



FY3/18 Financial Statements [J-GAAP]

May 11, 2018

Company name: Matsuda Sangyo Co., Ltd. Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Date of filing the financial report: June 28, 2018
 Expected dividend payment date: June 29, 2018
 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. FY3/18 Consolidated results (April 1, 2017–March 31, 2018)

(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)	(%)
FY3/18	190,184	16.6	4,877	64.8	5,142	48.7	3,459	40.9
FY3/17	163,054	0.6	2,960	(5.3)	3,459	(8.5)	2,454	(4.6)

(Note) Comprehensive income: FY3/18 3,967 million yen (+70.9%) FY3/17 2,322 million yen (+31.8%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income / total assets	Operating margin
	(yen)	(yen)	(%)	(%)	(%)
FY3/18	131.37	—	6.3	6.7	2.6
FY3/17	93.21	—	4.7	4.8	1.8

(Reference) Equity in earnings or losses of affiliates: FY3/18 412 million yen FY3/17 554 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/18	80,593	56,648	70.2	2,149.11
FY3/17	72,715	53,419	73.4	2,027.45

(Reference) Shareholders' equity: FY3/18 56,592 million yen FY3/17 53,390 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)
FY3/18	(483)	(2,262)	3,506	7,571
FY3/17	811	(1,813)	(1,597)	6,784

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	Q1	Q2	Q3	Q4	Annual			
FY3/17	(yen) —	(yen) 14.00	(yen) —	(yen) 14.00	(yen) 28.00	(millions of yen) 737	(%) 30.0	(%) 1.4
FY3/18	—	14.00	—	14.00	28.00	737	21.3	1.3
FY3/19 (projections)	—	15.00	—	15.00	30.00		22.6	

3. FY3/19 Consolidated earnings projections (April 1, 2018–March 31, 2019)

(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 FY3/19	96,000	1.8	2,400	8.9	2,500	3.2	1,680	2.3	63.79
FY3/19	200,000	5.2	5,000	2.5	5,200	1.1	3,500	1.2	132.91

* 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: | No |
| 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)
- 2) Number of treasury shares
- 3) Average number of shares during the period

FY3/18	28,908,581 shares	FY3/17	28,908,581 shares
FY3/18	2,575,524 shares	FY3/17	2,575,021 shares
FY3/18	26,333,290 shares	FY3/17	26,333,728 shares

(Reference) Summary of non-consolidated results

1. FY3/18 Non-consolidated results (April 1, 2017–March 31, 2018)

(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)	(%)
FY3/18	183,934	19.9	4,062	73.2	4,393	66.1	3,018	59.5
FY3/17	153,426	(3.6)	2,345	(10.6)	2,644	(11.1)	1,892	(3.9)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/18	114.61	–
FY3/17	71.84	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY3/18	71,884	48,086	66.9	1,826.06
FY3/17	64,443	45,741	71.0	1,736.99

(Reference) Shareholders' equity: FY3/18 48,086 million yen FY3/17 45,741 million yen

*This kessan tanshin document is outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

*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.

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1. Operating results and others

(1) Analysis of operating results

Consolidated operating results	(millions of yen) [year-on-year comparison]		
Net sales	190,184	[+27,129	+16.6%]
Operating income	4,877	[+1,917	+64.8%]
Ordinary income	5,142	[+1,683	+48.7%]
Profit attributable to owners of parent	3,459	[+1,004	+40.9%]

During the consolidated fiscal year ended March 31, 2018, the Japanese economy continued to recover at a moderate pace, supported by improving corporate earnings and employment conditions and rising capital investment. However, the outlook remained unclear amid persistent weakness in consumer spending, labor shortages in Japan and the risk of a downturn due to uncertainties in overseas economies.

Against this backdrop, the Matsuda Sangyo Group's precious metals business segment increased the use of production sites in Japan and overseas and stepped up marketing activities, while also working to secure precious metals materials, boost sales of products such as precious metal chemical products and expand its industrial waste treatment outsourcing business. The food business segment worked hard to develop and provide products that address customer needs and actively implemented marketing activities, which included expanding the use of overseas business, as well as domestic business sites, in order to increase sales volume.

As a result, consolidated net sales increased 16.6% year on year to ¥190,184 million and operating income rose 64.8% to ¥4,877 million. Ordinary income, which includes share of profit of entities accounted for using equity method and other non-operating income, totaled ¥5,142 million, up 48.7% year on year, and profit attributable to owners of parent was ¥3,459 million, up 40.9% 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	120,492	[+18,273	+17.9%]	3,407	[+1,551 +83.6%]
Food business segment	69,759	[+8,861	+14.6%]	1,470	[+365 +33.1%]
Eliminations or corporate	(68)			—	
Total	190,184	[+27,129	+16.6%]	4,877	[+1,917 +64.8%]

Precious metals business segment:

In the precious metals business segment, production activity was strong at key customers in the electronics sector, particularly at makers of semiconductors and electronic devices, supported by rising demand for automotive electronics, IoT and other applications driven by the shift to smartphones. Against this backdrop, the volume of precious metal recycling handled by the Group's segment expanded, supporting growth in sales volume of precious metal products and electronic materials and industrial waste treatment volume. The price of precious metals also rose. As a result, sales overall in the precious metals business segment increased year on year.

As a result, net sales for the precious metals business segment increased 17.9% year on year to ¥120,492 million, and operating income rose 83.6% year on year to ¥3,407 million.

Food business segment:

In the food business segment, production activity at key customers in the food processing sector increased at a steady pace, despite a lack of growth in the domestic market due to weak consumer spending. Production activity was supported by rising demand for processed food products and moves into overseas markets. In this environment, sales volume for seafood products and livestock products increased, while sales prices rose for all products except for *surimi* fish paste and eggs. As a result, sales in the Group's food business segment increased year on year.

As a result, net sales for the food business segment totaled ¥69,759 million (up 14.6% year on year) and operating income increased to ¥1,470 million (up 33.1% year on year).

(2) Analysis of financial position

Assets:

Total assets increased ¥7,878 million year on year to ¥80,593 million. This mainly reflected increases in cash and deposits, notes and accounts receivable – trade, and inventories, as well as an increase in non-current assets due to the acquisition of land.

Liabilities:

Total liabilities increased ¥4,649 million year on year to ¥23,945 million. This chiefly reflected an increase in loans.

Net assets:

Net assets totaled ¥56,648 million, an increase of ¥3,228 million from the previous fiscal year-end. This primarily reflected a decrease for dividends paid, outweighed by an increase in retained earnings due to growth in profit attributable to owners of parent.

(3) Analysis of cash flows

As of March 31, 2018, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥7,571 million, an increase of ¥787 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 used net cash of ¥483 million, a decline of ¥1,294 million compared with net cash provided of ¥811 million in the previous fiscal year. This mainly reflected the difference between cash provided from income before income taxes and depreciation on the one hand, and cash used for increase in notes and accounts receivable – trade, increase in inventories, decrease in notes and accounts payable – trade and income taxes paid on the other.

Cash flows from investing activities:

Investing activities used net cash of ¥2,262 million, an increase of ¥448 million compared with net cash used of ¥1,813 million in the previous fiscal year. This was mainly due to the purchase of property, plant and equipment such as land and related to the installation and upgrade of equipment at the Group's plants.

Cash flows from financing activities:

Financing activities provided net cash of ¥3,506 million, an increase of ¥5,104 million compared with net cash used of ¥1,597 million in the previous fiscal year. This primarily reflected an increase in loans.

(Reference) Trend in cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio	71.5	69.7	74.1	73.4	70.2
Shareholders' equity ratio on a market value basis	50.0	55.6	44.1	54.0	63.9
Ratio of interest-bearing debt to cash flow	—	—	0.6	6.2	—
Interest coverage ratio	—	—	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 flows 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, FY3/15 and FY3/18 are not provided since cash flows from operating activities were negative.

(4) Future outlook

Consolidated earnings projections	(millions of yen) [Comparison to FY3/18]		
Net sales	200,000	[+9,815	+5.2%]
Operating income	5,000	[+122	+2.5%]
Ordinary income	5,200	[+57	+1.1%]
Profit attributable to owners of parent	3,500	[+40	+1.2%]

Although the outlook remains unclear due to uncertainties in overseas economies, 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 FY3/18 and FY3/19

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.

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.

For the fiscal year ending March 31, 2019, the Company plans to raise the dividend to ¥30 per share, comprising an interim dividend of ¥15 and a year-end dividend of ¥15. 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.

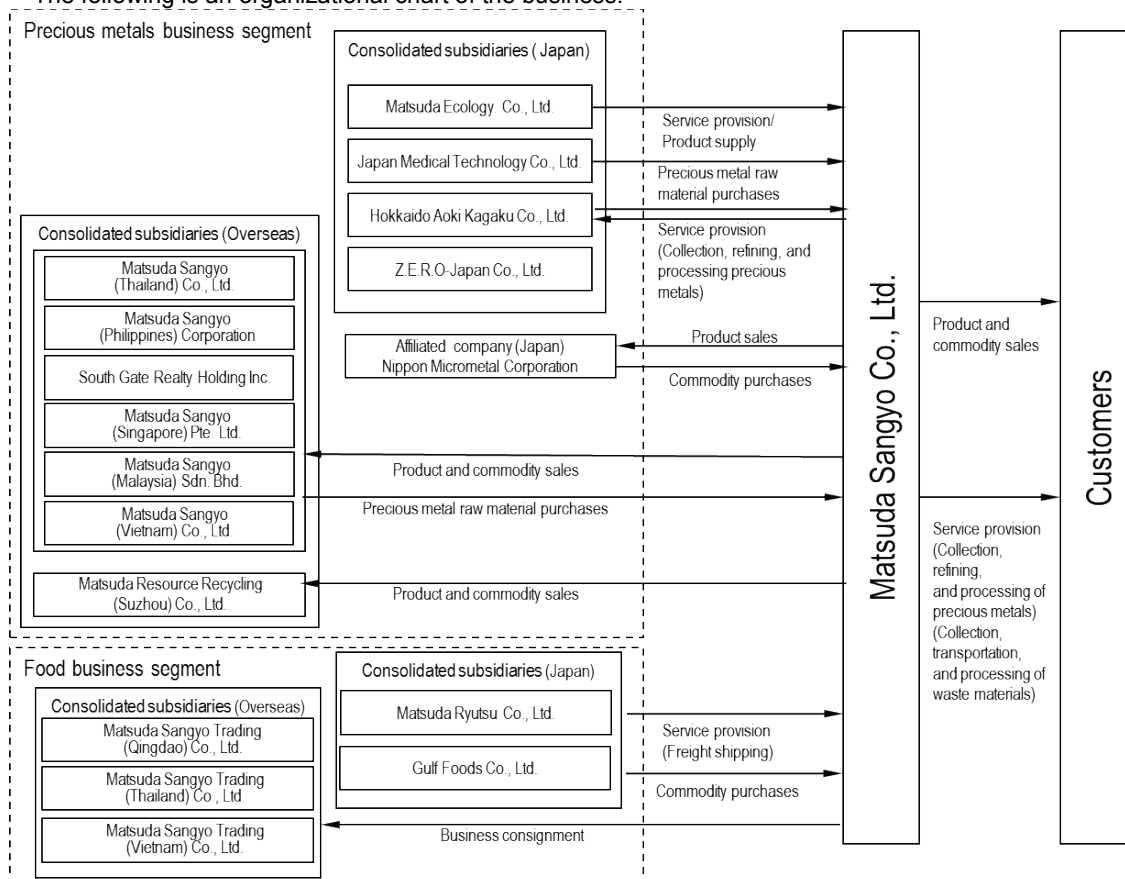
Earthquakes, floods and other natural disasters that occur in countries and regions where the Group operates could affect the Group's business activities. To prepare for a large-scale natural disaster, the Group has introduced an employee safety confirmation system, conducts disaster training drills, 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, 16 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., Matsuda Sangyo Trading (Thailand) Co., Ltd. and Matsuda Sangyo Trading (Vietnam) 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, operating environment and issues faced by the Group

(1) Basic corporate management policy

Matsuda Sangyo Group's corporate ethics are rooted in "making effective use of the earth's limited 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 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 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 of ordinary income to total assets was 6.7%, which fell short of the Company's target but improved from 4.8% in the previous fiscal year. 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 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.

Under the current medium-term management plan (from fiscal 2016 to fiscal 2018), the Company is aiming for consolidated net sales of ¥200 billion and consolidated operating income of ¥4 billion in the fiscal year ending March 31, 2019, the plan's final year.

In the fiscal year under review, the Company achieved the plan's operating income target, partly due to external factors such as strong production activity at customers in the precious metals business segment and rising precious metals prices. The Company will now work to ensure it consistently attains its performance targets.

(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 at overseas sites. Specifically, we plan to boost sales of products such as electronic materials and precious metal chemical products and expand the recovery of recyclable precious metals at our overseas subsidiaries in Thailand (Ayutthaya), the Philippines, Singapore, Malaysia, China (Suzhou) and Vietnam (Hung Yen Province). In addition, 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.

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, aiming to increase added value for customers by offering a wider range of services that address their needs.

Food business segment:

In the food products business, we will leverage the Group's track record of expertise in quality assurance to stand out in the market as a dependable supplier of safe, reliable, high-quality food products, aiming to expand the business by steadily addressing the changing needs of customers. 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, in Bangkok, Thailand and in Ho Chi Minh City, Vietnam.

(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)

	FY3/17 (March 31, 2017)	FY3/18 (March 31, 2018)
Assets		
Current assets		
Cash and deposits	6,784	7,571
Notes and accounts receivable – trade	19,954	22,502
Merchandise and finished goods	14,226	16,778
Work in process	404	393
Raw materials and supplies	6,311	6,531
Deferred tax assets	449	400
Accounts receivable – other	201	546
Others	2,497	3,037
Allowance for doubtful accounts	(9)	(0)
Total current assets	50,820	57,762
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,835	9,201
Accumulated depreciation	(4,597)	(4,875)
Buildings and structures, net	4,237	4,325
Machinery, equipment and vehicles	8,254	8,383
Accumulated depreciation	(6,092)	(6,740)
Machinery, equipment and vehicles, net	2,161	1,643
Land	7,791	8,925
Leased assets	644	849
Accumulated depreciation	(197)	(284)
Leased assets, net	446	564
Construction in progress	42	199
Others	1,083	1,135
Accumulated depreciation	(903)	(927)
Others, net	180	208
Total property, plant and equipment	14,859	15,867
Intangible assets		
Others	895	774
Total intangible assets	895	774
Investments and other assets		
Investment securities	4,470	4,575
Deferred tax assets	3	4
Others	1,733	1,673
Allowance for doubtful accounts	(68)	(64)
Total investments and other assets	6,139	6,188
Total non-current assets	21,894	22,830
Total assets	72,715	80,593

(millions of yen)

	FY3/17 (March 31, 2017)	FY3/18 (March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,223	7,626
Short-term loans payable	1,993	7,402
Current portion of long-term loans payable	994	1,063
Lease obligations	127	206
Income taxes payable	572	1,155
Deferred tax liabilities	-	34
Provision for bonuses	744	763
Accounts payable - other	793	568
Others	2,391	2,536
Total current liabilities	15,840	21,356
Non-current liabilities		
Long-term loans payable	1,598	535
Lease obligations	318	456
Deferred tax liabilities	636	631
Provision for directors' retirement benefits	565	604
Provision for executive officers' retirement benefits	16	23
Net defined benefit liability	228	224
Others	92	115
Total non-current liabilities	3,456	2,589
Total liabilities	19,296	23,945
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	47,515	50,238
Treasury shares	(3,009)	(3,010)
Total shareholders' equity	52,074	54,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	627	630
Deferred gains or losses on hedges	(30)	121
Foreign currency translation adjustments	810	1,101
Remeasurements of defined benefit plans	(91)	(56)
Total accumulated other comprehensive income	1,315	1,796
Non-controlling interests	29	55
Total net assets	53,419	56,648
Total liabilities and net assets	72,715	80,593

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

(millions of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net sales	163,054	190,184
Cost of sales	147,254	171,984
Gross profit	15,800	18,200
Selling, general and administrative expenses	12,839	13,322
Operating income	2,960	4,877
Non-operating income		
Interest income	6	9
Dividend income	22	24
Foreign exchange gains	61	-
Share of profit of entities accounted for using equity method	554	412
Purchase discounts	13	15
Insurance income	4	6
Others	46	63
Total non-operating income	709	532
Non-operating expenses		
Interest expenses	33	49
Foreign exchange losses	-	134
Loss on retirement of non-current assets	16	16
Loss on valuation of investment securities	130	19
Others	31	48
Total non-operating expenses	211	267
Ordinary income	3,459	5,142
Extraordinary losses		
Impairment loss	-	38
Total extraordinary losses	-	38
Income before income taxes	3,459	5,104
Income taxes – current	1,009	1,628
Income taxes – deferred	(16)	(8)
Total income taxes	993	1,620
Profit	2,465	3,484
Profit attributable to non-controlling interests	11	24
Profit attributable to owners of parent	2,454	3,459

(Consolidated statements of comprehensive income)

	(millions of yen)	
	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Profit	2,465	3,484
Other comprehensive income		
Valuation difference on available-for-sale securities	153	3
Deferred gains or losses on hedges	45	150
Foreign currency translation adjustment	(327)	318
Remeasurements of defined benefit plans	48	38
Share of other comprehensive income (loss) of entities accounted for using equity method	(63)	(27)
Total other comprehensive income (loss)	(143)	483
Comprehensive income	2,322	3,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,311	3,941
Comprehensive income attributable to non-controlling interests	10	26

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

FY3/18 (April 1, 2017–March 31, 2018)

(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	47,515	(3,009)	52,074
Change of items during the period					
Dividends from surplus			(737)		(737)
Profit attributable to owners of parent			3,459		3,459
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	—	—	2,722	(0)	2,721
Balance at the end of the period	3,559	4,008	50,238	(3,010)	54,795

	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	627	(30)	810	(91)	1,315	29	53,419
Change of items during the period							
Dividends from surplus							(737)
Profit attributable to owners of parent							3,459
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	3	151	291	35	481	26	507
Total change of items during the period	3	151	291	35	481	26	3,228
Balance at the end of the period	630	121	1,101	(56)	1,796	55	56,648

(4) Consolidated statements of cash flows

	(millions of yen)	
	FY3/17 (April 1, 2016– March 31, 2017)	FY3/18 (April 1, 2017– March 31, 2018)
Cash flows from operating activities		
Income before income taxes	3,459	5,104
Depreciation	1,295	1,409
Impairment loss	-	38
Increase (decrease) in allowance for doubtful accounts	(0)	(12)
Increase (decrease) in provision for bonuses	142	19
Increase (decrease) in net defined benefit liability	52	50
Increase (decrease) in provision for directors' retirement benefits	(40)	38
Increase (decrease) in provision for executive officers' retirement benefits	16	7
Interest and dividend income	(28)	(34)
Interest expenses	33	49
Share of (profit) loss of entities accounted for using equity method	(554)	(412)
Decrease (increase) in notes and accounts receivable – trade	(2,446)	(2,419)
Decrease (increase) in accounts receivable – other	127	(344)
Decrease (increase) in inventories	(1,190)	(2,649)
Increase (decrease) in accounts payable – trade	1,087	(712)
Increase (decrease) in accounts payable – other	100	(13)
Others	(662)	108
Subtotal	1,390	225
Interest and dividend income received	293	311
Interest paid	(33)	(49)
Income taxes paid	(839)	(970)
Net cash provided by (used in) operating activities	811	(483)
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,524)	(2,074)
Proceeds from sales of property, plant and equipment	8	0
Purchase of intangible assets	(192)	(43)
Purchase of investment securities	(15)	(11)
Proceeds from sales of investment securities	5	0
Others	(95)	(134)
Net cash provided by (used in) investing activities	(1,813)	(2,262)
Cash flow from financing activities		
Net change in short-term loans payable	420	5,430
Repayment of long-term loans payable	(1,153)	(994)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(737)	(737)
Others	(126)	(191)
Net cash provided by (used in) financing activities	(1,597)	3,506
Effect of exchange rate change on cash and cash equivalents	(140)	26
Change in cash and cash equivalents	(2,740)	787
Cash and cash equivalents at beginning of period	9,524	6,784
Cash and cash equivalents at end of period	6,784	7,571

(5) Notes on consolidated financial statements

(Notes on premise of a going concern)

There is nothing to report.

(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

FY3/17 (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.

FY3/18 (April 1, 2017–March 31, 2018)

(millions of yen)

	Reportable Segments			Adjustments Note ¹	Amount recorded on consolidated statements of income Note ²
	Precious metals business segment	Food business segment	Total		
Net sales					
Net sales to external parties	120,492	69,691	190,184	—	190,184
Net sales & remittances between segments	—	68	68	(68)	—
Total	120,492	69,759	190,252	(68)	190,184
Segment income	3,407	1,470	4,877	—	4,877

(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.