

Results Briefing Materials for the First Quarter of the Fiscal Year Ending December 31, 2021

Second Section of the Tokyo Stock Exchange (Securities Code: 2932)

May 17, 2021

Summary of results for the first quarter of the fiscal year ending December 31, 2021

First quarter consolidated results

Net sales

5,905 million yen

Ordinary income

450 million yen

Net income

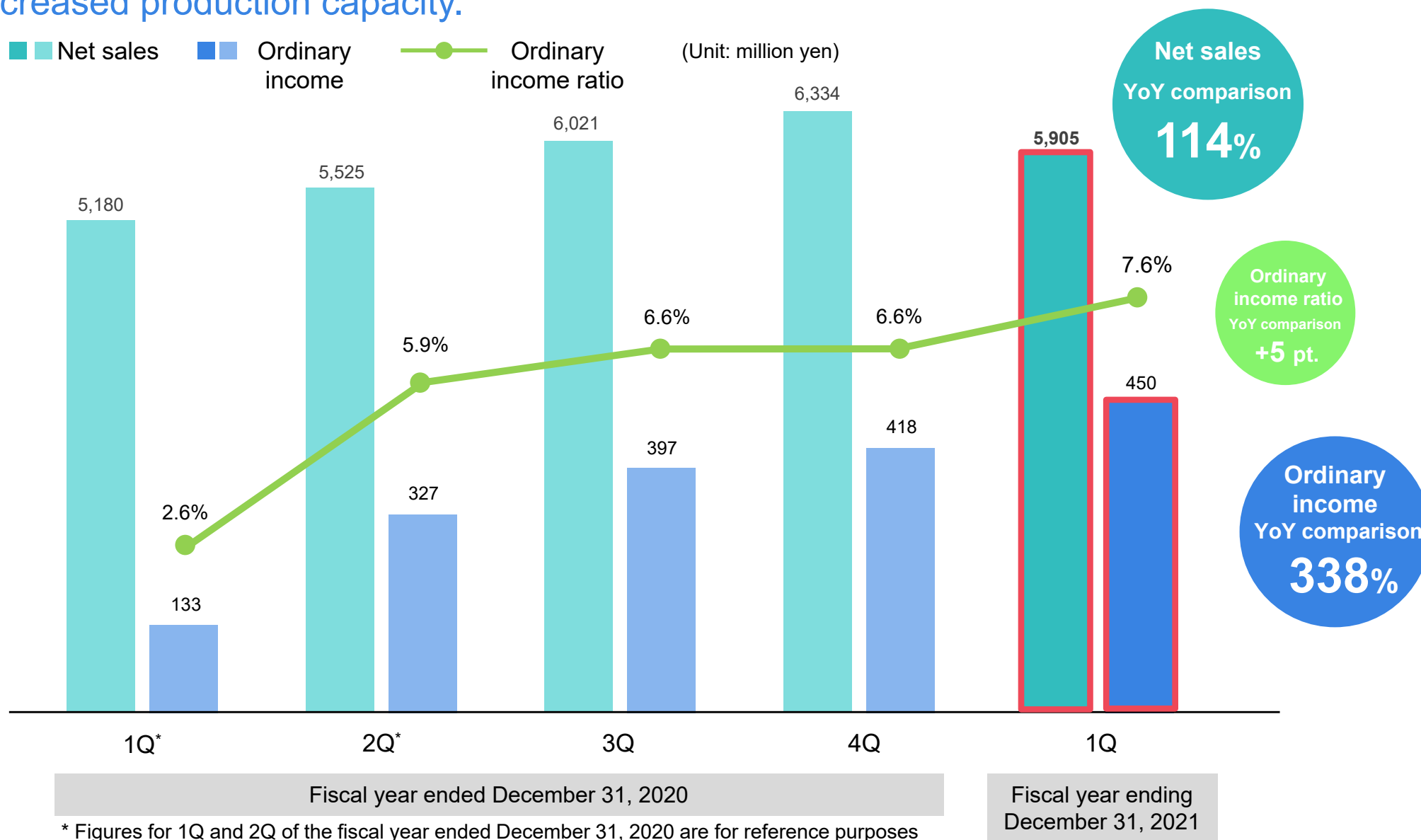
303 million yen

Both net sales and profits were generally steady compared to the initial plan

- Sales of chilled prepared foods such as grilled fish and cup salad, which are mainstay products, continued to be strong
- In 1Q, net sales did not increase more than expected as a result of focusing on mainstay products while refraining from launching new hot menu items
- As a result of focusing on high-quality manufacturing of mainstay products, production efficiency was improved, and profit exceeded the plan
- Worked to reduce logistics costs at some subsidiaries through means such as reviewing delivery methods (effects will start in 2Q)

First quarter consolidated results and trends in quarterly results

- Grew YoY due to the spread of nesting consumption as a result of the new normal and increased production capacity.



Consolidated statement of income (summary)

(Unit: million yen)	Fiscal year ending December 31, 2021	Fiscal year ending December 31, 2021 1Q	Progress
	Full-year forecast	Results	
Net sales	26,000	5,905	22.7%
Operating income	1,570	433	27.6%
(Operating income ratio)	6.0%	7.3%	-
Ordinary income	1,560	450	28.9%
(Ordinary income ratio)	6.0%	7.6%	-
Net income attributable to owners of the parent company	1,010	303	30.1%

Despite refraining from launching new hot menu items, sales of chilled prepared foods remained strong

- Production efficiency improved as a result of focusing on high-quality manufacturing of mainstay products

- Started initiatives to review delivery methods at subsidiaries (contribution from 2Q)

↓
Improved profitability

Consolidated balance sheet (summary)

(Unit: million yen)	Fiscal year ended December 31, 2020 4Q	Fiscal year ending December 31, 2021 1Q	Change
	Results	Results	
Total assets	11,324	9,967	(12.0%)
Current assets	6,775	5,447	(19.6%)
Of which, cash and deposits	2,598	1,491	(42.6%)
Non-current assets	4,548	4,519	(0.6%)
Of which, property, plant and equipment	3,741	3,732	(0.2%)
Total liabilities	7,758	6,310	(18.7%)
Current liabilities	5,352	4,052	(24.3%)
Non-current liabilities	2,406	2,257	(6.2%)
Total shareholders' equity	3,565	3,648	+2.3%
Total net assets	3,566	3,657	+2.6%
Total liabilities and net assets	11,324	9,967	(12.0%)

Fiscal year ending December 31, 2021

initiatives for the current fiscal year and full-year earnings forecast

Business forecast for the fiscal year ending December 31, 2021

Maintain net sales growth 12.7% increase

Thorough manufacturing of quality products / Strengthen product development /
Strengthen purchasing system / Increase production capacity /
Sales channel expansion strategies (including M&A)

Ordinary income growth 22.2% increase

Improve efficiency of production system / Improve efficiency of logistics system



Strengthen profit structure

(Unit: million yen)	First quarter of the fiscal year ended December 31, 2020		First quarter of the fiscal year ending December 31, 2021		Fiscal year ended December 31, 2020		Fiscal year ending December 31, 2021		
	Results	Ratio to sales	Results	Ratio to sales	Results	Ratio to sales	Forecast	Ratio to sales	YoY
Net sales	5,180	—	5,905	—	23,062	—	26,000	—	112.7%
Operating income	148	2.9%	433	7.3%	1,310	5.7%	1,570	6.0%	119.8%
Ordinary income	133	2.6%	450	7.6%	1,276	5.5%	1,560	6.0%	122.2%
Net income	81	1.6%	303	5.1%	832	3.6%	1,010	3.9%	121.3%
EPS (yen)	16.20	—	55.29	—	162.65	—	183.78	—	+21.13 yen

* Figures for 1Q of the fiscal year ended December 31, 2020 are for reference purposes because they have not been audited

Executive summary

(business environment and initiatives for the current fiscal year)

Business environment

- (1) Nesting consumption as a result of the new normal has taken root
- (2) The reemergence of COVID-19, including mutated strains, has placed a management burden on the Group's production sites for the continuous high-quality manufacturing of products.

Initiatives in the current fiscal year

Maintain net sales growth

- (1) Thorough implementation of a high-quality manufacturing system and continuous increase in production capacity and efficiency
 - Start manufacturing in the Tohoku area, starting with STI Miyagi, establish a new plant in the Kinki area in consideration of economic rationality, and expand production lines
 - Increase sales by brushing up mainstay products and introducing new products
 - Sales channel expansion strategies (including M&A)
- (2) Product development strategies (directly linked to sales expansion)
 - Partnership with Tsujicho Group (development of full-scale cooking products)

Ordinary income growth

- (1) Improve efficiency of production system by using IT, including labor-saving measures
- (2) Reduce logistics costs at subsidiaries by reviewing delivery methods

Response to SDGs

STI Miyagi and STI SANYO were created as a result of a group reorganization aimed at reducing resource losses and commercialization through the effective use of marine resources in the Ishinomaki and Yaizu area, which is one of Japan's three largest fishing ports. Accelerating our response to the SDGs

Full-year business plan

Steadily achieve the initial plan by expanding barriers to entry and accelerating growth

Net sales: 26,000 million yen (12.7% increase), ordinary income: 1,560 million yen (22.2% increase)

Progress of investment plan

Investment items		Plan	1Q results
Sales improvement measures	Establishment of a new plant in the Kinki region	350 million yen	— million yen
	Expansion of production facilities at existing plants	267 million yen	107 million yen
	Expansion of employee dormitory	197 million yen	27 million yen
Profit improvement measures	Maintenance and renewal of production facilities	74 million yen	48 million yen
Improve manufacturing capacity by utilizing data, AI, and other technologies	Production control, including labor saving	160 million yen	8 million yen
	Information security and other IT improvements	16 million yen	3 million yen

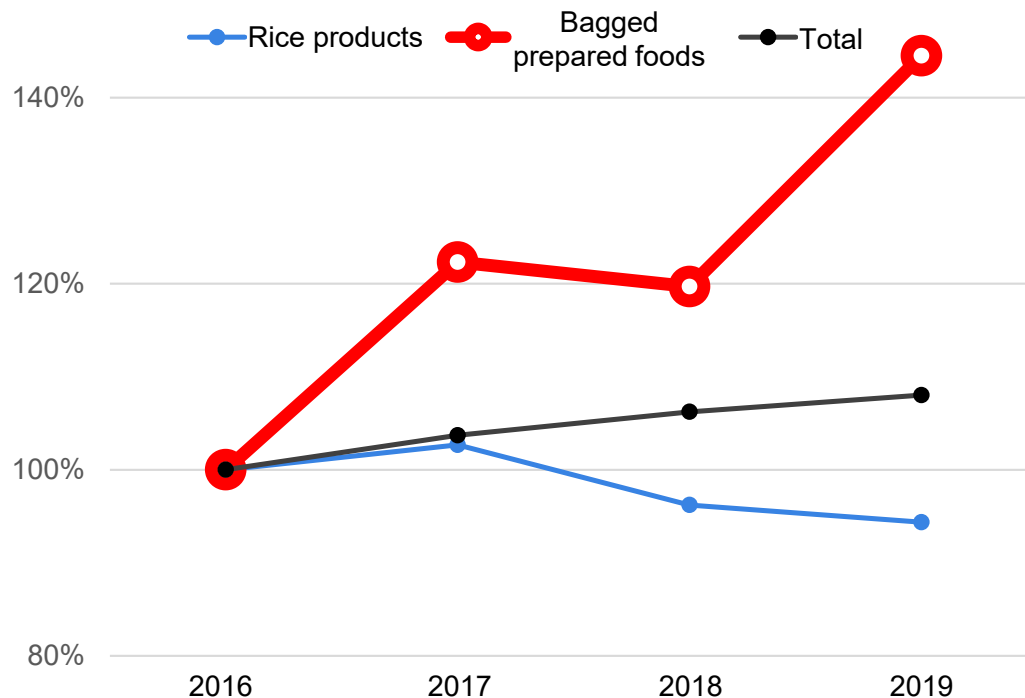
Planned annual capital investment: approximately 1,100 million yen

Market environment for convenience stores /

Sales volume trends of grilled fish products for Seven-Eleven

While growth in rice products declined, growth in bagged prepared foods continued to increase

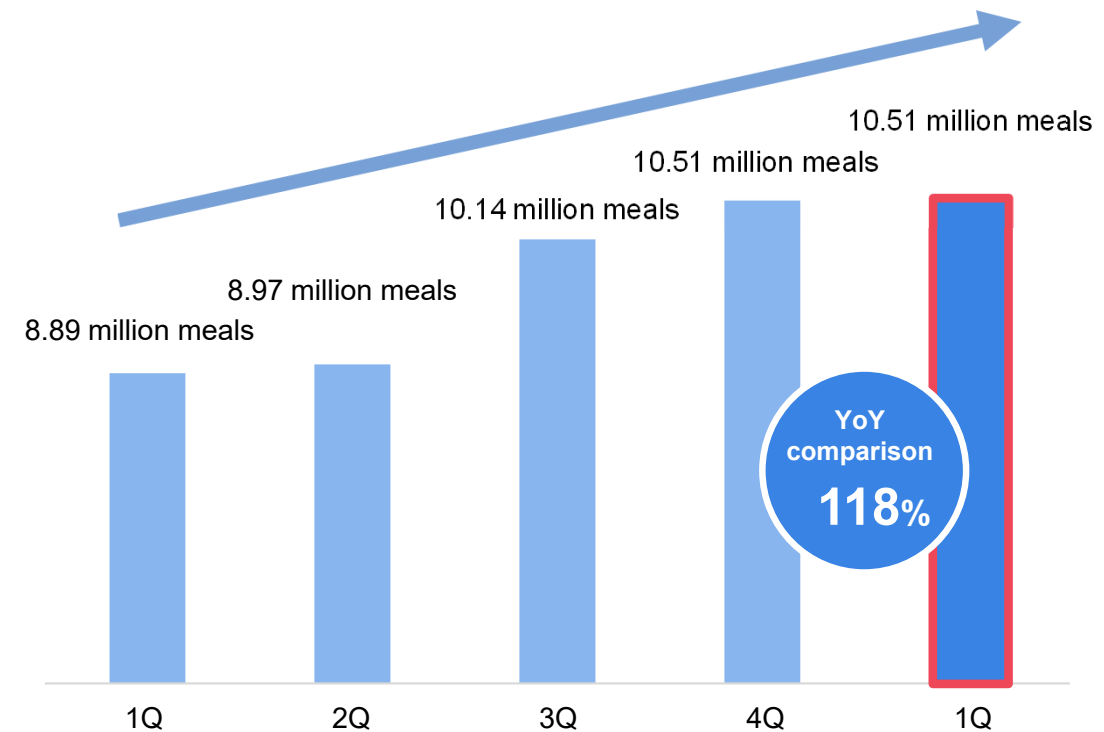
<Growth rate by CVS delicatessen category (from 2016)>



Source: Japan Ready-made Meal Association, "2020 White Paper on Prepared Food"

* Prepared packaged foods that are pasteurized at a low temperature after packaging and can be refrigerated for up to one month, including salads such as potato salad, meat and potatoes, simmered mackerel in miso, etc.

<Sales volume trends of grilled fish products* for Seven-Eleven>



Fiscal year ended December 31, 2020

Fiscal year ending December 31, 2021

* Salted grilled mackerel, salted grilled silver salmon, and other grilled fish products

Strengthening of production capabilities

STI Miyagi (Ishinomaki, Miyagi Prefecture)

- ✓ Reduce resource losses by effectively utilizing fresh marine resources in Ishinomaki and other parts of the Tohoku region
- ✓ Start manufacturing for Tohoku and North Kanto regions as a plant for Seven-Eleven from 2Q of the current fiscal year

- Production capacity of 150,000 meals/day
- One of Japan's largest grilled fish prepared foods lines



STI SANYO (Yaizu, Shizuoka)

- ✓ Reduce resource losses by effectively utilizing fresh marine resources in Yaizu and other parts of the Tokai region
- ✓ Expansion of production line for pouch products

STI Delica (Shiraoka, Saitama)

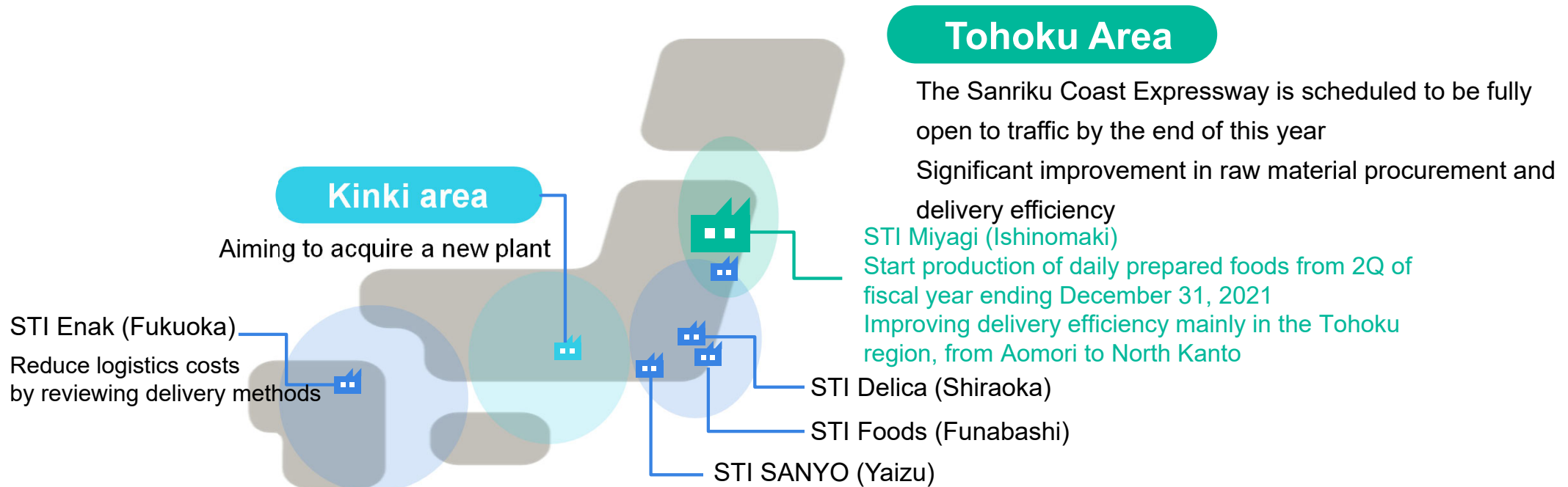
Expansion of production line for products for Seven-Eleven



New plant in Kinki area

Initiatives from the fiscal year ending December 31, 2021 Topics (2)

Reduction in logistics costs through appropriate allocation of production plants



Improving efficiency of purchasing system

Reduce raw material losses through central management by the headquarters of raw material purchasing by each production subsidiary from 2Q.

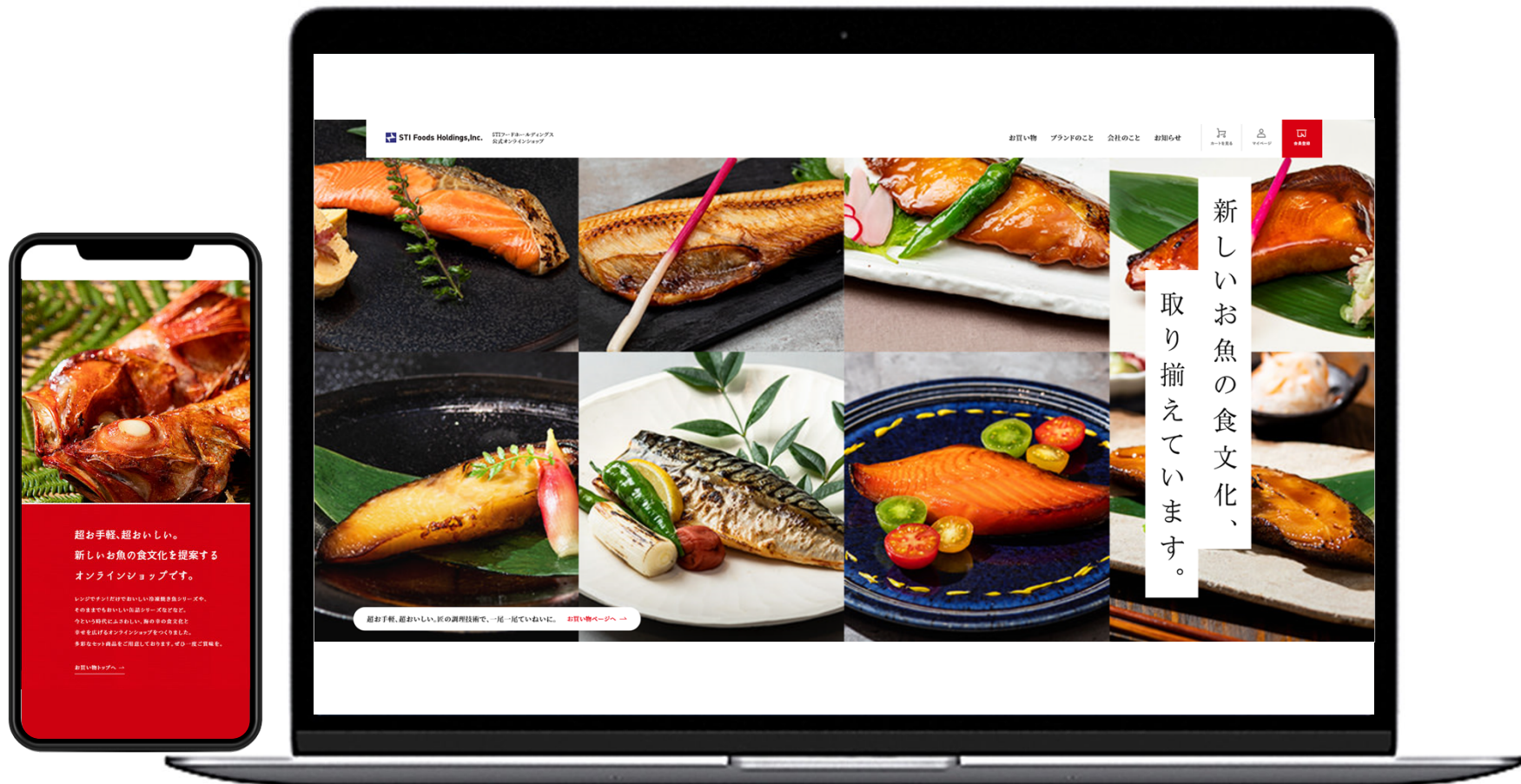
Accumulate and integrate purchasing data at the headquarters, enabling efficient ordering based on data analysis.

Initiatives from the fiscal year ending December 31, 2021 Topics (3)

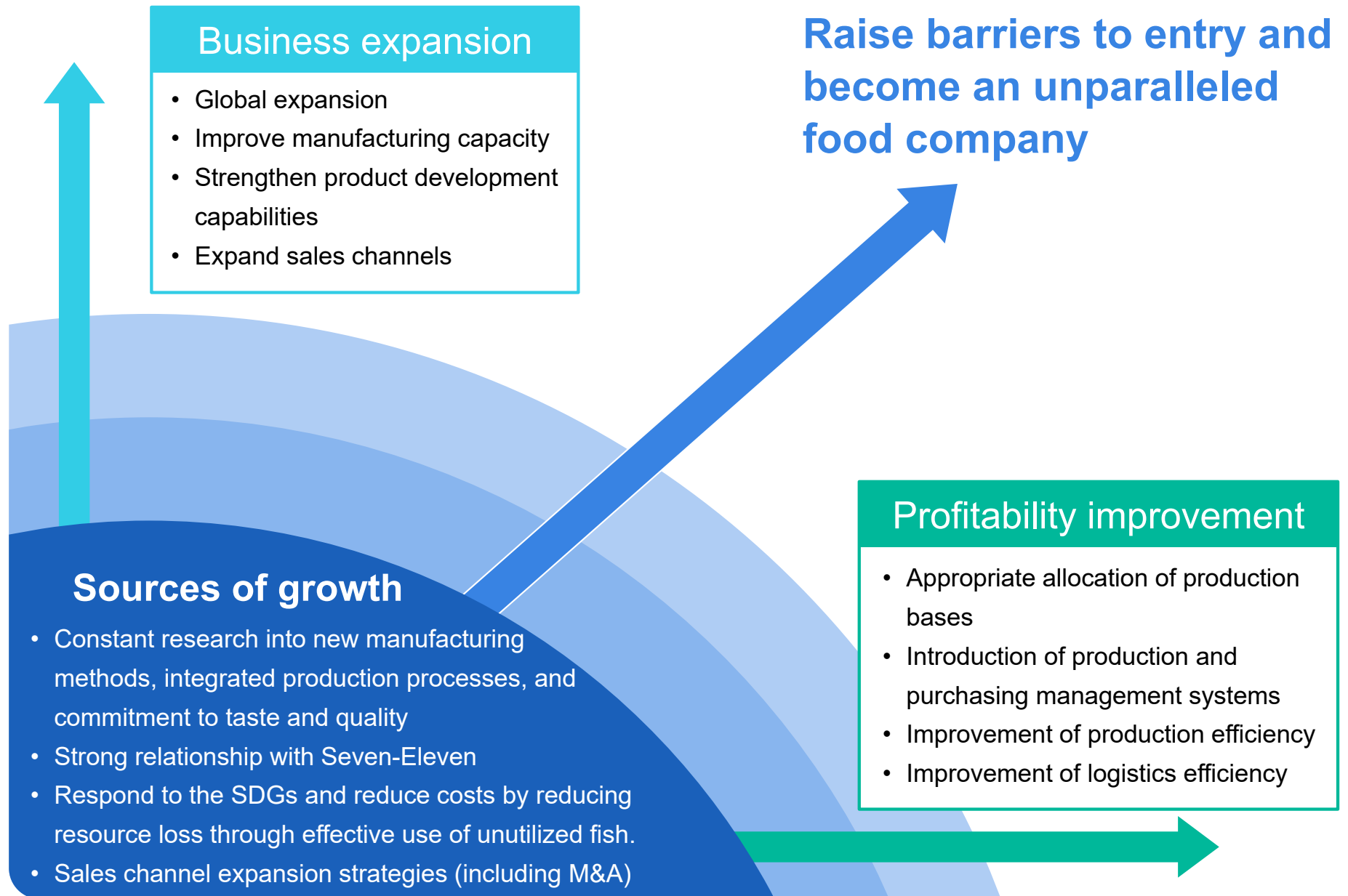
Opening of the e-commerce site for our own brand (start on June 1)

Special brand of large and high-grade fish for fish lovers who find it difficult to find products at retail stores due to product selection difficulties

Start B to C business by leveraging the strengths we have cultivated, including the ability to create and procure raw materials



Growth vision

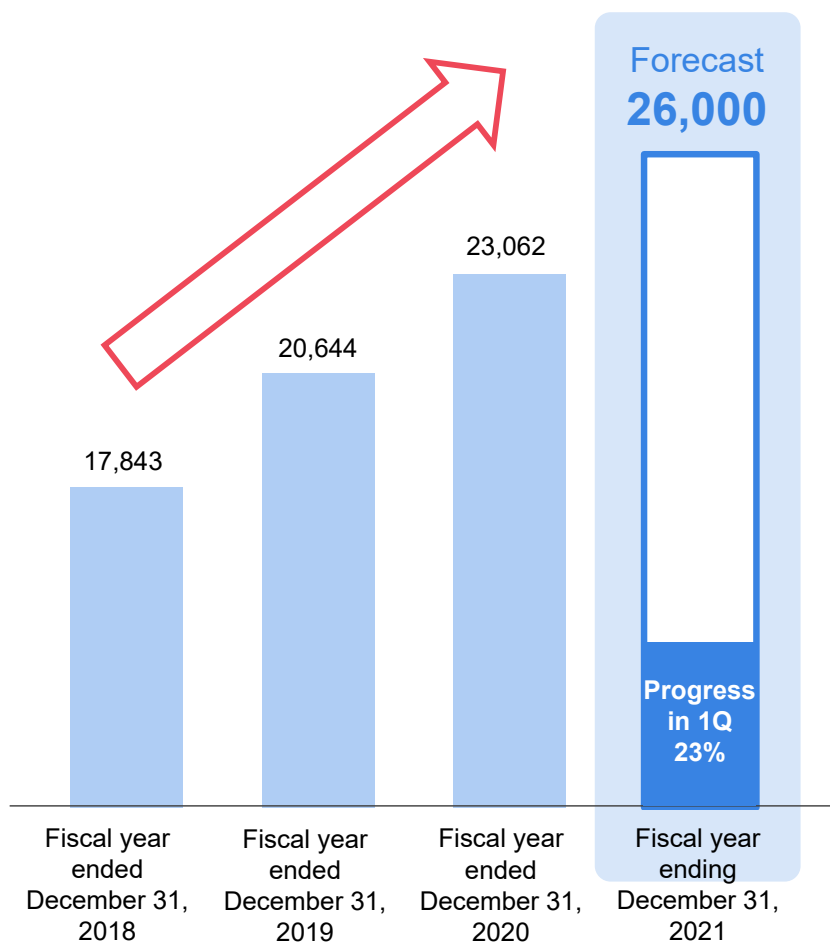


To our shareholders and investors

- Both net sales and ordinary income made steady progress in the first quarter compared to the forecasts
- Steady progress in growth strategies and achievement of the initial plan

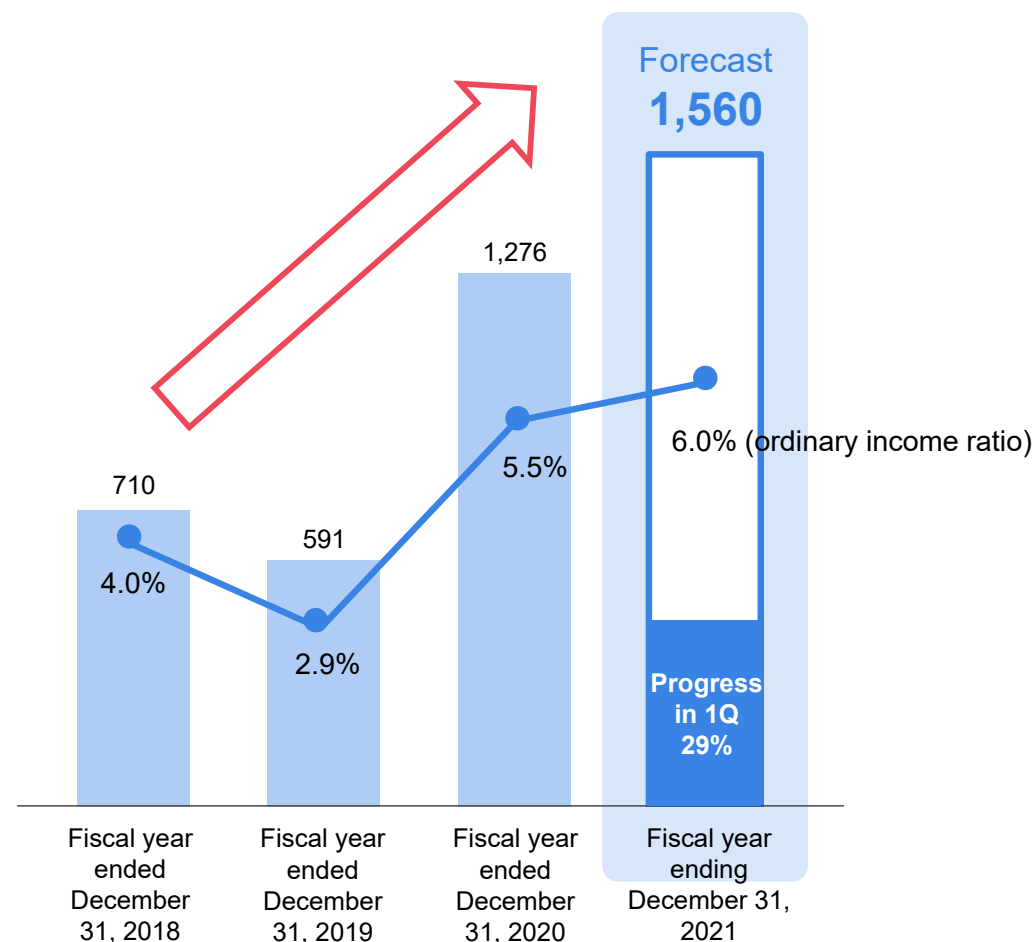
Trends in consolidated net sales

(Unit: million yen)



Trends in consolidated ordinary income

(Unit: million yen)



To our shareholders and investors: Shareholder return policy

Basic policy

We will provide stable and continuous dividends of surplus while taking into consideration the level of business performance, dividend payout ratio, and investment for sustainable growth

◆ Dividends of surplus

[Results for fiscal year ended December 31, 2020]

Dividend per share **40 yen** Total dividends **219 million yen** (Dividend payout ratio: 24.6%)

[Plan for the fiscal year ending December 31, 2021]

Dividend per share **45 yen** Total dividends **247 million yen** (Dividend payout ratio: 24.5%)

Establishment and continuation of the shareholder special benefit program

Shareholders who hold 100 shares or more of the Company's stock as recorded in the shareholders' register as of the end of June each year are all entitled to receive the Company's exclusive products for shareholders (equivalent to 3,000 yen)

Appendix












Company profile / business description

Company profile

Name of company	STI Foods Holdings, Inc.	Establishment	November 2017 (founded in December 1988)
Headquarters	1-15-14, Minami Aoyama, Minato-ku, Tokyo	Number of employees	274 (including 711 temporary employees) * Temporary employees are those who work eight hours a day as of December 31, 2020
Representative	President and Representative Director Yutaka Jumi	Listing date	September 25, 2020 (Second Section of the Tokyo Stock Exchange)

Business description

The Group is engaged in the food manufacturing and sales business, which includes everything from the procurement of raw materials for marine products to manufacturing and sales

Product category	Description of major operations	Company	Examples of manufactured products
Foods	Manufacturing and sales of prepared marine products mainly for convenience stores, and manufacturing and sales of canned food and retort pouch products using marine raw materials, etc.	The Company STI Foods STI Delica STI Enak STI Miyagi STI SANYO STI AMERICA Inc. STI CHILE S.A.	      
Food ingredients	Manufacturing and sales of marine products mainly used in rice balls, lunch boxes, pasta, salads for convenience stores to daily prepared foods manufacturers through food ingredients trading companies	The Company STI Enak STI Miyagi STI AMERICA Inc. STI CHILE S.A.	   

History

1988

2010

2017

2018

2020



Dec. 1988

Established Shin Tokyo International Inc., the predecessor of the Company, for the purpose of import, export and sales of marine raw materials and marine food ingredients

Apr. 1997

Established STI AMERICA Inc. in Seattle, USA

Mar. 2003

Established STI CHILE S.A. in Chile, South America

Dec. 2003

Established STI Enak, Inc

Jan. 2006

STI Foods, Inc. established as a wholly owned subsidiary

Sept. 2010

Business transferred to a new company established by Kyokuyo Co., Ltd.

Apr. 2013

Merged with STI Foods, Inc. as the surviving company

Oct. 2015

Established SANYO SHOKUHIN (currently STI SANYO, Inc.)

Nov. 2017

Established STI Foods Holdings, Inc. as a preparation company for becoming a holding company

Jan. 2018

Became a holding company through a share exchange for the purpose of business restructuring

Aug. 2018

Established STI Delica, Inc.

June 2020

Acquired all shares of Yamatomi Co., Ltd.

Sept. 2020

Listed on the Second Section of the Tokyo Stock Exchange

Management policy

Mission of STI Foods Holdings

STI Foods Holdings will fulfill its responsibility to create a valuable food culture by respecting domestic and international food resources for the happiness of its employees and a more prosperous future for society.

Company creed (the values that are most important for us)

Fairness and honesty

Four guidelines for working with fairness and honesty

Transformation and creation

Thoroughly implement the obvious and break away from the past and the norm.

This is the balance that will create new value.

Sincerity

Dedicate yourself to your work. Give it your all. Nothing can be accomplished unless you put everything into it.

Independence and self-reliance

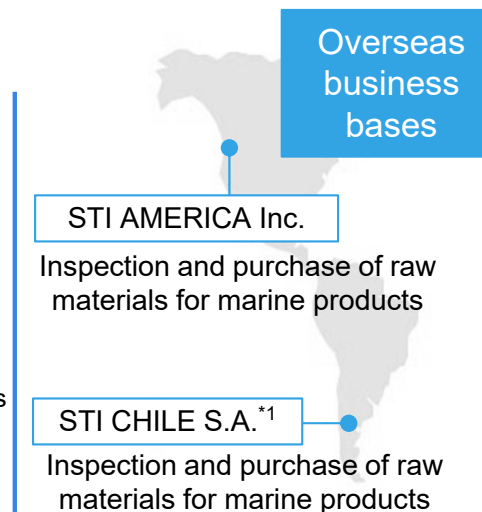
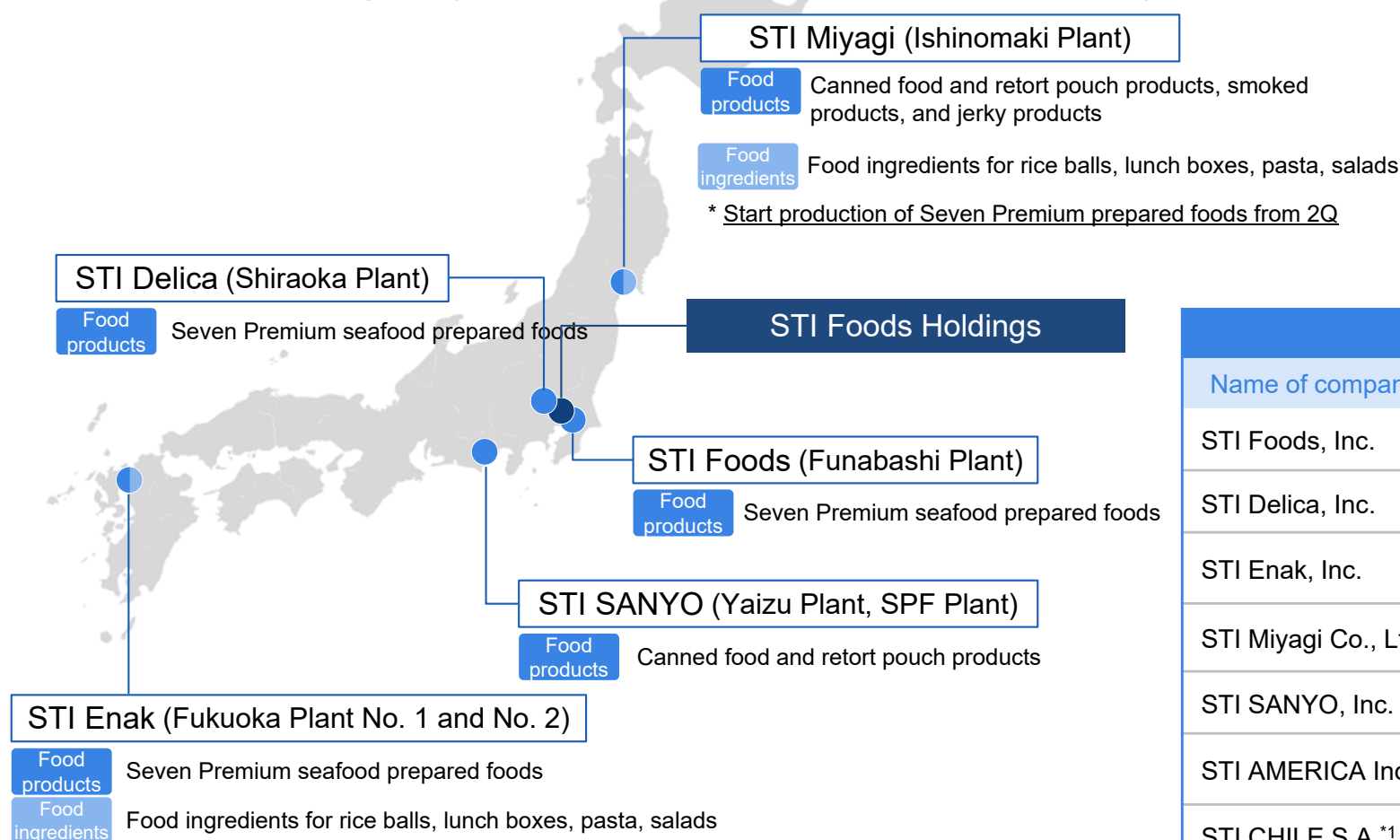
Create your own work and develop yourself through your work.

Unity

Unite the wisdom, skills, and thoughts of everyone. Then, and only then, will we be able to overcome our limitations.

Group and production bases

- The Group is formed of STI Foods Holdings, six consolidated subsidiaries and one non-consolidated subsidiary.
- Each plant has its own specialties and products, and by combining them, the manufacturing system can handle any of the three temperature ranges (chilled, room temperature, frozen).



List of Group companies	
Name of company	Location
STI Foods, Inc.	(Production plant) Funabashi City, Chiba Prefecture
STI Delica, Inc.	(Production plant) Shiraoka City, Saitama Prefecture
STI Enak, Inc.	(Production plant) Itoshima City, Fukuoka Prefecture
STI Miyagi Co., Ltd.	(Production plant) Ishinomaki City, Miyagi Prefecture
STI SANYO, Inc.	(Production plant) Yaizu City, Shizuoka Prefecture
STI AMERICA Inc.	(Headquarters) Washington State, US
STI CHILE S.A. *1	(Headquarters) Los Lagos Region, Chile

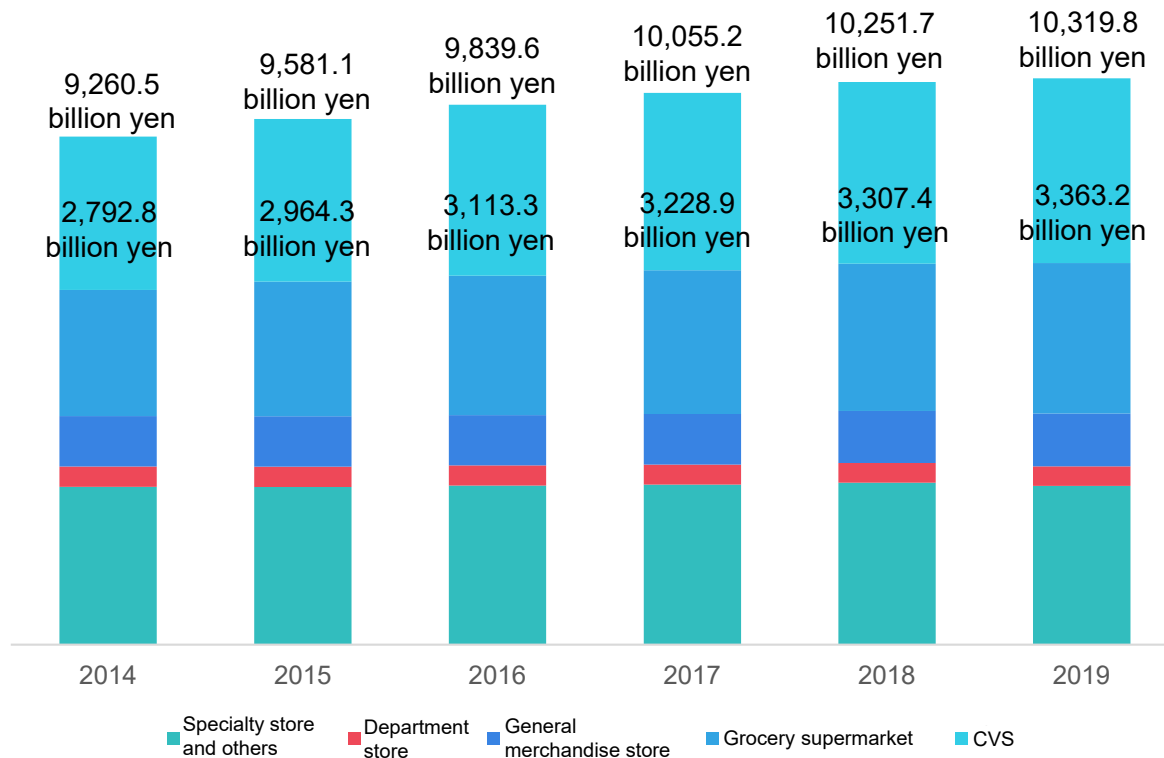
*1: Non-consolidated subsidiary

Strengths of the business (1)

- In the fast-growing market for prepared foods, which surpassed 10 trillion yen in 2017, the Company is growing by expanding its production capacity and pursuing deliciousness and quality through its unique manufacturing technology and integrated production system.

Manufacturer of marine products and food ingredients
specializing in the **"fish"** category

Trends in the scale of the prepared foods market



The scale of the prepared food
(home meal) market surpassed

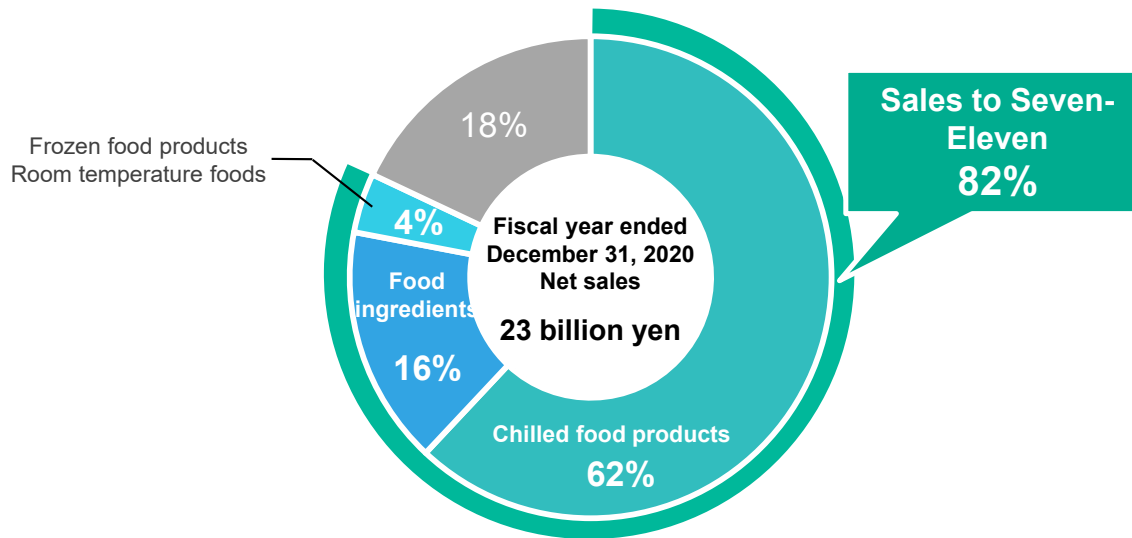
10 trillion yen
in 2017

Driving the food scene in
Japan

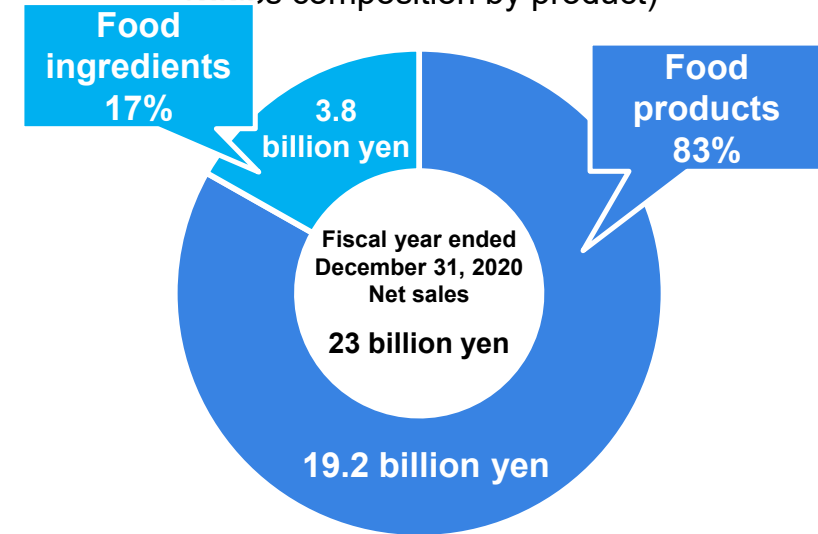
Strengths of the business (2)

Strong relationship of trust with Seven-Eleven

(Sales composition by sales destination)



(Sales composition by product)



Food products (marine products in three temperature ranges for Seven-Eleven)

Frozen food products



Chilled food products



Room temperature foods



Cup deli



Food ingredients (rice ball ingredients)

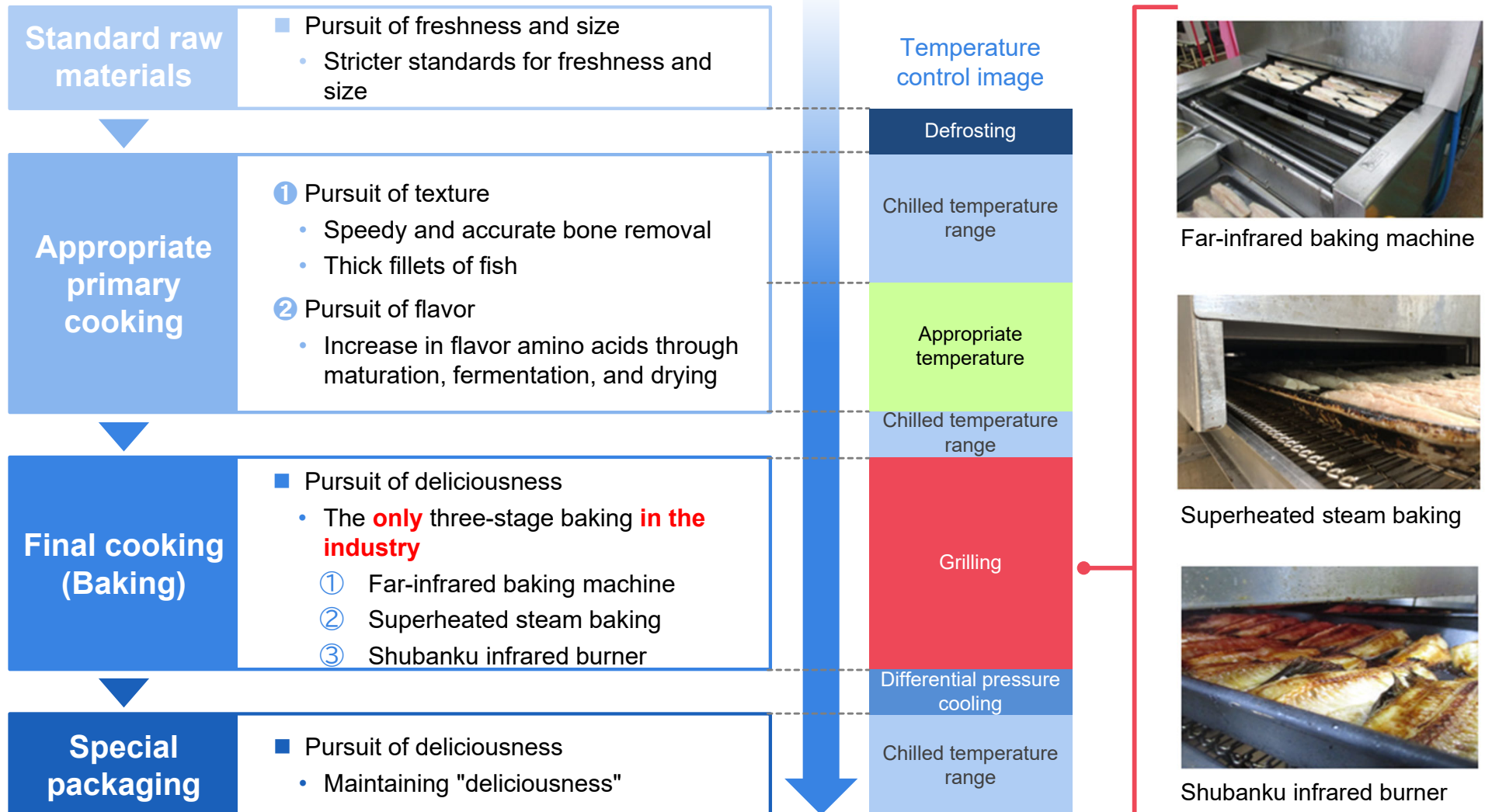
- Red salmon flakes
- Grilled cod roe
- Salmon roe
- Hakata spicy cod roe



Strengths of the business (3)

- Thorough temperature control and reduction in the number of thawing cycles in the integrated production (cooking) process to improve the quality of taste

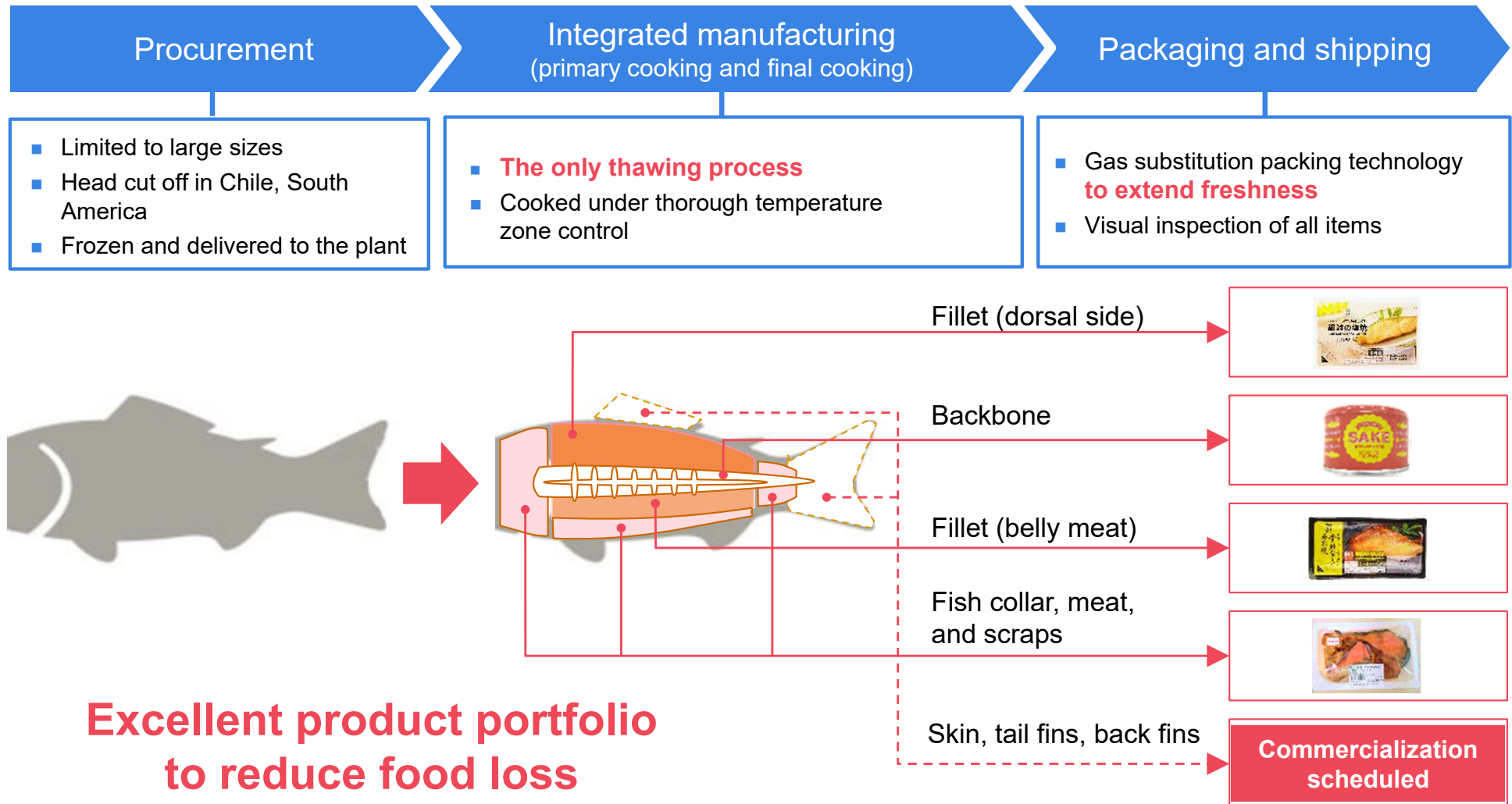
Manufacturing process for grilled fish prepared foods



Strengths of the business (4)

- Reduce raw material costs by thoroughly addressing food loss with a product portfolio that uses up all ingredients.

Integrated production system that achieves both deliciousness and reduced raw material costs



Strengths of the business (5)

- We constantly research new production methods, and develop marine food products with high barriers to entry.

Three-step baking and gas substitution packing technology

Grilled fish prepared foods

- Incorporating the taste of freshly grilled fish at home in a popular Seven-Eleven product
- No preservatives are used, and the expiration date has been extended from about 3 days to about 10 days



August 1997

May 2014

Bacteriostatic technology for fresh salmon roe



Seasoned salmon roe (patent pending)

- Achieved the original flavor of salmon roe
- Pioneer of seasoned salmon roe for onigiri (rice balls) for convenience stores

January 2018

Hot pack technology



Red salmon flakes (patented)

Aged seared cod roe (patent pending)

- Salmon flakes with almost the same texture and appearance as handmade fish flakes obtained by baking and hand-rolling fish at home
- Seared cod roe, which has the same texture and flavor as grilled cod roe prepared by baking in a toaster oven, grill, or frying pan
- This technology makes it possible for us to supply food ingredients all over Japan

Taking on the challenge of new production methods and technologies at a faster pace

■ Obtained MSC-CoC^{*1} and ASC-CoC^{*2} certification in June 2019

■ Ensuring sustainable raw material procurement

Red salmon fishing in Bristol

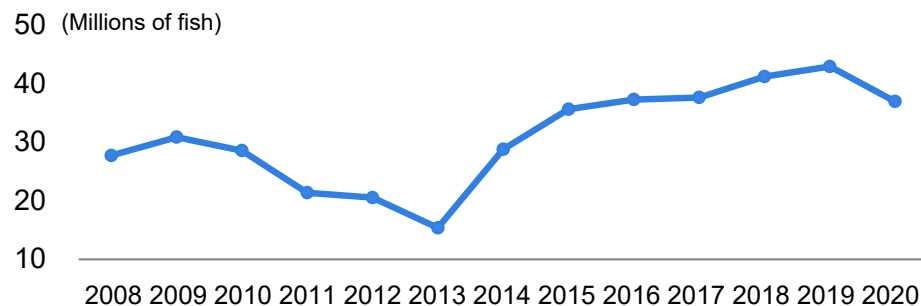
Healthy salmon fishery

- Operate within the management area set by the Board of Fisheries (BOF)

■ Effective management
Managed by Alaska
Department of Fish and
Game (ADFG) staff

■ Regulated under the
Alaska State Constitution
Mandatory conservation
and protection of salmon
habitat

Trends in Landings^{*3}



Working with MarineFarm on ASC-certified Chilean silver salmon

- Establishment of the Pompom Site^{*5} that meets the INFA^{*4} requirements of Serenapesca (Fisheries Agency of the Republic of Chile)
- The site consists of 24 cages measuring 30 m long x 30 m wide x 15 m deep, and each cage holds approximately 40,000 silver salmon.



*1: A certification, the so-called Marine Eco-Label, granted only to sustainable marine products caught in fisheries that meet the strict standards of MSC (Marine Stewardship Council)

*2: A system for certifying that the aquaculture products in question have been produced in a sustainable and environmentally and socially responsible manner

*3: Excerpt from Alaska Department of Fish and Game materials

*4: Abbreviation for "Information of environmental," which environmental information researched and published by the Chilean agency that manages fishing rights and aquaculture licenses

*5: Name of the fish tank owned by the aquaculture company MarineFarm

- Initiatives to extend the consumption period using unique packaging technology
- Initiatives to reduce from gas in the manufacturing process

Effective in reducing food loss, which is a social issue

Know-how on gas substitution packing technology

- Gas blending method
 - Accumulated know-how through innovations in operation methods
- Two compounding gas substitution packaging machines with different functions, such as the filling method for compound gas, are used for different products.
 - Introduced a number of special packaging machines to replace air in product packaging with compound gas



Comparison of consumption period without preservatives

Gas substitution packing technology	10 days
General chilled prepared foods	3 days

Initiatives to reduce from gas

Introduction of nitrogen freezing machine

Nitrogen freezing machine with natural refrigerant introduced as a concrete measure for production rationalization



In addition to **reducing from gas emissions**, this system also contributes to **reducing environmental impact**

We will gradually introduce new, innovative manufacturing equipment



[Precaution]

The forward-looking statements contained in this document are based on management's assumptions and beliefs in light of the information currently available, and are subject to change due to macroeconomic conditions and industry trends. Accordingly, please be aware that there are risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements.



STI Foods Holdings, Inc.