

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

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



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◆ November 9, 2022

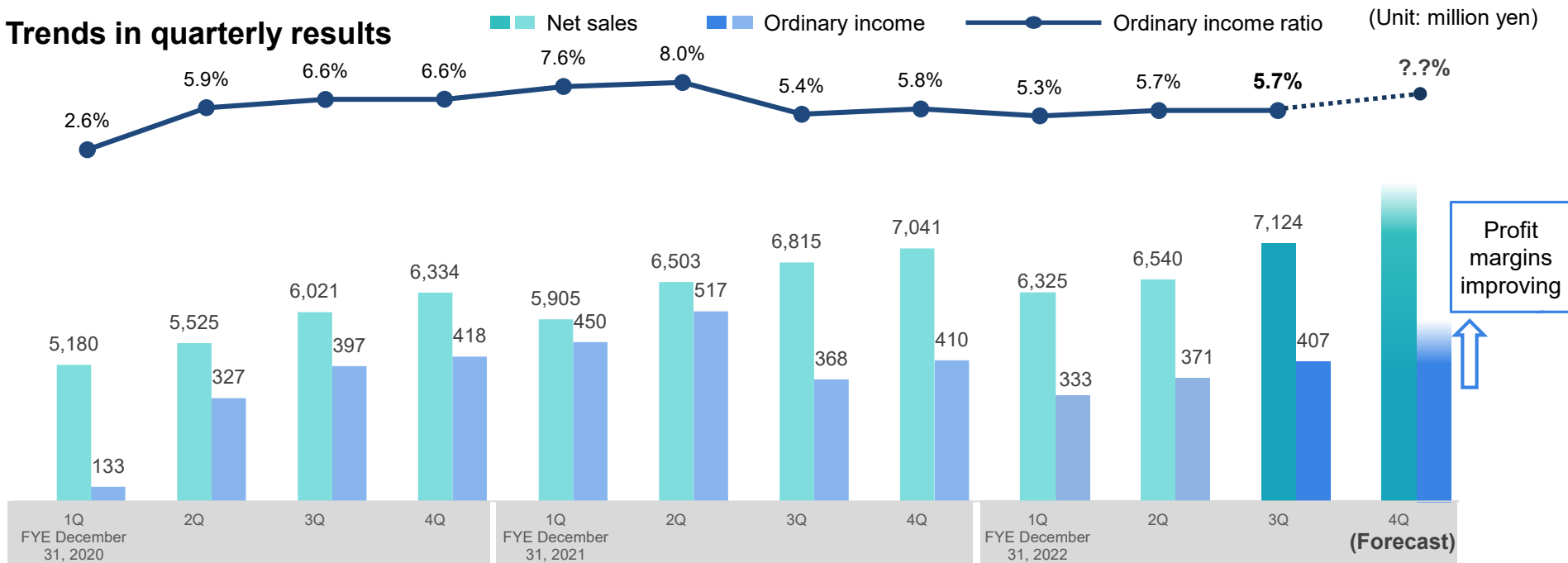
Summary of financial results for
the third quarter of the fiscal year ending
December 31, 2022

Summary of consolidated financial results

- Increase in new users from TV exposure and more demand for mainstay products created by repeat purchases
- Temporary measures to deal with yen depreciation and high resource prices ended. High manufacturing quality led to acceptance of price increases, which resulted in improved profit margins

| | Net sales | Ordinary income | Net income attributable to owners of the parent company |
|---|---------------------------|--------------------------|---|
| Fiscal year ending December 31, 2022 3Q Cumulative period (January to September 2022) | 19,991 million yen | 1,112 million yen | 720 million yen |
| Fiscal year ended December 31, 2021 3Q Cumulative period (January to September 2021) | 19,223 million yen | 1,335 million yen | 848 million yen |
| Fiscal year ended December 31, 2020 3Q Cumulative period (January to September 2020) | 16,727 million yen | 857 million yen | 536 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)

| | Fiscal year ended December 31, 2021 3Q Cumulative period (January to September 2021) | | Fiscal year ending December 31, 2022 3Q Cumulative period (January to September 2022) | | Ratio of increase/decrease | Change |
|---|---|-------------|--|-------------|-------------------------------|--------|
| | Results | Sales ratio | Results | Sales ratio | | |
| Net sales | 19,223 | - | 19,991 | - | 104.0% | 767 |
| Cost of sales | 13,793 | 71.8% | 14,528 | 72.7% | 105.3% | 734 |
| Gross profit | 5,430 | 28.2% | 5,463 | 27.3% | 100.6% | 33 |
| Selling, general and administrative expenses | 4,127 | 21.5% | 4,338 | 21.7% | 105.1% | 211 |
| Operating income | 1,302 | 6.8% | 1,124 | 5.6% | 86.3% | (178) |
| Ordinary income | 1,335 | 6.9% | 1,112 | 5.6% | 83.3% | (222) |
| Net income attributable to owners of the parent company | 848 | 4.4% | 720 | 3.6% | 85.0% | (127) |
| EPS (yen) | 154.39 | - | 125.05 | - | 81.0% | |

Consolidated balance sheet

(Unit: million yen)

| | FYE December 31, 2021 Year end | FYE December 31, 2022 3Q | Ratio of increase/decrease | Change |
|---|--------------------------------------|--------------------------------|-------------------------------|------------|
| Current assets | 8,206 | 8,535 | 104.0% | 328 |
| Of which, cash and deposits | 3,293 | 2,216 | 67.3% | (1,076) |
| Non-current assets | 4,571 | 4,740 | 103.7% | 169 |
| Of which, property, plant and equipment | 3,833 | 4,014 | 104.7% | 181 |
| Total assets | 12,777 | 13,275 | 103.9% | 497 |
| Total liabilities | 7,336 | 7,362 | 100.3% | 25 |
| Current liabilities | 5,558 | 5,672 | 102.0% | 113 |
| Non-current liabilities | 1,777 | 1,689 | 95.0% | (88) |
| Total net assets | 5,440 | 5,913 | 108.7% | 472 |
| Total liabilities and net assets | 12,777 | 13,275 | 103.9% | 497 |

Third and fourth quarter highlights and progress versus full-year earnings forecast

Third and fourth quarter highlights

[3Q]

- Temporary measures to deal with yen depreciation and high resource prices ended. Other measures will continue.
- Strong sales of multiple new products
- TV exposure led to acquisition of new customers and repeat purchases of mainstay products
 - ✓ Intermittent airing of Seven-Eleven TV commercials featuring Japanese-style prepared foods and showcasing of Seven-Eleven products manufactured by the Company on commercial TV programs

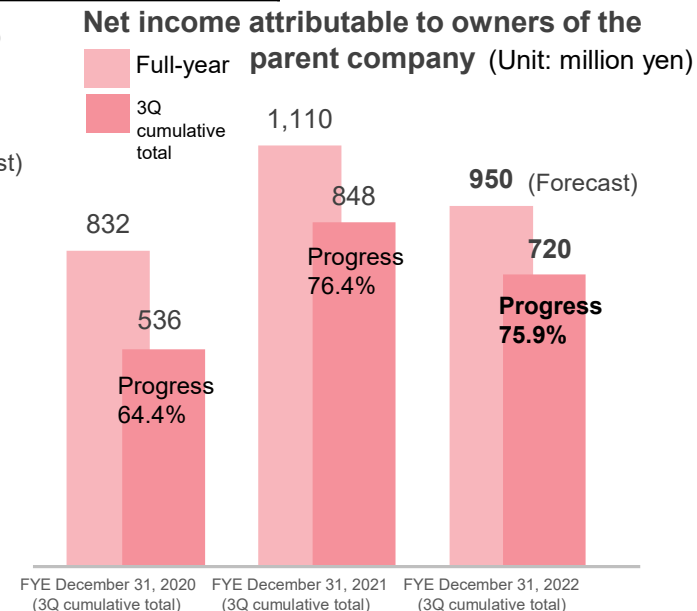
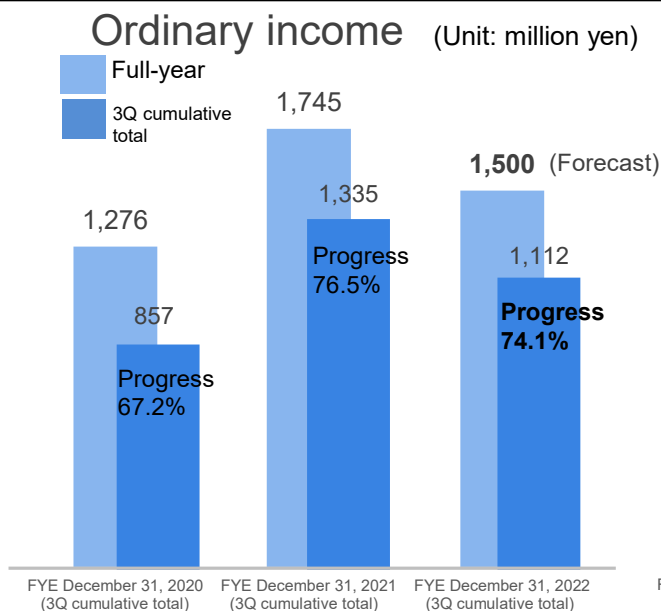
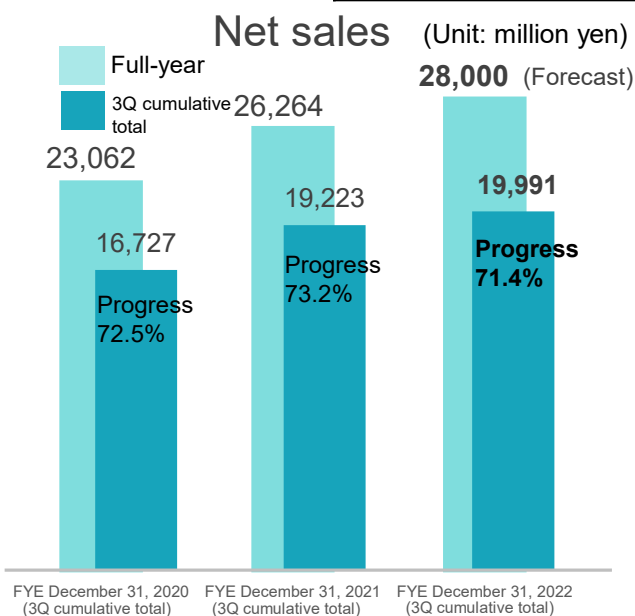
[4Q]

With TV commercials scheduled to continue airing, we will carry the momentum built from acquiring more repeat customers and capturing year-end demand through high-quality product manufacturing into 1Q of the next fiscal year.

Progress versus full-year earnings forecast

- Net sales in 4Q are expected to continue to benefit from higher prices and new products. Although profit margins began to improve during 3Q, the conservative forecast remains unchanged.

| | 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% |



Priority measures

Priority measures

Strengthen sales

- Continue introducing new merchandise
- Expand with new sales channels for NB products (Amazon, GMS, and others)
- Continue preparations to expand into North America and Asia (outside of Taiwan)

Expanding business with Seven-Eleven

- Expansion of sales in Japan
(Launch of numerous new products and full-scale operation of frozen marine products facility from next fiscal year)
- 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

Enhance manufacturing

- Daily line operation will start at STI Miyagi (shipments planned from 4Q)
- Increase production capacity at existing plants
- Prompt resolution of construction issues at Shiga Plant (Operation planned from FY2023)

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: Stable running of daily food production line
- Increase production capacity at existing daily food plants
- Prompt resolution of construction issues at Shiga Plant (Operation planned from 3Q of the next fiscal year)
- North American expansion preparations (now selecting M&A candidates for existing plants)

Shareholder return policy

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, 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

| | | | |
|------------------------|---|----------------------------|---|
| 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) |

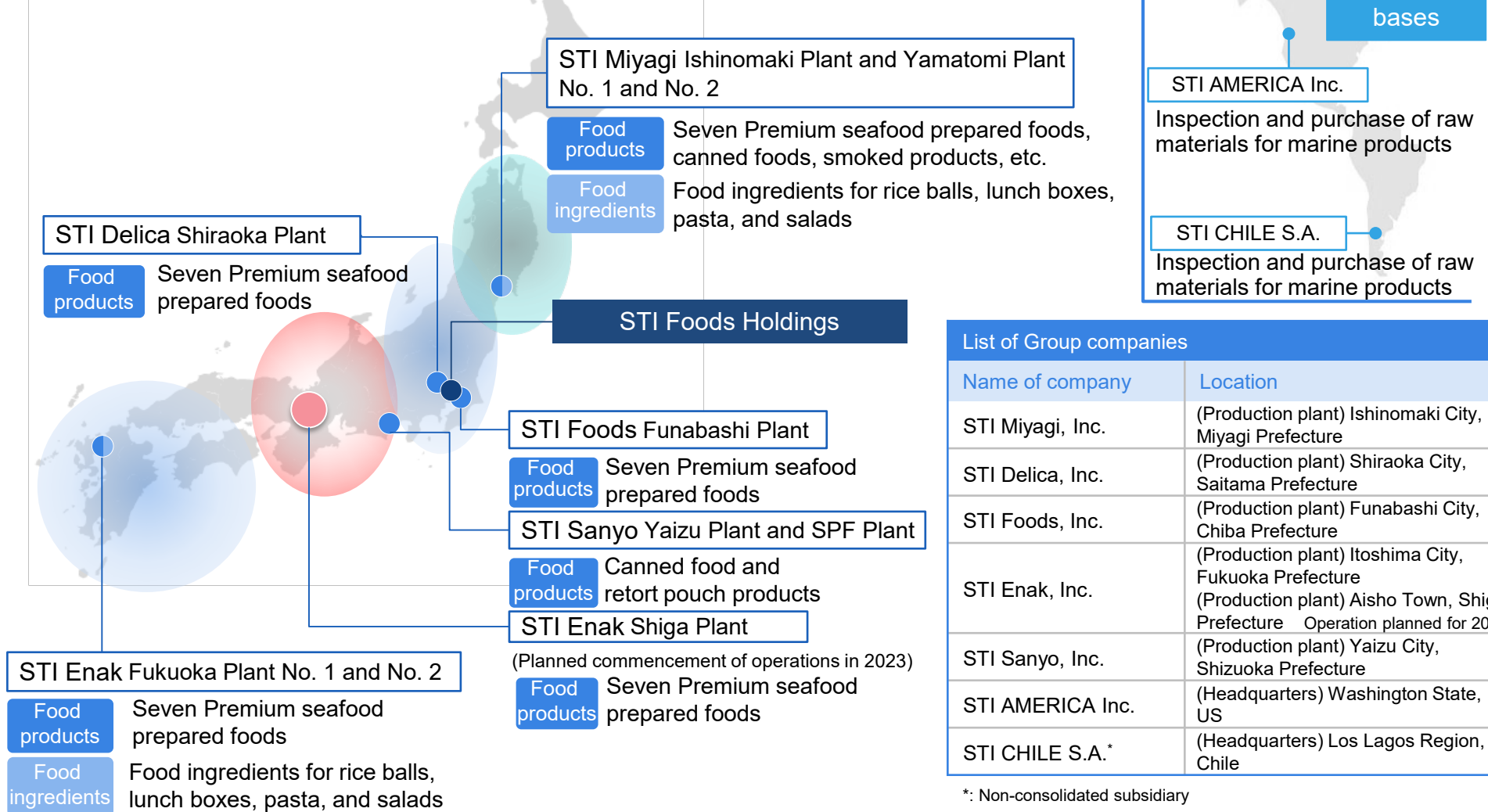
Business description

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**

.tsuji

Nurture food professionals: Enhance 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)

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

Three-step baking and gas substitution

Grilled fish prepared foods

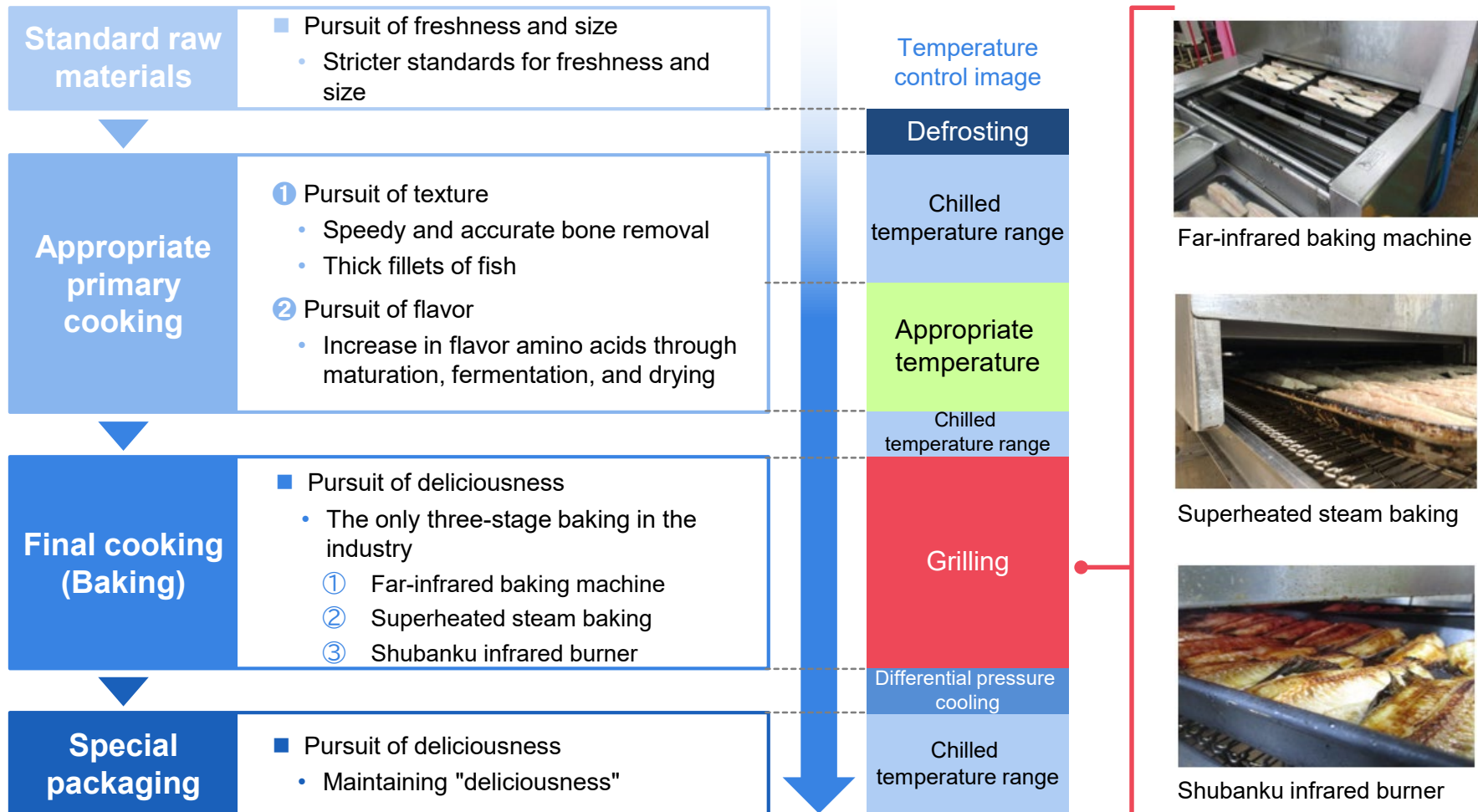
- Becoming Seven-Eleven standard products that feature the taste of foods freshly baked at home
- Extends consumption period to approximately 10 days without using preservatives (extension from approximately 3 days to approximately 10 days)

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**

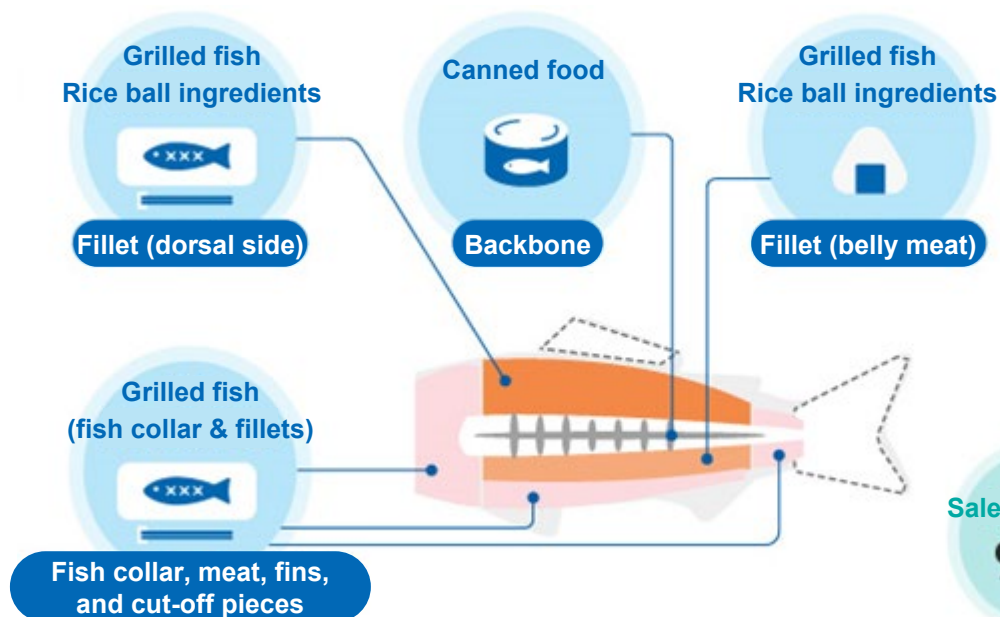
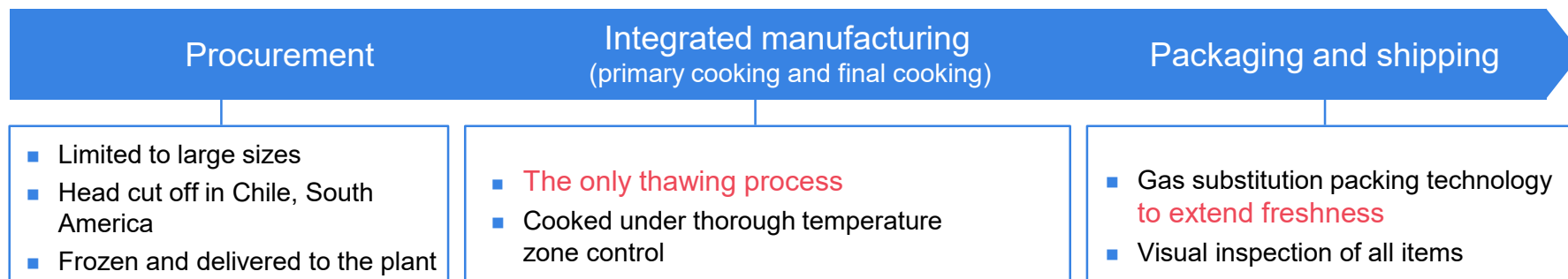
Manufacturing process for grilled fish prepared foods



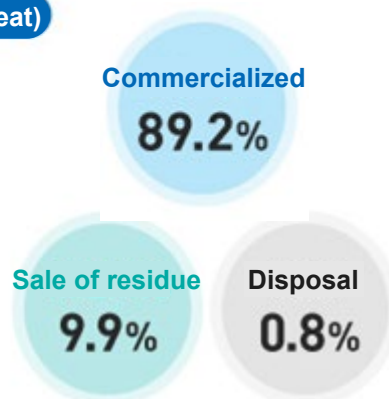
Strengths of the business: Balancing food loss and cost reduction

- 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

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.

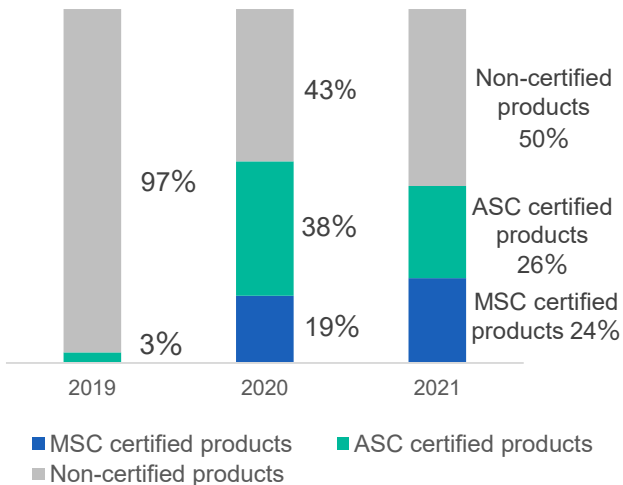
Responsibility to deliver the blessings of the sea



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

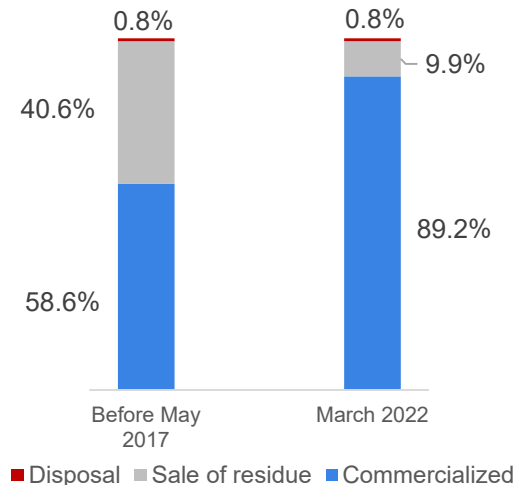
Mission as a food manufacturer



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

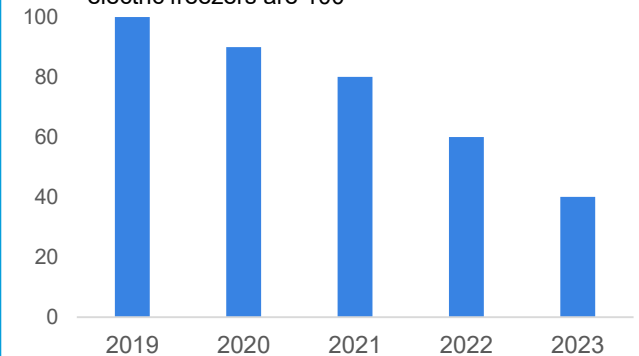
Eco-friendly business activities



Reduction of greenhouse gas emissions

60% reduction in 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.