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November 8, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (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, PRESIDENT HIDEHIRO SHOJI
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Scheduled date to file semi-annual securities report: November 11, 2024
Scheduled date to commence dividend payments: December 3, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	148,298	(5.3)	3,355	18.0	3,805	20.0	3,092	55.4
September 30, 2023	156,645	8.1	2,844	–	3,171	–	1,989	–

Note: Comprehensive income For the six months ended September 30, 2024: ¥2,886 million [(6.6)%]
For the six months ended September 30, 2023: ¥3,088 million [468.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	80.79	–
September 30, 2023	52.07	–

(Reference)

	EBITDA	
Six months ended	Millions of yen	%
September 30, 2024	5,697	17.2
September 30, 2023	4,859	–

Note: EBITDA= Ordinary profit + interest expenses - interest income + depreciation and amortization of goodwill

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	124,309	53,260	42.3
March 31, 2024	131,038	50,856	38.4

Reference: Equity
As of September 30, 2024: ¥52,535 million
As of March 31, 2024: ¥50,280 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, 2024	–	12.50	–	14.50	27.00
Fiscal year ending March 31, 2025	–	14.50			
Fiscal year ending March 31, 2025 (Forecast)			–	15.00	29.50

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, 2025 (from April 1, 2024 to March 31, 2025)

(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	307,000	(2.2)	6,100	(21.3)	6,300	(18.6)	4,500	(11.5)	117.54

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (Dohoku Kyodo Shiryo Hanbai Co., Ltd.)

Note: For details, please refer to "2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Change in scope of consolidation or application of the equity method)" on page 14 of the attached document.

(2) Adoption of accounting treatment specific to the preparation of semi-annual 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 September 30, 2024	38,477,128 shares
As of March 31, 2024	38,477,128 shares

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

As of September 30, 2024	192,809 shares
As of March 31, 2024	212,836 shares

(iii) Average number of shares outstanding during the period

Six months ended September 30, 2024	38,270,833 shares
Six months ended September 30, 2023	38,210,682 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 (146,560 shares for the six month ended September 30, 2024, and 166,960 shares for the fiscal year ended March 31, 2024) 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)."

* Semi-annual financial results reports are exempt from 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. Overview of operating results and others (3) Explanation of forecast of consolidated financial results and other forward-looking statements" on page 4 of the attached material to this semi-annual 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 Financial Results and the content of Financial Results Briefing

The Supplementary Materials for Financial Results are disclosed via TDnet on the same day, and are posted to the Company's website as well. The Company plans to hold a Financial Results Briefing for institutional investors and analysts on Tuesday, November 19, 2024, and the content of this briefing will be posted on the Company's website immediately after the briefing.

Attached Material

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1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024), the outlook for the Japanese economy remained uncertain due to factors including concerns about a decline in consumer sentiment caused by rapid exchange rate fluctuations and continued price increases, while the economy recovered gradually due to improvements in the employment and income environment accompanying rising wages.

In the feed industry, the price of corn, which is a primary raw ingredient, is lower than the same period of the previous year due to a good harvest forecast in the United States, the main production area, which has enjoyed favorable weather, as well as an increase in the planted area. In addition, the prices of other raw materials are also generally lower than the same period of the previous year due to factors such as an increase in inventory levels in the main production areas.

With regard to livestock product prices, the market price of pork was higher than in the same period of the previous year due to a decrease in the number of pigs shipped as a result of the extremely hot summer, as well as the continued high price of imported pork, and the impact of a shift in demand to domestic pork. The market price of chicken eggs was lower than the same period of the previous year due to a recovery in supply following the resumption of operations in farms affected by avian influenza outbreaks across Japan that began in October 2022, but rose in the second half of the period due to a decrease in production volume caused by the prolonged extreme summer heat and an increase in demand from the food service industry.

In this environment, the Group is moving forward with initiatives to achieve the goals of its “Medium-Term Management Plan 2026 ~1st STAGE for NEXT 10 YEARS~,” which begins from the fiscal year ending March 31, 2025. These initiatives include strengthening its sales structure, renovating and enhancing its production system and research facilities, taking on the challenge of next-generation aquaculture, and building a business model that integrates animal products and feedstuffs.

As a result, for the six months ended September 30, 2024, the Group’s net sales were ¥148,298 million (down 5.3% year-on-year), operating profit was ¥3,355 million (up 18.0% year-on-year), ordinary profit was ¥3,805 million (up 20.0% year-on-year), and profit attributable to owners of parent was ¥3,092 million (up 55.4% year-on-year).

In addition, in order to ensure the execution of capital investment plans and to achieve management that is conscious of the cost of capital, EBITDA and ROIC have been introduced as new management indicators from the fiscal year ending March 31, 2025. EBITDA for the six months ended September 30, 2024 is as follows.

	Six months ended September 30, 2023 (Millions of yen)	Six months ended September 30, 2024 (Millions of yen)	Year-on-year change (%)
Ordinary profit	3,171	3,805	20.0
Interest expenses	94	83	(11.2)
Interest income	5	2	(59.5)
Depreciation and amortization of goodwill	1,598	1,810	13.2
EBITDA	4,859	5,697	17.2

Note: EBITDA= Ordinary profit + interest expenses - interest income + depreciation and amortization of goodwill

Operating results by segment are as follows.

The classification of reportable segments has been changed from the six months of the current fiscal year, and the following comparisons with the same period of the previous year are comparative analyses based on figures for the same period of the previous year that have been reclassified into the new segment classifications.

For details, please refer to "2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes to segment information etc.)."

(i) Animal Feed Business

Segment sales were ¥116,275 million (down 5.2% year-on-year), segment income was ¥4,941 million (up 34.5% year-on-year), and segment EBITDA was ¥6,198 million (up 26.4% year-on-year).

While revenues decreased because the average selling price of livestock feed was lower than in the same period of the previous year, profits increased due to the increase in sales volume and improvement in the earnings environment.

(ii) Aquatic Feed Business

Segment sales were ¥13,533 million (up 4.7% year-on-year), segment income was ¥444 million (down 27.3% year-on-year), and segment EBITDA was ¥694 million (down 19.4% year-on-year).

Although revenues increased due to a year-on-year increase in the average selling price of fishery feed, profits decreased mainly due to an increase in cost of sales and a slight decrease in sales volume.

(iii) Food Business

Segment sales were ¥18,482 million (down 12.1% year-on-year), segment income was ¥19 million (down 69.9% year-on-year), and segment EBITDA was ¥100 million (down 32.7% year-on-year).

The meat division recorded losses in both the six months of the previous and current fiscal years due to a sharp rise in pork market prices, but the size of the losses has narrowed as a result of efforts to strengthen the profit structure in response to market price fluctuations. The egg division recorded a decrease in both revenue and profit due to factors such as the impact of egg market prices falling below the same period of the previous year.

(iv) Other businesses

Segment sales were ¥6 million (up 42.8% year-on-year), segment income was ¥85 million (up 453.7% year-on-year), and segment EBITDA was ¥85 million (up 438.8% year-on-year).

The category "Other" includes operating segments other than reportable segments, such as overseas and real estate leasing businesses. No sales are recorded for the overseas business since it is only an affiliate accounted for using the equity method.

(2) Overview of financial position for the period under review

(i) Assets, liabilities, and net assets

(Assets)

The total assets as of September 30, 2024 amounted to ¥124,309 million (down ¥6,729 million from the end of the previous fiscal year). This was mainly due to decreases in cash and deposits of ¥1,342 million and notes and accounts receivable - trade of ¥6,534 million, despite an increase in raw materials and supplies of ¥1,436 million.

(Liabilities)

The total liabilities as of September 30, 2024 amounted to ¥71,049 million (down ¥9,132 million from the end of the previous fiscal year). This was mainly due to decreases in notes and accounts

payable - trade of ¥4,397 million, income taxes payable of ¥1,144 million and long-term borrowings of ¥5,833 million, despite an increase in short-term borrowings of ¥2,218 million.

(Net assets)

The total net assets as of September 30, 2024 amounted to ¥53,260 million (up ¥2,403 million from the end of the previous fiscal year). This was mainly due to an increase in retained earnings of ¥2,524 million as a result of recording of profit attributable to owners of parent.

(ii) Overview of cash flows

Cash and cash equivalents (hereinafter referred to as "net cash") as of September 30, 2024 decreased by ¥1,353 million from the end of the fiscal year ended March 31, 2024, amounting to ¥9,463 million.

The situation of each cash flow and its factors in the six months ended September 30, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,455 million (¥12,499 million provided in the same period of the previous fiscal year). This was mainly due to recording of profit before income taxes, etc.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,457 million (¥1,210 million used in the same period of the previous fiscal year). This was mainly due to a result of the purchase of plant and equipment and intangible assets, etc.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,351 million (¥7,290 million used in the same period of the previous fiscal year). This was mainly due to repayments of short-term borrowings and dividends paid.

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

The forecast of consolidated financial results is unchanged from the forecast in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024" announced on May 10, 2024. The forecast of cash dividends is unchanged from the forecast in the "Notice of Revision to Dividend Forecasts" announced on October 29, 2024.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	10,876	9,534
Notes and accounts receivable - trade	51,829	45,294
Electronically recorded monetary claims - operating	5,149	3,829
Merchandise and finished goods	2,856	3,107
Raw materials and supplies	14,041	15,477
Animals	408	409
Other	3,335	3,264
Allowance for doubtful accounts	(292)	(196)
Total current assets	88,204	80,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,401	12,348
Machinery, equipment and vehicles, net	10,179	9,873
Land	6,265	6,337
Leased assets, net	687	655
Construction in progress	167	1,227
Other, net	480	491
Total property, plant and equipment	30,181	30,934
Intangible assets		
Other	1,542	1,684
Total intangible assets	1,542	1,684
Investments and other assets		
Investment securities	10,143	10,038
Long-term loans receivable	1	14
Distressed receivables	252	259
Deferred tax assets	199	185
Other	681	648
Allowance for doubtful accounts	(169)	(175)
Total investments and other assets	11,109	10,971
Total non-current assets	42,834	43,589
Total assets	131,038	124,309

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,360	29,963
Short-term borrowings	10,580	12,798
Lease liabilities	133	129
Income taxes payable	2,262	1,118
Provision for bonuses	772	837
Asset retirement obligations	77	–
Other	6,933	7,314
Total current liabilities	55,121	52,162
Non-current liabilities		
Long-term borrowings	21,178	15,345
Lease liabilities	602	569
Deferred tax liabilities	685	282
Provision for share awards for directors (and other officers)	111	105
Retirement benefit liability	2,313	2,421
Asset retirement obligations	3	3
Liabilities from application of equity method	119	73
Other	46	86
Total non-current liabilities	25,060	18,887
Total liabilities	80,182	71,049
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	9,737	9,737
Retained earnings	28,075	30,599
Treasury shares	(173)	(156)
Total shareholders' equity	47,639	50,181
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,316	2,378
Deferred gains or losses on hedges	139	(119)
Foreign currency translation adjustment	213	119
Remeasurements of defined benefit plans	(28)	(24)
Total accumulated other comprehensive income	2,640	2,354
Non-controlling interests	576	725
Total net assets	50,856	53,260
Total liabilities and net assets	131,038	124,309

(2) Semi-annual consolidated statements of income and comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	156,645	148,298
Cost of sales	142,821	132,154
Gross profit	13,824	16,143
Selling, general and administrative expenses	10,980	12,787
Operating profit	2,844	3,355
Non-operating income		
Interest income	5	2
Dividend income	112	117
Share of profit of entities accounted for using equity method	130	238
Stockpile storage revenue	69	71
Other	128	150
Total non-operating income	445	579
Non-operating expenses		
Interest expenses	94	83
Commission expenses	6	27
Other	17	18
Total non-operating expenses	118	129
Ordinary profit	3,171	3,805
Extraordinary income		
Gain on sale of non-current assets	6	7
Gain on bargain purchase	–	338
Total extraordinary income	6	345
Extraordinary losses		
Loss on sale of non-current assets	7	3
Loss on retirement of non-current assets	21	24
Impairment losses	6	47
Loss on cancellation of leases	0	–
Loss on valuation of investment securities	2	–
Loss on sale of shares of subsidiaries and associates	–	8
Loss on closing of factory	144	–
Loss on step acquisitions	–	158
Head office relocation expenses	–	29
Total extraordinary losses	182	271
Profit before income taxes	2,996	3,879
Income taxes - current	843	1,015
Income taxes - deferred	123	(308)
Total income taxes	967	706
Profit	2,028	3,172
Profit attributable to non-controlling interests	38	80
Profit attributable to owners of parent	1,989	3,092

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	2,028	3,172
Other comprehensive income		
Valuation difference on available-for-sale securities	792	61
Deferred gains or losses on hedges	133	(258)
Remeasurements of defined benefit plans, net of tax	1	4
Share of other comprehensive income of entities accounted for using equity method	132	(93)
Total other comprehensive income	1,060	(286)
Comprehensive income	3,088	2,886
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,049	2,805
Comprehensive income attributable to non-controlling interests	38	80

(3) Semi-annual consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,996	3,879
Depreciation	1,598	1,810
Impairment losses	6	47
Share of loss (profit) of entities accounted for using equity method	(130)	(238)
Increase (decrease) in allowance for doubtful accounts	(31)	(112)
Increase (decrease) in provision for bonuses	26	65
Increase (decrease) in retirement benefit liability	20	88
Increase (decrease) in provision for share awards for directors (and other officers)	(57)	(6)
Interest and dividend income	(117)	(119)
Interest expenses	94	83
Gain on bargain purchase	–	(338)
Loss (gain) on valuation of investment securities	2	–
Commission expenses	6	27
Loss (gain) on sale of shares of subsidiaries and associates	–	8
Loss (gain) on sale and retirement of non-current assets	22	20
Head office relocation expenses	–	29
Loss (gain) on step acquisitions	–	158
Decrease (increase) in trade receivables	(2,907)	8,440
Decrease (increase) in inventories	1,348	(1,645)
Increase (decrease) in trade payables	8,710	(4,762)
Other, net	1,199	(826)
Subtotal	12,787	6,609
Income taxes paid	(288)	(2,129)
Payments for head office relocation expenses	–	(24)
Net cash provided by (used in) operating activities	12,499	4,455
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,260)	(1,717)
Proceeds from sale of property, plant and equipment and intangible assets	16	13
Payments for asset retirement obligations	–	(75)
Purchase of investment securities	(2)	(2)
Proceeds from sale of shares of subsidiaries and associates	–	4
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	189
Loan advances	(105)	(4)
Proceeds from collection of loans receivable	1	4
Interest and dividends received	125	132
Other, net	13	(0)
Net cash provided by (used in) investing activities	(1,210)	(1,457)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(9,485)	(2,678)
Proceeds from long-term borrowings	3,650	–
Repayments of long-term borrowings	(877)	(945)
Interest paid	(95)	(77)
Dividends paid	(482)	(558)
Dividends paid to non-controlling interests	–	(7)
Repayments of lease liabilities	(64)	(71)
Commission expenses paid	(8)	(30)
Purchase of treasury shares	(1)	(0)
Proceeds from sale of treasury shares	73	17
Net cash provided by (used in) financing activities	(7,290)	(4,351)
Net increase (decrease) in cash and cash equivalents	3,998	(1,353)
Cash and cash equivalents at beginning of period	7,322	10,817
Cash and cash equivalents at end of period	11,320	9,463

(4) Notes to semi-annual consolidated financial statements

(Notes to segment information, etc.)

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 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 semi-annual consolidated statements of income Note 3
	Animal Feed Business	Aquatic Feed Business	Food Business	Total				
Net sales								
Revenue from contracts with customers	122,698	12,924	21,017	156,641	4	156,645	–	156,645
Net sales from external customers	122,698	12,924	21,017	156,641	4	156,645	–	156,645
Intersegment sales or transfers	2,754	22	14	2,790	0	2,791	(2,791)	–
Total	125,452	12,946	21,032	159,431	5	159,437	(2,791)	156,645
Segment profit	3,675	612	65	4,352	15	4,368	(1,196)	3,171

Notes 1 The category “Other” includes operating segments other than reportable segments, such as overseas and real estate leasing businesses.

2 The adjusted segment profit of ¥(1,196) million includes corporate profit or loss of ¥(1,196) million that is not allocated to each reportable segment. Corporate profit and loss mainly consists of general and administrative expenses not attributable to the reportable segments.

3 Segment profit is adjusted with ordinary profit in the semi-annual 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)

Impairment losses not allocated to reportable segments amounted to ¥6 million.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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 semi-annual consolidated statements of income Note 3
	Animal Feed Business	Aquatic Feed Business	Food Business	Total				
Net sales								
Revenue from contracts with customers	116,275	13,533	18,482	148,291	6	148,298	–	148,298
Net sales from external customers	116,275	13,533	18,482	148,291	6	148,298	–	148,298
Intersegment sales or transfers	2,103	64	14	2,182	0	2,183	(2,183)	–
Total	118,379	13,597	18,496	150,473	7	150,481	(2,183)	148,298
Segment profit	4,941	444	19	5,406	85	5,491	(1,686)	3,805

Notes 1 The category “Other” includes operating segments other than reportable segments, such as overseas and real estate leasing businesses.

2 The adjusted segment profit of ¥(1,686) million includes corporate profit or loss of ¥(1,685) million that is not allocated to each reportable segment. Corporate profit and loss mainly consists of general and administrative expenses not attributable to the reportable segments.

3 Segment profit is adjusted with ordinary profit in the semi-annual consolidated statements of income.

2. Notes relating to changes in reportable segments, etc.

(Changes in classification of reportable segments)

With the start of the “Medium-Term Management Plan 2026 ~1st STAGE for NEXT 10 YEARS~,” beginning from the fiscal year ending March 31, 2025, the Group has reformed its organizational structure and methods of performance evaluation. In order to properly reflect this change in reportable segments, the Group has subdivided its business segments into three segments: “Animal Feed Business,” “Aquatic Feed Business,” and “Food Business” instead of the previous two segments: “Feed Business” and “Food Business,” and consolidated its business segments under the new method of classification. In addition, due to the introduction of management indicators based on ordinary profit, segment income has been changed from “operating profit” to “ordinary profit.”
Segment information for the six months ended September 30, 2023 has been prepared based on the new classification method and segment income is based on ordinary profit.

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

(Major impairment losses on non-current assets)

Impairment losses not allocated to reportable segments amounted to ¥47 million.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

In the Animal Feed Business, a gain on negative goodwill of ¥338 million was recorded due to the inclusion of Dohoku Kyodo Shiryo Hanbai Co., Ltd., previously an equity method affiliate,

which entered the scope of consolidation in the six months ended September 30, 2024 due to the acquisition of additional shares.
Gain on bargain purchase is an extraordinary income and is not included in the segment income for the aforementioned business.

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

Not applicable.

(Notes on premise of going concern)

Not applicable.

(Notes - Additional information)

(Board Benefit Trust)

The Company has introduced a share awards plan, the "Board Benefit Trust" (hereinafter referred to as the "BBT"), for the Company's Directors (excluding Outside Directors and Members of the Audit & Supervisory Committee; 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.

In addition, at the 10th Ordinary General Meeting of Shareholders held on June 21, 2024, a partial amendment to the BBT was approved and passed, and the extension of the trust period of the Trust was resolved at the Company's Board of Directors meeting held on the same day. 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 ending March 31, 2025 to the fiscal year ending on March 31, 2027. The time at which the Company's Directors, etc. receive delivery of the Company's shares, etc. shall be while they are in office (subject, however, to restrictions on transfer until their retirement).

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 six months ended September 30, 2024.

(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, 2024 was ¥140 million and the number of shares was 166,960, while the book value of these shares at the end of the second quarter ended September 30, 2024 was ¥123 million and the number of shares was 146,560.

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

Not applicable.

(Absorption-type merger of wholly owned subsidiary)

At the Board of Directors meeting held on September 26, 2024, the Company resolved to conduct an absorption-type merger of the Company's wholly owned subsidiaries TOMAKOMAI FEED CO., LTD. and TOHOKU SHIRYO CO., LTD. with an effective date on April 1, 2025 (planned), and concluded a merger agreement on the same day.

1. Overview of transactions

(1) Names of the companies to be merged and their business descriptions

(i)	Name of the company to be merged	TOMAKOMAI FEED CO., LTD.
	Business description	Production of compound feed
(ii)	Name of the company to be merged	TOHOKU SHIRYO CO., LTD.
	Business description	Production of compound feed

(2) Date of the business combination

April 1, 2025 (scheduled)

(3) Legal form of the business combination

The merger will be an absorption-type merger, with the Company as the surviving company and TOMAKOMAI FEED CO., LTD. and TOHOKU SHIRYO CO., LTD. as the dissolved companies.

(4) Name of company after the business combination

FEED ONE CO., LTD.

(5) Other matters regarding overview of transaction

The Company has decided to merge our wholly owned subsidiaries, TOMAKOMAI FEED Co., Ltd. and TOHOKU SHIRYO Co., Ltd., to strengthen our organizational capabilities and enhance our medium- to long-term competitiveness by converting the subsidiary factories into our own factories.

2. Overview of accounting treatment to be adopted

In accordance with the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the Company will account for the business combination as a transaction under common control.

(Change in scope of consolidation or application of the equity method)

(1) Significant changes in scope of consolidation

During the six months ended September 30, 2024, Dohoku Kyodo Shiryo Hanbai Co., Ltd., which was previously an equity method affiliate, has been included in the scope of consolidation due to the acquisition of additional shares.

(2) Significant changes in scope of application of equity method

During the six months ended September 30, 2024, Dohoku Kyodo Shiryo Hanbai Co., Ltd., which was previously an equity method affiliate, has been excluded from the scope of application of the equity method due to its inclusion in the scope of consolidation. In addition, Tohoku Growing CO., LTD., which was previously an equity method affiliate, has been excluded from the scope of application of the equity-method due to the sale of a portion of its shares.