



Summary of Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2022 [Japanese GAAP] (Consolidated)

August 9, 2022

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, 2022

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, 2022 (January 1, 2022 to June 30, 2022)

(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, 2022	12,866	3.7	676	(28.1)	704	(27.2)	469	(25.6)
Second quarter of the fiscal year ended December 31, 2021	12,408	15.9	940	101.0	967	110.5	630	123.3

(Note) Comprehensive income: Second quarter of the fiscal year ending December 31, 2022: 510 million yen (-20.4%)

Second quarter of the fiscal year ended December 31, 2021: 640 million yen (131.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending December 31, 2022	81.55	77.40
Second quarter of the fiscal year ended December 31, 2021	114.70	-

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the fiscal year ending December 31, 2022. The figures for the second quarter of the fiscal year ending December 31, 2022 are those after the application of the said accounting standard, etc.

(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, 2022	12,133	5,634	46.4
Fiscal year ended December 31, 2021	12,777	5,440	42.6

(Reference) Shareholder's equity: Second quarter of the fiscal year ending December 31, 2022: 5,634 million yen

Fiscal year ended December 31, 2021: 5,440 million yen

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied since the beginning of the first quarter of the fiscal year ending December 31, 2022, and all figures for the second quarter of the fiscal year ending December 31, 2022 are those after the application of the said accounting standard, etc.

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, 2021	-	0.00	-	55.00	55.00
Fiscal year ending December 31, 2022	-	0.00	-	-	-
Fiscal year ending December 31, 2022 (forecast)	-	-	-	55.00	55.00

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

3. Consolidated forecasts for fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% 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	28,000	-	1,500	-	1,500	-	950	-	165.14

(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, 2022	5,752,900 shares	Fiscal year ended December 31, 2021	5,752,900 shares
Q2 fiscal year ending December 31, 2022	50 shares	Fiscal year ended December 31, 2021	50 shares
Q2 fiscal year ending December 31, 2022	5,752,850 shares	Q2 fiscal year ending December 31, 2021	5,495,450 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.

During the first half of the current fiscal year, as actions against COVID-19 eased and economic activity began to return to normal, the Japanese economy faced increases in resource prices around the world caused by factors such as the situation in Ukraine and rapid depreciation of the yen due to fluctuations in financial and capital markets. A pervasive awareness of the need to protect their own lifestyles, accompanied by upward pressure on prices due to the aforementioned compounding factors, has also affected consumer behavior, and thus the economic outlook remains uncertain, making prediction difficult.

In the food industry, increasing global demand and the weakening of the yen has brought continuing increases in the price of raw materials, and moreover, the easing of restrictions on social interaction has brought a recovery in demand for eating out. Conversely, there has been a downturn in demand for eating in or eating at home.

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, including thorough countermeasures against COVID-19.

The sales front saw the start of food sales on Amazon, a large e-commerce site, in order to offer more of our products to greater numbers of people. Additionally, sales of canned foods and other goods to volume sellers that had not previously handled such products are increasing, and sales of mainstay products such as grilled fish and cup salads remain stable, while shipments to Taiwan 7-Eleven are growing steadily. The Group feels that increasing the ratio of international sales is an important measure to countering the ongoing weakening of the yen, and has made this a high priority going forward.

Sales of food ingredients continue to be strong. As a result, net sales during the period under review totaled 12,866 million yen (up 3.7% compared with the year-earlier period).

Despite price increases for products with strong sales bringing improved profits, the high cost of raw materials had a significant impact on profit and loss, resulting in operating income for the period under review standing at 676 million yen (down 28.1% compared with the year-earlier period), while ordinary income was 704 million yen (down 27.2% compared with the year-earlier period). Additionally, the extraordinary income of 77 million yen from insurance benefits associated with a factory fire that occurred in January 2022 resulted in net income attributable to owners of the parent company of 469 million yen (down 25.6% compared with the year-earlier period).

Furthermore, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the fiscal year ending December 31, 2022. Therefore, the figures for the year-on-year comparison are based on different calculation methods. For further details, please refer to "2. Consolidated financial statements and notes (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)."

(2) Explanation of financial position

1. Assets, liabilities, and net assets

Total assets as of June 30, 2022 decreased by 643 million yen compared to the end of the previous fiscal year to 12,133 million yen.

The balance of current assets decreased by 880 million yen compared to the end of the previous fiscal year to 7,325 million yen. This was mainly due to a decrease of 913 million yen in cash and deposits, despite an increase of 390 million yen in merchandise and finished goods.

The balance of non-current assets increased by 236 million yen compared to the end of the previous fiscal year to 4,808 million yen. This was mainly due to an increase of 242 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities decreased by 837 million yen compared to the end of the previous fiscal year to 6,499 million yen.

The balance of current liabilities decreased by 935 million yen compared to the end of the previous fiscal year to 4,623 million yen. This was mainly due to decreases of 1,010 million yen in accounts payable - trade, despite an increase of 300 million yen in short-term borrowings.

The balance of non-current liabilities increased by 97 million yen compared to the end of the previous fiscal year to 1,875 million yen. This was mainly due to an increase of 152 million yen in long-term borrowings as a result of new borrowings.

The balance of net assets increased by 193 million yen compared to the end of the previous fiscal year to 5,634 million yen. This was mainly due to an increase of 152 million yen in retained earnings resulting from the posting of 469 million yen in net income attributable to owners of the parent company, despite the dividend payment of 316 million yen.

As a result, the shareholder's equity ratio as of June 30, 2022 increased by 3.8 percentage points compared to the end of the previous fiscal year to 46.4%.

2. Cash flows

Cash and cash equivalents (below, "cash") at the end of the second quarter totaled 2,329 million yen, a decrease of 913 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 used in operating activities totaled 424 million yen (compared to 261 million yen provided in the year-earlier period). This was mainly due to a decrease in cash due to decrease in trade payables of 1,012 million yen and income taxes paid of 352 million yen despite an increase in cash due to income before income taxes of 765 million yen and depreciation of 370 million yen.

(Cash flows from investing activities)

Cash used in investing activities totaled 451 million yen (compared to an expenditure of 270 million yen in the year-earlier period). This was mainly due to 372 million yen used for the purchase of property, plant and equipment and 50 million yen used for the purchase of shares of subsidiaries and associates.

(Cash flows from financing activities)

Cash used in financing activities totaled 56 million yen (compared to an expenditure of 755 million yen in the year-earlier period). This was mainly due to a decrease in cash due to repayments of long-term borrowings of 296 million yen, repayments of long-term accounts payable - other of 103 million yen, repayments of lease liabilities of 140 million yen, and dividends paid of 316 million yen despite an increase in cash due to a net increase in short-term borrowings of 300 million yen, and proceeds from long-term borrowings of 500 million yen.

(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, 2021" on February 14, 2022.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous fiscal year (December 31, 2021)	First half of fiscal year ending December 31, 2022 (June 30, 2022)
Assets		
Current assets		
Cash and deposits	3,293,147	2,379,776
Notes and accounts receivable - trade	2,935,161	-
Notes and accounts receivable - trade, and contract assets	-	2,845,712
Merchandise and finished goods	764,069	1,154,909
Work in process	32,221	43,482
Raw materials and supplies	997,097	515,636
Other	184,764	386,205
Total current assets	8,206,462	7,325,721
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,138,156	2,181,195
Machinery, equipment and vehicles, net	462,835	449,344
Leased assets, net	822,603	786,375
Other, net	409,981	659,313
Total property, plant and equipment	3,833,576	4,076,228
Intangible assets		
Goodwill	74,175	52,982
Other	369,249	340,524
Total intangible assets	443,424	393,506
Investments and other assets	294,245	338,357
Total non-current assets	4,571,246	4,808,092
Total assets	12,777,709	12,133,813

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2022

(Unit: thousand yen)

	Previous fiscal year (December 31, 2021)	First half of fiscal year ending December 31, 2022 (June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	3,000,378	1,989,549
Short-term borrowings	-	300,000
Current portion of long-term borrowings	502,708	553,428
Income taxes payable	372,599	307,933
Other	1,683,061	1,472,689
Total current liabilities	5,558,747	4,623,600
Non-current liabilities		
Long-term borrowings	504,605	657,530
Asset retirement obligations	172,494	172,987
Other	1,100,884	1,044,913
Total non-current liabilities	1,777,983	1,875,430
Total liabilities	7,336,731	6,499,030
Net assets		
Shareholders' equity		
Share capital	1,020,557	1,020,557
Capital surplus	920,557	920,557
Retained earnings	3,486,010	3,638,736
Treasury shares	(205)	(205)
Total shareholders' equity	5,426,919	5,579,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,255	4,984
Deferred gains or losses on hedges	-	22,566
Foreign currency translation adjustment	9,479	27,267
Total accumulated other comprehensive income	13,734	54,819
Share acquisition rights	324	319
Total net assets	5,440,978	5,634,782
Total liabilities and net assets	12,777,709	12,133,813

(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, 2022)

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2021 (January 1, 2021 to June 30, 2021)	First half of fiscal year ending December 31, 2022 (January 1, 2022 to June 30, 2022)
Net sales	12,408,215	12,866,377
Cost of sales	8,769,055	9,385,806
Gross profit	3,639,160	3,480,571
Selling, general and administrative expenses	2,698,241	2,804,291
Operating income	940,918	676,279
Non-operating income		
Interest and dividend income	6,401	9,457
Gain on sale of goods	14,302	6,534
Other	22,859	28,829
Total non-operating income	43,563	44,821
Non-operating expenses		
Interest expenses	13,912	12,089
Commission expenses	2,487	1,751
Other	132	2,347
Total non-operating expenses	16,533	16,189
Ordinary income	967,949	704,911
Extraordinary income		
Gain on sale of non-current assets	3,875	-
Insurance claim income	-	77,361
Total extraordinary income	3,875	77,361
Extraordinary losses		
Loss on disaster	-	15,900
Other	-	1,001
Total extraordinary losses	-	16,901
Income before income taxes	971,824	765,371
Income taxes	341,506	296,238
Net income	630,317	469,132
Net income attributable to owners of the parent company	630,317	469,132

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2022

(Quarterly consolidated statement of comprehensive income)
(First half of fiscal year ending December 31, 2022)

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2021 (January 1, 2021 to June 30, 2021)	First half of fiscal year ending December 31, 2022 (January 1, 2022 to June 30, 2022)
Net income	630,317	469,132
Other comprehensive income		
Valuation difference on available-for-sale securities	5,433	729
Deferred gains or losses on hedges	-	22,566
Foreign currency translation adjustment	4,988	17,787
Total other comprehensive income	10,421	41,084
Comprehensive income	640,739	510,216
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	640,739	510,216

(3) Quarterly consolidated statements of cash flows

(Unit: thousand yen)

	First half of fiscal year ended December 31, 2021 (January 1, 2021 to June 30, 2021)	First half of fiscal year ending December 31, 2022 (January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Income before income taxes	971,824	765,371
Depreciation	360,312	370,043
Amortization of goodwill	21,192	21,192
Insurance claim income	-	(77,361)
Interest and dividend income	(6,401)	(9,457)
Interest expenses	13,912	12,089
Commission expenses	2,487	1,751
Loss (gain) on sale of non-current assets	(3,875)	-
Decrease (increase) in trade receivables	(266,366)	90,552
Decrease (increase) in inventories	(82,474)	68,231
Increase (decrease) in trade payables	(301,232)	(1,012,154)
Decrease (increase) in other assets	18,290	(193,389)
Increase (decrease) in other liabilities	(110,572)	(227,179)
Other	5,682	11,188
Subtotal	622,781	(179,123)
Interest and dividends received	294	323
Interest paid	(14,043)	(12,155)
Payment of commitment line-related expenses	(3,371)	(1,391)
Proceeds from insurance income	-	13,987
Income taxes refund	84,394	106,354
Income taxes paid	(428,901)	(352,226)
Net cash provided by (used in) operating activities	261,154	(424,230)
Cash flows from investing activities		
Purchase of property, plant and equipment	(222,715)	(372,157)
Proceeds from sale of property, plant and equipment	5,229	-
Purchase of intangible assets	(50,921)	(27,681)
Purchase of investment securities	(799)	(817)
Purchase of shares of subsidiaries and associates	-	(50,024)
Other	(948)	(753)
Net cash provided by (used in) investing activities	(270,155)	(451,434)
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	(301,786)	(296,355)
Repayments of long-term accounts payable - other	(94,068)	(103,672)
Repayments of lease liabilities	(140,255)	(140,226)
Dividends paid	(219,660)	(316,204)
Net cash provided by (used in) financing activities	(755,770)	(56,458)
Effect of exchange rate change on cash and cash equivalents	5,517	18,751
Net increase (decrease) in cash and cash equivalents	(759,254)	(913,371)
Cash and cash equivalents at beginning of period	2,548,584	3,243,147
Cash and cash equivalents at end of period	1,789,330	2,329,776

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

(Changes in accounting policies)

(Accounting Standard for Revenue Recognition applied)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereafter referred to as "Accounting Standard for Revenue Recognition") has been applied since the beginning of the first quarter of the fiscal year ending December 31, 2022, and the amount of the expected revenue in exchange for goods and services is recognized when control of the applicable promised goods or services are transferred to the customer. In line with this, the following changes have been made.

Regarding supply transactions in exchange for a fee, the items supplied in exchange for a fee were conventionally recognized as ceasing to exist, however, the policy has been changed so that the applicable supplied items are not recognized as ceasing to exist if the obligation to repurchase the supplied items exists.

Regarding receiving transactions in exchange for a fee, items received in exchange for a fee were conventionally recognized as raw materials, however, the policy has been changed so that they are not recognized as raw materials.

Also, alternative handling defined in the "Guidance on Accounting Standard for Revenue Recognition" Paragraph 98 applies, and when selling merchandise or products domestically, revenue is recognized upon shipping if the period of time from when the applicable merchandise or product is shipped until control is transferred to the customer is the usual period.

Application of the Accounting Standard for Revenue Recognition follows transitional handling established as a proviso of the Accounting Standard for Revenue Recognition Paragraph 84, and the cumulative effect when a new accounting policy is retrospectively applied prior to the beginning of first quarter of the fiscal year ending December 31, 2022 is adjusted in the retained earnings of the same period, and the new accounting policy is applied starting with the balance at the beginning of the applicable period.

However, the method stipulated in the Accounting Standard for Revenue Recognition Paragraph 86 applies, and the new accounting policy is not applied retrospectively to contracts that recognize nearly the entire amount in line with previous handling up to the beginning of the first quarter of the fiscal year ending December 31, 2022.

As a result, net sales for the second quarter of the fiscal year ending December 31, 2022 decreased by 172,869 thousand yen, and the cost of sales decreased by 172,869 thousand yen, however, there was no impact on the operating income, ordinary income, or income before income taxes. Also, there was no impact on the balance at the beginning of the period for retained earnings.

Because the Company has applied the Accounting Standard for Revenue Recognition, the "Notes and accounts receivable - trade" shown under "Current Assets" in the consolidated balance sheet for the previous fiscal year are included in the "Notes and accounts receivable - trade, and contract assets" starting from the first quarter of the fiscal year ending December 31, 2022. Also, following transitional handling stipulated in the Accounting Standard for Revenue Recognition Paragraph 89-2, the previous fiscal year has not been reclassified according to the new policy.

(Accounting Standard for Fair Value Measurement applied)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereafter referred to as the "Accounting Standard for Fair Value Measurement") has been applied since the beginning of the first quarter of the fiscal year ending December 31, 2022, and following transitional handling stipulated in the Accounting Standard for Fair Value Measurement Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) Paragraph 44-2, the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement will be applied for the future. This has had no impact on the quarterly consolidated financial statements.