



Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2023 [Japanese GAAP] (Consolidated)

August 9, 2023

Name of listed company: STI Foods Holdings, Inc.

Listed stock exchange: Tokyo

Securities code: 2932

URL <https://www.stifoods-hd.com/en/index.html>

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Scheduled date for the filing of the quarterly financial statements: August 9, 2023

Scheduled commencement date for dividend payment: -

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results to be held: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the first half ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(% figures show period-over-period change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended June 30, 2023	14,835	15.3	1,035	53.1	1,074	52.5	687	46.6
First half ended June 30, 2022	12,866	3.7	676	(28.1)	704	(27.2)	469	(25.6)

(Note) Comprehensive income: First half ended June 30, 2023: 707 million yen (38.6%)
First half ended June 30, 2022: 510 million yen (-20.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended June 30, 2023	116.09	113.01
First half ended June 30, 2022	81.55	77.40

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio	
	Million yen		Million yen			
First half ended June 30, 2023	12,816		6,583		51.4	
Fiscal year ended December 31, 2022	13,806		6,202		44.9	

(Reference) Shareholder's equity: First half ended June 30, 2023: 6,582 million yen
Fiscal year ended December 31, 2022: 6,201 million yen

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	0.00	-	55.00	55.00
Fiscal year ending December 31, 2023	-	0.00			
Fiscal year ending December 31, 2023 (forecast)			-	55.00	55.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Consolidated forecasts for fiscal year ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% figures show period-over-period change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	30,000	8.8	1,800	20.9	1,800	17.8	1,150	14.3	194.05

(Note) Revisions to the most recently announced financial results forecast: No

*Notes

- (1) Change in the scope of consolidation for a significant subsidiary during the period under review: No
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to “2. Consolidated financial statements and notes (4) Notes to quarterly consolidated financial statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements)” on page 9 of the attached materials.
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
1. Changes in accounting policies due to revision of accounting standards : Yes
 2. Changes to accounting policies other than 1. : No
 3. Changes in accounting estimates : No
 4. Restatements : No

(4) Number of outstanding shares (common stock)

1. Number of outstanding shares at the end of the period (including treasury shares)
2. Number of treasury shares at the end of the period
3. Average number of shares during the period (cumulative quarterly period)

Q2 fiscal year ending December 31, 2023	5,926,300 shares	Fiscal year ended December 31, 2022	5,926,300 shares
Q2 fiscal year ending December 31, 2023	149 shares	Fiscal year ended December 31, 2022	99 shares
Q2 fiscal year ending December 31, 2023	5,926,196 shares	Q2 fiscal year ended December 31, 2022	5,752,850 shares

*This summary of quarterly financial results is not subject to a quarterly review by a certified public accountant or an auditing firm.

*Explanation regarding proper use of financial results forecasts, and other notes

Forward-looking statements concerning financial forecasts contained in these materials are based on information available when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors.

*Method for acquiring the supplementary materials for quarterly financial results

The materials for the quarterly financial results briefing (for institutional investors and analysts) will be posted on the Company's website after the briefing.

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1. Qualitative information on quarterly results

The forward-looking statements in this document are based on judgments made as of the end of the period under review.

(1) Explanation of operating results

Segment information is not provided because the Group operates in the single segment of the food manufacturing and sales business.

The Japanese economy was on a recovering trend during the first half of the fiscal year ending December 31, 2023. This was due to factors like an increase in personal consumption, especially of services, and the resumption of inbound tourist demand as the Japanese government reclassified COVID-19 as Class 5 under the Infectious Disease Act. Expectations are rising regarding improvements in the employment situation and higher wages as well. On the other hand, the economic outlook remains uncertain due to factors like worldwide financial tightening, a slowdown in various overseas economies due to the protracted situation in Ukraine, and rising prices due to increased import and energy costs.

In the food industry, high prices of raw materials, along with the rising costs of general supplies and energy persist. Though price increases and product standard revisions are being implemented and real wages are declining, consumption in the form of dining out and services has been recovering with the easing of the COVID-19 pandemic. However, the trend of tightening household consumption continues.

In this environment, the Group has continued to work on improving corporate value and achieving sustainable growth over the medium to long term by adopting the following basic policies: efforts for sustainable raw materials and manufacturing, efforts to reduce food loss, consideration for the environment, vertically integrated development from raw material procurement to manufacturing and sales, and home-meal replacement initiatives with an emphasis on health consciousness and fish culture. In addition, the entire Group has been working to carry out its socially important mission as a food manufacturer to continue stable production and supply for the safety and security of consumers and employees.

In terms of food sales, despite price revisions accompanying product renewals as needed, sales volume has remained strong thanks to the thorough implementation of good manufacturing practices, and the impact of campaigns and expanded media exposure has also successfully attracted both new and repeat customers.

As a result, net sales for the first half of the fiscal year under review totaled 14,835 million yen (up 15.3% compared with the year-earlier period).

In terms of profit and loss, although costs remained high, due to measures such as price revisions accompanying product renewals, operating income was 1,035 million yen (up 53.1%), ordinary income was 1,074 million yen (up 52.5%), and net income attributable to owners of the parent company was 687 million yen (up 46.6%) for the first half of the fiscal year under review.

(2) Explanation of financial position

1. Assets, liabilities, and net assets

Total assets as of June 30, 2023 decreased by 989 million yen compared to the end of the previous fiscal year to 12,816 million yen.

The balance of current assets decreased by 1,034 million yen compared to the end of the previous fiscal year to 8,104 million yen. This was mainly due to decreases of 762 million yen in raw materials and supplies and 413 million yen in notes and accounts receivable - trade.

The balance of non-current assets increased by 45 million yen compared to the end of the previous fiscal year to 4,712 million yen. This was mainly due to an increase of 107 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities decreased by 1,370 million yen compared to the end of the previous fiscal year to 6,233 million yen.

The balance of current liabilities decreased by 1,283 million yen compared to the end of the previous fiscal year to 4,694 million yen. This was mainly due to decreases of 1,213 million yen in accounts payable - trade and 160 million yen for current portion of long-term borrowings.

The balance of non-current liabilities decreased by 86 million yen compared to the end of the previous fiscal year to 1,539 million yen. This was mainly due to a decrease of 111 million yen in long-term borrowings.

The balance of net assets increased by 381 million yen compared to the end of the previous fiscal year to 6,583 million yen. This was mainly due to an increase of 362 million yen in retained earnings resulting from the posting of 687 million yen in net income attributable to owners of the parent company, despite the dividend payment of 325 million yen.

As a result, the shareholder's equity ratio as of June 30, 2023 increased by 6.5 percentage points compared to the end of the previous fiscal year to 51.4%.

2. Cash flows

Cash and cash equivalents (below, “cash”) as of June 30, 2023 totaled 2,670 million yen, an increase of 33 million yen from the end of the previous fiscal year.

The status of each cash flow is as follows.

(Cash flows from operating activities)

Cash provided by operating activities totaled 1,082 million yen (compared to 424 million yen used in the year-earlier period). This was mainly due to an increase in cash due to income before income taxes of 1,074 million yen. There was also depreciation of 406 million yen, decrease in trade receivables of 414 million yen, and a decrease in inventories of 713 million yen despite a decrease in cash due to decrease in trade payables of 1,214 million yen and income taxes paid of 353 million yen.

(Cash flows from investing activities)

Cash used in investing activities totaled 212 million yen (compared to 451 million yen used in the year-earlier period). This was mainly due to 179 million yen used for the purchase of property, plant and equipment and 32 million yen used for the purchase of intangible assets.

(Cash flows from financing activities)

Cash used in financing activities totaled 849 million yen (compared to 56 million yen used in the year-earlier period). This is due to a decrease in cash caused by expenditures of 272 million yen for repayments of long-term borrowings, 101 million yen for long-term accounts payable repayments, 150 million yen for repayments of lease liabilities, and 325 million yen for dividends paid.

(3) Explanation for the forecast of consolidated financial results and other future information

There is no change in the consolidated earnings forecast from the figures announced in the “Summary of Financial Results for the Fiscal Year Ended December 31, 2022” on February 14, 2023.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous fiscal year (December 31, 2022)	First half of current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and deposits	2,686,613	2,720,088
Notes and accounts receivable - trade	3,394,606	2,980,977
Merchandise and finished goods	1,097,253	1,123,509
Work in process	27,572	50,938
Raw materials and supplies	1,781,967	1,019,160
Other	151,520	210,036
Total current assets	9,139,533	8,104,710
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,157,166	2,211,424
Machinery, equipment and vehicles, net	459,083	488,031
Leased assets, net	751,850	712,221
Other, net	666,941	730,546
Total property, plant and equipment	4,035,042	4,142,223
Intangible assets		
Goodwill	31,789	10,596
Other	328,403	289,242
Total intangible assets	360,193	299,838
Investments and other assets	271,463	270,167
Total non-current assets	4,666,698	4,712,229
Total assets	13,806,232	12,816,940

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2023

(Unit: thousand yen)

	Previous fiscal year (December 31, 2022)	First half of current fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	3,580,705	2,367,134
Current portion of long-term borrowings	427,630	267,248
Income taxes payable	218,116	404,081
Other	1,751,161	1,655,667
Total current liabilities	5,977,612	4,694,130
Non-current liabilities		
Long-term borrowings	501,975	390,282
Asset retirement obligations	173,464	173,942
Other	951,164	975,564
Total non-current liabilities	1,626,603	1,539,789
Total liabilities	7,604,216	6,233,920
Net assets		
Shareholders' equity		
Share capital	1,048,375	1,048,375
Capital surplus	948,375	948,375
Retained earnings	4,175,764	4,537,772
Treasury shares	(327)	(491)
Total shareholders' equity	6,172,189	6,534,033
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,401	8,426
Deferred gains or losses on hedges	(1,044)	5,339
Foreign currency translation adjustment	24,300	35,053
Total accumulated other comprehensive income	29,657	48,820
Share acquisition rights	169	166
Total net assets	6,202,016	6,583,019
Total liabilities and net assets	13,806,232	12,816,940

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2023

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(First half ended June 30)

(Unit: thousand yen)

	First half ended June 30, 2022 (January 1, 2022 to June 30, 2022)	First half ended June 30, 2023 (January 1, 2023 to June 30, 2023)
Net sales	12,866,377	14,835,148
Cost of sales	9,385,806	10,683,070
Gross profit	3,480,571	4,152,078
Selling, general and administrative expenses	2,804,291	3,116,955
Operating income	676,279	1,035,123
Non-operating income		
Interest and dividend income	9,457	9,266
Gain on sale of goods	6,534	10,683
Compensation income	1,164	11,147
Share of profit of entities accounted for using equity method	-	1,657
Other	27,664	17,391
Total non-operating income	44,821	50,146
Non-operating expenses		
Interest expenses	12,089	9,501
Commission expenses	1,751	-
Foreign exchange losses	-	986
Other	2,347	114
Total non-operating expenses	16,189	10,602
Ordinary income	704,911	1,074,666
Extraordinary income		
Insurance claim income	77,361	-
Total extraordinary income	77,361	-
Extraordinary losses		
Loss on cancellation of leases	761	420
Loss on disaster	15,900	-
Other	240	-
Total extraordinary losses	16,901	420
Income before income taxes	765,371	1,074,246
Income taxes	296,238	386,297
Net income	469,132	687,948
Net income attributable to owners of the parent company	469,132	687,948

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2023

(Quarterly consolidated statement of comprehensive income)
(First half ended June 30)

(Unit: thousand yen)

	First half ended June 30, 2022 (January 1, 2022 to June 30, 2022)	First half ended June 30, 2023 (January 1, 2023 to June 30, 2023)
Net income	469,132	687,948
Other comprehensive income		
Valuation difference on available-for-sale securities	729	2,025
Deferred gains or losses on hedges	22,566	6,383
Foreign currency translation adjustment	17,787	10,753
Total other comprehensive income	41,084	19,162
Comprehensive income	510,216	707,111
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	510,216	707,111

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2023

(3) Quarterly consolidated statements of cash flows

(Unit: thousand yen)

	First half ended June 30, 2022 (January 1, 2022 to June 30, 2022)	First half ended June 30, 2023 (January 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Income before income taxes	765,371	1,074,246
Depreciation	370,043	406,720
Amortization of goodwill	21,192	21,192
Share of loss (profit) of entities accounted for using equity method	-	(1,657)
Insurance claim income	(77,361)	-
Interest and dividend income	(9,457)	(9,266)
Interest expenses	12,089	9,501
Commission expenses	1,751	-
Decrease (increase) in trade receivables	90,552	414,557
Decrease (increase) in inventories	68,231	713,184
Increase (decrease) in trade payables	(1,012,154)	(1,214,337)
Decrease (increase) in other assets	(193,389)	56,499
Increase (decrease) in other liabilities	(227,179)	(65,816)
Other	11,188	6,808
Subtotal	(179,123)	1,411,633
Interest and dividends received	323	494
Interest paid	(12,155)	(9,649)
Payment of commitment line-related expenses	(1,391)	-
Proceeds from insurance income	13,987	-
Income taxes refund	106,354	33,406
Income taxes paid	(352,226)	(353,072)
Net cash provided by (used in) operating activities	(424,230)	1,082,812
Cash flows from investing activities		
Purchase of property, plant and equipment	(372,157)	(179,625)
Purchase of intangible assets	(27,681)	(32,031)
Purchase of investment securities	(817)	(881)
Purchase of shares of subsidiaries and associates	(50,024)	-
Other	(753)	(325)
Net cash provided by (used in) investing activities	(451,434)	(212,864)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300,000	-
Proceeds from long-term borrowings	500,000	-
Repayments of long-term borrowings	(296,355)	(272,075)
Repayments of long-term accounts payable - other	(103,672)	(101,058)
Repayments of lease liabilities	(140,226)	(150,849)
Dividends paid	(316,204)	(325,398)
Purchase of treasury shares	-	(163)
Net cash provided by (used in) financing activities	(56,458)	(849,544)
Effect of exchange rate change on cash and cash equivalents	18,751	13,071
Net increase (decrease) in cash and cash equivalents	(913,371)	33,475
Cash and cash equivalents at beginning of period	3,243,147	2,636,613
Cash and cash equivalents at end of period	2,329,776	2,670,088

(4) Notes to quarterly consolidated financial statements

(Notes on assumption about going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Application of special accounting methods for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year, including the first half under review, and multiplying income before income taxes by the estimated effective tax rate.

(Changes in accounting policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement applied)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021. Hereafter referred to as the "Guidance on Fair Value Measurement") has been applied since the beginning of the first quarter of the fiscal year ending December 31, 2023, and following the transitional handling stipulated in the Guidance on Fair Value Measurement Paragraph 27-2, the new accounting policy defined by the Guidance on Fair Value Measurement will be applied for the future. This has had no impact on quarterly consolidated financial statements.

(Additional information)

On May 29, 2023 at the Stock Option Taxation Briefing for Startup Managers and Supporters, the National Tax Agency announced its view that the economic benefits at the time of exercising trust-type stock options will be taxed as salary.

The share acquisition rights issued by our company, specifically the third series A01, A02, and A03 share acquisition rights, correspond to trust-type stock options. Among these, the exercise period has arrived for a portion of the third series A01 and A02 share acquisition rights. Since our company has the obligation to withhold taxes for those who have exercised these rights, the relevant amount has been recorded in the quarterly consolidated financial statements for the first half of fiscal year ending December 31, 2023. The Company plans to pay the relevant taxes as soon as possible.