



# 1st Half of FY3/08 Financial Statements

Nov. 12, 2007

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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 Expected release filing date of semiannual report : Dec. 14, 2007  
 Expected dividend payment date : Dec. 6, 2007

(Figures are rounded down to the nearest million yen)

## 1. 1H FY3/08 Consolidated results (April 1, 2007 – Sept. 30, 2007)

### (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 FY3/08	92,434	14.5	4,647	8.9	4,764	2.8	2,945	6.0
1H FY3/07	80,702	40.4	4,269	85.9	4,636	90.8	2,778	92.7
FY3/07	167,436	—	7,433	—	8,232	—	4,882	—

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY3/08	112.62	—
1H FY3/07	116.81	—
FY3/07	205.31	—

(Notes) Gain and loss on equity investments 1H FY3/08 36 million yen 1H FY3/07 259 million yen  
 FY3/07 350 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	%	Yen
1H FY3/08	61,182	29,551	48.3	1,129.78
1H FY3/07	52,848	24,928	47.1	1,047.07
FY3/07	55,290	26,769	48.4	1,125.69

(Notes) Shareholders' equity 1H FY3/08 29,551 million yen 1H FY3/07 24,902 million yen  
 FY3/07 26,769 million yen

### (3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalents
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
1H FY3/08	1,613	- 1,513	24	2,723
1H FY3/07	- 1,854	- 269	1,344	1,744
FY3/07	-142	-703	784	2,527

## 2. Dividends

	Dividend per share		
	Q2	Q4	Full fiscal year
(Record date)	Yen	Yen	Yen
FY3/07	10.00	12.00	22.00
FY3/08 (actual)	12.00	—	24.00
FY3/08 (projections)	—	12.00	

3. FY3/08 Consolidated earnings projections (April 1, 2007–March 31, 2008)

(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
FY3/08	183,000	9.3	8,000	7.6	8,200	-0.4	4,900	0.4	187.33

4. Other

- (1) Material changes in subsidiaries during the 1st half with the change of scope of consolidation: no  
 (2) Changes in accounting principles and procedures or format of interim consolidated financial statements (those listed in changes to important items forming the basis for preparation of interim consolidated financial statements)

- (1) Changes accompanying revisions to items such as accounting standards: yes  
 (2) Other changes: no

(3) Number of issued shares (common shares)

(1) Number of issued shares at the end of the term (including treasury shares)	1H FY3/08	26,280,529	1H FY3/07	23,891,390
	FY3/07	23,891,390		
(2) Number of treasury shares at the end of the term	1H FY3/08	123,540	1H FY3/07	108,451
	FY3/07	110,711		

(Note) The company enacted a 1.1:1 stock split on September 1, 2007 and net income per share for the 1st half (and that for FY3/08 projection) are calculated assuming that this stock split had been enacted on April 1, 2007.

(Reference) Summary of non-consolidated results

1. 1H FY3/08 Non-consolidated results (April 1, 2007 – Sept. 30, 2007)

(1) Non-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 FY3/08	90,902	13.7	4,393	5.7	4,526	6.2	2,732	10.9
1H FY3/07	79,927	42.7	4,157	96.4	4,261	96.9	2,464	105.1
FY3/07	166,184	—	7,229	—	7,712	—	4,422	—

	Net income per share
	Yen
1H FY3/08	104.45
1H FY3/07	103.60
FY3/07	185.93

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	%	Yen
1H FY3/08	57,239	27,883	48.7	1,065.76
1H FY3/07	49,374	23,816	48.2	1,001.19
FY3/07	52,847	25,431	48.1	1,069.18

(Notes) Shareholders' equity 1H FY3/08 27,883 million yen 1H FY3/07 23,816 million yen  
 FY3/07 25,431 million yen

2. FY3/08 Non-consolidated earnings projections (April 1, 2007–March 31, 2008)

(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
FY3/08	178,500	7.4	7,400	2.4	7,500	-2.8	4,350	-1.6	166.26

\* Explanation of the proper use of earnings projections and other notes

The projections given above have been made based on information currently available and amend the forecasted earnings for FY2008 released on August 10 this year. Actual earnings may differ from the above projections for various reasons such as changes in business conditions.

## 1. Operating results

### 1) Analysis of operating results

#### (1) Operating results for 1H FY2008

Although an improvement in corporate profits and an increase in capital investment contributed to a continued mild recovery in the Japanese economy for the period in question, factors including volatility in the global financial markets triggered by the US subprime mortgage problem and a surging crude oil price suggest a likely slowdown in economic activity.

In these circumstances, the Matsuda Sangyo group strove to expand its provision of products and services. In the precious metal business, the company expanded and reinforced its overseas bases through moves such as starting business in its China subsidiary and starting refining operations at its Thailand subsidiary as well as reinforcing its domestic production bases. In the food business, setting up a representative office in Qingdao, China was one of the company's steps to strengthen regional supply and foodstuff development in order to enable the company to meet more intensified global competition for the purchase of food materials.

For 1H FY2008, the company reported sales of 92,434 million yen (up 14.5% year-on-year), operating income of 4,647 million yen (up 8.9% year-on-year), ordinary income of 4,764 million yen (up 2.8% year-on-year), and net income of 2,945 million yen (up 6.0% year-on-year).

Business conditions by segment are as follows:

#### *Precious metals business:*

For precious metals operations, demand for electronics equipment remained robust and production in the semiconductor and electronic parts industries, the main clients, was at a high level. Thanks to these factors, there were increases in the volume of precious metal materials recovered for recycling and in sales volumes of precious metal chemicals and gold bonding wire. A persistently high price for precious metal bullions, despite a temporary slump in the market, was another factor helping to push sales of precious metal products and commodities above last year's level.

In the environmental sector, the company attempted to boost sales through a business plan based on technology for the disposal of waste acids and alkali and the ability to utilize a nationwide collection and transportation approval network, despite an overall decline in photographic materials caused by greater use of digital technology.

As a result, the precious metals business reported 1H consolidated net sales of 69,843 million yen (up 19.7% year-on-year) and operating income of 4,203 million yen (up 2.7% year-on-year).

#### *Food business:*

Despite the impact of rising overseas raw materials due to sharp rises in the crude oil price and tight grain markets, sales volumes of marine products such as surimi rose year-on-year, pushing up net sales. Management efforts to raise selling prices of some products and attempts to improve profitability through reducing inventories also helped push profits above last year's level.

As a result, the food business reported 1H consolidated net sales of 22,622 million yen (up 1.0% year-on-year) and operating income of 443 million yen (up 149.5% year-on-year).

#### (2) Outlook for FY2008

With regard to the outlook for the current year, we expect a continued mild recovery in the domestic economy, with a continued strong corporate sector, and robust economic activity in the Asian nations. However, global uncertainties including a slowdown in the US economy and unstable international commodity markets give no scope for complacency.

Because the forecasts for the second half of the year remain unchanged, our only change to the full-year forecast is limited to the differential between the interim forecast and actual interim results. Thus, we forecast consolidated net sales of 183,000 million yen (up 9.3% year-on-year) and ordinary income of 8,200 million yen (down 0.4% year-on-year).

We note that these are forecasts and as such incorporate risks and other uncertainties. It should be understood that actual earnings may differ from these forecasts due to a range of factors.

### 2) Analysis of financial position

#### (1) Financial position

Total assets rose 5,891 million yen from the end of FY 2007 to 61,182 million yen. The main factors were a 4,825 million yen rise in current assets due to a rise in accounts receivable and inventories, and a 1,065 million yen increase in fixed assets due to capital investment and acquisition of real estates.

Net assets rose 2,781 million yen from the end of FY 2007 to 29,551 million yen.

(2) Cash Flow Status

With regard to cash and cash equivalents (hereafter, "cash" ) in 1H FY 2008, there was an increase of 1,613 million yen through business activities, a decrease of 1,513 million yen through investment activities, and an increase of 24 million yen through financial activities. As a result, cash after adjusting for translations rose 195 million yen for a balance of 2,723 million yen.

*Cash flow from operating activities:*

Operating activities resulted in a cash inflow of 1,613 million yen compared to an outflow of 1,854 million yen for the previous 1st half.

*Cash flow from investing activities:*

Investing activities resulted in an outflow of 1,513 million yen compared to an outflow of 269 million yen for the previous 1st half. This was due to the acquisition of fixed assets.

*Cash flow from financing activities:*

Financing activities resulted in an inflow of 24 million yen, compared to an inflow of 1,344 million yen for the previous 1st half.

(Reference) Trend in cash flow indicators

	FY3/04	FY3/05	FY3/06	FY3/07	1H FY3/08
Shareholders' equity ratio	52.9	54.8	46.4	48.4	48.3
Shareholders' equity ratio on a market value basis	55.2	64.2	135.5	128.0	168.0
Ratio of interest-bearing debt to cash flow	3.6	2.9	2.8	–	–
Interest coverage ratio	14.6	16.8	27.5	–	44.4

(Notes) Shareholders' equity ratio on a market value basis: Total market value of shares/total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/interest paid

\* All the indicators are calculated using consolidated financial figures.

\* The total market value of shares is calculated as the product of the share price and the number of issued shares at the end of the period

\* Cash flow from operating activities is the cash flow from operating activities appearing in the Consolidated Statement of Cash Flows. Interest-bearing debt is the total amount of debt appearing in the Consolidated Balance Sheet on which interest is paid. In addition, interest paid is the amount of interest paid appearing in the Consolidated Statement of Cash Flows.

\* The 1st half results do not include the ratio of interest-bearing debt to cash flow.

\* The ratio of interest-bearing debt to cash flow and the interest coverage ratio for FY3/07 are not provided since cash flow from operating activities was negative.

3) Basic policy on distribution of profits and dividends for FY3/08

The company's basic dividend policy is one of meeting shareholders' expectations through returning profits to shareholders, taking into consideration the balance of dividends and internal reserves but maintaining a stable dividend payout. Management intends to utilize internal reserves for investment in growth areas such as increasing production capacity mainly for the precious metals business and in R&D, as a means of improving future profitability and reinforcing the company's structure.

Based on this policy, the company will pay an interim dividend of 12 yen per share. In combination with the 12 yen dividend planned for the year-end, dividends for the full fiscal year are expected to increase 2 yen per share year-on-year to 24 yen. Effective September 1 2007, the company enacted a 1:1.1 share split in an effort to return profits to shareholders at a level consistent with profit levels.

#### 4) Business and other risks

The Company recognizes that factors such as the following ones could have major effects on the Company's business operations and financial condition:

##### (1) Price fluctuations for core products and commodities

###### a. Products

The Group's products mainly consist of the precious metals gold, silver, and platinum; the main raw materials used in their production are the recycled raw materials containing the various precious metals. The prices of these materials are characterized by the following: As a general rule, the purchase price is based on the market price for precious metal bullion and the market prices are affected by changes in the international commodities market and fluctuation in exchange rates. The prices of these products are also determined based on the market price. The Company employs commodity futures to avoid pricing risk attendant to fluctuating prices, but it is possible that changes in the price of precious metals could affect certain segments of the operating results.

###### b. Commodities

A large portion of the Group's processed raw materials for food products, which consist mainly of shredded seafood, meat, and agricultural products, come from overseas. Both the purchase and sales price of these products are affected by fluctuations in commodity market prices and exchange rates. The Company addresses these changes by using forward exchange contracts and passing on price changes to customers; however, these changes could affect certain segments of the operating results.

##### (2) Issues related to the Group's food business and recent food products

The Group purchases a wide range of products both domestically and from overseas for the food business, including processed seafood ingredients comprised mainly of shrimp, crab, squid, octopus, and shredded fish; processed agricultural products comprised mainly of fresh vegetables, dried vegetables, and frozen vegetables; processed meat and other livestock products comprised mainly of eggs and various types of meat such as beef and poultry. The Group also sells various products, including frozen foods, ready-made foods, bakery products, and products made of fish paste to food manufacturers on a wholesale basis. Efforts are made to create a secure and safe local processing network based on related laws and regulations such as the Food Sanitation Law by aggressively working to provide product quality control training to domestic and overseas production areas, to strengthen measures to prevent the introduction of foreign substances and, naturally, to correctly label items such as product content, quality, and locale of production, primarily through the Company's Quality Assurance Department. However, operating results could be affected if food safety problems were to occur and measures such as a ban on imports were imposed.

##### (3) Addressing legal regulations

There is a trend towards stricter environmental laws as a result of growing societal concern over environmental issues. If regulation of the precious metals-related business were increased, various measures such as increasing capital expenditures might become necessary to meet the stricter regulations. The Group also conducts various operations including collecting, transporting, and processing waste as a business covered by the Waste Disposal and Public Cleaning Law, and the continuation of our business is based on the major assumption that the Company complies with the various laws.

In addition to establishing corporate ethics rules, which clearly state corporate ethics and legal compliance in writing, the Group has created compliance rules to set forth how compliance is to be implemented, and is working to achieve compliance in all business activities.

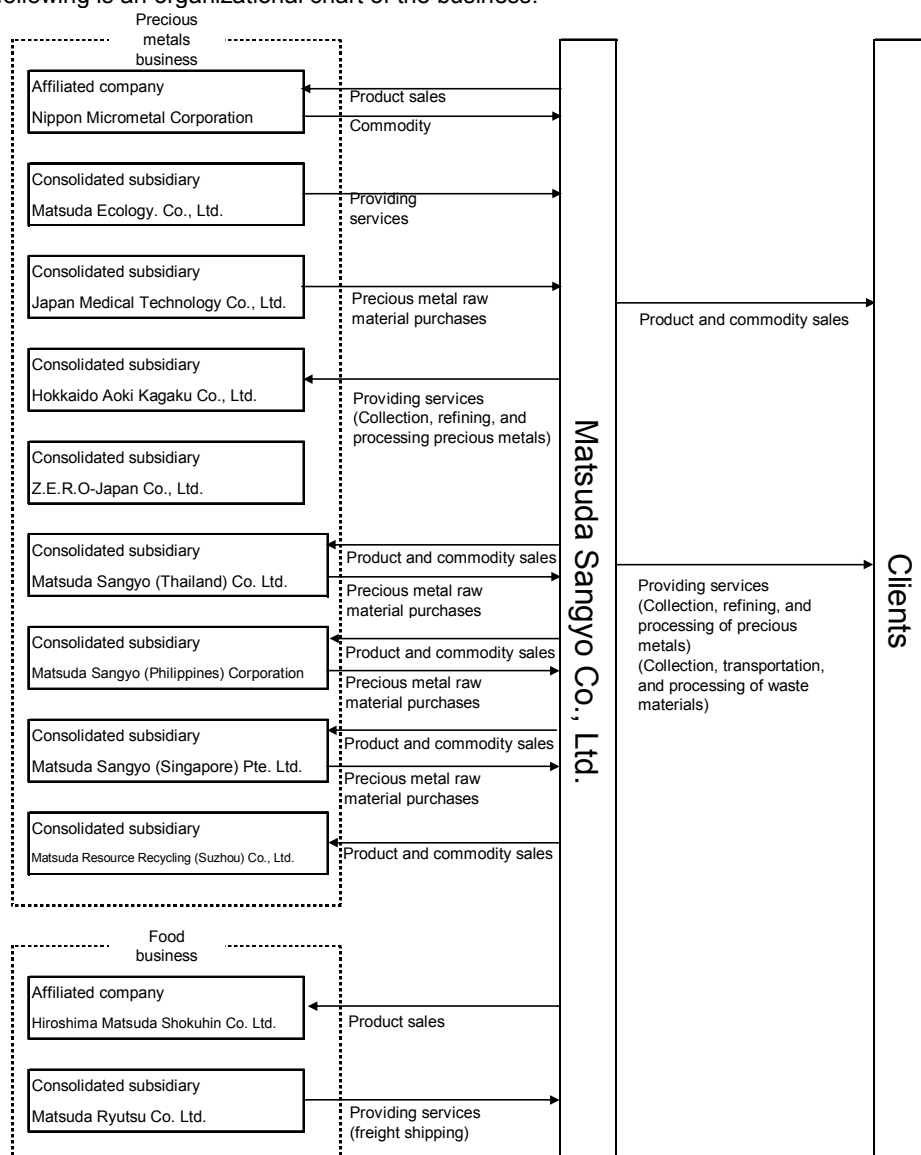
##### (4) Management of waste and other materials

The Group uses poisonous and toxic substances but appropriately processes the waste liquid and atmospheric emissions, taking the environment into consideration. However, operating results could be affected if a problem were to occur with the management of these materials for any of various reasons, including an accident at the plant.

## 2. Corporate Group

The corporate group is composed of 9 subsidiaries and 2 affiliated companies; the main businesses of the Group are the precious metals business, which involves the recovery and refining of precious metals, the sale of items such as precious metal bullion and electronic materials, and the collection, transportation, and processing of industrial waste; and the food business, which involves selling processed food ingredients and providing distribution services to industries such as the food service industry. The following subsidiaries support local operations or relevant industries connected to the precious metals business: Matsuda Ecology Co., Ltd.; Japan Medical Technology Co., Ltd.; Hokkaido Aoki Kagaku Co., Ltd.; Z.E.R.O.-Japan, Co., Ltd.; Matsuda Sangyo (Thailand) Co., Ltd.; Matsuda Sangyo (Philippines) Corporation.; Matsuda Sangyo (Singapore) Pte. Ltd. , and Matsuda Resource Recycling (Suzhou) Co., Ltd. The subsidiary, Matsuda Ryutsu Co., Ltd., is responsible for distribution for the Company's food business. The affiliated company, Nippon Micrometal Corporation, handles the production of electronic materials, particularly gold bonding wires, the main product for the precious metals business, and the affiliated company, Hiroshima Matsuda Shokuhin Co., Ltd., handles wholesaling of processed food ingredients, mainly to the local area. Matsuda Resource Recycling (Suzhou) Co., Ltd. was established in April 2007 as a 100% subsidiary.

The following is an organizational chart of the business:



(Notes)

1. Japan Medical Technology, Co., Ltd. and Hokkaido Aoki Kagaku Co., Ltd., are subsidiaries of the subsidiary, Matsuda Ecology, Co., Ltd.
2. Affiliated companies are all accounted for under the equity method.

### 3. Management Policy

#### 1) Basic corporate management policy

The Group's corporate ethics are rooted in "making effective use of the earth's resources and contributing to society through business," and the Group has developed its business on the three pillars of the precious metals, in working to recycle and make effective use of precious metals and limited resources; the environmental business, which aims to pass on a pristine environment to the next generation; and the food business, which aims to provide stable food resources and the abundant bounty from the earth.

The Group's basic management policy is to focus on customers and focus on shareholders. The Group sees its path to growth as understanding customer needs precisely and working for mutual survival and prosperity with its customers. The Group's goal is to contribute to securing resources through its resource recycling business, to contribute to the development of cutting-edge technology through precious metal processing and sales, to contribute to environmental protection through its environmental business, and to contribute to culinary life and culture through its food business, and is striving to expand the scope of its business and earn a reasonable profits through sustained marketing efforts.

#### 2) Business indicators used as benchmarks

The Group has set the following numerical benchmarks for mid-term management: Ratio of ordinary income to total assets of 10% of more and a shareholders' equity ratio of 55% of more. The ROA (return on assets) in 1H FY3/08 was 8.2%, basically above the company's target on an annualized basis, but the shareholders' equity ratio fell short of the target at 48.3%. The Company will continue to work earnestly to increase earnings and improve operational efficiency.

#### 3) Medium to long-term business strategy and issues faced by the company

In the medium and long term, the Company will deploy a strategy that has positioned the precious metals business as the driving force behind expansion and growth and the food business as a stable growth business.

The following is a summary for each segment:

##### *Precious metals business:*

The goal for the precious metals division is to become the number one refiner in Asia, and efforts are being made to expand the recovery and recycling of precious metals and sales of items such as electronic materials and chemical products both in Japan and overseas. The company is determined to reinforce its overseas production capacity, adding a new subsidiary in China in addition to subsidiaries in Thailand, the Philippines, and Singapore and starting refining operations in its Thailand subsidiary. Plans call for a further expansion of these businesses in conjunction with the predicted medium to long-term growth in electronics-related demand.

In the environment division, the company will attempt to deal with social environmental issues by utilizing its facilities for the disposal of waste acids and alkali and a nationwide network based on collection and transportation approval system in the reinforcement of business operations adhering to all related legislation covering areas such as the collection of waste matter from the electronics, chemical, and pharmaceutical industries.

At the production division, which is the core of precious metals and environmental processing, management is both expanding its facilities as needed to meet an increase in volume of raw material recovery and enhancing its refining technology in response to the expanded scope of diversification and precious metal recovery. On this basis and in light of the medium to long-term outlook for precious metal recycling material, the company is engaged in building a more efficient production structure. Matsuda Sangyo is also committed to positive R&D in areas such as the development of plating chemicals that meet the needs of the electronics and other industries. The company is working to gain the trust of the community and its clients by making dedicated efforts to address issues such as the development of appropriate technologies for the disposal of waste liquids, water, and gas and the promotion of reduced energy consumption, with regard to strengthened legislation governing waste products and the need to reduce the burden on the global environment.

##### *Food business:*

Two increasingly important issues facing the food sector are reinforced legal restrictions concerning chemicals and food additives and the assurance of food safety. Not only is Matsuda Sangyo attempting to distinguish its products by providing safe foodstuffs through the utilization of its accumulated know-how in quality assurance, the company is also involved in the development of new products to meet clients' needs through the newly-established representative office in Qingdao, China, and the diversification of its purchasing sources.

4) Other important corporate management issues

The Company is leasing real estate from Matsuda Bussan, the Company's main shareholder; the terms of the lease were formally determined by taking into account the appraised value of the real estate as determined by a real estate appraiser and neighboring prices.



4. 1st Half Consolidated Financial Statements  
(1) 1st Half Balance Sheet

(Units: thousand yen, %)

Item	1st Half FY3/07 (Sept. 30, 2006)		1st Half FY3/08 (Sept. 30, 2007)		Change		FY3/07 (March 31, 2007)	
	Amount	(% of tl.)	Amount	(% of tl.)	Amount	(% change)	Amount	(% of tl.)
<b>(Assets)</b>								
<b>I. Current assets</b>								
1. Cash and deposits	1,744,570		2,726,403		981,832		2,527,830	
2. Notes and accounts receivable	21,360,910		20,832,321		- 528,589		19,153,509	
3. Inventories	11,814,767		14,390,894		2,576,126		12,850,186	
4. Other accounts receivable	4,101,567		7,189,950		3,088,382		5,924,484	
5. Others	1,841,250		2,687,663		846,412		2,545,543	
6. Allowance for doubtful accounts	- 5,192		- 7,674		- 2,482		- 7,694	
Total current assets	40,857,875	77.3	47,819,557	78.2	6,961,682	17.0	42,993,860	77.8
<b>II. Fixed assets</b>								
<b>1. Tangible fixed assets</b>								
(1) Buildings and structures	2,108,698		2,333,920		225,222		2,112,688	
(2) Land	4,108,012		4,757,041		649,029		4,146,271	
(3) Construction in progress	2,357		38,799		36,442		164,176	
(4) Others	1,489,534		1,490,860		1,325		1,418,470	
Total tangible fixed assets	7,708,602	14.6	8,620,622	14.1	912,020	11.8	7,841,607	14.2
2. Intangible fixed assets	472,809	0.9	717,679	1.1	244,869	51.8	468,436	0.8
<b>3. Investments and other assets</b>								
(1) Investment securities	2,579,501		2,778,173		198,672		2,653,455	
(2) Others	1,448,241		1,464,299		16,058		1,557,258	
(3) Allowance for doubtful accounts	- 218,597		- 218,197		399		- 223,689	
Total investments and other assets	3,809,145	7.2	4,024,276	6.6	215,130	5.7	3,987,023	7.2
Total fixed assets	11,990,557	22.7	13,362,578	21.8	1,372,020	11.4	12,297,067	22.2
Total assets	52,848,432	100.0	61,182,136	100.0	8,333,703	15.8	55,290,927	100.0

(Units: thousand yen, %)

Item	1st Half FY3/07 (Sept. 30, 2006)		1st Half FY3/08 (Sept. 30, 2007)		Change		FY3/07 (March 31, 2007)	
	Amount	(% of tl.)	Amount	(% of tl.)	Amount	(% change)	Amount	(% of tl.)
(Liabilities)								
I. Current liabilities								
1. Notes and accounts payable	12,659,609		12,515,943		- 143,666		11,002,848	
2. Short-term debt	2,680,000		2,630,000		- 50,000		2,630,000	
3. Long-term debt expected to be repaid within a year	530,508		1,092,000		561,492		862,002	
4. Other accounts payable	4,474,316		7,696,176		3,221,860		6,393,377	
5. Accrued income taxes	1,933,712		1,912,519		- 21,192		2,482,686	
6. Allowance for bonuses	620,400		628,355		7,955		519,793	
7. Allowance for directors' bonuses	8,690		9,790		1,100		19,580	
8. Others	2,642,727		3,268,100		625,372		2,805,461	
Total current liabilities	25,549,964	48.3	29,752,885	48.6	4,202,920	16.5	26,715,750	48.3
II. Fixed liabilities								
1. Long-term debt	1,628,000		1,115,000		- 513,000		1,030,000	
2. Allowance for retirement benefits	412,919		407,652		- 5,267		408,583	
3. Allowance for directors' retirement benefits	321,015		351,784		30,769		363,176	
4. Others	7,917		3,020		- 4,897		3,604	
Total fixed liabilities	2,369,852	4.5	1,877,456	3.1	- 492,395	- 20.8	1,805,363	3.3
Total liabilities	27,919,817	52.8	31,630,341	51.7	3,710,524	13.3	28,521,113	51.6
(Net assets)								
I. Shareholders' equity								
1. Common stock	3,559,206	6.7	3,559,206	5.8	—	0.0	3,559,206	6.4
2. Legal capital surplus	4,008,730	7.6	4,009,273	6.6	543	0.0	4,009,273	7.3
3. Retained earnings	16,941,163	32.1	21,468,278	35.1	4,527,115	26.7	18,807,723	34.0
4. Treasury stock	- 93,658	- 0.2	- 105,943	- 0.2	- 12,284	13.1	- 100,383	- 0.2
Total shareholders' equity	24,415,441	46.2	28,930,815	47.3	4,515,373	18.5	26,275,819	47.5
II. Valuation and translation adjustments								
1. Unrealized gains on other marketable securities	411,963	0.8	373,890	0.6	- 38,073	- 9.2	402,014	0.7
2. Deferred hedge gain/loss	10,259	0.0	- 41,159	- 0.1	- 51,418	-501.2	- 79,227	- 0.1
3. Foreign currency translation adjustments	64,840	0.1	288,248	0.5	223,407	344.6	171,207	0.3
Total of valuation and translation adjustments	487,062	0.9	620,979	1.0	133,916	27.5	493,994	0.9
III. Minority interest	26,111	0.1	—	—	- 26,111	—	—	—
Total net assets	24,928,615	47.2	29,551,794	48.3	4,623,178	18.6	26,769,814	48.4
Total liabilities and net assets	52,848,432	100.0	61,182,136	100.0	8,333,703	15.8	55,290,927	100.0

## (2) 1st Half Consolidated Statement of Income

(Units: thousand yen, %)

Item	1st Half FY3/07 (April 1, 2006 – Sept. 30, 2006)		1st Half FY3/08 (April 1, 2007 – Sept. 30, 2007)		Change		FY3/07 (April 1, 2006 – March 31, 2007)	
	Amount	(% of tl.)	Amount	(% of tl.)	Amount	(%) change)	Amount	(% of tl.)
I. Net sales	80,702,407	100.0	92,434,535	100.0	11,732,128	14.5	167,436,525	100.0
II. Cost of sales	71,364,677	88.4	82,572,510	89.3	11,207,832	15.7	149,652,156	89.4
Gross profit	9,337,729	11.6	9,862,024	10.7	524,295	5.6	17,784,368	10.6
III. Selling, general, and administrative expenses	5,068,350	6.3	5,214,613	5.7	146,263	2.9	10,351,114	6.2
Operating income	4,269,379	5.3	4,647,411	5.0	378,031	8.9	7,433,253	4.4
IV. Non-operating income	400,633	0.5	160,241	0.2	- 240,391	- 60.0	881,516	0.5
1. Interest received	617		4,335		3,718		4,997	
2. Dividends received	14,502		16,248		1,746		18,957	
3. Investment gains on equity method	259,452		36,652		- 222,799		350,052	
4. Purchase discounts	19,145		28,761		9,616		40,504	
5. Foreign exchange gains	80,175		24,059		- 56,116		414,982	
6. Others	26,740		50,183		23,442		52,022	
V. Non-operating expenses	33,714	0.1	43,460	0.0	9,745	28.9	82,009	0.0
1. Interest paid	24,234		36,307		12,073		56,965	
2. Fees paid	4,626		4,841		215		9,295	
3. Other	4,853		2,311		- 2,542		15,748	
Ordinary income	4,636,298	5.7	4,764,193	5.2	127,894	2.8	8,232,761	4.9
VI. Extraordinary income	30,852	0.1	12,043	0.0	- 18,809	- 61.0	44,503	0.0
1. Gains on sale of fixed assets	—		10,985		10,985		—	
2. Reversal of allowance for doubtful accounts	30,852		1,057		- 29,795		34,415	
3. Gains on sale of investment securities	—		—		—		10,087	
VII. Extraordinary losses	17,997	0.0	15,552	0.0	- 2,445	- 13.6	63,279	0.0
1. Losses on impaired assets	—		—		—		16,802	
2. Losses on sales of fixed assets	—		4,904		4,904		—	
3. Losses on disposal of fixed assets	17,997		10,647		- 7,349		46,477	
Income before income taxes	4,649,153	5.8	4,760,684	5.2	111,530	2.4	8,213,984	4.9
Corporate, residential & enterprise taxes	1,914,723	2.4	1,810,899	2.0	- 103,824	- 5.4	3,485,777	2.1
Adjustments for corporate & other taxes	- 49,966	- 0.1	3,795	0.0	53,761	-107.6	- 158,679	- 0.1
Minority interests	6,097	0.0	—	—	- 6,097	—	4,143	0.0
In income/losses (-) net income	2,778,299	3.5	2,945,989	3.2	167,689	6.0	4,882,743	2.9

(3) Consolidated Statement of Changes in Shareholders' Equity  
1st Half FY3/07 (April 1, 2006–Sept.30, 2006)

	Shareholders' equity				
	Common stock	Legal capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006 (thousands of yen)	3,559,206	4,008,730	14,584,713	- 83,806	22,068,843
Changes during 1st Half FY3/07					
Dividends of retained earnings			- 404,469		- 404,469
Directors' bonuses			- 17,380		- 17,380
Net income			2,778,299		2,778,299
Purchase of treasury stock				- 9,852	- 9,852
Net changes in items other than shareholders' equity during 1st Half FY3/07					—
Total change during 1st Half FY3/07 (thousands of yen)	—	—	2,356,449	- 9,852	2,346,597
Balance as of Sept. 30, 2006 (thousands of yen)	3,559,206	4,008,730	16,941,163	- 93,658	24,415,441

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other securities	Deferred hedge gain/loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006 (thousands of yen)	443,312	—	44,208	487,520	20,014	22,576,378
Changes during 1st Half FY3/07						
Dividends of retained earnings				—		- 404,469
Directors' bonuses				—		- 17,380
Net income				—		2,778,299
Purchase of treasury stock				—		- 9,852
Net changes in items other than shareholders' equity during 1st Half FY3/07	- 31,348	10,259	20,632	- 457	6,097	5,639
Total change during 1st Half FY3/07 (thousands of yen)	- 31,348	10,259	20,632	- 457	6,097	2,352,237
Balance as of Sept. 30, 2006 (thousands of yen)	411,963	10,259	64,840	487,062	26,111	24,928,615

1st Half FY3/08 (April 1, 2007–Sept.30, 2007)

	Shareholders' equity				
	Common stock	Legal capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007 (thousands of yen)	3,559,206	4,009,273	18,807,723	- 100,383	26,275,819
Changes during 1st Half FY3/08					
Dividends of retained earnings			- 285,434		- 285,434
Net income			2,945,989		2,945,989
Purchase of treasury stock				- 5,559	- 5,559
Net changes in items other than shareholders' equity during 1st Half FY3/08					—
Total change during 1st Half FY3/08 (thousands of yen)	—	—	2,660,555	- 5,559	2,654,995
Balance as of Sept. 30, 2007 (thousands of yen)	3,559,206	4,009,273	21,468,278	- 105,943	28,930,815

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other securities	Deferred hedge gain/loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007 (thousands of yen)	402,014	- 79,227	171,207	493,994	—	26,769,814
Changes during 1st Half FY3/08						
Dividends of retained earnings				—		- 285,434
Net income				—		2,945,989
Purchase of treasury stock				—		- 5,559
Net changes in items other than shareholders' equity during 1st Half FY3/08	- 28,124	38,068	117,040	126,984	—	126,984
Total change during 1st Half FY3/08 (thousands of yen)	- 28,124	38,068	117,040	126,984	—	2,781,980
Balance as of Sept. 30, 2007 (thousands of yen)	373,890	- 41,159	288,248	620,979	—	29,551,794

FY3/07 (April 1, 2006–March 31, 2007)

	Shareholders' equity				
	Common stock	Legal capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006 (thousands of yen)	3,559,206	4,008,730	14,584,713	-83,806	22,068,843
Changes during the consolidated fiscal year					
Dividends of retained earnings			-642,353		-642,353
Directors' bonuses			-17,380		-17,380
Net income			4,882,743		4,882,743
Purchase of treasury stock				-16,778	-16,778
Disposal of treasury stock		543		201	745
Net changes in items other than shareholders' equity					
Total change during the consolidated fiscal year (thousands of yen)	-	543	4,223,009	-16,577	4,206,975
Balance as of March 31, 2007 (thousands of yen)	3,559,206	4,009,273	18,807,723	-100,383	26,275,819

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other securities	Deferred hedge gain/loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006 (thousands of yen)	443,312	-	44,208	487,520	20,014	22,576,378
Changes during the consolidated fiscal year						
Dividends of retained earnings						-642,353
Directors' bonuses						-17,380
net income						4,882,743
Purchase of treasury stock						-16,778
Disposal of treasury stock						745
Net Changes in items other than shareholders' equity	-41,297	-79,227	126,999	6,474	-20,014	-13,540
Total change during the consolidated fiscal year (thousands of yen)	-41,297	-79,227	126,999	6,474	-20,014	4,193,435
Balance as of March 31, 2007 (thousands of yen)	402,014	-79,227	171,207	493,994	-	26,769,814

#### (4) Consolidated Statement of Cash Flow

	1st Half FY3/07 (April 1, 2006 – Sept. 30, 2006)	1st Half FY3/08 (April 1, 2007 – Sept. 30, 2007)	FY3/07 (April 1, 2006 – March 31, 2007)
Category	Amount (thousands of yen)	Amount (thousands of yen)	Amount (thousands of yen)
Cash flow from operating activities			
1. Income before income taxes	4,649,153	4,760,684	8,213,984
2. Depreciation	389,900	398,107	816,319
3. Losses on impaired assets	—	—	16,802
4. Amortization of good will	13,262	13,262	25,686
5. Change in allowance for doubtful accounts	- 31,283	- 5,512	- 23,688
6. Change in allowance for bonuses	169,139	108,562	68,532
7. Change in allowance for directors' bonuses	8,690	- 9,790	19,580
8. Change in allowance for retirement benefits	10,848	- 930	6,511
9. Change in allowance for directors' retirement bonuses	- 27,539	- 11,392	14,622
10. Interest or dividends received	- 15,119	- 20,584	- 23,954
11. Interest paid	24,234	36,307	56,965
12. Gain on equity-method investments	- 259,452	- 36,652	- 350,052
13. Directors' bonuses paid	- 17,380	—	- 17,380
14. Gain on sales of investment securities	—	—	- 10,087
15. Gain on disposal of tangible fixed assets	17,997	10,647	46,477
16. Change in accounts receivable	- 3,514,168	- 1,588,621	- 1,242,949
17. Change in other accounts receivable	1,865,062	- 1,269,215	45,482
18. Change in inventory	- 3,227,259	- 1,258,739	- 4,090,314
19. Change in accounts payable - trade	529,955	1,227,044	- 1,336,019
20. Changes in other accounts payable	- 1,741,074	1,285,911	235,441
21. Other changes	861,547	331,045	26,320
Subtotal	- 293,485	3,970,133	2,498,278
1. Interest and dividends received	22,446	28,043	29,706
2. Interest paid	- 22,593	- 34,780	- 55,591
3. Corporate & other taxes paid	- 1,560,412	- 2,349,751	- 2,614,759
Cash flow from operating activities	- 1,854,044	1,613,644	- 142,366
Cash flow from investment activities			
1. Expenditure for the purchase of tangible fixed assets	- 296,717	- 1,048,605	- 626,500
2. Proceeds from the sale of tangible fixed assets	—	3,500	—
3. Expenditure for the purchase of intangible fixed assets	- 59,782	- 306,684	- 116,642
4. Expenditure for the purchase of investment securities	- 4,593	- 142,984	- 9,045
5. Proceeds from the sale of investment securities	100,000	—	14,400
6. Expenditure for the purchase of shares of consolidated subsidiaries	—	—	- 23,320
7. Others	- 7,921	- 19,021	57,410
Cash flow from investing activities	- 269,014	- 1,513,795	- 703,697
III. Cash flow from financing activities			
1. Net change in short-term loans	1,400,000	—	1,350,000
2. Proceeds from long-term loans	600,000	600,000	600,000
3. Expenditure for the repayment of long-term loans	- 240,985	- 285,002	- 507,491
4. Expenditure for the purchase of treasury shares	- 9,852	- 5,559	- 16,021
5. Dividends paid	- 404,469	- 285,434	- 642,353
Cash flow from financing activities	1,344,693	24,004	784,133
IV. Foreign currency translation adjustment on cash and cash equivalents	21,415	71,574	88,240
V. Change in cash and cash equivalents	- 756,950	195,427	26,310
VI. Cash & equivalents at beginning of period	2,501,520	2,527,830	2,501,520
VII. Cash & equivalents at end of period	1,744,570	2,723,258	2,527,830

## (Segment information)

## 1. Segment information by business

1st Half FY3/07 (April 1, 2006–Sept. 30, 2006)

	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	58,341,205	22,361,201	80,702,407	—	80,702,407
(2) Sales & remittances between segments	2,400	32,887	35,287	(35,287)	—
Total	58,343,605	22,394,089	80,737,695	(35,287)	80,702,407
Operating expenses	54,252,133	22,216,182	76,468,315	(35,287)	76,433,027
Operating income	4,091,472	177,907	4,269,379	—	4,269,379

1st Half FY3/08 (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

FY3/07 (April 1, 2006–March 31, 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	122,823,052	44,613,473	167,436,525	—	167,436,525
(2) Sales & remittances between segments	4,800	67,712	72,512	(72,512)	—
Total	122,827,852	44,681,185	167,509,038	(72,512)	167,436,525
Operating expenses	115,834,875	44,240,909	160,075,784	(72,512)	160,003,271
Operating income	6,992,976	440,276	7,433,253	—	7,433,253