



1st Half of FY3/09 Financial Statements

November 14, 2008

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
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 Date of the formal 1H financial statements: November 14, 2008
 Date of the dividend payment start : December 4, 2008

(Figures are rounded down to the nearest million yen)

1. 1H FY3/09 Consolidated results (April 1, 2008 – September 30, 2008)

(1) Consolidated operating results (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)	%
1H FY3/09	110,081		5,405		5,422		3,264	
1H FY3/08	92,434	14.5	4,647	8.9	4,764	2.8	2,945	6.0

	Net income per share		Diluted net income per share	
	Yen		Yen	
1H FY3/09	113.43		—	
1H FY3/08	112.62		—	

(Note) The company enacted a 1.1:1 stock split on September 1, 2007 and September 1, 2008.

(2) Changes in consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	%	Yen
1H FY3/09	63,889	34,329	53.7	1,193.16
FY3/08	62,945	31,462	50.0	1,202.99

(Reference) Shareholders' equity Q2 FY3/09 34,329 million yen FY3/08 31,462 million yen

2. Dividends

(Record date)	Dividend per share				Full fiscal year
	Q1	Q2	Q3	Q4	
	Yen	Yen	Yen	Yen	Yen
FY3/08	—	12.00	—	12.00	24.00
FY3/09	—	12.00	—	—	—
FY3/09 (Projections)	—	—	—	12.00	24.00

(Note) Changes in projections of dividends in Q2 FY3/09: None

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

3. FY3/09 consolidated earnings projections (April 1, 2008–March 31, 2009)

(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	
FY3/09	200,000	2.7	7,200	-20.8	7,200	-18.8	4,300	-18.7	149.45	

(Note) Changes in projections of consolidated earnings Q2 FY3/09: Yes

(Note) Shares of our stock were split 1 to 1.1 on September 1, 2007 and on September 1, 2008. Net income per share for the 1H of the FY ended March 2008 and 1H of the FY ending March 2009 have been calculated as though the stock splits occurred at the

beginning of each FY, that is, April 1, 2007 and April 1, 2008.

The projection for net income per share for the FY ending March 2009 was also calculated using the same assumption.

4. Other

- (1) Changes in subsidiaries during the fiscal year (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 4 for details.

- (3) Changes in accounting principles and procedures or format of quarterly consolidated financial statements (those listed in changes to important items forming the basis for preparation of quarterly consolidated financial statements)
 - (a) Changes accompanying revisions to items such as accounting standards: yes
 - (b) Other changes: yes(Note) Refer to section 4, Other in Qualitative information and financial statements, on page 4 for details.

- (4) Number of issued shares (common shares)
 - (a) Number of issued shares at the end of the period (including own shares)

Q2 FY3/09	28,908,581	FY3/08	26,280,529
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 - (b) Number of own shares at the end of the period

Q2 FY3/09	136,859	FY3/08	127,549
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 - (c) Average number of shares during the period (six months)

Q2 FY3/09	28,774,473	Q2 FY3/08	26,158,236
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* Explanation of the proper use of earnings projections and other notes

(1) 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 such as changes in business conditions.

(2) Effective from this consolidated fiscal year, ASBJ Statement No.12, "Accounting Standard for Quarterly Financial Reporting," and ASBJ Guidance No.14, "Guidance on Accounting Standard for Quarterly Financial Reporting," have been applied. In addition, quarterly financial statements were prepared in accordance with the "Regulation Concerning Terminology, Forms and Methods of Preparation of Quarterly Consolidated Financial Statements."

[Qualitative information and financial statements]

1. Qualitative information concerning consolidated results

Japan's economy in the 1st half has seen production activity and equipment investment stall due to the global financial uncertainty triggered by the U.S. subprime loan problem and spiraling raw material costs. Through the end of September, financial system destabilization has accompanied a rapid retreat in economic climate.

Under these conditions, the Group's precious metals business has conducted sales and developed technology and products to respond to a wide range of customer needs in the semiconductor and electronic parts industries, among others.

In the food business, while soaring prices of raw materials has led to increasing difficulty in procuring raw food materials, we have strived to meet the needs of customers for safe imported foods by strengthening relationships with overseas suppliers while finding and developing new production locales and food materials.

As a result, for this period, consolidated net sales were ¥110.081 billion (up 19.1% year-on-year), operating income was ¥5.405 billion (up 16.3% year-on-year), ordinary income was ¥5.422 billion (up 13.8% year-on-year), and net income for the 1st half was ¥3.264 billion (up 10.8% year-on-year).

Performance by business segment was as follows.

Precious metals business

Though the effect of inventory adjustment was seen for parts of the semiconductor and electronic parts industries, the chief targets of the precious metals recycling business, recovery of recycled raw materials continued to do well. With the increase in price of gold, silver, platinum and palladium, sales of precious metal products increased. However, the metals market declined through the end of September, forcing us to lower the book value of some of our inventory (record a valuation loss).

Emissions have been declining overall because of higher social consciousness about the environment. Despite this, the amount handled by our environment division increased as a result of leveraging our strength, a countrywide recovery and transportation network.

As a result, for this business, net sales were ¥84.886 billion (up 21.5% year-on-year), and operating income was ¥4.354 billion (up 3.6% year-on-year). Because of the valuation loss mentioned above, operating income and ordinary income were reduced by ¥996 million each. Also, because we changed the method for assessing the value of products (except some processes and inventory) and work in progress from last in first out to first in first out, operating income and ordinary income increased by ¥353 million each.

Food business

Difficult business conditions look set to continue in the food business. Consumer confidence has been undermined due to concerns over the slowing economy, combined with rising costs of raw food materials, and several incidents that caused concern over the level of food safety. Under these conditions, the amount of seafood (such as surimi) sold declined, but sales prices rose, especially for high-end foods, so that sales were up. Though the sales price of livestock products including poultry and chicken meat as well as agricultural products such as vegetables rose, the poultry and chicken meat market experienced a rapid decline in the latter half of this period, worsening results.

As a result, for this business, net sales were ¥25.228 billion (up 11.5% year-on-year), and operating

income was ¥1.051 billion (up 136.9% year-on-year).

2. Qualitative information concerning consolidated financial position

Total assets

Total assets as of the end of this Q2 were ¥63.889 billion, up ¥943 million from the end of the previous Q2.

Chiefly, this is the result of incorporating an increase in cash and deposits of ¥490 million, an increase in accounts receivable of ¥742 million, an increase in other current assets of ¥735 million, and a reduction in accounts due of ¥1.576 billion.

Liabilities

Total liabilities as of the end of this Q2 were ¥29.559 billion, down ¥1.923 billion from the end of the previous Q2.

Chiefly, this is the result of incorporating a reduction in short and long term debt of ¥1.670 billion, a reduction in accrued liability of ¥1.724 billion, and an increase in income tax payable of ¥664 million.

Net assets

Net assets as of the end of this Q2 were ¥34.329 billion, up ¥2.867 billion from the end of the previous Q2. Chiefly, this is the result of subtracting a reduction due to payment last Q4 dividends from the 6-month income for a gain in retained earnings of ¥2.95 billion.

3. Qualitative information concerning consolidated earnings projections

A decline in sales is expected to be unavoidable in the 2nd half because the precious metals and nonferrous metal markets have tumbled and production of the semiconductor and electronic parts manufacturers, our customers, are growing weaker. Because of this, as we reported in our notice of Adjustment of Earnings Forecasts dated November 11, 2008, we have adjusted our forecasts announced August 7, 2008 for the full FY.

4. Other

(1) Changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation):

There is nothing to report.

(2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements:

(Simplified accounting method)

Depreciation and amortization method for tangible fixed assets

Assets depreciated with the declining balance method will have their depreciation and amortization expense for the corresponding consolidated FY calculated by charging the expense proportionality over each period.

(Additional information)

Changes in the useful life of tangible fixed assets

In line with revisions to the statutory useful life and classification of assets based on the Corporate Tax Law of Japan as amended in 2008 (April 30, 2008, finance ministry ordinance No.32

concerning useful life in depreciation and amortization), the Group and its Japanese subsidiaries have taken the opportunity to revise the useful life of their tangible fixed assets. From the start of the Q1 FY3/09 consolidated accounting period the useful life applied to machinery and equipment was reduced from 10 years to 7 years.

The effect of adoption of this change in the 1st half was to reduce operating income, ordinary income and income before income taxes by ¥51 million respectively compared to when the earlier method was used.

The effect of the above on segment information can be found in the corresponding parts of this document.

(3) Changes in accounting principles and procedures or format of quarterly consolidated financial statements

(a) Application of "Accounting Standard for Quarterly Financial Reporting" and related guidance

Effective from consolidated FY3/09, ASBJ Statement No.12, "Accounting Standard for Quarterly Financial Reporting," and ASBJ Guidance No.14, "Guidance on Accounting Standard for Quarterly Financial Reporting," have been applied. In addition, Q1 FY3/09 financial statements were prepared in accordance with the "Regulation Concerning Terminology, Forms and Methods of Preparation of Quarterly Consolidated Financial Statements."

(b) Application of "Accounting Standard for Measurement of Inventories" and related guidance

The Accounting Standard Board of Japan statement No. 9 "Accounting Standard for Measurement of Inventories" issued on July 5, 2006 was adopted from the start of Q1 FY3/09. It requires that inventories held for sale in the ordinary course of business be valued at the lower of cost or net selling value.

Because of these changes, the operating income, ordinary income and income before income taxes for this period have each been reduced by ¥996 million.

The effect of the above on segment information can be found in the corresponding parts of this document.

(c) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and related guidance

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (May 17, 2006, ASBJ PITF No. 18)" was adopted from the start of Q1 FY3/09. The effect of adoption of this accounting standard was not material.

(d) Method of inventory valuation

Previously, merchandise, finished goods, (excluding precious bullion in process) and work in process in the Group's precious metals business were accounted for by use of LIFO cost accounting. From the start of Q1 FY3/09 consolidated accounting period FIFO cost accounting (whereby book value declines with a decline in profitability) was used.

Due to the recent large increases in the price of precious metal bullions, the total value for inventories presented on the balance sheet differs greatly from prevailing prices. The change to the FIFO system and its effect on the value of inventories on the balance sheet aims to present our financial situation more accurately, and bring the accounting system in line with international standards. In order to strengthen our revenue base and management efficiency we have taken this opportunity to implement the newly developed precious metals business core systems.

From Q1 FY3/09, in order to shorten delivery times whilst maintaining production efficiency and to accurately reflect the purpose of the precious metal bullions on hand, precious metal bullions in process has been

treated as a separate category, and the accounting method for this has changed from LIFO to the total average cost accounting method (whereby book value declines with a decline in profitability).

The effect of adoption of this change was to increase, operating income, ordinary income and income before income taxes by ¥353 million respectively.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(millions of yen)

	Q2 FY3/09 (September 30, 2008)	FY3/08 Summary (March 31, 2008)
(Assets)		
Current assets		
Cash and deposits	3,217	2,727
Notes and accounts receivable	21,610	20,868
Merchandise	5,985	4,370
Finished goods	3,834	3,638
Raw materials	7,982	9,468
Work in process	257	364
Supplies	50	46
Deferred tax assets	1,013	605
Other accounts receivable	2,701	4,276
Others	3,931	3,196
Allowance for doubtful accounts	- 34	-25
Total current assets	50,551	49,537
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,665	4,708
Accumulated depreciation	- 2,524	-2,420
Buildings and structures, net	2,141	2,287
Machinery and delivery equipment	4,315	4,267
Accumulated depreciation	- 2,935	-2,788
Machinery and equipment, net	1,379	1,478
Land	4,694	4,752
Construction in progress	29	0
Others	559	561
Accumulated depreciation	- 406	-381
Buildings and structures, net	152	180
Total tangible fixed assets	8,398	8,699
Intangible fixed assets		
Goodwill	25	38
Others	1,482	1,181
Total intangible fixed assets	1,508	1,219
Investments and other assets		
Investment securities	2,270	2,256
Deferred tax assets	152	207
Others	1,211	1,286
Allowance for doubtful accounts	- 203	-259
Total investments and other assets	3,431	3,489
Total fixed assets	13,337	13,408
Total assets	63,889	62,945

(millions of yen)

	Q2 FY3/09 (September 30, 2008)	FY3/08 Summary (March 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable	13,119	12,880
Short-term debt	4,530	6,030
Long-term debt expected to be repaid within a year	340	640
Accrued income taxes	2,666	2,001
Allowance for bonuses	696	590
Other accounts payable	2,565	4,289
Others	3,552	2,960
Total current liabilities	27,470	29,392
Fixed liabilities		
Long-term debt	1,437	1,307
Allowance for retirement benefits	383	410
Allowance for directors' retirement benefits	265	370
Others	3	3
Total fixed liabilities	2,089	2,090
Total liabilities	29,559	31,483
Net assets		
Shareholders' equity		
Common stock	3,559	3,559
Legal capital surplus	4,008	4,009
Retained earnings	26,444	23,494
Treasury stock	- 123	-121
Total shareholders' equity	33,889	30,941
Valuation and translation adjustments		
Unrealized gains on other marketable securities	190	203
Deferred hedge gain/loss	163	54
Foreign currency translation adjustments	85	263
Total of valuation and translation adjustments	439	520
Total net assets	34,329	31,462
Total liabilities and net assets	63,889	62,945

(2) Quarterly Consolidated Statement of Income

(millions of yen)

1H FY3/09
(April 1, 2008 –
September 30, 2008)

Net sales	110,081
Cost of sales	98,969
Gross profit	11,111
Selling, general, and administrative expenses	5,706
Operating income	5,405
Non-operating income	
Interest income	3
Dividends income	11
Equity in earnings of affiliates	74
Purchase discounts	39
Insurance income	54
Other	23
Total non-operating income	206
Non-operating expenses	
Interest expenses	47
Commission fee	3
Foreign exchange loss	133
Other	5
Total non-operating expenses	190
Ordinary income	5,422
Extraordinary income	
Gain on sales of fixed assets	0
Provision of allowance for doubtful accounts	2
Total extraordinary income	2
Extraordinary losses	
Loss on sales of fixed assets	2
Loss on valuation of investment securities	17
Loss on sales of investment securities	11
Total extraordinary losses	31
Income before income taxes	5,393
Income taxes, etc.	2,548
Income taxes-deferred	- 419
Total income taxes	2,128
Net income	3,264

(3) Quarterly Consolidated Statement of Cash Flow

(millions of yen)

1H FY3/09
(April 1, 2008 –
September 30, 2008)

Cash flow from operating activities	
Income before income taxes	5,393
Depreciation and other amortization	510
Change in allowance for doubtful accounts ('-' means decrease)	-47
Change in allowance for bonuses ('-' means decrease)	106
Change in allowance for retirement benefits ('-' means decrease)	-27
Change in allowance for directors' retirement bonuses ('-' means decrease)	-104
Interest or dividends received	-14
Interest paid	47
Equity in earnings or losses of affiliates ('-' means earnings)	-74
Gain or loss on sales of investment securities ('-' means gain)	11
Gain or loss on valuation of investment securities ('-' means gain)	17
Gain or loss on sales of tangible fixed assets ('-' means gain)	1
Change in accounts receivable ('-' means increase)	-899
Change in other accounts due ('-' means increase)	1,570
Change in inventory ('-' means increase)	-634
Change in accounts payable - trade ('-' means decrease)	692
Changes in other accounts payable ('-' means decrease)	-1,595
Other changes	152
Subtotal	5,106
Interest and dividends received	12
Interest paid	-45
Corporate & other taxes paid	-1,847
Cash flow from operating activities	3,226
Cash flow from investment activities	
Expenditure for the purchase of tangible fixed assets	-333
Proceeds from the sale of tangible fixed assets	1
Expenditure for the purchase of intangible fixed assets	-394
Expenditure for the purchase of investment securities	-4
Proceeds from the sale of investment securities	20
Others	94
Cash flow from investing activities	-615
Cash flow from financing activities	
Net change in short-term loans ('-' means decrease)	-1,500
Proceeds from long-term loans	300
Expenditure for the repayment of long-term loans	-470
Expenditure for the purchase of own shares	-7
Dividends paid	-313
Cash flow from financing activities	-1,991
Foreign currency translation adjustment on cash and cash equivalents	-129
Change in cash and cash equivalents ('-' means decrease)	490
Cash and cash equivalents at beginning of period	2,724
Cash and cash equivalents at end of period	3,214

Application of “Accounting Standard for Quarterly Financial Reporting” and related guidance

Effective from consolidated FY3/09, ASBJ Statement No.12, “Accounting Standard for Quarterly Financial Reporting,” and ASBJ Guidance No.14, “Guidance on Accounting Standard for Quarterly Financial Reporting,” have been applied. In addition, Q1 FY3/09 financial statements were prepared in accordance with the “Regulation Concerning Terminology, Forms and Methods of Preparation of Quarterly Consolidated Financial Statements.”

(4) Going Concern

There is nothing to report.

(5) Segment Information

1. Segment information by business

1st Half FY3/09 (April 1, 2008–Sept. 30, 2008)

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

Reference

Previous 1st Half Consolidated Statement of Income

Item	1st Half FY3/08 (April 1, 2007 – Sept. 30, 2007)	
	Amount	(% of tl.)
I. Net sales	92,434,535	100.0
II. Cost of sales	82,572,510	89.3
Gross profit	9,862,024	10.7
III. Selling, general, and administrative expenses	5,214,613	5.7
Operating income	4,647,411	5.0
IV. Non-operating income	160,241	0.2
1. Interest received	4,335	
2. Dividends received	16,248	
3. Investment gains on equity method	36,652	
4. Purchase discounts	28,761	
5. Foreign exchange gains	24,059	
6. Others	50,183	
V. Non-operating expenses	43,460	0.0
1. Interest paid	36,307	
2. Fees paid	4,841	
3. Other	2,311	
Ordinary income	4,764,193	5.2
VI. Extraordinary income	12,043	0.0
1. Gains on sale of fixed assets	10,985	
2. Reversal of allowance for doubtful accounts	1,057	
3. Gains on sale of investment securities	—	
VII. Extraordinary losses	15,552	0.0
1. Losses on impaired assets	—	
2. Losses on sales of fixed assets	4,904	
3. Losses on disposal of fixed assets	10,647	
Income before income taxes	4,760,684	5.2
Corporate, residential & enterprise taxes	1,810,899	2.0
Adjustments for corporate & other taxes	3,795	0.0
Minority interests	—	—
In income/losses (-)	—	—
net income	2,945,989	3.2

Previous 1st Half Consolidated Statement of Cash Flow

	1st Half FY3/08 (April 1, 2007 – Sept. 30, 2007)
Category	Amount (thousands of yen)
Cash flow from operating activities	
1. Income before income taxes	4,760,684
2. Depreciation	398,107
3. Losses on impaired assets	—
4. Amortization of good will	13,262
5. Change in allowance for doubtful accounts	- 5,512
6. Change in allowance for bonuses	108,562
7. Change in allowance for directors' bonuses	- 9,790
8. Change in allowance for retirement benefits	- 930
9. Change in allowance for directors' retirement bonuses	- 11,392
10. Interest or dividends received	- 20,584
11. Interest paid	36,307
12. Gain on equity-method investments	- 36,652
13. Directors' bonuses paid	—
14. Gain on sales of investment securities	—
15. Gain on disposal of tangible fixed assets	10,647
16. Change in accounts receivable	- 1,588,621
17. Change in other accounts receivable	- 1,269,215
18. Change in inventory	- 1,258,739
19. Change in accounts payable - trade	1,227,044
20. Changes in other accounts payable	1,285,911
21. Other changes	331,045
Subtotal	3,970,133
1. Interest and dividends received	28,043
2. Interest paid	- 34,780
3. Corporate & other taxes paid	- 2,349,751
Cash flow from operating activities	1,613,644
Cash flow from investment activities	
1. Expenditure for the purchase of tangible fixed assets	- 1,048,605
2. Proceeds from the sale of tangible fixed assets	3,500
3. Expenditure for the purchase of intangible fixed assets	- 306,684
4. Expenditure for the purchase of investment securities	- 142,984
5. Proceeds from the sale of investment securities	—
6. Expenditure for the purchase of shares of consolidated subsidiaries	—
7. Others	- 19,021
Cash flow from investing activities	- 1,513,795
III. Cash flow from financing activities	
1. Net change in short-term loans	—
2. Proceeds from long-term loans	600,000
3. Expenditure for the repayment of long-term loans	- 285,002
4. Expenditure for the purchase of treasury shares	- 5,559
5. Dividends paid	- 285,434
Cash flow from financing activities	24,004
IV. Foreign currency translation adjustment on cash and cash equivalents	71,574
V. Change in cash and cash equivalents	195,427
VI. Cash & equivalents at beginning of period	2,527,830
VII. Cash & equivalents at end of period	2,723,258

(Segment information)

1. Segment information by business

Previous 1st Half (April 1, 2007–Sept. 30, 2007)

	Precious metals business (thousands of yen)	Food products business (thousands of yen)	Total (thousands of yen)	Eliminations or corporate (thousands of yen)	Consolidated (thousands of yen)
Net sales					
(1) Net sales to external parties	69,840,882	22,593,653	92,434,535	—	92,434,535
(2) Sales & remittances between segments	2,400	28,821	31,221	(31,221)	—
Total	69,843,282	22,622,474	92,465,757	(31,221)	92,434,535
Operating expenses	65,639,762	22,178,583	87,818,345	(31,221)	87,787,123
Operating income	4,203,519	443,891	4,647,411	—	4,647,411