



## FY3/13 Financial Statements [J-GAAP]

May 13, 2013

Company Name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)

Company code: 7456 URL: <http://www.matsuda-sangyo.co.jp>

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Date of regular shareholders' meeting: June 26, 2013

Date of filing the financial report: June 26, 2013

Expected dividend payment date: June 27, 2013

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. FY3/13 Consolidated results (April 1, 2012–March 31, 2013)

(1) 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)	(%)
FY3/13	167,263	-10.8	5,568	-18.6	6,085	-13.4	4,008	-4.7
FY3/12	187,606	2.2	6,837	13.0	7,028	14.5	4,206	15.9

(Note) Comprehensive income: FY3/13 4,604 million yen (12.8%) FY3/12 4,080 million yen (18.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income / total assets	Operating margin
	(yen)	(yen)	(%)	(%)	(%)
FY3/13	146.51	—	9.4	9.8	3.3
FY3/12	150.81	—	10.6	11.5	3.6

(Reference) Equity in earnings or losses of affiliates: FY3/13 451 million yen FY3/12 338 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/13	63,136	44,460	70.4	1,643.09
FY3/12	61,363	41,138	67.0	1,490.19

(Reference) Shareholders' equity: FY3/13 44,457 million yen FY3/12 41,138 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)
FY3/13	2,703	-2,765	-1,593	8,582
FY3/12	5,536	-742	-1,354	9,948

### 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)	(%)	(%)
FY3/12	—	12.00	—	12.00	24.00	666	15.9	1.7
FY3/13	—	12.00	—	12.00	24.00	653	16.3	1.5
FY3/14 (projections)	—	12.00	—	12.00	24.00		15.8	

3. FY3/14 Consolidated earnings projections (April 1, 2013–March 31, 2014)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
1H FY3/14	86,000	5.9	3,000	65.9	3,150	57.0	2,020	51.6	73.83
FY3/14	175,000	4.6	6,200	11.3	6,500	6.8	4,140	3.3	151.33

\* 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 principles, 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:                                      | Yes |
| 4) Restatement of revisions:   | No  |

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	FY3/13	28,908,581 shares	FY3/12	28,908,581 shares
2) Number of treasury stock	FY3/13	1,851,230 shares	FY3/12	1,302,477 shares
3) Average number of shares during the period	FY3/13	27,356,932 shares	FY3/12	27,889,929 shares

(Reference) Summary of non-consolidated results

1. FY3/13 Non-consolidated results (April 1, 2012–March 31, 2013)

(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)	(%)
FY3/13	165,755	-10.7	4,550	-27.0	4,933	-19.0	3,097	-11.1
FY3/12	185,684	1.7	6,233	15.3	6,092	14.4	3,485	14.2

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/13	113.23	–
FY3/12	124.95	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/13	58,354	39,957	68.5	1,476.77
FY3/12	57,858	38,036	65.7	1,377.82

(Reference) Shareholders' equity: FY3/13 39,957 million yen FY3/12 38,036 million yen

\*Presentation of implementation status for audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this report. At the time of disclosure of this report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

\*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 to 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 "Analysis of operating results and financial position" on page 2.

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## 1. Operating results

### (1) Analysis of operating results and financial position

Consolidated operating results	(millions of yen) (year-on-year comparison)		
Net sales	167,263	( -20,343	-10.8% )
Operating income	5,568	( -1,268	-18.6% )
Ordinary income	6,085	( -942	-13.4% )
Net income	4,008	( -198	-4.7% )

During the consolidated fiscal year ended March 31, 2013, conditions in the Japanese economy remained challenging due to the deflationary environment and weak consumption and investment. However, from the end of 2012, consumer and business confidence showed signs of an upturn due to factors such as an improvement in the export environment as the yen's appreciation came to a halt.

Against the backdrop of intensifying competition worldwide, Matsuda Sangyo Group's precious metals business segment actively upgraded its business sites in Japan and overseas and worked to improve and reinforce customer service. The food business segment also strengthened its overseas sites while working to secure sales volumes amid operating conditions that remained challenging.

As a result, consolidated net sales decreased 10.8% year on year to 167,263 million yen, and operating income decreased 18.6% to 5,568 million yen. Ordinary income was ¥6,085 million (down 13.4% year on year) and net income was ¥4,008 million (down 4.7% year on year) owing to an increase in equity in earnings of affiliates under non-operating income.

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	124,936	( -20,337	-14.0% )	5,040 ( -660 -11.6% )
Food business segment	42,380	( -17	0.0% )	528 ( -608 -53.5% )
Eliminations or corporate	-52			—
Total	167,263	( -20,343	-10.8% )	5,568 ( -1,268 -18.6% )

#### *Precious metals business segment*

In the precious metals division, sales volume for the Group's precious metal chemicals and other products declined year on year due to continued weak production at key customers in the semiconductor and electronics parts sectors. Although the volume of recovered precious metals trended down, and the price of gold, platinum, and others rose during the fiscal year, sales as a whole in the division declined year on year.

Sales in the environmental division declined year on year, reflecting a low volume of materials handled due to weak production activity in the division's target sectors.

As a result, net sales for the precious metals business segment decreased 14.0% year on year to 124,936 million yen, and operating income decreased 11.6% year on year to 5,040 million yen.

### *Food business segment*

With consumers continuing to focus on low-priced food products due to the deflationary economy, the food business segment worked to procure and sell stable supplies of safe, high-quality products to meet the demands of customers, primarily food processing companies.

Against this backdrop, seafood product sales volume and sales increased year on year, despite an ongoing impact from deteriorating market conditions. Sales of livestock products declined due to a drop in sales volume for meat while sales of agricultural products also fell slightly year on year due to downward pressure on sales volumes and prices.

As a result, net sales for the food business segment totaled ¥42,380 million (down 0.0% year on year) and operating income decreased to ¥528 million (down 53.5% year on year).

### Outlook for the fiscal year ending March 2014

Consolidated earnings projections	(millions of yen) (Comparison to FY3/13)		
Net sales	175,000	( +7,736	+4.6% )
Operating income	6,200	( +631	+11.3% )
Ordinary income	6,500	( +414	+6.8% )
Net income	4,140	( +131	+3.3% )

The outlook remains uncertain due to concerns such as a possible downturn in the global economy. However, we anticipate a recovery in demand-oriented industries due to an improvement in the export environment associated with the weak yen, and the positive impact of fiscal and financial policies. Against this backdrop, we plan to strengthen domestic and overseas operating sites and increase business volume in the precious metals business segment.

In the food business segment, we will work to generate steady earnings through aggressive marketing activities tailored to customer needs, supported by the use of our operating sites overseas.

### (2) Analysis of financial position

#### 1) Assets, liabilities and net assets

##### *Assets*

Total assets increased 1,772 million yen year on year to 63,136 million yen. This mainly reflected increases in inventories and property, plant and equipment, outweighing a decline in cash and deposits.

##### *Liabilities*

Total liabilities decreased 1,549 million yen year on year to 18,675 million yen. Chiefly, this is the result of a decrease in accounts payable—trade and accrued income taxes.

##### *Net assets*

Net assets increased 3,322 million yen year on year to 44,460 million yen. This primarily reflected decreases due to dividends paid and the purchase of treasury stock, outweighed by an increase from net income.

#### 2) Cash flow status

As of March 31, 2013, the balance of cash and cash equivalents (hereafter, “cash”) stood at 8,582 million yen, a decrease of 1,365 million yen year on year. Operating activities provided net cash of 2,703 million yen, investing activities used net cash of 2,765 million yen, and financing activities used net cash of 1,593 million yen.

##### *Cash flows from operating activities:*

Operating activities provided net cash of 2,703 million yen. This mainly reflects the difference between the increase in income before income taxes on the one hand, and the corresponding increase in income taxes paid and a decrease in accounts payable – trade on the other. This represents a decrease of 2,832 million yen from the 5,536 million yen increase in the previous fiscal year.

*Cash flows from investing activities:*

Investing activities used net cash of 2,765 million yen. This was chiefly due to the purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's plants. Compared with the previous fiscal year, when investing activities used net cash of 742 million yen, net cash used in investing activities increased 2,023 million yen.

*Cash flows from financing activities:*

Financing activities used net cash of 1,593 million yen. This mainly reflected dividends paid and the purchase of treasury stock. Compared with the previous fiscal year, when financing activities provided net cash of 1,354 million yen, net cash used in financing activities increased by 239 million yen.

(Reference) Trend in cash flow indicators

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13
Shareholders' equity ratio	68.3	63.0	62.8	67.0	70.4
Shareholders' equity ratio on a market value basis	64.7	86.6	58.3	61.1	61.9
Ratio of interest-bearing debt to cash flow	0.2	—	1.2	0.8	1.5
Interest coverage ratio	168.4	—	69.3	111.9	62.1

(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 at the end of the fiscal year.

\* Cash flows from operating activities is the cash flows from operating activities appearing in the consolidated statements of cash flows.

Interest-bearing debt is the total amount of debt appearing in the consolidated balance sheet on which interest is paid. In addition, interest paid is the amount of interest paid appearing in the consolidated statements of cash flows.

\* The ratio of interest-bearing debt to cash flow and the interest coverage ratio for FY3/10 are not provided since cash flow from operating activities was negative.

(3) Basic policy on distribution of profits and dividends for FY3/13 and FY3/14

The Company's basic policy on distribution of profits is to meet shareholders' expectations by continuing to pay stable dividends while ensuring sufficient internal reserves to invest in growth. In line with this policy, the Company acquired treasury stock during the fiscal year under review in order to increase shareholder value per share.

Based on this policy, the Company plans to pay a year-end dividend of 12 yen per share. In combination with the interim dividend of 12 yen, dividends for the full fiscal year are expected to be 24 yen per share.

The Company expects to pay 24 yen per share in dividends for the fiscal year ending March 2014 (12 yen per share as an interim dividend, and 12 yen 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.

#### (4) 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 were to occur 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 business activities.

##### 4) Management of waste and other materials

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

## 2. Corporate group

Matsuda Sangyo Group is composed of the Company, 12 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., and Matsuda Sangyo (Singapore) Pte. Ltd., Matsuda Resource Recycling (Suzhou) Co., Ltd., and Matsuda Sangyo (Malaysia) Sdn. Bhd. The subsidiary Matsuda Ryutsu Co., Ltd., is responsible for distribution for the Company's food business segment, while Matsuda Sangyo Trading (Qingdao) Co., Ltd. and Matsuda Sangyo Trading (Thailand) Co., Ltd. provide support for the food business segment in East Asia. 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. Japan Medical Technology Co., Ltd. and Hokkaido Aoki Kagaku Co., Ltd., are subsidiaries of the Company's subsidiary Matsuda Ecology Co., Ltd.
2. Affiliated companies are all accounted for under the equity method.



### 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 and limited resources; the environmental business, which aims to pass on a pristine environment to the next generation; and the food business, which aims to provide stable food resources and 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 through 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 has set the following numerical benchmarks for mid-term management: Ratio of ordinary income to total assets of 10% or more and a shareholders' equity ratio of 55% or more. As of the end of the fiscal year under review, the ratio of ordinary income to total assets was 9.8%, falling short of target, but the shareholders' equity ratio was 70.4%, exceeding the target. In the future as well, the Group will continue to work earnestly to increase earnings and improve operational efficiency.

#### (3) Medium- to long-term business strategy and issues faced by the Group

In the medium to long term, the Group will deploy a strategy that has positioned the precious metals business segment as the driving force behind expansion and growth and the food business segment as a stable growth business.

The following is a summary for each business segment:

##### *Precious metals business segment:*

In the precious metals division, 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.

Utilizing our branch office in Chonburi Province, Thailand, which was established as part of efforts to strengthen sites at our subsidiary in Thailand, we plan to enhance customer service and tap into the recovery in demand since the floods. We also intend to make further progress in cultivating customers in Malaysia following the startup of a new plant at our local subsidiary, and we plan to strengthen our sites in the Philippines and Vietnam as customers move into the market and establish their own operations.

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

In the production division, we plan to complete the construction of a new refining facility at the Iruma complex before the end of the year. This project will renew existing facilities and boost quality and productivity. We will also actively conduct R&D in order to develop new chemical products that address the needs of the electronics industry.

##### *Food business segment:*

In the food products division, we aim to leverage the expertise in quality assurance that the Group has acquired over many years and proactively expand sales to respond to the needs from changing client industries, in line with our basic policy of aiming to differentiate ourselves from competitors through the provision of safe, reliable, quality food products. Against this backdrop, we plan to ensure profitability by responding to rising prices of imported raw materials caused by the yen's recent weakness. Also, we aim to secure high-quality sources of materials and cultivate new customers by utilizing overseas subsidiaries Matsuda Sangyo Trading (Qingdao) Co., Ltd., established in China during the fiscal year under review, and Matsuda Sangyo Trading (Thailand) Co., Ltd., which is based in Bangkok.

#### (4) 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. Consolidated financial statements  
(1) Consolidated balance sheet

(millions of yen)

	FY3/12 (March 31, 2012)	FY3/13 (March 31, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	9,952	8,587
Notes and accounts receivable – trade	19,534	18,813
Merchandise and finished goods	7,015	8,596
Work in process	230	174
Raw materials and supplies	5,996	5,729
Deferred tax assets	622	595
Other accounts receivable	1,219	1,132
Others	1,159	1,750
Allowance for doubtful accounts	-17	-43
Total current assets	45,713	45,336
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,662	5,809
Accumulated depreciation	-3,256	-3,512
Buildings and structures, net	2,405	2,296
Machinery and delivery equipment	4,576	4,929
Accumulated depreciation	-3,666	-3,983
Machinery and delivery equipment, net	909	945
Land	7,540	7,629
Leased assets	360	425
Accumulated depreciation	-233	-306
Leased assets, net	127	118
Construction in progress	287	2,248
Others	815	940
Accumulated depreciation	-516	-622
Others, net	299	317
Total tangible fixed assets	11,569	13,557
Intangible fixed assets		
Others	622	329
Total intangible fixed assets	622	329
Investments and other assets		
Investment securities	2,180	2,588
Deferred tax assets	203	177
Others	1,272	1,424
Allowance for doubtful accounts	-199	-277
Total investments and other assets	3,457	3,913
Total fixed assets	15,649	17,800
Total assets	61,363	63,136

(millions of yen)

	FY3/12 (March 31, 2012)	FY3/13 (March 31, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	8,820	7,885
Short-term loans payable	1,015	721
Current portion of long-term loans payable	718	714
Lease obligations	64	54
Accrued income taxes	1,589	1,315
Reserve for bonuses	624	615
Other accounts payable	1,239	1,169
Others	2,913	2,867
Total current liabilities	16,985	15,343
Fixed liabilities		
Long-term loans payable	2,409	2,467
Lease obligations	63	64
Reserve for retirement benefits	252	230
Reserve for directors' retirement benefits	494	539
Others	18	30
Total fixed liabilities	3,238	3,331
<b>Total liabilities</b>	<b>20,224</b>	<b>18,675</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	35,417	38,766
Treasury stock	-1,401	-2,027
Total shareholders' equity	41,584	44,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	129	192
Deferred gains or losses on hedges	8	-22
Foreign currency translation adjustments	-583	-19
Total accumulated other comprehensive income	-445	151
Minority interests	—	2
<b>Total net assets</b>	<b>41,138</b>	<b>44,460</b>
<b>Total liabilities and net assets</b>	<b>61,363</b>	<b>63,136</b>

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

(millions of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Net sales	187,606	167,263
Cost of sales	169,604	150,135
Gross profit	18,001	17,127
Selling, general and administrative expenses	11,164	11,558
Operating income	6,837	5,568
Non-operating income		
Interest income	0	3
Dividends income	17	20
Equity in earnings of affiliates	338	451
Purchase discounts	36	24
House rent income	60	62
Retirement payments received for transferred employees	—	69
Others	99	50
Total non-operating income	553	681
Non-operating expenses		
Interest expenses	48	43
Foreign exchange losses	166	34
Cost of lease revenue	58	59
Others	88	27
Total non-operating expenses	362	165
Ordinary income	7,028	6,085
Income before income taxes	7,028	6,085
Income taxes – current	2,694	2,038
Income taxes – deferred	127	39
Total income taxes	2,822	2,077
Income before minority interests	4,206	4,008
Net income	4,206	4,008

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Income before minority interests	4,206	4,008
Other comprehensive income		
Valuation difference on available-for-sale securities	27	63
Deferred gains or losses on hedges	74	-30
Foreign currency translation adjustment	-200	483
Share of other comprehensive income of affiliates accounted for using equity method	-26	80
Total other comprehensive income	-125	596
Comprehensive income	4,080	4,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,080	4,604
Comprehensive income attributable to minority interests	—	—

## (3) Consolidated statements of changes in shareholders' equity

(millions of yen)

	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
<b>Shareholders' equity</b>		
Common stock		
Balance at the beginning of period	3,559	3,559
Change of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	3,559	3,559
Capital surplus		
Balance at the beginning of period	4,008	4,008
Change of items during the period		
Total change of items during the period	—	—
Balance at the end of the period	4,008	4,008
Retained earnings		
Balance at the beginning of period	31,884	35,417
Change of items during the period		
Dividends from surplus	-673	-659
Net income	4,206	4,008
Total change of items during the period	3,533	3,348
Balance at the end of the period	35,417	38,766
Treasury stock		
Balance at the beginning of period	-782	-1,401
Change of items during the period		
Purchase of treasury stock	-619	-625
Total change of items during the period	-619	-625
Balance at the end of the period	-1,401	-2,027
<b>Total shareholders' equity</b>		
Balance at the beginning of period	38,670	41,584
Change of items during the period		
Dividends from surplus	-673	-659
Net income	4,206	4,008
Purchase of treasury stock	-619	-625
Total change of items during the period	2,913	2,722
Balance at the end of the period	41,584	44,306

	(millions of yen)	
	FY3/12 (April 1, 2011 – March 31, 2012)	FY3/13 (April 1, 2012 – March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	102	129
Change of items during the period		
Net changes of items other than shareholders' equity	27	63
Total change of items during the period	27	63
Balance at the end of period	129	192
Deferred gains or losses on hedges		
Balance at the beginning of the period	-66	8
Change of items during the period		
Net changes of items other than shareholders' equity	74	-30
Total change of items during the period	74	-30
Balance at the end of period	8	-22
Foreign currency translation adjustments		
Balance at the beginning of the period	-356	-583
Change of items during the period		
Net changes of items other than shareholders' equity	-227	564
Total change of items during the period	-227	564
Balance at the end of period	-583	-19
Total accumulated other comprehensive income		
Balance at the beginning of the period	-320	-445
Change of items during the period		
Net changes of items other than shareholders' equity	-125	596
Total change of items during the period	-125	596
Balance at the end of period	-445	151
Minority interests		
Balance at the beginning of the period	–	–
Change of items during the period		
Net changes of items other than shareholders' equity	–	2
Total change of items during the period	–	2
Balance at the end of period	–	2
Total net assets		
Balance at the beginning of the period	38,349	41,138
Change of items during the period		
Dividends from surplus	-673	-659
Net income	4,206	4,008
Purchase of treasury stock	-619	-625
Net changes of items other than shareholders' equity	-125	599
Total change of items during the period	2,788	3,322
Balance at the end of period	41,138	44,460

## (4) Consolidated statements of cash flow

	(millions of yen)	
	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
<b>Cash flow from operating activities</b>		
Income before income taxes	7,028	6,085
Depreciation and other amortization	1,122	1,156
Change in allowance for doubtful accounts ('-' means decrease)	-49	104
Change in allowance for bonuses ('-' means decrease)	19	-8
Change in allowance for retirement benefits ('-' means decrease)	-23	-23
Change in allowance for directors' retirement bonuses ('-' means decrease)	41	44
Interest and dividends income	-18	-23
Interest expense	48	43
Equity in earnings or losses of affiliates ('-' means earnings)	-338	-451
Change in accounts receivable – trade ('-' means increase)	381	765
Change in other accounts receivable ('-' means increase)	1,373	95
Change in inventory ('-' means increase)	561	-1,016
Change in accounts payable – trade ('-' means decrease)	-1,484	-1,101
Changes in other accounts payable ('-' means decrease)	-1,475	55
Other changes	897	-906
<b>Subtotal</b>	<b>8,084</b>	<b>4,818</b>
Interest and dividends received	18	233
Interest paid	-49	-44
Income taxes paid	-2,516	-2,304
<b>Cash flow from operating activities</b>	<b>5,536</b>	<b>2,703</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-679	-2,683
Proceeds from sale of property, plant and equipment	68	10
Purchase of intangible fixed assets	-102	-50
Purchase of investment securities	-8	-8
Proceeds from sale of investment securities	–	31
Others	-20	-65
<b>Cash flow from investing activities</b>	<b>-742</b>	<b>-2,765</b>
<b>Cash flow from financing activities</b>		
Net change in short-term loans payable ('-' means decrease)	1,015	-293
Proceeds from long-term loans payable	–	800
Repayment of long-term loans payable	-998	-746
Purchase of treasury stock	-619	-625
Dividends paid	-673	-659
Others	-78	-67
<b>Cash flow from financing activities</b>	<b>-1,354</b>	<b>-1,593</b>
Effect of exchange rate change on cash and cash equivalents	-96	289
<b>Change in cash and cash equivalents ('-' means decrease)</b>	<b>3,343</b>	<b>-1,365</b>
Cash and cash equivalents at beginning of period	6,605	9,948
<b>Cash and cash equivalents at the end of period</b>	<b>9,948</b>	<b>8,582</b>



(5) Notes on consolidated financial statements  
(Notes on premise of a going concern)  
There is nothing to report.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Following the revision of the Corporation Tax Law, from the year ended March 31, 2013, the Company and its consolidated subsidiaries in Japan began applying a depreciation method based on the revised Corporation Tax Law to property, plant and equipment acquired since April 1, 2012.

The impact on profit, loss and segment information as a result of this change is minimal.

[Segment information, etc.]  
(Segment information by business)

(Segment Information)

1. Overview of reportable segments

With respect to its business segments, the Company is able to obtain delineated financial data from among its structural units. Its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

At Matsuda Sangyo, operation divisions have been established based on each of our products and services in the head office, and each of these divisions' works to formulate comprehensive domestic and foreign strategies and to expand business for the corresponding products 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 division and the environment division) 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, income /loss, assets/liabilities, and other items 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 refer to operating income. Inter-segment sales/transfers are based on market value.

3. Information for net sales, income /loss, assets/liabilities, and other items for each reportable segment

FY3/12 (April 1, 2011–March 31, 2012)

(millions of yen)

	Reportable Segments			Adjustments Note <sup>1</sup>	Amount recorded on consolidated statements of income Note <sup>2</sup>
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	145,268	42,337	187,606	—	187,606
Net sales & remittances between segments	4	59	64	-64	—
Total	145,273	42,397	187,670	-64	187,606
Segment income	5,700	1,137	6,837	—	6,837

(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.

FY3/13 (April 1, 2012–March 31, 2013)

(millions of yen)

	Reportable Segments			Adjustments <small>Note1</small>	Amount recorded on consolidated statements of income <small>Note2</small>
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	124,931	42,332	167,263	—	167,263
Net sales & remittances between segments	4	48	52	-52	—
Total	124,936	42,380	167,316	-52	167,263
Segment income	5,040	528	5,568	—	5,568

(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.