



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

November 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: November 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 third quarter of the fiscal year ending December 31, 2022 (January 1, 2022 to September 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	%
Third quarter of the fiscal year ending December 31, 2022	19,991	4.0	1,124	(13.7)	1,112	(16.7)	720	(15.0)
Third quarter of the fiscal year ended December 31, 2021	19,223	14.9	1,302	45.8	1,335	55.7	848	58.1

(Note) Comprehensive income: Third quarter of the fiscal year ending December 31, 2022: 770 million yen (-10.3%)
 Third quarter of the fiscal year ended December 31, 2021: 859 million yen (62.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2022	125.05	118.94
Third quarter of the fiscal year ended December 31, 2021	154.39	-

(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 third 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	%
Third quarter of the fiscal year ending December 31, 2022	13,275	5,913	44.5
Fiscal year ended December 31, 2021	12,777	5,440	42.6

(Reference) Shareholder's equity: Third quarter of the fiscal year ending December 31, 2022: 5,913 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 third 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 (3) Notes to quarterly consolidated financial statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements)" on page 8 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)

Q3 fiscal year ending December 31, 2022	5,809,300 shares	Fiscal year ended December 31, 2021	5,752,900 shares
Q3 fiscal year ending December 31, 2022	99 shares	Fiscal year ended December 31, 2021	50 shares
Q3 fiscal year ending December 31, 2022	5,765,654 shares	Q3 fiscal year ended 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 period under review, the Japanese economy showed signs of recovery in personal consumption and there were expectations for improved corporate performance under the government's policy of balancing measures to control the spread of COVID-19 with encouraging socioeconomic activity. On the other hand, with concerns over soaring global resource costs due to the protracted situation in Ukraine and price increases due to the rapidly declining yen, consumers have been increasingly reticent to spend, and the economic outlook remains uncertain and unpredictable.

In the food industry, prices of raw materials and resources remain high due to global inflation and the depreciation of the yen, and companies industry-wide are raising product prices gradually to compensate. While demand for eating out is recovering due to the easing of COVID-19 related restrictions on activity, there has been a tendency to spend less on consumption 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.

In terms of food sales, the Group's products were featured in a TV commercial for Seven-Eleven and a nationally broadcast TV program in August 2022. As a result, sales of grilled fish and take-out cup salads grew, as did sales of daily foods along with the strong performance of multiple new products introduced from the latter half of the second quarter through the third quarter. In addition, the volume of canned food sales on Amazon, which began in June 2022, has grown month by month. In September the company began selling frozen prepared foods as well. Sales of food ingredients have been in line with plans.

As a result, net sales during the third quarter of the current fiscal year totaled 19,991 million yen (up 4.0% compared with the year-earlier period).

Profitability improved thanks to price increases and new products, despite the significant impact of high raw material costs. This resulted in operating income for the period under review standing at 1,124 million yen (down 13.7% compared with the year-earlier period), while ordinary income was 1,112 million yen (down 16.7% compared with the year-earlier period). Additionally, net income attributable to owners of the parent company reached 720 million yen (down 15.0% 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 (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)."

(2) Explanation of financial position

Total assets as of September 30, 2022 increased by 497 million yen compared to the end of the previous fiscal year to 13,275 million yen.

The balance of current assets increased by 328 million yen YoY to 8,535 million yen. This was mainly due to increases of 798 million yen in raw materials and supplies, 416 million yen in merchandise and finished goods, 76 million yen in notes and accounts receivable - trade, and a decrease of 1,076 million yen in cash and deposits.

The balance of non-current assets increased by 169 million yen compared to the end of the previous fiscal year to 4,740 million yen. This was mainly due to an increase of 181 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities increased by 25 million yen YoY to 7,362 million yen.

The balance of current liabilities increased by 113 million yen YoY to 5,672 million yen. This was mainly due to decreases of 257 million yen in accounts payable - trade and 135 million yen in accounts payable - other, despite an increase of 600 million yen in short-term borrowings.

The balance of non-current liabilities decreased by 88 million yen YoY to 1,689 million yen. This was mainly due to a decrease of 101 million yen in lease liabilities.

The balance of net assets increased by 472 million yen YoY to 5,913 million yen. This was mainly due to an increase of 404 million yen in retained earnings resulting from the posting of 720 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 September 30, 2022 increased by 1.9 percentage points compared to the end of the previous fiscal year to 44.5%.

(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

	Previous fiscal year (December 31, 2021)	Q3 fiscal year ending December 31, 2022 (September 30, 2022)
(Unit: thousand yen)		
Assets		
Current assets		
Cash and deposits	3,293,147	2,216,650
Notes and accounts receivable - trade	2,935,161	-
Notes and accounts receivable - trade, and contract assets	-	3,011,397
Merchandise and finished goods	764,069	1,180,676
Work in process	32,221	42,126
Raw materials and supplies	997,097	1,796,062
Other	184,764	288,199
Total current assets	8,206,462	8,535,112
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,138,156	2,168,349
Machinery, equipment and vehicles, net	462,835	445,743
Leased assets, net	822,603	735,993
Other, net	409,981	664,650
Total property, plant and equipment	3,833,576	4,014,737
Intangible assets		
Goodwill	74,175	42,385
Other	369,249	343,527
Total intangible assets	443,424	385,913
Investments and other assets	294,245	339,722
Total non-current assets	4,571,246	4,740,373
Total assets	12,777,709	13,275,486

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(Unit: thousand yen)

	Previous fiscal year (December 31, 2021)	Q3 fiscal year ending December 31, 2022 (September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	3,000,378	2,743,119
Short-term borrowings	-	600,000
Current portion of long-term borrowings	502,708	513,429
Income taxes payable	372,599	303,686
Provision for bonuses	-	58,251
Other	1,683,061	1,453,732
Total current liabilities	5,558,747	5,672,217
Non-current liabilities		
Long-term borrowings	504,605	551,677
Asset retirement obligations	172,494	173,225
Other	1,100,884	965,011
Total non-current liabilities	1,777,983	1,689,914
Total liabilities	7,336,731	7,362,132
Net assets		
Shareholders' equity		
Share capital	1,020,557	1,029,600
Capital surplus	920,557	929,600
Retained earnings	3,486,010	3,890,574
Treasury shares	(205)	(327)
Total shareholders' equity	5,426,919	5,849,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,255	6,932
Deferred gains or losses on hedges	-	18,220
Foreign currency translation adjustment	9,479	38,472
Total accumulated other comprehensive income	13,734	63,624
Share acquisition rights	324	280
Total net assets	5,440,978	5,913,353
Total liabilities and net assets	12,777,709	13,275,486

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Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Q3 fiscal year ending December 31, 2022)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2021 (January 1, 2021 to September 30, 2021)	Q3 fiscal year ending December 31, 2022 (January 1, 2022 to September 30, 2022)
Net sales	19,223,751	19,991,311
Cost of sales	13,793,466	14,528,013
Gross profit	5,430,284	5,463,297
Selling, general and administrative expenses	4,127,308	4,338,885
Operating income	1,302,975	1,124,412
Non-operating income		
Interest and dividend income	6,412	9,471
Gain on sale of goods	19,761	10,202
Compensation income	4,731	-
Other	30,201	32,249
Total non-operating income	61,107	51,923
Non-operating expenses		
Interest expenses	20,556	18,302
Commission expenses	3,667	995
Foreign exchange losses	-	36,590
Other	4,738	8,287
Total non-operating expenses	28,962	64,176
Ordinary income	1,335,120	1,112,159
Extraordinary income		
Gain on sale of non-current assets	4,667	-
Insurance claim income	-	79,249
Total extraordinary income	4,667	79,249
Extraordinary losses		
Loss on retirement of non-current assets	320	252
Loss on disaster	-	17,616
Other	36	761
Total extraordinary losses	356	18,630
Income before income taxes	1,339,430	1,172,778
Income taxes	490,987	451,807
Net income	848,443	720,970
Net income attributable to owners of the parent company	848,443	720,970

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(Quarterly consolidated statement of comprehensive income)
(Q3 fiscal year ending December 31, 2022)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2021 (January 1, 2021 to September 30, 2021)	Q3 fiscal year ending December 31, 2022 (January 1, 2022 to September 30, 2022)
Net income	848,443	720,970
Other comprehensive income		
Valuation difference on available-for-sale securities	4,719	2,677
Deferred gains or losses on hedges	-	18,220
Foreign currency translation adjustment	5,932	28,992
Total other comprehensive income	10,652	49,890
Comprehensive income	859,095	770,861
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	859,095	770,861

(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 third 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 third quarter of the fiscal year ending December 31, 2022 decreased by 243,144 thousand yen, and the cost of sales decreased by 243,144 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.