



SEMI-ANNUAL REPORT 2011

For the Six-Month Period Ended 30th September, 2011

TO OUR SHAREHOLDERS

First of all, I offer my deepest sympathy to all the people affected by the Great East Japan Earthquake and I wish for the earliest possible recovery of the stricken communities.

I welcome this opportunity to report to our shareholders on the business results for the six-month period ended 30th September, 2011.

During the first six-month period of the fiscal year ending 31st March, 2012, the Japanese economy showed some signs of recovery, as production, which had dropped in the aftermath of the earthquake, picked up. However, the outlook for the Japanese economy remains uncertain owing to the strong yen and weak share prices—factors exacerbated by fiscal problems in Europe and concerns about the slowing of the U.S. economy.

The meat-packing industry continues to face a challenging situation, such as a decline in prices that reflects consumers' orientation towards low prices, sharp rises in prices of raw materials and fuels, and deterioration of the market environment for meat sales because of caesium contamination.

In these circumstances, we strove to provide safer and more reliable foods by adhering to the Marudai Food Group's policies of putting the customer first, thorough compliance, and emphasis on safety and quality. At the same time, we implemented a diversification strategy and initiatives to reinforce Group management and strengthen product development capabilities.

As a result, consolidated net sales for the first six-month period increased by 1.5% compared with the same period of the previous year to 100,597 million yen. Operating income rose by 2.1% to 3,315 million yen, and net income by 1.4% to 2,734 million yen.

The overview of results by business segment is as follows.

Regarding the Processed Foods business, amid the trends towards eating-in in the wake of the earthquake, the Ham and Sausage Products operation sought to increase sales of the Company's mainstay products, "*Kunseiya Jyukusei Vienna Sausage*," while at the same time made efforts to promote sales of "*Itsumo Shinsen Roast Ham*," "*Kiriotoshi Nama Ham*" and other products by actively proposing menus that catered to the public's desire to eat at home. Also, in terms of midsummer gift products, our mainstay brands, namely, "*Ouha*" and "*Kosai*" steadily increased sales, which resulted in a 3.0% increase in sales for this segment compared to the same period of the previous year.

In the Precooked & Processed Foods operation, sales increases were reported in retort-pouch foods, including the Korean-style soup "*Sundubu*," and "*Umami Kobo Curry*." Additionally our efforts to increase sales of the "*Sweet Cafe*" dessert products, the "*Tapioca Time*" beverage products and the "*Custard Vanilla*

Yogurt” were rewarded with a 1.9% increase in the sales of this segment compared to the same period of the previous year.

As a result, sales of the Processed Foods segment amounted to 74,616 million yen, up 2.5 % from the same period of the previous year. Operating income, despite the harsh environment, including the soar of material and fuel prices, rose by 4.7% to 3,125 million yen, thanks to increased sales and the effects of cost cuts in both the production and sales divisions.

In the Meat business, despite the sluggish growth in demand reflecting the customers’ preference for low-priced foods, we managed to increase the sales volume of U.S.-bred beef through our efforts towards sales expansion. However, this did not translate into increased sales due to the plunge in domestic beef prices, which was caused by the fear of caesium contamination, among other factors. Pork sales also struggled due to the fall in sales volume, which was precipitated by continuing high pork prices. As a result, sales of the Meat segment amounted to 25,779 million yen, down 1.4% from the same period of the previous year. Operating income declined by 42.9% to 101 million yen, due to the deteriorating profitability of Australian-bred beef sales.

Sales of the Other Products business were 200 million yen, down 5.8% from the same period of the previous year; operating income increased by 3.6% to 87 million yen.

We would appreciate the continued support and cooperation of our shareholders.

A handwritten signature in black ink, appearing to read "T. Kudara", is written over a horizontal line. The signature is stylized and cursive.

Tokuo Kudara
President

MARUDAI FOOD CO., LTD.
CONSOLIDATED BALANCE SHEETS
30th September, 2010 and 2011
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 8,910	¥ 13,784	\$ 179,830
Receivables:			
Trade notes and accounts	21,037	21,221	276,856
Other	363	357	4,658
Allowance for doubtful accounts	(53)	(52)	(678)
Inventories	17,673	15,052	196,373
Deferred tax assets	1,445	2,263	29,524
Advances and other current assets	571	684	8,924
Total current assets	49,946	53,309	695,487
Investments and other assets:			
Investment securities	8,360	8,194	106,902
Deferred tax assets	54	67	874
Other	5,902	7,586	98,969
Allowance for doubtful accounts	(364)	(378)	(4,932)
Total investments and other assets	13,952	15,469	201,813
Property, plant and equipment, at cost:			
Land	19,491	18,716	244,175
Buildings and structures	45,556	45,315	591,194
Machinery and equipment	48,584	48,628	634,416
Construction in progress	276	521	6,797
Lease assets	7,586	8,237	107,462
	121,493	121,417	1,584,044
Less accumulated depreciation	(70,025)	(72,054)	(940,039)
Net property, plant and equipment	51,468	49,363	644,005
Intangible assets	978	701	9,145
Total assets	¥116,344	¥118,842	\$1,550,450

See accompanying the note.

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings	¥ 487	¥ 6,402	\$ 83,523
Long-term debt due within one year	8,072	6,858	89,472
Trade notes and accounts payable	19,542	19,575	255,382
Short-term lease obligations	1,345	1,196	15,603
Accrued expenses	2,423	2,403	31,350
Accrued income taxes	589	510	6,654
Other current liabilities	5,384	6,264	81,722
Total current liabilities	37,842	43,208	563,706
Long-term liabilities:			
Long-term debt due after one year	9,288	3,275	42,727
Deferred tax liabilities	1,103	1,493	19,478
Long-term lease obligations	3,384	3,487	45,492
Employees' severance and retirement benefits	534	622	8,115
Other long-term liabilities	451	493	6,432
Total long-term liabilities	14,760	9,370	122,244

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
NET ASSETS			
Shareholders' equity:			
Common stock	6,716	6,716	87,619
Capital surplus	21,686	21,686	282,922
Retained earnings	33,118	35,972	469,302
Less treasury stock, at cost	(58)	(697)	(9,093)
Total shareholders' equity	<u>61,462</u>	<u>63,677</u>	<u>830,750</u>
Accumulated other comprehensive income:			
Unrealised gains on securities	1,157	1,151	15,016
Deferred losses on hedges	(2)	(36)	(470)
Foreign currency translation adjustments	(60)	(84)	(1,096)
Total accumulated other comprehensive income	<u>1,095</u>	<u>1,031</u>	<u>13,450</u>
Minority interests	<u>1,185</u>	<u>1,556</u>	<u>20,300</u>
Total net assets	<u>63,742</u>	<u>66,264</u>	<u>864,500</u>
Total liabilities and net assets	<u>¥116,344</u>	<u>¥118,842</u>	<u>\$1,550,450</u>

MARUDAI FOOD CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Six months ended 30th September, 2010 and 2011
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
Income before minority interests	¥2,948	¥2,984	\$38,930
Other comprehensive income:			
Unrealised losses on securities	(528)	(355)	(4,631)
Deferred losses on hedges	(6)	(36)	(470)
Foreign currency translation adjustments	27	8	104
Total other comprehensive income	(507)	(383)	(4,997)
Comprehensive income	<u>¥2,441</u>	<u>¥2,601</u>	<u>\$33,933</u>
Comprehensive income attributable to:			
Owners of the parent	¥2,188	¥2,351	\$30,672
Minority interests	¥ 253	¥ 250	\$ 3,261

See accompanying the note.

MARUDAI FOOD CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Six months ended 30th September, 2010 and 2011
(Unaudited)

	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, 2010	132,527,909	¥6,716	¥21,686	¥31,349	¥ (57)	¥1,685	¥ 4	¥(88)	¥ 937
Net income	—	—	—	2,695	—	—	—	—	—
Cash dividends paid - ¥7 per share	—	—	—	(927)	—	—	—	—	—
Decrease in unrealised gains on securities	—	—	—	—	—	(528)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	28	248
Decrease in deferred gains on hedges	—	—	—	—	—	—	(6)	—	—
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	—
Balance at 30th September, 2010	<u>132,527,909</u>	<u>¥6,716</u>	<u>¥21,686</u>	<u>¥33,117</u>	<u>¥ (58)</u>	<u>¥1,157</u>	<u>¥ (2)</u>	<u>¥(60)</u>	<u>¥1,185</u>
Balance at 31st March, 2011	132,527,909	6,716	21,686	34,277	(697)	1,506	1	(92)	1,314
Net income	—	—	—	2,734	—	—	—	—	—
Cash dividends paid - ¥8 per share	—	—	—	(1,039)	—	—	—	—	—
Decrease in unrealised gains on securities	—	—	—	—	—	(355)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	8	242
Decrease in deferred gains on hedges	—	—	—	—	—	—	(37)	—	—
Purchase of treasury stock	—	—	—	—	(0)	—	—	—	—
Balance at 30th September, 2011	<u>132,527,909</u>	<u>¥6,716</u>	<u>¥21,686</u>	<u>¥35,972</u>	<u>¥(697)</u>	<u>¥1,151</u>	<u>¥(36)</u>	<u>¥(84)</u>	<u>¥1,556</u>

Thousands of U.S. dollars (Note)

	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, 2011	\$87,619	\$282,922	\$447,189	\$(9,093)	\$19,648	\$ 13	\$(1,200)	\$17,143
Net income	—	—	35,668	—	—	—	—	—
Cash dividends paid - ¥8 per share	—	—	(13,555)	—	—	—	—	—
Decrease in unrealised gains on securities	—	—	—	—	(4,632)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	104	3,157
Decrease in deferred gains on hedges	—	—	—	—	—	(483)	—	—
Purchase of treasury stock	—	—	—	(0)	—	—	—	—
Balance at 30th September, 2011	<u>\$87,619</u>	<u>\$282,922</u>	<u>\$469,302</u>	<u>\$(9,093)</u>	<u>\$15,016</u>	<u>\$(470)</u>	<u>\$(1,096)</u>	<u>\$20,300</u>

MARUDAI FOOD CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended 30th September, 2010 and 2011
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥2,973	¥3,210	\$41,880
Depreciation and amortisation	3,008	2,888	37,678
Increase in allowance for doubtful accounts	29	14	183
Decrease in severance and retirement benefits	(384)	(424)	(5,532)
Interest and dividend income	(112)	(122)	(1,592)
Interest expense	250	211	2,753
Write-down of investment in securities	79	1	13
Loss (gain) on disposal of property, plant and equipment, net ..	(131)	114	1,486
Loss on impairment of assets	324	75	978
Increase in receivables	(1,217)	(1,305)	(17,025)
Increase in inventories	(3,104)	(455)	(5,936)
Increase in trade notes and accounts payable	1,130	1,397	18,226
Interest and dividends received	140	149	1,944
Interest paid	(250)	(210)	(2,740)
Increase in consumption tax payable	(203)	(62)	(809)
Income taxes paid	(355)	(715)	(9,328)
Other, net	(137)	455	5,936
Net cash provided by operating activities	<u>2,040</u>	<u>5,221</u>	<u>68,115</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(1,682)	(2,132)	(27,815)
Proceeds from sale of property, plant and equipment	607	124	1,618
Purchase of short-term investments and investment securities	(16)	(15)	(196)
Proceeds from sale of short-term investments and investment securities	2	0	0
Other, net	(221)	(175)	(2,283)
Net cash used in investing activities	<u>(1,310)</u>	<u>(2,198)</u>	<u>(28,676)</u>

	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2011	2011
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(498)	1,864	24,318
Proceeds from long-term debt	4,004	500	6,523
Repayment of long-term debt	(4,312)	(3,471)	(45,284)
Cash dividends paid	(926)	(1,039)	(13,555)
Repayment of lease obligations	(697)	(670)	(8,741)
Other, net	(6)	(5)	(65)
Net cash used in financing activities	<u>(2,435)</u>	<u>(2,821)</u>	<u>(36,804)</u>
Effect of exchange rate changes on			
cash and cash equivalents	(1)	0	0
Net increase (decrease) in cash and cash equivalents	<u>(1,706)</u>	<u>202</u>	<u>2,635</u>
Cash and cash equivalents at beginning of year	<u>10,616</u>	<u>13,582</u>	<u>177,195</u>
Cash and cash equivalents at end of year	<u>¥8,910</u>	<u>¥13,784</u>	<u>\$179,830</u>

MARUDAI FOOD CO., LTD.
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of financial statements

Marudai Food Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Company Law and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices. These financial statements should be read along with the Annual Report to Shareholders for the year ended 31st March 2011.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at 30th September, 2011, which was ¥76.65 to U.S.\$1.00. The convenience 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.

DIRECTORS AND STATUTORY AUDITORS (As of 30th September, 2011)

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

OUTLINE OF THE COMPANY (As of 30th September, 2011)

Established	10th June, 1958
Stated Capital	¥6,716,252,022
Number of Employees	2,312
Head Office	21-3 Midori-cho, Takatsuki-shi, Osaka, Japan Telephone: 81-72-661-2518 Fax: 81-72-661-5006
Branch Office	4-7-5 Tsukiji, Chuouku, 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 60 local outlets.
Plants	Hokkaido, Iwate, Niigata, Kanto, Soka, Ibaraki, Yokosuka, Shounan, Shizuoka, Matsusaka, Takatsuki, Hyogo, Okayama, Hiroshima, Karatsu
Overseas Office	Chicago, U.S.A.

MARUDAI FOOD CO., LTD.