



# Semi-Annual Report 2016

For the Six-Month Period Ended 30th September 2016

---

## 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.

## CONTENTS

TO OUR SHAREHOLDERS .....	1
PRODUCTS .....	2
CONSOLIDATED BALANCE SHEETS .....	3
CONSOLIDATED STATEMENTS OF INCOME .....	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME .....	6
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS .....	7
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	8
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS .....	9
DIRECTORS AND STATUTORY AUDITORS.....	10
OUTLINE OF THE COMPANY .....	11

---

## TO OUR SHAREHOLDERS

---



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 69th fiscal year.

During the first six-month period ended 30th September 2016, the Japanese economy remained on a moderate recovery path owing to improvement in the labour market and personal incomes despite the lack of vigour in personal consumption. However, prospects for the Japanese economy were

unpredictable because of mounting uncertainty regarding overseas economies and concern about both foreign exchange rates and the stock market.

The Marudai Food Group's Processed Food Products business continues to operate in a challenging environment characterized by intensifying sales competition while customers are becoming increasingly budget-minded, although prices of raw materials have been stable. Regarding the Meat Products business, while prices of U.S. beef have been stable owing to an increase in shipments, high prices of Japanese beef persisted owing to a decrease in shipments. Prices of U.S. pork have begun to weaken, reflecting the continuing increase in shipments, with prices of Japanese pork starting to stabilize due to a recovery in shipments.

In these 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 decreased by 0.2% year on year to 115,774 million yen. Operating income increased by 28.9% to 2,755 million yen, and profit attributable to owners of the parent increased by 32.3% to 1,872 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 2016.

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

Tokuo Kudara  
President and Representative Director

## PRODUCTS

---

### Processed Food Products

The Ham & Sausage Products operations made vigorous efforts to expand sales of mainstay items such as the “*Kunseiya-Ripened Pork Sausage*,” which was redesigned and launched in April 2016, through sales promotions, including the “*Natsu no Nippon! Zenryoku Ouen! (Go for it! Japan in the Summer! ) Campaign*.” Sales of the smoked top-grade “*Ibushi Tokkyu Bacon*,” “*Aburi Bara Yakibuta*” Chinese-style barbecued pork, and rich-flavoured “*Umami White Ham*,” all of which are popular products, were robust. In addition, we introduced new products, including the “*Iwamizawa Cured Ham*” series produced in Iwamizawa, Hokkaido, and worked to increase sales.

For midsummer gift products, we endeavoured 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 3.2% year on year partly because of intensifying sales competition while consumers became increasingly budget-minded.

In the Precooked & Processed Foods operations, sales of retort curry products centering on the “*Bistro Club Beef Curry*” were robust. We made efforts to increase sales of chicken dishes with the launch of new products, including the “*Yuzukosho Chicken*,” which is fried chicken flavoured with a seasoning made from yuzu citron zest and chili peppers produced in Kyushu. Brisk sales of desserts and beverages continued, underpinned by robust sales of the mainstay “*SWEET CAFE*” series of desserts and execution of a campaign for the “*TAPIOCA TIME*” series of beverages with black tapioca. During the campaign period, we raised the amount of black tapioca in each “*TAPIOCA TIME*” series beverages by 20%. Sales of the Precooked & Processed Foods operations increased by 4.2% year on year.

Overall, sales in the Processed Food Products segment amounted to 82,292 million yen, up 0.2% year on year. Operating income decreased by 12.3% to 1,790 million yen owing to a decrease in sales of the mainstay Ham & Sausage Products operations despite decreases in the prices of raw materials and energy, and our cost reduction efforts through rationalization.

### Meat Products

With regard to beef, sales of Japanese beef and imported frozen beef were lacklustre while prices of Japanese beef remained high. In this situation, we strove to increase sales of U.S. chilled beef. Regarding pork, sales of Japanese pork, whose prices have started to stabilize, decreased year on year, despite an increase in sales volume. We made efforts to promote sales of imported chilled pork to secure overall sales of pork. Sales of chicken were sluggish because of a decline in prices of imported chicken.

As a result, sales in the Meat Products segment decreased by 0.6% year on year to 33,403 million yen. Operating income greatly increased from the same period of the previous year to 871 million yen because of higher profit on imported frozen beef whose prices plummeted in the previous year and also owing to our vigorous efforts to expand sales of imported beef and imported pork, which offer relatively high profitability.

### Other

Sales in the Other business decreased by 63.2% year on year to 79 million yen, but operating income increased by 15.6% to 94 million yen.

**CONSOLIDATED BALANCE SHEETS**

30th September 2016 and 2015

(Unaudited)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Current assets:</b>			
Cash and time deposits .....	¥ 14,424	¥ 13,972	\$ 142,741
Receivables:			
Trade notes and accounts .....	25,896	25,714	256,269
Other .....	464	356	4,592
Allowance for doubtful accounts .....	(38)	(58)	(376)
Inventories .....	16,395	14,481	162,246
Deferred tax assets .....	1,021	1,044	10,104
Advances and other current assets .....	623	856	6,166
Total current assets .....	58,785	56,365	581,742
<b>Investments and other assets:</b>			
Investment securities .....	11,725	13,134	116,032
Deferred tax assets .....	135	105	1,336
Other .....	4,998	5,671	49,460
Allowance for doubtful accounts .....	(221)	(263)	(2,187)
Total investments and other assets .....	16,637	18,647	164,641
<b>Property, plant and equipment, at cost:</b>			
Land .....	19,056	17,927	188,580
Buildings and structures .....	49,192	47,653	486,809
Machinery and equipment .....	56,545	56,378	559,574
Lease assets .....	8,073	6,063	79,891
Construction in progress .....	857	906	8,481
	133,723	128,927	1,323,335
Less accumulated depreciation .....	(82,476)	(81,374)	(816,190)
Net property, plant and equipment .....	51,247	47,553	507,145
<b>Intangible assets</b> .....	1,116	893	11,044
Total assets .....	¥127,785	¥123,458	\$1,264,572

See the accompanying note.

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Current liabilities:</b>			
Trade notes and accounts payable .....	¥ 24,282	¥ 22,722	\$ 240,297
Short-term borrowings .....	5,064	4,296	50,114
Long-term debt due within one year .....	2,641	1,884	26,136
Short-term lease obligations .....	917	737	9,075
Accrued expenses .....	2,457	2,385	24,315
Accrued income taxes .....	997	1,055	9,866
Other current liabilities .....	8,311	7,942	82,246
Total current liabilities .....	44,669	41,021	442,049
<b>Long-term liabilities:</b>			
Long-term debt due after one year .....	2,043	4,375	20,218
Long-term lease obligations .....	3,859	1,979	38,189
Deferred tax liabilities .....	1,041	1,814	10,302
Liabilities for retirement benefits .....	2,322	1,546	22,979
Other long-term liabilities .....	433	603	4,284
Total long-term liabilities .....	9,698	10,317	95,972
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorised — 200,000,000 shares			
Issued — 132,527,909 shares in 2016 (132,527,909 shares in 2015) ...	6,716	6,716	66,462
Capital surplus .....	22,086	22,061	218,565
Retained earnings .....	42,266	40,104	418,268
Treasury stock at cost .....	(512)	(511)	(5,066)
Total shareholders' equity .....	70,556	68,370	698,229
<b>Accumulated other comprehensive income:</b>			
Unrealised gains on securities .....	4,292	5,020	42,474
Deferred losses on hedges .....	(26)	(1)	(257)
Foreign currency translation adjustments .....	46	(151)	455
Adjustments for retirement benefits .....	(1,871)	(1,538)	(18,516)
Total accumulated other comprehensive income .....	2,441	3,330	24,156
<b>Non-controlling interests</b> .....	421	420	4,166
Total net assets .....	73,418	72,120	726,551
Total liabilities and net assets .....	¥127,785	¥123,458	\$1,264,572

See the accompanying note.

**CONSOLIDATED STATEMENTS OF INCOME**

Six months ended 30th September 2016 and 2015

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Net sales</b> .....	¥115,774	¥115,971	\$ 1,145,710
<b>Cost of sales</b> .....	88,269	89,639	873,518
Gross profit .....	27,505	26,332	272,192
<b>Selling, general and administrative expenses</b> .....	24,750	24,194	244,928
Operating income .....	2,755	2,138	27,264
<b>Other income (expenses):</b>			
Interest and dividend income .....	170	156	1,682
Interest expense .....	(104)	(111)	(1,029)
Gain on sale of securities, net .....	3	–	30
Gain (loss) on disposal of property, plant and equipment, net .....	(133)	73	(1,316)
Loss on impairment of assets .....	(24)	(27)	(238)
Other, net .....	205	172	2,029
	117	263	1,158
<b>Income before income taxes</b> .....	2,872	2,401	28,422
<b>Income taxes:</b>			
Current .....	1,046	1,032	10,352
Deferred .....	(75)	(66)	(742)
	971	966	9,610
<b>Profit</b> .....	1,901	1,435	18,812
<b>Profit attributable to non-controlling interests</b> .....	(29)	(20)	(287)
<b>Profit attributable to owners of parent</b> .....	¥ 1,872	¥ 1,415	\$ 18,525
		Yen	U.S. dollars (Note)
<b>Profit attributable to owners of parent per share</b> .....	¥14.24	¥10.70	\$0.14

See the accompanying note.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Six months ended 30th September 2016 and 2015

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Profit</b> .....	¥1,901	¥1,435	\$18,812
<b>Other comprehensive income:</b>			
Unrealised gains on securities .....	(131)	244	(1,296)
Deferred losses on hedges .....	(5)	(9)	(50)
Foreign currency translation adjustments .....	41	1	406
Adjustments for retirement benefits .....	195	182	1,930
Share of other comprehensive income of associates accounted for using equity method ...	10	1	99
Total other comprehensive income .....	110	419	1,089
<b>Comprehensive income</b> .....	<b>¥2,011</b>	<b>¥1,854</b>	<b>\$19,901</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent .....	¥1,982	¥1,835	\$19,614
Non-controlling interests .....	¥ 29	¥ 19	\$ 287

See the accompanying note.



# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Six months ended 30th September 2016 and 2015

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Common stock:</b>			
Balance at beginning and end of period .....	¥ 6,716	¥ 6,716	\$ 66,462
<b>Capital surplus:</b>			
Balance at beginning of period .....	¥22,086	¥22,073	\$218,565
Purchase of shares of consolidated subsidiaries .....	–	(12)	–
Balance at end of period .....	¥22,086	¥22,061	\$218,565
<b>Retained earnings:</b>			
Balance at beginning of period .....	¥41,306	¥39,616	\$408,768
Cash dividends paid .....	(920)	(927)	(9,104)
Profit attributable to owners of parent .....	1,872	1,415	18,525
Increase resulting from exclusion of the equity method affiliates .....	8	–	79
Balance at end of period .....	¥42,266	¥40,104	\$418,268
<b>Treasury stock at cost:</b>			
Balance at beginning of period .....	¥ (512)	¥ (10)	\$ (5,066)
Purchase of treasury stock .....	0	(501)	0
Balance at end of period .....	¥ (512)	¥ (511)	\$ (5,066)
<b>Unrealised gains on securities:</b>			
Balance at beginning of period .....	¥ 4,423	¥ 4,776	\$ 43,770
Increase (decrease) for period .....	(131)	244	(1,296)
Balance at end of period .....	¥ 4,292	¥ 5,020	\$ 42,474
<b>Deferred gains (losses) on hedges:</b>			
Balance at beginning of period .....	¥ (21)	¥ 8	\$ (208)
Decrease for period .....	(5)	(9)	(49)
Balance at end of period .....	¥ (26)	¥ (1)	\$ (257)
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of period .....	¥ (4)	¥ (153)	\$ (40)
Increase for period .....	50	2	495
Balance at end of period .....	¥ 46	¥ (151)	\$ 455
<b>Adjustments for retirement benefits:</b>			
Balance at beginning of period .....	¥ (2,067)	¥ (1,720)	\$ (20,455)
Increase for period .....	196	182	1,939
Balance at end of period .....	¥ (1,871)	¥ (1,538)	\$ (18,516)
<b>Non-controlling interests:</b>			
Balance at beginning of period .....	¥ 396	¥ 402	\$ 3,919
Increase for period .....	25	18	247
Balance at end of period .....	¥ 421	¥ 420	\$ 4,166

See the accompanying note.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Six months ended 30th September 2016 and 2015

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
<b>Cash flows from operating activities:</b>			
Income before income taxes .....	¥ 2,872	¥ 2,401	\$ 28,422
Depreciation and amortisation .....	2,567	2,512	25,403
Loss on impairment of assets .....	24	27	238
Decrease in allowance for doubtful accounts .....	(26)	(43)	(257)
Increase in liabilities for retirement benefits .....	80	76	792
Interest and dividend income .....	(170)	(156)	(1,682)
Interest expense .....	104	111	1,029
Gain on sale of securities, net .....	(3)	–	(30)
Loss (gain) on disposal of property, plant and equipment, net .....	133	(73)	1,316
Increase in receivables .....	(1,243)	(1,750)	(12,301)
Decrease (increase) in inventories .....	(2,176)	2,553	(21,534)
Increase in trade notes and accounts payable .....	2,422	1,650	23,968
Decrease in consumption tax payable .....	(952)	(105)	(9,421)
Other, net .....	705	423	6,976
Subtotal .....	4,337	7,626	42,919
Interest and dividends received .....	178	160	1,762
Interest paid .....	(103)	(111)	(1,019)
Income taxes paid .....	(617)	(681)	(6,106)
Net cash provided by operating activities .....	3,795	6,994	37,556
<b>Cash flows from investing activities:</b>			
Purchase of short-term investments and investment securities .....	(16)	(15)	(158)
Proceeds from sale of short-term investments and investment securities .....	9	–	89
Purchase of property, plant and equipment .....	(3,814)	(1,255)	(37,744)
Proceeds from sale of property, plant and equipment .....	187	278	1,851
Other, net .....	(115)	(49)	(1,139)
Net cash used in investing activities .....	(3,749)	(1,041)	(37,101)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term borrowings .....	(335)	(3,011)	(3,315)
Repayment of long-term debt .....	(910)	(1,060)	(9,005)
Repayment of lease obligations .....	(452)	(390)	(4,473)
Cash dividends paid .....	(920)	(927)	(9,104)
Purchase of treasury shares .....	(1)	(500)	(10)
Other, net .....	(5)	(16)	(50)
Net cash used in financing activities .....	(2,623)	(5,904)	(25,957)
Effect of exchange rate changes on cash and cash equivalents .....	–	0	–
Net increase (decrease) in cash and cash equivalents .....	(2,577)	49	(25,502)
Cash and cash equivalents at beginning of year .....	17,001	13,923	168,243
Cash and cash equivalents at end of period .....	¥14,424	¥13,972	\$142,741

See the accompanying note.

---

## NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

---

### **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 affiliated companies 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 2016.

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 2016, which was ¥101.05 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 2016)

President and  
Representative Director: Tokuo Kudara

Senior Executive and  
Managing Director: Keiichi Katoh

Managing Directors: Yoshio Kuramori  
Yasushi Sawada

Directors: Wataru Fukiage  
Nobuyoshi Katoh  
Shigeyoshi Chiba

Outside Directors: Susumu Shimadzu  
Hideo Yano

Statutory Auditors: Yoshikazu Sawanaka

Outside Statutory Auditors: Takuji Okudaira  
Motoaki Nishimura

## OUTLINE OF THE COMPANY

(As of 30th September 2016)

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 2,074

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, 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.  
Chubu 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.  
11 Other subsidiaries

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*