



## Consolidated Financial Statements for FY3/12 1-3Q [J-GAAP]

February 10, 2012

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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 Filing date of quarterly report: February 14, 2012  
 Date to start dividends distribution: —  
 Supplementary quarterly materials prepared: No  
 Quarterly results information meeting held: No

(Figures are rounded down to the nearest million yen)

### 1. FY3/12 1-3Q consolidated results (April 1, 2011 – December 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)						
FY3/12 1-3Q	146,087	5.5	5,728	20.8	5,851	23.5	3,567	26.9
FY3/11 1-3Q	138,462	21.8	4,741	41.1	4,737	47.6	2,811	53.5

(Note) Comprehensive income FY3/12 1-3Q 3,408 million yen (25.6%) FY3/11 1-3Q 2,713 million yen (—%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
FY3/12 1-3Q	127.55	—
FY3/11 1-3Q	99.98	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
End-FY3/12 1-3Q	61,859	40,644	65.7
End-FY3/11	61,042	38,349	62.8

(Reference) Shareholders' equity End-FY3/12 1-3Q 40,644 million yen End-FY3/11 38,349 million yen

### 2. Dividends

	Annual Dividends				
	1Q	2Q	3Q	4Q	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/11	—	12.00	—	12.00	24.00
FY3/12	—	12.00	—		
FY3/12 (Projections)				12.00	24.00

(Note) Revisions to the most recently announced projections of dividends: No

### 3. Consolidated earnings projections for FY3/12 (April 1, 2011 – March 31, 2012)

(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)
FY3/12	190,000	3.5	7,000	15.7	7,200	17.3	4,400	21.2	158.57

(Note) Revisions to the most recently announced projections of consolidated earnings: No

#### 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) 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

#### (4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	End-FY3/12 1-3Q	28,908,581 shares	End-FY3/11	28,908,581 shares
2) Number of treasury stock	End-FY3/12 1-3Q	1,162,311 shares	End-FY3/11	790,678 shares
3) Average number of shares during the period	FY3/12 1-3Q	27,966,040 shares	FY3/11 1-3Q	28,118,224 shares

#### Presentation of implementation status for quarterly review procedures

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

#### Explanation related to appropriate use of earnings projections and other items

The statements about future described on this material such as earnings projections have been made based on information currently available and some conditions that we judge rational. Actual earnings may differ greatly from the above projections for various reasons. For the matters regarding the earnings projections, please refer to "Qualitative information on consolidated earnings projections" on page 3.

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## 1. Qualitative information on consolidated results during the period

### (1) Qualitative information on consolidated results

In the first nine months of the fiscal year ending March 31, 2012, the Japanese economy showed signs of picking up from the slowdown caused by the Great East Japan Earthquake, but overall conditions remained unstable due to the flooding in Thailand, emerging sovereign debt problems in Europe and yen appreciation.

Against this backdrop, Matsuda Sangyo Group worked to boost profitability through active marketing efforts targeting customer needs in both the precious metals business and the food business.

The following is the performance of each business.

#### **Precious metals business**

In the precious metals division, output declined at key customers in the semiconductor and electronic parts sectors due to supply chain disruption and sluggish production activity caused by the Great East Japan Earthquake and the flooding in Thailand. In addition, sales of TVs and PCs were weak in Japan and overseas. As a result, the division's sales volume for precious metal chemical products and electronic materials declined. Although the volume of recovered precious metals trended down during the period, bullion sales increased on the back of a rise in precious metals prices, supporting a year-on-year increase in sales for the division as a whole.

Sales in the environment division also grew year on year due to an increase in the price of silver compared with the same period a year earlier.

As a result, net sales for the precious metals business totaled ¥113,259 million (up 7.8% year on year), and operating income was ¥4,784 million (up 17.1% year on year).

#### **Food business**

The food business continued to operate under difficult conditions as a growing number of consumers sought out lower-priced items amid rising global food prices. Against this backdrop, sales of seafood products such as *surimi* fish paste fell year on year due to sluggish output at some customers in the Tohoku region after the earthquake, while price uncertainty prompted consumers to hold off on purchases and the market for fish paste products shrank. However, sales of eggs and other livestock products rose. Sales of vegetables to the restaurant industry declined.

As a result, net sales for the food business were ¥32,878 million (down 1.7% year on year), and operating income was ¥943 million (up 43.6% year on year).

As a result of the above, for the first nine month of the fiscal year ending March 31, 2012, consolidated net sales were ¥146,087 million (up 5.5% year on year), operating income was ¥5,728 million (up 20.8% year on year), ordinary income was ¥5,851 million (up 23.5% year on year), and net income was ¥3,567 million (up 26.9% year on year).

### (2) Qualitative information on consolidated financial position

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

##### *Total assets*

Total assets as of the end of the third quarter were ¥61,859 million, an increase of ¥816 million from the previous fiscal year end. This mainly reflected increases for notes and accounts receivable – trade and inventory, outweighing declines for tangible fixed assets and intangible fixed assets due to depreciation and amortization.

##### *Liabilities*

Total liabilities as of the end of the third quarter were ¥21,215 million, a decrease of ¥1,477 million from the previous fiscal year end. This was mainly because of decreases in other accounts payable and accrued income taxes.

##### *Net assets*

Net assets as of the end of the third quarter were ¥40,644 million, an increase of ¥2,294 million from the previous fiscal year end. This mainly reflected an increase in net income, which outweighed declines from the payment of dividends and the purchase of treasury stock..

#### (2) Cash flows status

As of the end of the third quarter of the current fiscal year, the balance of cash and cash equivalents (hereafter, "cash") after translation adjustments stood at ¥6,678 million, an increase of ¥73 million from the end of the previous

fiscal year. Operating activities provided net cash of ¥1,981 million, investing activities used net cash of ¥468 million, and financing activities used net cash of ¥1,349 million.

*Cash flows from operating activities*

Operating activities provided net cash of ¥1,981 million. This mainly reflected the difference between the increase in income before income taxes on the one hand, and the corresponding increase in income taxes paid, increases in notes and accounts payable—trade and inventory on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥1,821 million, net cash provided by operating activities increased by ¥3,802 million.

*Cash flows from investing activities*

Investing activities used net cash of ¥468 million. This was mainly due to the acquisition of tangible fixed assets including new and upgraded plant facilities. Compared with the same period in the previous fiscal year, when investing activities used net cash of ¥2,613 million, net cash used in investing activities declined by ¥2,145 million.

*Cash flows from financing activities*

Financing activities used net cash of ¥1,349 million. This was mainly due to dividend payments and the purchase of treasury stock. Compared with the same period in the previous fiscal year, when financing activities provided net cash of ¥3,279 million, net cash used in financing activities decreased by ¥4,628 million.

**(3) Qualitative information on consolidated earnings projections**

The earnings projections announced on August 8, 2011 with results for the first quarter are unchanged.

## **2. Matters concerning summary information (other)**

### **(1) Changes in significant subsidiaries during the period**

There is nothing to report.

### **(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements**

There is nothing to report.

### **(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions**

There is nothing to report.

### **(4) Additional information**

Effective from the beginning of first quarter of the fiscal year ending March 31, 2012, we have applied "Accounting Standards on Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and error corrections.

### 3. Quarterly consolidated financial statements

#### (1) Quarterly consolidated balance sheets

(millions of yen)

	End-FY3/11 (As of March 31, 2011)	End-FY3/12 1-3Q (As of December 31, 2011)
<b>Assets</b>		
Current assets		
Cash and deposits	6,609	6,682
Notes and accounts receivable – trade	19,947	21,809
Merchandise and finished goods	6,667	7,740
Work in process	366	244
Raw materials and supplies	6,918	6,875
Deferred tax assets	718	412
Other accounts receivable	2,597	2,012
Others	1,525	712
Allowance for doubtful accounts	-95	-20
Total current assets	45,256	46,470
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,377	5,428
Accumulated depreciation	-2,997	-3,191
Buildings and structures, net	2,380	2,236
Machinery and delivery equipment	4,708	4,798
Accumulated depreciation	-3,740	-3,959
Machinery and delivery equipment, net	968	839
Land	7,670	7,537
Leased assets	363	361
Accumulated depreciation	-157	-214
Leased assets, net	206	146
Construction in progress	406	556
Others	599	646
Accumulated depreciation	-490	-533
Others, net	108	113
Total tangible fixed assets	11,742	11,429
Intangible fixed assets		
Others	846	632
Total intangible fixed assets	846	632
Investments and other assets		
Investment securities	1,851	2,056
Deferred tax assets	284	226
Others	1,233	1,209
Allowance for doubtful accounts	-170	-166
Total investments and other assets	3,197	3,326
Total fixed assets	15,786	15,388
Total assets	61,042	61,859

(millions of yen)

	End-FY3/11 (As of March 31, 2011)	End-FY3/12 1-3Q (As of December 31, 2011)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	10,416	10,116
Short-term loans payable	—	647
Current portion of long-term loans payable	998	698
Lease obligations	78	69
Accrued income taxes	1,410	853
Reserve for bonuses	604	318
Other accounts payable	2,556	1,956
Others	2,621	3,114
<b>Total current liabilities</b>	<b>18,686</b>	<b>17,774</b>
Fixed liabilities		
Long-term loans payable	3,128	2,604
Lease obligations	128	77
Reserve for retirement benefits	276	254
Reserve for directors' retirement benefits	453	484
Others	19	20
<b>Total fixed liabilities</b>	<b>4,006</b>	<b>3,440</b>
<b>Total liabilities</b>	<b>22,692</b>	<b>21,215</b>
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	31,884	34,778
Treasury stock	-782	-1,223
<b>Total shareholders' equity</b>	<b>38,670</b>	<b>41,123</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102	79
Deferred gains or losses on hedges	-66	60
Foreign currency translation adjustments	-356	-618
<b>Total accumulated other comprehensive income</b>	<b>-320</b>	<b>-478</b>
<b>Total net assets</b>	<b>38,349</b>	<b>40,644</b>
<b>Total liabilities and net assets</b>	<b>61,042</b>	<b>61,859</b>

**(2) Quarterly consolidated statements of income and comprehensive income****[Quarterly consolidated statements of income]**

(millions of yen)

	FY3/11 1-3Q (April 1, 2010 – December 31, 2010)	FY3/12 1-3Q (April 1, 2011 – December 31, 2011)
Net sales	138,462	146,087
Cost of sales	125,303	131,947
Gross profit	13,159	14,140
Selling, general, and administrative expenses	8,417	8,412
Operating income	4,741	5,728
Non-operating income		
Interest income	0	0
Dividends income	15	15
Equity in earnings of affiliates	163	297
Purchase discounts	46	27
House rent income	32	45
Others	22	30
Total non-operating income	280	416
Non-operating expenses		
Interest expenses	39	36
Foreign exchange losses	209	171
Cost of lease revenue	26	44
Others	8	39
Total non-operating expenses	284	292
Ordinary income	4,737	5,851
Extraordinary losses		
Impairment loss	22	—
Loss on retirement or sales of fixed assets	1	—
Loss on valuation of investment securities	4	—
Loss on sales of investment securities	3	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	37	—
Total extraordinary losses	68	—
Income before income taxes	4,668	5,851
Income taxes – current	1,502	1,976
Income taxes – deferred	355	307
Total income taxes	1,857	2,284
Income before minority interests	2,811	3,567
Net income	2,811	3,567

**[Quarterly consolidated statements of comprehensive income]**

(millions of yen)

	FY3/11 1-3Q (April 1, 2010 – December 31, 2010)	FY3/12 1-3Q (April 1, 2011 – December 31, 2011)
Income before minority interests	2,811	3,567
Other comprehensive income		
Valuation difference on available-for-sale securities	-13	-23
Deferred gains or losses on hedges	-3	126
Foreign currency translation adjustments	-44	-227
Share of other comprehensive income of affiliates accounted for using equity method	-35	-34
Total other comprehensive income	-97	-158
Comprehensive income	2,713	3,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,713	3,408
Comprehensive income attributable to minority interests	—	—

**(3) Quarterly consolidated statements of cash flows**

(millions of yen)

	FY3/11 1-3Q (April 1, 2010 – December 31, 2010)	FY3/12 1-3Q (April 1, 2011 – December 31, 2011)
<b>Cash flows from operating activities</b>		
Income before income taxes	4,668	5,851
Depreciation and other amortization	864	828
Impairment loss	22	—
Change in allowance for doubtful accounts ('-' means decrease)	-13	-79
Change in allowance for bonuses ('-' means decrease)	-317	-286
Change in allowance for retirement benefits ('-' means decrease)	-25	-22
Change in allowance for directors' retirement bonuses ('-' means decrease)	27	30
Interest and dividends income	-15	-16
Interest expense	39	36
Equity in earnings or losses of affiliates ('-' means earnings)	-163	-297
Gain or loss on sales of investment securities ('-' means gain)	3	—
Gain or loss on valuation of investment securities ('-' means gain)	4	—
Gain or loss on retirement or sales of fixed assets ('-' means gain)	1	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	37	—
Change in notes and accounts receivable – trade ('-' means increase)	-4,181	-1,953
Change in other accounts receivable ('-' means increase)	1,096	581
Change in inventory ('-' means increase)	-421	-1,127
Change in notes and accounts payable – trade ('-' means decrease)	-1,368	-182
Change in other accounts payable ('-' means decrease)	-1,570	-542
Others	1,984	1,712
Subtotal	672	4,533
Interest and dividends received	15	16
Interest paid	-40	-37
Income taxes paid	-2,469	-2,530
Cash flows from operating activities	-1,821	1,981
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-2,568	-502
Proceeds from sale of property, plant and equipment	—	68
Purchase of intangible fixed assets	-16	-30
Purchase of investment securities	-6	-6
Proceeds from sale of investment securities	14	—
Others	-37	2
Cash flows from investing activities	-2,613	-468

(millions of yen)

	FY3/11 1-3Q (April 1, 2010 – December 31, 2010)	FY3/12 1-3Q (April 1, 2011 – December 31, 2011)
<b>Cash flows from financing activities</b>		
Net change in short-term loans payable ('-' means decrease)	1,500	647
Proceeds from long-term loans payable	2,800	–
Repayment of long-term loans payable	-291	-823
Purchase of treasury stock	-0	-441
Dividends paid	-674	-673
Others	-54	-59
Cash flows from financing activities	3,279	-1,349
Effect of exchange rate change on cash and cash equivalents	-42	-89
Change in cash and cash equivalents ('-' means decrease)	-1,198	73
Cash and cash equivalents at beginning of period	4,103	6,605
Cash and cash equivalents at end of period	2,905	6,678

#### (4) Notes on premise of a going concern

FY3/12 1-3Q (April 1, 2011 – December 31, 2011)

There is nothing to report.

#### (5) Segment Information

##### Segment information

I. FY3/11 1-3Q (April 1, 2010 – December 31, 2010)

Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business	Food business	Total		
Net sales					
(1) Net sales to external parties	105,061	33,401	138,462	—	138,462
(2) Intersegment sales and transfers	3	40	43	-43	—
Total	105,064	33,441	138,506	-43	138,462
Segment income	4,084	657	4,741	—	4,741

(Notes) 1. Adjustments correspond to the elimination of transactions and transfers between segments.

2. Total segment income matches operating income recorded on the quarterly consolidated statements of income.

II. FY3/12 1-3Q (April 1, 2011 – December 31, 2011)

Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note 1	Amount recorded on quarterly consolidated statements of income Note 2
	Precious metals business	Food business	Total		
Net sales					
(1) Net sales to external parties	113,255	32,832	146,087	—	146,087
(2) Intersegment sales and transfers	3	46	49	-49	—
Total	113,259	32,878	146,137	-49	146,087
Segment income	4,784	943	5,728	—	5,728

(Notes) 1. Adjustments correspond to the elimination of transactions and transfers between segments.

2. Total segment income matches operating income recorded on the quarterly consolidated statements of income.

**(6) Note in the event of significant fluctuations in shareholders' equity**

FY3/12 1-3Q (April 1, 2011 – December 31, 2011)

There is nothing to report.

**(7) Significant subsequent events**

*Damage caused by flooding in Thailand*

In October 2011, buildings, production equipment and inventories at consolidated subsidiary Matsuda Sangyo (Thailand) Co., Ltd. were damaged by flooding. The subsidiary is covered by an insurance policy but the cost of the flood damage and the insurance payout are still being assessed.