



# SEMI-ANNUAL REPORT 2013

For the Six-Month Period Ended 30th September, 2013

# TO OUR SHAREHOLDERS

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First of all, we would like to express our profound gratitude for the continued support of our shareholders. We hereby would like to announce the business results for the first six-month period of the company's 66th fiscal year.

During the first six-month period ended 30th September, 2013, the Japanese economy was on a moderate recovery trend. On the back of the effects of monetary easing and various other government policies, there were signs of a recovery in corporate earnings centring on certain export-related companies. In addition, reflecting improvement in consumer confidence, the labour market and personal incomes picked up somewhat. However, the impact on personal consumption was still limited and the environment remained challenging.

The environment in which the Marudai Food Group's Processed Food Products business operates continued to face severe challenges, including intensifying sales competition amid sharp increases in raw materials prices in line with the exchange rate fluctuations and for other reasons. The environment for the Meat Products business remained tough. Although prices of Japanese beef and imported beef remained firm, purchase prices of Japanese pork and chicken increased because of the decrease in supplies partly due to the unusually hot summer in 2013.

Under such circumstances, we strove to offer food products that satisfy the highest standards of safety and reliability by adhering to the Marudai Food Group's policies of putting the customer first, thorough compliance and uncompromising commitment to safety and quality. In parallel, 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 2.0% compared with the same period of the previous year to 105,129 million yen. Operating income decreased by 38.4% to 1,141 million yen, and net income decreased by 36.1% to 587 million yen.

## **Processed Food Products**

The Ham & Sausage Products operations conducted vigorous sales promotion campaigns to expand sales, including a campaign to support the Japanese team for the Sochi 2014 Winter Olympic Games, for mainstay brands such as "*Kunseiya Jyukusei Arabiki Vienna Sausage*", winner of the Monde Selection Grand Gold Quality Award in the food products category for the fifth time in 2013. We also introduced new products for sales expansion, including "*Aikatsu! Fish Sausage*", a product featuring a popular anime character. In terms of midsummer gift products, our proactive sales efforts focused on our mainstay series, namely "*Ouha*" and "*Kosai*". As a result, sales of the Ham & Sausage Products operations increased by 0.1% compared with the same period of the previous year.

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In the Precooked & Processed Foods operations, sales of the “*Sundubu*” series of Korean-style soup mixes whose line-up was enriched with the addition of “*Gomatonyu* (sesame & soymilk) *Sundubu*” were robust, as were sales of the popular “*Doria* (rice au gratin) *Sauce*” series. We also made vigorous efforts in the introduction of new products, including the “*Toriniku no Kabayaki* (broiled chicken)” for which Japanese chicken is cooked using our patented method and the “*Atsuage DELI*” series of sauces for innovative dishes using deep-fried tofu. We also strove to expand sales of the “*SWEET CAFE*” series of our mainstay dessert dishes. However, sales of the Precooked & Processed Foods operations decreased by 3.5% compared with the same period of the previous year mainly due to lacklustre sales of products for convenience stores.

As a result, sales in the Processed Food Products segment amounted to 74,071 million yen, down 1.4% compared with the same period of the previous year. Operating income decreased by 31.7% to 1,231 million yen, owing to sharp increases in raw materials prices and declines in sales prices as a result of intensified competition.

### **Meat Products**

Despite severe price competition reflecting the continued preoccupation with low prices among consumers, we vigorously worked to expand sales of U.S. beef and Japanese beef. Sales of pork were also robust as a result of our efforts to increase sales of imported pork.

As a result, sales in the Meat Products segment increased by 11.3% compared with the same period of the previous year to 30,889 million yen. However, the segment recorded an operating loss of 187 million yen because of increased purchase prices and intensified price competition.

### **Other**

Sales in the Other business decreased by 14.2% compared with the same period of the previous year to 169 million yen, and operating income decreased by 0.5% to 97 million yen.

Once again, we would like to express our gratitude to our shareholders and to ask for your continued support of our business in the future.



Tokuo Kudara  
President

**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**30th September, 2013 and 2012**  
**(Unaudited)**

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 11,753	¥ 11,378	\$ 120,309
Receivables:			
Trade notes and accounts .....	22,283	26,458	228,099
Other .....	375	828	3,839
Allowance for doubtful accounts .....	(56)	(63)	(573)
Inventories .....	17,577	14,562	179,926
Deferred tax assets .....	1,165	1,601	11,926
Advances and other current assets .....	632	694	6,469
Total current assets .....	53,729	55,458	549,995
<b>Investments and other assets:</b>			
Investment securities			
Affiliates .....	69	107	706
Other .....	12,007	8,270	122,909
Deferred tax assets .....	73	257	747
Other .....	7,318	7,681	74,911
Allowance for doubtful accounts .....	(420)	(430)	(4,299)
Total investments and other assets .....	19,047	15,885	194,974
<b>Property, plant and equipment, at cost:</b>			
Land .....	18,778	18,950	192,220
Buildings and structures .....	47,443	47,234	485,649
Machinery and equipment .....	54,499	52,477	557,877
Construction in progress .....	254	686	2,600
Lease assets .....	6,254	7,290	64,019
	127,228	126,637	1,302,365
Less accumulated depreciation .....	(76,903)	(75,280)	(787,215)
Net property, plant and equipment .....	50,325	51,357	515,150
<b>Intangible assets</b> .....	1,446	1,755	14,802
Total assets .....	¥124,547	¥124,455	\$1,274,921

See the accompanying note.

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 8,202	¥10,910	\$ 83,959
Long-term debt due within one year .....	1,691	3,196	17,310
Trade notes and accounts payable .....	22,078	21,710	226,001
Short-term lease obligations .....	751	911	7,688
Accrued expenses .....	2,355	2,466	24,107
Accrued income taxes .....	562	346	5,753
Other current liabilities .....	6,654	7,144	68,113
<b>Total current liabilities</b> .....	<b>42,293</b>	<b>46,683</b>	<b>432,931</b>
<b>Long-term liabilities:</b>			
Long-term debt due after one year .....	5,742	4,348	58,778
Deferred tax liabilities .....	2,047	1,303	20,954
Long-term lease obligations .....	2,464	2,886	25,223
Employees' severance and retirement benefits .....	892	855	9,131
Other long-term liabilities .....	505	551	5,169
<b>Total long-term liabilities</b> .....	<b>¥11,650</b>	<b>¥ 9,943</b>	<b>\$119,255</b>

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorised-200,000,000 shares			
Issued-132,527,909 shares in 2013 (132,527,909 shares in 2012) .....	¥ 6,716	¥ 6,716	\$ 68,748
Capital surplus .....	21,686	21,686	221,988
Retained earnings .....	37,579	36,920	384,676
Less treasury stock at cost .....	(699)	(698)	(7,155)
Total shareholders' equity .....	<u>65,282</u>	<u>64,624</u>	<u>668,257</u>
<b>Accumulated other comprehensive income:</b>			
Unrealised gains on securities .....	3,806	1,674	38,960
Deferred losses on hedges .....	(9)	(7)	(92)
Foreign currency translation adjustments .....	(105)	(91)	(1,075)
Total accumulated other comprehensive income .....	<u>3,692</u>	<u>1,576</u>	<u>37,793</u>
<b>Minority interests</b> .....	1,630	1,629	16,685
Total net assets .....	<u>70,604</u>	<u>67,829</u>	<u>722,735</u>
Total liabilities and net assets .....	<u>¥124,547</u>	<u>¥124,455</u>	<u>\$1,274,921</u>



**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
Six months ended 30th September, 2013 and 2012  
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Income before minority interests</b> .....	¥ 676	¥1,036	\$ 6,920
Other comprehensive income:			
Unrealised gains (losses) on securities .....	866	(327)	8,865
Deferred losses on hedges .....	(10)	(25)	(102)
Foreign currency translation adjustments .....	9	23	92
Share of other comprehensive income of associates accounted for using equity method .....	11	1	112
Total other comprehensive income .....	876	(328)	8,967
<b>Comprehensive income</b> .....	<u>¥1,552</u>	<u>¥ 708</u>	<u>\$15,887</u>
<b>Comprehensive income attributable to:</b>			
Owners of the parent .....	¥1,462	¥590	\$14,966
Minority interests .....	¥ 90	¥118	\$ 921

See the accompanying note.



**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
Six months ended 30th September, 2013 and 2012  
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Common stock:</b>			
Balance at beginning and end of period .....	¥ 6,716	¥ 6,716	\$ 68,748
<b>Capital surplus:</b>			
Balance at beginning and end of period .....	¥21,686	¥21,686	\$221,988
<b>Retained earnings:</b>			
Balance at beginning of period .....	¥38,032	¥37,171	\$389,313
Cash dividends paid .....	(1,040)	(1,169)	(10,646)
Net income .....	587	918	6,009
Balance at end of period .....	¥37,579	¥36,920	\$384,676
<b>Treasury stock, at cost:</b>			
Balance at beginning of period .....	¥ (698)	¥ (698)	\$ (7,145)
Purchase of treasury stock .....	(1)	(0)	(10)
Balance at end of period .....	¥ (699)	¥ (698)	\$ (7,155)
<b>Unrealized gains on securities:</b>			
Balance at beginning of period .....	¥ 2,940	¥ 2,001	\$ 30,095
Increase (decrease) for period .....	866	(327)	8,865
Balance at end of period .....	¥ 3,806	¥ 1,674	\$ 38,960
<b>Deferred losses on hedges:</b>			
Balance at beginning of period .....	¥ 0	¥ 18	\$ 0
Decrease for period .....	(9)	(25)	(92)
Balance at end of period .....	¥ (9)	¥ (7)	\$ (92)

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	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of period .....	¥ (124)	¥ (115)	\$ (1,269)
Increase for period .....	19	24	194
Balance at end of period .....	<u>¥ (105)</u>	<u>¥ (91)</u>	<u>\$ (1,075)</u>
<b>Minority interests:</b>			
Balance at beginning of period .....	¥ 1,560	¥ 1,529	\$ 15,969
Increase for period .....	70	100	716
Balance at end of period .....	<u>¥ 1,630</u>	<u>¥ 1,629</u>	<u>\$ 16,685</u>

**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Six months ended 30th September, 2013 and 2012  
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 1,156	¥ 944	\$ 11,833
Depreciation and amortisation .....	2,712	2,826	27,761
Loss on impairment of assets .....	133	107	1,361
Increase in allowance for doubtful accounts .....	7	6	72
Increase in severance and retirement benefits .....	172	85	1,761
Interest and dividend income .....	(158)	(139)	(1,617)
Interest expense .....	138	173	1,413
Gain on sale of securities, net .....	(11)	(1)	(113)
Write-down of investment in securities .....	—	535	—
Loss on disposal of property, plant and equipment, net .....	47	68	481
Decrease (increase) in receivables .....	2,696	(1,219)	27,597
Increase in inventories .....	(3,147)	(508)	(32,214)
Increase in trade notes and accounts payable .....	2,173	1,893	22,244
Increase (decrease) in consumption tax payable .....	15	(103)	154
Other, net .....	(42)	(602)	(430)
Subtotal .....	5,891	4,065	60,303
Interest and dividends received .....	154	169	1,576
Interest paid .....	(139)	(172)	(1,423)
Income taxes paid .....	(229)	(278)	(2,344)
Net cash provided by operating activities .....	5,677	3,784	58,112
<b>Cash flows from investing activities:</b>			
Purchase of short-term investments and investment securities .....	(15)	(23)	(154)
Proceeds from sale of short-term investments and investment securities .....	27	20	276
Purchase of property, plant and equipment .....	(2,302)	(3,385)	(23,564)
Proceeds from sale of property, plant and equipment .....	200	149	2,047
Other, net .....	128	(65)	1,311
Net cash used in investing activities .....	¥ (1,962)	¥ (3,304)	\$ (20,084)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
<b>Cash flows from financing activities:</b>			
Net increase in short-term borrowings .....	¥ 310	¥ 2,460	\$ 3,173
Proceeds from long-term debt .....	48	225	491
Repayment of long-term debt .....	(1,634)	(2,547)	(16,726)
Repayment of lease obligations .....	(453)	(533)	(4,637)
Cash dividends paid .....	(1,038)	(1,169)	(10,625)
Other, net .....	(20)	(21)	(205)
Net cash used in financing activities .....	<u>(2,787)</u>	<u>(1,585)</u>	<u>(28,529)</u>
<b>Effect of exchange rate changes on</b>			
cash and cash equivalents .....	(2)	0	(20)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<u>926</u>	<u>(1,105)</u>	<u>9,479</u>
<b>Cash and cash equivalents at beginning of year .....</b>	<u>10,827</u>	<u>12,296</u>	<u>110,830</u>
<b>Cash and cash equivalents at end of year .....</b>	<u>¥11,753</u>	<u>¥11,191</u>	<u>\$120,309</u>

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

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**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, 2013.

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, 2013, which was ¥97.69 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, 2013)

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President and Representative Director:	Tokuo Kudara	Directors:	Yoshio Kuramori Hiroshi Kubota Nobuyoshi Katoh Jiro Tsuge
Senior Executive and Managing Directors:	Keiichi Katoh Toshiharu Inoue	Statutory Auditors:	Yoshikazu Sawanaka Yasumi Shukuri Motoaki Nishimura
Managing Director:	Yasushi Sawada		

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### OUTLINE OF THE COMPANY (As of 30th September, 2013)

Established:	10th June, 1958
Stated Capital:	¥6,716 million
Number of Employees:	2,238
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 10 distribution centers and 6 regional sales departments which service 50 local outlets.
Plants:	Hokkaido, Iwate, Niigata, Kanto, Ibaraki, Yokosuka, Shounan, Shizuoka, Matsusaka, Takatsuki, Hyogo, Okayama, Hiroshima, Karatsu
Overseas Office:	Chicago, U.S.A.

**MARUDAI FOOD CO., LTD.**