

The Matsuda Sangyo Group's corporate philosophy is to "contribute to society through the effective use of the earth's limited natural resources via businesses"

Precious metals business segment

Vision

Play a leading role in creating resource recycling in East Asia

Share of net sales
62.0%
As of March 31, 2020



No. of segment employees:
1,082
As of March 31, 2020

Business History

Established in 1935, Matsuda Sangyo started out in the business, initially focusing on the recovery and refining silver from film and other photosensitive materials.

The Company's silver production paved the way for its entry into the gold and PGM* precious metal business, and its operations involving the treatment of fixing and developing solutions led to its development of the environmental business.

* Platinum group metals



Overview of the precious metals business

The precious metals business engages in manufacturing and selling precious metal bullion and precious metal materials for the electronics industry, recycling precious metals, and precision cleaning of thin-film deposition system parts. While our key customer is the electronics sector, we are also engaged in the precious metal recycling business for jewelry, dental and catalyst industries.

Overview of the environmental business

The environmental business engages in various recycling services, including detoxifying effluents containing heavy metals (waste acids and alkalis, etc.), and recovering metals from waste fluids, as well as collecting waste oil, polluted mud, and waste plastic.

Strengths of the precious metals business

1. Develops, manufactures and sells products for the electronics sector, such as precious metal chemicals.
2. Leveraging its advanced expertise, the precious metals business handles everything from pre-processing to analysis and refining. The business's high level of technical ability in recovering precious metals such as gold, silver and PGM* and the volume of materials it handles place it among the industry's leaders. The quality of Matsuda Sangyo precious metal bullion is approved for trading in world precious metal markets.

Strengths of the environmental business

The environmental business provides total recycling solutions encompassing everything from the treatment of industrial waste to recycling. Being authorized to collect and transport industrial waste nationwide, this business flexibly treats small-lot waste reagents as well as collects and transports PCB waste.

Food business segment

Vision

Be the best partner for customers in product development

Share of net sales
38.0%
As of March 31, 2020



No. of segment employees:
251
As of March 31, 2020

Business History

The food business began in 1948 with sales of egg whites discarded during the production of mayonnaise to manufacturers of boiled fish paste products. From this early beginning, we have expanded into the handling of marine products such as *surimi* fish paste, as well as agricultural and livestock products.



Overview of the food business

The food business procures safe and reliable food materials (including marine, livestock and agricultural products) via an extensive worldwide network that encompasses such regions as Europe, North America, Asia and South America. Our key customers include manufacturers of boiled fish paste products, ham and sausages, frozen food, confectionaries and bread, and in the ready-made meal and food service sectors.

Strengths of the food business

1. Proposes appropriate locations for food processing together with production areas that meet customers' needs, and offers primary processing of food materials into optimum forms and volumes for customers. Provides high-quality, low-cost products manufactured on-site from fresh ingredients using optimal technologies.
2. Offers distinctive services for ensuring safety and reliability such as guidance for suppliers in producing regions through the Quality Assurance Department, quality standard documentation and traceability.
3. Offers a myriad of products including *surimi* fish paste, shrimp, squid, octopus, shellfish, eggs, chicken, pork, beef, and dried and frozen vegetables. Deploys a global procurement network utilizing local subsidiaries.



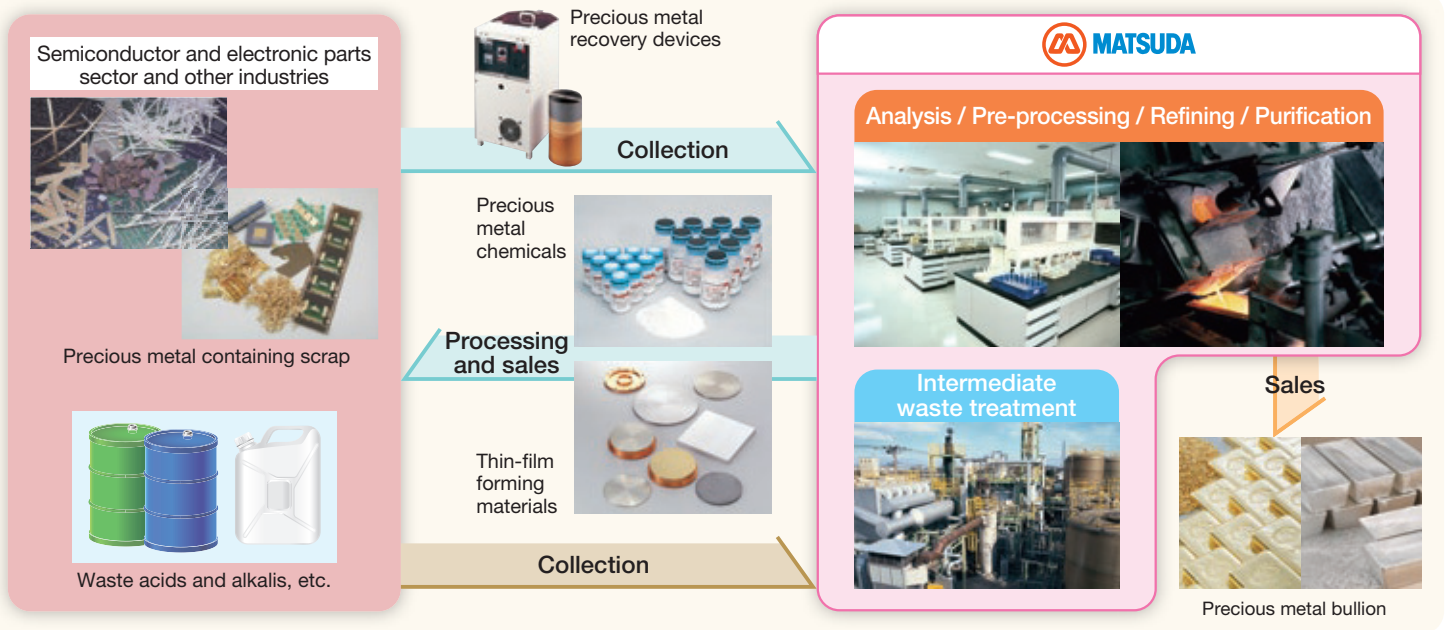
The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which concentrates on tapping nature’s resources to provide stable supplies of food.

With both the precious metals and food business segments as a growth driver, we will develop a cycle that enables sustainable and mutual development of our business and society.

Our contributions to social issues: SDGs



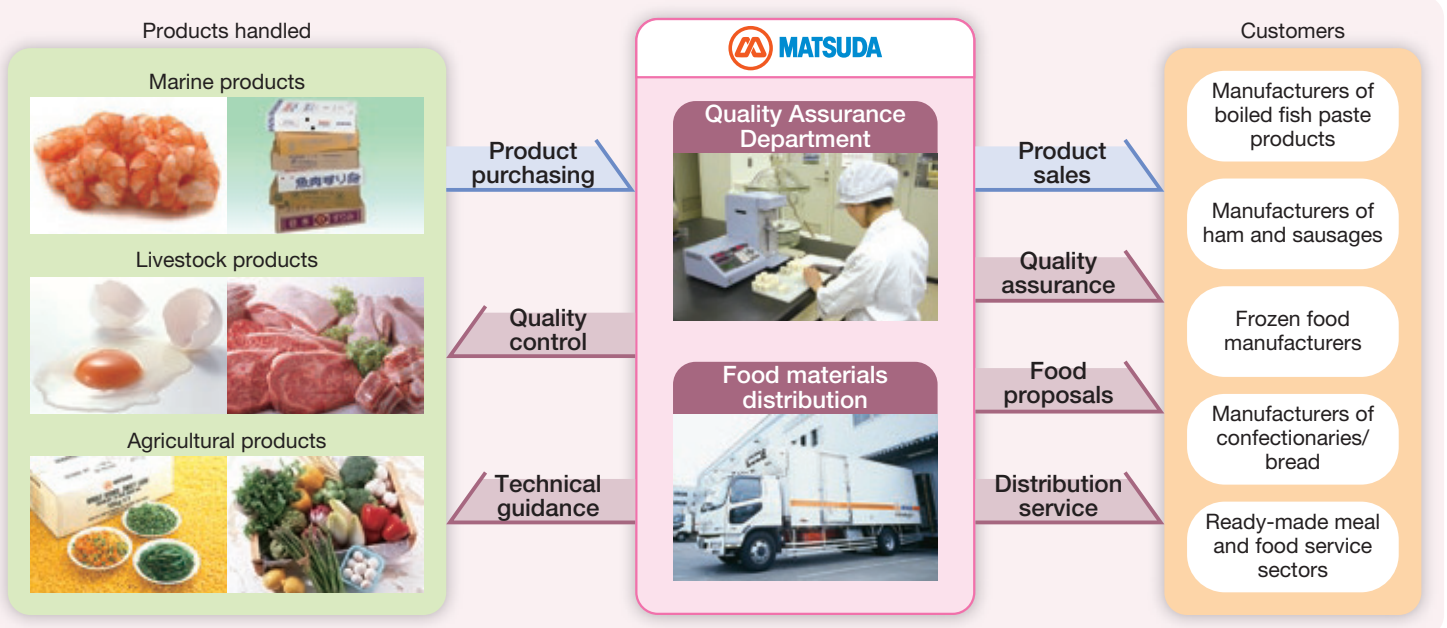
Flow of Operations



Our contributions to social issues: SDGs



Flow of Operations



We will continue our efforts to sustainably enhance corporate value by appropriately adapting to drastic changes in business environment.



First, I would like to thank all our shareholders for their support in the past year.

We would like to express our deepest condolences and sympathies to all those affected by the novel coronavirus. We also wish a speedy recovery to those who have been infected and hope that the infection will end soon.

I hope we can count on your continued support in the year ahead. Please take the time to read this Business Report for the fiscal year ended March 2020 (April 1, 2019 to March 31, 2020), which provides a more in-depth view of what we do at Matsuda Sangyo.

Yoshiaki Matsuda

President and Representative Director

Results and dividends for the fiscal year ended March 31, 2020

During the fiscal year ended March 31, 2020, the Japanese economy showed a gradual recovery in 2019 supported by improvement in employment conditions and income environment, but export and production were weak due to the prolonged U.S.-China trade friction. From 2020, the spread of the novel coronavirus (COVID-19) in Japan and overseas plunged the global economy into a sharp downturn with concerns prevailing over further deterioration. The economic outlook is becoming increasingly uncertain.

Under these circumstances, the precious metals business segment promoted reinforcement of sales development and an effective use of domestic and overseas production sites and worked on securing of precious metal materials, sales of chemical products and expansion of industrial waste treatment outsourcing business. As a result, although segment sales decreased because the volume of precious metal recycling and industrial waste treatment outsourcing remained flat and sales volume of precious metal products decreased, segment profit increased thanks to a rise in sales price due to a hike in precious metal prices and cost reduction.

The food business segment focused on development and delivery of products meeting customer needs and worked on proactive marketing activities as well as the expansion of domestic and overseas business. As a result, sales volume of marine, livestock, and agricultural products grew while transportation and warehouse expenses increased, and therefore, segment sales increased, but profit decreased.

As a result, consolidated net sales for the fiscal year ended March 31, 2020 increased 1.3% year on year to ¥210,976 million, and operating income increased 26.1% to ¥6,241 million. Ordinary income increased 25.3% to ¥6,384 million, and profit attributable to owners of parent increased 19.3% to ¥4,046 million.

We paid a year-end dividend of ¥17 per share in line with our forecast at the start of the fiscal year. Together with the interim dividend, this resulted in a full-year dividend of ¥34 per share. Full-year dividend per share for the fiscal year ending March 31, 2021 is expected to be ¥36, an increase of ¥2 year on year.



Highlights for the fiscal year ended March 31, 2020

Precious metals business segment

- **October 2019**
Taiwanese subsidiary started full-scale operation of the precious metals business

Food business segment

- **June 2019**
Participated in “FOOD TAIPEI 2019” (The 29th Taipei International Food Show)

- **October 2019**
Taiwan branch office launched a new food material sales business targeting the Taiwanese market

We will work to sustainably enhance corporate value under the unwavering corporate philosophy

The impact of the spread of COVID-19 on our business results for the fiscal year ended March 31, 2020 was insignificant in both precious metals and food businesses. However, since the global economy is stagnant and it is not clear when COVID-19 will end, we will proceed with the business strategies in the Medium-term Management Plan while paying close attention to the impact on demand trends and overall supply chain. If it becomes clear that COVID-19 will have a negative impact on the Group’s business, we will promptly take appropriate measures and make every effort to minimize the impact.

The precious metal business segment, which has a vision to “play a leading role in creating resource recycling in East Asia,” aims to improve products/services and profitability by establishing domestic sites and reinforcing regional strategies in overseas sites as well as maintaining and expanding sales of electronic materials and chemical products and collection of precious metal recycling materials in overseas subsidiaries. During the fiscal year ended March 31, 2020, we executed the largest capital expenditure in 10 years from medium- and long-term perspectives, which includes the strengthening of pre-processing of precious metal scraps in the Seki factory (Gifu Prefecture), and a Taiwanese subsidiary, and investments to open a new site in Tohoku Region for further enhancement of sales and logistics functions in Japan. As for the industrial waste treatment/recycling, we will strive to expand our services by meeting customer needs and increase added values, with the use of the Group’s waste acids and alkalis treatment facilities and our nationwide licensing network and distribution network.

The food business segment has a vision to “be the best partner for customers in product development” and will focus on capturing ever-changing customer needs and securing profit by taking advantage of the Group’s quality assurance know-how and good supply sources in Japan and overseas and differentiating it through stable supply of safe, reliable, and high-quality food materials. Our Taiwan branch office started a new food material sales business in October 2019, and the aforementioned new site in Tohoku region will also be used in the food business. In addition, we

will appropriately address the foreign exchange fluctuation risk and other risks that are expected in future to secure profitability.

Business environment surrounding the Group has become increasingly uncertain due to the impact of COVID-19. However, we will ensure to protect the safety of people that are our important management resources and capture business opportunities under the unwavering corporate philosophy. We will also continue to contribute to solving social issues such as SDGs through our business and work on sustainably enhancing corporate value.

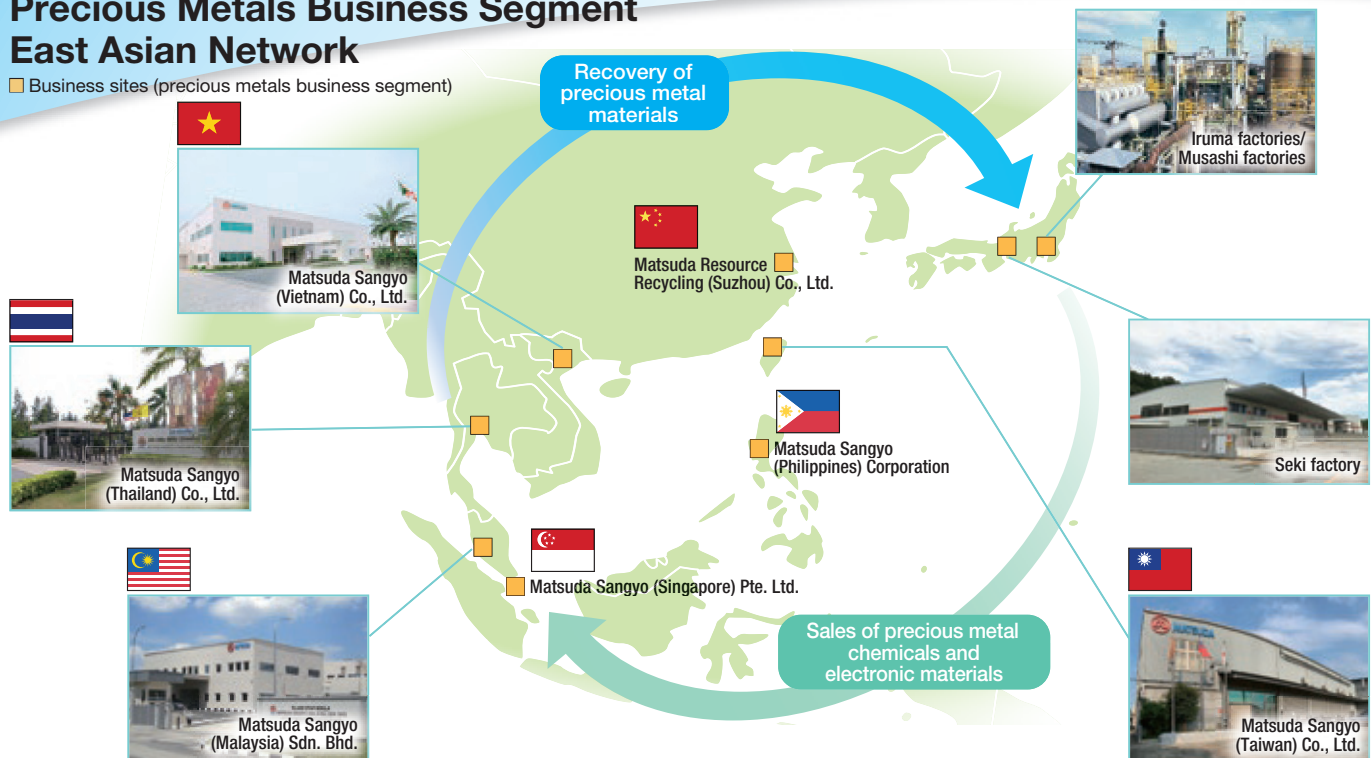
I hope we can count on your continued support as we implement these initiatives in the year ahead.

Aiming at sustainably enhancing our corporate value



Precious Metals Business Segment East Asian Network

■ Business sites (precious metals business segment)



Precious metals business segment

Performance in the fiscal year ended March 31, 2020

The electronics industry, our key customer, showed a sign of recovery in the production of electronic components and device area despite the harsh environment caused by the U.S.-China trade friction. Under these conditions, net sales decreased due to a decline in sales volume of precious metal products while handling volume of precious metal recycling and industrial waste treatment remained flat. But operating income increased due to a rise in sales price and cost reduction.

Forecasts and initiatives for the fiscal year ending March 31, 2021

Although the outlook of the impact of COVID-19 is uncertain as it takes a while before potential risks to our businesses, including the stagnation of supply chain and a decline in customer demands, will surface, we will aim to maintain and expand the business through appropriate and prompt response to environmental changes and strategies in the Medium-term Management Plan.

Q The precious metal business segment has recorded “decrease in sales but increase in profit” since April 2019. Please explain why.

In the fiscal year ended March 31, 2020, net sales decreased due to a decline in sales volume resulting from a decrease in purchase volume of precious metal bullion. However, profit increased as our core precious metal recycling business managed to recover and sell certain volume of precious metals recovered from scrap and also prices of precious metals such as gold and palladium were on an upward trend.

Net sales

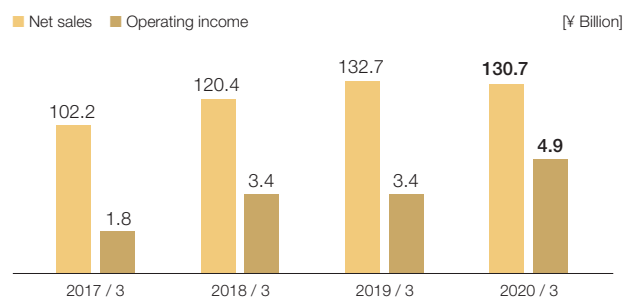
¥130.7 billion

(1.5% decrease year on year)

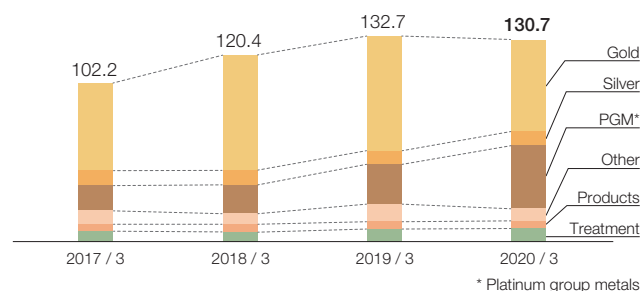
Operating income

¥4.9 billion

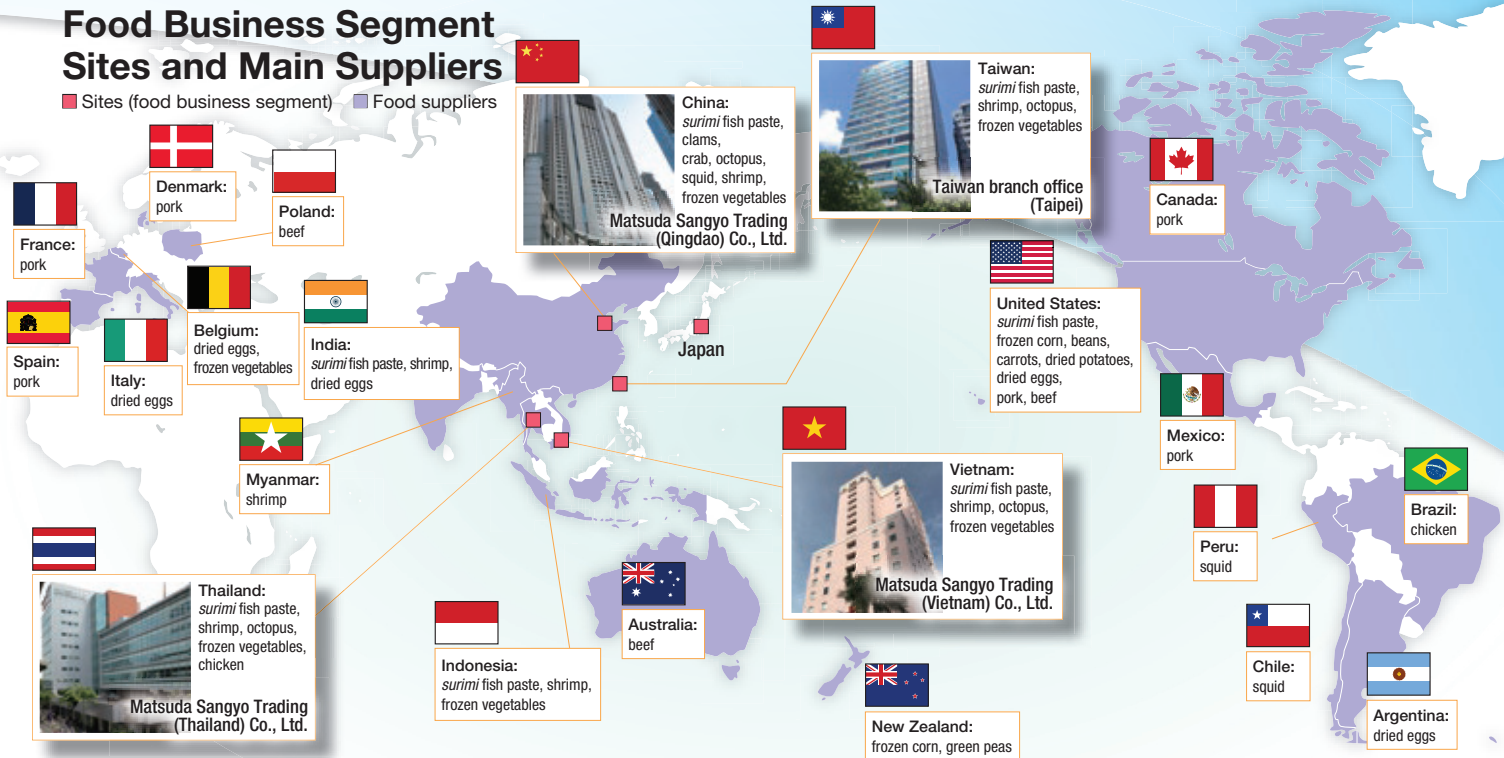
(43.2% increase year on year)



Net sales by item



Food Business Segment Sites and Main Suppliers



Food business segment

Performance in the fiscal year ended March 31, 2020

The food processing industry, our key customer, witnessed a steady growth in overall production activities due to an increasing demand of processed food although food consumption volume varied depending on items. Under these conditions, net sales increased due to an increase in sales volume of marine, livestock, and agricultural products, coupled with a rise in sales prices. However, operating income decreased as transportation and warehouse expenses increased.

Forecasts and initiatives for the fiscal year ending March 31, 2021

We assume risks associated with the spread of COVID-19 would include the stagnation of supply chain and slump in customer demands linked to personal consumption due to factors such as the voluntary business suspension to comply with regulations or requests by the Japanese and overseas governments. And although the extent and timing of the impact are uncertain, we will aim to secure earnings through appropriate and prompt response to environmental changes and strategies in the Medium-term Management Plan.

Q What impact would COVID-19 have on the food business segment in Matsuda Sangyo and what measures have been taken?

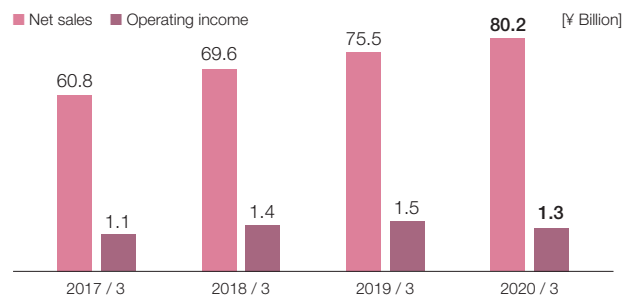
As shown in the chart above, we purchase food materials from suppliers all over the world. At this point, we have no problems with purchases from the suppliers and continue to check and give instructions on their hygiene control and infection preventive measures to ensure safety management. We will continue to take all possible means to ensure flexible and prompt supply of safe and reliable products in keeping with the market trend and changes in demand.

Net sales

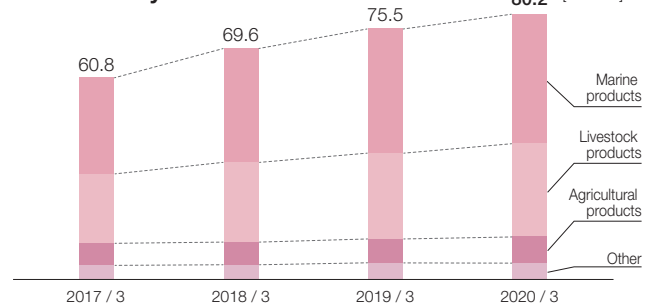
¥80.2 billion (6.2% increase year on year)

Operating income

¥1.3 billion (13.0% decrease year on year)



Net sales by item

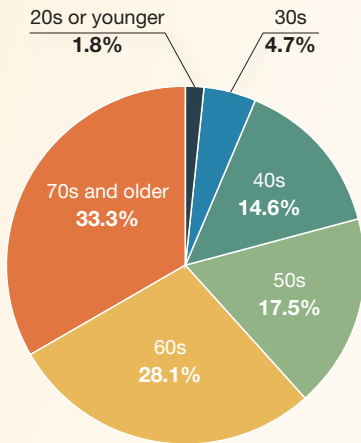


Thank you for participating in our shareholder survey.

We would like to thank the shareholders that participated in our survey that accompanied the notification of the 70th Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2019. We appreciate the time you took to answer the questionnaire, and report some of our findings here.

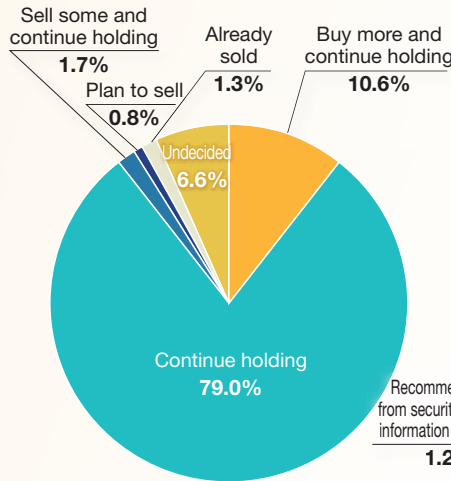
Survey period: June 27 to July 31, 2019 Response rate: 48.1%

Shareholder percentages by age group



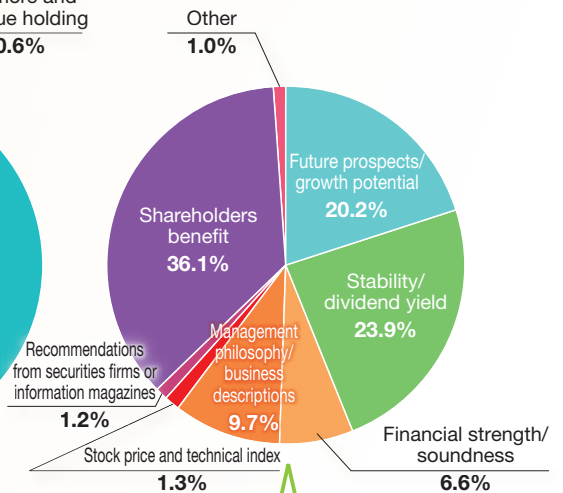
The ratio of shareholders over 70s rose and those under 60s decreased compared with the fiscal year ended March 31, 2019.

Future plan for holding the Company's shares



The ratio of "Buy more and continue holding" rose by 2.0 points and "Continue holding" increased by 0.3 points.

Reasons of purchasing Matsuda Sangyo's shares



Future prospects/growth potential, stability/dividend yield, and shareholder benefits rank high and account for over 80%. We will continue to put out our best efforts to meet the expectations of shareholders.

<Precious metal business segment> Large-scale capital expenditure in anticipation of the medium- to long-term growth is in progress

Matsuda Sangyo has been making aggressive growth investment necessary for business expansion under the Medium-term Management Plan and made the largest capital expenditure in 10 years during the fiscal year ended March 31, 2020.

As a result, the strengthening of pre-processing (segregation, screening, concentration, etc.) of precious metal scraps in the Seki factory (Gifu Prefecture) is almost completed, enabling us to strengthen the alignment with the post-processing (refining, purification, etc.) in the Iruma/Musashi factories with an aim to expand the recycling volume and increase efficiency. In Sendai Sales Office, the main site in Tohoku region, we are establishing a new site with the view to enhancing sales and logistics functions. In overseas, we are currently focusing on expanding the handling volume in the precious metal recycling as capital expenditure for pre-processing functions at our Taiwanese subsidiary established in February 2019 progressed and full-scale operation began in October 2019.

We will continue to focus on recovery and refining of precious metal materials and sales of precious metal materials in order to become a "leading company that creates resource recycling in East Asia."

Capital expenditure



Seki factory



Matsuda Sangyo (Taiwan) Co., Ltd.

Opinions and requests (from comment box)

The Company makes profits while preserving the environment through recycling. Great business model!

Please make contributions to society as a global company to preserve the environment, one of the global issues.

I think SDGs initiatives are in line with the current global trend. I want to see some quantitative information such as the progress status.

Please tell us if the food business segment is working on any initiatives to reduce food loss and waste.

I hope the Company's overseas businesses are operated in a manner to make contributions to the economy and make people happy in the countries where they operate.

The Company's stock price seems too low as I think it's worth at least 2,000 yen. I hope the Company will repurchase its treasury shares to raise the price.

I expect increases in dividends and payout ratio.

I have high expectations for the recycling business of storage battery.

I want IR HANDBOOK (BUSINESS REPORT) to include sections describing how young employees are struggling with their work, including what they do and what they find rewarding and challenging.

Thank you very much for a number of valuable opinions and requests from our shareholders. We will use them as a reference for our corporate activities and information dissemination in the future. Matsuda Sangyo will make every effort to improve communications with shareholders. We ask for your continued support and understanding.

Launched recycling business of large lithium-ion battery

Matsuda Sangyo and TAIHEIYO CEMENT CORPORATION have jointly developed the technology to recycle large lithium-ion battery used in the next-generation automobiles and solar power generation systems. In April 2020, we launched the recycling business using roasting facilities located in the premises of Tsuruga Cement Co., Ltd. This is the world's first facilities using the cement manufacturing process, and Matsuda Sangyo will be responsible for collecting, transporting and disassembling used large lithium-ion batteries, and recovering useful metals from roasted parts. Residues in this process will be reused as cement materials, achieving 100% recycling ratio. We will focus on strengthening our business competitiveness toward 2025 when the disposal of large lithium-ion batteries is expected to increase.



Our facilities to crush and select roasted batteries

No. of full-time employees is on an upward trend

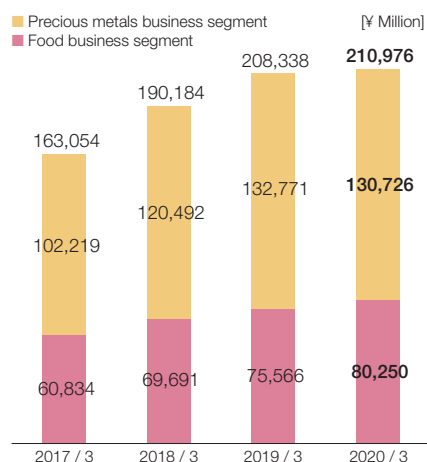
As we are working on the business expansion and enhancement of the management base toward the sustainable enhancement of corporate value, we are positively hiring a certain number of new graduates as well as mid-career employees. We have also actively encouraged a shift from temporary workers to contract workers and from contract workers to full-time employees. As a result, the number of full-time employees increased approx. 450 from five years ago. We will continue to pursue the "management that respects people" as we believe human resources are the resource of value creation.

No. of full-time employees

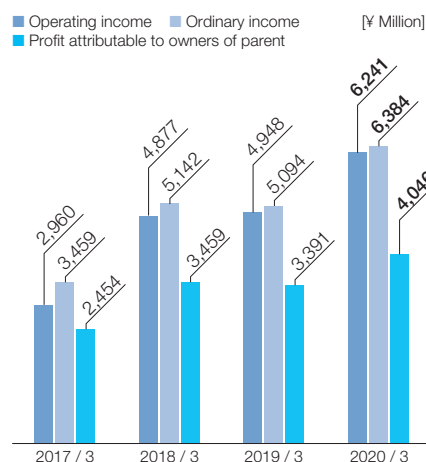


Consolidated Financial Highlights

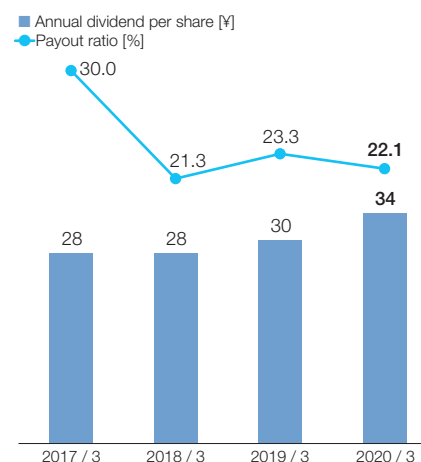
Net sales



Operating income/Ordinary income/ Profit attributable to owners of parent

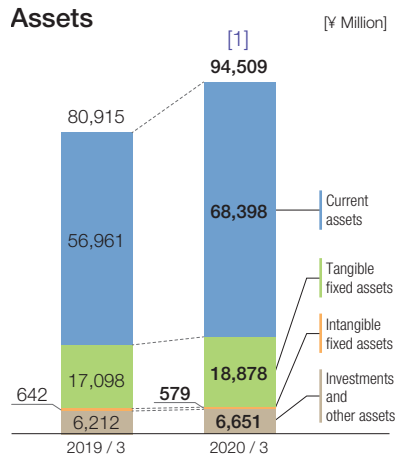


Annual dividend per share/ Payout ratio

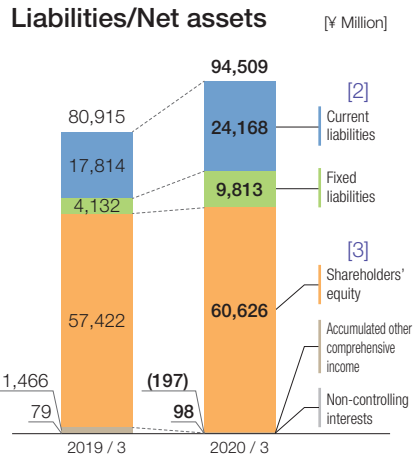


Consolidated balance sheet

Assets



Liabilities/Net assets

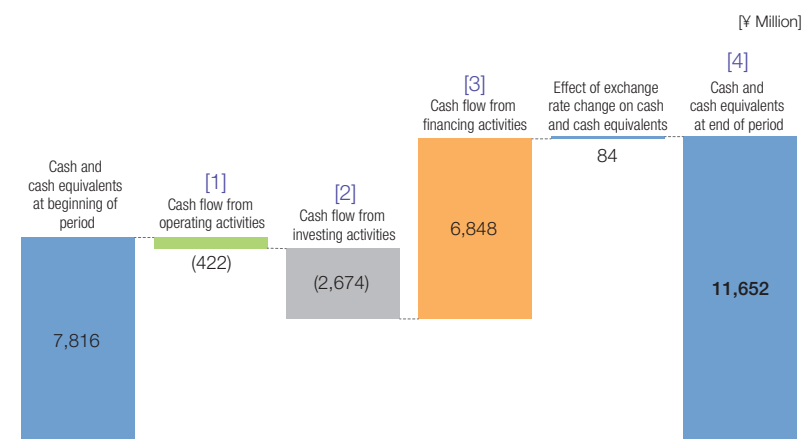


[1] Total assets increased ¥13,593 million from March 31, 2019. This was mainly due to increases in cash and deposits and inventory as well as installation and upgrade of facilities at the Group's factories.

[2] Total liabilities increased ¥12,035 million from March 31, 2019. This was mainly due to increases in short-term loans payable, current portion of long-term loans payable, income taxes payable, long-term loans payable and net defined benefit liability.

[3] Net assets increased ¥1,558 million from March 31, 2019. This was mainly due to an increase in retained earnings with profit attributable to owners of parent in excess of dividends payment, despite a decrease of ¥1,432 million in remeasurements of defined benefit plans.

Statements of cash flow



[1] Operating activities used net cash of ¥422 million. This mainly reflected the difference between cash provided from income before income taxes, depreciation, increase in notes and accounts receivable—trade, and increase in inventories, versus cash used for income taxes paid.

[2] Investing activities used net cash of ¥2,674 million. This mainly reflected purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants.

[3] Financing activities provided net cash of ¥6,848 million. This mainly reflected an increase in loans.

[4] As a result of the above, the balance of cash and cash equivalents as of March 31, 2020 stood at ¥11,652 million, an increase of ¥3,835 million year on year.

Company Information

Company Overview (As of March 31, 2020)

Corporate name	MATSUDA SANGYO Co., Ltd.
Head office	26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Foundation	June 18, 1951
Common stock	¥3,559 million
Number of employees	1,436
Main businesses	Recovery and refining of precious metals, sale of precious metal bullion and electronic materials, wholesale of raw materials for food processing, collection, transportation, and processing of industrial waste
Accounting auditor	Ernst & Young ShinNihon LLC

Board of Directors (As of June 25, 2020)

President and Representative Director	Yoshiaki Matsuda	Audit and Supervisory Committee members	Shinichi Hatakeyama Toshihiko Uchiyama Toshinori Nakaoka Toshiyuki Kojima
Vice-president and Director	Koji Tsushima		
Directors	Yuji Katayama Ryuichi Yamazaki Kenji Isawa Junichi Tsuzuki Takehiro Ueda	* Audit and Supervisory Committee members are all outside directors.	

Offices and Factories (As of March 31, 2020)

Metals/Environment Sales Division	Sendai / Mito / Saitama / Tokyo / Tokyo 2 / Kanagawa / Nagano / Nagoya / Nagoya 2 / Kanazawa / Osaka / Fukuyama / Fukuoka / Kagoshima
Foods Division	Sapporo / Sendai / Kitakanto / Tokyo / Nagoya / Osaka / Matsuyama / Fukuoka / Quality Assurance Department / Taiwan
Production Division	Research and development center / Musashi factory / Musashi No. 3 factory / Iruma factory / Iruma No. 2 factory / Seki factory / Seki No. 2 factory

Affiliates (As of March 31, 2020)

MATSUDA RYUTSU Co., Ltd.	Truck transportation
MATSUDA ECOLOGY Co., Ltd.	Sales of precious metal products
JAPAN MEDICAL TECHNOLOGY Co., Ltd.	Recovery and sales of metal raw materials
HOKKAIDO AOKI KAGAKU Co., Ltd.	Collection, transportation and processing of industrial waste, recovery and sales of metal raw materials
Z.E.R.O. JAPAN Co., Ltd.	Various waste processing and equipment sales
Gulf Foods Co., Ltd.	Import and wholesale of marine products
NIPPON MICROMETAL CORPORATION	Production and sales of metal products for the electronics industry

Subsidiaries (As of March 31, 2020)

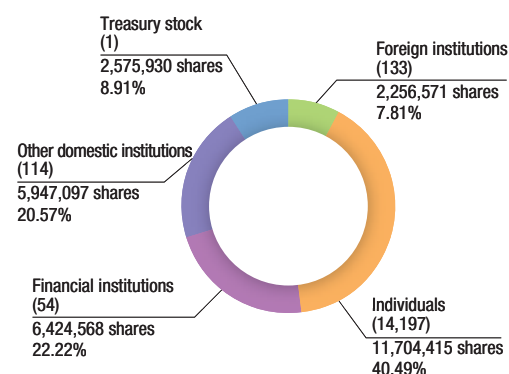
Precious metals business segment	Matsuda Sangyo (Thailand) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Philippines) Corporation	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Singapore) Pte. Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Resource Recycling (Suzhou) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Malaysia) Sdn. Bhd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Vietnam) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Taiwan) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
Food business segment	Matsuda Sangyo Trading (Qingdao) Co., Ltd.	Sales of raw materials for food processing, intermediary services
	Matsuda Sangyo Trading (Thailand) Co., Ltd.	Sales of raw materials for food processing, intermediary services
	Matsuda Sangyo Trading (Vietnam) Co., Ltd.	Sales of raw materials for food processing, intermediary services

Stock Information

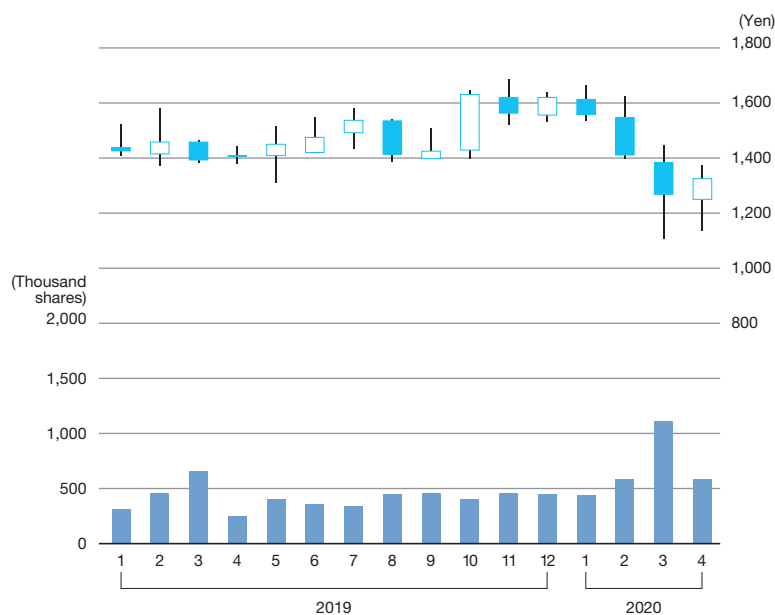
Stock Data (As of March 31, 2020)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	14,499

Distribution of Shares (As of March 31, 2020)



Stock Price and Trading Volume



Investor Information

Business year
 Register closing date for term-end dividend payments
 Register closing date for interim dividend payments
 General meeting of shareholders
 Shareholder register administrator and Transfer account management institution for special account
 Contact

April 1 to the following March 31
 March 31
 September 30
 June every year

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation
 1-1, Nikko-cho, Fuchu-shi, Tokyo Toll free: 0120-232-711 (only in Japan)
 Mailing address: P.O. Box 29, Shin-tokyo, Tokyo 137-8081
 Corporate Agency Department,
 Mitsubishi UFJ Trust and Banking Corporation

Quoted securities exchange
 URL for public notices

Tokyo Stock Exchange

<https://ir.matsuda-sangyo.co.jp/ja/Top.html>

(Note that public notices will appear in The Nikkei if there is any trouble in posting public notices by electronic means or for any other unavoidable reason.)

FORWARD-LOOKING STATEMENTS

This business report contains forward-looking statements concerning the future plans, strategies, beliefs and performance of Matsuda Sangyo Co., Ltd. and its group companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected.

Website Information

Matsuda Sangyo

Search

Homepage

Please visit the Matsuda Sangyo website, which has been upgraded to improve understandability.



MATSUDA SANGYO Co., Ltd.
 Shinjuku Nomura Bldg. 26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo
 TEL: +81-3-5381-0001
 URL: <https://www.matsuda-sangyo.co.jp/en/>

