



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

August 10, 2021

Name of listed company: STI Foods Holdings, Inc.

Listed stock exchange: Tokyo

Securities code: 2932

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

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

Inquiries: (Title) Director, Managing Executive Officer, General Manager of Finance Division (Name) Satoshi Takahashi

Tel: +81-3-3479-6956

Scheduled date for the filing of the quarterly financial statements: August 10, 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 second quarter of the fiscal year ending December 31, 2021 (January 1, 2021 to June 30, 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	%
Second quarter of the fiscal year ending December 31, 2021	12,408	15.9	940	101.0	967	110.5	630	123.3
Second quarter of the fiscal year ended December 31, 2020	10,705	-	468	-	459	-	282	-

(Note) Comprehensive income: Second quarter of the fiscal year ending December 31, 2021: 640 million yen (131.3%)

Second quarter of the fiscal year ended December 31, 2020: 277 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending December 31, 2021	114.70	-
Second quarter of the fiscal year ended December 31, 2020	56.46	-

(Note) As quarterly consolidated financial statements have not been prepared for the second quarter of the fiscal year ended

December 31, 2019, percentage change from the same period of the previous year for the second quarter of the fiscal year ended December 31, 2020 are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Million yen	Million yen	%
Second quarter of the fiscal year ending December 31, 2021	11,067	3,986	36.0
Fiscal year ended December 31, 2020	11,324	3,566	31.5

(Reference) Shareholder's equity: Second quarter of the fiscal year ending December 31, 2021: 3,985 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	-	0.00			
Fiscal year ending December 31, 2021 (forecast)			-	55.00	55.00

(Note) Revisions to the most recently announced dividend forecast: Yes

Please refer to the "Notice of Revision of Earnings and Dividend Forecasts" released today (August 10, 2021) (Japanese only) for the revisions to the dividend forecast.

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	1,730	32.0	1,720	34.8	1,110	33.3	201.99

(Note) Revisions to the most recently announced financial results forecast: Yes

Please refer to the "Notice of Revision of Earnings and Dividend Forecasts" released today (August 10, 2021) (Japanese only) for the revisions to the consolidated earnings forecast.

*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 : No
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, 2021	5,495,500 shares	Fiscal year ended December 31, 2020	5,495,500 shares
Q2 fiscal year ending December 31, 2021	50 shares	Fiscal year ended December 31, 2020	50 shares
Q2 fiscal year ending December 31, 2021	5,495,450 shares	Q2 fiscal year ended December 31, 2020	5,000,000 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.

Table of contents of the attached materials

1. Qualitative information on quarterly results	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position	2
(3) Explanation for the forecast of consolidated financial results and other future information	3
2. Consolidated financial statements and notes	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
Quarterly consolidated statement of income	
First half of fiscal year ending December 31, 2021	6
Quarterly consolidated statement of comprehensive income	
First half of fiscal year ending December 31, 2021	7
(3) Quarterly consolidated statements of cash flows	8
(4) Notes to quarterly consolidated financial statements	9
(Notes on assumption about going concern).....	9
(Notes on significant changes in shareholders' equity)	9
(Application of special accounting methods for the preparation of quarterly consolidated financial statements)	9
(Business combination related).....	10

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.

During the first half of the fiscal year ending December 31, 2021, the Japanese economy continued to face significant restrictions on economic activities, with the third declaration of a state of emergency in major metropolitan areas due to the reemergence of COVID-19, and the implementation of priority measures to prevent the spread of the disease even after the declaration of a state of emergency was lifted. As a result, although the economy is expected to pick up with the start of vaccination, the situation remains severe.

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 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 12,408 million yen (up 15.9% compared with the year-earlier period).

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 940 million yen (up 101.0%), ordinary income was 967 million yen (up 110.5%), and net income attributable to owners of the parent company was 630 million yen (up 123.3%).

(2) Explanation of financial position

1. Assets, liabilities, and net assets

Total assets as of June 30, 2021 decreased by 257 million yen compared to the end of the previous fiscal year to 11,067 million yen.

The balance of current assets decreased by 345 million yen compared to the end of the previous fiscal year to 6,430 million yen. This was mainly due to a decrease of 759 million yen in cash and deposits, despite an increase of 285 million yen in merchandise and finished goods.

The balance of non-current assets increased by 88 million yen compared to the end of the previous fiscal year to 4,637 million yen. This was mainly due to an increase of 111 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities decreased by 677 million yen compared to the end of the previous fiscal year to 7,080 million yen.

The balance of current liabilities decreased by 413 million yen compared to the end of the previous fiscal year to 4,938 million yen. This was mainly due to decreases of 300 million yen in accounts payable - trade and 155 million yen in other current liabilities.

The balance of non-current liabilities decreased by 264 million yen compared to the end of the previous fiscal year to 2,141 million yen. This was mainly due to a decrease of 264 million yen in long-term borrowings as a result of repayment.

The balance of net assets increased by 420 million yen compared to the end of the previous fiscal year to 3,986 million yen. This was mainly due to an increase of 409 million yen in retained earnings resulting from the posting of 630 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 June 30, 2021 increased by 4.5 percentage points compared to the end of the previous fiscal year to 36.0%.

2. Cash flows

Cash and cash equivalents (below, "cash") at the end of the second quarter totaled 1,789 million yen, a decrease of 759 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 261 million yen (compared to 27 million yen provided in the year-earlier period). This was mainly due to an increase in income before income taxes of 971 million yen and depreciation of 360 million yen, which offset decreases in cash due to income taxes paid of 428 million yen, a decrease in trade payables of 301 million yen, and an increase in trade receivables of 266 million yen.

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

(Cash flows from investing activities)

Cash used in investing activities totaled 270 million yen (compared to an expenditure of 197 million yen in the year-earlier period). This was mainly due to 222 million yen used for the purchase of property, plant and equipment and 50 million yen used for the purchase of intangible assets.

(Cash flows from financing activities)

Cash used in financing activities totaled 755 million yen (compared to 101 million yen provided in the year-earlier period). This was mainly due to the repayments of long-term borrowings of 301 million yen, the repayments of lease obligations of 140 million yen, and dividends paid of 219 million yen.

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

Please refer to the "Notice of Revision of Earnings and Dividend Forecasts" released today (August 10, 2021) (Japanese only) for the consolidated earnings forecast for the fiscal year ending December 31, 2021.

The said forecasts are based on judgments and assumptions based on information currently available to the Company, and actual results may differ from the forecast due to various factors.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q2 fiscal year ending December 31, 2021 (June 30, 2021)
Assets		
Current assets		
Cash and deposits	2,598,584	1,839,330
Notes and accounts receivable - trade	2,655,970	2,922,399
Merchandise and finished goods	513,534	798,616
Work in process	30,151	39,745
Raw materials and supplies	808,416	596,626
Other	169,097	233,347
Total current assets	6,775,754	6,430,065
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,988,317	1,924,940
Machinery, equipment and vehicles, net	476,787	475,388
Leased assets, net	817,785	907,977
Other, net	459,031	545,183
Total property, plant and equipment	3,741,922	3,853,490
Intangible assets		
Goodwill	116,561	95,368
Other	385,695	374,830
Total intangible assets	502,256	470,198
Investments and other assets	304,718	313,343
Total non-current assets	4,548,897	4,637,032
Total assets	11,324,652	11,067,098

STI Foods Holdings, Inc. (2932)

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

(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q2 fiscal year ending December 31, 2021 (June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	2,851,283	2,550,563
Current portion of long-term borrowings	567,068	529,858
Income taxes payable	276,674	356,564
Other	1,657,320	1,501,922
Total current liabilities	5,352,346	4,938,908
Non-current liabilities		
Long-term borrowings	1,000,534	735,958
Asset retirement obligations	167,792	168,299
Other	1,237,967	1,237,685
Total non-current liabilities	2,406,294	2,141,943
Total liabilities	7,758,640	7,080,851
Net assets		
Shareholders' equity		
Share capital	534,920	534,920
Capital surplus	434,920	434,920
Retained earnings	2,595,708	3,005,522
Treasury shares	(205)	(205)
Total shareholders' equity	3,565,344	3,975,157
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(372)	5,060
Foreign currency translation adjustment	710	5,699
Total accumulated other comprehensive income	337	10,759
Share acquisition rights	330	330
Total net assets	3,566,011	3,986,247
Total liabilities and net assets	11,324,652	11,067,098

Summary of Financial Results for the Second 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)
 (First half of fiscal year ending December 31, 2021)

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2020 (from January 1, 2020 to June 30, 2020)	First half of fiscal year ending December 31, 2021 (from January 1, 2021 to June 30, 2021)
Net sales	10,705,960	12,408,215
Cost of sales	7,999,725	8,769,055
Gross profit	2,706,235	3,639,160
Selling, general and administrative expenses	2,238,102	2,698,241
Operating income	468,132	940,918
Non-operating income		
Interest and dividend income	3,372	6,401
Gain on sale of goods	11,189	14,302
Compensation income	4,298	-
Other	12,073	22,859
Total non-operating income	30,934	43,563
Non-operating expenses		
Interest expenses	16,042	13,912
Commission expenses	21,569	2,487
Other	1,697	132
Total non-operating expenses	39,309	16,533
Ordinary income	459,757	967,949
Extraordinary income		
Gain on sale of non-current assets	-	3,875
Gain on bargain purchase	9,039	-
Total extraordinary income	9,039	3,875
Income before income taxes	468,797	971,824
Income taxes	188,245	341,506
Net income	280,552	630,317
Net profit (loss) attributable to non-controlling interests	(1,779)	-
Net income attributable to owners of the parent company	282,332	630,317

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

(Quarterly consolidated statement of comprehensive income)

(First half of fiscal year ending December 31, 2021)

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2020 (from January 1, 2020 to June 30, 2020)	First half of fiscal year ending December 31, 2021 (from January 1, 2021 to June 30, 2021)
Net income	280,552	630,317
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,386)	5,433
Foreign currency translation adjustment	(2,157)	4,988
Total other comprehensive income	(3,543)	10,421
Comprehensive income	277,008	640,739
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	279,313	640,739
Comprehensive income attributable to non-controlling interests	(2,304)	-

(3) Quarterly consolidated statement of cash flows

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2020 (from January 1, 2020 to June 30, 2020)	First half of fiscal year ending December 31, 2021 (from January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Income before income taxes	468,797	971,824
Depreciation	312,228	360,312
Amortization of goodwill	21,192	21,192
Gain on bargain purchase	(9,039)	-
Increase (decrease) in provision for bonuses	1,738	-
Interest and dividend income	(874)	(6,401)
Interest expenses	16,042	13,912
Commission expenses	21,569	2,487
Loss (gain) on sale of non-current assets	-	(3,875)
Decrease (increase) in trade receivables	(171,611)	(266,366)
Decrease (increase) in inventories	253,329	(82,474)
Increase (decrease) in trade payables	(802,066)	(301,232)
Decrease (increase) in other assets	29,288	18,290
Increase (decrease) in other liabilities	80,675	(110,572)
Other	356	5,682
Subtotal	221,626	622,781
Interest and dividends received	828	294
Interest paid	(16,393)	(14,043)
Payment of commitment line-related expenses	(22,903)	(3,371)
Income taxes refund	84,685	84,394
Income taxes paid	(240,282)	(428,901)
Net cash provided by (used in) operating activities	27,561	261,154
Cash flows from investing activities		
Purchase of property, plant and equipment	(140,754)	(222,715)
Proceeds from sale of property, plant and equipment	-	5,229
Purchase of intangible assets	(28,334)	(50,921)
Purchase of investment securities	(780)	(799)
Proceeds from acquisition of newly consolidated subsidiaries	4,504	-
Loan advances	(81,800)	-
Proceeds from withdrawal of time deposits	50,033	-
Other	(195)	(948)
Net cash provided by (used in) investing activities	(197,326)	(270,155)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	653,959	-
Repayments of long-term borrowings	(268,022)	(301,786)
Repayments of long-term accounts payable - other	(81,207)	(94,068)
Repayments of lease obligations	(116,702)	(140,255)
Dividends paid	(65,000)	(219,660)
Purchase of treasury shares of subsidiaries	(21,412)	-
Net cash provided by (used in) financing activities	101,615	(755,770)
Effect of exchange rate change on cash and cash equivalents	(2,114)	5,517
Net increase (decrease) in cash and cash equivalents	(70,263)	(759,254)
Cash and cash equivalents at beginning of period	1,441,026	2,548,584
Cash and cash equivalents at end of period	1,370,762	1,789,330

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

(4) Notes to quarterly consolidated financial statements

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

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

(Business combination related)

(Transactions under common control)

(Establishment of subsidiary through corporate split)

Based on a resolution of the Board of Directors held on February 12, 2021, the Company's wholly owned subsidiary SANYO FOODS CO., LTD. newly established and split the Yaizu Business Division and SPF Business Division of SANYO FOODS CO., LTD. through an incorporation-type company split and transferred these businesses to the newly established STI Sanyo, Inc. on April 1, 2021.

1. Overview of transaction

(1) Name and description of the business to be transferred

Name of the business	Yaizu Business Division and SPF Business Division
Business description	Food manufacturing and sales business

(2) Date of the business combination

April 1, 2021

(3) Legal form of the business combination

SANYO FOODS CO., LTD. will be the splitting company and the newly established company will be the succeeding company

(4) Name of company after the combination

STI Sanyo, Inc.

(5) Other matters concerning the overview of the transaction

The Company is reorganizing the Ishinomaki Business Division of SANYO FOODS CO., LTD. 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.

STI Sanyo, Inc., 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 FOODS CO., LTD. At the same time, SANYO FOODS CO., LTD. delivered all of the allotted shares to the Company, the wholly owning parent company of SANYO FOODS CO., LTD., as dividends of surplus.

2. Overview of accounting treatment implemented

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)

At a meeting of the Board of Directors held on February 12, 2021, the Company, the Company's wholly owned subsidiaries SANYO FOODS CO., LTD. and YAMATOMI CO., LTD. resolved to merge SANYO FOODS CO., LTD. and YAMATOMI CO., LTD., with SANYO FOODS CO., LTD. as the surviving company and YAMATOMI CO., LTD. as the dissolving company, with an effective date of April 1, 2021, and also resolved to change the trade name of the surviving company, SANYO FOODS CO., LTD., to STI Miyagi, Inc.

1. Overview of transaction

(1) Name and business of the combined company

1. Combining company

Name	SANYO FOODS CO., LTD.
Business description	Food manufacturing and sales business

2. Company to be combined

Name	YAMATOMI CO., LTD.
Business description	Food manufacturing and sales business

(2) Date of the business combination

April 1, 2021

(3) Legal form of the business combination

Merger by absorption, with SANYO FOODS CO., LTD. as the surviving company and YAMATOMI CO., LTD. as the dissolving company

(4) Name of company after the combination

STI Miyagi, Inc.

(5) Other matters concerning the overview of the transaction

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. Overview of accounting treatment implemented

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).