

Member of the Financial Accounting Standards Foundation
Q1 FY3/08 Financial Statements (Consolidated)

August 10, 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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(Figures are rounded down to the nearest million yen)

1. Q1 FY3/08 Consolidated results (April 1, 2007 – June 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)	%
Q1 FY3/08	45,574	13.8	2,750	91.7	2,840	75.9	1,699	70.1
Q1 FY3/07	40,040	49.0	1,434	26.7	1,615	35.0	999	50.8
(Reference) FY3/07	167,436	31.6	7,433	69.7	8,232	75.5	4,882	79.1

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY3/08	71.48	—
Q1 FY3/07	42.02	—
(Reference) FY3/07	205.31	—

(2) Changes in consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	%	Yen
Q1 FY3/08	59,283	28,290	47.7	1,189.66
Q1 FY3/07	50,895	23,140	45.4	972.97
(Reference) FY3/07	55,290	26,769	48.4	1,125.69

2. 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
1H FY3/08	91,000	12.8	4,400	3.1	4,500	(2.9)	2,700	(2.8)	103.21
FY3/08	180,000	7.5	7,800	4.9	8,000	(2.8)	4,800	(1.7)	183.49

A 1.1:1 stock split is expected to be declared on September 1, 2007. The projection for FY3/08 net income per share has been calculated using the number of shares after the stock split. However, Q1 FY3/08 net income (actual figure) has been calculated using the number of outstanding shares before the stock split.

3. Other

- (1) Use of simplified accounting method: Yes
- (2) Changes in accounting treatment since the end of the previous fiscal year: Yes
- (3) Changes in the scope of consolidation or application of the equity method: None

[(Note)] Refer to section 4, Other in Qualitative information and financial statements, on page 3 for details.]

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

The projections given above were made based on information available at the present time, and include numerous uncertainties. Actual earnings may differ from the above projections for various reasons such as changes in business conditions.

[Qualitative information and financial statements]

1. Qualitative information concerning consolidated results

While qualitative information influencing consolidated earnings during Q1 FY3/08 included a sense of uncertainty about the future due to the surge in the price of crude oil and outlook for higher interest rates, the corporate sector was firm, and the Japanese economy gradually expanded.

Under these conditions, the Group's precious metal business was firm overall despite signs of adjustments in some areas of the semiconductor and electric parts industries, the major customers for this line of business, and since the price of precious metals remained high, sales were greater than in Q1 FY3/07.

In the food products business, business conditions remained severe owing to high prices resulting from stronger global demand for seafood products and growing demand for improved food safety. However, the sales volume rose, seafood products in particular, and the net sales surpassed that for Q1 FY3/07.

Therefore, for Q1 FY3/08, net sales rose 13.8% year on year to 45,574 million yen. In addition, operating income increased 91.7% year on year to 2,750 million yen, ordinary income grew 75.9% year on year to 2,840 million yen, and net income expanded 70.1% year on year to 1,699 million yen.

2. Qualitative information concerning consolidated financial position

As for qualitative information on the consolidated financial position at the end of Q1 FY3/08, total assets rose 3,992 million yen to 59,283 million yen compared to March 31, 2007, and net assets increased 1,520 million yen to 28,290 million yen.

The increase in total assets was mainly the result of an increase in inventories for the precious metals business, and an increase in cash and deposits.

3. Qualitative information concerning consolidated earnings projections

Earnings for Q1 FY3/08 surpassed initial projections since there was firm production within the semiconductor and electric parts industries, and the price of precious metals was high. Therefore, earning projections for the first half and full fiscal year announced on May 14, 2007, have been revised.

Because business conditions for the second half are uncertain, we have left the initial projections for the second half unchanged, and revisions for the full fiscal year only reflect changes to the first half projections.

4. Other

(1) Use of simplified accounting method

The simplified method was partially used for items such as criteria for recording reserves.

(2) Changes in accounting treatment since the end of the previous fiscal year

In accordance with revisions to the tax system in FY07, the method used to account for depreciation expenses of tangible fixed assets acquired on and after April 1, 2007 was changed to the method stipulated in the revised Corporation Tax Law. These changes will have only a minor affect on earnings.

(3) Changes in the scope of consolidation or application of the equity method

There is nothing to report.

5. (Summary) Quarterly Consolidated Financial Statements

(1) (Summary) Quarterly Balance Sheet

(Units: thousand yen, %)

Item	Q1 FY3/07 (June 30, 2006)		Q1 FY3/08 (June 30, 2007)		Change		(Reference) FY3/07 (March 31, 2007)	
	Amount	(% of tl.)	Amount	(% of tl.)	Amount	(% change)	Amount	(% of tl.)
(Assets)								
I. Current assets								
1. Cash and deposits	1,615,662		3,805,183		2,189,521		2,527,830	
2. Notes and accounts receivable	18,575,478		19,410,449		834,970		19,153,509	
3. Securities	100,055		—		(100,055)		—	
4. Inventories	8,463,685		14,527,786		6,064,100		12,850,186	
5. Deferred tax assets	220,037		405,865		185,827		594,483	
6. Other accounts receivable	7,030,243		7,415,156		384,912		5,924,484	
7. Others	3,114,264		609,270		(2,504,993)		1,951,060	
8. Allowance for doubtful accounts	(70,168)		(12,157)		58,011		(7,694)	
Total current assets	39,049,258	76.7	46,161,554	77.9	7,112,295	18.2	42,993,860	77.8
II. Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures	1,934,654		2,100,982		166,327		2,112,688	
(2) Machinery and delivery equipment	1,362,835		1,203,861		(158,974)		1,254,147	
(3) Land	4,109,686		4,743,286		633,599		4,146,271	
(4) Construction in progress	94,377		244,200		149,823		164,176	
(5) Others	152,845		156,260		3,415		164,322	
Total tangible fixed assets	7,654,399	15.0	8,448,591	14.2	794,191	10.4	7,841,607	14.2
2. Intangible fixed assets								
(1) Goodwill	84,467		57,943		(26,524)		64,574	
(2) Others	358,552		418,282		59,730		403,861	
Total intangible fixed assets	443,020	0.9	476,226	0.8	33,206	7.5	468,436	0.8
3. Investments and other assets								
(1) Investment securities	2,502,264		2,884,861		382,597		2,653,455	
(2) Memberships	121,861		122,325		463		122,303	
(3) Guarantee deposits	463,433		489,211		25,777		482,652	
(4) Deferred tax assets	239,121		221,636		(17,485)		251,790	
(5) Others	639,477		719,497		80,019		700,510	
(6) Allowance for doubtful accounts	(217,500)		(240,858)		(23,358)		(223,689)	
Total investments and other assets	3,748,659	7.4	4,196,673	7.1	448,014	12.0	3,987,023	7.2
Total fixed assets	11,846,079	23.3	13,121,490	22.1	1,275,411	10.8	12,297,067	22.2
Total assets	50,895,337	100.0	59,283,044	100.0	8,387,706	16.5	55,290,927	100.0

(Note) Values have been rounded down to the nearest thousand yen.

(Units: thousand yen, %)

Item	Q1 FY3/07 (June 30, 2006)		Q1 FY3/08 (June 30, 2007)		Change		(Reference) 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	12,645,806		11,433,553		(1,212,253)		11,002,848	
2. Short-term debt	2,030,000		4,830,000		2,800,000		2,630,000	
3. Long-term debt expected to be repaid within a year	530,700		757,000		226,300		862,002	
4. Accrued income taxes	476,639		1,031,622		554,982		2,482,686	
5. Allowance for bonuses	239,910		291,962		52,052		519,793	
6. Allowance for directors' bonuses	—		9,790		9,790		19,580	
7. Other accounts payable	7,021,118		6,638,675		(382,442)		6,393,377	
8. Others	2,326,615		3,605,202		1,278,586		2,805,461	
Total current liabilities	25,270,790	49.6	28,597,806	48.3	3,327,016	13.2	26,715,750	48.3
II. Fixed liabilities								
1. Long-term debt	1,768,002		1,610,000		(158,002)		1,030,000	
2. Allowance for retirement benefits	393,004		409,295		16,290		408,583	
3. Allowance for directors' retirement benefits	312,799		371,788		58,989		363,176	
4. Others	9,955		3,513		(6,441)		3,604	
Total fixed liabilities	2,483,760	4.9	2,394,596	4.0	(89,164)	-3.6	1,805,363	3.3
Total liabilities	27,754,551	54.5	30,992,403	52.3	3,237,851	11.7	28,521,113	51.6
(Net assets)								
I. Shareholders' equity								
1. Common stock	3,559,206		3,559,206		0		3,559,206	
2. Legal capital surplus	4,008,730		4,009,273		543		4,009,273	
3. Retained earnings	15,162,467		20,222,145		5,059,678		18,807,723	
4. Treasury stock	(92,401)		(101,372)		(8,970)		(100,383)	
Total shareholders' equity	22,638,001	44.5	27,689,252	46.7	5,051,250	22.3	26,275,819	47.5
II. Valuation and translation adjustments								
1. Unrealized gains on other marketable securities	415,623		449,741		34,117		402,014	
2. Deferred hedge gain/loss	(1,161)		(71,945)		(70,783)		(79,227)	
3. Foreign currency translation adjustments	71,893		223,593		151,699		171,207	
Total of valuation and translation adjustments	486,355	1.0	601,388	1.0	115,033	23.7	493,994	0.9
IV. Minority interest	16,428	0.0	—	—	(16,428)	(100.0)	—	—
Total net assets	23,140,786	45.5	28,290,641	47.7	5,149,855	22.3	26,769,814	48.4
Total liabilities and net assets	50,895,337	100.0	59,283,044	100.0	8,387,706	16.5	55,290,927	100.0

(Note) Values have been rounded down to the nearest thousand yen.

(2) (Summary) Quarterly Consolidated Statement of Income

(Units: thousand yen, %)

Item	Q1 FY3/07 (April 1, 2006 – June 30, 2006)		Q1 FY3/08 (April 1, 2007 – June 30, 2007)		Change		(Reference) FY3/07 (April 1, 2006 – March 31, 2007)	
	Amount	(% of tl.)	Amount	(% of tl.)	Amount	(%) change)	Amount	(% of tl.)
I. Net sales	40,040,642	100.0	45,574,491	100.0	5,533,848	13.8	167,436,525	100.0
II. Cost of sales	36,023,667	90.0	40,177,629	88.2	4,153,961	11.5	149,652,156	89.4
Gross profit	4,016,975	10.0	5,396,862	11.8	1,379,886	34.4	17,784,368	10.6
III. Selling, general, and administrative expenses	2,582,354	6.4	2,646,168	5.8	63,814	2.5	10,351,114	6.2
Operating income	1,434,620	3.6	2,750,693	6.0	1,316,072	91.7	7,433,253	4.4
IV. Non-operating income	215,973	0.5	106,675	0.2	(109,298)	(50.6)	881,516	0.5
V. Non-operating expenses	35,327	0.1	16,813	0.0	(18,513)	(52.4)	82,009	0.0
Ordinary income	1,615,267	4.0	2,840,555	6.2	1,225,287	75.9	8,232,761	4.9
VI. Extraordinary income	—	—	—	—	—	—	44,503	0.0
VIII. Extraordinary losses	—	—	—	—	—	—	63,279	0.0
Income before income taxes	1,615,267	4.0	2,840,555	6.2	1,225,287	75.9	8,213,984	4.9
Income taxes, etc.	619,249	1.5	1,140,699	2.5	521,449	84.2	3,327,097	2.0
Minority interest in income/ (loss)	(3,585)	0.0	—	—	3,585	(100.0)	4,143	0.0
Net income	999,603	2.5	1,699,855	3.7	700,252	70.1	4,882,743	2.9

(Note) Values have been rounded down to the nearest thousand yen.