

Q3 FY3/10 Financial Statements (Consolidated)

February 8, 2010

Company name: Matsuda Sangyo Co., Ltd.
 Exchange: Tokyo Stock Exchange
 Company code: 7456
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 Date of the formal Q3 financial statements: February 12, 2010

(Figures are rounded down to the nearest million yen.)

1. Q3 FY3/10 Consolidated Results (April 1, 2009 – December 31, 2009)

(1) Consolidated operating results

(Percentages are year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 FY3/10	113,664	-25.2	3,360	-43.9	3,210	-39.8	1,831	-41.3
Q3 FY3/09	151,876	—	5,990	—	5,329	—	3,121	—

	Net income per share	Diluted net income per share
	Yen	Yen
Q3 FY3/10	65.14	—
Q3 FY3/09	108.77	—

(Note) The company enacted a 1.1:1 stock split on September 1, 2008.

(2) Changes in consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q3 FY3/10	55,131	34,439	62.5	1,224.80
FY3/09	48,439	33,088	68.3	1,176.71

(Note): Shareholders' equity Q3 FY3/10 34,439 million yen FY3/09 33,088 million yen

2. Dividends

(Record date)	Dividends per share				
	Q1	Q2	Q3	Q4	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
FY3/09	—	12.00	—	12.00	24.00
FY3/10	—	12.00	—	—	—
FY3/10 (Projections)	—	—	—	12.00	24.00

(Note) Changes in projections of dividends in Q3 FY3/10: None

3. FY3/10 consolidated earnings projections (April 1, 2009 – March 31, 2010)

(Percentages are year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY3/10	150,000	-17.8	4,500	-42.0	4,500	-35.1	2,700	-29.8	96.02

(Note) Changes in projections of consolidated earnings Q3 FY3/10: Yes

4. Others

- (1) Changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): None
- (2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements: Yes
(Note) Refer to section 4, Other in Qualitative information and financial statements, on page 5 for details.
- (3) Changes in accounting principles and procedures or in the format of quarterly consolidated financial statements (those listed in changes to important items forming the basis for preparation of quarterly consolidated financial statements)
 - (i) Changes accompanying revisions to items such as accounting standards: None
 - (ii) Other changes: None
- (4) Numbers of shares issued (common shares)
 - (i) Number of issued shares at the end of the period (including treasury shares)

Q3 FY3/10:	28,908,581 shares	FY3/09:	28,908,581 shares
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 - (ii) Number of treasury shares at the end of the period

Q3 FY3/10:	790,026 shares	FY3/09:	789,233 shares
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 - (iii) Average number of shares during the period

Q3 FY3/10:	28,118,848 shares	Q3 FY3/09:	28,694,317 shares
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* Explanation of the proper use of earnings projections and other notes

Earnings projections and other statements about the future contained in this material have been made based on information currently available and certain conditions that we judge reasonable. Actual earnings may differ materially from the above projections for various reasons such as changes in business conditions

[Qualitative Information and Financial Statements]

1. Qualitative Information Concerning Consolidated Results

During the nine-month period ended December 31, 2009 of the consolidated fiscal year under review, the Japanese economy continued to face a severe business environment, most notably evident in the harsh employment situation and sluggish consumer spending, although some signs of recovery did emerge in the industrial production and export sectors, reflecting an improvement in the overseas economy.

In this environment, the Matsuda Group focused on active sales activities and product development that met the needs of a wide range of customers in the precious metals and food businesses. It also sought to improve its management efficiency and cut costs.

The performance of each business segment was as follows:

Precious metals business

In the precious metals business, sales of precious metal chemical products and gold bonding wires continued to increase, as the semiconductor and electronics parts industries started to raise production, breaking away from the sharply lower production levels associated with the global financial crisis, and the volume of recycling of precious metals raw materials also began to pick up. Specifically, sales and net income of the third quarter of the consolidated fiscal year under review increased year on year, partly attributable to rising price of precious metals products. Looking at the cumulative nine-month period ended December 31, 2009, however, sales and net income were lower year on year, because of the very strong performance during the first half of the previous fiscal year.

In the environment business, although some signs of recovery were seen, overall turnover fell year on year, as the level of discharge from manufacturing customers continued to drop, reflecting production cutbacks.

As a result, net sales of this segment amounted to ¥84,314 million, down 25.4% from the same period of the previous fiscal year, while operating income stood at ¥2,802 million, a fall of 42.2%.

Foods business

The operating environment surrounding the foods business remained severe, as the economic downturn and concerns about the employment situation severely dented consumer confidence. In this environment, sales of seafood products declined year on year due to a fall in sales and sales prices of *surimi*, or ground fish and sluggish sales of high-end products. Sales of livestock products, such as poultry, and agricultural products, such as vegetables, also declined, attributable to lower sales and a fall in sales prices. However, in the third quarter of the consolidated fiscal year under review, operating income exceeded the income level a year ago and the level of the preceding quarter, primarily because the unfavorable impact of the price falls experienced in the same quarter of the previous fiscal year disappeared.

As a result, net sales of this segment amounted to ¥29,388 million, down 24.5% from the same period of the previous fiscal year, and operating income stood at ¥557 million, a fall of 51.2%.

As a consequence of the above, net sales for the nine-month period ended December 31, 2009 of the fiscal year under review on a consolidated basis were ¥113,664 million, down 25.2% from the same period of the previous fiscal year, and operating income stood at ¥3,360 million, a decline of 43.9%. Ordinary income amounted to ¥3,210 million, falling 39.8%, and net income was 1,831 million, down 41.3%.

2. Qualitative Information Concerning the Consolidated Financial Position

(1) Assets, liabilities and net assets

Assets

Total assets at the end of the third quarter of the fiscal year under review rose ¥6,691 million from the end of the previous fiscal year, to ¥55,131 million. This increase was primarily attributable to a rise in current assets, as an increase in accounts receivables, inventories and other accounts receivable outweighed a fall in cash and deposits.

Liabilities

Total liabilities at the end of the third quarter of the fiscal year under review rose ¥5,340 million from the end of the previous fiscal year, to ¥20,691 million. This increase was primarily attributable to a rise in other accounts payable and accounts payable, offsetting a decline in accrued income taxes.

Net assets

Net assets at the end of the third quarter of the fiscal year under review rose ¥1,351 million from the end of the previous fiscal year, to ¥34,439 million. This increase was primarily attributable to a rise in shareholders' equity, reflecting net income, and an increase in valuation and translation adjustments.

(2) Cash flows

Cash and cash equivalents ("cash") after translation adjustment at the end of the third quarter of the fiscal year under review fell ¥5,476 million from the end of the previous consolidated fiscal year, to ¥2,411 million, reflecting cash outflow of ¥3,076 million in operating activities in the nine-month period under review, cash outflow of ¥1,308 million in investing activities, and cash outflow of ¥1,125 million in financing activities.

Cash flows from operating activities

Net cash used in operating activities for the nine-month period ended December 31, 2009 of the consolidated fiscal year under review stood at ¥3,076 million. The main factors were an increase in accounts receivables and inventories, offsetting a rise in accounts payable. This change in net cash meant a decline of ¥7,775 million, compared with net cash provided of ¥4,699 million for the same period of the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities for the nine-month period ended December 31, 2009 of the consolidated fiscal year under review stood at ¥1,308 million. The main factors were the acquisition of land, the development of facilities used for the environment business and the replacement investment of production facilities. This change in net cash meant a rise of ¥174 million, compared with net cash used of ¥1,133 million for the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities for the nine-month period ended December 31, 2009 of the consolidated fiscal year under review stood at ¥1,125 million. The main factors were repayments of short-term and long-term loans and payments of dividends. This change in net cash meant a decline of ¥1,427 million, compared with net cash used of ¥2,553 million for the same period of the previous fiscal year.

3. Qualitative information concerning consolidated earnings forecasts

Based on the increase in sales of precious metal products and the increase in unit sales price during the third quarter of the fiscal year under review, we have revised upward our earnings forecasts announced on May 18, 2009, as follows:

FY3/10 Consolidated Earnings Projections (April 1, 2009 – March 31, 2010)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Forecasts previously announced (A)	140,000	4,500	4,500	2,700	96.02
Forecasts announced this time (B)	150,000	4,500	4,500	2,700	96.02
Change in amount (B-A)	10,000	-	-	-	-
Rate of change (%)	7.1	-	-	-	-
(Reference) Actual results of the previous fiscal year (FY3/09)	182,496	7,757	6,933	3,847	134.65

4. Others

(1) Important changes in subsidiaries during the period

(Changes of specified subsidiaries that led to a change in the scope of consolidation)

Not applicable

(2) Application of simplified accounting methods and/or accounting methods specific to the preparation of quarterly consolidated financial statements

(Simplified accounting methods)

Method of calculating the depreciation and amortization expenses of fixed assets

For assets subject to the declining balance method, we calculated depreciation expenses by proportionally distributing the amount of depreciation for the fiscal year to the period.

(3) Changes in accounting principles and procedures and the presentation method, etc. associated with the preparation of quarterly consolidated financial statements

Not applicable

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As at December 31, 2009	FY3/09 Summary (March 31, 2009)
Assets		
Current assets		
Cash and deposits	2,415	7,891
Notes and accounts receivable	19,753	13,979
Merchandise and finished goods	6,916	5,473
Work-in-process	253	130
Raw material and supplies	5,283	4,873
Deferred tax assets	672	940
Other accounts receivable	4,532	546
Others	1,767	1,355
Allowance for doubtful accounts	-36	-20
Total current assets	41,557	35,169
Fixed assets		
Tangible fixed assets		
Building and structures	5,069	4,559
Accumulated depreciation	-2,720	-2,559
Building and structures, net	2,348	2,000
Machinery and delivery equipment	4,322	4,192
Accumulated depreciation	-3,270	-2,965
Machinery and equipment, net	1,051	1,227
Land	5,735	5,148
Leased assets	278	231
Accumulated depreciation	-67	-22
Leased assets, net	211	208
Construction in progress	113	328
Others	585	554
Accumulated depreciation	-441	-414
Others, net	143	140
Total tangible fixed assets	9,603	9,053
Intangible fixed assets		
Goodwill	—	12
Others	1,209	1,410
Total intangible fixed assets	1,209	1,423
Investments and other assets		
Investment securities	1,532	1,562
Deferred tax assets	186	220
Others	1,249	1,230
Allowance for doubtful receivables	-207	-220
Total investments and other assets	2,760	2,792
Total fixed assets	13,573	13,270
Total assets	55,131	48,439

(Million yen)

	As at December 31, 2009	FY3/09 Summary (March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	9,849	7,506
Short-term debt	480	630
Current portion of long-term debt	315	340
Lease obligations	60	48
Accrued income taxes	772	1,428
Allowance for bonuses	295	607
Accounts payable	4,385	681
Others	2,641	1,996
Total current liabilities	18,800	13,239
Fixed liabilities		
Long-term debt	1,037	1,267
Lease obligations	152	159
Allowance for retirement benefits	321	349
Allowance for directors' retirement benefits	368	332
Others	10	3
Total Fixed liabilities	1,891	2,111
Total liabilities	20,691	15,351
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Legal capital surplus	4,008	4,008
Retained earnings	27,840	26,683
Treasury stock	-781	-780
Total shareholders' equity	34,626	33,470
Valuation and translation adjustment		
Unrealized gains on other marketable securities	144	104
Deferred hedge gain/loss	-36	-174
Foreign currency translation adjustments	-294	-312
Total valuation and translation adjustment	-187	-382
Total net assets	34,439	33,088
Total liabilities and net assets	55,131	48,439

(2) Quarterly Consolidated Statement of Income

(Million yen)

	Q3 FY3/09 (April 1, 2008 – December 31, 2008)	Q3 FY3/10 (April 1, 2009 – December 31, 2009)
Net sales	151,876	113,664
Cost of sales	137,242	102,379
Gross profit	14,633	11,285
Selling, general and administrative expenses	8,642	7,924
Operating income	5,990	3,360
Non-operating income		
Interest income	5	1
Dividend income	15	13
Purchase discounts	54	38
Insurance income	56	11
Other	42	28
Total non-operating income	175	93
Non-operating expenses		
Interest expenses	72	24
Equity in losses of affiliates	52	95
Commission fee	9	5
Foreign exchange losses	689	113
Others	12	4
Total non-operating expenses	836	243
Ordinary income	5,329	3,210
Extraordinary profit		
Gain on sales of fixed assets	0	11
Gain on sale of investment securities	0	0
Reversal of allowance for doubtful accounts	2	—
Total extraordinary profit	4	11
Extraordinary loss		
Impairment loss	—	3
Loss on retirement or sales of fixed assets	34	11
Loss on valuation of investment securities	29	8
Loss on sales of investment securities	11	—
Total extraordinary loss	76	24
Income before income taxes	5,257	3,197
Income taxes, etc.	2,058	1,186
Income taxes-deferred	77	179
Total income taxes	2,136	1,366
Net income	3,121	1,831

(3) Quarterly Consolidated Statement of Cash Flow

(Million yen)

	Q3 FY3/09 (April 1, 2008 – December 31, 2008)	Q3 FY3/10 (April 1, 2009 – December 31, 2009)
Cash flows from operating activities		
Income before income taxes	5,257	3,197
Depreciation and other amortization	776	864
Impairment loss	—	3
Change in allowance for doubtful accounts ("-" denotes a decrease)	-48	4
Change in allowance for bonuses ("-" denotes a decrease)	-289	-311
Change in allowance for retirement benefits ("-" denotes a decrease)	-44	-27
Change in allowance for directors' retirement bonuses ("-" denotes a decrease)	-95	36
Interest or dividends received	-21	-14
Interest paid	72	24
Equity in earnings or losses of affiliates ("-" denotes an earnings)	52	95
Gain or loss on sales of investment securities ("-" denotes a gain)	10	-0
Gain or loss on valuation of investment securities ("-" denotes a gain)	29	8
Gain or loss on sales of tangible fixed assets ("-" denotes a gain)	34	0
Change in accounts receivable ("-" denotes an increase)	-432	-5,780
Change in other accounts due ("-" denotes an increase)	3,569	-3,997
Change in inventories ("-" denotes an increase)	3,421	-1,943
Change in accounts payable - trade ("-" denotes a decrease)	-1,581	2,332
Changes in other accounts payable ("-" denotes a decrease)	-3,447	3,808
Other changes	976	450
Subtotal	8,242	-1,250
Interest and dividends received	23	18
Interest paid	-72	-24
Corporate & other taxes paid	-3,494	-1,819
Cash flow from operating activities	4,699	-3,076
Cash flows from investing activities		
Expenditure for the purchase of tangible fixed assets	-837	-1,223
Proceeds from sales of tangible fixed assets	1	—
Expenditure for the purchase of intangible fixed assets	-405	-51
Expenditure for the purchase of investment securities	-13	-8
Proceeds from sales of investment securities	22	1
Others	99	-25
Cash flow from investing activities	-1,133	-1,308
Cash flows from financing activities		
Net change in short-term loans ("-" denotes a decrease)	-1,100	-150
Proceeds from long-term loans	300	—
Expenditure for the repayment of long-term loans	-555	-255
Expenditure for the purchase of own shares	-538	-1
Dividends paid	-659	-674
Others	—	-44
Cash flow from financing activities	-2,553	-1,125
Foreign currency translation adjustment on cash and cash equivalents	-199	33
Change in cash and cash equivalents ("-" denotes a decrease)	-813	-5,476
Cash and cash equivalents at beginning of period	2,724	7,888
Cash and cash equivalents at end of period	3,537	2,411

- (4) Going Concern Assumption
First 9 months of the fiscal year ending March 2010 (April 1, 2009 – December 31, 2009)
Not applicable

(5) Segment Information

1. Segment information by business

First 9 months of the fiscal year ended March 2009 (April 1, 2008 – December 31, 2008) (Million yen)

	Precious metals business	Food business	Total	Eliminations or corporate	Consolidated
Net sales	113,003	38,923	151,926	(50)	151,876
Operating income	4,847	1,143	5,990	—	5,990

First 9 months of the fiscal year ending March 2010 (April 1, 2009 – December 31, 2009) (Million yen)

	Precious metals business	Food business	Total	Eliminations or Corporate	Consolidated
Net sales	84,314	29,388	113,702	(38)	113,664
Operating income	2,802	557	3,360	—	3,360

2. Segment information by location

First 9 months of the fiscal year ended March 2009 (April 1, 2008 – December 31, 2008) (Million yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Net sales	150,369	17,215	167,584	(15,708)	151,876
Operating income or loss	5,369	604	5,974	16	5,990

First 9 months of the fiscal year ending March 2010 (April 1, 2009 – December 31, 2009) (Million yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Net sales	113,189	10,646	123,836	(10,171)	113,664
Operating income or loss	3,230	150	3,381	(20)	3,360

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

(Note 2) “Asia” above principally consists of Thailand, Singapore, Philippines, and China.

3. Overseas sales

First 9 months of the fiscal year ended March 2009 (April 1, 2008 – December 31, 2008) (Million yen)

	Asia	Total
Overseas sales	24,237	24,237
Consolidated net sales	151,876	151,876
A / B (%)	16.0	16.0

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

(Note 2) “Asia” above principally 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 Japan.

First 9 months of the fiscal year ending March 2010 (April 1, 2009 – December 31, 2009) (Million yen)

	Asia	Total
Overseas sales	19,578	19,578
Consolidated net sales	113,664	113,664
A / B (%)	17.2	17.2

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

(Note 2) “Asia” above principally 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 Japan.

- (6) Notes to large variations in shareholders’ equity during the period
First 9 months of the fiscal year ending March 2010 (April 1, 2009 – December 31, 2009)
Not applicable