

# Results Briefing Materials for the First Quarter of the Fiscal Year Ending December 31, 2022

Standard Market of the Tokyo Stock Exchange (Securities Code: 2932)



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◆ May 11, 2022

Summary of financial results for  
the first quarter of the fiscal year ending  
December 31, 2022

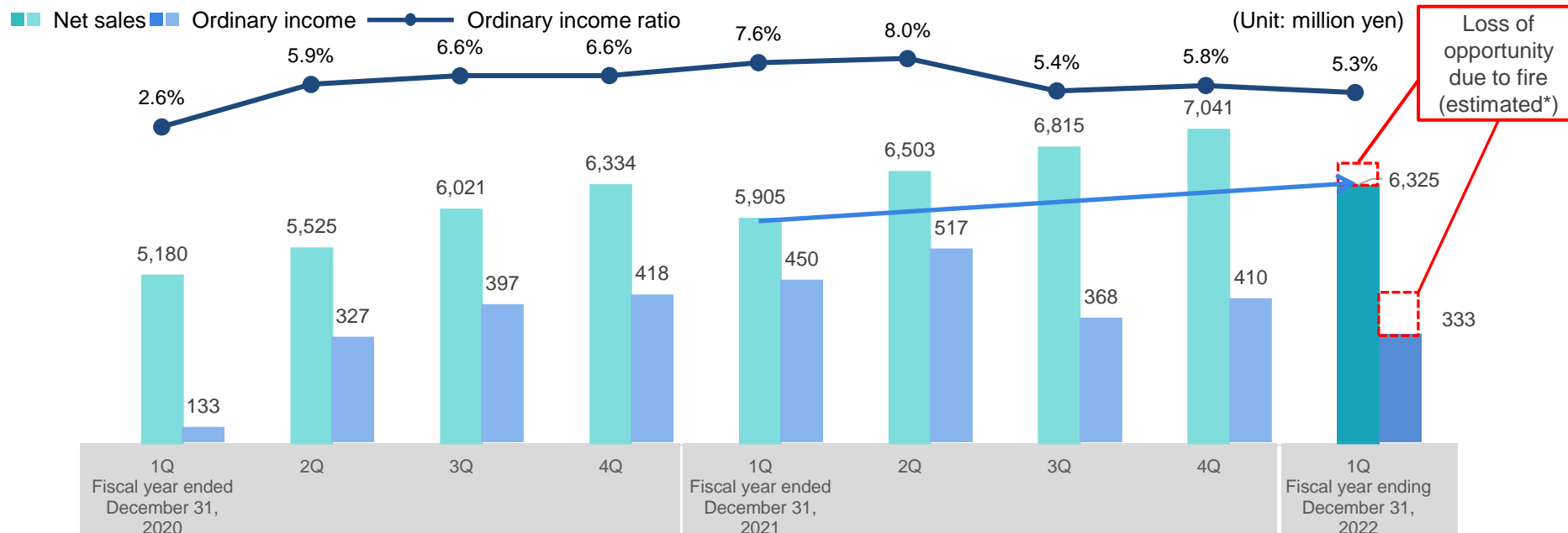
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# Summary of consolidated financial results

- Sales increased year-on-year due to the introduction of seasonal products and revisions to the prices of some products
- Opportunity loss due to fire is estimated to be approximately 300 million yen in sales, and 120 million yen in profit (\*)

\*The effects of the fire are detailed on page 6

	Net sales	YoY	Ordinary income	YoY
<b>Fiscal year ending December 31, 2022 1Q Cumulative period (January to March 2022)</b>	<b>6.3 billion yen</b>	<b>107.1%</b>	<b>330 million yen</b>	<b>74.1%</b>
Fiscal year ended December 31, 2021 1Q Cumulative period (January to March 2021)	5.9 billion yen	-	450 million yen	-



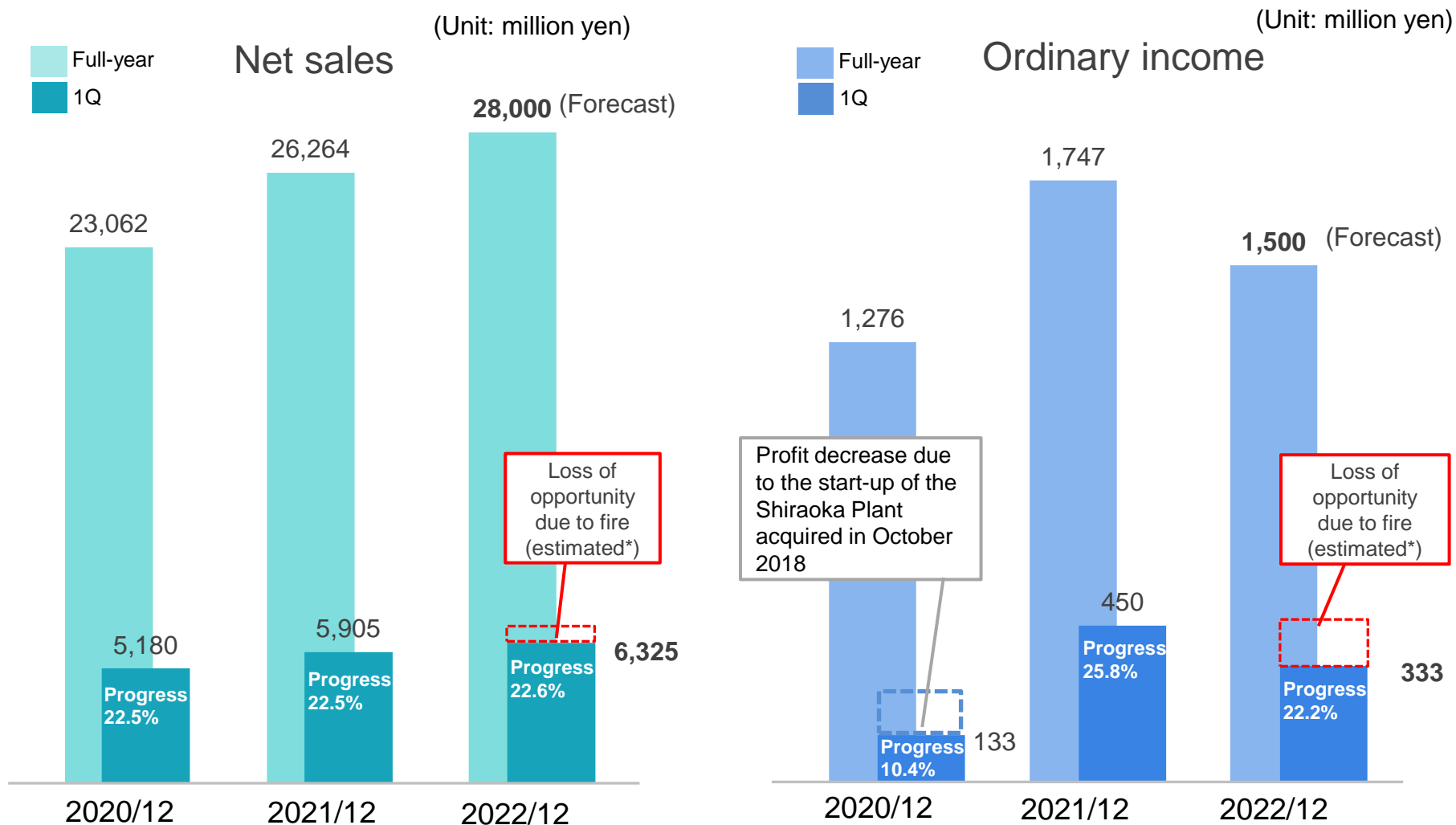
\*The estimated value is the difference between the value estimated by the Company and the actual value

\*The figures for 1Q of FYE 2020/12 are unaudited. Figures for 2Q, 3Q, and 4Q (three months) of each fiscal year are calculated by subtracting the cumulative figures for the previous quarter from the figures for the relevant cumulative period

# Full-year earnings forecast progress

- Although performance was temporarily affected by the fire, the situation has now recovered to normal

Net sales progress is as per a normal year, and ordinary income is also progressing in line with the earnings forecast



\*The estimated value is the difference between the value estimated by the Company and the actual value

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# Consolidated statement of income

(Unit: million yen)

	Fiscal year ended December 31, 2021 1Q Cumulative period (January to March 2021)		Fiscal year ending December 31, 2022 1Q Cumulative period (January to March 2022)		YoY	Change
	Results	Sales ratio	Results	Sales ratio		
Net sales	5,905	-	6,325	-	107.1%	420
Cost of sales	4,152	70.3%	4,620	73.0%	111.3%	468
Gross profit	1,753	29.7%	1,705	27.0%	97.2%	(48)
Selling, general and administrative expenses	1,320	22.4%	1,386	21.9%	105.0%	65
Operating income	433	7.3%	318	5.0%	73.5%	(114)
Ordinary income	450	7.6%	333	5.3%	74.1%	(116)
Net income attributable to owners of the parent company	303	5.1%	186	3.0%	61.5%	(116)
EPS (yen)	55.29	-	32.49	-	58.8%	

# Consolidated balance sheet

(Unit: million yen)

	2021/12 Year end	2022/12 1Q	YoY	Change
Current assets	8,206	7,838	95.5%	(368)
Of which, cash and deposits	3,293	2,602	79.0%	(690)
Non-current assets	4,571	4,600	100.6%	29
Of which, property, plant and equipment	3,833	3,879	101.2%	45
<b>Total assets</b>	<b>12,777</b>	<b>12,439</b>	<b>97.4%</b>	<b>(338)</b>
Total liabilities	7,336	7,119	97.0%	(217)
Current liabilities	5,558	4,955	89.2%	(602)
Non-current liabilities	1,777	2,163	121.7%	385
Total net assets	5,440	5,319	97.8%	(120)
<b>Total liabilities and net assets</b>	<b>12,777</b>	<b>12,439</b>	<b>97.4%</b>	<b>(338)</b>

# Effects of the fire that occurred at a Group company

We would like to offer our apologies once again for any inconvenience and concern caused to our business partners and affected parties by the fire that occurred at the Funabashi Plant belonging to our consolidated subsidiary STI Foods, Inc., which occurred on, and was disclosed on, Friday, January 28, 2022.

We hereby report that the effects of this fire on our results were as follows.

## Effects on sales and profit due to lost to opportunity costs

■ Sales: Approx. 300 million yen (estimated\*)

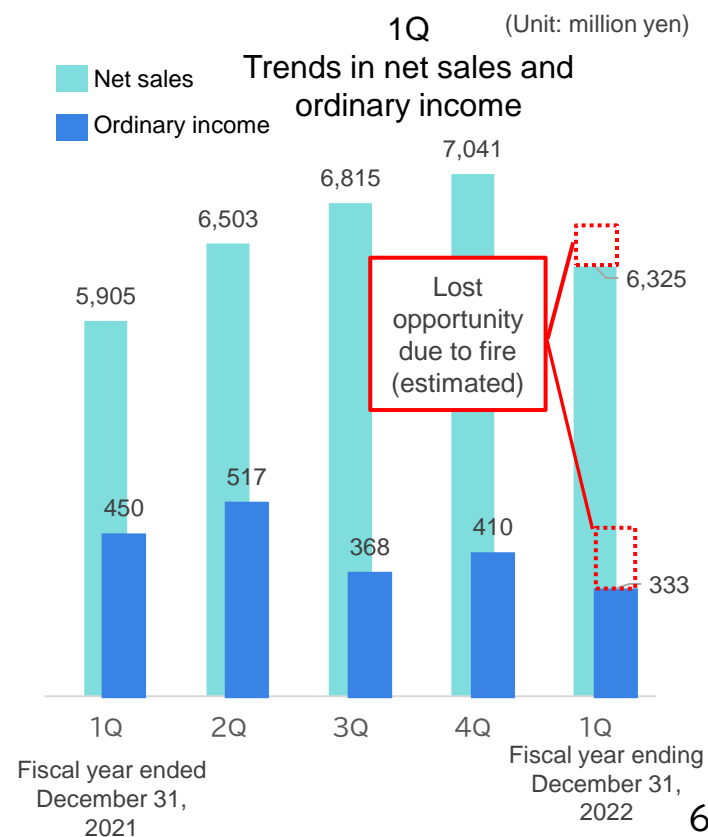
■ P&L: Approx. 120 million yen (estimated\*)

- ✓ Although the STI Delica Shiraoka Plant began replacement production immediately thereby minimizing the effect on sales, the burden imposed on the production at other factories had a significant impact on profits
- ✓ It took approximately one month for the STI Foods Funabashi Plant to return to full-scale operation

\*The above estimated value is the difference between the value estimated by the Company and the actual value

## Effects on consolidated results

- Costs related to alternative production are recorded in part as extraordinary losses
- Losses on buildings and machinery, etc., were compensated by insurance benefits



Current status update and steps  
to address the situation

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## Business environment



Accelerating rise in the price of raw materials, resources, and fuel  
→Ongoing rapid measures required

# Priority measures

Adapt to rapid changes in the market environment and  
construct a foundation for growth

Fair price increases

Acceleration of  
overseas expansion

Thorough integration of  
production

## Expanding business with Seven-Eleven

- Expansion of sales in Japan  
(Ongoing introduction of new products/fair price increases)
- Expansion to stores overseas  
(US, Asia, etc.)

## Expansion of new sales

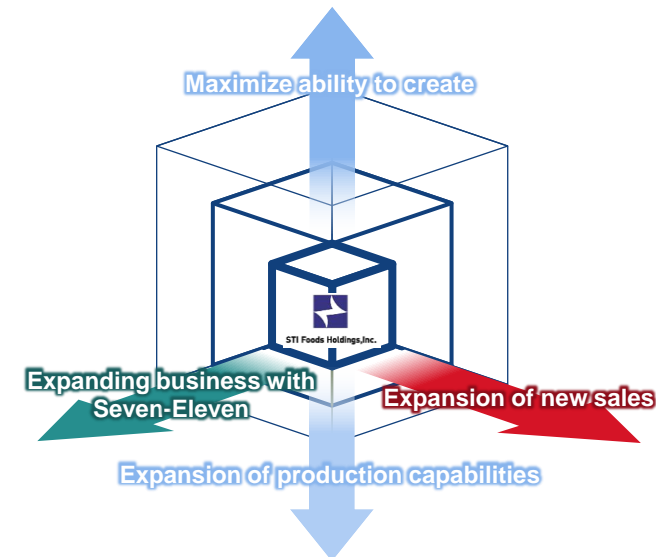
- New transactions with distinctive retail partners
- Sales expansion to our own e-commerce and that of major enterprises
- M&A strategy (acquisition of sales companies and logistics companies)
- Investment in ventures

## Maximize ability to create

- Minimization of waste through thorough integration of production
- Taking on the challenge of new production methods and technologies at a faster pace
- Enhancing product development

## Expansion of production capabilities

- New plant in Kinki area
- Establishment of a new plant in the Tokyo metropolitan area and consideration of a plant in North America



# Status of priority measures (1)

## Revisions to the prices of food products and ingredients

- February: Octopus and broccoli basil salad
- April: Standard grilled fish products (mackerel, salmon, and Arabesque greenling)
- Planned: Fillings for rice balls, etc.

Ongoing negotiations for fair prices

## Sales to 7-ELEVEN Taiwan

- February: Shipping of four types of grilled fish products, rice ball ingredients

Orders received doubled in Q2

Grew from 1,300 stores in Taipei to 6,600 stores throughout Taiwan

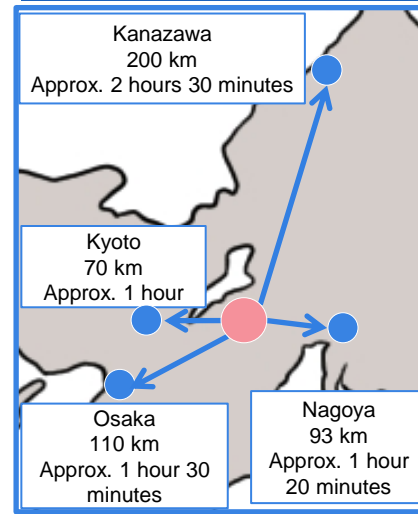
## New transactions with distinctive retail partners

- Steady growth in new transactions already started

## E-commerce sales expansion

- National Brand product sales from major e-commerce sites

## Decision on site for the new Kinki area plant



- Build a new plant with state-of-the-art equipment
  - Construction of plant this fiscal year, with planned operation by the fiscal year ending December 2023
- Location: Shiga Prefecture  
Area: Approximately 5,000 m<sup>2</sup>  
Contract date: May 17, 2022 (planned)  
Transfer of ownership date: May 26, 2022 (planned)

Establishment of a new plant in the Tokyo metropolitan area and consideration of a plant in North America

## M&A strategy

- Continue to consider acquisition targets with a view to expanding sales channels

## Investment in ventures

- Decision to invest in capital for pet tech startup

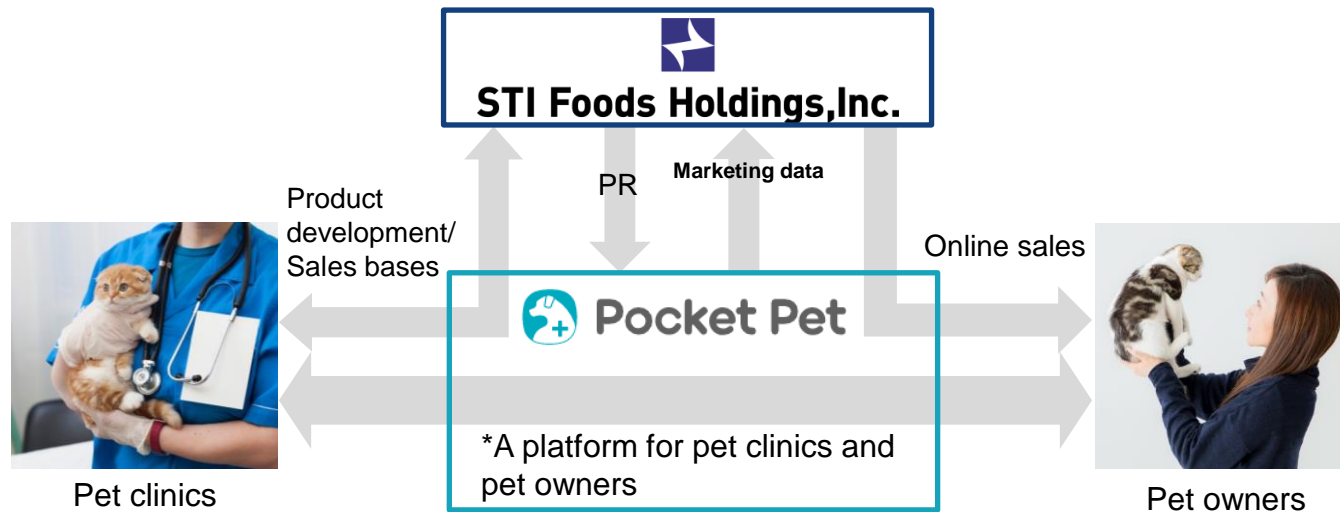
# Status of priority measures (2)

## Investment in capital for pet tech startup

- Rapid growth in demand for food safety as pets become more integrated with families
- The pet industry market is expanding every year, to a level of 1.6 trillion yen in Japan and 11.0 trillion yen in the US, with Freshpet, a purveyor of luxury pet foods that use natural ingredients, listed on Nasdaq with a market capitalization of more than 400 billion yen

Decision to invest in the operator of Pocket Pet (\*) with 49% of voting rights

## Contribution to the growth in sales of human-grade pet food unique to the Group



# Earnings forecast and shareholder return policy

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# Full-year earnings forecast

- Although we expect results to exceed forecasts due to the price revisions carried out in April as well as future trends in sale prices, etc., the business environment remains uncertain and, accordingly, we have left our earnings forecast unchanged

(Unit: million yen)

	Fiscal year ended December 31, 2021		Fiscal year ending December 31, 2022		YoY
	Results	Sales ratio	Earnings forecast	Sales ratio	
Net sales	26,264	-	28,000	-	106.6%
Operating income	1,723	6.6%	1,500	5.4%	87.0%
Ordinary income	1,745	6.6%	1,500	5.4%	86.0%
Net income attributable to owners of the parent company	1,110	4.2%	950	3.4%	85.5%
EPS (yen)	199.95	-	165.14	-	82.6%

\*As the Company will apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending December 31, 2022, the above forecast of consolidated financial results is after the application of the said accounting standard, etc., and the year-on-year comparisons are provided as reference figures.

# Shareholder return policy

- While we expect profit to decline YoY in FY 2022/12 due to conservative earnings forecast, we plan to maintain dividend and shareholder benefit programs at the same level as FY 2021/12

## [Dividends]

	FY 2020/12 results	FY 2021/12 results	FY 2022/12 forecast
Dividend per share	40 yen	55 yen	55 yen

## [Shareholder benefit program]

Twice yearly, on the last day of June and December every year, retail shareholders who own at least one unit (100 shares) receive the Company's products exclusively for shareholders



\*Example of shareholder benefit products

# Appendix

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# Company profile / business description

## Company profile

<b>Name of company</b>	STI Foods Holdings, Inc.	<b>Establishment</b>	November 2017 (founded in December 1988)
<b>Headquarters</b>	1-15-14, Minami Aoyama, Minato-ku, Tokyo	<b>Number of employees</b>	285 (including 849 temporary employees) *As of the end of December 2021, the number of temporary employees is the number of people working a full-time equivalent of eight hours per day
<b>Representative</b>	President and Representative Director Yutaka Jumi	<b>Listing date</b>	September 25, 2020 (Standard Market of the Tokyo Stock Exchange)

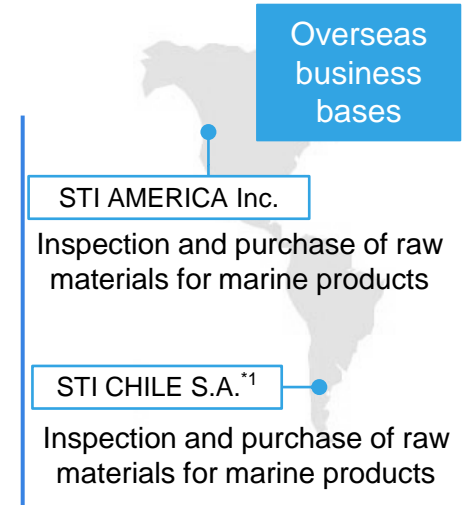
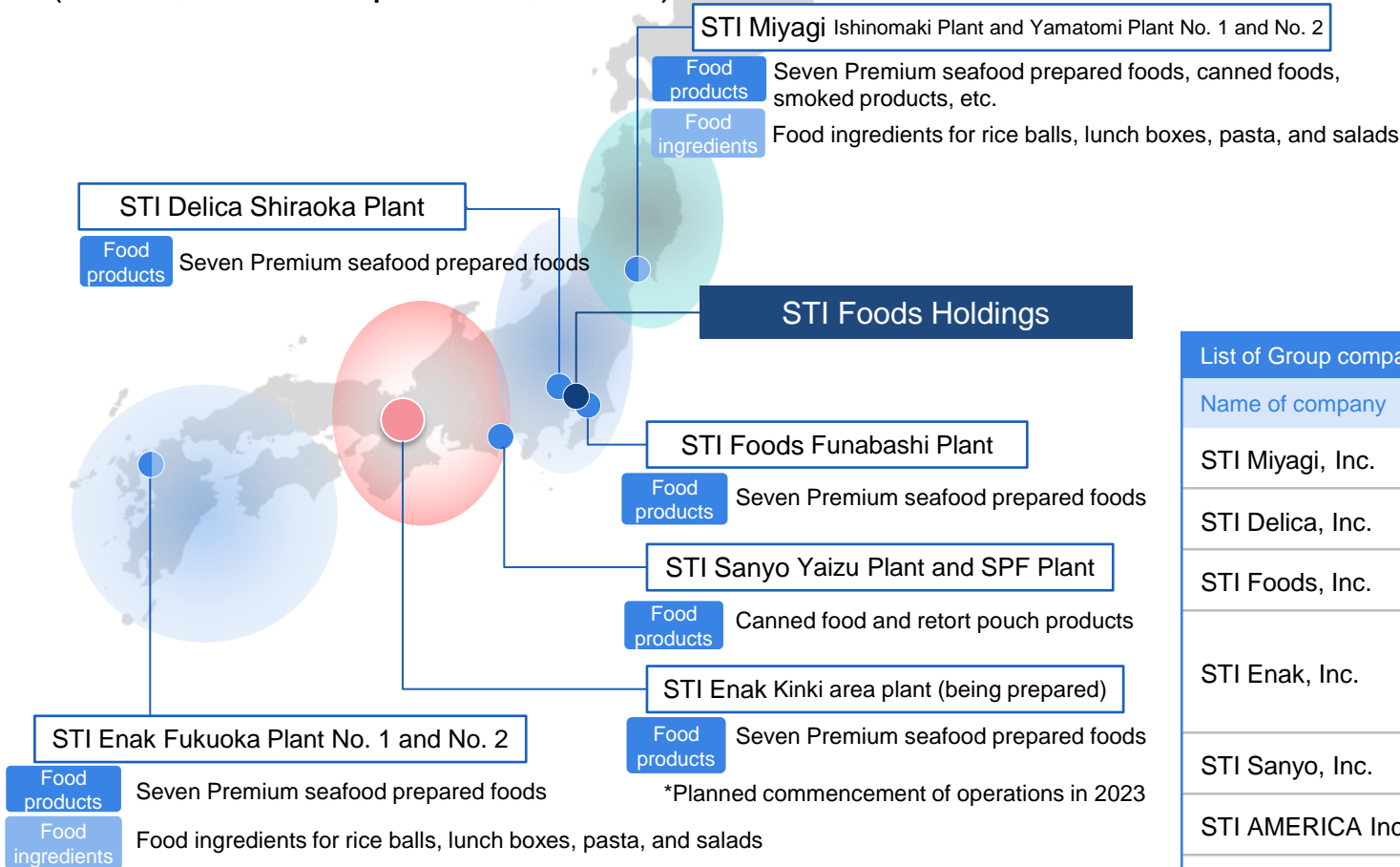
## Business description

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.	

# 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 Miyagi, Inc.	(Production plant) Ishinomaki City, Miyagi Prefecture
STI Delica, Inc.	(Production plant) Shiraoka City, Saitama Prefecture
STI Foods, Inc.	(Production plant) Funabashi City, Chiba Prefecture
STI Enak, Inc.	(Production plant) Itoshima City, Fukuoka Prefecture (Production plant) Shiga Prefecture
STI Sanyo, Inc.	(Production plant) Yaizu City, Shizuoka Prefecture
STI AMERICA Inc.	(Headquarters) Washington State, US
STI CHILE S.A.*	(Headquarters) Los Lagos Region, Chile

\*: Non-consolidated subsidiary

# Strengths of the business: Manufacturing technologies and patents

Research and development of new manufacturing methods and unique marine food products that do not exist in the world **using technologies with high barriers to entry**

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

- Developing **new technology to further extend shelf life**

## 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

## Bacteriostatic technology for fresh salmon roe

### Seasoned salmon roe

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

April 2021

November 2020

January 2018

May 2014

August 1997

**.tsuji**

Nurture food professionals: Deepen product development with Tsujicho Group (Tsuji Culinary Institute)

- Development and launch of hot menu items
- Focus on expanding the product line through the development of health-conscious prepared food products

## Cup salad gas substitution technology

### Cup salads

- Use seafood and vegetables to make popular products at Seven-Eleven
- Maintain freshness with gas substitution packs
- April 2021: Renewal of octopus and broccoli basil salad (introduction of protein-conscious salad)

## Three-step baking and gas substitution packing technology

### Grilled fish prepared foods

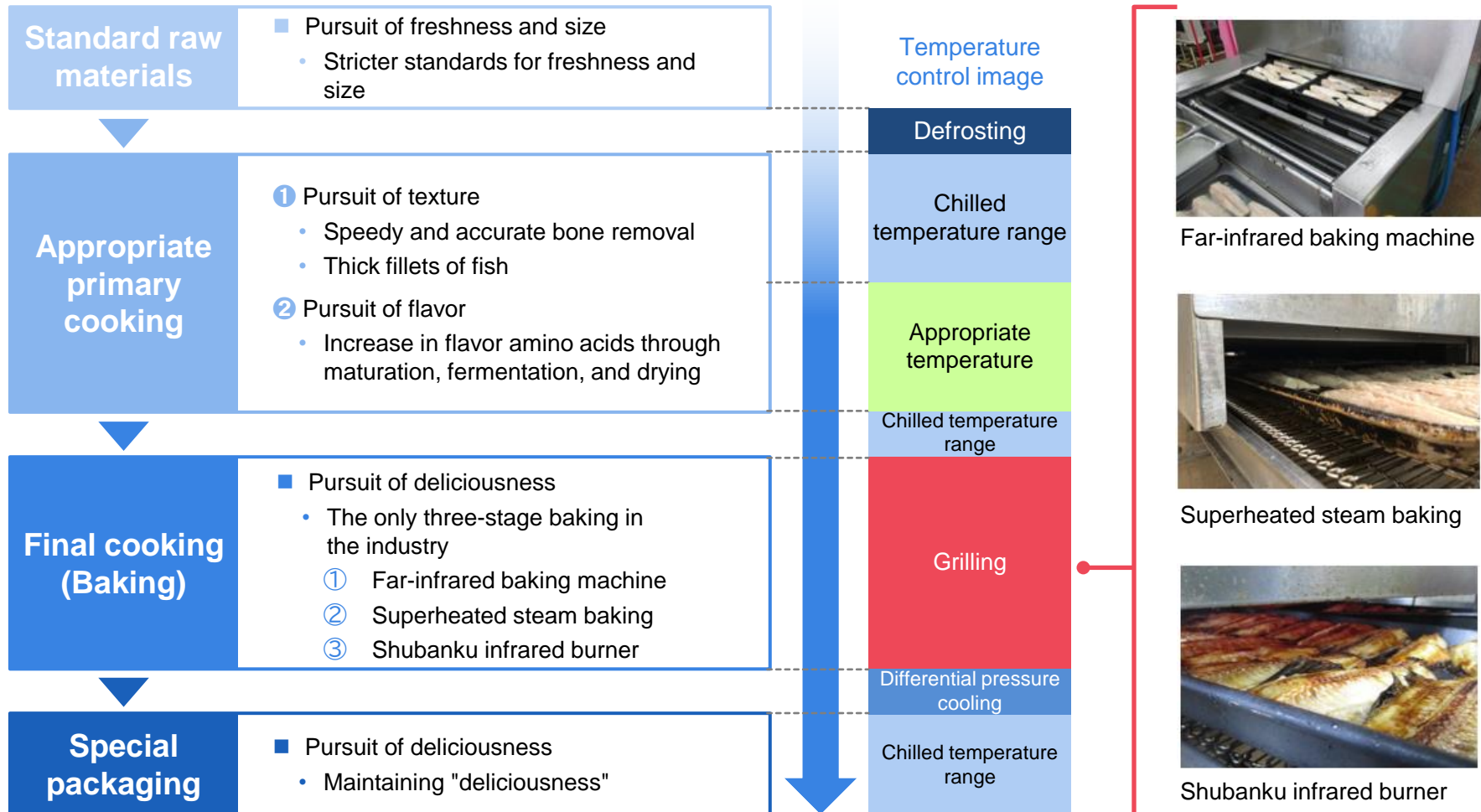
- Becoming Seven-Eleven standard products that feature the taste of foods freshly baked at home
- Extends consumption period to approximately 10 days without using preservatives (extension from approximately 3 days to approximately 10 days)

# Strengths of the business:

Improvement of taste quality through integrated production

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

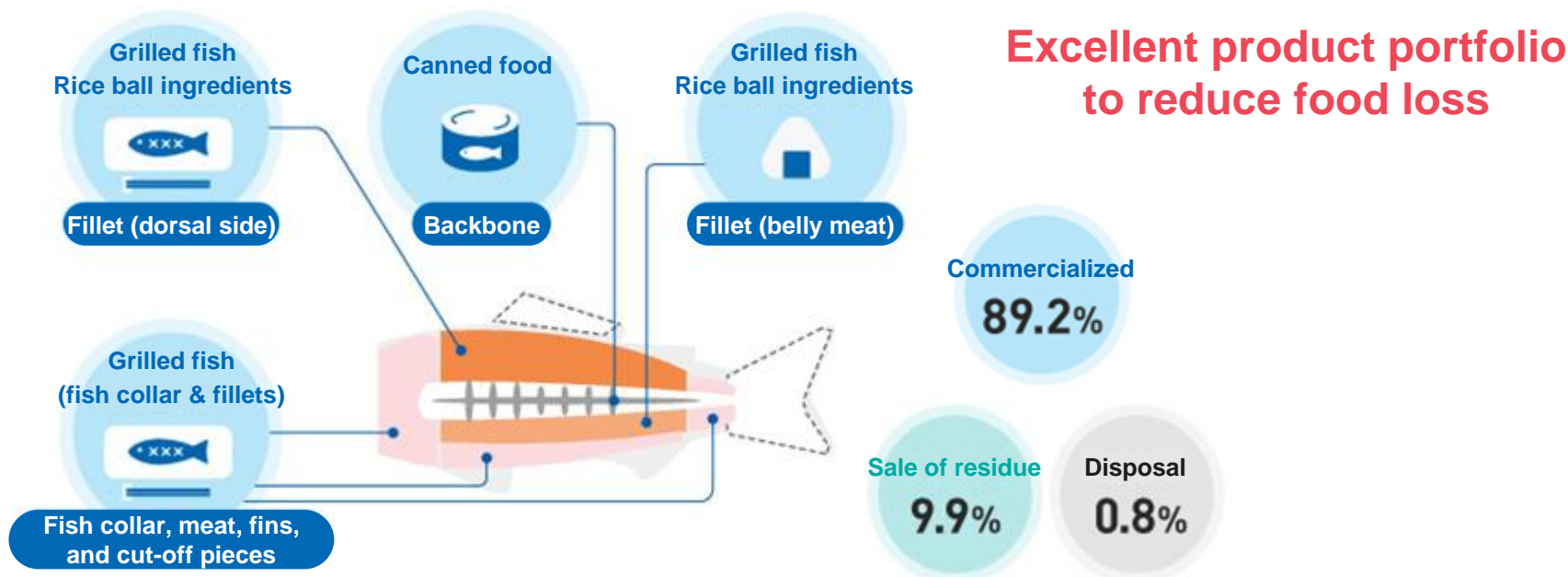
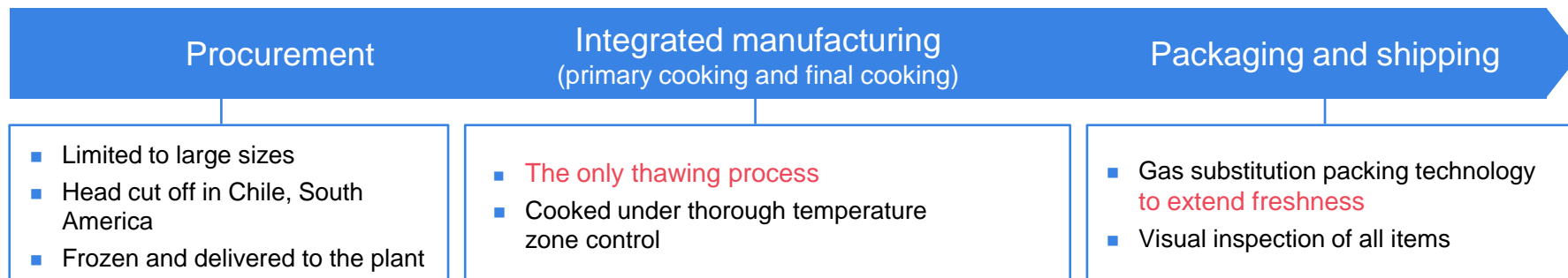
## Manufacturing process for grilled fish prepared foods



# Strengths of the business: Balancing food loss and cost reduction

- 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



# SDGs initiatives

## SUSTAINABLE DEVELOPMENT GOALS

Reduce the burden on the environment and society in all parts of the value chain, from procurement, processing, distribution, consumption, and disposal, and work to solve social issues through business

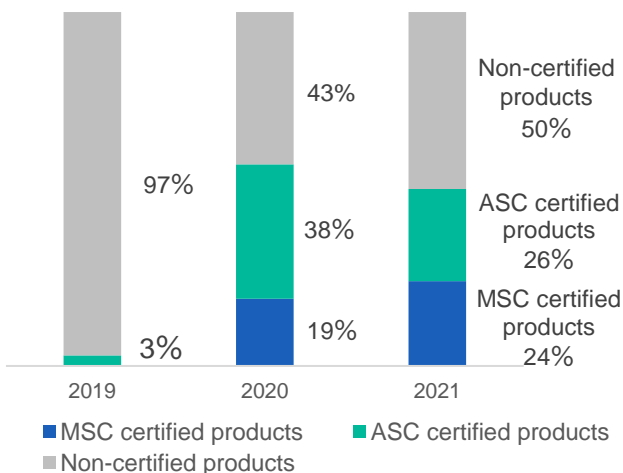
### Responsibility to deliver the blessings of the sea



Procurement of sustainable raw materials

**Certified raw materials use rate 50%**

Percentage of certified products in the total volume of salmon handled



\*The percentage of certified products out of the total volume of silver and red salmon handled by the Company was calculated

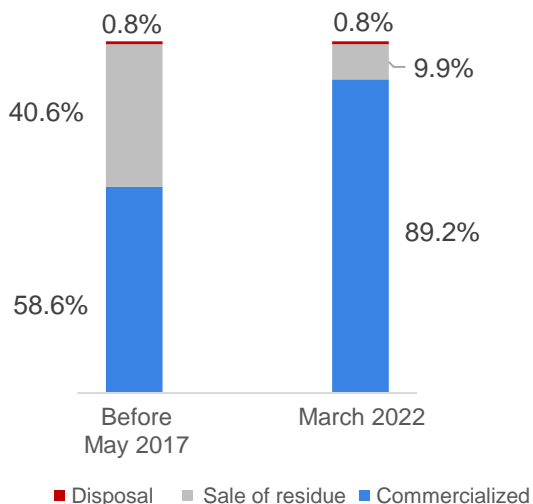
### Mission as a food manufacturer



Reduction of food loss and food waste

**Raw materials use rate 99.2%**

Percentage of raw materials used for dressed silver salmon



\*The percentage is calculated based on the weight of residue and waste from dressed silver salmon raw materials

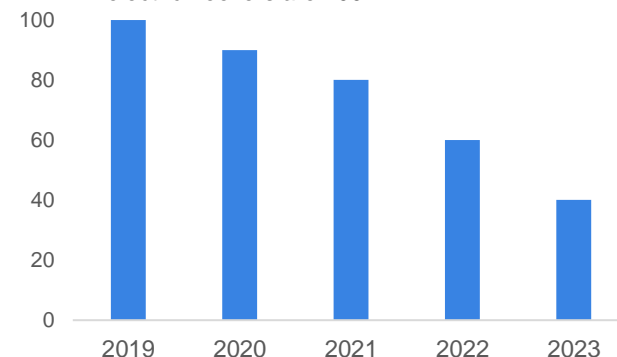
### Eco-friendly business activities



Reduction of greenhouse gas emissions

**60% reduction in CO<sub>2</sub> emissions**

Plan to reduce CO<sub>2</sub> emissions by introducing nitrogen freezers, assuming CO<sub>2</sub> emissions from electric freezers are 100



Gradually replace electric freezers with nitrogen freezers by 2023

\*Power consumption of electric freezers and nitrogen freezers converted to CO<sub>2</sub> emissions

## **[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.**