

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

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



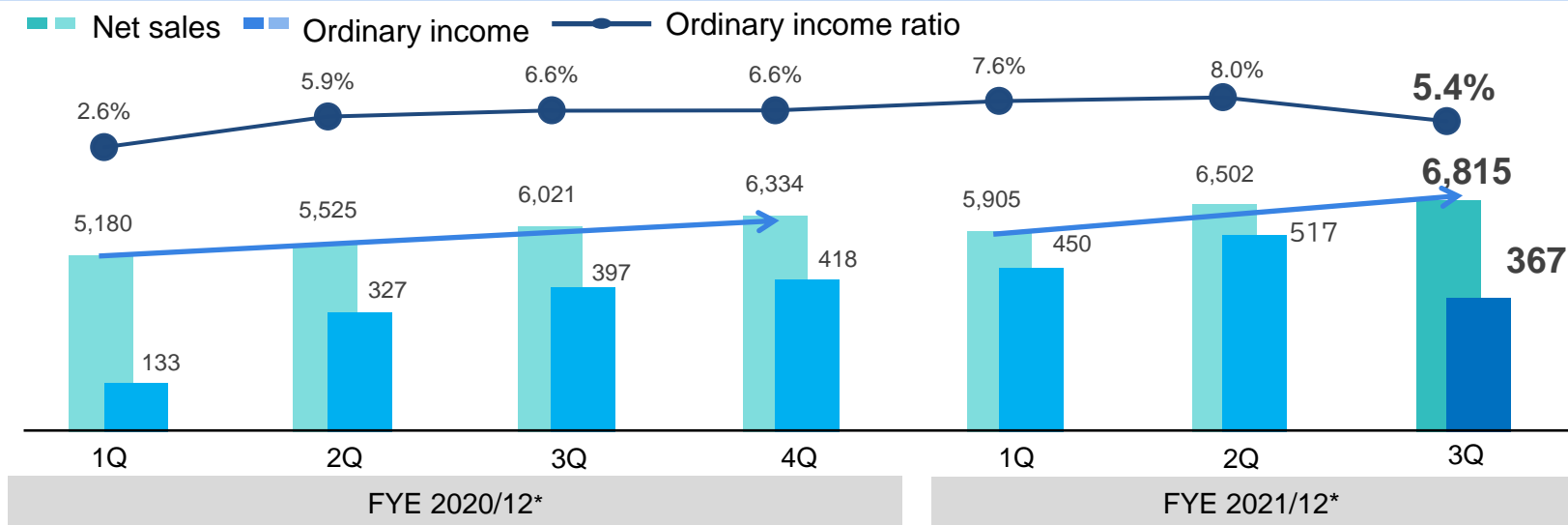
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◆ 2021.11.09

Financial summary

Summary of consolidated financial results

	Net sales	YoY	Ordinary income	YoY
Fiscal year ending December 31, 2021 3Q Cumulative period (January to September 2021)	19,223 million yen	114.9%	1,335 million yen	155.7%
Fiscal year ended December 31, 2020 3Q Cumulative period (January to September 2020)	16,727 million yen	-	857 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 (Unit: million yen)

Quarterly income and expense comparison

- Net sales for the third quarter increased compared to the previous quarter due to growth in sales of cup salads
- The ratio of cost of sales to net sales increased by 2.7 points in the third quarter compared to the previous quarter
- Reduce the cost of sales ratio by raising prices through fair price negotiations and promoting food loss reduction

(Unit: million yen)

	Fiscal year ending December 31, 2021 2Q (April to June 2021)		Fiscal year ending December 31, 2021 3Q (July to September 2021)		
	Results	Sales ratio	Results	Sales ratio	Change
Net sales	6,502	-	6,815	-	—
Cost of sales	4,617	71.0%	5,024	73.7%	2.7 points
Gross profit	1,885	29.0%	1,791	26.3%	-2.7 points
Selling, general and administrative expenses	1,377	21.2%	1,429	21.0%	-0.2 points
Operating income	507	7.8%	362	5.3%	-2.5 points
Ordinary income	517	8.0%	367	5.4%	-2.6 points

*Figures for 2Q and 3Q of the fiscal year ending December 31, 2021 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 3Q Cumulative period (January to September 2020)		Fiscal year ending December 31, 2021 3Q Cumulative period (January to September 2021)		YoY	Change
	Results	Sales ratio	Results	Sales ratio		
Net sales	16,727	-	19,223	-	114.9%	2,496
Cost of sales	12,326	73.7%	13,793	71.8%	111.9%	1,467
Gross profit	4,401	26.3%	5,430	28.2%	123.4%	1,028
Selling, general and administrative expenses	3,507	21.0%	4,127	21.5%	117.7%	619
Operating income	893	5.3%	1,302	6.8%	145.8%	409
Ordinary income	857	5.1%	1,335	6.9%	155.7%	477
Net income attributable to owners of the parent company	536	3.2%	848	4.4%	158.1%	311
EPS (yen)	107.17	-	154.39	-	144.1%	47.22


Consolidated balance sheet

(Unit: million yen)


	End of 4Q of FYE 2020/12 (2020.12.31)	End of 3Q of FYE 2021/12 (2021.09.30)	Change	Change
	Results	Results		
Total assets	11,324	11,428	100.9%	103
Current assets	6,775	6,738	99.5%	-37
Of which, cash and deposits	2,598	1,549	59.6%	-1,049
Non-current assets	4,548	4,689	103.1%	140
Of which, property, plant and equipment	3,741	3,908	104.4%	166
Total liabilities	7,758	7,223	93.1%	-534
Current liabilities	5,352	5,282	98.7%	-69
Non-current liabilities	2,406	1,941	80.7%	-465
Total net assets	3,566	4,204	117.9%	638
Total liabilities and net assets	11,324	11,428	100.9%	103

Increase in cost of sales

Overall background

- Stagnation in the supply chain due to the suspension of operations at plants and ports as a result of the lockdown that began in Vietnam in early July
 - Surge in demand due to the relaxing of regulations related to the coronavirus in Europe and the US, resulting in a sharp rise in prices of marine resources
- 

Impact

- Increase in raw material costs due to a temporary change in procurement sources to Japan
 - Raw material costs increased due to a sharp rise in the prices of common octopus and salmon caused by rising overseas demand
- 

Current situation and countermeasures

- **Lockdown gradually eased in October, and operations at plants and ports resumed and normalized**
- **As in the past, fair price negotiations with venders will be conducted to incorporate appropriate sales prices**
- **In the long term, we will reduce the cost of sales ratio by developing new products that will further promote the reduction of food loss**

Earnings forecast and shareholder return policy

FYE 2021/12 full-year earnings forecast

At the time of the announcement of financial results
for the second quarter of the fiscal year ending December 31, 2021

As a result of repeated efforts to achieve the full-year forecast set at the beginning of the fiscal year and to further increase sales and profits, measures to improve profit margins performed well in the second quarter, and we have upwardly revised the forecasted full-year profit for each stage

At the time of the announcement of financial results
for the third quarter of the fiscal year ending December 31, 2021

Although there was an adjustment in raw material procurement in the third quarter due to the coronavirus pandemic, there was no significant impact on the full-year forecast, and we expect to continue to achieve the forecast in the fourth quarter (Unit: million yen)

	Fiscal year ended December 31, 2020		Fiscal year ending December 31, 2021					
	Results	Sales ratio	Initial forecast	Sales ratio	YoY	Forecast after revision	Sales ratio	YoY
Net sales	23,062	-	26,000	-	112.7%	26,000	-	112.7%
Operating income	1,310	5.7%	1,570	6.0%	119.8%	1,730	6.6%	132.0%
Ordinary income	1,276	5.5%	1,560	6.0%	122.2%	1,720	6.6%	134.8%
Net income attributable to owners of the parent company	832	3.6%	1,010	3.9%	121.3%	1,110	4.2%	133.3%
EPS (yen)	162.65	-	183.78	-	113.0%	199.81	-	122.8%

*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 of the financial results for the second quarter to take into account the impact of the issuance of new shares.

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

*Announced on August 10, 2021

Expansion of shareholder special benefit program from once a year to **twice a year**

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](#)



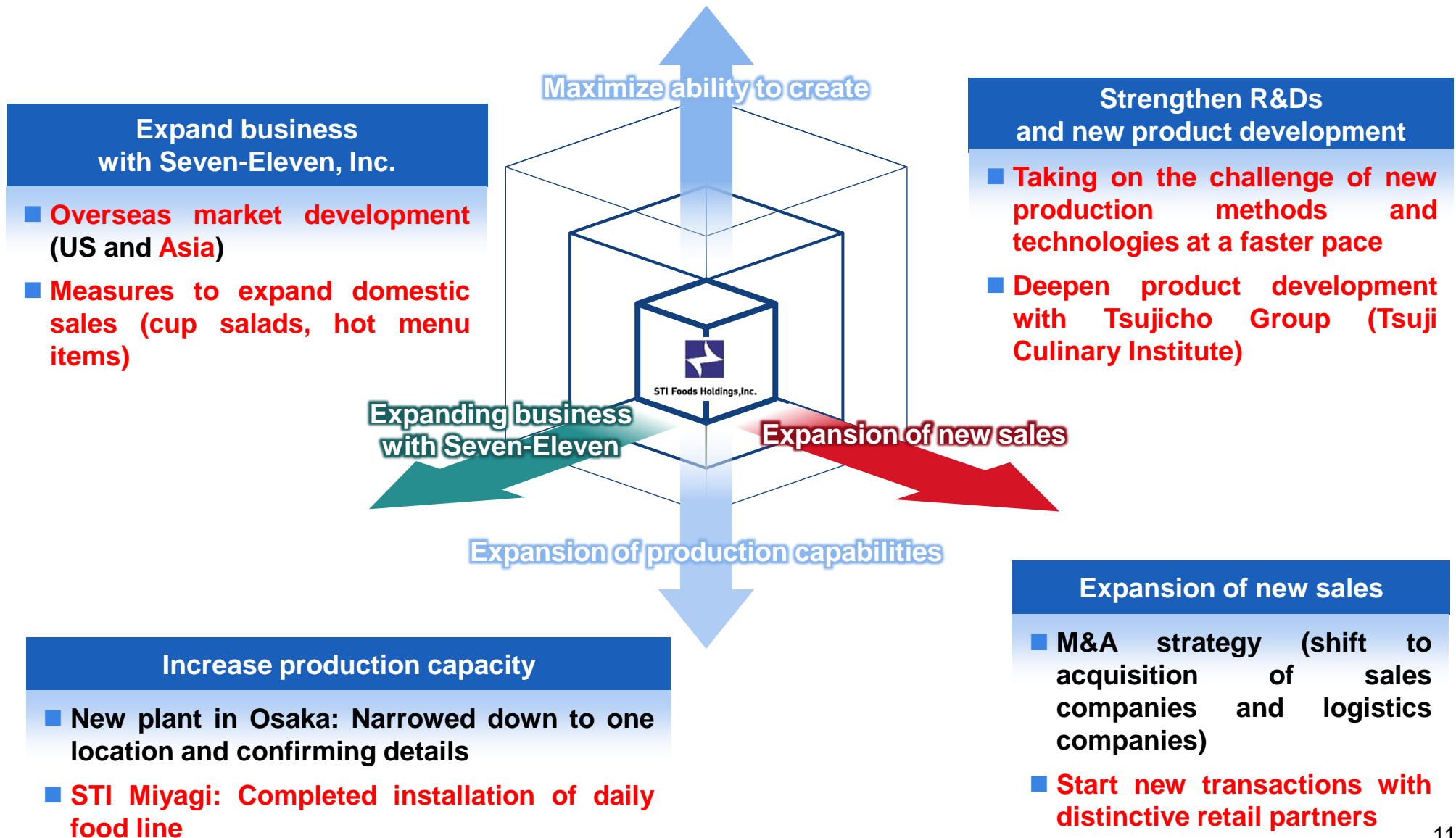
On the last day of June and December every year, shareholders who own at least one unit (100 shares) [receive the Company's products exclusively for shareholders](#)

Image of shareholder benefit products sent in August 2021



Progress in priority measures

Progress in priority measures



Progress in priority measures: Increase production capacity

Expansion of production facilities by STI Miyagi

- Completed the installation of a daily food line for the Tohoku region, securing a capacity of 120,000 meals
- Completed expansion of continuous smoke line

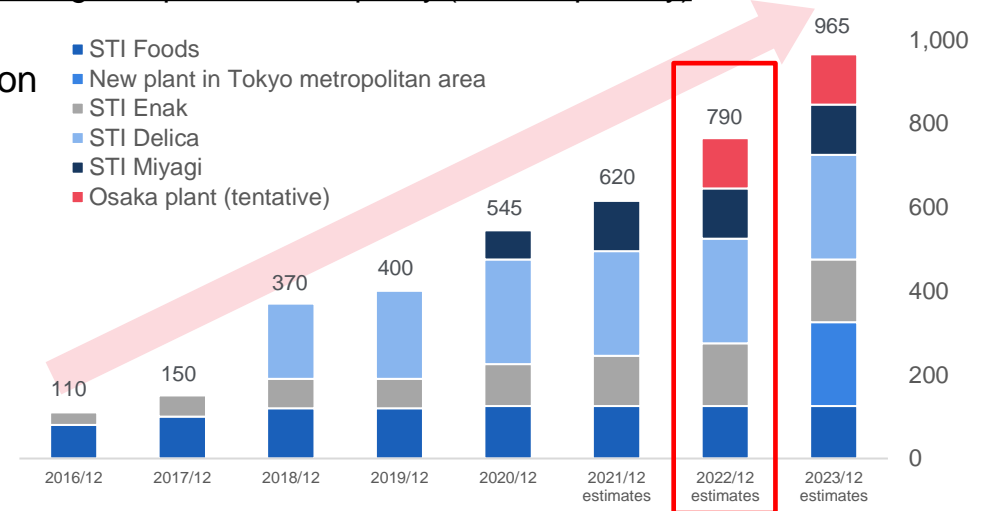
Establishment of Osaka plant (tentative)

- Narrowed down candidate site to Osaka, currently confirming details for official contract
- The new plant is expected to increase the daily production capacity by 18% as of the end of December 2022

New plant in Tokyo metropolitan area

- STI Foods prepares to build a new plant with limited production capacity
- Introduction of state-of-the-art production facilities to achieve new technologies
- Improved delivery efficiency by in-house sorting by store

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



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

	2020/12	2021/12 estimates	2022/12 estimates
Actual operating days (thousand meals)	300	415	565
Changes in operating rate	55%	70%	72%

Expansion into Asian region

- Business negotiation with Seven-Eleven (Taiwan) has progressed
 - ✓ Completed the selection of products and plan to sell them as Japanese food and grilled fish next spring
 - ✓ To be determined after verification of shelf life and tasting

*Reference: Seven-Eleven in Taiwan has about 6,000 stores

Development of new sales channels

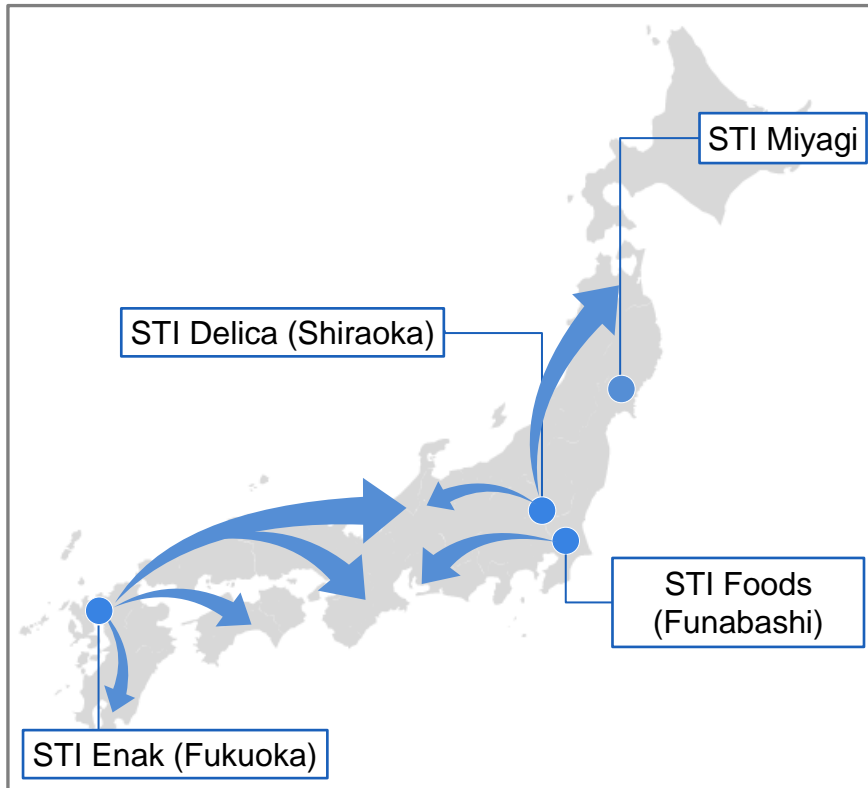
- Negotiations with distinctive retail partners have been materialized

Progress in priority measures:

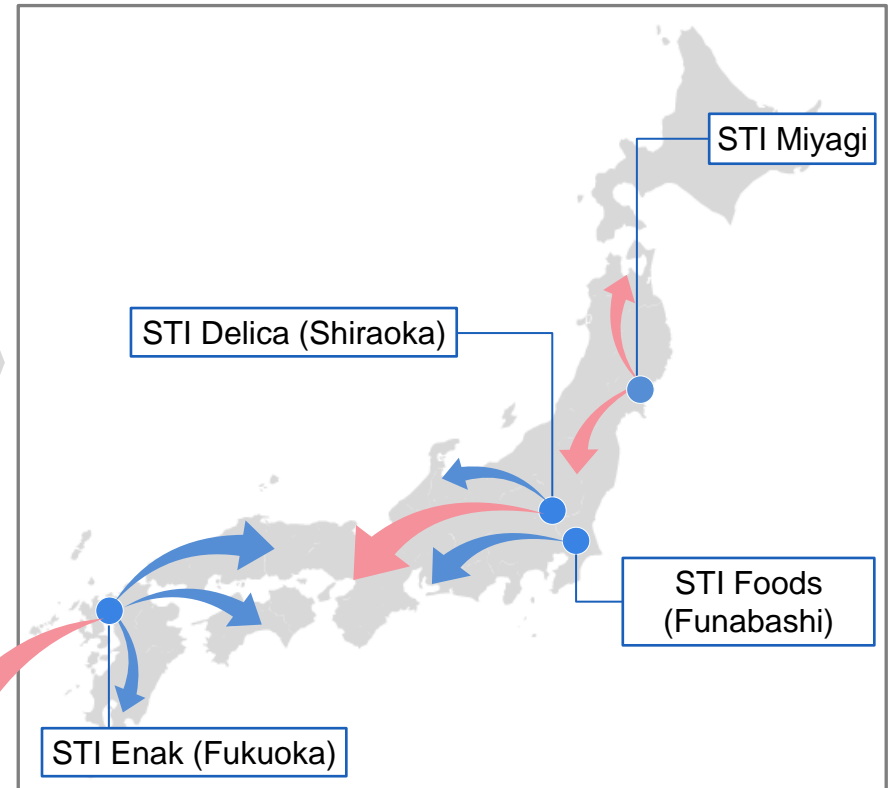
Production and logistics support for sales in Taiwan

- STI Delica covers the Kinki region with the completion of STI Miyagi's daily food line installation
- STI Delica's coverage of the Kinki region enables shipment from STI Enak (Fukuoka) to Taiwan

Current state of logistics



Logistics plan for sales in Taiwan



Expansion into Taiwan

Progress in priority measures:

Development of new products - Seven-Eleven hot menu

[Phase 1] November: Hot Cup Deli Series

- **Started sales of "Seafood and Vegetable Ajillo"**



[Phase 2] December: Launch of two new boiled fish products for winter

- **New products featuring flounder and redfish arranged for the cold season**



[Phase 3] We will develop a further two to three new products from January 2022

- **Salads with winter spices, etc.**

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	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.

Independence and self-reliance

Create your own work and develop yourself through your work.

Sincerity

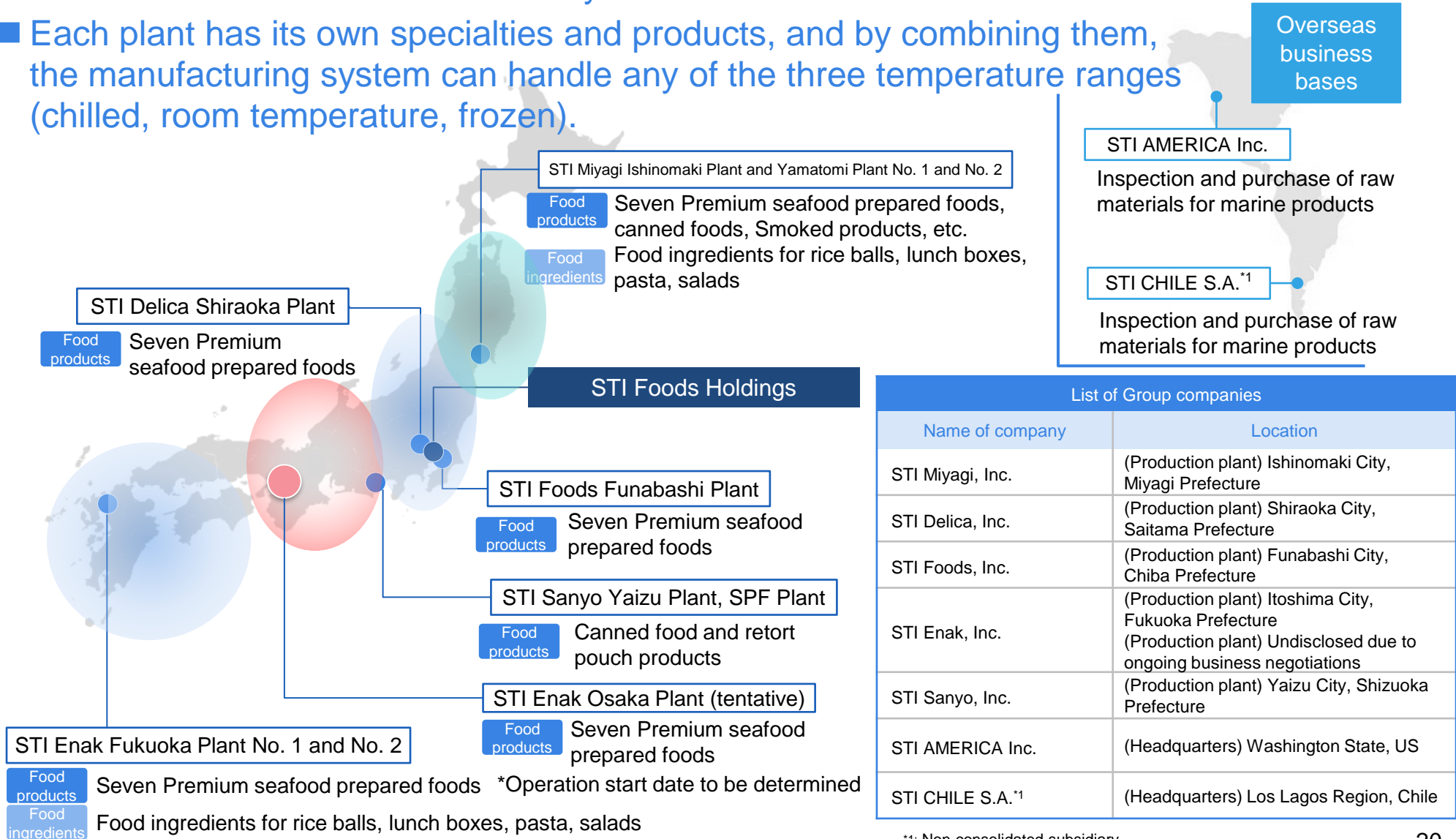
Dedicate yourself to your work. Give it your all. Nothing can be accomplished unless you put everything into it.

Unity

Unite the wisdom, skills, and thoughts of everyone. Then, and only then, will we be able to overcome our limitations.

Group and 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).

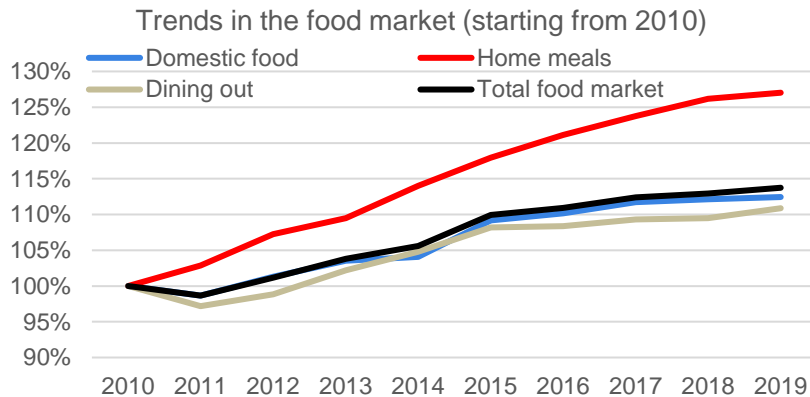


*1: Non-consolidated subsidiary

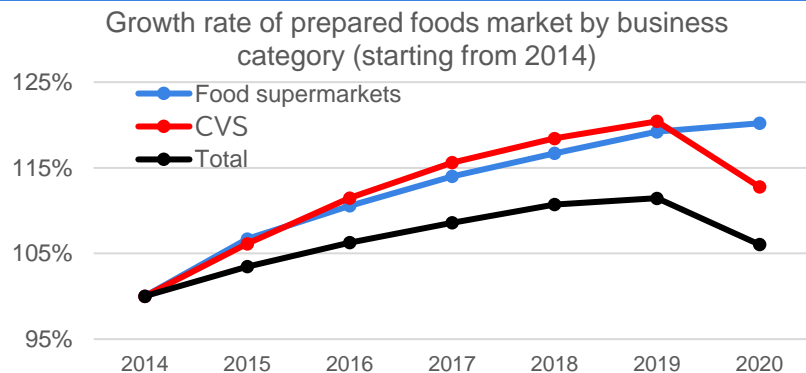
Strengths of the business (1)

- 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.

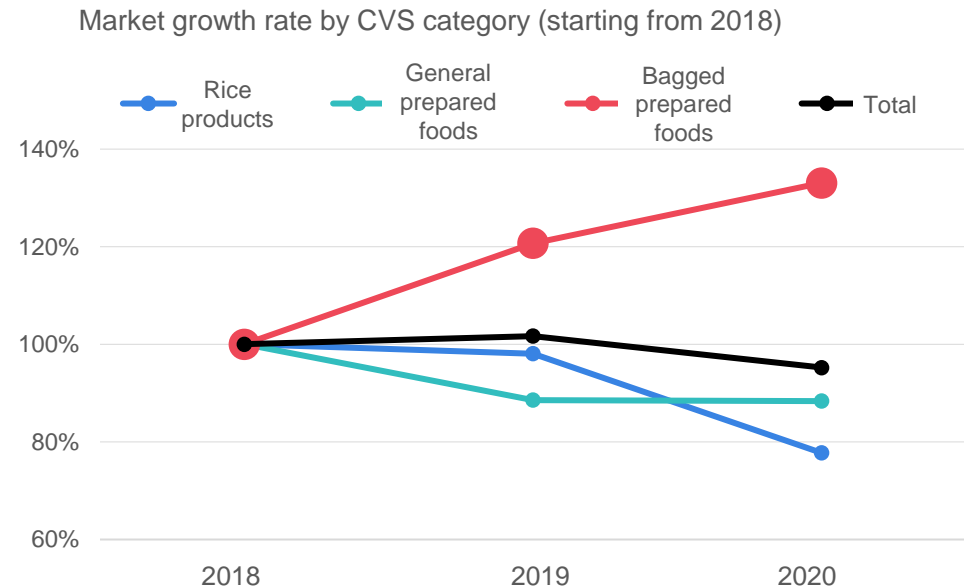
Growth of home-delicatessen business is driving the food market



CVS is struggling due to the coronavirus pandemic



Bagged prepared foods*¹ are steady



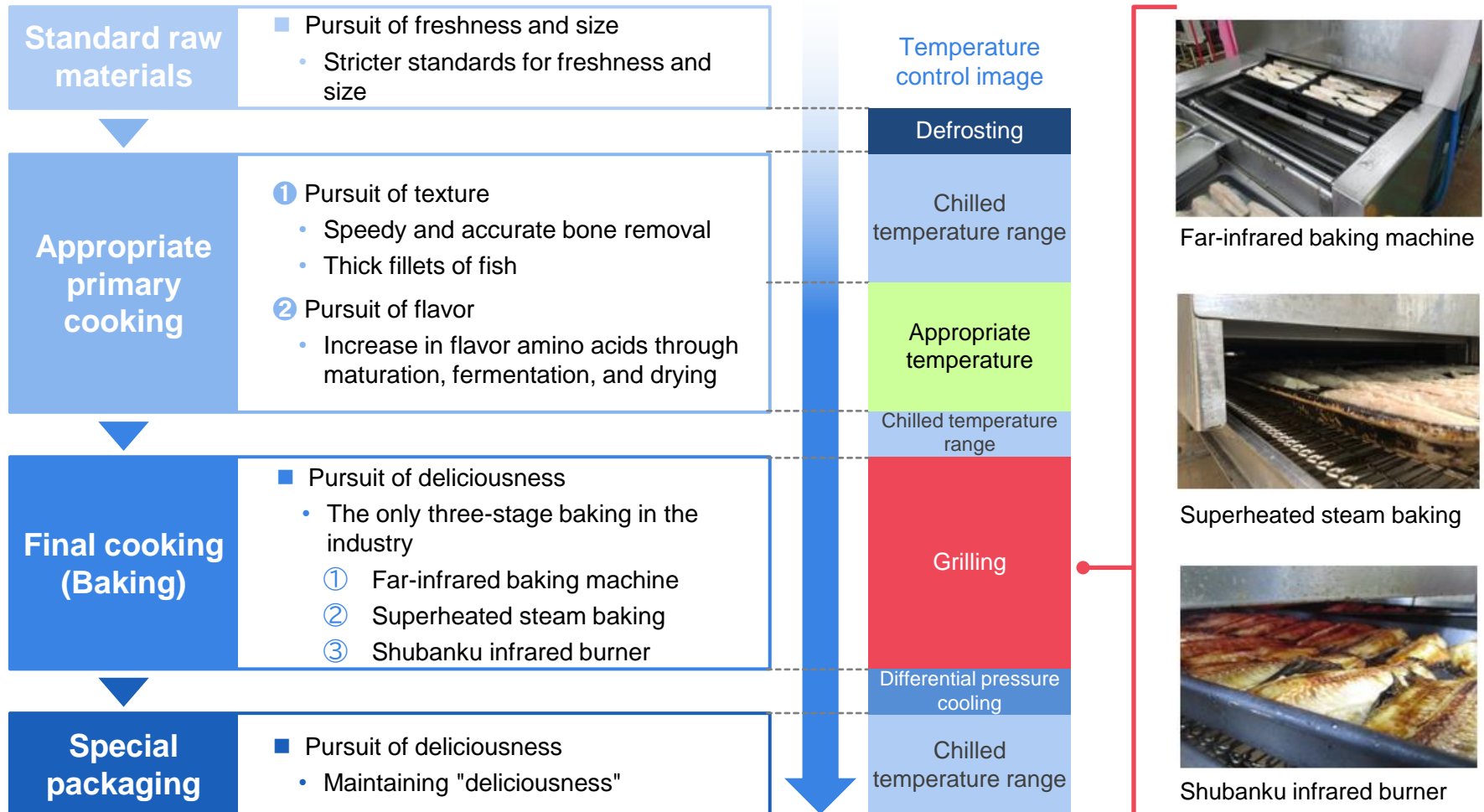
Source: Japan Ready-made Meal Association, "2021 White Paper on Prepared Food"

*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

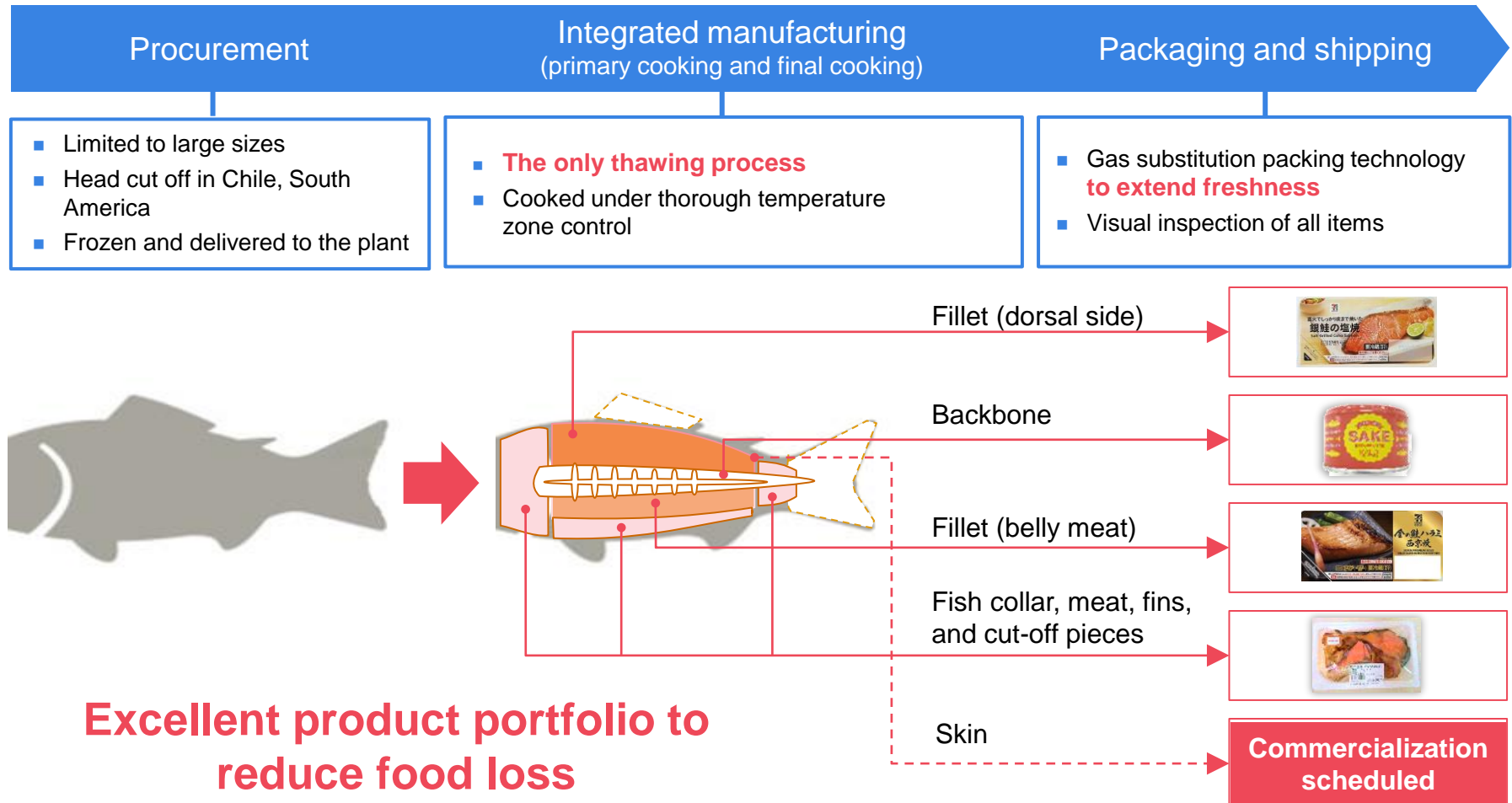
Manufacturing process for grilled fish prepared foods



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



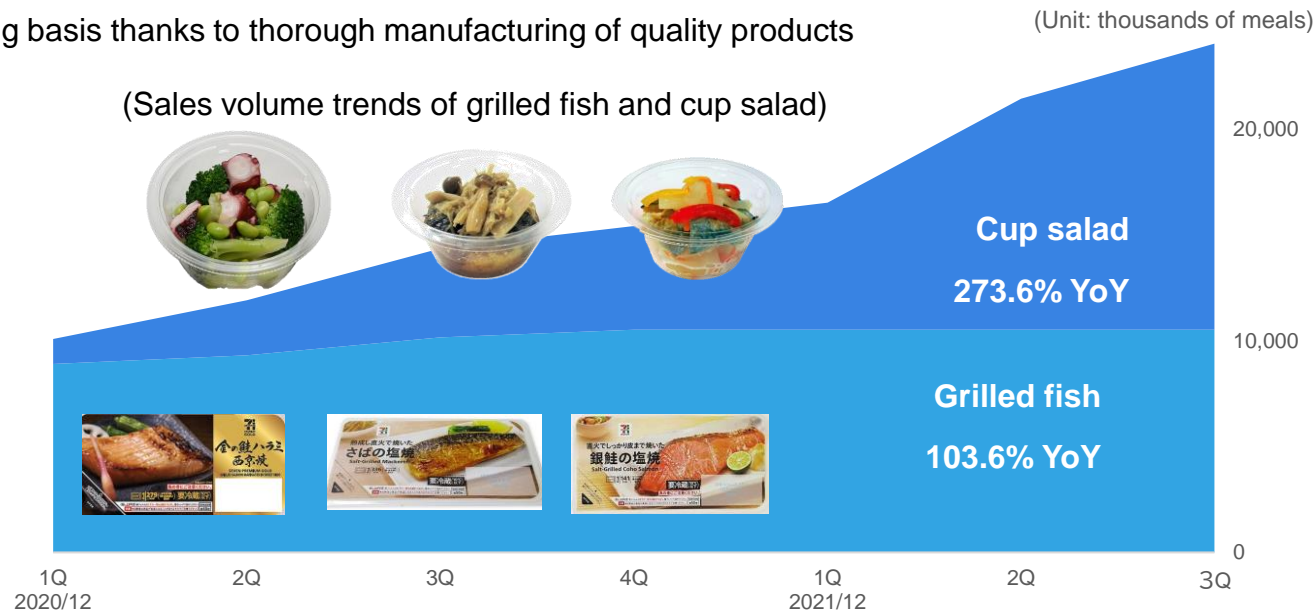
Other priority measures: Expand business with Seven-Eleven, Inc.

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 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 - Start selling products that are suitable for microwave use
- Grilled fish: Accounts for the majority of the market share in terms of both number of products and net sales, and a stable revenue base on an ongoing basis thanks to thorough manufacturing of quality products



Other priority measures: 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**

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 onigiri (rice balls) for convenience stores

April 2021

.tsuji

Nurture food professionals: Deepen product development with Tsujicho Group (Tsuiji 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 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)

November 2020

January 2018

Three-step baking and gas substitution packing technology

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

August 1997

Other priority measures: 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
- 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
- Continued efforts to expand recognition and create buzz through promotions using SNS

Progress of investment plan

Investment items		Plan	3Q cumulative results
Sales improvement measures	Establishment of new Osaka plant	500 million yen	— million yen
	Expansion of production facilities at existing plants	267 million yen	329 million yen
	Expansion of employee dormitory	197 million yen	201 million yen
Profit improvement measures	Maintenance and renewal of production facilities	74 million yen	132 million yen
Improve manufacturing capacity by utilizing data, AI, and other technologies	Production control, including labor saving	160 million yen	68 million yen
	Information security and other IT improvements	16 million yen	16 million yen

Planned annual capital investment: approximately 1,200 million yen

Outline of the public offering and secondary offering

Type of issuance / area of offering	Domestic public offering and secondary offering
Number of shares to be offered and sold	Number of new shares to be issued: 200,000 shares
	Number of shares to be sold: 300,000 shares (seller: Yutaka Jumi)
	OA (third-party allotment): 57,400 shares
Date of resolution for issuance	September 15, 2021 (Wednesday)
Date of determination of conditions	September 29, 2021 (Wednesday)
Payment date (public offering and secondary offering)	October 5, 2021 (Tuesday)
Payment date (third-party allotment)	October 18, 2021 (Monday)
Estimated amount of proceeds	956,273,160 yen
Total number of issued shares after completion	5,752,900 shares

Purpose of the public offering and secondary offering

- To respond to increased demand and improved delivery efficiency
 - ✓ FYE December 31, 2021 **Expansion of new plant in Osaka**
- FYE December 31, 2023 Preparation for **the expansion of a new plant in the Tokyo metropolitan area**
- Fulfillment of formal criteria for future transition to the Prime Market
 - ✓ Expansion of investor base through increased liquidity
 - ✓ Fulfillment of **the 35% trading share ratio**
 - ✓ Fulfillment of **the net asset standard of 5 billion yen**

SUSTAINABLE DEVELOPMENT GOALS

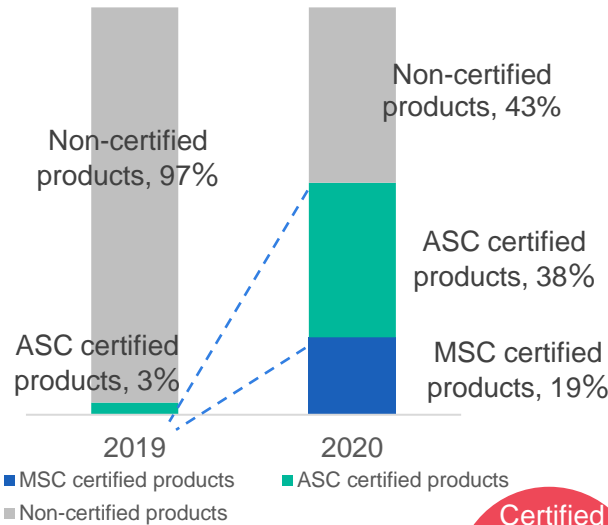
Reduce the burden on the environment and society in all parts of the value chain, from procurement, processing, distribution, consumption, and disposal, and work to solve social issues through business

Responsibility to deliver the blessings of the sea



Procurement of sustainable raw materials

Percentage of certified products in the total volume of salmon handled



Certified raw materials use rate 57%

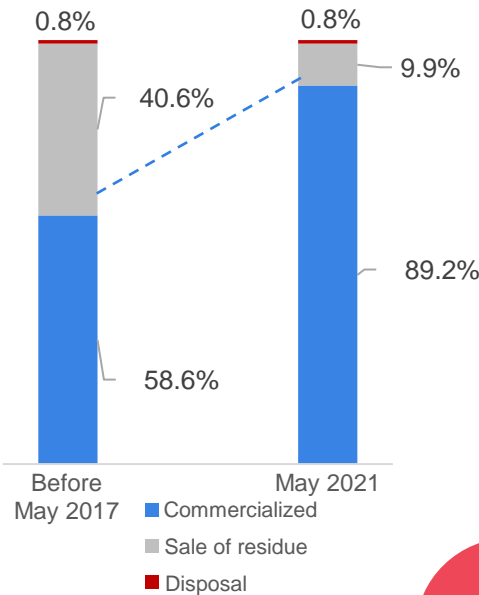
*The percentage of certified products out of the total volume of silver and red salmon handled by the Company was calculated.

Mission as a food manufacturer



Reduction of food loss and food waste

Percentage of raw materials used for dressed silver salmon



Raw materials use rate 99.2%

*The percentage is calculated based on the weight of residue and waste from dressed silver salmon raw materials

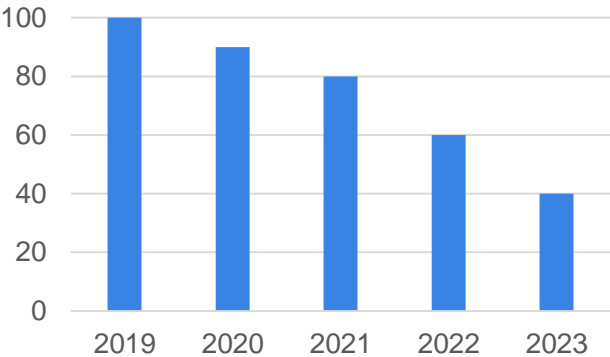
Eco-friendly business activities



Reduction of greenhouse gas emissions

Gradually replace electric freezers with nitrogen freezers by 2023

Plan to reduce CO₂ emissions by introducing nitrogen freezers, assuming CO₂ emissions from electric freezers are 100



60% reduction in CO₂ emissions

*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.