

**For Prosperity
and
a Beautiful Earth**

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
62.7%

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
37.3%

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.

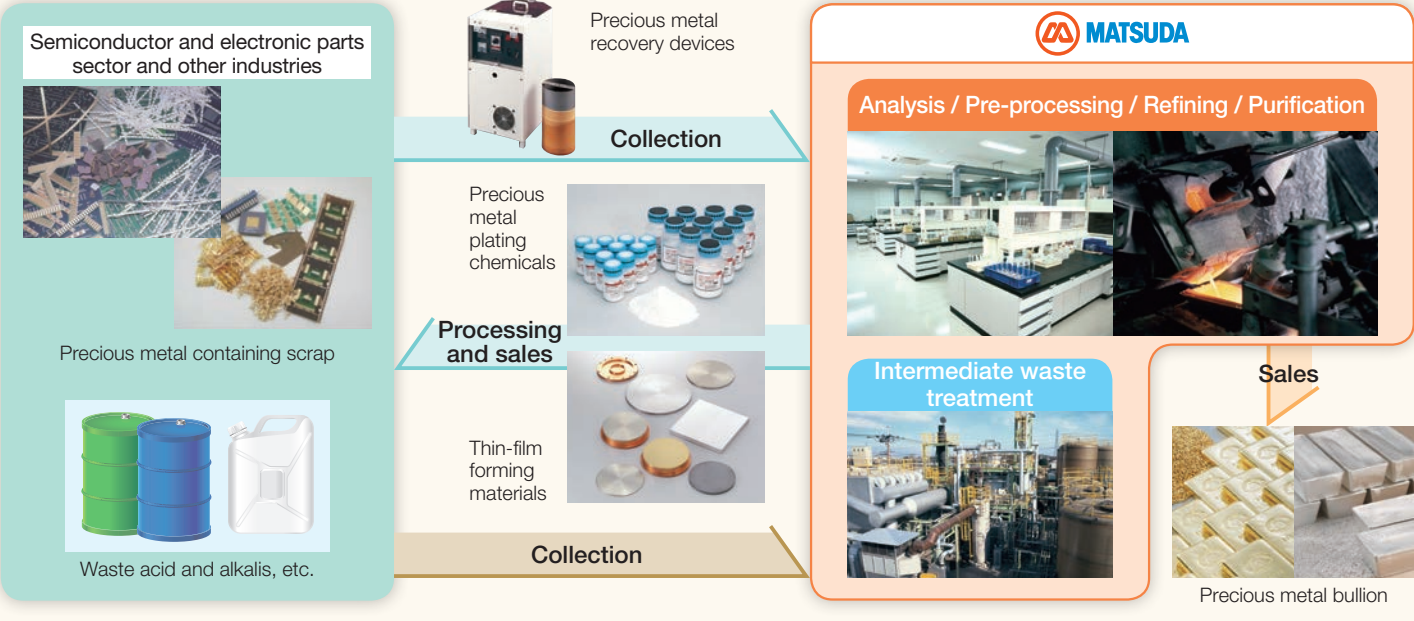
Strengths of the food business

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.

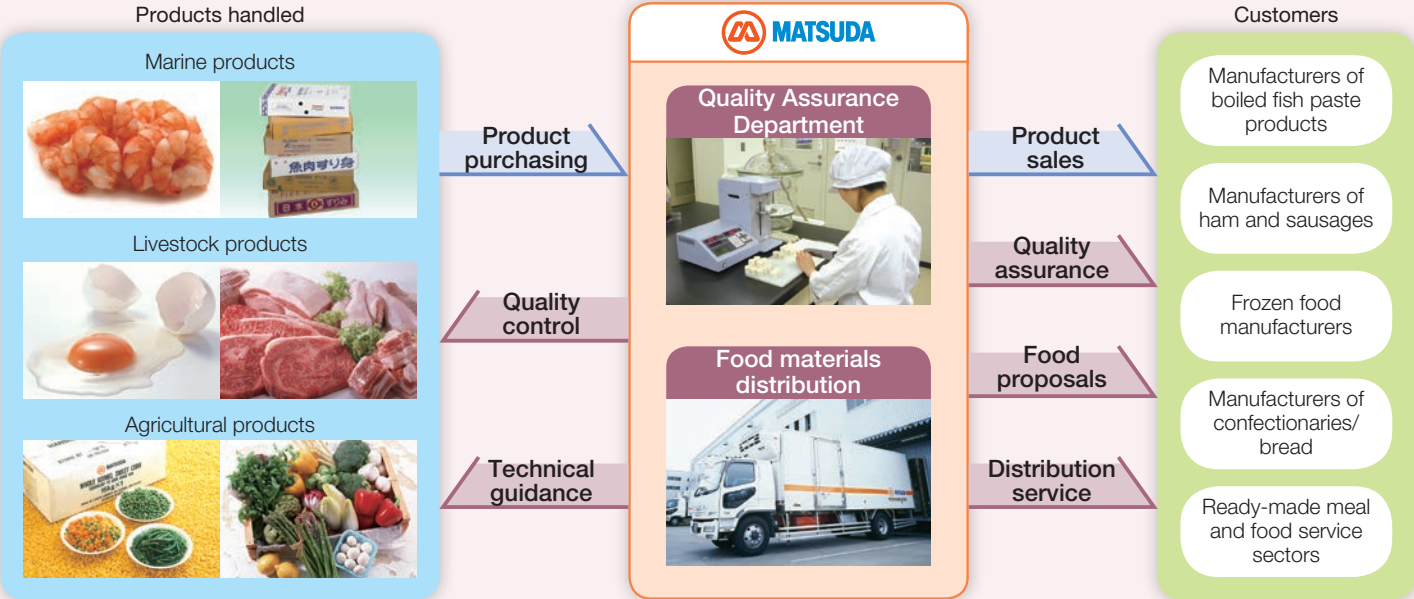


The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which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

Flow of Operations



Flow of Operations



We aim for sustainable development by continuing to provide high added value in tune with customer needs.



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 2017 (April 1, 2016 to March 31, 2017), 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, 2017

In the fiscal year ended March 31, 2017, the Japanese economy underwent a moderate recovery with an improvement in corporate earnings and employment conditions, but consumer spending was weak and concerns about labor shortages persisted. The outlook remained unclear, with uncertainties in the global economy and heightened geopolitical risks.

Amid these circumstances, in the precious metals business segment, Matsuda Sangyo focused its efforts on securing precious metal materials, increasing sales of precious metal plating chemicals and other products, and expanding industrial waste treatment outsourcing business. Our refining plant in Vietnam ramped up operations, and we created a two-base production structure in Japan with the opening of a new plant in Seki City, Gifu Prefecture. The volume of precious metal recycling increased from the second half of the fiscal year, but the industrial waste treatment volume and sales of electronic materials decreased. Due to these factors with fluctuations in precious metal market prices, both sales and profits declined in the precious metals business segment. In the food business segment, sales and profits increased as a result of efforts to expand sales volume through aggressive marketing activities via our sites in Japan and overseas, in addition to the development and supply of products that match customer needs.

As a result, consolidated net sales for the fiscal year ended March 31, 2017 increased 0.6% year on year to ¥163,054 million, and operating income decreased 5.3% to ¥2,960 million. Ordinary income decreased 8.5% to ¥3,459 million, and profit attributable to owners of parent decreased 4.6% to ¥2,454 million.

We paid a year-end dividend of ¥14 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 ¥28 per share. We plan to pay an ordinary full-year dividend of ¥28 per share for the fiscal year ending March 2018.

Highlights for the fiscal year ended March 31, 2017

Precious metals business segment

- **April 2016**
Exhibited at 3rd METAL JAPAN (Highly-functional Metal Expo)
- **May 2016**
Exhibited at N-EXPO 2016 (New Environment Exposition 2016)
- **June 2016**
Exhibited at JPCA Show 2016
- **September 2016**
Acquired plant and facilities in Seki City, Gifu Prefecture
- **October 2016**
Exhibited at TPCA Show 2016 (Taiwan)

- **January 2017**
Exhibited at 18th IC & Sensor Packaging Technology EXPO

Food business segment

- **January 2017**
Decided to establish the International Business Development Dept. (set up in April 2017)

Other business areas

- **May 2016**
Started New Medium-term Management Plan (FY 2016–2018)
- **June 2016**
Initiated Executive Officer System

We aim to secure growth and earnings potential by continuing to provide high added value in tune with customer needs

The Group advances its Medium-term Management Plan (FY 2016–2018) and positions the precious metals business segment as the driver of growth and the food business segment as the stable growth division, based on its corporate philosophy to “contribute to society through the effective use of the earth’s limited natural resources via businesses.” We aim to achieve sustained growth by continuing to provide high added value in tune with customer needs.

We have revised the numerical targets for the final fiscal year of the Medium-term Management Plan to reflect a decline in the volume of precious metal usage due to metal-saving initiatives at customers, weaker margins, and a delay in the market share expansion overseas in the precious metals business segment, as well as an increase in upfront investments overall. We continue to target a ratio of ordinary income to total assets of at least 10% over the medium and long term, with the aim of improving profitability and management efficiency. We have set new consolidated earnings targets for net sales of ¥200 billion and operating income of ¥4 billion in the fiscal year ending March 31, 2019. To achieve these targets, we are focusing on five key 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.” Ultimately, our aim is to increase corporate value and shareholder value over the longer term.

In the precious metals business segment, we aim to aggressively expand operations by maximizing the use of the Seki Plant that opened in Gifu Prefecture in September 2016, as well as maximizing the use of our expertise and

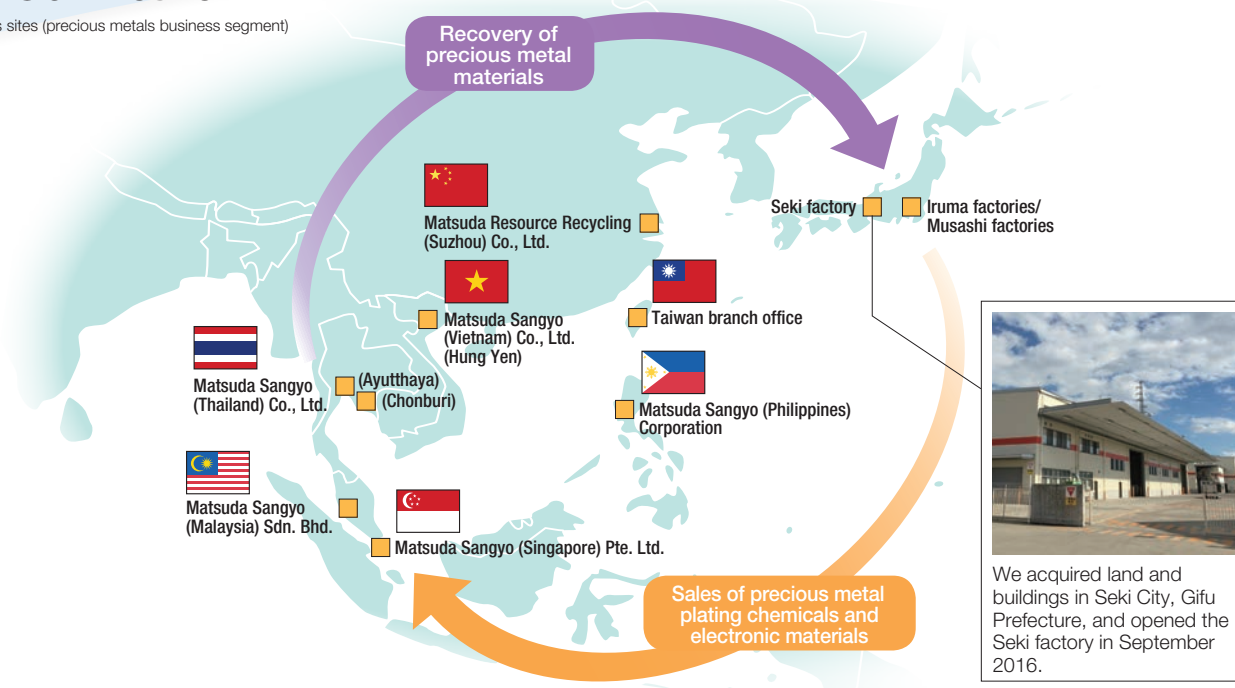
infrastructure accumulated over the years in precious metal recycling and environmental protection. We aim to increase environmental value, market share and profitability by handling more items that match customer needs and by addressing the declining volumes of gold used in products. At the same time, we intend to cultivate new sources of earnings by developing high-performance electronic materials, as well as cleaning and maintenance technologies, that help improve productivity at our customers. We will make full use of our locally focused network in Japan and overseas six regions to further these initiatives in line with our aim of becoming East Asia’s leading refining company.

In the food business segment, we will pursue synergies with Gulf Foods Co., Ltd., which we added to the scope of consolidation in February 2016. Centered on the International Business Development Dept., which was set up in April 2017, we will accelerate growth in overseas businesses. Moreover, we will use our unique expertise in areas including quality assurance and procurement to supply safe, reliable, high-quality food ingredients meeting customer needs. Through these efforts, Matsuda Sangyo aims to expand markets and increase earnings around the world.

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, 2017

In the semiconductor and electronic component industries, our key customers, production declined in the first half of the fiscal year, swayed by trends in smartphones and automobiles, but signs of a rebound emerged in the second half. Precious metal recycling volume began to increase in the second half of the fiscal year, and the sales volume of precious metal increased. However, net sales decreased owing to a decline in the volume of industrial waste processing, lower electronic material sales volume, and a fall in selling prices, except for silver.

Forecasts and initiatives for the fiscal year ending March 31, 2018

Despite an unclear outlook, with uncertainties in overseas economies and rising geopolitical risk affecting the Japanese economy, the domestic economy is projected to exhibit a moderate recovery. We will strengthen our business sites in Japan and overseas, and improve efficiency, while aiming to expand the scope of operations by developing new demand.

Q What initiatives and policies are being undertaken to expand the customer base further in the precious metals business segment?

We will accelerate the cultivation of non-Japanese manufacturers, while maintaining business transactions with our current customers, centered on Japanese electronics manufacturers. Overseas, we plan to expand business with non-Japanese customers by leveraging our comprehensive strengths, know-how and advanced product specs in not only the recovery of precious metals, but also the production and sale of precious metal materials.

Net sales

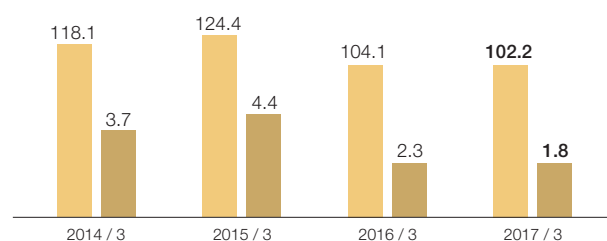
¥102.2 billion
(1.9% decrease year on year)

Operating income

¥1.8 billion
(20.9% decrease year on year)

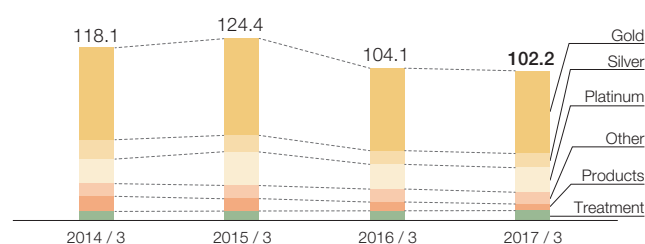
■ Net sales ■ Operating income

[¥ Billion]



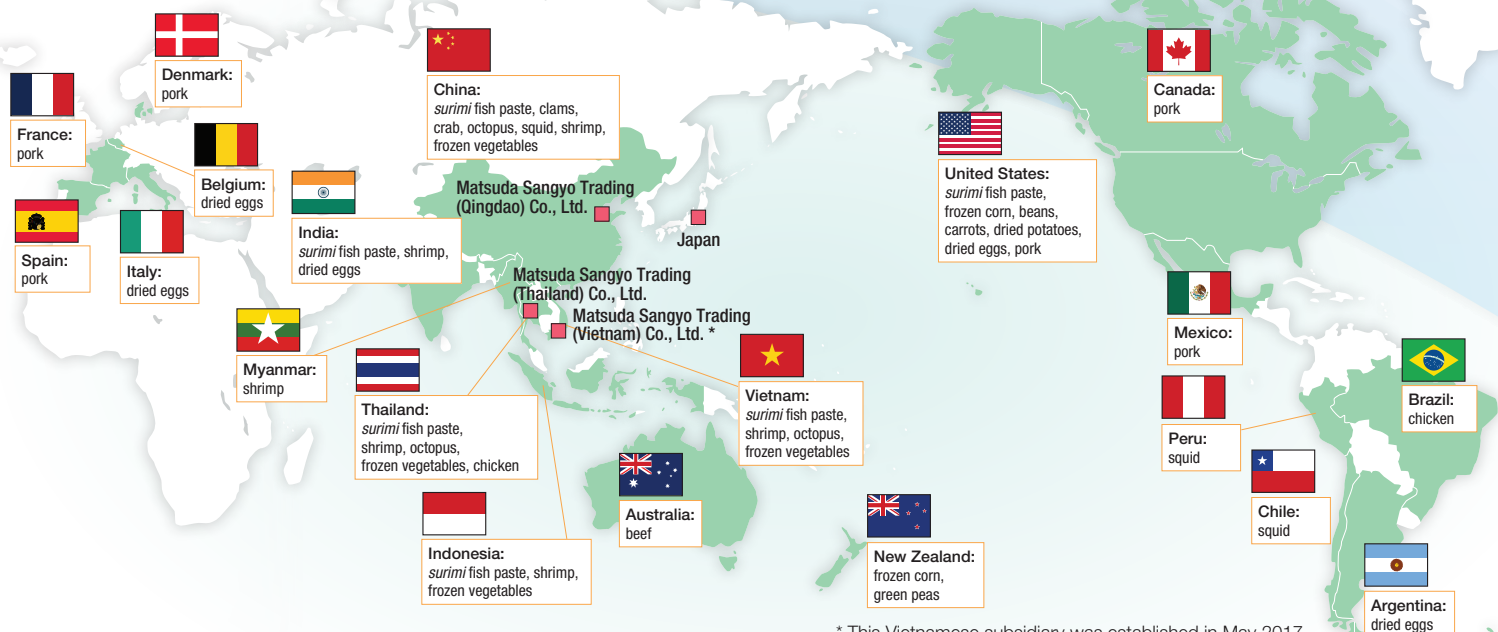
Net sales by item

[¥ Billion]



Food Business Segment Sites and Main Suppliers

■ Sites (food business segment) ■ Food suppliers



* This Vietnamese subsidiary was established in May 2017 as a part of the food business segment.

Food business segment

Performance in the fiscal year ended March 31, 2017

Although production in the food processing industry rose slightly, helped by an increase in exports of processed foods, the business environment remained challenging due to weak consumer spending and lackluster growth on the domestic market. Sales volume for *surimi* fish paste declined, and selling prices decreased in general, but net sales increased on account of a higher sales volume in marine products (excluding *surimi* fish paste), livestock products and agricultural products.

Forecasts and initiatives for the fiscal year ending March 31, 2018

Demand is expected to increase for high value-added products as the domestic economy gently recovers. Using our overseas business sites, we will engage in sales initiatives geared specifically to customer needs. By differentiating our products in terms of safety, reliability and stable supply, we aim to systematically secure earnings. Through these efforts, the food business segment will continue to contribute to earnings as a stable growth division.

Q Recently, a robust performance in the food business segment has helped improve overall stability at Matsuda Sangyo. What specific foods are helping in this way?

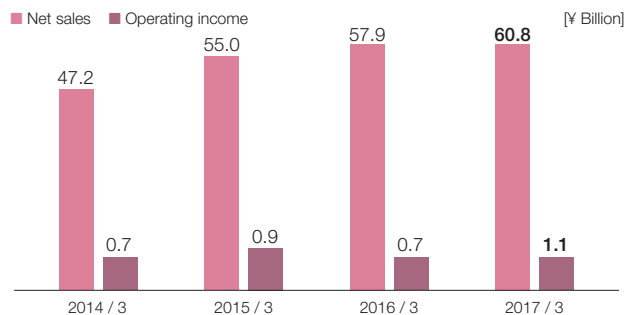
In the fiscal year ended March 31, 2017, sales volume increased for marine products including shrimp and squid, livestock products like chicken and eggs, and agricultural products such as potatoes and corn. We attribute this growth to our unique ability to provide fine processing services and attentive services to our key customers: manufacturers of processed foods including boiled fish paste products, ham, sausage and frozen foods, as well as confectionary and bread makers together with the restaurant and ready-made meal service sectors.

Net sales

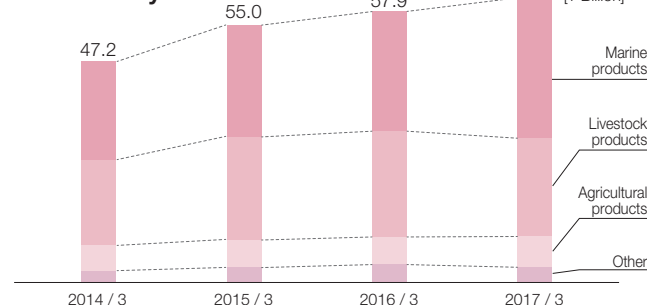
¥60.8 billion
(5.1% increase year on year)

Operating income

¥1.1 billion
(42.1% increase year on year)



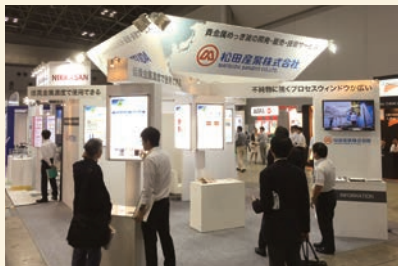
Net sales by item



Matsuda Sangyo Group Topics

Participation in Exhibitions to Further Expand Business Opportunities

In the precious metals business segment, Matsuda Sangyo proactively participated in a variety of exhibitions with the aim of showcasing its strengths and R&D initiatives, as well as to expand further its customer base. In the fiscal year ended March 31, 2017, the Company put on display its high-quality precious metal plating chemicals and electronic materials at major exhibitions, some of which are listed below. We focused our efforts on expanding business opportunities through communications with a diverse range of potential customers.



JPCA Show 2016



18th IC & Sensor Packaging Technology EXPO



3rd METAL JAPAN
(Highly-functional Metal Expo)

Rare Metal Recycling Award Received!

In October 2016, Matsuda Sangyo and TAIHEIYO CEMENT CORPORATION jointly received the Rare Metal Recycling Award as a part of the Japan Environmental Management Association for Industry's Awards for Resource Recirculation Technologies and Systems*. The award recognizes the development of new methods to recycle and process the lithium-ion batteries used in hybrid vehicles and electric vehicles.

New method jointly developed by Matsuda Sangyo and TAIHEIYO CEMENT CORPORATION

- (1) Wide-area collection (2) dismantling/separation
(3) calcination by using cement production process (4) pulverization/sorting

We have filed patents for steps (3) and (4).

Developed new recycling technologies and systems using these steps together

Demand for the recycling of lithium-ion batteries is expected to increase alongside growth in the lithium-ion battery market. Matsuda Sangyo is focusing on development with this in mind from both medium and long-term perspectives.

* The aim of this award is to stimulate recycling businesses by widely publicly canvassing, awarding, encouraging and promoting excellent businesses and initiatives with advanced technologies and systems that contribute to reducing waste (Reduce), reusing spent products (Reuse) and effectively using recycled resources (Recycle).



Ceremony for Rare Metal Recycling Award

Obtained Government Certification for Detoxifying Low-Concentration PCB

In August 2016, consolidated subsidiary Z.E.R.O. Japan Co., Ltd. obtained its second government certification from the Ministry of the Environment for detoxifying low-concentration PCB.

Matsuda Sangyo collects and transports PCB waste as one of the strengths in its environmental business, and Z.E.R.O. Japan Co., Ltd. provides high-concentration PCB pre-processing technologies to Japan Environmental Storage & Safety Corporation. The Matsuda Sangyo Group also contributes to society through the creation of technologies to concentrate, separate and detoxify a variety of hazardous substances.



N-EXPO 2017
(New Environment Exposition 2017)

International Business Development Dept. Established in Food Business Segment

In April 2017, Matsuda Sangyo created the International Business Development Dept. in the Foods Division. By working through local subsidiaries in China, Thailand and Vietnam, we have been expanding our roster of quality suppliers with excellent cost performance and developing local markets, while concentrating on expanding new customers through tripartite trade.

At the same time, we endeavor every day to provide safe and reliable food materials, working to create detailed standards and attain consistent quality by cooperating with partner factories located overseas.

Having created the International Business Development Dept., the Matsuda Sangyo Group will strengthen and augment these measures further while accelerating efforts to expand its global procurement network and related markets.

New organization of Foods Division (excerpt)



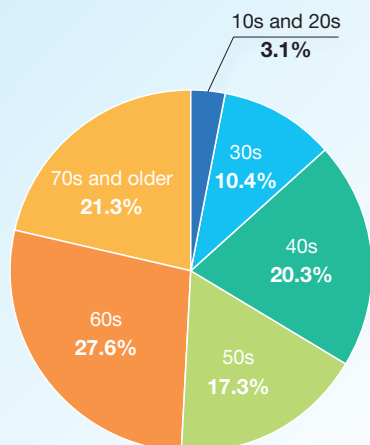
Report of Survey Results

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 67th Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2016. We appreciate the time you took to answer the questionnaire, and report some of our findings here.

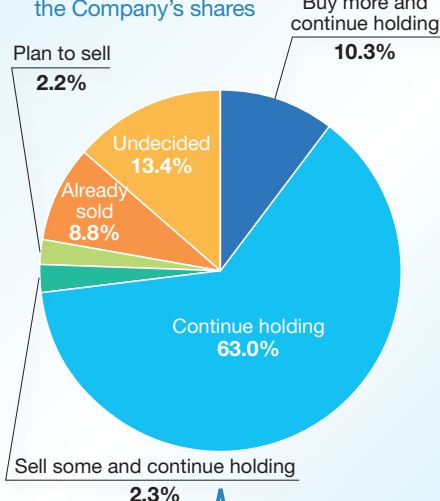
Survey period: June 28 to July 29, 2016 Response rate: 44.3%

Shareholder percentages by age group



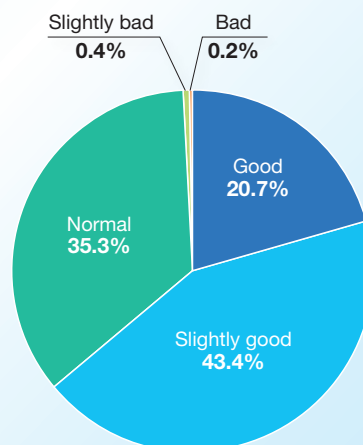
The 60s group is the largest, and combined with the 70-plus group, represent roughly half of our shareholders.

Future plan for holding the Company's shares



"Continue holding" had more than 60% of the responses, for the majority. *

Overall impression of IR Handbook



More than 60% of the respondents chose "good" or "slightly good". *

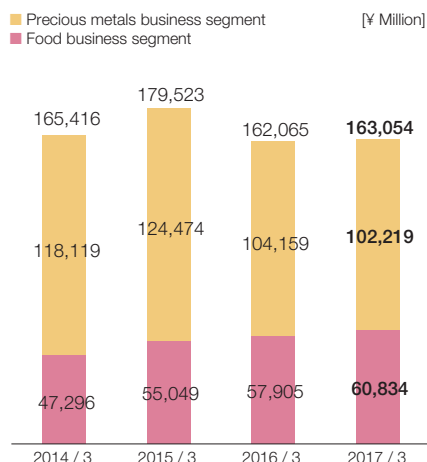
* Calculated percentages by counting multiple replies by same person.

Matsuda Sangyo will make every effort to improve communications with shareholders. We ask for your continued support and understanding.

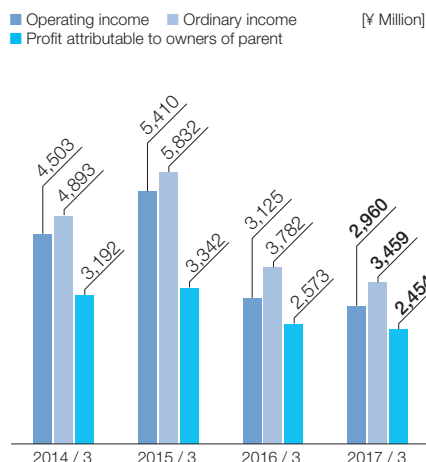
Matsuda Sangyo includes a shareholder questionnaire with the notification for the 68th Ordinary General Meeting of Shareholders. We would appreciate your cooperation answering the questionnaire.

Consolidated Financial Highlights

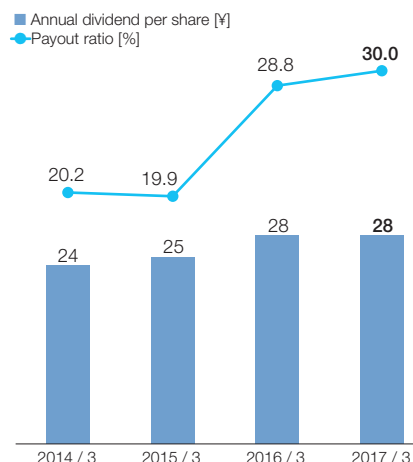
Net sales



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

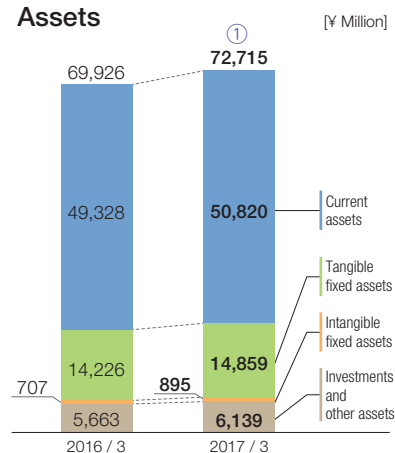


Annual dividend per share/ Payout ratio

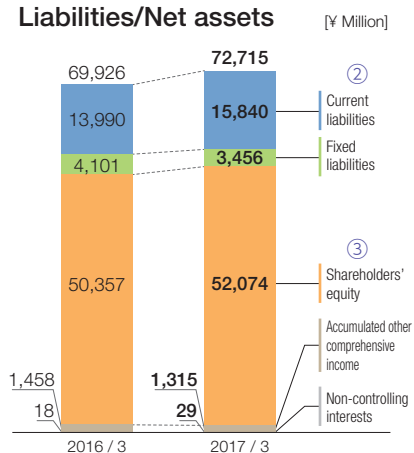


Consolidated balance sheet

Assets

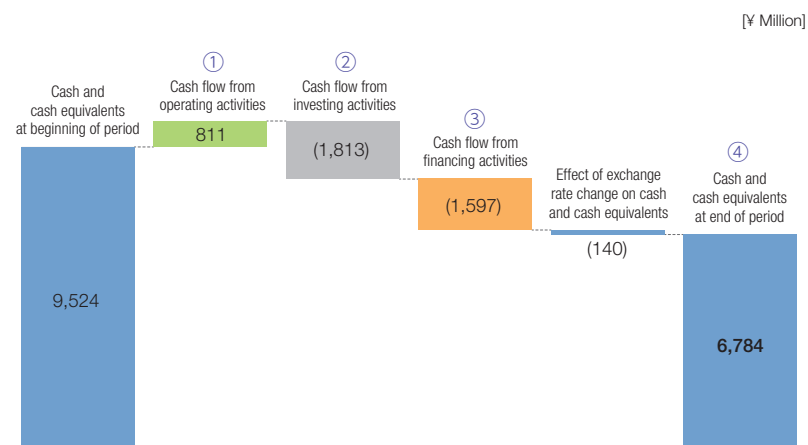


Liabilities/Net assets



- ① Total assets increased ¥2,789 million year on year. This mainly reflected increases in notes and accounts receivable—trade and inventories.
- ② Total liabilities increased ¥1,204 million year on year. This was mainly attributable to an increase in notes and accounts payable—trade.
- ③ Net assets increased ¥1,584 million year on year. This mainly reflected an increase in profit attributable to owners of parent, which exceeded a decrease in net assets due to the payment of dividends.

Statements of cash flow



- ① Operating activities provided net cash of ¥811 million. This mainly reflected income before income taxes, depreciation, and increase in accounts payable—trade, partly offset by share of profit of entities accounted for using equity method, increase in notes and accounts receivable—trade, increase in inventories, and income taxes paid on the other.
- ② Investing activities used net cash of ¥1,813 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 intangible assets including software.
- ③ Financing activities used net cash of ¥1,597 million. This mainly reflected a decrease in loans and cash dividends paid.
- ④ As a result of the above, the balance of cash and cash equivalents as of March 31, 2017 stood at ¥6,784 million, a decrease of ¥2,740 million year on year.

Company Information

Company Overview (As of March 31, 2017)

| | |
|---------------------|---|
| 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 | 1,133 |
| 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 29, 2017)

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

Offices and Factories (As of March 31, 2017)

| | |
|----------------------------------|--|
| Metal/Environment Sales Division | Sendai / Mito / Tokyo / 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 1 / Tokyo 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 / Seki factory |

Affiliates (As of March 31, 2017)

| | |
|------------------------------------|--|
| 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, 2017)

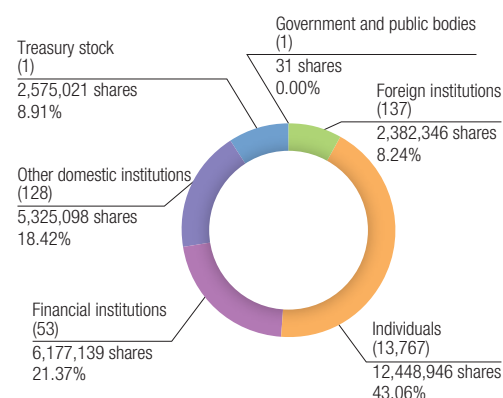
| | | |
|----------------------------------|---|---|
| Precious metals business segment | Matsuda Sangyo (Thailand) Co., Ltd. | Recovery and sales of metal raw materials, sales of precious metal products |
| | Matsuda Sangyo (Philippines) Corporation | Recovery and sales of metal raw materials, sales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

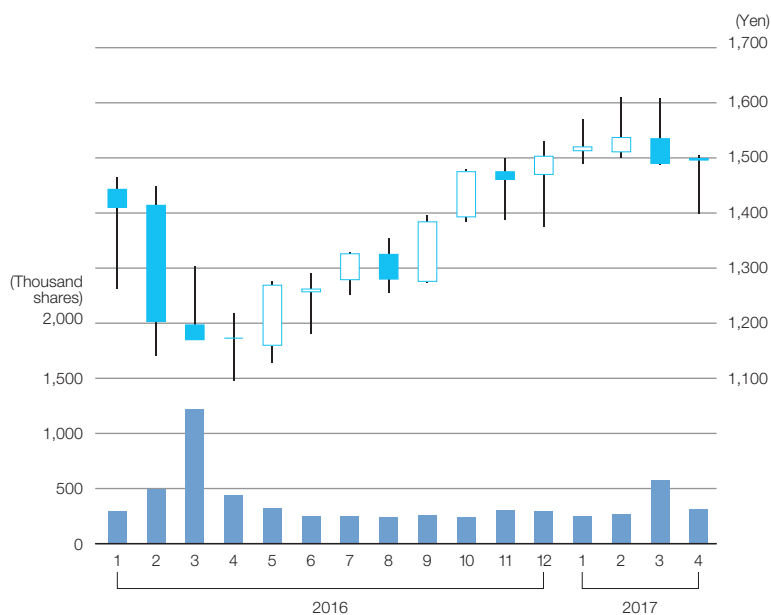
Stock Data (As of March 31, 2017)

| | |
|--|------------|
| Total number of shares authorized to be issued | 40,000,000 |
| Total number of shares issued and outstanding | 28,908,581 |
| Number of shareholders | 14,087 |

Distribution of Shares (As of March 31, 2017)



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 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 |
| Contact | |
| 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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