



Financial Results
of FY Ended Mar. 2023

May 23rd., 2023

FEED ONE CO., LTD.

TSE Prime Symbol:2060



Explanatory items

- FY3/2023 Results
- FY3/2024 Earnings Forecast
and material issues

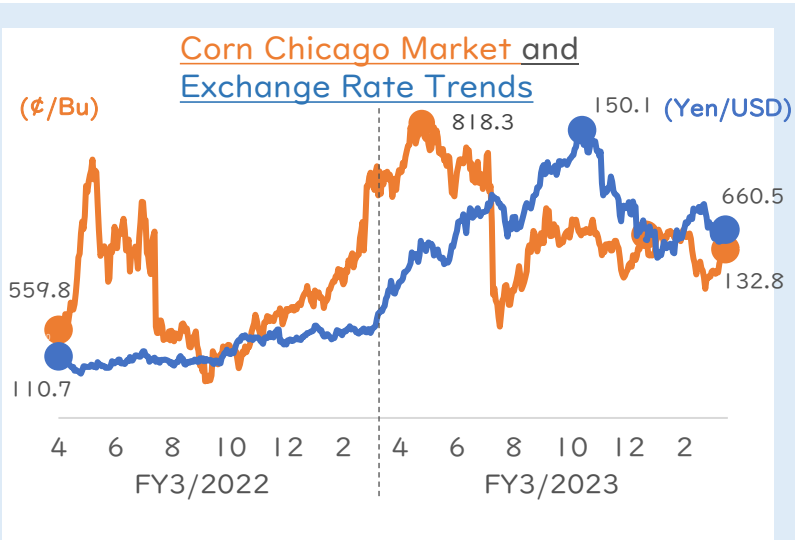


FY3/2023 Results

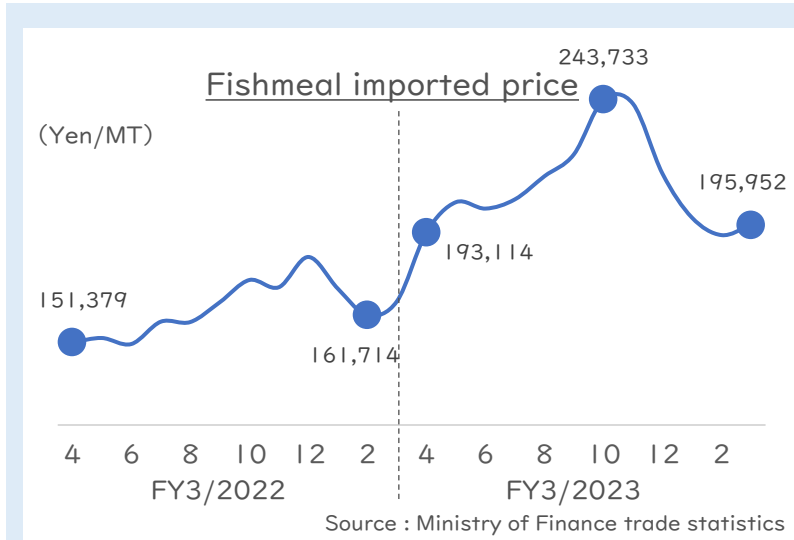
1. Price Trends of Imported Raw Materials

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.



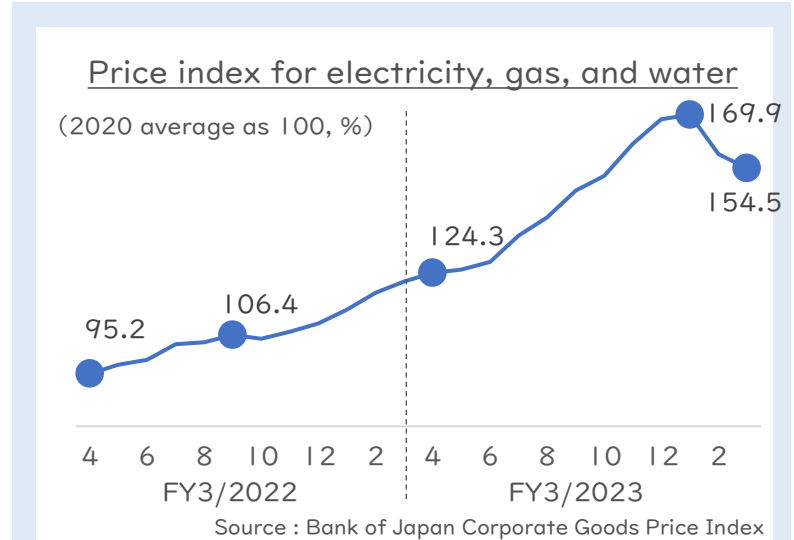
Corn imported price : **YoY 139.7%**
(Yen)



Fish meal imported price : **YoY 129.6%**

2. Energy Cost Trends

Energy price index such as electricity and gas rose significantly.

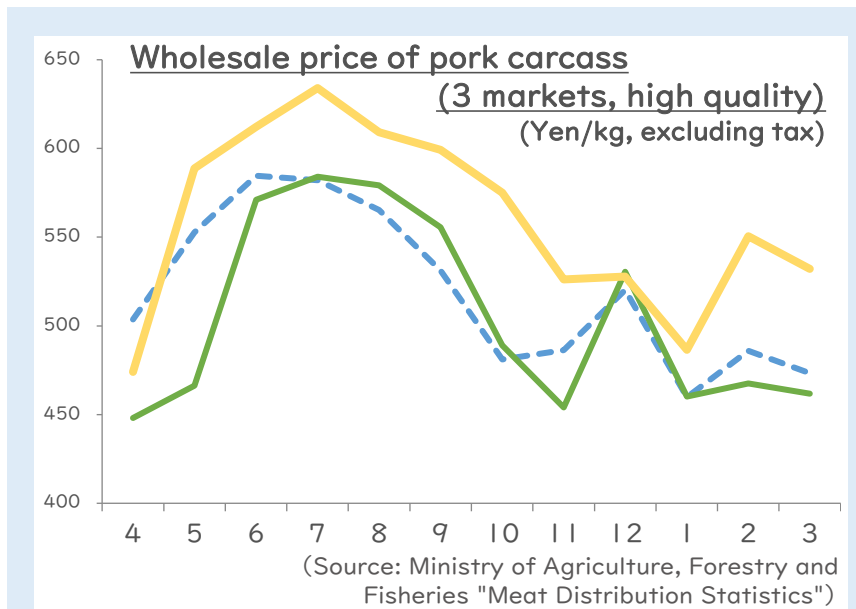


Price index for electricity, gas, and water : **YoY 137.6%**

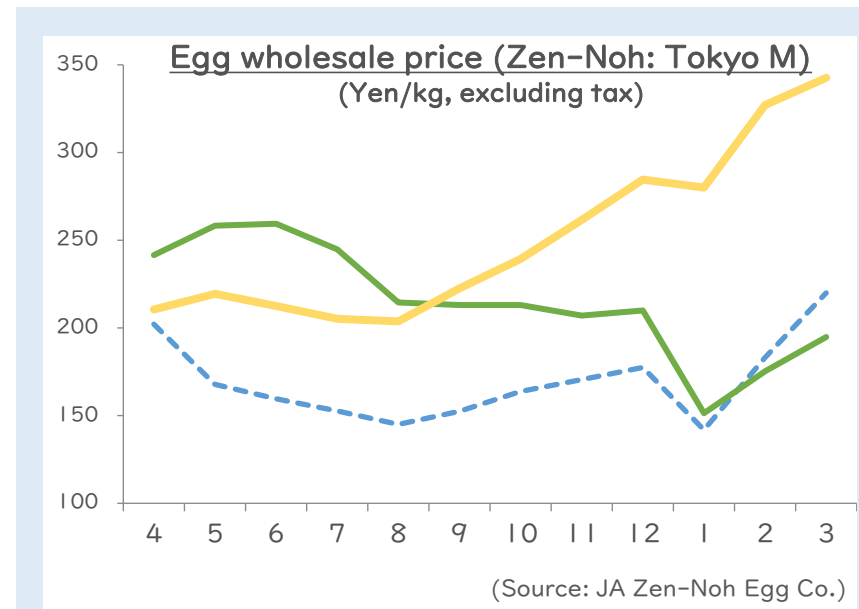
3. Livestock Products Market Conditions

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 | 10.7%**



Egg wholesale price : **YoY | 16.5%**

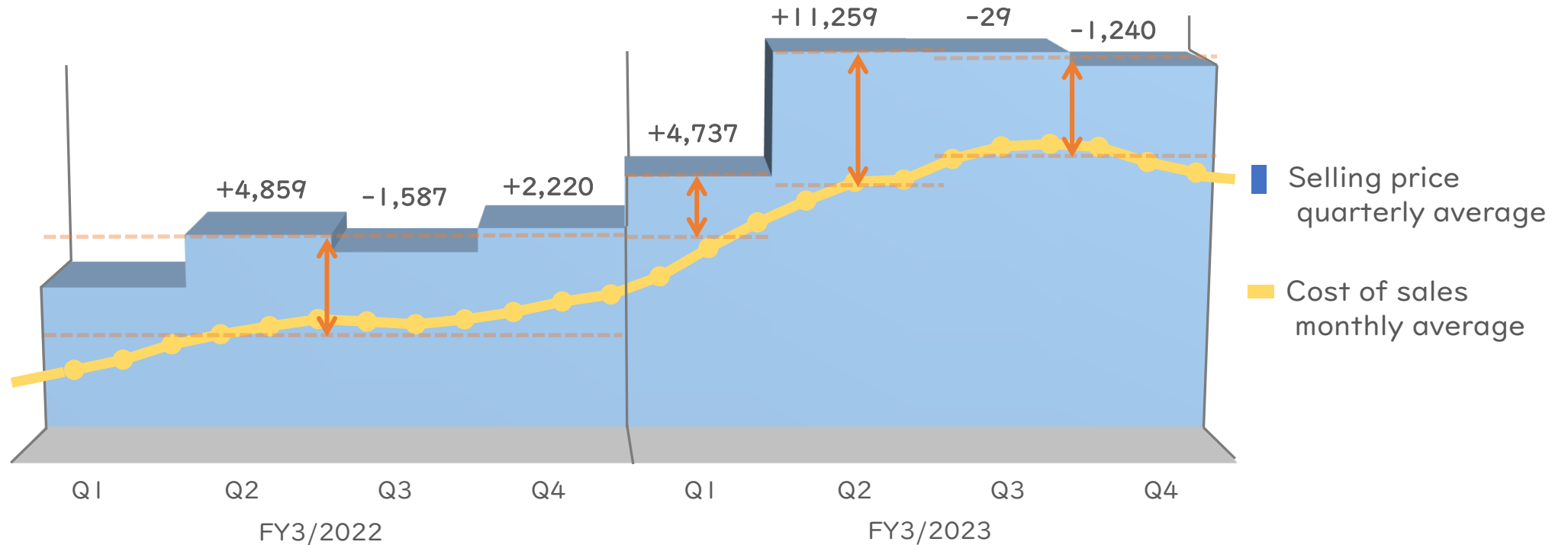
Animal feed : Selling Price and Cost of Sales Trends



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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.

FY3/2023 Summary of Financial Results

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



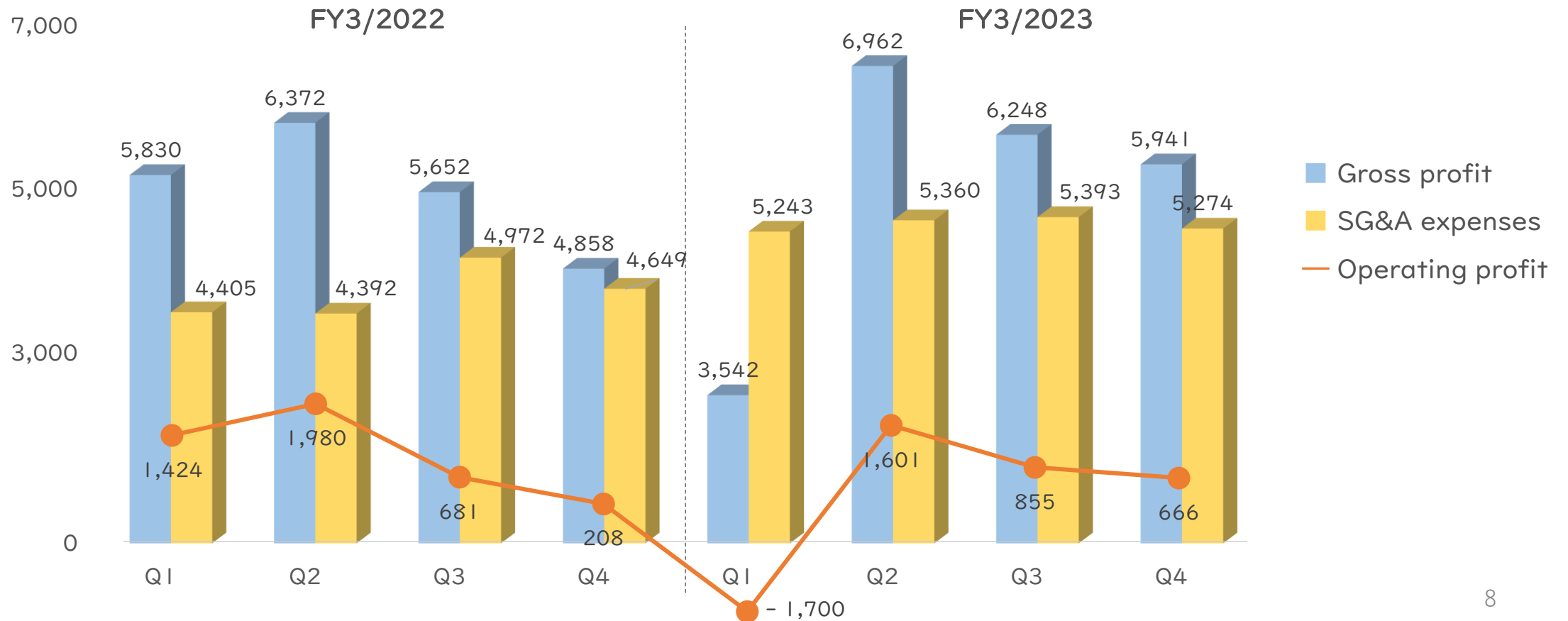
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Gross profit declined sharply in Q1, resulting in an operating profit in the red.

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.

(Millions of Yen)



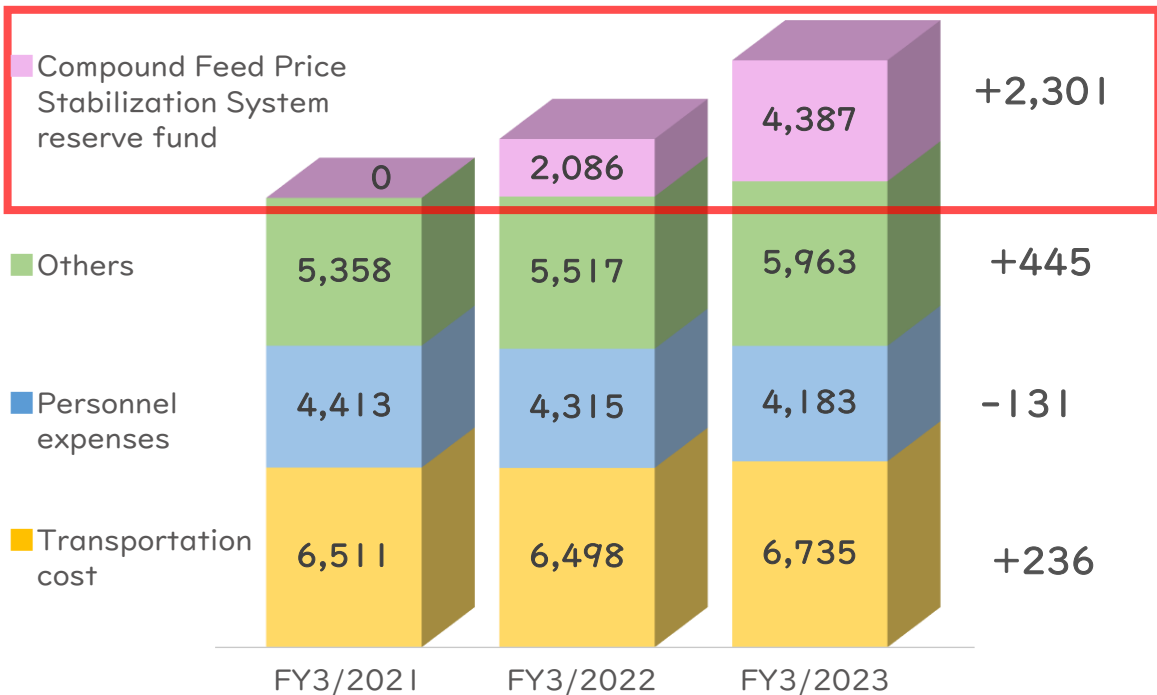
SG&A expenses

- ▶ 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)

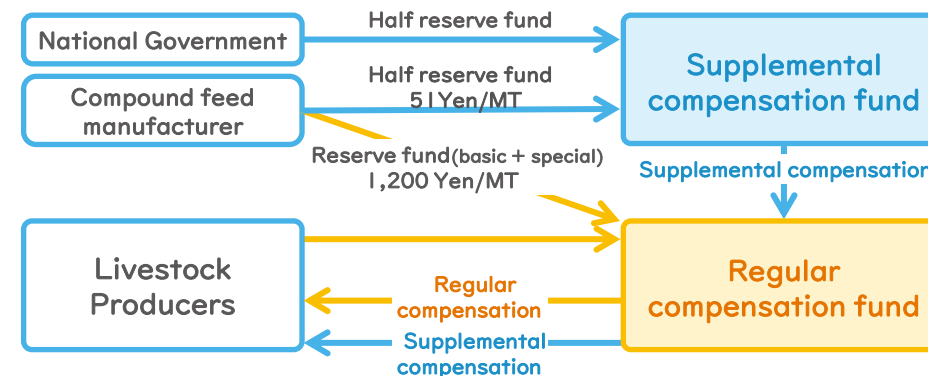
SG&A expenses 16,284 18,418 21,270 +2,852



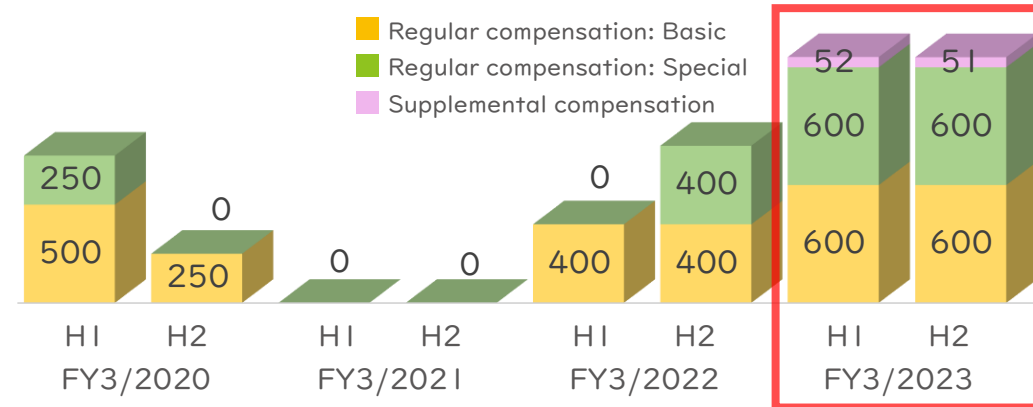
Compound Feed Price Stabilization System

- ▶ 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

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)

		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



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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.

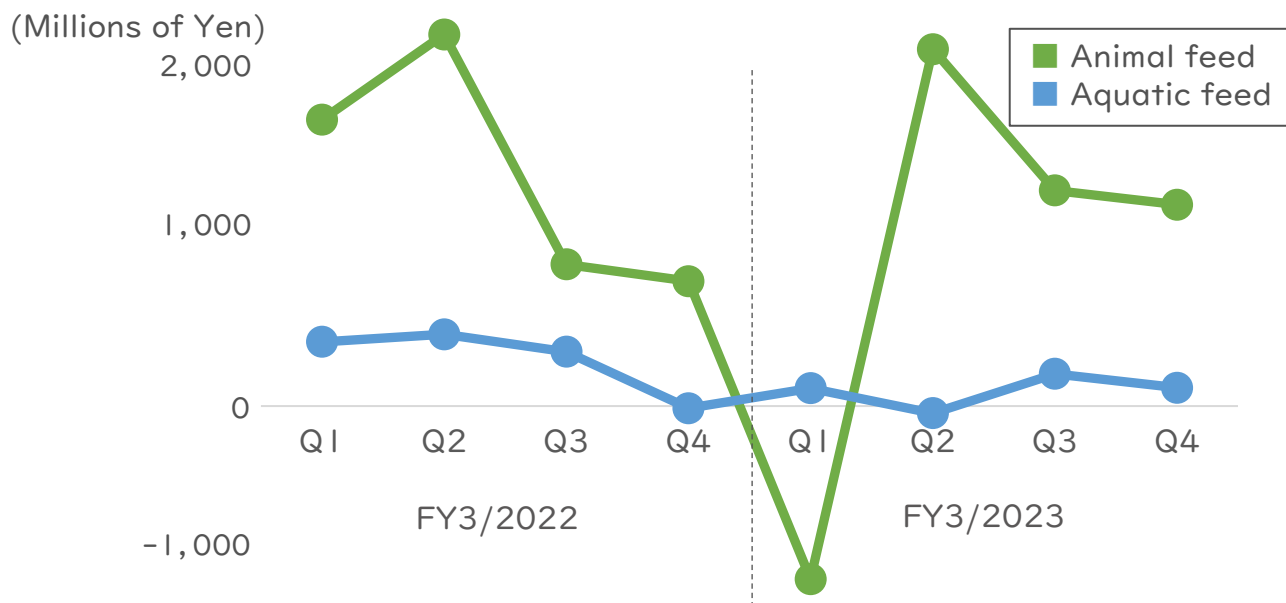
Aquatic feed:

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.

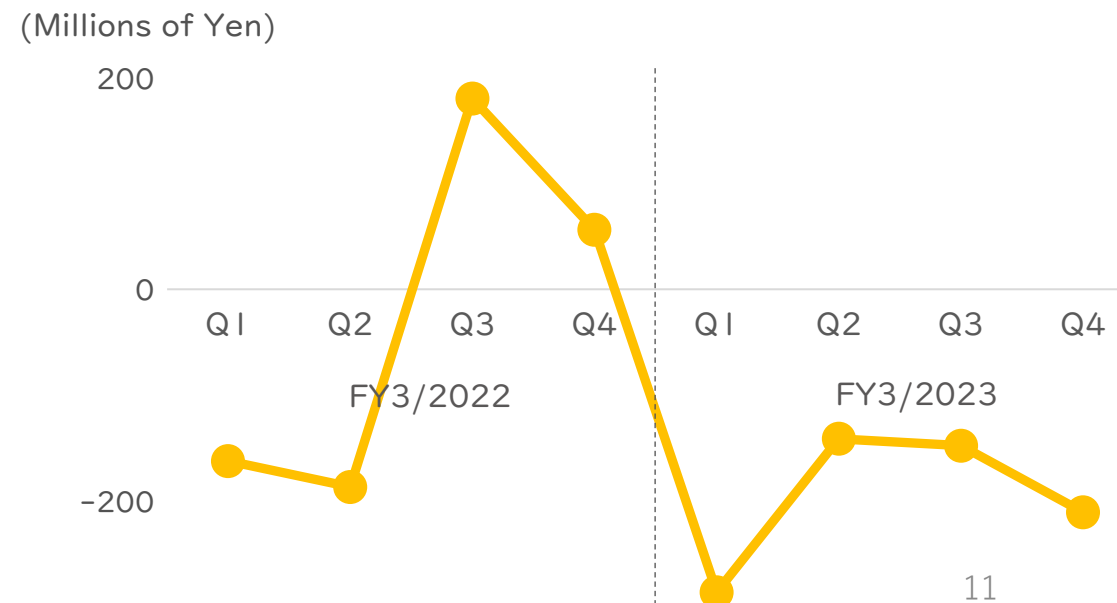
Food business:

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.

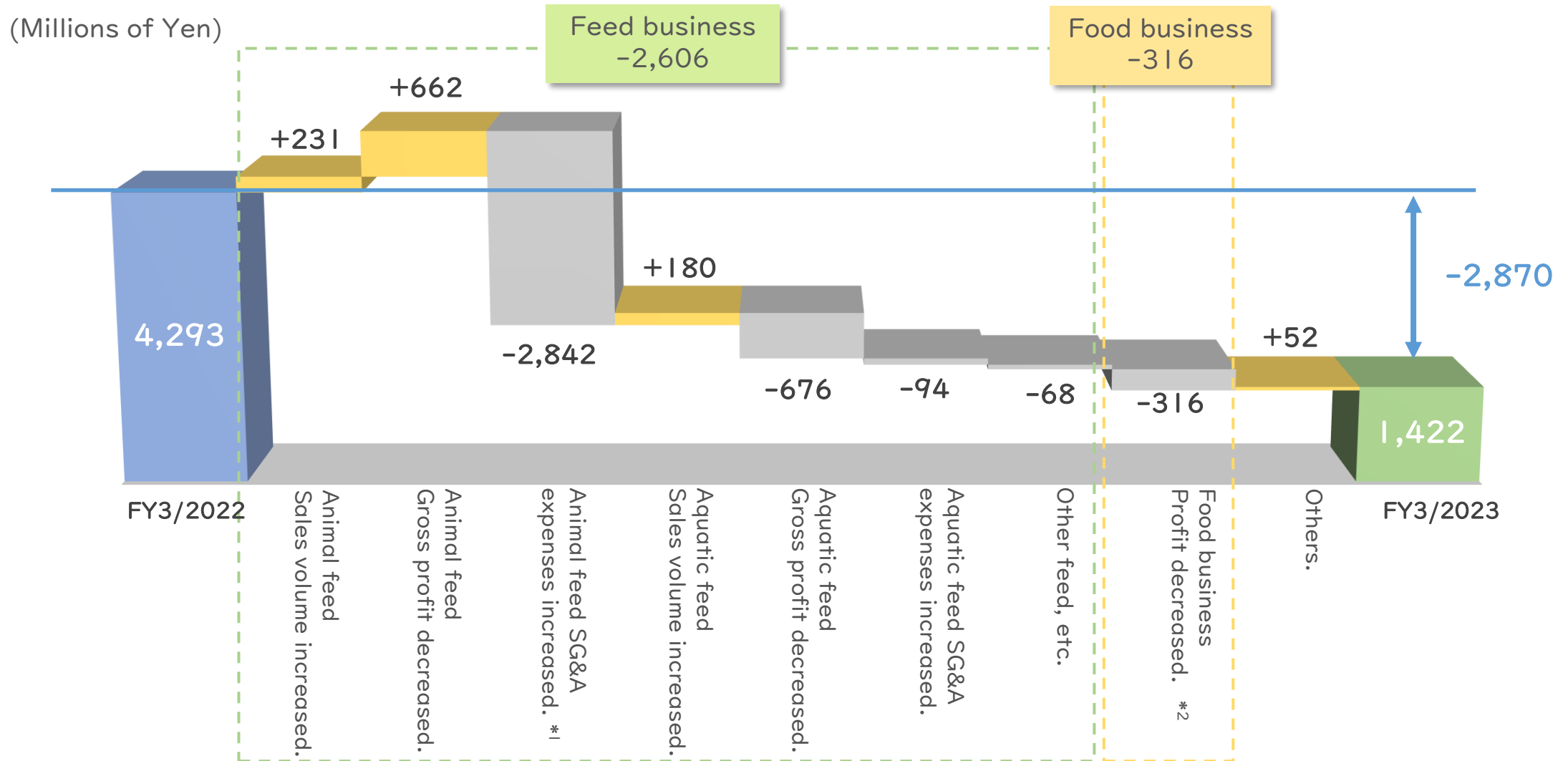
Operating profit of Animal feed and Aquatic feed



Operating profit of Food business



Factors of Operating profit Increase / decrease



*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)

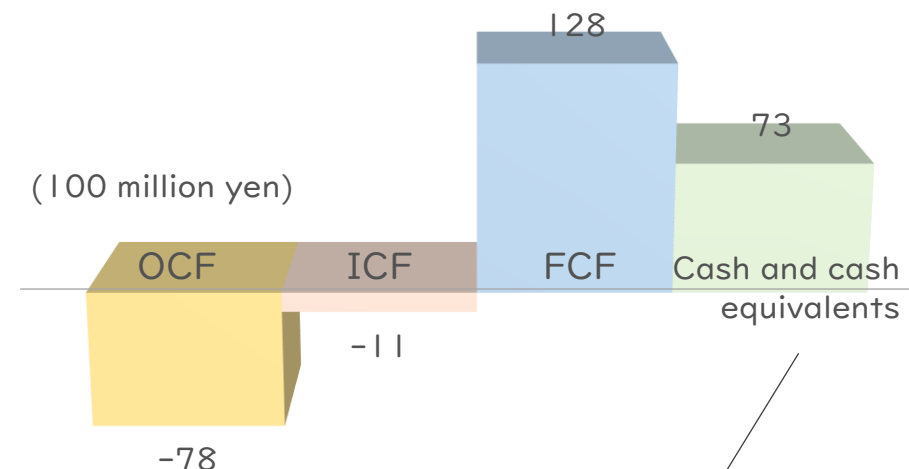
Current assets		Current liabilities	
858 (+205)		600 (+100)	
Cash and deposits	73 (+38)	Notes and accounts payable - trade	364 (+55)
Notes and accounts receivable - trade	552 (+124)	Short-term borrowings	168 (+54)
Inventories	205 (+46)	Accounts Payable Turnover Period 46 days	
turnover period:		Non-current liabilities	
Receivables 65 days		225 (+88)	
Inventory 25 days		Long-term borrowings	
Non-current assets		192 (+87)	
420(-11)		Net assets	
Property, plant and equipment	316 (-18)	453 (+4)	
Intangible assets	9 (+3)	Valuation difference on available-for-sale securities	
Investments and other assets	94 (+3)	12 (+2)	

Total assets 1,279 (+194)

CCC 44 days (+6 days)
(CCC : Cash Conversion Cycle)

Consolidated statements of cash flows

(100 million yen)



Commitment Line (August 29, 2022)

The increase in cash and deposits (+38) and the newly signed commitment line (10 billion yen/no balance at the end of the fiscal year) improved financial stability and soundness.

- OCF : Depreciation+32, Working capital -116
- ICF : Capital investment -20, Sale of investment securities+4
- FCF : 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)

Although the yen has been gradually appreciating since H2, raw material and energy costs have remained high, and are expected to rise slightly for the full year.

(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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Each segment is expected to increase revenues.

Feed business : Forecast increase in profit due to higher sales volume, sales of high value-added products, and price revisions.

Food business : Forecasted increase in profit due to promotion of revision of pricing conditions to 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)

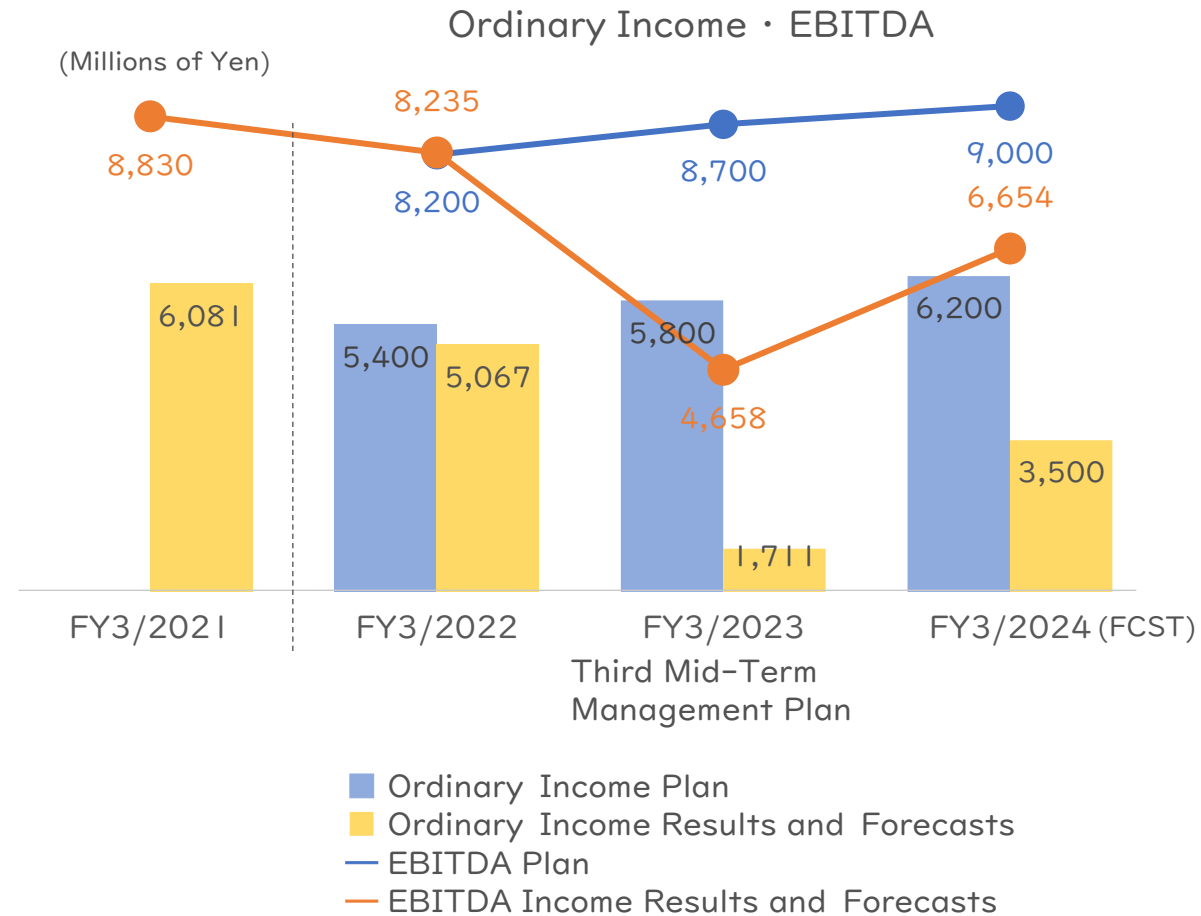
Sales volume	FY3/2023	FY3/2024		
		YoY	Comments	
Animal feed	3,586	3,617	+0.9%	For layers -0%, for broilers +2%, for pigs +2%, for cattle +0%
Aquatic feed	100	103	+2.9%	For marine fish +3%, for freshwater fish -1%

Progress of The Third Mid-Term Management Plan (Management Indicators, FY3/2022-FY3/2024)



Profits declined sharply in FY3/2023 but are expected to increase in FY3/2024.
The mid-term plan is expected to be unachieved.

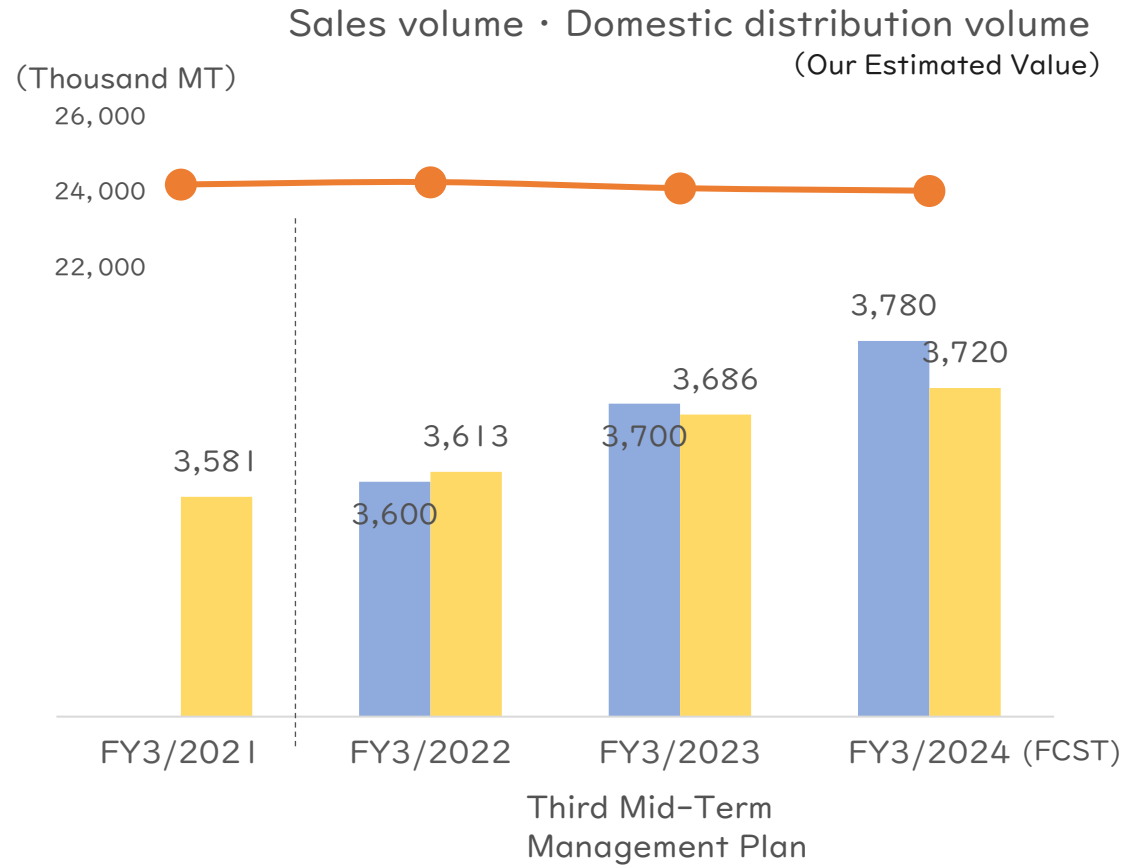
	FY3/2023	FY3/2024	Mid-term Management Plan
Feed sales volume	3,686	3,720	3,780
	Thousand metric tons	Thousand metric tons	Thousand metric tons
Ordinary Income	1,711	3,500	6,200
	Millions of Yen	Millions of Yen	Millions of Yen
ROE	2.3%	5.4%	9.0%
Reference index			
EBITDA	4,658	6,654	9,000
	Millions of Yen	Millions of Yen	Millions of Yen



Progress of The Third Mid-Term Management Plan (Sales volume)

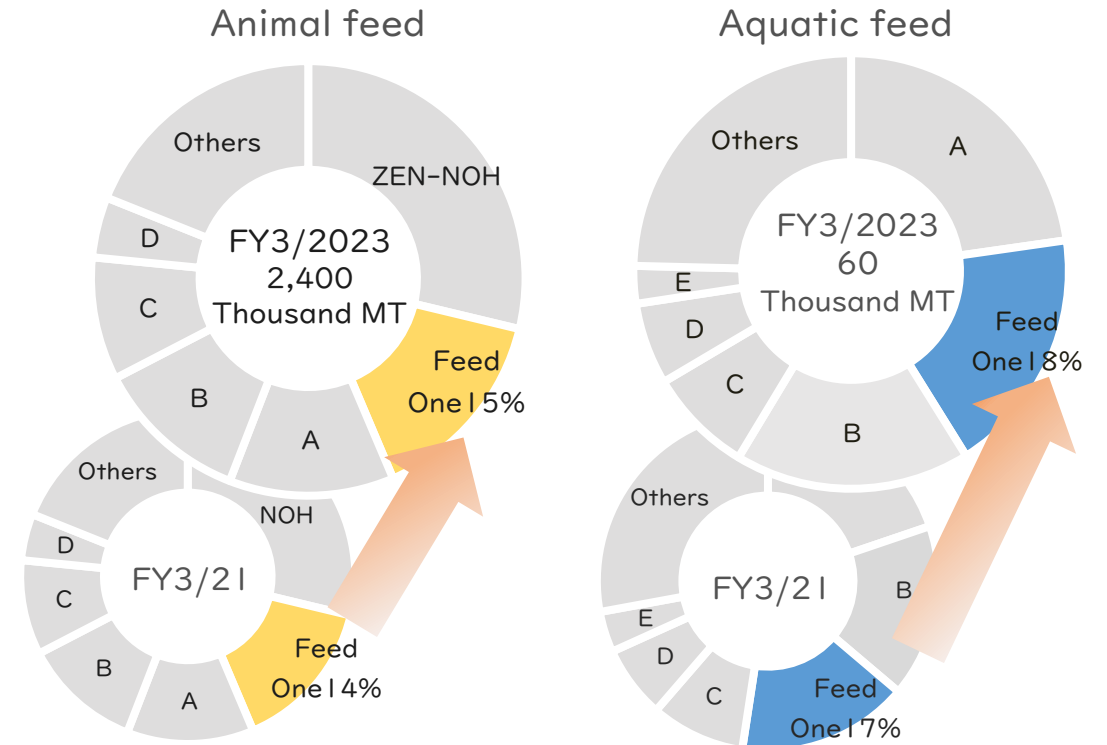
The mid-term business plan was slightly missed.

However, our sales volume is steadily increasing while the national distribution volume is slightly decreasing.



— Domestic distribution volume
■ Third Mid-Term Management Plan
■ Results and Forecasts

Industry Share (Our Estimated Value)



Responding to cost increases in key businesses and material issues

Operating Income by Business Segment

(Millions of Yen)



Responding to Cost Increases

- Price pass-through of higher energy costs
 - From shipments on July 1, 2023
- Price pass-through of raw material price hikes
 - From shipments on April 1, 2023
- Change to trading conditions with lower market risk
 - Penetration of price shifting to suppliers, etc.

Material issues

- Expand sales of cattle feed through capital investment and total consulting services
- Develop and expand sales of high value-added products that meet the needs of the times and customers
- Build a sales base for consumer products that are less susceptible to market conditions.

Animal feed

■ Expand sales of cattle feed

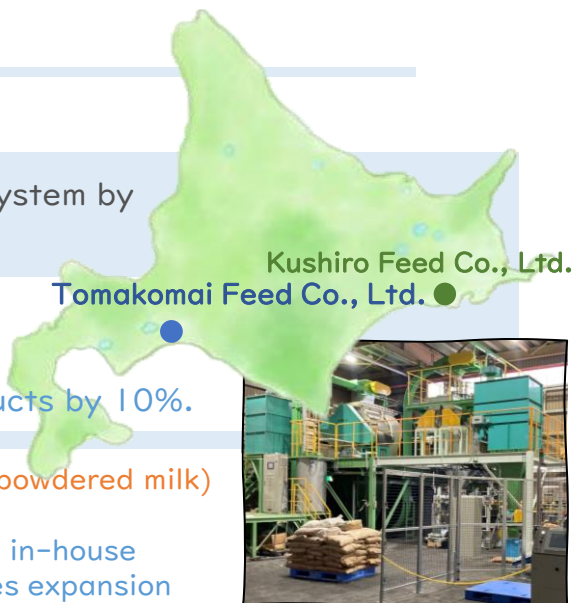
1. Reinforcement of manufacturing system by adding facilities for cattle feed

Flake line expansion completed at two bases in Hokkaido.

Increased production of flake products by 10%.

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.



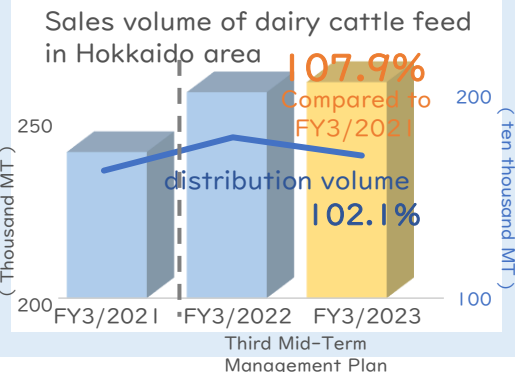
2. Supporting Client Management Total Consulting Services

heredity

dairy farming operation

- ① Genome Analysis Service
- ② Feed feeding consulting
- ③ Farm Environment Improvement Consulting

Solving customer issues through sales that combine products and services



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

Aquatic feed

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

1. Develop and expand sales of sustainable feed

The world's fishery resources are in danger of depletion due to overfishing, necessitating a reduction in the percentage of fishmeal in compound feeds.

We have already launched a product with a low fishmeal content. Currently, we are working on developing a Compound feed that does not use fishmeal.

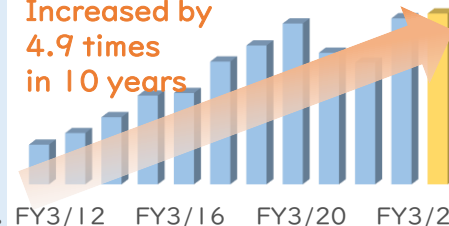
➤ Field trials conducted last year were successful, and the company aims to launch the product in FY3/2024.

2. Expand sales of fry feed, which is expected to be highly profitable

Nutritional design supporting the rapid growth of fry has a high reputation in the domestic fry production market.

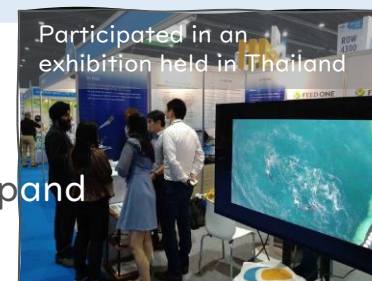
Sales volume: YoY +23.6%

Increased by 4.9 times in 10 years



We also export to Vietnam and Thailand.

In addition to expanding domestic sales, the company will work to expand exports to the Asian region.



Material issues ②

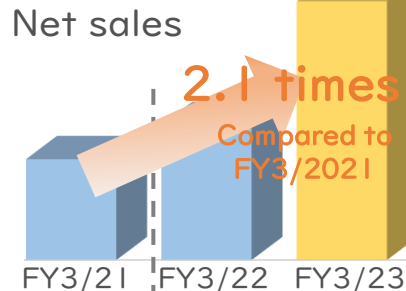
Food Business

- 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 barbecue 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. Feed One Foods Co., Ltd. East Japan Division Achievements

Having a production base in the consumption area, we can supply products that meet the needs with a short delivery time.

Focus on expanding sales of best-selling products and developing 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.

We achieved our highest profit in FY3/2023 by focusing on expanding sales of high-margin products for pigs, despite the sharp rise in raw material prices.

The profit increased by 250 million of Yen from the previous year.

We have completed our first flake production facility and milk powder production facility for cattle in Vietnam. In the current fiscal year, we will expand sales by strengthening our focus on cattle feed.



First in Vietnam Flake facility



facility for bovine milk powder

Currently, we have one manufacturing base in Vietnam in the south. In this fiscal year, we will secure a second base in the northern region and expand our sales area.

Promotion of ESG management

■ Responding to Climate Change

- Apr. 19th, 2022, expressed support for TCFD recommendations
- June 20th, 2022, TCFD Report Disclosure

Evaluate the financial impact of climate-related risks and opportunities on corporate management, and disclose "governance, strategy, risk management, and metrics and targets."



In November 2022, gas cogeneration facilities were installed at two factories in Kitakyushu.

To improve energy efficiency during steam production by effectively utilizing some of the waste heat generated when electricity is generated.

- Reduction in energy use and costs
- Estimated annual reduction of approx. 200 t-CO₂



■ 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
- Study sessions were held for board members, and a public call for anti-harassment slogans was made.

■ Active investment in human capital

We actively promote health management in order to improve the physical and mental health of each and every employee and to remain a vibrant company.

- Creation of health management strategy map
- Introduced "Well Go" health management application
- Weekly online stretching sessions
- The Company was accredited Class AAA, the highest rating, in the Yokohama Health and Productivity Management Certification 2022 organized by Yokohama City where the head office is located.



Wage increase effective April 2023 (+6.4% for non-managerial positions)

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.

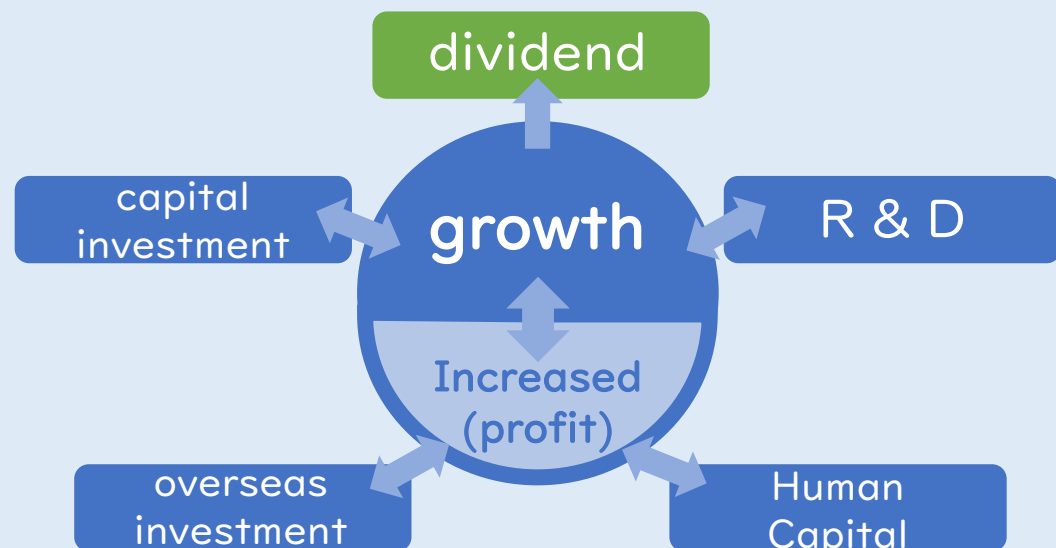
Dividend policy and growth investment



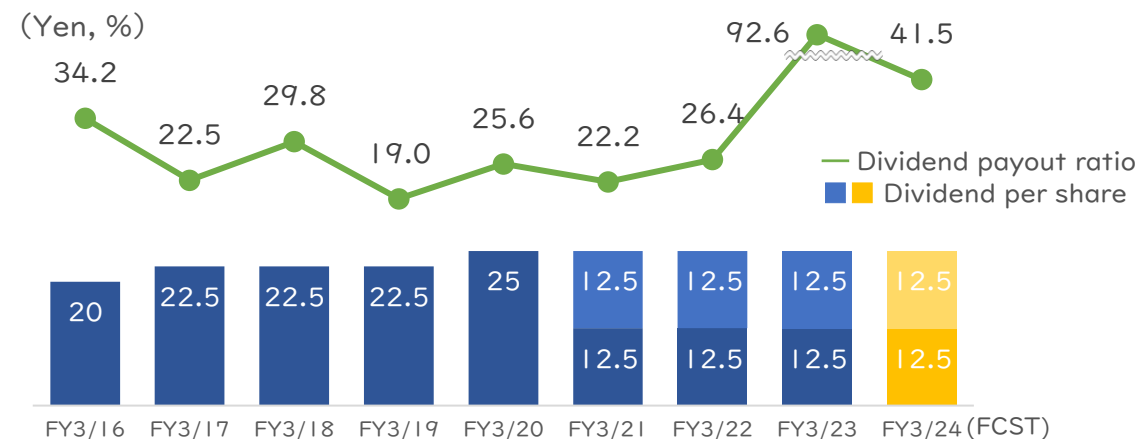
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Basic policy

Based on the concept of stable dividends, the Company will target a consolidated dividend payout ratio of 25% or more. Retained earnings will be effectively used as investment funds to maintain and develop competitiveness in the future.



dividend



* Retroactively adjusted to consider the reverse stock split (from 5 to 1 share) implemented in October 2020.

Capital Investment and Overseas Investment

Aggressive measures to address aging and construction of new facilities with an eye to the future. Consideration of new supply bases and new businesses for Compound feed overseas.

R & D

Overcoming new challenges, including reducing environmental impact. Utilization of DX to respond to the logistics “2024 problem” and technological innovation in the industry.

Human Capital

Human resource strategy through the promotion of work style reforms and health management, as well as talent management, including career education systems and personnel evaluation systems.

To improve corporate value

Building a spiral of corporate value enhancement through strengthening of earning power and Promoting ESG Management

- strengthening of earning power
 - Responding to cost increases and overcoming material issues
 - Achievement of business plan for FY2023.
(Establishment of recovery trajectory)
 - Expand investment for growth.
(reallocate to growth areas)
 - Increase in ordinary profit.
(renewed challenge to the highest profit)
- Promoting ESG Management
 - Strengthening Governance
 - In June 2022, a corporate executive will be elected as an outside director, and in June 2023, there will be five outside directors and four internal directors.
 - New core system scheduled to go live in January 2024
 - Support business operations with scalability, flexibility, and the ability to provide timely information.

Increase enterprise value and improve P/B ratios.

**⇒ Fourth Medium-Term Management Plan
(to be formulated this fiscal year)**

Increase in corporate value





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.