



Supplementary Materials for Financial Results FY Ended Mar. 2023

May 12th., 2023

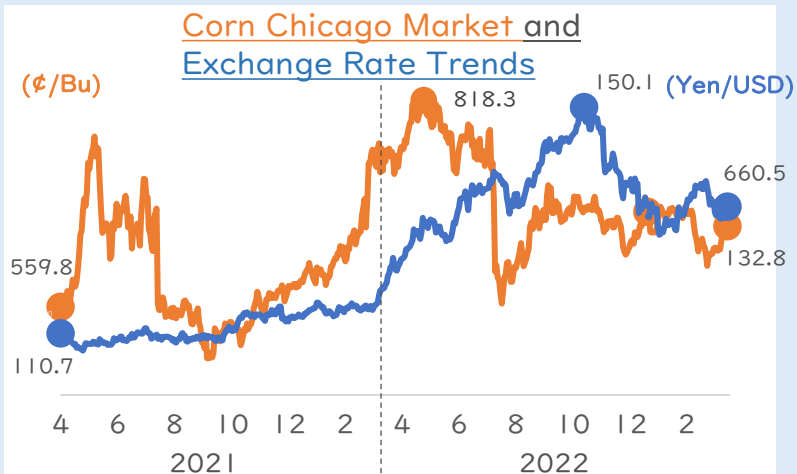
FEED ONE CO., LTD.

TSE Prime Symbol:2060

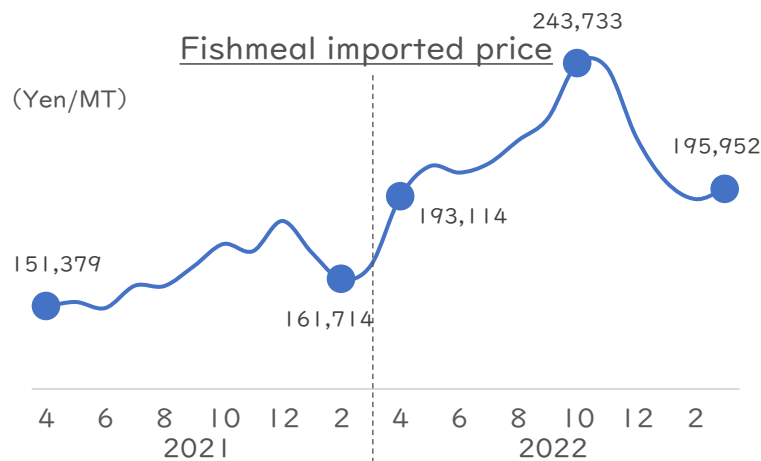
1. Price Trends of Imported Raw Materials

In feed materials, about 50% of Animal feed is corn and about 40% of Aquatic feed is fishmeal.

Prices soared due to the sharp depreciation of the yen. The exchange rate peaked in Oct., followed by the appreciation of the yen. Throughout the year, rate levels were significantly higher than the previous year.



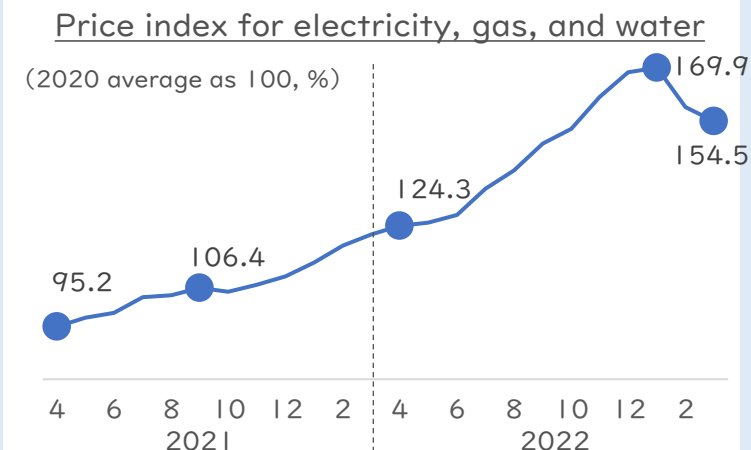
Corn imported price : YoY 139.7%
(Yen)



Fish meal imported price : YoY 129.6%

2. Energy Cost Trends

Energy price index such as electricity and gas rose significantly.

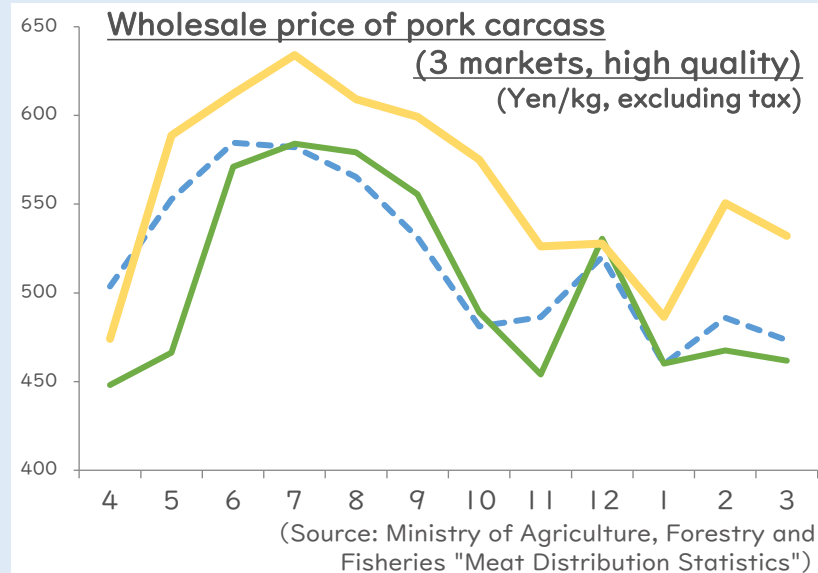


Price index for electricity, gas, and water
: YoY 137.6%

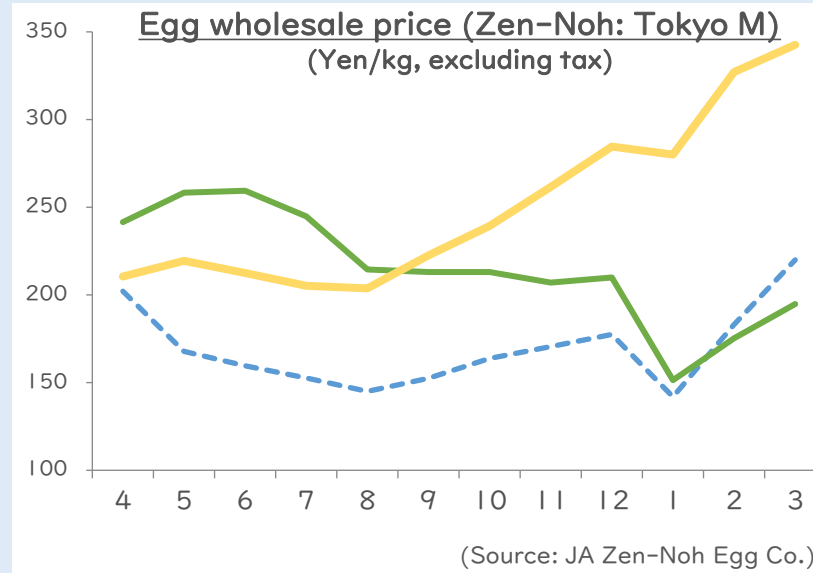
3. Livestock Products Market Conditions

The Food business handles mainly pork carcasses and eggs sales.

Pork carcass market prices were higher than the previous year, and egg market prices also significantly were higher than the previous year from Q3 onward.



Wholesale price of pork carcass :
YoY 110.7%



Egg wholesale price : YoY 116.5%

Summary of Financial Results for the FY3/2023

Gross profit remained flat due to higher selling prices, despite higher raw material and energy costs. On the other hand, operating profit decreased due to a large increase in SG&A expenses.

(Millions of Yen)

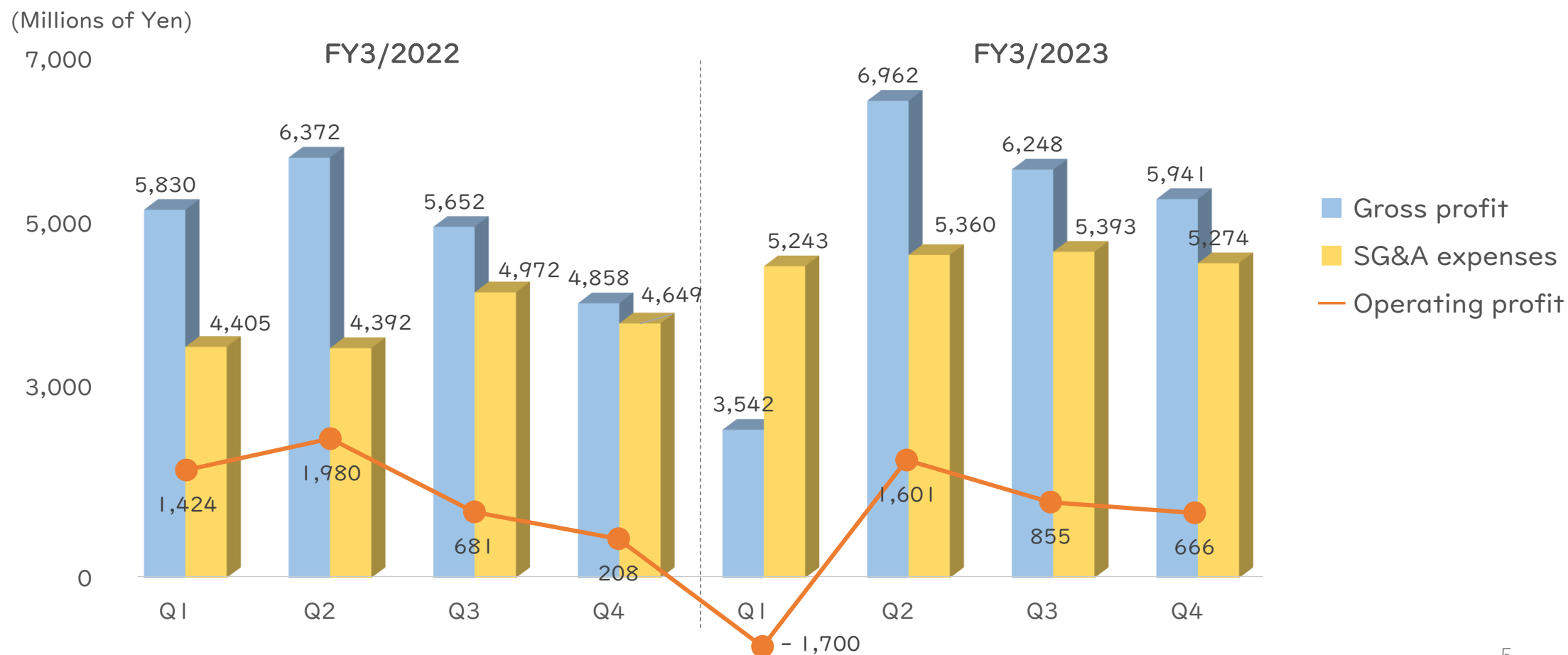
	FY3/2022		FY3/2023		
		Composition ratio		Composition ratio	YoY
Net Sales	243,202	100.0%	307,911	100.0%	+26.6%
Cost of Sales	220,490	90.7%	285,218	92.6%	+29.4%
Gross profit	22,712	9.3%	22,693	7.4%	-0.1%
SG&A expenses	18,418	7.6%	21,270	6.9%	+15.5%
Operating Profit	4,293	1.8%	1,422	0.5%	-66.9%
Ordinary profit	5,067	2.1%	1,711	0.6%	-66.2%
Profit attributable to owners of parent	3,659	1.5%	1,030	0.3%	-71.8%

Quarterly Financial Results



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Gross profit declined sharply in Q1, resulting in an operating profit in the red. In Q2, operating profit was in the black due to a large increase in gross profit as a result of the price pass-through of Animal Feed. From Q3 onward, SG&A expenses remained mostly unchanged, while gross profit and operating profit declined.



SG&A Expenses



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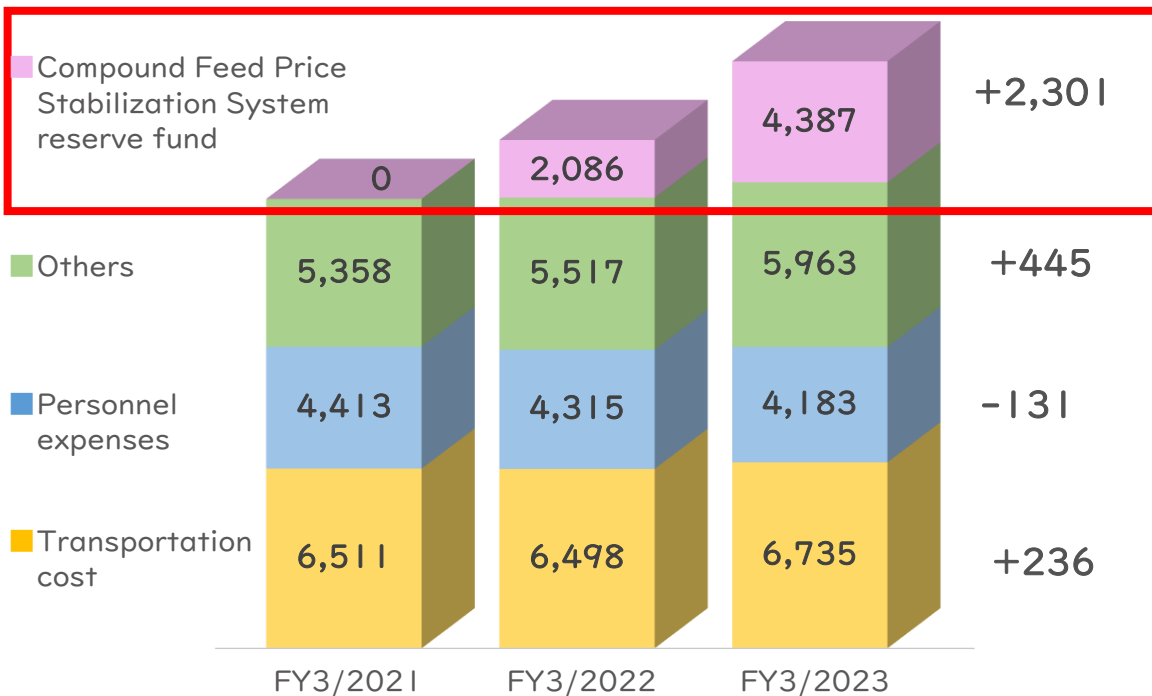
SG&A expenses

- ▶ Increase in Compound Feed Price Stabilization System reserve fund.
- ▶ Increase in other provisions for doubtful accounts and activity expenses.

(Millions of Yen)

(Previous term difference)

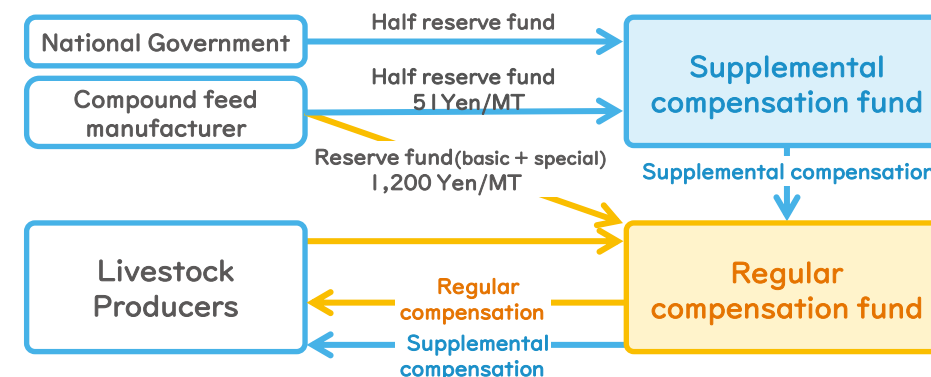
SG&A expenses 16,284 18,418 21,270 +2,852



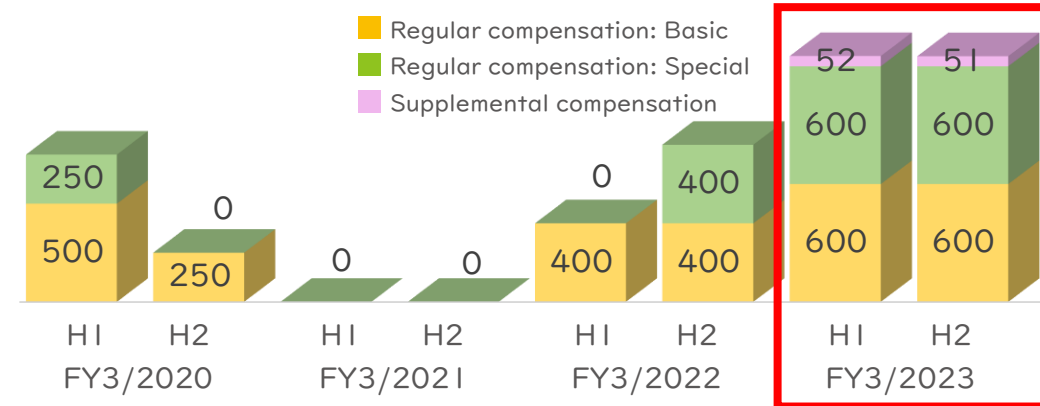
Compound Feed Price Stabilization System

- ▶ Aim to mitigate the impact of rising feed prices on livestock operations.
- ▶ A reserve fund is triggered from FY3/2022 due to the grant of compensation funds. In FY3/2023, the unit price will be increased and a compensation fund for abnormalities will be generated.

Mechanism of the system (Example: H2 FY3/2023)



Transition of reserve fund (compound feed manufacturer)



FY3/2023 Segment Status



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Although sales increased due to higher sales volume and sales price revisions, profits declined significantly due to soaring costs and higher SG&A expenses.

(Millions of Yen)

(Millions of Yen)

		FY3/2022	FY3/2023		
				YoY difference	YoY
Feed business	Net Sales	203,398	264,073	+60,674	+29.8%
	Segment profit	6,531	3,925	-2,606	-39.9%
Food business	Net Sales	37,366	41,334	+3,968	+10.6%
	Segment profit	-52	-369	-316	—
Others	Net Sales	2,437	2,503	+66	+2.7%
	Segment profit	286	266	-19	-6.8%

(Thousand metric tons)

Sales volume	FY3/2022	FY3/2023		
			YoY	Comments
Animal feed	3,521	3,586	+1.8%	For layers +2%, for broilers +4%, for pigs +1%, for cattle +1%
Aquatic feed	92	100	+8.1%	For marine fish +10%, for freshwater fish -5%

Quarterly Financial Results of Major Businesses

Animal feed:

In Q1, profits decreased due to a sharp rise in raw material prices.

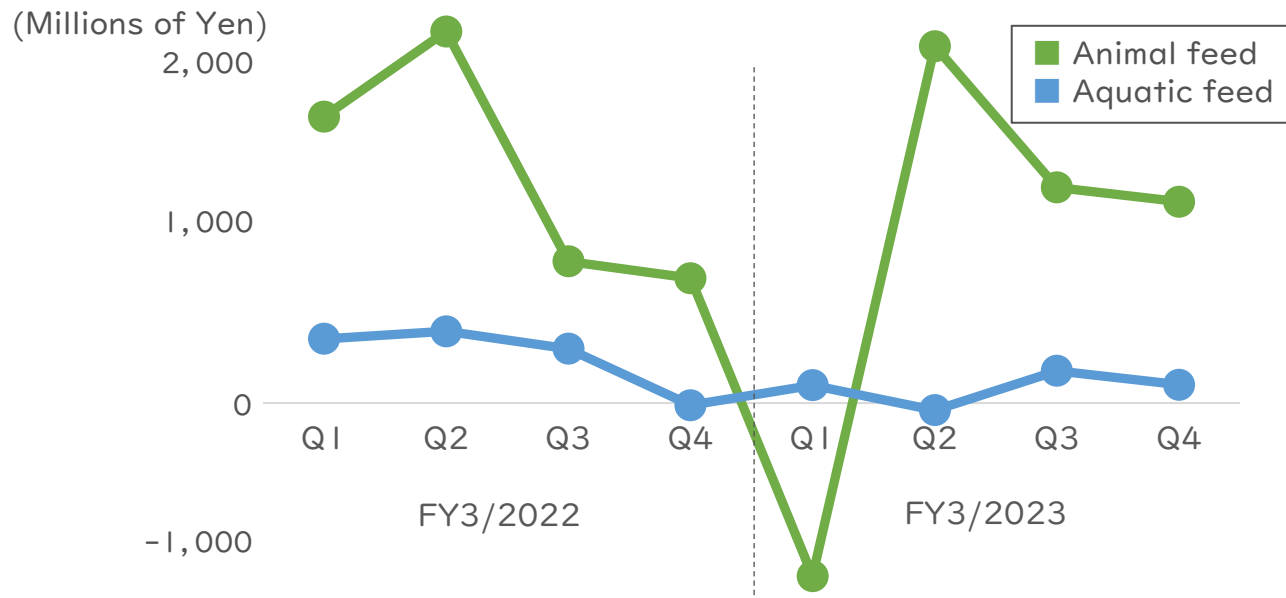
In Q2, profits improved due to sales price revisions.

From Q3 onward, price pass-through did not proceed and profits declined, but the company secured profits by reducing raw material costs.

Aquatic feed:

Although a large price revision was implemented in Q3 due to soaring raw material prices, profits declined due to higher-than-expected raw material prices.

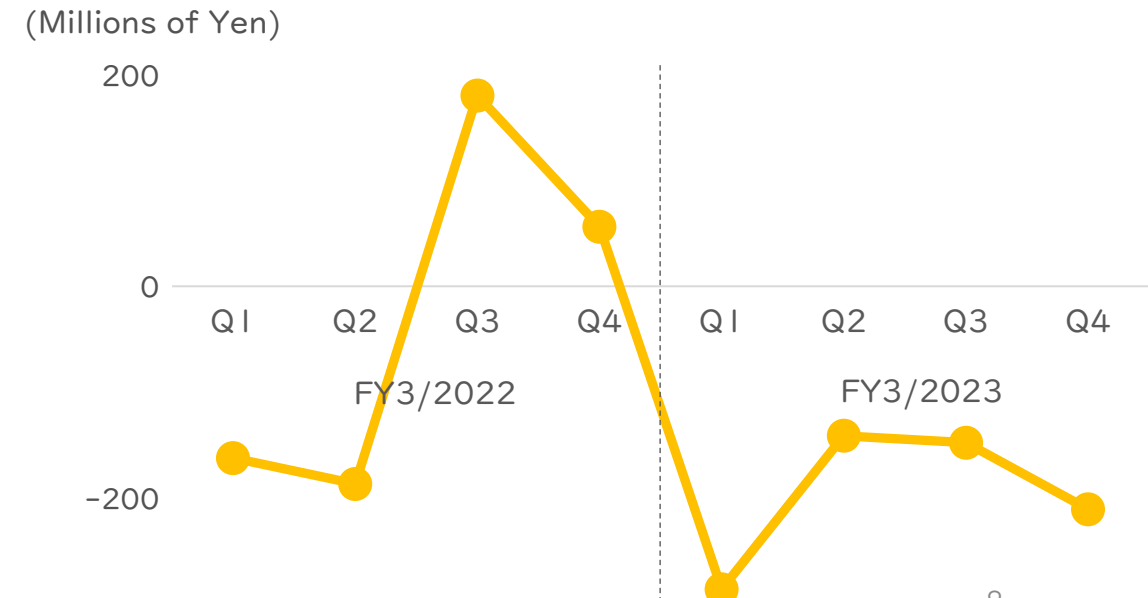
Operating profit of Animal feed and Aquatic feed



Food business:

Although purchase prices rose in H1 due to soaring pork carcass market prices, and in H2 due to soaring egg market prices, there was a delay in reviewing prices to mass retailers, resulting in a significant decrease in profit.

Operating profit of Food business



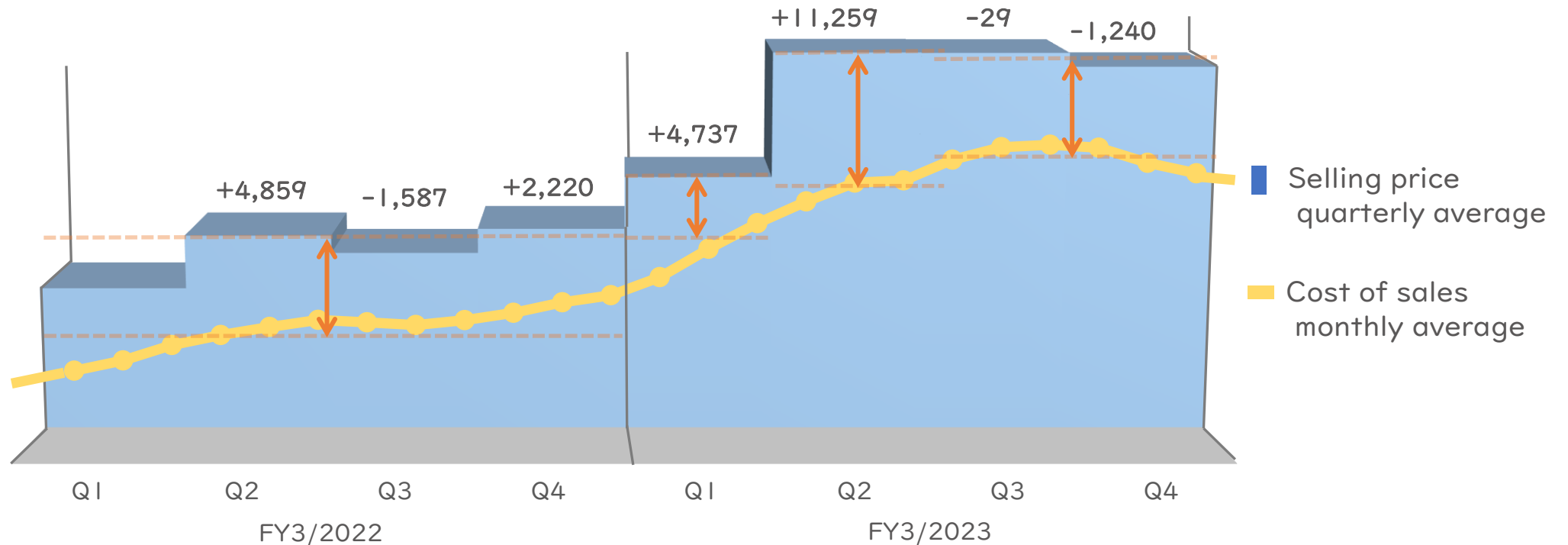
Animal feed : Selling Price and Cost of Sales Trends



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In Q1, despite price hikes, gross profit declined due to a large increase in the cost of sales. In Q2, Profit increased due to significant price revisions. The company secured a certain level of profit in Q3 onward.

Sales price and cost of sales (Yen/MT)

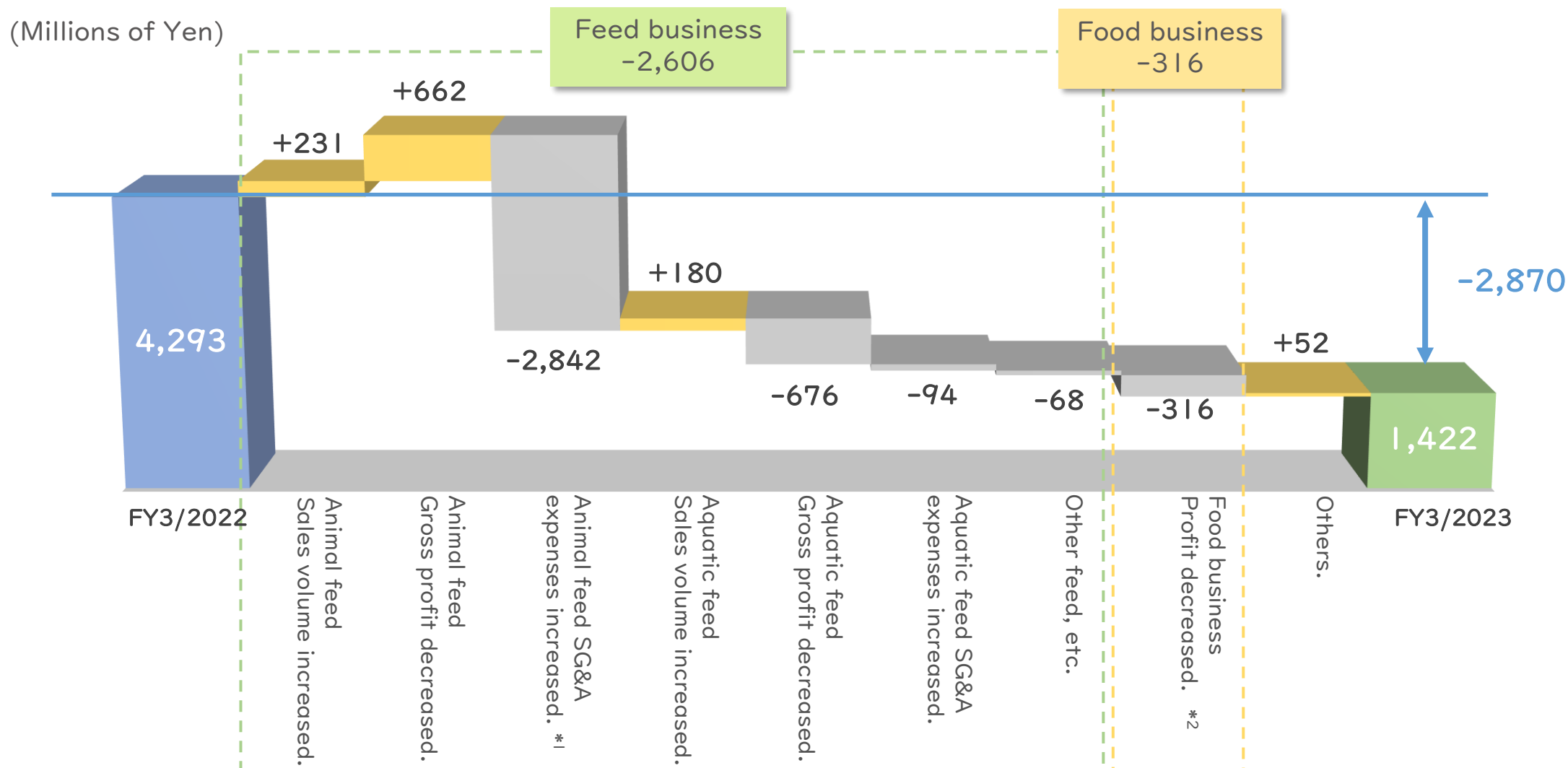


- ▶ Selling prices are revised quarterly in accordance with fluctuations in raw material prices.
- ▶ The ratio of raw material costs to the cost of sales is over 80%, and imported corn prices, which account for 50% of raw materials, are significantly higher than in the same period of the previous year.

Factors of Operating profit Increase / decrease



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※1 Increase in reserve fund for Compound Feed Price Stabilization System: -2,296 million yen.

※2 Subsidy income from non-operating profit decreased due to the reduction of COVID-19 subsidies for marine products.: -233、Real increase/decrease :-549

FY3/2023 Consolidated Financial Condition



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Borrowings increased due to working capital requirements from increased revenues and an increase in cash and deposits.

Consolidated balance sheets (YoY difference)

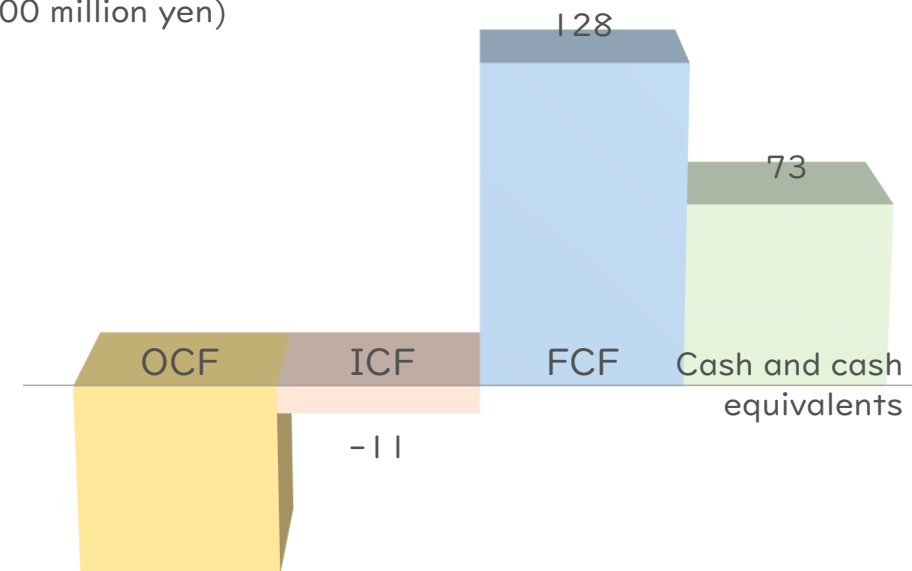
(100 million yen)

Current assets			Current liabilities		
858 (+205)			600 (+100)		
Cash and deposits	73	(+38)	Notes and accounts payable - trade	364	(+55)
Notes and accounts receivable - trade	552	(+124)	Short-term borrowings	168	(+54)
Inventories	205	(+46)			
Non-current assets			Non-current liabilities		
420 (-11)			225 (+88)		
Property, plant and equipment	316	(-18)	Long-term borrowings	192	(+87)
Intangible assets	9	(+3)			
Investments and other assets	94	(+3)			
Net assets			Net assets		
453 (+4)			453 (+4)		
			Valuation difference on available-for-sale securities	12	(+2)

Total assets 1,279 (+194)

Consolidated statements of cash flows

(100 million yen)



- Cash flows from operating activities:**
Depreciation+32, Working capital -116
- Cash flows from investing activities:**
Capital investment -20, Sale of investment securities+4
- Cash flows from financing activities:**
Borrowings+141, Dividends -9
- Cash and cash equivalents:**
Net increase / decrease +38



FY3/2024 Earnings Forecast and material issues

FY3/2024 Earnings Forecast

(Millions of Yen)

	FY3/2023		FY3/2024		
		Composition ratio		Composition ratio	YoY
Net Sales	307,911	100.0%	323,000	100.0%	+4.9%
Cost of Sales	285,218	92.6%	296,800	91.9%	+4.1%
Gross profit	22,693	7.4%	26,200	8.1%	+15.5%
SG&A expenses	21,270	6.9%	22,700	7.0%	+6.7%
Operating Profit	1,422	0.5%	3,500	1.1%	+146.0%
Ordinary Profit	1,711	0.6%	3,500	1.1%	+104.5%
Profit attributable to owners of parent	1,030	0.3%	2,300	0.7%	+123.1%

(Business Environment Assumptions)

Assume moderate appreciation of the yen in H2 onward, while raw material and energy costs are expected to remain high.

(Prerequisite)

Selling prices are set based on energy costs and raw material prices.

Compound Feed Price Stabilization System reserve fund set at 1,420 yen/MT. (1,251 yen/MT in H2 of the previous year)

FY3/2024 Segment Forecast



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- Feed business : Forecast increase in profit due to higher sales volume, sales of high value-added products, and sales price revisions.
- Food business : Forecasted increase in profit due to promotion of price revisions to volume retailers and other customers to compensate for market price hikes.

(Millions of Yen)

		FY3/2023	FY3/2024		
				YoY difference	YoY
Feed business	Net Sales	264,073	276,000	+11,927	+4.5%
	Segment profit	3,925	5,400	+1,475	+37.6%
Food business	Net Sales	41,334	44,000	+2,666	+6.4%
	Segment profit	-369	500	+869	—
Others	Net Sales	2,503	3,000	+497	+19.9%
	Segment profit	266	300	+34	+12.8%

(Thousand metric tons)

Sales volume	FY3/2023	FY3/2024		
			YoY	Comments
Animal feed	3,586	3,617	+0.9%	For layers -0%, for broilers +2%, for pigs +2%, for cattle +0%
Aquatic feed	100	103	+2.9%	For marine fish +3%, for freshwater fish -1%



The opinions and forecasts contained in this document are based on the company's judgment at the time the document was prepared, and the accuracy of such information is not guaranteed.

Please be aware that actual performance and results may differ due to changes in various factors.

For questions or inquiries regarding this material, don't hesitate to get in touch with our IR representative at ir@feed-one.co.jp.