



Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021 [Japanese GAAP] (Consolidated)

May 14, 2021

Name of listed company: STI Foods Holdings, Inc.

Listed stock exchange: Tokyo

Securities code: 2932

URL: <https://www.shintokyo.co.jp>

Representative: (Title) President and Representative Director CEO (Name) Yutaka Jumi

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Scheduled date for the filing of the quarterly financial statements: May 14, 2021

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 quarter of the fiscal year ending December 31, 2021 (January 1, 2021 to March 31, 2021)

(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 quarter of the fiscal year ending December 31, 2021	5,905	-	433	-	450	-	303	-
First quarter of the fiscal year ended December 31, 2020	-	-	-	-	-	-	-	-

(Note) Comprehensive income: First quarter of the fiscal year ending December 31, 2021: 311 million yen (-%)

First quarter of the fiscal year ended December 31, 2020: - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of the fiscal year ending December 31, 2021	55.29	-
First quarter of the fiscal year ended December 31, 2020	-	-

(Note) As quarterly consolidated financial statements have not been prepared for the first quarter of the fiscal year ended December 31, 2020, figures for the first quarter of the fiscal year ended December 31, 2020 and percentage change from the same period of the previous year for the first quarter of the fiscal year ending December 31, 2021 are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Million yen	Million yen	%
First quarter of the fiscal year ending December 31, 2021	9,967	3,657	36.7
Fiscal year ended December 31, 2020	11,324	3,566	31.5

(Reference) Shareholder's equity: First quarter of the fiscal year ending December 31, 2021: 3,656 million yen

Fiscal year ended December 31, 2020: 3,565 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, 2020	-	0.00	-	40.00	40.00
Fiscal year ending December 31, 2021	-				
Fiscal year ending December 31, 2021 (forecast)		0.00	-	45.00	45.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated forecasts for fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% 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	26,000	12.7	1,570	19.8	1,560	22.2	1,010	21.3	183.78

(Note) Revisions to the most recently announced financial results forecast: None

Because the Company manages its business results on an annual basis, the consolidated earnings forecast for the second quarter (cumulative) is omitted.

*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 (3) Notes to quarterly consolidated financial statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements)" on page 7 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: No
2. Changes to accounting policies other than 1.: No
3. Changes to 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)

Q1 fiscal year ending December 31, 2021	5,495,500 shares	Fiscal year ended December 31, 2020	5,495,500 shares
Q1 fiscal year ending December 31, 2021	50 shares	Fiscal year ended December 31, 2020	50 shares
Q1 fiscal year ending December 31, 2021	5,495,450 shares	Q1 fiscal year ended December 31, 2020	- shares

(Note) As quarterly consolidated financial statements have not been prepared for the first quarter of the fiscal year ended December 31, 2020, the average number of shares during the first quarter of the fiscal year ended December 31, 2020 is not shown.

*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 financial results briefing materials

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. As the Company did not prepare quarterly consolidated financial statements for the first quarter of the previous fiscal year, comparative analysis with the same quarter of the previous fiscal year is not provided.

(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.

During the first quarter of the fiscal year ending December 31, 2021, the Japanese economy remained in a severe situation, with economic activities severely restricted as a second state of emergency was declared due to the reemergence of COVID-19, despite expectations that personal consumption would pick up in some areas.

The food industry is under pressure to respond to changes in personal consumption behavior due to the new normal, such as an increase in domestic food demand due to so-called "nesting consumption," along with a decline in demand due to changing lifestyles and decrease in inbound travelers. In addition, as the spread of mutated strains of COVID-19 spreads to the younger generation, the burden on the production sites to ensure continuous supply of products, including thorough infection control measures mainly for foreign trainees, is increasing, and the business environment continues to be difficult.

In this environment, the Group continues 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 is 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, including thorough countermeasures against COVID-19.

In terms of sales, although sales of food ingredients were weak due to a decline in demand for rice balls at convenience stores, sales of chilled prepared food products such as mainstay products of grilled fish including mackerel and silver salmon, and cup salad products were strong due to the impact of nesting demand in food product sales. As a result, net sales during the period under review totaled 5,905 million yen.

In terms of profit and loss, as the cost of sales ratio improved mainly in the raw material cost ratio and labor cost ratio due to improved production efficiency at group subsidiaries, operating income was 433 million yen, ordinary income was 450 million yen, and net income attributable to owners of the parent company was 303 million yen.

(2) Explanation of financial position

Total assets as of March 31, 2021 decreased by 1,357 million yen compared to the end of the previous fiscal year to 9,967 million yen.

The balance of current assets decreased by 1,328 million yen compared to the end of the previous fiscal year to 5,447 million yen. This was mainly due to decreases of 1,106 million yen in cash and deposits and 193 million yen in raw materials and supplies.

The balance of non-current assets decreased by 29 million yen compared to the end of the previous fiscal year to 4,519 million yen. This was mainly due to a decrease of 29 million yen in intangible assets as a result of depreciation.

Total liabilities decreased by 1,448 million yen compared to the end of the previous fiscal year to 6,310 million yen.

The balance of current liabilities decreased by 1,299 million yen compared to the end of the previous fiscal year to 4,052 million yen. This was mainly due to decreases of 1,079 million yen in accounts payable - trade and 120 million yen in income taxes payable.

The balance of non-current liabilities decreased by 148 million yen compared to the end of the previous fiscal year to 2,257 million yen. This was mainly due to a decrease of 143 million yen in long-term borrowings as a result of repayment.

The balance of net assets increased by 91 million yen compared to the end of the previous fiscal year to 3,657 million yen. This was mainly due to an increase of 83 million yen in retained earnings resulting from the posting of 303 million yen in net income attributable to owners of the parent company, despite the dividend payment of 219 million yen.

As a result, the shareholder's equity ratio as of March 31, 2021 increased by 5.2 percentage points compared to the end of the previous fiscal year to 36.7%.

(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, 2020" on February 12, 2021.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q1 fiscal year ending December 31, 2021 (March 31, 2021)
Assets		
Current assets		
Cash and deposits	2,598,584	1,491,907
Notes and accounts receivable - trade	2,655,970	2,483,140
Merchandise and finished goods	513,534	500,898
Work in process	30,151	38,769
Raw materials and supplies	808,416	614,851
Other	169,097	318,085
Total current assets	6,775,754	5,447,652
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,988,317	1,945,064
Machinery, equipment and vehicles, net	476,787	480,373
Leased assets, net	817,785	866,657
Other, net	459,031	440,495
Total property, plant and equipment	3,741,922	3,732,591
Intangible assets		
Goodwill	116,561	105,964
Other	385,695	366,474
Total intangible assets	502,256	472,439
Investments and other assets		
Total non-current assets	4,548,897	4,519,692
Total assets	11,324,652	9,967,344

STI Foods Holdings, Inc. (2932)

Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021

(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q1 fiscal year ending December 31, 2021 (March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	2,851,283	1,771,293
Current portion of long-term borrowings	567,068	550,128
Income taxes payable	276,674	155,895
Provision for bonuses	-	75,589
Other	1,657,320	1,499,653
Total current liabilities	5,352,346	4,052,560
Non-current liabilities		
Long-term borrowings	1,000,534	856,810
Asset retirement obligations	167,792	168,045
Other	1,237,967	1,232,867
Total non-current liabilities	2,406,294	2,257,722
Total liabilities	7,758,640	6,310,283
Net assets		
Shareholders' equity		
Share capital	534,920	534,920
Capital surplus	434,920	434,920
Retained earnings	2,595,708	2,679,039
Treasury shares	(205)	(205)
Total shareholders' equity	3,565,344	3,648,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(372)	2,266
Foreign currency translation adjustment	710	5,790
Total accumulated other comprehensive income	337	8,056
Share acquisition rights	330	330
Total net assets	3,566,011	3,657,061
Total liabilities and net assets	11,324,652	9,967,344

Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021

- (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (Q1 fiscal year ending December 31, 2021)

(Unit: thousand yen)

	Q1 fiscal year ending December 31, 2021 (January 1, 2021 to March 31, 2021)
Net sales	5,905,762
Cost of sales	4,152,003
Gross profit	1,753,758
Selling, general and administrative expenses	1,320,454
Operating income	433,303
Non-operating income	
Interest and dividend income	10
Gain on sales of goods	7,227
Foreign exchange gains	4,743
Other	13,254
Total non-operating income	25,236
Non-operating expenses	
Interest expenses	7,133
Commission expenses	1,239
Other	73
Total non-operating expenses	8,446
Ordinary income	450,093
Extraordinary income	
Gain on sales of non-current assets	3,875
Total extraordinary income	3,875
Income before income taxes	453,968
Income taxes	150,134
Net income	303,834
Net income attributable to owners of the parent company	303,834

Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021

(Quarterly consolidated statement of comprehensive income)

(Q1 fiscal year ending December 31, 2021)

(Unit: thousand yen)

Q1 fiscal year ending December 31, 2021	
(January 1, 2021 to March 31, 2021)	
Net income	303,834
Other comprehensive income	
Valuation difference on available-for-sale securities	2,638
Foreign currency translation adjustment	5,080
Total other comprehensive income	7,719
Comprehensive income	311,553
(Comprehensive income attributable to)	
Comprehensive income attributable to owners of the parent company	311,553

(3) 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 quarter under review, and multiplying income before income taxes by the estimated effective tax rate.

(Significant subsequent events)

(Transactions under common control)

(Establishment of subsidiary through corporate split)

The Company's wholly owned subsidiary SANYO SHOKUHIN newly established and split the Yaizu Business Division and SPF Business Division of SANYO SHOKUHIN through an incorporation-type company split and transferred these businesses to the newly established STI SANYO Co., Ltd. on April 1, 2021.

(1) Purpose of the incorporation-type company split

The Company is reorganizing the Ishinomaki Business Division of SANYO SHOKUHIN and Yamatomi Co., Ltd. which are existing wholly-owned subsidiaries of the Company in Ishinomaki City, Miyagi Prefecture, in order to more efficiently utilize the functions of both companies, develop their businesses, and deepen their local ties and contribute to regional development.

(2) Nature of the business subject to the incorporation-type company split

Food manufacturing and sales business

(3) Method of corporate split

SANYO SHOKUHIN will be the splitting company and STI SANYO Co., Ltd. will be the company newly established through the incorporation-type company split.

(4) Details of allocations related to the incorporation-type company split

STI SANYO Co., Ltd., the newly established company, issued 600 shares of common stock upon the incorporation-type company split, all of which were allotted and delivered to SANYO SHOKUHIN. At the same time, SANYO SHOKUHIN delivered all of the allotted shares to the Company, the wholly owning parent company of SANYO SHOKUHIN, as dividends of surplus.

(5) Outline of the company newly established through the incorporation-type company split

Company name: STI SANYO Co., Ltd.

Business description: Food manufacturing and sales business

Address of head office: 1-15-14, Minami Aoyama, Minato-ku, Tokyo

Name and title of representative: Representative Director Mitsuyoshi Date

Amount of share capital: 30,000 thousand yen

(6) Overview of accounting treatment

Accounting treatment was applied as transactions under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Absorption-type merger between consolidated subsidiaries and change of trade name of the surviving entity)

SANYO SHOKUHIN, a wholly owned subsidiary of the Company, merged with Yamatomi Co., Ltd., a wholly owned subsidiary of the Company, on April 1, 2021, and at the same time changed its corporate name to STI Miyagi Co., Ltd.

(1) Purpose of the merger

As part of the Group's management, it has been decided to merge the subsidiaries in order to integrate the management resources of the existing subsidiaries in Ishinomaki City, Miyagi Prefecture, and to enhance the corporate value of the Group by making the functions of both companies more efficient, developing their businesses, and contributing to regional development by deepening local ties.

(2) Merger method

SANYO SHOKUHIN became the surviving company through an absorption-type merger, and Yamatomi Co., Ltd. was dissolved, and the name of the merged company became STI Miyagi Co., Ltd.

(3) Overview of accounting treatment

Accounting treatment was applied as transactions under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).