FY3/16 Financial Statements [J-GAAP]

May 13, 2016

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 28, 2016
Date of filing the financial report: June 28, 2016
Expected dividend payment date: June 29, 2016
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. FY3/16 Consolidated results (April 1, 2015–March 31, 2016)

(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)	(%)
FY3/16	162,065	(9.7)	3,125	(42.2)	3,782	(35.1)	2,573	(23.0)
FY3/15	179,523	8.5	5,410	20.2	5,832	19.2	3,342	4.7

(Note) Comprehensive income: FY3/16 1,761 million yen (-61.1%) FY3/15 4,534 million yen (+9.3%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income / total assets	Operating margin
	(yen)	(yen)	(%)	(%)	(%)
FY3/16	97.23	—	5.0	5.3	1.9
FY3/15	125.61	—	6.8	8.3	3.0

(Reference) Equity in earnings or losses of affiliates: FY3/16 605 million yen FY3/15 443 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/16	69,926	51,834	74.1	1,967.65
FY3/15	73,427	51,176	69.7	1,923.86

(Reference) Shareholders' equity: FY3/16 51,815 million yen FY3/15 51,173 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)
FY3/16	8,593	(1,421)	(3,274)	9,524
FY3/15	(1,413)	(2,263)	2,426	5,861

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)	(%)	(%)
FY3/15	—	12.00	—	13.00	25.00	664	19.9	1.3
FY3/16	—	14.00	—	14.00	28.00	739	28.8	1.4
FY3/17 (projections)	—	14.00	—	14.00	28.00		28.4	

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

(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 FY3/17	86,000	0.7	1,600	(21.9)	1,800	(23.6)	1,200	(23.5)	45.56
FY3/17	180,000	11.1	3,500	12.0	3,900	3.1	2,600	1.0	98.73

* 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)	FY3/16	28,908,581 shares	FY3/15	28,908,581 shares
2) Number of treasury shares	FY3/16	2,574,801 shares	FY3/15	2,308,999 shares
3) Average number of shares during the period	FY3/16	26,461,984 shares	FY3/15	26,612,878 shares

(Reference) Summary of non-consolidated results

1. FY3/16 Non-consolidated results (April 1, 2015–March 31, 2016)

(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)	(%)
FY3/16	159,116	(10.3)	2,623	(43.0)	2,973	(37.8)	1,969	(31.2)
FY3/15	177,386	8.8	4,600	24.5	4,779	20.8	2,862	15.3

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/16	74.41	–
FY3/15	107.57	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/16	62,313	44,409	71.3	1,686.39
FY3/15	65,419	43,702	66.8	1,642.98

(Reference) Shareholders' equity: FY3/16 44,409 million yen FY3/15 43,702 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 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 (1) Analysis of operating results and financial position" on page 2.

Contents

1. Operating results

(1) Analysis of operating results and financial position

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

Net sales	162,065	[	(17,457)	(9.7%)	]
Operating income	3,125	[	(2,285)	(42.2%)	]
Ordinary income	3,782	[	(2,050)	(35.1%)	]
Profit attributable to owners of parent	2,573	[	(769)	(23.0%)	]

During the consolidated fiscal year ended March 31, 2016, the Japanese economy continued to recover at a moderate pace, supported by improving employment conditions and an upturn in corporate earnings, centered on the non-manufacturing sector. However, there were signs of weakness in production activity in the manufacturing sector and in consumer confidence. The outlook for the economy also remained uncertain, partly due to concerns of a slowdown in China and other emerging economies in Asia.

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. The segment also actively upgraded business sites overseas, including the preparations to start up full-scale operations of a new precious metals refining plant by the Group’s subsidiary in Vietnam. The food business segment also reinforced its overseas business sites and worked to provide products that address customer needs in order to expand sales volume.

As a result, consolidated net sales decreased 9.7% year on year to ¥162,065 million and operating income dropped 42.2% to ¥3,125 million. Ordinary income was ¥3,782 million, down 35.1% year on year, and profit attributable to owners of parent was ¥2,573 million, down 23.0% year on year, despite 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	104,164	[	(20,314)	(16.3%)	]	2,347	[	(2,114)	(47.4%)	]
Food business segment	57,971	[	+2,856	+5.2%	]	777	[	(171)	(18.1%)	]
Eliminations or corporate	(70)					—				
Total	162,065	[	(17,457)	(9.7%)	]	3,125	[	(2,285)	(42.2%)	]

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 overall. The photosensitive materials sector continued to face a contracting market. Against this backdrop, the Group handled lower volumes in precious metal recycling and industrial waste treatment, sales volume for precious metals products and electronic materials declined year on year, and the price of precious metals except gold fell. 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 16.3% year on year to ¥104,164 million, and operating income declined 47.4% year on year to ¥2,347 million.

Food business segment:

Despite modest growth in the industrial production index in the food processing sector, the food business segment continued to face a challenging operating environment amid signs of persistent weakness in consumer confidence. Against this backdrop, although sales volume for agricultural products declined, sales in the segment increased year on year due to higher sales volume for seafood products and livestock products and higher prices.

As a result, net sales for the food business segment totaled ¥57,971 million (up 5.2% year on year) and operating income decreased to ¥777 million (down 18.1% year on year).

Outlook for the fiscal year ending March 2017

Consolidated earnings projections (millions of yen) [Comparison to FY3/16]

Net sales	180,000	(+17,934	+11.1%	)
Operating income	3,500	(+374	+12.0%	)
Ordinary income	3,900	(+117	+3.1%	)
Profit attributable to owners of parent	2,600	(+26	+1.0%	)

Although the outlook remains uncertain due to a potential negative impact from weaker growth in China and other markets overseas and from the Kumamoto earthquakes, we expect the economy to continue recovering at a modest pace, supported by the government's fiscal and monetary policies. Against this backdrop, in the precious metals business segment, we plan to continue strengthening domestic and overseas operating sites and expand the scope of our business by proactively cultivating new demand.

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

(2) Analysis of financial position

1) Assets, liabilities and net assets

Assets:

Total assets decreased ¥3,500 million year on year to ¥69,926 million. This mainly reflected decreases in notes and accounts receivable – trade, inventories and other current assets, which outweighed an increase in cash and deposits.

Liabilities:

Total liabilities decreased ¥4,159 million year on year to ¥18,091 million. This chiefly reflected decreases in notes and accounts payable – trade, loans and accrued income taxes.

Net assets:

Net assets totaled ¥51,834 million, an increase of ¥658 million from the previous fiscal year-end. This mainly reflected an increase in net assets from profit attributable to owners of parent, which exceeded decreases in net assets due to the payment of dividends, the acquisition of treasury shares, and declines in foreign currency translation adjustment and other items under accumulated other comprehensive income.

2) Cash flow status

As of March 31, 2016, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥9,524 million, an increase of ¥3,663 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 ¥8,593 million, an increase of ¥10,007 million compared with net cash used of ¥1,413 million in the previous fiscal year. This mainly reflected the difference between cash provided from income before income taxes, depreciation, decrease in notes and accounts receivable－trade, and decrease in inventories, and cash used for income taxes paid.

Cash flows from investing activities:

Investing activities used net cash of ¥1,421 million, a decrease of ¥842 million compared with net cash used of ¥2,263 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 shares of subsidiaries.

Cash flows from financing activities:

Financing activities used net cash of ¥3,274 million, a decrease of ¥5,700 million compared with net cash provided of ¥2,426 million in the previous fiscal year. This primarily reflected a decrease in loans, a decrease in cash due to dividends paid, and the purchase of treasury shares.

(Reference) Trend in cash flow indicators

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Shareholders' equity ratio	67.0	70.4	71.5	69.7	74.1
Shareholders' equity ratio on a market value basis	61.1	61.9	50.0	55.6	44.1
Ratio of interest-bearing debt to cash flow	0.8	1.5	—	—	0.6
Interest coverage ratio	111.9	62.1	—	—	215.9

(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.

(3) Basic policy on distribution of profits and dividends for FY3/16 and FY3/17

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 aimed to increase value per share for shareholders during the fiscal year under review by acquiring treasury shares on a flexible basis, taking into account market conditions.

Based on this policy, the Company plans to pay a year-end dividend of ¥14, comprising an ordinary dividend of ¥13 and a commemorative dividend of ¥1 to mark the 20th anniversary of the Company's share listing. 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 2017, 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.

(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 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.

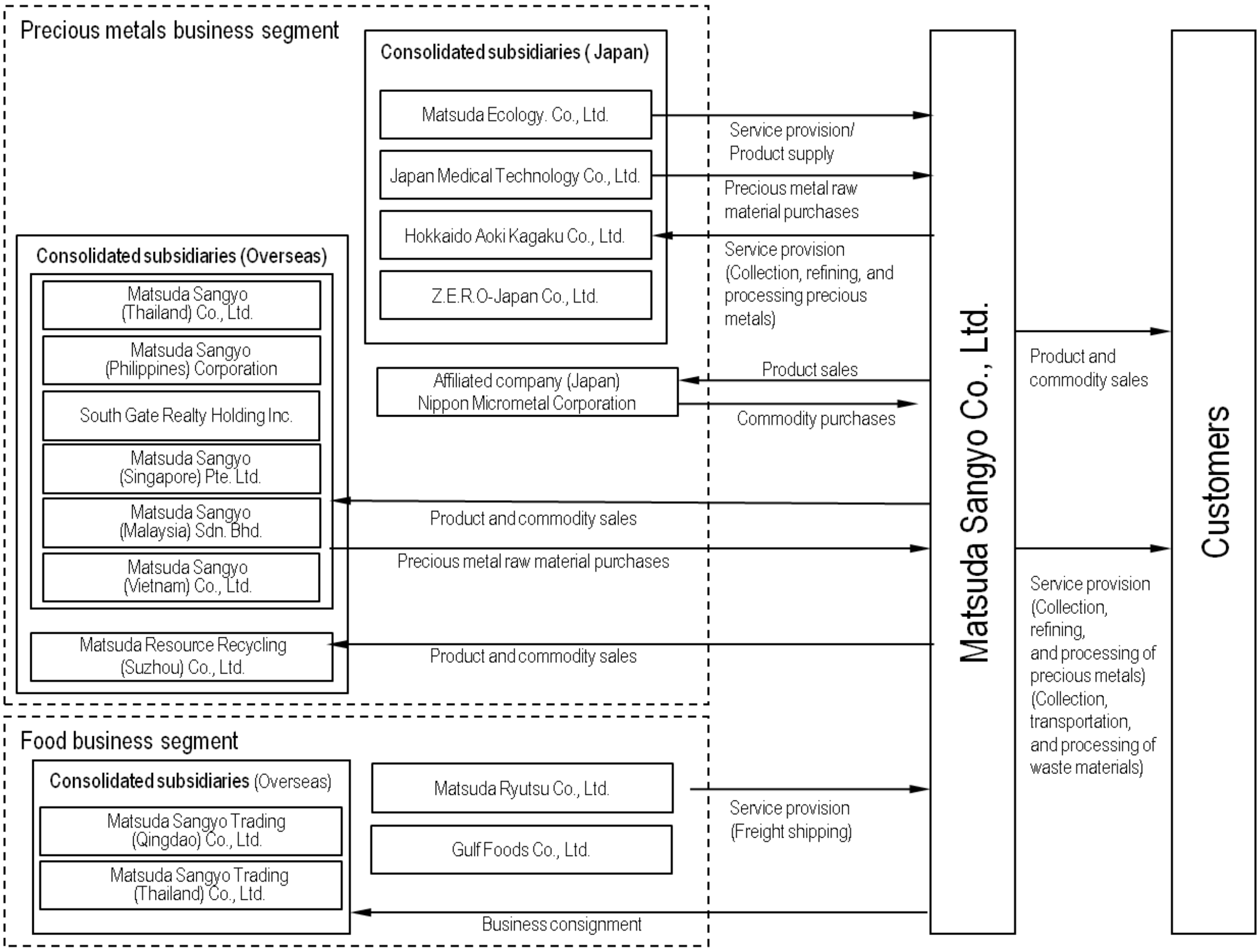
4) Management of waste and other materials

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.

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 5.3%, 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 ending 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 will use 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.

Under the medium-term management plan (from fiscal 2016 to fiscal 2018), the Company is aiming for consolidated net sales of ¥210 billion and consolidated operating income of ¥5 billion in the fiscal year ending March 31, 2019, the plan's final year.

(Note) These performance targets are based on the current operating environment and may change due to a range of factors, including developments in the operating environment.

(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. In Japan, we will continue to improve our precious metal recovery technology and actively conduct R&D to develop new precious metal chemical products that meet the needs in the electronics industry and other sectors. In addition, in overseas, we plan to increase sales of products such as electronic materials and precious metal chemical products and expand the collection of recyclable precious metals at all our local companies in Thailand, the Philippines, Singapore, Malaysia and China (Suzhou), and at our local company in Vietnam, which is ramping up operations at 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 supply safe, reliable, high-quality food products, aiming to expand the business by standing out in the market and 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 two overseas subsidiaries: Matsuda Sangyo Trading (Qingdao) Co., Ltd. in Qingdao, China, and Matsuda Sangyo Trading (Thailand) Co., Ltd. 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 listed on the First Section of the Tokyo Stock Exchange.

5. Consolidated financial statements

(1) Consolidated balance sheet

(millions of yen)

	FY3/15 (March 31, 2015)	FY3/16 (March 31, 2016)
Assets		
Current assets		
Cash and deposits	6,003	9,524
Notes and accounts receivable – trade	19,218	17,499
Merchandise and finished goods	16,576	13,966
Work in process	309	314
Raw materials and supplies	6,667	5,520
Deferred tax assets	485	439
Accounts receivable – other	653	330
Others	3,501	1,742
Allowance for doubtful accounts	(41)	(9)
Total current assets	53,374	49,328
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,870	8,241
Accumulated depreciation	(4,096)	(4,319)
Buildings and structures, net	3,773	3,922
Machinery, equipment and vehicles	7,199	7,748
Accumulated depreciation	(5,115)	(5,673)
Machinery, equipment and vehicles, net	2,083	2,074
Land	7,852	7,682
Leased assets	150	334
Accumulated depreciation	(60)	(100)
Leased assets, net	89	233
Construction in progress	419	88
Others	1,047	1,068
Accumulated depreciation	(772)	(844)
Others, net	274	224
Total property, plant and equipment	14,494	14,226
Intangible assets		
Others	188	707
Total intangible assets	188	707
Investments and other assets		
Investment securities	3,911	4,131
Deferred tax assets	-	11
Others	1,605	1,589
Allowance for doubtful accounts	(147)	(68)
Total investments and other assets	5,369	5,663
Total non-current assets	20,052	20,597
Total assets	73,427	69,926

(millions of yen)

	FY3/15 (March 31, 2015)	FY3/16 (March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,922	7,154
Short-term loans payable	3,582	1,559
Current portion of long-term loans payable	1,298	1,153
Lease obligations	33	64
Income taxes payable	1,401	403
Deferred tax liabilities	-	1
Provision for bonuses	627	601
Accounts payable - other	856	537
Others	2,779	2,515
Total current liabilities	18,502	13,990
Non-current liabilities		
Long-term loans payable	2,546	2,592
Lease obligations	56	169
Deferred tax liabilities	408	400
Provision for directors' retirement benefits	599	664
Net defined benefit liability	113	246
Others	24	27
Total non-current liabilities	3,748	4,101
Total liabilities	22,250	18,091
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	43,942	45,798
Treasury shares	(2,621)	(3,008)
Total shareholders' equity	48,888	50,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543	473
Deferred gains or losses on hedges	(79)	(76)
Foreign currency translation adjustments	1,798	1,198
Remeasurements of defined benefit plans	22	(138)
Total accumulated other comprehensive income	2,285	1,458
Non-controlling interests	2	18
Total net assets	51,176	51,834
Total liabilities and net assets	73,427	69,926

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

(millions of yen)

	FY3/15 (April 1, 2014 – March 31, 2015)	FY3/16 (April 1, 2015 – March 31, 2016)
Net sales	179,523	162,065
Cost of sales	162,703	146,734
Gross profit	16,820	15,331
Selling, general and administrative expenses	11,409	12,206
Operating income	5,410	3,125
Non-operating income		
Interest income	10	9
Dividend income	18	21
Share of profit of entities accounted for using equity method	443	605
Purchase discounts	16	15
House rent income	29	9
Insurance income	2	19
Subsidy income	2	60
Others	47	54
Total non-operating income	571	796
Non-operating expenses		
Interest expenses	46	39
Foreign exchange losses	57	21
Cost of lease revenue	19	-
Loss on retirement of non-current assets	8	17
Others	18	60
Total non-operating expenses	149	139
Ordinary income	5,832	3,782
Income before income taxes	5,832	3,782
Income taxes – current	2,070	1,039
Income taxes – deferred	418	153
Total income taxes	2,489	1,192
Profit	3,343	2,589
Profit attributable to non-controlling interests	0	16
Profit attributable to owners of parent	3,342	2,573

(Consolidated statements of comprehensive income)

(millions of yen)

	FY3/15 (April 1, 2014 – March 31, 2015)	FY3/16 (April 1, 2015 – March 31, 2016)
Profit	3,343	2,589
Other comprehensive income		
Valuation difference on available-for-sale securities	290	(69)
Deferred gains or losses on hedges	(165)	3
Foreign currency translation adjustment	860	(597)
Remeasurements of defined benefit plans	37	(159)
Share of other comprehensive income (loss) of entities accounted for using equity method	167	(4)
Total other comprehensive income (loss)	1,191	(827)
Comprehensive income	4,534	1,761
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,533	1,745
Comprehensive income attributable to non-controlling interests	0	16

(3) Consolidated statements of changes in shareholders' equity

FY3/15 (April 1, 2014–March 31, 2015)

(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	41,311	(2,526)	46,353
Cumulative effects of changes in accounting policies			(72)		(72)
Restated balance	3,559	4,008	41,238	(2,526)	46,280
Change of items during the period					
Dividends from surplus			(639)		(639)
Profit attributable to owners of parent			3,342		3,342
Purchase of treasury shares				(95)	(95)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	2,703	(95)	2,607
Balance at the end of the period	3,559	4,008	43,942	(2,621)	48,888

	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	252	86	770	(14)	1,094	1	47,449
Cumulative effects of changes in accounting policies							(72)
Restated balance	252	86	770	(14)	1,094	1	47,376
Change of items during the period							
Dividends from surplus							(639)
Profit attributable to owners of parent							3,342
Purchase of treasury shares							(95)
Net changes of items other than shareholders' equity	290	(165)	1,028	37	1,191	0	1,192
Total change of items during the period	290	(165)	1,028	37	1,191	0	3,799
Balance at the end of the period	543	(79)	1,798	22	2,285	2	51,176

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
Cumulative effects of changes in accounting policies					
Restated balance	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	Remeasure-ments 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
Cumulative effects of changes in accounting policies							
Restated balance	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

(4) Consolidated statements of cash flows

(millions of yen)

	FY3/15 (April 1, 2014– March 31, 2015)	FY3/16 (April 1, 2015– March 31, 2016)
Cash flows from operating activities		
Income before income taxes	5,832	3,782
Depreciation	1,316	1,219
Increase (decrease) in allowance for doubtful accounts	(59)	(111)
Increase (decrease) in provision for bonuses	3	(28)
Increase (decrease) in net defined benefit liability	(99)	(98)
Increase (decrease) in provision for directors' retirement bonuses	3	37
Interest and dividend income	(29)	(31)
Interest expenses	46	39
Share of (profit) loss of entities accounted for using equity method	(443)	(605)
Decrease (increase) in notes and accounts receivable – trade	(2,580)	1,722
Decrease (increase) in accounts receivable – other	719	322
(Increase) decrease in inventories	(3,906)	3,587
Increase (decrease) in accounts payable – trade	(356)	(738)
Increase (decrease) in accounts payable – other	(348)	(356)
Others	(424)	1,679
Subtotal	(325)	10,420
Interest and dividend income received	185	292
Interest paid	(45)	(39)
Income taxes paid	(1,227)	(2,080)
Net cash provided by (used in) operating activities	(1,413)	8,593
Cash flow from investing activities		
Payments into time deposits	(124)	-
Proceeds from withdrawal of time deposits	-	142
Purchase of property, plant and equipment	(1,902)	(954)
Proceeds from sales of property, plant and equipment	-	47
Purchase of intangible assets	(31)	(78)
Purchase of investment securities	(9)	(9)
Proceeds from sales of investment securities	-	2
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(481)
Others	(195)	(88)
Net cash provided by (used in) investing activities	(2,263)	(1,421)
Cash flow from financing activities		
Net change in short-term loans payable ('-' means decrease)	2,235	(2,023)
Proceeds from long-term loans payable	1,600	1,200
Repayment of long-term loans payable	(623)	(1,298)
Purchase of treasury shares	(95)	(387)
Cash dividends paid	(639)	(716)
Others	(51)	(49)
Net cash provided by (used in) financing activities	2,426	(3,274)
Effect of exchange rate change on cash and cash equivalents	314	(234)
Change in cash and cash equivalents ('-' means decrease)	(937)	3,663
Cash and cash equivalents at beginning of period	6,798	5,861
Cash and cash equivalents at end of period	5,861	9,524

(5) Notes on consolidated financial statements

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

(Changes in accounting standards, etc.)
(Application of Accounting Standard for Business Combinations, etc)
The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) from the fiscal year under review. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the fiscal year under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for “net income” has been changed, and references to “minority interests” have been changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the fiscal year under review.

The impact of this change on operating income, ordinary income, and income before income taxes for the fiscal year under review and on capital surplus as of the end of the fiscal year under review is minimal.

In the consolidated statements of cash flows for the fiscal year under review, cash flows related to the acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been reclassified under “Cash flows from financing activities,” and cash flows related to costs arising from acquisition of shares in subsidiaries resulting in change in scope of consolidation or costs associated with acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been reclassified under “Cash flows from operating activities.”

(Segment information, etc.)

(Segment information by business)

(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, 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 refers 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

FY3/15 (April 1, 2014–March 31, 2015)

(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	124,474	55,049	179,523	—	179,523
Net sales & remittances between segments	4	64	69	(69)	—
Total	124,478	55,114	179,593	(69)	179,523
Segment income	4,462	948	5,410	—	5,410

(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.

FY3/16 (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.