オカムラ食品工業

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Supplementary Material on Financial Results for the Three Months Ended September 30, 2024



November 14, 2024
Okamura Foods Co., Ltd. (2938)

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Summary of Q1 Financial Results

KPI for Growth

Domestic aquaculture harvest

Planned harvest in 2025: 3,500 tons (+800tons YoY)

- Currently farming for harvest from April to July 2025. No particular abnormalities are noted at this time.

Net sales of Overseas Wholesale Business

¥2.8 billion in Q1 (25% of target)

- Full-year sales target is ¥11.1 billion. At this time, sales are generally in line with the plan.

Q1 Financial Results

Consolidated net sales **+¥1.3 billion YoY**	• The impact of the global decline in the supply of Atlantic salmon belly raw materials was significant, causing sales in the Overseas Processing Business to fall below the level of the previous Q1, although other businesses progressed smoothly. • Overall, there was no significant deviation from the performance forecasts.
Consolidated operating profit **+¥0.05 billion YoY**	• Consolidated net sales increased, and operating profit also grew by ¥0.05 billion. • Overall, operating profit did not deviate significantly from the performance forecasts.

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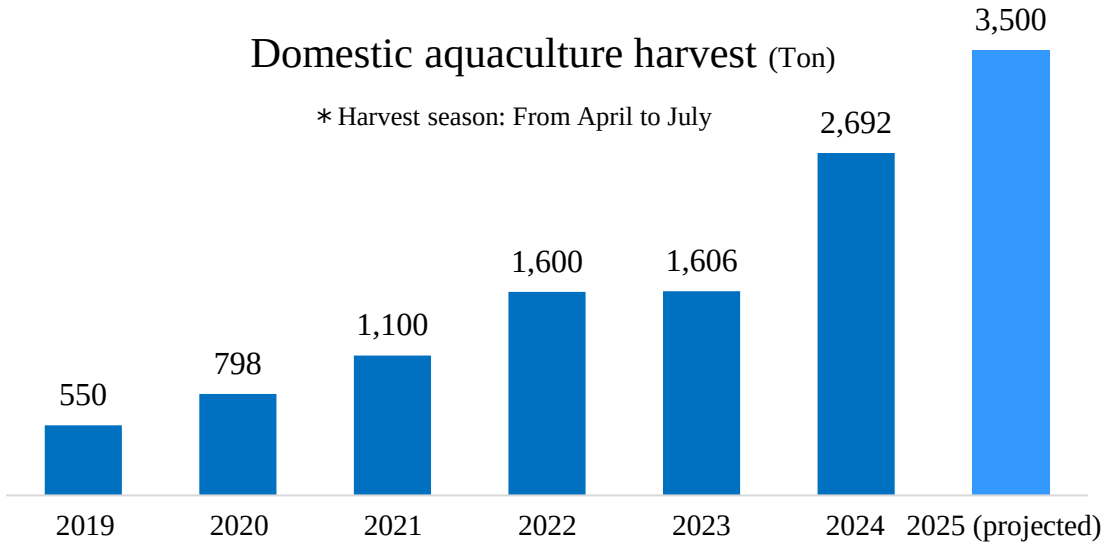
KPI for Growth (1) Increase domestic aquaculture harvest

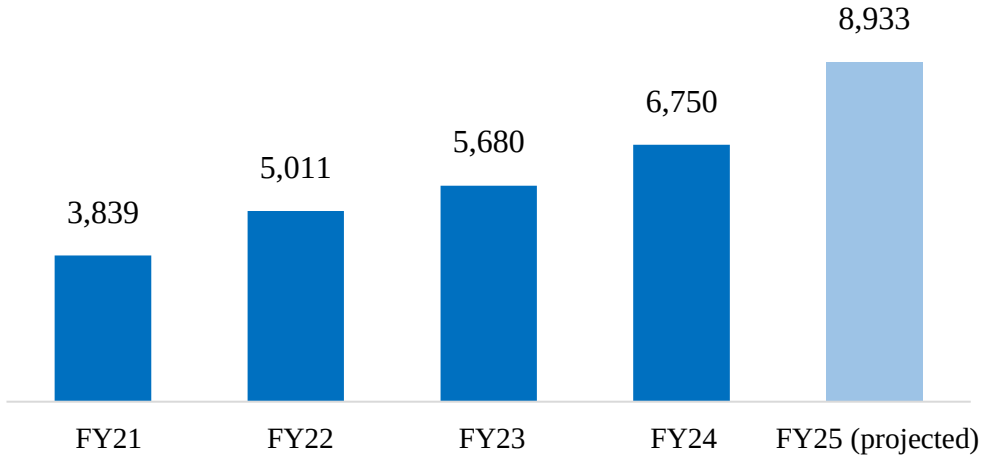
One of the Group's growth drivers is an expansion of the domestic aquaculture harvest. We plan to increase the domestic aquaculture harvest to 3,500 tons in the 2025 season (from April to July 2025) (up 800 tons compared with the 2024 season). Measures to increase harvest are progressing as planned.

Domestic aquaculture harvest (Ton)

＊Harvest season: From April to July



Net sales of aquaculture business (Million yen)



＊Including net sales of subsidiaries in Denmark (Aquaculture Business)

Main factors for increase in aquaculture harvest during this season

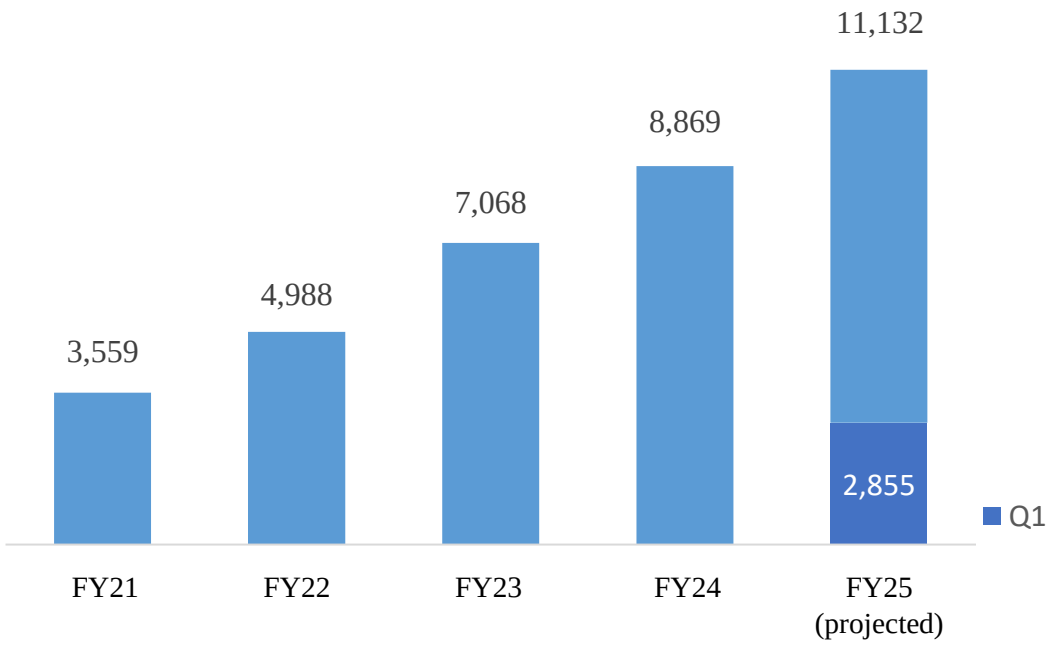
- Recovery of intermediate aquaculture facility (Fukaura-machi, Aomori Prefecture) that was hit by a disaster and had been unusable since August 2022
- Use of outside aquaculture facilities



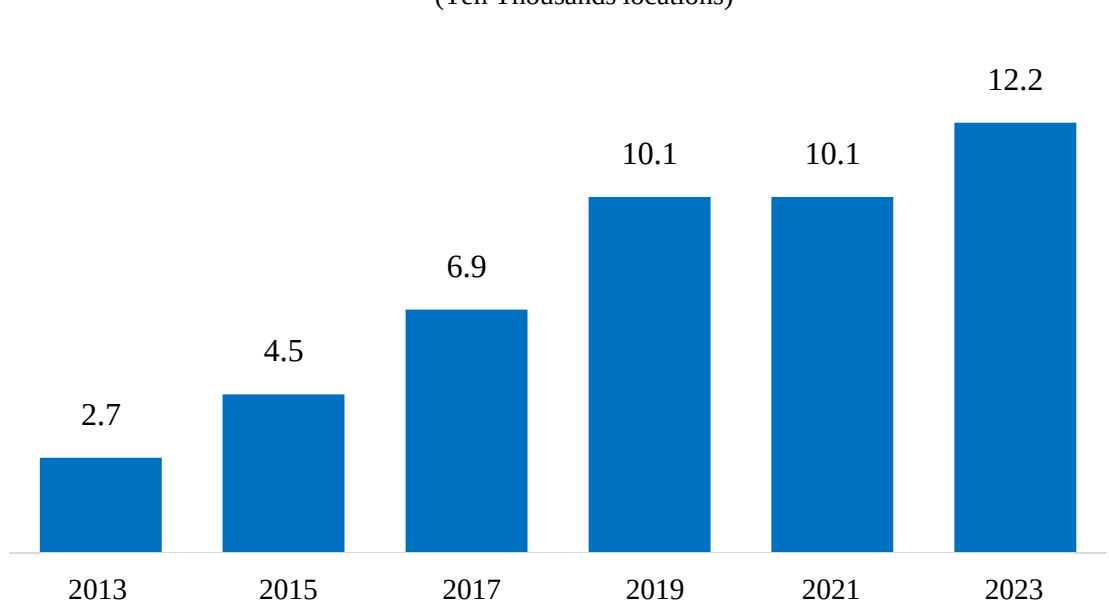
KPI for Growth (2) Increase net sales of Overseas Wholesale Business

The Overseas Wholesale Business, the other growth driver, remained steady against a background of expansion of the Japanese food market in Asia, reporting net sales of ¥2,855 million (up ¥843 million year on year, including the effects of foreign currency translation) for the three months ended September 30, 2024.

Net sales of Overseas Wholesale Business



Approximate number of Japanese restaurants in Asia



(Sources) "Approximate Number of Japanese Restaurants Overseas (2023)," Ministry of Agriculture, Forestry and Fisheries, October 13, 2023
"Approximate Number of Japanese Restaurants Overseas (2021)," Ministry of Agriculture, Forestry and Fisheries, September 30, 2021
"Introduction of the Ministry of Agriculture, Forestry and Fisheries' Program to Expand Overseas Demand for Japanese Products by Disseminating the Appeal of Japanese Food and Food Culture," Ministry of Agriculture, Forestry and Fisheries, September 2018
"Overseas Spread of Japanese Food and Food Culture" Ministry of Agriculture, Forestry and Fisheries, June 2013

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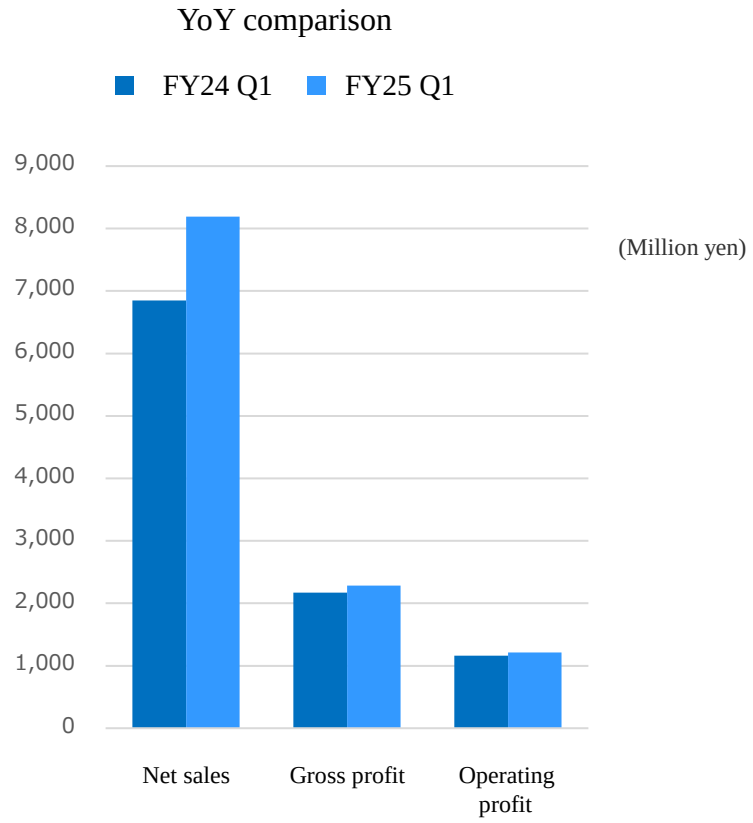
Summary of Consolidated Financial Results (1)

Net sales increased by ¥1.3 billion year on year, and operating profit increased by ¥0.05 billion year on year, remaining strong overall. Ordinary profit decreased by ¥0.13 billion year on year. This was due to foreign currency loss of ¥0.11 billion on accounts receivable in foreign currencies, etc. (foreign currency gain of ¥0.12 billion in the three months ended September 30, 2023).

(Million yen)

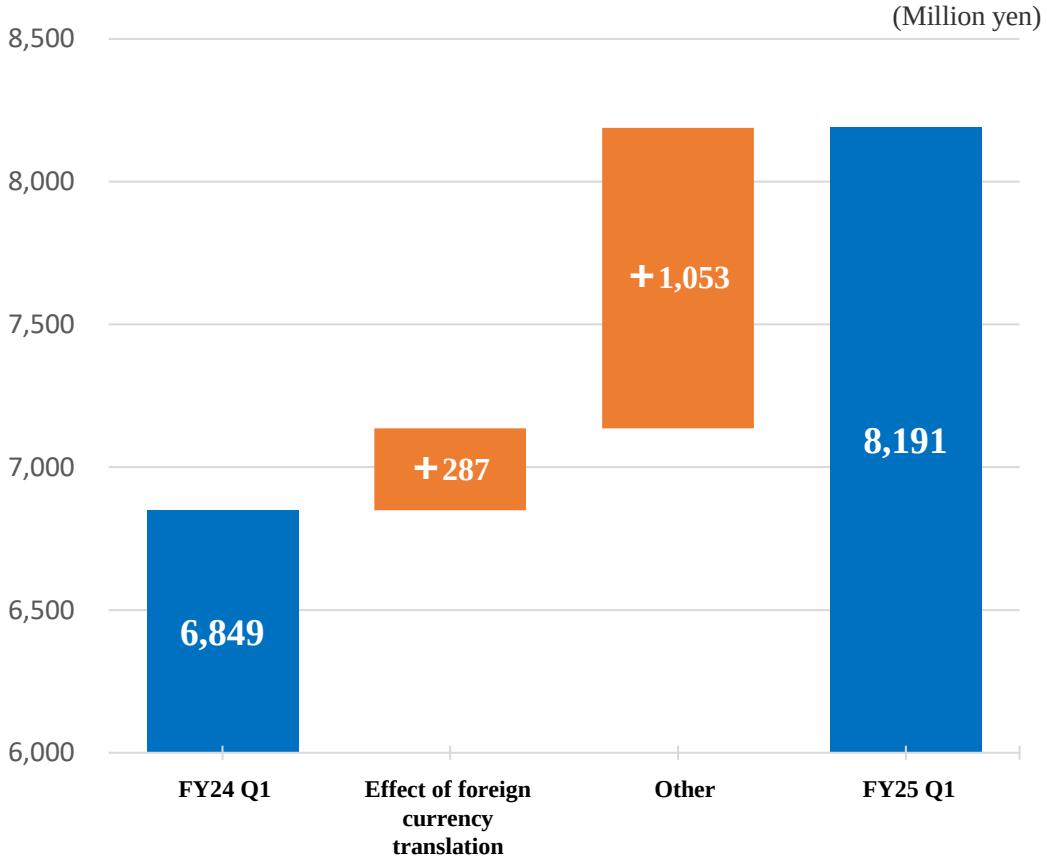
	FY24 Q1	FY25 Q1		FY25 Plan	
		Amount	YoY change	Amount	YoY change
Net sales	6,849	**8,191**	19.6%	36,119	10.6%
Gross profit	2,172	**2,283**	5.1%		
Operating profit	1,163	**1,215**	4.4%	3,212	26.1%
Ordinary profit	1,291	**1,155**	(10.5)%	2,949	0.6%
Net income attributable to owners of the parent	918	**927**	0.9%	2,093	6.4%



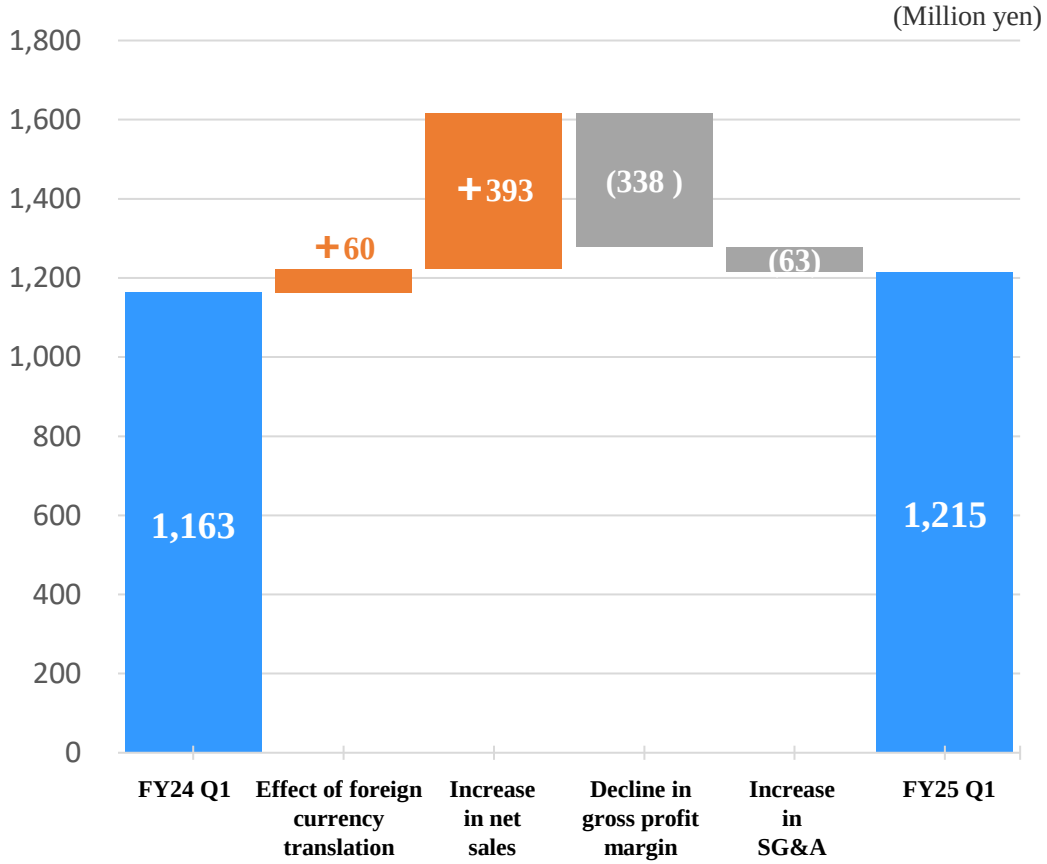
Summary of Consolidated Financial Results (2)

Net sales increased by ¥1,053 million, excluding the effect of foreign currency translation in a weakening yen environment.
Operating profit increased by ¥51 million, owing to the effect of a profit increase by sales gains offset by the effect of profit decrease due to lower gross profit margin.

Breakdown of changes in consolidated net sales



Breakdown of changes in operating profit



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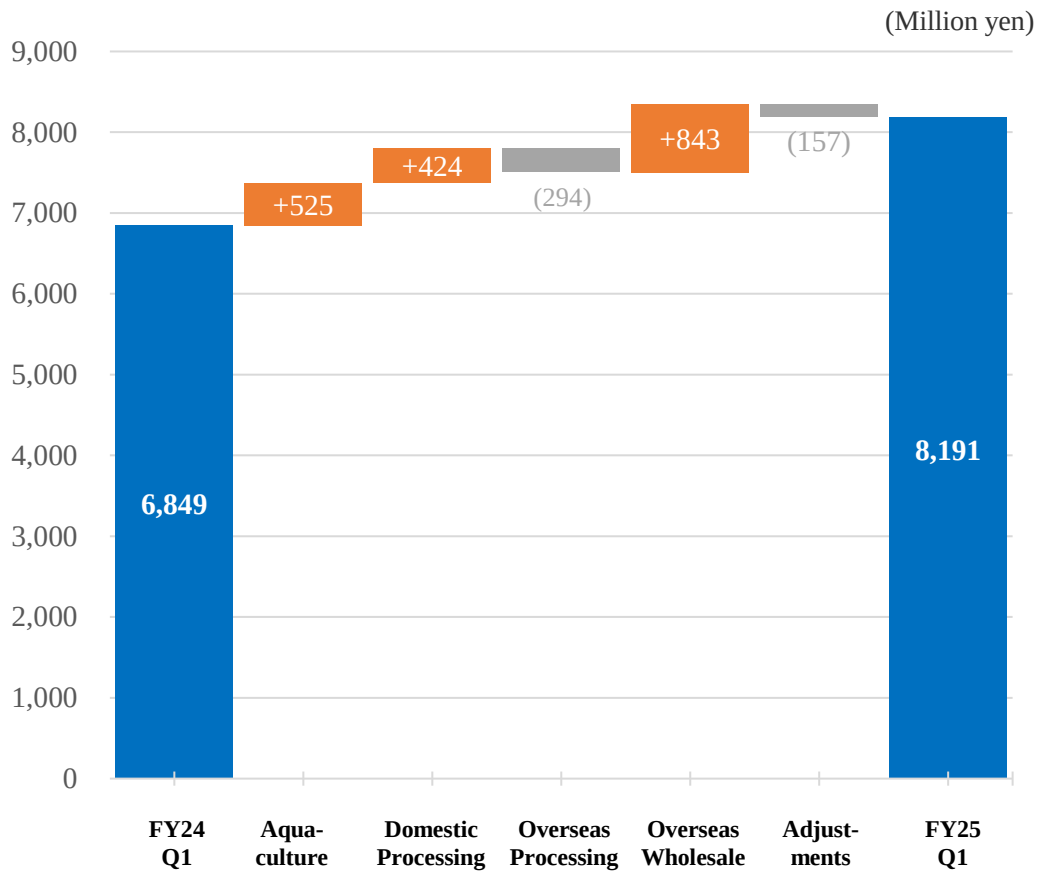
Summary of Segment Information

(Million yen)

	FY24 Q1	FY25 Q1	YoY change	YoY change in %	Breakdown of changes		
					Effect of foreign currency translation	Changes in real terms	YoY change in %
Net sales	**6,849**	**8,191**	**1,341**	**19.6**	**287**	**1,053**	**15.4**
Aquaculture	776	1,302	525	67.6	53	471	60.7
Domestic Processing	1,916	2,340	424	22.1	—	424	22.1
Overseas Processing	3,540	3,246	(294)	(8.3)	0	(294)	(8.3)
Overseas Wholesale	2,012	2,855	843	41.9	233	610	30.3
Adjustments	(1,396)	(1,554)	(157)	—	—	(157)	—
Segment profit	**1,163**	**1,215**	**51**	**4.4**	**60**	**(8)**	**(0.7)**
Aquaculture	574	607	33	5.8	46	(13)	(2.3)
Domestic Processing	223	345	121	54.4	—	121	54.4
Overseas Processing	305	274	(31)	(10.3)	0	(32)	(10.6)
Overseas Wholesale	59	142	82	138.4	12	70	117.5
Adjustments	0	(154)	(154)	—	—	(154)	—

Changes in Net Sales by Segment

Changes in net sales by segment



Supplementary explanation for changes

Aquaculture +525 YoY

- Net sales increased due to an increase in carryover of inventory from the previous year. The increase in domestic carryover of inventory is the result of an increase in aquaculture harvest. The increase in overseas carryover of inventory is the result of sales being carried over to FY2025 due to factors such as the status of customers' inventories.

Domestic Processing +424 YoY

- The market price of salmon and trout roe bottomed out and is showing signs of making an upturn. Q1 sales increased, partly due to spot sales to overseas markets.

Overseas Processing (294) YoY

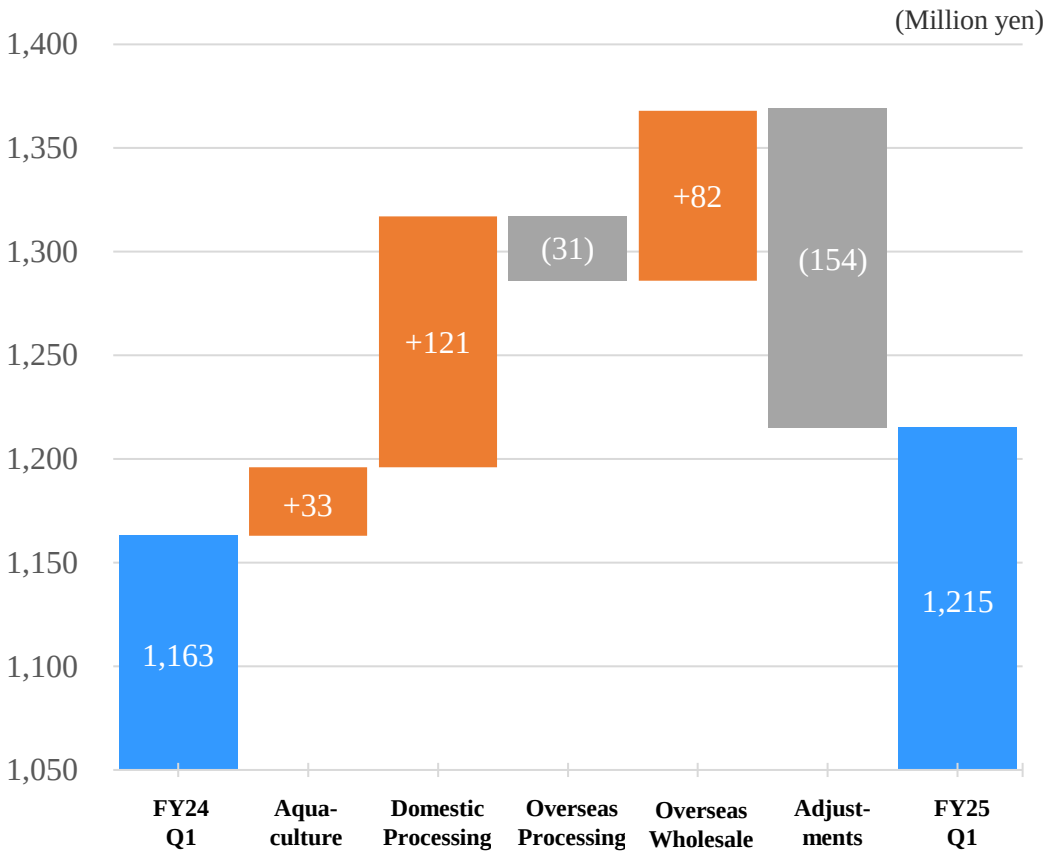
- Sales of Atlantic salmon belly, a key product, fell sharply due to a decrease in the global supply of raw materials.

Overseas Wholesale +843 YoY

- The market environment remained favorable, with the number of openings of Japanese restaurants continuing to increase. The existing trend of sales growth continued.

Changes in Operating Profit by Segment

Changes in operating profit by segment



Supplementary explanation for changes

Aquaculture +33 YoY

- The yen depreciation led to 46 increases in exchange gains at overseas subsidiaries.

Domestic Processing +121 YoY

- Affected by increased sales.
- Prices of raw materials purchased in FY2024 were low, resulting in good margins.

Overseas Processing (31) YoY

- Affected by declining sales of Atlantic salmon belly.

Overseas Wholesale +82 YoY

- In addition to increased sales, a decrease in SG&A ratio led to increased profit margins.

Adjustments (154) YoY

- Mainly due to unrealized gains and losses on consolidated inventories.

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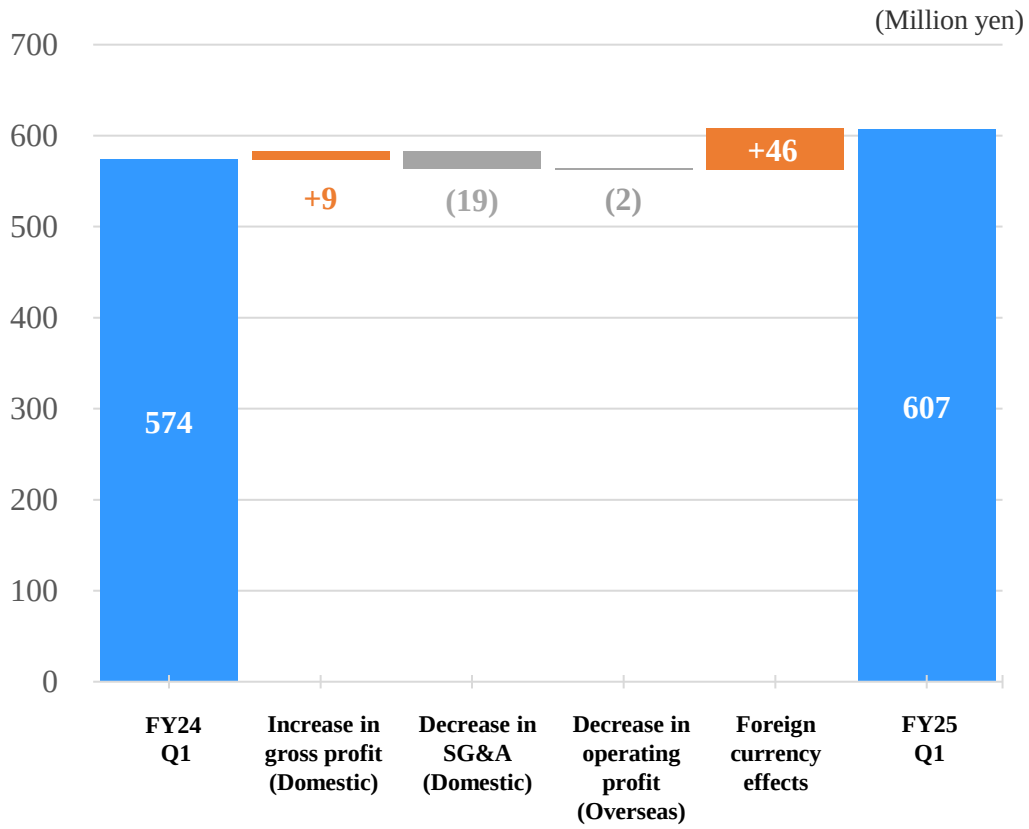
Breakdown of Changes in Segment Profit (Aquaculture Business)

Although domestic and overseas profits were in line with the same period of the previous fiscal year, the yen depreciation resulted in exchange gains at overseas subsidiaries.

Changes in segment profit



Supplementary explanation for changes

Impact of increase in gross profit (Domestic) +9 YoY

- Sales and gross profit rose due to an increase in harvest and greater sales volume resulting from harvest conducted until July.

Impact of increase in SG&A (Domestic) (19) YoY

- Affected by higher transportation expenses, etc. due to increased sales volume.

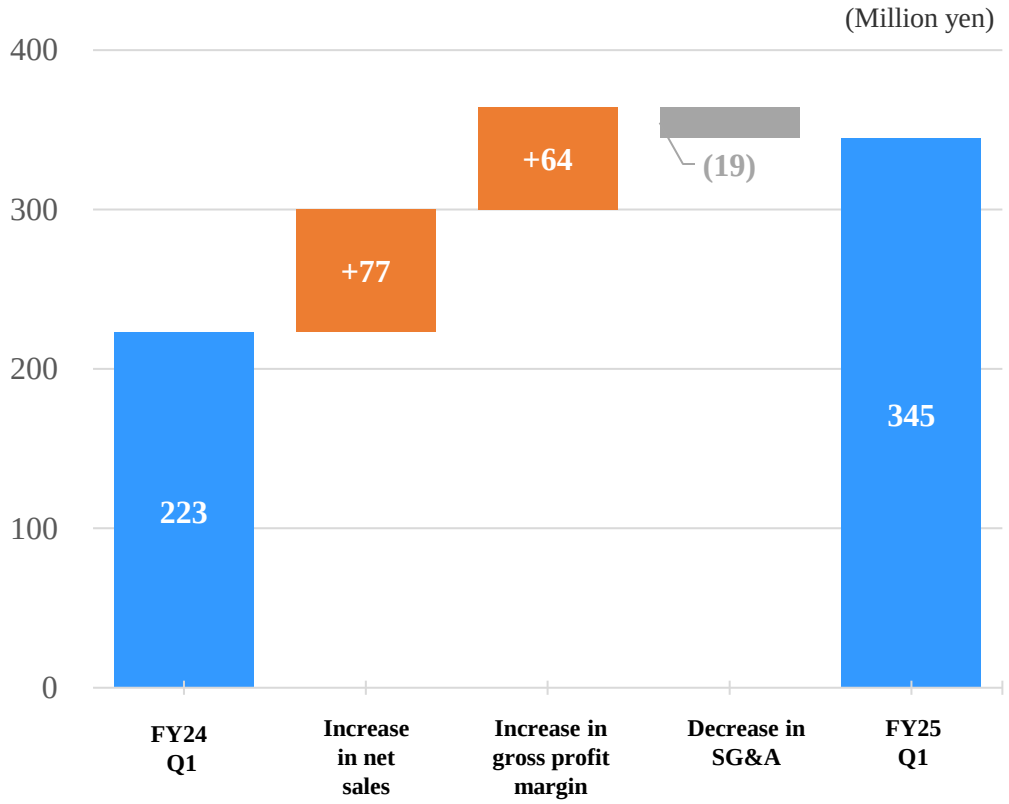
Impact of decrease in operating profit (Overseas) (2) YoY

- Aquaculture costs rose due to inflation.
- Selling prices decreased due to greater harvest by competitors as the result of higher temperatures in the seas around Norway.

Breakdown of Changes in Segment Profit (Domestic Processing Business)

Increased sales and lower costs led to a recovery from the high costs and low margins seen in the previous Q1.

Changes in segment profit



Supplementary explanation for changes

Impact of increase in net sales +77 YoY

- The fish roe market eased after entering a downward phase in the previous fiscal year, and market selling prices for trout and salmon roe showed signs of bottoming out and rebounding. Sales in Q1 increased, mainly due to spot sales to overseas markets.

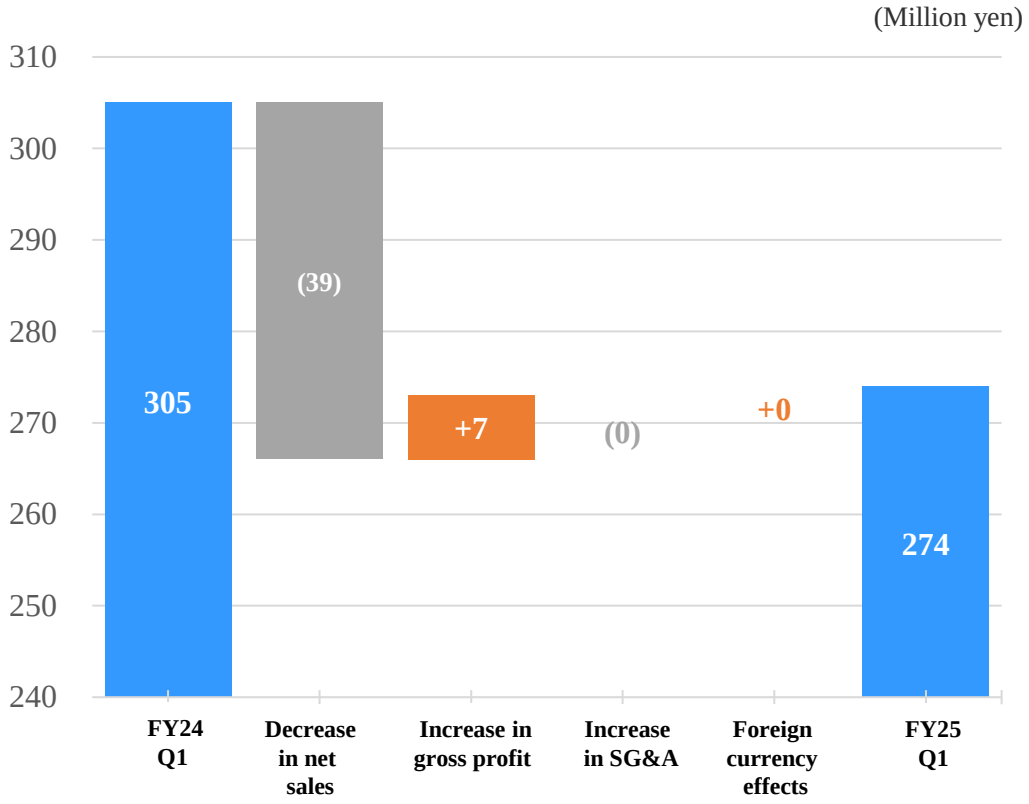
Impact of increase in gross profit margin +64 YoY

- In the previous Q1, the main raw materials were high-priced materials purchased when market prices were high. In the current Q1, the ratio of raw materials purchased in the previous fiscal year when market prices were in a correction phase was high, and costs were low. This resulted in an improved margin.

Breakdown of Changes in Segment Profit (Overseas Processing Business)

Sales of belly slices decreased both inside and outside Japan due to a shortage of belly raw materials, which resulted in a ¥31 million decrease in segment profit.

Changes in segment profit



Supplementary explanation for changes

Impact of decrease in net sales (39) YoY

- Sales of Atlantic salmon belly, which is the Company's main product, decreased both inside and outside Japan due to a reduction in supply of raw materials. This was a major factor in pushing down profits.

Impact of increase in gross profit margin +7 YoY

- Although the supply of raw materials for belly decreased, the unit selling prices of belly products rose, which pushed up margins.

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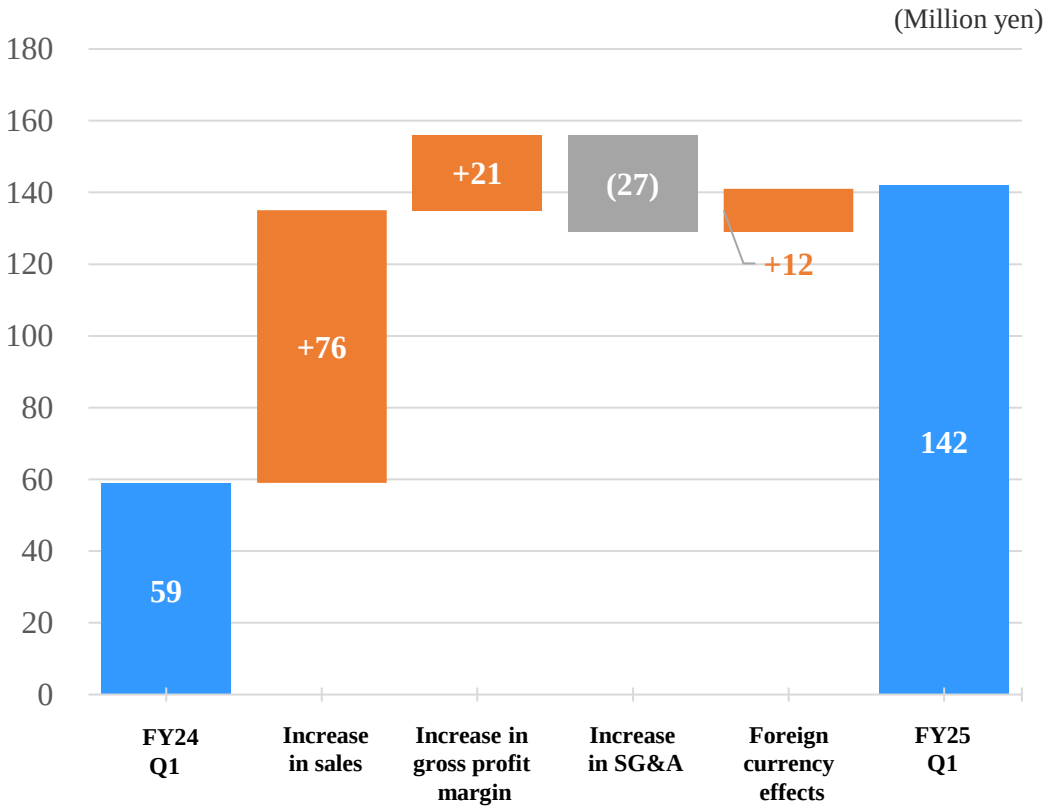
Breakdown of Changes in Segment Profit (Overseas Wholesale Business)

Segment profit increased by ¥82 million, mainly due to increased sales.

Changes in segment profit



Supplementary explanation for changes

Impact of increase in net sales +76 YoY

- Japanese food market in Asia continued to expand, forming a background for increased sales in this business. This contributed to an increase in profits.

Impact of increase in gross profit margin +21 YoY

- Due to the weaker yen compared with the previous Q1, purchasing prices in local currencies decreased and margins improved.

Impact of increase in SG&A (27) YoY

- In the previous fiscal year, SG&A temporarily rose due to concentrated investment in personnel and materials, but SG&A has leveled off in the current fiscal year.
- However, net sales increased significantly, and SG&A rose year on year.

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Summary of Changes in Balance Sheet

(Million yen)

Assets	As of June 30, 2024	As of September 30, 2024	Changes
Current assets	**29,249**	**30,746**	**1,496**
Cash and deposits	4,835	7,368	2,532
Trade receivables, etc.	4,371	3,164	(1,206)
Inventories	16,855	17,529	673
Other	3,187	2,684	(502)
Non-current assets	**9,920**	**10,369**	**448**
Property, plant and equipment	9,211	9,699	487
Intangible assets	266	276	10
Investments and other assets	442	393	(48)
Total assets	**39,170**	**41,115**	**1,945**

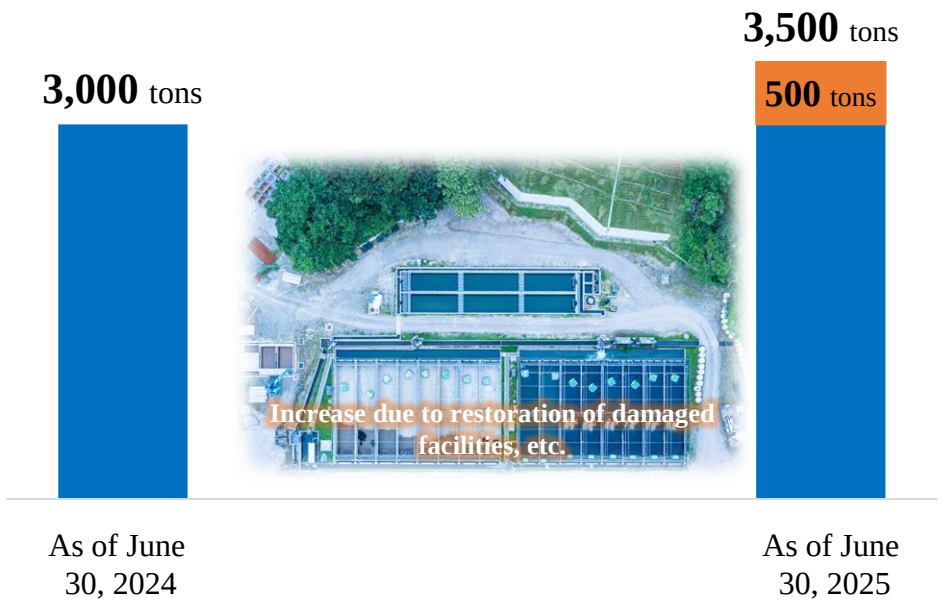
Liabilities	As of June 30, 2024	As of September 30, 2024	Changes
Current liabilities	**19,119**	**19,820**	**700**
Trade payables	1,314	1,626	311
Borrowings	13,554	14,629	1,074
Other	4,250	3,564	(685)
Non-current liabilities	**5,899**	**6,027**	**127**
Borrowings	4,053	3,850	(203)
Other	1,845	2,176	330
Total Liabilities	**25,019**	**25,847**	**828**
Net assets			
Total Liabilities	**14,151**	**15,268**	**1,117**

➢ Key topics: Progress in capital investment (see pages 18 and 19)

Situation of Aquaculture Facilities (Domestic/In Operation)

- In an effort to increase the domestic aquaculture harvest, which is our growth strategy, one issue is increasing the capacity of aquaculture facilities, especially that of intermediate aquaculture where a bottleneck in capacity expansion exists.
- In FY2025, the intermediate aquaculture capacity (weight converted to adult farmed fish estimated by the Company) will increase to 3,500 tons due to the restoration of intermediate aquaculture facilities damaged in the heavy rain disaster of 2022.
- Our offshore aquaculture capacity is approximately 15,000 tons, so there are no capacity issues for the time being.

Capacity of intermediate aquaculture farms



Capacity of offshore aquaculture farms



[Reference] Aquaculture harvest of the 2024 season: 2,692 tons

∗ All tonnage represents approximate weight converted into adult farmed fish, which is estimated by the Company

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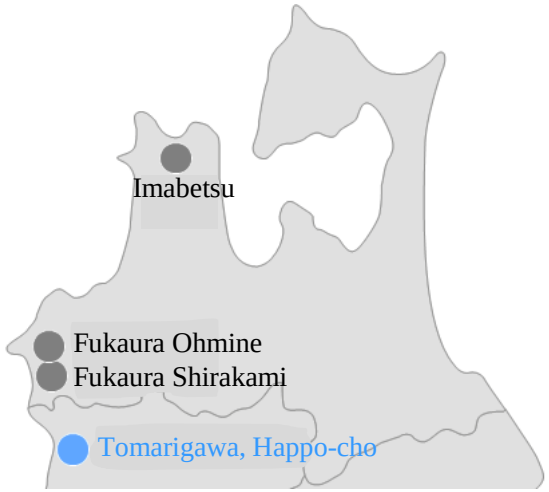
Situation of Aquaculture Facilities (Domestic/Under construction)

Tomarigawa Intermediate Farm is under construction for the scheduled start of operation in FY2026.

▼ Intermediate aquaculture farm currently under construction for extension (Tomarigawa) ▼



	Estimated production volume of intermediate fish (Ton)	Estimated production volume of adult fish (Ton)	Expected contribution to harvest
Tomarigawa Intermediate Farm (Happo-cho, Akita Prefecture)	250	1,050	FY2026



Construction site of Tomarigawa Intermediate Farm (Photo taken in August 2024)

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II.　Plan for FY2025



No change to announcement on August 9, 2024

Overview of Plan for Full-Year Business Performance

- Planning consolidated net sales of ¥36.1 billion, up ¥3.4 billion year on year, mainly due to higher sales in the Aquaculture Business in line with an aquaculture harvest increase, and higher sales in the Overseas Wholesale Business against a background of market growth.
- Planning consolidated operating profit of ¥3.2 billion, up ¥0.6 billion, due to sales growth mentioned above.

[Consolidated]

(Million yen)	Net sales	Operating profit	Ordinary profit (*)	Net income attributable to owners of the parent	Net income per share
Results for FY2024 (a)	32,665	2,548	2,932	1,968	252.16
Plan for FY2025 (b)	**36,119**	**3,212**	**2,949**	**2,093**	268.18
Changes (b-a)	3,453	664	16	134	—
YoY change	10.5%	26.0%	0.5%	6.8%	—

*Ordinary profit of FY2024 includes foreign currency gain of ¥355 million (foreign currency gain related to accounts receivable in foreign currencies, etc.)

No change to announcement on August 9, 2024

Plan for Full-Year Business Performance by Segment

(Million yen)	FY2024 results (a)	FY2025 plan (b)	(b-a)
Net sales	**32,665**	**36,119**	**3,453**
Aquaculture	6,750	8,933	2,183
Domestic Processing	8,279	8,205	(73)
Overseas Processing	15,255	15,373	117
Overseas Wholesale	8,869	11,132	2,262
Adjustments	(6,489)	(7,526)	(1,036)
Segment profit	**2,548**	**3,212**	**664**
Aquaculture	772	1,476	703
Domestic Processing	1,089	1,215	126
Overseas Processing	1,064	852	(212)
Overseas Wholesale	254	415	161
Adjustments	(632)	(746)	(114)

Explanation for changes (Segment profit)

Aquaculture +703 compared with FY24

- The domestic aquaculture harvest in the next season is expected to increase by 800 tons year on year, and by over 1,000 tons in the Aquaculture Business as a whole. Margin is expected to improve as higher trout prices are incorporated into the plan based on reference indicators.

Domestic Processing +126 compared with FY24

- Although net sales are expected to decrease marginally, margin is expected to improve. Behind this is a decline in the book value of raw materials, aided by progress in the consumption of main raw materials purchased during FY2023, when market prices soared.

Overseas Processing (212) compared with FY24

- Exports are expected to increase as the Overseas Wholesale Business expands. In Japan, net sales are expected to decrease due to difficulties in the purchase of raw materials for salmon belly. Despite projected price increases of salmon and trout, margin is expected to fall, based on the assumption that passing price increases to selling prices will become more difficult.

Overseas Wholesale +161 compared with FY24

- Current trends in market expansion are expected to continue. Margin is expected to improve due to a decrease in SG&A as concentrated investments in personnel and materials during FY2024 will stabilize.

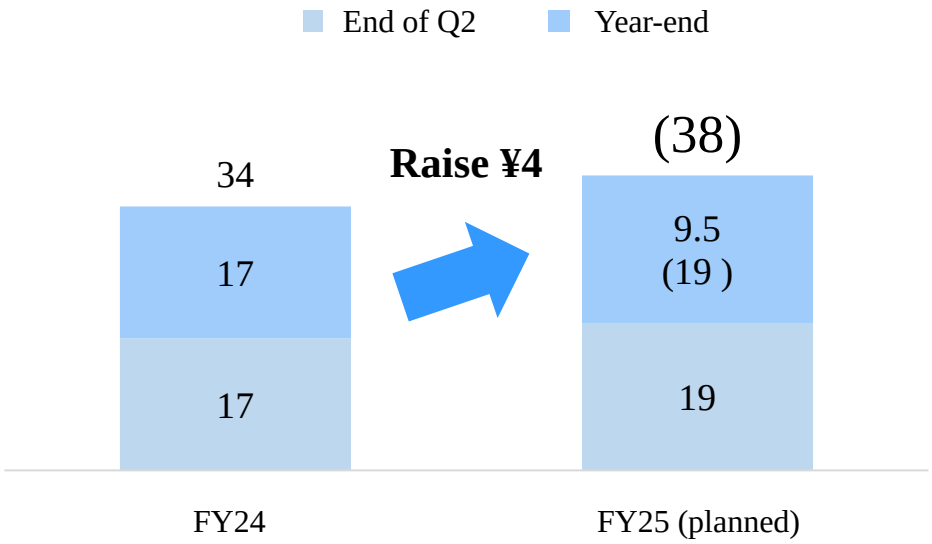
No change to announcement on August 9, 2024

Shareholder Returns

Dividends

Dividend policy	Strive for consistent and stable dividends aiming at dividend on equity (DOE) ratio of at least 2%

Trends in dividends per share (Yen)



Shareholder special benefit plan

Planning to continue (Details undetermined)

* Figures in parentheses have been calculated on a pre-split basis

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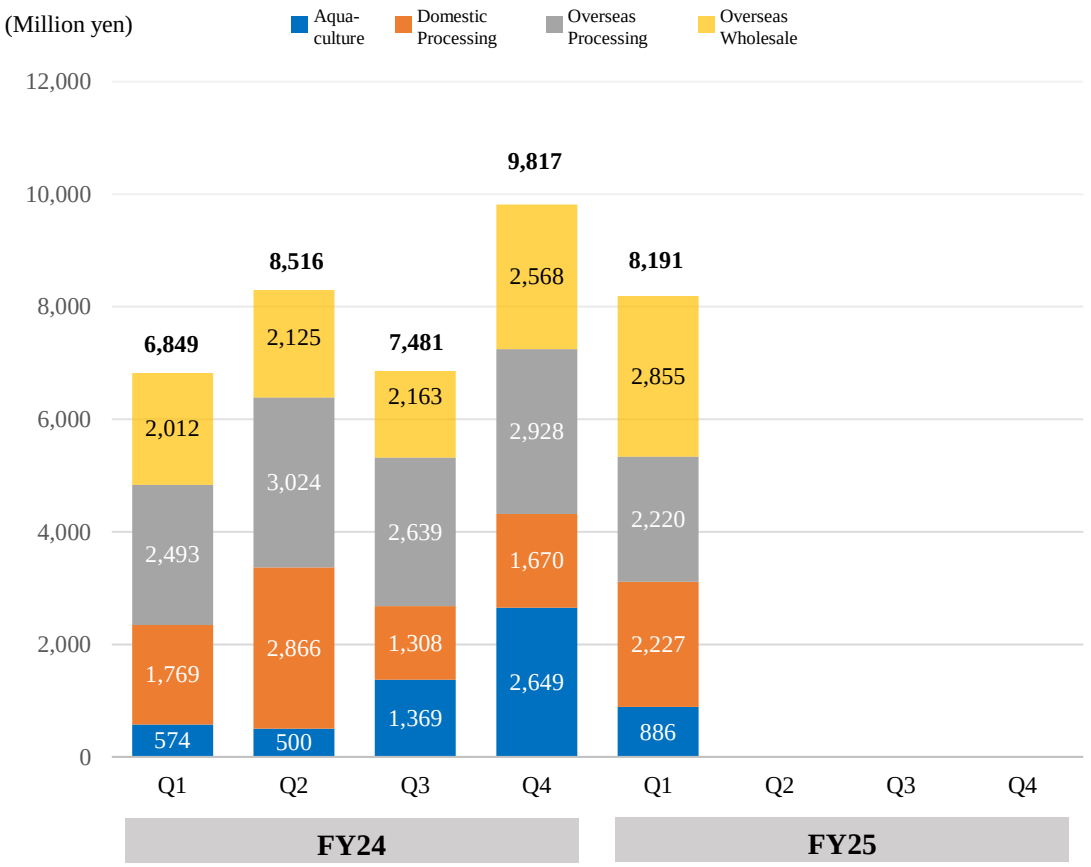
III.　Reference Materials



Quarterly Seasonal Fluctuations (Net sales)

☐ Quarterly trends by segment (net sales to external customers)



<Main seasonal factors by segment>

○ Aquaculture Business

Sales tend to be concentrated during the harvest season. The harvest season for domestic aquaculture is from April to July (mainly in Q4), and for aquaculture in Denmark is from October to December (Q3; accounting dates may differ).

○ Domestic Processing Business

Due to the nature of the products we handle (trout, salmon and herring roe), sales tend to be concentrated during the year-end sales season (Q2) and then take a downturn at the beginning of the year.

○ Overseas Processing Business

There are no significant seasonal factors.

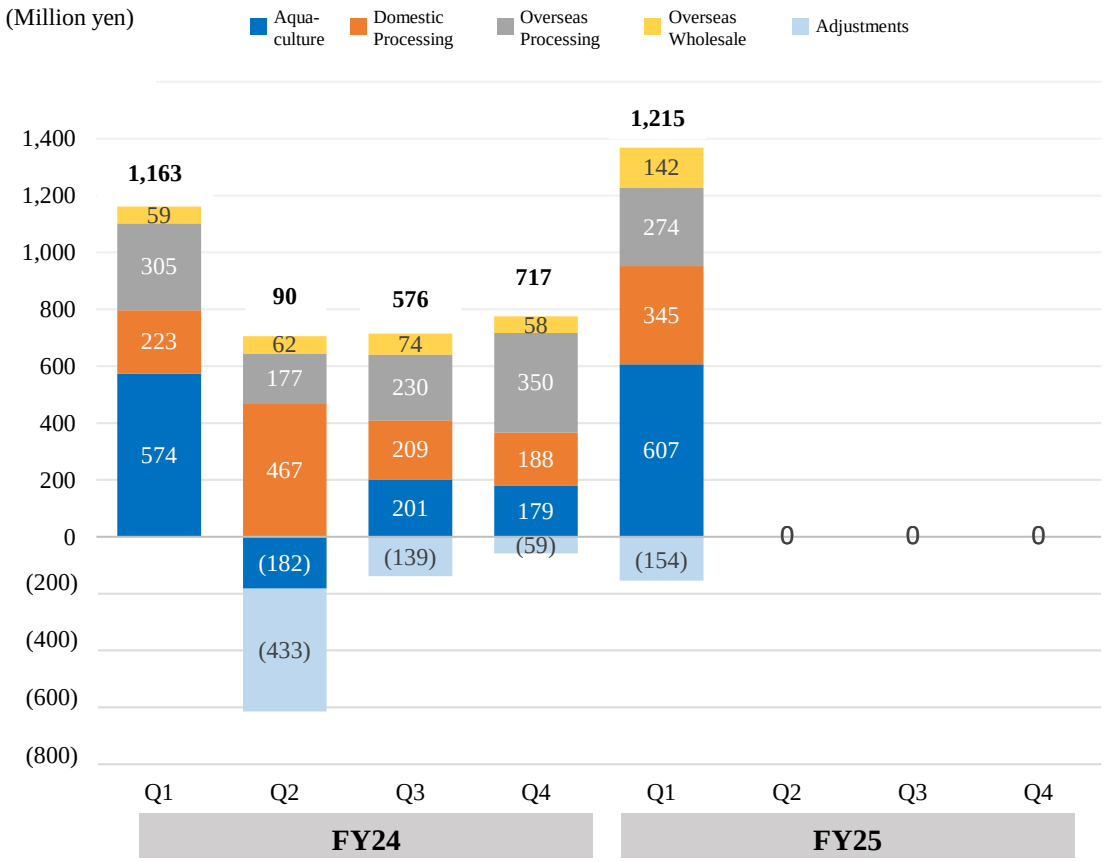
○ Overseas Wholesale Business

There are no significant seasonal factors.

(Note)
The above are explanations of seasonal factors in typical years. Please note that actual results may differ due to various other factors.

Quarterly Seasonal Fluctuations (Segment profit)

☐ Quarterly trends by segment (segment profit)



<Main seasonal factors by segment>

○ Aquaculture Business

Q1

Although Q1 is not the harvest season in Japan or overseas, estimated annual sales and profits for our Danish subsidiary (under IFRS) are recorded in full in Q1.

Q2

Since Q2 is not the harvest season in Japan or overseas, sales and profits tend to be low.

Q3

Q3 is the harvest season for the Danish subsidiary. Estimated differences in sales and profits (differences from actual results) for the Danish subsidiary tend to be recorded in Q3.

Q4

Q4 is the harvest season for domestic aquaculture. Most of sales and profits from domestic aquaculture tend to be recorded during Q4.

○ Domestic Processing Business / Overseas Processing Business / Overseas Wholesale Business

See the previous page.

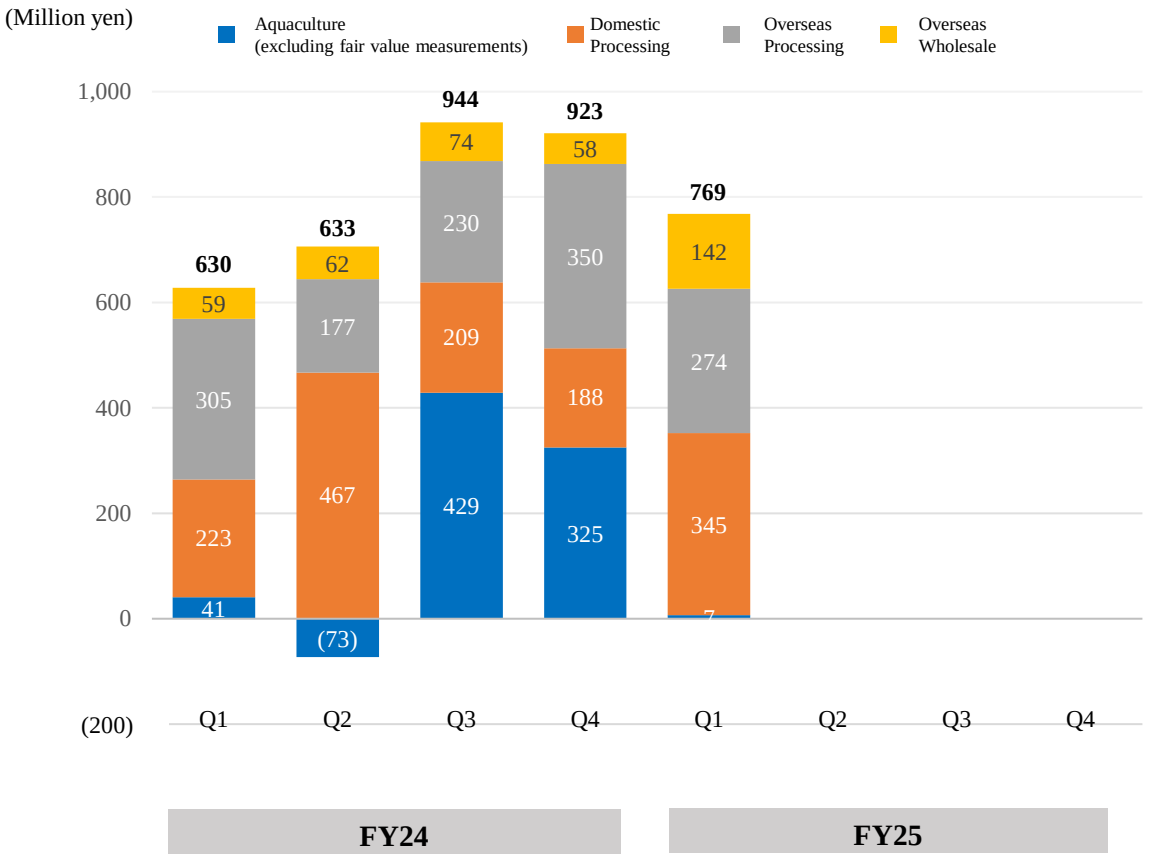
○ Adjustments

In addition to company-wide expenses, these adjustments include the deduction of unrealized inventory profits arising from inter-Group transactions, most of which tend to be recorded in Q2.

(Note) The above are explanations of seasonal factors in typical years. Please note that actual results may differ due to various other factors.

Quarterly Seasonal Fluctuations (excluding fair value measurement gains and losses under IAS 41)

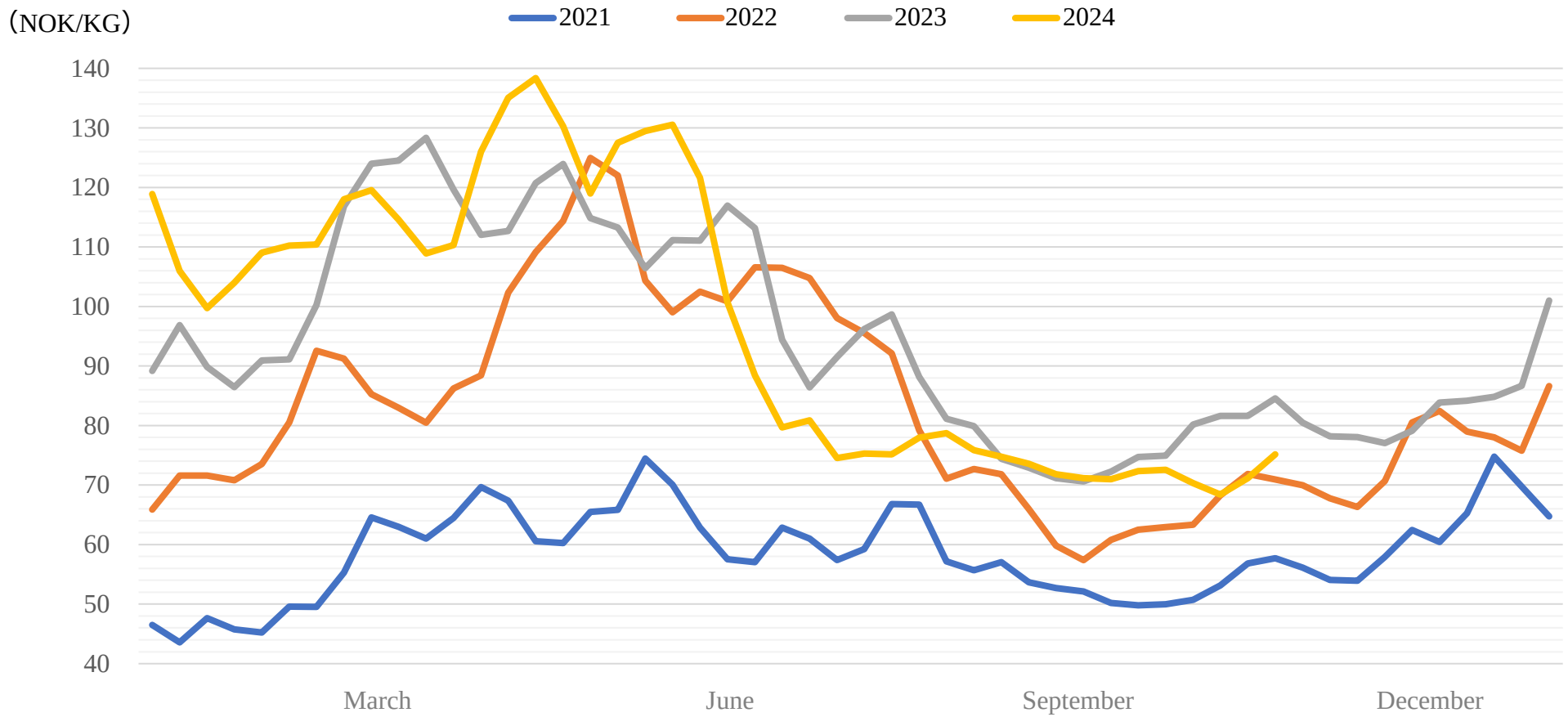
☐ Quarterly trends by segment (segment profit before adjustments)



Seasonal fluctuations excluding the impact of fair value measurement gains and losses (approximated when treated in accordance with Japanese GAAP) are shown on the left.

(Note)
- The figures shown are those prior to deducting adjustments to segment profits (company-wide expenses, elimination of unrealized profits included in inventory, etc.).

Spot Prices of Atlantic Salmon（Fish Pool Index）



* The above graph shows the spot prices for Atlantic salmon, which is a different species from the trout farmed by the Group. Since there is no similar index for trout, the Group uses this index as a reference for making plans and measuring market trends, even though the species is different. Actual transaction prices are based on various factors such as domestic supply and demand and transportation costs. Please note that this index should be regarded as a reference only.

Average Trout Roe Prices on Toyosu Market



Source: Market Statistics Information, Metropolitan Central Wholesale Market

* This information is intended to provide an overview of market trends.

Notes for Handling These Materials

Forecasts for business performance and forward-looking statements mentioned in this material is our view based on information available at the time of preparing them. This material, therefore, includes potential risks and uncertainties such as economic trends, competitive environments and trends in product prices in the market. Please note that actual business performance may significantly differ from forward-looking statements mentioned or described in this material owing to various factors including changes in our operating environment.


To supply healthy seafood
to the people of the world
in a responsible way
with respect for nature.

Okamura Foods Co., Ltd.

AOMORI TROUT