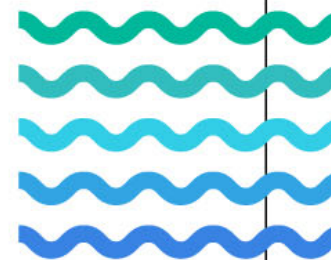


 STI Foods Holdings, Inc.



STI Foods Holdings, Inc.

# Results Briefing Materials for the Fiscal Year Ended December 31, 2020

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

February 17, 2021

1.	Company profile	P.2
2.	Summary of financial results for the fiscal year ended December 31, 2020	P.7
3.	Business forecast for the fiscal year ending December 31, 2021	P.13
4.	Features and strengths of the business	P.19
5.	Tailwinds in the market environment	P.24
6.	Growth strategy	P.26
	(Reference) SDGs initiatives	P.32

# Company profile

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# Company profile

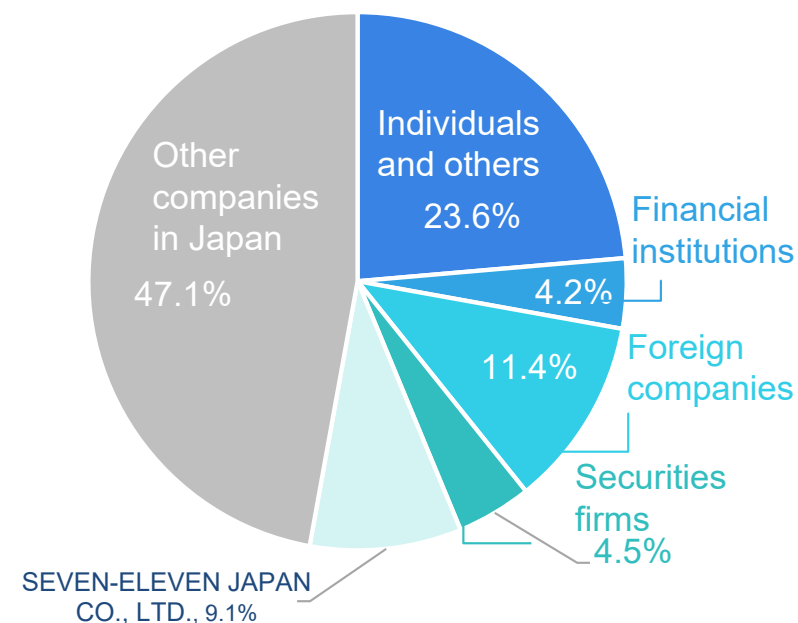
Name of company	STI Foods Holdings, Inc.	Share capital	534 million yen (as of December 31, 2020)
Headquarters	1-15-14, Minami Aoyama, Minato Ward, Tokyo	Number of employees	289 (including 624 temporary employees)
Representative	President and Representative Director Yutaka Jumi	Business description	Manufacture and sale of marine products such as prepared foods
Establishment	November 2017 (founded in December 1988)		

## Consolidated group

Name of company	Headquarters	Description of major operations	Ratio
STI Foods, Inc.	Minato Ward, Tokyo	Manufacture and sales of prepared foods	100%
STI Delica, Inc.	Minato Ward, Tokyo	Manufacture and sales of prepared foods	100%
STI Enak, Inc.	Minato Ward, Tokyo	Manufacture and sales of prepared foods and food ingredients (marine products)	100%
SANYO SHOKUHIN	Minato Ward, Tokyo	Manufacture and sales of canned food and pet food	100%
Yamatomi Co., Ltd.	Minato Ward, Tokyo	Manufacture and sales of prepared foods and food ingredients (marine products)	100%
STI AMERICA Inc.	Washington State, US	Export of food ingredients (marine products), etc.	100%

## Shareholder composition

As of December 31, 2020



## 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.

### Independence and self-reliance

Create your own work and develop yourself through your work.

### Sincerity

Dedicate yourself to your work.  
Give it your all.

Nothing can be accomplished unless you put everything into it.

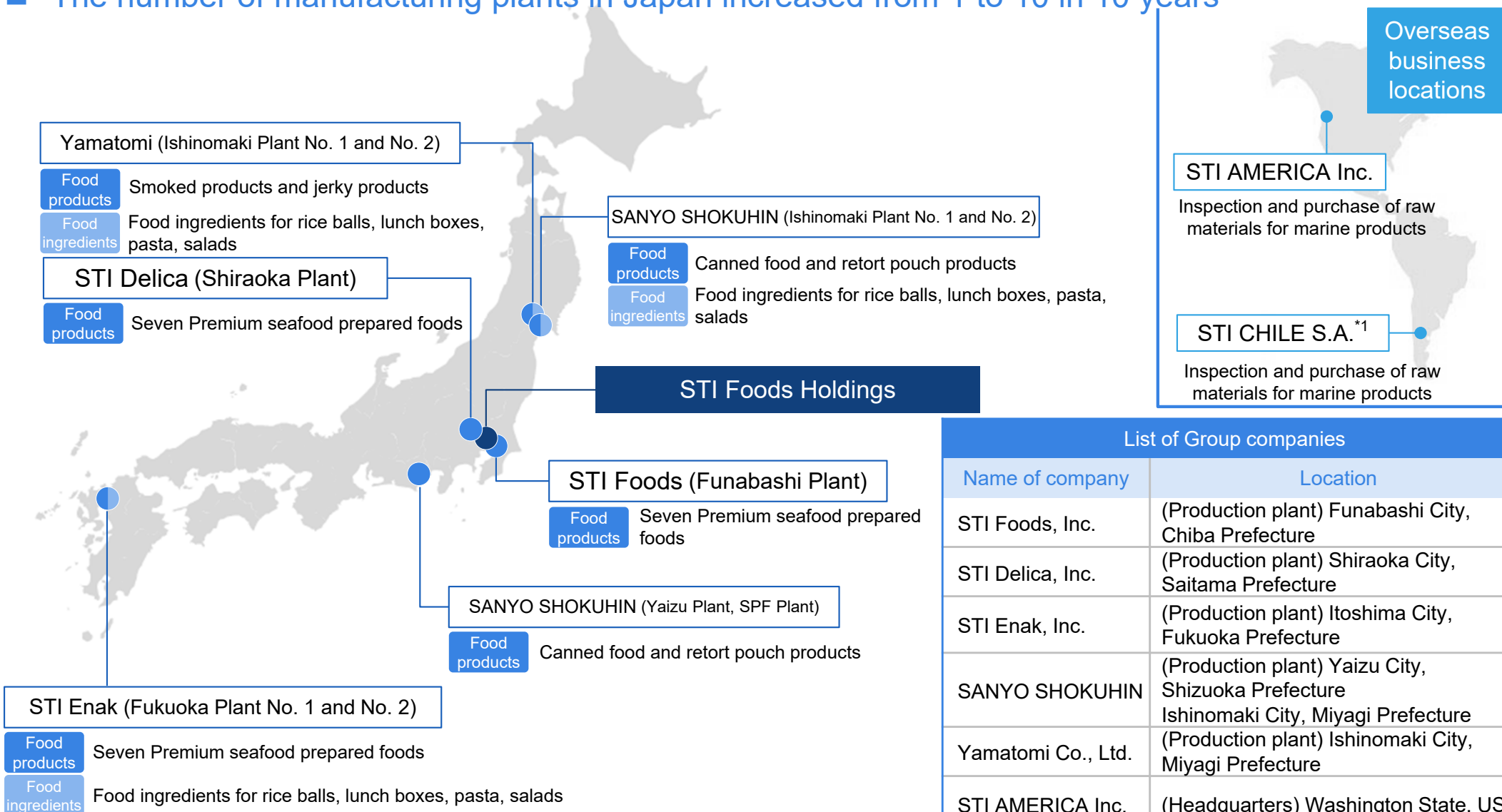
### Unity

Unite the wisdom, skills, and thoughts of everyone.

Then, and only then, will we be able to overcome our limitations.

# Group and locations

- STI Foods Holdings, is formed of six consolidated subsidiaries and one non-consolidated subsidiary
- The number of manufacturing plants in Japan increased from 1 to 10 in 10 years



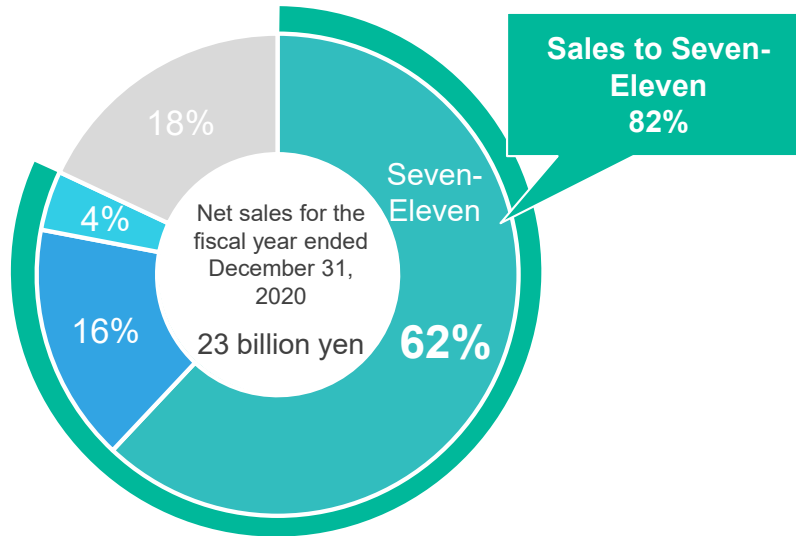
List of Group companies	
Name of company	Location
STI Foods, Inc.	(Production plant) Funabashi City, Chiba Prefecture
STI Delica, Inc.	(Production plant) Shiraoka City, Saitama Prefecture
STI Enak, Inc.	(Production plant) Itoshima City, Fukuoka Prefecture
SANYO SHOKUHIN	(Production plant) Yaizu City,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

\*1: Non-consolidated subsidiaries

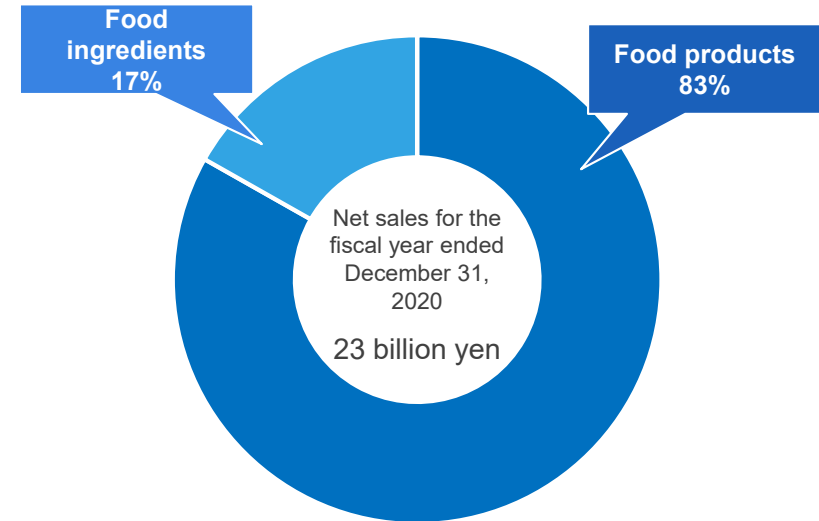
# Sales composition

- Supply of marine products, mainly **Seven Premium seafood prepared foods**, to Seven-Eleven stores nationwide (excluding Hokkaido)

Sales composition by sales destination



Sales composition by product



Food ingredients  
(rice ball ingredients)

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



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

Frozen food products



Chilled food products



Cup deli



Room temperature foods



## Summary of financial results for the fiscal year ended December 31, 2020

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## Statement of income

## Increase in sales and profit achieved

(Unit: million yen)	Fiscal year ended December 31, 2019		Fiscal year ended December 31, 2020		YoY comparison	Initial forecast (Released on November 9, 2020)	Compared to initial forecast
	Results	Rate	Results	Rate			
<b>Net sales</b>	20,644	-	<b>23,062</b>	-	<b>111.7%</b>	23,000	+0.3%
Cost of sales	15,853	76.8%	<b>16,885</b>	<b>73.2%</b>	106.5%	-	
Gross profit	4,791	23.2%	<b>6,176</b>	<b>26.8%</b>	128.9%	-	
Selling, general and administrative expenses	4,260	20.6%	<b>4,866</b>	<b>21.1%</b>	114.2%	-	
<b>Operating income</b>	531	2.6%	<b>1,310</b>	<b>5.7%</b>	<b>246.7%</b>	1,100	+19.2%
<b>Ordinary income</b>	591	2.9%	<b>1,276</b>	<b>5.5%</b>	<b>215.8%</b>	1,050	+21.5%
<b>Net income</b>	456	2.2%	<b>832</b>	<b>3.6%</b>	182.6%	680	+22.4%
<b>EPS (yen)</b>	91.20	-	<b>162.65</b>	-	+71.36 yen	132.85	+29.71 yen

## Consolidated results highlights

### Net sales

**23,062 million yen (111.7% YoY)**

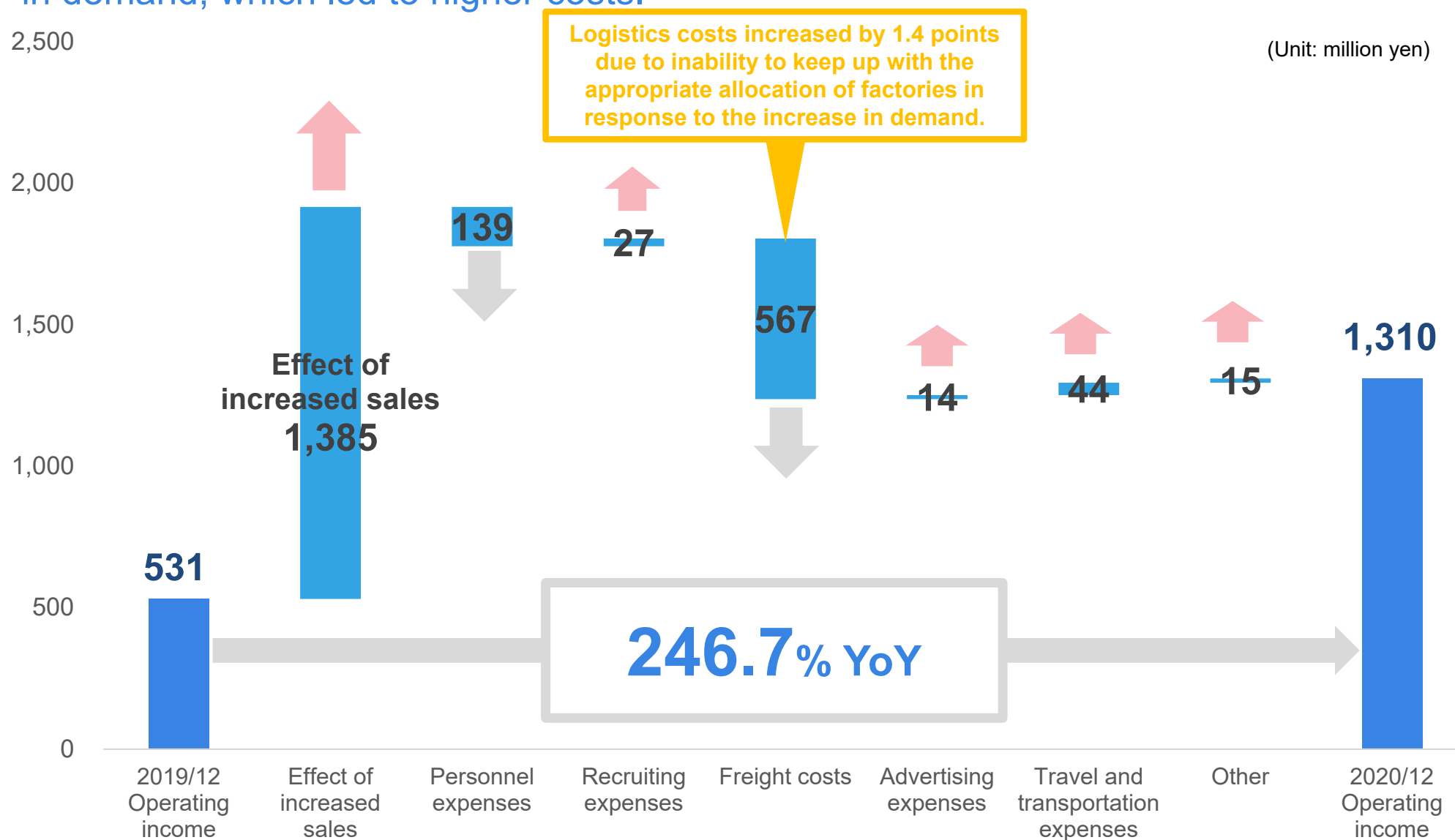
### Operating income

**1,310 million yen (246.7% YoY)**

- ✓ Net sales increased by 2,417 million yen (111.7%) YoY due to strong sales of chilled prepared foods, which offset a decrease in sales of food ingredients
- ✓ Gross profit increased by 1,385 million yen (128.9%) YoY due to increased sales and the effect of cost improvements (including the establishment of a production control system at STI Delica, which became profitable in the 2Q)
- ✓ Although the gross profit margin increased by 3.6 points from the previous fiscal year, the operating income ratio increased by only 3.1 points due to the rise in distribution expenses, which partially offset the effect of increased sales.

# Analysis of changes in operating income

- Profit increased significantly due to the effect of increased sales. On the other hand, the establishment of an efficient logistics system could not keep up with the speed of growth in demand, which led to higher costs.



# Balance sheet

(Unit: million yen)		Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Change
Current assets		5,155	6,775	1,620
Non-current assets		4,045	4,548	503
	Property, plant and equipment	3,125	3,741	616
	Intangible assets	546	502	(44)
	Investments and other assets	373	304	(69)
Total assets		9,200	11,324	2,123
Total liabilities		7,241	7,758	518
	Current liabilities	4,832	5,352	519
	Non-current liabilities	2,408	2,406	(1)
Total net assets		1,959	3,566	1,605
Total liabilities and net assets		9,200	11,324	2,123

✓ The shareholders' equity ratio increased by 10.4 percentage points YoY to 31.5%

# Cash flow

(Unit: million yen)	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Change	Breakdown
Net cash provided by (used in) operating activities	622	1,130	507	<ul style="list-style-type: none"> <li>• Trade receivables: +382 million yen</li> <li>• Inventory assets: +177 million yen</li> <li>• Income before income taxes: +1,281 million yen</li> <li>• Depreciation: +667 million yen</li> </ul>
Net cash provided by (used in) investing activities	(63)	(231)	(167)	<ul style="list-style-type: none"> <li>• Acquisition of property, plant and equipment: -153 million yen</li> <li>• Acquisition of intangible assets: -39 million yen</li> </ul>
Net cash provided by (used in) financing activities	(1,160)	215	1,375	<ul style="list-style-type: none"> <li>• Repayment of long-term borrowings: -510 million yen</li> <li>• Repayment of lease obligations: -253 million yen</li> <li>• Proceeds from issuance of new shares: +836 million yen</li> </ul>
Cash and cash equivalents at end of period	1,441	2,548	1,107	

Business forecast for  
the fiscal year ending December 31, 2021

---

# Business forecast for the fiscal year ending December 31, 2021

## ✓ Maintain high growth

In order to respond to the increase in demand due to the instilling of a new normal, we will strengthen our product development capabilities with a view to forming alliances with major cooking schools while striving to establish an efficient production system and develop new sales channels.

## ✓ Operating income growth: Approx. 20% YoY

We will work to increase barriers to entry, build an efficient delivery system, and strengthen the profit structure.

(Unit: million yen)	Fiscal year ended December 31, 2020		Forecast for the fiscal year ending December 31, 2021		YoY
	Results	Rate	Forecast	Rate	
Net sales	23,062	-	26,000	-	112.7%
Operating income	1,310	5.7%	1,570	6.0%	119.8%
Ordinary income	1,276	5.5%	1,560	6.0%	122.3%
Net income	832	3.6%	1,010	3.9%	121.4%
EPS (yen)	162.65	-	183.78	-	+21.22 yen

## Initiatives from the fiscal year ending December 31, 2021

- ✓ We will establish a supply system that can respond to rising demand by using funds raised from the listing to increase production capacity and optimize factory locations

### Sales improvement measures

- We will introduce new products in real time by strengthening development capabilities through the nationwide platform of Seven-Eleven, where the prepared foods sales floor has been doubled by introducing a new layout
- Establishment of a new plants
- Expansion of sales channels

### Profit improvement measures

- Reduction in logistics costs through appropriate allocation of production plants outside of Hokkaido
  - In the Tohoku area, we will start operation of new system in 2Q 2021 (Improve delivery efficiency from Aomori to Kitakanto)
  - We are in the process of acquiring properties in the Kansai area (target for acquisition in 3Q 2021)

### Improve manufacturing capacity by utilizing data, AI, and other technologies

- Introduction of AI-based purchasing and production management system (reduction of food loss and improvement of production efficiency)



# Investment plan for the fiscal year ending December 31, 2021

- ✓ **Accelerate investment against a backdrop of strong business performance** for a total investment of **approximately 1.1 billion yen** (+28% compared to FY 2020)

**We plan to implement investments focusing on production capacity expansion and IT for medium to long-term business growth**

**Sales improvement measures**  
(Investment amount: approximately 800 million yen)

- ✓ **Plant establishment** 350 million yen
- ✓ **Enhancement of production facilities** 267 million yen
- ✓ **Expansion of employee dormitory** 197 million yen

**Profit improvement measures**

- ✓ **Maintenance and renewal of production facilities** 74 million yen

Improve manufacturing capacity by utilizing data, AI, and other technologies

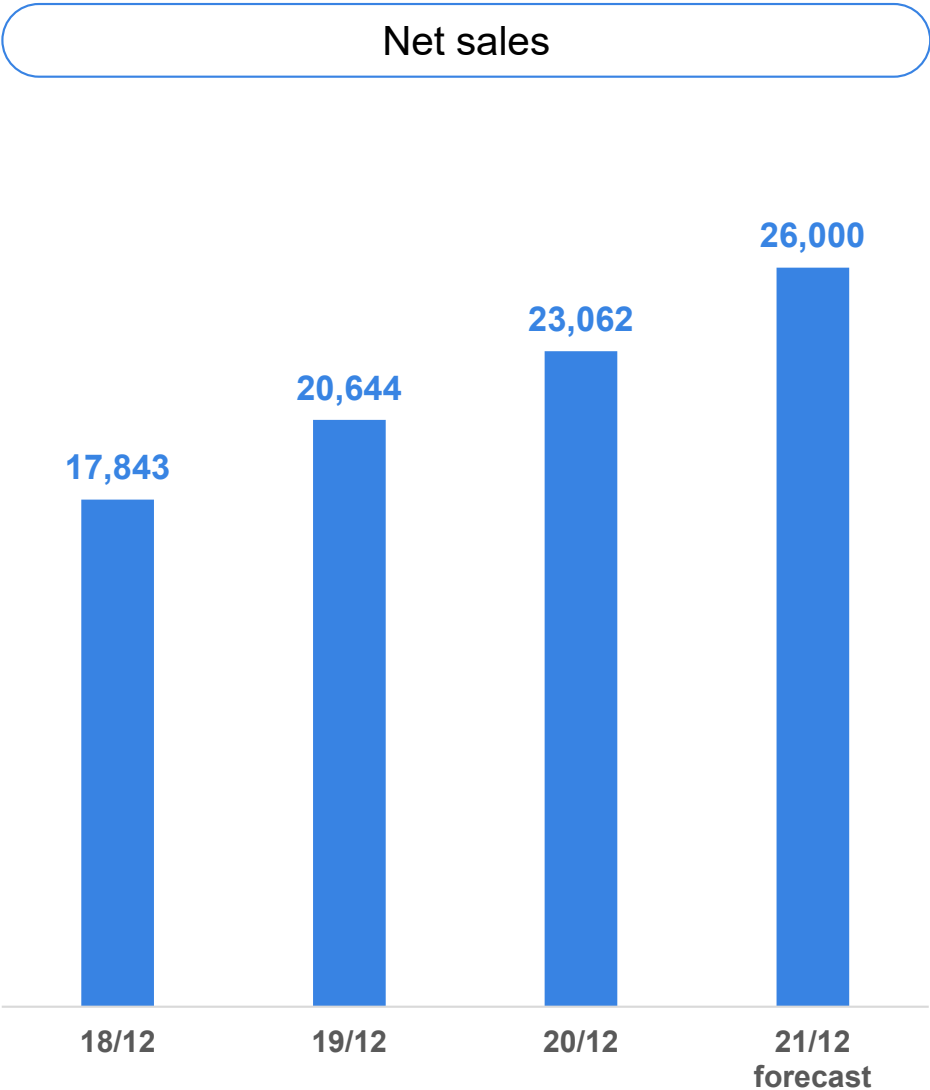
- ✓ **Production control, including labor saving** 160 million yen
- ✓ **Information security and other IT improvements** 16 million yen

# Business strengths - Summary -

We will develop into a highly profitable company through business expansion and improvements in competitiveness and efficiency

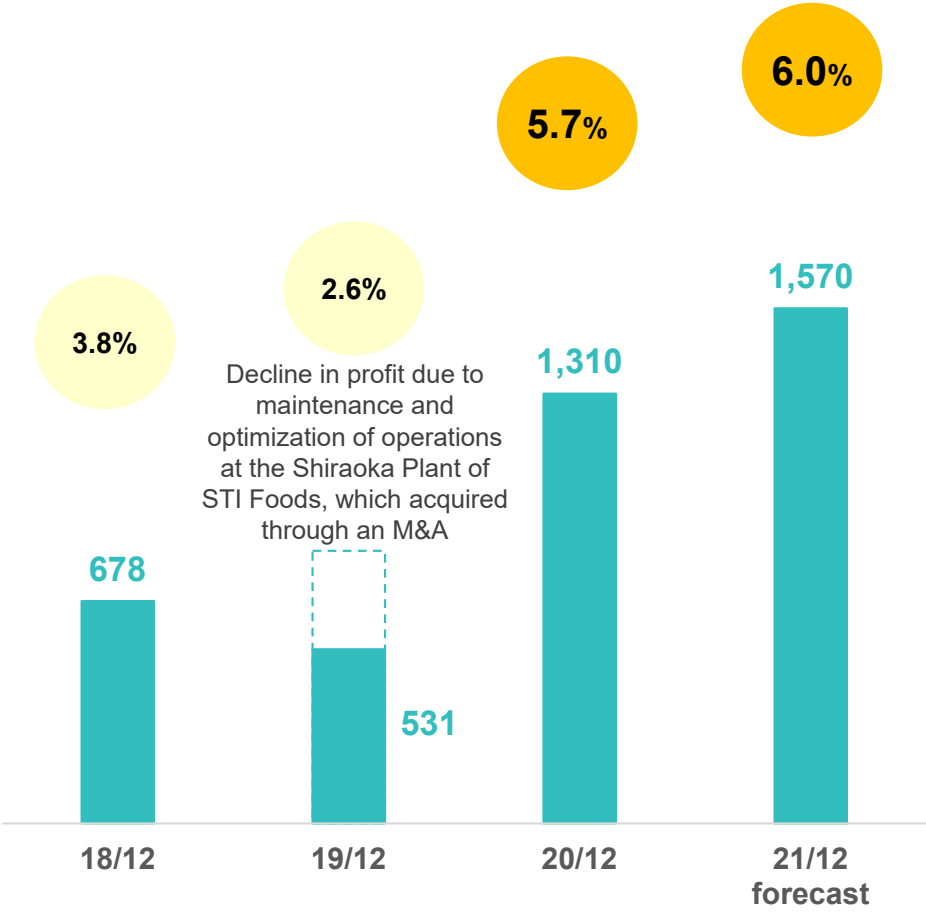
(Unit: million yen)

Net sales



Operating income

Operating income ratio

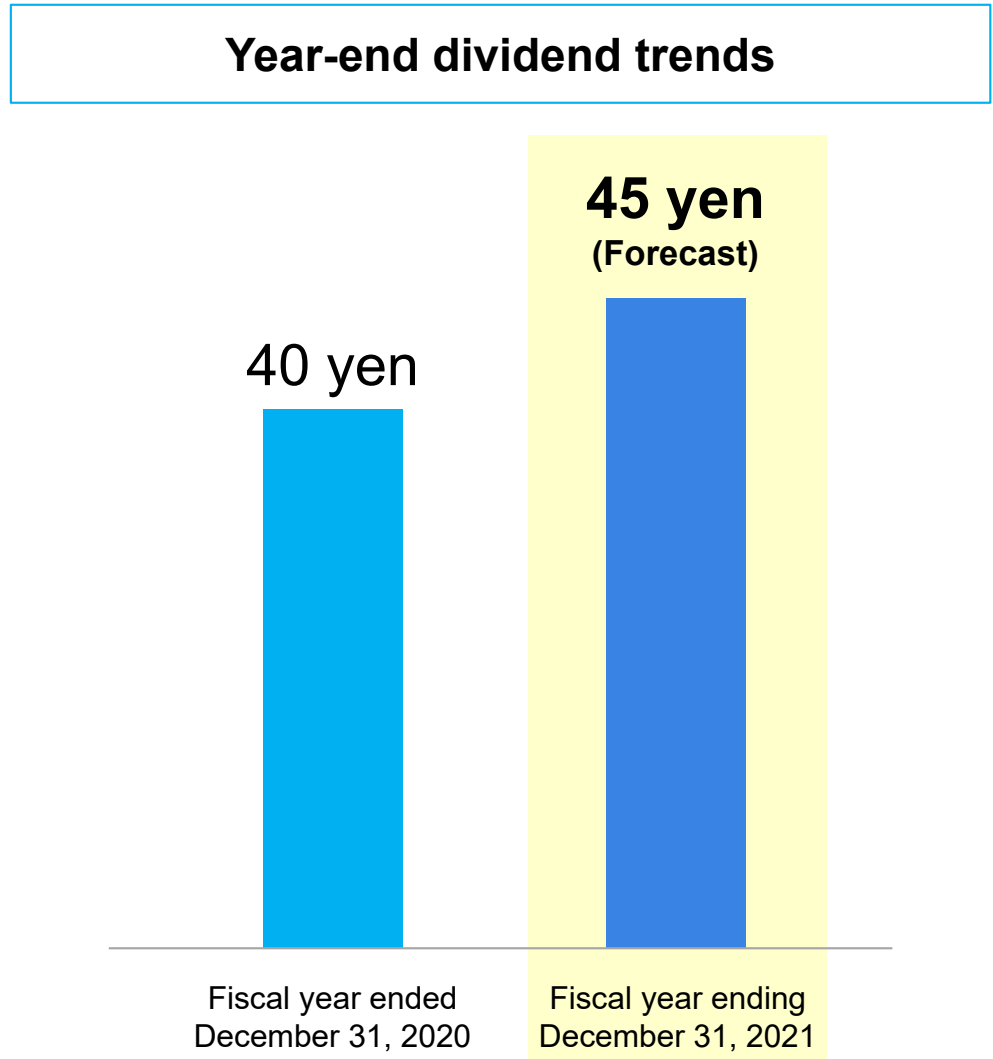


# Returns to shareholders

- ✓ **Started paying dividends in the first year of listing. There are plans to increase the dividend by 5 yen in the fiscal year ending December 31, 2021**

## ■ Dividend policy

- Returns to shareholders are an important management issues
- Aim for growth and stable dividends



Features and strengths of the business

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# Ability to create - R&D-oriented company -

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

## Three-step baking and gas substitution packing technology

### Grilled fish side dishes

- Incorporating the taste of freshly grilled fish at home in a popular Seven-Eleven product
- Extends consumption period to approximately 10 days without using preservatives

(From approximately 3 days to approximately 10 days)



January 2018

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

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

## Hot pack technology



### Red salmon flakes (patented)

### Aged seared cod roe (patent pending)

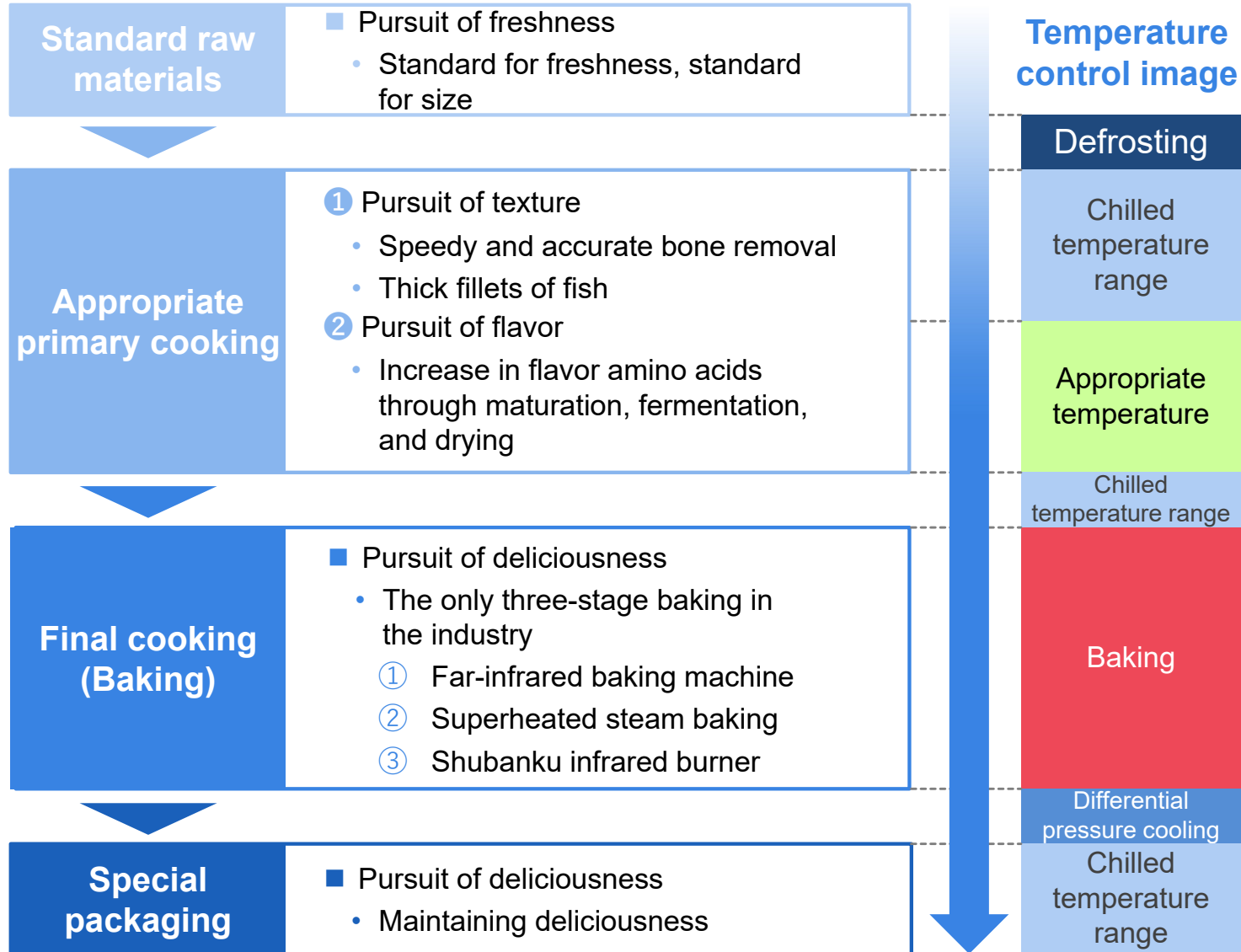
- Salmon flakes with almost the same texture and appearance as handmade fish flakes obtained by baking and hand-rolling fish at home
- Seared cod roe, which has the same texture and flavor as grilled cod roe prepared by baking in a toaster oven, grill, or frying pan
- This technology makes it possible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



# Ability to create - Integrated production, aggressive quality -

- **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



Far-infrared baking machine



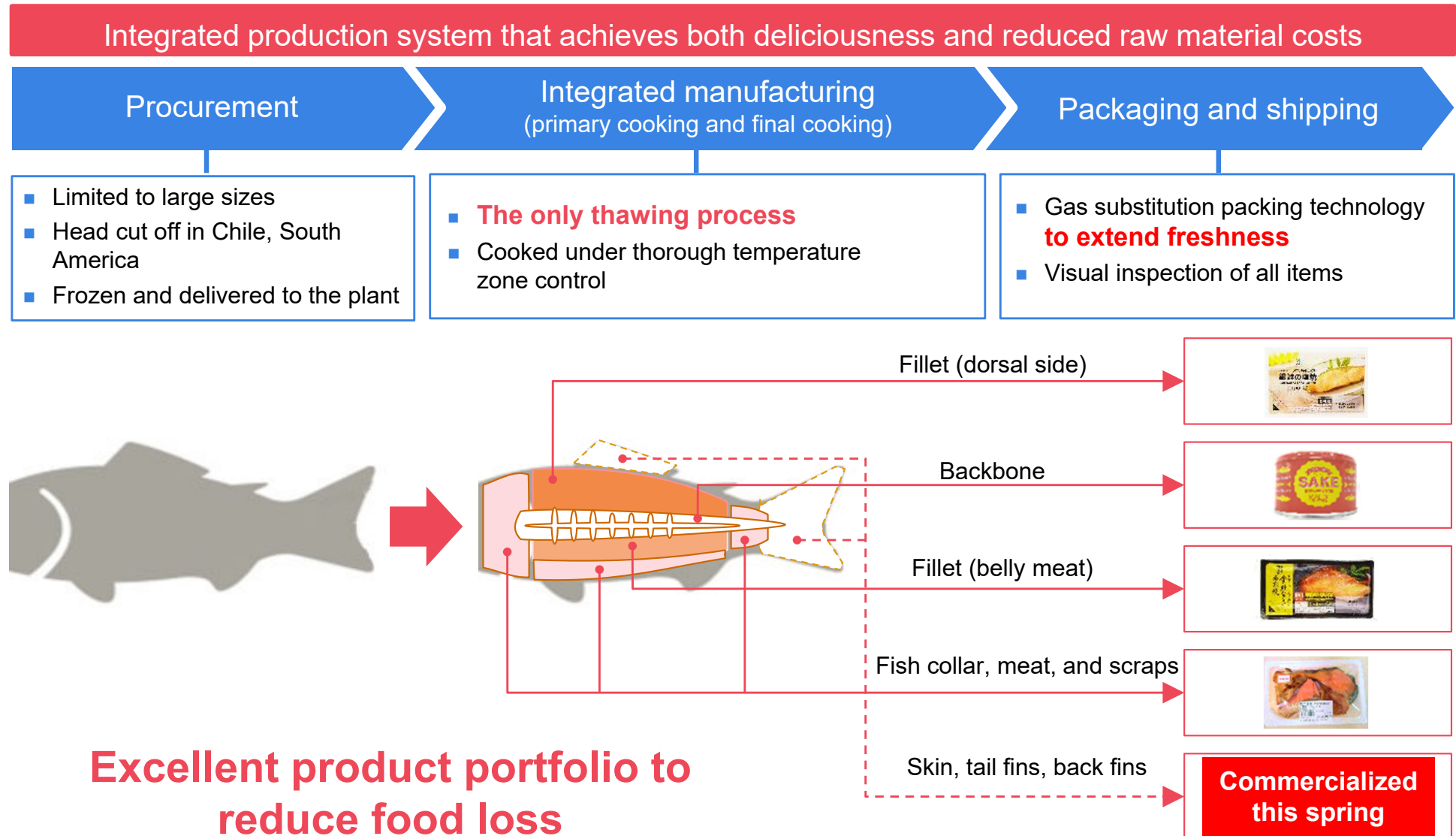
Superheated steam baking



Shubanku infrared burner

# Ability to create - Integrated production, reduction of food loss -

- **Integrated production** prevents the loss of flavor components and preserves the texture of fresh fish
- Reduce raw material costs **by thoroughly addressing food loss** with a product portfolio that uses up all ingredients.



# Ability to create - Defending quality -

- We thoroughly comply with quality standards based on Seven-Eleven's advanced quality control principles

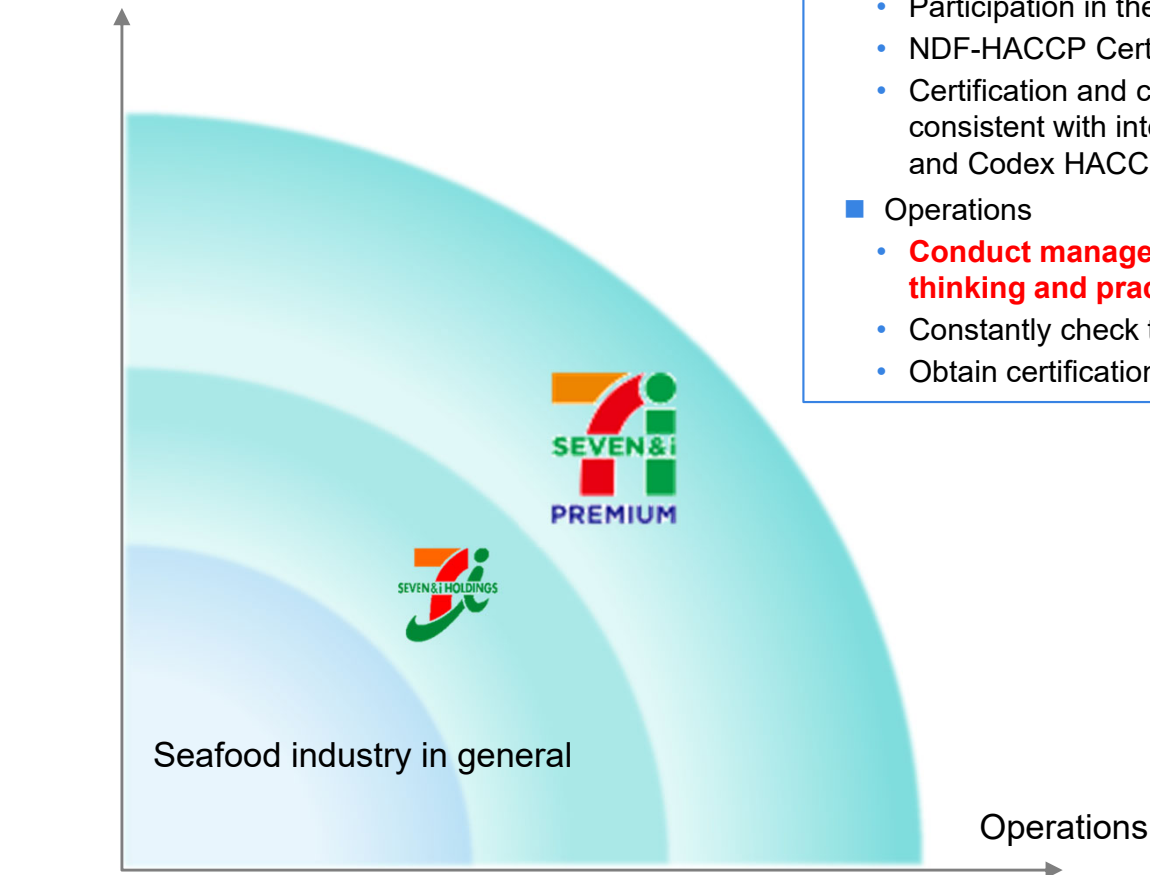
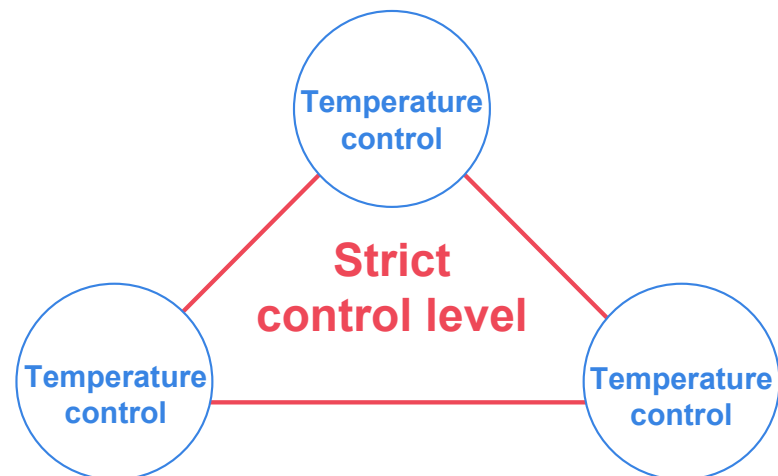
For more than 20 years since the start of business in 1998,  
we have been able to produce 500,000 servings per day of high-quality products  
in the field of prepared marine products, where quality control is difficult

## Seven Premium's standards and operations

- Standards
  - Participation in the establishment of JFSM
  - NDF-HACCP Certification System of HACCP and Nihon Delica Foods Association (NDF)
  - Certification and conformance certification of food safety management standards consistent with international standards, including ISO 22000, FSSC 22000, JFS standards, and Codex HACCP
- Operations
  - **Conduct management interviews and strictly question the thinking and practices of the organization**
  - Constantly check the feasibility of implementation on a daily basis
  - Obtain certification and conformance certification for JFS standards

Standards and certification

Operations





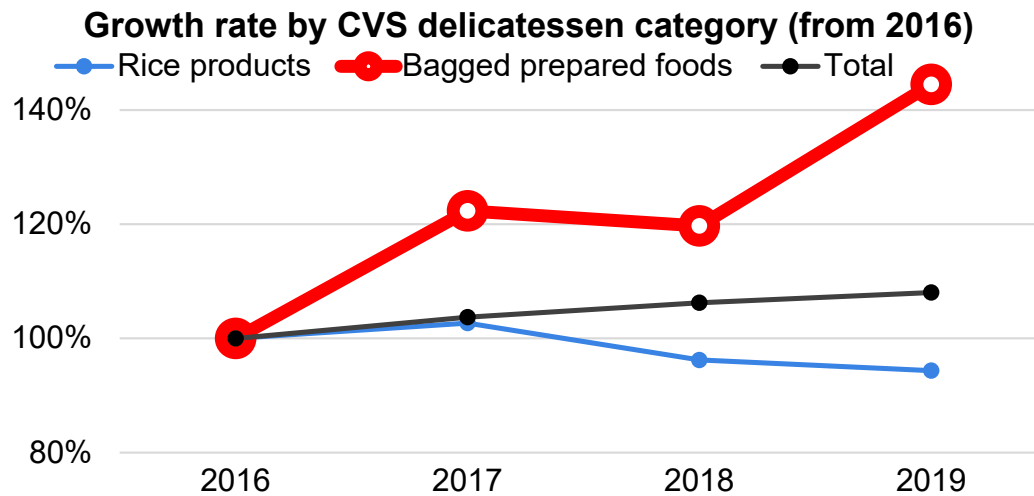
# Tailwinds in the market environment

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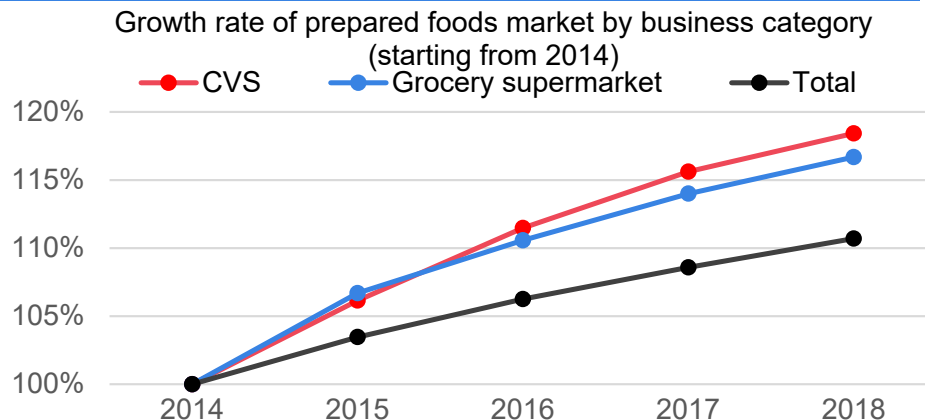
# Market environment - Growing prepared foods market

- The prepared foods market size is about 10 trillion yen, and it is a growing market in the food industry
- Changing lifestyles, doubling of prepared food sales space in convenience stores

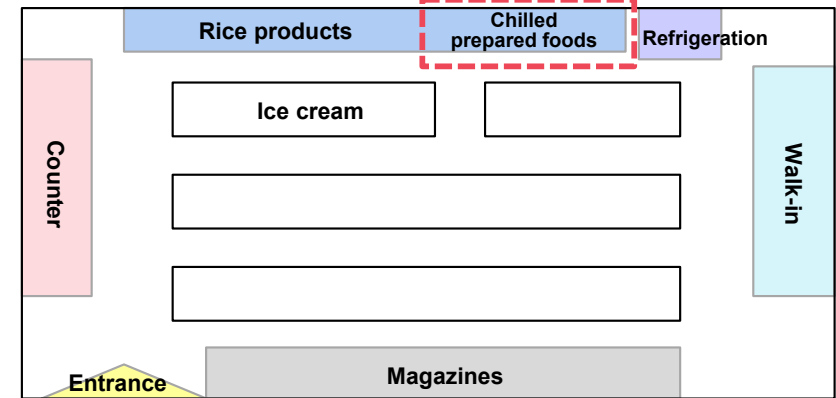
## Significant growth in bagged prepared foods\*1



## CVS is leading the way in home-meal replacement products

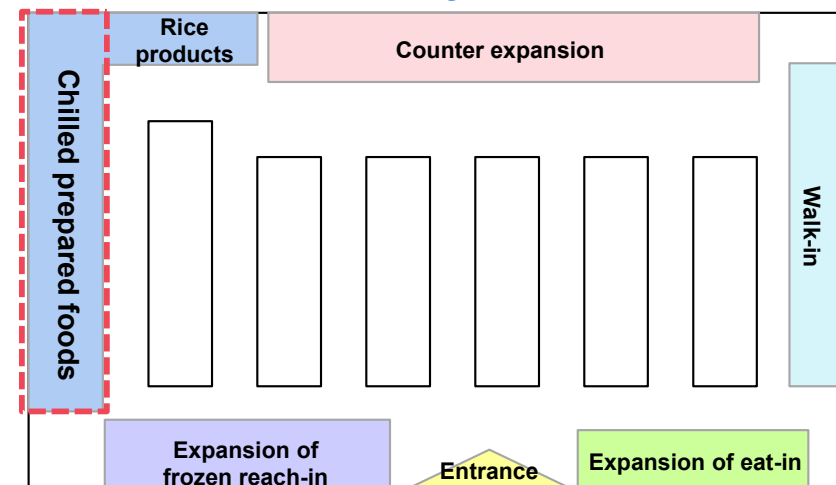


## Conventional layout



New layout that **doubles** the chilled side dish area

## New layout



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

\*1: Prepared packaged foods that are pasteurized at a low temperature after packaging and can be refrigerated for up to one month, includes salads such as potato salad, meat and potatoes, simmered mackerel in miso, etc.

# Growth strategy

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# Further expansion of production capacity

- We aim to reduce transportation costs and sales opportunity losses by building a new production plant in the Kinki region
- We aim to accelerate growth through expansion of production capacity and ability to create

## Yamatomi Ishinomaki Plant

**We will start production as a plant for Seven-Eleven from 2Q**

- Stock acquisition in June 2020
  - Production capacity of 150,000 meals/day
  - One of Japan's largest grilled fish prepared foods lines



## Assumed daily prepared foods production capacity (number per day)

	FYE December 31, 2020	Operating rate	Projection for FYE December 31, 2023	Operating rate
STI Foods	125,000 meals	88.0%	280,000 meals	*Including new plant
STI Delica	250,000 meals	44.0%	250,000 meals	-
STI Enak	100,000 meals	80.0%	150,000 meals	-
Yamatomi	70,000 meals	0.0%	120,000 meals	-
Kinki area plants	-	-	120,000 meals	-
Other new plants	-	-	50,000 meals	-
<b>Total</b>	<b>545,000 meals</b>	<b>55.0%</b>	<b>970,000 meals</b>	<b>62.4%</b>

## Kinki area

To be established with funds raised

Ishinomaki Plant

## West Japan

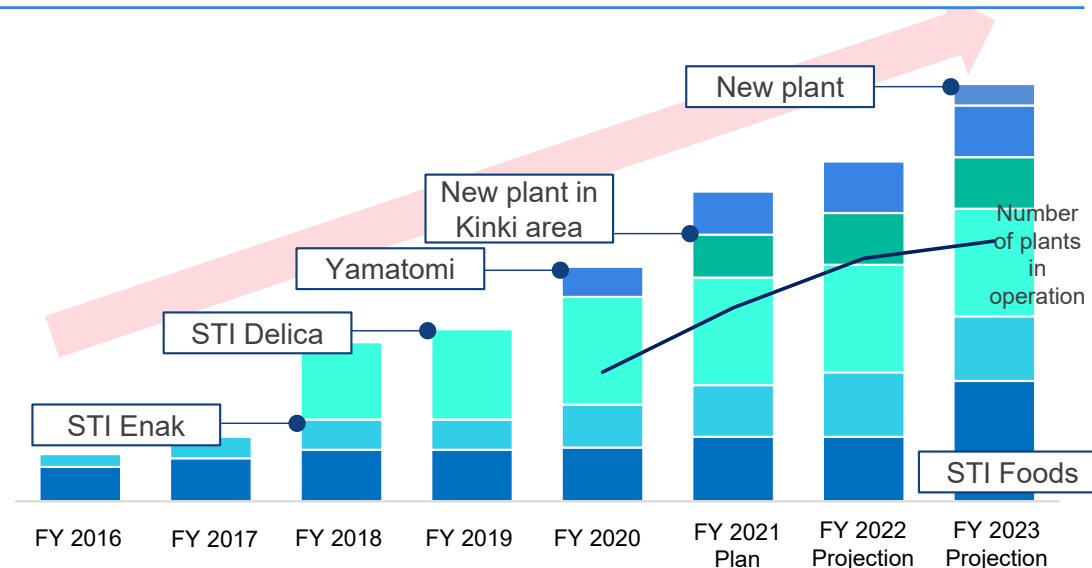
STI Enak

## East Japan

SANYO SHOKUJIN

STI Delica

STI Foods



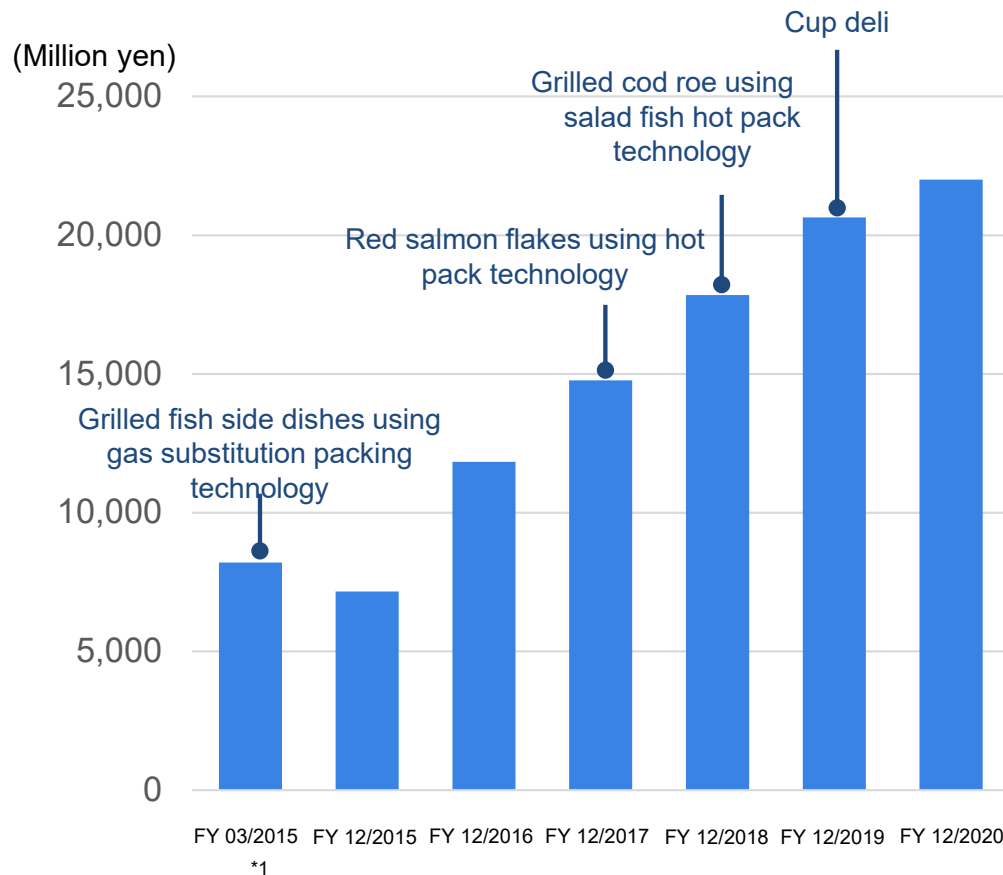
# Expanding business with Seven-Eleven

- We will expand sales of prepared marine products to Seven-Eleven through the development of new products that meet consumer needs
- We aim to enter the growing fish market in North America through 7-Eleven, Inc.

We aim to further expand the market for prepared marine products in Japan

## Japan

Sales to Seven-Eleven expanding along with new product rollout



\*1: Nine-month accounting period due to change in fiscal year-end

\*2: From Allied Market Research, "Seafood Market", April 2020

We aim to create a new market for prepared marine products in North America

## Overseas (North America)

Stable growth of North American marine products market  
\$7,740 M<sup>\*2</sup>



7-Eleven, Inc.  
9,802 directly-operated stores<sup>\*3</sup>



Speedway  
Approximately 3,900 stores<sup>\*4</sup>



STI Foods Holdings, Inc.

**STI AMERICA Inc.**

\*3: As of the end of March 2020, Based on Seven & i Holdings press release (August 3, 2020)

\*4: As of the end of December 2019, Based on Seven & i Holdings press release (August 3, 2020)

# Develop new sales channels - Form alliances with retail players other than Seven-Eleven -

- We will expand alliances with retail players other than Seven-Eleven to develop new consumer segments
- We will build a strong alliance with Camel Coffee and promote joint product development

## Business with Camel Coffee



Capital alliance for joint development of original products



STI Foods Holdings, Inc.

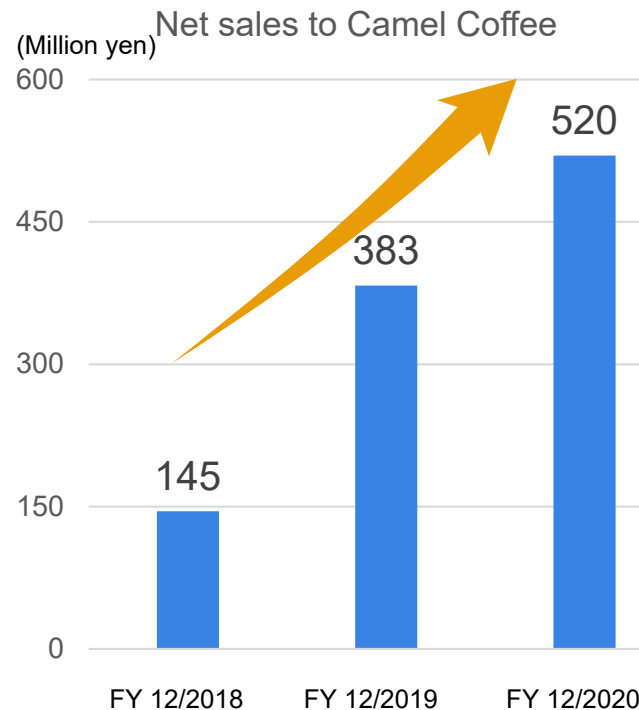
**448 stores nationwide  
(as of August 2019)\*<sup>1</sup>**



Feels like a treasure hunt  
in the alleyway





Bustling and lively store

### Rapidly expanding transactions in a short period of time



### Development of 10 items in 1.5 years


#### ■ Canned fish products

Simmered mackerel in water		May 2018
Simmered sardines in water		March 2019 (now discontinued)
Mackerel curry		December 2019
Simmered salmon backbones in water		May 2020
Harissa mackerel		August 2020

#### ■ Canned food

Three canned pate products on sale at the same time		October 2019
<ul style="list-style-type: none"> <li>• Smoked cheese and lemon</li> <li>• Rosemary and capers</li> <li>• Roasted almonds and black pepper</li> </ul>		

#### ■ Seafood

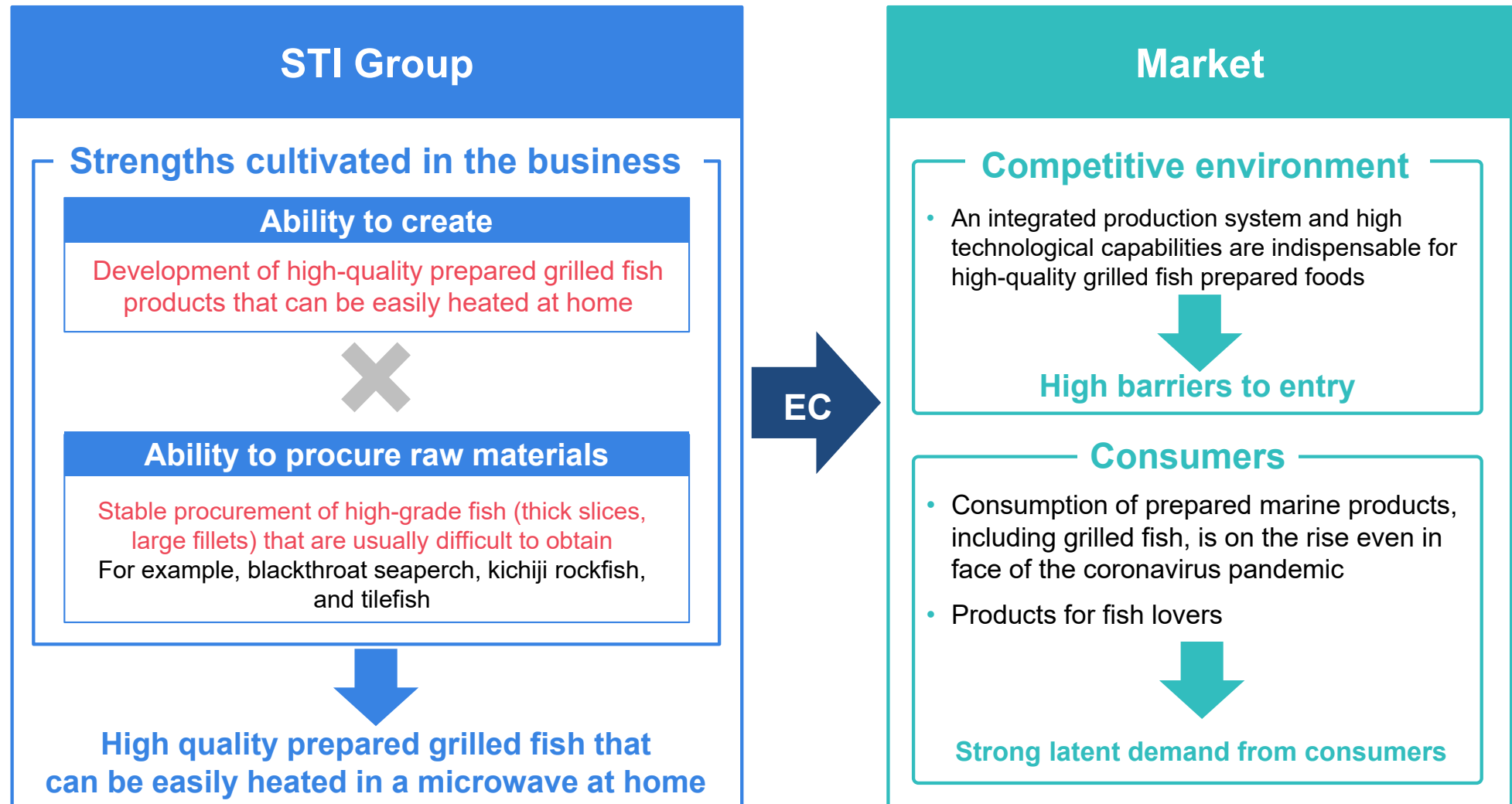
Salmon jerky		November 2019
Mussels in garlic butter		November 2019
Smoked salmon		December 2019

\*1: From the company website: <https://camelcoffee.jp/overview/>

## Develop new sales channels - E-commerce development of our own brand for fish lovers -

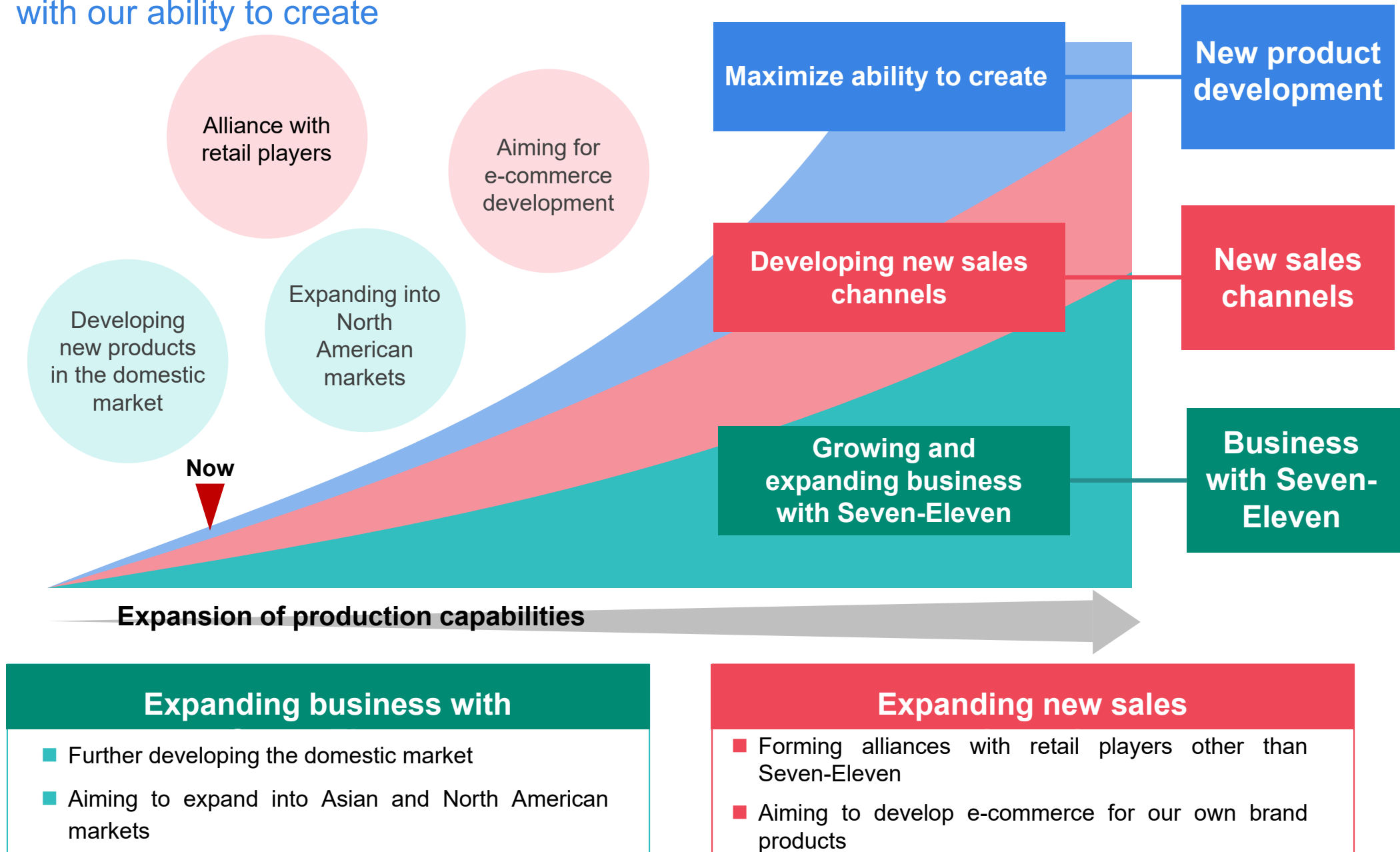
- We aim to enter the BtoC business with products of a size and depth that cannot be handled in stores

Delivering the true value of our ability to create directly to consumers



# Growth image

- Pioneer of prepared seafood products that will revolutionize the seafood food industry with our ability to create





## (Reference) SDGs initiatives

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# SDGs initiatives (1)

- Obtained MSC-CoC and ASC-CoC certification in June 2019
- Ensuring sustainable raw material procurement



## Working with MarineFarm on ASC-certified Chilean silver salmon

- Establishment of the Pompom Site<sup>\*4</sup> that meets the INFA<sup>\*3</sup> requirements of Serenapesca<sup>\*2</sup>
- 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.



## Red salmon fishing in Bristol

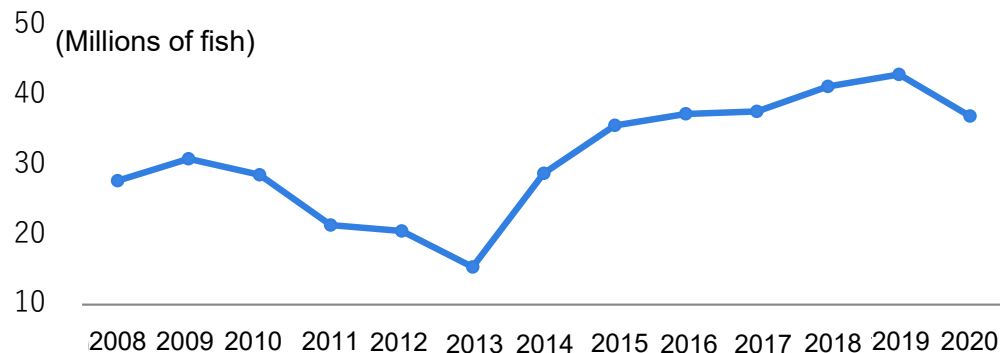
### Healthy salmon fishery

- 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<sup>\*1</sup>



\*1: Excerpt from Alaska Department of Fish and Game materials

\*2: Chilean Fisheries Agency

\*3: Abbreviation for "Information of environmental", which environmental information researched and published by the Chilean agency that manages fishing rights and aquaculture licenses

\*4: Name of the fish tank owned by the aquaculture company MarineFarm

# SDGs initiatives (2)

- Initiatives to extend the consumption period using unique packaging technology
- Initiatives to reduce fron 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 fron gas

## Introduction of nitrogen freezing machine

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



In addition to **reducing fron 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.**