

# Results Briefing Materials for the Fiscal Year Ended December 31, 2022

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



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◆ February 14, 2023

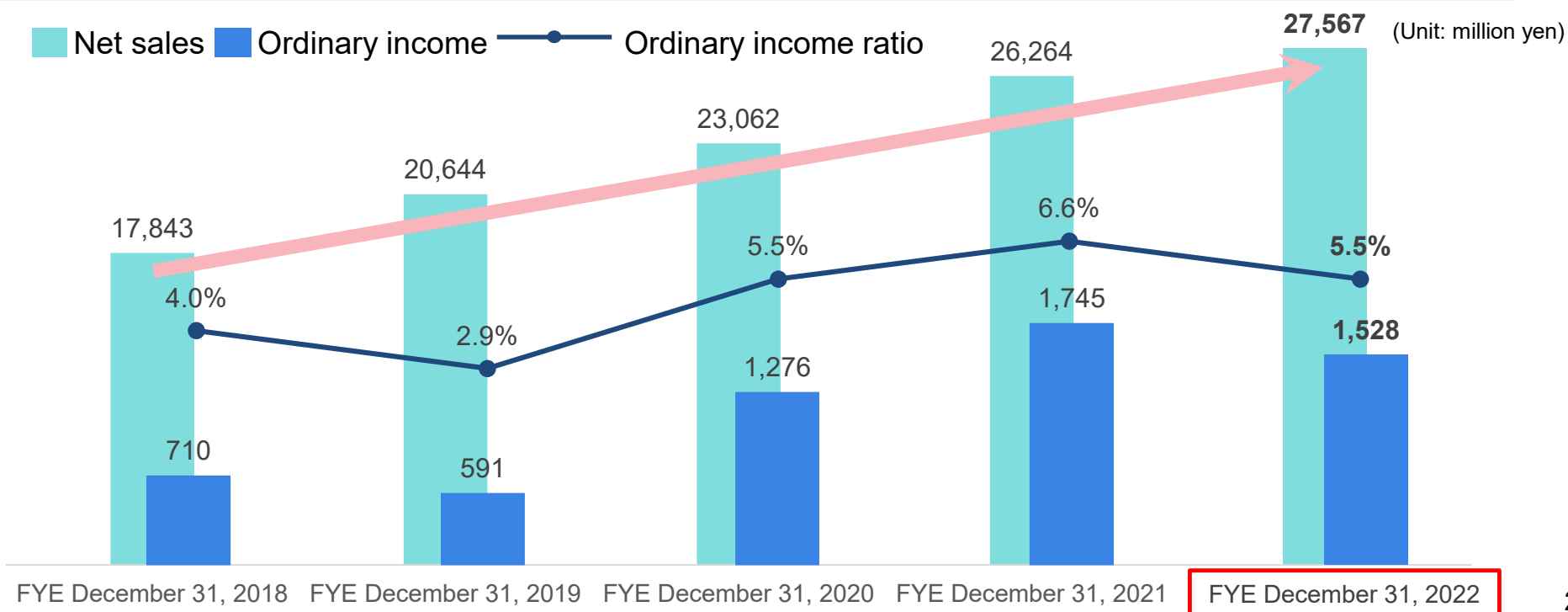
# Summary of financial results

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# Trends in full year results

- Although environmental factors, such as exchange rate fluctuations, put pressure on profits, the Company responded with measures including renewal. Net sales increased due to continuous introduction of new products and thorough manufacturing quality.

	Net sales	Ordinary income	Net income attributable to owners of the parent company
<b>FYE December 31, 2022</b>	<b>27,567 million yen</b>	<b>1,528 million yen</b>	<b>1,006 million yen</b>
FYE December 31, 2021	26,264 million yen	1,745 million yen	1,110 million yen
FYE December 31, 2020	23,062 million yen	1,276 million yen	832 million yen



## Forecast and actual results for the fiscal year ended December 31, 2022

- Fair price increases, new product launches, and thorough manufacturing quality in response to unforeseen circumstances, such as the impact of the fire that occurred at the Funabashi Plant at the beginning of the fiscal year and the rapid depreciation of the yen, resulted in results that were largely in line with the forecast.

(Unit: million yen)

	Initial forecast (Announced on February 14, 2022)		Results		
	Forecast	Sales ratio	Results	Sales ratio	Compared to forecast
Net sales	28,000	-	<b>27,567</b>	-	<b>98.5%</b>
Operating income	1,500	5.4%	<b>1,488</b>	5.4%	<b>99.2%</b>
Ordinary income	1,500	5.4%	<b>1,528</b>	5.5%	<b>101.9%</b>
Net income attributable to owners of the parent company	950	3.4%	<b>1,006</b>	3.7%	<b>105.9%</b>
EPS (yen)*	165.14	-	<b>174.17</b>	-	<b>105.5%</b>

# Consolidated statement of income

(Unit: million yen)

	FYE December 31, 2021		FYE December 31, 2022		YoY	Change
	Results	Sales ratio	Results	Sales ratio		
Net sales	26,264	-	<b>27,567</b>	-	105.0%	1,302
Cost of sales	19,007	72.4%	<b>20,178</b>	<b>73.2%</b>	106.2%	1,171
Gross profit	7,257	27.6%	<b>7,388</b>	<b>26.8%</b>	101.8%	130
Selling, general and administrative expenses	5,534	21.1%	<b>5,900</b>	<b>21.4%</b>	106.6%	365
Operating income	1,723	6.6%	<b>1,488</b>	<b>5.4%</b>	86.4%	(234)
Ordinary income	1,745	6.6%	<b>1,528</b>	<b>5.5%</b>	87.6%	(217)
Net income attributable to owners of the parent company	1,110	4.2%	<b>1,006</b>	<b>3.7%</b>	90.6%	(104)
EPS (yen)	199.95	-	<b>174.17</b>	-	87.1%	(25.78)

# Consolidated balance sheet and consolidated statement of cash flows

## Consolidated balance sheet

(Unit: million yen)

	End of FYE 2021/12	End of FYE 2022/12	YoY	Change
Current assets	8,206	9,139	111.4%	933
Of which, cash and deposits	3,293	2,686	81.6%	(606)
Non-current assets	4,571	4,666	102.1%	95
Of which, property, plant and equipment	3,833	4,035	105.3%	201
<b>Total assets</b>	<b>12,777</b>	<b>13,806</b>	108.1%	1,028
Total liabilities	7,336	7,604	103.7%	267
Current liabilities	5,558	5,977	107.5%	418
Non-current liabilities	1,777	1,626	91.5%	(151)
Total net assets	5,440	6,202	114.0%	761
<b>Total liabilities and net assets</b>	<b>12,777</b>	<b>13,806</b>	108.1%	1,028

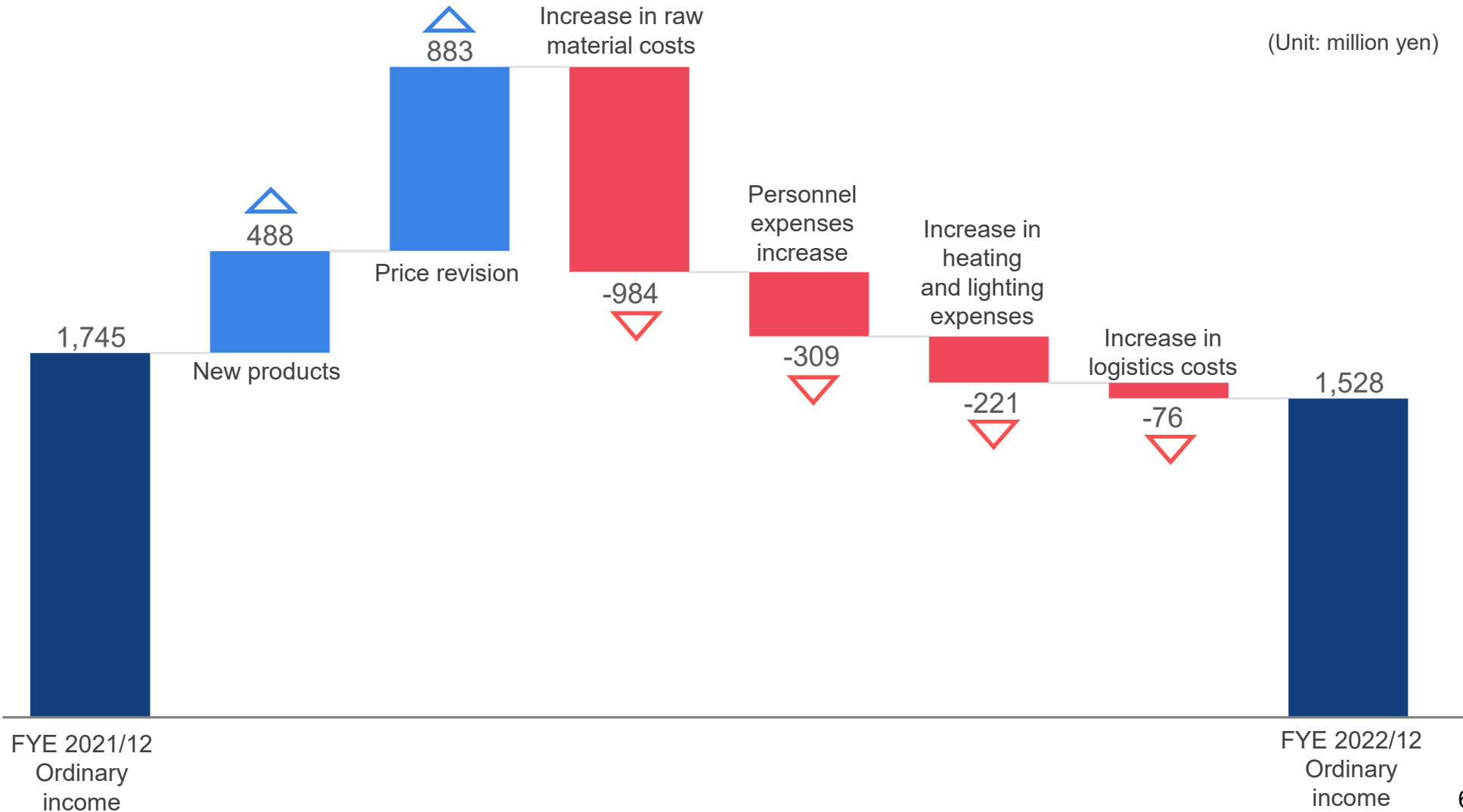
## Consolidated statement of cash flows

(Unit: million yen)

	FYE December 31, 2021	FYE December 31, 2022	Change
Cash provided by (used in) operating activities	1,490	859	(631)
Cash provided by (used in) investing activities	(518)	(660)	(141)
Cash provided by (used in) financing activities	(287)	(822)	(535)
Cash and cash equivalents at end of period	3,243	2,636	(606)

# Analysis of changes in ordinary income

- Ordinary income was 1,528 million yen, in line with the forecast, due to price revisions accompanying renewals in response to rising raw material costs caused by factors including the drastic yen depreciation.



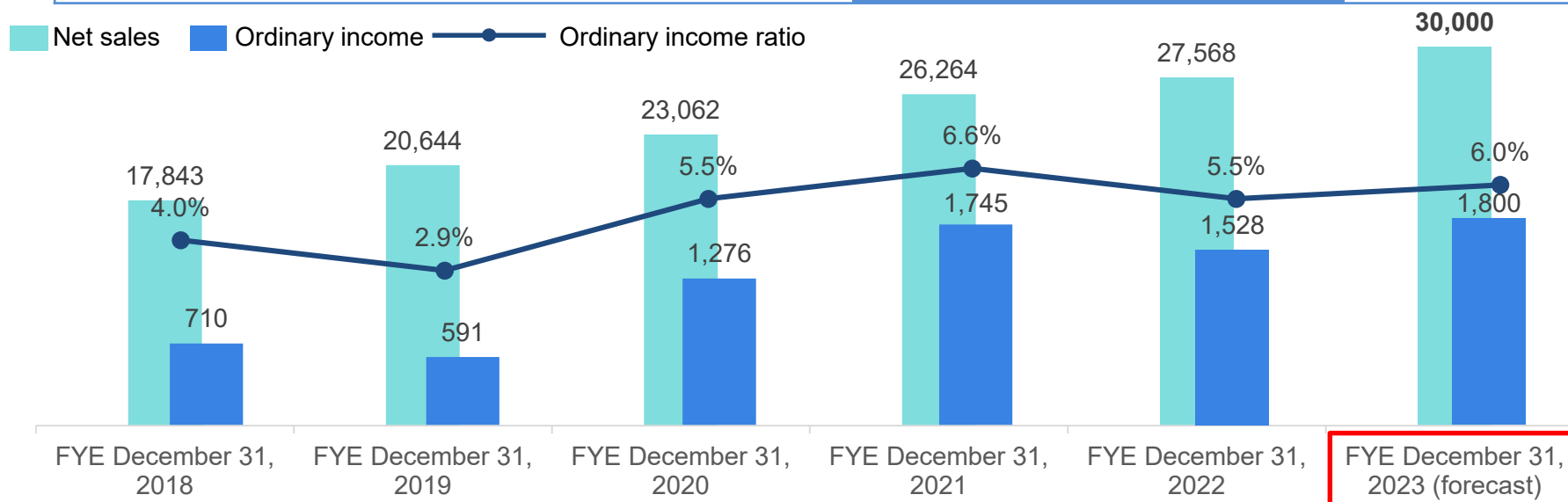
# FYE 2023/12 earnings forecast

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# FYE 2023/12 full-year earnings forecast

	FYE December 31, 2022		FYE December 31, 2023		YoY
	Results	Sales ratio	Earnings forecast	Sales ratio	
Net sales	27,567	-	30,000	-	108.8%
Operating income	1,488	5.4%	1,800	6.0%	120.9%
Ordinary income	1,528	5.5%	1,800	6.0%	117.8%
Net income attributable to owners of the parent company	1,006	3.7%	1,150	3.8%	114.3%
EPS (yen)	174.17	-	194.05	-	111.4%



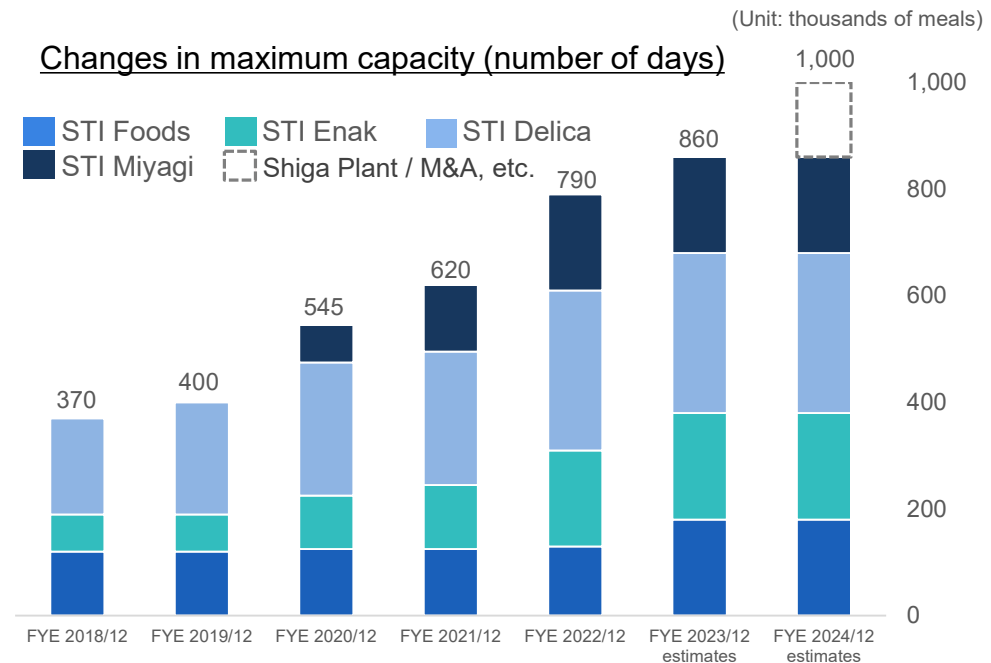
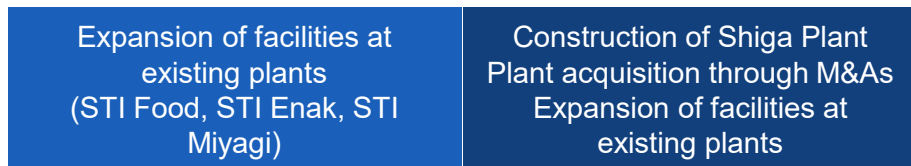
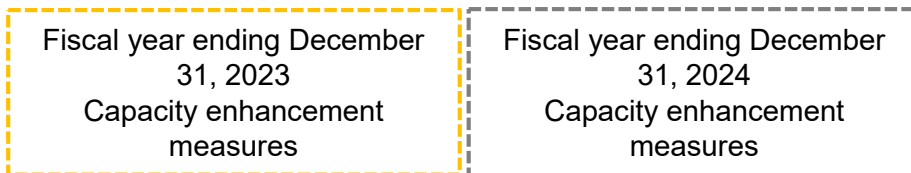
# Assumptions for earnings forecast

The construction plan for the Shiga Plant is in the review stage. We will continue to grow by increasing production capacity at existing plants, while at the same time considering acquiring plants through M&A as a backup measure as soon as possible.

## ■ The start of operations at the Shiga Plant delayed

- ✓ Working to get development approval for the planned construction site
- ✓ Reviewing design due to construction estimates exceeding expectations

## ■ Alternative measures have already been developed and partially started.



Actual maximum daily production (thousand meals)	300	415	460	520	620
Operating rate	55%	67%	61%	61%	62%

# Priority measures

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## Establishing a position as a global category killer

### Further raise barriers to entry by strengthening manufacturing technologies and equipment

- Pursue new manufacturing methods and production technologies by strengthening R&D
- Full-scale daily line operation at STI Miyagi (test shipments started in 4Q of the previous fiscal year)
- Expand production capacity at existing plants

### More aggressively pursue M&A in Japan and overseas

- Promote M&A in Japan in a flexible manner
  - ✓ In addition to a backup plant for the Shiga Plant delay, also consider sales companies as targets
- Visiting several local food manufacturers in North America

### Expanding business with Seven-Eleven

- Expansion of sales in Japan  
(Launch of numerous new products and full-scale operation of frozen marine products facility)
- Expansion to stores overseas (US, Asia, etc.)

### Expansion of new sales

- Expansion of sales channels for NB products
- New transactions with distinctive retail partners
- M&A strategy
- 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

- STI Miyagi: Full-scale operation of daily food production line
- Increase production capacity at existing daily food plants
- Construction of Shiga Plant (backup plant M&A)
- Preparation for expansion into North America

# Shareholder return policy

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# Shareholder return policy

- Policy of continuing to maintain dividend at the same level as the previous fiscal year and provide shareholders with shareholder benefits twice a year.

[Dividends]

	FYE 2021/12 results	FYE 2022/12 schedule	FYE 2023/12 forecast
Dividend per share	55 yen	55 yen	55 yen

[Shareholder benefit program]

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



# Appendix













# 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>	283 (including 885 temporary employees) *As of the end of December 2022, 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

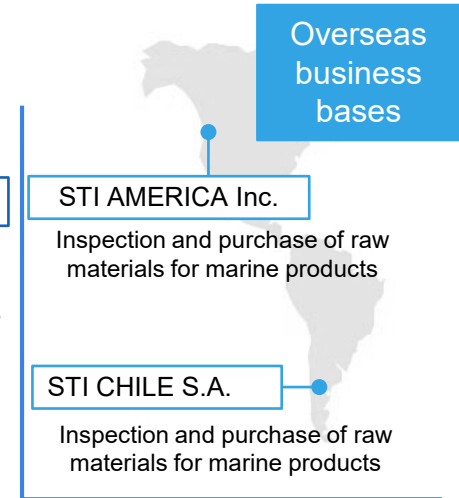
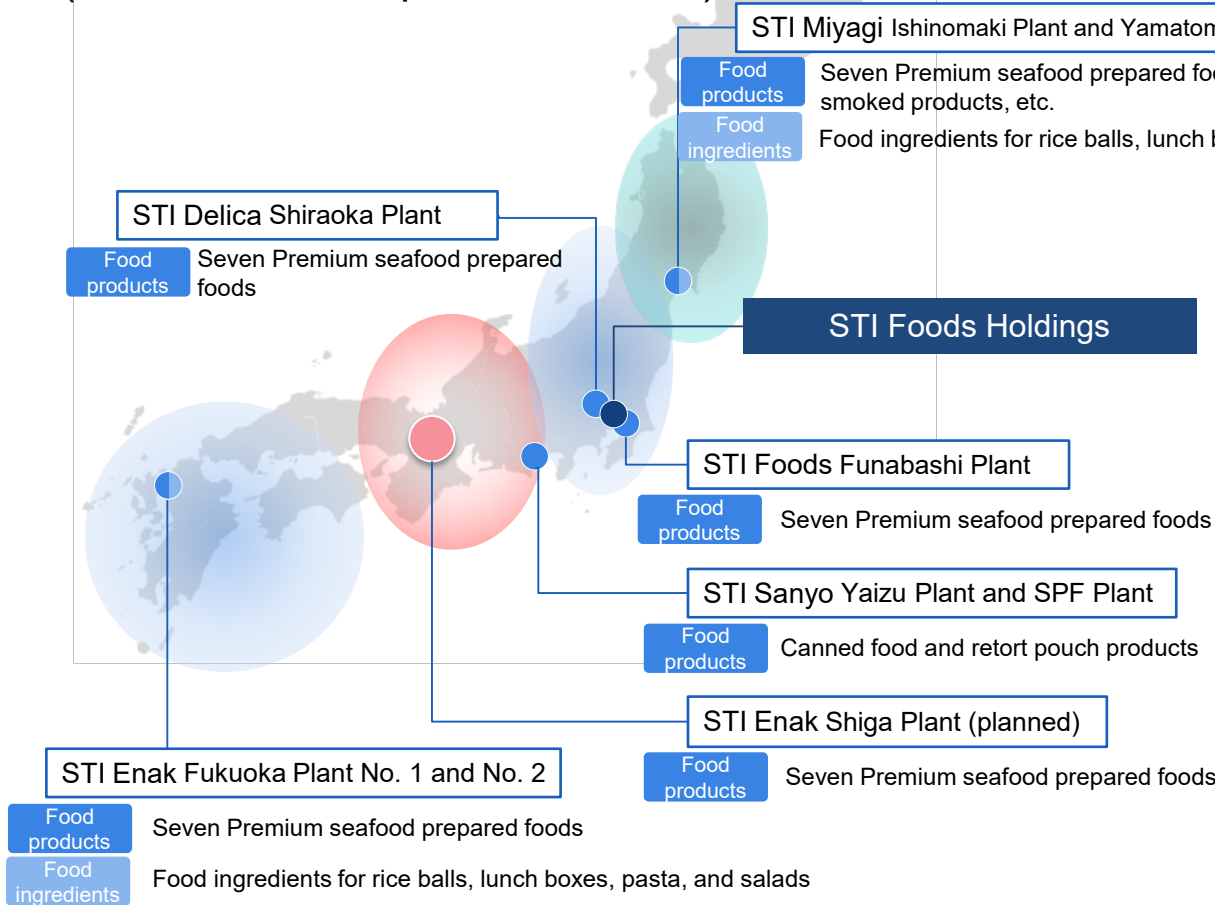
The Group is engaged in the food manufacturing and sales business, which includes everything from the procurement of raw materials for marine products to manufacturing and sales.

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) Aisho Town, Shiga Prefecture (planned)
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: Enhance product development with Tsujicho Group (Tsuji Culinary Institute)

- New product development and sales
- 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

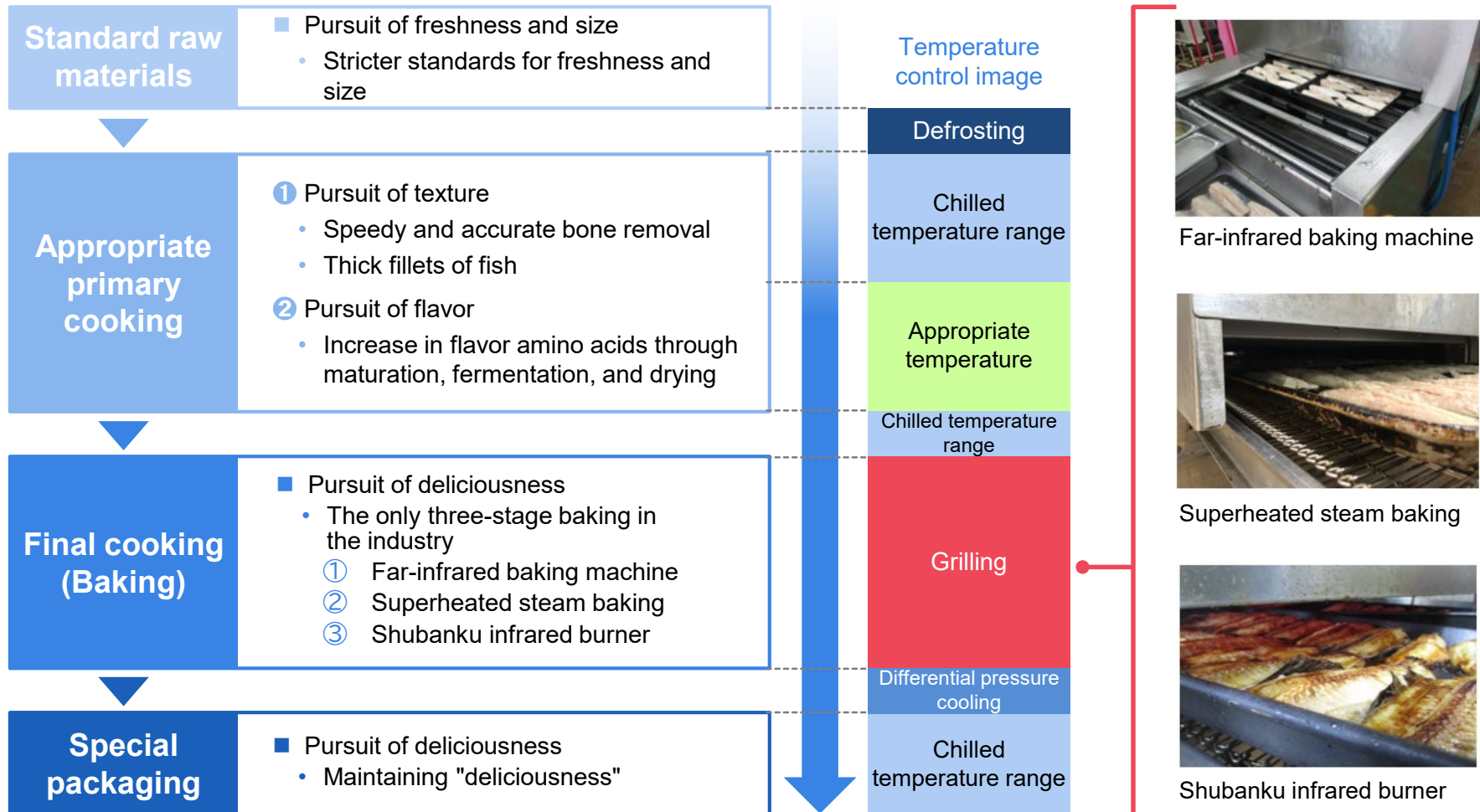
### Grilled fish prepared foods

- 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**

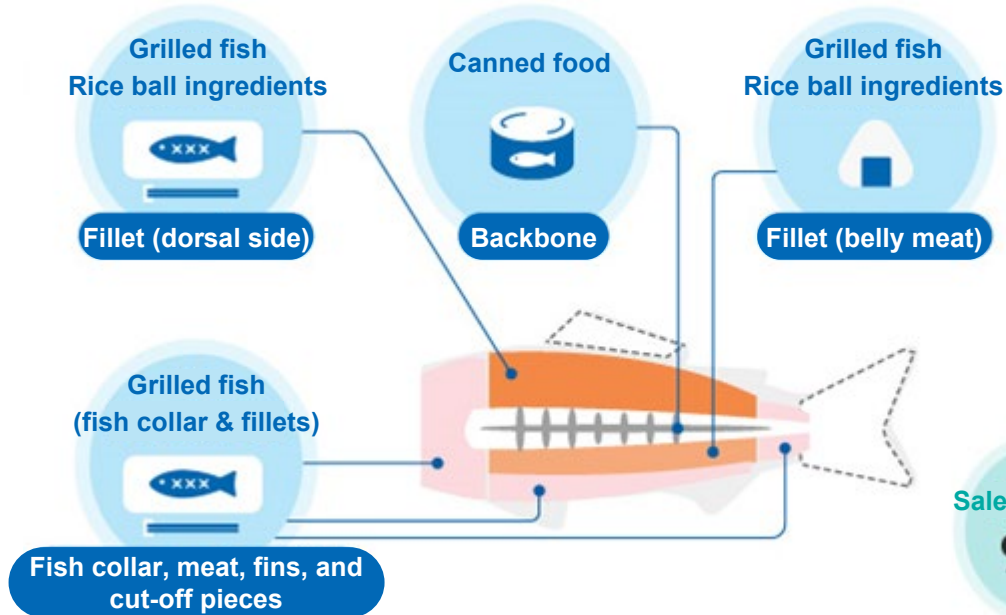
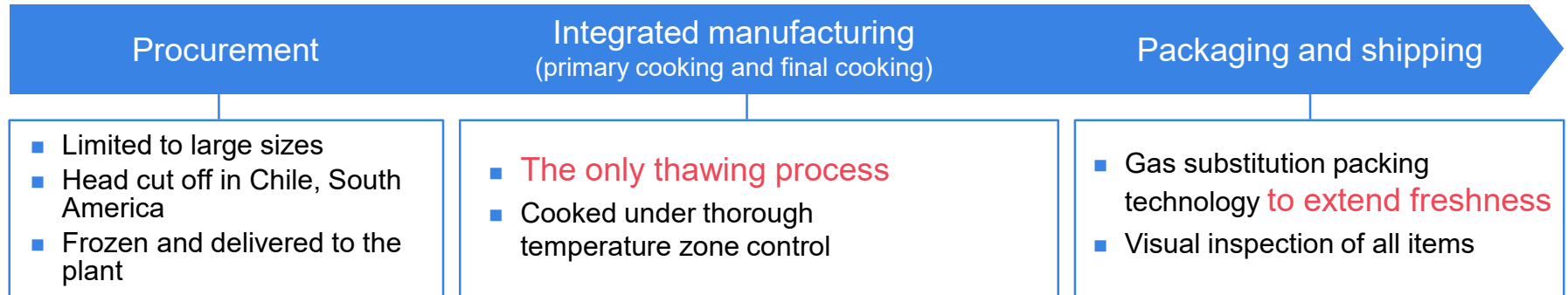
## Manufacturing process for grilled fish prepared foods



# 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



**Excellent product portfolio to reduce food loss**



## SUSTAINABLE DEVELOPMENT GOALS

We will 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.

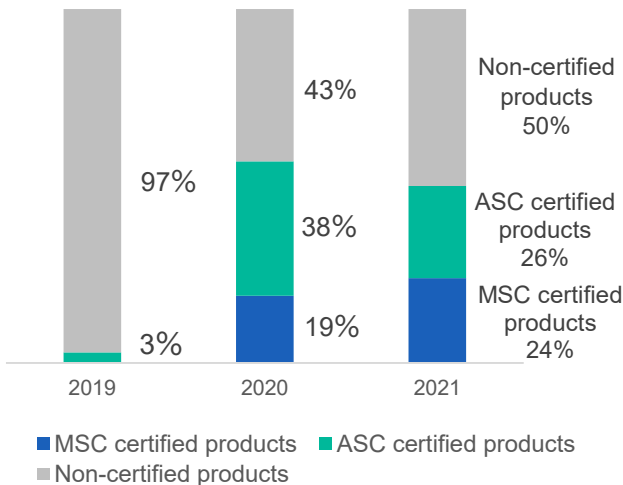
### Responsibility to deliver the blessings of the sea



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

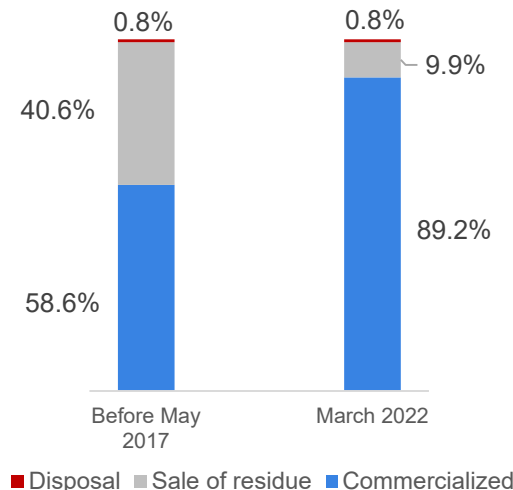
### Mission as a food manufacturer



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

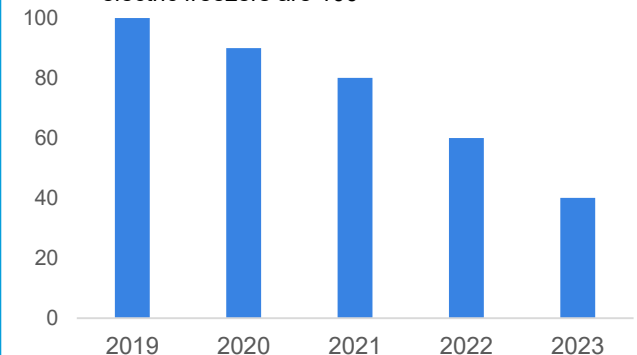
### Eco-friendly business activities



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.**