



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

November 9, 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

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Scheduled date for the filing of the quarterly financial statements: November 9, 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 third quarter of the fiscal year ending December 31, 2021 (January 1, 2021 to September 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	%
Third quarter of the fiscal year ending December 31, 2021	19,223	14.9	1,302	45.8	1,335	55.7	848	58.1
Third quarter of the fiscal year ended December 31, 2020	16,727	-	893	-	857	-	536	-

(Note) Comprehensive income: Third quarter of the fiscal year ending December 31, 2021: 859 million yen (62.5%)

Third quarter of the fiscal year ended December 31, 2020: 528 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2021	154.39	-
Third quarter of the fiscal year ended December 31, 2020	107.17	104.47

(Note) As quarterly consolidated financial statements have not been prepared for the third quarter of the fiscal year ended December 31, 2019, percentage change from the same period of the previous year for the third 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	%
Third quarter of the fiscal year ending December 31, 2021	11,428	4,204	36.8
Fiscal year ended December 31, 2020	11,324	3,566	31.5

(Reference) Shareholder's equity: Third quarter of the fiscal year ending December 31, 2021: 4,204 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: 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	1,730	32.0	1,720	34.8	1,110	33.3	199.81

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

The Company has issued 200,000 shares of new stock through a public offering with a payment date of October 5, 2021 and 57,400 shares of new stock through a third-party allotment with a payment date of October 18, 2021. "Net income per share" in the consolidated earnings forecast takes into account the impact of these new share issues.

*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 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)

Q3 fiscal year ending December 31, 2021	5,495,500 shares	Fiscal year ended December 31, 2020	5,495,500 shares
Q3 fiscal year ending December 31, 2021	50 shares	Fiscal year ended December 31, 2020	50 shares
Q3 fiscal year ending December 31, 2021	5,495,450 shares	Q3 fiscal year ended December 31, 2020	5,006,556 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 third quarter of the fiscal year ending December 31, 2021, the Japanese economy continued to face a difficult situation due to the prolonged epidemic of the coronavirus and the rapid increase in the number of infected people combined with the effects of the mutated strains. However, with the implementation of measures to prevent the spread of the infection and an increase in vaccination rates, there are signs of a decrease in the number of infected people, and the economy is expected to pick up.

In the food industry, there has been a continued increase in domestic demand and demand for home meals due to stay-at-home consumption, and there is a need to respond to changes in personal consumption behavior in the new daily life of the with and after the coronavirus. On the other hand, the spread of the coronavirus, especially in Asia, has caused stagnation in some supply chains, and raw material prices have skyrocketed, increasing the burden on production sites to ensure continuous supply.

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, sales of food ingredients picked up due to signs of a recovery in demand for rice balls at convenience stores, and in food product sales, sales of chilled prepared food products such as cup salad products continued to be strong due to the impact of stay-at-home demand. As a result, net sales during the third quarter of the current fiscal year totaled 19,223 million yen (up 14.9% compared with the year-earlier period).

In terms of profit and loss, the cost of sales ratio increased due to a temporary surge in raw material prices during the third quarter of the current fiscal year due to the impact of the stagnation of some supply chains caused by the spread of the coronavirus. However, throughout the nine months ended September 30, 2021, the cost of sales ratio improved mainly in the labor cost due to improved production efficiency at group subsidiaries. As a result, operating income was 1,302 million yen (up 45.8%), ordinary income was 1,335 million yen (up 55.7%), and net income attributable to owners of the parent company was 848 million yen (up 58.1%).

(2) Explanation of financial position

Total assets as of September 30, 2021 increased by 103 million yen compared to the end of the previous fiscal year to 11,428 million yen.

The balance of current assets decreased by 37 million yen compared to the end of the previous fiscal year to 6,738 million yen. This was mainly due to increases of 450 million yen in merchandise and finished goods, 248 million yen in notes and accounts receivable - trade, 188 million yen in raw materials and supplies, and a decrease of 1,049 million yen in cash and deposits.

The balance of non-current assets increased by 140 million yen compared to the end of the previous fiscal year to 4,689 million yen. This was mainly due to an increase of 166 million yen in property, plant and equipment resulting from the construction of company dormitories.

Total liabilities decreased by 534 million yen compared to the end of the previous fiscal year to 7,223 million yen.

The balance of current liabilities decreased by 69 million yen compared to the end of the previous fiscal year to 5,282 million yen. This was mainly due to decreases of 695 million yen in accounts payable - trade and 199 million yen in other current liabilities, despite an increase of 750 million yen in short-term borrowings due to fund raising.

The balance of non-current liabilities decreased by 465 million yen compared to the end of the previous fiscal year to 1,941 million yen. This was mainly due to a decrease of 385 million yen in long-term borrowings as a result of repayment.

The balance of net assets increased by 638 million yen compared to the end of the previous fiscal year to 4,204 million yen. This was mainly due to an increase of 627 million yen in retained earnings resulting from the posting of 848 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 September 30, 2021 increased by 5.3 percentage points compared to the end of the previous fiscal year to 36.8%.

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

There is no change to the consolidated earnings forecast for the full year announced in the "Notice of Revision of Earnings and Dividend Forecasts" (Japanese only) released on August 10, 2021.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q3 fiscal year ending December 31, 2021 (September 30, 2021)
Assets		
Current assets		
Cash and deposits	2,598,584	1,549,445
Notes and accounts receivable - trade	2,655,970	2,904,320
Merchandise and finished goods	513,534	963,618
Work in process	30,151	38,090
Raw materials and supplies	808,416	997,189
Other	169,097	285,883
Total current assets	6,775,754	6,738,548
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,988,317	2,145,952
Machinery, equipment and vehicles, net	476,787	480,064
Leased assets, net	817,785	863,059
Other, net	459,031	419,268
Total property, plant and equipment	3,741,922	3,908,345
Intangible assets		
Goodwill	116,561	84,771
Other	385,695	370,969
Total intangible assets	502,256	455,741
Investments and other assets	304,718	325,740
Total non-current assets	4,548,897	4,689,827
Total assets	11,324,652	11,428,376

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(Unit: thousand yen)

	Previous fiscal year (December 31, 2020)	Q3 fiscal year ending December 31, 2021 (September 30, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	2,851,283	2,156,249
Short-term borrowings	-	750,000
Current portion of long-term borrowings	567,068	513,568
Income taxes payable	276,674	328,034
Provision for bonuses	-	76,935
Other	1,657,320	1,457,776
Total current liabilities	5,352,346	5,282,564
Non-current liabilities		
Long-term borrowings	1,000,534	615,106
Asset retirement obligations	167,792	168,555
Other	1,237,967	1,157,547
Total non-current liabilities	2,406,294	1,941,208
Total liabilities	7,758,640	7,223,772
Net assets		
Shareholders' equity		
Share capital	534,920	534,920
Capital surplus	434,920	434,920
Retained earnings	2,595,708	3,223,647
Treasury shares	(205)	(205)
Total shareholders' equity	3,565,344	4,193,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(372)	4,346
Foreign currency translation adjustment	710	6,643
Total accumulated other comprehensive income	337	10,989
Share acquisition rights	330	330
Total net assets	3,566,011	4,204,603
Total liabilities and net assets	11,324,652	11,428,376

Summary of Financial Results for the Third 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)

(Q3 fiscal year ending December 31, 2021)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2020 (from January 1, 2020 to September 30, 2020)	Q3 fiscal year ending December 31, 2021 (from January 1, 2021 to September 30, 2021)
Net sales	16,727,603	19,223,751
Cost of sales	12,326,226	13,793,466
Gross profit	4,401,376	5,430,284
Selling, general and administrative expenses	3,507,684	4,127,308
Operating income	893,692	1,302,975
Non-operating income		
Interest and dividend income	3,381	6,412
Gain on sale of goods	20,136	19,761
Compensation income	7,298	4,731
Other	13,851	30,201
Total non-operating income	44,668	61,107
Non-operating expenses		
Interest expenses	23,799	20,556
Commission expenses	22,541	3,667
Listing expenses	28,707	-
Other	5,914	4,738
Total non-operating expenses	80,963	28,962
Ordinary income	857,397	1,335,120
Extraordinary income		
Gain on sale of non-current assets	-	4,667
Gain on bargain purchase	9,039	-
Total extraordinary income	9,039	4,667
Extraordinary losses		
Loss on retirement of non-current assets	9,356	320
Other	1,163	36
Total extraordinary losses	10,520	356
Income before income taxes	855,916	1,339,430
Income taxes	321,147	490,987
Net income	534,769	848,443
Net profit (loss) attributable to non-controlling interests	(1,779)	-
Net income attributable to owners of the parent company	536,549	848,443

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

(Quarterly consolidated statement of comprehensive income)

(Q3 fiscal year ending December 31, 2021)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2020 (from January 1, 2020 to September 30, 2020)	Q3 fiscal year ending December 31, 2021 (from January 1, 2021 to September 30, 2021)
Net income	534,769	848,443
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,285)	4,719
Foreign currency translation adjustment	(3,924)	5,932
Total other comprehensive income	(6,209)	10,652
Comprehensive income	528,560	859,095
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	530,864	859,095
Comprehensive income attributable to non- controlling interests	(2,304)	-

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

(Significant subsequent events)

The Company resolved at the Board of Directors' meeting held on September 15, 2021 to issue new shares as follows, and the payment for the issuance of new shares by public offering was completed on October 5, 2021, and the payment for the issuance of new shares by third-party allotment was completed on October 18, 2021.

1. Issuance of new shares by way of public offering (public offering)

(1) Type and number of shares to be issued	: 200,000 shares of common stock
(2) Issue price	: 3,773.40 yen per share
(3) Total amount of issue price	: 754,680,000 yen
(4) Amount of share capital to be increased	: 377,340,000 yen
(5) Amount of legal capital surplus to be increased	: 377,340,000 yen
(6) Payment date	: October 5, 2021
(7) Method of offering or allotment	: Public offering

2. Issuance of new shares by third-party allotment

(1) Type and number of shares to be issued	: 57,400 shares of common stock
(2) Issue price	: 3,773.40 yen per share
(3) Total amount of issue price	: 216,593,160 yen
(4) Amount of share capital to be increased	: 108,296,580 yen
(5) Amount of legal capital surplus to be increased	: 108,296,580 yen
(6) Payment date	: October 18, 2021
(7) Method of offering or allotment	: Third-party allotment
(8) Allottee and number of shares to be allotted	: Nomura Securities Co., Ltd. 57,400 shares

3. Use of funds

The total estimated amount of proceeds from the public offering and the third-party allotment of 956,273 thousand yen will be used for investment and financing of 200,000 thousand yen in the fiscal year ending December 31, 2021 for the expansion of the new plant at STI Enak, Inc., a consolidated subsidiary, and the remaining amount will be used for repayment of borrowings by the fiscal year ending December 31, 2022 to strengthen the financial base for future investment in production facilities.