



Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2023 [Japanese GAAP] (Consolidated)

November 2, 2023

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 2, 2023

Scheduled commencement date for dividend payment: -

Preparation of supplementary materials for quarterly financial results: No

Information meeting for quarterly financial results to be held: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the nine months ended September 30, 2023 (January 1, 2023 to September 30, 2023)

(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	%
Nine months ended September 30, 2023	23,458	17.3	1,717	52.7	1,763	58.6	1,196	66.0
Nine months ended September 30, 2022	19,991	4.0	1,124	(13.7)	1,112	(16.7)	720	(15.0)

(Note) Comprehensive income: Nine months ended September 30, 2023: 1,214 million yen (57.5%)
 Nine months ended September 30, 2022: 770 million yen (-10.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2023	201.94	196.62
Nine months ended September 30, 2022	125.05	118.94

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Million yen	Million yen	%
As of September 30, 2023	15,900	7,090	44.6
As of December 31, 2022	13,806	6,202	44.9

(Reference) Shareholder's equity: As of September 30, 2023: 7,090 million yen
 As of December 31, 2022: 6,201 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, 2022	-	0.00	-	55.00	55.00
Fiscal year ending December 31, 2023	-	0.00	-	-	-
Fiscal year ending December 31, 2023 (forecast)	-	-	-	70.00	70.00

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

Please refer to the "Notice of Revision of Earnings and Dividend Forecasts" released today (November 2, 2023) for the revisions to the dividend forecast.

3. Consolidated forecasts for fiscal year ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% 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	31,000	12.5	2,250	51.2	2,300	50.5	1,500	49.1	253.11

(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 (November 2, 2023) 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 (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 : 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)	Q3 fiscal year ending December 31, 2023	5,926,300 shares	Fiscal year ended December 31, 2022	5,926,300 shares
2. Number of treasury shares at the end of the period	Q3 fiscal year ending December 31, 2023	199 shares	Fiscal year ended December 31, 2022	99 shares
3. Average number of shares during the period (cumulative quarterly period)	Q3 fiscal year ending December 31, 2023	5,926,167 shares	Q3 fiscal year ended December 31, 2022	5,765,654 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.

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1. Qualitative information on the results of this quarter

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.

The Japanese economy in the nine months ended September 30, 2023 has been on a moderate recovery trend due to the easing of COVID-19 restrictions, the recovery of personal consumption focused on the service industry in terms of activities such as leisure and eating or drinking, and strong performance of export companies and the increase in inbound tourist demand due to the depreciation of the yen. However, the global economy remains in a state of uncertainty because of prolonged international disputes, monetary tightening in the West, and slowdown in the Chinese economy, so there is concern for rising prices due to the increase in import costs of energy and goods.

In the food industry, price and product standards are being revised to respond to the increase in costs of resources, energy and personnel expenses as well as high raw material costs. Although consumers are becoming more solid-minded in their purchases, there is an upward trend in the demand for home-meal replacement (ready-to-eat food) due to the increase in frequency at which people use convenience stores because of the recovery of people moving between locations.

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.

In terms of food sales, we were able to attract new customers of daily food products such as grilled fish and cup deli because of Seven-Eleven's prepared foods purchasing campaign and through media exposure. Furthermore, we have been building our sales volume by converting acquired customers into repeat customers by ensuring top-quality manufacturing. The recovery in demand for summer outings caused strong sales of rice ball, which created strong sales of food ingredients.

As a result, net sales during the nine months ended September 30, 2023 totaled 23,458 million yen (up 17.3% compared with the year-earlier period).

In terms of profit and loss, operating income was 1,717 million yen (up 52.7%) and ordinary income was 1,763 million yen (up 58.6%) for the nine months under review due to the effect of price revisions accompanying product renewals and the increased profit margin from a greater sales volume. Additionally, net income attributable to owners of the parent company reached 1,196 million yen (up 66.0% compared with the year-earlier period).

(2) Explanation of financial position

Total assets as of September 30, 2023 increased by 2,094 million yen compared to the end of the previous fiscal year to 15,900 million yen.

The balance of current assets increased by 1,830 million yen compared to the end of the previous fiscal year to 10,970 million yen. This was mainly due to an increase of 1,470 million yen in cash and deposits, and an increase of 231 million yen in notes and accounts receivable - trade.

The balance of non-current assets increased by 263 million yen compared to the end of the previous fiscal year to 4,930 million yen. This was mainly due to an increase of 278 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities increased by 1,206 million yen compared to the end of the previous fiscal year to 8,810 million yen.

The balance of current liabilities increased by 1,237 million yen compared to the end of the previous fiscal year to 7,215 million yen. This was mainly due to increases of 965 million yen in accounts payable - trade and 236 million yen in income taxes payable.

The balance of non-current liabilities decreased by 31 million yen compared to the end of the previous fiscal year to 1,595 million yen. This was mainly due to a decrease of 150 million yen in long-term borrowings.

The balance of net assets increased by 888 million yen compared to the end of the previous fiscal year to 7,090 million yen. This was mainly due to an increase of 870 million yen in retained earnings resulting from the posting of 1,196 million yen in net income attributable to owners of the parent company, despite the dividend payment of 325 million yen.

As a result, the shareholder's equity ratio as of September 30, 2023 decreased by 0.3 percentage points compared to the end of the previous fiscal year to 44.6%.

(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 for the consolidated earnings forecast for the fiscal year ending December 31, 2023.

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, 2022)	Q3 fiscal year ending December 31, 2023 (September 30, 2023)
Assets		
Current assets		
Cash and deposits	2,686,613	4,157,525
Notes and accounts receivable - trade	3,394,606	3,626,356
Merchandise and finished goods	1,097,253	1,077,894
Work in process	27,572	62,762
Raw materials and supplies	1,781,967	1,816,157
Other	151,520	230,192
Allowance for doubtful accounts	-	(703)
Total current assets	9,139,533	10,970,186
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,157,166	2,312,174
Machinery, equipment and vehicles, net	459,083	493,061
Leased assets, net	751,850	762,935
Other, net	666,941	745,209
Total property, plant and equipment	4,035,042	4,313,381
Intangible assets		
Goodwill	31,789	-
Other	328,403	276,780
Total intangible assets	360,193	276,780
Investments and other assets	271,463	340,439
Total non-current assets	4,666,698	4,930,601
Total assets	13,806,232	15,900,788

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2023

(Unit: thousand yen)

	Previous fiscal year (December 31, 2022)	Q3 fiscal year ending December 31, 2023 (September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	3,580,705	4,546,016
Current portion of long-term borrowings	427,630	206,304
Income taxes payable	218,116	454,674
Provision for bonuses	-	81,465
Other	1,751,161	1,926,890
Total current liabilities	5,977,612	7,215,351
Non-current liabilities		
Long-term borrowings	501,975	351,724
Asset retirement obligations	173,464	174,183
Other	951,164	1,069,347
Total non-current liabilities	1,626,603	1,595,255
Total liabilities	7,604,216	8,810,606
Net assets		
Shareholders' equity		
Share capital	1,048,375	1,048,375
Capital surplus	948,375	948,375
Retained earnings	4,175,764	5,046,553
Treasury shares	(327)	(662)
Total shareholders' equity	6,172,189	7,042,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,401	7,089
Deferred gains or losses on hedges	(1,044)	43
Foreign currency translation adjustment	24,300	40,237
Total accumulated other comprehensive income	29,657	47,371
Share acquisition rights	169	166
Total net assets	6,202,016	7,090,181
Total liabilities and net assets	13,806,232	15,900,788

STI Foods Holdings, Inc. (2932)
Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2023

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Nine months ended September 30)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2022 (January 1, 2022 to September 30, 2022)	Q3 fiscal year ending December 31, 2023 (January 1, 2023 to September 30, 2023)
Net sales	19,991,311	23,458,847
Cost of sales	14,528,013	16,893,625
Gross profit	5,463,297	6,565,221
Selling, general and administrative expenses	4,338,885	4,847,706
Operating income	1,124,412	1,717,515
Non-operating income		
Interest and dividend income	9,471	9,312
Gain on sale of goods	10,202	15,029
Compensation income	-	12,316
Other	32,249	24,034
Total non-operating income	51,923	60,693
Non-operating expenses		
Interest expenses	18,302	13,941
Commission expenses	995	-
Foreign exchange losses	36,590	242
Share of loss of entities accounted for using equity method	8,111	520
Other	176	106
Total non-operating expenses	64,176	14,810
Ordinary income	1,112,159	1,763,398
Extraordinary income		
Gain on sale of non-current assets	-	50
Insurance claim income	79,249	-
Subsidy income	-	61,529
Total extraordinary income	79,249	61,579
Extraordinary losses		
Loss on retirement of non-current assets	252	0
Loss on cancellation of leases	761	420
Loss on disaster	17,616	-
Total extraordinary losses	18,630	420
Income before income taxes	1,172,778	1,824,557
Income taxes	451,807	627,827
Net income	720,970	1,196,729
Net income attributable to owners of the parent company	720,970	1,196,729

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2023

(Quarterly consolidated statement of comprehensive income)
(Nine months ended September 30)

(Unit: thousand yen)

	Q3 fiscal year ended December 31, 2022 (January 1, 2022 to September 30, 2022)	Q3 fiscal year ending December 31, 2023 (January 1, 2023 to September 30, 2023)
Net income	720,970	1,196,729
Other comprehensive income		
Valuation difference on available-for-sale securities	2,677	688
Deferred gains or losses on hedges	18,220	1,087
Foreign currency translation adjustment	28,992	15,937
Total other comprehensive income	49,890	17,714
Comprehensive income	770,861	1,214,444
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent company	770,861	1,214,444

(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)

(Implementation Guidance on Accounting Standard for Fair Value Measurement applied)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021. Hereafter referred to as the "Guidance on Fair Value Measurement") has been applied since the beginning of the first quarter of the fiscal year, and following the transitional handling stipulated in the Guidance on Fair Value Measurement Paragraph 27-2, the new accounting policy defined by the Guidance on Fair Value Measurement will be applied for the future. This has had no impact on quarterly consolidated financial statements.

(Additional information)

On May 29, 2023, the National Tax Agency announced its view that the economic benefits at the time of exercising trust-type stock options will be taxed as salary concerning the tax treatment of such stock options.

The share acquisition rights issued by the Company, specifically the third series A01, A02, and A03 share acquisition rights, correspond to trust-type stock options. Among these, the exercise period has arrived for a portion of the third series A01 and A02 share acquisition rights. Since the Company has the obligation to withhold taxes for those who have exercised these rights, the withheld taxes were paid in the third quarter of the current fiscal year.