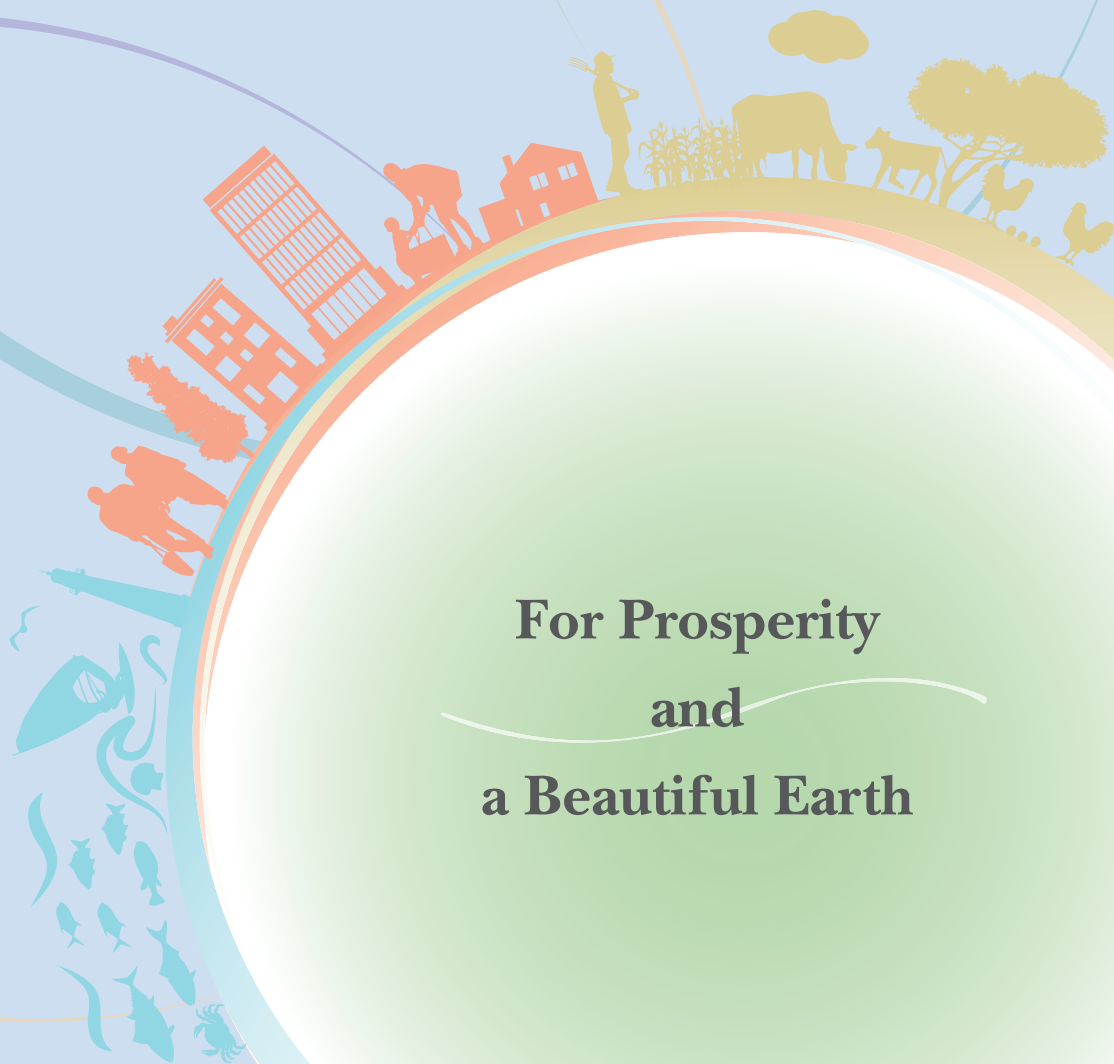


# BUSINESS REPORT

Year ended March 31, 2018



**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  
63.4%

### 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  
36.6%

### 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.

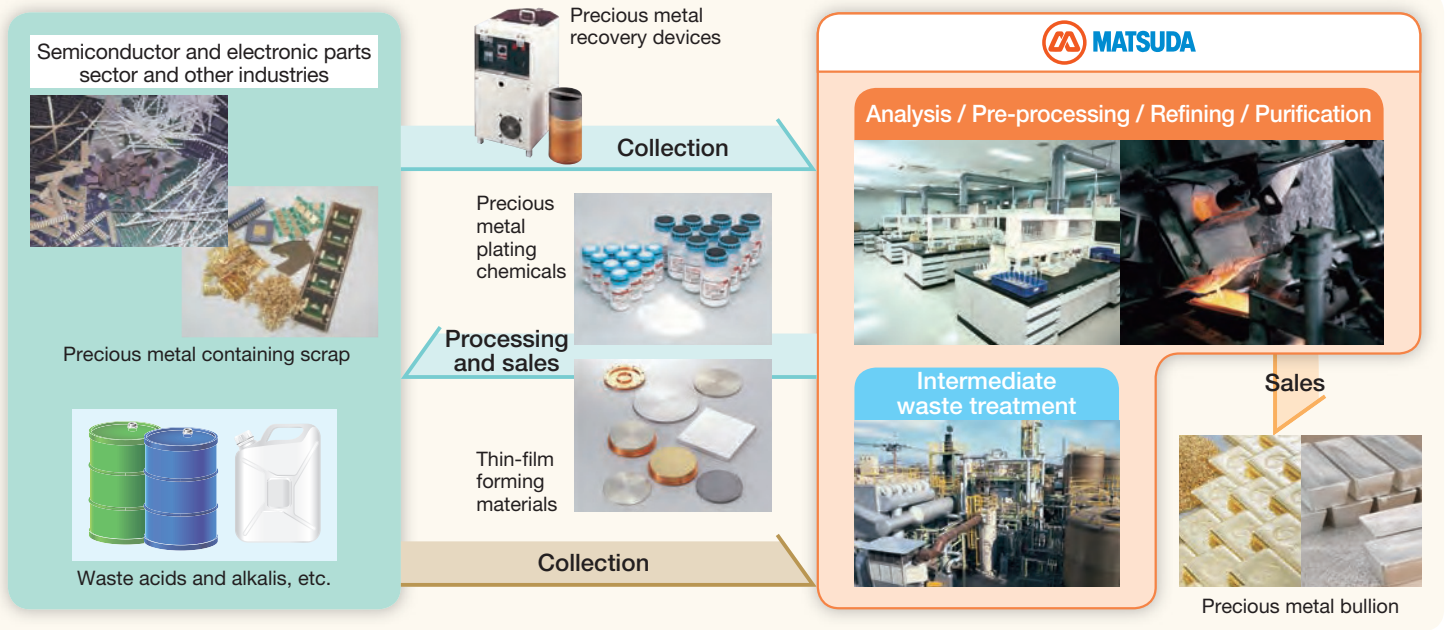
### Strengths of the food business

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.

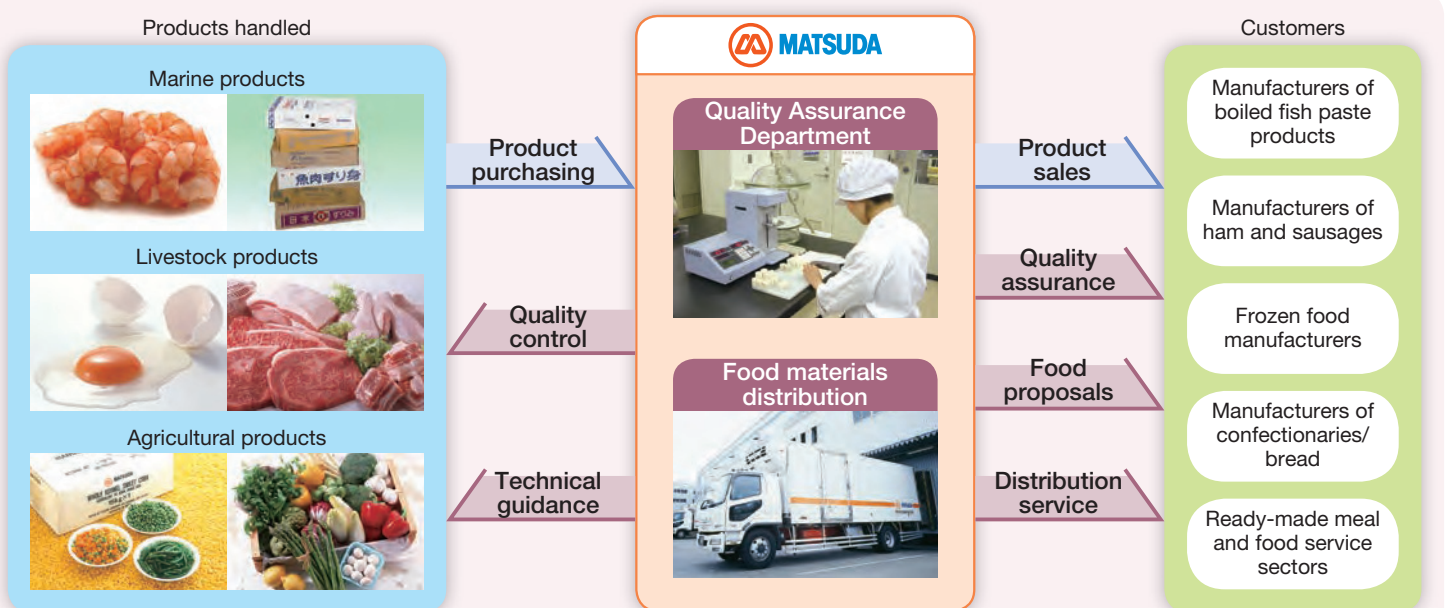


The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which 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 will endeavor to steadily achieve the Medium-term Management Plan and further strengthen our business base.



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 2018 (April 1, 2017 to March 31, 2018), 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, 2018

During the fiscal year ended March 31, 2018, while the moderate recovery trend continued with an improvement in corporate earnings and employment conditions and an increase in capital investments, the economic outlook remained unclear because of factors including weak consumer spending and concerns over economic downturn due to domestic labor shortages and uncertain global economies.

Under these circumstances, the precious metals business segment promoted an effective use of domestic and overseas production sites and reinforcement of sales development and worked on securing of precious metal materials, sales of chemical products and expansion of industrial waste treatment outsourcing business. As a result, sales volume of precious metal products and handling volume of precious metal recycling and industrial waste treatment increased, and coupled with a rise in precious metal prices, both sales and profits increased.

The food business segment concentrated on development and delivery of products meeting customer needs, and the proactive sales activities including business expansion in Japan as well as overseas led to an increase in sales volume. As a result, and together with a rise in sales price for most products, both sales and profits increased.

As a result, consolidated net sales for the fiscal year ended March 31, 2018 increased 16.6% year on year to ¥190,184 million, and operating income increased 64.8% to ¥4,877 million. Ordinary income increased 48.7% to ¥5,142 million, and profit attributable to owners of parent increased 40.9% to ¥3,459 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. Full-year dividend per share for the fiscal year ending March 31, 2019 is expected to be ¥30, an increase of ¥2 year on year.

## Highlights for the fiscal year ended March 31, 2018

### Precious metals business segment

- **May 2017**  
Exhibited at N-EXPO 2017  
(New Environment Exposition 2017)
- **June 2017**  
Exhibited at JPCA Show 2017
- **October 2017**  
Exhibited at TPCA Show 2017 (Taiwan)
- **January 2018**  
Exhibited at NEPCON JAPAN 2018  
(47th Electronics R&D and Manufacturing  
Technology Expo)

### Food business segment

- **April 2017**  
Created the International Business  
Development Dept.
- **May 2017**  
Established a local subsidiary in Vietnam

## We will focus on further strengthening our business base to achieve our numerical targets continuously and steadily

This is the last year of the Medium-term Management Plan which started from the fiscal year ended March 31, 2017, and we achieved the consolidated earnings target for operating income of ¥4 billion in the fiscal year ended March 31, 2018 supported by changes in external environment. We will focus on strengthening business base toward the next Medium-term Management Plan to achieve numerical targets continuously and steadily.

With an aim to become the “East Asia’s leading refining company,” the precious metals business segment will strive to improve its earning power by reinforcing products and services so as to survive global competitions. In addition to continuous development of domestic business sites, we will also focus on enhancing regional strategies in overseas business sites in order to expand sales of electronic materials/chemical products and recovery of precious metal recycling materials. Also, with the aim of further differentiating and expanding sales, we will proactively work on addressing metal-saving initiatives at customers, as well as the improvement of precious metal recovery technology and the research and development activities aiming at development of chemical products meeting the needs of the electronics industries, etc. As for the industrial waste treatment, we will strive to expand our services by meeting customer needs and increase added values, with the use of the Group’s waste acids and alkalis treatment facilities and our nationwide licensing network and distribution network.

In the food business segment, we will differentiate our products through stable supply of safe, reliable and high-quality food ingredients by leveraging our quality assurance know-how accumulated over the years and aim at further sales expansion by ensuring to capture changing customer needs. In addition, we will aim to secure profitability

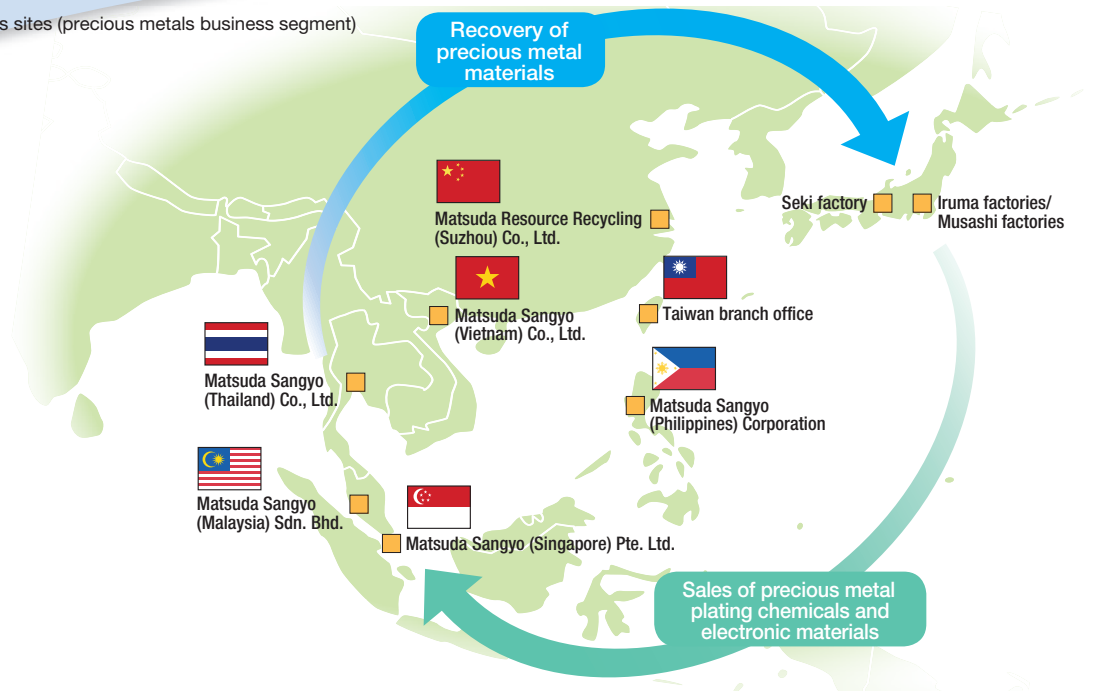
by coping with rising costs of imported raw materials in the future and strive to secure high-quality supply sources and develop new customers by taking advantage of recently developed local subsidiaries in China, Thailand and Vietnam.

Through enhancement and improvement of business base as described above, the Matsuda Sangyo Group continues to position the precious metals business segment as the driver of growth and the food business segment as the stable growth division and strive to meet the expectations of our stakeholders including shareholders, customers and partners. Also, we consider that our business activities based on the Group’s corporate philosophy of “contribute to society through the effective use of the earth’s limited natural resources via businesses” are directly connected to the initiatives toward “ESG (Environmental, Social, Governance)” and “SDGs (Sustainable Development Goals)” as well as the sustained improvement of corporate value.

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, 2018

In the electronics industry, our key customer, the production volume of semiconductors and electronic devices showed a favorable growth due to an increasing demand in automotive devices and IoT as a result of a shift from excessive dependence on smartphones. Under these circumstances, net sales increased as a result of increases in precious metals recycling volume, sales volume of gold products and electronic materials and handling volume of industrial waste treatment as well as a rise in precious metal prices.

#### Forecasts and initiatives for the fiscal year ending March 31, 2019

Despite uncertain outlook including uncertainties over the global economy, the domestic economy is expected to continue 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** In the precious metals business segment, it was reported that sales volume of precious metal products and electronic materials increased. Exactly what kinds of products are selling the most?

The sales volume of precious metal plating chemicals we manufacture and thin-film forming materials such as vapor deposition materials is increasing due to an increasing demand of electronic devices for automobiles and semiconductor-related products as well as IoT related products. Those products are widely used in manufacturing semiconductors for smartphones and electronic devices.

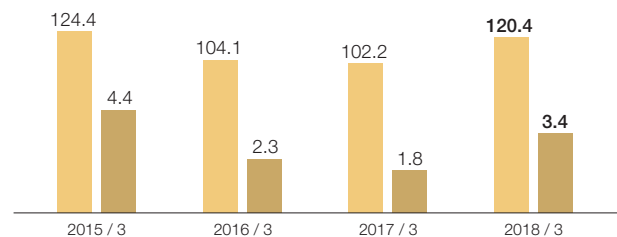
#### Net sales

¥120.4 billion  
(17.9% increase year on year)

#### Operating income

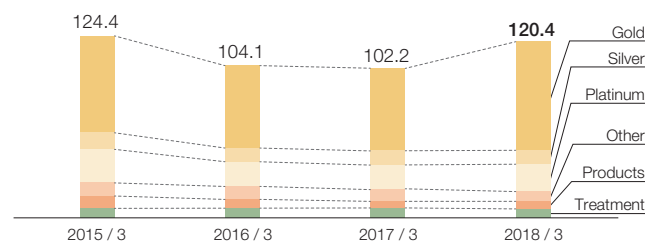
¥3.4 billion  
(83.6% increase year on year)

■ Net sales ■ Operating income [¥ Billion]



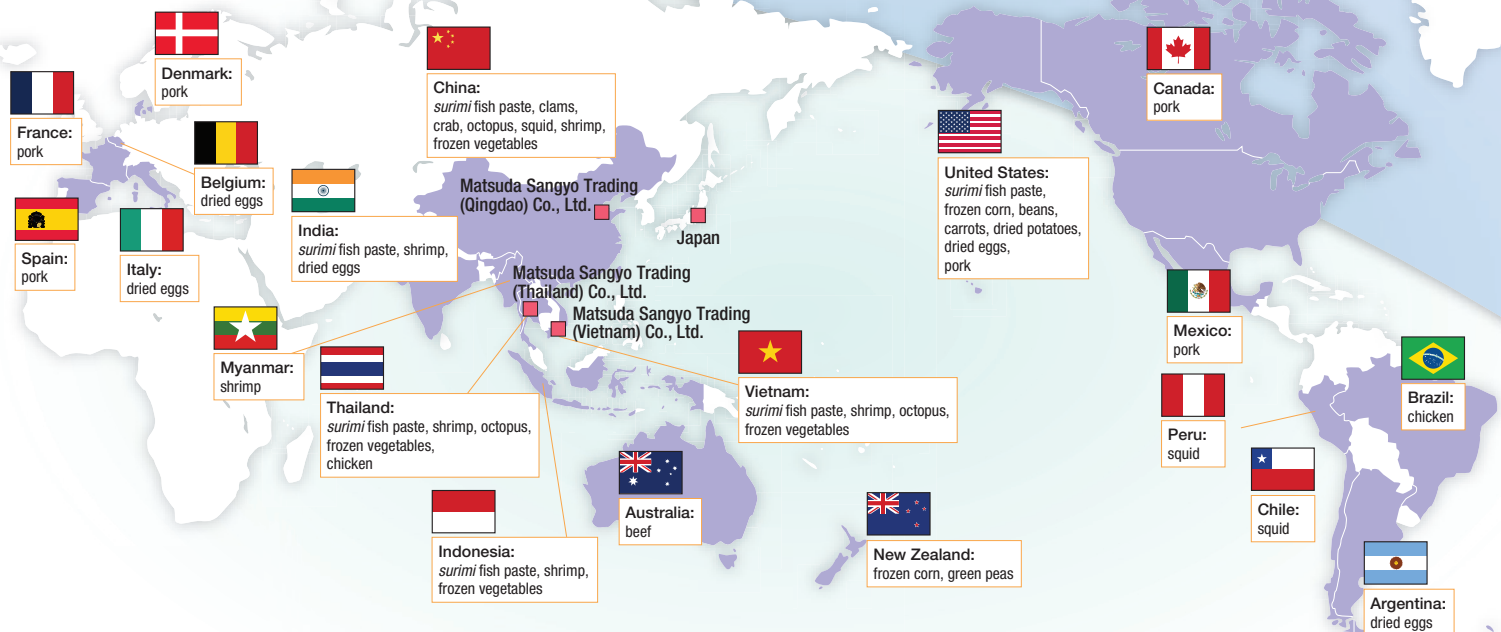
#### Net sales by item

[¥ 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, 2018

In the food processing industry, although the domestic market showed little growth due to weak individual consumption, an increasing demand of processed foods and overseas business expansion contributed to a modest recovery in production. Under these circumstances, net sales increased as a result of an increase in sales volume of marine and livestock products, and a rise in sales prices for most items except for *surimi* fish paste and egg, etc.

### Forecasts and initiatives for the fiscal year ending March 31, 2019

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.

**Q** It appears Gulf Foods Co., Ltd. acquired in 2016 has made a remarkable contribution. What synergies have been produced in the food business segment?

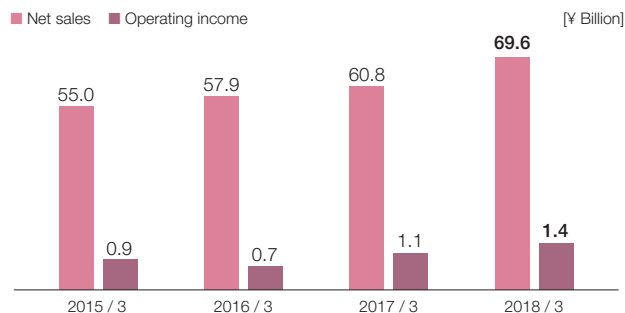
Gulf Foods has extensive experience and know-how accumulated over almost 40 years as a trading company specialized in marine products and is demonstrating its strengths in importing marine products. The synergies currently produced in our marine products business including *surimi* fish paste include an increase in customers and business partners, contributing to a sales growth in food business segment.

### Net sales

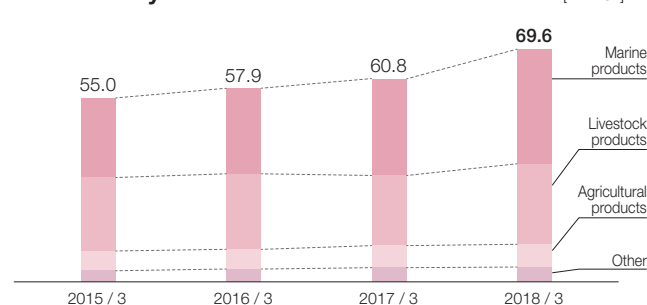
**¥69.6 billion** (14.6% increase year on year)

### Operating income

**¥1.4 billion** (33.1% increase year on year)



### Net sales by item



# Matsuda Sangyo Group Topics

## Toward Further Expansion of Overseas Business

Overseas business development is one of the most important growth strategies for both our precious metals business segment and food business segment. In the precious metals business segment which aims to become the “East Asia’s leading refining company,” we started establishing overseas business sites in 1992 and have focused on overseas business expansion. In the food business segment, we also started increasing business sites in 2012 and established the International Business Development Dept. in 2017 to enhance overseas business development.

### [Precious metals business segment]

- 1992 Opened Singapore branch office 
- 2000 Established Matsuda Sangyo (Thailand) Co., Ltd. 
- 2004 Established Matsuda Sangyo (Philippines) Corporation 
- 2005 Established Matsuda Sangyo (Singapore) Pte. Ltd. 
- 2007 Established Matsuda Resource Recycling (Suzhou) Co., Ltd. 
- 2009 Established Matsuda Sangyo (Malaysia) Sdn. Bhd. 
- 2011 Opened Taiwan branch office 
- 2014 Established Matsuda Sangyo (Vietnam) Co., Ltd. 

### [Food business segment]

- 2012 Established Matsuda Sangyo Trading (Qingdao) Co., Ltd. 
- 2013 Established Matsuda Sangyo Trading (Thailand) Co., Ltd. 
- 2017 Created the International Business Development Dept.  
Established Matsuda Sangyo Trading (Vietnam) Co., Ltd. 

Matsuda Sangyo will continue expanding overseas business to further increase corporate value

## Continuing to Strengthen Domestic Business Sites

In the precious metals business segment whose key customers are the semiconductor and electronic device industries facing fast-paced technological innovation, it is critical for us to constantly evolve our technologies for precious metal material manufacturing and precious metal recycling to keep providing our customers with the front-line added values. As part of such efforts, we acquired land at the Seki factory (Seki City, Gifu Prefecture) to expand a pre-processing facility to refine precious metals during the fiscal year ended March 31, 2018. In addition, we plan to make a capital investment for the production facility at the Seki factory until the end of the fiscal year ending March 31, 2020. They will enable us to accelerate increasing our handling volume in the precious metal recycling market.



Seki factory (Seki City, Gifu Prefecture)

## Adopting Integrated Management System for ISO 9001 and ISO 14001

Matsuda Sangyo recognizes as one of the important issues from a perspective of our ESG initiatives to realize customer satisfaction and ultimate value in society through our reliable quality and to ensure eco-friendly operation at plants and production sites. The Company obtained the certifications to ISO 9001 (quality management system) and ISO 14001 (environmental management system) based on the integrated assessment in October 2017. At the same time, it was certified by a certification body that our integrated management system operation meets the standards. Through operation of the integrated management system, we will work on continuous improvement of our quality management system and environmental management system.



Certificate for the integrated management system operation

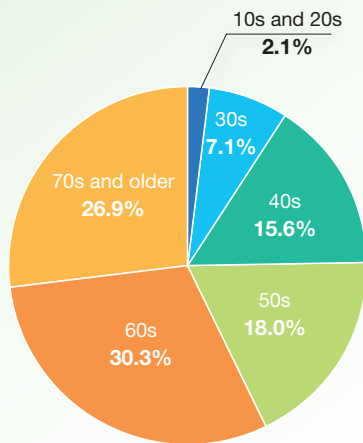


## Thank you for participating in our shareholder survey.

We would like to thank the shareholders that participated in our survey that accompanied the notification of the 68th Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2017. We appreciate the time you took to answer the questionnaire, and report some of our findings here.

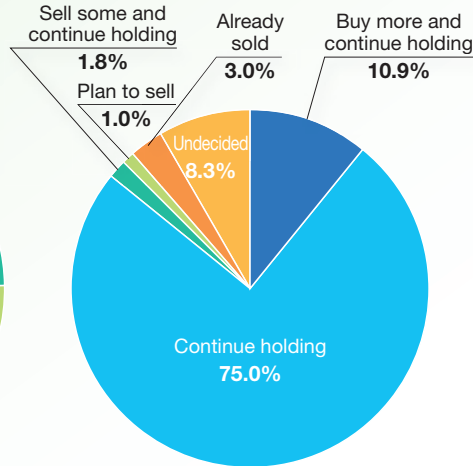
Survey period: June 29 to July 31, 2017      Response rate: 48.2%

Shareholder percentages by age group



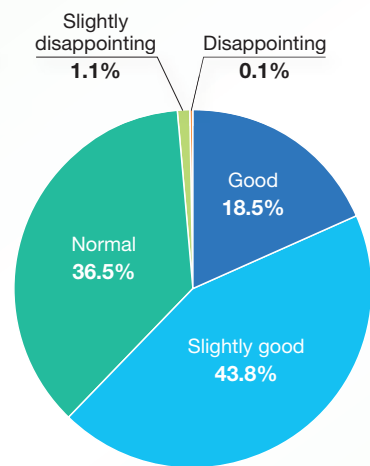
The ratio of shareholders in their 60s and over 70s increased year on year, which together accounted for almost 60%.

Future plan for holding the Company's shares



Three out of four responded "continue holding," which together with "buy more and continue holding" accounted for almost 90%.

Readability of IR Handbook



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

### Opinions and requests (from comment box)

I hope to receive stable dividends and benefits continuously.

I think the recycling business will continue to be more important, and I have expectations for the business.

I expect increases in the market share and earnings in the food business segment.

I want Matsuda Sangyo to survive for a long time because it values the earth's natural resources. And I also want it to spread the technology throughout the world.

I want CSR information to be included in BUSINESS REPORT.

Since the Company has the food business segment, how about considering letting shareholders choose in the shareholders special benefits program.

Please establish a corporate structure which is not easily affected by market conditions.

I'm planning on holding shares for a long time, so please keep up the good business.

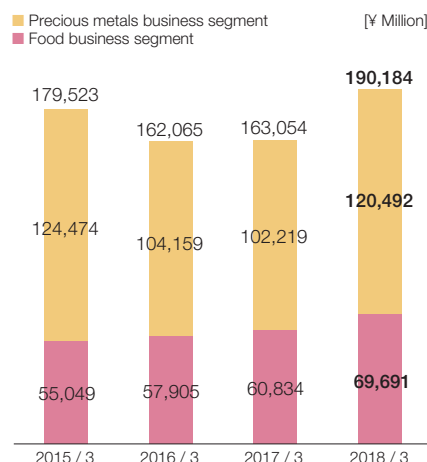
The Company may consider M&A.

I expect to see some ROE improvement plans.

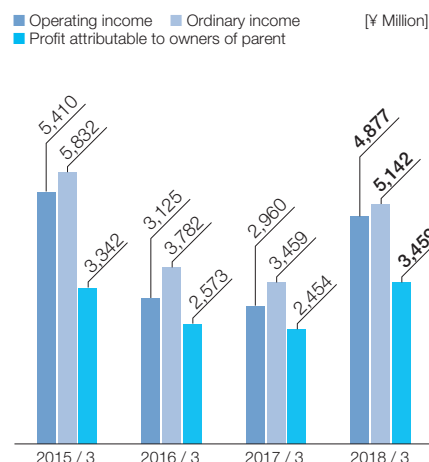
Thank you very much for a number of valuable opinions and requests from our shareholders. We will use them as a reference for our corporate activities and information dissemination in the future. Matsuda Sangyo will make every effort to improve communications with shareholders. We ask for your continued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

# Consolidated Financial Highlights

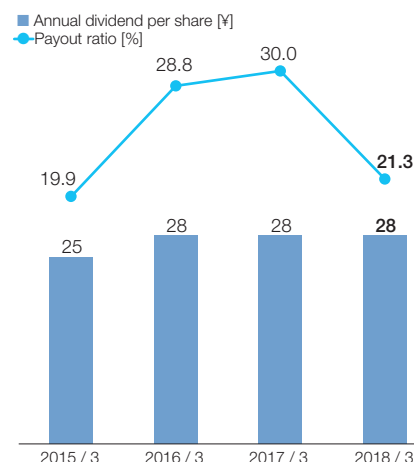
## Net sales



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

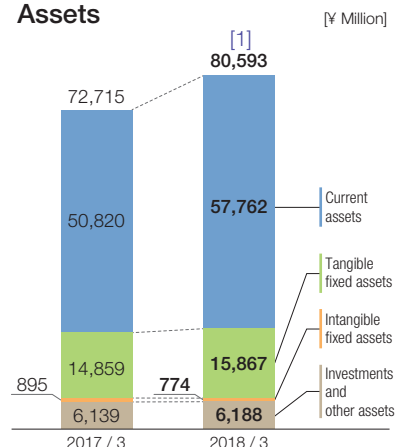


## Annual dividend per share/ Payout ratio

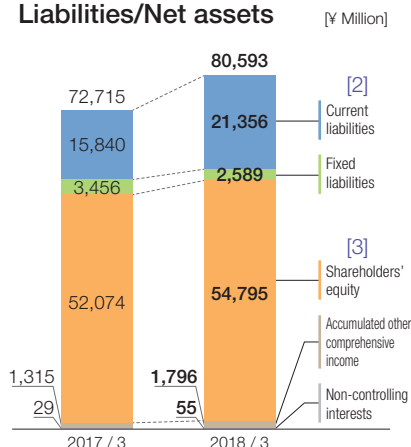


## Consolidated balance sheet

### Assets



### Liabilities/Net assets

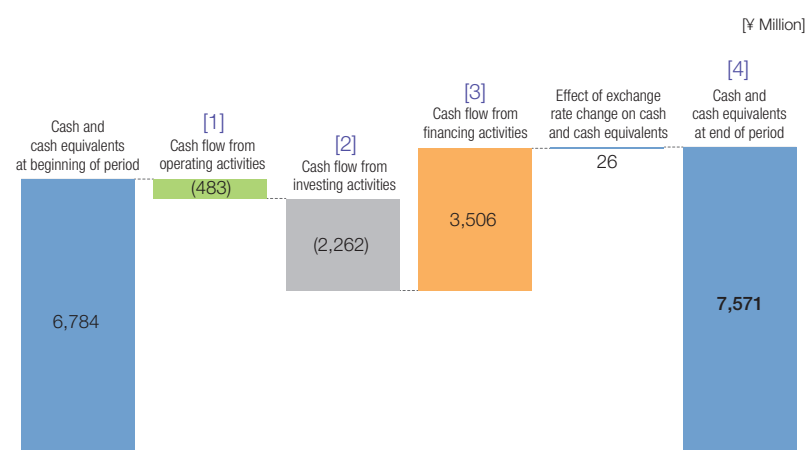


[1] Total assets increased ¥7,878 million from March 31, 2017. This was mainly due to increases in cash and deposits, accounts receivable—trade and inventories as well as property, plant and equipment due to purchase of land.

[2] Total liabilities increased ¥4,649 million from March 31, 2017. This was mainly attributable to an increase in loans.

[3] Net assets increased ¥3,228 million from March 31, 2017. 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 used net cash of ¥483 million. This mainly reflected income before income taxes and depreciation, partly offset by increase in notes and accounts receivable—trade, increase in inventories, decrease in accounts payable—trade, and income taxes paid on the other.

[2] Investing activities used net cash of ¥2,262 million. This mainly reflected the purchase of land and property, plant and equipment related to the installation and upgrade of equipment at the Group's plants.

[3] Financing activities provided net cash of ¥3,506 million. This mainly reflected an increase in loans.

[4] As a result of the above, the balance of cash and cash equivalents as of March 31, 2018 stood at ¥7,571 million, an increase of ¥787 million year on year.

# Company Information

## Company Overview (As of March 31, 2018)

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	1,214
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, 2018)

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

## Offices and Factories (As of March 31, 2018)

Metal/Environment Sales Division	Sendai / Mito / Tokyo / Kanagawa / Nagano / Nagoya / Kanazawa / Osaka / Fukuyama / Fukuoka / Kagoshima
Urban Recycle Business Dept.	Sendai / Saitama / Tokyo / 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, 2018)

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, 2018)

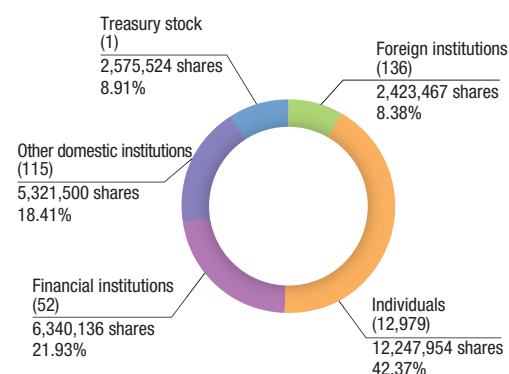
Precious metals business segment	Matsuda Sangyo (Thailand) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Philippines) Corporation	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Singapore) Pte. Ltd.	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
	Matsuda Sangyo Trading (Vietnam) Co., Ltd.	Sales of raw materials for food processing, intermediary services

# Stock Information

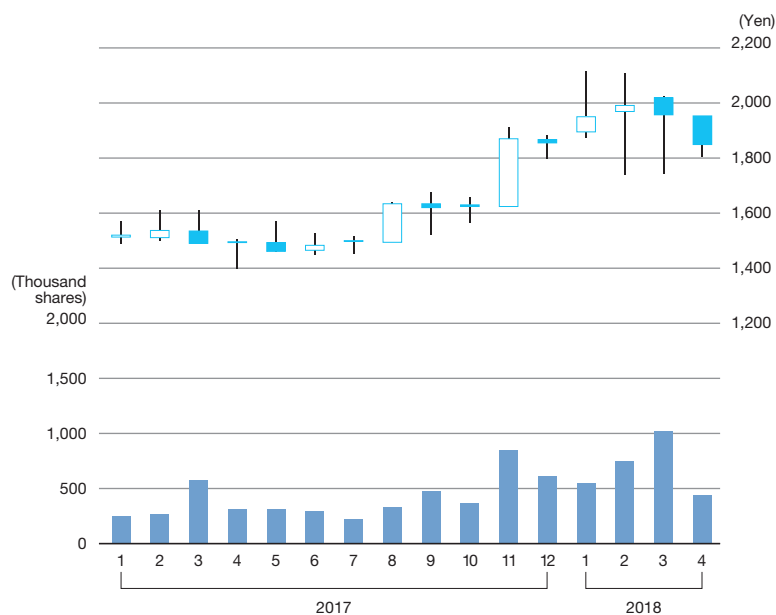
## Stock Data (As of March 31, 2018)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	13,283

## Distribution of Shares (As of March 31, 2018)



## Stock Price and Trading Volume



## Investor Information

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

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

Mitsubishi UFJ Trust and Banking Corporation

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

Quoted securities exchange  
 URL for public notices

Tokyo Stock Exchange

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

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

### FORWARD-LOOKING STATEMENTS

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

### Website Information

Matsuda Sangyo Search Homepage

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



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

