



Consolidated Financial Statements for the Second Quarter of FY3/12 [J-GAAP]

November 11, 2011

Company Name: Matsuda Sangyo Co., Ltd.
 Exchanges listed on: Tokyo Stock Exchange (First Section)
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 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Q2 FY3/12 consolidated results (April 1, 2011 – September 30, 2011)

(1) Consolidated operating results (cumulative) (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)	(%)
Q2 FY3/12	97,524	7.5	3,980	39.0	3,984	39.0	2,465	44.7
Q2 FY3/11	90,683	31.4	2,864	120.7	2,865	140.6	1,703	161.0

(Note) Comprehensive income Q2 FY3/12 2,701 million yen (71.4%) Q2 FY3/11 1,575 million yen (—%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
Q2 FY3/12	87.90	—
Q2 FY3/11	60.59	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
Q2 FY3/12	61,656	40,527	65.7
FY3/11	61,042	38,349	62.8

(Reference) Shareholders' equity Q2 FY3/12 40,527 million yen FY3/11 38,349 million yen

2. Dividends

	Annual Dividends (yen)				
	Q1	Q2	Q3	Q4	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	157.33

(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)	As of September 30, 2011	28,908,581 shares	As of March 31, 2011	28,908,581 shares
2) Number of treasury stock	As of September 30, 2011	942,240 shares	As of March 31, 2011	790,678 shares
3) Average number of shares during the period	Q2 FY3/12	28,045,602 shares	Q2 FY3/11	28,118,269 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 six 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 challenging due to yen appreciation and share market weakness amid instability in global financial markets.

Against this backdrop, Matsuda Sangyo Group's precious metals business and food business performed as described below.

Precious metals business

In the first quarter, following the earthquake, the precious metals division saw sales volume for precious metals chemical products and electronic materials fall in response to a slump in production at key customers in the semiconductor and electronic parts sectors, mainly in the Tohoku and Kanto areas. However, sales volume began picking up in the second quarter. The precious metals recovery business was generally weak, but 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.

The environment division saw a year-on-year increase in handled volume owing to a temporary rise in waste materials following the earthquake. Sales in the division also grew year on year, partly due to the higher price of silver, a precious metal retrieved from photosensitive materials.

As a result, net sales for the precious metals business totaled ¥76,862 million (up 10.7% year on year), and operating income was ¥3,393 million (up 35.3% 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 fell year on year as production of seafood products such as *surimi* fish paste took time to recover at some customers due to the earthquake, price uncertainty prompted consumers to hold off on purchases and the market for fish paste products shrank. Sales of livestock products such as eggs and poultry meat rose on higher unit prices, but sales of agricultural products to the restaurant industry declined.

As a result, net sales for the food business were ¥20,695 million (down 2.8% year on year), and operating income was ¥587 million (up 64.4% year on year).

As a result of the above, for the first six month of the fiscal year ending March 31, 2012, consolidated net sales were ¥97,524 million (up 7.5% year on year), operating income was ¥3,980 million (up 39.0% year on year), ordinary income was ¥3,984 million (up 39.0% year on year), and net income was ¥2,465 million (up 44.7% 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 second quarter were ¥61,656 million, an increase of ¥613 million from the previous fiscal year end. This increase mainly reflected a rise in cash and deposits, inventory, and other current assets, which outweighed a decline in notes and other accounts receivable

Liabilities

Total liabilities as of the end of the second quarter were ¥21,129 million, a decrease of ¥1,563 million from the previous fiscal year end. This was mainly because of a decrease in notes and accounts payable—trade .

Net assets

Net assets as of the end of the second quarter were ¥40,527 million, an increase of ¥2,177 million from the previous fiscal year end. This mainly reflected an increase in shareholders' equity from net income and other items.

(2) Cash flows status

As of the end of the second quarter of the current fiscal year, the balance of cash and cash equivalents (hereafter, "cash") after translation adjustments stood at ¥6,921 million, an increase of ¥316 million from the end of the previous fiscal year. Operating activities provided net cash of ¥1,423 million, investing activities used net cash of ¥367 million, and financing activities used net cash of ¥748 million.

Cash flows from operating activities

Operating activities provided net cash of ¥1,423 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, an increase in inventory, and a decrease in notes and accounts payable—trade on the other. Compared with the same period in the previous fiscal year, when operating activities used net cash of ¥2,059 million, net cash provided by operating activities increased by ¥3,482 million.

Cash flows from investing activities

Investing activities used net cash of ¥367 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 ¥2,592 million, net cash used in investing activities declined by ¥2,225 million.

Cash flows from financing activities

Financing activities used net cash of ¥748 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 ¥2,756 million, net cash used in financing activities increased by ¥3,505 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)

	FY3/11 (March 31, 2011)	Q2 FY3/12 (September 30, 2011)
Assets		
Current assets		
Cash and deposits	6,609	6,925
Notes and accounts receivable – trade	19,947	20,191
Merchandise and finished goods	6,667	7,457
Work in process	366	204
Raw materials and supplies	6,918	6,704
Deferred tax assets	718	585
Other accounts receivable	2,597	1,466
Others	1,525	2,409
Allowance for doubtful accounts	-95	-22
Total current assets	45,256	45,922
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,377	5,445
Accumulated depreciation	-2,997	-3,133
Buildings and structures, net	2,380	2,312
Machinery and delivery equipment	4,708	4,810
Accumulated depreciation	-3,740	-3,896
Machinery and delivery equipment, net	968	913
Land	7,670	7,590
Leased assets	363	351
Accumulated depreciation	-157	-184
Leased assets, net	206	166
Construction in progress	406	569
Others	599	640
Accumulated depreciation	-490	-519
Others, net	108	121
Total tangible fixed assets	11,742	11,674
Intangible fixed assets		
Others	846	691
Total intangible fixed assets	846	691
Investments and other assets		
Investment securities	1,851	2,072
Deferred tax assets	284	248
Others	1,233	1,216
Allowance for doubtful accounts	-170	-169
Total investments and other assets	3,197	3,368
Total fixed assets	15,786	15,734
Total assets	61,042	61,656

(millions of yen)

	FY3/11 (March 31, 2011)	Q2 FY3/12 (September 30, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	10,416	9,922
Short-term loans payable	—	465
Current portion of long-term loans payable	998	698
Lease obligations	78	73
Accrued income taxes	1,410	1,561
Reserve for bonuses	604	735
Other accounts payable	2,556	1,386
Others	2,621	2,659
Total current liabilities	18,686	17,501
Fixed liabilities		
Long-term loans payable	3,128	2,779
Lease obligations	128	93
Reserve for retirement benefits	276	263
Reserve for directors' retirement benefits	453	473
Others	19	19
Total fixed liabilities	4,006	3,628
Total liabilities	22,692	21,129
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	31,884	34,012
Treasury stock	-782	-968
Total shareholders' equity	38,670	40,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102	83
Deferred gains or losses on hedges	-66	202
Foreign currency translation adjustments	-356	-369
Total accumulated other comprehensive income	-320	-84
Total net assets	38,349	40,527
Total liabilities and net assets	61,042	61,656

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

(millions of yen)

	Q2 FY3/11 (April 1, 2010 – September 30, 2010)	Q2 FY3/12 (April 1, 2011 – September 30, 2011)
Net sales	90,683	97,524
Cost of sales	82,348	87,923
Gross profit	8,334	9,601
Selling, general, and administrative expenses	5,469	5,620
Operating income	2,864	3,980
Non-operating income		
Interest income	0	0
Dividends income	14	10
Equity in earnings of affiliates	156	265
Purchase discounts	31	16
House rent income	17	30
Others	13	18
Total non-operating income	233	342
Non-operating expenses		
Interest expenses	25	25
Foreign exchange losses	189	253
Cost of lease revenue	13	26
Others	4	33
Total non-operating expenses	232	338
Ordinary income	2,865	3,984
Extraordinary income		
Reversal of allowance for doubtful accounts	2	–
Total extraordinary income	2	–
Extraordinary losses		
Impairment loss	22	–
Loss on retirement or sales of fixed assets	1	–
Loss on valuation of investment securities	3	–
Loss on sales of investment securities	3	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	37	–
Total extraordinary losses	67	–
Income before income taxes	2,800	3,984
Income taxes – current	911	1,517
Income taxes – deferred	185	0
Total income taxes	1,096	1,518
Income before minority interests	1,703	2,465
Net income	1,703	2,465

[Quarterly consolidated statements of comprehensive income]

(millions of yen)

	Q2 FY3/11 (April 1, 2010 – September 30, 2010)	Q2 FY3/12 (April 1, 2011 – September 30, 2011)
Income before minority interests	1,703	2,465
Other comprehensive income		
Valuation difference on available-for-sale securities	-30	-19
Deferred gains or losses on hedges	-30	268
Foreign currency translation adjustments	-53	-7
Share of other comprehensive income of affiliates accounted for using equity method	-14	-5
Total other comprehensive income	-127	236
Comprehensive income	1,575	2,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,575	2,701
Comprehensive income attributable to minority interests	—	—

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	Q2 FY3/11 (April 1, 2010 – September 30, 2010)	Q2 FY3/12 (April 1, 2011 – September 30, 2011)
Cash flows from operating activities		
Income before income taxes	2,800	3,984
Depreciation and other amortization	563	548
Impairment loss	22	—
Change in allowance for doubtful accounts ('-' means decrease)	-14	-74
Change in allowance for bonuses ('-' means decrease)	75	130
Change in allowance for retirement benefits ('-' means decrease)	-15	-13
Change in allowance for directors' retirement bonuses ('-' means decrease)	17	19
Interest and dividends income	-14	-11
Interest expense	25	25
Equity in earnings or losses of affiliates ('-' means earnings)	-156	-265
Gain or loss on sales of investment securities ('-' means gain)	3	—
Gain or loss on valuation of investment securities ('-' means gain)	3	—
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)	-1,929	-273
Change in other accounts receivable ('-' means increase)	949	1,124
Change in inventory ('-' means increase)	-869	-435
Change in notes and accounts payable – trade ('-' means decrease)	-1,097	-453
Change in other accounts payable ('-' means decrease)	-1,481	-1,115
Others	510	-413
Subtotal	-568	2,776
Interest and dividends received	14	11
Interest paid	-25	-23
Income taxes paid	-1,479	-1,341
Cash flows from operating activities	-2,059	1,423
Cash flows from investing activities		
Purchase of property, plant and equipment	-2,571	-459
Proceeds from sale of property, plant and equipment	—	68
Purchase of intangible fixed assets	-13	-8
Purchase of investment securities	-6	-4
Proceeds from sale of investment securities	14	—
Others	-14	36
Cash flows from investing activities	-2,592	-367

(millions of yen)

	Q2 FY3/11 (April 1, 2010 – September 30, 2010)	Q2 FY3/12 (April 1, 2011 – September 30, 2011)
Cash flows from financing activities		
Net change in short-term loans payable ('-' means decrease)	1,300	465
Proceeds from long-term loans payable	2,000	—
Repayment of long-term loans payable	-170	-649
Purchase of treasury stock	-0	-186
Dividends paid	-337	-337
Others	-35	-40
Cash flows from financing activities	2,756	-748
Effect of exchange rate change on cash and cash equivalents	-35	8
Change in cash and cash equivalents ('-' means decrease)	-1,929	316
Cash and cash equivalents at beginning of period	4,103	6,605
Cash and cash equivalents at end of period	2,174	6,921

(4) Notes on premise of a going concern

First six months of FY3/12 (April 1, 2011 – September 30, 2011)

There is nothing to report.

(5) Segment Information

Segment information

I. First six months of FY3/11 (April 1, 2010 – September 30, 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	69,407	21,276	90,683	—	90,683
(2) Intersegment sales and transfers	2	26	28	-28	—
Total	69,410	21,302	90,712	-28	90,683
Segment income	2,507	357	2,864	—	2,864

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. First six months of FY3/12 (April 1, 2011 – September 30, 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	76,859	20,664	97,524	—	97,524
(2) Intersegment sales and transfers	2	31	33	-33	—
Total	76,862	20,695	97,558	-33	97,524
Segment income	3,393	587	3,980	—	3,980

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

First six months of FY3/12 (April 1, 2011 – September 30, 2011)

There is nothing to report.

(7) Significant subsequent events

Damage caused by flooding in Thailand

Currently, operations at a plant operated by consolidated subsidiary Matsuda Sangyo (Thailand) Co., Ltd. are suspended due to flooding. The impact of flooding on the Group's earnings is unclear at this point.