

CONSOLIDATED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2014 (J-GAAP)

July 31, 2014
Stock exchange listing: Tokyo

Name of listed company: Toyo Suisan Kaisha, Ltd.
 Securities code: 2875 (URL: <http://www.maruchan.co.jp/>)
 Representative: Masanari Imamura, Representative Director and President
 Contact: Masaharu Oikawa, Director
 Scheduled date of the filing of quarterly report: August 13, 2014
 Scheduled date of start of dividend payments: —
 Preparation of 1Q results presentation materials: Yes
 Holding of 1Q results briefing meeting: None

(Amounts less than one million yen have been omitted.)

1. Consolidated Operating Results for the First Three Months of FY2015 (from April 1, 2014 to June 30, 2014)

	3 months ended June 30, 2013	3 months ended June 30, 2014	Year-on-year (Percentage change)
	(Millions of yen)		
(1) Consolidated Operating Results:			
Net sales	87,866	86,025	-2.1%
Operating income	7,799	4,772	-38.8%
Ordinary income	8,253	5,199	-37.0%
Net income	6,729	3,286	-51.2%
Net income per share (Yen)	65.88	32.18	
Fully diluted net income per share (Yen)	—	—	

Note: Total comprehensive income

3 months ended June 30, 2014: ¥2,634 million (-73.8%) 3 months ended June 30, 2013: ¥10,065 million (407.3%)

	As of March 31, 2014	As of June 30, 2014
	(Millions of yen)	
(2) Consolidated Financial Position:		
Total assets	308,787	302,039
Net assets	236,936	236,495
Shareholders' equity ratio	72.4%	73.9%

Reference: Shareholders' equity

As of June 30, 2014: ¥223,120 million As of Mar. 31, 2014: ¥223,564 million

2. Dividends

Record Date	Full Year Dividends (Yen)				For the year
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Year-end	
FY2014	—	25.00	—	25.00	50.00
FY2015	—	—	—	—	—
FY2015 (Forecast)	—	25.00	—	25.00	50.00

Note: Amendment of dividend forecast that have been disclosed lastly: None

3. Consolidated Results Forecasts for FY2015 (From April 1, 2014 to March 31, 2015)

	1st Half	Year-on-year	Full year	Year-on-year
	(Millions of yen)	(Percentage change)	(Millions of yen)	(Percentage change)
Net sales	187,000	6.1%	388,000	4.2%
Operating income	13,500	-2.8%	31,000	1.3%
Ordinary income	14,300	-1.6%	32,500	0.8%
Net income	9,500	-19.6%	20,500	-9.8%
Net income per share (Yen)	93.01		200.71	

Note: Amendment of results forecast that have been disclosed lastly: None

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes to the scope of consolidation): None

(2) Application of specific accounting procedures for preparation of the consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please refer to page 5 of attachment “2. Summary Information (Notes), (3) Changes in accounting policies and estimates, and retrospective restatements.”

(4) Number of shares issued (common stock)

	(Unit: share)			
1) Number of shares issued at end of period (including treasury stock)	June 30, 2014	110,881,044	Mar. 31, 2014	110,881,044
2) Number of shares of treasury stock at end of period	June 30, 2014	8,745,448	Mar. 31, 2014	8,744,689
3) Average number of shares during the three months	Apr. – Jun. 2014	102,136,101	Apr. – Jun. 2013	102,152,701

* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this document, and the quarterly review procedure based on the Financial Instruments and Exchange Act had not been completed as of the release of this document.

* Explanation related to the appropriate use of these results forecasts and other items warranting special mention

Statements in this document, including the results forecasts, etc., are based on the information available as of the date of the release of this document and the preconditions that Toyo Suisan Kaisha, Ltd. (the “Company”) deemed to be reasonable; they are not meant to be a commitment by the Company. A variety of factors in the future may cause actual results to differ materially from these forecasts. Please refer to Section: “Explanation of forward-looking statements, including consolidated results forecasts” on page 5 of the attachments for the preconditions for the results forecasts and exercise caution in the use of these results forecasts.

Index of Attachments

1. Qualitative Information on Consolidated Financial Results for the Three Months Ended June 30, 2014	4
(1) Explanation of the consolidated operating results	4
(2) Explanation of the consolidated financial position	5
(3) Explanation of forward-looking statements, including consolidated results forecasts	5
2. Summary Information (Notes)	5
(1) Changes in significant subsidiaries during the period	5
(2) Application of specific accounting procedures for preparation of the consolidated financial statements	5
(3) Changes in accounting policies changes in accounting estimates, and retrospective restatement	5
3. Consolidated Financial Statements	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and comprehensive income	8
Consolidated statements of income	
First three months of the fiscal year ending March 31, 2015	8
Consolidated statements of comprehensive income	
First three months of the fiscal year ending March 31, 2015	9
(3) Notes to consolidated financial statements	10
Notes on going concern assumptions	10
Notes in the event of substantial changes in shareholders' equity	10
Segment information, etc.	10

1. Qualitative Information on Consolidated Financial Results for the Three Months Ended June 30, 2014

(1) Explanation of the consolidated operating results

During the first three-months of the fiscal year ending March 31, 2015, economic conditions in Japan showed only a weak recovery trend as a result of a slump in demand following the last-minute demand ahead of the rise of the consumption tax rate.

Under these circumstances, the Toyo Suisan Group has remained committed to its mission “to contribute to society through foods” and “to provide safe and secure foods and services to customers” under the corporate slogan of “Smiles for All.” The Group continued to implement cost reductions and promoted aggressive sales activities in its efforts to face an increasingly competitive sales environment.

As a result, net sales were ¥86,025 million (-2.1% year on year), operating income was ¥4,772 million (-38.8% year on year), ordinary income was ¥5,199 million (-37.0% year on year), and net income was ¥3,286 million (-51.2% year on year) for the period under review.

The foreign exchange rate for the period was ¥101.35 to the U.S. dollar (¥98.58 to the U.S. dollar for the corresponding period of the previous fiscal year).

The operating results by segment are as follows.

In the Seafood Segment, conditions had continued to be severe since last year due to a rise in the cost of ingredients on the back of poor hauls of major marine products abroad as well as poor hauls of low-priced fish such as squid and mackerel in Japan. Under such circumstances, we developed value-added products mainly around our signature products of salmon/trout, roe, and tuna and aggressively sold these products to mass merchandisers and convenience stores. This resulted in segment sales of ¥8,415 million (+3.3% year on year). However, the segment loss was ¥25 million (compared to a segment profit of ¥17 million for the corresponding period of the previous fiscal year) due to the failure to pass on the increased cost of ingredients such as salmon/trout, shrimp, and southern hemisphere fish in to product prices, as well as the failure to make up for the increase in depreciation and amortization following the sluggish foreshore operations, among other factors.

In the Overseas Instant Noodles Segment, segment sales were ¥16,571 million (-1.0% year on year). This was despite robust sales in Central and South America and aggressive sales activities in the United States amid sluggish growth and severe competition. Segment profit was ¥2,076 million (-30.9% year on year) due to an increase in promotion expenses as a result of enhanced sales activities and a rise in fixed costs following the start of operation of Maruchan Texas, Inc. in March.

The Domestic Instant Noodles Segment had a difficult start in April in particular as a result of a slump in demand following the last-minute demand prior to the consumption tax hike. However, sales of cup noodle products have been robust since May as a result of aggressive sales activities including new sales promotions in key branded products such as Akai Kitsune Udon and Midori no Tanuki Tempura Soba, sales campaigns for Menzukurī, and the launch of products related to the soccer world cup tournament. Total sales of bag noodles decreased from last year due to a failure to address intensified competition and other changes in the market environment. However, we have been making efforts in the form of aggressive sales activities and new demand stimulation for Maruchan Seimen. As a result, segment sales were ¥25,042 million (-11.4% year on year) and segment profit was ¥1,570 million (-48.4% year on year), due also to the surge in the cost of ingredients.

In the Frozen and Refrigerated Foods Segment, among fresh noodles, sales of yakisoba noodles fared well with the launch of seasonal products such as the three-meal package of Ebi Shio Yakisoba for spring and the three-meal package of Curry Yakisoba for summer, as well as the enhanced promotion via consumer campaigns of the three-meal package of Maruchan Yakisoba, a core product. Fresh ramen noodles, which went through a significant renewal in the beginning of autumn last year, remained robust sellers and total sales of fresh noodles increased over the previous year. Among frozen foods, sales of commercial frozen foods stayed robust. As a result, segment sales were ¥17,103 million (+5.7% year on year). Segment profit was ¥870 million (-6.2% year on year) due to an increase in promotion expenses.

In the Processed Foods Segment, sales of rice products were strong, with expanded sales of existing products. Among freeze-dried products, sales were robust mainly in the five-meal package, a core product. Sales of Japanese fish loaf and sausage saw a steady rise. Sales of seasonings and dried bonito flakes dropped owing in part to a sluggish market. As a result, segment sales were ¥4,076 million (-1.9% year on year) and segment profit was ¥46 million (compared to a segment loss of ¥57 million for the corresponding period of the previous fiscal year).

In the Cold-Storage Segment, storage volume and inventory decreased due to sluggish volumes of imported ingredient products on the back of a rise in purchase prices of imported products. Segment sales were ¥3,927 million (-0.2% year on year), despite aggressive efforts to source products mainly in imported frozen food and domestic ice cream cargo. Segment profit was ¥179 million (-56.3% year on year) as a result of an increase in depreciation and other expenses of the Higashi Ogishima automatic warehouse, which went into operation in April.

The Other Business Segment consists of mainly the packed lunch/deli food business. Segment sales were ¥10,889 million (+4.4% year on year), while segment profit was ¥154 million (-69.4% year on year).

(2) Explanation of the consolidated financial position

At the end of the first quarter of the fiscal year ending March 31, 2015, total assets decreased ¥6,747 million from the previous fiscal year-end to ¥302,039 million, and net assets decreased ¥440 million, to ¥236,495 million. The main factors contributing to these results are as follows:

With regard to assets, decreases were seen in notes and accounts receivable-trade, securities, and construction in progress. As for liabilities, accrued expenses and income taxes payable decreased. Concerning net assets, adjustment on foreign currency translation decreased.

As a result of these factors, the shareholders' equity ratio was 73.9%.

(3) Explanation of forward-looking information, including consolidated results forecasts

We have not changed our consolidated results forecasts for the first six months and the full term of the fiscal year ending March 31, 2015, as announced on May 15, 2014, because the first quarter results were within our expectations. Should any changes occur in the future, the relevant information will be duly disclosed.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Not applicable

(2) Application of specific accounting procedures for preparation of the consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

(Changes in accounting policies)

Effective from the first quarter ended June 30, 2014, the Company and its domestic consolidated subsidiaries have applied the provisions set forth in Clause 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter, the "Accounting Standard for Retirement Benefits") and Clause 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter, the "Guidance on Retirement Benefits"). Based on these provisions, the Company and its domestic consolidated subsidiaries have revised the calculation method for retirement benefit obligations and service costs and have changed the allocation method for estimated retirement benefits, from a straight-line method to a benefit formula method, and the calculation method for discount rate.

The application of the Accounting Standard for Retirement Benefits, etc. is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits. The effect of the change in the calculation method of retirement benefit obligations and service costs has been reflected in Retained earnings at the beginning of the period.

As a result, net defined benefit asset at the beginning of the first quarter of the fiscal year under review increased by ¥34 million, net defined benefit liability increased by ¥571 million, and retained earnings decreased by ¥378 million. Operating income, ordinary income, and income before income taxes decreased by ¥34 million each for the first three months of the consolidated fiscal year ending March 31, 2015.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	FY2014 (As of March 31, 2014)	1Q FY2015 (As of June 30, 2014)
Assets		
Current assets		
Cash on hand and at banks	54,082	53,580
Notes and accounts receivable-trade	48,989	45,659
Securities	34,200	32,200
Merchandise and finished goods	17,121	17,255
Work in process	286	316
Raw materials and supplies	5,679	5,849
Deferred income tax assets	1,822	1,123
Other	3,225	2,908
Less: Allowance for doubtful accounts	(501)	(497)
Total current assets	164,904	158,395
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	52,516	53,360
Machinery, equipment and vehicles, net	26,561	26,921
Land	32,090	32,255
Leased assets, net	3,983	3,845
Construction in progress	2,989	656
Other, net	1,037	1,208
Total property, plant and equipment	119,179	118,247
Intangible assets		
Other	2,408	2,530
Total intangible assets	2,408	2,530
Investments and other assets		
Investments in securities	20,114	20,777
Deferred income tax assets	1,352	1,274
Net defined benefit asset	82	99
Other	744	714
Total investments and other assets	22,293	22,865
Total fixed assets	143,882	143,643
Total assets	308,787	302,039

(Millions of yen)

	FY2014 (As of March 31, 2014)	1Q FY2015 (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,331	24,341
Short-term loans	201	204
Current portion of long-term debt	85	70
Lease obligations	237	256
Accrued expenses	19,378	15,305
Income taxes payable	2,875	896
Deferred income tax liabilities	5	0
Allowance for bonus to officers	175	11
Other	3,380	2,215
Total current liabilities	50,669	43,302
Long-term liabilities		
Long-term loans	30	20
Lease obligations	3,916	4,317
Deferred income tax liabilities	3,652	3,696
Reserve for officer retirement benefits for officers	271	251
Net defined benefit liability	12,649	13,321
Negative goodwill	75	37
Asset retirement obligations	315	316
Other	270	280
Total long-term liabilities	21,181	22,240
Total liabilities	71,851	65,543
Net assets		
Shareholders' equity		
Common stock	18,969	18,969
Capital surplus	22,516	22,516
Retained earnings	189,404	189,759
Treasury stock at cost	(8,207)	(8,210)
Total shareholders' equity	222,683	223,035
Accumulated other comprehensive income		
Net unrealized gain (loss) on investments in securities, net of taxes	3,281	3,471
Net unrealized gains (losses) on hedging derivatives, net of taxes	11	(8)
Adjustment on foreign currency translation	(2,800)	(3,821)
Remeasurements of defined benefit plans	390	443
Total accumulated other comprehensive income	881	85
Minority interests in consolidated subsidiaries	13,371	13,375
Total net assets	236,936	236,495
Total liabilities and net assets	308,787	302,039

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income
First three months of the fiscal year ending March 31, 2015

	(Millions of yen)	
	1Q FY2014 (from April 1, 2013 to June 30, 2013)	1Q FY2015 (from April 1, 2014 to June 30, 2014)
Net sales	87,866	86,025
Cost of sales	54,189	55,863
Gross profit	33,677	30,161
Selling, general and administrative expenses	25,878	25,389
Operating income	7,799	4,772
Non-operating income		
Interest income	69	91
Dividends income	176	196
Equity in gain under the equity method	7	9
Rent income	112	93
Miscellaneous income	150	144
Total non-operating income	516	536
Non-operating expenses		
Interest expenses	1	47
Cost of rent income	25	24
Currency exchange loss	6	10
Miscellaneous loss	29	27
Total non-operating expenses	62	109
Ordinary income	8,253	5,199
Extraordinary income		
Gain on sales of fixed assets	1	17
Gain on negative goodwill	641	—
Subsidy received	1,192	—
Other	25	0
Total extraordinary income	1,860	17
Extraordinary loss		
Loss on sales or disposal of fixed assets, net	18	33
Write-down of investment in securities	8	—
Other	0	1
Total extraordinary losses	26	34
Income before income taxes and minority interests	10,087	5,181
Income taxes-current	2,634	1,169
Income taxes-deferred	590	631
Total income taxes	3,224	1,800
Income before minority interests	6,862	3,380
Minority interests in subsidiaries	133	94
Net income	6,729	3,286

Consolidated statements of comprehensive income
 First three months of the fiscal year ending March 31, 2015

	(Millions of yen)	
	1Q FY2014 (from April 1, 2013 to June 30, 2013)	1Q FY2015 (from April 1, 2014 to June 30, 2014)
Income before minority interests	6,862	3,380
Other comprehensive income		
Net unrealized gain (loss) on investments in securities, net of taxes	426	251
Net unrealized gain (loss) on hedging derivatives, net of taxes	(0)	(19)
Adjustment on foreign currency translation	2,759	(1,020)
Remeasurements of defined benefit plans	—	53
Share of other comprehensive income of associates accounted for using equity method	18	(10)
Total other comprehensive income	3,202	(745)
Comprehensive income	10,065	2,634
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,934	2,490
Comprehensive income attributable to minority interests	130	144

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable

(Notes in the event of substantial changes in shareholders' equity)

Not applicable

(Segment information, etc.)

Segment information

I Three months ended June 30, 2013 (from April 1 to June 30, 2013)

1. Information relating to net sales and profit/loss for each reporting segment

(Millions of yen)

	Reporting segment							Other (Note 1)	Total	Adjust- ments (Note 2)	Amount reported on consoli- dated financial statements (Note 3)
	Seafood Segment	Overseas Instant Noodles Segment	Domestic Instant Noodles Segment	Frozen and Refrigerated Foods Segment	Processed Foods Segment	Cold- Storage Segment	Total				
Net sales											
Net sales to outside customers	8,149	16,745	28,270	16,180	4,156	3,934	77,437	10,432	87,869	(3)	87,866
Internal net sales or transfer between segments	174	—	0	—	0	231	406	127	534	(534)	—
Total	8,324	16,745	28,270	16,180	4,156	4,166	77,843	10,560	88,404	(537)	87,866
Segment profit (loss)	17	3,005	3,042	927	(57)	409	7,345	505	7,850	(51)	7,799

(Notes) 1. The Other Business Segment is one which is not among the reporting segments and refers to a business which is mainly involved in the packed lunch/deli food business.

2. The adjustment of -¥3 million in net sales to outside customers was reported due to differing elimination methods used by the reporting segments and the consolidated financial statements. The -¥51 million in segment profit (loss) adjustments include companywide expenses of -¥218 million which have not been allocated to each reporting segment, a ¥57 million adjustment to inventories, and other adjustments of ¥109 million. Companywide expenses refer mainly to general administrative expenses which do not belong to any reporting segment. Other adjustments are mainly currency translation adjustments which occur upon calculating eliminations with overseas subsidiaries when reporting earnings.

3. Segment profit (loss) is adjusted at the operating income level on the consolidated financial statements.

2. Information relating to impairment loss on fixed assets or goodwill for each reporting segment

Not applicable

II Three months ended June 30, 2014 (from April 1 to June 30, 2014)

1. Information relating to net sales and profit/loss for each reporting segment

(Millions of yen)

	Reporting segment							Other (Note 1)	Total	Adjust- ments (Note 2)	Amount reported on consoli- dated financial statements (Note 3)
	Seafood Segment	Overseas Instant Noodles Segment	Domestic Instant Noodles Segment	Frozen and Refrigerated Foods Segment	Processed Foods Segment	Cold- Storage Segment	Total				
Net sales											
Net sales to outside customers	8,415	16,571	25,042	17,103	4,076	3,927	75,137	10,889	86,026	(1)	86,025
Internal net sales or transfer between segments	407	—	0	—	0	237	645	123	768	(768)	—
Total	8,823	16,571	25,042	17,103	4,076	4,164	75,782	11,012	86,795	(769)	86,025
Segment profit (loss)	(25)	2,076	1,570	870	46	179	4,717	154	4,871	(99)	4,772

(Notes) 1. The Other Business Segment is one which is not among the reporting segments and refers to a business which is mainly involved in the packed lunch/deli food business.

2. The adjustment of -¥1 million in net sales to outside customers was reported due to differing elimination methods used by the reporting segments and the consolidated financial statements. The -¥99 million in segment profit (loss) adjustments include companywide expenses of -¥249 million which have not been allocated to each reporting segment, a ¥52 million adjustment to inventories, and other adjustments of ¥98 million. Companywide expenses refer mainly to general administrative expenses which do not belong to any reporting segment. Other adjustments are mainly elimination of know-how payments from overseas subsidiaries.

3. Segment profit (loss) is adjusted at the operating income level on the consolidated financial statements.

2. Information relating to impairment loss on fixed assets or goodwill for each reporting segment
Not applicable