



Consolidated Financial Statements for the Second Quarter of FY3/11 [J-GAAP]

November 8, 2010

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

(Figures are rounded down to the nearest million yen)

1. Q2 FY3/11 Consolidated results (April 1, 2010 – September 30, 2010)

(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 FY3/11	90,683	31.4	2,864	120.7	2,865	140.6	1,703	161.0
Q2 FY3/10	69,025	-37.3	1,297	-76.0	1,190	-78.0	652	-80.0

	Net income per share	Diluted net income per share
	(yen)	(yen)
Q2 FY3/11	60.59	—
Q2 FY3/10	23.21	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
Q2 FY3/11	57,461	36,812	64.1	1,309.20
FY3/10	56,433	35,574	63.0	1,265.15

(Reference) Shareholders' equity Q2 FY3/11 36,812 million yen FY3/10 35,574 million yen

2. Dividends

	Annual Dividends (yen)				
	Q1	Q2	Q3	Q4	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
FY3/10	—	12.00	—	12.00	24.00
FY3/11	—	12.00			
FY3/11 (Projections)			—	12.00	24.00

(Note) Changes in projections of dividends in the period: No

3. Consolidated earnings projections for FY3/11 (April 1, 2010 – March 31, 2011)

(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)
FY3/11	175,000	11.9	5,500	15.5	5,700	14.9	3,500	19.8	124.47

(Note) Changes in projections of consolidated earnings in the period: Yes

4. Others (For details, please refer to the [Attached Document] page 6 “2.Other information”.)

(1) Changes to significant subsidiaries during the current quarter: No

(Note) This refers to changes in specific subsidiaries involving a change in the scope of consolidation during the period under review.

(2) Adoption of the simplified accounting as well as specific accounting: No

(Note) This refers to the adoption of simplified accounting treatment or specific accounting treatment for preparing the quarterly consolidated financial statements.

(3) Changes in accounting principles, processes, presentation methods, etc.

1) Changes accompanying revisions of accounting standards: Yes

2) Other changes: No

(Note) This refers to changes in accounting principles, processes, presentation methods, etc., pertaining to the preparation of quarterly consolidated financial statements as stated in “Changes in Accounting Principles, Processes, Presentation Methods, etc.”

(4) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares)

2) Number of treasury shares at the end of the period

3) Average number of shares during the period

1)	As of September 30, 2010	28,908,581 shares	As of March 31, 2010	28,908,581 shares
2)	As of September 30, 2010	790,346 shares	As of March 31, 2010	790,195 shares
3)	As of September 30, 2010	28,118,269 shares	As of September 30, 2009	28,118,980 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 Products and Exchange Law 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.

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1. Qualitative information on consolidated results during the period

(1) Qualitative information on consolidated results

The first six months of the fiscal year ending March 31, 2011 showed signs of a turnaround in the Japanese economy. However, business conditions remained harsh owing to deflationary pressures, a general decline in the equity markets, and concerns about a further economic downturn as a result of sharp yen appreciation amid a delayed recovery in the US and European markets.

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

Despite inventory adjustment moves observed in the semiconductor and electronic parts makers (both principal customers), production in the precious metals division was strong supported by brisk demand for telecommunication and IT products in Japan and emerging economies. As a result, sales volume of precious metal chemical products and recovery of precious metals both remained at high levels. Meanwhile, higher prices for precious metals boosted sales considerably from the previous first six months' level.

Recycling volume in the environment division also rose year on year, as the decline in output of waste products, resulting from production cutbacks among our customers in the manufacturing industry, appeared to bottom out.

As a result, net sales for the precious metals business were ¥69,410 million (up 37.6% year-on-year), and operating income was ¥2,507 million (up 132.2% year-on-year).

Food business

While facing rising global food ingredient prices, the food business also continued to be affected by deflationary pressures and a tough labor market, prompting customers to look for lower-priced items. Despite this challenging environment, bottoming prices and an ongoing inventory adjustment for seafood products such as Surimi fish paste resulted in an increase in sales from the previous first six months' level. Sales of livestock products including chicken meat as well as agricultural products such as vegetables were also up, mostly due to volume growth.

As a result, net sales for the food business were ¥21,302 million (up 14.6% year-on-year), and operating income was ¥357 million (up 63.8% year-on-year).

Thus, for the first six month of the fiscal year ending March 31, 2011, consolidated net sales were ¥90,683 million (up 31.4% year-on-year), operating income was ¥2,864 million (up 120.7% year-on-year), ordinary income was ¥2,865 million (up 140.6% year-on-year), and net income was ¥1,703 million (up 161.0% year-on-year).

Effective from the first quarter of the fiscal year ending March 31, 2011, we have applied "Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No. 17, March 27, 2009) and "Application Guidance on Accounting Standard for Disclosure of Segment Information" (ASBJ Guidance No. 20, March 21, 2008). Our reportable segments on the new standard are the same as before, so we report the year-on-year comparison above.

(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 ¥57,461 million, up ¥1,027 million from the previous fiscal year end. This is the result of purchase of tangible fixed assets and an increase in trade accounts receivable and inventory although cash and deposits declined.

Liabilities

Total liabilities as of the end of the second quarter decreased ¥210 million from the previous fiscal year end to ¥20,648 million. This is mainly because decreases in trade notes and other accounts payable more than offset an increase in debt.

Net assets

Net assets as of the end of the second quarter were ¥36,812 million, up ¥1,238 million from the previous fiscal year end. The main factors behind this are an increase in shareholders' equity from net income.

(2) Cash Flows Status

Cash and cash equivalents (hereafter, "cash") as of the end of the second quarter decreased ¥1,929 million from

the previous fiscal year end to ¥2,174 million as a result of the following factors: ¥2,059 million was used in operating activities, ¥2,592 million was used in investing activities, and ¥2,756 million was generated by financing activities.

Cash flows from operating activities:

Net cash used in operating activities during the first six months was ¥2,059 million. This was mainly due to increases in trade notes and accounts receivable and inventory, and a decrease in accounts payable. It should be noted that this figure is ¥282 million higher than the ¥1,777 million outflow in the same period of the previous fiscal year.

Cash flows from investing activities:

Net cash used in investing activities during the first six months was ¥2,592 million. This was mainly due to the purchase of tangible fixed assets, including land, buildings and precision cleaning equipment. It should be noted that this figure is ¥1,756 million higher than the ¥835 million outflow in the same period of the previous fiscal year.

Cash flows from financing activities:

Net cash provided by financing activities was ¥2,756 million. This was mainly due to increases in short-term and long-term loans payable. This figure is a ¥3,893 million increase compared with the ¥1,136 decrease in the same period of the previous fiscal year.

(3) Qualitative information on consolidated earnings projections

Although future price movements for precious metals remain uncertain, the current uptrend in prices is expected to generally continue and should benefit the precious metals business. Furthermore, we expect growing activity in the semiconductor and electronic parts industries to support strong sales, particularly for precious metal products.

In light of these trends, we made changes to our earnings projections for FY3/11 released on May 14, 2010.

2. Other information

(1) Changes to significant subsidiaries during the period

There is nothing to report.

(2) Overview of the simplified accounting as well as specific accounting

There is nothing to report.

(3) Overview of changes in accounting principles, processes, presentation methods, etc.

Application of accounting standards related to asset retirement obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Application Guidance for Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

The impact of this change on operating income and ordinary income was negligible, and income before income taxes decreased by ¥38 million.

Quarterly consolidated statements of income

In accordance with Accounting Standards concerning Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008) and pursuant to implementation of a Cabinet Office Ordinance (No. 5, released March 24, 2009) revising a section of the Regulation for Terminology, Forms and Preparation of Financial Statements, income before minority interests is presented from the first quarter of the fiscal year ending March 31, 2011.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(millions of yen)

	Q2 FY3/11 (September 30, 2010)	FY3/10 Summary (March 31, 2010)
Assets		
Current assets		
Cash and deposits	2,178	4,107
Notes and accounts receivable – trade	20,396	18,478
Merchandise and finished goods	8,122	6,797
Work in process	419	303
Raw materials and supplies	6,375	6,979
Deferred tax assets	596	770
Other accounts receivable	1,993	2,941
Others	1,602	2,164
Allowance for doubtful accounts	-34	-33
Total current assets	41,650	42,509
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,421	5,168
Accumulated depreciation	-2,889	-2,779
Buildings and structures, net	2,531	2,389
Machinery and delivery equipment	4,579	4,436
Accumulated depreciation	-3,568	-3,390
Machinery and delivery equipment, net	1,011	1,045
Land	7,690	5,761
Leased assets	336	315
Accumulated depreciation	-117	-82
Leased assets, net	218	232
Construction in progress	154	205
Others	620	598
Accumulated depreciation	-483	-455
Others, net	136	142
Total tangible fixed assets	11,743	9,776
Intangible fixed assets		
Others	987	1,143
Total intangible fixed assets	987	1,143
Investments and other assets		
Investment securities	1,831	1,755
Deferred tax assets	223	192
Others	1,217	1,263
Allowance for doubtful accounts	-192	-208
Total investments and other assets	3,079	3,004
Total fixed assets	15,810	13,924
Total assets	57,461	56,433

(millions of yen)

	Q2 FY3/11 (September 30, 2010)	FY3/10 Summary (March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	9,628	10,741
Short-term loans payable	1,330	30
Current portion of long-term loans payable	784	290
Lease obligations	73	67
Accrued income taxes	923	1,523
Reserve for bonuses	708	632
Other accounts payable	1,842	3,528
Others	2,184	2,202
Total current liabilities	17,475	19,016
Fixed liabilities		
Long-term loans payable	2,313	977
Lease obligations	144	164
Reserve for retirement benefits	295	311
Reserve for directors' retirement benefits	396	379
Others	22	10
Total fixed liabilities	3,173	1,842
Total liabilities	20,648	20,859
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Capital surplus	4,008	4,008
Retained earnings	30,295	28,929
Treasury stock	-781	-781
Total shareholders' equity	37,082	35,715
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	95	126
Deferred gains or losses on hedges	-71	-41
Translation adjustments	-294	-226
Total of valuation and translation adjustments	-269	-141
Total net assets	36,812	35,574
Total liabilities and net assets	57,461	56,433

(2) Quarterly consolidated statements of income

(millions of yen)

	Q2 FY3/10 (April 1, 2009 – September 30, 2009)	Q2 FY3/11 (April 1, 2010 – September 30, 2010)
Net sales	69,025	90,683
Cost of sales	62,487	82,348
Gross profit	6,537	8,334
Selling, general, and administrative expenses	5,239	5,469
Operating income	1,297	2,864
Non-operating income		
Interest income	1	0
Dividends income	10	14
Equity in earnings of affiliates	—	156
Purchase discounts	24	31
Insurance income	—	0
Others	19	30
Total non-operating income	55	233
Non-operating expenses		
Interest expenses	17	25
Equity in losses of affiliates	25	—
Commission fee	3	3
Foreign exchange losses	113	189
Others	2	14
Total non-operating expenses	162	232
Ordinary income	1,190	2,865
Extraordinary income		
Gain on sales of fixed assets	11	—
Reversal of allowance for doubtful accounts	—	2
Total extraordinary income	11	2
Extraordinary losses		
Impairment loss	3	22
Loss on retirement or sales of fixed assets	10	1
Loss on valuation of investment securities	7	3
Loss on sales of investment securities	—	3
Loss on application of accounting standard for asset retirement obligations	—	37
Total extraordinary losses	22	67
Income before income taxes	1,180	2,800
Income taxes – current	471	911
Income taxes – deferred	56	185
Total income taxes	527	1,096
Income before minority interests	—	1,703
Net income	652	1,703

(3) Quarterly consolidated statements of cash flows

(millions of yen)

	Q2 FY3/10 (April 1, 2009 – September 30, 2009)	Q2 FY3/11 (April 1, 2010 – September 30, 2010)
Cash flows from operating activities		
Income before income taxes	1,180	2,800
Depreciation and other amortization	571	563
Impairment loss	3	22
Change in allowance for doubtful accounts ('-' means decrease)	-4	-14
Change in allowance for bonuses ('-' means decrease)	30	75
Change in allowance for retirement benefits ('-' means decrease)	-16	-15
Change in allowance for directors' retirement bonuses ('-' means decrease)	25	17
Interest and dividends income	-11	-14
Interest expense	17	25
Equity in earnings or losses of affiliates ('-' means earnings)	25	-156
Gain or loss on sales of investment securities ('-' means gain)	—	3
Gain or loss on valuation of investment securities ('-' means gain)	7	3
Gain or loss on retirement or sales of fixed assets ('-' means gain)	-1	1
Loss on application of accounting standard for asset retirement obligations	—	37
Change in notes and accounts receivable-trade ('-' means increase)	-2,244	-1,929
Change in other accounts receivable ('-' means increase)	-2,331	949
Change in inventory ('-' means increase)	-825	-869
Change in accounts payable-trade ('-' means decrease)	1,050	-1,097
Change in other accounts payable ('-' means decrease)	2,281	-1,481
Others	-203	510
Subtotal	-444	-568
Interest and dividends received	15	14
Interest paid	-17	-25
Income taxes paid	-1,330	-1,479
Cash flows from operating activities	-1,777	-2,059
Cash flows from investing activities		
Purchase of property, plant and equipment	-797	-2,571
Purchase of intangible fixed assets	-46	-13
Purchase of investment securities	-6	-6
Proceeds from sales of investment securities	—	14
Others	16	-14
Cash flows from investing activities	-835	-2,592
Cash flows from financing activities		
Net change in short-term loans payable ('-' means decrease)	-600	1,300
Proceeds from long-term loans payable	—	2,000
Repayment of long-term loans payable	-170	-170
Purchase of treasury stock	-1	-0
Cash dividends paid	-337	-337
Others	-28	-35
Cash flows from financing activities	-1,136	2,756
Effect of exchange rate change on cash and cash equivalents	62	-35
Change in cash and cash equivalents ('-' means decrease)	-3,685	-1,929
Cash and cash equivalents at beginning of period	7,888	4,103
Cash and cash equivalents at end of period	4,202	2,174

(4) Notes on premise of a going concern

First six months of FY3/11 (April 1, 2010 – September 30, 2010)

There is nothing to report.

(5) Segment Information

[Segment information by business]

First six months of FY3/10 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Precious metals business	Food business	Total	Eliminations or corporate	Consolidated
Net sales	50,458	18,592	69,050	(25)	69,025
Operating income	1,079	218	1,297	—	1,297

[Segment information by region]

First six months of FY3/10 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Net sales	68,648	6,315	74,964	(5,938)	69,025
Operating income	1,248	58	1,307	(9)	1,297

(Note 1) Countries and regions above are segmented geographically.

(Note 2) 'Asia' above mainly consists of Thailand, Singapore, Philippines, and China.

(Note 3) Importance of net sales in 'Asia' segment has increased. Consequently, segment information by region is shown above.

[Overseas sales]

First six months of FY3/10 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Asia	Total
Overseas sales (A)	11,957	11,957
Consolidated net sales (B)	69,025	69,025
A / B (%)	17.3	17.3

(Note 1) Countries and regions above are segmented geographically.

(Note 2) 'Asia' above mainly consists of Taiwan, Thailand, Singapore, Philippines, Malaysia, and China.

(Note 3) Overseas sales represent sales amounts for the Company and its consolidated subsidiaries in countries or regions outside of Japan.

[Segment information]

(Additional information)

Effective the period under review, the Company has applied "Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No. 17, March 27, 2009) and "Application Guidance on Accounting Standard for Disclosure of Segment Information" (ASBJ Guidance No. 20, March 21, 2008).

1. Overview of reportable segments

With respect to its business segments, the Company is able to obtain delineated financial data from among its structural units. Its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

At Matsuda Sangyo, operating divisions have been established based on each of our products and services in the head office, and each of these divisions works to formulate comprehensive domestic and foreign strategies and to expand business for the corresponding products and services.

The company thus comprises product and service segments built around operating divisions, and as in the past, the precious metals business and food business are designated as reporting segments. In this regard, business segments with essentially identical financial characteristics (i.e., the precious metals division and the environment division) are combined as the precious metals business.

The precious metals business recovers and refines precious metals; markets precious metal bullions, chemical products, and electronic materials; and collects, transports and disposes industrial waste products. The food

business markets and transports seafood products, agricultural products, livestock products, and other raw materials for food processing.

2. Sales and profits or losses by reportable segments

First six months of FY3/11 (April 1, 2010 – September 30, 2010)

(millions of yen)

	Reportable Segments			Adjustments Note1	Amount recorded on consolidated statements of income Note2
	Precious metals business	Food business	Total		
Net sales					
(1) Net sales to external parties	69,407	21,276	90,683	—	90,683
(2) Net sales & remittances between segments	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 remittances between segments.
2. Total segment income matches operating income recorded on the consolidated statements of income.

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

First six months of FY3/11 (April 1, 2010 – September 30, 2010)

There is nothing to report.