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MEMBERSHIP

February 8, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: FEED ONE CO., LTD.
 Listing: Tokyo
 Securities code: 2060
 URL: <https://www.feed-one.co.jp/> (in Japanese)
 Representative: REPRESENTATIVE DIRECTOR, HIDEHIRO SHOJI
 PRESIDENT
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 Scheduled date to file quarterly securities report: February 9, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	238,369	4.2	5,063	569.7	5,148	395.1	3,257	411.6
December 31, 2022	228,746	25.2	756	(81.5)	1,039	(78.2)	636	(80.8)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥3,787 million [541.9%]
 For the nine months ended December 31, 2022: ¥589 million [(82.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	85.22	–
December 31, 2022	16.69	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	138,760	48,212	34.3
March 31, 2023	127,913	45,314	35.0

Reference: Equity

As of December 31, 2023: ¥47,633 million

As of March 31, 2023: ¥44,768 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	12.50	–	12.50	25.00
Fiscal year ending March 31, 2024	–	12.50	–		
Fiscal year ending March 31, 2024 (Forecast)				14.50	27.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	313,000	1.7	7,500	427.2	7,500	338.3	4,800	365.6	125.44

Note: Revisions to the forecast of financial results most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	38,477,128 shares
As of March 31, 2023	38,477,128 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	212,283 shares
As of March 31, 2023	297,519 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	38,226,962 shares
Nine months ended December 31, 2022	38,162,285 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the period includes shares of the Company (166,960 shares for the nine months ended December 31, 2023, and 253,960 shares for the fiscal year ended March 31, 2023) held by Custody Bank of Japan, Ltd. (Trust Account) as the trust assets for the “trust for share-based remuneration for directors (and other officers).”

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements, etc.

The forward-looking statements contained in this report, including earnings forecasts, are based on information currently available to the Company and certain assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please see “1. Qualitative information regarding financial results for the nine months ended December 31, 2023 (3) Explanation of forecast of consolidated financial results and other forward-looking statements” on page 3 of the attached material to this quarterly financial results report for the suppositions that form the assumptions for the earnings forecasts and cautions concerning the use thereof.

How to acquire the Supplementary Materials for Quarterly Financial Results

The Supplementary Materials for Quarterly Financial Results are disclosed via TDnet on the same day, and are posted to the Company’s website as well.

Attached Material

Index

1. Qualitative information regarding financial results for the nine months ended December 31, 2023	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position.....	3
(3) Explanation of forecast of consolidated financial results and other forward-looking statements	3
2. Quarterly consolidated financial statements and significant notes thereto	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and comprehensive income	6
Quarterly consolidated statements of income (cumulative)	6
Quarterly consolidated statements of comprehensive income (cumulative)	7
(3) Notes to quarterly consolidated financial statements	8
(Notes on premise of going concern)	8
(Notes when there are significant changes in amounts of equity)	8
(Notes - Additional information)	8
(Segment information)	9

1. Qualitative information regarding financial results for the nine months ended December 31, 2023

(1) Explanation of operating results

During the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023), the outlook for the Japanese economy remained uncertain due to factors including high energy prices caused by tensions around the world, fluctuations in financial and capital markets, and rising domestic prices. Meanwhile, amidst the steady normalization of social activities, various economic indicators have begun to show positive signs.

In the feed industry, Chicago futures prices of corn, which is the major raw material, continued to trend downward, supported by an outlook for stable harvests, despite ongoing political instability, including the conflict between Russia and Ukraine. Consequently, the Group lowered the price of formula feed for livestock in January, subsequently in April, July and October of last year, spanning four consecutive quarters. Nonetheless, the business environment remains unpredictable due to persistent uncertainty in raw material prices denominated in yen, driven by higher ocean freight rates and the ongoing depreciation of the yen, alongside factors such as increased contributions to the Feed Price Stabilization Fund.

With regard to livestock products, the market price of pork was higher than in the same period of the previous fiscal year on the back of a decline in the number of animals shipped as a result of worsening development due to record-breaking heat and diseases. However, the market price since October has been lower than in the same period of the previous fiscal year, due to a recovery in the number of swine shipped in response to decreasing temperatures since the autumn. The market price of chicken eggs was higher than in the same period of the previous fiscal year due to a decrease in supply caused by an outbreak of avian influenza across Japan that began in October 2022 and a record-breaking heat wave. However, the market price since November was lower than in the same period of the previous fiscal year, reflecting an upward trend in supply due to factors such as the resumption of operations in farms affected by avian influenza outbreaks. The market price of beef was lower than in the same period of the previous fiscal year, due to a decrease in demand for beef resulting from consumers' heightened cost-consciousness due to soaring prices.

In this environment, the Group took initiatives to diversify its raw material procurement, rationalize its production systems, improve the quality of finished goods provided to livestock and fishery producers, and provide services leading to improved production results.

As for the Group's operating results for the nine months ended December 31, 2023, net sales were ¥238,369 million (up 4.2% year-on-year), operating profit was ¥5,063 million (up 569.7% year-on-year), ordinary profit was ¥5,148 million (up 395.1% year-on-year), and profit attributable to owners of parent was ¥3,257 million (up 411.6% year-on-year).

Operating results by segment are as follows.

(i) Feed business

In the feed business, animal feed sales volume increased despite the lower average sales price than in the same period of the previous year, due to price cuts for four consecutive quarters, while both the average sales price and sales volume of aquatic feed were higher than in the same period of the previous fiscal year, with net sales for the nine months ended December 31, 2023 reaching ¥202,126 million (up 2.8% year-on-year). Operating profit was ¥6,138 million (up 134.7% year-on-year), mainly due to a significant improvement in profit environments for both animal feed and aquatic feed compared to the same period of the previous fiscal year.

(ii) Food business

In the food business, net sales for the nine months ended December 31, 2023 reached ¥34,315 million (up 13.2% year-on-year), mainly due to continuously higher market prices of pork and

chicken eggs compared to the same period of the previous fiscal year, despite their lower market prices since the autumn. Operating profit was ¥611 million (operating loss of ¥270 million in the same period of the previous fiscal year), mainly due to the progress made in revising sales price conditions in food-related subsidiaries.

(iii) Other businesses

This segment includes sales of livestock and fishery equipment and real estate leasing businesses, etc. Net sales for the nine months ended December 31, 2023 were ¥1,927 million (up 3.0% year-on-year), and operating profit was ¥224 million (up 11.3% year-on-year).

(2) Explanation of financial position

(Assets)

Total assets as of December 31, 2023 amounted to ¥138,760 million (up 8.5% from the end of the previous fiscal year), mainly as a result of increases in cash and deposits and trade receivables due to the fact that the last day of the third quarter of the current fiscal year was a holiday for financial institutions.

(Liabilities)

Total liabilities as of December 31, 2023 amounted to ¥90,547 million (up 9.6% from the end of the previous fiscal year), mainly as a result of an increase in trade payables, which was affected by the fact that the last day of the third quarter of the current fiscal year was a holiday for financial institutions, despite a decrease in short-term borrowings.

(Net assets)

Total net assets as of December 31, 2023 amounted to ¥48,212 million (up 6.4% from the end of the previous fiscal year) due to an increase in retained earnings due to the recording of profit attributable to owners of parent and other factors.

(3) Explanation of forecast of consolidated financial results and other forward-looking statements

The forecast of financial results and dividends for the fiscal year ending March 31, 2024 is unchanged from the forecast announced on February 2, 2024.

2. Quarterly consolidated financial statements and significant notes thereto**(1) Quarterly consolidated balance sheets**

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	7,379	14,772
Notes and accounts receivable - trade	51,375	56,754
Electronically recorded monetary claims - operating	3,885	4,808
Merchandise and finished goods	3,070	3,361
Raw materials and supplies	17,156	14,126
Animals	357	389
Other	2,791	2,325
Allowance for doubtful accounts	(180)	(173)
Total current assets	85,836	96,364
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,002	12,618
Machinery, equipment and vehicles, net	11,217	10,449
Land	6,114	6,090
Leased assets, net	727	653
Construction in progress	68	43
Other, net	538	529
Total property, plant and equipment	31,668	30,385
Intangible assets		
Other	916	1,413
Total intangible assets	916	1,413
Investments and other assets		
Investment securities	8,531	9,794
Long-term loans receivable	12	2
Distressed receivables	327	280
Deferred tax assets	274	174
Other	702	662
Allowance for doubtful accounts	(356)	(316)
Total investments and other assets	9,491	10,596
Total non-current assets	42,076	42,396
Total assets	127,913	138,760

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,482	47,709
Short-term borrowings	16,803	7,790
Lease liabilities	126	121
Income taxes payable	467	1,295
Provision for bonuses	558	309
Asset retirement obligations	–	77
Other	5,636	8,182
Total current liabilities	60,074	65,487
Non-current liabilities		
Long-term borrowings	19,208	21,572
Lease liabilities	658	578
Deferred tax liabilities	203	500
Provision for share awards for directors (and other officers)	173	124
Retirement benefit liability	2,234	2,236
Asset retirement obligations	3	3
Other	42	45
Total non-current liabilities	22,523	25,060
Total liabilities	82,598	90,547
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	9,737	9,737
Retained earnings	23,952	26,249
Treasury shares	(244)	(172)
Total shareholders' equity	43,445	45,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,229	1,924
Deferred gains or losses on hedges	32	(233)
Foreign currency translation adjustment	61	127
Remeasurements of defined benefit plans	(0)	1
Total accumulated other comprehensive income	1,323	1,819
Non-controlling interests	546	579
Total net assets	45,314	48,212
Total liabilities and net assets	127,913	138,760

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	228,746	238,369
Cost of sales	211,993	216,367
Gross profit	16,752	22,001
Selling, general and administrative expenses	15,996	16,938
Operating profit	756	5,063
Non-operating income		
Interest income	8	7
Dividend income	145	156
Share of profit of entities accounted for using equity method	25	-
Stockpile storage revenue	105	102
Other	283	178
Total non-operating income	568	445
Non-operating expenses		
Interest expenses	107	140
Share of loss of entities accounted for using equity method	-	187
Other	177	32
Total non-operating expenses	284	360
Ordinary profit	1,039	5,148
Extraordinary income		
Gain on sale of non-current assets	35	12
Gain on sale of investment securities	204	74
Subsidy income	1	-
Total extraordinary income	241	87
Extraordinary losses		
Loss on sale of non-current assets	7	9
Loss on retirement of non-current assets	30	27
Impairment losses	208	94
Loss on cancellation of leases	-	0
Loss on liquidation of subsidiaries	0	-
Loss on valuation of investment securities	-	2
Loss on closing of factory	-	145
Total extraordinary losses	246	280
Profit before income taxes	1,035	4,955
Income taxes - current	214	1,465
Income taxes - deferred	164	199
Total income taxes	379	1,664
Profit	656	3,290
Profit attributable to non-controlling interests	19	32
Profit attributable to owners of parent	636	3,257

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	656	3,290
Other comprehensive income		
Valuation difference on available-for-sale securities	276	695
Deferred gains or losses on hedges	(405)	(266)
Remeasurements of defined benefit plans, net of tax	8	2
Share of other comprehensive income of entities accounted for using equity method	53	65
Total other comprehensive income	(66)	496
Comprehensive income	589	3,787
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	570	3,754
Comprehensive income attributable to non-controlling interests	19	32

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Notes - Additional information)

(Board Benefit Trust)

The Company has introduced a share awards plan, “Board Benefit Trust” (hereinafter referred to as the “BBT”), for the Company’s Directors (excluding Outside Directors; the same applies hereinafter) and Executive Officers who have entered into delegation agreements with the Company (hereinafter collectively referred to as “Directors, etc.”).

(1) Overview of transactions

Under the BBT, a trust established by monetary contribution by the Company as compensation for Directors, etc. (hereinafter referred to as the “Trust”) will acquire shares of the Company, and shares of the Company, etc. in a number equivalent to the number of points granted to each Directors, etc. will be issued through the Trust in accordance with the “Share Issuance Regulations” established by the Company.

The Board of Directors approved an extension of the BBT on May 19, 2021. Under the extended BBT, the Company’s shares, etc. will be issued to Directors, etc. who hold office during the three fiscal years from the fiscal year ended March 31, 2022 to the fiscal year ending on March 31, 2025. In principle, the Company’s Directors, etc. will receive the issued shares of the Company, etc. when they retire from office.

As for accounting treatment for the BBT, the gross amount method is applied in accordance with the “Practical Solution on Transactions of Delivering the Group’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30, March 26, 2015). To prepare for the issuance of the Company’s shares to the Company’s Directors, etc., in accordance with the “Share Issuance Regulations,” provision for share awards for directors (and other officers) have been recorded based on the estimated amount of liabilities for share awards in the third quarter ended December 31, 2023.

(2) The Company’s shares remaining in the Trust

The Company’s shares remaining in the Trust are recorded as treasury shares under net assets at their book value in the Trust (excluding the amount of incidental expenses). The book value of these shares at the end of the fiscal year ended March 31, 2023 was ¥214 million and the number of shares was 253,960, while the book value of these shares at the end of the third quarter ended December 31, 2023 was ¥140 million and the number of shares was 166,960.

(3) Book value of borrowings recorded under the application of the gross amount method

Not applicable.

(Segment information)

Nine months ended December 31, 2022
(from April 1, 2022 to December 31, 2022)

1. Disclosure of sales and profit (loss) for each reportable segment, and breakdown of revenue

(Unit: Millions of yen)

	Reportable segments			Other Note 1	Total	Adjustments Note 2	Amounts in quarterly consolidated statements of income Note 3
	Feed business	Food business	Total				
Net sales							
Revenue from contracts with customers	196,552	30,321	226,873	1,872	228,746	–	228,746
Net sales from external customers	196,552	30,321	226,873	1,872	228,746	–	228,746
Intersegment sales or transfers	1,205	4	1,210	247	1,457	(1,457)	–
Total	197,758	30,325	228,083	2,119	230,203	(1,457)	228,746
Segment profit (loss)	2,616	(270)	2,345	201	2,546	(1,790)	756

Notes 1 The category “Other” includes operating segments other than reportable segments, such as the sale of livestock and fishery equipment and real estate leasing businesses.

2 The adjusted segment profit or loss of ¥(1,790) million includes corporate expenses of ¥(1,798) million that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses not attributable to the reportable segments.

3 Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

2. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Major impairment losses on non-current assets)

In the feed business segment, the book value of assets no longer expected to be used in the future was reduced to the recoverable amount, and impairment losses of ¥7 million was recognized as extraordinary losses.

Impairment losses not allocated to reportable segments amounted to ¥200 million.

Nine months ended December 31, 2023
(from April 1, 2023 to December 31, 2023)

1. Disclosure of sales and profit (loss) for each reportable segment, and breakdown of revenue

(Unit: Millions of yen)

	Reportable segments			Other Note 1	Total	Adjustments Note 2	Amounts in quarterly consolidated statements of income Note 3
	Feed business	Food business	Total				
Net sales							
Revenue from contracts with customers	202,126	34,315	236,441	1,927	238,369	–	238,369
Net sales from external customers	202,126	34,315	236,441	1,927	238,369	–	238,369
Intersegment sales or transfers	1,191	2	1,194	307	1,501	(1,501)	–
Total	203,318	34,317	237,635	2,235	239,871	(1,501)	238,369
Segment profit	6,138	611	6,750	224	6,975	(1,911)	5,063

- Notes
- 1 The category “Other” includes operating segments other than reportable segments, such as the sale of livestock and fishery equipment and real estate leasing businesses.
 - 2 The adjusted segment profit of ¥(1,911) million includes corporate expenses of ¥(1,919) million that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses not attributable to the reportable segments.
 - 3 Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

2. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Major impairment losses on non-current assets)

In the food business segment, the book value of assets no longer expected to be used in the future was reduced to the recoverable amount, and impairment losses of ¥74 million was recognized as extraordinary losses.

Impairment losses not allocated to reportable segments amounted to ¥20 million.