



Semi-Annual Report 2022

For the Six-Month Period Ended 30th September 2022

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



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 75th fiscal year.

During the first six-month period ended 30th September 2022, the Japanese economy continued to pick up moderately, despite the prolonged impact of COVID-19, due to the effects of various policies and other measures as the country moved into a new phase of living alongside COVID-19, including the easing of behavioral restrictions. However, the outlook for the economy remains unpredictable, mainly due to rising raw material prices and energy costs, supply constraints, and fluctuations in financial and capital markets amid concerns about the risk that a downturn in overseas economies could put downward pressure on Japanese economy as global monetary tightening and other factors continue.

The industry in which the Marudai Food Group operates is facing an environment that remains severe as consumers became more budget-conscious due to soaring prices and declining real wages amid rising production costs for raw materials, energy, and other items, which are compounded by the sharp depreciation of the yen, although there are signs of a pickup in demand for eating out due to the relaxation of behavioral restrictions and other factors. Regarding the meat market, the market prices of domestic beef fell below the previous year's level, which had seen recovery, but the market is currently around the same level as the previous year. While local market prices for U.S. beef and pork have remained below the previous year's levels due to a decrease in demand caused by high prices, import prices have remained high due to the impact of foreign exchange rates and other factors. In addition, the market prices of domestic pork are currently higher than they were in the previous year, mainly due to increased demand as a result of factors such as rising prices of imported pork.

In this situation, the Group, a comprehensive food manufacturer that supplies consumers with safer and healthier food products, has pushed ahead with its corporate operations, aiming to be a company whose own value is thoroughly recognized in society.

As a result, consolidated net sales for the first six-month period increased by 1.2% year on year to ¥110,558 million. Operating loss was ¥754 million (compared to operating income of ¥101 million in the same period of the previous year) and loss attributable to owners of parent was ¥576 million (compared to profit attributable to owners of parent of ¥98 million in the same period of the previous year).

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 2022.

Yuji Sato

President and Representative Director

PRODUCTS

Processed Food Products

The Ham & Sausage Products operations conducted sales promotion activities including “*Hajikeru Natsu no Juicy Campaign*” with a focus on mainstay products such as “*Kunseiya-Ripened Pork Sausage*.” In addition, new products were introduced from the “*Itsumo Shinsen*” series, such as “*Itsumo Shinsen - Specially Selected Pork Sausage*,” a rich and juicy sausage, and “*Chiikawa Fish Sausage*,” featuring popular characters, in an effort to expand sales.

As for midyear gifts, products from series including “*Oh-Ha*” and “*Kosai*” as well as “*Seaweed Salt MEISTER Zero Sugar*” using domestic pork were introduced in order to expand sales. Despite these measures, sales in the Ham & Sausage Products operations decreased by 5.2% year on year, mainly due to a decline in sales volume as consumers became more budget-conscious due to price revisions.

In our Precooked & Processed Foods operations, sales promotion activities were conducted for retort curry products to increase awareness, particularly for the “*Bistro Club Beef Curry*” series, and the limited-edition “*Chef's Craft Spicy Chicken Curry*” was released from the “*Chef's Craft*” series. New products were also introduced, including “*Kanbi Shokudo*” (literally meaning Korean gourmet food) series as easy-to-prepare meals that boast authentic taste you had only been able to enjoy only at diners in Korea before, and the “*High Protein, 0g Sugar Salad Chicken*” series that provides an easy way to consume protein. In addition, sales of rice products for convenience stores and whipped cream were strong. As a result, sales in the Precooked & Processed Foods operations increased by 1.9% year on year.

As a result, sales in the Processed Food Products segment amounted to ¥73,415 million, a decrease of 1.2% year on year. Segment loss of ¥768 million was recorded (compared to segment loss of ¥240 million in the same period of the previous fiscal year) owing mainly to decrease in sales in Ham & Sausage Products and increase in raw material and energy costs that exceeded price revisions, although we strove to reduce costs through price revisions and rationalization.

Meat Products

With regard to beef, sales of high-priced domestic beef to mass retailers remained sluggish, but overall beef sales exceeded the previous year's level due to factors such as a large year-on-year increase in sales to restaurants, reflecting the impact of the relaxation of behavioral restrictions and other factors. Regarding pork, sales of both domestic and imported meat exceeded the previous year's level due to higher unit sales prices to mass retailers and a pickup in sales to restaurants. Chicken sales remained strong, mainly due to our focus on expanding sales of imported chicken meat.

As a result, sales in the Meat Products segment increased by 6.6% year on year to ¥37,076 million. Segment loss of ¥6 million was recorded (compared to segment income of ¥308 million in the same period of the previous fiscal year), due mainly to the lack of penetration of efforts to pass on price increases in response to the sharp rise in purchase prices due to the rapid depreciation of the yen and soaring feed prices.

Other

Sales in the Other business decreased by 19.8% year on year to ¥67 million and Segment income decreased by 40.1% to ¥20 million.

CONSOLIDATED BALANCE SHEETS

30th September 2022 and 2021

(Unaudited)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	2022
Current assets:			
Cash and time deposits	¥ 7,384	¥ 8,605	\$ 50,991
Receivables:			
Trade notes and accounts	24,045	23,470	166,045
Other	836	1,123	5,773
Allowance for doubtful accounts	(10)	(11)	(69)
Inventories	20,233	17,359	139,721
Advances and other current assets	798	920	5,511
Total current assets	53,286	51,466	367,972
Investments and other assets:			
Investment securities			
Affiliates	247	189	1,706
Other	11,552	12,831	79,773
Retirement benefit asset	2,306	1,834	15,924
Deferred tax assets	330	357	2,279
Other	2,436	2,544	16,823
Allowance for doubtful accounts	(119)	(110)	(822)
Total investments and other assets	16,752	17,645	115,683
Property, plant and equipment, at cost:			
Land	18,665	18,723	128,893
Buildings and structures	63,491	62,174	438,443
Machinery and equipment	79,492	77,684	548,940
Lease assets	9,737	9,058	67,240
Construction in progress	764	631	5,276
	172,149	168,270	1,188,792
Less accumulated depreciation	(111,963)	(107,327)	(773,172)
Net property, plant and equipment	60,186	60,943	415,620
Intangible assets	1,908	2,568	13,176
Total assets	¥ 132,132	¥ 132,622	\$ 912,451

See the accompanying note.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	2022
Current liabilities:			
Payables:			
Trade notes and accounts payable	¥ 22,955	¥ 22,653	\$ 158,518
Other	6,283	7,198	43,388
Short-term borrowings	12,251	8,712	84,601
Long-term debt due within one year	2,446	2,411	16,891
Short-term lease obligations	1,103	990	7,617
Accrued income taxes	169	131	1,167
Allowance for bonuses	863	958	5,960
Other current liabilities	1,593	1,706	11,000
Total current liabilities	47,663	44,759	329,142
Long-term liabilities:			
Long-term debt due after one year	3,510	3,565	24,239
Long-term lease obligations	4,215	4,496	29,107
Deferred tax liabilities	818	1,360	5,649
Liabilities for retirement benefits	1,412	1,323	9,751
Other long-term liabilities	662	671	4,571
Total long-term liabilities	10,617	11,415	73,317
NET ASSETS			
Shareholders' equity:			
Common stock			
Authorised — 40,000,000 shares in 2022 (40,000,000 shares in 2021)			
Issued — 26,505,581 shares in 2022 (26,505,581 shares in 2021)	6,716	6,716	46,378
Capital surplus	22,086	22,086	152,517
Retained earnings	42,801	44,607	295,567
Treasury stock, at cost	(3,342)	(3,066)	(23,079)
Total shareholders' equity	68,261	70,343	471,383
Accumulated other comprehensive income:			
Unrealised gains on securities	4,864	5,615	33,589
Deferred gains on hedges	101	33	698
Foreign currency translation adjustments	61	34	421
Adjustments for retirement benefits	(98)	(201)	(677)
Total accumulated other comprehensive income	4,928	5,481	34,031
Noncontrolling interests	663	624	4,578
Total net assets	73,852	76,448	509,992
Total liabilities and net assets	¥ 132,132	¥ 132,622	\$ 912,451

See the accompanying note.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Six months ended 30th September 2022 and 2021

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	2022
Profit (loss)	¥ (567)	¥ 113	\$ (3,915)
Other comprehensive income:			
Unrealised gains on securities	(126)	(332)	(870)
Deferred gains (losses) on hedges	30	(2)	208
Adjustments for retirement benefits	35	51	241
Share of other comprehensive income of associates accounted for using equity method ...	27	–	186
Total other comprehensive income	(34)	(283)	(235)
Comprehensive income	¥ (601)	¥ (170)	\$ (4,150)
Comprehensive income attributable to:			
Owners of the parent	¥ (610)	¥ (185)	\$ (4,213)
Noncontrolling interests	¥ 9	¥ 15	\$ 63

See the accompanying note.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Six months ended 30th September 2022 and 2021

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	2022
Common stock:			
Balance at beginning and end of period	¥ 6,716	¥ 6,716	\$ 46,378
Capital surplus:			
Balance at beginning and end of period	¥ 22,086	¥ 22,086	\$ 152,517
Retained earnings:			
Balance at beginning of period	¥ 44,133	¥ 45,271	\$ 304,766
Cash dividends paid	(756)	(762)	(5,221)
Profit (loss) attributable to owners of parent	(576)	98	(3,978)
Balance at end of period	¥ 42,801	¥ 44,607	\$ 295,567
Treasury stock, at cost:			
Balance at beginning of period	¥ (3,066)	¥ (2,697)	\$ (21,173)
Purchase of treasury stock	(276)	(369)	(1,906)
Balance at end of period	¥ (3,342)	¥ (3,066)	\$ (23,079)
Unrealised gains on securities:			
Balance at beginning of period	¥ 4,990	¥ 5,944	\$ 34,459
Decrease for period	(126)	(329)	(870)
Balance at end of period	¥ 4,864	¥ 5,615	\$ 33,589
Deferred gains on hedges:			
Balance at beginning of period	¥ 71	¥ 35	\$ 490
Increase (decrease) for period	30	(2)	208
Balance at end of period	¥ 101	¥ 33	\$ 698
Foreign currency translation adjustments:			
Balance at beginning of period	¥ 34	¥ 34	\$ 235
Increase for period	27	–	186
Balance at end of period	¥ 61	¥ 34	\$ 421
Adjustments for retirement benefits:			
Balance at beginning of period	¥ (133)	¥ (252)	\$ (918)
Increase for period	35	51	241
Balance at end of period	¥ (98)	¥ (201)	\$ (677)
Noncontrolling interests:			
Balance at beginning of period	¥ 658	¥ 613	\$ 4,544
Increase for period	5	11	34
Balance at end of period	¥ 663	¥ 624	\$ 4,578

See the accompanying note.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended 30th September 2022 and 2021

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	2022
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (608)	¥ 231	\$ (4,199)
Depreciation and amortisation	3,768	3,820	26,020
Loss on impairment of assets	9	9	62
Decrease in allowance for doubtful accounts	(11)	(4)	(76)
Decrease in liabilities for retirement benefits	(94)	(172)	(649)
Interest and dividend income	(171)	(169)	(1,181)
Interest expense	113	112	780
Loss on valuation of investment securities	–	24	–
Loss on disposal of property, plant and equipment, net	83	92	573
Decrease (increase) in receivables	(602)	366	(4,157)
Increase in inventories	(3,345)	(1,485)	(23,099)
Increase in trade notes and accounts payable	2,055	2,398	14,191
Decrease in consumption tax payable	(56)	(12)	(387)
Other, net	(82)	(235)	(565)
Subtotal	1,059	4,975	7,313
Interest and dividends received	195	175	1,347
Interest paid	(112)	(111)	(774)
Income taxes paid	(144)	(180)	(994)
Income taxes refund	159	62	1,098
Payments for special retirement expenses	(20)	(204)	(138)
Net cash provided by operating activities	1,137	4,717	7,852
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(18)	(18)	(124)
Purchase of property, plant and equipment	(3,013)	(2,914)	(20,807)
Proceeds from sale of property, plant and equipment	154	580	1,063
Other, net	(52)	(123)	(359)
Net cash used in investing activities	(2,929)	(2,475)	(20,227)
Cash flows from financing activities:			
Net increase in short-term borrowings	4,151	822	28,665
Repayment of long-term debt	(1,413)	(1,331)	(9,758)
Repayment of lease obligations	(518)	(470)	(3,577)
Cash dividends paid	(755)	(762)	(5,214)
Purchase of treasury shares	(276)	(369)	(1,906)
Other, net	(4)	(3)	(27)
Net cash provided by (used in) financing activities	1,185	(2,113)	8,183
Net increase (decrease) in cash and cash equivalents	(607)	129	(4,192)
Cash and cash equivalents at beginning of period	7,991	8,476	55,183
Cash and cash equivalents at end of period	¥ 7,384	¥ 8,605	\$ 50,991

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 2022.

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 2022, which was ¥144.81 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 2022)

President and

Representative Director: Yuji Sato

Director and Chairman: Tokuo Kudara

Directors: Nobuyoshi Katoh
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 2022)

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 2,025

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.
Toraku Foods Co., Ltd.
Marudaifood Supply 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.
6 Other subsidiaries

Associated Company:

Betagro MF Deli Co., Ltd.

MARUDAI FOOD CO., LTD.

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