

Results Briefing Materials for the Fiscal Year Ended December 31, 2021

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



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◆ February 14, 2022

Financial summary

Consolidated statement of income

(Unit: million yen)

	Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2021		YoY	Change
	Results	Sales ratio	Results	Sales ratio		
Net sales	23,062	-	26,264	-	113.9%	3,202
Cost of sales	16,871	73.2%	19,007	72.4%	112.7%	2,135
Gross profit	6,190	26.8%	7,257	27.6%	117.2%	1,067
Selling, general and administrative expenses	4,866	21.1%	5,534	21.1%	113.7%	668
Operating income	1,323	5.7%	1,723	6.6%	130.2%	399
Ordinary income	1,276	5.5%	1,745	6.6%	136.8%	469
Net income attributable to owners of the parent company	832	3.6%	1,110	4.2%	133.4%	278
EPS (yen)	162.65	-	199.95	-	122.9%	37.30

*As a result of reviewing the cost management method from the fiscal year ended December 31, 2021, the consolidated financial statements for the fiscal year ended December 31, 2020 are retrospectively adjusted.

As a result, "cost of sales" for the fiscal year ended December 31, 2020 decreased by 13 million yen and "gross profit" and "operating income" increased by the same amount, but there was no impact on "ordinary income" and "income before income taxes."

Forecast and actual results for the fiscal year ended December 31, 2021

- Profitability increased in the first and second quarters due to improved production efficiency.
- Although profitability declined from the third quarter due to the rise in raw material prices, the results were in line with the forecast.

(Unit: million yen)

	Initial forecast (Announced on February 12, 2021)		Revised forecast (Announced on August 10, 2021)		Results		
	Forecast	Sales ratio	Forecast	Sales ratio	Results	Sales ratio	Against forecast
Net sales	26,000	-	26,000	-	26,264	-	101.0%
Operating income	1,570	5.7%	1,730	6.6%	1,723	6.6%	99.6%
Ordinary income	1,560	5.5%	1,720	6.6%	1,745	6.6%	101.5%
Net income attributable to owners of the parent company	1,010	3.6%	1,110	4.2%	1,110	4.2%	100.1%
EPS (yen)*	183.78	-	199.81	-	199.95	-	100.1%

*The Company has issued 200,000 shares of new stock through a public offering with a payment date of October 5, 2021 and 57,400 shares of new stock through a third-party allotment with a payment date of October 18, 2021.

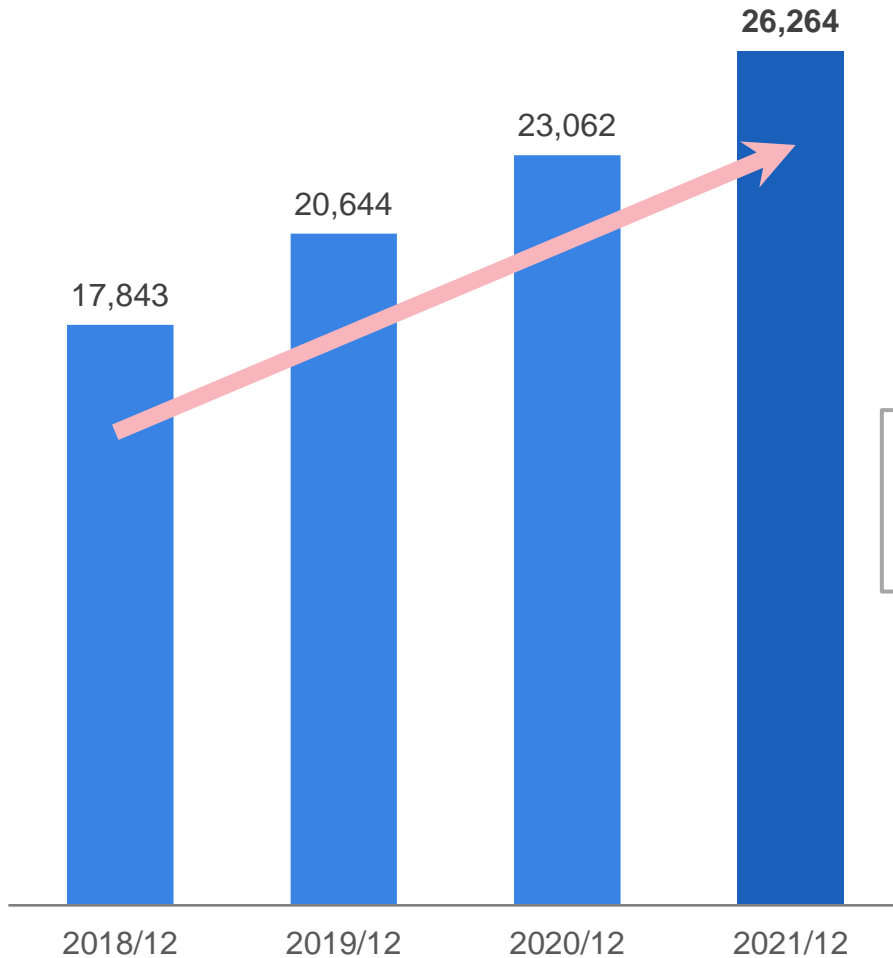
As a result, the EPS (yen) in the revised forecast has been revised from the figure at the time of the announcement to take into account the impact of the issuance of new shares.

Trends in full year results

- Achieved growth in net sales and ordinary income ratio at the same time by expanding business and improving business efficiency

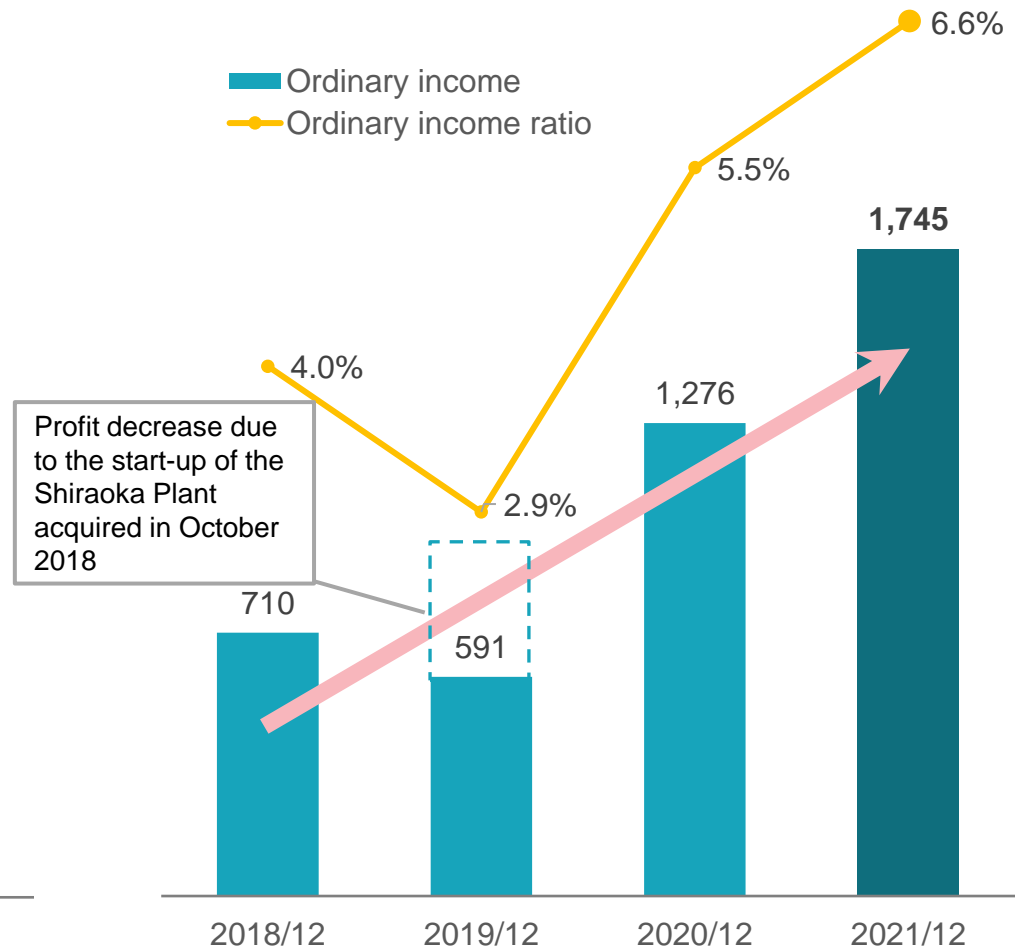
Net sales

(Unit: million yen)



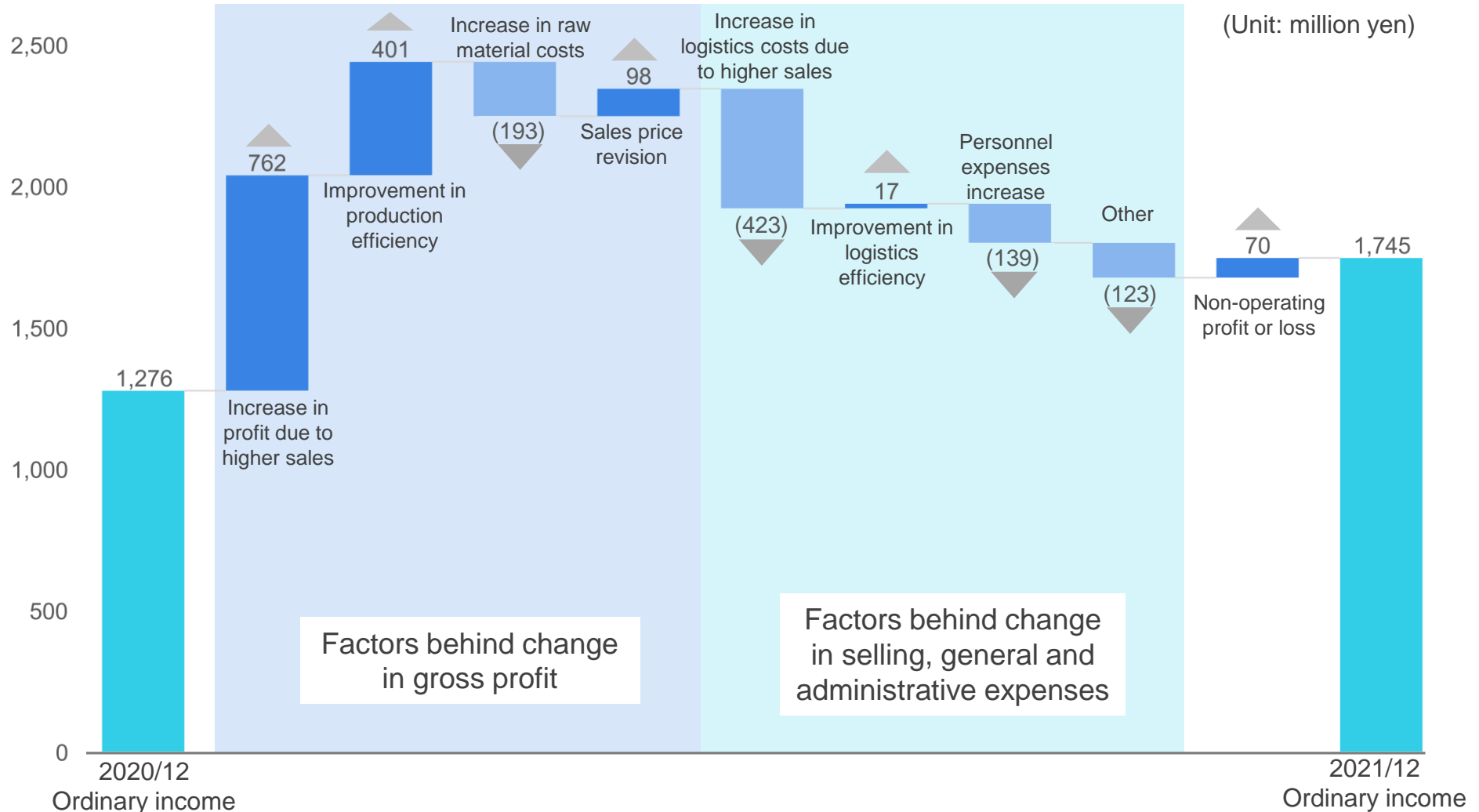
Ordinary income / ordinary income ratio

(Unit: million yen)



Analysis of changes in ordinary income

- Raw material costs rose due to increased overseas demand in the second half, while cost of sales, mainly labor costs, were reduced by improving production efficiency, resulting in a 136.8% year-on-year increase in ordinary income to 1,745 million yen.



Consolidated balance sheet and consolidated statement of cash flows

Consolidated balance sheet

(Unit: million yen)

	End of FYE 2020/12	End of FYE 2021/12	YoY	Change
Current assets	6,775	8,206	121.1%	1,430
Of which, cash and deposits	2,598	3,293	126.7%	694
Non-current assets	4,548	4,571	100.5%	22
Of which, property, plant and equipment	3,741	3,833	102.4%	91
Total assets	11,324	12,777	112.8%	1,453
Total liabilities	7,758	7,336	94.6%	(421)
Current liabilities	5,352	5,558	103.9%	206
Non-current liabilities	2,406	1,777	73.9%	(628)
Total net assets	3,566	5,440	152.6%	1,874
Total liabilities and net assets	11,324	12,777	112.8%	1,453

Consolidated statement of cash flows

(Unit: million yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Change
Cash provided by (used in) operating activities	1,130	1,490	360
Cash provided by (used in) investing activities	(231)	(518)	(287)
Cash provided by (used in) financing activities	215	(287)	(503)
Cash and cash equivalents at end of period	2,548	3,243	694

Progress of priority measures, issues, and future initiatives

Issues related to the business environment

- The exit from the COVID-19 (Omicron) pandemic is not foreseeable and the future is uncertain, which will affect sales and production.
- ✓ Problem of securing labor force due to strong restriction on foreigners' entry
- ✓ Problem on timely availability of raw materials due to stagnation of global supply chain
- ✓ Price increase of raw materials due to soaring prices of marine resources
- ✓ Increased possibility of yen depreciation
- ✓ Increased cost in various fields due to soaring oil price
- ✓ Decline in profit due to time lag between raw material price increase and transfer to sales price



The outlook is not optimistic.

Future initiatives: Increase production capacity

Change of policy for the Kinki area plant in the mid-term perspective

- Reuse of an existing plant will not provide the most important conditions for us, such as wastewater treatment facilities.
- Changed policy to build a new model plant with state-of-the-art equipment in anticipation of new plants in the Tokyo metropolitan area and North America.
- Currently narrowing down and selecting target site

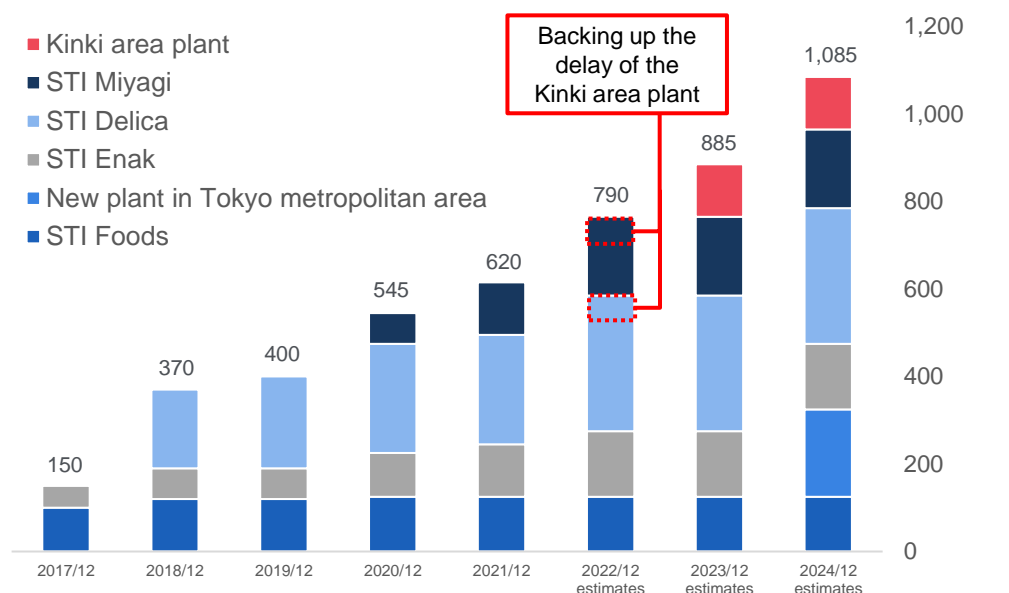
Increase alternative production capacity

- Backing up the delay of the Kinki area plant by increasing the production capacity of STI Delica and STI Miyagi

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

- STI Foods with limited production capacity prepares to build a new plant
- Improved delivery efficiency by in-house sorting by store
- Optimize facilities to be installed by utilizing knowledge from the Kinki area plant
- Assumption of new plant establishment in the FYE December 2023 changed to FYE December 2024

Changes in production capacity (number per day) (Unit: thousands of meals)



	2020/12	2021/12	2022/12 estimates	2023/12 estimates	2024/12 estimates
Actual operating days (thousand meals)	300	415	460	520	620
Changes in operating rate	55%	67%	58%	59%	57%

*Production capacity is the figure at the end of the fiscal year.

Future initiatives: Expansion of new sales

Start new transactions with distinctive retail partners

- Commencement of sales of precooked fish to a health food mail-order company
- Start selling fish products to a major meal kit delivery service
- Commencement of sales of precooked fish to an office-based company cafeteria service for corporations



M&A strategy

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

Progress in priority measures

Expand business with Seven-Eleven, Inc.

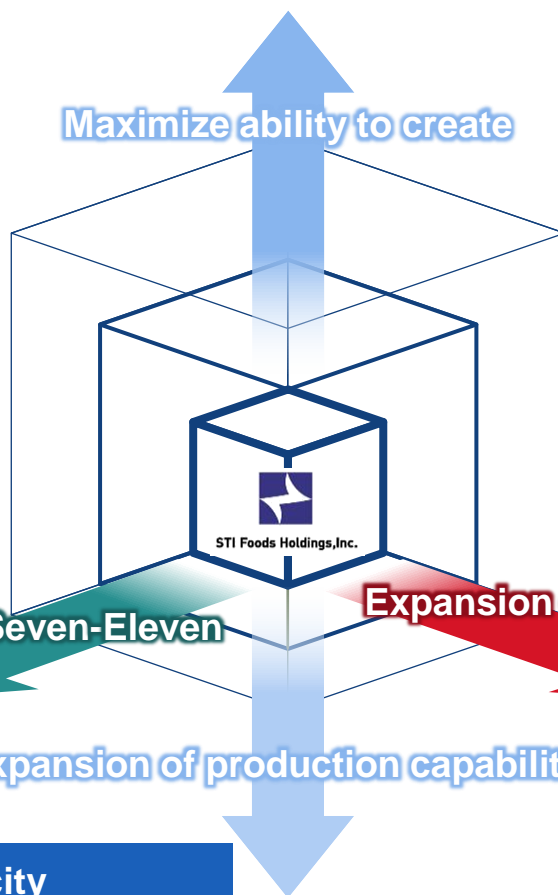
- Overseas market development (US and Asia)
 - **First shipment to Taiwan completed, looking to expand business to the Philippines and Shanghai**
- Measures to expand domestic sales (cup salads, hot menu items, etc.)
 - **Start selling new winter products**

Expanding business with Seven-Eleven

Increase production capacity

- New plant in Kinki area
 - **Newly establish as a model plant**
- STI Miyagi: Expansion of production lines
 - **Strengthen production capacity of STI Delica and STI Miyagi to compensate for the delay in building a new Kinki area plant**

Maximize ability to create



Strengthen R&Ds and new product development

- Taking on the challenge of new production methods and technologies at a faster pace
 - **Strengthen development system**
- Deepen product development with Tsujicho Group (Tsujii Culinary Institute)
 - **Continue to focus**

Expansion of new sales

Expansion of new sales

- M&A strategy (shift to acquisition of sales companies and logistics companies)
 - **Continue to consider acquisition targets**
- Start new transactions with distinctive retail partners
 - **Start transactions with major mail-order companies and major home delivery companies**

FYE 2022/12 earnings forecast and shareholder return policy

FYE 2022/12 full-year earnings forecast

We expect the business environment to remain challenging, and while we are conservative in our outlook, we will continue to implement priority measures to solidify our footing for growth and expansion.

(Unit: million yen)

	Fiscal year ended December 31, 2021		Fiscal year ended 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 schedule	FY 2022/12 forecast
Dividend per share	40 yen	55 yen	55 yen

[Shareholder benefit program]

On the last day of June and December every year, shareholders who own at least one unit (100 shares) [receive the Company's products exclusively for shareholders.](#)

Image of shareholder benefit products sent



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	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.
Representative	President and Representative Director Yutaka Jumi	Listing date	September 25, 2020 (Second Section of the Tokyo Stock Exchange)

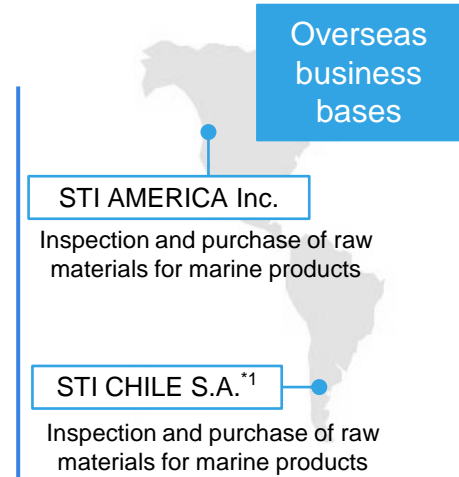
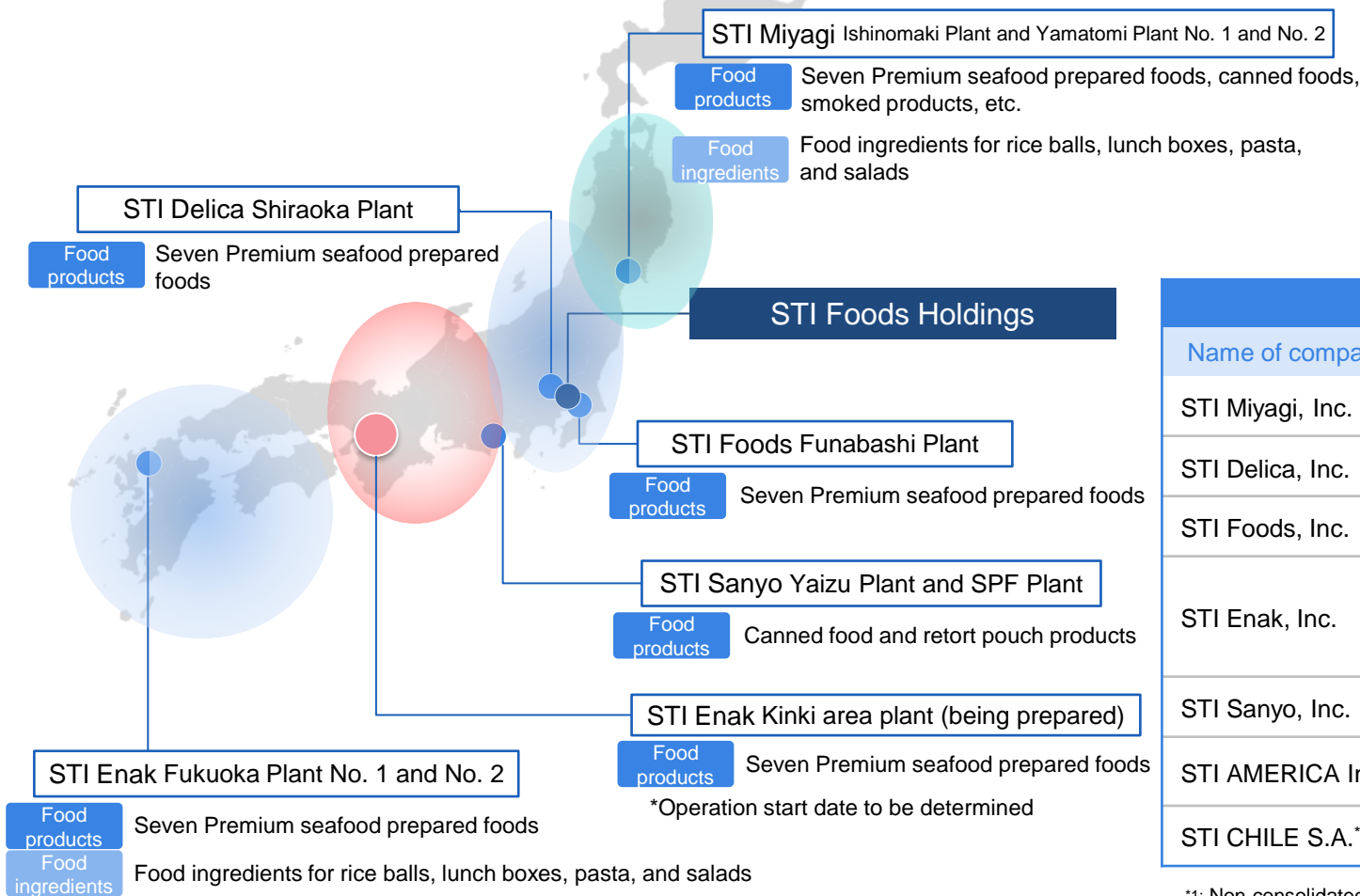
Business description

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.	

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) Undisclosed due to ongoing business negotiations
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: Manufacturing technologies and patents

Research new manufacturing methods and develop 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**

.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

April 2021

Cup salad gas substitution technology

Cup salad

- 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)

Hot pack technology

November 2020

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

January 2018

Three-step baking and gas substitution

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)

May 2014

Bacteriostatic technology for fresh salmon roe

Seasoned salmon roe

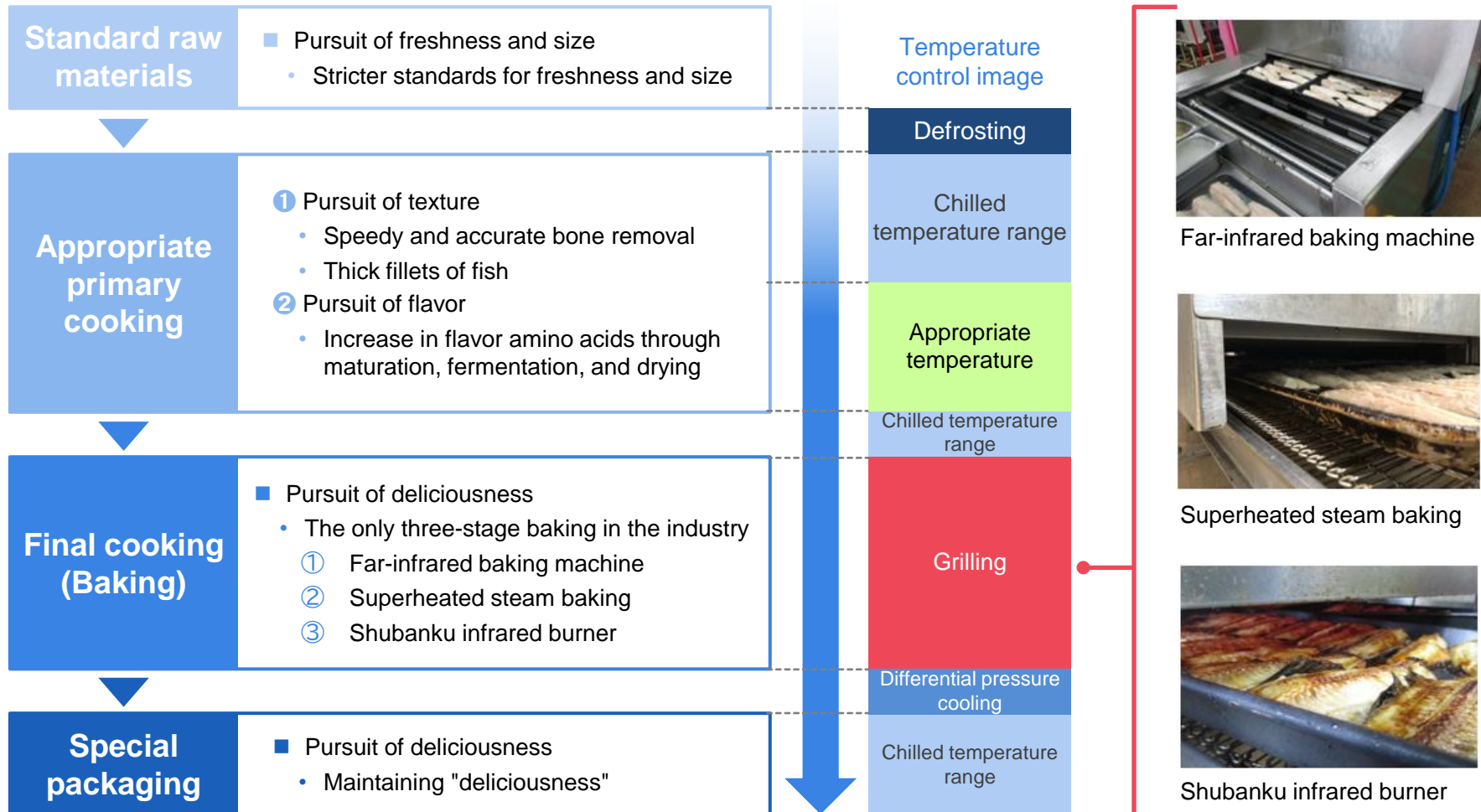
- Achieved the original flavor of salmon roe
- Pioneer of seasoned salmon roe for rice balls for convenience stores

August 1997

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**

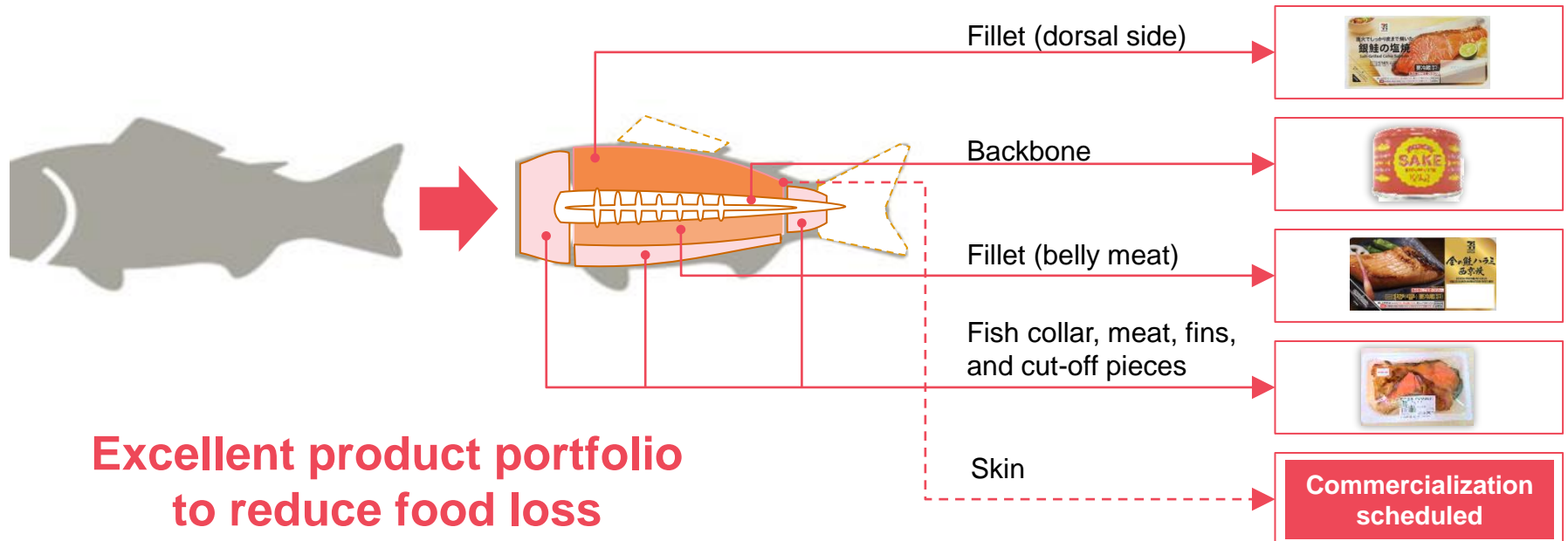
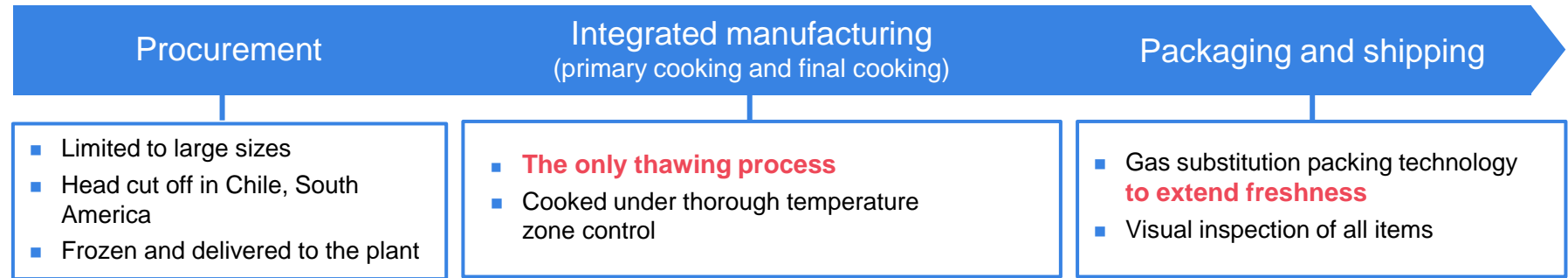
Manufacturing process for grilled fish prepared foods



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

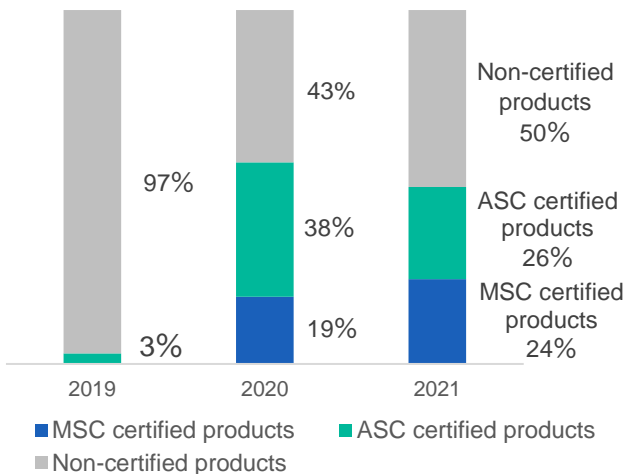
Responsibility to deliver the blessings of the sea



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.

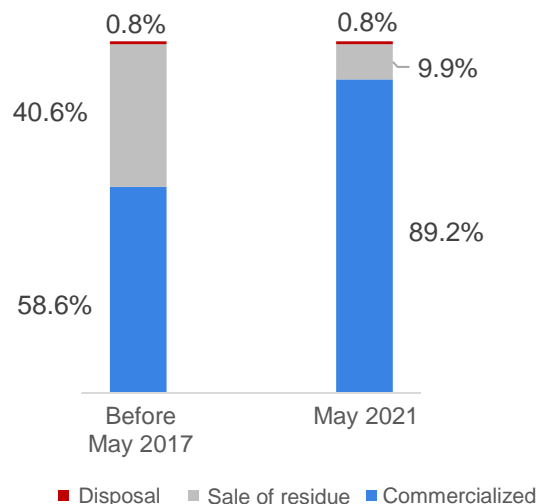
Mission as a food manufacturer



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

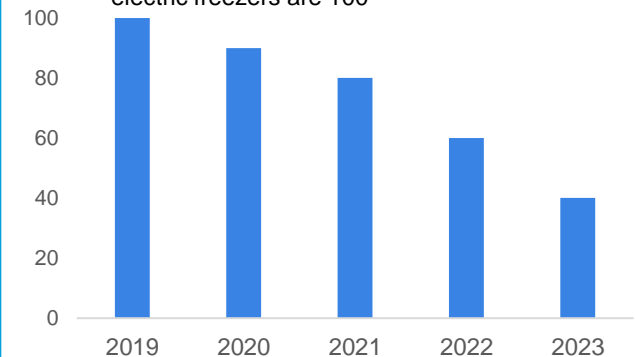
Eco-friendly business activities



Reduction of greenhouse gas emissions

60% reduction in CO₂ emissions

Plan to reduce CO₂ emissions by introducing nitrogen freezers, assuming CO₂ 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 CO₂ 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.