

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

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



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◆ August 9, 2022

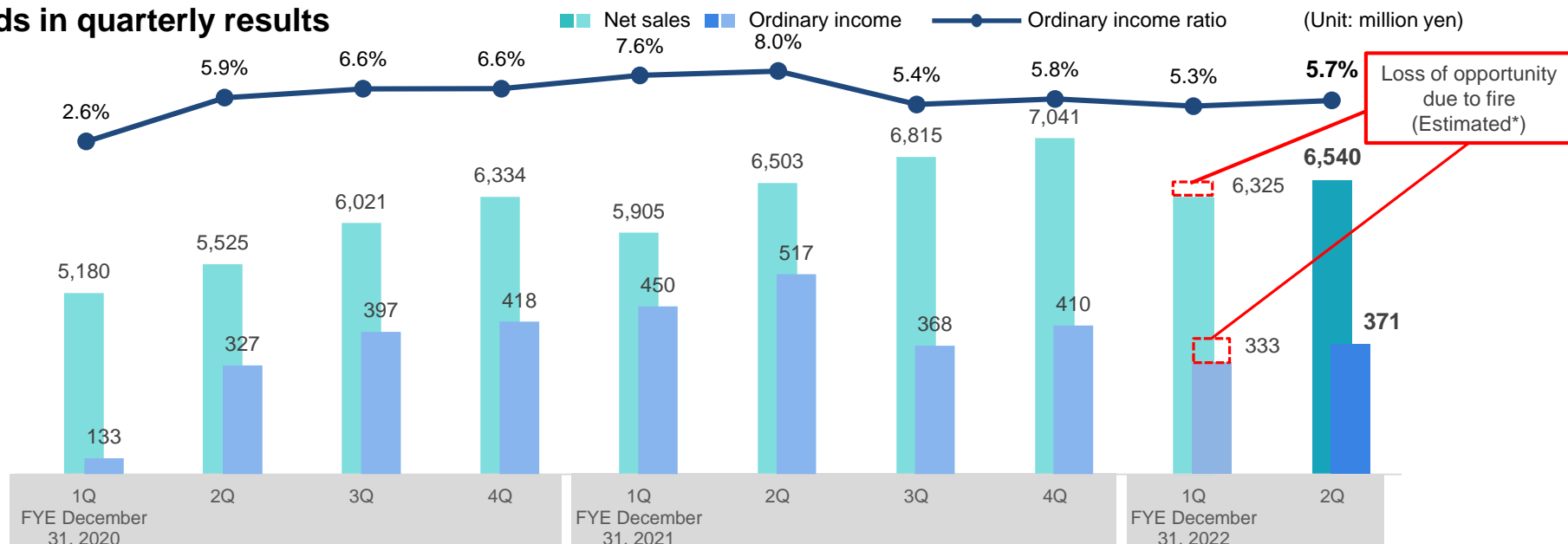
Summary of financial results for
the second quarter of the fiscal year ending
December 31, 2022

Summary of consolidated financial results

- 2Q sales increased over 1Q despite the lower demand for home-meal replacement and eating at home caused by easing of COVID-19 restrictions
- As a result of recording extraordinary income and losses, net income for the first half was 469 million yen (49.4% of forecast results)

	Net sales	Ordinary income	Net income attributable to owners of the parent company	Notes
First half for the fiscal year ending December 31, 2022 Cumulative period (January to June 2022)	12,860 million yen	700 million yen	460 million yen	Extraordinary income of 70 million yen and extraordinary losses of 10 million yen, primarily due to a factory fire
First half for the fiscal year ended December 31, 2021 Cumulative period (January to June 2021)	12,400 million yen	960 million yen	630 million yen	-
First half for the fiscal year ended December 31, 2020 Cumulative period (January to June 2020)	10,700 million yen	450 million yen	280 million yen	-

Trends in quarterly results



*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

Consolidated statement of income

(Unit: million yen)

	First half for the fiscal year ended December 31, 2021 Cumulative period (January to June 2021)		First half for the fiscal year ending December 31, 2022 Cumulative period (January to June 2022)		Ratio of increase/decrease	Change
	Results	Sales ratio	Results	Sales ratio		
Net sales	12,408	-	12,866	-	103.7%	458
Cost of sales	8,769	70.7%	9,385	72.9%	107.0%	616
Gross profit	3,639	29.3%	3,480	27.1%	95.6%	(158)
Selling, general and administrative expenses	2,698	21.7%	2,804	21.8%	103.9%	106
Operating income	940	7.5%	676	5.3%	71.9%	(264)
Ordinary income	967	7.7%	704	5.5%	72.8%	(263)
Extraordinary income*	3	0.0%	77	0.6%	-	-
Extraordinary losses*	-	-	16	0.1%	-	-
Net income attributable to owners of the parent company	630	5.0%	469	3.6%	74.4%	(161)
EPS (yen)	114.70	-	81.55	-	71.1%	

*Mainly extraordinary income (insurance benefits) and extraordinary losses associated with a factory fire occurring in January 2022

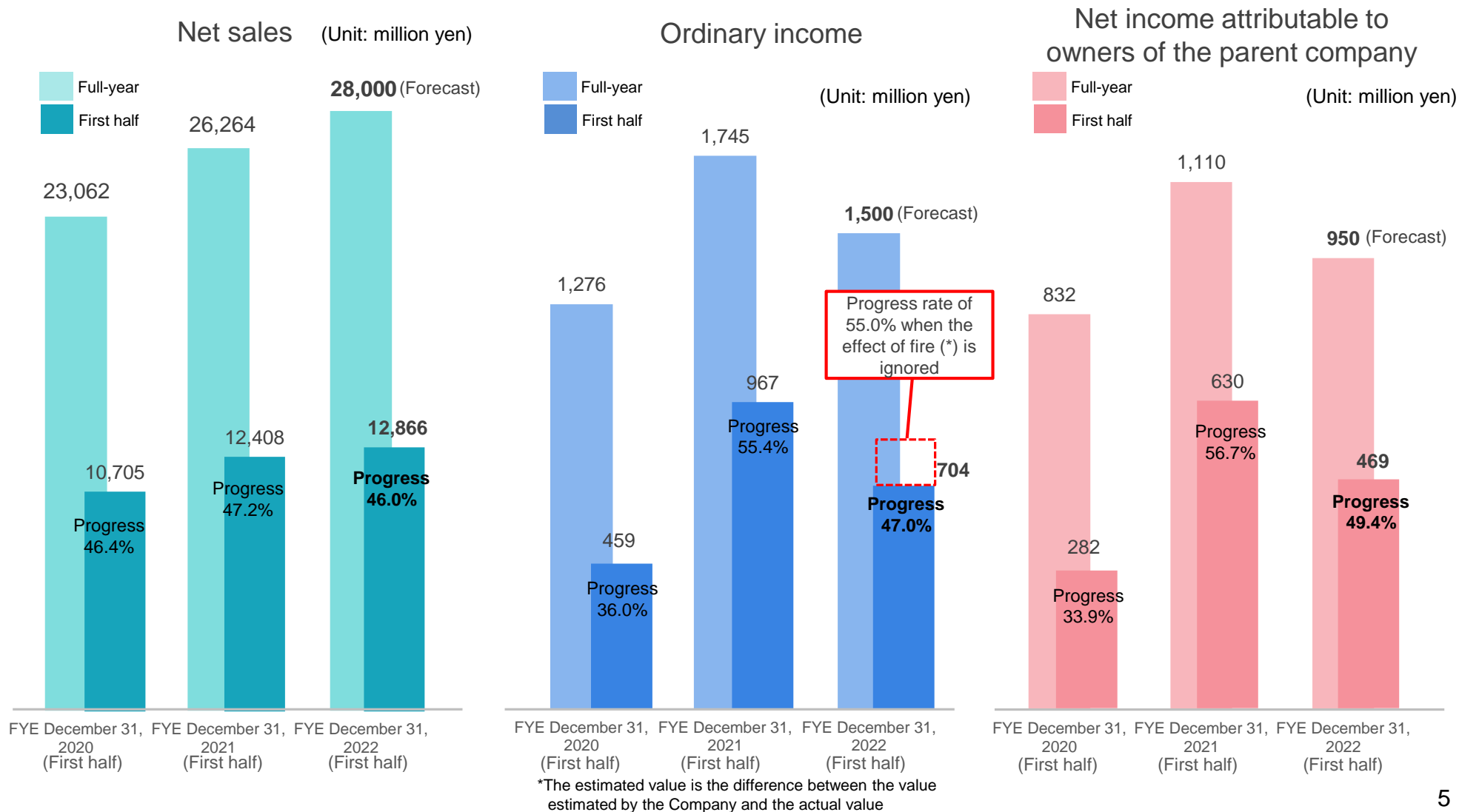
Consolidated balance sheet

(Unit: million yen)

	2021/12 Year end	2022/12 2Q	Ratio of increase/ decrease	Change
Current assets	8,206	7,325	89.3%	(880)
Of which, cash and deposits	3,293	2,379	72.3%	(913)
Non-current assets	4,571	4,808	105.2%	236
Of which, property, plant and equipment	3,833	4,076	106.3%	242
Total assets	12,777	12,133	95.0%	(643)
Total liabilities	7,336	6,499	88.6%	(837)
Current liabilities	5,558	4,623	83.2%	(935)
Non-current liabilities	1,777	1,875	105.5%	97
Total net assets	5,440	5,634	103.6%	193
Total liabilities and net assets	12,777	12,133	95.0%	(643)

Full-year earnings forecast progress

- Although progress has been slow due to loss of opportunity from fire and the lack of new product launches in the first half of the fiscal year, multiple new product launches and revisions to prices are anticipated to bring recovery in the second half of the year



Priority measures

Priority measures

- Multiple new products will launch consecutively beginning in 3Q (daily and frozen food)
- Daily line operation will start at STI Miyagi (planned for 4Q)
- Construction plan for Shiga Plant on schedule
(Operational in fiscal 2023)
- New sales channels for NB products (Amazon, GMS, etc.)
- Accelerated entry into North America, and began research into acquisition of factories
- Full-scale sales in all regions in Taiwan due to good sales (July)



*Scheduled for release



*Released

Expanding business with Seven-Eleven

- Expansion of sales in Japan
(Introduction of many new products/Meaningful price increases)
- 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 (cases of promotion of expansion overseas)
- 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

- Daily line operation at STI Miyagi (planned for 3Q of current fiscal year)
- Construction plan for Shiga Plant on schedule (Operations planned to commence in 3Q of next fiscal year)
- Establishment of plant in North America (M&A with existing factory)

Earnings forecast and shareholder return policy

Full-year earnings forecast

- Despite a more challenging business environment than anticipated initially, results for the first half of the fiscal year are in line with our plan. In the second half of the year, price revisions and the introduction of new products to the market are expected to bring recovery.

(Unit: million yen)

	FYE December 31, 2021		FYE 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 applies 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 FYE 2022/12 due to conservative earnings forecast, we plan to maintain dividend and shareholder benefit programs at the same level as FYE 2021/12

[Dividends]

	FYE 2020/12 results	FYE 2021/12 results	FYE 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, shareholders who own at least one unit (100 shares) receive the Company's products exclusively for shareholders



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 (Standard Market of the Tokyo Stock Exchange)

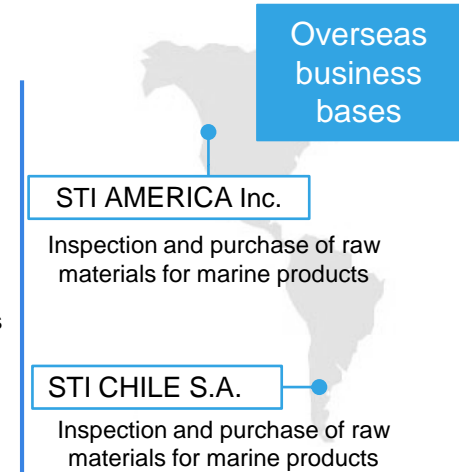
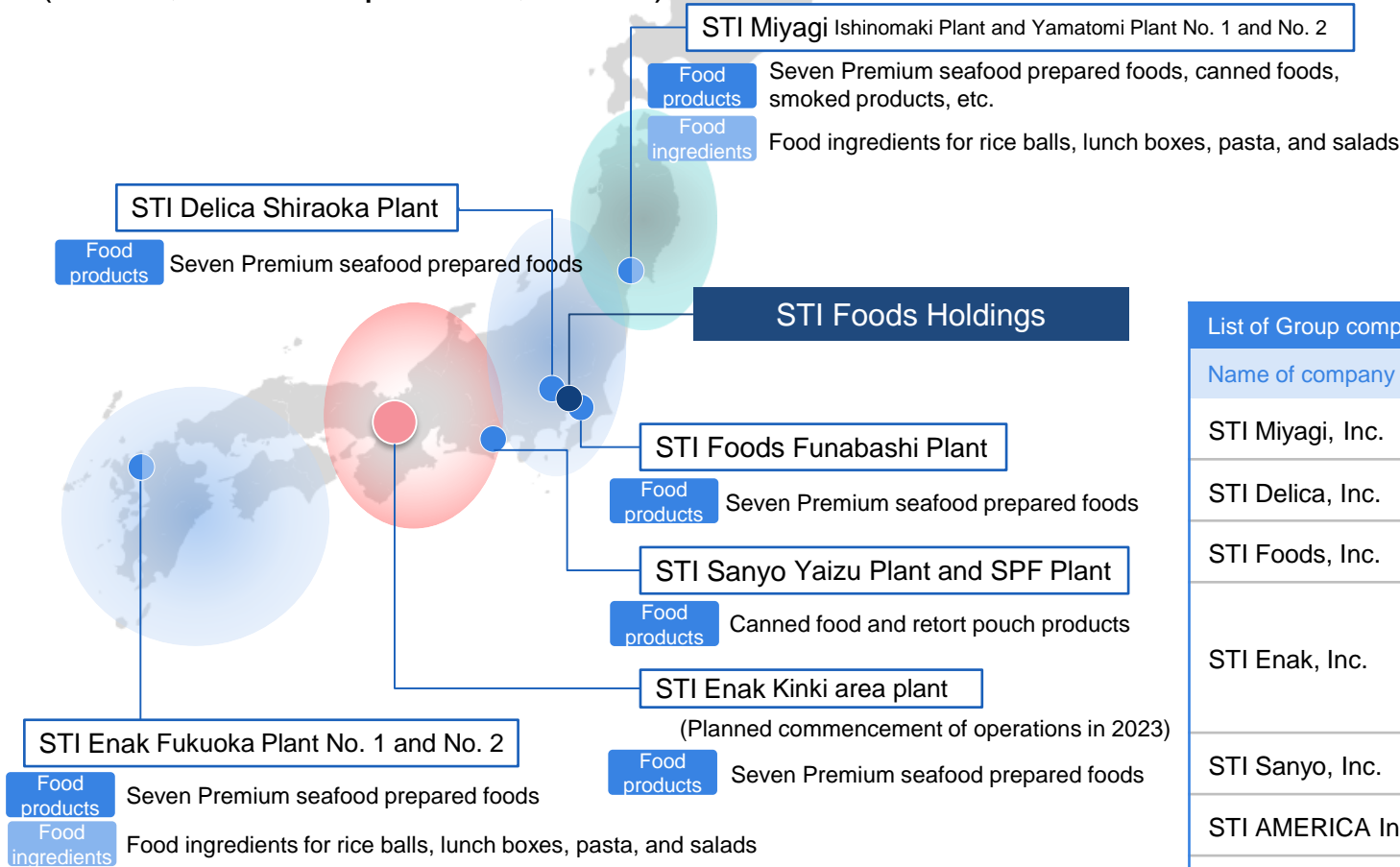
Business description

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 Operation planned for 2023
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

Grilled fish prepared foods

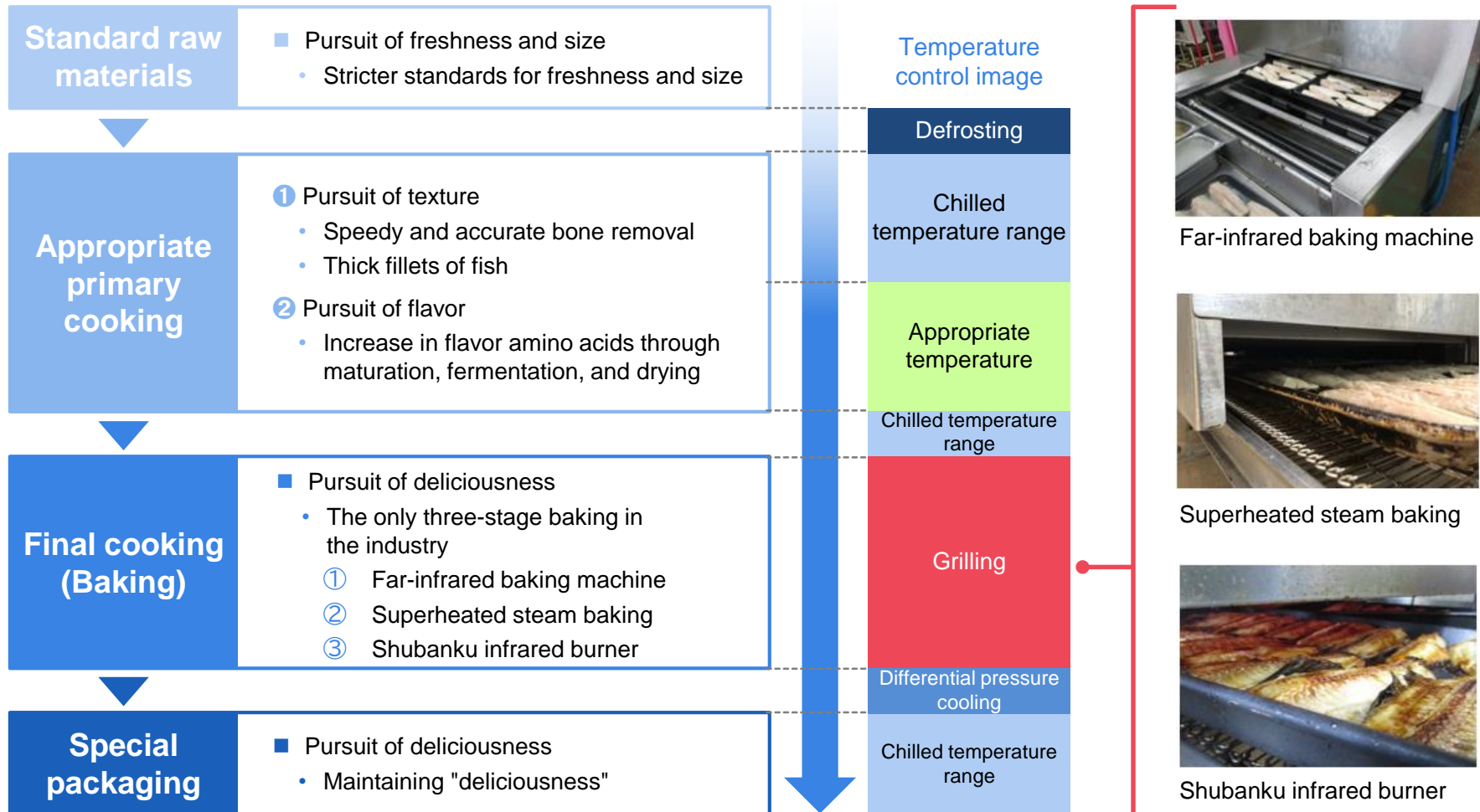
- Becoming Seven-Eleven standard products that feature the taste of foods freshly baked at home
- Extends consumption period to approximately 10 days without using preservatives (extension from approximately 3 days to approximately 10 days)

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**

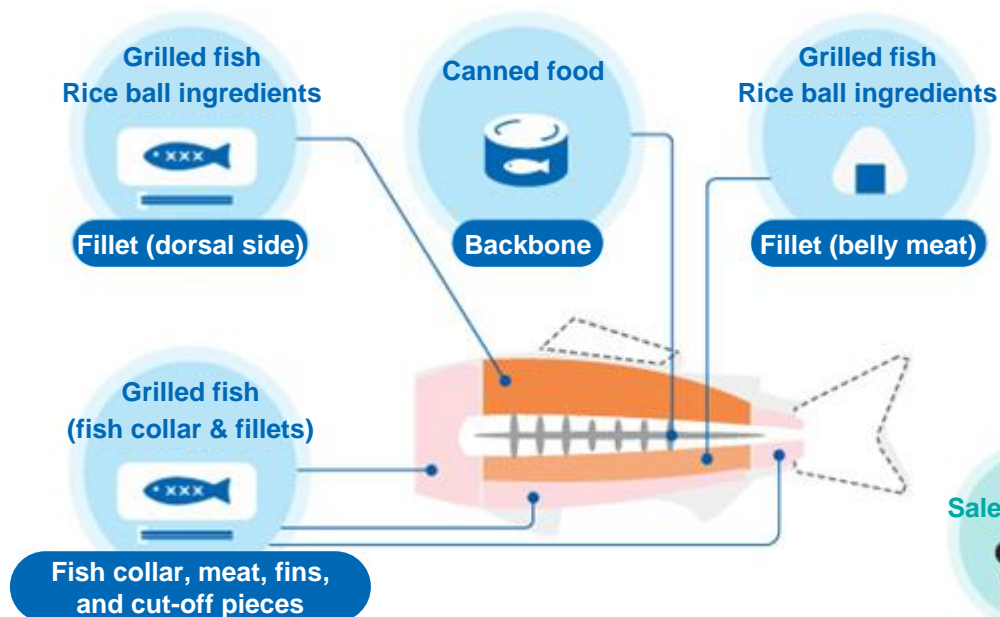
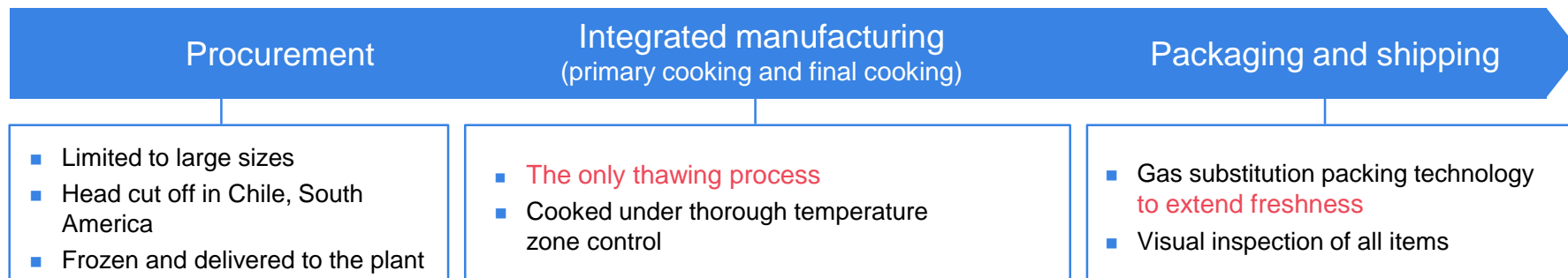
Manufacturing process for grilled fish prepared foods



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**



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

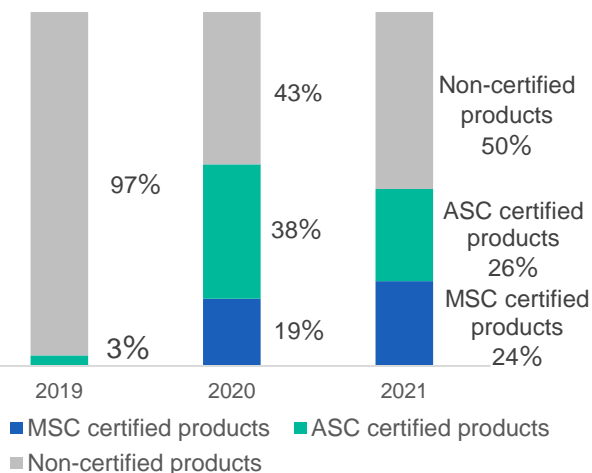
Responsibility to deliver the blessings of the sea



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

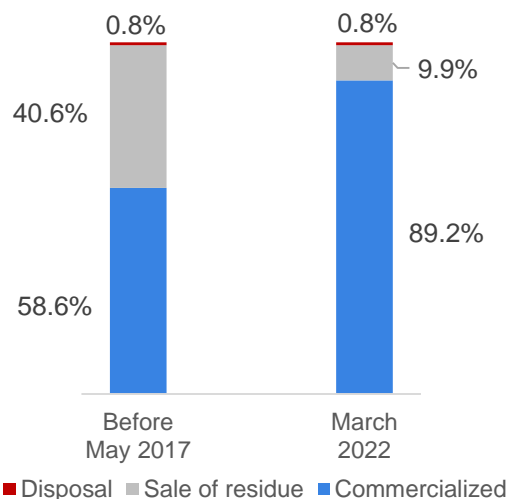
Mission as a food manufacturer



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

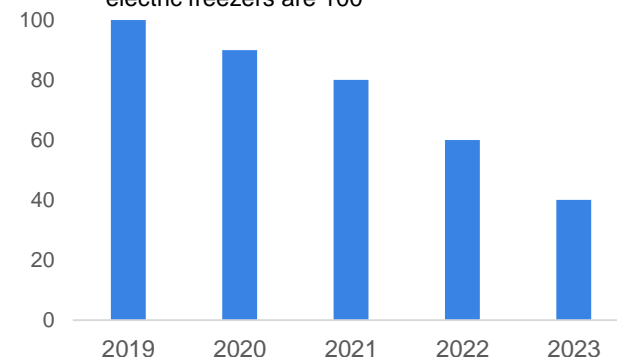
Eco-friendly business activities



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.