



# Semi-Annual Report 2021

For the Six-Month Period Ended 30th September 2021

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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 the Tokyo Stock Exchange 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, dessert and beverage products and fresh meats. Ham and sausage, however, remain an integral part of our product line and continue to account for almost a third 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 74th fiscal year.

The Marudai Food Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020) and other related standards from the beginning of the first quarter ended 30th June 2021. The Group also changed its method of recording distribution expenses. Comparisons and analysis against the six-month period ended 30th September 2020 have been undertaken using results to which these changes in accounting policy have been retroactively applied.

During the first six-month period ended 30th September 2021, conditions in the Japanese economy remained severe due to the impact of COVID-19. With regard to the overall outlook, the economy can be expected to recover thanks to the efficacy of a range of government policies undertaken in the course of enforcing measures to prevent infection and encouraging vaccination. However, the situation remains unpredictable,

primarily due to the presumed risk of further economic downturns as a result of pandemic-related developments in Japan and overseas.

In the industry in which the Marudai Food Group operates, the business environment continued to be harsh. Demand for eating out was sluggish due to the extension until 30th September 2021 of the state of emergency declarations and quasi-state of emergency measures issued in many areas of Japan to combat COVID-19. At the same time, lack of clarity with regard to the overall economic outlook led to budget-consciousness among consumers and price competition that was even more intense than previously. Regarding the meat market, domestic beef prices recovered, having fallen due to a decline in demand during the previous year. Meanwhile, domestic pork prices remained below the levels in the previous year, when there was lively demand for eat-at-home meals, although during the second half of the year they did approach similar levels to the previous year. Imported beef prices exceeded the previous year's levels, reflecting price increases in the countries from which beef is imported as a result of recovery in demand overseas. Meanwhile, imported pork prices turned around from the previous year's repeated fluctuations to significantly exceed the previous year's levels, reflecting such factors as the recovery in consumption overseas and escalating prices for animal feed.

In these difficult circumstances, the Marudai Food Group advanced its corporate activities with the aim of gaining recognition as an enterprise with a social mission, namely, a comprehensive food products company offering merchandise that satisfies the highest standards of safety and reliability.

As a result, consolidated net sales for the first six-month period decreased by 3.0% year on year to ¥109,204 million. Operating income was ¥101 million (compared to operating loss of ¥865 million in the same period of the previous year) and profit attributable to the owners of parent decreased by 60.3% to ¥98 million.

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 2021.

**Yuji Sato**

President and Representative Director

## PRODUCTS

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### Processed Food Products

The Ham & Sausage Products operations strove to expand sales with a focus on mainstay products such as “*Kunseiya-Ripened Pork Sausage*,” which won the three major awards in international competitions, including the Monde Selection 2021 Gold Award. In addition, we also worked to expand sales by introducing new products such as “*Gute Wurst Prime Pork Sausage*,” which is distinguished by its robust umami flavour and juiciness. Despite these measures, there was a rebound following the previous year’s increased demand for eat-at-home meals, sales competition with competitors intensified, and sales of midyear gifts were sluggish. As a result, sales in the Ham & Sausage Products operations decreased by 7.2% year on year.

In our Precooked & Processed Foods operations, sales of retort curry products such as the “*Bistro Club Beef Curry*” series were below the previous year’s level, mainly as a result of a rebound following the previous year’s increased demand for such products for stockpiling at home. However, soup and sauce products for use in cooking, such as the “*Bistro Club Doria Sauce*” series, performed well, and we introduced new products including the “*Chicken Around the World*” series, which enables consumers to enjoy chicken-based cuisine from around the world at home with minimum effort. Meanwhile, sales of beverages containing black tapioca decreased significantly, but sales of cooked rice products to convenience stores showed some recovery, and the sales of Toraku Foods Co., Ltd., which joined the Marudai Food Group on 1st July 2020, contributed to revenues. As a result, sales in the Precooked & Processed Foods operations increased by 0.7% year on year.

As a result, sales in the Processed Food Products segment amounted to ¥74,337 million, a decrease of 3.0% year on year. Segment loss of ¥240 million was recorded (compared to segment loss of ¥1,199 million in the same period of the previous fiscal year) owing mainly to reduced sales, although sales did not decline as far as in the previous fiscal year, thanks to lower raw material prices and efforts to cut costs through rationalization.

### Meat Products

With regard to beef, sales were above the previous year’s level, mainly resulting from efforts to increase sales to mass retailers, and higher unit prices, amid weak sales of commercial food products to the restaurant industry. Regarding pork, sales fell below the previous year’s level due mainly to adjustment of our product range in order to secure profit and a rebound following the previous year’s increased demand for eat-at-home meals.

As a result, sales in the Meat Products segment decreased by 2.9% year on year to ¥34,783 million. Segment income increased by 3.6% year on year to ¥308 million, due mainly to efforts to improve profitability by adjusting our product range in a situation where dramatic increases in the purchase prices for domestic beef and imported meat made it difficult to pass on the price increases.

### Other

Sales in the Other business decreased by 1.2% year on year to ¥84 million and Segment income decreased by 10.4% to ¥33 million.

**CONSOLIDATED BALANCE SHEETS**

30th September 2021 and 2020

(Unaudited)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Current assets:</b>			
Cash and time deposits .....	¥ 8,605	¥ 7,894	\$ 76,865
Receivables:			
Trade notes and accounts .....	23,470	24,390	209,647
Other .....	1,123	1,086	10,031
Allowance for doubtful accounts .....	(11)	(15)	(98)
Inventories .....	17,359	19,023	155,060
Advances and other current assets .....	920	789	8,218
Total current assets .....	51,466	53,167	459,723
<b>Investments and other assets:</b>			
Investment securities			
Affiliates .....	189	148	1,688
Other .....	12,831	11,613	114,614
Retirement benefit asset .....	1,834	315	16,382
Deferred tax assets .....	357	402	3,189
Other .....	2,544	3,725	22,725
Allowance for doubtful accounts .....	(110)	(116)	(983)
Total investments and other assets .....	17,645	16,087	157,615
<b>Property, plant and equipment, at cost:</b>			
Land .....	18,723	18,841	167,244
Buildings and structures .....	62,174	61,611	555,373
Machinery and equipment .....	77,684	75,484	693,917
Lease assets .....	9,058	8,861	80,911
Construction in progress .....	631	222	5,637
	168,270	165,019	1,503,082
Less accumulated depreciation .....	(107,327)	(103,654)	(958,705)
Net property, plant and equipment .....	60,943	61,365	544,377
<b>Intangible assets</b> .....	2,568	2,929	22,939
Total assets .....	¥ 132,622	¥ 133,548	\$ 1,184,654

See the accompanying note.

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Current liabilities:</b>			
Payables:			
Trade notes and accounts payable .....	¥ 22,653	¥ 22,665	\$ 202,349
Other .....	7,198	6,279	64,297
Short-term borrowings .....	8,712	11,006	77,820
Long-term debt due within one year .....	2,411	2,394	21,536
Short-term lease obligations .....	990	886	8,843
Accrued income taxes .....	131	233	1,170
Allowance for bonuses .....	958	1,019	8,557
Other current liabilities .....	1,706	1,649	15,241
Total current liabilities .....	44,759	46,131	399,813
<b>Long-term liabilities:</b>			
Long-term debt due after one year .....	3,565	4,685	31,845
Long-term lease obligations .....	4,496	4,620	40,161
Deferred tax liabilities .....	1,360	651	12,148
Liabilities for retirement benefits .....	1,323	1,286	11,818
Other long-term liabilities .....	671	689	5,993
Total long-term liabilities .....	11,415	11,931	101,965
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorised — 40,000,000 shares in 2021 (40,000,000 shares in 2020)			
Issued — 26,505,581 shares in 2021 (26,505,581 shares in 2020) .....	6,716	6,716	59,991
Capital surplus .....	22,086	22,086	197,285
Retained earnings .....	44,607	45,107	398,454
Treasury stock, at cost .....	(3,066)	(2,697)	(27,387)
Total shareholders' equity .....	70,343	71,212	628,343
<b>Accumulated other comprehensive income:</b>			
Unrealised gains on securities .....	5,615	4,750	50,156
Deferred gains (losses) on hedges .....	33	(7)	295
Foreign currency translation adjustments .....	34	35	304
Adjustments for retirement benefits .....	(201)	(1,075)	(1,796)
Total accumulated other comprehensive income .....	5,481	3,703	48,959
<b>Noncontrolling interests</b> .....	624	571	5,574
Total net assets .....	76,448	75,486	682,876
Total liabilities and net assets .....	¥ 132,622	¥ 133,548	\$ 1,184,654

See the accompanying note.

**CONSOLIDATED STATEMENTS OF INCOME**

Six months ended 30th September 2021 and 2020

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Net sales</b> .....	¥ 109,204	¥ 112,536	\$ 975,471
<b>Cost of sales</b> .....	92,599	95,881	827,146
Gross profit .....	16,605	16,655	148,325
<b>Selling, general and administrative expenses</b> .....	16,504	17,520	147,423
Operating income (loss) .....	101	(865)	902
<b>Other income (expenses):</b>			
Interest and dividend income .....	169	163	1,510
Real estate rent .....	86	81	768
Interest expense .....	(112)	(118)	(1,000)
Loss on disposal of property, plant and equipment, net .....	(92)	(71)	(822)
Gain on bargain purchase .....	–	998	–
Loss on impairment of assets .....	(9)	(42)	(80)
Other, net .....	88	150	785
	130	1,161	1,161
<b>Income before income taxes</b> .....	231	296	2,063
<b>Income taxes:</b>			
Current .....	135	214	1,206
Deferred .....	(17)	(195)	(152)
	118	19	1,054
<b>Profit</b> .....	113	277	1,009
<b>Profit attributable to noncontrolling interests</b> .....	(15)	(29)	(134)
<b>Profit attributable to owners of parent</b> .....	¥ 98	¥ 248	\$ 875
		Yen	U.S. dollars (Note)
<b>Profit attributable to owners of parent per share</b> .....	¥ 3.88	¥ 9.75	\$ 0.03

See the accompanying note.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Six months ended 30th September 2021 and 2020

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Profit</b> .....	¥ 113	¥ 277	\$ 1,009
<b>Other comprehensive income:</b>			
Unrealised gains on securities .....	(332)	917	(2,966)
Deferred losses on hedges .....	(2)	(4)	(18)
Adjustments for retirement benefits .....	51	106	456
Share of other comprehensive income of associates accounted for using equity method ...	–	(5)	–
Total other comprehensive income .....	(283)	1,014	(2,528)
<b>Comprehensive income</b> .....	¥ (170)	¥ 1,291	\$ (1,519)
<b>Comprehensive income attributable to:</b>			
Owners of the parent .....	¥ (185)	¥ 1,262	\$ (1,653)
Noncontrolling interests .....	¥ 15	¥ 29	\$ 134

See the accompanying note.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Six months ended 30th September 2021 and 2020

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Common stock:</b>			
Balance at beginning and end of period .....	¥ 6,716	¥ 6,716	\$ 59,991
<b>Capital surplus:</b>			
Balance at beginning and end of period .....	¥ 22,086	¥ 22,086	\$ 197,285
<b>Retained earnings:</b>			
Balance at beginning of period .....	¥ 45,271	¥ 45,677	\$ 404,386
Cumulative financial impact of the change in accounting policy .....	–	72	–
Balance at the beginning of the year reflecting the change in accounting policy .....	45,271	45,749	404,386
Cash dividends paid .....	(762)	(890)	(6,807)
Profit attributable to owners of parent .....	98	248	875
Balance at end of period .....	¥ 44,607	¥ 45,107	\$ 398,454
<b>Treasury stock, at cost:</b>			
Balance at beginning of period .....	¥ (2,697)	¥ (2,658)	\$ (24,091)
Purchase of treasury stock .....	(369)	(39)	(3,296)
Balance at end of period .....	¥ (3,066)	¥ (2,697)	\$ (27,387)
<b>Unrealised gains on securities:</b>			
Balance at beginning of period .....	¥ 5,944	¥ 3,833	\$ 53,095
Increase (decrease) for period .....	(329)	917	(2,939)
Balance at end of period .....	¥ 5,615	¥ 4,750	\$ 50,156
<b>Deferred gains (losses) on hedges:</b>			
Balance at beginning of period .....	¥ 35	¥ (3)	\$ 313
Decrease for period .....	(2)	(4)	(18)
Balance at end of period .....	¥ 33	¥ (7)	\$ 295
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of period .....	¥ 34	¥ 41	\$ 304
Decrease for period .....	–	(6)	–
Balance at end of period .....	¥ 34	¥ 35	\$ 304
<b>Adjustments for retirement benefits:</b>			
Balance at beginning of period .....	¥ (252)	¥ (1,182)	\$ (2,251)
Increase for period .....	51	107	455
Balance at end of period .....	¥ (201)	¥ (1,075)	\$ (1,796)
<b>Noncontrolling interests:</b>			
Balance at beginning of period .....	¥ 613	¥ 546	\$ 5,476
Increase for period .....	11	25	98
Balance at end of period .....	¥ 624	¥ 571	\$ 5,574

See the accompanying note.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Six months ended 30th September 2021 and 2020

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2021	2020	2021
<b>Cash flows from operating activities:</b>			
Income before income taxes .....	¥ 231	¥ 296	\$ 2,063
Depreciation and amortisation .....	3,820	3,749	34,122
Loss on impairment of assets .....	9	42	80
Decrease in allowance for doubtful accounts .....	(4)	(1)	(36)
Decrease in liabilities for retirement benefits .....	(172)	(126)	(1,536)
Gain on bargain purchase .....	–	(998)	–
Interest and dividend income .....	(169)	(163)	(1,510)
Interest expense .....	112	118	1,000
Loss on valuation of investment securities .....	24	–	214
Loss on disposal of property, plant and equipment, net .....	92	71	822
Decrease in receivables .....	366	1,658	3,269
Increase in inventories .....	(1,485)	(864)	(13,265)
Increase (decrease) in trade notes and accounts payable .....	2,398	(1,145)	21,420
Decrease in consumption tax payable .....	(12)	(288)	(107)
Other, net .....	(235)	113	(2,097)
Subtotal .....	4,975	2,462	44,439
Interest and dividends received .....	175	172	1,563
Interest paid .....	(111)	(118)	(991)
Income taxes paid .....	(180)	(330)	(1,608)
Income taxes refund .....	62	–	554
Payments for special retirement expenses .....	(204)	(91)	(1,822)
Net cash provided by operating activities .....	4,717	2,095	42,135
<b>Cash flows from investing activities:</b>			
Purchase of short-term investments and investment securities .....	(18)	(17)	(161)
Purchase of property, plant and equipment .....	(2,914)	(3,030)	(26,029)
Proceeds from sale of property, plant and equipment .....	580	142	5,181
Purchase of shares of subsidiaries resulting in change in scope of consolidation ...	–	(1,195)	–
Other, net .....	(123)	363	(1,099)
Net cash used in investing activities .....	(2,475)	(3,737)	(22,108)
<b>Cash flows from financing activities:</b>			
Net increase in short-term borrowings .....	822	2,926	7,343
Proceeds from long-term debt .....	–	2,440	–
Repayment of long-term debt .....	(1,331)	(2,683)	(11,889)
Repayment of lease obligations .....	(470)	(458)	(4,198)
Cash dividends paid .....	(762)	(889)	(6,807)
Purchase of treasury shares .....	(369)	(40)	(3,296)
Other, net .....	(3)	(4)	(28)
Net cash provided by (used in) financing activities .....	(2,113)	1,292	(18,875)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>129</b>	<b>(350)</b>	<b>1,152</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>8,476</b>	<b>8,244</b>	<b>75,713</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>¥ 8,605</b>	<b>¥ 7,894</b>	<b>\$ 76,865</b>

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 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 2021.

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 2021, which was ¥111.95 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.

### Accounting changes

(Application of the Accounting Standard for Revenue Recognition and other related standards)

The Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020) and other related standards from the beginning of the first quarter ended 30th June 2021, instituting a policy of recognising revenue matching the amount expected to be received in exchange for promised goods or services when control of the goods or services has transferred to the customer. As a result, the Group has changed to a method of deducting a portion of distribution expenses and promotion expenses, etc., which were previously recorded as selling, general and administrative expenses, from net sales. This change in accounting policy was in principle applied retroactively; the financial statements for the six-month period ended 30th September 2020 are the consolidated financial statements following retroactive application of the standard.

(Change in the method of recording distribution expenses)

From the beginning of the first quarter ended 30th June 2021, the Group instituted a policy of changing a portion of distribution expenses which were previously recorded as selling, general and administrative expenses to manufacturing costs. The Group made this change in order to undertake profit and loss management (including departments, products, and customers) more suited to actual circumstances, given that distribution expenses are increasingly important. This included using the integration of the IT systems of the Company and its key consolidated subsidiaries through the renewal of mission-critical systems as an opportunity to revise the method of allocating distribution expenses. This change in accounting policy was applied retroactively; the financial statements for the six-month period ended 30th September 2020 are the consolidated financial statements following retroactive application of the standard.

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## **DIRECTORS AND STATUTORY AUDITORS**

(As of 30th September 2021)

President and

Representative Director: Yuji Sato

Director and Chairman: Tokuo Kudara

Managing Director: Shigeki Fukushima

Directors: Nobuyoshi Katoh

Kouji Mishima

Toshio Tanaka

Outside Directors: Masahiro Fuchizaki

Keiko Kaneko

Statutory Auditor: Toru Miyachi

Outside Statutory Auditors: Takashi Matsuzawa

Motoaki Nishimura

## OUTLINE OF THE COMPANY

(As of 30th September 2021)

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 2,108

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  
6 regional sales departments which  
service 23 local outlets.

Plants: Hokkaido, Iwate,  
Niigata, Kanto,  
Ibaraki, Yokosuka, Shonan,  
Shizuoka, Matsusaka,  
Takatsuki, Okayama,  
Hiroshima, Karatsu

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.  
Toraku 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.  
8 Other subsidiaries

Associated Company:

Betagro MF Deli Co., Ltd.

# MARUDAI FOOD CO., LTD.

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