MARUDAI

Annual Report 2015

For the Year Ended 31st March 2015

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.

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MARUDAI FOOD CO., LTD.

FINANCIAL HIGHLIGHTS

For the Years Ended 31st March 2015 and 2014
(Consolidated basis)

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts
			(Note)
	2015	2014	2015
Net sales	¥222,317	¥213,679	$1,850,329
Net income	1,806	1,726	15,031
Per share:			
Net income (yen and dollars)	13.89	13.29	0.12
Net income, diluted (yen and dollars)	–	–	–
Dividends (yen and dollars)	7.00	7.00	0.06
Total assets	¥123,909	¥120,694	$1,031,286

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥120.15 to U.S.$1.00.

TO OUR SHAREHOLDERS

With the issuance of our company's 67th 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 2015, the Japanese economy was on a recovery path as corporate earnings improved, centering on export related companies and reflecting factors that include the positive impact of the Abe administration's economic policies. With regard to personal consumption, however, concerns about the reduction in disposable income attributable to the consumption tax increase persisted and there was little ground for optimism concerning consumption of daily necessities such as foods and household goods.

The Marudai Food Group's Processed Food Products business continues to operate in a challenging environment characterized by sharp increases in raw material prices in line with the weakening of the yen and intensifying sales competition. The environment for the Meat Products business also remained challenging. While prices of beef and pork remained firm, reflecting decreased supply, purchase prices of imported raw materials further rose partly because of purchases by emerging countries.

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 fiscal year ended 31st March 2015 increased by 4.0% year on year to 222,317 million yen. And, although operating income decreased by 4.6% to 2,731 million yen, net income increased by 4.6% to 1,806 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 2015

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 2015 and 2014:

	Millions of yen (percent of total net sales)		Thousands of U.S. dollars (Note)
	2015	2014	2015
Processed Food Products	¥156,952	¥150,193	$1,306,300
	(70.6%)	(70.3%)	
Meat Products	65,002	63,120	541,007
	(29.2%)	(29.5%)	
Other	363	366	3,022
	(0.2%)	(0.2%)	
Total	¥222,317	¥213,679	$1,850,329

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥120.15 to U.S.$1.00.

Processed Food Products

The Ham & Sausage Products operations made vigorous efforts to expand sales of mainstay products such as the "*Kunseiya-Ripened Pork Sausage*," which marked the 20th anniversary of its launch through sales promotions, including the "*Yugana Hitotoki*" gift campaign. We also vigorously marketed new products, including the "*Usushio*" series of products with low sodium content but whose taste is uncompromised and the "*Yo-Kai Watch Sausage*," which are sausages with popular anime characters printed on them. For midsummer and year-end gift products, we focused our efforts mainly on expanding sales of the "*Ouha*" series of gift packages, consisting of products that won the Monde Selection Grand Gold Quality Award in the food products category for the third consecutive year in 2014. As a result, sales of the Ham & Sausage Products operations increased by 1.9% year on year.

In the Precooked & Processed Foods operations, sales of the "*Sundubu*" series of Korean-style soup mixes were robust thanks to the enriched line-up with the addition of "*Seafood Kimchi Flavour*." We strove to vigorously expand sales through the introduction of new products, including the "*Soup BIZ*" series of one-person-packaged soup served cold offering rich tasting ingredients and medium-hot savoury "*Keema Curry*." With regard to desserts and beverages, we conducted a sales promotion campaign for the "*SWEET CAFE*" mainstay series of desserts to increase sales, and sales of the "*TAPIOCA TIME*" series of beverages with black tapioca were robust. As a result, sales of the Precooked & Processed Foods operations increased by 8.3% year on year.

Overall, sales in the Processed Food Products segment amounted to 156,952 million yen, up 4.5% year on year. Operating income, however, decreased by 27.5% to 1,886 million yen, owing to intense sales competition and sharp increases in raw materials prices despite our efforts to reduce costs.

Meat Products

While beef prices remained high, we made vigorous efforts to expand sales of American branded beef. Amid soaring pork prices owing to a decrease in supply because of porcine epidemic diarrhoea (PED) and a decrease in imports resulting from the labour issue at ports on the U.S. West Coast, we emphasized sales of Japanese pork, and consequently, sales of pork were robust.

As a result, sales in the Meat Products segment increased by 3.0% year on year to 65,002 million yen and operating income amounted to 666 million yen, a significant increase from the previous year.

Other

Sales of the Other business decreased by 1.0% year on year to 363 million yen, and operating income decreased by 10.8% to 179 million yen.

CONSOLIDATED BALANCE SHEETS

31st March 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 3 and 16)	¥ 13,923	¥ 14,898	$ 115,880
Receivables:			
Trade notes and accounts (Note 3)	23,952	23,146	199,351
Other	334	348	2,780
Allowance for doubtful accounts	(56)	(62)	(466)
Inventories (Note 6)	17,034	13,662	141,773
Deferred tax assets (Note 10)	1,026	1,124	8,539
Advances and other current assets	425	450	3,537
Total current assets	56,638	53,566	471,394
Investments and other assets:			
Investment securities (Notes 3 and 4)			
Affiliates	–	40	–
Other	12,683	10,984	105,560
Deferred tax assets (Note 10)	109	79	907
Other	5,440	5,291	45,276
Allowance for doubtful accounts	(308)	(396)	(2,563)
Total investments and other assets	17,924	15,998	149,180
Property, plant and equipment, at cost:			
Land (Note 8)	18,245	18,748	151,852
Buildings and structures (Note 8)	48,081	47,449	400,175
Machinery and equipment (Note 8)	55,859	53,918	464,911
Lease assets	6,097	6,450	50,745
Construction in progress	63	691	524
	128,345	127,256	1,068,207
Less accumulated depreciation	(80,032)	(77,416)	(666,101)
Net property, plant and equipment	48,313	49,840	402,106
Intangible assets	1,034	1,290	8,606
Total assets	¥123,909	¥120,694	$1,031,286

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Trade notes and accounts payable (Note 3)	¥ 21,072	¥ 19,547	$ 175,381
Short-term borrowings (Notes 3, 7 and 8)	7,301	7,276	60,766
Long-term debt due within one year (Notes 3, 7 and 8)	2,095	2,990	17,437
Short-term lease obligations (Notes 3 and 7)	746	778	6,209
Accrued expenses	2,252	2,217	18,743
Accrued income taxes	767	1,045	6,384
Other current liabilities	6,758	6,169	56,245
Total current liabilities	40,991	40,022	341,165
Long-term liabilities:			
Long-term debt due after one year (Notes 3, 7 and 8)	5,224	4,972	43,479
Long-term lease obligations (Notes 3 and 7)	2,089	2,604	17,387
Deferred tax liabilities (Note 10)	1,610	1,035	13,400
Liabilities for retirement benefits (Note 9)	1,728	3,018	14,382
Other long-term liabilities	559	466	4,652
Total long-term liabilities	11,210	12,095	93,300
Contingent liabilities (Note 11)			
NET ASSETS (Note 12)			
Shareholders' equity:			
Common stock			
Authorised — 200,000,000 shares			
Issued — 132,527,909 shares in 2015 (132,527,909 shares in 2014)	6,716	6,716	55,897
Capital surplus	22,073	21,686	183,712
Retained earnings	39,616	38,719	329,721
Treasury stock at cost	(10)	(705)	(83)
Total shareholders' equity	68,395	66,416	569,247
Accumulated other comprehensive income:			
Unrealised gains on securities	4,776	3,418	39,750
Deferred gains on hedges	8	1	66
Foreign currency translation adjustments	(153)	(106)	(1,273)
Adjustments for retirement benefits	(1,720)	(2,737)	(14,315)
Total accumulated other comprehensive income	2,911	576	24,228
Minority interests	402	1,585	3,346
Total net assets	71,708	68,577	596,821
Total liabilities and net assets	¥123,909	¥120,694	$1,031,286

CONSOLIDATED STATEMENTS OF INCOME

Years Ended 31st March 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥222,317	¥213,679	$1,850,329
Cost of sales	172,256	163,988	1,433,675
Gross profit	50,061	49,691	416,654
Selling, general and administrative expenses (Note 13)	47,330	46,829	393,924
Operating income	2,731	2,862	22,730
Other income (expenses):			
Interest and dividend income	308	308	2,563
Interest expense	(243)	(274)	(2,022)
Gain on sale of securities, net	36	461	300
Gain (loss) on disposal of property, plant and equipment, net	345	(59)	2,871
Loss on early retirement benefits	–	(182)	–
Loss on impairment of assets (Note 14)	(133)	(248)	(1,107)
Other, net	332	172	2,763
	645	178	5,368
Income before income taxes and minority interests	3,376	3,040	28,098
Income taxes (Note 10):			
Current	1,252	1,137	10,420
Deferred	55	128	458
	1,307	1,265	10,878
Income before minority interests	2,069	1,775	17,220
Minority interests	(263)	(49)	(2,189)
Net income	¥ 1,806	¥ 1,726	$ 15,031
	Yen		U.S. dollars (Note 1)
Net income per share (Note 2)	¥13.89	¥13.29	$0.12
Net income, diluted per share (Note 2)	–	–	–
Dividends per share	¥ 7.00	¥ 7.00	$0.06

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended 31st March 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥2,069	¥1,775	$17,220
Other comprehensive income:			
Unrealised gains on securities	1,357	478	11,294
Deferred gains on hedges	8	0	67
Foreign currency translation adjustments	(52)	5	(433)
Adjustments for retirement benefits	1,022	–	8,506
Share of other comprehensive income of associates accounted for using equity method	5	13	42
Total other comprehensive income (Note 17)	2,340	496	19,476
Comprehensive income	¥4,409	¥2,271	$36,696
Comprehensive income attributable to:			
Owners of the parent	¥4,142	¥2,222	$34,474
Minority interests	¥ 267	¥ 49	$ 2,222

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended 31st March 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Common stock:			
Balance at beginning and end of the year	¥ 6,716	¥ 6,716	$ 55,897
Capital surplus:			
Balance at beginning of the year	¥ 21,686	¥ 21,686	$ 180,491
Disposal of treasury stock	387	–	3,221
Balance at end of the year	¥ 22,073	¥ 21,686	$ 183,712
Retained earnings:			
Balance at beginning of the year	¥ 38,719	¥ 38,032	$ 322,256
Cash dividends paid	(909)	(1,039)	(7,566)
Net income	1,806	1,726	15,031
Balance at end of the year	¥ 39,616	¥ 38,719	$ 329,721
Treasury stock, at cost:			
Balance at beginning of the year	¥ (705)	¥ (698)	$ (5,868)
Purchase of treasury stock	(16)	(7)	(133)
Disposal of treasury stock	711	–	5,918
Balance at end of the year	¥ (10)	¥ (705)	$ (83)
Unrealised gains on securities:			
Balance at beginning of the year	¥ 3,418	¥ 2,940	$ 28,448
Increase for the year	1,358	478	11,302
Balance at end of the year	¥ 4,776	¥ 3,418	$ 39,750
Deferred gains on hedges:			
Balance at beginning of the year	¥ 1	¥ 0	$ 8
Increase for the year	7	1	58
Balance at end of the year	¥ 8	¥ 1	$ 66
Foreign currency translation adjustments:			
Balance at beginning of the year	¥ (106)	¥ (124)	$ (882)
Increase (decrease) for the year	(47)	18	(391)
Balance at end of the year	¥ (153)	¥ (106)	$ (1,273)
Adjustments for retirement benefit:			
Balance at beginning of the year	¥ (2,737)	–	$ (22,780)
Increase (decrease) for the year	1,017	¥ (2,737)	8,465
Balance at end of the year	¥ (1,720)	¥ (2,737)	$ (14,315)
Minority interests:			
Balance at beginning of the year	¥ 1,585	¥ 1,560	$ 13,192
Increase (decrease) for the year	(1,183)	25	(9,846)
Balance at end of the year	¥ 402	¥ 1,585	$ 3,346

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended 31st March 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,376	¥ 3,040	$ 28,098
Depreciation and amortisation	5,435	5,609	45,235
Loss on impairment of assets	133	248	1,107
Decrease in allowance for doubtful accounts	(94)	(11)	(782)
Increase in severance and retirement benefits	–	903	–
Decrease in liabilities for retirement benefits	(20)	(668)	(166)
Interest and dividend income	(308)	(308)	(2,563)
Interest expense	243	274	2,022
Gain on sale of securities, net	(36)	(461)	(300)
Write-down of investment in securities	4	11	33
Loss (gain) on disposal of property, plant and equipment, net	(345)	59	(2,871)
Decrease (increase) in receivables	(759)	1,860	(6,317)
Decrease (increase) in inventories	(3,366)	809	(28,015)
Increase (decrease) in trade notes and accounts payable	1,629	(471)	13,558
Increase in consumption tax payable	609	204	5,069
Other, net	460	(117)	3,828
Subtotal	6,961	10,981	57,936
Interest and dividends received	297	308	2,472
Interest paid	(242)	(275)	(2,014)
Income taxes paid	(1,406)	(338)	(11,702)
Net cash provided by operating activities	5,610	10,676	46,692
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(29)	(30)	(241)
Proceeds from sale of short-term investments and investment securities	56	884	466
Purchase of property, plant and equipment	(4,361)	(4,718)	(36,296)
Proceeds from sale of property, plant and equipment	636	771	5,293
Other, net	(155)	57	(1,290)
Net cash used in investing activities	(3,853)	(3,036)	(32,068)
Cash flows from financing activities:			
Net decrease in short-term borrowings	(36)	(634)	(300)
Proceeds from long-term debt	2,482	1,459	20,658
Repayment of long-term debt	(3,125)	(2,516)	(26,009)
Repayment of lease obligations	(775)	(818)	(6,450)
Cash dividends paid	(910)	(1,039)	(7,574)
Proceeds from disposal of treasury stock	1,098	–	9,139
Repayments to minority shareholders	(1,440)	–	(11,985)
Other, net	(28)	(25)	(234)
Net cash used in financing activities	(2,734)	(3,573)	(22,755)
Effect of exchange rate changes on cash and cash equivalents	2	4	16
Net increase (decrease) in cash and cash equivalents	(975)	4,071	(8,115)
Cash and cash equivalents at beginning of year	14,898	10,827	123,995
Cash and cash equivalents at end of year (Note 16)	¥13,923	¥14,898	$115,880

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended 31st March 2015 and 2014

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 Financial 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 2015, which was ¥120.15 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 33 subsidiaries. Thirty-two 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 intercompany 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 amortized over five years. Equity method accounting is applied to affiliates which are substantially controlled by the Company. Betagro MF Deli Co., Ltd. is being included in the scope of the Companies to which the equity method is applied.

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 shareholders' equity. Realized gains and losses on the sale of such securities are computed using the moving average cost method. 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 using the moving average cost method.

If the market value of equity securities or available-for-sale securities declines significantly, the difference between the 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 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 the net asset value declines significantly. In these cases, 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 account for 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 foreign currency fluctuations 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 accounts 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 1st April 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 5 years.

Goodwill - Goodwill is amortized over a period of 5 years using 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 the 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 shareholders' equity accounts, which are translated at historical rates.

Accounting for Retirement Benefits - Projected benefit obligations are attributed to periods on a benefit formula basis in determining retirement benefit obligations. Prior service costs are amortized by the straight-line method over a fixed period of 5 years, which is the average remaining service years of the eligible employees beginning in the fiscal year in which the prior service costs are recognized. Actuarial gains and losses are amortized by the straight-line method over a fixed period of 10 years, which is the average remaining service years of the eligible employees beginning in the fiscal year following the year in which the gains and losses are recognized. In determining the amount of retirement benefit obligations and retirement benefit costs, some small sized consolidated subsidiaries have adopted a simplified method in which the amount that would be required if all the employees retired voluntarily at the fiscal year end is treated as retirement benefit obligation.

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 no outstanding securities which might have diluted the per share amounts for the years ended 31st March 2015 and 2014.

Accounting changes

Accounting Standard for Retirement Benefits - The Company and its consolidated domestic subsidiaries adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, 17th May 2012 (hereinafter, "Statement No. 26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, 26th March 2015 (hereinafter, "Guidance No. 25")) from the current fiscal year and have changed the determination of retirement benefit obligations and current service cost. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line method to a benefit formula basis and have changed the method of determining the discount rate to a method that uses a single-weighted average discount rate reflecting the projected payment periods of retirement benefits and the amount for each projected payment period.

In applying Statement No. 26 and Guidance No. 25, the Company and its consolidated domestic subsidiaries has followed the transitional treatment prescribed in Article 37 of Statement No. 26.

The above changes had no effect on retained earnings as of 1st April 2014 or net income for the fiscal year ended 31st March 2015.

3. Financial instruments

(1) Current status of financial instruments

① Policy concerning financial instruments

The Group makes it a policy to limit fund investments to bank deposits and other investments in which the principal thereof is free from risk and raise funds principally through borrowings from financial institutions such as banks and issuance of corporate bonds. The Group uses derivatives to reduce foreign exchange and interest rate fluctuation risks but does not engage 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 manage credit risk 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 reported to the Board of Directors.

Operating payables, such as trade notes and accounts payables, are generally 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.

The Group primarily uses loans to procure operating funds and lease receivables from finance leases to raise funds for capital expenditure. When the loans have floating interest rates, the Company is exposed to interest rate fluctuation risk. 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 regularly 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 value and any difference between book value and fair value as of 31st March 2015. However, financial instruments whose fair values were deemed difficult to determine are not included in the table (refer below to (※2)).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amounts	Fair value	Difference	Consolidated balance sheet amounts	Fair value	Difference
① Cash and time deposits	¥13,923	¥13,923	¥ –	$115,880	$115,880	$ –
② Trade notes and accounts receivable	23,952	23,952	–	199,351	199,351	–
③ Investment securities						
Available-for-sale securities	12,632	12,632	–	105,135	105,135	–
④ Trade notes and accounts payable	21,072	21,072	–	175,381	175,381	–
⑤ Short-term borrowings	7,301	7,301	–	60,766	60,766	–
⑥ Long-term debt	7,319	7,288	(31)	60,916	60,658	(258)
⑦ Lease obligations	2,835	2,919	84	23,596	24,295	699
⑧ Derivatives (*)	13	13	–	108	108	–

(*) 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 time deposits and ② Trade notes and accounts receivable

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

③ Investment securities

The fair value of these securities are based on 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 value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair 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 value of long-term debt with floating interest rates subject to special treatment for interest rate swaps, 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 institution.

⑧ Derivatives

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

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

Category	Consolidated balance sheet amounts (Millions of yen)	Consolidated balance sheet amounts (Thousands of U.S. dollars (Note 1))
Unlisted stocks	¥51	$425

Since no market prices were available for the above financial instruments and their fair values were difficult to determine 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 (Note 1)		
	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 time deposits	¥13,923	–	–	$115,880	–	–
Trade notes and accounts receivable	23,952	–	–	199,351	–	–
Total	¥37,875	–	–	$315,231	–	–

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

The following table shows consolidated balance sheet amounts, fair value and any difference between book value and fair value as of 31st March 2014. However, financial instruments whose fair values were deemed difficult to determine are not included in the table (refer below to (※2)).

Millions of yen

	Consolidated balance sheet amounts	Fair value	Difference
① Cash and time deposits	¥14,898	¥14,898	¥ –
② Trade notes and accounts receivable	23,146	23,146	–
③ Investment securities			
Available-for-sale securities	10,923	10,923	–
④ Trade notes and accounts payable	19,547	19,547	–
⑤ Short-term borrowings	7,276	7,276	–
⑥ Long-term debt	7,962	7,935	(27)
⑦ Lease obligations	3,382	3,475	93
⑧ Derivatives (*)	1	1	–

(*) 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 time deposits and ② Trade notes and accounts receivable

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

③ Investment securities

The fair value of these securities are based on 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 value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair 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 value of long-term debt with floating interest rates subject to special treatment for interest rate swaps, 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 institution.

⑧ Derivatives

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	55

Since no market prices were available for the above financial instruments and their fair values were difficult to determine by an 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 time deposits	¥14,898	–	–
Trade notes and accounts receivable	23,146	–	–
Investment securities			
Available-for-sale securities with maturity dates (bonds)	6	–	–
Total	¥38,050	–	–

(※4) For estimated repayment amounts of long-term debt, lease obligations and other interest bearing debt, 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 2015 and 2014.

Securities with book values exceeding historical cost:

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2015			2014			2015		
Type	Historical cost	Book value	Gain	Historical cost	Book value	Gain	Historical cost	Book value	Gain
Equity securities	¥5,101	¥12,145	¥7,044	¥4,518	¥9,900	¥5,382	$42,455	$101,082	$58,627
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥5,101	¥12,145	¥7,044	¥4,518	¥9,900	¥5,382	$42,455	$101,082	$58,627

Securities with book values not exceeding historical cost:

	2015			2014			2015		
Type	Historical cost	Book value	Loss	Historical cost	Book value	Loss	Historical cost	Book value	Loss
Equity securities	¥696	¥487	¥(209)	¥1,264	¥1,023	¥(241)	$5,793	$4,053	$(1,740)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥696	¥487	¥(209)	¥1,264	¥1,023	¥(241)	$5,793	$4,053	$(1,740)

Unlisted stocks (carrying amount of ¥51 million ($425 thousand)) as of 31st March 2015 and unlisted stocks (carrying amount of ¥55 million) and unlisted bonds (carrying amount of ¥6 million) as of 31st March 2014 were not included in the above table as no market prices for these securities were available and their fair values were deemed extremely difficult to determine by an estimation of the future cash flows.

Available-for-sale securities sold during the year:

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2015			2014			2015		
Type	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales
Equity securities	¥50	¥36	–	¥884	¥461	–	$416	$300	–
Bonds	6	–	–	–	–	–	50	–	–
Total	¥56	¥36	–	¥884	¥461	–	$466	$300	–

The Group recognized impairment loss on investment securities categorised as other securities with market value in the amount of ¥4 million ($33 thousand) for the year ended 31st March 2015.

The Group recognized impairment loss on investment securities categorised as other securities with market value in the amount of ¥11 million for the year ended 31st March 2014.

When the value of stocks 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 2015 were as follows:

(1) Currency related

Hedge accounting method	Transaction types	Major hedged items	Contract amounts (Millions of yen)	Due over one year (Millions of yen)	Fair Value (Millions of yen)	Contract amounts (Thousands of U.S. dollars (Note 1))	Due over one year (Thousands of U.S. dollars (Note 1))	Fair Value (Thousands of U.S. dollars (Note 1))
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥1,027	–	(※) ¥13	$8,548	–	$108
Total			¥1,027	–	¥13	$8,548	–	$108

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

(2) Interest related

Hedge accounting method	Transaction types	Major hedged items	Contract amounts (Millions of yen)	Due over one year (Millions of yen)	Fair Value (Millions of yen)	Contract amounts (Thousands of U.S. dollars (Note 1))	Due over one year (Thousands of U.S. dollars (Note 1))	Fair value (Thousands of U.S. dollars (Note 1))
Special treatment	Interest rate swaps Pay fixed, receive floating	Long-term debt	¥3,768	¥3,768	(※) –	$31,361	$31,361	–
Total			¥3,768	¥3,768	–	$31,361	$31,361	–

※ 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 2014 were as follows:

(1) Currency related

Hedge accounting method	Transaction types	Major hedged items	Contract amounts (Millions of yen)	Due over one year (Millions of yen)	Fair value (Millions of yen)
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥468	–	(※) ¥1
Total			¥468	–	¥1

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

(2) Interest related

Hedge accounting method	Transaction types	Major hedged items	Contract amounts (Millions of yen)	Due over one year (Millions of yen)	Fair value (Millions of yen)
Special treatment	Interest rate swaps Pay fixed, receive floating	Long-term debt	¥3,808	¥2,958	(※) –
Total			¥3,808	¥2,958	–

※ 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 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Finished goods and merchandise	¥10,534	¥ 7,469	$ 87,674
Work in progress	568	773	4,727
Raw materials and supplies	5,932	5,420	49,372
	¥17,034	¥13,662	$141,773

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

Short-term borrowing at 31st March 2015 and 2014 consisted of short-term notes, which generally mature within one year, with average interest rates of 0.65% and 0.64%, respectively.

Long-term debt at 31st March 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Loans from banks, insurance companies and other financial institution at 0.72% to 1.55% maturing through 2023			
Secured	¥ 1,093	¥ 1,462	$ 9,097
Unsecured	6,226	6,500	51,819
	7,319	7,962	60,916
Less current portion	(2,095)	(2,990)	(17,437)
	¥ 5,224	¥ 4,972	$ 43,479

The aggregate annual maturities of long-term debt as of 31st March 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2015	2015
2016	¥2,095	$17,437
2017	1,724	14,349
2018	2,373	19,750
2019	656	5,460
2020	382	3,179
2021 and thereafter	89	741
	¥7,319	$60,916

The aggregate annual maturities of lease obligations as of 31st March 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2015	2015
2016	¥ 746	$ 6,209
2017	654	5,443
2018	662	5,510
2019	380	3,163
2020	367	3,055
2021 and thereafter	26	216
	¥2,835	$23,596

8. Pledged assets

Assets were pledged as collateral for short-term borrowings of ¥300 million ($2,497 thousand), the current portion of long-term debt of ¥365 million ($3,038 thousand) and long-term debt of ¥728 million ($6,059 thousand) as of 31st March 2015 and for short-term borrowings of ¥300 million, the current portion of long-term debt of ¥369 million and long-term debt of ¥1,093 million as of 31st March 2014. The assets pledged are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Land	¥ 468	¥ 488	$ 3,895
Buildings and structures	904	965	7,524
Machinery and equipment	113	143	941
	¥1,485	¥1,596	$12,360

9. Retirement benefits

(1) Outline of retirement benefit plans adopted

The Companies have established defined benefit plans (fund type), lump-sum payment plans and defined contribution plans (prepayment of benefits can be selected). In some cases, additional severance benefits may be paid to the employees upon retirement.

(2) Defined Benefit Obligation

① The changes in retirement benefit obligation for the fiscal years ended 31st March 2015 and 2014 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Beginning balance of retirement benefit obligation	¥23,489	¥23,988	$195,497
Service cost - benefits earned during the year	762	825	6,342
Interest cost on projected benefit obligation	188	192	1,565
Actuarial gains and losses	14	(47)	116
Retirement benefits paid	(1,171)	(1,469)	(9,746)
Ending balance of retirement benefit obligation	¥23,282	¥23,489	$193,774

② The changes in plan assets for the fiscal years ended 31st March 2015 and 2014 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Beginning balance of plan assets	¥21,386	¥20,771	$177,994
Expected return on plan assets	641	623	5,335
Actuarial gains and losses	991	692	8,248
Contribution from the employer	552	567	4,594
Retirement benefits paid	(1,053)	(1,267)	(8,764)
Ending balance of plan assets	¥22,517	¥21,386	$187,407

③ The changes in liabilities for retirement benefits of the plans for which the simplified method was applied for the fiscal years ended 31st March 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Beginning balance of liabilities for retirement benefits	¥915	¥ 918	$7,615
Retirement benefit expenses	96	106	799
Retirement benefits paid	(48)	(109)	(399)
Ending balance of liabilities for retirement benefits	¥963	¥ 915	$8,015

④ Reconciliation between the ending balance of projected benefit obligation and plan assets and liability and asset for retirement benefits recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded retirement benefit obligation	¥23,282	¥23,489	$193,774
Plan assets	(22,517)	(21,386)	(187,407)
	765	2,103	6,367
Unfunded retirement benefit obligation	963	915	8,015
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	1,728	3,018	14,382
Liabilities for retirement benefits	1,728	3,018	14,382
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	¥ 1,728	¥ 3,018	$ 14,382

Note: The plans to which the simplified method is applied are included.

⑤ The components of retirement benefit expenses were as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Service cost - benefits earned during the year	¥ 761	¥ 823	$ 6,334
Interest cost on projected benefit obligation	188	192	1,565
Expected return on plan assets	(641)	(623)	(5,335)
Amortisation of actuarial differences	286	607	2,380
Amortisation of prior service costs	7	7	58
Retirement benefit expenses calculated using the simplified method	96	97	799
Retirement benefit expenses on defined benefit plans	¥ 697	¥1,103	$ 5,801

Note: For the fiscal year ended 31st March 2014, in addition to the above retirement benefit expenses, additional severance benefits of ¥182 million were paid and recorded under other expenses.

⑥ Adjustments for retirement benefits
The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Prior service cost	¥ 6	–	$ 50
Actuarial gains and losses	1,263	–	10,512
Total	¥1,269	–	$10,562

⑦ Accumulated adjustments for retirement benefits
The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Unrecognised prior service costs	¥ 10	¥ 17	¥ 83
Unrecognised actuarial geins and losses	2,406	3,668	20,025
Total	¥2,416	¥3,685	¥20,108

⑧ Plan assets
The components of plan assets were as follows:

	2015	2014
Debt securities	44.5%	37.9%
Equity securities	24.1	26.8
Alternatives	22.2	19.6
Short-term assets	2.5	8.7
General account	6.7	7.0
Total	100.0%	100.0%

Note: Regarding alternatives, hedge fund investments are made for the purpose of risk diversification.

Method of determining long-term expected rate of return

The long-term expected rate of return on plan assets is determined by taking into consideration allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

⑨ Assumptions used for actuarial calculations for the fiscal years ended 31st March 2015 and 2014 were as follows:

Discount rate: 0.8%

Long-term expected rate of return: 3.0%

Expected rate of salary increase

Defined benefit plans (fund type): 1.0%

Lump-sum payment plans: 4.8%

Note: The expected rate of salary increase is calculated by taking the average of the salary increase index of each plan.

(3) Define Contribution Plans

The amount of required contribution to the defined contribution plans of the Companies was ¥50 million ($416 thousand) for the year ended 31st March 2015 and 48 million for the year ended 31st March 2014.

10. Income taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporate taxes, inhabitants taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 35.6% and 38.0% for the years ended 31st March 2015 and 2014, respectively.

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 2015 and 2014.

	2015	2014
Statutory tax rate	35.6%	38.0%
Non-deductible expenses, including entertainment expenses	1.4	2.1
Non-taxable income, including dividend received	(1.4)	(1.7)
Per capita inhabitants tax	3.5	3.9
Changes in valuation allowance	(1.6)	(0.5)
Tax credit for testing and research expenses	(1.4)	(1.5)
Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate	1.4	1.7
Other	1.2	(0.4)
Effective tax rate	38.7%	41.6%

Significant components of the Companies' deferred tax assets and liabilities as of 31st March 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Deferred tax assets:	2015	2014	2015
Loss on impairment of assets	¥ 1,220	¥ 1,355	$ 10,154
Liabilities for retirement benefits	546	690	4,544
Loss carryforwards	506	684	4,211
Accrued bonuses	335	375	2,788
Accounts payable on distribution expenses	252	227	2,097
Long-term trade receivables	227	254	1,889
Allowance for doubtful accounts	119	157	990
Other	759	755	6,318
Total deferred tax assets	¥ 3,964	¥ 4,497	$ 32,991
Valuation allowance	(2,128)	(2,429)	(17,711)
Net deferred tax assets	1,836	2,068	15,280
Deferred tax liabilities:			
Unrealised gains on securities	(2,062)	(1,725)	(17,162)
Reserve for property, plant and equipment	(34)	(38)	(283)
Other	(215)	(137)	(1,789)
Total deferred tax liabilities	(2,311)	(1,900)	(19,234)
Net deferred tax assets	¥ (475)	¥ 168	$ (3,954)

Changes in presentation method

To enhance clarity the presentation of significant components of the Company's deferred tax assets and liabilities have been changed as follows :

a. "Accounts payable on distribution expenses" and "Long-term trade receivables" which had previously been included in "Other" under "Deferred tax assets" have been separately listed from 31st March 2015.

b. The temporary differences to be deducted from future taxable income which were not recorded in the consolidated financial statements such as "Write-down of investment in affiliates" which had been included in "Other" have been excluded from "Deferred tax assets" from 31st March 2015.

c. "Prepaid pension cost" which had been separately listed under "Deferred tax liabilities" in the previous fiscal year has been included in "Liabilities for retirement benefits" under "Deferred tax assets" from 31st March 2015.

In order to reflect these changes in the presentation method, notes to the previous fiscal year were restated. Consequently, the presentation for the previous fiscal year has been restated as follows:

Millions of yen

	Before restatement	After restatement
Deferred tax assets:		
Liabilities for retirement benefits	¥ 1,235	¥ 690
Accounts payable on distribution expenses	–	227
Long-term trade receivables	–	254
Other	2,000	755
Total deferred tax assets	5,806	4,497
Valuation allowance	(3,193)	(2,429)
Net deferred tax assets	2,613	2,068
Deferred tax liabilities:		
Prepaid pension cost	(545)	–
Total deferred tax liabilities	¥(2,445)	¥(1,900)

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The "Partial Amendments to Income Tax Act, etc." (Act No. 9 of 2015) and "Partial Amendments to Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on 31st March 2015. Due to this change, the statutory tax rate to be used for computing deferred tax assets and deferred tax liabilities has been changed from 35.6% to 33.1% for the temporary differences expected to be settled in the fiscal year beginning on 1st April 2015 and to 32.3% for the temporary differences expected to be settled in the fiscal years beginning on and after 1st April 2016. As a result, deferred tax assets, net of deferred tax liabilities, deferred income taxes, unrealised gains on securities and deferred gains on hedges increased by ¥95 million ($791 thousand), ¥44 million ($366 thousand), ¥213 million ($1,773 thousand) and ¥0 million ($0 thousand), respectively, and accumulated adjustments for retirement benefits decreased by ¥74 million ($616 thousand).

11. Contingent liabilities

There are no matters to be reported.

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 in which a dividend distribution of surplus is 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.

At the general shareholders' meeting held on 26th June 2015, appropriations of retained earnings for year-end dividends applicable to the year ended 31st March 2015 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥7.00 ($0.06) per share	¥927	$7,715

13. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March 2015 and 2014 were ¥677 million ($5,635 thousand) and ¥688 million, respectively.

14. Loss on impairment of assets

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2015. The Company classified fixed assets into three categories: business assets, rental assets and idle assets. The Company groups its business assets by cash generating units and rental assets and idle assets by individual asset as these represent the smallest identifiable assets generating cash inflows. The Company records impairment loss for property, plant and equipment when the original carrying amount is below the estimated recoverable amount based on projected future cash flows. The total impairment loss for the year ended 31st March 2015 consisted of ¥96 million ($799 thousand) for land and ¥37 million ($308 thousand) for buildings and other. The recoverable amounts are measured by value in exchange for idle assets. Value in exchange was determined using independent appraisals.

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2014. The Company classified fixed assets into three categories: business assets, rental assets and idle assets. The Company groups its business assets by cash generating units and rental assets and idle assets by individual asset as these represent the smallest identifiable assets generating cash inflows. The Company records impairment loss for property, plant and equipment when the original carrying amount is below the estimated recoverable amount based on projected future cash flows. The total impairment loss for the year ended 31st March 2014 consisted of ¥131 million for land and ¥117 million for buildings and other. The recoverable amounts are measured by value in use for property, plant and equipment, value in use or exchange for rental assets and value in exchange for idle assets. Value in exchange was determined using independent appraisals. Value in use was calculated based on estimated future cash flows and was discounted at the rate of 2.8%.

15. Segment information

(1) Overview of the reportable segments

① 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 business performance. The Group has divided its business operations into two reportable segments and an "Other" segment. Its reportable segments are "the Processed Food Products" segment and "the Meat Products" segment.

② Description of the businesses that constitute each reportable segment

In the Processed Food Products segment, the Company purchases, manufactures and sells ham, sausage and cooked and processed foods. In the Meat Products segment, 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 are identical to those described in Note 2, "Significant Accounting Policies."

As noted in "Accounting changes" under Note 2, the Company changed the calculation method for retirement benefit obligations and service costs, and accordingly, applied the same changes to the business segments as well.

There was no effect on segment income for the year ended 31st March 2015.

(3) Segment information for the years ended 31st March 2015 and 2014

Segment information as of and for the fiscal year ended 31st March 2015 was as follows:

	2015						
	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥156,952	¥65,002	¥221,954	¥ 363	¥222,317	¥ –	¥222,317
Intersegment sales and transfers	–	–	–	1,030	1,030	(1,030)	–
Net sales	156,952	65,002	221,954	1,393	223,347	(1,030)	222,317
Segment income	1,886	666	2,552	179	2,731	–	2,731
Segment assets	71,734	18,306	90,040	390	90,430	33,479	123,909
Other items:							
Depreciation and amortization	5,092	324	5,416	19	5,435	–	5,435
Increase in property, plant and equipment and intangible fixed assets	4,268	132	4,400	23	4,423	15	4,438

	2015						
	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	$1,306,300	$541,007	$1,847,307	$ 3,022	$1,850,329	$ –	$1,850,329
Intersegment sales and transfers	–	–	–	8,573	8,573	(8,573)	–
Net sales	1,306,300	541,007	1,847,307	11,595	1,858,902	(8,573)	1,850,329
Segment income	15,697	5,543	21,240	1,490	22,730	–	22,730
Segment assets	597,037	152,360	749,397	3,246	752,643	278,643	1,031,286
Other items:							
Depreciation and amortization	42,380	2,697	45,077	158	45,235	–	45,235
Increase in property, plant and equipment and intangible fixed assets	35,522	1,099	36,621	191	36,812	125	36,937

(*1) The “Other” segment is business other than that of the reporting segments and includes the insurance agency business.

(*2) Adjustments for total assets of ¥33,479 million ($278,643 thousand) indicate assets not attributed to any other segments and comprise mainly 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 in the consolidated statements of operations.

(*4) Depreciation and amortisation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses.

Segment information as of and for the fiscal year ended 31st March 2014 was as follows:

	2014						
	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥150,193	¥63,120	¥213,313	¥ 366	¥213,679	¥ –	¥213,679
Intersegment sales and transfers	–	–	–	1,058	1,058	(1,058)	–
Net sales	150,193	63,120	213,313	1,424	214,737	(1,058)	213,679
Segment income	2,600	62	2,662	200	2,862	–	2,862
Segment assets	71,938	15,839	87,777	418	88,195	32,499	120,694
Other items:							
Depreciation and amortization	5,247	343	5,590	19	5,609	–	5,609
Increase in property, plant and equipment and intangible fixed assets	4,877	156	5,033	17	5,050	8	5,058

(*1) The "Other" segment is business other than that of the reporting segments and includes the insurance agency business.
(*2) Adjustments for total assets of ¥32,499 million indicate assets not attributed to any other segments and comprise mainly 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 in the consolidated statements of operations.
(*4) Depreciation and amortisation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses.

(4) Information about loss on impairment of assets by reportable segment

Information about loss on impairment of assets by reportable segments as of and for the fiscal year ended 31st March 2015 was as follows:

	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	¥133	¥133

	Thousands of U.S. dollars (Note 1)						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	$1,107	$1,107

Information about loss on impairment of assets by reportable segment as of and for the fiscal year ended 31st March 2014 was as follows:

	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	¥62	–	¥62	–	¥62	¥186	¥248

(5) Information about amortisation and balance of goodwill by reportable segment

Information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2015 was as follows:

	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	¥182	–	¥182	–	¥182	–	¥182
Balance of goodwill	301	–	301	–	301	–	301

	Thousands of U.S. dollars (Note 1)						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	$1,515	–	$1,515	–	$1,515	–	$1,515
Balance of goodwill	2,505	–	2,505	–	2,505	–	2,505

Information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2014 was as follows:

	Millions of yen						
	Reporting segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	¥183	–	¥183	–	¥183	–	¥183
Balance of goodwill	470	–	470	–	470	–	470

16. Cash flow information

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of 31st March 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash and time deposits in the consolidated balance sheets	¥13,923	¥14,898	$115,880
Cash and cash equivalents in the consolidated statements of cash flows	¥13,923	¥14,898	$115,880

17. Comprehensive income

Amounts reclassified to net income in the current period that were recognised in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrealised gains on securities			
Increase during the year	¥1,726	¥1,105	$14,365
Reclassification adjustments	(32)	(450)	(266)
Amount before tax effect	1,694	655	14,099
Tax effect	(337)	(177)	(2,805)
Subtotal	1,357	478	11,294
Deferred gains on hedges			
Increase during the year	12	0	100
Amount before tax effect	12	0	100
Tax effect	(4)	(0)	(33)
Subtotal	8	0	67
Foreign currency translation adjustments			
Decrease (increase) during the year	(52)	5	(433)
Adjustments for retirement benefits			
Increase during the year	976	–	8,123
Reclassification adjustments	293	–	2,439
Amount before tax effect	1,269	–	10,562
Tax effect	(247)	–	(2,056)
Subtotal	1,022	–	8,506
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	5	13	42
Total other comprehensive income	¥2,340	¥496	$19,476

Independent Auditor's Report

To the Board of Directors of MARUDAI FOOD CO., LTD.:

We have audited the accompanying consolidated financial statements of MARUDAI FOOD CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at 31st March 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MARUDAI FOOD CO., LTD. and its consolidated subsidiaries as at 31st March 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2015 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

28th July 2015
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

DIRECTORS AND STATUTORY AUDITORS

President and Representative Director:	Tokuo Kudara
Senior Executive and Managing Director:	Keiichi Katoh
Managing Directors:	Yoshio Kuramori
	Yasushi Sawada
Directors:	Nobuyoshi Katoh
	Shigeyoshi Chiba
	Wataru Fukiage
	Susumu Shimadzu
Statutory Auditors:	Yoshikazu Sawanaka
	Takuji Okudaira
	Motoaki Nishimura

(As of 29th June 2015)

OUTLINE OF THE COMPANY

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 2,157

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 3 regional sales departments which service 48 local outlets.

Plants: Hokkaido, Iwate,
Niigata, Kanto,
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.
Toda Foods Co., Ltd.
Azumino Food Co., Ltd.
Marushin Foods Co., Ltd.
Pioneer Foods Co., Ltd.
Umeya Co., Ltd.
Yahata Food Co., Ltd.
Hornmeier Co., Ltd.
Marudaifood Co., Ltd.
Marudai Meat Co., Ltd.
Meat Supply Co., Ltd.
Marbest Trading Co., Ltd.
Marudai Service Co., Ltd.
Marudai Food (Qingdao) Co., Ltd.
12 Other subsidiaries
(As of 31st March 2015)

Associated Company:
Betagro MF Deli Co., Ltd.

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