



Semi-Annual Report 2023

For the Six-Month Period Ended 30th September 2023

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 76th fiscal year.

During the first six-month period ended 30th September 2023, the Japanese economy showed a gradual recovery. The reclassification of COVID-19 as a Class V Infectious Disease prompted further relaxation of restrictions and resulted in a recovery trend in demand of foreign tourists. There were also signs of improvement in the employment and income environment. However, the outlook for the economy still remains unclear due mainly to the risk of a downturn in overseas economies attributable to the impact of global monetary tightening and concerns over the future of the Chinese economy, among other factors, which could put downward pressure on the Japanese economy, as well as rising prices and fluctuations in financial and capital markets.

In the industry in which the Marudai Food Group operates, the environment has remained severe despite signs of recovery in personal consumption and demand of foreign tourists. A series of price increases for daily necessities as a result of rises in raw material, energy, logistics and other costs have made consumers even more budget-conscious.

Regarding the meat market, while the market prices of domestic beef were below the previous year's level as demand decreased due primarily to the rises in selling prices resulting from the rising prices, those of U.S. beef were considerably higher than they were in the previous year owing to the decline in production. Meanwhile, the market prices of both domestic and imported pork have remained high due chiefly to the soaring feed prices and the shift in demand from beef to pork against the backdrop of the rising prices. In addition, the import prices have remained elevated due largely to the impact of the foreign exchange rates.

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 3.2% year on year to ¥114,118 million. Operating profit was ¥1,483 million (compared to operating loss of ¥754 million in the same period of the previous year) and profit attributable to owners of parent was ¥983 million (compared to loss attributable to owners of parent of ¥576 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 2023.

Yuji Sato

President and Representative Director

PRODUCTS

Processed Food Products

The Ham & Sausage Products operations conducted sales activities including the release of the “*Kunseiya-Ripened Pork Sausage with Chilli Peppers from Southern Islands of Okinawa*” in a limited quantity. This was newly introduced from our mainstay product “*Kunseiya-Ripened Pork Sausage*” series as the second collaborative product with another company in an effort to expand sales. As for midyear gifts, sales declined as the midyear gift market shrank. However, “*BT21 One Bite Carpas*” and “*Haikyuu!! Fish Sausage,*” among others, featuring popular characters were newly introduced in order to expand sales. With these efforts, together with the effects of price revisions, sales in the Ham & Sausage Products operations increased by 1.4% year-on-year.

In the Precooked & Processed Foods operations, sales of products for convenience stores and products in the dessert category remained strong. In addition, sales of the “*Salad Chicken*” series were robust. We also made efforts to expand sales of our mainstay product, the “*Bistro Club Rich Curry*” series. As a result, sales in the Precooked & Processed Foods operations increased by 5.3% year on year.

As a result, sales in the Processed Food Products segment amounted to ¥76,104 million, an increase of 3.7% year on year. Segment income of ¥1,147 million was recorded (compared to segment loss of ¥768 million in the same period of the previous fiscal year) owing mainly to the effects of price revisions and the rationalization and other efforts to reduce costs despite soaring raw material prices and other factors to increase costs.

Meat Products

With regard to beef, sales to mass retailers were stagnant as consumers became more budget-conscious. However, overall beef sales remained on par with the sales in the same period of the previous fiscal year due principally to the solid demand for products for restaurants. Regarding pork, sales of both domestic and imported meat exceeded the previous year’s level as sales of imported pork for mass retailers remained robust and demand for products for restaurants was beginning to show signs of recovery.

As a result, sales in the Meat Products segment increased by 2.4% year on year to ¥37,958 million. Segment income was ¥322 million (compared to segment loss of ¥6 million in the same period of the previous fiscal year).

Other

Sales in the Other business decreased by 16.6% year on year to ¥56 million and Segment income decreased by 26.2% to ¥14 million.

CONSOLIDATED BALANCE SHEETS

30th September 2023 and 2022

(Unaudited)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
Current assets:			
Cash and time deposits	¥ 8,649	¥ 7,384	\$ 57,822
Receivables:			
Trade notes and accounts receivable	28,443	24,045	190,152
Other	568	836	3,797
Allowance for doubtful accounts	(14)	(10)	(94)
Inventories	21,130	20,233	141,262
Advances and other current assets	699	798	4,674
Total current assets	59,475	53,286	397,613
Investments and other assets:			
Investment securities			
Affiliates	312	247	2,086
Other	13,894	11,552	92,887
Retirement benefit asset	2,024	2,306	13,531
Deferred tax assets	323	330	2,159
Other	2,452	2,436	16,393
Allowance for doubtful accounts	(131)	(119)	(876)
Total investments and other assets	18,874	16,752	126,180
Property, plant and equipment, at cost:			
Land	18,136	18,665	121,246
Buildings and structures	63,591	63,491	425,130
Machinery and equipment	80,518	79,492	538,294
Lease assets	9,375	9,737	62,676
Construction in progress	427	764	2,855
	172,047	172,149	1,150,201
Less accumulated depreciation	(116,168)	(111,963)	(776,628)
Net property, plant and equipment	55,879	60,186	373,573
Intangible assets	1,223	1,908	8,176
Total assets	¥ 135,451	¥ 132,132	\$ 905,542

See the accompanying note.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
Current liabilities:			
Payables:			
Trade notes and accounts payable	¥ 24,087	¥ 22,955	\$ 161,031
Other	5,596	6,283	37,411
Short-term borrowings	14,765	12,251	98,710
Long-term debt due within one year	2,622	2,446	17,529
Short-term lease obligations	1,013	1,103	6,772
Accrued income taxes	516	169	3,450
Allowance for bonuses	875	863	5,850
Provision for restructuring	150	–	1,003
Other current liabilities	2,063	1,593	13,791
Total current liabilities	51,687	47,663	345,547
Long-term liabilities:			
Long-term debt due after one year	4,090	3,510	27,343
Long-term lease obligations	3,656	4,215	24,442
Deferred tax liabilities	2,586	818	17,288
Liabilities for retirement benefits	1,492	1,412	9,975
Provision for restructuring	275	–	1,838
Other long-term liabilities	638	662	4,266
Total long-term liabilities	12,737	10,617	85,152
NET ASSETS			
Shareholders' equity:			
Common stock			
Authorised — 40,000,000 shares in 2023 (40,000,000 shares in 2022)			
Issued — 26,505,581 shares in 2023 (26,505,581 shares in 2022)	6,716	6,716	44,899
Capital surplus	22,086	22,086	147,653
Retained earnings	38,872	42,801	259,875
Treasury stock, at cost	(3,620)	(3,342)	(24,201)
Total shareholders' equity	64,054	68,261	428,226
Accumulated other comprehensive income:			
Unrealised gains on securities	6,656	4,864	44,498
Deferred gains on hedges	40	101	268
Foreign currency translation adjustments	75	61	501
Adjustments for retirement benefits	(505)	(98)	(3,376)
Total accumulated other comprehensive income	6,266	4,928	41,891
Noncontrolling interests	707	663	4,726
Total net assets	71,027	73,852	474,843
Total liabilities and net assets	¥ 135,451	¥ 132,132	\$ 905,542

See the accompanying note.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Six months ended 30th September 2023 and 2022

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
Profit (loss)	¥ 1,012	¥ (567)	\$ 6,766
Other comprehensive income:			
Unrealised gains on securities	1,703	(126)	11,385
Deferred gains on hedges	40	30	268
Adjustments for retirement benefits	22	35	147
Share of other comprehensive income of associates accounted for using equity method ...	18	27	120
Total other comprehensive income	1,783	(34)	11,920
Comprehensive income	¥ 2,795	¥ (601)	\$ 18,686
Comprehensive income attributable to:			
Owners of the parent	¥ 2,766	¥ (610)	\$ 18,492
Noncontrolling interests	¥ 29	¥ 9	\$ 194

See the accompanying note.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Six months ended 30th September 2023 and 2022

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
Common stock:			
Balance at beginning and end of period	¥ 6,716	¥ 6,716	\$ 44,899
Capital surplus:			
Balance at beginning and end of period	¥ 22,086	¥ 22,086	\$ 147,653
Retained earnings:			
Balance at beginning of period	¥ 38,389	¥ 44,133	\$ 256,646
Cash dividends paid	(500)	(756)	(3,343)
Profit (loss) attributable to owners of parent	983	(576)	6,572
Balance at end of period	¥ 38,872	¥ 42,801	\$ 259,875
Treasury stock, at cost:			
Balance at beginning of period	¥ (3,342)	¥ (3,066)	\$ (22,343)
Purchase of treasury stock	(278)	(276)	(1,858)
Balance at end of period	¥ (3,620)	¥ (3,342)	\$ (24,201)
Unrealised gains on securities:			
Balance at beginning of period	¥ 4,953	¥ 4,990	\$ 33,113
Increase (decrease) for period	1,703	(126)	11,385
Balance at end of period	¥ 6,656	¥ 4,864	\$ 44,498
Deferred gains on hedges:			
Balance at beginning of period	¥ 0	¥ 71	\$ 0
Increase for period	40	30	268
Balance at end of period	¥ 40	¥ 101	\$ 268
Foreign currency translation adjustments:			
Balance at beginning of period	¥ 57	¥ 34	\$ 381
Increase for period	18	27	120
Balance at end of period	¥ 75	¥ 61	\$ 501
Adjustments for retirement benefits:			
Balance at beginning of period	¥ (527)	¥ (133)	\$ (3,523)
Increase for period	22	35	147
Balance at end of period	¥ (505)	¥ (98)	\$ (3,376)
Noncontrolling interests:			
Balance at beginning of period	¥ 682	¥ 658	\$ 4,559
Increase for period	25	5	167
Balance at end of period	¥ 707	¥ 663	\$ 4,726

See the accompanying note.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended 30th September 2023 and 2022

(Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 1,264	¥ (608)	\$ 8,450
Depreciation and amortisation	3,525	3,768	23,566
Loss on impairment of assets	4	9	27
Restructuring expenses	439	–	2,935
Increase (decrease) in allowance for doubtful accounts	11	(11)	74
Decrease in liabilities for retirement benefits	(109)	(94)	(729)
Interest and dividend income	(174)	(171)	(1,163)
Interest expense	118	113	789
Loss on disposal of property, plant and equipment, net	32	83	214
Increase in receivables	(4,556)	(602)	(30,459)
Increase in inventories	(1,897)	(3,345)	(12,682)
Increase in trade notes and accounts payable	3,333	2,055	22,282
Increase (decrease) in consumption tax payable	40	(56)	267
Other, net	897	(82)	5,997
Subtotal	2,927	1,059	19,568
Interest and dividends received	174	195	1,163
Interest paid	(117)	(112)	(782)
Income taxes paid	(248)	(144)	(1,658)
Income taxes refund	261	159	1,745
Payments for special retirement expenses	(34)	(20)	(227)
Net cash provided by operating activities	2,963	1,137	19,809
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(19)	(18)	(127)
Purchase of property, plant and equipment	(3,355)	(3,013)	(22,429)
Proceeds from sale of property, plant and equipment	10	154	67
Other, net	(40)	(52)	(268)
Net cash used in investing activities	(3,404)	(2,929)	(22,757)
Cash flows from financing activities:			
Net increase in short-term borrowings	4,907	4,151	32,805
Repayment of long-term debt	(1,462)	(1,413)	(9,774)
Repayment of lease obligations	(490)	(518)	(3,276)
Cash dividends paid	(500)	(755)	(3,343)
Purchase of treasury shares	(277)	(276)	(1,852)
Other, net	(4)	(4)	(26)
Net cash provided by financing activities	2,174	1,185	14,534
Net increase (decrease) in cash and cash equivalents	1,733	(607)	11,586
Cash and cash equivalents at beginning of period	6,916	7,991	46,236
Cash and cash equivalents at end of period	¥ 8,649	¥ 7,384	\$ 57,822

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 2023.

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 2023, which was ¥149.58 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 2023)

President and

Representative Director: Yuji Sato

Director and Chairman: Tokuo Kudara

Managing Director: Shigeki Fukushima

Director: 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 2023)

Established: 10th June 1958

Stated Capital: ¥6,716 million

Number of Employees: 1,990

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 8 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.
Marushin Foods Co., Ltd.
Pioneer Foods Co., Ltd.
Umeya Co., Ltd.
Yahata Food Co., Ltd.
Hornmeier Co., Ltd.
Marudaifood Co., Ltd.
Marudaifood Supply Co., Ltd.
Marudai Meat Co., Ltd.
Meat Supply Co., Ltd.
Marbest Trading Co., Ltd.
Marudai Service Co., Ltd.
4 Other subsidiaries

Associated Company:

Betagro MF Deli Co., Ltd.

MARUDAI FOOD CO., LTD.

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