



# Semi-Annual Report 2015

For the Six-Month Period Ended 30th September 2015

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## 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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## 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 68th fiscal year.

During the first six-month period ended 30th September 2015, the Japanese economy remained on a moderate recovery path, partly attributable to the beneficial effects of the Abe administration's various policies while the labour market and personal incomes continued to improve. However,

uncertainties including a downside risk to the world economy are a concern. Additionally, in line with rising consumer prices, consumers became increasingly budget-minded as well as selective in their consumption. Thus, a recovery of personal consumption was not evident.

The Marudai Food Group's Processed Food Products business continues to operate in a challenging environment characterized by intensifying price competition while customers become increasingly budget-minded. The environment for the Meat Products business continued to be unstable. The prices of pork continued to be weak due to recovery in supply, and while prices of beef remained high in general, reflecting decreased supply, prices of certain imported frozen beef fell greatly.

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 4.7% year on year to 115,971 million yen. Operating income increased by 12.8% to 2,138 million yen, and profit attributable to owners of parent increased by 54.5% to 1,415 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.

December 2015.

Tokuo Kudara  
President and Representative Director

A handwritten signature in black ink, appearing to read 'T. Kudara', written over a horizontal line.

## PRODUCTS

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### 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 “*Kunseiya no Kodawari Campaign*.” We also promoted sales of new products, including the smoked top-grade “*Ibushi Tokkyu Bacon*” and “*Aburi Bara Yakibuta*” Chinese-style barbecued pork, both of which proved to be popular, and “*Dragon Ball Super Fish Sausage*,” which are sausages with popular anime characters printed on them. For midsummer gift products, we worked to expand 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. Nevertheless, sales of the Ham & Sausage Products operations decreased by 1.3% year on year partly because of intensifying sales competition.

In the Precooked & Processed Foods operations, we made vigorous efforts to expand sales of the “*Sundubu*” series of Korean-style soup mixes through a sales promotion campaign. We also vigorously marketed new products. The line-up of the “*Chef no Takumi*” series of high-quality dishes that take casual dining to a new level was enriched with the addition of the “*Massaman Curry*” and the “*Black Hashed Beef*.” We introduced a line of soup dishes to be served hot in the “*Soup BIZ*” series. Another new product is the “*Shoga Chicken*,” Japanese-style fried chicken with ginger flavour and texture. With regard to desserts and beverages, brisk sales of the “*SWEET CAFE*” series of desserts and the “*TAPIOCA TIME*” series of beverages with black tapioca continued. As a result, sales of the Precooked & Processed Foods operations increased by 13.1% year on year.

Overall, sales in the Processed Food Products segment amounted to 82,155 million yen, up 4.7% year on year. Operating income increased by 46.8% to 2,043 million yen owing to our efforts to reduce costs through rationalization.

### Meat Products

With regard to pork, we strengthened the handling of Japanese branded pork and carried out initiatives to expand the sales of imported pork. Regarding beef, amid the continuing trend of high prices, sales were robust owing to our sales expansion efforts for Japanese beef. However, the sharp drop in the prices of certain imported frozen beef products had a substantial and adverse impact on our profits.

As a result, sales in the Meat Products segment increased by 4.6% year on year to 33,601 million yen and operating income decreased by 96.6% to 14 million yen.

### Other

Sales of the Other business increased by 15.5% year on year to 215 million yen, and operating income decreased by 16.1% to 81 million yen.

**CONSOLIDATED BALANCE SHEETS**

30th September 2015 and 2014

(Unaudited)

| ASSETS   | Millions of yen |          | Thousands of<br>U.S. dollars (Note) |
|--|-----------------|----------|-------------------------------------|
|  | 2015            | 2014     | 2015                                |
| <b>Current assets:</b>                         |                 |          |                                     |
| Cash and time deposits .....                   | ¥ 13,972        | ¥ 13,029 | \$ 116,511                          |
| Receivables:                                   |                 |          |                                     |
| Trade notes and accounts .....                 | 25,714          | 24,542   | 214,426                             |
| Other .....                                    | 356             | 301      | 2,969                               |
| Allowance for doubtful accounts .....          | (58)            | (62)     | (484)                               |
| Inventories .....                              | 14,481          | 16,246   | 120,756                             |
| Deferred tax assets .....                      | 1,044           | 1,147    | 8,706                               |
| Advances and other current assets .....        | 856             | 664      | 7,138                               |
| Total current assets .....                     | 56,365          | 55,867   | 470,022                             |
| <b>Investments and other assets:</b>           |                 |          |                                     |
| Investment securities                          |                 |          |                                     |
| Affiliates .....                               | –               | 18       | –                                   |
| Other .....                                    | 13,134          | 11,348   | 109,523                             |
| Deferred tax assets .....                      | 105             | 77       | 876                                 |
| Other .....                                    | 5,671           | 5,692    | 47,289                              |
| Allowance for doubtful accounts .....          | (263)           | (388)    | (2,193)                             |
| Total investments and other assets .....       | 18,647          | 16,747   | 155,495                             |
| <b>Property, plant and equipment, at cost:</b> |                 |          |                                     |
| Land .....                                     | 17,927          | 18,245   | 149,491                             |
| Buildings and structures .....                 | 47,653          | 47,801   | 397,373                             |
| Machinery and equipment .....                  | 56,378          | 55,108   | 470,130                             |
| Lease assets .....                             | 6,063           | 6,109    | 50,559                              |
| Construction in progress .....                 | 906             | 229      | 7,555                               |
|  | 128,927         | 127,492  | 1,075,108                           |
| Less accumulated depreciation .....            | (81,374)        | (78,330) | (678,569)                           |
| Net property, plant and equipment .....        | 47,553          | 49,162   | 396,539                             |
| <b>Intangible assets</b> .....                 | 893             | 1,128    | 7,447                               |
| Total assets .....                             | ¥123,458        | ¥122,904 | \$1,029,503                         |

See the accompanying note.

| <b>LIABILITIES AND NET ASSETS</b>                                    | Millions of yen |          | Thousands of<br>U.S. dollars (Note) |
|--|-----------------|----------|-------------------------------------|
|  | 2015            | 2014     | 2015                                |
| <b>Current liabilities:</b>  |                 |          |                                     |
| Trade notes and accounts payable .....                               | ¥ 22,722        | ¥ 22,705 | \$ 189,476                          |
| Short-term borrowings .....  | 4,296           | 6,452    | 35,824                              |
| Long-term debt due within one year .....                             | 1,884           | 2,825    | 15,710                              |
| Short-term lease obligations .....                                   | 737             | 745      | 6,146                               |
| Accrued expenses .....   | 2,385           | 2,335    | 19,888                              |
| Accrued income taxes .....   | 1,055           | 859      | 8,798                               |
| Other current liabilities .....                                      | 7,942           | 6,897    | 66,228                              |
| Total current liabilities .....                                      | 41,021          | 42,818   | 342,070                             |
| <b>Long-term liabilities:</b>  |                 |          |                                     |
| Long-term debt due after one year .....                              | 4,375           | 4,149    | 36,483                              |
| Long-term lease obligations .....                                    | 1,979           | 2,312    | 16,503                              |
| Deferred tax liabilities .....                                       | 1,814           | 1,229    | 15,127                              |
| Liabilities for retirement benefits .....                            | 1,546           | 2,864    | 12,892                              |
| Other long-term liabilities .....                                    | 603             | 466      | 5,027                               |
| Total long-term liabilities .....                                    | 10,317          | 11,020   | 86,032                              |
| <b>NET ASSETS</b>  |                 |          |                                     |
| <b>Shareholders' equity:</b>   |                 |          |                                     |
| Common stock   |                 |          |                                     |
| Authorised-200,000,000 shares  |                 |          |                                     |
| Issued-132,527,909 shares in 2015 (132,527,909 shares in 2014) ..... | 6,716           | 6,716    | 56,004                              |
| Capital surplus .....  | 22,061          | 21,686   | 183,964                             |
| Retained earnings .....  | 40,104          | 38,726   | 334,423                             |
| Treasury stock at cost .....   | (511)           | (705)    | (4,261)                             |
| Total shareholders' equity .....                                     | 68,370          | 66,423   | 570,130                             |
| <b>Accumulated other comprehensive income:</b>                       |                 |          |                                     |
| Unrealised gains on securities .....                                 | 5,020           | 3,651    | 41,861                              |
| Deferred losses (gains) on hedges .....                              | (1)             | 0        | (8)                                 |
| Foreign currency translation adjustments .....                       | (151)           | (139)    | (1,259)                             |
| Adjustments for retirement benefits .....                            | (1,538)         | (2,631)  | (12,825)                            |
| Total accumulated other comprehensive income .....                   | 3,330           | 881      | 27,769                              |
| <b>Non-controlling interests</b> .....                               | 420             | 1,762    | 3,502                               |
| Total net assets .....   | 72,120          | 69,066   | 601,401                             |
| Total liabilities and net assets .....                               | ¥123,458        | ¥122,904 | \$1,029,503                         |

See the accompanying note.

## CONSOLIDATED STATEMENTS OF INCOME

Six months ended 30th September 2015 and 2014

(Unaudited)

|   | Millions of yen |            | Thousands of<br>U.S. dollars (Note) |
|---|-----------------|------------|-------------------------------------|
|   | 2015            | 2014       | 2015                                |
| Net sales .....   | ¥115,971        | ¥110,729   | \$967,070                           |
| Cost of sales .....   | 89,639          | 85,194     | 747,490                             |
| Gross profit .....  | 26,332          | 25,535     | 219,580                             |
| <b>Selling, general and administrative expenses</b> .....           | 24,194          | 23,639     | 201,751                             |
| Operating income .....  | 2,138           | 1,896      | 17,829                              |
| <b>Other income (expenses):</b>                                     |                 |            |                                     |
| Interest and dividend income .....                                  | 156             | 146        | 1,301                               |
| Interest expense .....  | (111)           | (123)      | (926)                               |
| Gain (loss) on disposal of property, plant and equipment, net ..... | 73              | (79)       | 609                                 |
| Loss on impairment of assets .....                                  | (27)            | (54)       | (225)                               |
| Other, net .....  | 172             | 194        | 1,434                               |
|   | 263             | 84         | 2,193                               |
| <b>Income before income taxes</b> .....                             | 2,401           | 1,980      | 20,022                              |
| <b>Income taxes:</b>  |                 |            |                                     |
| Current .....   | 1,032           | 849        | 8,606                               |
| Deferred .....  | (66)            | 17         | (550)                               |
|   | 966             | 866        | 8,056                               |
| <b>Profit</b> .....   | 1,435           | 1,114      | 11,966                              |
| <b>Profit attributable to non-controlling interests</b> .....       | (20)            | (198)      | (166)                               |
| <b>Profit attributable to owners of parent</b> .....                | ¥ 1,415         | ¥ 916      | \$ 11,800                           |
|   |                 | <b>Yen</b> | <b>U.S. dollars (Note)</b>          |
| <b>Profit attributable to owners of parent per share</b> .....      | ¥10.70          | ¥7.06      | \$0.09                              |

See the accompanying note.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Six months ended 30th September 2015 and 2014

(Unaudited)

|   | Millions of yen |        | Thousands of<br>U.S. dollars (Note) |
|---|-----------------|--------|-------------------------------------|
|   | 2015            | 2014   | 2015                                |
| <b>Profit</b> .....   | ¥1,435          | ¥1,114 | \$11,966                            |
| Other comprehensive income:   |                 |        |                                     |
| Unrealised gains on securities .....  | 244             | 233    | 2,035                               |
| Deferred losses on hedges .....   | (9)             | (1)    | (75)                                |
| Foreign currency translation adjustments .....  | 1               | (31)   | 8                                   |
| Adjustments for retirement benefits .....   | 182             | 108    | 1,518                               |
| Share of other comprehensive income of associates accounted for using equity method ... | 1               | (1)    | 8                                   |
| Total other comprehensive income .....  | 419             | 308    | 3,494                               |
| <b>Comprehensive income</b> .....   | ¥1,854          | ¥1,422 | \$15,460                            |
| <b>Comprehensive income attributable to:</b>  |                 |        |                                     |
| Owners of the parent .....  | ¥1,835          | ¥1,222 | \$15,302                            |
| Non-controlling interests .....   | ¥ 19            | ¥ 200  | \$ 158                              |

See the accompanying note.



**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Six months ended 30th September 2015 and 2014

(Unaudited)

|   | Millions of yen |           | Thousands of<br>U.S. dollars (Note) |
|---|-----------------|-----------|-------------------------------------|
|   | 2015            | 2014      | 2015                                |
| <b>Common stock:</b>                                  |                 |           |                                     |
| Balance at beginning and end of period .....          | ¥ 6,716         | ¥ 6,716   | \$ 56,004                           |
| <b>Capital surplus:</b>                               |                 |           |                                     |
| Balance at beginning of period .....                  | ¥22,073         | ¥21,686   | \$184,064                           |
| Purchase of shares of consolidated subsidiaries ..... | (12)            | —         | (100)                               |
| Balance at end of period .....                        | ¥22,061         | ¥21,686   | \$183,964                           |
| <b>Retained earnings:</b>                             |                 |           |                                     |
| Balance at beginning of period .....                  | ¥39,616         | ¥38,719   | \$330,353                           |
| Cash dividends paid .....                             | (927)           | (909)     | (7,730)                             |
| Profit attributable to owners of parent .....         | 1,415           | 916       | 11,800                              |
| Balance at end of period .....                        | ¥40,104         | ¥38,726   | \$334,423                           |
| <b>Treasury stock at cost:</b>                        |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ (10)          | ¥ (705)   | \$ (83)                             |
| Purchase of treasury stock .....                      | (501)           | (0)       | (4,178)                             |
| Balance at end of period .....                        | ¥ (511)         | ¥ (705)   | \$ (4,261)                          |
| <b>Unrealised gains on securities:</b>                |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ 4,776         | ¥ 3,418   | \$ 39,827                           |
| Increase for period .....                             | 244             | 233       | 2,034                               |
| Balance at end of period .....                        | ¥ 5,020         | ¥ 3,651   | \$ 41,861                           |
| <b>Deferred losses (gains) on hedges:</b>             |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ 8             | ¥ 1       | \$ 67                               |
| Decrease for period .....                             | (9)             | (1)       | (75)                                |
| Balance at end of period .....                        | ¥ (1)           | ¥ 0       | \$ (8)                              |
| <b>Foreign currency translation adjustments:</b>      |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ (153)         | ¥ (106)   | \$ (1,276)                          |
| Decrease (increase) for period .....                  | 2               | (33)      | 17                                  |
| Balance at end of period .....                        | ¥ (151)         | ¥ (139)   | \$ (1,259)                          |
| <b>Adjustments for retirement benefits:</b>           |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ (1,720)       | ¥ (2,737) | \$ (14,343)                         |
| Increase for period .....                             | 182             | 106       | 1,518                               |
| Balance at end of period .....                        | ¥ (1,538)       | ¥ (2,631) | \$ (12,825)                         |
| <b>Non-controlling interests:</b>                     |                 |           |                                     |
| Balance at beginning of period .....                  | ¥ 402           | ¥ 1,585   | \$ 3,352                            |
| Increase for period .....                             | 18              | 177       | 150                                 |
| Balance at end of period .....                        | ¥ 420           | ¥ 1,762   | \$ 3,502                            |

See the accompanying note.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Six months ended 30th September 2015 and 2014

(Unaudited)

|   | Millions of yen |         | Thousands of<br>U.S. dollars (Note) |
|---|-----------------|---------|-------------------------------------|
|   | 2015            | 2014    | 2015                                |
| <b>Cash flows from operating activities:</b>                        |                 |         |                                     |
| Income before income taxes .....                                    | ¥ 2,401         | ¥ 1,980 | \$ 20,022                           |
| Depreciation and amortisation .....                                 | 2,512           | 2,585   | 20,947                              |
| Loss on impairment of assets .....                                  | 27              | 54      | 225                                 |
| Decrease in allowance for doubtful accounts .....                   | (43)            | (8)     | (359)                               |
| Increase (decrease) in liabilities for retirement benefits .....    | 76              | (7)     | 634                                 |
| Interest and dividend income .....                                  | (156)           | (146)   | (1,301)                             |
| Interest expense .....  | 111             | 123     | 926                                 |
| Write-down of investment in securities .....                        | –               | 4       | –                                   |
| Loss (gain) on disposal of property, plant and equipment, net ..... | (73)            | 79      | (609)                               |
| Increase in receivables .....                                       | (1,750)         | (1,395) | (14,593)                            |
| Decrease (increase) in inventories .....                            | 2,553           | (2,587) | 21,289                              |
| Increase in trade notes and accounts payable .....                  | 1,650           | 3,265   | 13,759                              |
| Increase (decrease) in consumption tax payable .....                | (105)           | 227     | (876)                               |
| Other, net .....  | 423             | 231     | 3,529                               |
| Subtotal .....  | 7,626           | 4,405   | 63,593                              |
| Interest and dividends received .....                               | 160             | 149     | 1,334                               |
| Interest paid .....   | (111)           | (122)   | (926)                               |
| Income taxes paid .....   | (681)           | (974)   | (5,679)                             |
| Net cash provided by operating activities .....                     | 6,994           | 3,458   | 58,322                              |
| <b>Cash flows from investing activities:</b>                        |                 |         |                                     |
| Purchase of short-term investments and investment securities .....  | (15)            | (15)    | (125)                               |
| Purchase of property, plant and equipment .....                     | (1,255)         | (2,193) | (10,465)                            |
| Proceeds from sale of property, plant and equipment .....           | 278             | 70      | 2,318                               |
| Other, net .....  | (49)            | (69)    | (409)                               |
| Net cash used in investing activities .....                         | (1,041)         | (2,207) | (8,681)                             |
| <b>Cash flows from financing activities:</b>                        |                 |         |                                     |
| Net decrease in short-term borrowings .....                         | (3,011)         | (810)   | (25,108)                            |
| Repayment of long-term debt .....                                   | (1,060)         | (987)   | (8,839)                             |
| Repayment of lease obligations .....                                | (390)           | (388)   | (3,252)                             |
| Cash dividends paid .....   | (927)           | (909)   | (7,730)                             |
| Purchase of treasury shares .....                                   | (500)           | (1)     | (4,169)                             |
| Other, net .....  | (16)            | (23)    | (135)                               |
| Net cash used in financing activities .....                         | (5,904)         | (3,118) | (49,233)                            |
| Effect of exchange rate changes on cash and cash equivalents .....  | 0               | (1)     | 1                                   |
| Net increase (decrease) in cash and cash equivalents .....          | 49              | (1,868) | 409                                 |
| Cash and cash equivalents at beginning of year .....                | 13,923          | 14,897  | 116,102                             |
| Cash and cash equivalents at end of period .....                    | ¥13,972         | ¥13,029 | \$116,511                           |

See the accompanying note.

## 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 2015.

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 30th September 2015, which was ¥119.92 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.

## **DIRECTORS AND STATUTORY AUDITORS**

(As of 30th September 2015)

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

## **OUTLINE OF THE COMPANY**

(As of 30th September 2015)

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 2,167

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 37 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.

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