Conduct established by the RBA to companies and their primary suppliers.

The Matsuda Sangyo Group is working on developing a system that supports and is aligned with the RBA Code of Conduct, which is an international standard based on a code of conduct that positions safety as the top priority. With the aim of creating a working environment for all workers, including expectant mothers and foreign workers, based on the premise of workplace diversity, we utilize hierarchy control to engage in activities for nipping danger in the bud.

Self-defense Fire Brigades are organized in the production departments in preparation for emergencies. By conducting regular disaster drills for hypothetical scenarios such as fires,

earthquakes, and chemical leakages, we strive to verify and improve procedures, and to enhance our response capabilities. Fire readiness training is conducted in a more practical manner with guidance from the Iruma Fire Station.

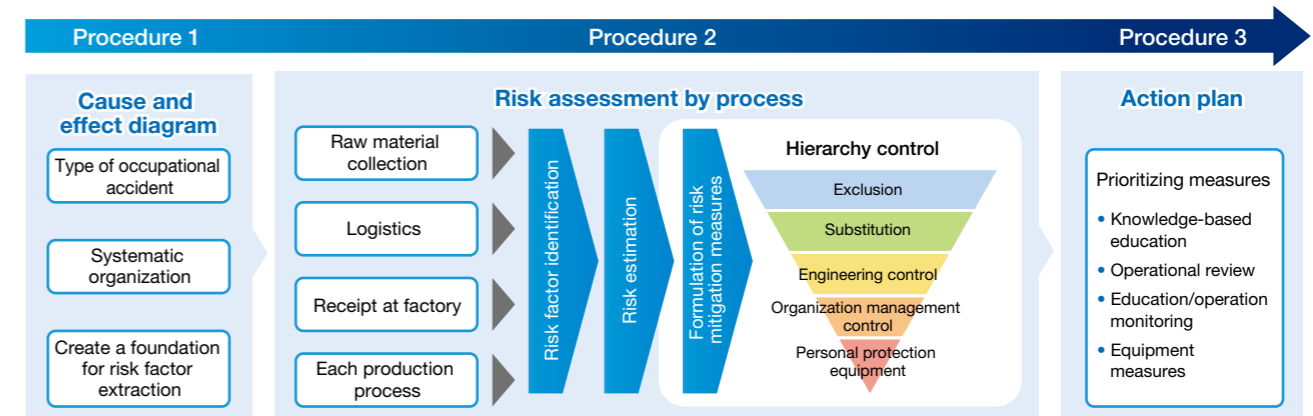
In addition, through BCP training, we strive to continuously improve risk assessments and countermeasures during disasters.



Scene of a disaster drill



Motor vehicle safe driving course



Promoting Business and Expanding Social Contribution through Communication

Matsuda Sangyo's business is directly linked to conservation of the Earth's environment and the building of a circular society, and we recognize that our business itself is a form of social contribution. By promoting communication and cooperation with local communities, we are working on advancing a socially meaningful business and expanding our social contribution.

Relationship with administrative bodies

Conclusion of agreement on "Conservation of Living Environment"

We have concluded, and are faithfully implementing, the Agreement on the Conservation of Living Environment with Iruma City, Saitama Prefecture based on the Iruma City Ordinance. This Agreement prescribes efforts based on the operational guidelines of "operations that minimize environmental burden," "operations that contribute to promoting recycling," and "operations based on cooperation with local residents" for the intermediate treatment of industrial waste carried out at our factories in Iruma City. We have also concluded a pollution prevention agreement with Seki City, Gifu Prefecture, based on the Gifu Prefectural Ordinance, and we are cooperating with Seki City on the conservation of regional environment in accordance with the environmental conservation agreement that we have concluded with the local government of Seki City where our factory is based.

Cleaning Day in cooperation with Iruma City

Matsuda Sangyo supports the objectives of the Citizens' Cleaning Day held on the first Sunday of June every year by Iruma City. Accordingly, we also conduct cleaning activities on a weekday in June every year. On the day, we clean the areas around Musashi Factory, Musashi No. 3 Factory, Iruma Factory, Iruma No. 2 Factory, and the R&D Center, and transport the garbage collected to the Iruma City General Clean Center by garbage collection trucks, in cooperation with the liaison committee of the industrial park. We also clean the area outside the Sayama Business Operation Center in Sayama City, Saitama Prefecture, voluntarily every month, and clean the area around the Seki Factory and Seki No. 2 Factory in Seki City as a part of the City's voluntary cleaning activity.



Participation in administrative activities through affiliated organizations

Matsuda Sangyo's production-related business sites are affiliated with the organizations shown in the table below. Through our involvement in the various projects, such as events managed or organized by various local governments, we are fostering relationships of trust with each local government. Most recently, through the Iruma Manufacturers Association, we are participating in Iruma City's decarbonization initiatives toward the realization of a "Zero Carbon City."

Iruma City	Iruma Manufacturers Association, Iruma Chamber of Commerce and Industry, Tokorozawa Labor Standards Association, Iruma City Crime Prevention Association for Offices, etc.
Sayama City	Sayama Chamber of Commerce and Industry, Tokorozawa Labor Standards Association, Sayama Industrial Park Industrial Association, Sayama Fire Prevention Safety Association
Seki City	Seki Chamber of Commerce and Industry, Seki Techno Highland Liaison Council, Shimouchi Fureai Community Development Council

Involvement in local communities

Communication with local regions

Participation in Iruma Ecology Fair

Iruma City organizes the Iruma Ecology Fair to promote interest in the environment among many citizens. This is a major event that citizens, businesses, and private organizations participate in. While the event was cancelled or held on a smaller scale from 2020 to 2022 due to the COVID-19 pandemic, Matsuda Sangyo continues to provide information at this fair to the local community on how we are building a circular society through our business of recycling precious metals recovered from out-of-specification components, which is one of our business activities.

Factory tours for elementary school students (Iruma City)

Matsuda Sangyo operates a business that is directly linked to the building of a circular society. With a view to spreading awareness on the significance of this, we proactively welcome elementary school students from the local communities for factory tours. Iruma City conducts seminars for elementary school students in the city to help them learn about the mechanism of the economy through visits to companies in the city, and Matsuda Sangyo cooperates with the city on this initiative. The participating children listen enthusiastically to explanations by the employees, while our company also gains a valuable opportunity to contribute to fostering awareness on the building of a circular society through direct explanations about our business to the children.

Factory open day in Seki (Seki City)

Seki City organizes Seki Factory Open Days to provide opportunities for many people, including local citizens, to experience first-hand the advanced technologies and quality products of local businesses in Seki City, and to foster pride and attachment to the city. Matsuda Sangyo supports this initiative and organizes tours to observe the treatment processes for used products, including IT devices, at the Seki Factory, as well as hands-on experience for dismantling used computers. Through this initiative, the public learns about the importance of cherishing limited resources.

Maintaining 30 years of cooperative relationship with offices that support continuous employment

Matsuda Sangyo's business activities are also supported by members of the local communities. We have built practical, cooperative relationships with two continuous employment support offices in Iruma City, and one continuous employment support office in Sayama City.

We ask the NPO "Niji no Sato" Niji no Sato Welfare Workshop, located in Iruma City, to help extract X-ray films collected from hospitals across the country from their envelopes or bags, and to remove semiconductor substrates for recycling from plastic packaging. We have cooperated with this facility for about 30 years. Staff from the NPO have given feedback such as, "Everyone feels that it is a rewarding job which contributes to the world." We have also been asking the "Oruri" Continuous Employment Support B Office of the Social Welfare Corporation Habataki-kai, also located in Iruma City, to carry out the same work for about 30 years, thus building a cooperative relationship.

In 2014, we started cooperating with the Oasis Workshop of NPO "Budo no Kai" in Sayama City, and have also asked two other offices to help with the same work. Promoting cooperation with the local communities through our business activities leads to the development of both our company and the local society.



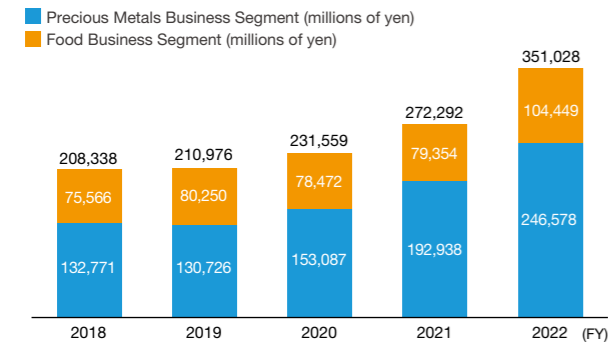
Poster explaining cooperation with offices that support continuous employment in Iruma City



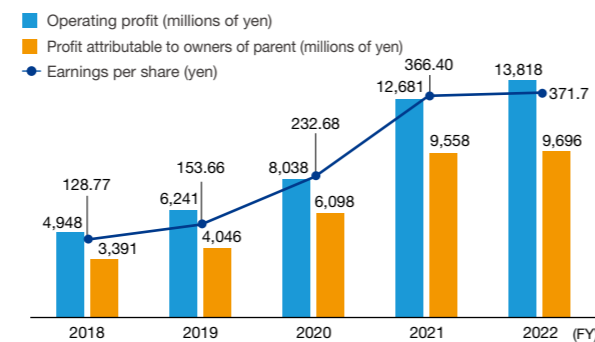
Financial/Non-financial Highlights

Financial highlights (consolidated)

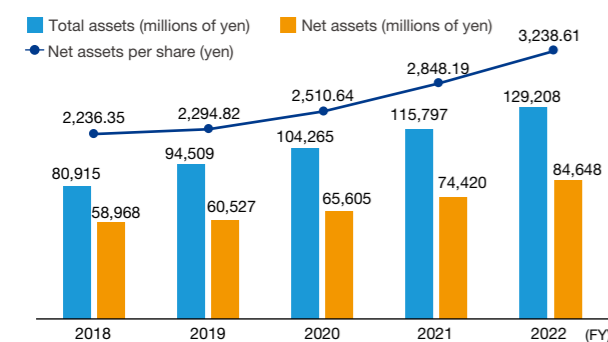
Revenue: Net sales (by segment)



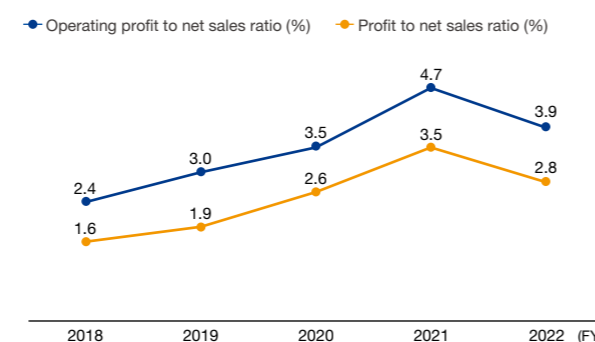
Revenue: Operating profit / Profit / Earnings per share



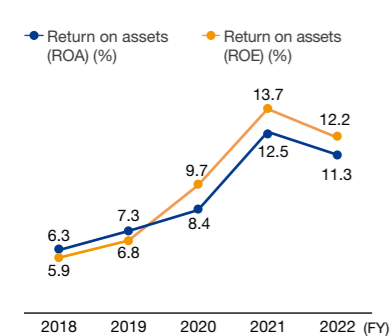
Assets: Total assets / Net assets / Assets per share



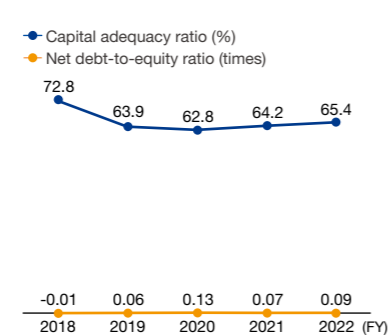
Profitability: Operating profit ratio / Profit ratio



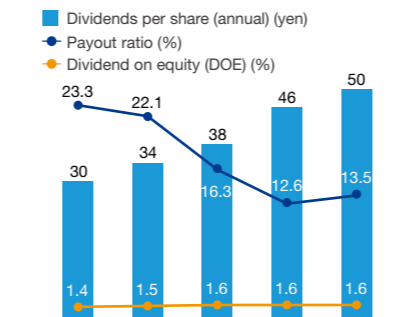
Capital efficiency: Return on assets (ROA) / Return on equity (ROE)



Financial stability: Capital adequacy ratio / Net debt-to-equity ratio

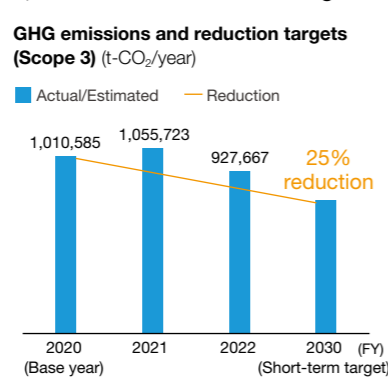
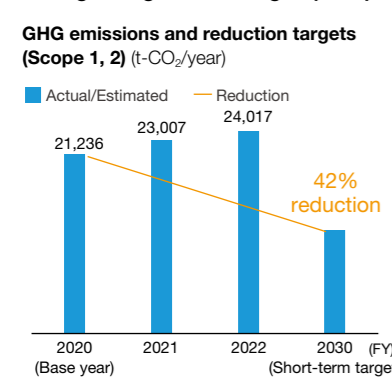


Return to shareholders: Dividends per share / Payout ratio / Dividend on equity (DOE)

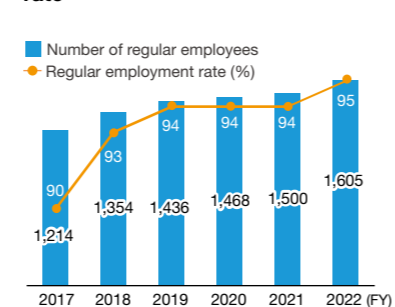


Non-financial highlights (consolidated)

Changes in greenhouse gas (GHG) emissions, and emissions reduction targets



Changes in the number of regular employees and regular employment rate



Company information (as of March 31, 2023)

Company overview

Corporate name:	Matsuda Sangyo Co., Ltd.
Established:	June 18, 1951
Head office:	Shinjuku Nomura Bldg. 26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo Tel: +81-3-5381-0001 (Main line)
Representative:	President and Representative Director, Yoshiaki Matsuda
Capital:	¥3,559 million
Number of employees (consolidated):	1,605
URL:	https://www.matsuda-sangyo.co.jp/en/

List of offices and factories

Precious Metals Business Segment

Head Office / Sendai / Mito / Tokyo / Kanagawa / Shizuoka / Nagano / Kanazawa / Nagoya / Nagoya 2 / Osaka / Fukuyama / Fukuoka / Kagoshima

Food Business Segment

Head Office / Sapporo / Sendai / Kitakanto / Tokyo / Shizuoka / Nagoya / Osaka / Matsuyama / Fukuoka / Kagoshima / Quality Assurance Department (Tokyo)

Production Division

Musashi Factory / Musashi No. 3 Factory / Iruma Factory / Iruma No. 2 Factory / R&D Center / Seki Factory / Seki No. 2 Factory / Quality Assurance Department (Saitama)

Overseas business sites (subsidiaries)

Singapore / Ayutthaya, Thailand / Pinthong, Thailand (sales office) / Bangkok, Thailand / Philippines / Malaysia / Qingdao, China / Hung Yen Province, Vietnam / Ho Chi Minh, Vietnam / Taiwan / Taiwan (branch) / Republic of Korea / Mumbai, India

Overview of group companies

Precious Metals Business Segment

MATSUDA ECOLOGY Co., Ltd.
JAPAN MEDICAL TECHNOLOGY Co., Ltd.
HOKKAIDO AOKI KAGAKU Co., Ltd.
Z.E.R.O. JAPAN Co., Ltd.
NIPPON MICROMETAL CORPORATION (equity method company)
Matsuda Sangyo (Singapore) Pte. Ltd.
Matsuda Sangyo (Thailand) Co., Ltd.
Matsuda Sangyo (Philippines) Corporation
Matsuda Sangyo (Malaysia) Sdn. Bhd.
Matsuda Sangyo (Vietnam) Co., Ltd.
Matsuda Sangyo (Taiwan) Co., Ltd.
Matsuda Sangyo (Korea) Co., Ltd.

Food Business Segment

MATSUDA RYUTSU Co., Ltd.
Gulf Foods Co., Ltd.
Matsuda Sangyo Trading (Qingdao) Co., Ltd.
Matsuda Sangyo Trading (Thailand) Co., Ltd.
Matsuda Sangyo Trading (Vietnam) Co., Ltd.
Matsuda Sangyo Trading India private Limited



Inquiries

CSR IR Dept.

Shinjuku Nomura Bldg. 26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo

Tel: +81-3-5381-0728 Fax: +81-3-3349-0867