



BUSINESS REPORT

Year ended March 31, 2015

**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 world's natural resources via businesses”

Driving Growth Segment

Precious metals business segment

Share of net sales
69.3%

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 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 guaranteed in world precious metal markets.

Overview of the environmental business

The environmental business engages in recycling silver contained in photosensitive materials; collecting and transporting industrial waste generated from other manufacturing operations; and intermediate treatment and recycling of waste acid and alkalis.

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
30.7%

Business History

The food business began in 1935 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 *surimi* fish paste as well as agricultural and livestock products.



Overview of the food business

The food business procures safe 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. 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, octopus, shellfish, eggs, livestock products, and dried and frozen vegetables.

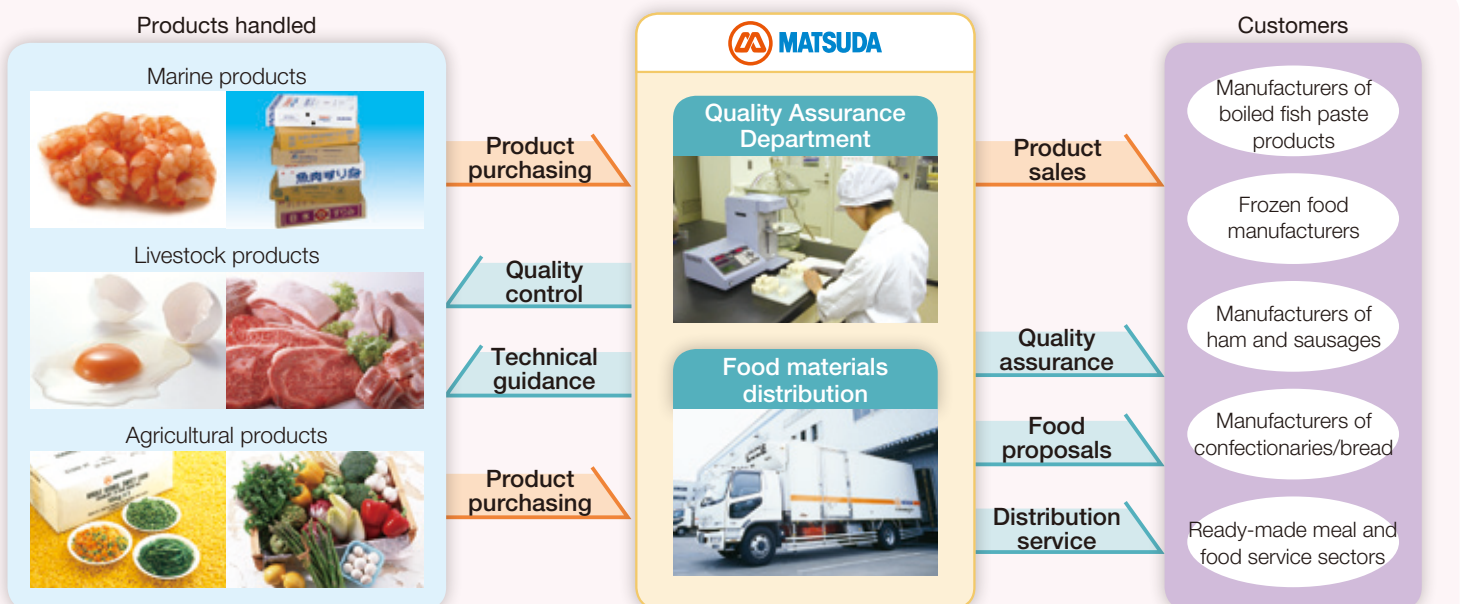


The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which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

Flow of Operations



Flow of Operations



We will further expand our business base and customer base, and accelerate global growth.



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 2015 (April 1, 2014 to March 31, 2015), 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, 2015

The Japanese economy continued on track to a modest recovery against a backdrop of improved earnings by major companies mainly in the manufacturing industry, and manifested a steady undertone after overcoming the reaction to last-minute demand in personal consumption ahead of the consumption tax rate increase. On the other hand, the future remained uncertain mainly due to concerns about a global economic slowdown.

Under these conditions, in the precious metals business segment, sales and profit increased due to aggressive action taken to secure precious metal materials and product sales result in higher sales volumes for precious metal products, and rising precious metal market prices.

In the food business segment, against a backdrop of a weaker yen and tight food supply and demand overseas, the business environment was harsh because of rising procurement prices and other factors. Nevertheless, sales and profit increased as a result of increased sales volumes of seafood, livestock, and agricultural products.

As a result, consolidated net sales for the fiscal year ended March 31, 2015 increased 8.5% year on year to ¥179,523 million, and operating income surged 20.2% to ¥5,410 million. Ordinary income climbed 19.2% to ¥5,832 million, and net income rose 4.7% to ¥3,342 million.

We paid a year-end dividend of ¥13 per share, a ¥1 increase from our forecast at the start of the fiscal year. Together with the interim dividend of ¥12 per share, we paid a full-year dividend of ¥25. In addition, in August 2015, the Company will commemorate the 20th anniversary of its public stock offering. To express our appreciation to shareholders, we expect to pay an annual dividend per share for the fiscal year ending March 31, 2016 of ¥28, which will comprise a public stock offering 20th anniversary commemorative dividend of ¥2 being added to our ordinary dividend of ¥26.

We will further expand our business base and customer base, and accelerate growth

In the precious metals business segment, based on our vision of becoming the leading refining company in East Asia where many major operations in the electronics industry are based, we are working to ensure sustainable growth by building on our strengths as a global competitor and developing greater earnings potential by enhancing our products and services. A new plant with metal refining facilities in Vietnam, which is already under construction, is scheduled to begin operation in September. This will further fortify the Matsuda Sangyo Group's precious metal recovery business infrastructure. In addition to our existing customer base, which has traditionally been centered on Japanese manufacturers, we will accelerate the cultivation of non-Japanese manufacturers and expand our sales and recovery business globally.

In the food business segment, we will differentiate our ventures in this segment by leveraging the Matsuda Sangyo Group's distinctive quality assurance know-how and also by consistently supplying premium-quality food materials that promise safety and reliability. We will also focus on raw materials sales and tripartite trade at overseas subsidiaries, and globally expand our customer base.

Looking ahead, we will maintain growth underpinned by an operating structure that offers a balance of growth potential (the precious metals and environmental businesses) and stability (the food business) as a company with a strong social mission.

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

Highlights for the fiscal year ended March 31, 2015

Precious metals business segment

- April 2014

Exhibited at 1st METAL JAPAN
(Highly-functional Metal Expo)

- December 2014

Exhibited at SEMICON Japan 2014

- January 2015

Exhibited at NEPCON JAPAN 2015
(44th Electronics R&D and Manufacturing
Technology Expo)

Other business areas

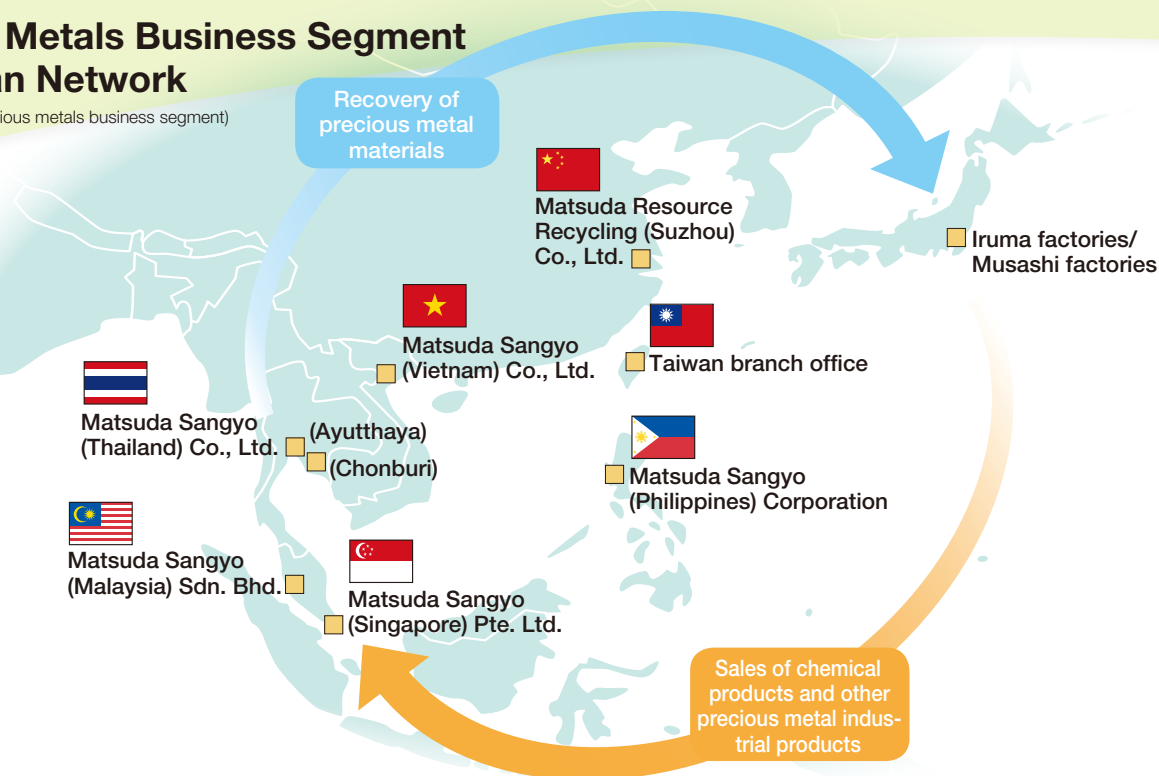
- May 2014 – June 2014

Acquired treasury stock

Global Network / Review of Operations

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, 2015

The sales volume of electronic materials decreased, but net sales as a whole in the division increased year on year due to a continued modest recovery of production in the electronics industry, a key customer, and rising sales volumes of precious metal products and prices excluding silver. In the Environmental Division, production activities of target industries recovered modestly and volumes of industrial waste handled by the Group increased, but net sales declined due to a drop in the volume of silver recovered from photosensitive materials and falling silver prices.

Forecasts and initiatives for the fiscal year ending March 31, 2016

With the electronics industry on track to recovery, we anticipate gradual increases in recovery volumes of precious metal materials. Given such expectations, to ensure sustainable growth, we will focus on reinforcing operations of our overseas business locations, expanding and improving efficiency of domestic business sites, and developing new products and technologies.

Q Demand for precious metal recovery from smartphones has been strong, but after smartphones where do you expect demand to come from?

While there are various opinions about wearable devices and IOT*, the trend in the electronics industry is for rapid change, so we cannot say anything with certainty. It is important that we swiftly respond to whatever changes occur by keeping an eye on market changes and continuously improving our recovery and refining technologies.

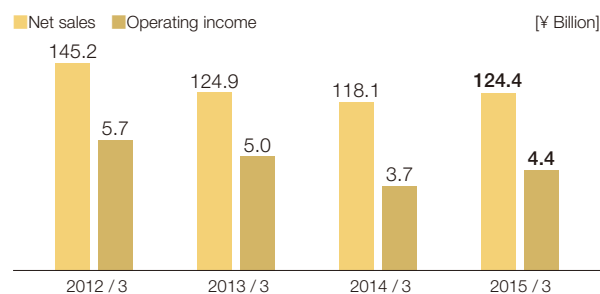
* Internet of Things: The network of physical objects connected to the Internet that exchange information with each other and are auto-controlled, thus providing greater security and convenience to people's lives.

Net sales

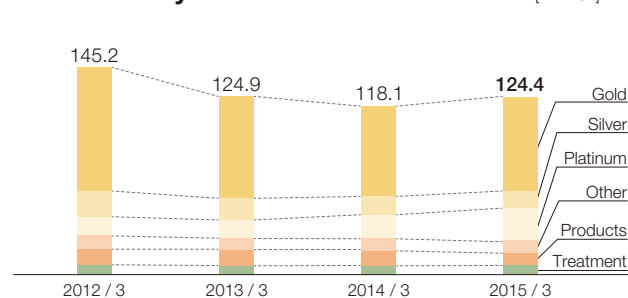
¥124.4 billion (5.4% increase year on year)

Operating income

¥4.4 billion (20.0% increase year on year)

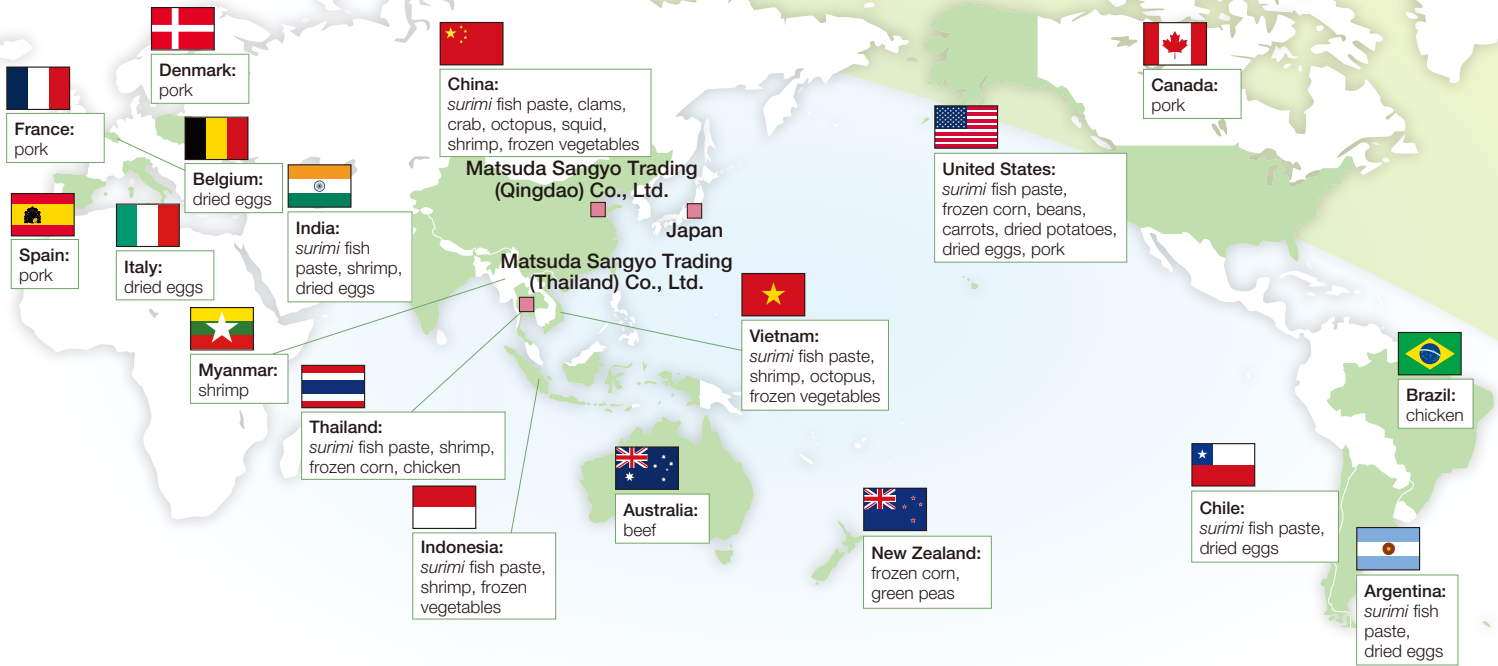


Net sales by item



Food Business Segment Sites and Main Suppliers

■ Sites (food business segment) ■ Food suppliers



Food business segment

Performance in the fiscal year ended March 31, 2015

Despite a harsh business environment of sharply rising raw material prices caused by a weak yen and rising demand for food materials overseas, net sales in this segment increased year on year due to a gentle domestic economic recovery, and growth in the sales volumes for seafood, livestock, and agricultural products against the backdrop of brisk personal consumption, in addition to rising prices.

Forecasts and initiatives for the fiscal year ending March 31, 2016

With an expected increase in demand for products that deliver high added value amid gradually improving domestic economic conditions, Matsuda Sangyo will focus on making use of overseas locations and take steps to ensure steady earnings through sales initiatives geared specifically to domestic and overseas customer needs amidst expectations of the stabilization of currency exchange rates.

Q With the expansion of tripartite trade, which do you see as your main business customer, Japanese or foreign companies?

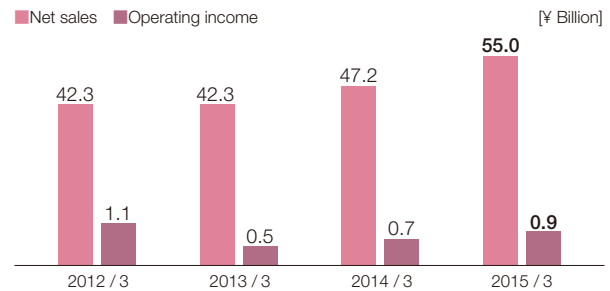
Tripartite trade is a business model suitable to our food business segment, which has a global procurement network. When we first started, our primary focus was on Japanese customers, but today we have expanded sales to overseas customers because of the increased recognition of our suppliers and products.

Net sales

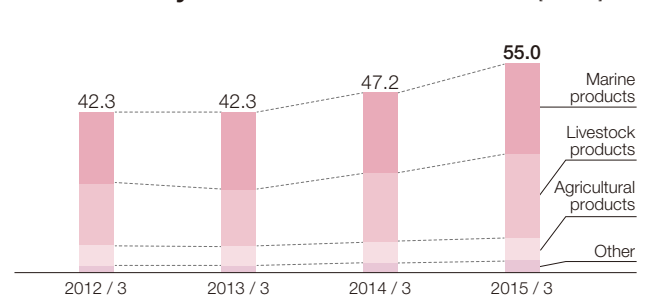
¥55.0 billion (16.4% increase year on year)

Operating income

¥0.9 billion (20.8% increase year on year)



Net sales by item



Matsuda Sangyo Group Topics

Initiated New Structure to Improve Business Competitiveness and Ability to Respond to Customer Needs

In April 2015, we initiated organizational reforms to improve our business competitiveness and ability to respond to customer needs in the precious metals business. The following are two key points of the new organizational structure.

1st point: The precious metals business has been reorganized into nine departments

Old structure: Consisted of the three divisions of Precious metals division, Environment division, and Production division.

New structure: Consists of the Precious Metal Recycling Division, Precious Metal Material Division, Maintenance Division, Environmental Solution Division, Metal/Environment Sales Division, Urban Recycle Business Dept., Bullion and Commodity Operations Dept., Production Control Division, and Quality Assurance Dept.

Purpose: To improve development and competitive capabilities and ability to respond to customer needs

2nd point: A Global Administration Dept. and Corporate Administration Division has been established

Old structure: Consisted of Administration Dept., Finance Dept., and IR Dept.



New structure: A new Global Administration Dept. has been established. A Corporate Administration Division with control over the Administration Dept., Finance Dept., Global Administration Dept. and IR Dept. has been established.

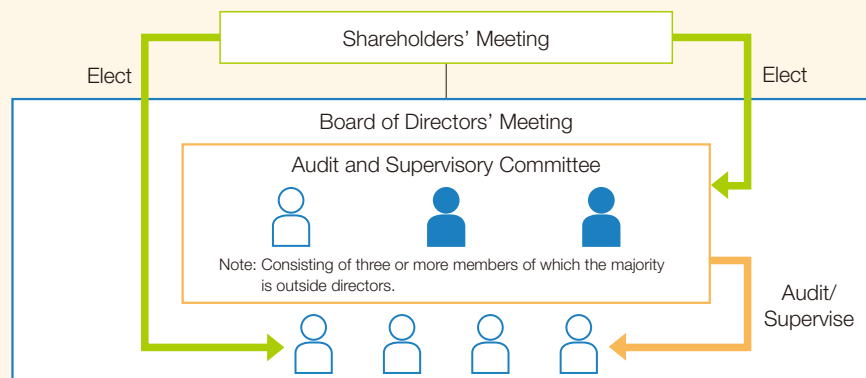
Purpose: To strengthen administrative functions including the promotion of overseas business as well as governance

Transition to a Company with Audit and Supervisory Committees

Matsuda Sangyo transitioned to a company with audit and supervisory committees after the Board of Directors passed a resolution to transition to such a company at the Board meeting held in March 2015 and its approval at the 66th Ordinary General Meeting of Shareholders held on June 25. Through the establishment of the Audit and Supervisory Committee comprising a majority of outside directors, we will reinforce the audit and supervisory functions over legality and adequacy of our execution of business affairs, and further strengthen the corporate governance system and achieve greater management transparency.

Diagram of a company with Audit and Supervisory Committees

 Director
 Outside Director



Note: Directors who are Audit and Supervisory Committee members are separate from other directors and are elected by a resolution of General Meeting of the Shareholders.

Vietnam Refinery Soon to Be Completed

In Vietnam, where we established a subsidiary in March 2014 as a means to strengthen our precious metal recovery network in East Asia, a refining plant is already under construction and will soon be completed and begin operation. Japanese electronics companies are actively entering Vietnam and demand for precious metal recovery is expected to increase over the medium to long-term. The new plant is capable of efficient precious metal recovery and is located in Thang Long Industrial Park II that many electronics and electronic parts manufacturers have moved to. We will accelerate the recovery and refining of precious metals locally and move steadily forward to become the leading refining company in East Asia through the operation of this factory.



Matsuda Sangyo (Vietnam) Co., Ltd. and site slated for factory



Vietnam

[Factory profile]

Location: Thang Long Industrial Park II, Yen My District, Hung Yen Province, Socialist Republic of Vietnam
Core operations: Precious metal refining
Start-up: September 2015 (plan)

Awarded “Gold Prize” from the Government of Thailand for Our Refining Technology

In 2000, we established a subsidiary in Thailand as a sales base engaging in the recovery of precious metal scrap. In 2003, we built a pre-processing plant for precious metal refining and in 2007 began operation of precious metal refining processes. Since then, the subsidiary has acted as the hub for our precious metal recovery and refining network in East Asia. Recently, this subsidiary was awarded the “Gold Prize” for its highly acclaimed precious metal recovery and refining technology in the “Review of Health and Safety Compliance of Waste Processing Plants” by Thailand’s Ministry of Industry.

At our Thai subsidiary, we have installed the same state-of-the-art technology that we have in Japan, such as the exhaust gas treatment system, in our recycling process for electronic products that are outside of specifications, raw material waste from x-ray film, and other items. Since the Thai subsidiary was awarded the “Silver Prize” in 2011, it has utilized its environmental management system to improve environmental protection technology and was awarded the “Bronze Prize” in 2012, and now the “Gold Prize.” The “Gold Prize” was awarded not only to the Ayutthaya head office, but also to the Chonburi sales office which was established in 2013.



Thai subsidiary (Ayutthaya)



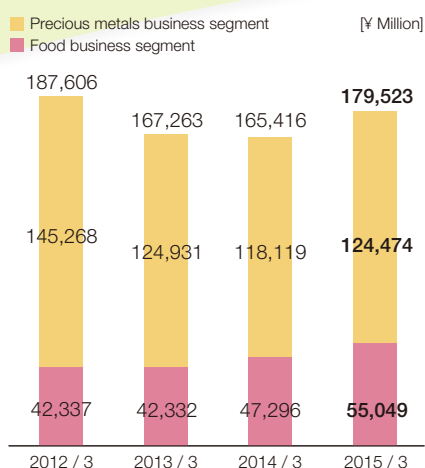
Chonburi sales office



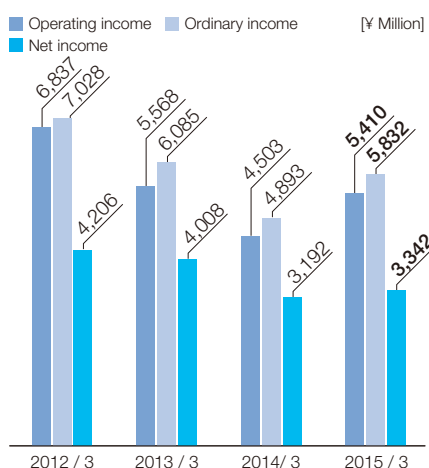
Award ceremony and commendation certificate

Consolidated Financial Highlights

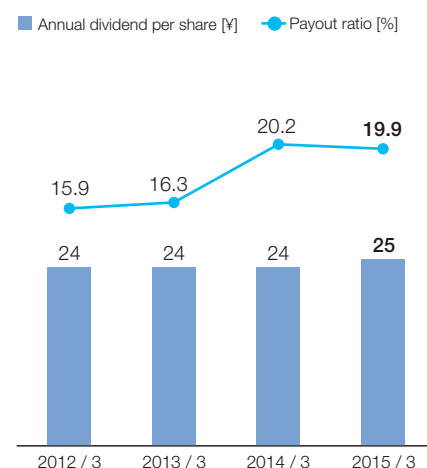
Net sales



Operating income / Ordinary income / Net income

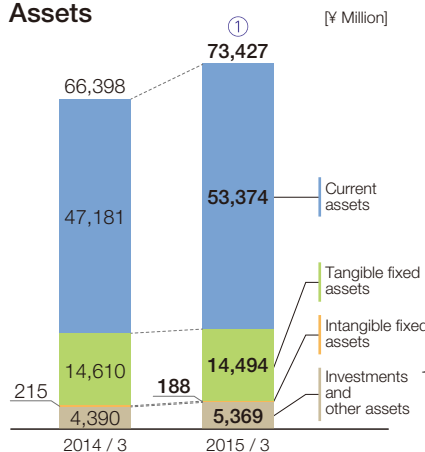


Annual dividend per share / Payout ratio

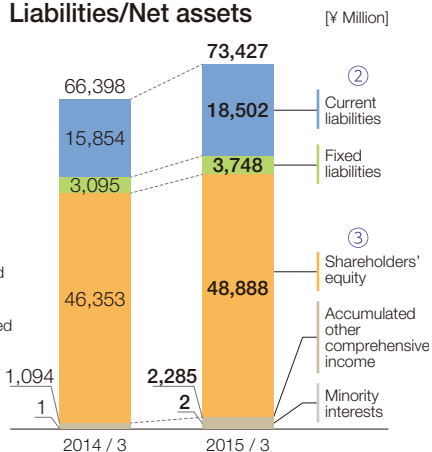


Consolidated balance sheet

Assets

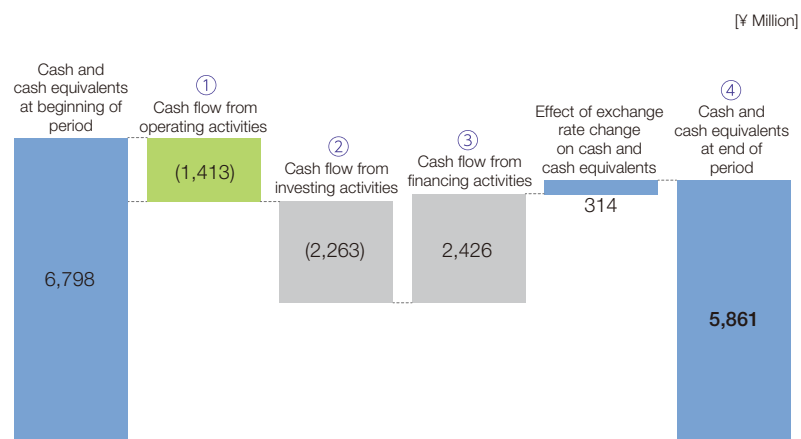


Liabilities/Net assets



- Total assets increased ¥7,208 million year on year. This mainly reflected increases in inventories and property, plant and equipment that outweighed a decline in cash and deposits and accounts receivable.
- Total liabilities increased ¥3,301 million year on year. This was mainly attributable to increases in loans and accrued income taxes, which exceeded a decrease in other accounts payable.
- Net assets increased ¥3,726 million year on year. This reflected an increase from net income, which outweighed decreases due to dividends paid and the purchase of treasury stock, as well as an increase in other comprehensive income such as foreign currency translation adjustments.

Statements of cash flow



- Operating activities used net cash of ¥1,413 million. This mainly reflected the difference between cash provided from income before income taxes and depreciation, excluding equity in earnings of affiliates, versus cash used for income taxes paid and increases in notes and accounts receivable – trade, and inventories.
- Investing activities used net cash of ¥2,263 million. This was chiefly due to the purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants.
- Financing activities provided net cash of ¥2,426 million. This mainly reflected a decrease in cash due to dividends paid outweighed by an increase in loans.
- As a result of the above, the balance of cash and cash equivalents as of March 31, 2015 stood at ¥5,861 million, a decrease of ¥937 million year on year.

Company Information

Company Overview (As of March 31, 2015)

Corporate name	MATSUDA SANGYO Co., Ltd.
Head office	Shinjuku Nomura Bldg. 26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Foundation	June 18, 1951
Common stock	¥3,559 million
Number of employees	989
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, 2015)

President and Representative Director	Yoshiaki Matsuda
Vice-president and Director	Koji Tsushima
Senior Managing Director	Tsuneo Tokunaga
Managing Directors	Kenji Hosoda Yuji Katayama
Directors	Takashige Sasaki Ryuichi Yamazaki Yasuyuki Ito Nobuaki Baba Atsushi Kinoshita Kenji Isawa
Audit and Supervisory Committee members	Toshihiko Uchiyama Hiroyuki Kumasaka Kazuo Higuchi Toshinori Nakaoka

* Audit and Supervisory Committee members are all outside directors.

Offices and Factories (As of March 31, 2015)

Precious metals division	Head office / Sendai / Mito / Tokyo / Nagano / Nagoya / Osaka / Kanazawa / Fukuyama / Fukuoka / Kagoshima / Taiwan
Food products division	Head office / Sendai / Shiogama / Iwaki / Tokyo / Odawara / Nagoya / Osaka / Matsuyama / Fukuoka / Quality Assurance Department
Environment division	Head office / Sendai / Saitama / Tokyo Sales Office 1 / Tokyo Sales Office 2 / Mito / Kanagawa / Nagoya / Osaka / Fukuoka
Production division	Musashi factory / Musashi No.2 factory / Musashi No.3 factory / Iruma factory / Iruma No.2 factory / Research and development center

Affiliates (As of March 31, 2015)

MATSUDA RYUTSU Co., Ltd.	Truck transportation, sales of raw materials for food processing
MATSUDA ECOLOGY Co., Ltd.	Vehicle management, sales of precious metal products
HOKKAIDO AOKI KAGAKU Co., Ltd.	Collection, transportation and processing of industrial waste, recovery and sales of metal raw materials
JAPAN MEDICAL TECHNOLOGY Co., Ltd.	Recovery and sales of metal raw materials
Z.E.R.O. JAPAN Co., Ltd.	Development and sales of Vacuum Thermal Recycling (VTR) furnaces
NIPPON MICROMETAL CORPORATION	Production and sales of metal products for the electronics industry

Subsidiaries (As of March 31, 2015)

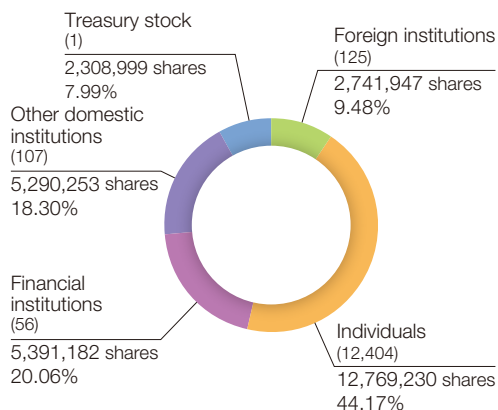
Precious metals business segment	Matsuda Sangyo (Thailand) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Philippines) Corporation	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Singapore) Pte. Ltd.	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
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

Stock Information

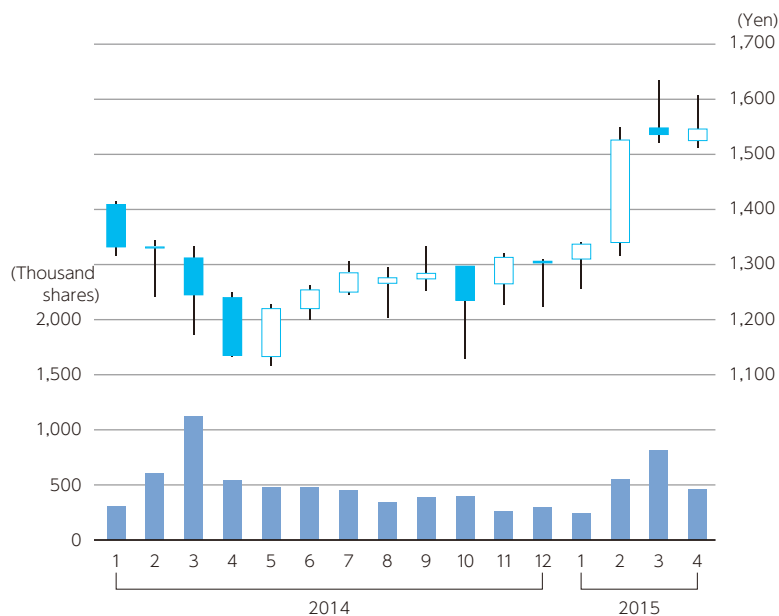
Stock Data (As of March 31, 2015)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	12,693

Distribution of Shares (As of March 31, 2015)



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

Quoted securities exchange

URL for public notices

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
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081

Toll free: 0120-232-711 (only in Japan)

Tokyo Stock Exchange

<http://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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