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Consolidated Financial Results for the Six Months Ended August 31, 2022 [Japanese GAAP]

October 13, 2022

Company name: S Foods Inc.

Stock exchange listing: Tokyo

Code number: 2292

URL: <https://www.sfoods.co.jp>

Representative: Shinnosuke Murakami

President and Representative Director

Contact: Yosuke Yuasa

Director Supervising Administration Group

Phone: 0798(43)1065

Scheduled date of filing quarterly securities report: October 14, 2022

Scheduled date of commencing dividend payments: October 31, 2022

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended August 31, 2022 (March 01, 2022 to August 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|------|-----------------|------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended August 31, 2022 | 193,827 | 13.8 | 8,587 | 6.5 | 9,704 | 15.0 | 5,726 | 2.4 |
| August 31, 2021 | 170,277 | 6.9 | 8,066 | 33.8 | 8,438 | 36.8 | 5,594 | (10.5) |

(Note) Comprehensive income: Six months ended August 31, 2022: ¥ 8,908 million [30.0%]
Six months ended August 31, 2021: ¥ 6,851 million [(1.5)%]

| | Basic earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended August 31, 2022 | 181.10 | | - | |
| August 31, 2021 | 176.98 | | - | |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|-----------------------|------------------------|------------------------|------------------------|
| As of August 31, 2022 | Million yen 202,198 | Million yen 113,902 | % 52.9 |
| February 28, 2022 | 181,518 | 106,157 | 54.7 |

(Reference) Equity: As of August 31, 2022: ¥ 106,876 million
As of February 28, 2022: ¥ 99,256 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended February 28, 2022 | Yen - | Yen 35.00 | Yen - | Yen 35.00 | Yen 70.00 |
| Fiscal year ending February 28, 2023 | - | 39.00 | | | |
| Fiscal year ending February 28, 2023 (Forecast) | | | - | 39.00 | 78.00 |

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023(March 01, 2022 to February 28, 2023)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 375,000 | 4.5 | 14,800 | (15.1) | 15,000 | (16.7) | 10,000 | (16.3) | 316.31 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended August 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

August 31, 2022: 32,267,721 shares

February 28, 2022: 32,267,721 shares

2) Total number of treasury shares at the end of the period:

August 31, 2022: 646,556 shares

February 28, 2022: 652,801 shares

3) Average number of shares during the period:

Six months ended August 31, 2022: 31,617,296 shares

Six months ended August 31, 2021: 31,611,178 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

| | As of February 28,2022 | As of August 31,2022 |
|---------------------------------------|------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 41,859 | 42,359 |
| Notes and accounts receivable - trade | 32,149 | 40,220 |
| Merchandise and finished goods | 25,207 | 31,073 |
| Work in process | 1,799 | 2,016 |
| Raw materials and supplies | 3,985 | 4,424 |
| Other | 6,321 | 8,036 |
| Allowance for doubtful accounts | (38) | (49) |
| Total current assets | 111,285 | 128,081 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 57,186 | 58,316 |
| Accumulated depreciation | (27,798) | (29,022) |
| Buildings and structures, net | 29,387 | 29,294 |
| Land | 15,299 | 15,041 |
| Other | 36,576 | 42,272 |
| Accumulated depreciation | (25,584) | (26,749) |
| Other, net | 10,991 | 15,522 |
| Accumulated impairment | (3,515) | (3,785) |
| Total property, plant and equipment | 52,163 | 56,073 |
| Intangible assets | | |
| Goodwill | 257 | 227 |
| Other | 481 | 434 |
| Total intangible assets | 739 | 662 |
| Investments and other assets | | |
| Investment securities | 13,887 | 13,800 |
| Retirement benefit asset | 151 | 163 |
| Other | 3,494 | 3,613 |
| Allowance for doubtful accounts | (202) | (196) |
| Total investments and other assets | 17,331 | 17,381 |
| Total non-current assets | 70,233 | 74,117 |
| Total assets | 181,518 | 202,198 |

(Million yen)

| | As of February 28,2022 | As of August 31,2022 |
|--|------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 22,475 | 29,337 |
| Short-term borrowings | 5,533 | 11,248 |
| Income taxes payable | 1,770 | 3,424 |
| Provision for bonuses | 1,054 | 1,114 |
| Other | 10,880 | 12,008 |
| Total current liabilities | 41,714 | 57,133 |
| Non-current liabilities | | |
| Bonds payable | 450 | 400 |
| Long-term borrowings | 28,779 | 26,402 |
| Provision for retirement benefits for directors (and other officers) | 174 | 130 |
| Retirement benefit liability | 1,886 | 1,901 |
| Other | 2,357 | 2,329 |
| Total non-current liabilities | 33,647 | 31,162 |
| Total liabilities | 75,361 | 88,296 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,298 | 4,298 |
| Capital surplus | 18,739 | 18,754 |
| Retained earnings | 72,631 | 77,250 |
| Treasury shares | (410) | (406) |
| Total shareholders' equity | 95,258 | 99,896 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,956 | 2,883 |
| Deferred gains or losses on hedges | 13 | 88 |
| Foreign currency translation adjustment | 989 | 3,977 |
| Remeasurements of defined benefit plans | 38 | 31 |
| Total accumulated other comprehensive income | 3,998 | 6,980 |
| Non-controlling interests | 6,900 | 7,025 |
| Total net assets | 106,157 | 113,902 |
| Total liabilities and net assets | 181,518 | 202,198 |

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

| | For the six months ended August 31,2021 | For the six months ended August 31,2022 |
|---|--|--|
| Net sales | 170,277 | 193,827 |
| Cost of sales | 142,864 | 166,484 |
| Gross profit | 27,412 | 27,342 |
| Selling, general and administrative expenses | 19,346 | 18,754 |
| Operating profit | 8,066 | 8,587 |
| Non-operating income | | |
| Interest income | 8 | 83 |
| Dividend income | 293 | 329 |
| Rental income from buildings | 66 | 109 |
| Share of profit of entities accounted for using equity method | 4 | 5 |
| Foreign exchange gains | - | 414 |
| Other | 217 | 381 |
| Total non-operating income | 589 | 1,324 |
| Non-operating expenses | | |
| Interest expenses | 131 | 138 |
| Foreign exchange losses | 13 | - |
| Rent cost | 23 | 24 |
| Other | 50 | 44 |
| Total non-operating expenses | 218 | 207 |
| Ordinary profit | 8,438 | 9,704 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 2 | 14 |
| Gain on sale of investment securities | 2 | - |
| Subsidy income | 270 | 210 |
| Compensation income | 1 | - |
| Total extraordinary income | 276 | 224 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 185 | 78 |
| Impairment losses | 19 | 68 |
| Loss on store closings | 0 | 0 |
| Loss on temporary store closings | 216 | 39 |
| Loss on tax purpose reduction entry of non-current assets | - | 50 |
| Other | 1 | 1 |
| Total extraordinary losses | 424 | 239 |
| Profit before income taxes | 8,290 | 9,689 |
| Income taxes | 2,557 | 3,764 |
| Profit | 5,732 | 5,925 |
| Profit attributable to non-controlling interests | 138 | 199 |
| Profit attributable to owners of parent | 5,594 | 5,726 |

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

| | For the six months ended August 31,2021 | For the six months ended August 31,2022 |
|--|--|--|
| Profit | 5,732 | 5,925 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 481 | (70) |
| Deferred gains or losses on hedges | 19 | 74 |
| Foreign currency translation adjustment | 616 | 2,977 |
| Remeasurements of defined benefit plans, net of tax | (1) | (7) |
| Share of other comprehensive income of entities accounted for using equity method | 3 | 10 |
| Total other comprehensive income | 1,119 | 2,983 |
| Comprehensive income | 6,851 | 8,908 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 6,706 | 8,707 |
| Comprehensive income attributable to non-controlling interests | 145 | 200 |

Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | For the six months ended August 31,2021 | For the six months ended August 31,2022 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 8,290 | 9,689 |
| Depreciation | 2,237 | 2,203 |
| Impairment losses | 19 | 68 |
| Amortization of goodwill | 49 | 30 |
| Increase (decrease) in provision for bonuses | 235 | 54 |
| Decrease (increase) in retirement benefit asset | (13) | (14) |
| Increase (decrease) in retirement benefit liability | (7) | (1) |
| Interest and dividend income | (301) | (413) |
| Interest expenses | 131 | 138 |
| Loss (gain) on sale of non-current assets | (2) | (14) |
| Decrease (increase) in trade receivables | (2,610) | (7,604) |
| Decrease (increase) in inventories | (7,317) | (6,291) |
| Increase (decrease) in trade payables | 4,129 | 6,785 |
| Subsidy income | (270) | (210) |
| Compensation income | (1) | - |
| Increase (decrease) in accrued consumption taxes | (919) | 51 |
| Other, net | (795) | 162 |
| Subtotal | 2,855 | 4,633 |
| Interest and dividends received | 297 | 354 |
| Interest paid | (131) | (138) |
| Income taxes paid | (3,753) | (1,430) |
| Subsidies received | 193 | 204 |
| Proceeds from compensation | 1 | - |
| Net cash provided by (used in) operating activities | (536) | 3,624 |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | 10 | 277 |
| Purchase of property, plant and equipment | (1,658) | (5,712) |
| Proceeds from sale of property, plant and equipment | 7 | 610 |
| Purchase of intangible assets | (101) | (8) |
| Purchase of investment securities | (4) | (4) |
| Proceeds from sale of investment securities | 20 | 5 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (513) | - |
| Loan advances | (666) | (1,946) |
| Proceeds from collection of loans receivable | 9 | 9 |
| Subsidies received | - | 50 |
| Other, net | 82 | 9 |
| Net cash provided by (used in) investing activities | (2,814) | (6,708) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,049 | 5,594 |
| Proceeds from long-term borrowings | 200 | - |
| Repayments of long-term borrowings | (2,256) | (2,356) |
| Redemption of bonds | (50) | (50) |
| Dividends paid | (1,010) | (1,105) |
| Dividends paid to non-controlling interests | (75) | (75) |
| Other, net | (32) | (25) |
| Net cash provided by (used in) financing activities | (2,175) | 1,981 |
| Effect of exchange rate change on cash and cash equivalents | 442 | 1,879 |
| Net increase (decrease) in cash and cash equivalents | (5,083) | 776 |
| Cash and cash equivalents at beginning of period | 39,829 | 41,321 |
| Cash and cash equivalents at end of period | 34,745 | 42,098 |