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August 9, 2023

Consolidated Financial Results for the Three Months Ended June 30, 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
 GENERAL MANAGER,
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 Scheduled date to file quarterly securities report: August 10, 2023
 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	79,782	18.8	1,186	—	1,456	—	921	—
June 30, 2022	67,131	18.2	(1,700)	—	(1,474)	—	(984)	—

Note: Comprehensive income For the three months ended June 30, 2023: ¥1,895 million [—%]
 For the three months ended June 30, 2022: ¥(453) million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	24.12	—
June 30, 2022	(25.80)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	128,309	46,736	36.0
March 31, 2023	127,913	45,314	35.0

Reference: Equity

As of June 30, 2023: ¥46,181 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	—				
Fiscal year ending March 31, 2024 (Forecast)		12.50	—	12.50	25.00

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	323,000	4.9	3,500	146.0	3,500	104.5	2,300	123.1	60.23

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 June 30, 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 June 30, 2023	289,402 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)

Three months ended June 30, 2023	38,184,438 shares
Three months ended June 30, 2022	38,148,704 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 (253,960 shares for the fiscal year ended March 31, 2023, and 244,460 shares for the three months ended June 30, 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 three months ended June 30, 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

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1. Qualitative information regarding financial results for the three months ended June 30, 2023

(1) Explanation of operating results

During the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023), the Japanese economy made progress toward normalization of socio-economic activities, as the impact of the COVID-19 pandemic subsided and COVID-19 was reclassified to a Class V Infectious Disease under the Infectious Diseases Control Law in May. However, the outlook remains uncertain due to factors such as the rise in energy and raw material prices caused by the tense global situation, fluctuations in financial and capital markets due to changes in monetary policy in various countries and slowdowns in overseas economies.

In the feed industry, the price of corn, which is the major raw material, dropped temporarily on the prospect of an increase in the planted area in the U.S., the main area for corn production, but has fluctuated wildly due to buy-backs by speculators, forecasts for bumper crops in the major producing regions in South America, and concerns about dry weather in the U.S.

As for livestock products, the market price of pork was higher compared to the same period of the previous fiscal year, driven in part by a shift in demand from beef to pork as consumers remained highly conscious of protecting their lifestyles. In the egg market, prices remained above those of the same period of the previous fiscal year due to the ongoing supply shortage caused by avian influenza. The market price of beef was lower compared to the same period in the previous fiscal year, despite demand recovering in some areas.

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 three months ended June 30, 2023, net sales were ¥79,782 million (up 18.8% year-on-year), operating profit was ¥1,186 million (operating loss of ¥1,700 million in the same period of the previous fiscal year), ordinary profit was ¥1,456 million (ordinary loss of ¥1,474 million in the same period of the previous fiscal year), and profit attributable to owners of parent was ¥921 million (loss attributable to owners of parent of ¥984 million in the same period of the previous fiscal year).

Operating results by segment are as follows.

(i) Feed business

In the feed business, despite elevated costs as a result of higher prices for raw materials, including major raw materials, higher fuel and logistics expenses, as well as increased contributions to the Feed Price Stabilization Fund, the sales volume and average sales prices of both livestock feed and fishery products feed increased from the same period in the previous fiscal year, resulting in net sales of ¥67,588 million (up 18.6% year-on-year) and operating profit of ¥1,691 million (operating loss of ¥1,021 million in the same period of the previous fiscal year) in the three months ended June 30, 2023.

(ii) Food business

In the food business, net sales for the three months ended June 30, 2023 amounted to ¥11,508 million (up 20.8% year-on-year), mainly due to the high market prices of both pork and eggs exceeding the same period of the previous fiscal year. Operating profit was ¥64 million (operating loss of ¥134 million in the same period of the previous fiscal year) mainly due to a review of sales price conditions in response to rising market prices.

(iii) Other businesses

For the three months ended June 30, 2023, net sales amounted to ¥684 million (up 12.7% year-on-year), and operating profit was ¥66 million (up 13.2% year-on-year) as a result of the sale of livestock and fishery equipment, etc. to distributors and livestock and fishery producers.

(2) Explanation of financial position

(Assets)

The total assets as of June 30, 2023 amounted to ¥128,309 million (up 0.3% from the end of the previous fiscal year) due to an increase in cash and deposits, etc.

(Liabilities)

The total liabilities as of June 30, 2023 amounted to ¥81,572 million (down 1.2% from the end of the previous fiscal year) due to repayments of short-term borrowings, etc.

(Net assets)

The total net assets as of June 30, 2023 amounted to ¥46,736 million (up 3.1% 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, an increase in valuation difference on available-for-sale securities and other factors despite a decrease in retained earnings due to the payment of dividends.

(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 May 12, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	7,379	8,616
Notes and accounts receivable - trade	51,375	50,538
Electronically recorded monetary claims - operating	3,885	3,896
Merchandise and finished goods	3,070	2,993
Raw materials and supplies	17,156	15,731
Animals	357	383
Other	2,791	3,718
Allowance for doubtful accounts	(180)	(148)
Total current assets	85,836	85,729
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,002	12,856
Machinery, equipment and vehicles, net	11,217	10,990
Land	6,114	6,114
Leased assets, net	727	699
Construction in progress	68	47
Other, net	538	528
Total property, plant and equipment	31,668	31,237
Intangible assets		
Other	916	957
Total intangible assets	916	957
Investments and other assets		
Investment securities	8,531	9,451
Long-term loans receivable	12	11
Distressed receivables	327	325
Deferred tax assets	274	262
Other	702	692
Allowance for doubtful accounts	(356)	(359)
Total investments and other assets	9,491	10,384
Total non-current assets	42,076	42,580
Total assets	127,913	128,309

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,482	35,883
Short-term borrowings	16,803	12,661
Lease liabilities	126	124
Income taxes payable	467	448
Provision for bonuses	558	839
Other	5,636	6,160
Total current liabilities	60,074	56,117
Non-current liabilities		
Long-term borrowings	19,208	21,866
Lease liabilities	658	627
Deferred tax liabilities	203	531
Provision for share awards for directors (and other officers)	173	176
Retirement benefit liability	2,234	2,209
Asset retirement obligations	3	3
Other	42	41
Total non-current liabilities	22,523	25,455
Total liabilities	82,598	81,572
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	9,737	9,737
Retained earnings	23,952	24,392
Treasury shares	(244)	(237)
Total shareholders' equity	43,445	43,892
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,229	1,709
Deferred gains or losses on hedges	32	413
Foreign currency translation adjustment	61	165
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	1,323	2,289
Non-controlling interests	546	555
Total net assets	45,314	46,736
Total liabilities and net assets	127,913	128,309

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	67,131	79,782
Cost of sales	63,589	73,102
Gross profit	3,542	6,679
Selling, general and administrative expenses	5,243	5,493
Operating profit (loss)	(1,700)	1,186
Non-operating income		
Interest income	3	2
Dividend income	102	111
Share of profit of entities accounted for using equity method	63	118
Other	110	97
Total non-operating income	280	328
Non-operating expenses		
Interest expenses	26	48
Other	27	10
Total non-operating expenses	54	58
Ordinary profit (loss)	(1,474)	1,456
Extraordinary income		
Gain on sale of non-current assets	29	3
Total extraordinary income	29	3
Extraordinary losses		
Loss on sale of non-current assets	2	3
Loss on retirement of non-current assets	4	5
Impairment losses	22	—
Loss on liquidation of subsidiaries	0	—
Loss on valuation of investment securities	—	2
Loss on closing of factory	—	143
Total extraordinary losses	29	155
Profit (loss) before income taxes	(1,474)	1,304
Income taxes - current	60	414
Income taxes - deferred	(556)	(39)
Total income taxes	(495)	374
Profit (loss)	(978)	929
Profit attributable to non-controlling interests	6	8
Profit (loss) attributable to owners of parent	(984)	921

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	(978)	929
Other comprehensive income		
Valuation difference on available-for-sale securities	12	480
Deferred gains or losses on hedges	385	380
Remeasurements of defined benefit plans, net of tax	2	0
Share of other comprehensive income of entities accounted for using equity method	123	103
Total other comprehensive income	524	966
Comprehensive income	(453)	1,895
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(459)	1,887
Comprehensive income attributable to non-controlling interests	6	8

(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 Director, 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 first quarter ended June 30, 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 first quarter ended June 30, 2023 was ¥206 million and the number of shares was 244,460.

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

Not applicable.

(Segment information)

Three months ended June 30, 2022
(from April 1, 2022 to June 30, 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	56,998	9,525	66,524	607	67,131	–	67,131
Net sales from external customers	56,998	9,525	66,524	607	67,131	–	67,131
Intersegment sales or transfers	351	0	351	84	436	(436)	–
Total	57,349	9,525	66,875	692	67,567	(436)	67,131
Segment profit (loss)	(1,021)	(134)	(1,155)	58	(1,097)	(603)	(1,700)

- 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 ¥(603) million includes corporate expenses of ¥605 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 loss 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)

Impairment losses not allocated to reportable segments amounted to ¥22 million.

Three months ended June 30, 2023
(from April 1, 2023 to June 30, 2023)

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	67,588	11,508	79,097	684	79,782	–	79,782
Net sales from external customers	67,588	11,508	79,097	684	79,782	–	79,782
Intersegment sales or transfers	408	0	408	84	492	(492)	–
Total	67,996	11,509	79,506	768	80,275	(492)	79,782
Segment profit	1,691	64	1,756	66	1,823	(636)	1,186

- 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 ¥(636) million includes corporate expenses of ¥638 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.