

Annual Report 2002

Year ended March 31, 2002



For the
INDUSTRY

For the
EARTH

For the
HUMAN LIFE



MATSUDA

MATSUDA SANGYO CO.,LTD.

Security Code : 7456

MATSUDA SANGYO CO.,LTD.

VISION



For the INDUSTRY

Contributing to the development of industries worldwide and enhancing lifestyles through our operations related to all sectors that use products containing precious metals, from semiconductors and electronic parts to decorative ornaments.

For the EARTH

Contributing to protect the environment in Japan and on the earth as a whole through our recycling and environmental management businesses in this age of environmental awareness.

For the HUMAN LIFE

Contributing to society by striving to ensure health through the procurement of stable supplies of food — a basic human necessity — from all around the world.

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I am delighted to have this opportunity of addressing our shareholders.

I welcome this opportunity to report on Matsuda Sangyo Co., Ltd.'s activities and results for its 53rd fiscal year, or the fiscal year from April 1, 2001, to March 31, 2002.

In keeping with the business concept of making efficient use of the earth's resources to contribute to society, which the Company has held fast to since its founding nearly half a century ago, we have strived to become a leading company that is essential for society in terms of our three core areas of operation — precious metals, the environment, and food products.

Thanks to the support of our shareholders and patronage of our many clients, we succeeded in listing our shares for trading on the First Section of the Tokyo Stock Exchange in September last year.

Despite uncertainties for the economic climate going forward, while holding faithfully to our business concept, we intend to reinforce our efforts to offer products and services that better meet market needs. Moreover, we aim to pursue a low-cost structure for all areas of our operation, from production to sales to management, and thereby continue to strive to maximize enterprise value and enrich our business.

As medium-term performance targets, we have set our sights on sales of ¥100 billion, earnings per share of ¥120 or higher, and a return on equity of 13% or more. To this end, we plan to work to further expand our operations as well as aggressively develop new businesses.

To our shareholders, we ask for your continued understanding and encouragement.

Hiroshi Matsuda

President

June 2002



Overview of the fiscal year ended March 31, 2002

In the fiscal year under review, the domestic economic situation remained severe, amid the global economic slowdown, led by the US. The Japanese government took up structural reform and the more aggressive disposal of non-performing loans by financial institutions gave rise to a large number of business failures. At the same time, individual consumption slumped and capital expenditures declined, which made for an extremely difficult operating climate.

Business conditions surrounding the Company's operations remained tough overall, with the precious metals-related business hurt by the significant slowdown in IT-related production, and the food products-related business feeling the pinch of progressive price deflation and persistently weak consumption.

Under these circumstances, Matsuda Sangyo continued with its efforts to improve management efficiency and to enhance customer satisfaction by offering products and services that better meet market needs.

Consolidated earnings for the year under review did not compare very favorably with the year earlier, however. Net sales came to ¥82,859 million (up 0.8% year on year), ordinary income totaled ¥2,968 million (down 33.1%), and net income was ¥1,172 million (down 40.3%).

Earnings forecasts for the fiscal year from April 1, 2002, to March 31, 2003

Consolidated		Non-consolidated	
Net sales	¥86,000 million	Net sales	¥85,000 million
Ordinary income	¥3,140 million	Ordinary income	¥3,240 million
Net income	¥1,570 million	Net income	¥1,620 million

Medium-term to long-term management strategy

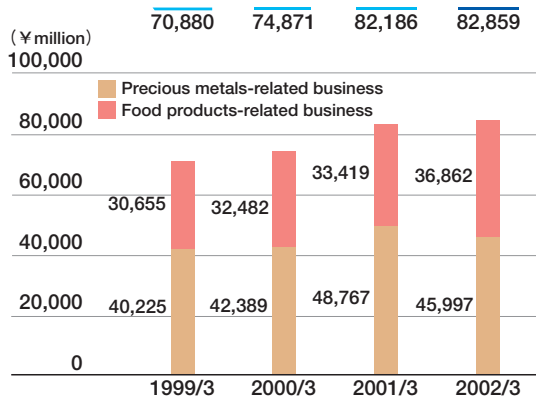
Over the medium to long term, we intend to pursue a business strategy that positions the precious metals-related business as the engine of expansion and growth, and the foods-related business as the operation of stable growth.

The slump in the IT industry in fiscal 2002 had an adverse impact on the Company's precious metals-related business and earnings seem to have stagnated, but the global IT industry is expected to experience sustained growth over the medium to long term. In light of this outlook, Matsuda Sangyo plans to expand its network of production and sales bases both at home and abroad. In addition, with an eye toward strengthening its capabilities for developing new technologies and products, the Company established a development center in Iruma city, Saitama prefecture.

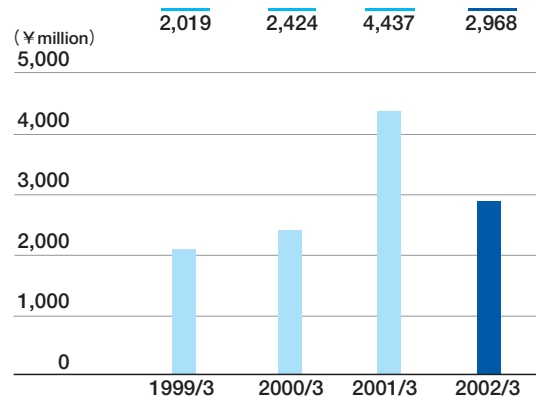
As for the Environment Operation, the Company will embark on the polychlorinated biphenyl (PCB) defusing-related business through subsidiary Z.E.R.O -JAPAN Co., Ltd.. It is through investments such as this that management aims to expand operations and boost earnings in the precious metals-related segment.

In the food products-related business, meanwhile, a dramatic expansion or growth of the market itself is perceived unlikely due to the sluggishness of consumption, persistent deflationary pressures, and other reasons. As such, the Company intends to concentrate on further strengthening quality assurance, which it has built up over many years, by diversifying sources of procurement, and widening its distribution and delivery network. Against this backdrop, Matsuda Sangyo aims to maintain stable growth by strategically applying its ability to address customer needs flexibly.

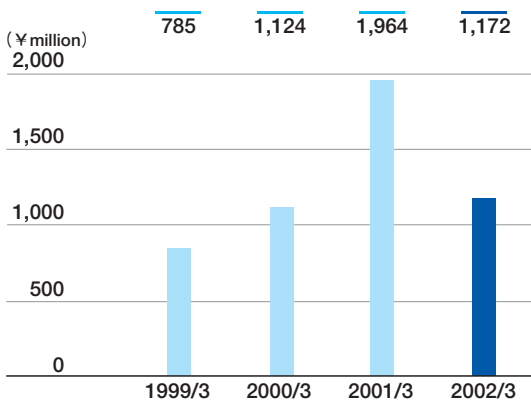
Net sales



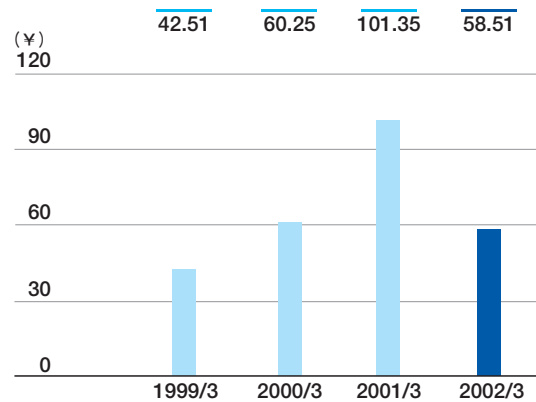
Ordinary income



Net income

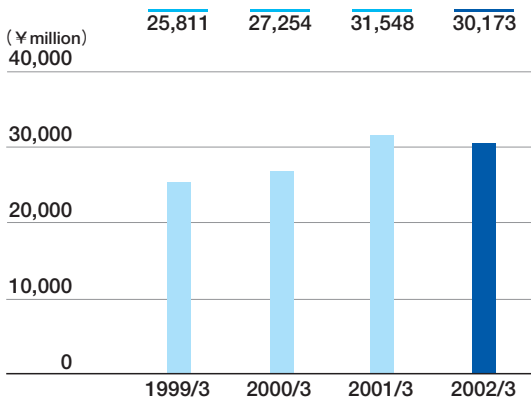


Adjusted net income per share

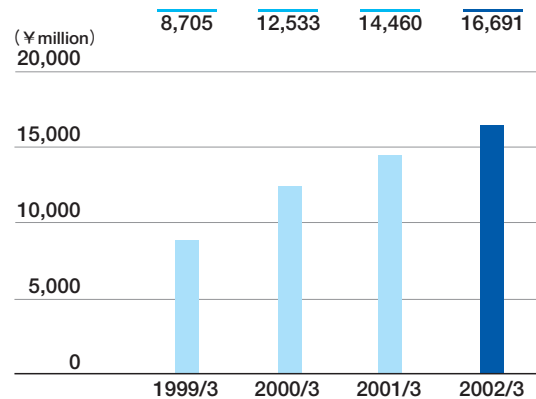


* Due to a 2-for-1 stock split carried out on May 18, 2001, figures prior to the fiscal year ended March 31, 2001, have been adjusted retroactively.

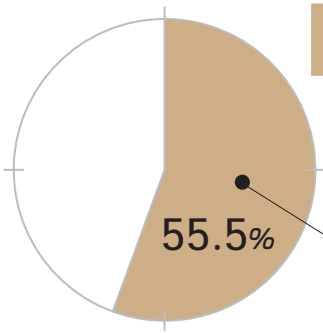
Gross capital



Shareholders' equity



For the INDUSTRY



【Precious metals-related business】

- Precious Metals Operation
- Environment Operation

Precious metals-related business: Net sales

¥45,997 million (down 5.7% year on year)

Precious metals-related business: Operating income

¥2,068 million (down 38.9% year on year)



■Metals manufactured by Matsuda Sangyo:

Our metals are acknowledged to be of a high quality on global markets, such as the London Bullion Market (LBMA) and the London Platinum and Palladium Market (LPPM).

Overview of the fiscal year ended March 31, 2002

【Precious Metals Operation】

The precious metals-related business was weak overall because electronics makers, who comprise the main client industry for the Precious Metals Operation, were forced to make notable production adjustments due to a larger-than-expected downturn in demand for digital equipment, such as mobile phones. A decrease in the volume of materials from which precious metals can be recycled thus created a difficult situation for the Company's operations for recovering and refining precious metals. Also, sales volume of electronic materials, including metal bonding wires and processed and chemical products that contain precious metals, decreased due to a fall in demand. Meanwhile, Matsuda Sangyo worked to flesh out its lineup of components for semiconductor membrane cleaning devices by actively developing new technologies.

In the precious metals market, while palladium prices stabilized from the sudden jump marked in the previous fiscal year, prices for gold and silver started to trend higher.



■Metal Bonding Wire:

The high quality of the Company's metal bonding wires, produced by NIPPON MICROMETAL CORPORATION, a joint venture with NIPPON STEEL CORPORATION, are recognized worldwide.

■Processed and chemical products:

The Company's processed and chemical products used in semiconductor manufacturing have won a solid reputation among customers.



For the EARTH



■ISO14001 certification (Production Division)

【Environment Operation】

The Environment Operation was affected by a decrease in the volume of industrial waste generated by manufacturing companies overall due to the domestic economic slump. In addition, revisions to laws governing the disposal and processing of waste matter tightened related regulations another notch. Despite these negative developments, the operation aggressively pursued sales, backed by the ISO14001 certification gained by each plant at its main production facility for the treatment of photowaste and waste acid and alkaline, and the Company's existing nationwide collection and transportation network. The operation's sales personnel of photowaste department endeavored to expand market share by offering diversified services to customers to meet the trend toward overall downsizing that has accompanied the advent of the digital era. Further, the operation undertook to increase the number of industries for which it can effectively meet recycling needs and also worked to ensure the level of safety sought by customers.

For the term under review, the precious metals-related business reported net sales of ¥45,997 million (down 5.7% year on year) and ordinary income of 2,068 million (down 38.9% year on year).



■MCR plant:

Japan's first large-scale terrestrial waste treatment facility; handles high-temperature oxidization of film and photowaste and other waste materials.



■Z.E.R.O-JAPAN Co., Ltd.:

The subsidiary breaks down harmful PCB waste using the vacuum thermal recycling (VTR) process.

■Building a nationwide network with its large trucks:

The Company's collection and transportation network that stretches the length of Japan offers a range of services.



● Topics ●

Construction of a plant in Thailand



In order to keep pace with the certain trend toward globalization of the electronics industry, the Company has built a plant for the precious metals recycling business in Singapore and also constructed another plant in Thailand, which commenced partial operation in June 2002. With an eye on becoming the leader in this business segment in East Asia, Matsuda Sangyo aims to expand operations by positioning the Thai facility as its hub plant in the region.

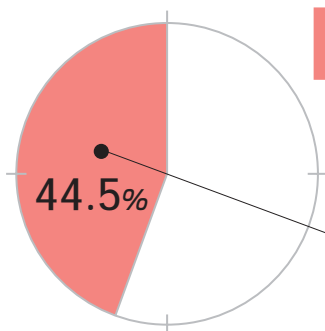
Construction of the Research & Development Center

For the purpose of developing new products and technologies for the precious metals-related business, the Company is currently building a Research & Development Center in Iruma city, Saitama prefecture (the facility is slated for completion in August 2002). The Company hopes to improve customer satisfaction by enhancing its capabilities for developing new products, such as plating-use chemical products, as well as new technologies in such areas as precious metals recycling, waste treatment and chemical analysis.



■ Illustration of development center upon completion

For the HUMAN LIFE



【Food products-related business】

Food products-related business: Net sales

¥36,862 million (up 10.3% year on year)

Food products-related business: Operating income

¥883 million (down 17.8% year on year)

Overview of the fiscal year ended March 31, 2002

In the food products-related business, amid the prolonged economic recession, consumers grew increasingly price conscious and their unwillingness to spend became more evident. At the same time, the overall foods industry was shaken by a succession of damaging developments, including the mad cow disease scare (bovine spongiform encephalopathy: BSE), which triggered food safety-related concerns, and scandals having to do with inappropriate labeling to indicate production region.

Under these conditions, the operation took up sales promotional measures earnestly, such as by optimizing effective use of user marketing data to draw up separate sales strategies for specific target customer groups. In a bid to more precisely meet customer needs, the Company diversified its sources of food procurement and enhanced the capabilities of the Quality Assurance Department. Moreover, as one step in its plan to participate the restaurant business, it established the Toda Fresh Foods Distribution Center in Saitama prefecture. These efforts helped increase the volume of products handled and pushed up net sales on a



■Toda Fresh Foods Distribution Center:

The facility started operation in April 2001 with a focus on low cost-effective logistics.



■Quality Assurance Department:

The enhanced capabilities of the Quality Assurance Department, which has earned a prominent distinction in the industry, contributes to creating a nutritional and safe eating lifestyle.

year-on-year comparison basis. However, due to the aforementioned unfavorable business climate, a contraction in profit growth was unavoidable. As a result, the food products-related business marked net sales of ¥36,862 million (up 17.8% year on year) and ordinary income of ¥883 million (down 10.3% year on year).

Consolidated Balance Sheets

As of March 31, 2001 and 2002

(¥ million)

Assets	2001	2002	Liabilities	2001	2002
Current assets	21,865	20,093	Current liabilities	14,195	11,174
Cash and deposits	2,019	2,181	Notes and accounts payable	8,497	8,006
Notes and accounts receivable	10,470	10,595	Short-term debt	140	150
Securities	30	—	Current portion of long-term debt	1,101	304
Inventories	8,283	6,532	Accrued income taxes	1,845	374
Deferred tax assets	230	178	Allowance for bonuses	401	422
Other	878	635	Other	2,209	1,915
Allowance for doubtful accounts	△46	△29			
			Fixed liabilities	2,879	2,286
Fixed assets	9,682	10,079	Long-term debt	1,933	1,228
Tangible fixed assets	6,232	6,598	Accrued pension and severance costs	364	388
Buildings and structures	1,429	1,494	Accrued directors' retirement benefits	576	663
Machinery and delivery equipment	530	737	Other	4	5
Land	4,074	3,934	Total liabilities	17,074	13,461
Construction in progress	145	376	Minority interests		
Other	52	55	Minority interests	14	20
Intangible fixed assets	96	104	Shareholders' equity		
Consolidation goodwill	21	—	Common stock	2,960	3,559
Other	74	104	Legal capital surplus	3,409	4,008
Investments and other assets	3,354	3,376	Retained earnings	7,981	9,025
Investment securities	1,329	1,198	Unrealized gains on marketable securities	108	97
Long-term loans	18	15	Translation adjustments	△0	1
Membership	461	274	Treasury stock	△0	△0
Deposits	423	492			
Deferred tax assets	423	528			
Other	763	942			
Allowance for doubtful accounts	△66	△75	Total shareholders' equity	14,459	16,691
Total assets	31,548	30,173	Total liabilities, minority interests and shareholders' equity	31,548	30,173

Consolidated Statements of Income

For the years ended March 31, 2001 and 2002 (¥ million)

	2001	2002
Net sales	82,187	82,859
Cost of sales	69,473	70,903
Gross profit	12,714	11,956
Selling, general and administrative expenses	8,255	9,004
Operating income	4,459	2,951
Non-operating income	174	118
Interest income	7	4
Dividend income	22	13
Equity in earnings of affiliates	66	28
Cash discount	31	16
Foreign currency translation gain	—	32
Other	47	23
Non-operating expenses	196	101
Interest expenses	76	42
Stock listing costs	—	26
Commission expenses	—	30
Loss on change in accounting standard for retirement benefits	106	—
Other	13	1
Ordinary income	4,437	2,968
Extraordinary losses	463	445
Valuation losses for securities	291	336
Loss on disposal of fixed assets	95	15
Loss on sale of land	77	88
Loss on sale of membership	—	4
Income before income taxes	3,973	2,522
Income taxes	2,413	1,431
Deferred income taxes	△380	△45
Minority interests (losses)	24	36
Net income	1,964	1,172

Consolidated Statements of Retained Earnings

Years ended March 31, 2001 and 2002 (¥ million)

	2001	2002
Consolidated retained earnings at beginning of year	6,183	7,981
Decrease in consolidated retained earnings	166	128
Cash dividends paid	145	113
Directors and auditors bonuses paid	21	15
Net income	1,964	1,172
Consolidated retained earnings at end of year	7,981	9,025

Consolidated Statements of Cash Flows

Years ended March 31, 2001 and 2002 (¥ million)

	2001	2002
Cash flow from operating activities		
Income before income taxes	3,973	2,522
Depreciation	353	387
Amortization of consolidation goodwill	21	21
Increase (decrease) in allowance for doubtful accounts	4	△8
Increase in allowance for bonuses	34	20
Decrease (increase) in accrued severance indemnities	△252	—
Increase in accrued pension and severance costs	364	24
Increase in accrued directors' retirement benefits	151	86
Interest and dividend income	△29	△17
Interest expense	76	42
Equity in earnings of affiliates	△66	△28
Bonuses to directors and auditors	△21	△15
Valuation losses on investment securities	291	336
Loss on sales of fixed assets	77	88
Loss on disposal of fixed assets	95	15
Loss on sales of golf membership	—	4
Decrease in notes and accounts receivable	△1,330	△122
Decrease (increase) in inventories	△3,163	1,750
Decrease (increase) in notes and accounts payable	978	△491
Other	748	△109
Sub-total	2,306	4,510
Interest and dividend received	40	25
Interest paid	△78	△41
Income taxes paid	△1,135	△2,902
Net cash provided by operating activities	1,133	1,591
Cash flow from investing activities		
Purchases of tangible fixed assets	△661	△825
Proceeds from sales of tangible fixed assets	17	52
Purchases of investment securities	△114	△169
Proceeds from sales of investment securities	101	101
Increase in other assets	△58	△181
Net cash used in investing activities	△716	△1,022
Cash flow from financing activities		
Decrease (increase) in short-term loans	△190	7
Proceeds from long-term debt	1,330	730
Repayment of long-term debt	△2,594	△2,231
Proceeds from stock issued	—	1,198
Proceeds from sales of treasury stock	1	—
Purchases of treasury stock	△0	—
Cash dividends paid	△145	△113
Minority interests	5	—
Net cash used in financing activities	△1,594	△410
Effect of exchange rate changes on cash and cash equivalents	△0	0
Decrease (increase) in cash and cash equivalents	△1,177	159
Cash and cash equivalents at beginning of year	3,186	2,009
Cash and cash equivalents at end of year	2,009	2,169

Non-consolidated Balance Sheets

As of March 31, 2001 and 2002

(¥ million)

Assets	2001	2002	Liabilities	2001	2002
Current assets	21,507	19,850	Current liabilities	14,068	10,826
Cash and deposits	1,850	2,012	Accounts payable	8,548	8,015
Notes receivable	1,339	950	Short-term debt	130	—
Accounts receivable	9,015	9,536	Current portion of long-term debt	1,068	173
Inventories	8,127	6,393	Accrued expenses	959	759
Deferred tax assets	219	166	Accrued income taxes	1,781	362
Other	999	819	Allowance for bonuses	376	397
Allowance for doubtful accounts	△45	△28	Other	1,204	1,118
Fixed assets	9,578	9,890	Fixed liabilities	2,697	2,226
Tangible fixed assets	6,145	6,498	Long-term debt	1,763	1,190
Buildings	1,100	1,171	Accrued pension and severance costs	347	372
Land	4,074	3,934	Accrued directors' retirement benefits	576	663
Other	824	1,015	Other	10	0
Intangible fixed assets	71	101	Total liabilities	16,766	13,052
Investments and other assets	3,361	3,289	Shareholders' equity		
Investment securities	1,009	859	Common stock	2,960	3,559
Investment in affiliates	346	346	Legal capital surplus	3,409	4,008
Membership	461	274	Retained earnings surplus	164	177
Deposits	407	443	Retained earnings	7,677	8,846
Deferred tax assets	422	525	Voluntary reserve	4,590	6,090
Other	779	914	Unappropriated retained earnings	3,087	2,756
Allowance for doubtful accounts	△66	△75	Unrealized gains on marketable securities	107	97
			Treasury stock	—	△0
			Total shareholders' equity	14,319	16,688
Total assets	31,086	29,740	Total liabilities and shareholders' equity	31,086	29,740

Non-consolidated Statements of Income

Years ended March 31, 2001 and 2002

(¥ million)

	2001	2002
Net sales	81,402	82,021
Cost of sales	69,523	71,058
Gross profit	11,878	10,962
Selling, general and administrative expenses	7,488	7,830
Operating income	4,390	3,131
Non-operating income	116	98
Interest income	6	6
Interest on securities	1	1
Dividend income	33	20
Cash discount	31	16
Other	43	54
Non-operating expenses	184	95
Interest expenses	68	38
Stock listing costs	—	26
Commission expenses	—	30
Loss on change in accounting standard for retirement benefits	99	—
Other	17	0
Ordinary income	4,322	3,135
Extraordinary losses	453	445
Valuation losses for securities	284	336
Loss on disposal of fixed assets	92	15
Loss on sale of land	77	88
Loss on sale of membership	—	4
Income before income taxes	3,869	2,689
Income taxes	2,341	1,420
Deferred income taxes	△372	△41
Net income	1,900	1,311
Unappropriated retained earnings brought forward	1,186	1,445
Unappropriated retained earnings	3,087	2,756

Appropriation of Retained Earnings

As of June 28, 2001 and June 27, 2002

(¥ million)

	2001	2002
Unappropriated retained earnings	3,087	2,756
This was appropriated as follows.		
Retained earnings surplus	13	—
Dividends	113	217
Directors' bonuses	15	14
Special reserve	1,500	1,000
Earnings carried forward to the following year	1,445	1,524

Note

	2001	2002
Cash dividends	¥11 per share	¥10 per share
		(Ordinary dividend of ¥7 per share, dividend of ¥3 per share is commemorating)

Note : Due to a 2-for-1 stock split carried out on May 18, 2001, the adjusted dividend per share works out to ¥5.50 for the fiscal year ended March 31, 2001, and ¥10 for the fiscal year ended March 31, 2002.

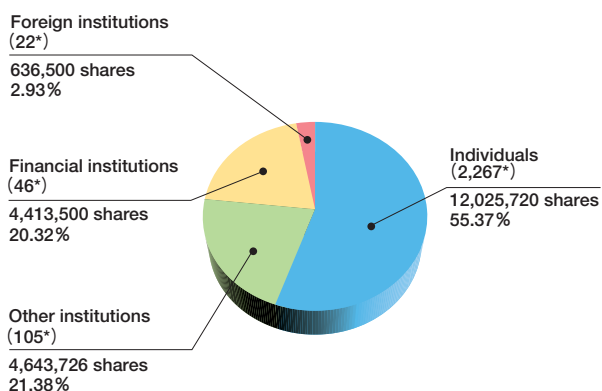
Stock data

as of March 31, 2002

Total number of shares authorized to be issued:
 40,000,000 shares
 Total number of shares issued and outstanding:
 21,719,446 shares
 Number of shareholders:
 2,440

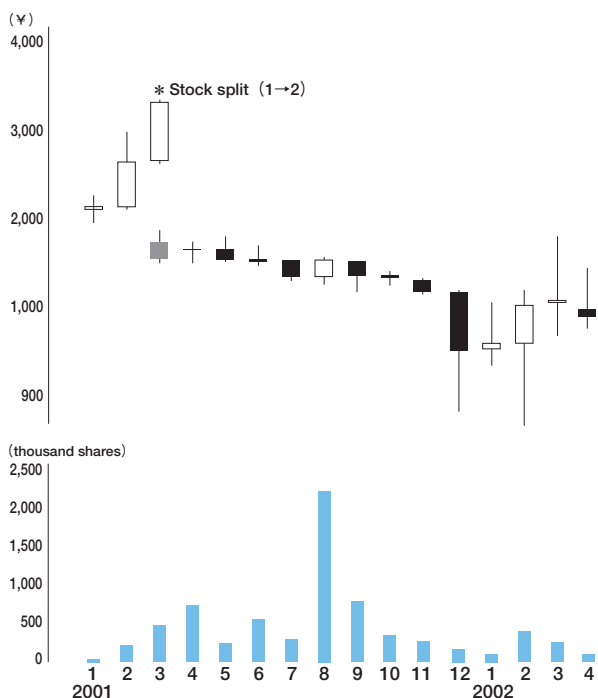
Distribution of shares

as of March 31, 2002



*Number of shareholders

Stock prices and trading volume



Company overview

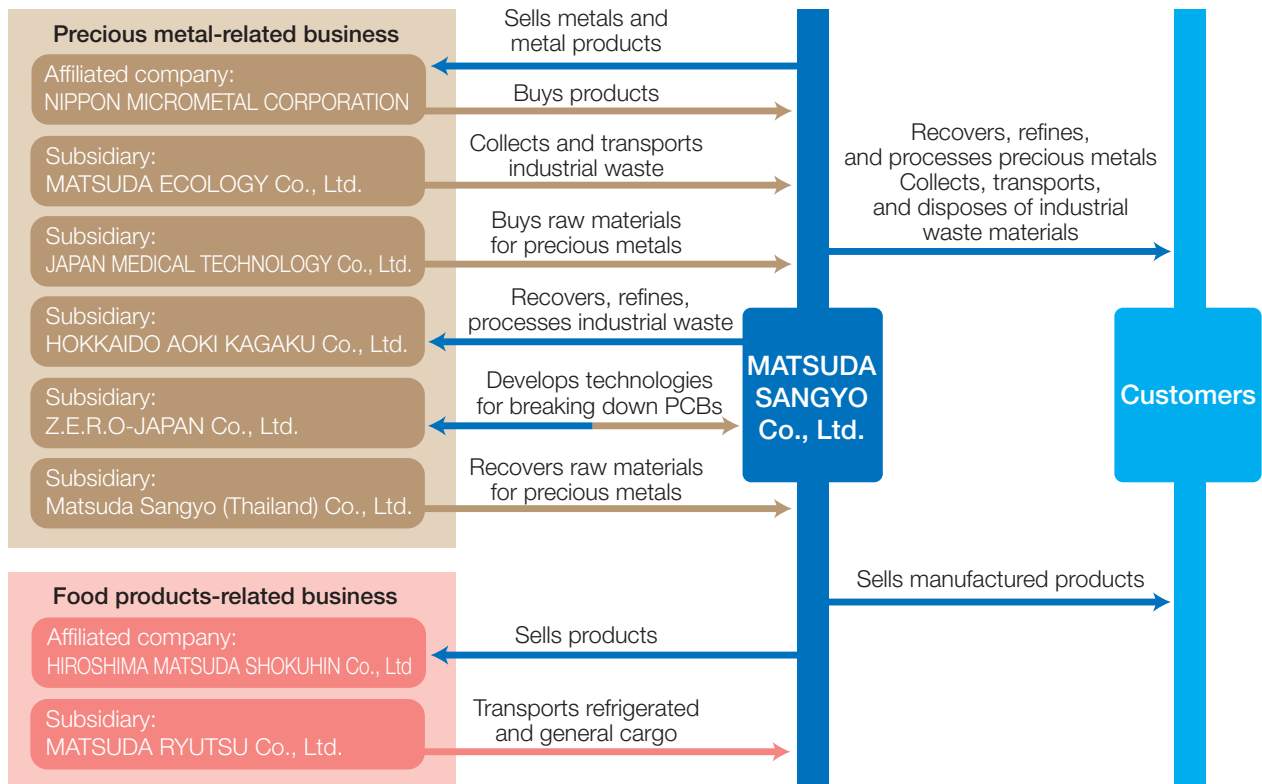
as of March 31, 2002

- Corporate name : MATSUDA SANGYO Co., Ltd.
- Head office : Shinjuku Nomura Bldg. 6F, 26-2,
1 Chome, Nishi-shinjuku, Shinjuku-ku,
Tokyo
- Foundation : June 18, 1951
- Common stock : ¥3,559 million
- Number of employees : 564 (Male: 469, Female: 68)
- Main business : Precious metals recycling and refining; sales of precious metals and electronics materials; wholesaling of processed raw ingredients for food products; and the collection, transportation, and treatment of industrial waste
- Independent auditor: Chuo Aoyama Audit Corporation

Board of Directors

as of June 27, 2002

- President and representative director: Hiroshi Matsuda
- Executive vice president and representative director: Yoshiaki Matsuda
- Senior managing directors: Shine Watanuki
Kenichi Tategami
- Managing directors: Norio Kojima
Yukihiko Kaku
Tsuneo Tokunaga
- Directors: Yoichi Asano
Hitoshi Otagao
Yoshitaka Tashiro
Yasuhiko Kumagai
Yuji Katayama
Koji Tsushima
- Corporate Auditor (standing): Seiji Igari
- Corporate Auditors: Tatsuo Asami
Yasuo Tamura
Tadashi Uematsu



Office and Plants

as of March 31, 2002

● Precious metal division

Head office / Sendai / Tokyo
Iruma / Kawasaki / Kofu
Nagano / Nagoya / Osaka
Kanazawa / Fukuyama
Fukuoka / Kagoshima

● Environment division

Head office / Aomori / Sendai
Saitama / Tokyo / Chiba
Kanagawa / Yokohama
Shizuoka / Nagoya / Osaka
Fukuyama / Fukuoka

● Food products division

Head office / Sendai
Shiogama / Iwaki / Tokyo
Odawara / Nagoya / Osaka
Fukuoka
Quality Assurance Department
Distribution Center

▲ Overseas

Singapore (Branch)
Thailand (Subsidiary)

◎ Production Division

Musashi Factory
Iruma Factory



Investor Information

- **Fiscal year ends on** : March 31
- **Record dates** :
 - March 31: Matters related to ordinary general meetings of shareholders
 - March 31: Shareholders on the record for dividend payments (September 30 for interim dividends)
- **Stock transfer agent** : UFJ Trust Bank, Ltd.
- **Stock transfer administrative office** :
 - Corporate Agency Department, UFJ Trust Bank, Ltd.
 - 10-11 Higashisuna 7-chome, Koto-ku, Tokyo 137-8081
 - Tel: 03-5683-5111
- **Stock transfer offices** : Branches of UFJ Trust Bank, Ltd. in Japan
- **Public notices appear in** : The Nihon Keizai Shimbun

- **Notes** :
 1. In accordance with the revised Commercial Code that came into effect on October 1, 2001, the Company adopted the new unit trading system for its shares. Trading of the Company's shares on the Tokyo Stock Exchange is handled in multiples of 500 shares (1 trading unit). Also, the Company continues to accept orders for transactions of less than 500 shares.

The revision also eliminated the requirement on the total amount of stock capital for companies with outstanding par-value stock that wish to split their stock, thus essentially changing all of the Company's par-value shares to non-par value shares. However, because existing par-value shares continue to circulate, there is no need to convert them to non-par shares.
 2. The stock transfer agent UFJ Trust Bank, Ltd. changed its name from Toyo Trust & Banking Co., Ltd. effective Tuesday, January 15, 2002.
 3. Regarding requests for forms related to the Company's shares (including notifications of change in registered address, identification seal, name, or other investor information, applications for the purchase of less than the minimum trading unit, and the transfer of shares), please contact the above mentioned stock transfer agent by telephone or email. Services are available 24 hours a day.
 - Toll free: 0120-24-4479 (Corporate Agency Department; Head Office)
0120-68-4479 (Corporate Agency Department; Osaka Branch)
 - Internet: <http://www.ufjtrustbank.co.jp/>

ISO 14001
(Production Division)



MATSUDA SANGYO CO.,LTD.

Shinjuku Nomura Bldg. 6F, 26-2, 1 Chome, Nishi-shinjuku, Shinjuku-ku, Tokyo
TEL 03-5381-0001
Internet: <http://www.matsuda-sangyo.co.jp/>

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