



# SEMI-ANNUAL REPORT 2014

For the Six-Month Period Ended 30th September, 2014

# 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 67th fiscal year.

During the first six-month period ended 30th September 2014, the Japanese economy remained on a moderate recovery path, partly attributable to the beneficial effects of the Abe administration's economic policies. Personal consumption, however, continued to remain unstable due to the backlash to last-minute demand associated with the consumption tax increase and the impact of unstable weather during the summer.

The Marudai Food Group's Processed Food Products business continued to face challenges as prospects for personal consumption remained uncertain following the consumption tax increase while prices of raw materials and fuel increased sharply. The tough environment for the Meat Products business also persisted. Beef prices in Japan remained high because of tighter supply. The outbreak of porcine epidemic diarrhoea (PED) as well as the unusually hot summer in 2013 resulted in a decrease in the supply of Japanese pork.

Under such circumstances, the Marudai Food Group adhered to its basic policies—strengthening the core business, implementing a diversification strategy, and promoting low-cost operations—with the aim of gaining recognition as an enterprise with a social mission, namely, a comprehensive food products company offering merchandise satisfying the highest standards of safety and reliability.

As a result, consolidated net sales for the first six-month period increased by 5.3% year on year to 110,729 million yen. Operating income increased by 66.2% to 1,896 million yen, and net income increased by 56.1% to 916 million yen.

## **Processed Food Products**

The Ham & Sausage Products operations made vigorous efforts to expand sales of mainstay brands, such as “*Kunseiya Ripened Pork Sausage*”, through sales promotions, including “*Wanpaku Active Summer Present Campaign*.” We also emphasized the launch of new products, including the “*GLANZ*” series of frankfurters. For midsummer gift products, we worked to increase sales of the “*Ouha*” and “*Kousai*” 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 4.4% year on year.

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In the Precooked & Processed Foods operations, the line-up of the “*Sundubu*” series of Korean-style soup mixes was enriched with the addition of an economy pack containing two packets. To expand sales, we launched new products, including the “*Dashi Uma Meijin*” series of flavourful soup stocks for hot-pot dishes and “*Butter Chicken Curry*” notable for its mild yet rich flavour. With regard to desserts and beverages, we strove to increase sales of mainstay products, such as the “*SWEET CAFE*” series and the “*TAPIOCA TIME*” series of beverages with black tapioca. As a result, sales of the Precooked & Processed Foods operations increased by 8.1% year on year.

As a result, sales in the Processed Food Products segment amounted to 78,431 million yen, up 5.9% year on year. Although sharp increases in the prices of raw materials and fuel combined with intensified sales competition made for a tough business environment, operating income increased by 13.0% year on year to 1,391 million yen thanks to price revisions and cost reductions achieved by streamlining.

### **Meat Products**

While prices of imported beef remain high owing to decreased supply, we increased our market presence for American beef in the premium price range. With regard to pork, in view of decreased supply of Japanese pork, we strengthened procurement to increase the volume we handle and consequently sales of pork grew.

As a result, sales in the Meat Products segment increased by 4.0% year on year to 32,111 million yen. Operating income amounted to 408 million yen.

### **Other**

Sales of the Other business increased by 10.2% year on year to 187 million yen, and operating income decreased by 0.4% 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, 2014 and 2013**  
**(Unaudited)**

<b>ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Current assets:</b>			
Cash and time deposits .....	¥ 13,029	¥ 11,753	\$ 119,041
Receivables:			
Trade notes and accounts .....	24,542	22,283	224,230
Other .....	301	375	2,750
Allowance for doubtful accounts .....	(62)	(56)	(566)
Inventories .....	16,246	17,577	148,433
Deferred tax assets .....	1,147	1,165	10,480
Advances and other current assets .....	664	632	6,066
Total current assets .....	55,867	53,729	510,434
<b>Investments and other assets:</b>			
Investment securities			
Affiliates .....	18	69	164
Other .....	11,348	12,007	103,682
Deferred tax assets .....	77	73	704
Other .....	5,692	7,318	52,006
Allowance for doubtful accounts .....	(388)	(420)	(3,545)
Total investments and other assets .....	16,747	19,047	153,011
<b>Property, plant and equipment, at cost:</b>			
Land .....	18,245	18,778	166,697
Buildings and structures .....	47,801	47,443	436,738
Machinery and equipment .....	55,108	54,499	503,499
Lease assets .....	6,109	254	55,816
Construction in progress .....	229	6,254	2,092
	127,492	127,228	1,164,842
Less accumulated depreciation .....	(78,330)	(76,903)	(715,669)
Net property, plant and equipment .....	49,162	50,325	449,173
<b>Intangible assets</b> .....	1,128	1,446	10,306
Total assets .....	¥122,904	¥124,547	\$1,122,924

See the accompanying note.

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 6,452	¥ 8,202	\$ 58,949
Long-term debt due within one year .....	2,825	1,691	25,811
Trade notes and accounts payable .....	22,705	22,078	207,446
Short-term lease obligations .....	745	751	6,807
Accrued expenses .....	2,335	2,355	21,334
Accrued income taxes .....	859	562	7,848
Other current liabilities .....	6,897	6,654	63,016
Total current liabilities .....	42,818	42,293	391,211
<b>Long-term liabilities:</b>			
Long-term debt due after one year .....	4,149	5,742	37,908
Deferred tax liabilities .....	1,229	2,047	11,229
Long-term lease obligations .....	2,312	2,464	21,124
Employees' severance and retirement benefits .....	–	892	–
Liabilities for retirement benefits .....	2,864	–	26,167
Other long-term liabilities .....	466	505	4,257
Total long-term liabilities .....	¥11,020	¥11,650	\$100,685

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorised-200,000,000 shares			
Issued-132,527,909 shares in 2014 (132,527,909 shares in 2013) .....	¥ 6,716	¥ 6,716	\$ 61,361
Capital surplus .....	21,686	21,686	198,136
Retained earnings .....	38,726	37,579	353,824
Less treasury stock at cost .....	(705)	(699)	(6,441)
Total shareholders' equity .....	<u>66,423</u>	<u>65,282</u>	<u>606,880</u>
<b>Accumulated other comprehensive income:</b>			
Unrealised gains on securities .....	3,651	3,806	33,358
Deferred losses on hedges .....	0	(9)	0
Foreign currency translation adjustments .....	(139)	(105)	(1,270)
Adjustments for retirement benefits .....	(2,631)	–	(24,039)
Total accumulated other comprehensive income .....	<u>881</u>	<u>3,692</u>	<u>8,049</u>
<b>Minority interests</b> .....	1,762	1,630	16,099
Total net assets .....	<u>69,066</u>	<u>70,604</u>	<u>631,028</u>
Total liabilities and net assets .....	<u>¥122,904</u>	<u>¥124,547</u>	<u>\$1,122,924</u>



**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
Six months ended 30th September, 2014 and 2013  
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Income before minority interests</b> .....	¥1,114	¥ 676	\$10,178
Other comprehensive income:			
Unrealised gains on securities .....	233	866	2,129
Deferred losses on hedges .....	(1)	(10)	(9)
Foreign currency translation adjustments .....	(31)	9	(283)
Adjustments for retirement benefits .....	108	–	986
Share of other comprehensive income of associates accounted for using equity method .....	(1)	11	(9)
Total other comprehensive income .....	308	876	2,814
<b>Comprehensive income</b> .....	<u>¥1,422</u>	<u>¥1,552</u>	<u>\$12,992</u>
<b>Comprehensive income attributable to:</b>			
Owners of the parent .....	¥1,222	¥1,462	\$11,165
Minority interests .....	¥ 200	¥ 90	\$ 1,827

See the accompanying note.



**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
Six months ended 30th September, 2014 and 2013  
(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Common stock:</b>			
Balance at beginning and end of period .....	¥ 6,716	¥ 6,716	\$ 61,361
<b>Capital surplus:</b>			
Balance at beginning and end of period .....	¥21,686	¥21,686	\$198,136
<b>Retained earnings:</b>			
Balance at beginning of period .....	¥38,719	¥38,032	\$353,760
Cash dividends paid .....	(909)	(1,040)	(8,305)
Net income .....	916	587	8,369
Balance at end of period .....	¥38,726	¥37,579	\$353,824
<b>Treasury stock, at cost:</b>			
Balance at beginning of period .....	¥ (705)	¥ (698)	\$ (6,441)
Purchase of treasury stock .....	(0)	(1)	(0)
Balance at end of period .....	¥ (705)	¥ (699)	\$ (6,441)
<b>Unrealized gains on securities:</b>			
Balance at beginning of period .....	¥ 3,418	¥ 2,940	\$ 31,229
Increase for period .....	233	866	2,129
Balance at end of period .....	¥ 3,651	¥ 3,806	\$ 33,358
<b>Deferred losses on hedges:</b>			
Balance at beginning of period .....	¥ 1	¥ 0	\$ 9
Decrease for period .....	(1)	(9)	(9)
Balance at end of period .....	¥ 0	¥ (9)	\$ 0

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of period .....	¥ (106)	¥ (124)	\$ (968)
Decrease (increase) for period .....	(33)	19	(302)
Balance at end of period .....	¥ (139)	¥ (105)	\$ (1,270)
<b>Adjustments for retirement benefits:</b>			
Balance at beginning of period .....	¥(2,737)	–	\$(25,007)
Increase for period .....	106	–	968
Balance at end of period .....	¥(2,631)	–	\$(24,039)
<b>Minority interests:</b>			
Balance at beginning of period .....	¥ 1,585	¥1,560	\$ 14,481
Increase for period .....	177	70	1,618
Balance at end of period .....	¥ 1,762	¥1,630	\$ 16,099

**MARUDAI FOOD CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six months ended 30th September, 2014 and 2013**  
**(Unaudited)**

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 1,980	¥ 1,156	\$ 18,090
Depreciation and amortisation .....	2,585	2,712	23,618
Loss on impairment of assets .....	54	133	493
Decrease (increase) in allowance for doubtful accounts .....	(8)	7	(73)
Increase in severance and retirement benefits .....	–	172	–
Decrease in liabilities for retirement benefits .....	(7)	–	(64)
Interest and dividend income .....	(146)	(158)	(1,334)
Interest expense .....	123	138	1,124
Gain on sale of securities, net .....	–	(11)	–
Write-down of investment in securities .....	4	–	37
Loss on disposal of property, plant and equipment, net .....	79	47	722
Increase (decrease) in receivables .....	(1,395)	2,696	(12,746)
Increase in inventories .....	(2,587)	(3,147)	(23,636)
Increase in trade notes and accounts payable .....	3,265	2,173	29,831
Increase in consumption tax payable .....	227	15	2,074
Other, net .....	231	(42)	2,111
Subtotal .....	4,405	5,891	40,247
Interest and dividends received .....	149	154	1,361
Interest paid .....	(122)	(139)	(1,115)
Income taxes paid .....	(974)	(229)	(8,899)
Net cash provided by operating activities .....	¥ 3,458	¥ 5,677	\$ 31,594

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	2014
<b>Cash flows from investing activities:</b>			
Purchase of short-term investments and investment securities .....	¥ (15)	¥ (15)	\$ (137)
Proceeds from sale of short-term investments and investment securities .....	–	27	–
Purchase of property, plant and equipment .....	(2,193)	(2,302)	(20,037)
Proceeds from sale of property, plant and equipment .....	70	200	640
Other, net .....	(69)	128	(630)
Net cash used in investing activities .....	<u>(2,207)</u>	<u>(1,962)</u>	<u>(20,164)</u>
<b>Cash flows from financing activities:</b>			
Net decrease (increase) in short-term borrowings .....	(810)	310	(7,401)
Proceeds from long-term debt .....	–	48	–
Repayment of long-term debt .....	(987)	(1,634)	(9,018)
Repayment of lease obligations .....	(388)	(453)	(3,545)
Cash dividends paid .....	(909)	(1,038)	(8,305)
Other, net .....	(24)	(20)	(219)
Net cash used in financing activities .....	<u>(3,118)</u>	<u>(2,787)</u>	<u>(28,488)</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(1)</b>	<b>(2)</b>	<b>(9)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(1,868)</b>	<b>926</b>	<b>(17,067)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>14,897</b>	<b>10,827</b>	<b>136,108</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥13,029</b>	<b>¥11,753</b>	<b>\$119,041</b>

**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 2014.

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, 2014, which was ¥109.45 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, 2014)

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President and Representative Director:	Tokuo Kudara	Directors:	Nobuyoshi Katoh Shigeyoshi Chiba Wataru Fukiage Jiro Tsuge
Senior Executive and Managing Director:	Keiichi Katoh		
Managing Directors:	Yoshio Kuramori Yasushi Sawada	Statutory Auditors:	Yoshikazu Sawanaka Yasumi Shukuri Motoaki Nishimura

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### OUTLINE OF THE COMPANY (As of 30th September, 2014)

Established:	10th June, 1958
Stated Capital:	¥6,716 million
Number of Employees:	2,165
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.

**MARUDAI FOOD CO., LTD.**