Annual Report 2011

For the Year Ended 31st March 2011

PROFILE

Since its establishment in 1958, Marudai Food Co., Ltd. has been dedicated to offering delicious, high-quality meat products. In order to understand the latest consumer trends and to meet the needs of modern lifestyles, we have continuously strengthened our research, sales and production operations. Intending to become Japan's leading food company, we successfully listed our stock on the First Section of both the Tokyo and Osaka Stock Exchanges in 1972.

Starting as a ham and sausage producer, Marudai Food has steadily expanded its range of products to include heat-processed, vacuum-packed food, cheese and fresh meats. Ham and sausage, however, remain an integral part of our product line and continue to account for almost half of our sales.

While pursuing a leading position in the ham and sausage market, Marudai Food was eager to explore new avenues by developing precooked and processed foods, which went on sale in 1973. This long shelf-life food was developed to meet the specific need for fast meal preparation. Containing absolutely no preservatives and requiring only several minutes to prepare, Marudai precooked and processed foods have established a strong foothold in the market. Building on this success, we will make even greater efforts to create new products that satisfy the increasingly discriminating tastes of consumers.

CONTENTS

FINANCIAL HIGHLIGHTS

For the Years Ended 31st March 2010 and 2011
(Consolidated basis)

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts
			(Note)
	2010	2011	2011
Net sales	¥196,667	¥198,753	$2,390,295
Net income	3,211	3,855	46,362
Per share:			
Net income (yen and dollars)	24.28	29.18	0.35
Net income, diluted (yen and dollars)	–	–	–
Cash dividends (yen and dollars)	7.00	8.00	0.10
Total assets	¥115,294	¥117,105	$1,408,358

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥83.15=U.S.$1.00

TO OUR SHAREHOLDERS

With the issurance of our company's 63rd annual report, we hope that our shareholders are enjoying health and prosperity. We would also like to take this opportunity to express our deep appreciation for your continued support.

During the fiscal year ended 31st March 2011, the Japanese economy was on track towards a gradual recovery in the first half, and despite stalling in autumn as a result of a slowdown in exports due to factors such as the further appreciation of the yen and the fading of the effects of economic stimulus measures in the latter half, it showed signs of picking up after the start of the new calendar year. However, economic activity fell off significantly towards the fiscal year end due to the impact of the Great East Japan Earthquake that struck on 11th March 2011.

The operating environment in our industry was challenging, with mounting deflationary pressure exemplified by further belt-tightening and increased thrift among consumers struggling to maintain their standard of living due in part to limited improvements in employment and income, and the fall in prices from intensified sales competition.

In this environment, the Marudai Food Group engaged in activities to strengthen product development capabilities, reinforce Group management and enhance cost competitiveness. At the same time, we worked to reinforce our quality control structure with the aim of providing safer and more reliable foods that earn consumer confidence.

As a result, consolidated net sales for the fiscal year ended 31st March 2011 edged up 1.1% from the previous year to 198,753 million yen. Operating income rose 11.0% year-on-year to 5,724 million yen, and net income soared 20.0% to 3,855 million yen.

Once again we would like to thank you, our shareholders, for your support and trust that we can rely on your continued confidence.

June 2011

T. Kudara

Tokuo Kudara
President

PRODUCTS

The following table shows an analysis of the consolidated sales of Marudai Food Co., Ltd. and its consolidated subsidiaries (together, the "Companies") by product categories for the years ended 31st March 2010 and 2011:

	Millions of yen (percentage of total net sales)		Thousands of U.S. dollars (Note)
	2010	2011	2011
Processed food products	¥141,630	¥145,261	$1,746,975
	(72.0%)	(73.1%)	
Meat products	54,623	53,056	638,076
	(27.8%)	(26.7%)	
Other	414	436	5,244
	(0.2%)	(0.2%)	
Total	¥196,667	¥198,753	$2,390,295

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥83.15=U.S.$1.00

Processed food products

In the Processed food products business, the Companies' Ham and Sausage Products operations sought to increase sales through a sales promotion campaign for the Companies' mainstay products, including "*Kunseiya Jyukusei Vienna Sausage*" -which won the Monde Selection Grand Gold Quality Award in the food products category for the third consecutive year-and "*Itsumo Shinsen Roast Ham*". Efforts to increase sales of midsummer and year-end gift products, focussing on "*Roast Beef*" and the two mainstay gift brands, "*Ouha*" and "*Kosai*"were successful, and sales of these products steadily increased. However, sales of the segment as a whole decreased 1.3% from the corresponding period in the previous fiscal year due to factors such as intensified price competition.

In the Precooked & Processed foods operations, we implemented sales initiatives for retort-pouch foods, including the Korean-style soup "*Sundubu*". Sales of desserts increased due to the introduction of new products, including "*Sweet Cafe Coffee Jelly*". Sales of "*Black Tapioca Milk Tea*" and other beverage products were also brisk owing to the unusually hot summer, leading to an increase in sales in the Precooked & Processed foods operations by 8.9% from the previous year. As a result, sales of the Processed food products segment rose 2.6% year-on-year to 145,261 million yen. Operating income, however, decreased 3.0% to 5,195 million yen, reflecting the persisting severe operating environment characterised by consumers' increasing preference for low-priced goods and declining sales prices amid intensifying competition.

Meat products

In the Meat products business, demand for high-priced beef was weak due to consumers' strong preference for low-priced goods. The environment surrounding the Meat business continued to be extremely harsh, as reflected in the decrease in supply of Japanese pork and chicken due to such factors as the outbreak of foot-and-mouth disease and avian influenza. As a result, sales of the Meat products segment decreased 2.9% year-on-year to 53,056 million yen. However, the segment recorded an operating income of 345 million yen partly due to a recovery in the profitability of imported meat sales and improvements in pork prices.

Other

Sales of the Other products business increased 5.1% from the previous year to 436 million yen, and operating income rose 44.8% to 184 million yen.

CONSOLIDATED BALANCE SHEETS

31st March 2010 and 2011

ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and cash equivalents	¥ 10,616	¥ 13,582	$ 163,343
Receivables:			
Trade notes and accounts	19,852	19,921	239,579
Other	371	452	5,436
Allowance for doubtful accounts	(49)	(62)	(745)
Inventories (Note 6)	14,569	14,597	175,550
Deferred tax assets (Note 10)	797	1,895	22,790
Advances and other current assets	263	248	2,983
Total current assets	46,419	50,633	608,936
Investments and other assets:			
Investment securities (Note 4)	9,281	8,759	105,340
Deferred tax assets (Note 10)	67	55	661
Other	5,818	6,804	81,828
Allowance for doubtful accounts	(340)	(354)	(4,257)
Total investments and other assets	14,826	15,264	183,572
Property, plant and equipment, at cost:			
Land (Note 8)	19,641	19,098	229,681
Buildings and structures (Note 8)	45,849	45,510	547,324
Machinery and equipment (Note 8)	48,054	47,475	570,956
Construction in progress	58	131	1,575
Lease assets	7,586	8,693	104,546
	121,188	120,907	1,454,082
Less accumulated depreciation	(68,245)	(70,525)	(848,166)
Net property, plant and equipment	52,943	50,382	605,916
Intangible assets	1,106	826	9,934
Total assets	¥115,294	¥117,105	$1,408,358

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term borrowings (Notes 7 and 8)	¥ 987	¥ 4,534	$ 54,528
Long-term debt due within one year (Notes 7 and 8)	8,245	7,950	95,610
Trade notes and accounts payable	18,411	18,178	218,617
Short-term lease obligations	1,348	1,346	16,188
Accrued expenses	2,211	2,203	26,494
Accrued income taxes	491	707	8,503
Other current liabilities	5,761	5,781	69,525
Total current liabilities	37,454	40,699	489,465
Long-term liabilities:			
Long-term debt due after one year (Notes 7 and 8)	9,424	5,154	61,984
Deferred tax liabilities (Note 10)	1,271	1,542	18,545
Long-term lease obligations	3,921	3,966	47,697
Employees' severance and retirement benefits (Note 9)	516	548	6,590
Other long-term liabilities	476	486	5,845
Total long-term liabilities	15,608	11,696	140,661
Contingent liabilities (Note 11)			
NET ASSETS (Note 12)			
Shareholders' equity:			
Common stock			
Authorised — 200,000,000 shares			
Issued — 132,527,909 shares in 2011 (132,527,909 shares in 2010)	6,716	6,716	80,769
Capital surplus	21,686	21,686	260,806
Retained earnings	31,349	34,277	412,231
Less treasury stock at cost	(57)	(697)	(8,382)
Total shareholders' equity	59,694	61,982	745,424
Accumulated other comprehensive income:			
Unrealised gains on securities	1,685	1,505	18,099
Deferred gains on hedges	4	1	12
Foreign currency translation adjustments	(88)	(92)	(1,106)
Total accumulated other comprehensive income	1,601	1,414	17,005
Minority interests	937	1,314	15,803
Total net assets	62,232	64,710	778,232
Total liabilities and net assets	¥115,294	¥117,105	$1,408,358

CONSOLIDATED STATEMENTS OF INCOME

Years Ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net sales	¥196,667	¥198,753	$2,390,295
Cost of sales	145,635	146,683	1,764,077
Gross profit	51,032	52,070	626,218
Selling, general and administrative expenses (Note 13)	45,875	46,346	557,379
Operating income	5,157	5,724	68,839
Other income (expenses):			
Interest and dividend income	194	274	3,295
Interest expense	(533)	(493)	(5,929)
Loss on disposal of property, plant and equipment, net	(599)	(183)	(2,201)
Loss on early retirement benefits	(144)	(173)	(2,081)
Write-down of investment in securities	(198)	(291)	(3,500)
Loss on foreign exchange	(18)	(37)	(445)
Loss on impairment of assets (Note 14)	(286)	(573)	(6,891)
Other, net	220	63	759
	(1,364)	(1,413)	(16,993)
Income before income taxes and minority interests	3,793	4,311	51,846
Income taxes (Note 10):			
Current	515	811	9,753
Deferred	(15)	(737)	(8,863)
Income before minority interests	3,293	4,237	50,956
Minority interests	(82)	(382)	(4,594)
Net income	¥ 3,211	¥ 3,855	$ 46,362
	Yen		U.S. dollars (Note 1)
Net income per share (Note 2)	¥24.28	¥29.18	$0.35
Net income, diluted per share (Note 2)	–	–	–
Dividends per share	¥ 7.00	¥ 8.00	$0.10

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Income before minority interests	¥3,293	¥4,237	$50,956
Other comprehensive income:			
Unrealised gains (losses) on securities	876	(180)	(2,165)
Deferred gains (losses) on hedges	3	(3)	(36)
Foreign currency translation adjustments	(22)	(4)	(48)
Total other comprehensive income	857	(187)	(2,249)
Comprehensive income	¥4,150	¥4,050	$48,707
Comprehensive income attributable to:			
Owners of the parent	¥4,068	¥3,668	$44,113
Minority interests	¥ 82	¥ 382	$ 4,594

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended 31st March 2010 and 2011

		Millions of yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealised gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Minority interests
Balance at 31st March, 2009	132,527,909	¥6,716	¥21,686	¥28,799	¥ (56)	¥ 809	¥1	¥(67)	¥ 383
Net income	–	–	–	3,211	–	–	–	–	–
Cash dividends paid - ¥5 per share	–	–	–	(661)	–	–	–	–	–
Increase in unrealised gains on securities	–	–	–	–	–	876	–	–	–
Foreign currency translation adjustments	–	–	–	–	–	–	–	(21)	554
Increase in deferred gains on hedges	–	–	–	–	–	–	3	–	–
Purchase of treasury stock	–	–	–	–	(1)	–	–	–	–
Balance at 31st March, 2010	132,527,909	6,716	21,686	31,349	(57)	1,685	4	(88)	937
Net income	–	–	–	3,855	–	–	–	–	–
Cash dividends paid - ¥7 per share	–	–	–	(927)	–	–	–	–	–
Decrease in unrealised gains on securities	–	–	–	–	–	(180)	–	–	–
Foreign currency translation adjustments	–	–	–	–	–	–	–	(4)	377
Decrease in deferred gains on hedges	–	–	–	–	–	–	(3)	–	–
Purchase of treasury stock	–	–	–	–	(640)	–	–	–	–
Balance at 31st March, 2011	132,527,909	¥6,716	¥21,686	¥34,277	¥(697)	¥1,505	¥1	¥(92)	¥1,314

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealised gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Minority interests
Balance at 31st March, 2010	$80,769	$260,806	$377,017	$ (686)	$20,265	$48	$(1,058)	$11,269
Net income	–	–	46,362	–	–	–	–	–
Cash dividends paid - ¥7 per share	–	–	(11,148)	–	–	–	–	–
Decrease in unrealised gains on securities	–	–	–	–	(2,166)	–	–	–
Foreign currency translation adjustments	–	–	–	–	–	–	(48)	4,534
Decrease in deferred gains on hedges	–	–	–	–	–	(36)	–	–
Purchase of treasury stock	–	–	–	(7,696)	–	–	–	–
Balance at 31st March, 2011	$80,769	$260,806	$412,231	$(8,382)	$18,099	$12	$(1,106)	$15,803

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,793	¥ 4,311	$ 51,846
Depreciation and amortisation	6,261	6,206	74,636
Increase (decrease) in allowance for doubtful accounts	(30)	27	325
Decrease in severance and retirement benefits	(452)	(830)	(9,982)
Interest and dividend income	(194)	(274)	(3,295)
Interest expense	533	493	5,929
Gain on sale of securities, net	0	0	0
Write-down of investment in securities	198	291	3,500
Loss on disposal of property, plant and equipment, net	599	183	2,201
Loss on impairment of assets	286	573	6,891
Decrease (increase) in receivables	735	(76)	(914)
Decrease (increase) in inventories	2,999	(31)	(373)
Decrease in trade notes and accounts payable	(119)	(233)	(2,802)
Interest and dividends received	201	250	3,007
Interest paid	(535)	(491)	(5,905)
Increase (decrease) in consumption tax payable	108	(106)	(1,275)
Income taxes paid	(452)	(555)	(6,675)
Other, net	617	87	1,046
Net cash provided by operating activities	14,548	9,825	118,160
Cash flows from investing activities:			
Purchase of property, plant and equipment	(5,233)	(3,128)	(37,619)
Proceeds from sale of property, plant and equipment	698	690	8,298
Purchase of short-term investments and investment securities	(525)	(28)	(337)
Proceeds from sale of short-term investments and investment securities	625	2	24
Other, net	(831)	(421)	(5,063)
Net cash used in investing activities	(5,266)	(2,885)	(34,697)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(74)	3,574	42,983
Proceeds from long-term debt	8,541	4,569	54,949
Repayment of long-term debt	(8,462)	(9,133)	(109,838)
Cash dividends paid	(661)	(926)	(11,137)
Repayment of lease obligations	(1,493)	(1,406)	(16,909)
Other, net	475	(645)	(7,757)
Net cash used in financing activities	(1,674)	(3,967)	(47,709)
Effect of exchange rate changes on cash and cash equivalents	(1)	(7)	(84)
Net increase in cash and cash equivalents	7,607	2,966	35,670
Cash and cash equivalents at beginning of year	3,009	10,616	127,673
Cash and cash equivalents at end of year	¥10,616	¥13,582	$163,343

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended 31st March 2010 and 2011

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Marudai Food Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Finance Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 31st March 2011, which was ¥83.15 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation - The consolidated financial statements include the accounts of the Company and its 34 significant subsidiaries. Thirty-three of the Company's subsidiaries have the same fiscal year end as the Company, 31st March. One of the Company's subsidiaries is consolidated using a fiscal year ending 31st December. Significant transactions occurring from 1st January to 31st March are adjusted for in the consolidated financial statements. All significant into company balances, transactions and profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. The difference between the cost of an investment and the equity in the assets at the date of acquisition is, with minor exceptions, amortized over five years.

Cash and cash equivalents - Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered cash and cash equivalents.

Securities - Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholder's equity. Realized gains and losses on the sale of such securities are computed using moving average cost. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of equity securities or available-for-sale securities declines significantly, the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries or affiliated companies that are not accounted for using the equity method is not readily available, such securities are written down to net asset value with a corresponding charge in the consolidated statement of income in the event net asset value declines significantly. In this case, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Derivatives and hedge accounting - The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instrument is used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate if the forward contracts qualify for hedge accounting ("the alternative method"). Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("the special treatment").

Allowance for doubtful accounts - An allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amounts are individually estimated.

Inventories - The Company and its domestic consolidated subsidiaries state inventories at the lower of average cost or net realizable value.

Property, plant and equipment - Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining balance method. Buildings acquired after 31st March 1998, however, are depreciated using the straight-line method. The useful life of buildings and structures ranges from 12 to 50 years. The useful life of machinery and equipment ranges from 4 to 10 years.

Software - The Company and its consolidated domestic subsidiaries include software in intangible assets and amortize it using the straight-line method over the estimated useful life of five years.

Goodwill - Goodwill is amortized over a period of 5 years by the straight-line method.

Lease assets - Assets under finance leases that do not transfer ownership of the lease assets are amortized using the straight-line method over the lease term with the assumption that the useful life coincides with the lease term and residual value is zero.

Research and development expenses - Research and development expenses for the improvement of existing products and the development of new products, including basic research and fundamental development costs, are charged to expenses as incurred.

Bonuses - The Company and its consolidated domestic subsidiaries follow the general Japanese practice of paying bonuses to employees in July and December. Accrued bonus liabilities are determined based upon the estimated amounts to be paid in the subsequent period and are included in accrued expenses.

Translation of foreign currencies - Short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates. Financial statements of consolidated overseas subsidiaries are also translated into Japanese yen at year-end rates, except for shareholder's equity accounts, which are translated at historical rates, and statements of income items resulting from transactions with the Company, which are translated at the rates used by the Company.

Employees' severance and retirement benefits - The Companies have established defined contribution pension plans, defined benefits pension plans and unfunded lump-sum payments plans. To prepare for payment of employees' retirement benefits, a reserve for retirement benefits is provided based on the projected benefit obligation and the value of pension fund assets at the end of the fiscal year. If the projected value of pension fund assets falls below the combined amount of the projected benefit obligation and unrecognized actuarial gains and losses, the shortfall is recorded as reserve for retirement benefits. In the opposite case, the excess is recorded as prepaid pension cost. As a result of the calculation, the reserve for retirement benefits of the Company and some consolidated subsidiaries has become a debit balance in the fiscal year ended 31st March 2011 and is included in "Other" under investments and other assets. Projected benefit obligations are allocated using the straight-line method. Actuarial gains and losses are amortized by the straight-line method over a period of time (10 years) that is within the average remaining service period of the eligible employees beginning in the fiscal year following the year in which the gains or losses are recognized.

Income taxes - The asset - liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Amounts per share - The computations of net income per share of common stock shown on the consolidated statements of income are based on the weighted average number of shares outstanding during each financial period. Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective years. Diluted net income is not disclosed because the Company had nothing which might have diluted the per share amounts for the years ended 31st March 2011 and 2010.

Change in accounting policy

Effective from the fiscal year ended 31st March 2010, the Company and its consolidated domestic subsidiaries have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19 issued on 31st July 2008). This change had no material impact on the consolidated financial statements for the year ended 31st March 2010.

Effective from the fiscal year ended 31st March 2011, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on 31st March 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on 31st March 2008). The effect of this change was to decrease operating income by 7 million yen and income before income taxes and minority interests by 45 million yen for the year ended 31st March 2011.

Additional information

Effective from 31st March 2011, the Company has adopted the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms, and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, revised on 24th March 2009), corresponding to "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on 26th December 2008) and presented using an account of income before minority interests.

Effective from 31st March 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on 30th June 2010). However, the amounts for "accumulated other comprehensive income" and "total accumulated other comprehensive income" in the previous fiscal year were reported in terms of "unrealized gains and adjustments" or "total unrealized gains and adjustments".

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended 31st March 2010 were modified to conform with the new presentation rules of 2011. In addition, the Company has presented a consolidated statement of comprehensive income for the fiscal year ended 31st March 2010 as well as for the fiscal year ended 31st March 2011.

3. Financial instruments

Additional information

Effective from the fiscal year ended 31st March 2010, the Company has adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on 10th March 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on 10th March 2008). Information on financial instruments for the year ended 31st March 2010 required pursuant to the revised accounting standards is as follows.

(1) Current status of financial instruments

① Policy concerning financial instruments

In principle, the Marudai Food Group (the "Group") invests its surplus funds only in principal guaranteed deposits and relies on bank loans to raise funds. The Group uses derivatives to reduce foreign exchange and interest rate fluctuation risks, but is not engaged in any speculative transactions.

② Details of financial instruments and their risks, and the Group's risk management system

The Group is exposed to credit risk arising from operating receivables such as trade notes and accounts receivable. To limit the risk, the Company conducts due date and outstanding receivable management by customer in accordance with its credit exposure management guidelines and has a grading system to evaluate the credit condition of its major customers every six months. The consolidated subsidiaries conduct risk management similarly, following the Company's credit exposure management guidelines.

The Group is exposed to market price risk arising from the investment securities it holds. These securities constitute shares of companies with which companies in the Group have business relationships. The fair values of such shares are periodically assessed and the assessment reported to the Boards of Directors' meeting.

Most operating payables, such as trade notes and accounts payable, are payable within one year. Some arise in connection with the import of raw materials and goods that are denominated in foreign currencies. The Company uses foreign currency forward contracts to reduce foreign currency fluctuation risk that arises from operating payables in foreign currencies that are deemed certain to occur.

The Group primarily uses loans to procure operating funds and mainly uses lease receivables from finance leases to raise funds for capital expenditure. The Company is exposed to interest rate fluctuation risk arising from loans with floating interest rates. For most long-term loans with floating interest rates, the Company uses derivatives (interest rate swaps) for each individual loan as a hedge instrument to fix interest payments. Since the requirements for special treatment for interest rate swaps are satisfied, the Company uses the special treatment for the assessment of hedge effectiveness. To minimize counterparty risk, the Company follows its derivative transaction rules and enters such transactions only with highly rated financial institutions.

The Company is exposed to liquidity risk arising from its operating obligations and loan payables. To minimize this risk, the Accounting Department prepares statements of cash flows based on other divisions' reports and timely updates the statements. The consolidated subsidiaries also manage liquidity risk in accordance with the methods used by the Company.

③ Supplementary explanation on fair values of financial instruments

The fair values of financial instruments include values based on market prices or reasonably calculated values when market prices are not available. Because a variety of factors, some of which are variable, are taken into account when calculating the values, the adoption of different assumptions may result in different values.

The contract amounts of the derivative transactions stated in "(2) Fair value of financial instruments" do not reflect the market risk involved in the derivative transactions themselves.

(2) Fair value of financial instruments

The following table shows consolidated balance sheet amounts, fair values and any difference between book value and fair value as of 31st March 2010. However, financial instruments whose fair values were deemed extremely difficult to determine are not included in the table (Please refer to (※2)).

Millions of yen

	Consolidated balance sheet amounts (*1)	Fair value (*1)	Difference
① Cash and cash equivalents	¥10,616	¥10,616	¥ –
② Trade notes and accounts receivable	19,852	19,852	–
③ Investment securities			
Available-for-sale securities	9,198	9,198	–
④ Trade notes and accounts payable	(18,411)	(18,411)	–
⑤ Short-term borrowings	(987)	(987)	–
⑥ Long-term debt	(17,668)	(17,587)	(80)
⑦ Lease obligations	(5,269)	(5,434)	164
⑧ Derivative transactions (*2)	6	6	–

(*1) Figures in parenthesis show amounts recorded as liabilities.

(*2) Derivative assets and liabilities are presented on a net basis.

(※1) Determination of fair value for financial instruments and matters concerning securities and derivative transactions

① Cash and cash equivalents and ② Trade notes and accounts receivable

The fair values of these items are stated at their book values. Because these instruments are settled in a short period of time, their fair value approximates the book value.

③ Investment securities

The fair values of these securities are based on the prices on securities exchanges.

For information on securities classified by the purpose for which they are held, refer to Note 4, “Securities”.

④ Trade notes and accounts payable and ⑤ Short-term borrowings

The fair values of these items are stated at their book values. Because these instruments are settled in a short period of time, their fair value approximates the book value.

⑥ Long-term debt and ⑦ Lease obligations

To calculate the fair value of these items, the combined amount of principal and interest is discounted by the interest rate considered applicable to similar new loans or lease transactions. For the fair values of long-term debt with floating interest rates subject to special treatment for interest rate swaps (refer to ⑧), the combined amount of principal and interest processed as a single item with the interest swap is discounted by the price provided by the financial institutions.

⑧ Derivative transactions

Refer to Note 5, “Derivative financial instruments and hedging transactions”.

(※2) Financial instruments whose fair values were deemed extremely difficult to determine

Millions of yen

Category	Consolidated balance sheet amounts
Unlisted bonds	¥ 6
Unlisted stocks	77

Since no market prices were available for the above financial instruments and it was deemed extremely difficult to determine their fair values by the estimation of the future cash flows, these items were not included in "③ Investment securities Available-for-sale securities".

(※3) Estimated redemption amounts of monetary assets and available-for-sale securities with maturity dates after the consolidated balance sheet date

Millions of yen

	Within one year	Over one year but within five years	Over five years
Cash and cash equivalents	¥10,616	¥–	–
Trade notes and accounts receivable	19,852	–	–
Investment securities			
Available-for-sale securities with maturity dates (bonds)	–	6	–
Total	¥30,468	¥6	–

(※4) For estimated repayment amounts of long-term debt, lease obligations and other interest-bearing debts, refer to Note 7, "Short-term borrowings, long-term debt and lease obligations".

The following table shows consolidated balance sheet amounts, fair values and any difference between book value and fair value as of 31st March 2011. However, financial instruments whose fair values were deemed extremely difficult to determine are not included in the table (Please refer to (※2)).

	Millions of yen			Thousands of U.S. dollars (Note1)		
	Consolidated balance sheet amounts (*1)	Fair value (*1)	Difference	Consolidated balance sheet amounts (*1)	Fair value (*1)	Difference
① Cash and cash equivalents	¥13,582	¥13,582	¥ –	$163,343	$163,343	$ –
② Trade notes and accounts receivable	19,921	19,921	–	239,579	239,579	–
③ Investment securities						
Available-for-sale securities	8,675	8,675	–	104,330	104,330	–
④ Trade notes and accounts payable	(18,178)	(18,178)	–	(218,617)	(218,617)	–
⑤ Short-term borrowings	(4,534)	(4,534)	–	(54,528)	(54,528)	–
⑥ Long-term debt	(13,104)	(13,067)	(37)	(157,594)	(157,150)	(444)
⑦ Lease obligations	(5,311)	(5,476)	165	(63,873)	(65,857)	1,984
⑧ Derivative transactions (*2)	1	1	–	12	12	–

(*1) Figures in parenthesis show amounts recorded as liabilities.

(*2) Derivative assets and liabilities are presented on a net basis.

(※1) Determination of fair value for financial instruments and matters concerning securities and derivative transactions

① Cash and cash equivalents and ② Trade notes and accounts receivable

The fair values of these items are stated at their book values. Because these instruments are settled in a short period of time, their fair value approximates the book value.

③ Investment securities

The fair values of these securities are based on the prices on securities exchanges.

For information on securities classified by the purpose for which they are held, refer to Note 4, “Securities”.

④ Trade notes and accounts payable and ⑤ Short-term borrowings

The fair values of these items are stated at their book values. Because these instruments are settled in a short period of time, their fair value approximates the book value.

⑥ Long-term debt and ⑦ Lease obligations

To calculate the fair value of these items, the combined amount of principal and interest is discounted by the interest rate considered applicable to similar new loans or lease transactions. For the fair values of long-term debt with floating interest rates subject to special treatment for interest rate swaps (refer to ⑧), the combined amount of principal and interest processed as a single item with the interest swap is discounted by the price provided by the financial institutions.

⑧ Derivative transactions

Refer to Note 5, “Derivative financial instruments and hedging transactions”.

(※2) Financial instruments whose fair values are deemed extremely difficult to determine

	Millions of yen	Thousands of U.S. dollars (Note1)
Category	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted bonds	¥ 6	$ 72
Unlisted stocks	77	926

Since no market prices were available for the above financial instruments and it was deemed extremely difficult to determine their fair values by the estimation of the future cash flows, these items were not included in "③ Investment securities Available-for-sale securities".

(※3) Estimated redemption amounts of monetary assets and available-for-sale securities with maturity dates after the consolidated balance sheet date

	Millions of yen			Thousands of U.S. dollars (Note1)		
	Within one year	Over one year but within five years	Over five years	Within one year	Over one year but within five years	Over five years
Cash and cash equivalents	¥13,582	¥–	–	$163,343	$ –	–
Trade notes and accounts receivable	19,921	–	–	239,579	–	–
Investment securities						
Available-for-sale securities with maturity dates (bonds)	–	6	–	–	72	–
Total	¥33,503	¥6	–	$402,922	$72	–

(※4) For estimated repayment amounts of long-term debt, lease obligations and other interest-bearing debts, refer to Note 7, "Short-term borrowings, long-term debt and lease obligations".

4. Securities

The following tables summarize historical costs and book values (fair values) of available-for-sale securities with available fair market values as of 31st March 2010 and 2011.

Securities with book values exceeding historical cost:	Millions of yen						Thousands of U.S. dollars (Note1)		
	2010			2011			2011		
Type	Historical cost	Book value	Gain	Historical cost	Book value	Gain	Historical cost	Book value	Gain
Equity securities	¥4,427	¥7,691	¥3,264	¥3,959	¥6,958	¥2,999	$47,613	$83,680	$36,067
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥4,427	¥7,691	¥3,264	¥3,959	¥6,958	¥2,999	$47,613	$83,680	$36,067

Securities with book values not exceeding historical cost:	2010			2011			2011		
Type	Historical cost	Book value	Loss	Historical cost	Book value	Loss	Historical cost	Book value	Gain
Equity securities	¥1,960	¥1,507	¥(453)	¥2,161	¥1,716	¥(445)	$25,989	$20,637	$(5,252)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥1,960	¥1,507	¥(453)	¥2,161	¥1,716	¥(445)	$25,989	$20,637	$(5,252)

Available-for-sale securities sold during the year:

Millions of yen						Thousands of U.S. dollars (Note1)		
2010			2011			2011		
Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales
¥625	–	¥0	¥1	–	¥0	$12	–	$0

The Group recognized impairment loss on investment securities categorised as other securities with market value in the amount of ¥291 million ($3,500 thousand) for the year ended 31st March 2011.

In cases of impairment of stocks whose values depreciated from 30% to 50%, the Company determined impairment loss by analyzing the operational performance of the issuing entities based on prevailing financial data and market value information such as discrepancies between the book value and the highest or lowest market value during the year.

5. Derivative financial instruments and hedging transactions

Derivative financial instruments and hedging transactions at 31st March 2010 were as follows:

(1) Currency related

Millions of yen

Hedge accounting method	Transaction type	Major hedged items	Contract amounts	Due over one year	Fair value
Processing method in principle	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥155	–	(※1) ¥6
Total			¥155	–	¥6

※1 Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Interest related

Millions of yen

Hedge accounting method	Transaction type	Major hedged items	Contract amounts	Due over one year	Fair value
Special treatment	Interest rate swaps Pay fixed, receive floating	Long-term debt	¥6,995	¥3,563	(※2) –
Total			¥6,995	¥3,563	–

※2 According to the special treatment for interest rate swaps as applied to integrated and long-term debt, the fair value of the derivative financial instrument is included in the fair value of the long-term debt.

Derivative financial instruments and hedging transactions at 31st March 2011 were as follows:

(1) Currency related

			Millions of yen			Thousands of U.S. dollars (Note1)		
Hedge accounting method	Transactions types	Major hedged items	Contract amounts	Due over one year	Fair value	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥109	–	(※1) ¥1	$1,311	–	$12
Total			¥109	–	¥1	$1,311	–	$12

※1 Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Interest related

Hedge accounting method	Transactions types	Major hedged items	Millions of yen: Contract amounts	Millions of yen: Due over one year	Millions of yen: Fair value	Thousands of U.S. dollars (Note1): Contract amounts	Thousands of U.S. dollars (Note1): Due over one year	Thousands of U.S. dollars (Note1): Fair value
Special treatment	Interest rate swaps Pay fixed, receive floating	Long-term debt	¥5,809	¥4,838	(※2) –	$69,862	$58,184	–
Total			¥5,809	¥4,838	–	$69,862	$58,184	–

※2 According to the special treatment for interest rate swaps as applied to integrated and long-term debt, the fair value of the derivative financial instrument is included in the fair value of the long-term debt.

6. Inventories

Inventories at 31st March 2010 and 2011 consisted of the following:

	Millions of yen: 2010	Millions of yen: 2011	Thousands of U.S. dollars (Note 1): 2011
Finished goods and merchandise	¥ 5,918	¥ 6,085	$ 73,181
Work in progress	631	654	7,865
Raw materials and supplies	8,020	7,858	94,504
	¥14,569	¥14,597	$175,550

7. Short-term borrowings, long-term debt and lease obligations

Short-term borrowing at 31st March 2010 and 2011 consisted of short-term notes, generally for 365 days, with average interest rates of 1.55% and 0.82%, respectively.

Long-term debt at 31st March 2010 and 2011 consisted of the following:

	Millions of yen: 2010	Millions of yen: 2011	Thousands of U.S. dollars (Note 1): 2011
Loans from banks, insurance companies and other financial institution, 1.10% to 2.31% maturing through 2017			
Secured	¥ 162	¥ 96	$ 1,155
Unsecured	17,507	13,008	156,439
	17,669	13,104	157,594
Less current portion	(8,245)	(7,950)	(95,610)
	¥ 9,424	¥ 5,154	$ 61,984

The aggregate annual maturities of long-term debt were as follows:

	Millions of yen
Years ending 31st March,	2010
2011	¥ 8,245
2012	6,638
2013	2,328
2014	175
2015	128
2016 and thereafter	155
	¥17,669

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2011	2011
2012	¥ 7,950	$ 95,610
2013	3,817	45,905
2014	1,054	12,676
2015	128	1,539
2016	143	1,720
2017 and thereafter	12	144
	¥13,104	$157,594

The aggregate annual maturities of lease obligations were as follows:

	Millions of yen
Years ending 31st March,	2010
2011	¥1,348
2012	1,196
2013	863
2014	546
2015	399
2016 and thereafter	917
	¥5,269

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2011	2011
2012	¥1,346	$16,188
2013	1,019	12,255
2014	704	8,467
2015	560	6,735
2016	484	5,821
2017 and thereafter	1,198	14,407
	¥5,311	$63,873

8. Pledged assets

At 31st March, 2011 assets pledged as collateral for short-term bank loans of ¥350 million ($4,209 thousand) and the current portion of long-term debt of ¥53 million ($637 thousand) and long-term debt of ¥43 million ($517 thousand) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Land	¥185	¥185	$2,225
Building and structures	393	361	4,342
Machinery and equipment	25	18	216
	¥603	¥564	$6,783

9. Employees' severance and retirement benefits

The liability for severance and retirement benefits included in the liability section of the consolidated balance sheets as of 31st March 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Projected benefit obligation	¥21,676	¥21,832	$262,561
Unrecognised actuarial differences	(3,289)	(3,625)	(43,596)
Fair value of pension assets	(17,988)	(18,638)	(224,149)
Prepaid pension cost	117	979	11,774
	¥ 516	¥ 548	$ 6,590

Included in the consolidated statements of operations for the years ended 31st March 2010 and 2011 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Service costs—benefits earned during the year	¥ 922	¥ 906	$10,896
Interest cost on projected benefit obligation	420	423	5,087
Expected return on plan assets	(611)	(719)	(8,647)
Amortisation of actuarial differences	586	454	5,460
Amortisation of prior service costs	–	–	–
	¥1,317	¥1,064	$12,796

The discount rate used by the Companies was 2.0% for the years ended 31st March 2010 and 2011. The rate of expected return on plan assets used by the Companies was 4.0% for the years ended 31st March 2010 and 2011.

The losses on early retirement benefits shown separately in the consolidated statements of income were not included above.

10. Income taxes

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate, indicated a statutory income tax rate in Japan of approximately 40.7% for the years ended 31st March 2010 and 2011.

The following table summarises the significant differences between the statutory income tax rate and the Companies' effective tax rate for financial statement purposes for the years ended 31st March 2010 and 2011.

	2010	2011
Statutory tax rate	40.7%	40.7%
Changes in valuation allowance	(12.7)	(36.6)
Non-deductible expenses, including entertainment expenses	1.5	1.3
Non-taxable income, including dividends received	(5.2)	(6.4)
Per capita inhabitants tax	3.3	2.9
Effect of adopting consolidated tax return system for consolidated subsidiaries	(23.5)	(2.1)
Other	9.1	1.9
Effective tax rate	13.2%	1.7%

Significant components of the Companies' deferred tax assets and liabilities as of 31st March 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Deferred tax assets:	2010	2011	2011
Excess allowance for doubtful accounts	¥ 185	¥ 127	$ 1,527
Accrued bonuses	433	449	5,400
Employees' severance and retirement benefits	202	218	2,622
Loss on impairment of assets	1,297	1,591	19,134
Loss carryforwards	4,040	3,099	37,270
Other	2,061	2,206	26,531
Total deferred tax assets	¥8,218	¥7,690	$92,484
Valuation allowance	(7,354)	(5,740)	(69,032)
Net deferred tax assets	864	1,950	23,452
Deferred tax liabilities:			
Unrealised gains on securities	(1,127)	(1,050)	(12,628)
Deferred gains on real properties	(45)	(45)	(541)
Prepaid pension cost	(45)	(395)	(4,750)
Other	(54)	(52)	(626)
Total deferred tax liabilities	(1,271)	(1,542)	(18,545)
Net deferred tax assets	¥ (407)	¥ 408	$ 4,907

11. Contingent liabilities

The Company was contingently liable as a guarantor of loan obligations of a customer in the amount of ¥65 million at 31st March 2010 and ¥40 million ($481 thousand) at 31st March 2011.

12. Net assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus. Under the Japanese Corporate Law (“the Law”), in cases where a dividend distribution of surplus in made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

13. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March 2010 and 2011 were ¥678 million and ¥619 million ($7,444 thousand), respectively.

14. Loss on impairment of assets

The companies recorded impairment loss on the following asset groups for the year ended 31st March 2011.

Classifying fixed assets into the three categories of business assets, rental assets and idle assets, the Companies group their business assets by cash generating units that are defined as the smallest identifiable groups of assets generating cash inflows and group the rental assets and idle assets by each individual asset.

The business assets whose recoverable amounts measured by estimated future cash flows have fallen short of their carrying values and rental assets and idle assets whose market values have decreased significantly from their original carrying values are subject to reduction to their respective recoverable amounts. The total impairment loss for the year consisted of ¥320 million ($3,848 thousand) for land and ¥253 million ($3,043 thousand) for buildings and other.

The recoverable amounts measured based on values in use for business assets, values in use or net selling price at disposition for rental assets and net selling price at disposition for idle assets. Net selling prices at disposition are determined using professional appraisals. Values in use are calculated based on estimated future cash flows and were discounted at the rate of 3.8%.

15. Segment information

(1) Overview of the reportable segments

a. Method for determining reportable segments

The Group’s reportable segments are determined based on the availability of separate financial information for such segments that is examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and to assess the business performances of the segments. The Group has divided its business operations into two reportable segments and other segment. Its reportable segments are “the processed food products business” and “the meat products business”.

b. Descriptions of the businesses that constitute each reportable segment

In the processed food products business, the Company purchases, manufactures and sells ham, sausage and cooked and processed foods. In the meat products business, the Company purchases, manufactures, and sells meat products.

(2) Methods of measurement for sales, profit (loss), assets, liabilities and other items for each reportable segment

Accounting policies adopted by the reportable segments is identical to those described in Note 2, “Significant Accounting Policies”.

(3) Segment information for the years ended 31st March 2010 and 2011

Segment information as of and for the fiscal year ended 31st March 2010, restated to confirm with the current presentation standards is as follow:

	2010						
	Millions of yen						
	Reporting segments						
	Processed food products	Meat products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥141,630	¥54,623	¥196,253	¥ 414	¥196,667	¥ –	¥196,667
Intersegment sales and transfers	–	–	–	898	898	(898)	–
Net sales	141,630	54,623	196,253	1,312	197,565	(898)	196,667
Segment income (loss)	5,357	(327)	5,030	127	5,157	–	5,157
Segment assets	75,606	12,233	87,839	444	88,283	27,011	115,294
Other items:							
Depreciation and amortization	5,736	504	6,240	21	6,261	–	6,261
Increase in property, plant and equipment and intangible fixed assets	6,648	229	6,877	22	6,899	9	6,908

(*1) The other segment is business segments other than the reporting segments and includes the insurance agency business.

(*2) Adjustments for total assets of ¥27,011 million indicate assets not attributed to any other segments and are composed mainly of cash and deposits, investments in securities and rental properties.

(*3) Total segment income of the reporting segments and “Other” is equal to the operating income of consolidated statement of operations.

Segment information as of and for the fiscal year ended 31st March 2011 is as follows:

	2011						
	Millions of yen						
	Reporting segments						
	Processed food products	Meat products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥145,261	¥53,056	¥198,317	¥ 436	¥198,753	¥ –	¥198,753
Intersegment sales and transfers	–	–	–	894	894	(894)	–
Net sales	145,261	53,056	198,317	1,330	199,647	(894)	198,753
Segment income (loss)	5,195	345	5,540	184	5,724	–	5,724
Segment assets	74,200	12,026	86,226	484	86,710	30,395	117,105
Other items:							
Depreciation and amortization	5,727	453	6,180	26	6,206	–	6,206
Increase in property, plant and equipment and intangible fixed assets	4,339	229	4,568	33	4,601	5	4,606

	2011						
	Thousands of U.S. dollars (Note 1)						
	Reporting segments						
	Processed food products	Meat products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	$1,746,975	$638,076	$2,385,051	$ 5,244	$2,390,295	$ –	$2,390,295
Intersegment sales and transfers	–	–	–	10,752	10,752	(10,752)	–
Net sales	1,746,975	638,076	2,385,051	15,996	2,401,047	(10,752)	2,390,295
Segment income (loss)	62,477	4,150	66,627	2,212	68,839	–	68,839
Segment assets	892,363	144,630	1,036,993	5,821	1,042,814	365,544	1,408,358
Other items:							
Depreciation and amortization	68,876	5,448	74,324	312	74,636	–	74,636
Increase in property, plant and equipment and intangible fixed assets	52,183	2,754	54,937	397	55,334	60	55,394

(*1) The other segment is business segments other than the reporting segments and includes the insurance agency business.
(*2) Adjustments for total assets of ¥30,395 million ($365,544 thousand) indicate assets not attributed to any other segments and are composed mainly of cash and deposits, investments in securities and rental properties.
(*3) Total segment income of the reporting segments and “Other” is equal to the operating income of consolidated statement of operations.

Information about loss on impairment of assets by reportable segments

	2011						
	Millions of yen						
	Reporting segments						
	Processed food products	Meat products	Total	Other (Note)	Total	Adjustments	Consolidated
Loss on impairment of assets	¥134	–	¥134	–	¥134	¥439	¥573

	2011						
	Thousands of U.S. dollars (Note 1)						
	Reporting segments						
	Processed food products	Meat products	Total	Other (Note)	Total	Adjustments	Consolidated
Loss on impairment of assets	$1,612	–	$1,612	–	$1,612	$5,279	$6,891

(Additional information)

Effective from the fiscal year ended 31st March 2011, the Company has adopted the “Accounting Standard for Disclosures about Segment of an Enterprise and Related information” (ASBJ Statement No. 17, issued on 27th March 2009) and “Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on 21st March 2008).

16. Investment and rental property

Additional information

Effective from the fiscal year ended 31st March 2010, the Company has adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, issued on 28th November 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, issued on 28th November 2008) for the year ended 31st March 2010. The fair value information of investment and rental property has been omitted from the note due to its immateriality.

17. Subsequent events

At the annual shareholders' meeting held on 29th June 2011, the shareholders approved cash dividends amounting to ¥1,039 million. The appropriations have not been accrued in the consolidated financial statements as of 31st March 2011. Such appropriations are recognized in the period in which they are approved by the shareholders. On 30th June 2011, the shareholders of the Company authorised the payment of cash dividends to shareholders of record as of 31st March 2011 on the shares of stock then outstanding at the rate of ¥8.0 ($0.10) per share, or a total of ¥1,039 million ($12,495 thousand).

KPMG

Independent Auditors' Report

To the Board of Directors of Marudai Food Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Marudai Food Co., Ltd. and its consolidated subsidiaries as of 31st March 2010 and 2011, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marudai Food Co., Ltd. and its consolidated subsidiaries as of 31st March 2010 and 2011 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
29th June 2011

DIRECTORS AND STATUTORY AUDITORS

President and Representative Director:	Tokuo Kudara	Directors:	Tomoyuki Tanabe
			Masaaki Sugiyama
			Jiro Tsuge
Senior Executive and Managing Director:	Keiichi Kato		
	Toshiharu Inoue	Statutory Auditors:	Naoki Iwamoto
			Yasumi Shukuri
Managing Directors:	Yoshikazu Sawanaka		Hiroshi Kitabayashi
	Yasushi Sawada		
	Masahiro Oshima		

(As of 29th June 2011)

OUTLINE OF THE COMPANY

Established:	10th June 1958
Stated Capital:	¥6,716,252,022
Number of Employees:	2,339
Head Office:	21-3 Midori-cho, Takatsuki-shi, Osaka, Japan
Branch Office:	4-7-5 Tsukiji, Chuou-ku, Tokyo, Japan
Sales Offices:	The sales headquarters at the Company's head office in Osaka controls 13 distribution centers and 6 regional sales departments which service 64 local outlets.
Plants:	Hokkaido, Iwate, Niigata, Kanto, Soka, Ibaraki, Yokosuka, Shounan, Shizuoka, Matsusaka, Takatsuki, Hyogo, Okayama, Hiroshima, Karatsu
Overseas Office;	Chicago, U.S.A.

Major subsidiaries:

Hokkaido Marudai Food Co., Ltd.
Tohoku Marudai Food Co., Ltd.
Shin-etsu Marudai Food Co., Ltd.
Kanto Marudai Food Co., Ltd.
Chubu Marudai Food Co., Ltd.
Kansai Marudai Food Co., Ltd.
Chu-Shikoku Marudai Food Co., Ltd.
Kyushu Marudai Food Co., Ltd.
Marudai Meat Co., Ltd.
Hornmeier Co., Ltd.
Marudai Service Co., Ltd.
Makoto Giken Co., Ltd.
Pioneer Foods Co., Ltd.
21 Other subsidiaries

(As of 31st March 2011)

MARUDAI FOOD CO., LTD.
Head Office: 21-3 Midori-cho, Takatsuki-shi, Osaka, Japan
Telephone: 81-726-61-2518 Fax: 81-726-61-5006