

COMPANY RESEARCH AND ANALYSIS REPORT

FEED ONE CO., LTD.

2060

Tokyo Stock Exchange Prime Market

31-Jul.-2025

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FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

The leading company in the feed industry. Started the construction plan for a new Aquatic Feed Factory with total investment of about ¥13.0bn

FEED ONE CO., LTD. <2060> (hereafter, also “the Company”) manufactures and sells compound feed, which is essential for the production of livestock and marine products such as meat, fish, eggs, and milk. Regarding sales volume of the animal feed, the Company has a 15% market share, second only to the National Federation of Agricultural Cooperative Associations (“JA Zen-Noh”), and is the largest in the industry among private companies. The Company was established in 2015 through the merger of Kyodo Shiryō Co., Ltd. and Nippon Formula Feed Mfg. Co., Ltd., which were positioned at the 4th and 5th in the animal feed industry within the private sector at that time, and FEED ONE HOLDINGS CO., LTD., which was established by the two companies in 2014. Kyodo Shiryō had strengths in pig feed and cattle feed, while Nippon Formula Feed Mfg. had strengths in poultry feed and aquatic feed, so by merging the two companies, the sales mix of compound feed became balanced, resulting in a well-balanced business portfolio. The Company’s three business segments are the animal feed business, the aquatic feed business and the food business.

1. Overview of FY3/25 results

In terms of consolidated results for FY3/25, the Company posted a decrease in net sales of 5.7% year-on-year (YoY) to ¥296,045mn, a decrease in operating profit of 18.1% to ¥6,343mn, a decrease in ordinary profit of 12.3% to ¥6,789mn, and an increase in profit attributable to owners of parent of 6.0% to the record high of ¥5,387mn. In the mainstay animal feed business, sales decreased due to the average selling price of animal feed falling below the previous year. As for animal feed, selling prices are revised quarterly in response to fluctuations in raw material prices, so net sales are not an indicator of performance (see below for details). Meanwhile, sales volume of animal feed slightly surpassed the previous year by 0.2%, indicating that the business is doing well. Cost of sales in the animal feed business declined mainly due to a soft market price for corn, a raw material for compound feed, and other products, which led to an increase in gross profit. Selling, general and administrative expenses (“SG&A expenses”) increased due to factors such as an increase in the burden of reserve funds for the compound feed price stabilization system (an increase of ¥1,528mn), resulting in a 6.3% decline in segment profit for the animal feed business to ¥8,533mn. The increase in profit attributable to owners of parent was due to a decrease in tax burden from bad debt losses resulting from liquidation of subsidiaries and affiliates and special deductions for corporate taxes due to wage taxation and other factors.

2. FY3/26 forecasts

In its FY3/26 consolidated results, the Company expects an increase in sales and operating profit, with a 5.1% YoY increase in net sales to ¥311,000mn, a 7.2% increase in operating profit to ¥6,800mn, a 3.1% increase in ordinary profit to ¥7,000mn, and a 3.5% decrease in profit attributable to owners of parent to ¥5,200mn. The Company expects higher sales and profit in the mainstay animal feed business on higher sales difference and sales volume, higher sales and profit on higher sales volume in the aquatic feed business, and higher sales and profit in the food business on higher egg prices due to the impact of avian influenza.

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3. Topics

Global fisheries production continues to increase, of which aquaculture accounts for over 50%. Fisheries production has peaked in Japan and the share of aquaculture, while trending up, is relatively small compared to other countries. Aquaculture, which offers stable domestic production, is likely to become a greater focus in Japan amid ongoing challenges such as the depletion of natural resources, shifts in fishing grounds caused by climate change, and biodiversity issues. The Company announced in May 2025 its plan to build a new aquatic feed factory in Aichi Prefecture and acquired land. This investment is part of its Medium-Term Management Plan, which calls for capital investment of approximately ¥80.0bn over 10 years (¥60.0bn in the first six years). By building the new factory, the Company aims to strengthen its competitive edge and pursue R&D of cutting-edge technologies. The new Toyokawa Factory (tentative name) has a site area of approximately 27,000m², double the aquatic feed production capacity of the Chita Factory, and is expected to reduce fuel expenses by 15% and labor costs by 50% (compared to the Chita Factory). It will be an R&D-driven factory capable of manufacturing products that fulfill diversifying needs using the latest equipment. Its location makes it adaptable to changes in suitable areas for aquaculture (shift north from Shikoku and Kyushu areas due to rising sea temperatures) as well as being reasonably close to aquaculture areas around Japan. Construction is scheduled to be completed in April 2028 and the Company forecasts a 5 percentage points (pp) increase in market share and doubling of EBITDA 10 years after this date. Following completion of the new factory, production of aquaculture feed will be relocated from the Chita Factory in stages, but production of animal feed will continue at the Chita Factory.

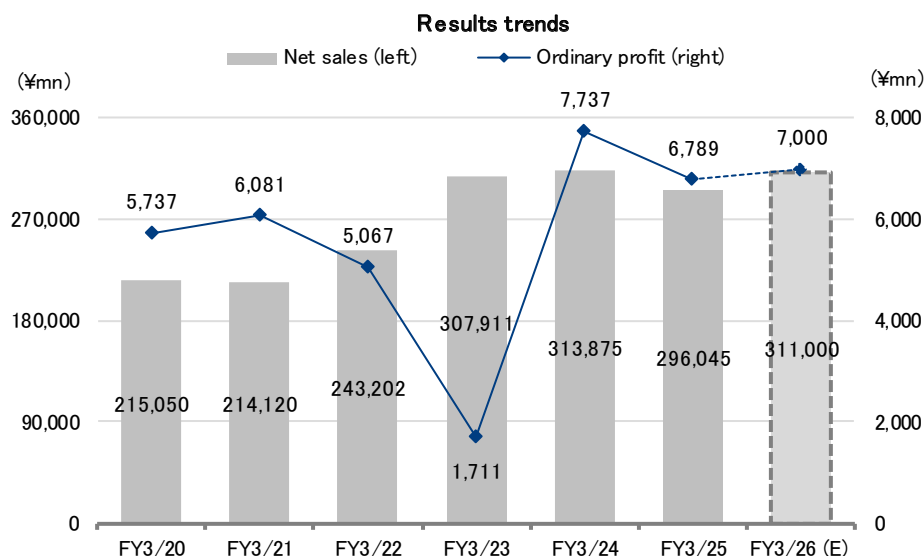
4. Shareholder returns policy

In FY3/26, the Company changed its dividend policy. Its new basic policy is to enhance internal reserves to strengthen the financial base, which is the foundation of its long-term development, and pay progressive dividends targeting a consolidated dividend on equity ratio (DOE) of 3%. The Company has effectively had a progressive dividend policy, but clarified its intention of continuing it by making it part of its dividend policy. By using consolidated DOE instead of the consolidated dividend payout ratio (targeting 25% or higher), which can be affected by temporary earnings fluctuations, it seeks stable shareholder returns while enhancing medium- to long-term returns. In FY3/25, the annual dividend was ¥35.5 per share (comprising an interim dividend of ¥14.5 and year-end dividend of ¥21.0) and a payout ratio of 25.2%. In FY3/26, the Company plans a ¥6.5 per share increase in annual dividend to ¥42.0 (¥16.0 interim [ordinary], ¥5.0 interim [commemorative], and ¥21.0 period-end) and DOE of 2.9%. The commemorative dividend is to mark the 10th anniversary of the Company's full merger. We at FISCO expect the Company to continue paying stable dividends while raising the dividend amount.

Key Points

- In the mainstay animal feed business, the Company strengthened all the functions of raw materials procurement, manufacture, development and sales. Has a market share of 15%
- Ordinary profit declined in FY3/25 despite higher gross profit of animal feed business due to increased expenses such as reserve funds for the compound feed price stabilization system, but final profit reaches record high on decreased tax burden
- For FY3/26, the Company expects operating profit of ¥7,000mn (up 3.1% YoY)
- Began construction of new aquatic feed factory (total investment: ¥13.0bn) as part of plan to revamp and strengthen production structure set in the Medium-Term Management Plan
- New progressive dividend policy targets DOE of 3%. In FY3/26, plans ¥6.5 increase in annual dividend to ¥42.0, including commemorative dividend

Summary



Source: Prepared by FISCO from the Company's financial results

Company profile

Has grown to become a leading company in the feed business in the 10 years since the management integration of two companies

1. Company profile and history

The Company is a company that manufactures and sells compound feed, which is essential in the production of livestock and marine products such as meat, fish, eggs, and milk. Regarding sales volume of the animal feed, the Company has a 15% share, second only to JA Zen-Noh, and is the largest in the industry among private companies.

The Company was established in 2015 through the merger of Kyodo Shiryō, Nippon Formula Feed Mfg., which were positioned at the 4th and 5th in the animal feed industry within the private sector at that time, and FEED ONE HOLDINGS, which was established by both companies in 2014. Kyodo Shiryō had strengths in pig feed and cattle feed, while Nippon Formula Feed Mfg. had strengths in poultry feed and aquatic feed, so the merger eliminated the bias in the sales mix of compound feed, resulting in a well-balanced business portfolio. The two companies, which had different corporate cultures, were able to carry out organizational changes and consolidations, and rebuild their business foundations in a short period of time largely because they shared a strong sense of urgency about the shrinking domestic livestock and fisheries market due to the TPP agreement and population decline. The Company opened the Kitakyushu Aquatic Feed Factory in 2017 and the Kitakyushu Animal Feed Factory in 2020, and made aggressive investments, solidifying its dominance in the industry through highly productive and efficient processes. The Company has factories and branches nationwide and has established supply systems for each area. The Company also focus on research and development, and is leading the technological development in the industry while utilizing its network of overseas companies and universities. As of the end of March 2025, the Company had 21 consolidated subsidiaries and 925 employees. Mitsui & Co. <8031> is the largest shareholder, and the Company works closely with Mitsui & Co., mainly on the procurement of raw materials for compound feed.

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Company profile

In 2024, the Company formulated its long-term vision and “Medium-Term Management Plan 2026 – 1st STAGE for NEXT 10 YEARS –” to outline its direction for the next 10 years from FY3/25. The Company’s newly established Purpose is to “Feed the world for the future, live and smiles,” and clearly acknowledges that the Company is a part of the social infrastructure that supports the supply of domestic “animal protein.” The Company’s vision is “Committed to ‘ONE,’ striving to be the company of choice,” expressing the Company’s pride and responsibility as a leading company in the feed industry. The Company plans capital investment of approximately ¥80.0bn over 10 years from the start of the Medium-Term Management Plan. In May 2025, the Company acquired land for the new aquatic feed factory (Toyokawa Factory; tentative name), with planned total investment of ¥13.0bn.

In 2022, following the change in market classifications at the Tokyo Stock Exchange (TSE), the Company moved from the First Section of the TSE to the Prime Market.

Company history

Month/Year	History
March 2014	Kyodo Shiryō Co., Ltd. and Nippon Formula Feed Mfg. Co., Ltd. agree to establish FEED ONE HOLDINGS CO., LTD. by means of joint transfer of shares, drafted a share-transfer plan, and conclude a general memorandum of understanding on that basis
October 2014	FEED ONE HOLDINGS is established
May 2015	FEED ONE HOLDINGS, Nippon Formula Feed Mfg. and Kyodo Shiryō conclude an absorption-type merger agreement.
October 2015	FEED ONE HOLDINGS, Kyodo Shiryō and Nippon Formula Feed Mfg. merge, company name changed to FEED ONE CO., LTD.
March 2017	The newly constructed Kitakyushu Factory starts operations (it was renamed Kitakyushu Aquatic Feed Factory in April 2020)
July 2020	The newly constructed Kitakyushu Animal Feed Factory starts operations
April 2022	Moves from the 1st Section of the Tokyo Stock Exchange to the Prime Market in conjunction with the change in market classification of the Tokyo Stock Exchange
March 2024	Formulates “Medium-Term Management Plan 2026 – 1st STAGE for NEXT 10 YEARS –”

Source: Prepared by FISCO from the Company’s website and materials

2. Business description

The Company’s mainstay business is animal feed. It comprises 7 domestic business divisions (Hokkaido, Tohoku, Kanto, Chubu, Kansai, Kitakyushu, Minamikyushu), has 8 sales branches and 13 production plants, and manufactures and sells approximately 3.70 million tons of feed per year. The business handles a balanced range of compound feed for poultry, pigs, and cattle, and while the annual distribution volume of animal feed has remained stable at approximately 24 million tons over the past 10 years, sales volume has been increasing every year. This is the Company’s core business, accounting for 78.5% of the Company’s total net sales and 84.6% of its segment profit. The aquatic feed business manufactures approximately 100,000 tons of aquatic feed per year with a production system centered around the Kitakyushu Aquatic Feed Factory, and sells feed throughout the country from Hokkaido to Okinawa. The Company is focusing on developing and selling products aimed at realizing sustainable aquaculture, such as low fish meal feed and fish meal-free feed. The fish meal-free feed “Madai DP Sustaina ZERO,” which went on sale in August 2023, has become the Company’s biggest hit product since its integration. The annual distribution volume of aquatic feed is about 600,000 tons, which is a smaller market than animal feed, so it accounts for a relatively low 8.7% of the Company’s total net sales and 11.5% of its segment profit, but it is a business that is expected to grow in the future. The food business manufactures products at affiliated companies related to meat processing (Feed One Foods Co., Ltd., Yokohama Meat Co., Ltd.) and egg processing (Gold Egg Corp., Magic Pearl Co., Ltd.), and sells products mainly to retailers and the food service industry. Although this is also a relatively low proportion, at 12.9% of the Company’s total net sales and 2.8% of its segment profit, it has added value unique to a feed manufacturer, and an advantage in traceability by being responsible for upstream and downstream operations.

Company profile

Segment overview

		Composition ratio (FY3/25)	
		Net sales	Segment profit
Animal feed business	Comprises 7 domestic business divisions, has 8 sales branches and 13 production plants, and manufactures and sells approximately 3.70 million tons of feed per year. The business handles a balanced range feed for poultry, pigs, and cattle.	78.5%	84.6%
Aquatic feed business	Manufactures approximately 100,000 tons of aquatic compound feed per year with a production system centered around the Kitakyushu Aquatic Feed Factory, and sells feed throughout the country from Hokkaido to Okinawa. The Company is focusing on developing and selling next-generation aquaculture feed.	8.7%	11.5%
Food business	Manufactures products at affiliated companies related to meat processing (Feed One Foods, Yokohama Meat) and egg processing (Gold Egg, Magic Pearl), and sells products mainly to retailers and the food service industry.	12.9%	2.8%
Other	Includes the overseas business and the real estate leasing business * Net sales are not consolidated because overseas operations are accounted for by the equity method.	0.0%	0.2%

Source: Prepared by FISCO from the Company's financial results and integrated report

Business environment

Expectations for harnessing the Company's technological capabilities, because high production efficiency is required in livestock farming and fisheries industries

In the mid-2010s, the contraction of livestock farming and aquaculture industries was forecast amid Japan's population decline and increased imports of meat and fish products under the TPP agreement. However, over the past 10 years, the annual distribution volume of animal feed and aquatic feed was approximately 24.00mn tons and 600,000 tons, respectively, showing a stable trend for compound feed with some minor fluctuations. As a guide to the size of the compound feed market, Japan's annual rice consumption is approximately 7.00mn tons. While rice consumption continues to decline in Japan, domestic meat production volume is on the increase. This is likely due to growing meat demand among Japanese, inbound demand stemming from the increase in overseas visitors, and expanding wagyu exports, indicating that Japan's livestock farming is a solid industry.

Regarding aquaculture, cultured fish is attracting more attention amid trends like heightened health awareness and the popularity of conveyor belt sushi restaurants despite talk of Japanese eating less fish. Although the volume of caught fish is declining, demand for cultured fish is on the rise due to clearly recorded production history and stable supply. The number of companies engaging in land-based aquaculture is on the rise, with growing expectations of further market revitalization due to advantages such as reduced environmental impact and stable supply from areas closer to cities.

One of the main characteristics of compound feed is that food byproducts (byproducts of food manufacturing) are used as an ingredient. This is a core function of the food recycling loop and of interest as an important initiative toward realizing a resource recycling society.

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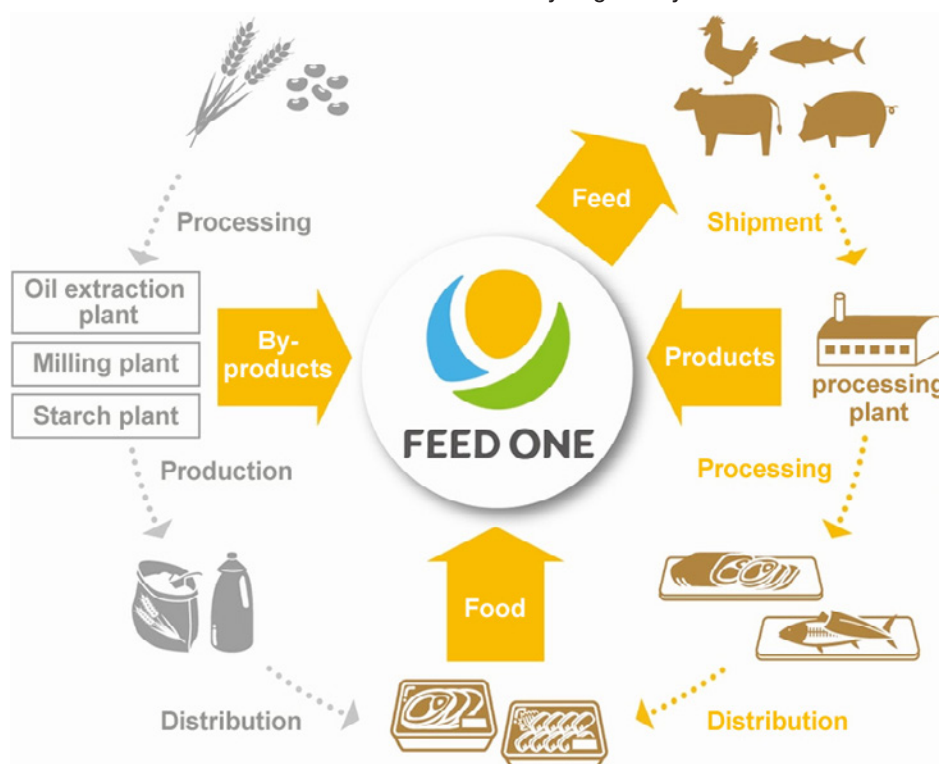
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Business environment

In this context, livestock farming and fisheries industries are pursuing high production efficiency and businesses are increasing in scale, just like manufacturing. For example, chicken production volume has increased over 30% in the past 20 years, yet the distribution volume of chicken feed has remained more or less the same. This means that chickens can grow on less feed, and a reflection of the sophisticated technologies required of compound feed manufacturers to achieve high production efficiency. This example illustrates the expectation for the Company to harness further the technological superiority of the Company's animal feed business and aquatic feed business.

Initiatives for a resource recycling society



Source: The Company's website

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Business overview

In the mainstay animal feed business, the Company strengthened all the functions of raw materials procurement, manufacture, development and sales. Has a market share of 15%

The Company has three business segments: the animal feed business, the aquatic feed business, and the food business. Each segment's business details and strengths are discussed below.

1. Animal feed business

In the animal feed business, the Company handles almost the entire process from procuring raw materials for compound feed to manufacturing and sales, and has strengths in each process.

(1) Processes and strengths

(a) Raw materials procurement

[Strength 1: Mitsui & Co. Group's global procurement network]

The Company's cost of goods sold accounts for approximately 90% of its net sales. Corn accounts for roughly half of the raw materials used in animal feed, followed by grains and soybean oil cake. Corn is mainly produced in the United States and Brazil, and is greatly affected by fluctuations in market prices, as well as foreign exchange rates and ocean freight rates. In terms of procurement, being part of the Mitsui & Co. Group provides the advantage of being able to secure sufficient quantities at the right time and price. Incidentally, in FY3/25, although the yen strengthened, the market was soft, causing the import price of corn to fall 12.2% compared to the year-earlier period. The sales price of animal feed fell 6.4% YoY after repeated price cuts and price increases.

(b) Manufacturing

[Strength 2: Stable supply and scale of products based on bolstering the production base]

In the animal feed business, 13 factories located nationwide from Hokkaido to Kyushu meet local demand, so a system of local production for local consumption is in place. The annual sales volume of 3.70 million tons corresponds to a market share of 15%, second only to JA Zen-Noh and the number one private company by a wide margin. In terms of sales volume composition ratio by animal type, it is a well-balanced ratio of over 30% each for cattle, chickens, and for pigs. One advantage of having a good balance is that even if an infectious disease (e.g. avian influenza) occurs in one animal type, other animal types can cover the loss to some extent. The manufacture of compound feed is a typical equipment-based industry, and it is easy to achieve economies of scale through large-scale equipment, and highly productive facilities are advantageous. The Company's manufacturing facilities include aging factories that are over 50 to 60 years old, but also include the state-of-the-art Kitakyushu Animal Feed Factory, which was completed in 2020. With a relatively large sales volume, the Company has the advantage of being able to produce at lower costs.

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(c) Product development / R&D

[Strength 3: Lineup of products underpinned by patented technologies]

The Company has three research laboratories and a well-established research and development system, and has a history of releasing highly differentiated products. It has launched products in response to changes in the market, such as “FIBEGEAR DROP,” a feed exclusively for milking robots in line with the digitalization of milking, and “Nori Nori Pork,” which addressed the issues of pigs with advanced breeding, and has obtained many patents. As well, the Company has been working on feed that addresses heat stress in livestock for over 10 years, increasing sales volume by matching its products to customer needs amid severe heat waves in recent years.

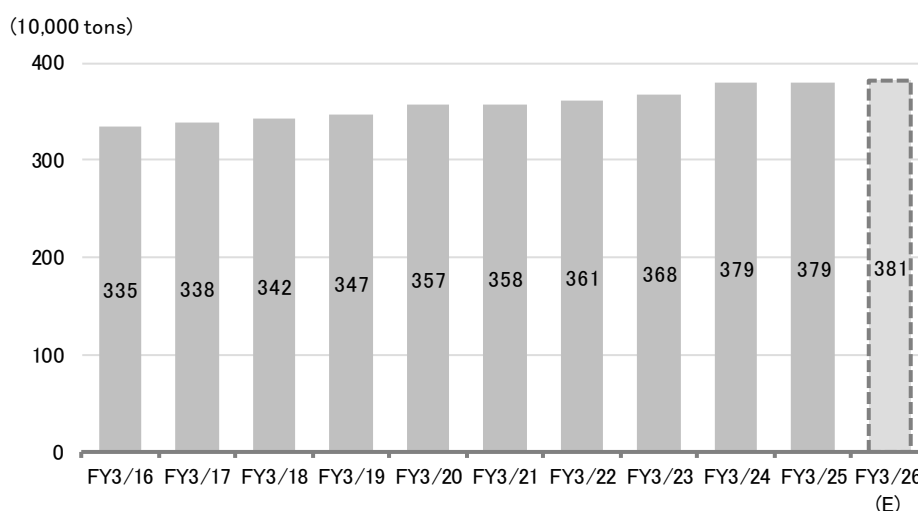
(d) Sales / prices

[Strength 4: The Company has established a system that allows it to grasp customer needs in detail by locating sales branches throughout Japan]

[Strength 5: Customer service utilizing the latest technologies such as cow genome analysis and raw milk fatty acid analyses]

The users of the Company’s products are farmers who raise chickens, pigs, and cattle. Some sales activities are carried out by staff from authorized dealers, but in general the Company’s staff at each branch office handle sales activities. The Company’s specialty is proposal sales and consulting sales, and it has a system in place whereby staff with expertise in each animal species can propose products that meet the needs of customers. The Company also works closely with research laboratories, and technical staff of the research laboratories often accompany sales staff on customer visits. Compound feed consulting that utilizes the latest technology from cow genome analysis and raw milk fatty acid analysis is a typical example of its attentive customer service. Regarding sales prices, since prices are revised quarterly in the animal feed industry, fluctuations in raw materials prices are reflected on sales prices.

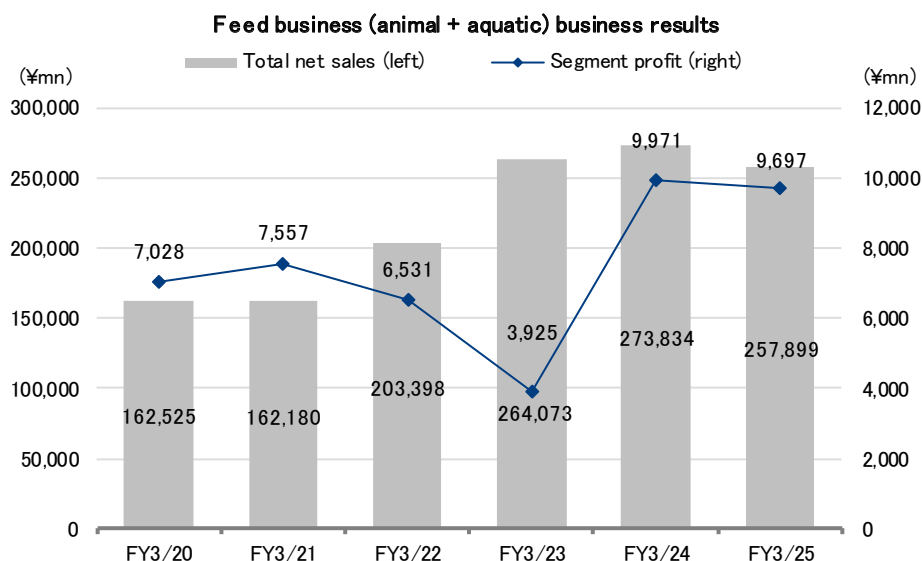
Feed sales volume (animal + aquatic)



Source: Prepared by FISCO from the Company's results briefing materials

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Business overview



Source: Prepared by FISCO from the Company's financial results

[Animal feed price revisions]

The selling prices of animal feed are revised quarterly to reflect the market price of corn, which is the main raw ingredient, ocean freight rates, foreign exchange rates, and other factors. JA Zen-Noh announces its price revision first, and compound feed manufacturers, including the Company, also make revisions. The amount of the revision varies by animal type and brand. The system of quarterly price revisions as an industry and customer understanding of this system can be said to provide a foundation for compound feed manufacturers to secure profits unless there are sudden changes in the environment. On the other hand, while keeping an eye on the revisions made by JA Zen-Noh, the price leader, making price revisions in line with raw materials price trends is the key to ensuring profits, so this is an important decision to make. Incidentally, in the aquatic feed industry, price revisions are made on an irregular basis by companies, and there are cases where there is a time lag in the revision of selling prices. The Company's animal feed sales price was reduced by ¥4,473 per ton compared to the previous quarter in the 3Q FY3/25 (JA Zen-Noh reduced it by approximately ¥4,850 per ton), and increased by ¥2,356 per ton in the 4Q FY3/25 (JA Zen-Noh increased it by approximately ¥2,750 per ton). The sales price fell 6.4% YoY (by ¥4,067 per ton) YoY in FY3/25 after repeated price cuts and increases.

Trend for raw materials price and sales price for animal feed



Source: The Company's results briefing materials

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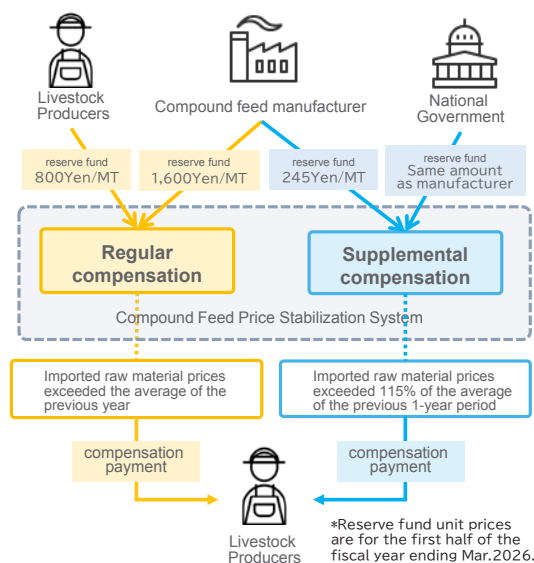
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Business overview

[Compound feed price stabilization system]

With respect to animal feed, in order to ease the drastic impacts on livestock producers from rapid rises in the price of imported raw materials, a compound feed price stabilization system has been established. In this system, livestock producers and compound feed manufacturers accumulate cash in a “regular compensation” reserve fund, while compound feed manufacturers and the national government accumulate cash in a “supplemental compensation” reserve fund to tap into during times when price spikes are unusually large and cannot be covered by regular compensation, and these reserve funds are used to make compensation payments to livestock producers. Both systems are activated when the quarterly raw materials price exceeds the average import price for the past year by a certain amount, and compensation is paid. The reserve funds paid into the system by compound feed manufacturers are allowed to be recorded as SG&A expenses, and increases or decreases in this amount affect the Company’s performance. The reserve funds paid into the system by compound feed manufacturers has risen to ¥1,821 per ton (¥1,425 in the same period last year). In addition, production volume has increased, so the reserve burden is trending higher. The amount the Company paid into the reserve funds in FY3/25 increased by ¥1,528mn YoY to ¥6,637mn. This amount is comparable to the operating profit for FY3/25 (¥6,343mn), which highlights the large impact it has. The reserve funds paid into the system by compound feed manufacturers is determined each fiscal year based on factors such as the reserve fund balance.

How the compound feed price stabilization system works



Source: The Company's results briefing materials (Japanese version)

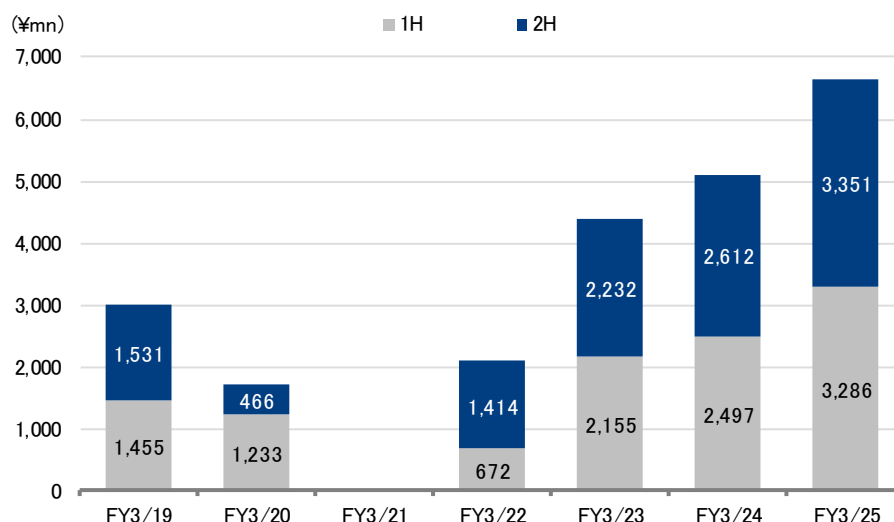
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Business overview

Compound feed price stabilization system reserves



Source: Prepared by FISCO from the Company's results briefing materials and annual securities report

2. Aquatic feed business

Strength 1: Stable production and supply system centered on Kitakyushu Aquatic Feed Factory

Strength 2: Cutting-edge research and development system centered around the Aquatic Research Center

Strength 3: Specialists in marine product sales assigned to each branch office and technical backup system

The business process of the aquatic feed business shares much in common with the animal feed business. The aquatic feed business purchases raw materials, produces compound feed and sells it to aquaculture producers across Japan. Fish meal, which accounts for approximately 40% of raw materials, is a resource dependent on natural supply. As a result, there are global concerns about issues like resource depletion and tight supply-demand conditions. These concerns create strong upward pressure on fish meal prices. The Company's Chita Factory and cutting-edge Kitakyushu Aquatic Feed Factory are responsible for aquatic feed production. In Japan's marine aquaculture market, the main fish species are red sea bream and yellowtail, with the Company excelling in feed for red sea bream. Madai DP Sustaina ZERO, an eco-friendly, fish meal-free feed for red sea bream, has been the Company's greatest hit product since its full integration, and its future development is worth watching closely. Sales volume in FY3/25 was 99,000 tons (compared to 110,000 tons in FY3/24), down 10.0% YoY. The main reason for the decrease in sales volume was a reduction in productivity of cultured fishes due to the impact of rising seawater temperatures. Although the Company manufactures and sells compound feed, it is also actively establishing livestock production technologies like promoting growth (compensatory growth), such as post-diet rebound after temporary feed restriction, and incorporating new ingredients. Its goal is business growth as a result of enhanced competence by establishing sustainable, next-generation aquaculture.

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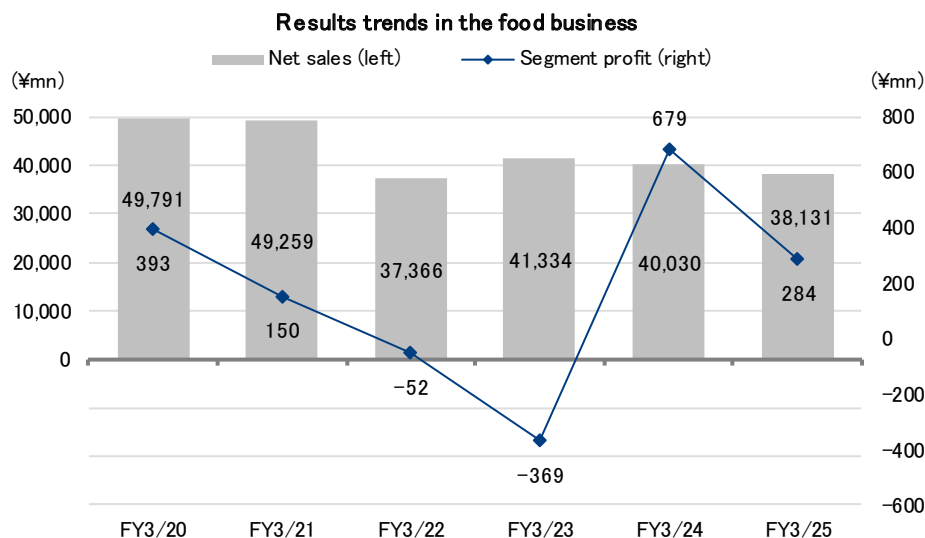
3. Food business

Strength 1: Safe and reliable foods that only feed manufacturers can deliver

Strength 2: Ability to supply products finely tailored to the needs of consumers as a packer with manufacturing bases in the areas of consumption

Strength 3: Capacity to develop high-quality specialty products in collaboration with livestock producers

The food business can trace its beginnings to the purchasing of animal products (poultry eggs, pork, etc.) primarily from buyers of compound feed. These purchased animal products and processed products are then sold to customers, such as retailers and the food service industry. Purchase prices are influenced by poultry egg market trends and wholesale prices of pork carcass, with profits more easily made during periods of declining prices. This is partly due to a time lag between changes in purchase prices and when those changes can be reflected in sales prices. In addition, Magic Pearl, a seasoned boiled egg product sold by a subsidiary of the Company, Magic Pearl Co., was launched in 1980, and has since become a long-selling product primarily sold at stores in train stations. With a change in consumers' attitude from making boiled eggs to buying them, the retail market has grown to around ¥3.0bn, roughly tripling since 2013. In this situation, continued growth is expected in the future with the completion of a new factory with expanded production capacity in March 2025.



Source: Prepared by FISCO from the Company's financial results

Results trends

Ordinary profit declined in FY3/25 despite improved gross profit of animal feed business due to increased expenses such as reserve funds for the compound feed price stabilization system, but final profit reaches record high on decreased tax burden

1. Overview of FY3/25 results

In terms of consolidated results for FY3/25, the Company posted a decrease in net sales of 5.7% YoY to ¥296,045mn, a decrease in operating profit of 18.1% to ¥6,343mn, a decrease in ordinary profit of 12.3% to ¥6,789mn, and an increase in profit attributable to owners of parent of 6.0% to the record high of ¥5,387mn,

In the mainstay animal feed business, sales decreased due to the average selling price of animal feed falling below the previous year. As for animal feed, net sales are strongly affected by quarterly price revision, so net sales are not an indicator of performance. Meanwhile, sales volume slightly surpassed the previous year by 0.2%, indicating that the business is doing well. Cost of sales in the animal feed business declined mainly due to a soft market price for corn, a raw material for compound feed, and other products, which led to an increase in gross profit. SG&A expenses increased due to factors such as an increase in the burden of reserve funds for the compound feed price stabilization system (an increase of ¥1,528mn), resulting in a 6.3% decline in segment profit for the animal feed business to ¥8,533mn. The aquatic feed business recorded a 4.3% YoY decline in net sales to ¥25,640mn due to lower sales volume because of factors such as cultivated fish productivity declines caused by higher seawater temperatures. However, segment profit was up 34.8% YoY to ¥1,164mn, because the earnings environment improved, including a higher average sales price than a year earlier. Net sales were down 4.7% YoY to ¥38,131mn and segment profit fell 58.1% to ¥284mn in the food business due to factors such as a rise in pork carcass prices.

Net sales, operating profit, and ordinary profit declined overall, because results of the mainstay animal feed business strongly influence companywide results. We note that profit attributable to owners of parent increased because of a decreased tax burden from bad debt losses resulting from liquidation of subsidiaries and affiliates and special deductions for corporate taxes due to wage taxation and other factors.

FY3/25 Consolidated results

	FY3/24		FY3/25		
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	313,875	100.0%	296,045	100.0%	-5.7%
Cost of sales	283,153	90.2%	264,171	89.2%	-6.7%
Gross profit	30,721	9.8%	31,874	10.8%	3.8%
SG&A expenses	22,972	7.3%	25,531	8.6%	11.1%
Operating profit	7,748	2.5%	6,343	2.1%	-18.1%
Ordinary profit	7,737	2.5%	6,789	2.3%	-12.3%
Profit attributable to owners of parent	5,084	1.6%	5,387	1.8%	6.0%

Source: Prepared by FISCO from the Company's financial results

Maintaining a sound financial base that will enable capital investments of approximately ¥60.0bn over the next six years

2. Financial position and management indicators

Total assets at the end of FY3/25 decreased ¥6,866mn from the end of the previous fiscal year to ¥124,172mn. Current assets decreased ¥8,119mn, mainly due to decreases of ¥8,617mn in notes and accounts receivable - trade. Non-current assets increased ¥1,252mn mainly due to the construction of the new plant of the subsidiary Magic Pearl.

Total liabilities declined ¥11,356mn to ¥68,825mn. Current liabilities declined ¥4,953mn, mainly reflecting an increase of ¥2,298mn in short-term borrowings, and a decrease of ¥5,253mn in notes and accounts payable - trade. Non-current liabilities decreased ¥6,404mn, mainly due to a decrease of ¥6,777mn in long-term borrowings. The balance of interest-bearing debt (the sum of short-term borrowings, long-term borrowings, and corporate bonds) decreased ¥4,479mn to ¥27,278mn. Net assets increased ¥4,490mn to ¥55,347mn, reflecting an increase in retained earnings, which was due to factors including the recording of profit attributable to owners of parent.

Regarding management indicators for FY3/25, the current ratio was 159.6% (compared to 160.0% at the end of FY3/24), while the equity ratio was 44.0% (compared to 38.4% at the end of FY3/24). Additionally, the Company has secured committed credit facilities. Therefore, the Company has a sound and stable financial base. The Company can be described as one of the few in its industry with the solid financial base needed to carry out the investments (approximately ¥60.0bn over six years) set forth in its medium-term management plan. Further, return on equity (ROE) at 10.3% exceeds its medium-term management plan target of 8% or over (cost of shareholder capital of 8%), which indicates highly efficient management.

Consolidated balance sheets and management indicators

	(¥mn)		
	FY3/24	FY3/25	Change
Current assets	88,204	80,085	-8,119
Cash and deposits	10,876	10,342	-534
Notes and accounts receivable - trade	51,829	43,211	-8,617
Non-current assets	42,834	44,086	1,252
Total assets	131,038	124,172	-6,866
Current liabilities	55,121	50,168	-4,953
Notes and accounts payable - trade	34,360	29,106	-5,253
Short-term borrowings	10,580	12,878	2,298
Non-current liabilities	25,060	18,656	-6,404
Long-term borrowings	21,178	14,400	-6,777
Total liabilities	80,182	68,825	-11,356
Total net assets	50,856	55,347	4,490
Total liabilities and net assets	131,038	124,172	-6,866
Stability			
Current ratio (current assets ÷ current liabilities)	160.0%	159.6%	-0.4pp
Equity ratio (shareholders' equity ÷ total assets)	38.4%	44.0%	5.6pp
Profitability			
ROE (net profit ÷ shareholders' equity)	10.7%	10.3%	-0.4pp
ROA (ordinary profit ÷ total assets)	6.0%	5.3%	-0.7pp
ROS (operating profit ÷ net sales)	2.5%	2.1%	-0.4pp

Source: Prepared by FISCO from the Company's financial results

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■ Outlook

Ordinary profit of ¥7,000mn (up 3.1% YoY) forecast in FY3/26

In its FY3/26 consolidated results, the Company expects an increase in sales and operating profit, with a 5.1% YoY increase in net sales to ¥311,000mn, a 7.2% increase in operating profit to ¥6,800mn, a 3.1% increase in ordinary profit to ¥7,000mn, and a 3.5% decrease in profit attributable to owners of parent to ¥5,200mn.

Turning to the operating environment, there is a risk of a downturn in animal feed demand caused by livestock producers reducing the number of livestock breeding farms or a temporary decrease in the number of livestock caused by disease, and a drop in aquatic feed demand because of the need to restrict feeding associated with high sea temperatures. However, we do not expect a large decline in compound feed distribution volume based on the outlook for brisk food demand, including inbound demand. While aware of risks such as supply uncertainties and price increases of compound feed raw materials associated with climate change and increased manufacturing cost due to rising energy prices, FISCO thinks profits will remain relatively stable, because the mainstay animal feed business can revise sales prices every quarter. We assume that the impact of U.S. tariffs on the Company is limited in the short term, because corn (the main feed ingredient) is exempt from tariffs, yen appreciation is positive for import prices, and sales prices are revised every three months.

Under these conditions, the Company launched its Medium-Term Management Plan 2026 starting in FY3/25. It seeks to realize the Purpose and Vision, enable its strengthened production structure and powerful sales network to work together, and harness its strengths to strengthen collaboration between businesses centered on the animal feed business and work toward sustained earnings improvement. These strengths include the ability to leverage economies of scale in raw material procurement, a financial base that allows aggressive capital investment, an R&D structure that utilizes global knowledge, and value enhancement through sales of livestock and marine products.

The Company expects higher sales and profit in the mainstay animal feed business on higher sales difference and sales volume, higher sales and profit on higher sales volume in the aquatic feed business, and higher sales and lower profit in the Food business on higher egg prices due to the impact of avian influenza. Given the industry characteristics of the animal feed business, where sales prices cannot be autonomously determined, FISCO is focusing on not only on the attainment of the ordinary profit target of ¥7,000mn but also other targets such as sales volume (3.81mn tons), EBITDA (¥11,200mn), ROE (9%), and ROIC (6%).

FY3/26 consolidated forecasts

	FY3/25		FY3/26		
	Results	vs. net sales	Forecast	vs. net sales	YoY
Net sales	296,045	100.0%	311,000	100.0%	5.1%
Operating profit	6,343	2.1%	6,800	2.2%	7.2%
Ordinary profit	6,789	2.3%	7,000	2.3%	3.1%
Profit attributable to owners of parent	5,387	1.8%	5,200	1.7%	-3.5%

Source: Prepared by FISCO from the Company's financial results

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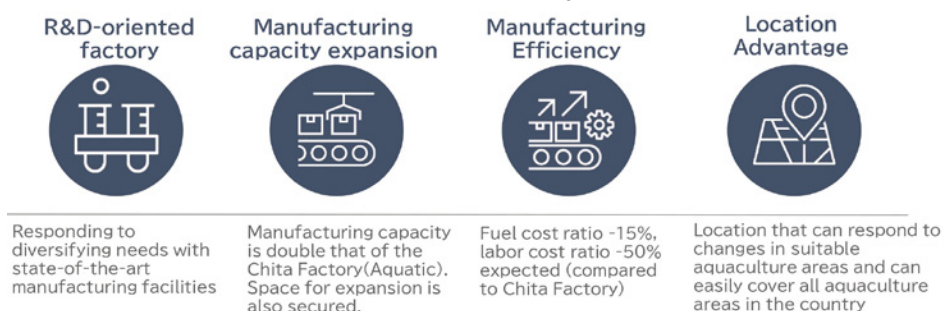
Began construction of new aquatic feed factory (total investment: ¥13.0bn) as part of plan to revamp and strengthen production structure set in the Medium-Term Management Plan

1. Construction plan for new Aquatic Feed Factory

Global fisheries production continues to increase, of which aquaculture accounts for over 50%. Fisheries production has peaked in Japan and the share of aquaculture, while trending up, is relatively small compared to other countries. Aquaculture, which offers stable domestic production, is likely to become a greater focus in Japan amid ongoing challenges such as the depletion of natural resources, shifts in fishing grounds caused by climate change, and biodiversity issues.

The Company announced in May 2025 its plan to build a new aquatic feed factory and acquired land. This investment is part of its Medium-Term Management Plan, which calls for capital investment of approximately ¥80.0bn over 10 years (¥60.0bn in the first six years). The operating environment of aquaculture in Japan is in flux due to issues such as rising sea temperatures and depletion of natural resources, which suggests that needs for compound feed will diversify. The Chita Factory is over 50 years old, with dated facilities and limited productivity. By building the new factory, the Company aims to strengthen its competitive edge and pursue cutting-edge R&D. The new Toyokawa Factory (tentative name) has a site area of approximately 27,000m², double the aquatic feed production capacity of the Chita Factory, and is expected to reduce fuel expenses by 15% and labor costs by 50% (compared to the Chita Factory). It will be an R&D-driven factory capable of manufacturing products that fulfill diversifying needs using the latest equipment. Its location makes it adaptable to changes in suitable areas for aquaculture (shift north from Shikoku and Kyushu areas due to rising sea temperatures) as well as being reasonably close to aquaculture areas around Japan. Construction is scheduled to be completed in April 2028 and the Company forecasts a 5pp increase in market share and twofold increase in EBITDA 10 years after this date. Following completion of the new factory, production of aquaculture feed will be relocated from the Chita Factory in stages, but production of animal feed will continue at the Chita Factory.

Roles of new factory



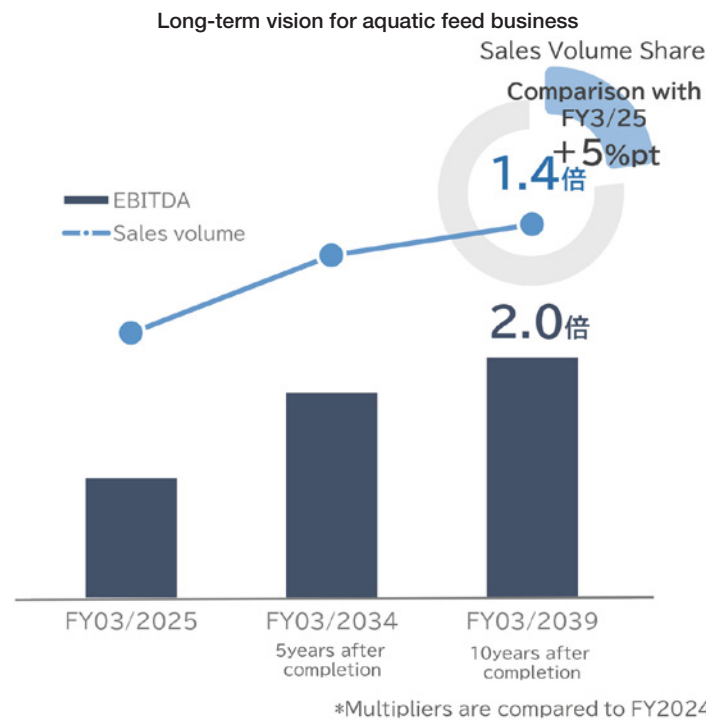
Source: The Company's results briefing materials

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Source: The Company's results briefing materials

2. Long-term vision

In March 2024, the Company established its long-term vision, which sets a course for the next 10 years. Over the last 10 years, the Company's main priority has been "the establishment of a business foundation through the integration of the two companies." During this decade, the Company grew to become a leading company in the feed industry.

Without becoming complacent with this success, the Company has adopted a new vision: "Committed to 'ONE,' striving to be the company of choice." The Company targets the following management indicators for FY3/34, 10 years from now: EBITDA of ¥16.0bn or more, ROE of 10% or more, ROIC of 8% or more, and a share of 20% or more of the animal feed market. The recovery of investment can take several decades given the characteristics of the feed industry, so only a few companies can make sufficient upfront investments. Against this backdrop, as a leading company in the feed industry, the Company will renew and enhance its production systems to realize a sustainable livestock and fisheries industry. Some of the Company's 14 factories face aging issues as they have been operating for more than 60 years. In an era when securing human resources is challenging, it is essential to invest in plant facilities using automation, labor-saving, energy efficiency and other advanced technologies. These investments will also contribute to the solution of environmental problems. Regarding the investment plan, the Company expects to invest around ¥60.0bn during the 6-year period from FY3/25 to FY3/30. The capital investment result for the previous medium-term management plan period averaged about ¥2.5bn per year. In contrast, the new investment plan calls for the Company to expand the amount of investment to an annual average of ¥10.0bn over the next 6 years. In the first 3 years (1st Stage), investments are expected to accelerate from the second half of this stage. The necessary funds will be generated primarily from operating cash flows. While maintaining financial discipline, the Company will also procure funds through interest-bearing debt, and enhance asset efficiency by optimizing its existing asset holdings.

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Long-term vision

The feed industry is an infrastructure business that supports a stable supply of domestic livestock and marine products and plays an important role in food recycling. As a leading company in the feed industry, we are Rebuilding of factory and renewal of manufacturing facilities to fulfill this role.



Source: The Company's medium-term management plan briefing materials

3. Medium-term management plan (FY3/25 to FY3/27) and its progress

The Company is currently implementing a medium-term management plan that runs from FY3/25 (the current fiscal year) to FY3/27, the final fiscal year. Based on how the Company's identifies phases, the plan corresponds to the 3 years covered by the 1st stage of Phase 2. Phase 2 covers a 10-year period (through FY3/34). The management indicators targeted by the Company for FY3/27 are EBITDA of ¥11.5bn (compared to an average of ¥8.2bn during the previous medium-term management plan period), ROE of 8% or more (compared to 7.2%), ROIC of 6% or more (compared to 4.7%), sales volume of 3.90 million tons (compared to 3.69 million tons), and total investment of ¥60.0bn (6 years, compared to a total of ¥7.4bn over 3 years during the previous medium-term management plan period). As reference values, the forecasts for FY3/27 are net sales of ¥327.2bn (¥288.3bn) and ordinary profit of ¥7.0bn (¥4.8bn). Looking at the plan as a whole, the Company's policy of steadily conducting capital investment and management with an awareness of the cost of capital have been reflected in the management indicators. After the first year of the plan, EBITDA was ¥10.5bn, with ROE of 10.3% (achieved), ROIC of 6.1% (achieved), sales volume of 3.79 million tons, and total investment of ¥4.9bn, which can be said to be steady progress.

ROIC has set as a new management indicator. The Company is working to increase the visibility of ROIC and has broken this indicator down to improvement activities in each business. For example, the Company has prioritized preventing the loss of sales opportunities by holding surplus inventories of products and raw materials. However, going forward, it will shift to an approach that optimizes inventory management for the entire Company. In these and other ways, proposals for improvement are starting to emerge from the front lines. In addition, the Company will continuously strengthen profitability by enhancing coordination between the aquatic feed and food businesses, centered on the animal feed business, to capture synergies. In the animal feed business, the Company will work to raise operating efficiency by enhancing coordination among sales, factories, and research centers, along with introducing Customer Relationship Management (CRM). The Company is targeting sales volume of 3.80 million tons in FY3/27 (3.68 million tons in FY3/24). In the aquatic feed business, the Company seeks to strengthen sales systems, end dependence on fish meal, and deepen its consulting services. It is targeting a sales volume of 1.15 million tons in FY3/27 (compared to 1.10 million tons in FY3/24). In the food business, the Company will work to capture synergies with the animal feed business, while developing and selling differentiated products that are not influenced by market prices, and establishing a sales scheme. In terms of finances, the Company intends to increase cash efficiency by introducing a Cash Management System (CMS).

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Medium-term management plan (FY3/25 to FY3/27) and its progress

		Average during the previous medium-term management plan	FY3/27 Target	FY3/25 (1st year)	
				Results	FISCO's evaluation
Management indicator	EBITDA	¥8.2bn	¥11.5bn	¥10.5bn	○ Steady progress
	ROE	7.2%	8% or more	10.3%	◎ Achieved
	ROIC	4.7%	6% or more	6.1%	◎ Achieved
	Sales volume	3.69 million tons	3.90 million tons	3.79 million tons	○ Steady progress
	Total investment	¥7.4bn (Total for FY3/22 to FY3/24)	¥60.0bn (Total for FY3/25 to FY3/30)	¥4.9bn	○ Steady progress
Reference values	Net sales	¥288.3bn	¥327.2bn	¥296.0bn	△ Not achieved
	Ordinary profit	¥4.8bn	¥7.0bn	¥6.7bn	○ Steady progress

Source: Prepared by FISCO from the Company's medium-term management plan briefing materials and hearing

4. Promoting R&D and product development

The Company has assigned more than 60 R&D personnel to four R&D centers and has been developing superior products for society. In addition, the Company is actively incorporating overseas technologies in cooperation with Japanese universities and research institutions, as well as the research institutions of grain majors, U.S. universities, and other partners. In the feed industry, the Company can be described as one of the few business enterprises that can make R&D investments on this scale. A notable result in the animal feed business is the planned release of a new dairy cattle feed product called luminous. It uses a groundbreaking recipe that is a solution to the difficult challenge of increasing milk production volume as well as optimizing milk composition. The Company has also been selling animal feed designed for hot summer weather for over a decade and has accumulated know-how on solving heat stress in dairy cows. I.C.E., a feed supplement for dairy cows during hot summer weather, went on sale as a way to maintain dairy production during heat waves. I.C.E. sales have increased every year and the product marked a record high in sales volume in FY3/25. These high value-added products make a modest contribution to earnings individually, but have a positive effect on profitability improvement. The ability to create synergies between research, manufacturing, and sales over many years for a steady increase in earnings capability is one of the Company's strengths.

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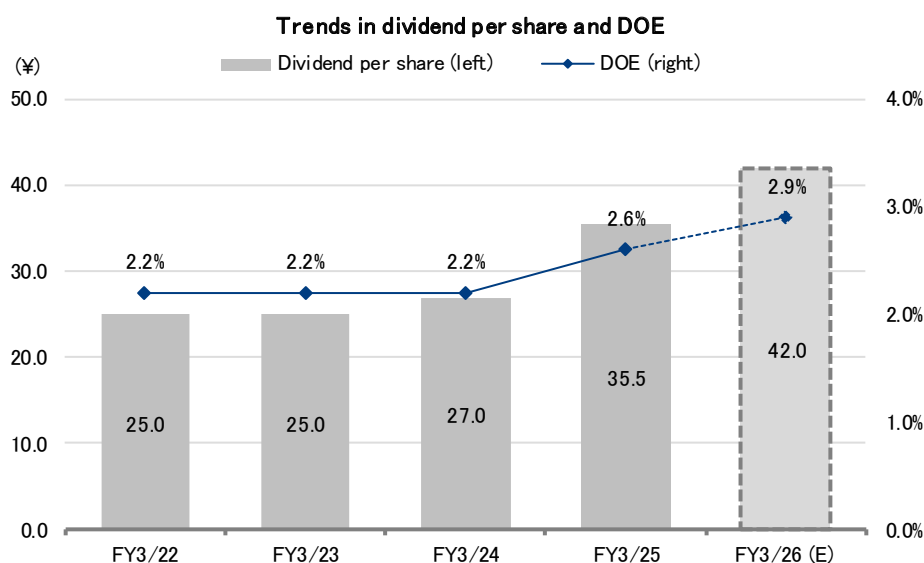
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Shareholder returns policy

New progressive dividend policy targets DOE of 3%. Plans ¥6.5 increase in annual dividend to ¥42.0 in FY3/26, including commemorative dividend

In FY3/26, the Company changed its dividend policy. Its new basic policy is to enhance internal reserves to strengthen the financial base, which is the foundation of its long-term development, and pay progressive dividends targeting a consolidated dividend on equity ratio (DOE) of 3%. The Company has effectively had a progressive dividend policy, but made its intention of continuing with it clear by stating it in its dividend policy. By using consolidated DOE instead of the consolidated dividend payout ratio (targeting 25%), which can be affected by temporary earnings fluctuations, it seeks stable shareholder returns while enhancing medium- to long-term returns.

In FY3/25, the annual dividend was ¥35.5 per share (comprising an interim dividend of ¥14.5 and year-end dividend of ¥21.0) and a payout ratio of 25.2%. In FY3/26, the Company plans a ¥6.5 per share increase in annual dividend to ¥42.0 (¥16.0 interim, ¥5.0 interim commemorative dividend, and ¥21.0 period-end) and DOE of 2.9%. The commemorative dividend is to mark the 10th anniversary of the full merger. We at FISCO expect the Company to continue paying stable dividends while raising the dividend amount.



Note: Dividend per share in FY3/26 of ¥42.0 includes a ¥5.0 commemorative dividend.

Source: Prepared by FISCO from the Company's results briefing materials

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