

Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 2010

November 9, 2009

Company name: Matsuda Sangyo Co., Ltd.
 Exchange: Tokyo Stock Exchange
 Company code: 7456
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 Scheduled date of commencement of dividend payments: December 3, 2009

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

1. First-Half Consolidated Results (From April 1, 2009 – September 30, 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	%
H1 FY3/10	69,025	-37.3	1,297	-76.0	1,190	-78.0	652	-80.0
H1 FY3/09	110,081	—	5,405	—	5,422	—	3,264	—

	Net income per share	Diluted net income per share
	Yen	Yen
H1 FY3/10	23.21	—
H1 FY3/09	113.43	—

(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
H1 FY3/10	50,693	33,750	66.6	1,200.29
FY3/09	48,439	33,088	68.3	1,176.71

(Note): Shareholders' equity H1 FY3/10 33,750 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 H1 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	140,000	-23.3	4,500	-42.0	4,500	-35.1	2,700	-29.8	96.02

(Note) Changes in projections of consolidated earnings H1 FY3/10: None

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)

H1 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

H1 FY3/10:	789,932 shares	FY3/09:	789,233 shares
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 - (iii) Average number of shares during the period

H1 FY3/10:	28,118,980 shares	H1 FY3/09:	28,774,473 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 first half of the fiscal year under review, the Japanese economy continued to face a severe business environment, most notably evident in the deterioration in the employment situation. Some signs did emerge to suggest that the economy was entering a period of gradual recovery, led by a turnaround in corporate earnings supported by higher exports and production, which in turn reflected an improvement in the overseas economy.

In this environment, the Matsuda Group focused on 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. Despite these initiatives, the Group recorded significantly lower sales and profits, compared with the results for the same period of the previous fiscal year. This decline reflected weak demand, particularly from the electronics industry, and the effects of a slump in consumer spending starting the second half of the previous fiscal year.

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—the sectors where the Company is most active—started to raise production. The volume of recycling of precious metals raw materials from the above industries also began to pick up from the middle of the first half of the fiscal year under review. However, sales of precious metals fell, primarily reflecting the impact of reduced production activity in these industries starting the second half of the previous year, and a decline in precious metals prices in the market.

In the environment business, 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 ¥50,458 million, down 40.6% from the same period of the previous fiscal year, while operating income stood at ¥1,079 million, a fall of 75.2%.

Foods business

The operating environment surrounding the foods business remained severe, as consumers sought out less expensive products, 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, as a fall in sales and sales prices of *surimi*, or ground fish, offset higher sales of certain products, such as prawns. 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.

As a result, net sales of this segment amounted to ¥18,592 million, down 26.3% from the same period of the previous fiscal year, and operating income stood at ¥218 million, a fall of 79.2%.

As a consequence of the above, net sales for the first half of the fiscal year under review on a consolidated basis were ¥69,025 million, down 37.3% from the same period of the previous fiscal year, and operating income stood at ¥1,297 million, a decline of 76.0%. Given reduced earnings from equity method affiliates, ordinary income amounted to ¥1,190 million, falling 78.0%, and net income was ¥652 million, down 80.0%.

2. Qualitative Information Concerning the Consolidated Financial Position

(1) Assets, liabilities and net assets

Total assets

Total assets at the end of the first half of the fiscal year under review rose ¥2,254 million from the end of the previous fiscal year, to ¥50,693 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 first half of the fiscal year under review rose ¥1,591 million from the end of the previous fiscal year, to ¥16,943 million. This increase was primarily attributable to a rise in other accounts payable and accounts payable, offsetting a decline in borrowings and accrued income taxes.

Net assets

Net assets at the end of the first half of the fiscal year under review rose ¥662 million from the end of the previous fiscal year, to ¥33,750 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 first half of the fiscal year under review fell ¥3,685 million from the end of the previous consolidated fiscal, to 4,202 million, reflecting cash outflow of ¥1,777 million in operating activities in the six month period under review, cash outflow of ¥835 million in investing activities, and cash outflow of ¥1,136 million in financing activities.

Cash flows from operating activities

Net cash used in operating activities for the first half of the consolidated fiscal year under review stood at ¥1,777 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 ¥5,003 million, compared with net cash provided of ¥3,226 million for the same period of the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities for the first half of the consolidated fiscal year under review stood at ¥835 million. The main factors were the acquisition of tangible fixed assets, including land and facilities used for the environment business. This change in net cash meant a rise of ¥219 million, compared with net cash used of ¥615 million for the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities for the first half of the consolidated fiscal year under review stood at ¥1,136 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 ¥854 million, compared with net cash used of ¥1,991 million for the same period of the previous fiscal year.

3. Qualitative information concerning consolidated earnings forecasts

The consolidated earnings forecasts remain unchanged at present from those announced with the results for the previous fiscal year on May 18, 2009.

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

	As at September 30, 2009	FY3/09 Summary (March 31, 2009)
(Million yen)		
Assets		
Current assets		
Cash and deposits	4,206	7,891
Notes and accounts receivable	16,254	13,979
Merchandise and finished goods	6,684	5,473
Work-in-process	271	130
Raw material and supplies	4,442	4,873
Deferred tax assets	768	940
Other accounts receivable	2,866	546
Others	1,660	1,355
Allowance for doubtful accounts	-29	-20
Total current assets	37,125	35,169
Fixed assets		
Tangible fixed assets		
Building and structures	5,084	4,559
Accumulated depreciation	-2,661	-2,559
Building and structures, net	2,422	2,000
Machinery and delivery equipment	4,313	4,192
Accumulated depreciation	-3,184	-2,965
Machinery and equipment, net	1,129	1,227
Land	5,355	5,148
Leased assets	276	231
Accumulated depreciation	-50	-22
Leased assets, net	225	208
Construction in progress	152	328
Others	575	554
Accumulated depreciation	-426	-414
Others, net	148	140
Total tangible fixed assets	9,434	9,053
Intangible fixed assets		
Goodwill	-	12
Others	1,289	1,410
Total intangible fixed assets	1,289	1,423
Investments and other assets		
Investment securities	1,637	1,562
Deferred tax assets	180	220
Others	1,233	1,230
Allowance for doubtful receivables	-207	-220
Total investments and other assets	2,843	2,792
Total fixed assets	13,568	13,270
Total assets	50,693	48,439

(Million yen)

	As at September 30, 2009	FY3/09 Summary (March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	8,645	7,506
Short-term debt	30	630
Current portion of long-term debt	340	340
Lease obligations	59	48
Accrued income taxes	528	1,428
Allowance for bonuses	637	607
Accounts payable	2,870	681
Others	1,863	1,996
Total current liabilities	14,976	13,239
Fixed liabilities		
Long-term debt	1,097	1,267
Lease obligations	167	159
Allowance for retirement benefits	333	349
Allowance for directors' retirement benefits	358	332
Others	11	3
Total Fixed liabilities	1,967	2,111
Total liabilities	16,943	15,351
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Legal capital surplus	4,008	4,008
Retained earnings	26,998	26,683
Treasury stock	-781	-780
Total shareholders' equity	33,785	33,470
Valuation and translation adjustment		
Unrealized gains on other marketable securities	156	104
Deferred hedge gain/loss	-1	-174
Foreign currency translation adjustments	-190	-312
Total valuation and translation adjustment	-34	-382
Total net assets	33,750	33,088
Total liabilities and net assets	50,693	48,439

(2) Quarterly Consolidated Statement of Income
(Cumulative consolidated first half period)

	(Million yen)	
	H1 FY3/09 (From April 1, 2008 – September 30, 2008)	H1 FY3/10 (From April 1, 2009 – September 30, 2009)
Net sales	110,081	69,025
Cost of sales	98,969	62,487
Gross profit	11,111	6,537
Selling, general and administrative expenses	5,706	5,239
Operating income	5,405	1,297
Non-operating income		
Interest income	3	1
Dividend income	11	10
Equity in earnings of affiliates	74	–
Purchase discounts	39	24
Insurance income	54	–
Other	23	19
Total non-operating income	206	55
Non-operating expenses		
Interest expenses	47	17
Equity in losses of affiliates	–	25
Commission fee	3	3
Foreign exchange losses	133	113
Others	5	2
Total non-operating expenses	190	162
Ordinary income	5,422	1,190
Extraordinary profit		
Gain on sales of fixed assets	0	11
Reversal of allowance for doubtful accounts	2	–
Total extraordinary profit	2	11
Extraordinary loss		
Impairment loss	–	3
Loss on retirement or sales of fixed assets	2	10
Loss on valuation of investment securities	17	7
Loss on sales of investment securities	11	–
Total extraordinary loss	31	22
Income before income taxes	5,393	1,180
Income taxes, etc.	2,548	471
Income taxes-deferred	-419	56
Total income taxes	2,128	527
Net income	3,264	652

(3) Quarterly Consolidated Statement of Cash Flow

(Million yen)

	H1 FY3/09 (April 1, 2008 – September 30, 2008)	H1 FY3/10 (April 1, 2009 – September 30, 2009)
Cash flows from operating activities		
Income before income taxes	5,393	1,180
Depreciation and other amortization	510	571
Impairment loss	–	3
Change in allowance for doubtful accounts ("–" denotes a decrease)	-47	-4
Change in allowance for bonuses ("–" denotes a decrease)	106	30
Change in allowance for retirement benefits ("–" denotes a decrease)	-27	-16
Change in allowance for directors' retirement bonuses ("–" denotes a decrease)	-104	25
Interest or dividends received	-14	-11
Interest paid	47	17
Equity in earnings or losses of affiliates ("–" denotes an earnings)	-74	25
Gain or loss on sales of investment securities ("–" denotes a gain)	11	–
Gain or loss on valuation of investment securities ("–" denotes a gain)	17	7
Gain or loss on sales of tangible fixed assets ("–" denotes a gain)	1	-1
Change in accounts receivable ("–" denotes an increase)	-899	-2,244
Change in other accounts due ("–" denotes an increase)	1,570	-2,331
Change in inventories ("–" denotes an increase)	-634	-825
Change in accounts payable - trade ("–" denotes a decrease)	692	1,050
Changes in other accounts payable ("–" denotes a decrease)	-1,595	2,281
Other changes	152	-203
Subtotal	5,106	-444
Interest and dividends received	12	15
Interest paid	-45	-17
Corporate & other taxes paid	-1,847	-1,330
Cash flow from operating activities	3,226	-1,777
Cash flows from investing activities		
Expenditure for the purchase of tangible fixed assets	-333	-797
Proceeds from sales of tangible fixed assets	1	–
Expenditure for the purchase of intangible fixed assets	-394	-46
Expenditure for the purchase of investment securities	-4	-6
Proceeds from sales of investment securities	20	–
Others	94	16
Cash flow from investing activities	-615	-835
Cash flows from financing activities		
Net change in short-term loans ("–" denotes a decrease)	-1,500	-600
Proceeds from long-term loans	300	–
Expenditure for the repayment of long-term loans	-470	-170
Expenditure for the purchase of own shares	-7	-1
Dividends paid	-313	-337

Others	-	-28
Cash flow from financing activities	-1,991	-1,136
Foreign currency translation adjustment on cash and cash equivalents	-129	62
Change in cash and cash equivalents ("-" denotes a decrease)	490	-3,685
Cash and cash equivalents at beginning of period	2,724	7,888
Cash and cash equivalents at end of period	3,214	4,202

(4) Going Concern Assumption

First six months of the fiscal year ending March 2010 (April 1, 2009 – September 30, 2009)

Not applicable

(5) Segment Information

1. Segment information by business

First six months of the fiscal year ended March 2009 (April 1, 2008 – September 30, 2008) (Million yen)

	Precious metals business	Food business	Total	Eliminations or corporate	Consolidated
Net sales	84,886	25,228	110,114	(33)	110,081
Operating income	4,354	1,051	5,405	-	5,405

First six months of the fiscal year ending March 2010 (April 1, 2009 – September 30, 2009) (Million 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

2. Segment information by location

First six months of the fiscal year ended March 2009 (April 1, 2008 – September 30, 2008)

In the six month period ended September 30, 2008, the “Japan” segment accounted for more than 90% of total net sales. Consequently, segment information by region has been omitted.

First six months of the fiscal year ending March 2010 (April 1, 2009 – September 30, 2009) (Million yen)

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

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

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

(Note 3) In the six month period ended September 30, 2009, the importance of net sales in “Asia” segment increased. Consequently, segment information by region is shown above.

3. Overseas sales

First six months of the fiscal year ended March 2009 (April 1, 2008 – September 30, 2008) (Million yen)

	Asia	Total
Overseas sales	18,543	18,543
Consolidated net sales	110,081	110,081
A / B (%)	16.8	16.8

(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 six months of the fiscal year ending March 2010 (April 1, 2009 – September 30, 2009) (Million yen)

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

(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 six months of the fiscal year ending March 2010 (April 1, 2009 – September 30, 2009)
Not applicable