



BUSINESS REPORT

Year ended March 31, 2016

**For Prosperity
and
a Beautiful Earth**

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
64.3%

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 approved for trading 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
35.7%

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 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.

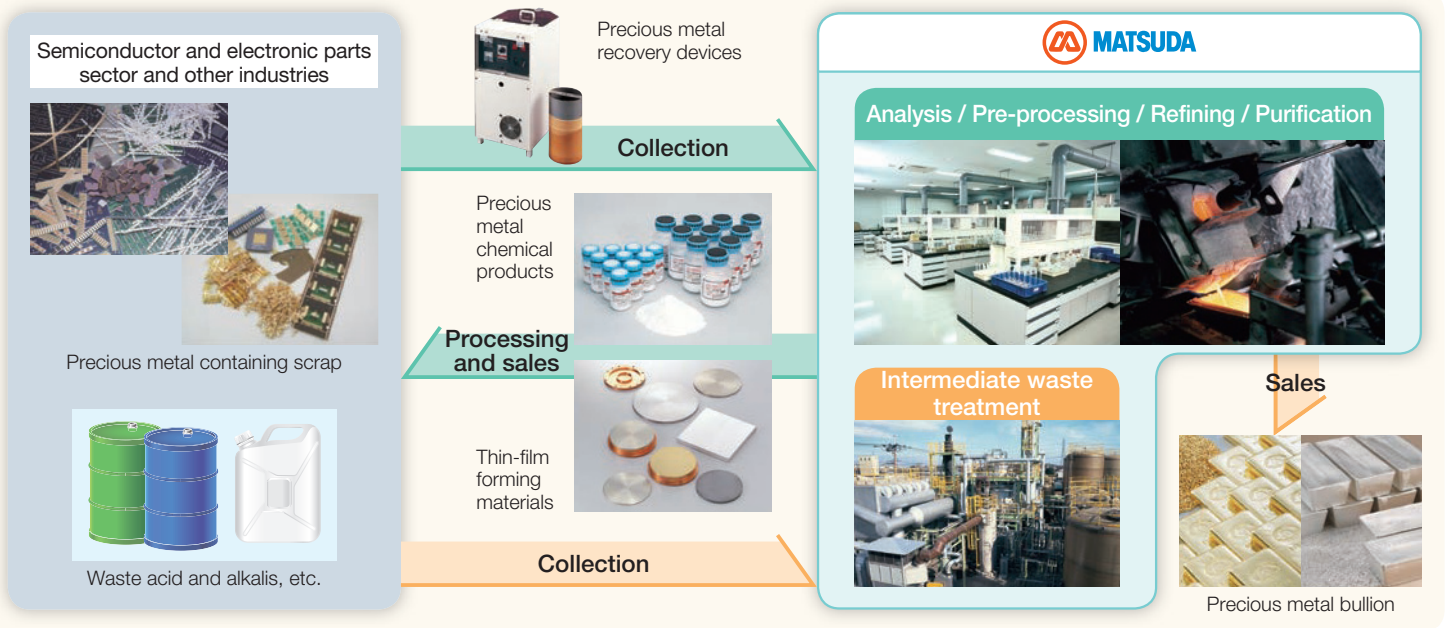
Strengths of the food business

1. 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.

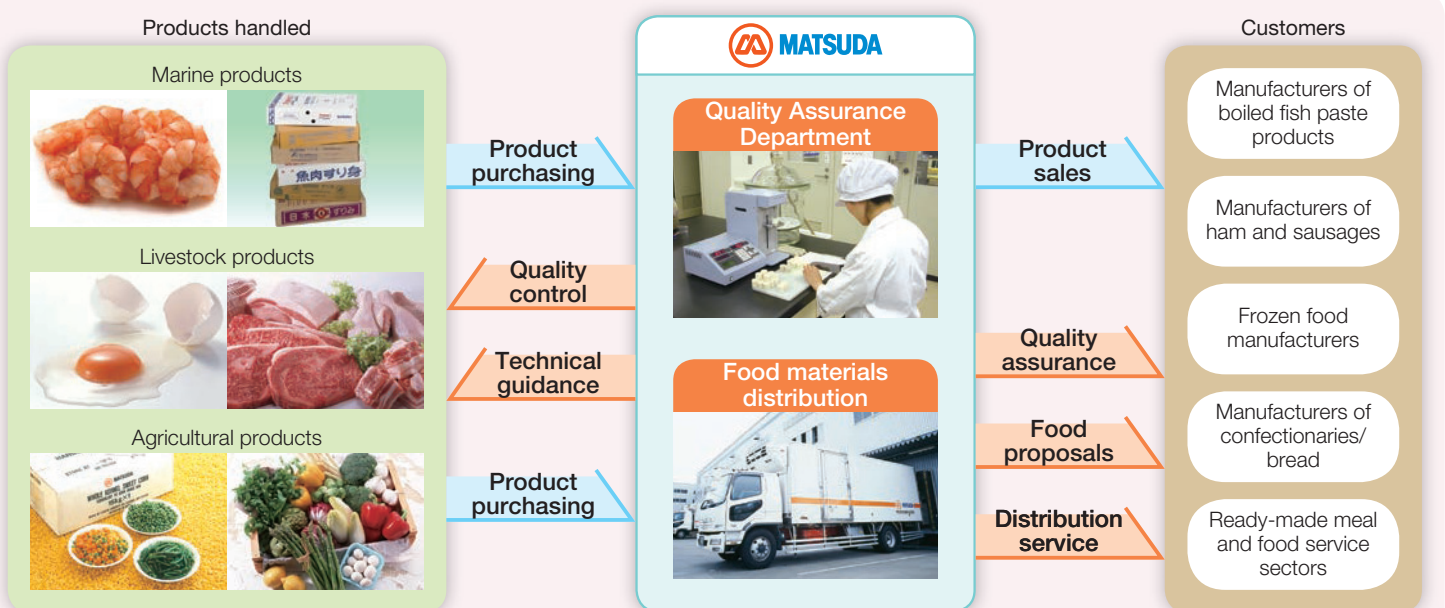


The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which 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 improve our corporate value under the Medium-term Management Plan (FY 2016 – 2018)



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 2016 (April 1, 2015 to March 31, 2016), 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, 2016

The Japanese economy stayed on a track to a modest recovery backed by improving employment conditions and an upturn in corporate earnings, mainly in the non-manufacturing sector. However, production activity in the manufacturing industry and consumer spending were on the weak side.

Under these conditions, in the precious metals business segment, sales and profit decreased due to a decline in precious metal recycling volume, weaker sales of precious metal products and electronic materials and fluctuations in precious metal market prices, despite our efforts to secure precious metal materials, sell chemical products and expand industrial waste treatment outsourcing business and upgrade overseas business sites including new plant in Vietnam. In the food business segment, sales increased on the back of higher sales volume and prices for marine and livestock products as we strengthened overseas business sites and proposed products in tune with customer needs. However, profit decreased due to the higher cost of sales and SG&A expenses.

As a result, consolidated net sales for the fiscal year ended March 31, 2016 decreased 9.7% year on year to ¥162,065 million, and operating income dropped 42.2% to ¥3,125 million. Ordinary income fell 35.1% to ¥3,782 million, and profit attributable to owners of parent decreased 23.0% to ¥2,573 million.

We paid a year-end dividend of ¥14 per share, ¥1 increase from our forecast at the start of the fiscal year, reflecting an ordinary dividend of ¥13 per share and a public stock offering 20th anniversary commemorative dividend of ¥1. Together with the interim dividend (both ordinary and commemorative dividends), we paid a full-year dividend of ¥28 per share. We plan to pay an ordinary full-year dividend of ¥28 per share for the fiscal year ending March 2017.

Highlights for the fiscal year ended March 31, 2016

Precious metals business segment

- April 2015
Exhibited at 2nd METAL JAPAN
(Highly-functional Metal Expo)
- June 2015
Exhibited at JPCA Show 2015

Food business segment

- February 2016
Acquired all shares of Gulf Foods
Co., Ltd.

Other business areas

- June 2015 – December 2015
(multiple times)
Acquired treasury stock

New Medium-term Management Plan (FY 2016 – 2018)

Matsuda Sangyo has put in motion the new Medium-term Management Plan (from fiscal year ending March 2017 to March 2019) aimed at further increasing corporate value. Based on our corporate philosophy of “contribute to society through its business activities by effectively using the world’s limited resources,” we aim to continue developing as a Group by supplying high added value that accurately addresses customer needs, using the precious metals business segment to expand operations and drive growth and the food business segment to generate stable growth. We set a target of achieving a ratio of ordinary income to total assets of at least 10% over the medium and long term, with the aim of increasing profitability and enhancing management efficiency.

We have formulated the following five management strategies and will work to achieve them as a matter of priority; “Boost earnings in existing businesses,” “cultivate new sources of earnings,” “actively expand the business in East Asia,” “build an optimum management framework,” “nurture and hire human resources.”

In the precious metals business segment, we will work to increase market share and improve profitability by supplying products and services with high environmental value. Specifically, we will maximize our expertise built up over many years to handle more items that match customer needs. Also, we will expand the business by stepping up the development of new electronic materials and cleaning and maintenance technologies that help improve customers’ productivity. And we will make full use of our local network to develop our globally competitive regional strategy with the aim to becoming East Asia’s leading refining company.

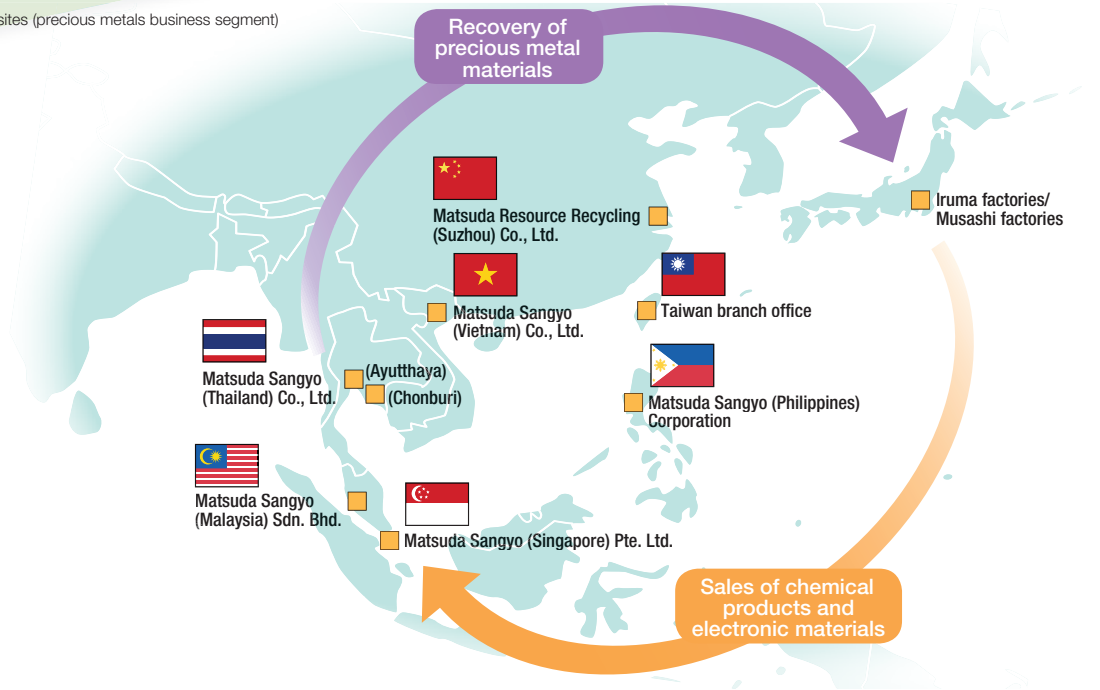
In the food business segment, we will use our unique expertise in areas such as quality assurance and procurement to supply safe, reliable, high-quality food ingredients in order to cultivate demand for our products and improve profitability. Moreover, we aim to grow the business by offering food processing options that satisfy customer needs and by offering a new lineup of products. And in East Asia, we will use local subsidiaries in China and Thailand to secure sources of high-quality foodstuffs and to strengthen our procurement capabilities. We will also look for opportunities to expand markets for our products.

In addition to these strategies for each business segment, we will reinforce our management framework to support sound and sustained growth and actively nurture human resources. As consolidated earnings targets for the fiscal year ending March 2019, the final year of the Medium-term Management Plan, we aim to achieve net sales of ¥210 billion and operating income of ¥5 billion.

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

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, 2016

In the semiconductor and electronic component industries, our key customers, there are signs of an underlying shift in the smartphone and automotive markets that has led to an overall decline in production. The market for photosensitive materials has also continued to contract. Under these circumstances, net sales decreased as a result of volume decline in precious metal recovery and industrial waste processing in addition to the fall in prices of precious metals except gold.

Forecasts and initiatives for the fiscal year ending March 31, 2017

Although the outlook remains uncertain with concerns over economic weakness in Japan and overseas, we expect sales to increase for chemical products and electronic materials, as production seems to have bottomed out in the electronics industry. Based on the Medium-term Management Plan, we are aggressively moving to expand our domestic and overseas business sites and develop new demand for our products.

Q A large amount of precious metals is used in automobiles. Does Matsuda Sangyo deal in precious metals that are used in automotive applications?

Matsuda Sangyo engages in transactions with a broad range of customers in the electronics industry. We sell and recycle precious metal materials for electronic components that are used in automobiles. We think that this market has considerable growth potential, given the increasing usage of electronics in automobiles to improve safety and make self-driving cars a reality in the future.

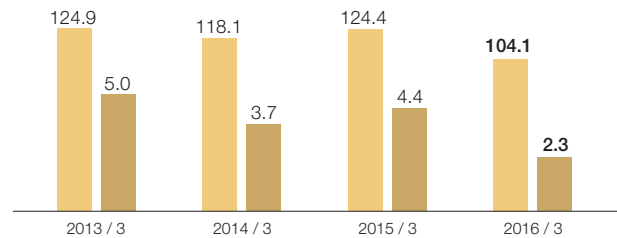
Net sales

¥104.1 billion
(16.3% decrease year on year)

Operating income

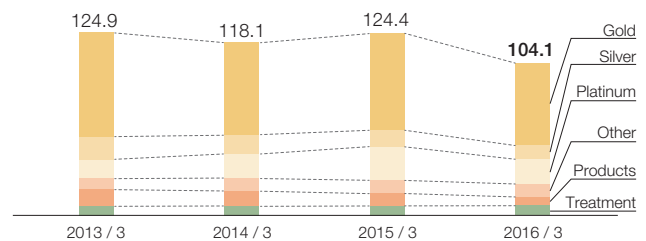
¥2.3 billion
(47.4% decrease year on year)

Net sales Operating income [¥ Billion]



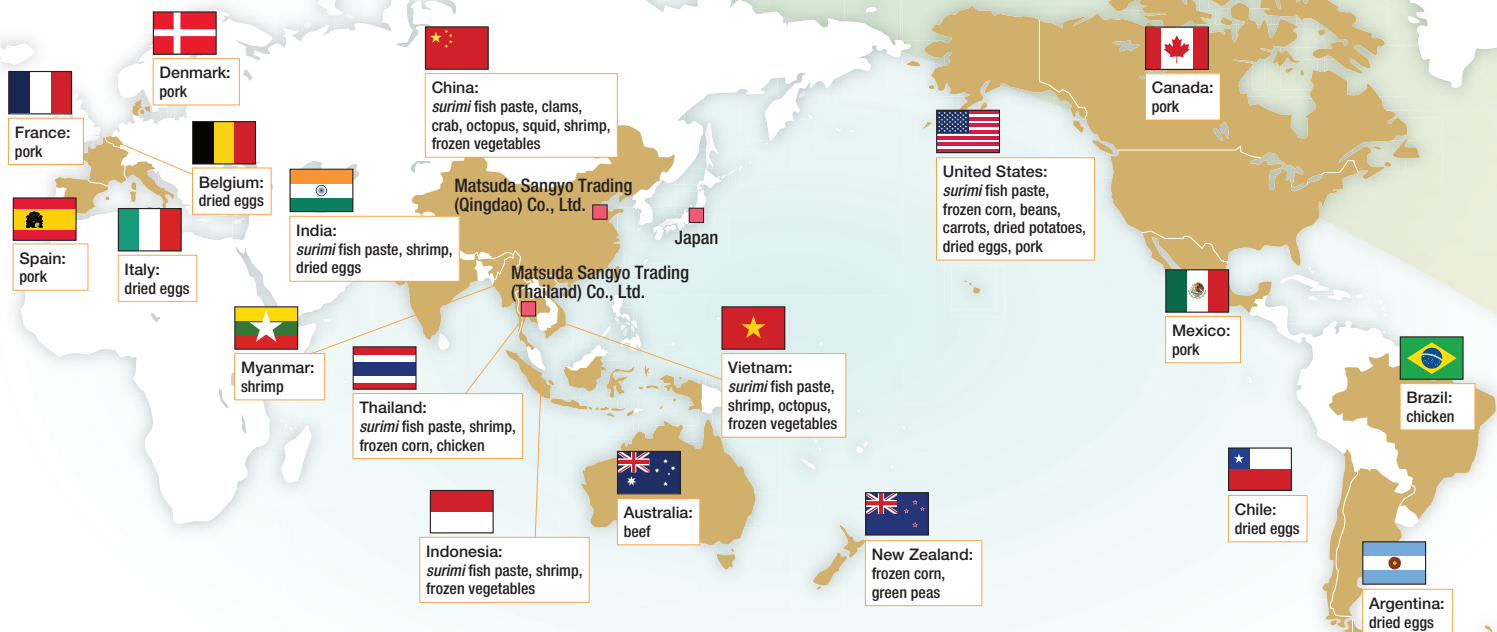
Net sales by item

[¥ Billion]



Food Business Segment Sites and Main Suppliers

■ Sites (food business segment) ■ Food suppliers



Food business segment

Performance in the fiscal year ended March 31, 2016

The production index in the food processing industry rose slightly, but challenging business conditions continued amid a weak individual consumer confidence. Net sales grew on higher prices and there was an increase in sales volume for marine and livestock products, despite a sales decline of agricultural products.

Forecasts and initiatives for the fiscal year ending March 31, 2017

Amid expectations for increasing demand for high-valued products backed by moderate improvement in the domestic economy, we aim to secure earnings through synergies with Gulf Foods Co., Ltd. of which all shares we acquired in February 2016, and sales initiatives geared specifically to customer needs, including the active use of overseas business sites.

Q What impact has the boom in Japanese cuisine and stronger demand from foreign tourists had on the food business segment?

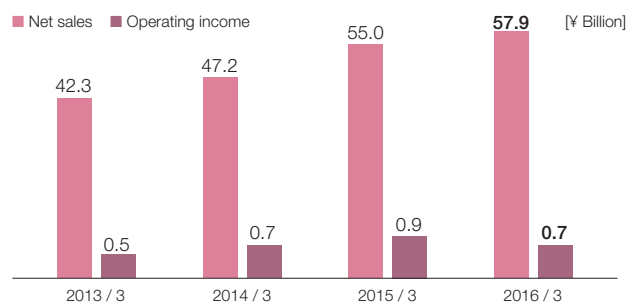
People around the world are increasingly interested in Japanese cuisine for its reputation for health and safety. Backed by our know-how in quality assurance accumulated over many years in the food business segment, we aim to increase sales by tapping into demand from the boom in Japanese cuisine and foreign tourism, while continuing to expand operations via our overseas subsidiaries.

Net sales

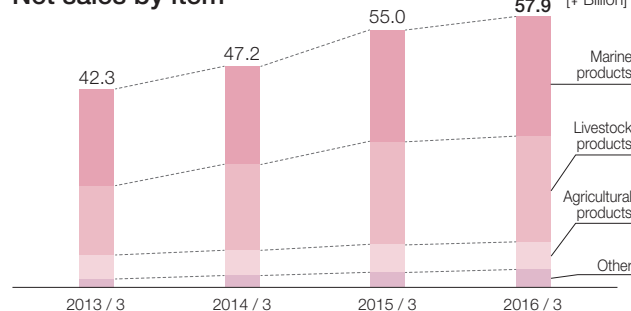
¥57.9 billion (5.2% increase year on year)

Operating income

¥0.7 billion (18.1% decrease year on year)



Net sales by item



Full-scale Operations Commence at Precious Metal Refinery in Vietnam!

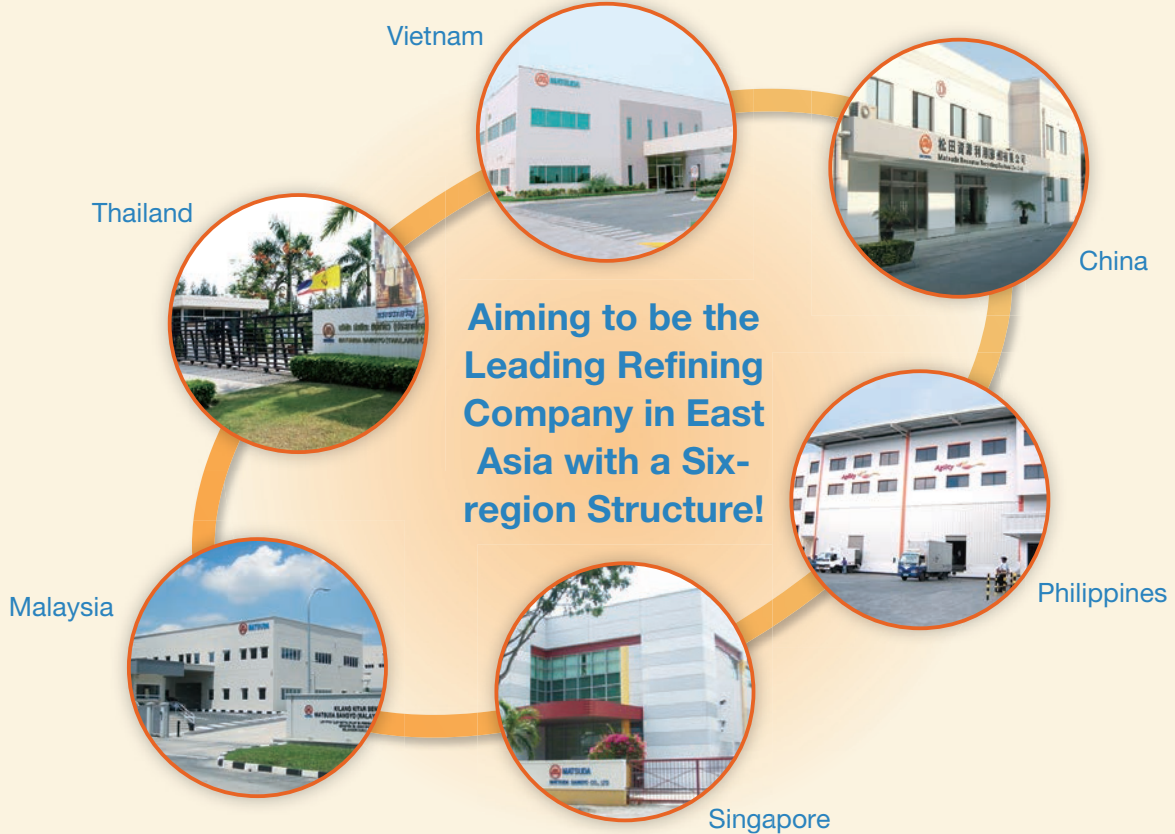
In April 2016, the precious metal refining plant that had been under construction began full-scale operations.

The new refining plant is located in the Thang Long Industrial Park II, where many Japanese electronics and electronic components manufacturers have production bases. The plant has equipment capable of efficient precious metal recovery.

The commencement of operations at the Vietnam refining plant brings the Company's precious metal recycling network comprising six sites in Singapore, Thailand, the Philippines, China (Suzhou), Malaysia, and Vietnam. Demand for precious metal recovery is expected to increase over the medium to long-term in Vietnam, we aim to accelerate the recovery and refining of precious metals and sales of precious metal materials locally, in line with our goal of becoming the leading refining company in East Asia.



Opening ceremony of the factory (April)



Acquisition of All Shares in Gulf Foods Co., Ltd.

Matsuda Sangyo has been focusing on the distribution of marine products as a core of the food business segment. We procure shrimp, squid, octopus, shellfish, frozen fish and other marine products from various regions around the world, mainly in Asia.

In February 2016, we acquired all the shares of Gulf Foods Co., Ltd., a trading company that specializes in marine products, turning it into a consolidated subsidiary. Since the company has extensive experience and know-how of import, we expect synergies to expand market area where we are deploying marine products sales and sales expansion. As a result of this acquisition, we aim to expand the food business and further improve corporate value.

[Overview of Gulf Foods Co., Ltd.]

Corporate name: Gulf Foods Co., Ltd.
Head office: Tsukiji, Chuo-ku, Tokyo
Common stock: ¥15 million
Foundation: December 1978

Established Corporate Governance Guidelines

In December 2015, Matsuda Sangyo established and published its Corporate Governance Guidelines. These guidelines are based on the intent and spirit of the Corporate Governance Code adopted in Japan in June 2015. We established these guidelines to pursue best practices in corporate governance, to attain sustainable growth and to improve corporate value while fulfilling our social responsibilities to shareholders and other stakeholders. These guidelines express our basic framework for corporate governance. The Board of Directors will periodically review these guidelines and disclose any revisions in timely and appropriate manner.



* Provided only in Japanese



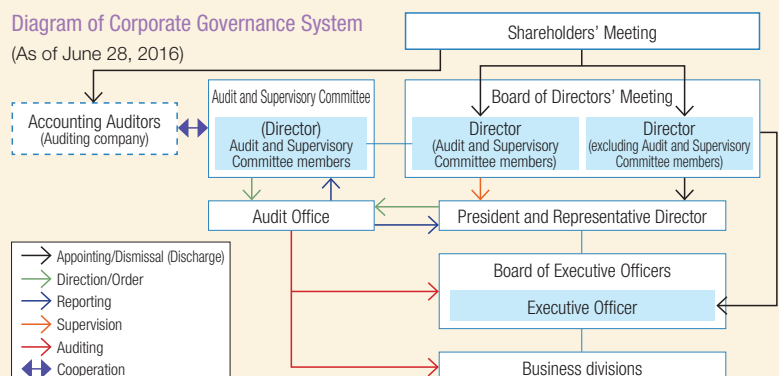
Initiated Executive Officer System

Based on amendments to the Articles of Incorporation approved at the Ordinary General Meeting of Shareholders held on June 28, Matsuda Sangyo has initiated an executive officer system.

We aim to strengthen both management functions and business execution functions by separating business execution functions from management decision-making and supervision over business execution to more appropriately and quickly respond to changes in the operating environment.

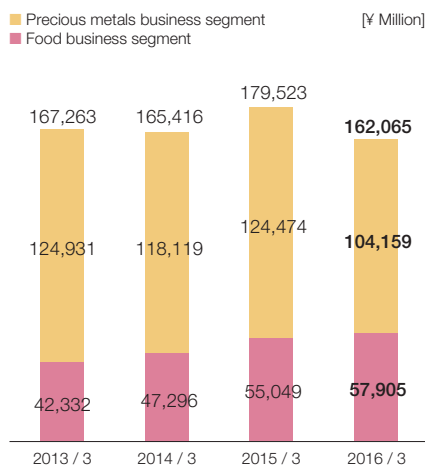
Diagram of Corporate Governance System

(As of June 28, 2016)

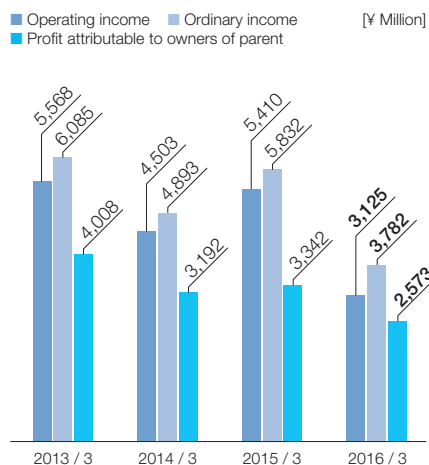


Consolidated Financial Highlights

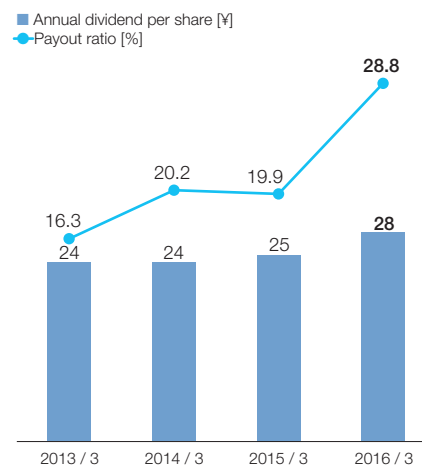
Net sales



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

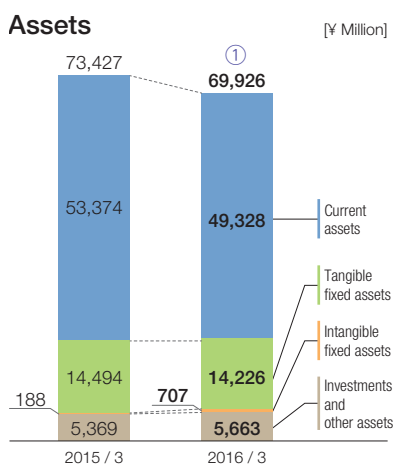


Annual dividend per share/ Payout ratio

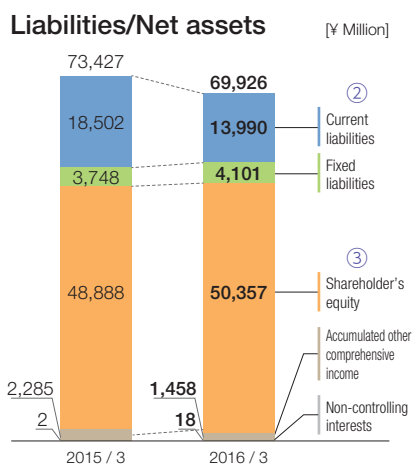


Consolidated balance sheet

Assets

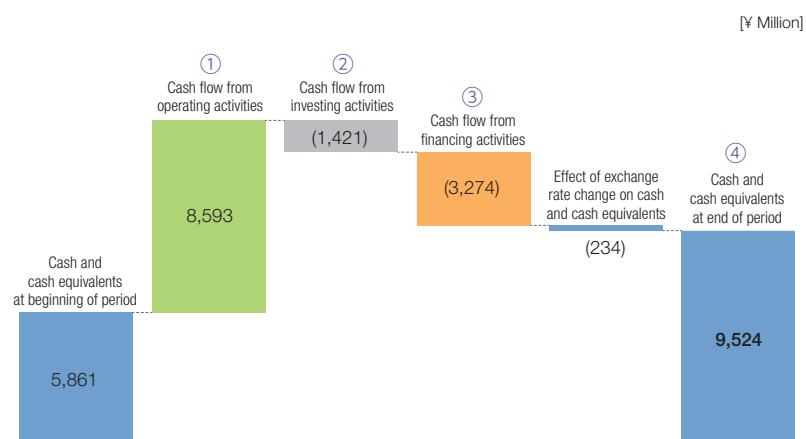


Liabilities/Net assets



- Total assets decreased ¥3,500 million year on year. This mainly reflected decreases in notes and accounts receivable—trade, inventories and other current assets, which outweighed an increase in cash and deposits.
- Total liabilities decreased ¥4,159 million year on year. This was mainly attributable to decreases in notes and accounts payable—trade, loans and accrued income taxes.
- Net assets increased ¥658 million year on year. This mainly reflected an increase in profit attributable to owners of parent, which exceeded decrease in net assets due to the payment of dividends, the acquisition of treasury shares, and declines in other comprehensive income including foreign currency translation adjustment.

Statements of cash flow



- Operating activities provided net cash of ¥8,593 million. This mainly reflected the difference between cash provided from income before income taxes, depreciation, decrease in notes and accounts receivable—trade, and decrease in inventories, versus cash used for income taxes paid.
- Investing activities used net cash of ¥1,421 million. This mainly reflected the purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants and the purchase of shares in subsidiaries.
- Financing activities used net cash of ¥3,274 million. This mainly reflected a decrease in loans, cash dividends paid, and the purchase of treasury shares.
- As a result of the above, the balance of cash and cash equivalents as of March 31, 2016 stood at ¥9,524 million, an increase of ¥3,663 million year on year.

Company Information

Company Overview (As of March 31, 2016)

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	1,050
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 28, 2016)

President and Representative Director	Yoshiaki Matsuda	Audit and Supervisory Committee members	Toshihiko Uchiyama Kazuo Higuchi Toshinori Nakaoka Shinichi Hatakeyama
Vice-president and Director	Koji Tsushima		
Directors	Yuji Katayama Takashige Sasaki Ryuichi Yamazaki Atsushi Kinoshita Kenji Isawa	* Audit and Supervisory Committee members are all outside directors.	

Offices and Factories (As of March 31, 2016)

Metal/Environment Sales Division	Sendai / Mito / Tokyo / Tokyo Sales Office 2 / Kanagawa / Nagano / Nagoya / Kanazawa / Osaka / Fukuyama / Fukuoka / Kagoshima
Urban Recycle Business Dept.	Sendai / Saitama / Tokyo / Kanagawa / Nagoya / Osaka / Fukuoka
Foods Division	Sapporo / Sendai / Shiogama / Iwaki / Kita Kanto / Tokyo Sales Office 1 / Tokyo Sales Office 2 / Odawara / 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 / Quality Assurance Department

Affiliates (As of March 31, 2016)

MATSUDA RYUTSU Co., Ltd.	Truck transportation
MATSUDA ECOLOGY Co., Ltd.	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
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, 2016)

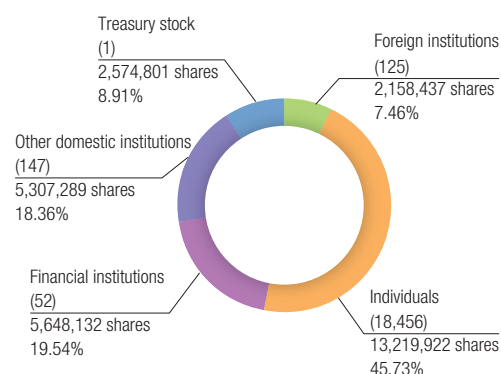
Precious metals business segment	Matsuda Sangyo (Thailand) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Philippines) Corporation	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Singapore) Pte. Ltd.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

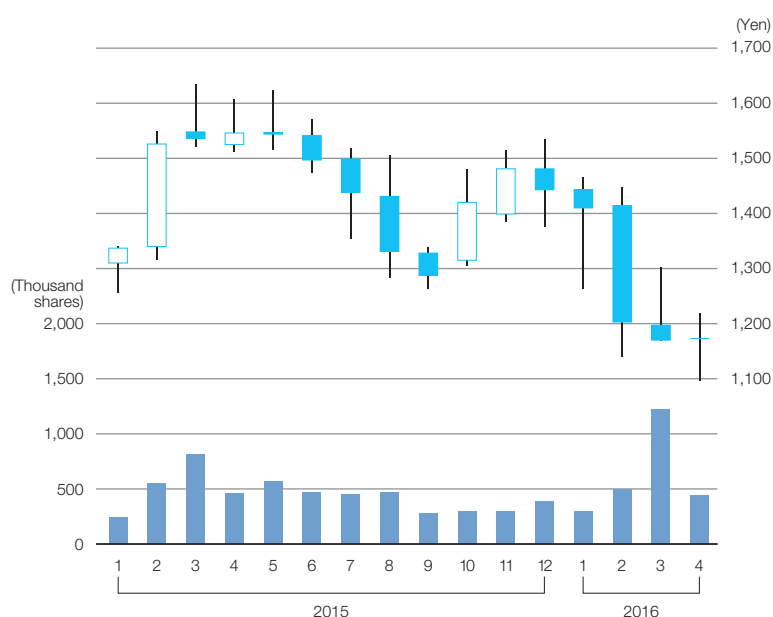
Stock Data (As of March 31, 2016)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	18,781

Distribution of Shares (As of March 31, 2016)



Stock Price and Trading Volume



Investor Information

Business year	April 1 to the following March 31
Register closing date for term-end dividend payments	March 31
Register closing date for interim dividend payments	September 30
General meeting of shareholders	June every year
Shareholder register administrator and Transfer account management institution for special account	Mitsubishi UFJ Trust and Banking Corporation
Contact	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)
Quoted securities exchange	Tokyo Stock Exchange
URL for public notices	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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