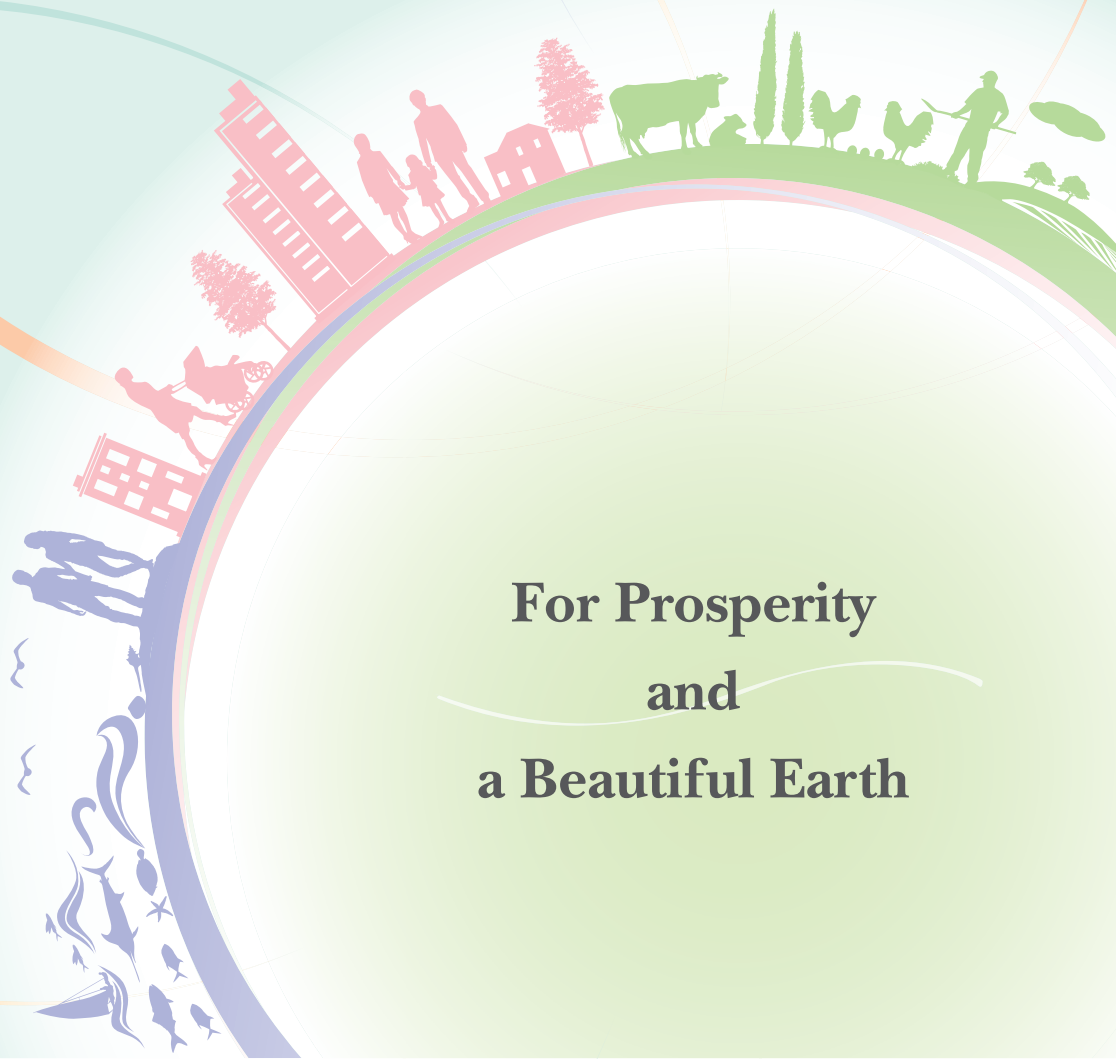


BUSINESS REPORT

Year ended March 31, 2019



**For Prosperity
and
a Beautiful Earth**

Matsuda Sangyo at a Glance

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"

Driving Growth Segment

Precious metals business segment

Share of net sales
63.7%

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 platinum precious metal business, and its operations involving the treatment of fixing and developing solutions led to its development of the environmental business.



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. Its key customers are in the electronics sector.

Strengths of the precious metals business

1. Develops, manufactures and sells products for the electronics sector, such as precious metal plating 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 platinum 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.

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 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.

Stable Growth Segment

Food business segment

Share of net sales
36.3%

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, livestock products, and dried and frozen vegetables. Deploys a global procurement network utilizing local subsidiaries.

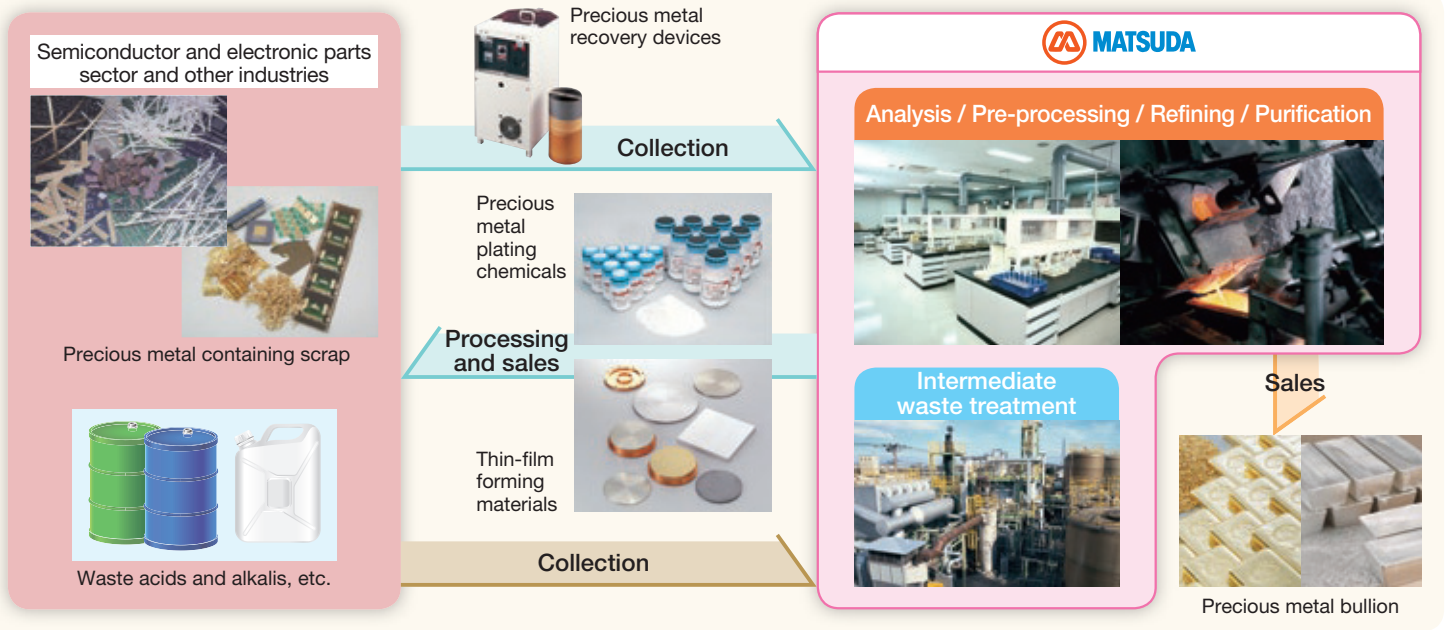


The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which concentrates on tapping nature’s resources to provide stable supplies of food. **These three businesses underpin an operating structure that offers a balance of growth potential (the precious metals and environmental businesses) and stability (the food business).**

Related SDGs



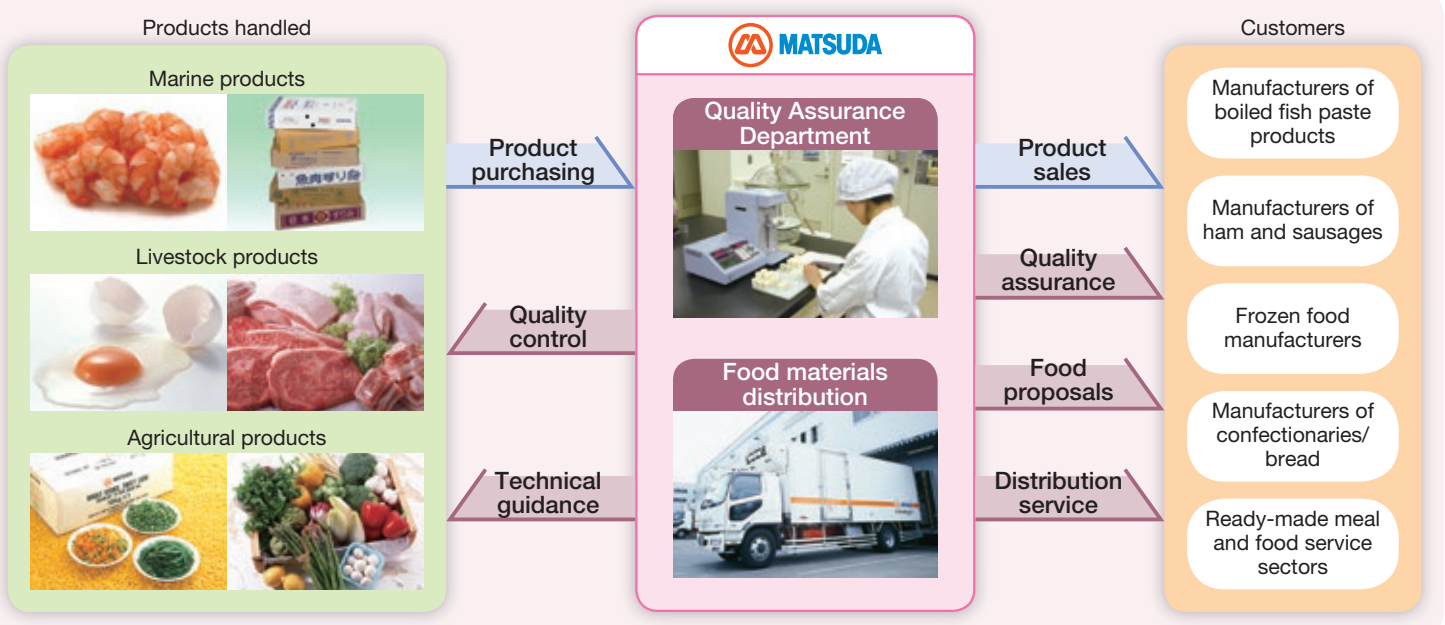
Flow of Operations



Related SDGs



Flow of Operations



Under the new Medium-term Management Plan, we aim to become a “strong” company that adopts to social changes and continues evolving.



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

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 2019 (April 1, 2018 to March 31, 2019), 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, 2019

During the fiscal year ended March 31, 2019, the Japanese economy showed a gradual recovery overall supported by continuing improvement in employment conditions and income environment, but export and certain industrial production were still weak. The economic outlook remains unpredictable due to uncertainties over trade frictions, the outlook of Chinese economy, the trend of the global economy, and policies, as well as concerns over the global economic downturn stemming from fluctuations in financial and capital markets.

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 precious metal materials, sales of chemical products and expansion of industrial waste treatment outsourcing business. Due to worsening of external environments, however, precious metal recycling volume remained flat and sales volume of precious metal chemical products and electronic materials decreased. However, sales and profit of the segment increased thanks to the growth of sales volume of precious metal products and handling volume of industrial waste treatment coupled with a rise of palladium price.

The food business segment focused on development and delivery of products meeting customer needs and worked on expanding sales volume with proactive marketing activities in Japan and overseas. As a result, sales volume of marine, livestock and agricultural products grew, and both sales and profit increased.

As a result, consolidated net sales for the fiscal year ended March 31, 2019 increased 9.5% year on year to ¥208,338 million, and operating income increased 1.4% to ¥4,948 million. Ordinary income fell 0.9% to ¥5,094 million mainly due to a decrease in share of profit of entities accounted for using equity method, and profit attributable to owners of parent decreased 2.0% to ¥3,391 million.

We paid a year-end dividend of ¥15 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 ¥30 per share. Full-year dividend per share for the fiscal year ending March 31, 2020 is expected to be ¥34, an increase of ¥4 year on year.

Highlights for the fiscal year ended March 31, 2019

Precious metals business segment

- **May 2018**
Exhibited at N-EXPO 2018 (New Environment Exposition 2018) (Z.E.R.O. JAPAN Co., Ltd.)
- **February 2019**
Established a local subsidiary in Taiwan

Food business segment

- **October 2018**
Exhibited at the 2nd “JAPAN’S FOOD” EXPORT FAIR
Exhibited at Kaohsiung Int’l Food Show 2018 (Taiwan)
- **November 2018**
Exhibited at the 1st China International Import Expo (China)

Other business areas

- **October 2018**
Included in the S&P/JPX Carbon Efficient Index

New Medium-term Management Plan (FY2019 – 2021) aimed at further increasing corporate value

The Matsuda Sangyo Group has put in motion the new Medium-term Management Plan (FY2019 – 2021) aimed at further increasing corporate value.

The previous Medium-term Management Plan covering periods ended March 31, 2018 positioned the precious metals business segment as the driver of expansion and growth and the food business segment as a source of stable growth, and worked on the following five management strategies: “Boost earnings in existing businesses,” “cultivate new sources of earnings,” “actively expand the business in East Asia,” “build an optimum management framework,” and “nurture and hire human resources.” As a result, we achieved all of our numerical targets: consolidated net sales of ¥200 billion, operating income of ¥4 billion and operating margin of 2.0%.

Under the new Medium-term Management Plan (FY2019 – 2021), both the precious metals business segment and the food business segment are positioned as growth drivers, with numerical targets of consolidated net sales of ¥220 billion, operating income of ¥5.5 billion, operating margin of 2.5% and ROE of 6.0% by the fiscal year ending March 2022, and we will invest more proactively for business growth, including products and technology development, establishment of domestic and overseas business sites, and enhancement of functions.

The precious metals business segment has a vision to “play a leading role in creating resource recycling in East Asia” and focuses on management strategies for earnings expansion to “reinforce foundation of core businesses,” “strengthen value proposals for customers, including in resource recycling, and upgrade marketing network,” “expand the automotive, chemical and overseas markets” and “move into new business areas, such as e-scrap, high-performance electronic materials and LiB recycling.”

The food business segment has a vision to “be the best partner for customers in product development” and will strive to expand earnings under the management strategies to “reinforce foundation of core businesses,” “reinforce development, quality assurance and production control support functions to bolster manufacturing capabilities,” “enhance the lineup with products tailored to customer needs” and “accelerate business development overseas,

as well as in Japan (expand business network in Japan and overseas).”

In addition, to reinforce the Company’s business base, we will “use IT to strengthen management capabilities and improve productivity with automation and labor-saving technology,” “nurture management personnel who can drive growth,” “create pleasant and rewarding working environments where diverse human resources can fulfil their potential in optimal roles” and “reinforce governance and rigorously manage various risks,” and we aim to expand business as well as increase sustainable corporate value by contributing to society through our business activities.

Through a series of initiatives under the new Medium-term Management Plan (FY2019 – 2021), the Group aims to provide high added value meeting customer needs and become a “strong” company that adopts to social changes and continues evolving. We will also contribute to solving social issues such as SDGs through our business activities and implement a sustainable growth cycle.

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

The Group’s vision

We will contribute to society through our business (precious metals business and food business) with effective use of resources and stable supply.

Be a “strong” company that adopts to social changes and continue evolving!

Enhance satisfaction of stakeholders (customers, shareholders, partners, employees, local communities, etc.)

Continue providing high added value that meets customer needs

Precious metals business segment

Play a leading role in creating resource recycling in East Asia

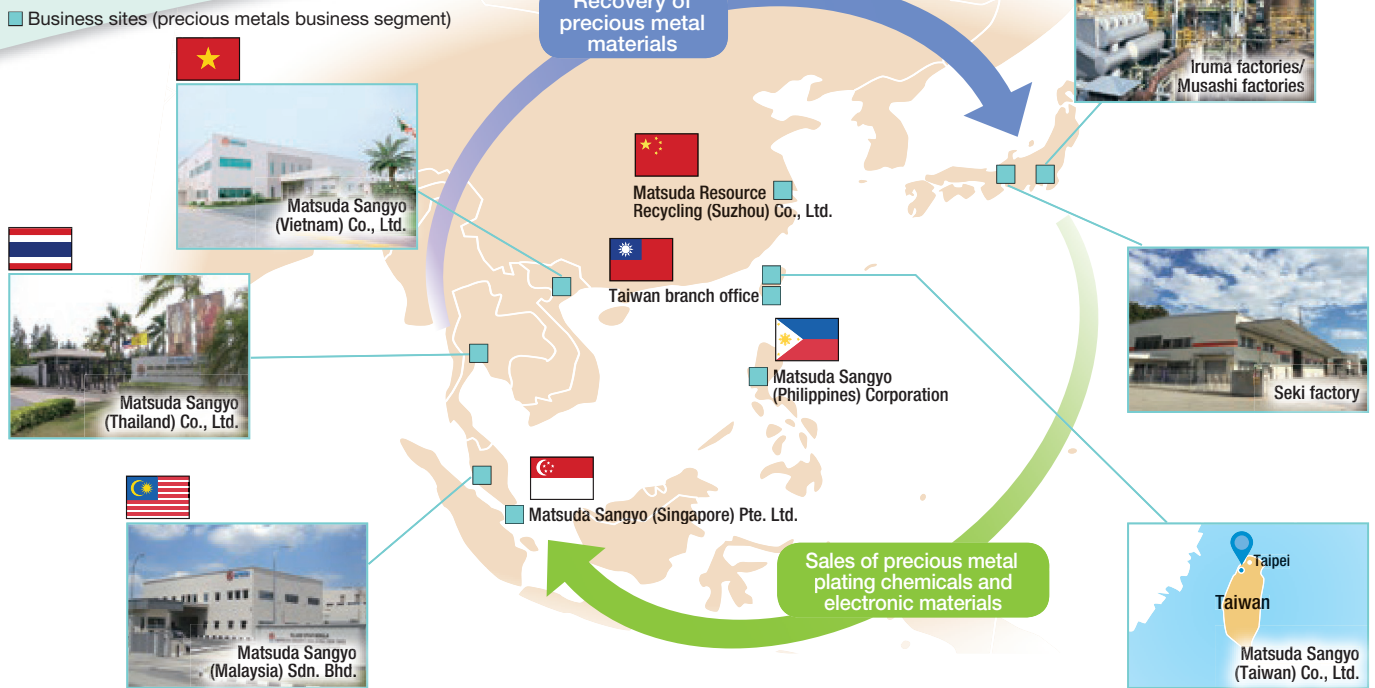
Promote growth strategies

Reinforce business base

Food business segment

Be the best partner for customers in product development

Precious Metals Business Segment East Asian Network



Precious metals business segment

Performance in the fiscal year ended March 31, 2019

The electronics industry, our key customer, faced harsh conditions due to stagnant smartphone sales and plateauing data center demand despite strong sales of automotive devices. Under these conditions, net sales increased due to increases in sales of gold, silver and platinum, handling volume of industrial waste treatment, and a rise of palladium price although volume of precious metal recycling remained flat and sales of precious metal chemical products and electronic materials decreased.

Forecasts and initiatives for the fiscal year ending March 31, 2020

While there is an expectation for gradual recovery of the domestic economy, the outlook is expected to be even more uncertain due to weakening consumer spending, concerns over the slowdown of the electronic device market, and uncertainties over trade frictions and overseas economy and policies including those in China. We will strive to strengthen and streamline our domestic and overseas business sites and proactively develop new demand with an aim to maintain and expand the business.

Q In the precious metals business segment, what kind of capital expenditure is planned in the new Medium-term Management Plan starting from the fiscal year ending March 31, 2020?

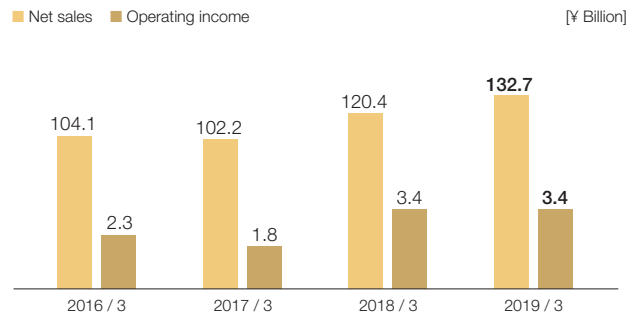
First of all, we will continue to strengthen pre-processing of precious metal scraps in the Seki factory (Gifu Prefecture), which was started in the previous Medium-term Management Plan and plan to start full-scale operation in the fiscal year ending March 31, 2021. We will also invest in facilities in Matsuda Sangyo (Taiwan) Co., Ltd. established in February 2019. In addition, we will develop a capital expenditure plan for medium- and long-term expansion of business domain including recycling of lithium-ion battery.

Net sales

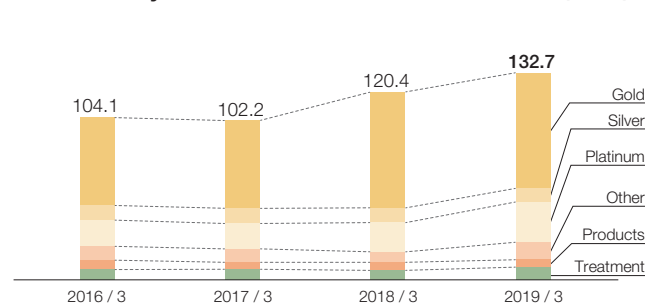
¥132.7 billion
(10.2% increase year on year)

Operating income

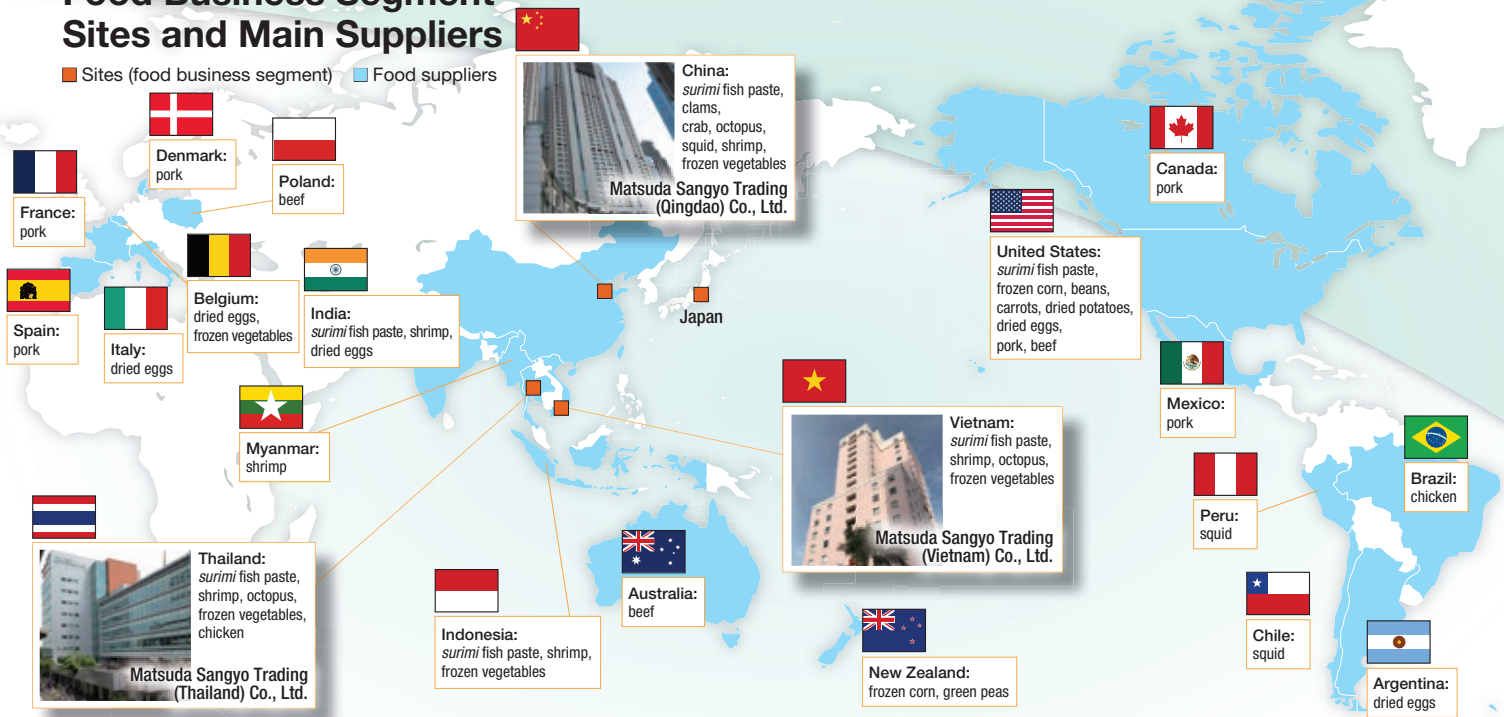
¥3.4 billion
(1.1% increase year on year)



Net sales by item



Food Business Segment Sites and Main Suppliers



Food business segment

Performance in the fiscal year ended March 31, 2019

Despite weak domestic consumer spending, the food processing industry witnessed a modest recovery due to an increasing demand of processed foods and expansion of overseas business. Under these circumstances, net sales increased as a result of an increase in sales volume of marine, livestock and agricultural products despite a decline in price of certain products including egg.

Forecasts and initiatives for the fiscal year ending March 31, 2020

Although domestic consumer spending is expected to remain weak, we aim to secure steady sales by conducting sales initiatives geared specifically to customer needs using our overseas business sites and differentiating our products through development and delivery of products based on safety, reliability and stable supply.

Q I heard that Matsuda Sangyo has been acquiring new customers in East Asia in the food business segment. In particular, which items do you plan to sell in which countries?

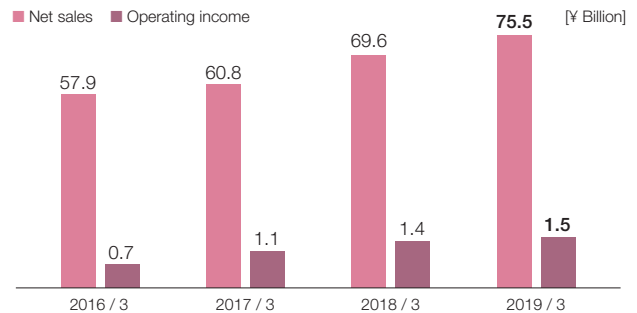
We have been developing local markets through local subsidiaries in China, Thailand and Vietnam. Backed by the Japanese cuisine boom in Asia, we sell Japanese standard foods such as *surimi* fish paste, marine products and meat of livestock by promoting our strengths of “safety and reliability” and “stable supply” as added value, so as to acquire major local customers and develop sales channels.

Net sales

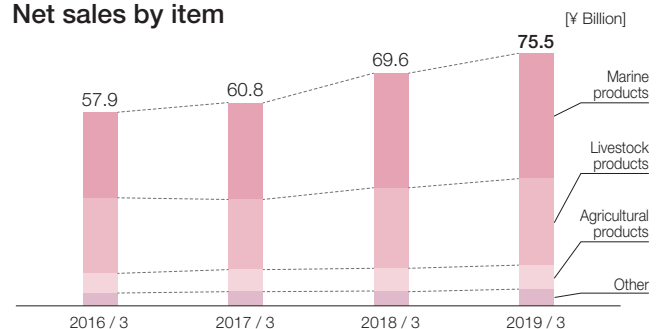
¥75.5 billion
(8.4% increase year on year)

Operating income

¥1.5 billion
(2.3% increase year on year)



Net sales by item



Matsuda Sangyo Group Topics

<Precious metals business segment> Established a Taiwanese subsidiary, forming a seven-region structure in East Asia

In February 2019, we established Matsuda Sangyo (Taiwan) Co., Ltd. to further strengthen the precious metal business in East Asia. The company will work on further enhancement of overseas development with an aim to expand the precious metal business including sale of electronic materials in the Taiwanese market in East Asia. As a

result of the establishment of the company, our precious metal business in East Asia will be operated by seven overseas subsidiaries. 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.”



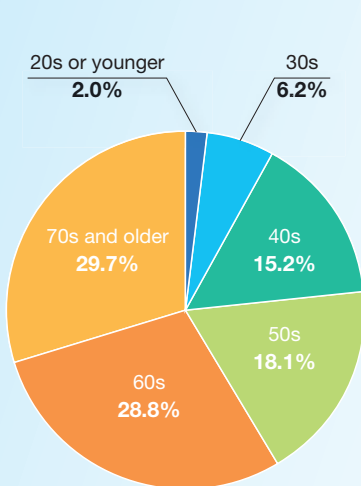
Report of Survey Results

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 69th Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2018. We appreciate the time you took to answer the questionnaire, and report some of our findings here.

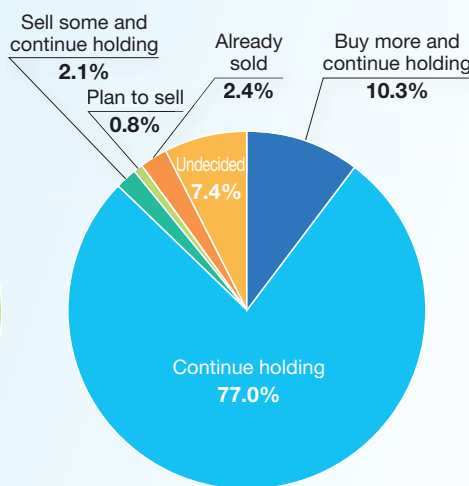
Survey period: June 28 to July 31, 2018 Response rate: 48.0%

Shareholder percentages by age group



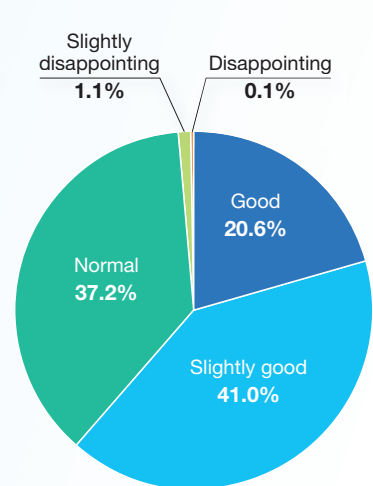
The ratio of shareholders over 70s rose and those under 40s decreased compared with the fiscal year ended March 31, 2018.

Future plan for holding the Company's shares



77% of respondents answered “continue holding,” which together with “buy more and continue holding” accounted for 87.3%.

Readability of IR Handbook



“Good” increased by 2.1 points from the previous year partly due to improvement of letter color. We will continue to aim at further improvement.

Executed an organizational reform to further improve efficiency and ability to respond to customer needs

In time for the start of the new Medium-term Management Plan from FY2019, we executed an organizational reform to improve efficiency of the Group's business and sales activity and further strengthen its ability to respond to customer needs.

In addition, we will consolidate and expand domestic sales offices to establish a more fine-tuned service system and improve efficiency of sales activity, with an aim to further expand our business.

Points of organizational reforms (executed on April 1, 2019)

● Precious metals business segment

Before	NEW!	
Urban Recycle Business Dept.	Metals/Environment International Business Division	Strengthened integration and streamlined
Global Sales and Marketing Dept.	Metals/Environment Sales Division	Became independent as a division
Maintenance Division	Precious Metals Recycling Division	Strengthened integration and streamlined

● Food business segment

Before	NEW!	
Marine Products Dept.	Marine Products I Dept. Marine Products II Dept.	Strengthening and enhancement by the two-department system

Developed "hard gold plating solution" that achieve both low gold concentration and corrosion resistance

Matsuda Sangyo's gold plating solution is used by many customers as an essential material to manufacture familiar electronic components such as connectors of electronic devices. In the electronic component industry where cost reduction is required, the need for "gold saving" to reduce the use of gold is rising. Matsuda Sangyo developed "hard gold plating solution" that shows good corrosion resistance, wear resistance and solder connectivity while reducing the use (concentration) of gold. We plan to offer this product that can be used for a wide range of products from large parts to micro parts to broader industries.



Matsuda Sangyo's gold plating solutions



Gold plating for connectors

Opinions and requests (from comment box)

The world economy is unstable due to protectionism, etc. but I expect further development of Matsuda Sangyo as a company contributing to the world.

Resource recycling and food businesses are both promising. I hope the Company will develop strategies on a global scale.

I want the Company to focus on the food business segment to secure stable food supply.

I expect improvement both in sociality and profit by introducing new recycling technologies.

I inherited Matsuda Sangyo's shares from my father who did research on companies' business to select companies to support. I'll follow my father's wish and continue holding shares to support the Company.

When I bought a 1-kg gold bar, it was Matsuda brand. I've been holding the Company's shares ever since.

I expect a rise of stock price.

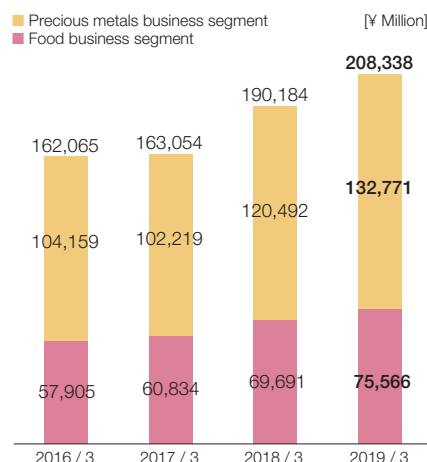
I hope to receive stable dividends and benefits continuously.

I want BUSINESS REPORT to give details of how precious metals recovered for recycling are utilized.

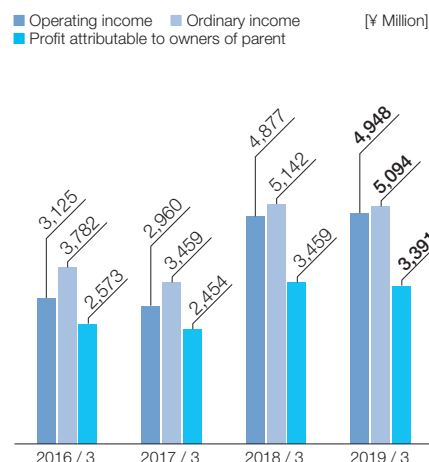
Thank you very much for a number of valuable opinions and requests from our shareholders. We will use them as a reference for our corporate activities and information dissemination in the future. Matsuda Sangyo will make every effort to improve communications with shareholders. We ask for your continued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

Consolidated Financial Highlights

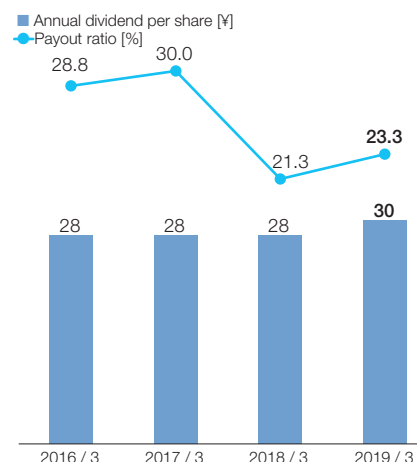
Net sales



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

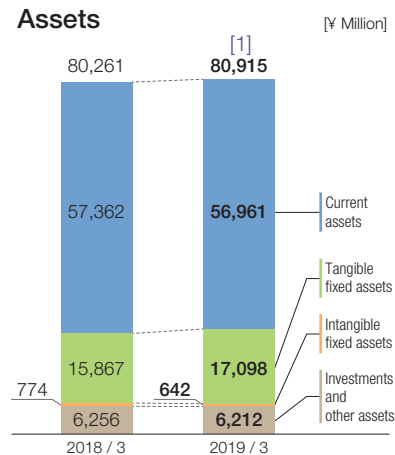


Annual dividend per share/ Payout ratio

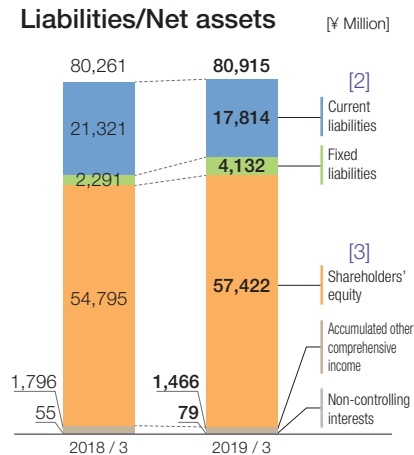


Consolidated balance sheet

Assets



Liabilities/Net assets

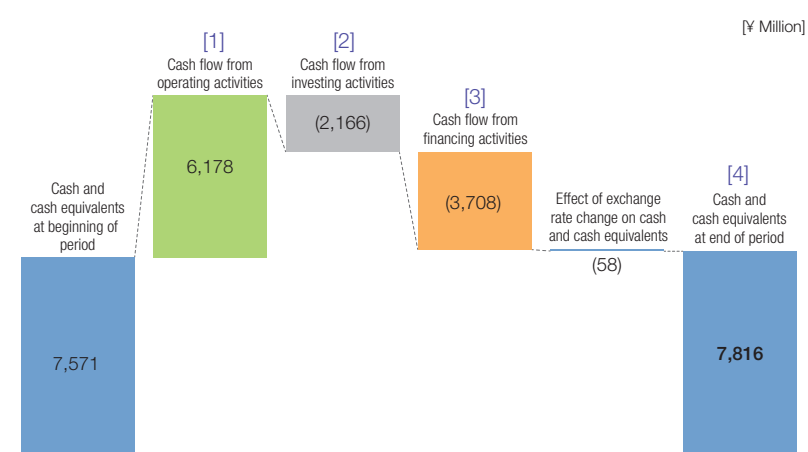


[1] Total assets increased ¥654 million from March 31, 2018. This was mainly due to increases in cash and deposits, raw materials and supplies as well as installation and upgrade of equipment at the Group's plants despite a decrease in notes and accounts receivable—trade.

[2] Total liabilities decreased ¥1,666 million from March 31, 2018. This was mainly attributable to a decrease in short-term loans payable despite an increase in long-term loans payable.

[3] Net assets increased ¥2,320 million from March 31, 2018. This was mainly due to profit attributable to owners of parent in excess of the payment of dividends.

Statements of cash flow



[1] Operating activities provided net cash of ¥6,178 million. This mainly reflected income before income taxes, depreciation, and decrease in notes and accounts receivable—trade, partly offset by income taxes paid on the other.

[2] Investing activities used net cash of ¥2,166 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 used net cash of ¥3,708 million. This mainly reflected repayment of loans.

[4] As a result of the above, the balance of cash and cash equivalents as of March 31, 2019 stood at ¥7,816 million, an increase of ¥244 million year on year.

Company Information

Company Overview (As of March 31, 2019)

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	1,354
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 27, 2019)

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	* Audit and Supervisory Committee members are all outside directors.	
Directors	Yuji Katayama		
	Ryuichi Yamazaki		
	Atsushi Kinoshita		
	Kenji Isawa		
	Junichi Tsuzuki		

Offices and Factories (As of April 1, 2019)

Metal/Environment Sales Division	Sendai / Mito / Saitama / Tokyo / Tokyo 2 / Kanagawa / Nagano / Nagoya / Nagoya 2 / Kanazawa / Osaka / Fukuyama / Fukuoka / Kagoshima
Foods Division	Sapporo / Sendai / Kita Kanto / Tokyo / Nagoya / Osaka / Matsuyama / Fukuoka / Quality Assurance Department
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, 2019)

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, 2019)

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

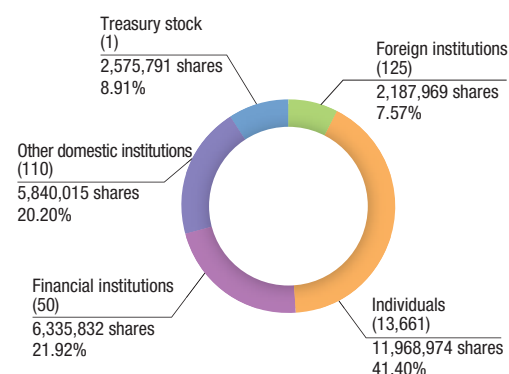


Stock Information

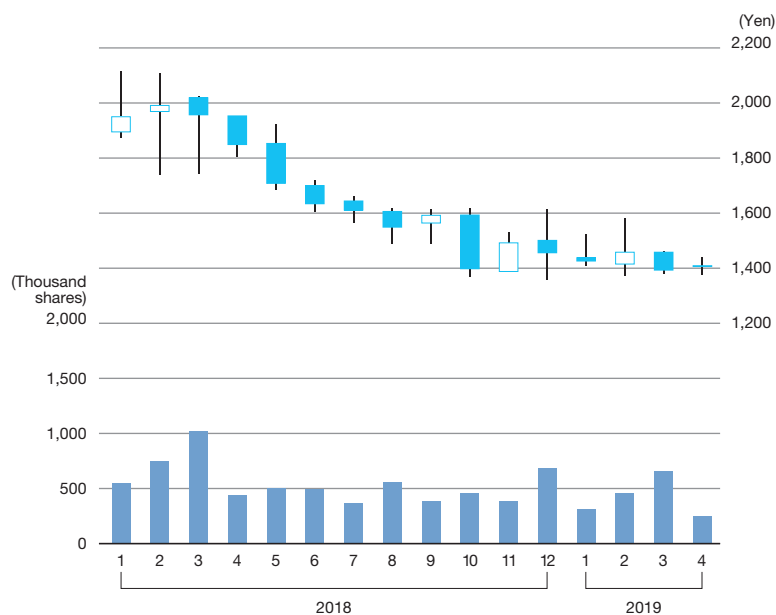
Stock Data (As of March 31, 2019)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	13,947

Distribution of Shares (As of March 31, 2019)



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.



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