



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

August 8, 2011

Company Name: Matsuda Sangyo Co., Ltd.  
 Exchanges listed on: Tokyo Stock Exchange (First Section)  
 Company code: 7456 URL: <http://www.matsuda-sangyo.co.jp>  
 Representative: Representative Director/President Yoshiaki Matsuda  
 Inquiries: Director in Charge of IR Yoshitaka Tashiro TEL: +81-3-5381-0728  
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 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. Q1 FY3/12 consolidated results (April 1, 2011 – June 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)	(%)
Q1 FY3/12	46,504	-0.6	2,182	45.5	2,226	49.3	1,358	51.9
Q1 FY3/11	46,796	45.8	1,500	439.8	1,490	373.9	893	540.0

(Note) Comprehensive income Q1 FY3/12 1,509 million yen (49.9%) Q1 FY3/11 1,007 million yen (—%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
Q1 FY3/12	48.32	—
Q1 FY3/11	31.79	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(millions of yen)	(millions of yen)	(%)
Q1 FY3/12	60,828	39,428	64.8
FY3/11	61,042	38,349	62.8

(Reference) Shareholders' equity Q1 FY3/12 39,428 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	—				
FY3/12 (Projections)		12.00	—	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)
1H FY3/12	93,000	2.6	3,700	29.2	3,800	32.6	2,300	35.0	82.03
FY3/12	190,000	3.5	7,000	15.7	7,200	17.3	4,400	21.2	156.93

(Note) Revisions to the most recently announced projections of consolidated earnings: Yes

#### 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 June 30, 2011	28,908,581 shares	As of March 31, 2011	28,908,581 shares
2) Number of treasury stock	As of June 30, 2011	870,833 shares	As of March 31, 2011	790,678 shares
3) Average number of shares during the period	Q1 FY3/12	28,100,868 shares	Q1 FY3/11	28,118,300 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.

## Contents of Attached Document

<b>1. Qualitative information on consolidated results during the period</b> .....	<b>2</b>
(1) Qualitative information on consolidated results.....	2
(2) Qualitative information on consolidated financial position.....	2
(3) Qualitative information on consolidated earnings projections.....	3
<b>2. Matters concerning summary information (other)</b> .....	<b>4</b>
(1) Changes in significant subsidiaries during the period.....	4
(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements.....	4
(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions.....	4
(4) Additional information.....	4
<b>3. Quarterly consolidated financial statements</b> .....	<b>5</b>
(1) Quarterly consolidated balance sheets.....	5
(2) Quarterly consolidated statements of income and comprehensive income.....	7
(3) Quarterly consolidated statements of cash flows.....	9
(4) Notes on premise of a going concern.....	10
(5) Segment Information.....	10
(6) Note in the event of significant fluctuations in shareholders' equity.....	10

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

### (1) Qualitative information on consolidated results

In the first three months of the fiscal year ending March 31, 2012, the Japanese economy showed signs of a recovery in the supply chain, which had been disrupted by the Tohoku Earthquake, but overall business conditions remained challenging as both investment and consumption contracted amid power shortages and the impact of the nuclear disaster.

Against this backdrop, Matsuda Sangyo Group employed proactive sales efforts aimed at addressing the needs of customers of both the precious metals business and food business in order to boost profitability.

The following is a performance of each business.

#### **Precious metals business**

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. While recovery of precious metals improved driven mainly by overseas collection, and sales of precious metals products remained strong supported by a rise in precious metals prices, this proved insufficient to offset a slide in sales stemming from a change in commercial distribution for bonding wire exports, and sales for the division as a whole accordingly declined year-on-year.

The environment division saw a year-on-year increase in handled volume benefiting from temporary rise in waste materials following the earthquake. Sales also received a boost from the higher price of silver, a precious metal retrieved from some of the waste materials.

As a result, net sales for the precious metals business were ¥35,702 million (up 0.0% year-on-year), and operating income was ¥1,801 million (up 42.6% 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. Sales fell year-on-year as price uncertainty prompted consumers to hold off on purchases of seafood products such as *surimi* fish paste, and production of fish paste products in the Tohoku region temporarily declined. Sales of livestock products such as eggs and poultry meat rose on volume growth and higher unit prices, but sales of agricultural products declined marginally on a drop in sales to the restaurant industry.

As a result, net sales for the food business were ¥10,819 million (down 2.8% year-on-year), and operating income was ¥381 million (up 60.8% year-on-year).

Thus, for the first three month of the fiscal year ending March 31, 2012, consolidated net sales were ¥46,504 million (down 0.6% year-on-year), operating income was ¥2,182 million (up 45.5% year-on-year), ordinary income was ¥2,226 million (up 49.3% year-on-year), and net income was ¥1,358 million (up 51.9% 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 first quarter were ¥60,828 million, down ¥213 million from the previous fiscal year end. The main reason was that decreases in cash and deposits and trade accounts receivable outweighed an increase in inventory.

##### *Liabilities*

Total liabilities as of the end of the first quarter decreased ¥1,292 million from the previous fiscal year end to ¥21,400 million. This was mainly because of a decrease in trade accounts payable and payment of accrued income taxes.

##### *Net assets*

Net assets as of the end of the first quarter increased ¥1,078 million from the previous fiscal year end to ¥39,428 million. The main reason was an increase in shareholders' equity from an increase in net income, etc.

#### (2) Cash flows status

As of the end of the first quarter of the current fiscal year, the balance of cash and cash equivalents (hereafter, "cash") stood at ¥6,275 million, a decrease of ¥329 million year on year. During the first three months of the current

fiscal year, operating activities provided net cash of ¥285 million, investing activities used net cash of ¥195 million, and financing activities used net cash of ¥457 million.

*Cash flows from operating activities:*

Operating activities provided net cash of ¥285 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 and an increase in inventory on the other. This represents an increase in net cash of ¥1,545 million from the ¥1,260 million decrease in the same period of the previous fiscal year.

*Cash flows from investing activities:*

Investing activities used net cash of ¥195 million. This was mainly due to the acquisition of tangible fixed assets including new and upgraded plant facilities. This represents a decrease in net cash of ¥377 million from the ¥573 million outflow of the same period of the previous fiscal year.

*Cash flows from financing activities:*

Financing activities used net cash of ¥457 million. This was mainly due to the dividend payments and purchase of treasury stock. This represents a decrease in net cash of ¥2,017 million from the ¥1,560 million increase of the same period of the previous fiscal year.

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

We revised our earnings projections for the first half and full fiscal year ending March 31, 2012 in light of the earning results for the first three months of the current fiscal year.

## **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)	Q1 FY3/12 (June 30, 2011)
<b>Assets</b>		
Current assets		
Cash and deposits	6,609	6,279
Notes and accounts receivable – trade	19,947	19,424
Merchandise and finished goods	6,667	6,678
Work in process	366	277
Raw materials and supplies	6,918	7,693
Deferred tax assets	718	486
Other accounts receivable	2,597	2,606
Others	1,525	1,571
Allowance for doubtful accounts	-95	-30
Total current assets	45,256	44,988
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,377	5,400
Accumulated depreciation	-2,997	-3,069
Buildings and structures, net	2,380	2,330
Machinery and delivery equipment	4,708	4,802
Accumulated depreciation	-3,740	-3,828
Machinery and delivery equipment, net	968	973
Land	7,670	7,612
Leased assets	363	370
Accumulated depreciation	-157	-173
Leased assets, net	206	197
Construction in progress	406	570
Others	599	616
Accumulated depreciation	-490	-504
Others, net	108	111
Total tangible fixed assets	11,742	11,796
Intangible fixed assets		
Others	846	764
Total intangible fixed assets	846	764
Investments and other assets		
Investment securities	1,851	1,999
Deferred tax assets	284	218
Others	1,233	1,232
Allowance for doubtful accounts	-170	-170
Total investments and other assets	3,197	3,279
Total fixed assets	15,786	15,840
Total assets	61,042	60,828

(millions of yen)

	FY3/11 (March 31, 2011)	Q1 FY3/12 (June 30, 2011)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	10,416	9,504
Short-term loans payable	—	268
Current portion of long-term loans payable	998	898
Lease obligations	78	78
Accrued income taxes	1,410	728
Reserve for bonuses	604	370
Other accounts payable	2,556	2,577
Others	2,621	3,150
<b>Total current liabilities</b>	<b>18,686</b>	<b>17,575</b>
Fixed liabilities		
Long-term loans payable	3,128	2,953
Lease obligations	128	119
Reserve for retirement benefits	276	269
Reserve for directors' retirement benefits	453	462
Others	19	19
<b>Total fixed liabilities</b>	<b>4,006</b>	<b>3,824</b>
<b>Total liabilities</b>	<b>22,692</b>	<b>21,400</b>
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	31,884	32,905
Treasury stock	-782	-875
<b>Total shareholders' equity</b>	<b>38,670</b>	<b>39,597</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102	98
Deferred gains or losses on hedges	-66	10
Foreign currency translation adjustments	-356	-277
<b>Total accumulated other comprehensive income</b>	<b>-320</b>	<b>-168</b>
<b>Total net assets</b>	<b>38,349</b>	<b>39,428</b>
<b>Total liabilities and net assets</b>	<b>61,042</b>	<b>60,828</b>



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

(millions of yen)

	Q1 FY3/11 (April 1, 2010 – June 30, 2010)	Q1 FY3/12 (April 1, 2011 – June 30, 2011)
Net sales	46,796	46,504
Cost of sales	42,535	41,522
Gross profit	4,260	4,982
Selling, general, and administrative expenses	2,760	2,799
Operating income	1,500	2,182
Non-operating income		
Interest income	0	0
Dividends income	9	8
Equity in earnings of affiliates	97	148
Purchase discounts	14	8
House rent income	1	15
Insurance income	0	—
Others	8	10
Total non-operating income	131	191
Non-operating expenses		
Interest expenses	12	12
Commission fee	1	1
Foreign exchange losses	126	109
Cost of lease revenue	—	13
Others	0	10
Total non-operating expenses	140	147
Ordinary income	1,490	2,226
Extraordinary income		
Reversal of allowance for doubtful accounts	16	—
Total extraordinary income	16	—
Extraordinary losses		
Loss on retirement or sales of fixed assets	0	—
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	44	—
Income before income taxes	1,462	2,226
Income taxes – current	518	617
Income taxes – deferred	50	250
Total income taxes	568	868
Income before minority interests	893	1,358
Net income	893	1,358

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

(millions of yen)

	Q1 FY3/11 (April 1, 2010 – June 30, 2010)	Q1 FY3/12 (April 1, 2011 – June 30, 2011)
Income before minority interests	893	1,358
Other comprehensive income		
Valuation difference on available-for-sale securities	-26	-4
Deferred gains or losses on hedges	56	77
Foreign currency translation adjustments	80	68
Share of other comprehensive income of affiliates accounted for using equity method	3	9
Total other comprehensive income	113	151
Comprehensive income	1,007	1,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,007	1,509
Comprehensive income attributable to minority interests	—	—

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

(millions of yen)

	Q1 FY3/11 (April 1, 2010 – June 30, 2010)	Q1 FY3/12 (April 1, 2011 – June 30, 2011)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,462	2,226
Depreciation and other amortization	268	269
Change in allowance for doubtful accounts ('-' means decrease)	-27	-64
Change in allowance for bonuses ('-' means decrease)	-277	-234
Change in allowance for retirement benefits ('-' means decrease)	-7	-6
Change in allowance for directors' retirement bonuses ('-' means decrease)	6	8
Interest and dividends income	-9	-8
Interest expense	12	12
Equity in earnings or losses of affiliates ('-' means earnings)	-97	-148
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)	0	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	37	—
Change in notes and accounts receivable – trade ('-' means increase)	-2,319	532
Change in other accounts receivable ('-' means increase)	-459	-23
Change in inventory ('-' means increase)	-450	-650
Change in notes and accounts payable – trade ('-' means decrease)	354	-940
Change in other accounts payable ('-' means decrease)	-58	4
Others	1,742	569
Subtotal	185	1,546
Interest and dividends received	9	8
Interest paid	-11	-14
Income taxes paid	-1,443	-1,254
Cash flows from operating activities	-1,260	285
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-574	-267
Proceeds from sale of property, plant and equipment	—	68
Purchase of intangible fixed assets	-4	-0
Purchase of investment securities	-1	-1
Proceeds from sale of investment securities	14	—
Others	-7	5
Cash flows from investing activities	-573	-195
<b>Cash flows from financing activities</b>		
Net change in short-term loans payable ('-' means decrease)	2,000	268
Repayment of long-term loans payable	-85	-274
Purchase of treasury stock	-0	-93
Dividends paid	-337	-337
Others	-17	-20
Cash flows from financing activities	1,560	-457
Effect of exchange rate change on cash and cash equivalents	13	38
Change in cash and cash equivalents ('-' means decrease)	-260	-329
Cash and cash equivalents at beginning of period	4,103	6,605
Cash and cash equivalents at end of period	3,842	6,275

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

First three months of FY3/12 (April 1, 2011 – June 30, 2011)

There is nothing to report.

#### (5) Segment Information

##### (Segment Information)

I. First three months of FY3/11 (April 1, 2010 – June 30, 2010)

Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on quarterly consolidated statements of income Note2
	Precious metals business	Food business	Total		
Net sales					
(1) Net sales to external parties	35,685	11,111	46,796	—	46,796
(2) Intersegment sales and transfers	1	14	15	-15	—
Total	35,686	11,126	46,812	-15	46,796
Segment income	1,263	237	1,500	—	1,500

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 three months of FY3/12 (April 1, 2011 – June 30, 2011)

Sales and profits or losses by reportable segments

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on quarterly consolidated statements of income Note2
	Precious metals business	Food business	Total		
Net sales					
(1) Net sales to external parties	35,701	10,803	46,504	—	46,504
(2) Intersegment sales and transfers	1	16	17	-17	—
Total	35,702	10,819	46,521	-17	46,504
Segment income	1,801	381	2,182	—	2,182

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 three months of FY3/12 (April 1, 2011 – June 30, 2011)

There is nothing to report.