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Supplementary Materials for Financial Results Q2 of FY Ending Mar. 2024

November 8, 2023

FEED ONE CO., LTD.

TSE Prime Symbol：2060

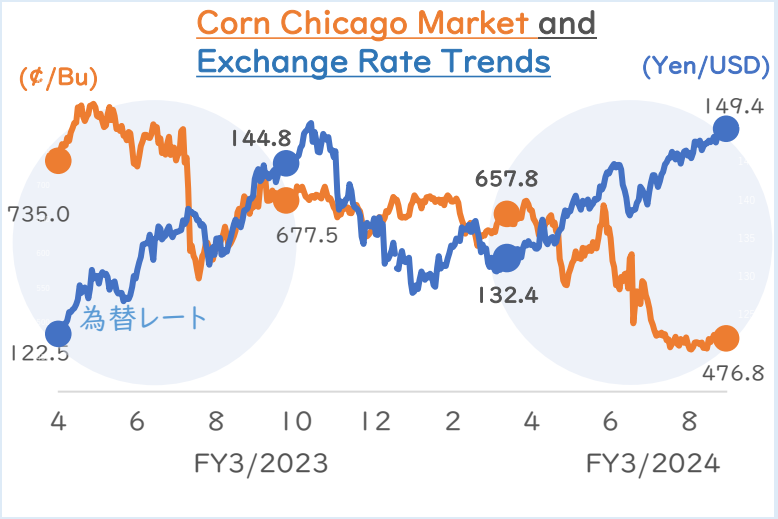
Business Environment

1. Impact of Imported Raw Materials

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

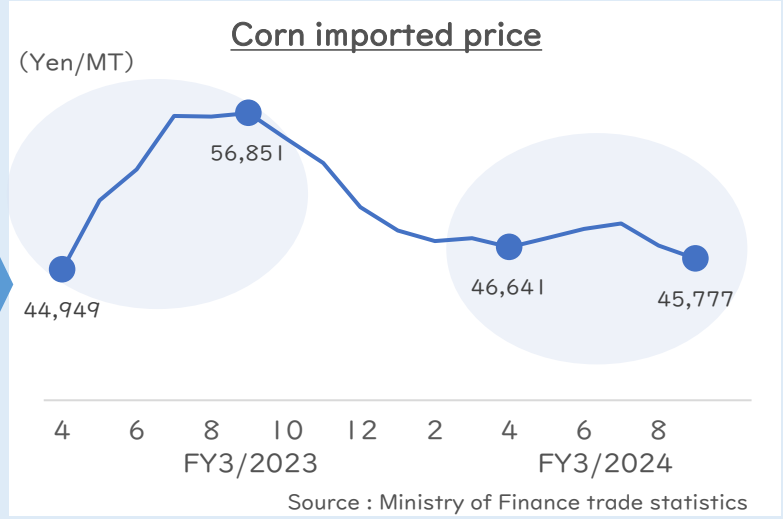
Corn import prices were lower than in the same period of the previous year due to a softening of the Chicago market caused by an upward swing in the production outlook, despite the yen's depreciation due to the difference in interest rates between Japan and the U.S.

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.

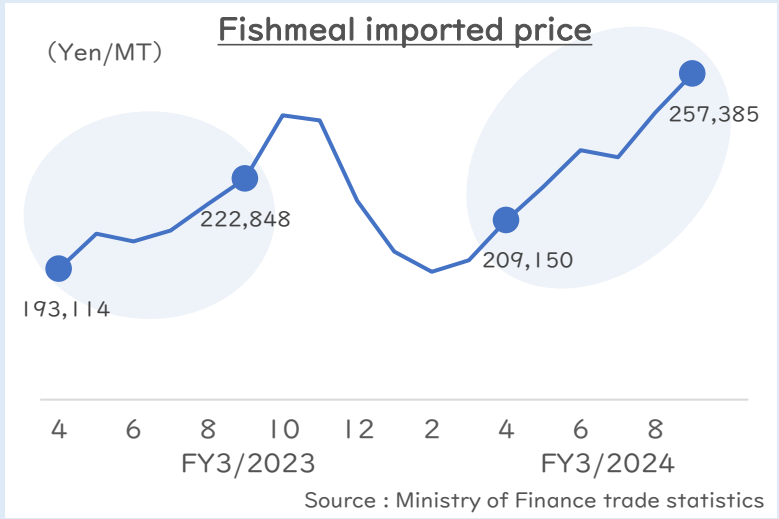


Exchange Rate Trends: YoY 105.1%

Corn Chicago Market : YoY 78.2%



Corn imported price : YoY 89.2%

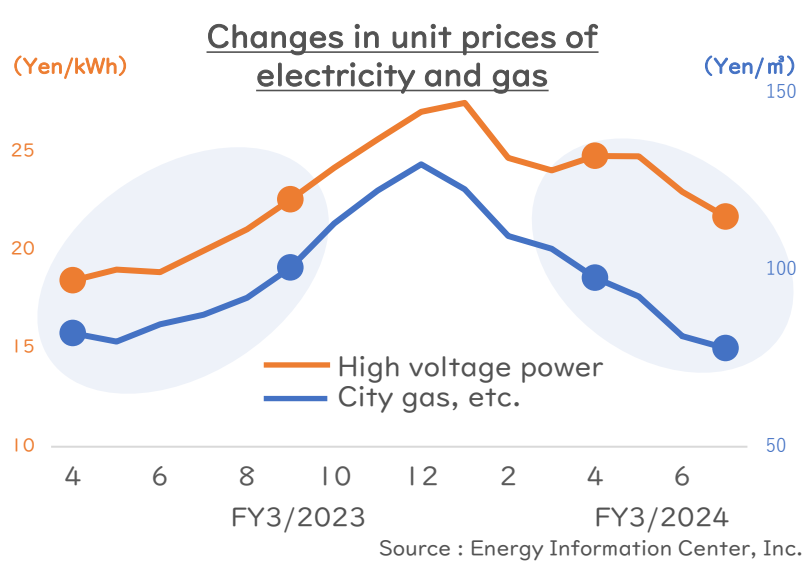


Fish meal imported price : YoY 112.4%

Business Environment

2. Energy Cost Trends

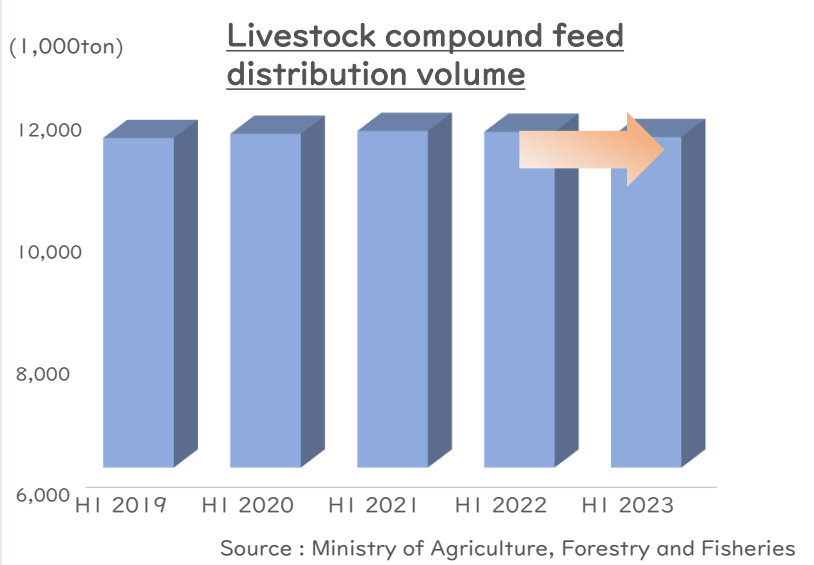
The unit price of electricity increased due to higher generation costs. Gas unit prices decreased slightly due to lower liquefied natural gas (LNG) prices.



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.



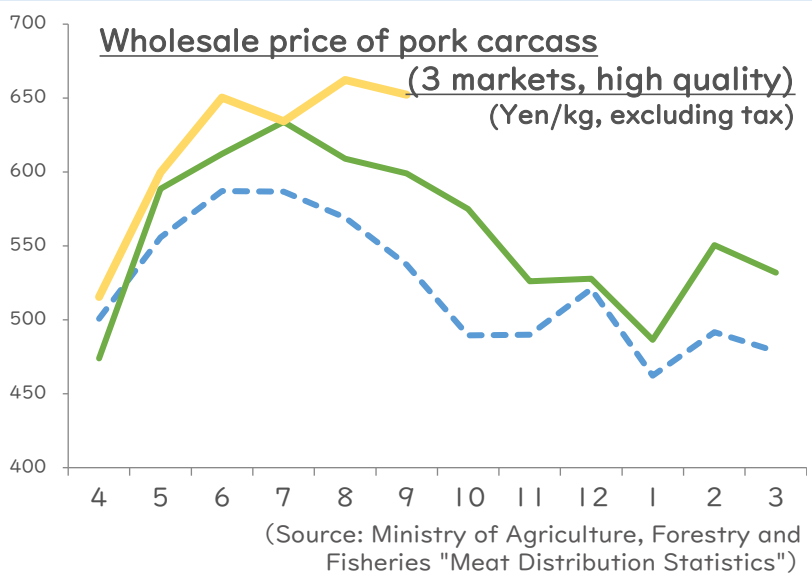
Livestock compound feed distribution volume
: Remained generally flat

Business Environment

4. Livestock Products Market Conditions

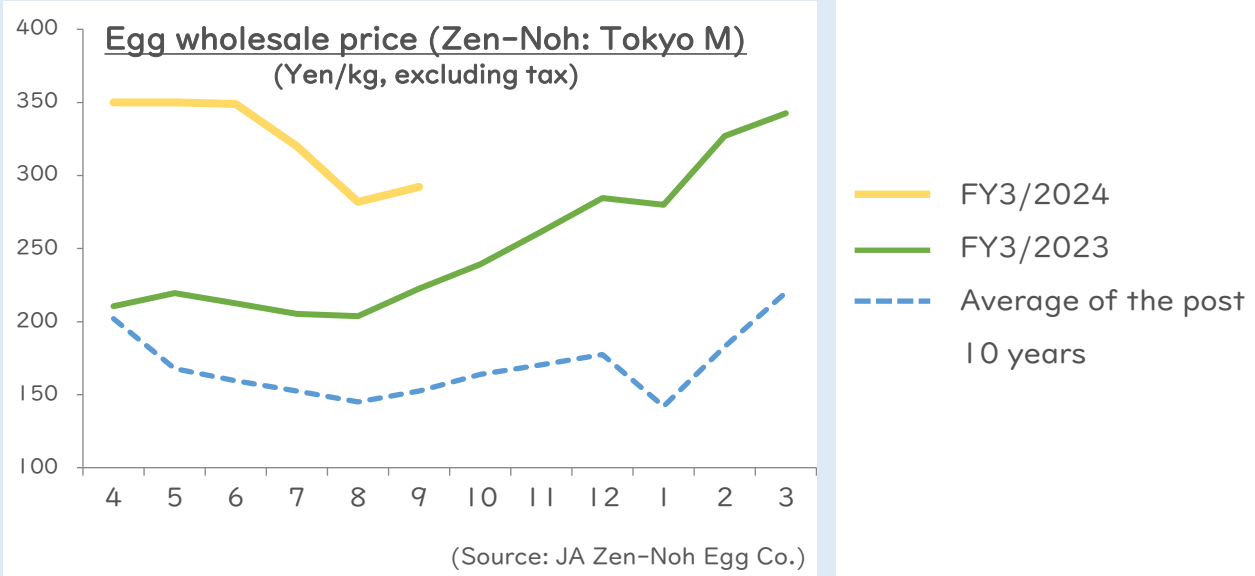
The Food business handles mainly pork carcasses and eggs sales.

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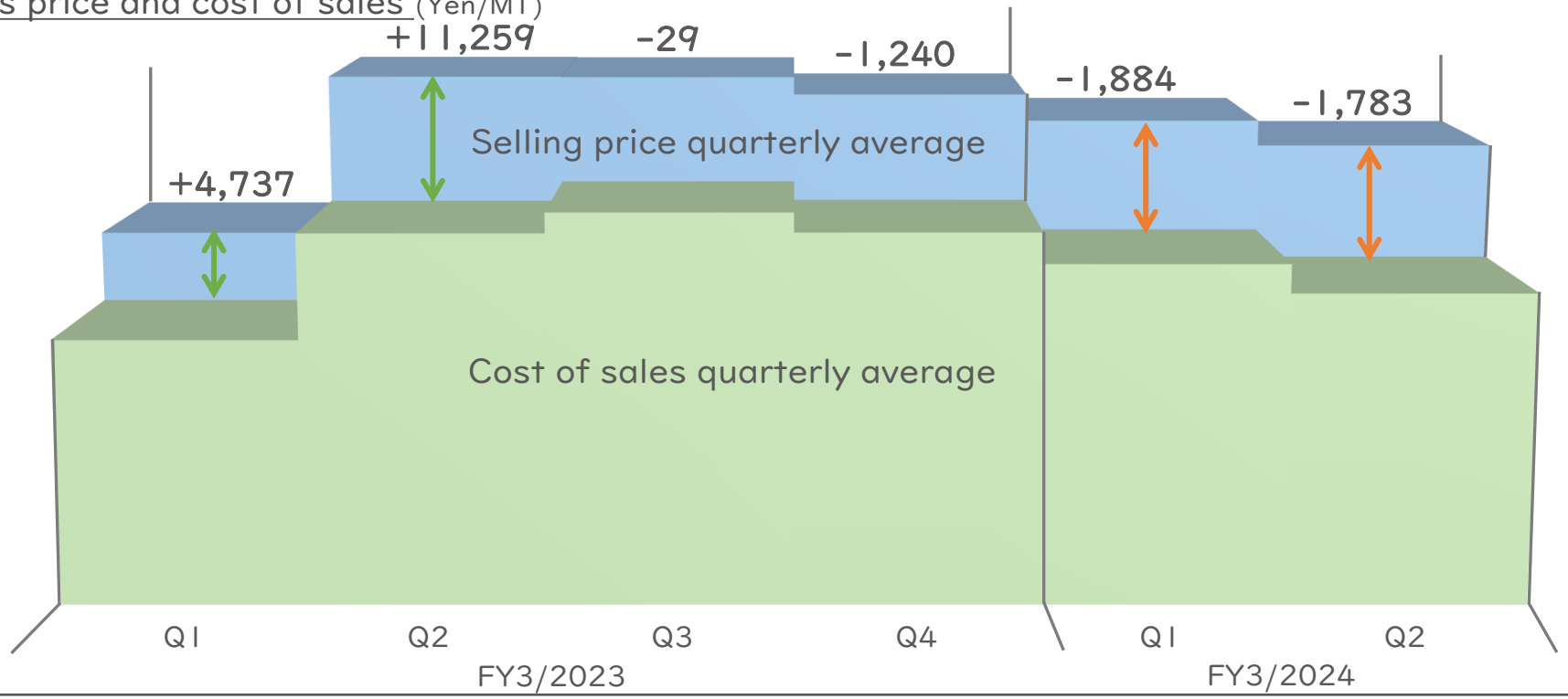
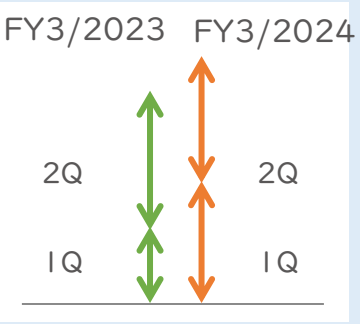
Although sales prices peaked in the Q2 of the previous fiscal year and have been declining for four consecutive quarters since then, the gross profit margin in the H1 of the fiscal year was higher than that of the same period last year.

Sales price and cost of sales (Yen/MT)



Gross profit margin comparison (image)



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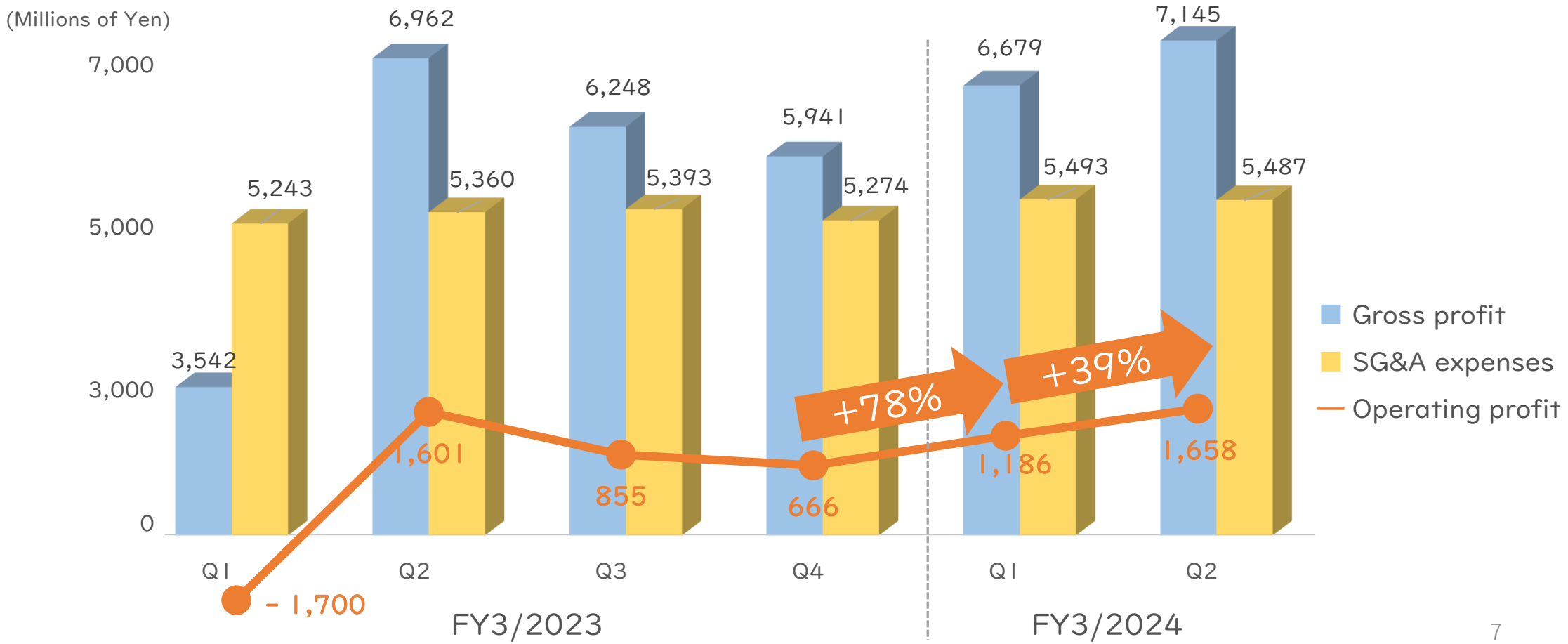
Profitability was strengthened in the Feed businesses and the Food businesses, with profit growth of 78% in the Q1 and 39% in the Q2.



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)

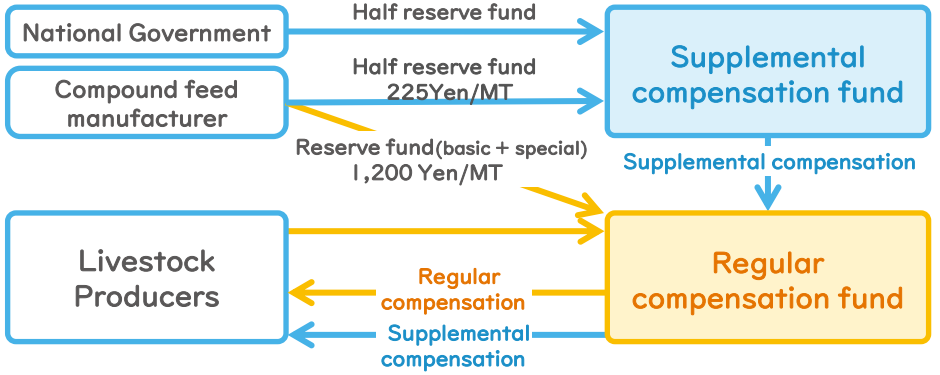
(Previous term difference)

SG&A expenses	H1 FY3/2023 10,603	H1 FY3/2024 10,980	+376
Compound Feed Price Stabilization System reserve fund	2,155	2,497	+342
Personnel expenses (Salary)	1,688	1,712	+24
Personnel expenses (Bonus)	447	377	-69
Transportation cost	3,331	3,460	+128
Others	2,980	2,931	-49

Compound Feed Price Stabilization System

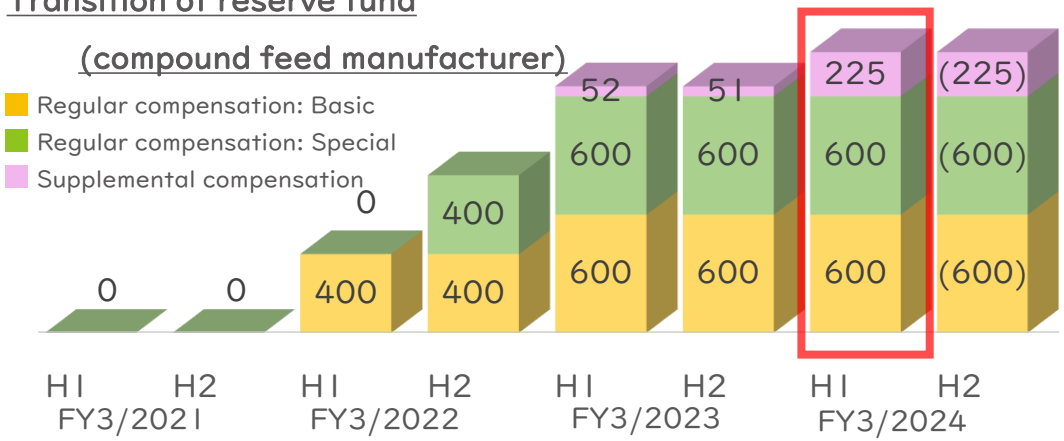
- Aim to mitigate the impact of rising feed prices on livestock operations.
- Compensation payments were made from FY3/2023 and a reserve was generated. In the same period, the price of imported raw materials rose sharply, causing the reserve fund to increase and the unit cost of the reserve fund to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

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



Transition of reserve fund

(compound feed manufacturer)



H1 FY3/2024 Segment Status

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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,%)

		H1 FY3/2023	H1 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	H1 FY3/2023	H1 FY3/2024		
			YoY	Comments
Animal feed	1,736	**1,788**	+ 3.0	For layers +1%, for broilers +5%, for pigs +7%, for cattle +0%
Aquatic feed	57	**54**	- 4.7	For marine fish -3%, for freshwater fish -22%

Quarterly Financial Results(Operating profit)

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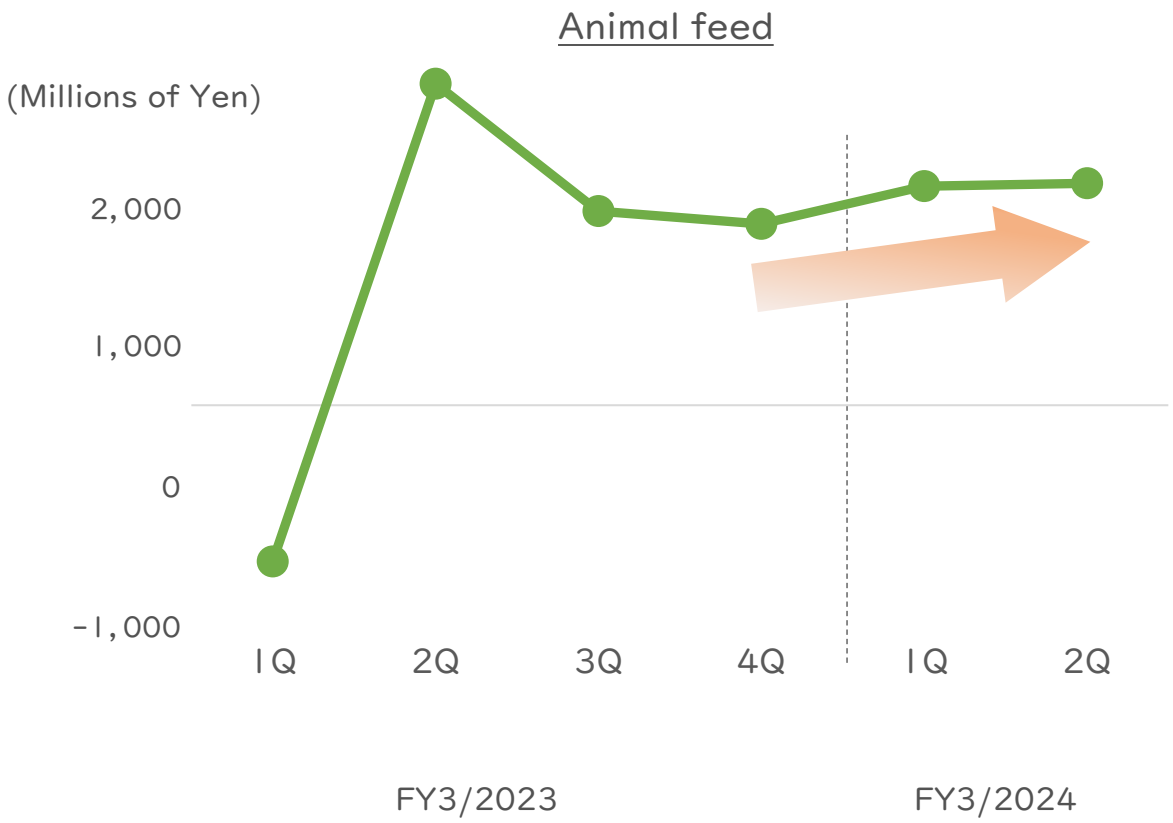
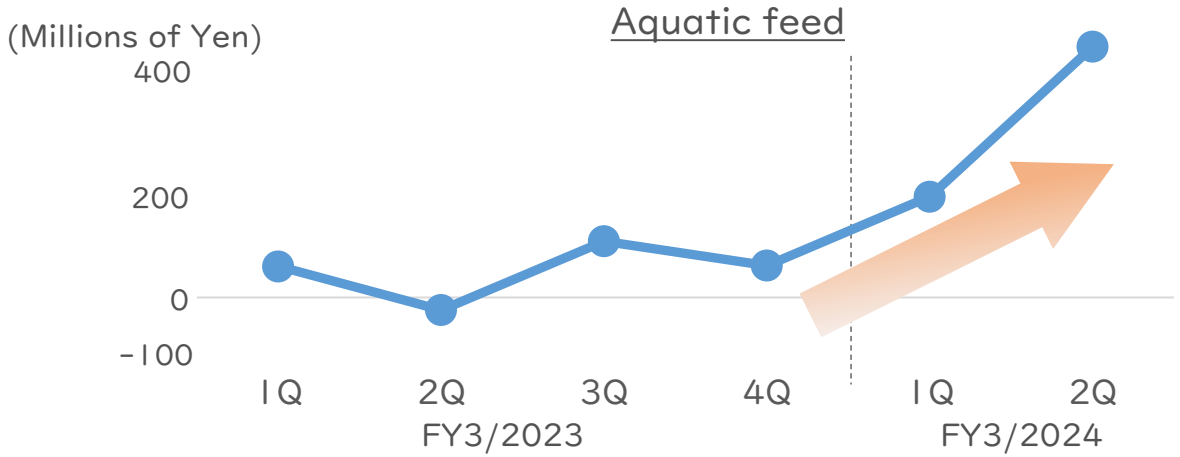
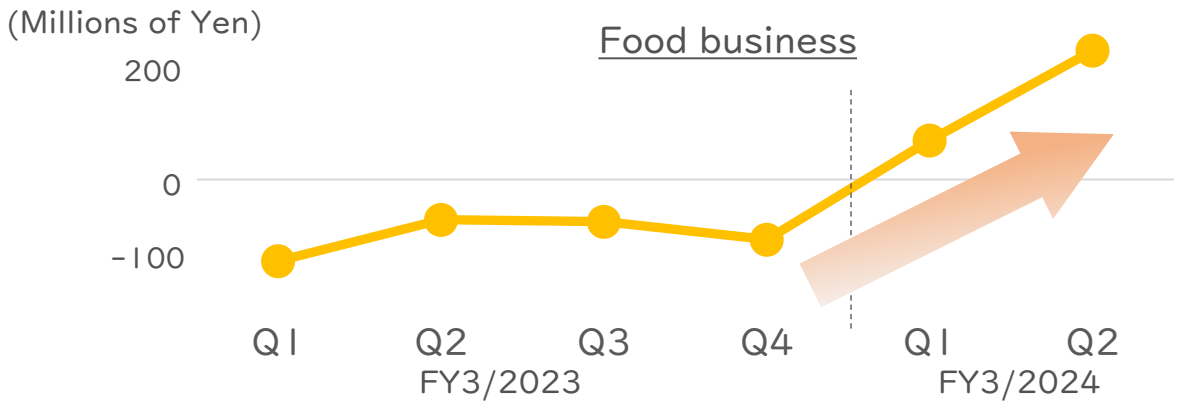
- Animal feed, which has a stable revenue base, has further strengthened its profitability through regular price revisions as well as price increases to cover rising energy costs.
- Profitability of Aquatic feed improved because of substantial price revisions. In the Food business, earnings improved 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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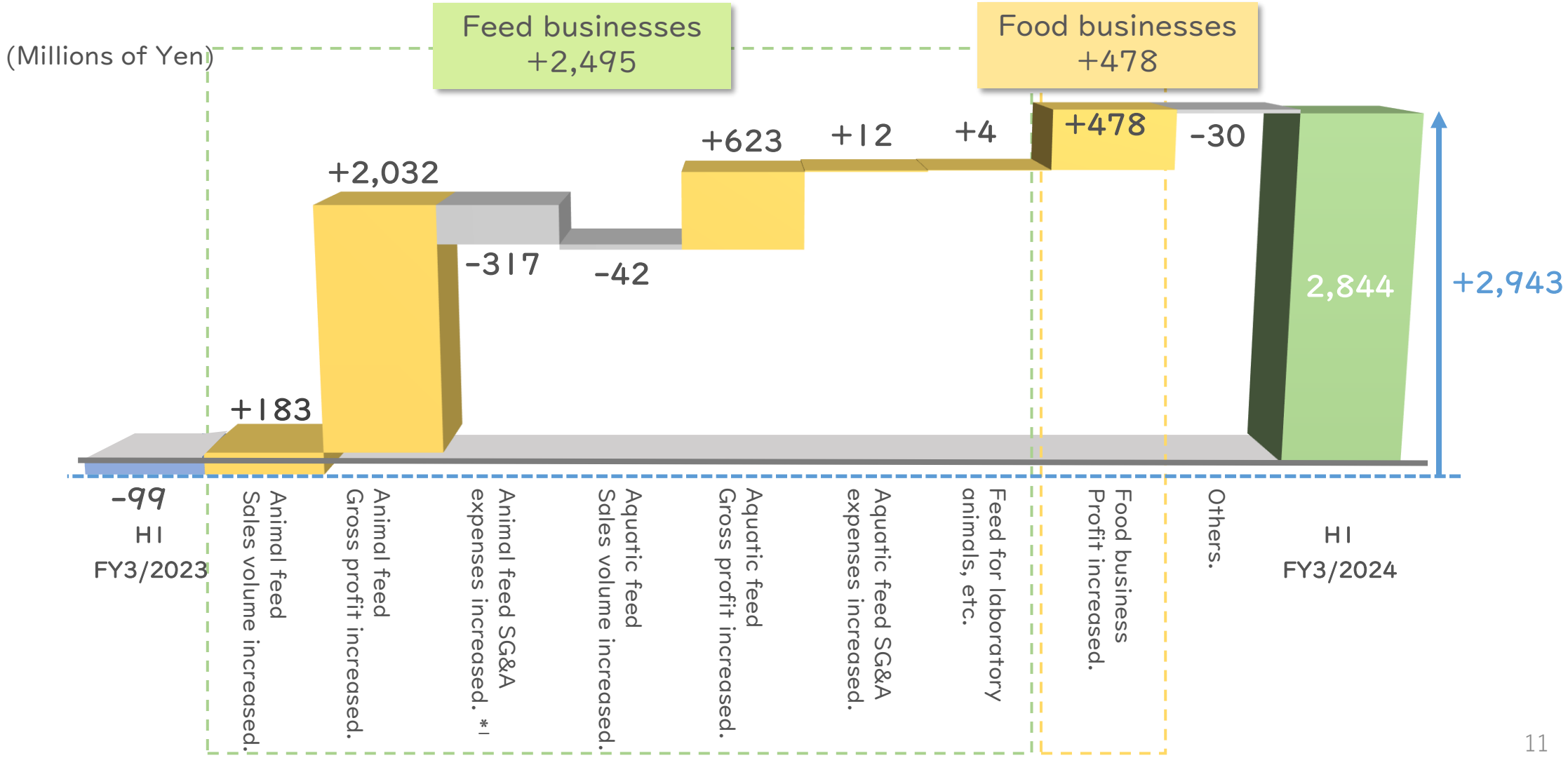
Profit increased due to higher gross profit in the Feed businesses and the Food businesses.



※1 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)

Current assets
918 (+60)

Cash and deposits	113	(+39)
Notes and accounts receivable - trade	538	(+24)
Inventories	192	(-13)

Non-current assets
430(+9)

Property, plant and equipment	308	(-8)
Investments and other assets	108	(+13)

Current liabilities
613 (+12)

Notes and accounts payable - trade	451	(+87)
Short-term borrowings	74	(-93)

Non-current liabilities
255 (+30)

Long-term borrowings	218	(+26)

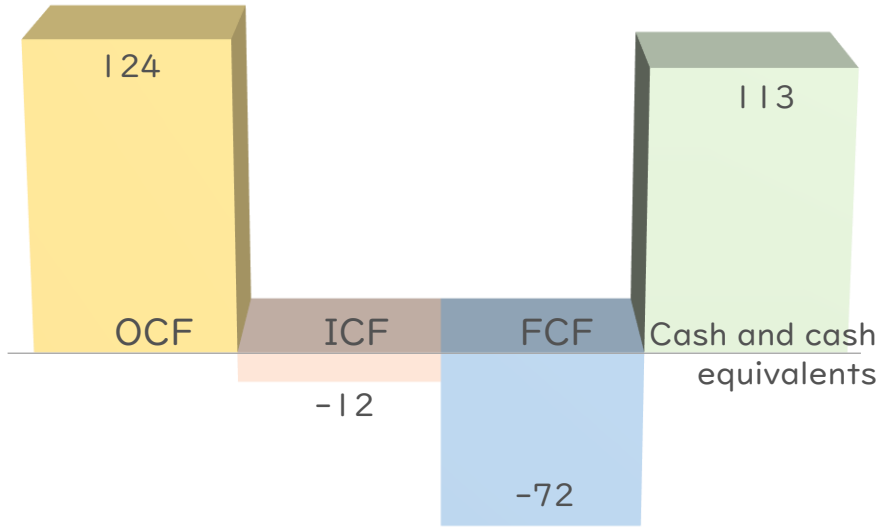
Net assets
479 (+26)

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

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FY3/2024 earnings Forecast

FY3/2023 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 egg-laying hens -0%, broilers +2%, pigs +2%cattle +0%
Aquatic feed	100	103	+2.9	For marine fish +3%, for freshwater fish -1%

Assumptions for FY3/2024 Earnings Forecast

1. 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.

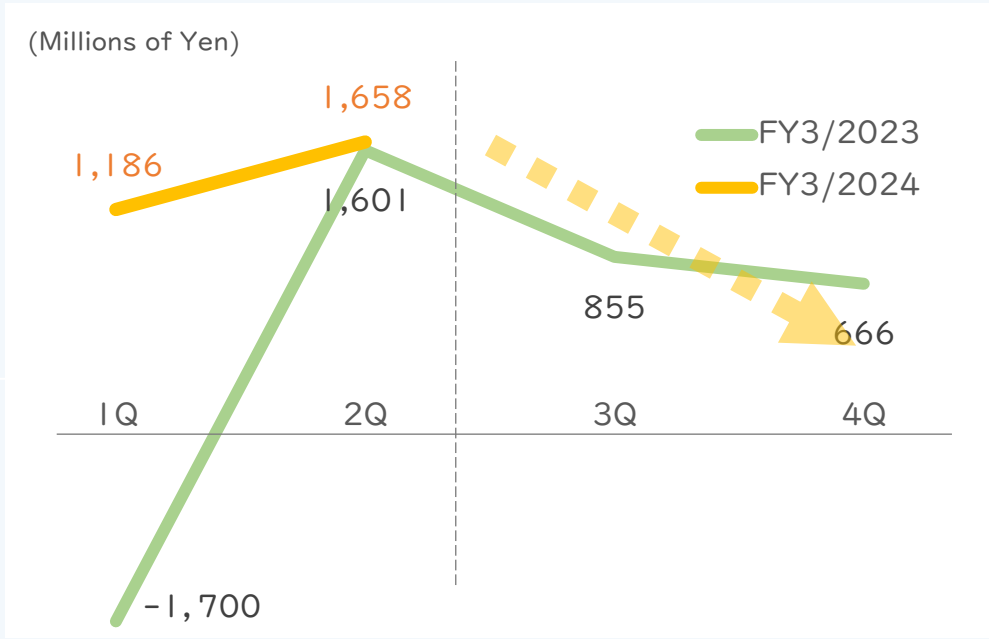
Sales price

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



→ 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.

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