



おいしさのみなもと

FEED ONE

Financial Results Q2 of FY Ending Mar. 2024

November 21, 2023

FEED ONE CO., LTD.

TSE Prime Symbol:2060



説明項目

- FY3/2024 HI Results
- FY3/2024 earnings Forecast and Status of material issues



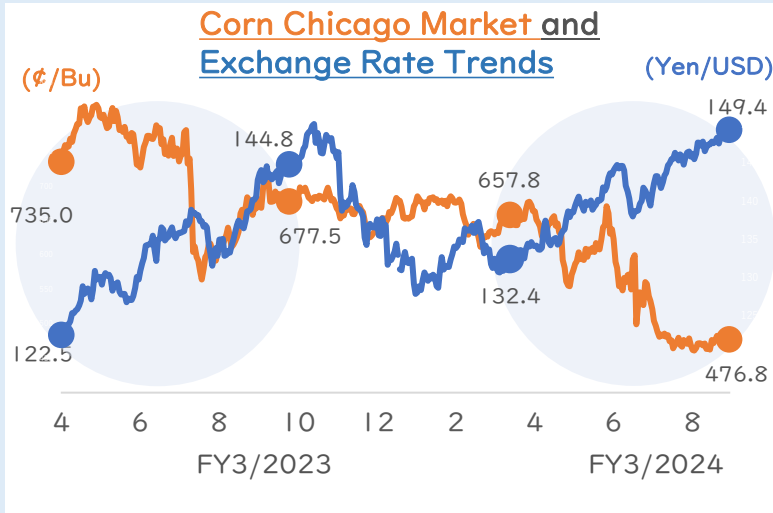
FY3/2024 HI Results

I. Impact of Imported Raw Materials

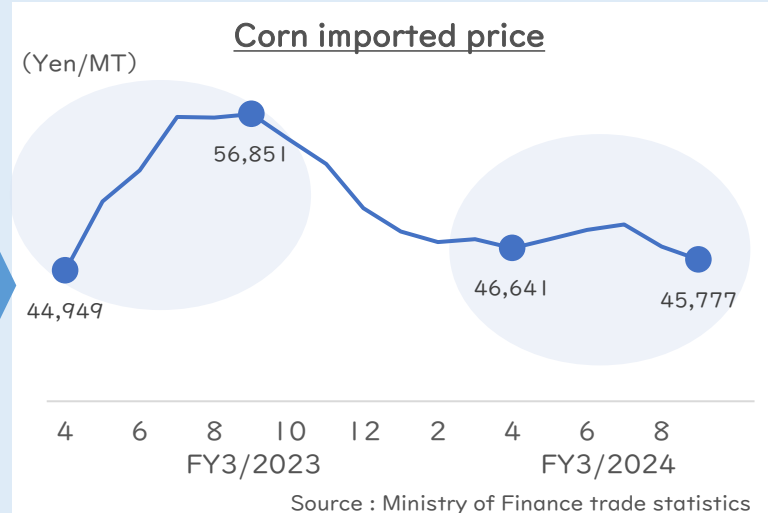
In feed materials, about 50% of Animal feed is corn and about 40% of Aquatic feed is fishmeal.

Corn import prices were lower than in the same period of the previous year due to a softening of the Chicago market caused by an upward swing in the production outlook, despite the yen's depreciation due to the difference in interest rates between Japan and the U.S.

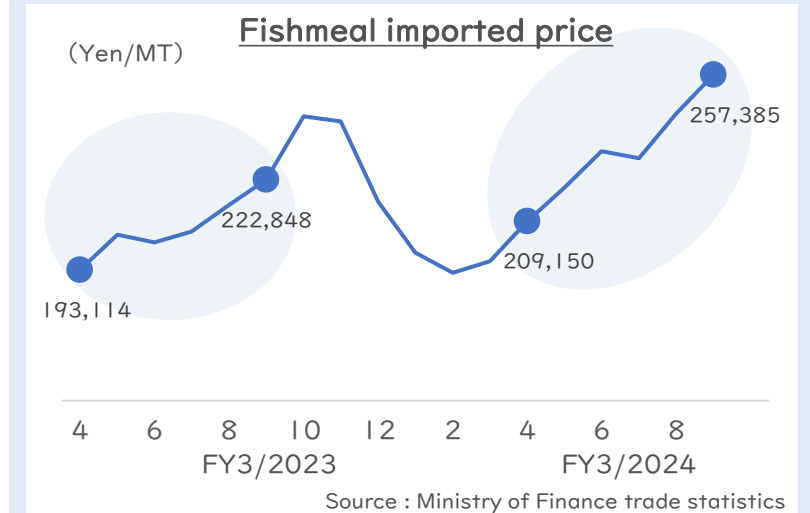
Fishmeal import prices were significantly higher than in the same period of the previous year due to the weak yen and the suspension of the first fishing season (around Apr. to Aug.) in Peru, the main producer of fishmeal, from the viewpoint of resource protection.



Exchange Rate Trends: **YoY 105.1%**
Corn Chicago Market : **YoY 78.2%**



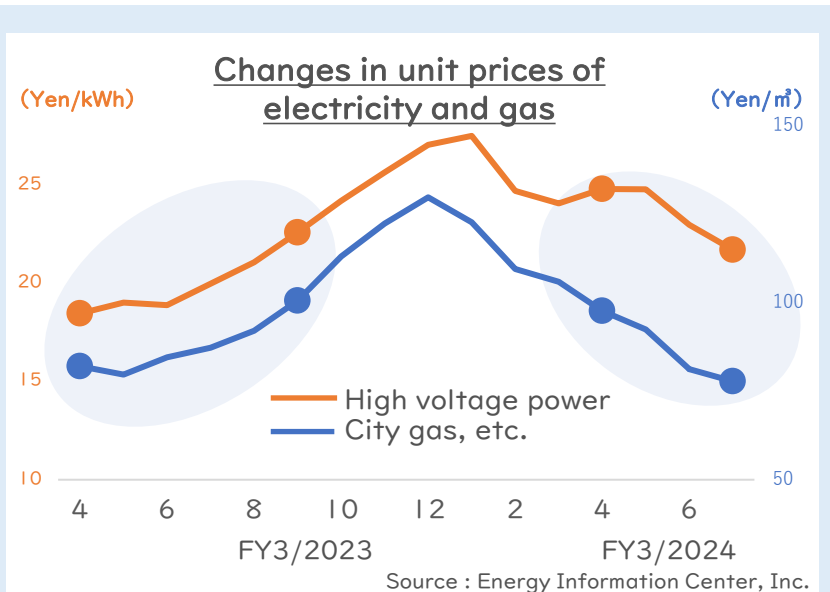
Corn imported price : **YoY 89.2%**



Fish meal imported price : **YoY 112.4%**

2. Energy Cost Trends

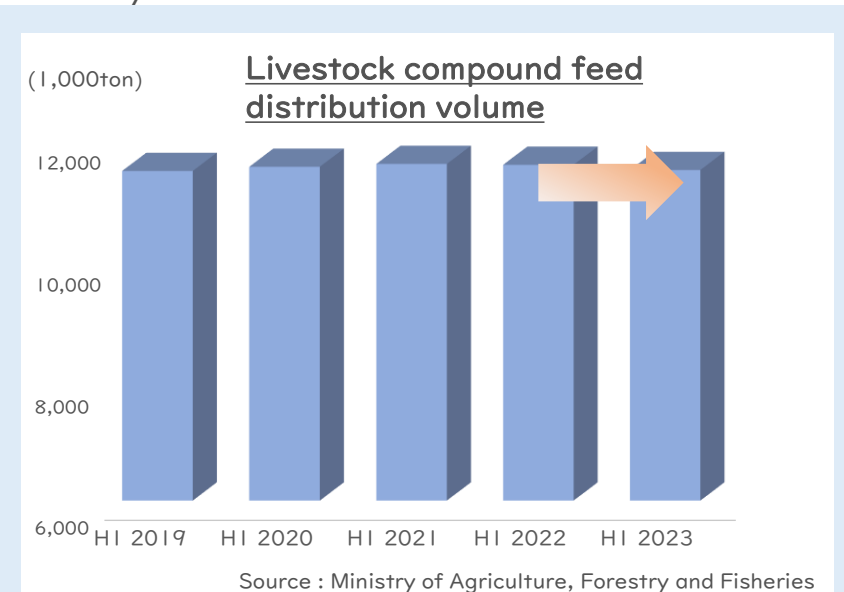
The unit price of electricity increased due to higher generation costs. Gas unit prices decreased slightly due to lower liquefied natural gas (LNG) prices.



Unit price of electricity: YoY 117.8%
Gas price per unit : YoY 99.5%

3. Livestock compound feed distribution volume Trends

Livestock **compound** feed distribution volume remained generally flat overall as the number of pigs kept increased due to the recovery of swine fever, despite the lingering impact of the "bird flu" pandemic of the previous year.

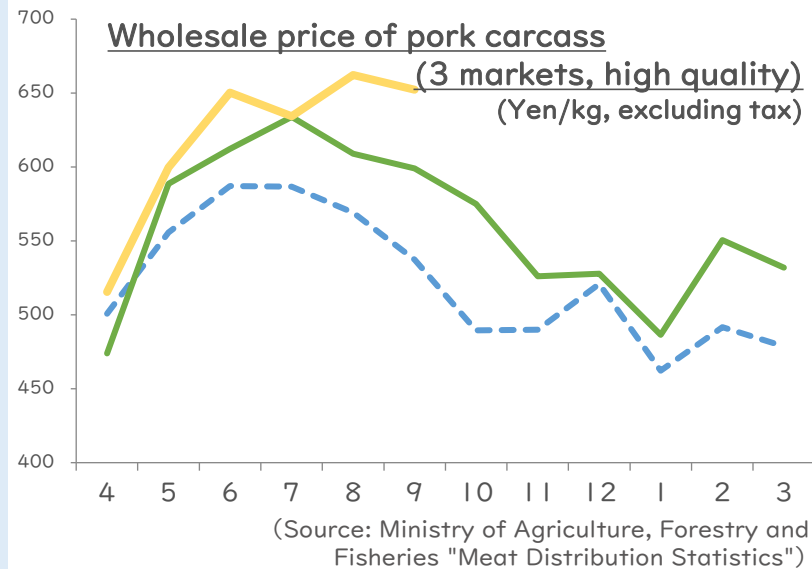


Livestock compound feed distribution volume : Remained generally flat

4. Livestock Products Market Conditions

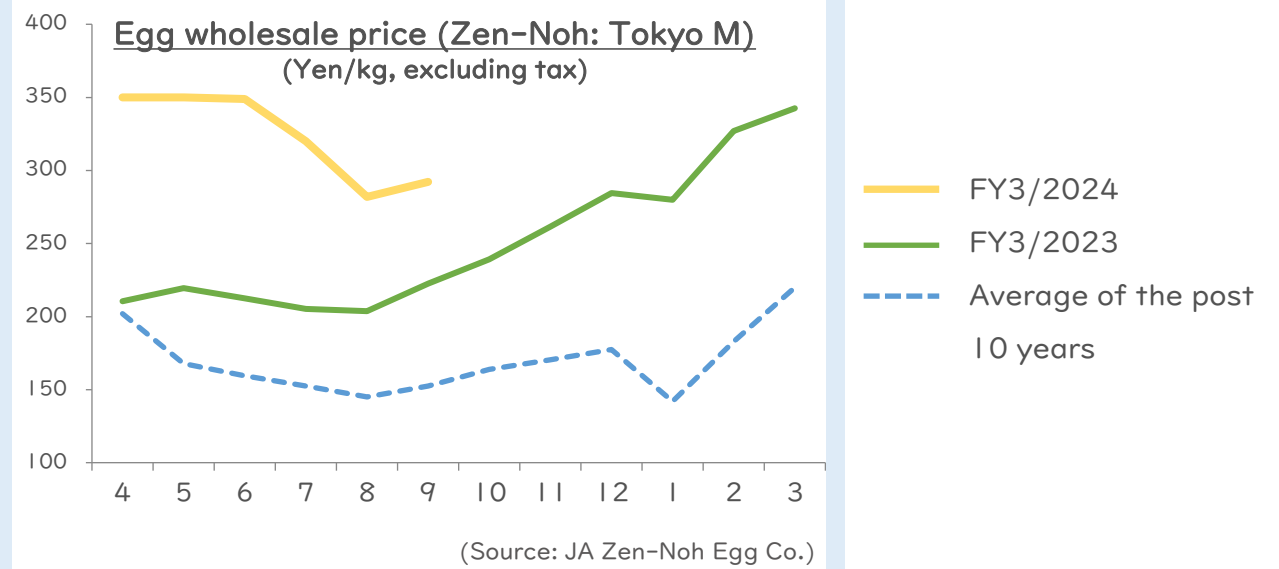
The Food business handles mainly pork carcasses and eggs sales.

Pork carcass market prices were higher than in the same period of the previous year due to a decrease in the number of pigs shipped because of the record-breaking heat wave.



Wholesale price of pork carcass :
YoY 105.6%

Egg shipments are returning with the recovery from avian influenza, but the egg market is significantly higher than in the same period of the previous year.



Egg wholesale price : **YoY 152.2%**

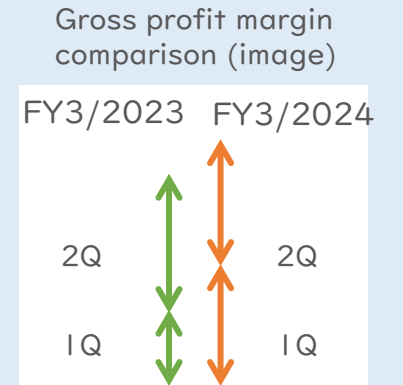
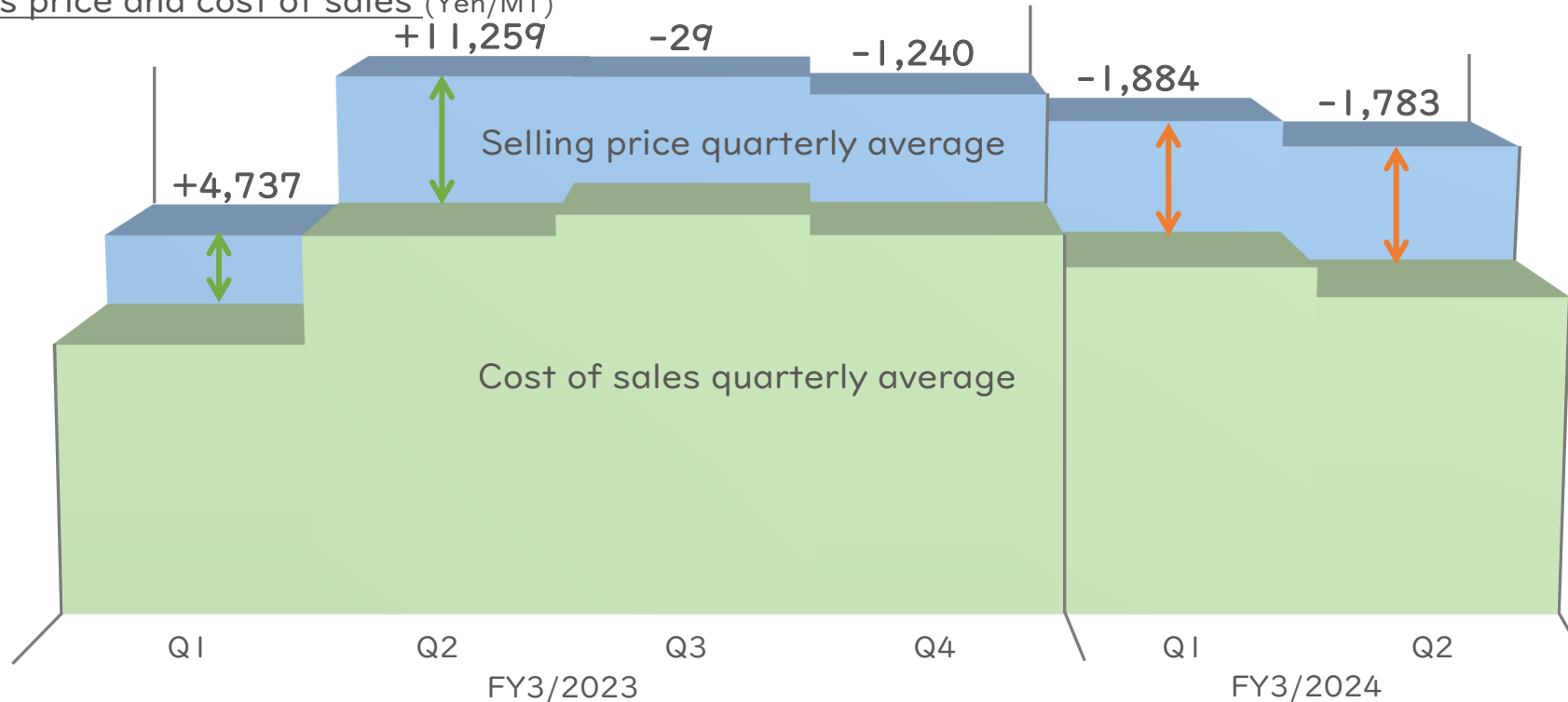
Animal feed : Selling Price and Cost of Sales Trends



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Although sales prices peaked in the Q2 of the previous fiscal year and have been declining for four consecutive quarters since then, the gross profit margin in the H1 of the fiscal year was higher than that of the same period last year.

Sales price and cost of sales (Yen/MT)



- ▶ Imported corn accounts for 50% of the raw materials for animal feed.
- ▶ The selling price of compound feed is revised quarterly by converting the market price of raw materials, foreign exchange rates, and ocean freight rates.

Summary of Financial Results for H1 FY3/2024



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Cost of sales rose due to soaring raw material and energy prices, but this was compensated for by sales price revisions and other factors, resulting in higher sales and profits.

(Millions of Yen, %)

	H1 FY3/2023	H1 FY3/2024		
			YoY difference	YoY
Net Sales	144,890	156,645	+11,755	+8.1
Cost of Sales	134,386	142,821	+8,435	+6.3
Gross Profit	10,504	13,824	+3,320	+31.6
SG&A expenses	10,603	10,980	+376	+3.6
Operating Profit	-99	2,844	+2,943	-
Ordinary Profit	103	3,171	+3,068	30.8x
Net Profit attributable to owners of the parent company	-29	1,989	+2,019	-

Explanation of YoY change for each account

● Net Sales

Increase in sales volume and sales price revision in Animal feed, Sales increased due to higher sales volume and sales price revisions in the Aquatic feed and Food businesses.

● Cost of Sales

Significant increases in raw material costs and energy-related expenses.

● SG&A expenses

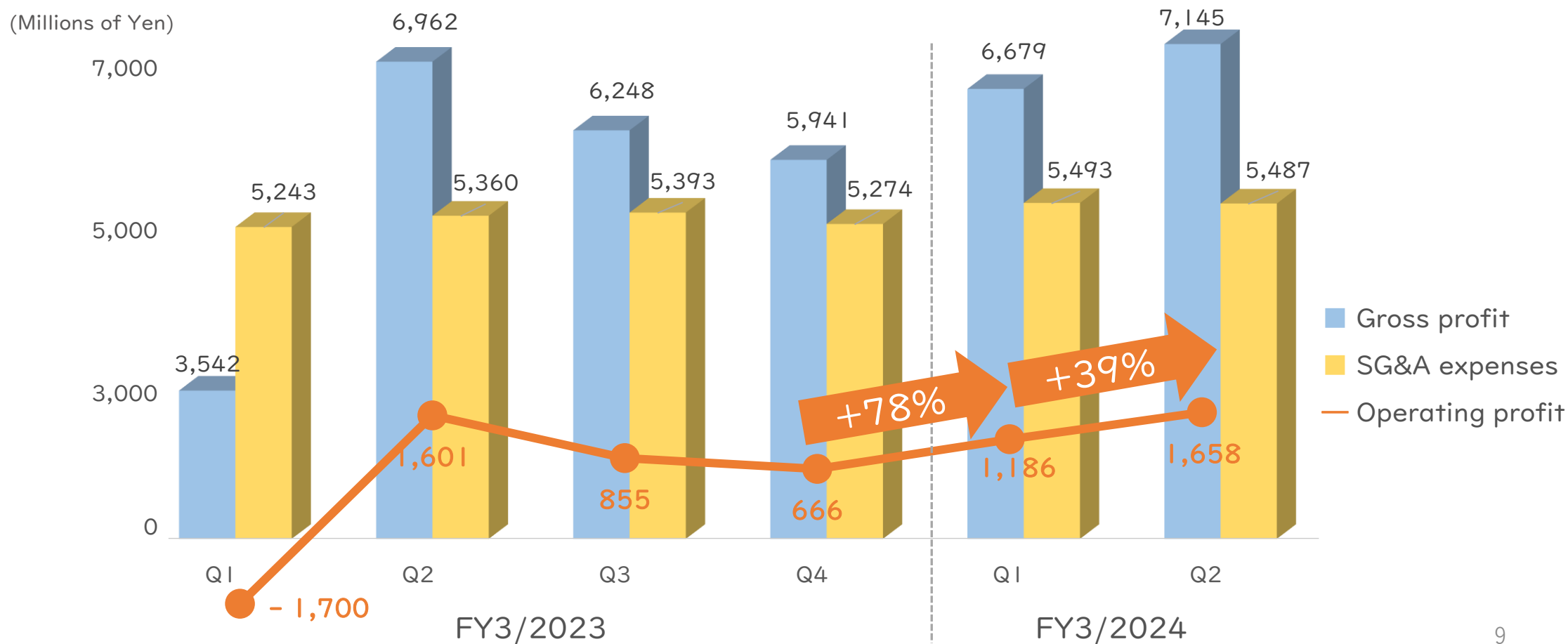
Increase in compound feed price stabilization system reserve fund and logistics expenses.

Quarterly Financial Results



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Profitability was strengthened in the Feed businesses and the Food businesses, with profit growth of 78% in the Q1 and 39% in the Q2.



SG&A Expenses



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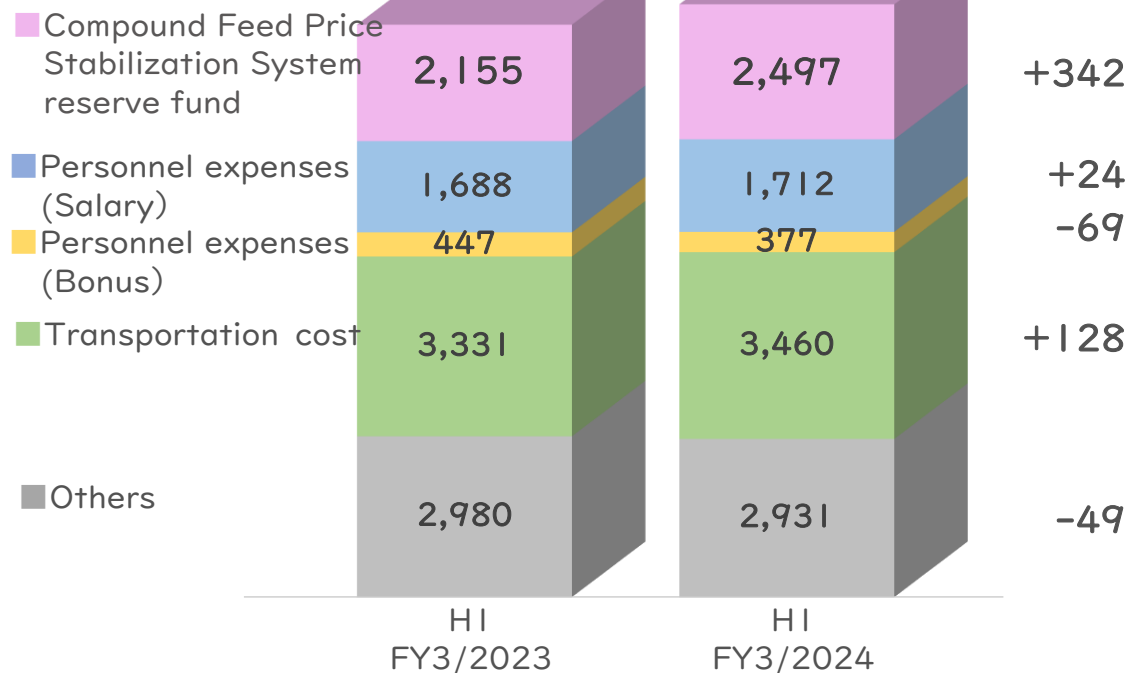
Increase in Compound Feed Price Stabilization System reserve fund and logistics expenses.

In Others, activity and system-related expenses increased, but provisions for doubtful accounts decreased.

(Millions of Yen)

(Previous term difference)

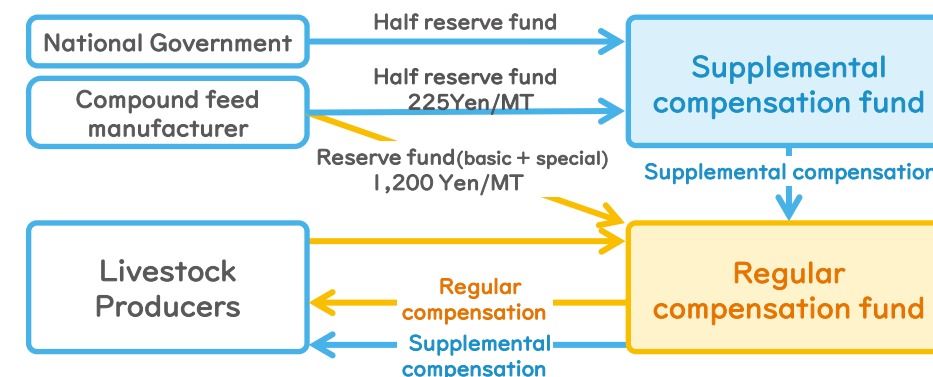
SG&A expenses 10,603 10,980 +376



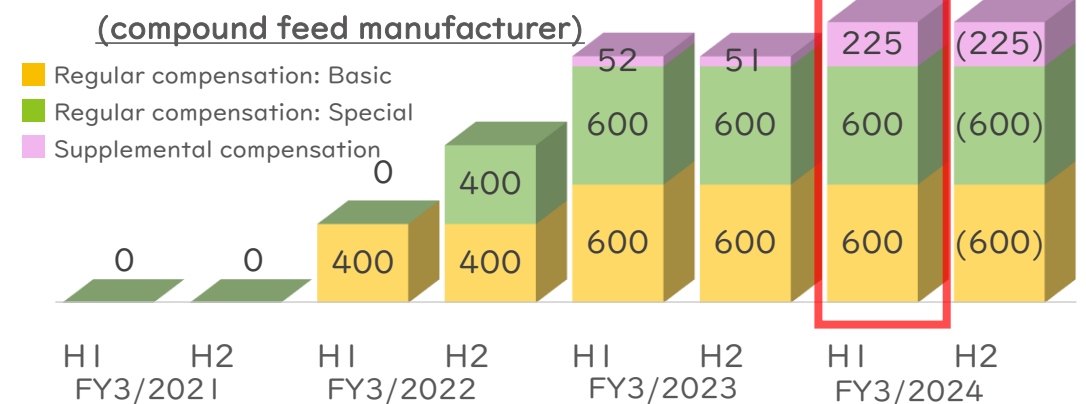
Compound Feed Price Stabilization System

- ▶ Aim to mitigate the impact of rising feed prices on livestock operations.
- ▶ Compensation payments were made from FY3/2023 and a reserve was generated. In the same period, the price of imported raw materials rose sharply, causing the reserve fund to increase and the unit cost of the reserve fund to rise accordingly.

Mechanism of the system (Example: H1 FY3/2024)



Transition of reserve fund



HI FY3/2024 Segment Status

Sales and profits increased in the Feed business due to higher sales volume and sales price revisions. The Food business returned to profitability due to progress in price revisions.

(Millions of Yen,%)

		HI FY3/2023	HI FY3/2024		
				YoY difference	YoY
Feed business	Net Sales	124,241	132,472	+ 8,230	+6.6
	Segment profit	1,175	3,670	+ 2,495	3.1x
Food business	Net Sales	19,466	22,876	+ 3,409	+17.5
	Segment profit	- 201	277	+ 478	—

※Segment profit:Operating profit

(Thousand metric tons, %)

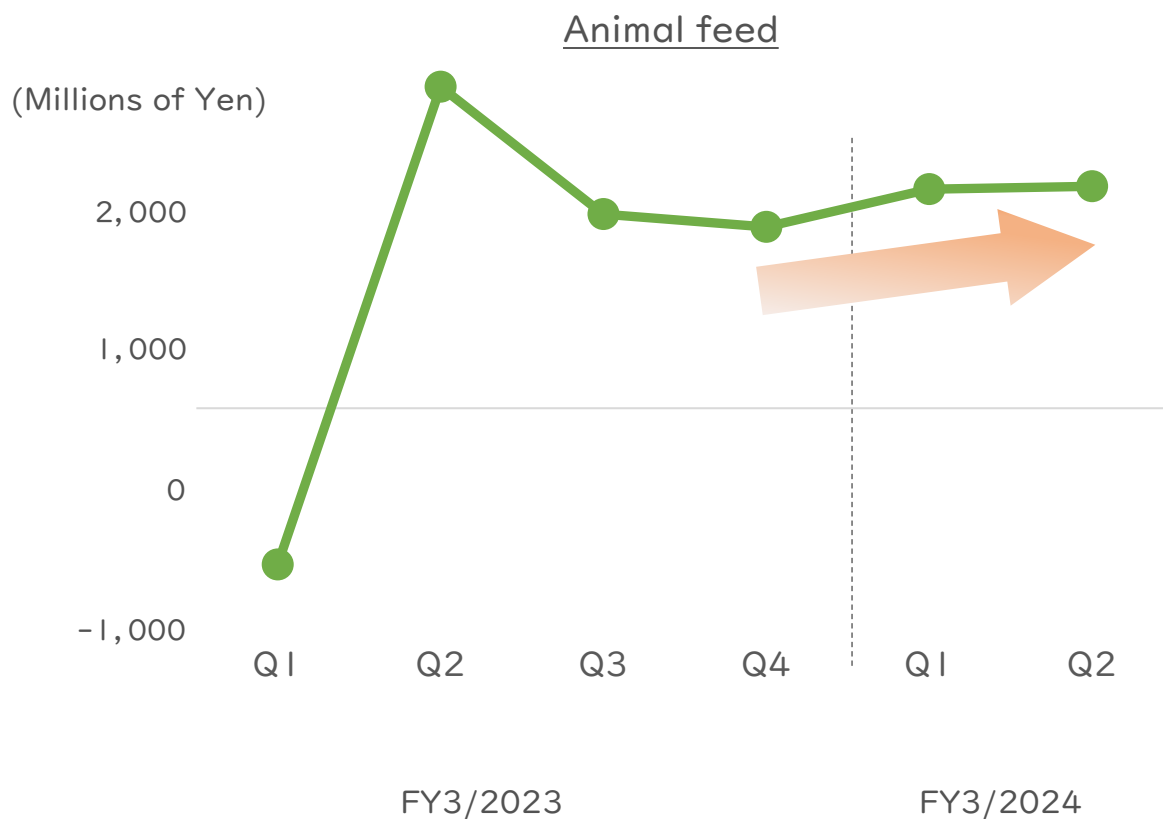
Sales volume	HI FY3/2023	HI FY3/2024		
			YoY	Comments
Animal feed	1,736	1,788	+ 3.0	For layers +1 %, for broilers +5%, for pigs +7%, for beef cattle -1 %, for dairy cattle+2%
Aquatic feed	57	54	- 4.7	For marine fish -3%, for freshwater fish -22%

Quarterly Financial Results(Operating profit)

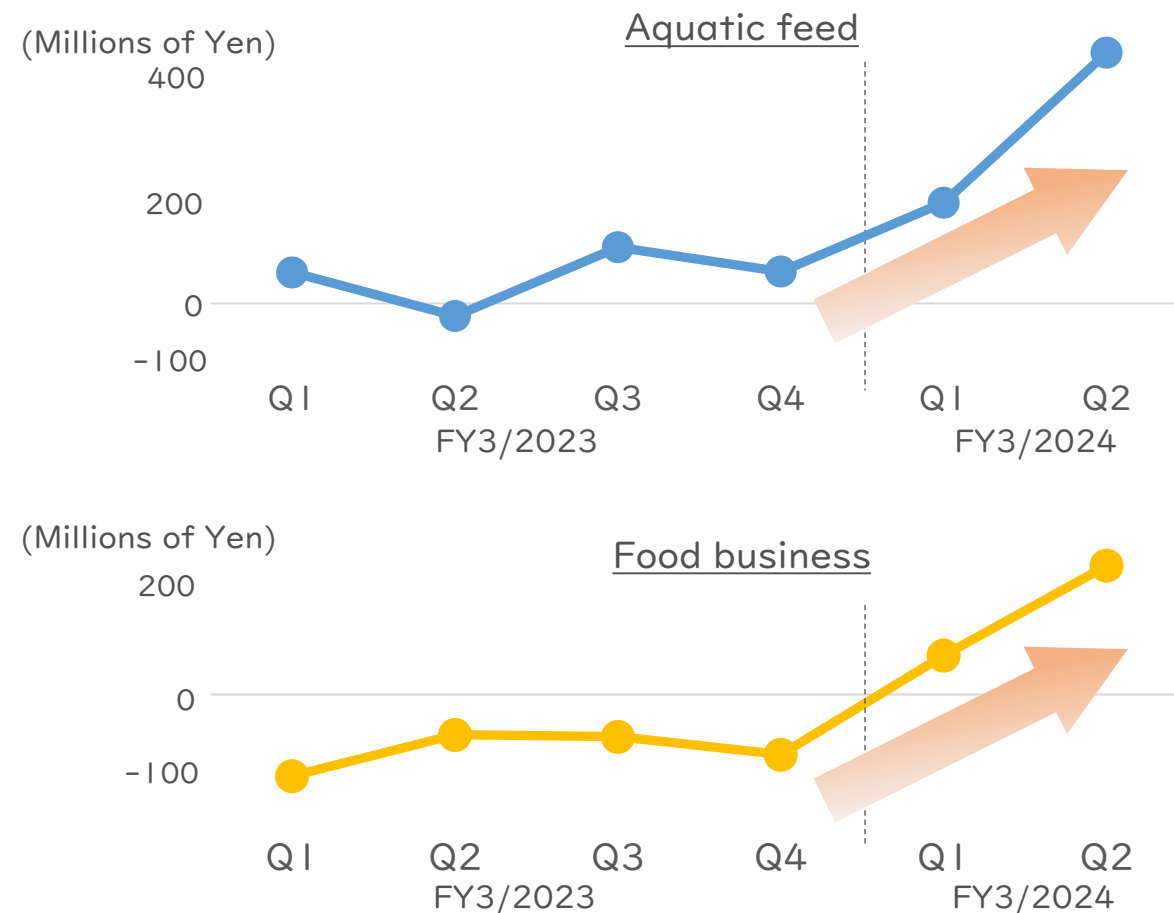


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Animal feed, which has a stable revenue base, has further strengthened its profitability through regular price revisions as well as price increases to cover rising energy costs.



Profitability of Aquatic feed improved because of substantial price revisions. In the Food business, earnings improved due to a review of sales conditions at mass merchandisers and other customers for eggs.

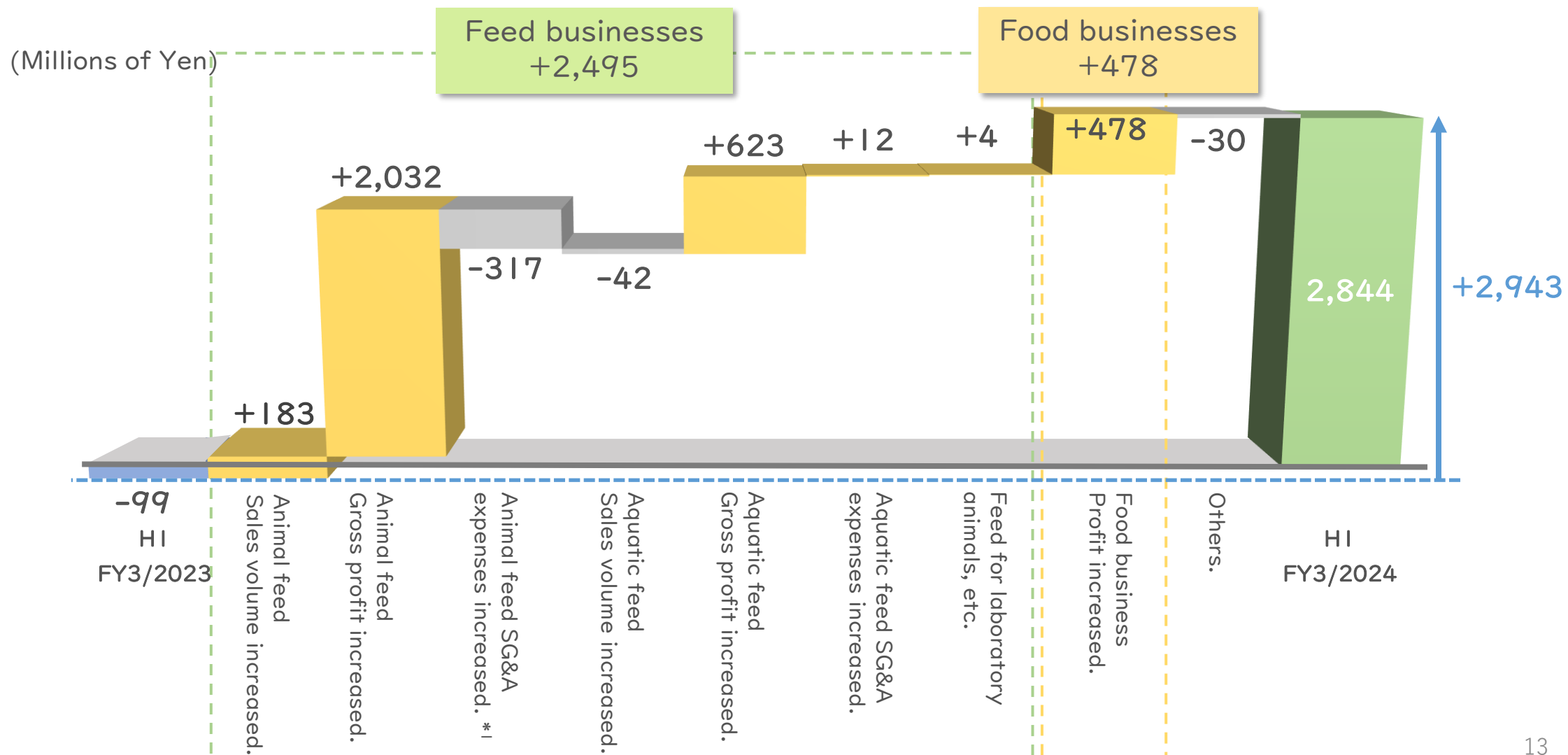


Factors of Operating profit Increase / decrease



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Profit increased due to higher gross profit in the Feed businesses and the Food businesses.



* I Compound Feed Price Stabilization System reserve fund increased: -342

Consolidated Financial Condition

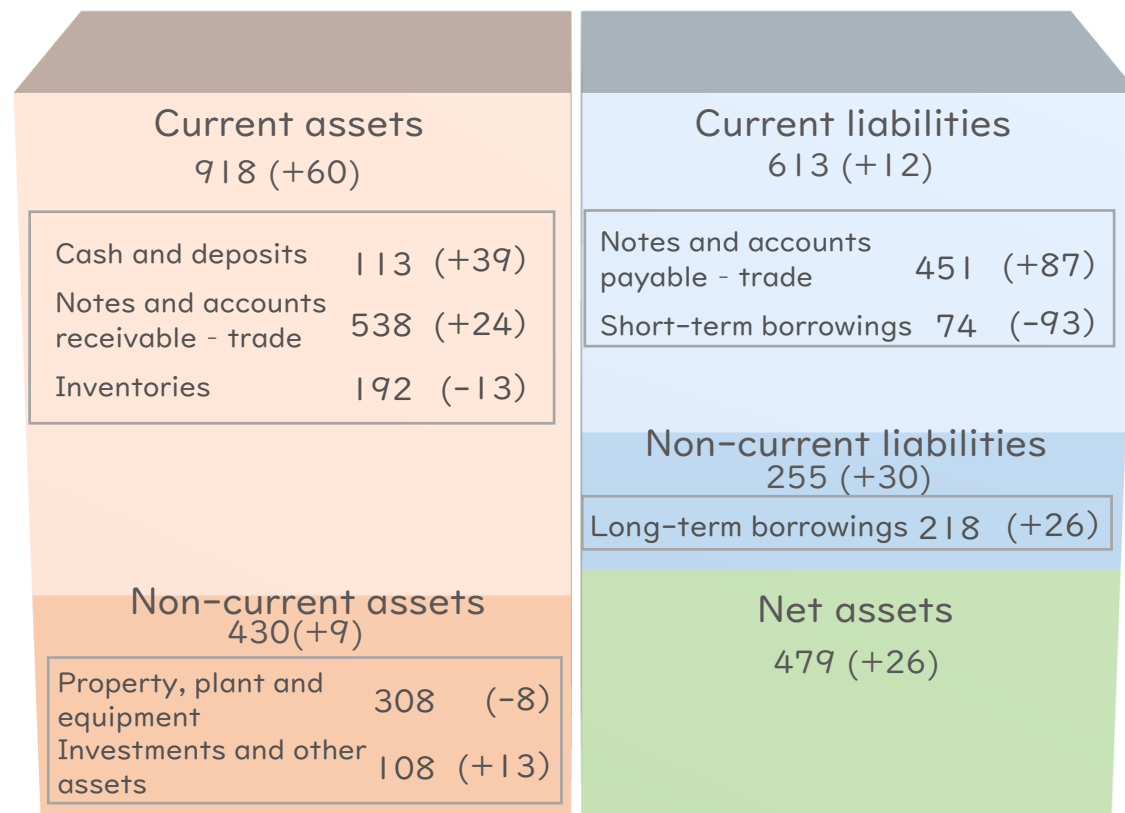


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Borrowings decreased temporarily due to the holiday at the end of Sep.

Consolidated balance sheets (YoY difference)

(100 million yen)

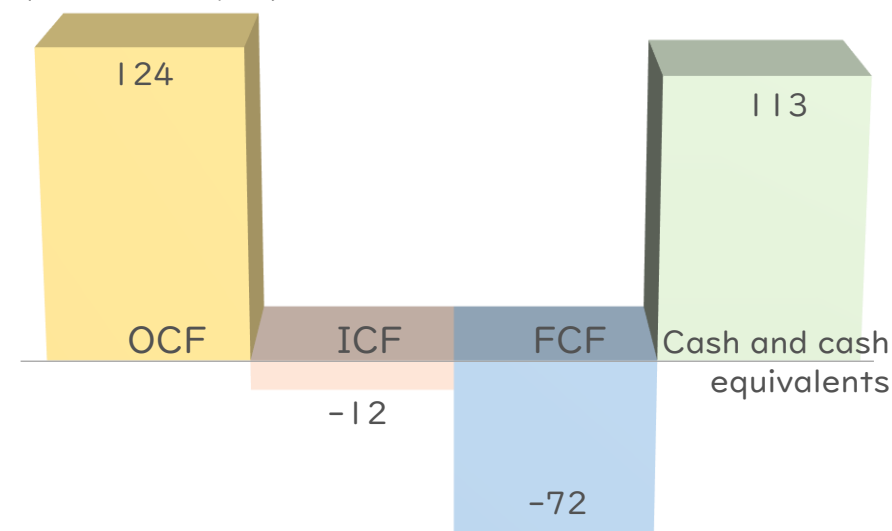


Total assets 1,348 (+69)

※The end of September 2023 was a bank holiday.

Consolidated statements of cash flows

(100 million yen)



■ OCF : Net profit 29, Working capital 71

■ ICF : Capital investment -12

■ FCF : Repayments of long-term borrowings -67

■ Cash and cash equivalents : Net increase / decrease +39



FY3/2024 earnings Forecast and Status of material issues

FY3/2024 earnings Forecast –No change from the initial forecast.



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(Millions of Yen, %)

	FY3/2023	FY3/2024		H1 FY3/2024	
		Forecast	YoY		Rate of progress
Net Sales	307,911	323,000	+4.9	156,645	48.5
Operating Profit	1,422	3,500	2.5x	2,844	81.3
Ordinary Profit	1,711	3,500	2.0x	3,171	90.6
Net Profit attributable to owners of the parent company	1,030	2,300	2.2x	1,989	86.5

(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 beef cattle +0%, for dairy cattle -0%
Aquatic feed	100	103	+2.9	For marine fish +3%, for freshwater fish -1%

Assumptions for FY3/2024 Earnings Forecast



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I. Business Environment in the H2

● Raw material prices

Decline in Q3, expected to rise in Q4.

Corn Chicago Market Rises in Q4 after Moderate Decline.
Exchange rates continue to weaken against the yen.

● Sales price

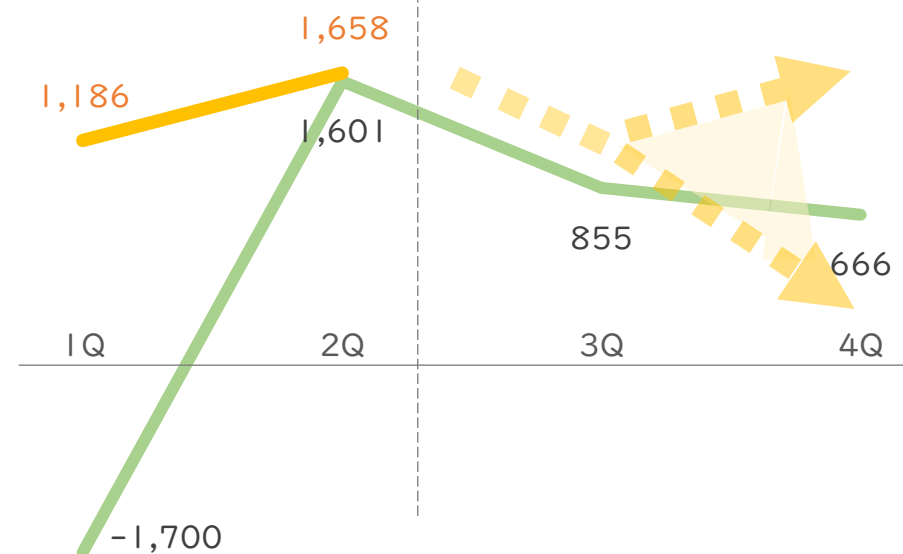
In the Q3, prices will be revised in line with lower raw material prices. The Q4 is uncertain, as price negotiations may be difficult due to deteriorating producer profitability caused by rising feed and energy costs.

● Reserve fund for Compound Feed Price Stabilization System

1,425 yen/ton as forecasted at the beginning of term.
(* 1,251 yen/ton in the H2 of the previous fiscal year.)

Quarterly Ordinary Profit Transition Chart

(Millions of Yen)



→ Due to the uncertain outlook for the Q4, the earnings forecast remains unchanged from the initial forecast. If it is necessary to revise the earnings forecast, we will promptly disclose the revised forecast in accordance with the Timely Disclosure Rules and other regulations.

Material issues (1)

Animal feed-1

- Expand sales of cattle feed through capital investment and total consulting services

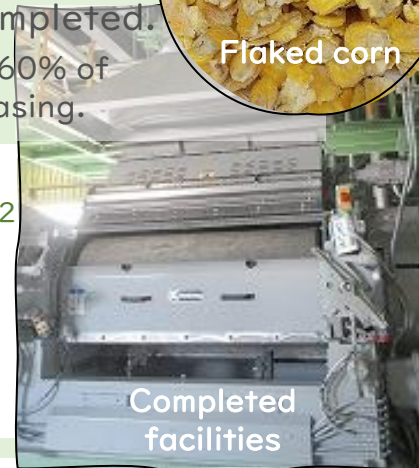
(1) Reinforcement of manufacturing system by adding facilities for cattle feed

(i) Flake line expansion in Hokkaido completed.

Dairy cows in Hokkaido account for about 60% of the national herd, and the number is increasing.



Flaked corn



Completed facilities

Tomakomai Feed Co., Ltd.
In operation from August 2021

Kushiroshiryo Co., Ltd.
In operation from May 2022

Flake Products
10% increase in production

(ii) New facilities for calf milk substitute (powdered milk) were installed in January 2023.

Expect to improve profitability through in-house manufacturing and strengthen the sales expansion system through stable supply.

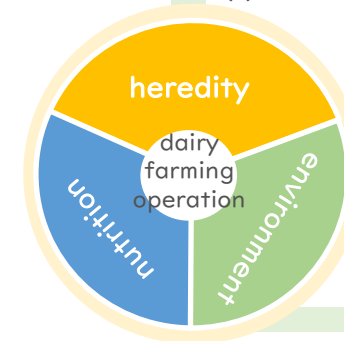


(2) Total consulting services to support client management.

Solving customer issues through the use of big data and livestock husbandry technology.

(i) "Genome Analysis Service" will be launched in 2018.

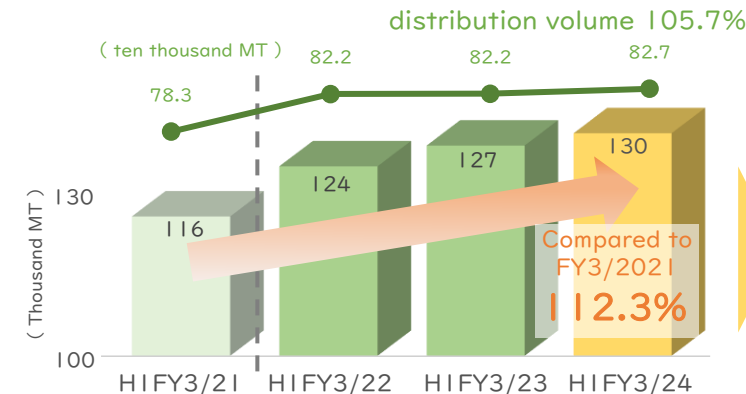
Analysis items: reproductive performance, milk yield, health, body shape, etc.



Unleash hidden genetic capacity values.

- (ii) Feed feeding consulting
- (iii) Farm Environment Improvement Consulting

Sales volume of dairy cattle feed in Hokkaido area



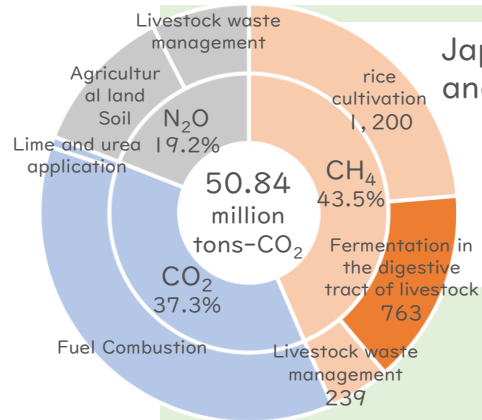
The sales performance exceeded the growth rate of the market distribution volume.

Expand sales volume of cattle feed through services that only we can provide.

Material issues (2)

Animal feed-2

(3) Methane gas reduction feed for dairy cattle to be developed



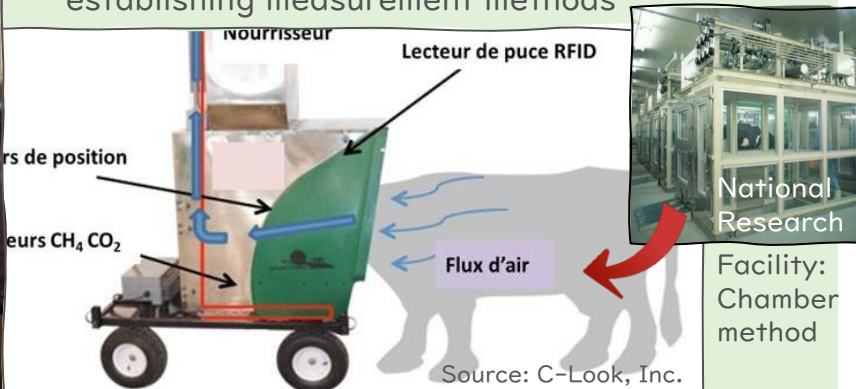
Japan's GHG emissions from agriculture, forestry, and fisheries: 50.84 million tons-CO₂ (FY2020)

→Methane gas from cattle approx. 15%

The development of methane gas-reduced feeds is essential for the stable supply of animal protein and sustainable development of the livestock industry.

Methane reduction research is 100% by national and prefectural research institutes. Commercialization will take a long time.

→What we did to overcome barriers to establishing measurement methods



Green Feed" by C-Look, Inc.

First in Japan

The world's only commercially available methane gas analyzer

We have installed C-Look's "Green Feed" and have been running it since July.

→ "Smart Feed" intake metering system

Measurements can be made in the environment where cattle are typically raised, and data on methane production and feed intake for each individual can be collected.

→Test development with high accuracy became possible in a short period of time after the introduction of the equipment.

★What We Aim to Be

To develop a feed with a controlled energy recovery rate obtained by rumen fermentation.

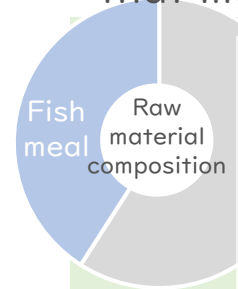


→Aiming for commercialization in 2024.

Material issues (3)

Aquatic feed

- Develop and expand sales of high value-added products that meet the needs of the times and customers



The main ingredient in Aquatic feed is fishmeal.

- Depletion problem of natural marine resources
- Skyrocketing fishmeal prices

The development of aquaculture technologies that do not depend on fishmeal is essential for sustainable aquaculture.



Challenges to fishmeal-free feed

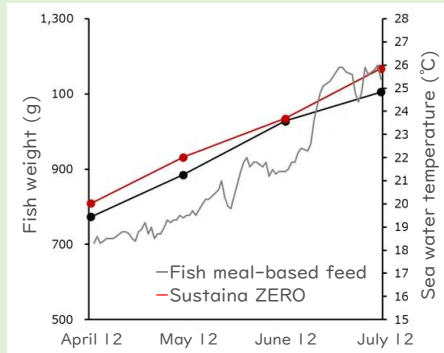
Decrease in feeding and rearing performance

Expensive raw materials are required to compensate for the missing elements

Key Points for Overcoming Challenge

- (1) Selection of appropriate fishmeal substitute protein
- (2) Effective ingredients for improving feeding activity
- (3) Selection of appropriate fats and oils
- (4) Adoption of micronutrients and feed additives

Fish solubles and multiple vegetable and animal ingredients were blended to improve feeding and rearing performance.



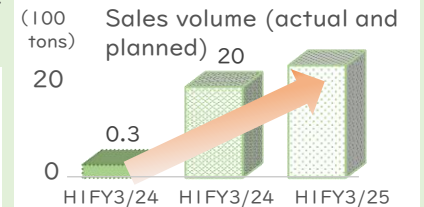
Performance was demonstrated in a large-scale field test of 90,000 fish.

Sustaina ZERO,  a fishmeal-free feed for sea bream, was launched in August!



With fishmeal prices continuing to rise, the use of fishmeal-free feed has enabled aquaculture producers to lower costs. Sustaina ZERO is the first commercially available fishmeal-free feed in Japan.

Our ability to develop products that contribute to aquaculture management will greatly contribute to a sustainable aquaculture industry.



- Establishing a New Aquaculture Technology Using "Compensatory Growth"

There is a phenomenon called "compensatory growth," in which farmed fish are restricted from feeding for a period of time and then growth is activated when feeding is resumed.

In order to establish this "feeding management technique to reduce production costs," we have been conducting a large-scale verification (80,000 fish) in cooperation with several aquaculture companies since August.

Noted by industry trade journals!!

★A Major Turning Point in Aquatic Feed

Sustaina ZERO has overturned the conventional wisdom that aquaculture is not possible without fishmeal, marking a major turning point in the 60-year history of the aquaculture industry.

Sustaina ZERO
Compensatory Growth → Feed One leads the next generation of aquaculture

Material issues (4)

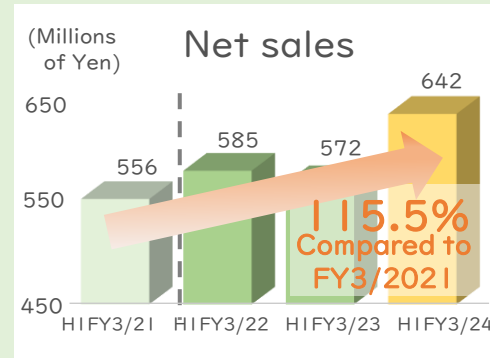
Food Business

- Build a sales base for consumer products that are less susceptible to market conditions.

Feed One Foods Co., Ltd.
is a meat processing and sales company that focuses on pork.

Developed and sold new frozen products that are in high demand among consumers and new products for summer barbeque demand. We developed 20 products, such as miso-marinated pork loin and offal products, to enhance our product lineup.

Contributed to stable sales throughout the year.



- Popular products in Tokai area
- ★ Pork belly negima skewers" to be sold nationwide.

Sales began in September at 33 warehouse-type mass merchandisers nationwide with a membership system.

Expand sales of hot-selling products and Focusing on sales expansion of hot-selling products and development of new products!

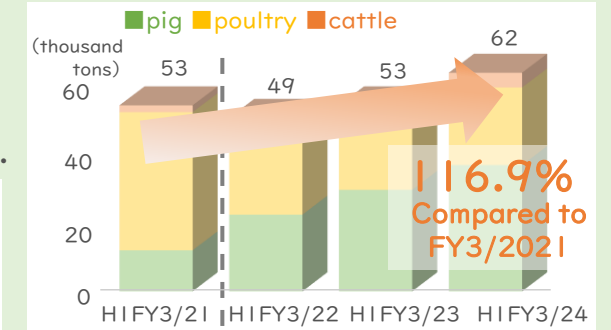
Overseas business

- Aggressive expansion into Asian countries with remarkable economic growth, leveraging Japan's high quality and technology

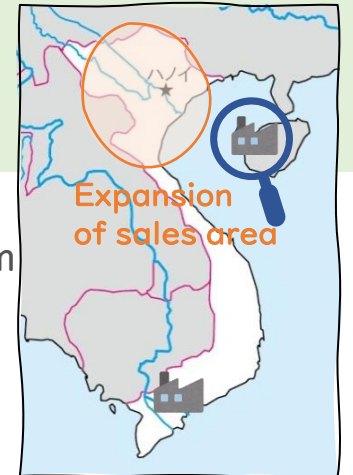
KYODO SOJITZ FEED COMPANY LIMITED

manufactures and sells livestock feed, mainly pig feed, in Vietnam.

Continuing the trend of achieving the highest profit in FY2023, the company achieved the highest sales volume ever in 1H FY2024.



KSF is also expanding its sales channels to the northern region of Vietnam. The company is also making progress toward securing a manufacturing base in the region as planned.



- ★ Start of the Overseas Trainee System
Feed One will dispatch trainees mainly to Southeast Asia from 2H FY2023 in order to expand its overseas human resource pool.

To further enhance our overseas business, we will consider developing new businesses.

Material issues (5)

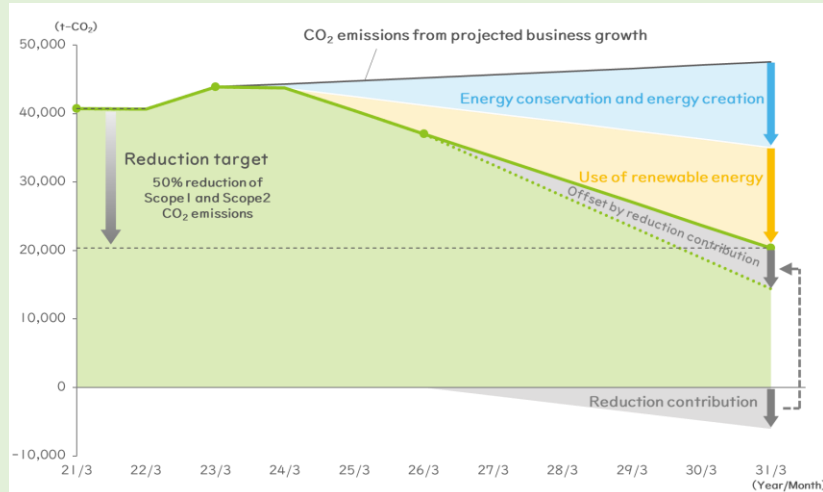
Promotion of ESG management

■ Responding to Climate Change

TCFD report 2023 released in July
Announced roadmap for CO₂ reduction in mid-term targets.



Three reduction measures were formulated to achieve the FY2030 mid-term target of "50% reduction of Scope 1 and Scope 2 CO₂ emissions" in the Group.



Group company Shibushishiryō Co., Ltd.
Heat pumps" to be installed in November
and operational by the end of the year.

By using waste hot water as a heat source, heats hot water to reduce fuel consumption for boilers and the system efficiently and other heating sources.



■ Respect for Human Rights

It is important to respect the human rights of all stakeholders in the Group's business operations, and we promote activities that take human rights into consideration.

Establishment of Human Rights Policy.
Conduct human rights due diligence.
Public call for anti-harassment slogans was made.
Holding study sessions for all officers and employees.

■ Aggressive investment in human capital

Feed One considers its employees to be its greatest asset and focuses on creating a workplace environment in which employees can work with vitality and on human resource development. We promote education, work styles, and health management.

April: Wage increase for non-managerial employees +6.4
August: Held Children's Visiting Day
September: Obtained "Eruboshi certification (2 stars)" for promotion of women's activities

In September, we raised the incentive grant rate for the Employee Stock Ownership Plan in order to raise employees' awareness of the need to participate in management.

We are actively investing in our human resources by working to create an environment where employees, the driving force behind our growth, can work with peace of mind over the long term.

To improve corporate value

Feed One will build a spiral of corporate value enhancement by strengthening profitability and expanding investment for growth, centered on the promotion of ESG management, to achieve medium- to long-term increases in share price and P/B ratios.

Perormance	Growth Expectations
Expansion of capital investment	
Increase domestic market share	Aggressive investment in human capital
R&D investment	
Productivity improvement through DX, etc.	Solving environmental problems and increasing food self-sufficiency through animal feed
Driving technological change in the next-generation livestock and aquatic feed	
Overseas business expansion and new business development	

In the next medium-term management plan, Feed One aims to sustainably increase corporate value by investing in facilities and growth and strengthening profitability.

To achieve this, we will implement "FEEDONE Growth & Value Management," which emphasizes cost of capital, profitability, and growth, and uses ROE and EBITDA as management indicators.

Increase in corporate value



(Reference) Topics

■ Volunteering at the Hokkaido Marathon and Yokohama Marathon

We contribute to the realization of regional symbiosis and the development of local communities through a variety of volunteer activities.



Yokohama Marathon



Hokkaido Marathon

we distributed 10,000 pieces of Magic Pearl, our group's best-selling product, free of charge to runners at the Yokohama Marathon.

■ Career education support "ONE's Work" initiative

We are actively engaged in supporting career education for the future generation of junior high and high school students in the prefecture.



■ Public relations

Article in Future Strategy Interview in the November issue of Nikkei ESG, a monthly magazine

<https://project.nikkeibp.co.jp/ESG/atcl/column/00006/101200326/>

Top interviews were published on ESG/SDGs initiatives and management strategies.



● IRTV. Top Interviews on Sustainable Development of Livestock and Fisheries

<https://irtv.jp/channel/11304>



● ZUU online : Article on ESG initiatives in an interview

<https://zuuonline.com/archives/250504>

■ X(Formerly Twitter) Official Account "ONE's Channel" is launched.

As a forum for communication with our stakeholders, we provide information about our business, SDGs initiatives, industry trivia, and food-related information.

Please take a look and follow us!





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.