FY3/17 Financial Statements [J-GAAP]

May 12, 2017

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
Company code: 7456 URL: http://www.matsuda-sangyo.co.jp
Representative: Representative Director/President Yoshiaki Matsuda
Inquiries: Director in charge of IR Atsushi Kinoshita TEL: +81-3-5381-0728
Date of regular shareholders' meeting: June 29, 2017
Date of filing the financial report: June 29, 2017
Expected dividend payment date: June 30, 2017
Supplementary materials for financial results prepared: Yes
Information meeting for financial results held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. FY3/17 Consolidated results (April 1, 2016–March 31, 2017)

(1) Consolidated operating results (Percentages are year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/17	163,054	0.6	2,960	(5.3)	3,459	(8.5)	2,454	(4.6)
FY3/16	162,065	(9.7)	3,125	(42.2)	3,782	(35.1)	2,573	(23.0)

(Note) Comprehensive income: FY3/17 2,322 million yen (+31.8%) FY3/16 1,761 million yen (-61.1%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income / total assets	Operating margin
	(yen)	(yen)	(%)	(%)	(%)
FY3/17	93.21	—	4.7	4.8	1.8
FY3/16	97.23	—	5.0	5.3	1.9

(Reference) Equity in earnings or losses of affiliates: FY3/17 554 million yen FY3/16 605 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/17	72,715	53,419	73.4	2,027.45
FY3/16	69,926	51,834	74.1	1,967.65

(Reference) Shareholders' equity: FY3/17 53,390 million yen FY3/16 51,815 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
FY3/17	811	(1,813)	(1,597)	6,784
FY3/16	8,593	(1,421)	(3,274)	9,524

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	(%)	(%)
FY3/16	—	14.00	—	14.00	28.00	739	28.8	1.4
FY3/17	—	14.00	—	14.00	28.00	737	30.0	1.4
FY3/18 (projections)	—	14.00	—	14.00	28.00		29.6	

Breakdown of interim dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

Breakdown of year-end dividend for FY3/16: ordinary dividend ¥13.00, commemorative dividend ¥1.00

3. FY3/18 Consolidated earnings projections (April 1, 2017–March 31, 2018)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
1H FY3/18	84,000	6.3	1,400	12.4	1,600	12.1	1,140	17.6	43.29
FY3/18	175,000	7.3	3,200	8.1	3,500	1.2	2,490	1.4	94.55

* Notes

(1) Material changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting from changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and restatement of revisions

1) Changes in accounting policies with revision of accounting standards: Yes
2) Changes in accounting policies other than the above: No
3) Changes in accounting estimates: No
4) Restatement of revisions: No

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares)	FY3/17	28,908,581 shares	FY3/16	28,908,581 shares
2) Number of treasury shares	FY3/17	2,575,021 shares	FY3/16	2,574,801 shares
3) Average number of shares during the period	FY3/17	26,333,728 shares	FY3/16	26,461,984 shares

(Reference) Summary of non-consolidated results

1. FY3/17 Non-consolidated results (April 1, 2016–March 31, 2017)

(1) Non-consolidated operating results (Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY3/17	153,426	(3.6)	2,345	(10.6)	2,644	(11.1)	1,892	(3.9)
FY3/16	159,116	(10.3)	2,623	(43.0)	2,973	(37.8)	1,969	(31.2)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/17	71.84	–
FY3/16	74.41	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/17	64,443	45,741	71.0	1,736.99
FY3/16	62,313	44,409	71.3	1,686.39

(Reference) Shareholders' equity: FY3/17 45,741 million yen FY3/16 44,409 million yen

*This kessan tanshin document is outside the scope of audit procedures.

*Explanation of the proper use of earnings projections and other notes

This document contains earnings projections and other information that constitute forward-looking statements. These statements are based on reasonable assumptions and information currently available to the Company and provide no guarantee of future performance. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about earnings projections assumptions and notes regarding the use of earnings projections, please refer to "1. Operating results and others (4) Future outlook, (6) Business and other risks" on page 4.

Contents

1. Operating results and others

(1) Analysis of operating results

Consolidated operating results (millions of yen) [year-on-year comparison]

Net sales	163,054	[+988	+0.6%]	
Operating income	2,960	[(164)	(5.3%)]	
Ordinary income	3,459	[(323)	(8.5%)]	
Profit attributable to owners of parent	2,454	[(118)	(4.6%)]	

During the consolidated fiscal year ended March 31, 2017, the Japanese economy continued to recover at a moderate pace, supported by improving corporate earnings and employment conditions, despite some signs of weakness in consumer spending. However, the outlook remained uncertain due to concerns about labor shortages in the Japanese economy, rising geopolitical risk and uncertainties in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment worked hard to secure precious metals materials, boost sales of products such as precious metal chemical products, and expand its industrial waste treatment outsourcing business. In Japan, the business worked to create a dual-site production framework by purchasing land, buildings and other assets in Seki, Gifu Prefecture in September 2016. Overseas, the business actively expanded its operations, supported by the start of full-scale operations at a refining plant run by the Group's subsidiary in Vietnam in the first quarter of the fiscal year. The food business segment worked hard to develop and provide products that address customer needs and actively implemented marketing activities, which included the use of not only domestic business sites but also those of overseas, in order to expand sales volume.

As a result, consolidated net sales increased 0.6% year on year to ¥163,054 million and operating income dropped 5.3% to ¥2,960 million. Ordinary income was ¥3,459 million, down 8.5% year on year, supported by an increase in equity in earnings of affiliates under non-operating income. Profit attributable to owners of parent was ¥2,454 million, down 4.6% year on year.

The following is a summary of business by segment:

Consolidated results by segment (millions of yen) [year on year comparison]

Segment	Net sales			Operating income		
Precious metals business segment	102,219	[(1,945)	(1.9%)]	1,856	[(491)	(20.9%)]
Food business segment	60,898	[+2,926	+5.0%]	1,104	[+327	+42.1%]
Eliminations or corporate	(63)			—		
Total	163,054	[+988	+0.6%]	2,960	[(164)	(5.3%)]

Precious metals business segment:

In the precious metals division, production at key customers in the semiconductor and electronics parts sectors varied depending on market trends for smartphones, autos and other products, with production activity trending down in the first half of the fiscal year. However, there were signs of a recovery in the second half of the fiscal year. Against this backdrop, volumes handled in precious metal recycling turned up from the second half of the fiscal year, supporting growth in sales volume for precious metals products. However, volumes handled in industrial waste treatment and sales volume for electronic materials declined year on year, and the price of precious metals, except silver, declined. As a result, sales overall were lower than in the previous fiscal year.

As a result, net sales for the precious metals business segment decreased 1.9% year on year to ¥102,219 million, and operating income declined 20.9% year on year to ¥1,856 million.

Food business segment:

The food business segment's operating environment remained challenging. Although production activity in the food processing sector improved at a modest pace, mainly supported by rising exports of processed food products, growth in the domestic market was limited by weak consumer spending. Against this backdrop, sales volume for *surimi* fish paste declined and prices for food products dropped across the board. However, sales volume increased for seafood products, excluding *surimi*, and for livestock products and agricultural products, leading to higher sales compared with the previous fiscal year.

As a result, net sales for the food business segment totaled ¥60,898 million (up 5.0% year on year) and operating income increased to ¥1,104 million (up 42.1% year on year).

(2) Analysis of financial position

Assets:

Total assets increased ¥2,789 million year on year to ¥72,715 million. This mainly reflected increases in notes and accounts receivable – trade and inventories.

Liabilities:

Total liabilities increased ¥1,204 million year on year to ¥19,296 million. This chiefly reflected an increase in notes and accounts payable – trade.

Net assets:

Net assets totaled ¥53,419 million, an increase of ¥1,584 million from the previous fiscal year-end. This primarily reflected a decrease due to dividends paid, outweighed by an increase from net income.

(3) Analysis of cash flows

As of March 31, 2017, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥6,784 million, a decrease of ¥2,740 million year on year. The followings are the cash flow status under review and the factors during the fiscal period.

Cash flows from operating activities:

Operating activities provided net cash of ¥811 million, a decline of ¥7,782 million compared with net cash provided of ¥8,593 million in the previous fiscal year. This mainly reflected the difference between cash provided from income before income taxes, depreciation, and increase in accounts payable – trade on the one hand, and cash used for equity in earnings of affiliates, increase in notes and accounts receivable – trade, increase in inventories, and income taxes paid on the other.

Cash flows from investing activities:

Investing activities used net cash of ¥1,813 million, an increase of ¥392 million compared with net cash used of ¥1,421 million in the previous fiscal year. This was mainly due to 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, such as software.

Cash flows from financing activities:

Financing activities used net cash of ¥1,597 million, a decrease of ¥1,677 million compared with net cash used of ¥3,274 million in the previous fiscal year. This primarily reflected a decrease in loans and a decrease in cash due to dividends paid.

(Reference) Trend in cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Shareholders' equity ratio	70.4	71.5	69.7	74.1	73.4
Shareholders' equity ratio on a market value basis	61.9	50.0	55.6	44.1	54.0
Ratio of interest-bearing debt to cash flow	1.5	—	—	0.6	6.2
Interest coverage ratio	62.1	—	—	215.9	24.4

(Notes) Shareholders' equity ratio: Shareholders' equity/total assets
Shareholders' equity ratio on a market value basis: Total market value of shares/total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow from operating activities
Interest coverage ratio: Cash flows from operating activities/interest paid
* All the indicators are calculated using consolidated financial figures.
* The total market value of shares is calculated as the product of the share price and the number of issued shares, excluding treasury shares, at the end of the fiscal year.
* Cash flows from operating activities is the cash flows from operating activities shown in the consolidated statements of cash flows. Interest-bearing debt is the total amount of debt shown in the consolidated balance sheet on which interest is paid. In addition, interest paid is the amount of interest paid shown in the consolidated statements of cash flows.
* The ratio of interest-bearing debt to cash flow and the interest coverage ratio for FY3/14 and FY3/15 are not provided since cash flows from operating activities were negative.

(4) Future outlook

Consolidated earnings projections (millions of yen) [Comparison to FY3/17]

Net sales	175,000	(	+11,945	+7.3%	)
Operating income	3,200	(	+239	+8.1%	)
Ordinary income	3,500	(	+40	+1.2%	)
Profit attributable to owners of parent	2,490	(	+35	+1.4%	)

Although the outlook remains unclear due to uncertainties in overseas economies and rising geopolitical risk that could impact the domestic economy, we expect the Japanese economy to continue recovering at a modest pace. Against this backdrop, in the precious metals business segment, we plan to strengthen domestic and overseas operating sites, increase operating efficiency and expand the scope of our business by proactively cultivating new demand.

In the food business segment, we will work to generate steady earnings by accurately matching marketing activities to customer needs and by standing out in the market as a stable supplier of safe and reliable food products, supported by the use of our overseas operating sites.

(5) Basic policy on distribution of profits and dividends for FY3/17 and FY3/18

The Company's basic policy on distribution of profits is to meet shareholder expectations by continuing to pay stable dividends while ensuring sufficient internal reserves to invest in growth. In line with this policy, the Company is working to return profits to shareholders, with the commemorative dividend paid in the previous fiscal year to mark the 20th anniversary of the Company's share listing included in the ordinary dividend in the fiscal year under review.

Based on this policy, the Company plans to pay a year-end ordinary dividend of ¥14 per share. In combination with the interim dividend of ¥14, dividends for the full fiscal year are expected to be ¥28 per share.

The Company expects to pay ¥28 per share in dividends for the fiscal year ending March 2018, consisting of ¥14 per share as an interim dividend and ¥14 per share as a year-end dividend. The Company will continue to distribute profits to its shareholders in a comprehensive way according to the operating results.

(6) Business and other risks

The main business risks recognized by the Group are described below. If these risks become reality, they may have a major effect on the Company's business performance and financial position. In recognition of these risks, our TRM (Total Risk Management) Committee will develop a risk management system with the aim of avoiding risks and minimizing the effect of such risks if they occur.

1) Price fluctuations for core products and commodities

a. Products

The Group's products mainly consist of the precious metals such as gold, silver, platinum and palladium; the main raw materials used in their production are the recycled raw materials containing the various precious metals. As a general rule, the purchase price is based on the market price for precious metal bullion and the market prices are affected by changes in the international commodities market and fluctuation in exchange rates. The prices of these products are also determined based on the market price. The Group employs commodity futures to avoid pricing risk attendant to fluctuating prices, but it is possible that changes in the price of precious metals could affect its operating results.

b. Commodities

A large portion of the Group's processed raw materials for food products, which consist mainly of *surimi* fish paste and other seafood, livestock products, and agricultural products, come from overseas. Both the purchase and sales price of these products are affected by fluctuations in commodity market prices and exchange rates. The Group addresses these changes by using forward exchange contracts and passing on price changes to customers; however, these price changes could affect its operating results.

2) Quality issues related to the Group's food business segment

The Group purchases a wide range of products from overseas for the food business segment, including processed seafood ingredients comprised mainly of *surimi* fish paste, shrimp, crab, squid ,octopus, processed agricultural products comprised mainly of fresh, dried, and frozen vegetables, and processed livestock products comprised mainly of various types of meat of beef, chicken and others, and chicken eggs. The Group also sells these products to food manufacturers of *surimi* fish paste, frozen food, prepared food, confectionery and other food products on a wholesale basis. The Group carries out strict labeling of food products as specified by law, and make every effort to strengthen its quality control training and contamination countermeasures for overseas food products. However, its operating results could be affected if food safety problems occurred and measures such as a ban on imports were imposed.

3) Addressing legal regulations

There is a trend towards stricter environmental laws as a result of growing societal concern over environmental issues. If regulations of the precious metals business segment were tightened, various measures such as increasing capital expenditures might become necessary. The Group also conducts various operations including collecting, transporting and disposing of waste as a business covered by the Waste Disposal and Public Cleaning Law, and the continuation of our business is based on the major assumption that the Group complies with the various laws.

In addition to establishing corporate ethics rules, which clearly state corporate ethics and legal compliance in writing, the Group has created compliance rules to set forth how compliance is to be implemented, and is working to achieve compliance in all management activities.

4) Management of waste and other materials

The Group uses poisonous and toxic substances at the production stages but appropriately processes the waste liquid and atmospheric emissions, taking the environment into consideration. However, operating results could be affected if a problem occurred to the management of these materials for any various reasons, including an accident at the plant.

5) Country risk

The Group's precious metals business segment and food business segment both conduct business activities in various countries and regions overseas, exposing them to the risk of unforeseen developments in those markets due to changes in political, economic, social and other conditions, which could affect the Group's operating results and financial position.

6) Natural disasters, climate change, etc.

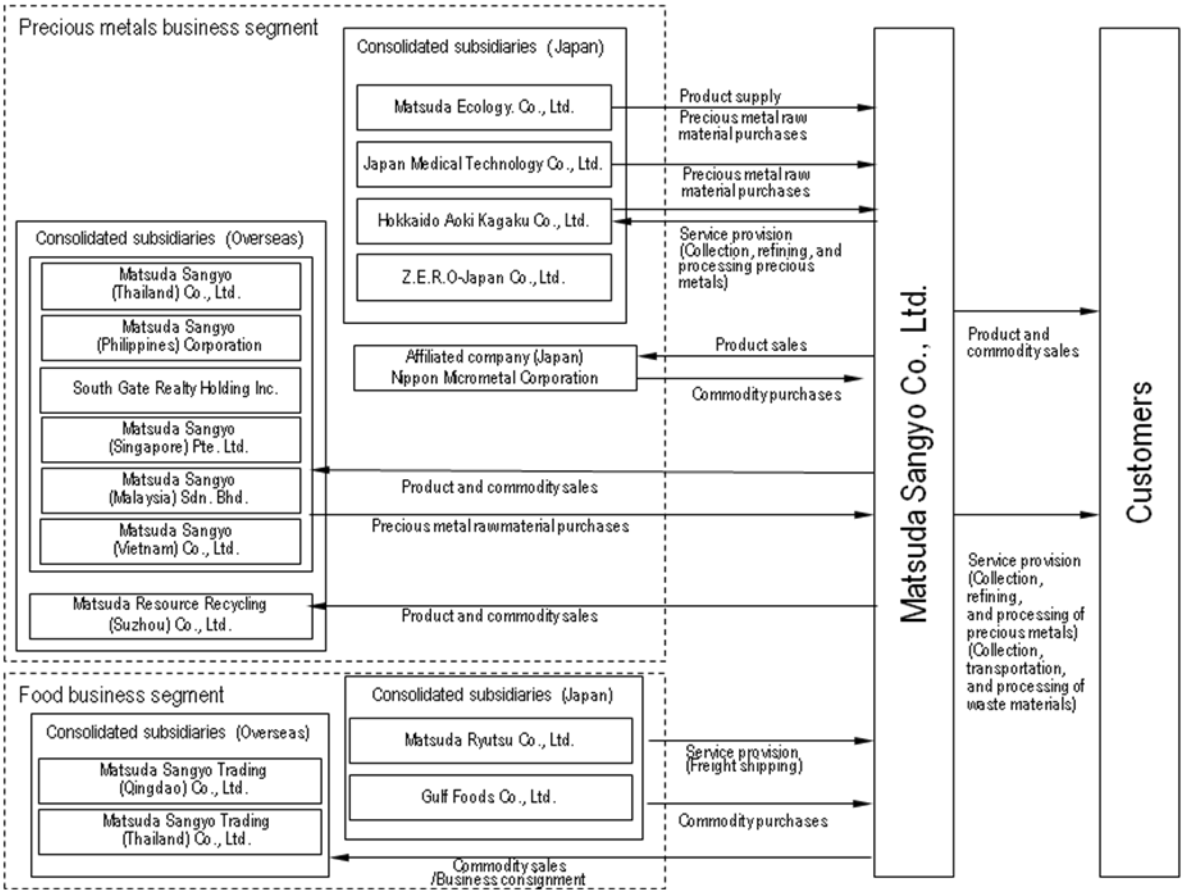
Earthquakes, floods and other natural disasters that occur in countries and regions where the Group operates could affect the Group's business activities. To prepare for a large-scale natural disaster, the Group has introduced an employee safety confirmation system, conducts disaster training drills, and has implemented various measures to ensure business continuity. However, these measures may be insufficient to fully insulate the Group from damage, which could affect the Group's operating results and financial position.

Also, the production of products handled by the Group's food business segment and other business activities may be affected by abnormal weather conditions caused by climate change or other factors, which could affect the Group's operating results and financial position.

2. Corporate group

Matsuda Sangyo Group is composed of the Company, 15 subsidiaries and 1 affiliated company; the main businesses of the Group are the precious metals business segment, which involves the recovery and refining of precious metals, the sale of items such as precious metal bullion and electronic materials, and the collection, transportation, and processing of industrial wastes; and the food business segment, which involves selling processed food ingredients and providing distribution services. The following subsidiaries support the Company regarding business for regions and industries related to the precious metals business segment: Matsuda Ecology. Co., Ltd., Japan Medical Technology Co., Ltd., Hokkaido Aoki Kagaku Co., Ltd., Z.E.R.O.-Japan, Co., Ltd., Matsuda Sangyo (Thailand) Co., Ltd., Matsuda Sangyo (Philippines) Corporation, South Gate Realty Holding Inc., Matsuda Sangyo (Singapore) Pte. Ltd., Matsuda Resource Recycling (Suzhou) Co., Ltd., Matsuda Sangyo (Malaysia) Sdn. Bhd., and Matsuda Sangyo (Vietnam) Co., Ltd. The subsidiary Matsuda Ryutsu Co., Ltd., is responsible for distribution for the Company's food business segment, while Gulf Foods Co., Ltd., Matsuda Sangyo Trading (Qingdao) Co., Ltd. and Matsuda Sangyo Trading (Thailand) Co., Ltd. provide support regarding business for regions and industries related to the food business segment. The affiliated company Nippon Micrometal Corporation handles the production of electronic materials, particularly gold bonding wires, the main product for the precious metals business segment.

The following is an organizational chart of the business:



(Notes)

1. Affiliated companies are all accounted for under the equity method.
2. South Gate Realty Holding Inc. owns land of Matsuda Sangyo (Philippines) Corporation.

3. Management policy

(1) Basic corporate management policy

Matsuda Sangyo Group's corporate ethics are rooted in "making effective use of the earth's resources and contributing to society through business," and the Group has developed its business on the three pillars: the precious metals business, in working to recycle and make effective use of precious metals which are limited resources; the environmental business, which aims to pass on a clean environment to the next generation; and the food business, which aims to provide stable food resources, the abundant bounty from the earth.

The Group's basic management policy is to "focus on customers" and "focus on shareholders." The Group sees its path to growth as understanding customer needs precisely and working for mutual survival and prosperity with its customers. The Group's goal is to contribute to securing resources through its resource recycling business, to contribute to the development of cutting-edge technology through precious metal processing and sales, to contribute to environmental protection though its environmental business, and to contribute to culinary life and culture through its food business while striving to expand the scope of its business and earn reasonable profits through sustained marketing efforts.

(2) Business indicators used as benchmarks

The Group is using the ratio of ordinary income to total assets as a performance indicator, aiming to achieve a ratio of at least 10% over the medium term in order to increase corporate value. In the fiscal year under review, the ratio was 4.8%, falling short of that target, but the Company will continue to work hard to increase profitability and enhance management efficiency.

(3) Medium- to long-term management strategy

The Group has formulated a new medium-term management plan (from fiscal 2016 to fiscal 2018), starting in the fiscal year ended March 31, 2017. The plan has five medium- and long-term 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. Based on these strategies, the Company uses the precious metals business segment to expand operations and drive growth, and the food business segment to generate stable growth, aiming to further increase corporate value.

(4) Issues faced by the Group

Precious metals business segment:

In the precious metals business, we will boost earnings potential by strengthening products and services in response to global competition. Aiming to become East Asia's leading refining company, we will upgrade domestic operating sites and reinforce our regional strategy for overseas sites.

To address changes in the operating environment, such as the declining volume of precious metals used in products, we will improve our precious metal recovery technologies and actively conduct research and development activities to develop precious metal chemical products that meet the needs of the electronics sector and other industries, aiming to create a distinct position in the market and expand our operations.

Overseas, we plan to increase sales of products such as electronic materials and precious metal chemical products and expand the recovery of recyclable precious metals at all our local subsidiaries in Thailand (Ayutthaya), the Philippines, Singapore, Malaysia and China (Suzhou), and at our local subsidiary in Vietnam, which started full-scale operation of a new metal refining plant.

In the environmental business, we will continue to leverage the Group's waste acid and alkali treatment facilities, nationwide waste disposal licenses and distribution network, expanding the industrial fields we serve in response to changing demand.

Food business segment:

In the food products business segment, we will leverage the Group's track record of expertise in quality assurance to stand out in the market as a stable supplier of safe, reliable, high-quality food products, aiming to expand the business by addressing the changing needs of client industries. Against this backdrop, we will work to be more profitable by responding to rising prices of imported raw materials. We also intend to secure high-quality supply sources and cultivate new customers by utilizing overseas subsidiaries in Qingdao, China and in Bangkok, Thailand.

(5) Other important corporate management issues

The Company engages in real estate lease transactions, non-life insurance transactions, and clerical work agency with Matsuda Bussan, the Company's main shareholder. The terms of the lease were determined in a fair manner by taking into account the appraised value of the real estate as determined by a real estate appraiser and prices in the neighboring area. Payments of non-life insurance premiums are made based on the same terms that are commonly used for insurance transactions.

4. Basic stance on selection of accounting standards

Many of the Group's stakeholders are domestic shareholders, creditors, business partners and so on, and the Group has limited need to procure funds from overseas. Consequently, the Group has adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP) as its accounting framework. However, the Group will look into the possibility of adopting International Financial Reporting Standards (IFRS), taking into account conditions in Japan and overseas and trends in accounting standard adoption by other companies.

5. Consolidated financial statements and important notes

(1) Consolidated balance sheet

(millions of yen)

	FY3/16 (March 31, 2016)	FY3/17 (March 31, 2017)
Assets		
Current assets		
Cash and deposits	9,524	6,784
Notes and accounts receivable – trade	17,499	19,954
Merchandise and finished goods	13,966	14,226
Work in process	314	404
Raw materials and supplies	5,520	6,311
Deferred tax assets	439	449
Accounts receivable – other	330	201
Others	1,742	2,497
Allowance for doubtful accounts	(9)	(9)
Total current assets	49,328	50,820
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,241	8,835
Accumulated depreciation	(4,319)	(4,597)
Buildings and structures, net	3,922	4,237
Machinery, equipment and vehicles	7,748	8,254
Accumulated depreciation	(5,673)	(6,092)
Machinery, equipment and vehicles, net	2,074	2,161
Land	7,682	7,791
Leased assets	334	644
Accumulated depreciation	(100)	(197)
Leased assets, net	233	446
Construction in progress	88	42
Others	1,068	1,083
Accumulated depreciation	(844)	(903)
Others, net	224	180
Total property, plant and equipment	14,226	14,859
Intangible assets		
Others	707	895
Total intangible assets	707	895
Investments and other assets		
Investment securities	4,131	4,470
Deferred tax assets	11	3
Others	1,589	1,733
Allowance for doubtful accounts	(68)	(68)
Total investments and other assets	5,663	6,139
Total non-current assets	20,597	21,894
Total assets	69,926	72,715

(millions of yen)

	FY3/16 (March 31, 2016)	FY3/17 (March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,154	8,223
Short-term loans payable	1,559	1,993
Current portion of long-term loans payable	1,153	994
Lease obligations	64	127
Income taxes payable	403	572
Deferred tax liabilities	1	-
Provision for bonuses	601	744
Accounts payable - other	537	793
Others	2,515	2,391
Total current liabilities	13,990	15,840
Non-current liabilities		
Long-term loans payable	2,592	1,598
Lease obligations	169	318
Deferred tax liabilities	400	636
Provision for directors' retirement benefits	664	565
Provision for executive officers' retirement benefits	-	16
Net defined benefit liability	246	228
Others	27	92
Total non-current liabilities	4,101	3,456
Total liabilities	18,091	19,296
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	45,798	47,515
Treasury shares	(3,008)	(3,009)
Total shareholders' equity	50,357	52,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	473	627
Deferred gains or losses on hedges	(76)	(30)
Foreign currency translation adjustments	1,198	810
Remeasurements of defined benefit plans	(138)	(91)
Total accumulated other comprehensive income	1,458	1,315
Non-controlling interests	18	29
Total net assets	51,834	53,419
Total liabilities and net assets	69,926	72,715

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Net sales	162,065	163,054
Cost of sales	146,734	147,254
Gross profit	15,331	15,800
Selling, general and administrative expenses	12,206	12,839
Operating income	3,125	2,960
Non-operating income		
Interest income	9	6
Dividend income	21	22
Foreign exchange gains	-	61
Share of profit of entities accounted for using equity method	605	554
Purchase discounts	15	13
Insurance income	19	4
Subsidy income	60	-
Others	63	46
Total non-operating income	796	709
Non-operating expenses		
Interest expenses	39	33
Foreign exchange losses	21	-
Loss on retirement of non-current assets	17	16
Loss on valuation of investment securities	6	130
Others	53	31
Total non-operating expenses	139	211
Ordinary income	3,782	3,459
Income before income taxes	3,782	3,459
Income taxes – current	1,039	1,009
Income taxes – deferred	153	(16)
Total income taxes	1,192	993
Profit	2,589	2,465
Profit attributable to non-controlling interests	16	11
Profit attributable to owners of parent	2,573	2,454

(Consolidated statements of comprehensive income)

(millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Profit	2,589	2,465
Other comprehensive income		
Valuation difference on available-for-sale securities	(69)	153
Deferred gains or losses on hedges	3	45
Foreign currency translation adjustment	(597)	(327)
Remeasurements of defined benefit plans	(159)	48
Share of other comprehensive income (loss) of entities accounted for using equity method	(4)	(63)
Total other comprehensive income (loss)	(827)	(143)
Comprehensive income	1,761	2,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,745	2,311
Comprehensive income attributable to non-controlling interests	16	10

(3) Consolidated statements of changes in shareholders' equity

FY3/16 (April 1, 2015–March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,559	4,008	43,942	(2,621)	48,888
Change of items during the period					
Dividends from surplus			(716)		(716)
Profit attributable to owners of parent			2,573		2,573
Purchase of treasury shares				(387)	(387)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	1,856	(387)	1,469
Balance at the end of the period	3,559	4,008	45,798	(3,008)	50,357

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	543	(79)	1,798	22	2,285	2	51,176
Change of items during the period							
Dividends from surplus							(716)
Profit attributable to owners of parent							2,573
Purchase of treasury shares							(387)
Net changes of items other than shareholders' equity	(69)	2	(600)	(161)	(827)	16	(811)
Total change of items during the period	(69)	2	(600)	(161)	(827)	16	658
Balance at the end of the period	473	(76)	1,198	(138)	1,458	18	51,834

FY3/17 (April 1, 2016–March 31, 2017)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,559	4,008	45,798	(3,008)	50,357
Change of items during the period					
Dividends from surplus			(737)		(737)
Profit attributable to owners of parent			2,454		2,454
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	1,717	(0)	1,716
Balance at the end of the period	3,559	4,008	47,515	(3,009)	52,074

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	473	(76)	1,198	(138)	1,458	18	51,834
Change of items during the period							
Dividends from surplus							(737)
Profit attributable to owners of parent							2,454
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	153	46	(388)	46	(142)	10	(132)
Total change of items during the period	153	46	(388)	46	(142)	10	1,584
Balance at the end of the period	627	(30)	810	(91)	1,315	29	53,419

(4) Consolidated statements of cash flows

(millions of yen)

	FY3/16 (April 1, 2015– March 31, 2016)	FY3/17 (April 1, 2016– March 31, 2017)
Cash flows from operating activities		
Income before income taxes	3,782	3,459
Depreciation	1,219	1,295
Increase (decrease) in allowance for doubtful accounts	(111)	(0)
Increase (decrease) in provision for bonuses	(28)	142
Increase (decrease) in net defined benefit liability	(98)	52
Increase (decrease) in provision for directors' retirement benefits	37	(40)
Increase (decrease) in provision for executive officers' retirement benefits	-	16
Interest and dividend income	(31)	(28)
Interest expenses	39	33
Share of (profit) loss of entities accounted for using equity method	(605)	(554)
Decrease (increase) in notes and accounts receivable – trade	1,722	(2,446)
Decrease (increase) in accounts receivable – other	322	127
(Increase) decrease in inventories	3,587	(1,190)
Increase (decrease) in accounts payable – trade	(738)	1,087
Increase (decrease) in accounts payable – other	(356)	100
Others	1,679	(662)
Subtotal	10,420	1,390
Interest and dividend income received	292	293
Interest paid	(39)	(33)
Income taxes paid	(2,080)	(839)
Net cash provided by (used in) operating activities	8,593	811
Cash flow from investing activities		
Proceeds from withdrawal of time deposits	142	-
Purchase of property, plant and equipment	(954)	(1,524)
Proceeds from sales of property, plant and equipment	47	8
Purchase of intangible assets	(78)	(192)
Purchase of investment securities	(9)	(15)
Proceeds from sales of investment securities	2	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(481)	-
Others	(88)	(95)
Net cash provided by (used in) investing activities	(1,421)	(1,813)
Cash flow from financing activities		
Net change in short-term loans payable	(2,023)	420
Proceeds from long-term loans payable	1,200	-
Repayment of long-term loans payable	(1,298)	(1,153)
Purchase of treasury shares	(387)	(0)
Cash dividends paid	(716)	(737)
Others	(49)	(126)
Net cash provided by (used in) financing activities	(3,274)	(1,597)
Effect of exchange rate change on cash and cash equivalents	(234)	(140)
Change in cash and cash equivalents	3,663	(2,740)
Cash and cash equivalents at beginning of period	5,861	9,524
Cash and cash equivalents at end of period	9,524	6,784

(5) Notes on consolidated financial statements

(Notes on premise of a going concern)
There is nothing to report.

(Changes in accounting standards, etc.)
Following revisions to the Corporation Tax Act, the Company and its consolidated subsidiaries in Japan have applied the Practical Solution on Change in Depreciation Method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ), PITF No. 32, June 17, 2016), effective from the fiscal year under review. As a result, the depreciation method for building fixtures and structures purchased on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.
This change in depreciation method had an immaterial impact on operating income, ordinary income and income before income taxes in the fiscal year under review.

(Additional information)
Effective from the fiscal year under review, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

(Segment information, etc.)

(Segment Information)

1. Overview of reportable segments

Reportable segments of the Company are structural units of the Company whose separate financial information is available, and are subject to regular examination by the Board of Directors so that they can decide on allocation of managerial resources and evaluate business performance.

The Company (or Matsuda Sangyo) established operation divisions respectively for products, merchandise and services in the head office. Each division formulates comprehensive domestic and foreign strategies to expand business for the corresponding products, merchandise and services.

The Company thus comprises product, merchandise and service segments built around operation divisions, and the precious metals business segment and food business segment are designated as reportable segments. In this regard, business segments with essentially identical financial characteristics (i.e., the precious metals business and the environmental business) are combined as the precious metals business segment.

The precious metals business segment recovers and refines precious metals, sells precious metal bullions, chemical products, and electronic materials, and collects, transports and disposes industrial wastes. The food business segment sells and transports seafood products, agricultural products, livestock products, and other raw materials for food processing.

2. Calculation method for net sales and income/loss for each reportable segment

Accounting methods used for each reportable segment follow the accounting methods for the preparation of consolidated financial statements. Income listed for each reportable segment refers to operating income. Inter-segment sales/transfers are based on market value.

3. Information for net sales and income/loss for each reportable segment

FY3/16 (April 1, 2015–March 31, 2016)

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	104,159	57,905	162,065	—	162,065
Net sales & remittances between segments	4	65	70	(70)	—
Total	104,164	57,971	162,136	(70)	162,065
Segment income	2,347	777	3,125	—	3,125

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment income matches operating income recorded on the consolidated statements of income.

FY3/17 (April 1, 2016–March 31, 2017)

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	102,219	60,834	163,054	—	163,054
Net sales & remittances between segments	—	63	63	(63)	—
Total	102,219	60,898	163,118	(63)	163,054
Segment income	1,856	1,104	2,960	—	2,960

(Notes)

1. Adjustments correspond to the elimination of transactions and remittances between segments.
2. Total segment income matches operating income recorded on the consolidated statements of income.