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Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2024 (Interim Period) (Under Japanese GAAP)

August 8, 2024

Company name: STI Foods Holdings, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2932
 URL: <https://www.stifoods-hd.com/en/index.html>
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 Scheduled date to file semi-annual securities report: August 8, 2024
 Scheduled date to commence dividend payments: September 2, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the first half of the fiscal year ending December 31, 2024 (interim period) (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period ended June 30, 2024	16,694	12.5	1,491	44.1	1,495	39.2	1,010	46.9
Interim period ended June 30, 2023	14,835	15.3	1,035	53.1	1,074	52.5	687	46.6

Note: Comprehensive income
 Interim period ended June 30, 2024: 1,033 million yen [46.2%]
 Interim period ended June 30, 2023: 707 million yen [38.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Interim period ended June 30, 2024	170.58	165.99
Interim period ended June 30, 2023	116.09	113.01

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	16,496	7,946	48.2
As of December 31, 2023	15,102	7,446	49.3

Reference: Equity
 As of June 30, 2024: 7,946 million yen
 As of December 31, 2023: 7,446 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	0.00	-	90.00	90.00
Fiscal year ending December 31, 2024	-	40.00	-	-	-
Fiscal year ending December 31, 2024 (Forecast)	-	-	-	70.00	110.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)
(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	35,000	10.1	2,800	21.4	2,800	20.2	1,800	15.2	303.74

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

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of interim consolidated financial statements: Yes

Note: For details, please refer to “2. Interim Consolidated Financial Statements and Notes (4) Notes to interim consolidated financial statements (Adoption of accounting treatment specific to the preparation of interim consolidated financial statements)” on page 9 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	5,926,300 shares	As of December 31, 2023	5,926,300 shares
As of June 30, 2024	199 shares	As of December 31, 2023	199 shares
Interim period ended June 30, 2024	5,926,101 shares	Interim period ended June 30, 2023	5,926,196 shares

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares outstanding during the period (interim period)

* Interim financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements concerning financial results forecasts contained in these materials are based on information available to the Company 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 financial results briefing materials

The materials for the financial results briefing (for institutional investors and analysts) will be posted on the Company’s website after the briefing.

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1. Summary of Business Results

The forward-looking statements in this document are based on judgments made as of the end of the period under review.

(1) Summary of business results

Segment information is not provided because the Group operates in the single segment of the food manufacturing and sales business.

During the accounting period under review, the Japanese economy remained strong due to strong inbound demand and solid corporate performance. Meanwhile, real wages continued to decline due to the impact of rising prices in a broad range of sectors, and the recovery of personal consumption stagnated due to heightened senses of defensiveness among consumers. In the global economy, there continues to be uncertainty about the future due to factors such as the risk of volatility in financial and capital markets, stagnation in the Chinese economy, and prolonged international conflicts.

In the food industry, product planning that responds to a trend of thriftiness among consumers and diversifying needs is required amid expectations of continuous increases in manufacturing costs due to higher raw material and material prices and higher personnel and utilities expenses caused by the ongoing depreciation of the yen.

In this environment, the Group has continued to work on improving corporate value over the medium to long term and achieving sustainable growth 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, in daily food products for Seven Eleven, sales volume of standard products such as grilled fish and cup deli products increased year on year, and simmered mackerel in miso, which was launched in the Kanto area in January 2024 and gradually expanded to other area, became available nationwide in May. Furthermore, a new cup deli product, squid and shrimp with broccoli in olive oil, was launched nationwide in June.

As a result, net sales during the period under review were 16,694 million yen (up 12.5% YoY).

In terms of profit and loss, due to increased sales volume and corresponding improved manufacturing efficiency, operating profit was 1,491 million yen (up 44.1% YoY), ordinary profit was 1,495 million yen (up 39.2% YoY), and profit attributable to owners of parent was 1,010 million yen (up 46.9% YoY) for the period under review.

(2) Summary of financial position

1. Assets, liabilities, and net assets

Total assets as of June 30, 2024 increased by 1,394 million yen compared to the end of the previous fiscal year to 16,496 million yen.

The balance of current assets increased by 944 million yen compared to the end of the previous fiscal year to 11,239 million yen. This was mainly due to increases of 230 million yen in raw materials and supplies and 396 million yen in notes and accounts receivable - trade.

The balance of non-current assets increased by 449 million yen compared to the end of the previous fiscal year to 5,257 million yen. This was mainly due to an increase of 465 million yen in property, plant and equipment resulting from the installation of plant production facilities.

Total liabilities increased by 894 million yen compared to the end of the previous fiscal year to 8,549 million yen.

The balance of current liabilities increased by 286 million yen compared to the end of the previous fiscal year to 6,447 million yen. This was mainly due to increases of 104 million yen in accounts payable - trade and 140 million yen for the current portion of bonds payable.

The balance of non-current liabilities increased by 607 million yen compared to the end of the previous fiscal year to 2,101 million yen. This was mainly due to an increase of 860 million yen in bonds payable.

The balance of net assets increased by 500 million yen compared to the end of the previous fiscal year to 7,946 million yen. This was mainly due to an increase of 477 million yen in retained earnings resulting from the posting of 1,010 million yen in profit attributable to owners of parent, despite the dividend payment of 533 million yen.

As a result, the equity-to-asset ratio as of June 30, 2024 decreased by 1.1 percentage points compared to the end of the previous fiscal year to 48.2%.

2. Cash flows

Cash and cash equivalents (below, "cash") as of June 30, 2024 totaled 4,284 million yen, an increase of 288 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 998 million yen (compared to 1,082 million yen provided in the year-earlier period). This was mainly due to an increase in cash due to income before income taxes of 1,502 million yen. There was also depreciation of 393 million yen and an increase in trade payables of 98 million yen despite a decrease in cash due to an increase in trade receivables of 393 million yen, an increase in inventories of 263 million yen, and income taxes paid of 473 million yen.

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(Cash flows from investing activities)

Cash used in investing activities totaled 824 million yen (compared to 212 million yen used in the year-earlier period). This was mainly due to 802 million yen used for the purchase of property, plant and equipment and 40 million yen used for the purchase of intangible assets.

(Cash flows from financing activities)

Cash provided by operating activities totaled 91 million yen (compared to 849 million yen used in the year-earlier period). This is due to a decrease in cash caused by expenditures of 104 million yen for repayments of long-term borrowings, 99 million yen for long-term accounts payable repayments, 151 million yen for repayments of lease liabilities, and 533 million yen for dividends paid, despite an increase in cash due to the issuance of bonds generating 979 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 for the consolidated earnings forecast for the fiscal year ending December 31, 2024.

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. Interim Consolidated Financial Statements and Notes

(1) Interim consolidated balance sheet

(Unit: Thousands of yen)

	Previous fiscal year (December 31, 2023)	Six months ended June 30, 2024 (June 30, 2024)
Assets		
Current assets		
Cash and deposits	4,046,605	4,334,806
Notes and accounts receivable - trade	3,349,529	3,745,556
Merchandise and finished goods	1,141,769	1,170,377
Work in process	45,669	50,457
Raw materials and supplies	1,626,338	1,856,879
Other	85,488	82,182
Allowance for doubtful accounts	(703)	(919)
Total current assets	10,294,699	11,239,339
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,309,507	2,264,113
Machinery, equipment and vehicles, net	477,587	507,421
Leased assets, net	729,570	630,774
Other, net	707,167	1,287,007
Total property, plant and equipment	4,223,832	4,689,317
Intangible assets	260,748	246,259
Investments and other assets	323,043	321,962
Total non-current assets	4,807,624	5,257,539
Total assets	15,102,323	16,496,878

STI Foods Holdings, Inc. (2932)

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(Unit: Thousands of yen)

	Previous fiscal year (December 31, 2023)	Six months ended June 30, 2024 (June 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	3,436,285	3,540,933
Current portion of bonds payable	-	140,000
Current portion of long-term borrowings	195,588	181,348
Income taxes payable	525,294	524,875
Other	2,004,231	2,060,806
Total current liabilities	6,161,400	6,447,963
Non-current liabilities		
Bonds payable	-	860,000
Long-term borrowings	306,387	215,713
Asset retirement obligations	174,424	174,909
Other	1,013,551	851,348
Total non-current liabilities	1,494,363	2,101,970
Total liabilities	7,655,763	8,549,934
Net assets		
Shareholders' equity		
Share capital	1,048,375	1,048,375
Capital surplus	948,375	948,375
Retained earnings	5,412,676	5,890,173
Treasury shares	(662)	(662)
Total shareholders' equity	7,408,766	7,886,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,098	7,199
Deferred gains or losses on hedges	(1,234)	2,601
Foreign currency translation adjustment	32,862	50,814
Total accumulated other comprehensive income	37,727	60,615
Share acquisition rights	66	66
Total net assets	7,446,559	7,946,944
Total liabilities and net assets	15,102,323	16,496,878

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2024 (Interim Period)

(2) Interim consolidated statement of income and interim consolidated statement of comprehensive income
 (Interim consolidated statement of income)
 (Six months ended June 30)

(Unit: Thousands of yen)

	Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)
Net sales	14,835,148	16,694,915
Cost of sales	10,683,070	11,810,812
Gross profit	4,152,078	4,884,102
Selling, general and administrative expenses	3,116,955	3,392,419
Operating profit	1,035,123	1,491,683
Non-operating income		
Interest and dividend income	9,266	9,470
Gain on sale of goods	10,683	11,676
Compensation income	11,147	2,369
Share of profit of entities accounted for using equity method	1,657	-
Other	17,391	11,072
Total non-operating income	50,146	34,589
Non-operating expenses		
Interest expenses	9,501	10,377
Bond issuance costs	-	20,068
Other	1,101	342
Total non-operating expenses	10,602	30,788
Ordinary profit	1,074,666	1,495,483
Extraordinary income		
Gain on sale of non-current assets	-	11,252
Total extraordinary income	-	11,252
Extraordinary losses		
Loss on valuation of investment securities	-	4,274
Loss on cancellation of leases	420	-
Total extraordinary losses	420	4,274
Income before income taxes	1,074,246	1,502,462
Income taxes	386,297	491,615
Net income	687,948	1,010,846
Profit attributable to owners of parent	687,948	1,010,846

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(Interim consolidated statement of comprehensive income)

(Six months ended June 30)

(Unit: Thousands of yen)

	Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)
Net income	687,948	1,010,846
Other comprehensive income		
Valuation difference on available-for-sale securities	2,025	1,100
Deferred gains or losses on hedges	6,383	3,836
Foreign currency translation adjustment	10,753	17,951
Total other comprehensive income	19,162	22,887
Comprehensive income	707,111	1,033,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	707,111	1,033,733

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(3) Interim consolidated statement of cash flows

(Unit: Thousands of yen)

	Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Income before income taxes	1,074,246	1,502,462
Depreciation	406,720	393,799
Amortization of goodwill	21,192	-
Interest and dividend income	(9,266)	(9,470)
Interest expenses	9,501	10,377
Bond issuance costs	-	20,068
Share of loss (profit) of entities accounted for using equity method	(1,657)	-
Loss (gain) on valuation of investment securities	-	4,274
Loss (gain) on sale of non-current assets	-	(11,252)
Increase (decrease) in allowance for doubtful accounts	-	216
Decrease (increase) in trade receivables	414,557	(393,517)
Decrease (increase) in inventories	713,184	(263,936)
Increase (decrease) in trade payables	(1,214,337)	98,357
Decrease (increase) in other assets	56,499	9,936
Increase (decrease) in other liabilities	(65,816)	110,648
Other	6,808	7,630
Subtotal	1,411,633	1,479,594
Interest and dividends received	494	505
Interest paid	(9,649)	(8,058)
Income taxes refund	33,406	6
Income taxes paid	(353,072)	(473,721)
Net cash provided by (used in) operating activities	1,082,812	998,327
Cash flows from investing activities		
Purchase of property, plant and equipment	(179,625)	(802,658)
Proceeds from sale of property, plant and equipment	-	18,463
Purchase of intangible assets	(32,031)	(40,598)
Purchase of investment securities	(881)	(864)
Other	(325)	848
Net cash provided by (used in) investing activities	(212,864)	(824,809)
Cash flows from financing activities		
Repayments of long-term borrowings	(272,075)	(104,914)
Repayments of long-term accounts payable - other	(101,058)	(99,442)
Repayments of lease liabilities	(150,849)	(151,159)
Proceeds from issuance of bonds	-	979,931
Dividends paid	(325,398)	(533,050)
Purchase of treasury shares	(163)	-
Net cash provided by (used in) financing activities	(849,544)	91,365
Effect of exchange rate change on cash and cash equivalents	13,071	23,317
Net increase (decrease) in cash and cash equivalents	33,475	288,200
Cash and cash equivalents at beginning of period	2,636,613	3,996,605
Cash and cash equivalents at end of period	2,670,088	4,284,806

(4) Notes to interim consolidated financial statements

(Notes on assumption about going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of interim 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 first half under review, and multiplying income before income taxes by the estimated effective tax rate.