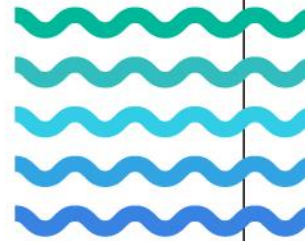




**STI Foods Holdings**



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

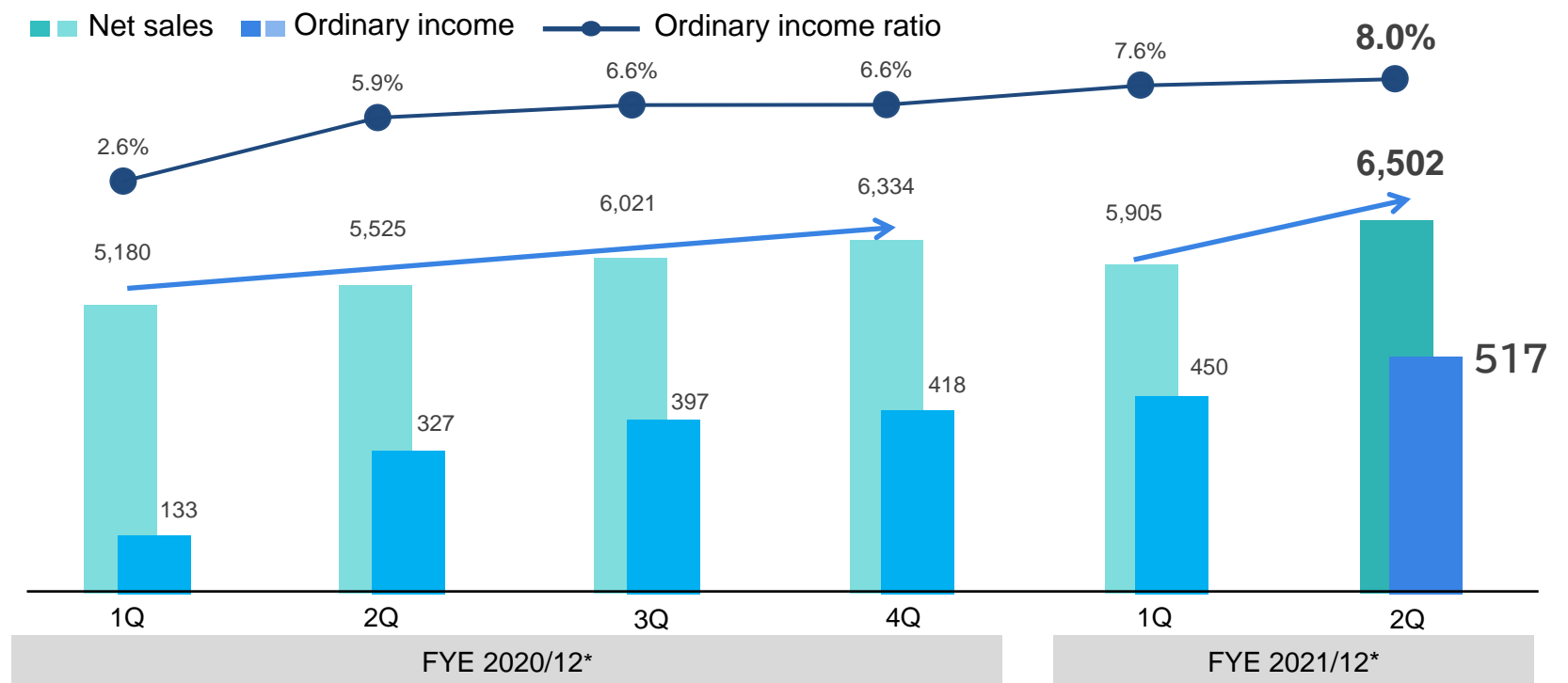
Second Section of the Tokyo Stock Exchange (Securities Code: 2932)

# **Financial summary**

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# Summary of consolidated financial results

	Net sales	YoY comparison	Ordinary income	YoY comparison
<b>Fiscal year ending December 31, 2021 2Q</b>	<b>12,408 million yen</b>	<b>115.9%</b>	<b>967 million yen</b>	<b>210.5%</b>
Fiscal year ended December 31, 2020 2Q	10,705 million yen	-	459 million yen	-



(Unit: million yen)

\*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

# Consolidated statement of income (summary)

(Unit: million yen)

	Fiscal year ended December 31, 2020 2Q		Fiscal year ending December 31, 2021 2Q			
	Results	Sales ratio	Results	Sales ratio	Change	Change
Net sales	10,705	-	<b>12,408</b>	-	115.9%	1,702
Operating income	468	4.3%	<b>940</b>	<b>7.5%</b>	201.0%	472
Ordinary income	459	4.2%	<b>967</b>	<b>7.7%</b>	210.5%	508
Net income	282	2.6%	<b>630</b>	<b>5.0%</b>	223.3%	347
EPS (yen)	56.46	-	<b>114.70</b>	-	203.2%	58.24

# Consolidated balance sheet

(Unit: million yen)

	End of 4Q of FYE 2020/12	End of 2Q of FYE 2021/12	Change	Change
	Results	Results		
Total assets	11,324	<b>11,067</b>	97.7%	-257
Current assets	6,775	<b>6,430</b>	94.9%	-345
Of which, cash and deposits	2,598	<b>1,839</b>	70.7%	-759
Non-current assets	4,548	<b>4,637</b>	101.9%	89
Of which, property, plant and equipment	3,741	<b>3,853</b>	102.9%	112
Total liabilities	7,758	<b>7,080</b>	91.3%	-678
Current liabilities	5,352	<b>4,938</b>	92.3%	-414
Non-current liabilities	2,406	<b>2,141</b>	88.9%	-265
Total net assets	3,566	<b>3,986</b>	111.7%	420
Total liabilities and net assets	11,324	<b>11,067</b>	97.7%	-257

# **Earnings forecast and shareholder return policy**

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## FYE 2021/12 full-year earnings forecast

As a result of focusing on manufacturing quality products, raw material yield rate and labor productivity have improved, and the manufacturing cost ratio has been reduced, resulting in improved profitability. Therefore, profits have been revised upward.

(Unit: million yen)

Fiscal year ended December 31, 2020		Fiscal year ending December 31, 2021					
Results		Initial forecast	Sales ratio	YoY	Forecast after revision	Sales ratio	YoY
Net sales	23,062	<b>26,000</b>	-	112.7%	<b>26,000</b>	-	112.7%
Operating income	1,310	<b>1,570</b>	6.0%	119.8%	<b>1,730</b>	6.6%	132.0%
Ordinary income	1,276	<b>1,560</b>	6.0%	122.2%	<b>1,720</b>	6.6%	134.8%
Net income	832	<b>1,010</b>	3.9%	121.3%	<b>1,110</b>	4.2%	133.3%
EPS (yen)	162.65	<b>183.78</b>	-	113.0%	<b>201.99</b>	-	124.2%

# Shareholder return policy

## Dividends

	FYE 2020/12 results	FYE 2021/12 previous forecast	FYE 2021/12 revised forecast
Dividend per share	40 yen	45 yen	55 yen

## Launch of the shareholder special benefit program

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

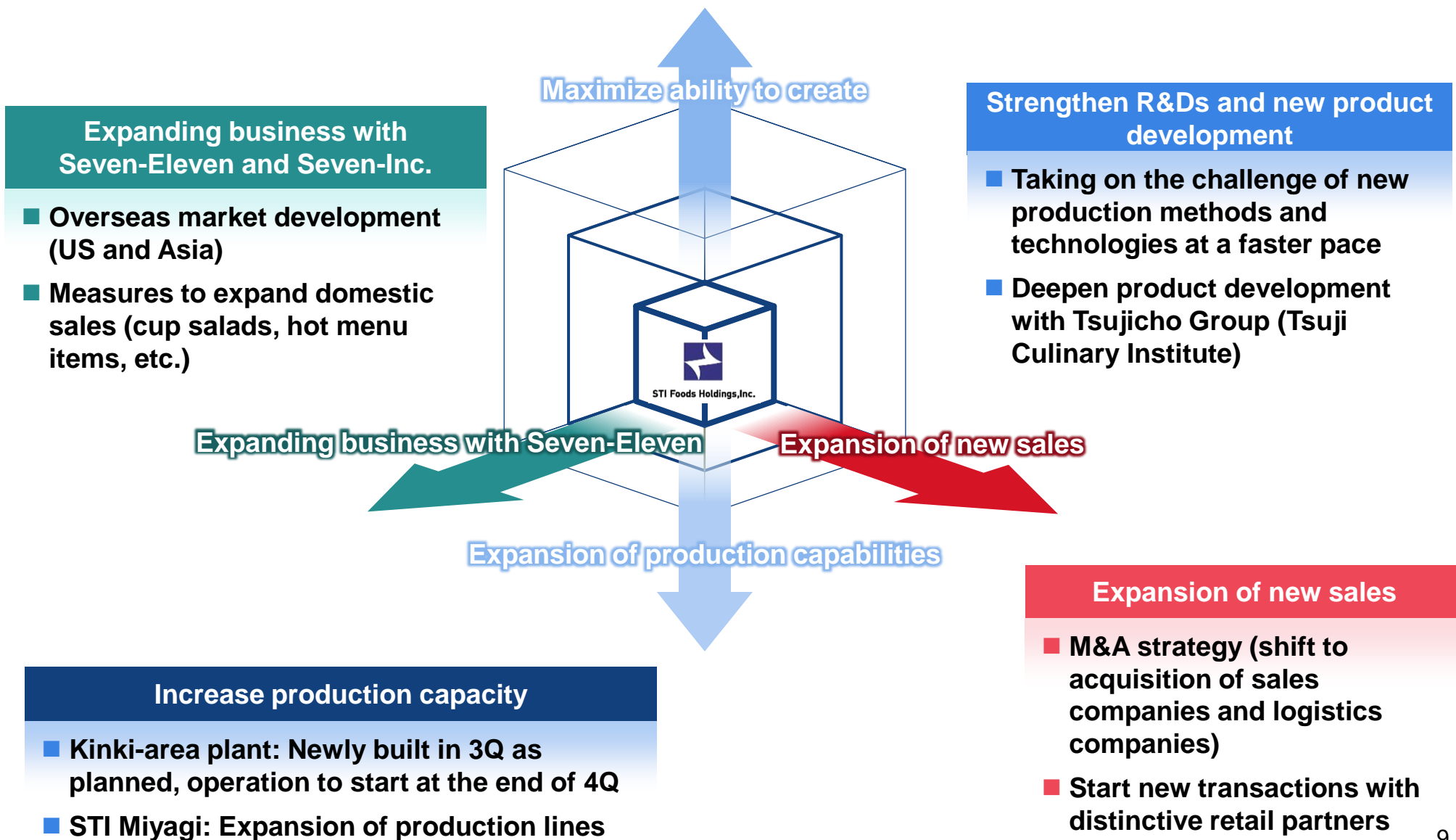
Shareholder benefit products to be sent in August 2021



# **Priority measures for the future**

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# Priority measures for the future



# Priority measures for the future: Increase production capacity

## New plant in Kinki area

- Newly built in 3Q as planned, operation to start at the end of 4Q

## New plant in Tokyo metropolitan area

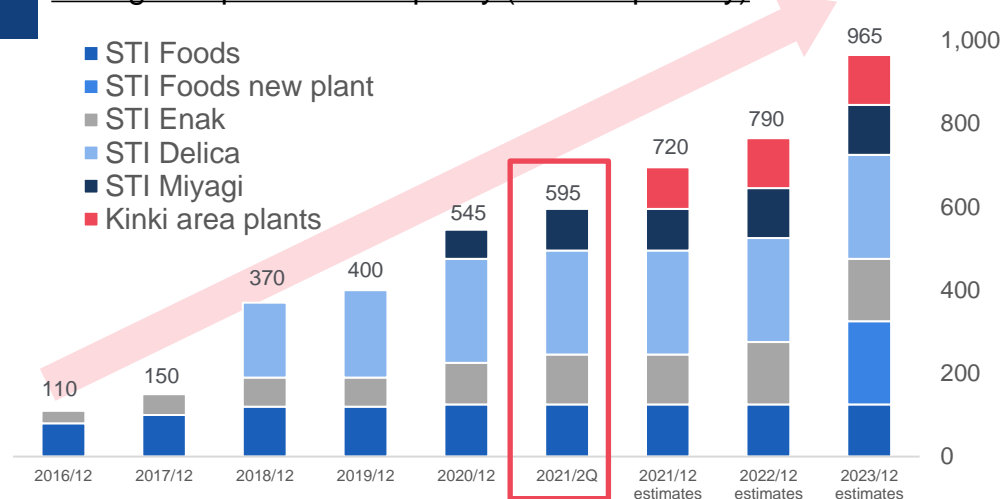
- STI Foods prepares to build a new plant with limited production capacity

## Expansion of production facilities

- Expansion of daily line and smoke line at STI Miyagi
- Started production of daily prepared foods for Seven-Eleven in Tohoku and North Kanto regions in August

In addition to increasing production capacity through various measures, the new plant will also contribute to reducing logistics costs by improving logistics efficiency

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



\*Production capacity is the figure at the end of each quarter and fiscal year

	2020/12	2021 2Q	2021/12 estimates	2022/12 estimates
Actual operating days (thousand meals)	300	410	450	565
Changes in operating rate	55%	69%	63%	72%

# Priority measures for the future:

## Expanding business with Seven-Eleven and Seven-Inc.

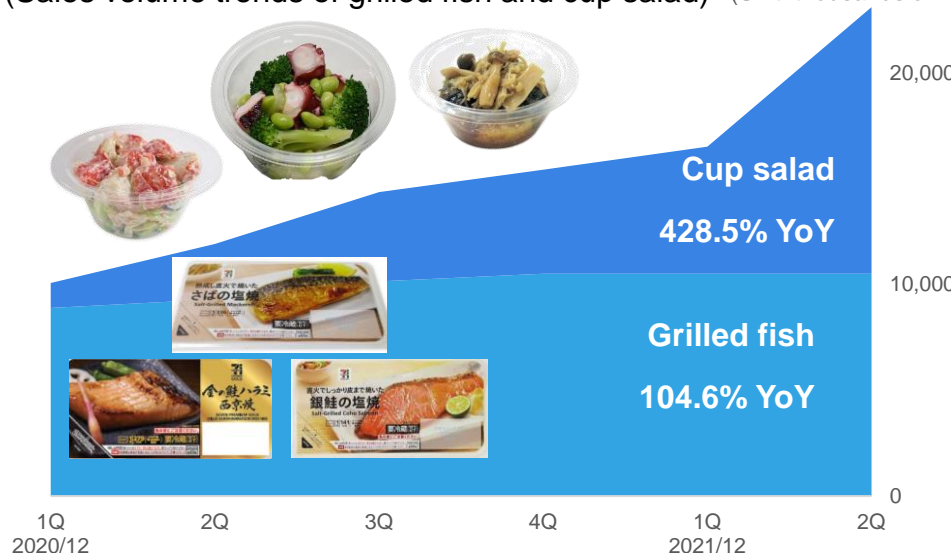
### Overseas expansion

- Commence concrete studies on the establishment of new plants in the US, including M&As, in order to expand overseas (North America)
- Commence concrete studies on exporting from STI Enak (Fukuoka Plant) to Asian countries (Taiwan, China, and Korea)

### Sales expansion

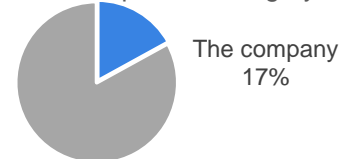
- Cup salads: Sales of cup salads are increasing due to our production technology and know-how, **and there is significant potential for expansion of product share and sales.**
- Hot menu items: Develop and launch products using bouillabaisse and American sauces that are suitable for microwave use
- Grilled fish: Accounts for the majority of the market share in terms of both number of products and sales, and a stable revenue base on an ongoing basis thanks to thorough manufacturing of quality products

(Sales volume trends of grilled fish and cup salad) (Unit: thousands of meals)

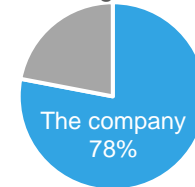


(Share of number of products)

Share of the number of our products in the cup salad category

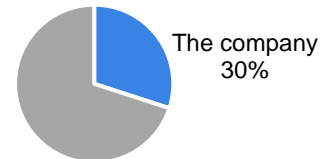


Share of the number of our products in the grilled fish category

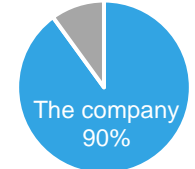


(Share of net sales)

Share of the net sales of our products in the cup salad category



Share of the net sales of our products in the grilled fish category



\*Our estimates based on the number of products listed on Seven-Eleven's website as of July 2021 and our rough calculation of sales based on market trends

# Priority measures for the future: Strengthen R&Ds and new product development

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



## 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)

## 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)

## Three-step baking and gas substitution packing technology

August 1997

## Bacteriostatic technology for fresh salmon roe

May 2014

## Seasoned salmon roe

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

## Cup salad gas substitution technology

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

November 2020

April 2021

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

**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

# Priority measures for the future: Expansion of new sales

## M&A strategy

- Expand the Group's sales functions by shifting to a strategy that includes the acquisition of sales and logistics companies, in addition to the consideration of M&As centered on existing manufacturing plants

## Start new transactions with distinctive retail partners

- Start of business with health food mail-order companies
- Start business with fast-growing high-quality food supermarkets
- Deepen joint development and expand sales of KALDI brand products

## Full-scale development of in-house e-commerce

- Expand product fan base by entering e-commerce business
- Expand sales of own-brand products available only through e-commerce
- Promotion using influencers/YouTubers from the second half of August to expand recognition and create buzz, and then a full-scale sales launch

# **SDGs initiatives**

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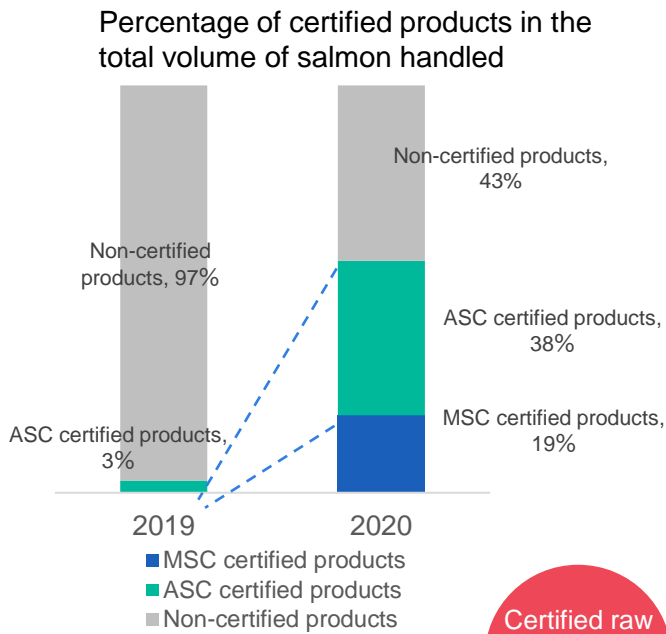
## SUSTAINABLE DEVELOPMENT GOALS

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



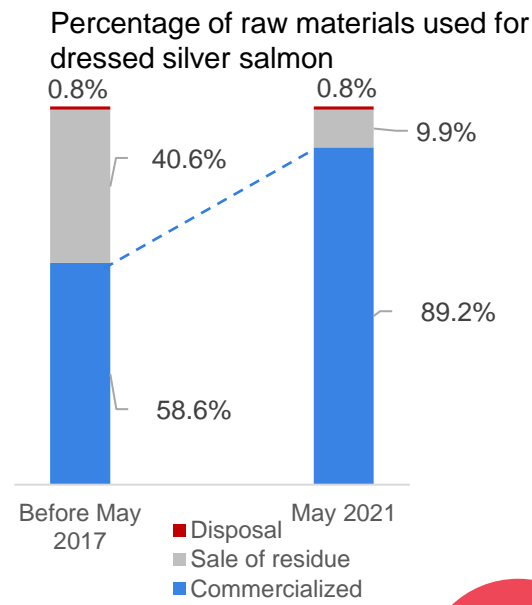
Certified raw materials use rate 57%

\*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



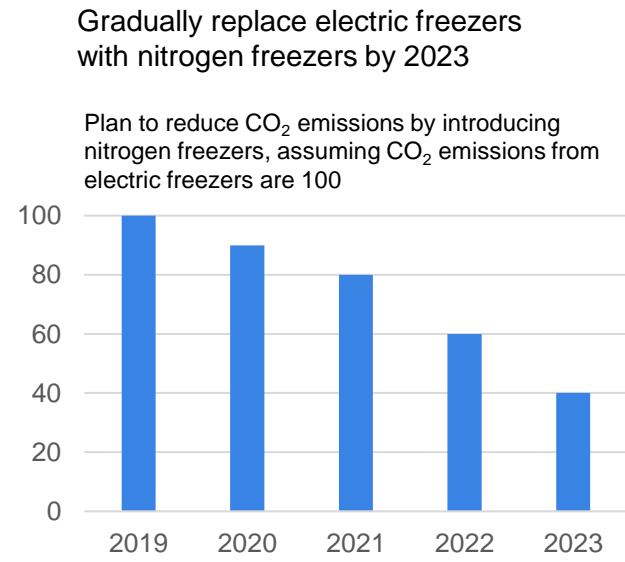
Raw materials use rate 99.2%

\*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

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

# Appendix

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# 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) * As of December 31, 2020, temporary employees are those who work eight hours a 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.	   

# History

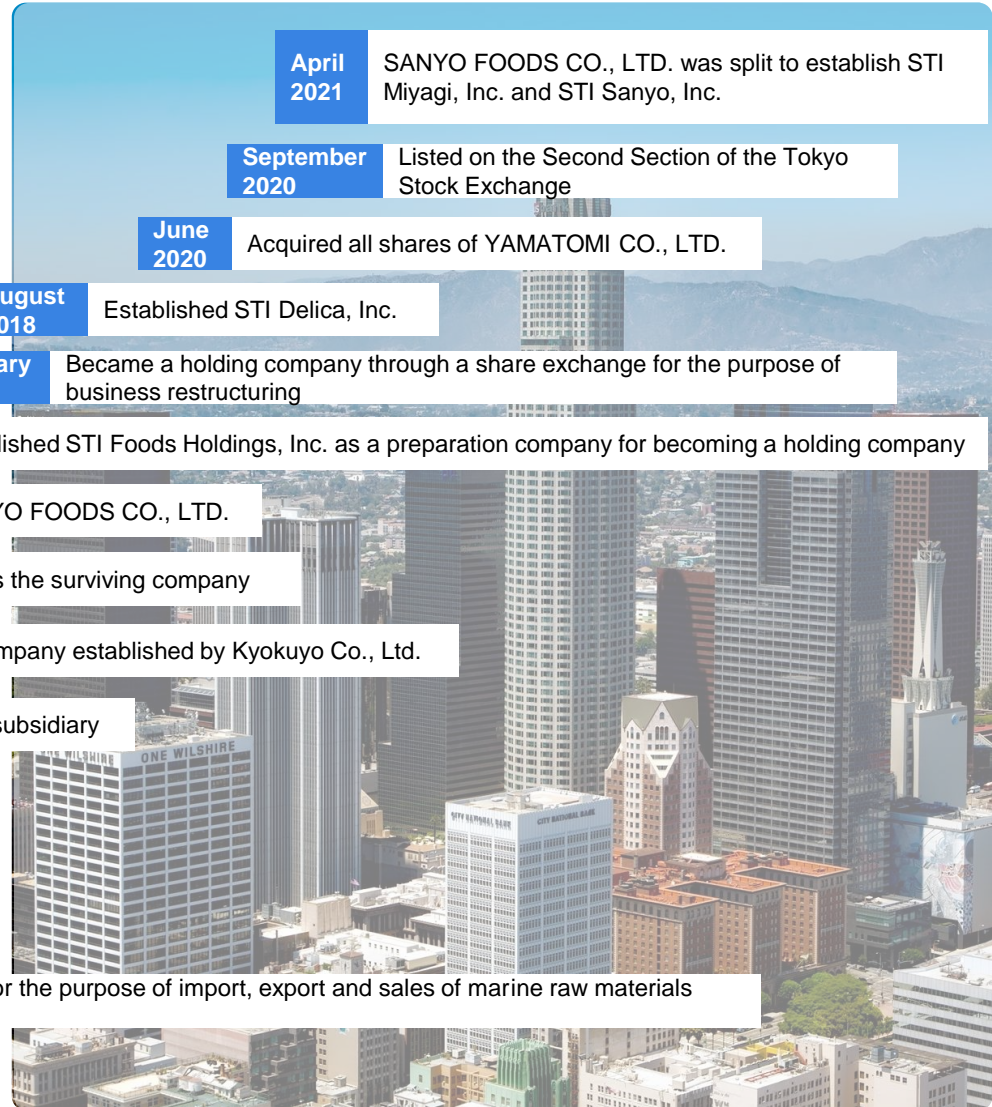
1988

2010

2017

2018

2020



December  
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

April  
1997

Established STI AMERICA Inc. in Seattle, USA

March  
2003

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

December  
2003

Established STI Enak, Inc

January  
2006

STI Foods, Inc. established as a wholly owned subsidiary

September  
2010

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

April  
2013

Merged with STI Foods, Inc. as the surviving company

October  
2015

Established SANYO FOODS CO., LTD.

November  
2017

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

January  
2018

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

August  
2018

Established STI Delica, Inc.

June  
2020

Acquired all shares of YAMATOMI CO., LTD.

September  
2020

Listed on the Second Section of the Tokyo Stock Exchange

April  
2021

SANYO FOODS CO., LTD. was split to establish STI Miyagi, Inc. and STI Sanyo, Inc.

## 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

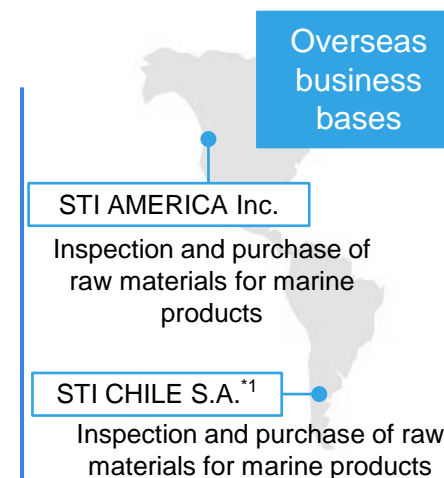
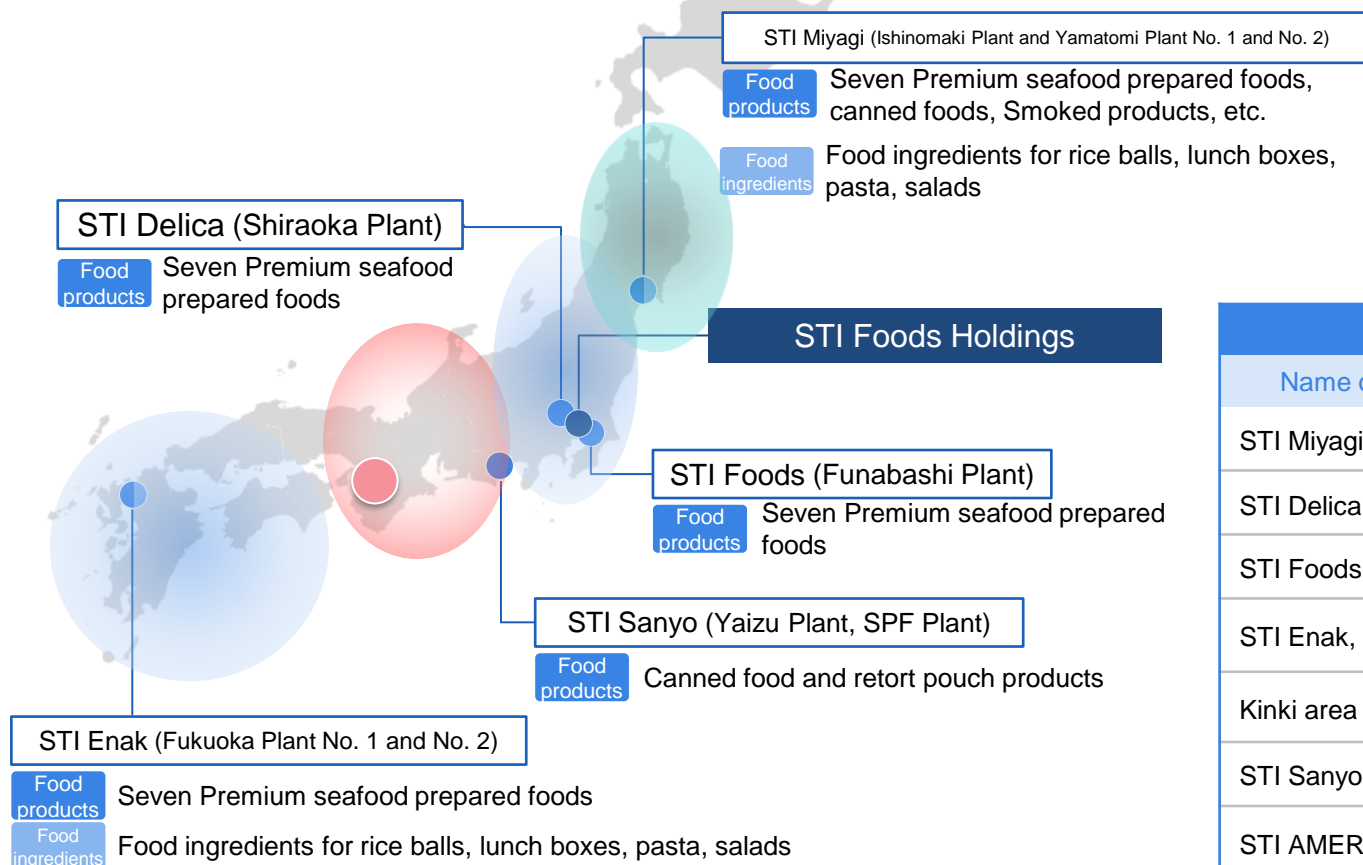
Create your own work and develop yourself through your work.

### 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).



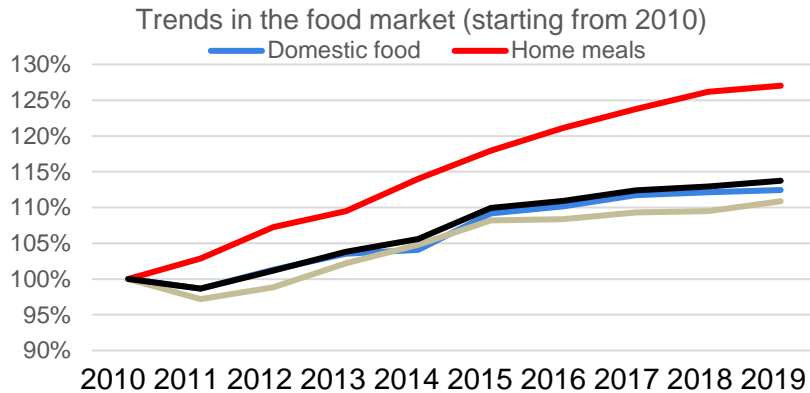
List of Group companies	
Name of company	Location
STI Miyagi, Inc.	(Production plant) Ishinomaki City, Miyagi Prefecture
STI Delica, Inc.	(Production plant) Shiraoka City, Saitama Prefecture
STI Foods, Inc.	(Production plant) Funabashi City, Chiba Prefecture
STI Enak, Inc.	(Production plant) Itoshima City, Fukuoka Prefecture
Kinki area plant (planned)	(Production plant) Kinki area
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

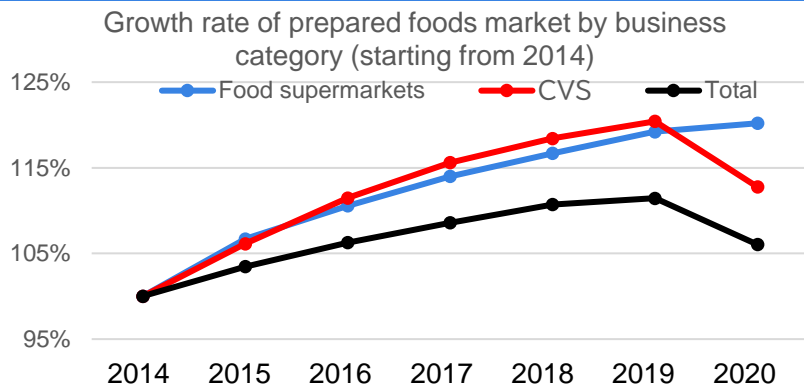
# Strengths of the business (1)

- Manufacturer of marine products and food ingredients specializing in the fish category
- Although overall sales of prepared foods at CVS decreased due to COVID-19, sales of bagged prepared foods remained strong.

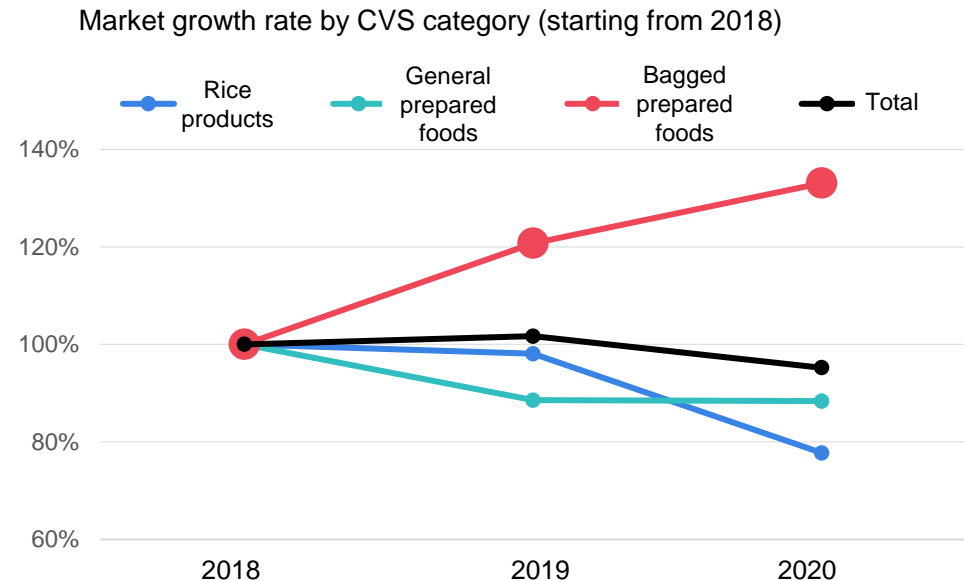
## Growth of home-delicatessen business is driving the food market



## CVS is struggling due to the coronavirus pandemic



## Bagged prepared foods\*<sup>1</sup> are steady



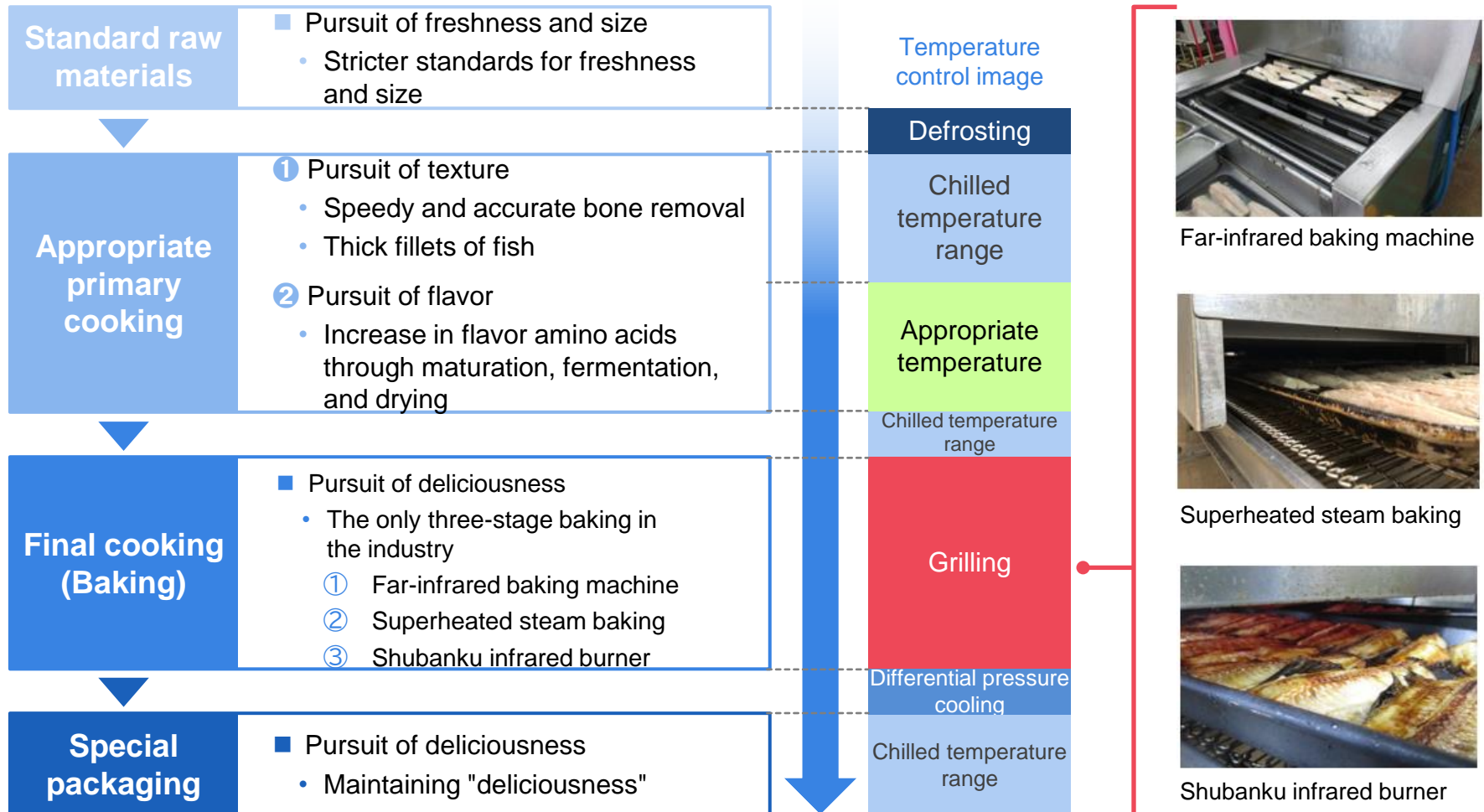
Source: Japan Ready-made Meal Association, "2021 White Paper on Prepared Food"

\*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.

## Strengths of the business (2)

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

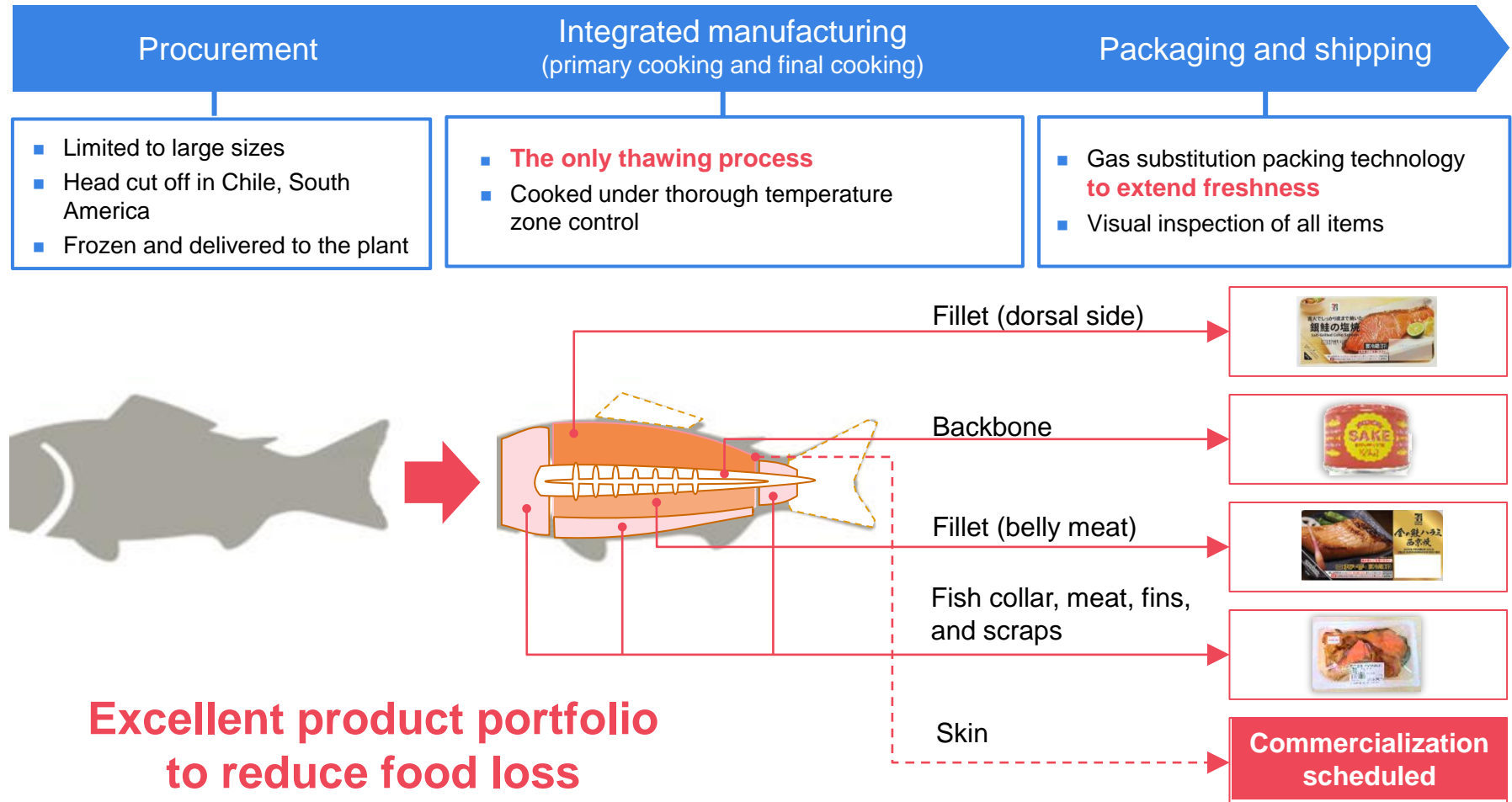
### Manufacturing process for grilled fish prepared foods



## Strengths of the business (3)

- 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



# Progress of investment plan

Investment items		Plan	2Q cumulative 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	232 million yen
	Expansion of employee dormitory	197 million yen	109 million yen
Profit improvement measures	Maintenance and renewal of production facilities	74 million yen	104 million yen
Improve manufacturing capacity by utilizing data, AI, and other technologies	Production control, including labor saving	160 million yen	37 million yen
	Information security and other IT improvements	16 million yen	13 million yen

**Planned annual capital investment: approximately 1,100 million yen**

## **[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.**