COMPANY RESEARCH AND ANALYSIS REPORT

FEED ONE CO., LTD.

2060

Tokyo Stock Exchange Prime Market

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Contents

Summary

Focus on profitability yielded record-high profit in FY3/26 despite a sales decline due to lower sales prices

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 animal feed, the Company has a market share of roughly 15%, second only to the National Federation of Agricultural Cooperative Associations (hereafter, "JA Zen-Noh"). The Company got off the ground in 2015 through the merger of three companies, with FEED ONE HOLDINGS CO., LTD., which was jointly established by Kyodo Shiryo Co., Ltd. and Nippon Formula Feed Mfg. Co., Ltd. in 2014, as its foundation. Kyodo Shiryo 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 Company's three business segments are the animal feed business, the aquatic feed business and the food business.

1. Overview of FY3/26 results

In its FY3/26 consolidated results, the Company posted its highest profit on record for each level of profit, with a 1.8% year on year (YoY) decrease in net sales to ¥290,675mn, a 27.6% increase in operating profit to ¥8,091mn, a 26.9% increase in ordinary profit to ¥8,612mn, and an 18.4% increase in profit attributable to owners of parent to ¥6,377mn. In the Company's mainstay animal feed business, sales declined due largely to the sales volume and average sales price of animal feed falling below those of the previous fiscal year. Profitability at the gross profit level improved due to the implementation of price revisions reflecting trends in raw material prices and thorough profitability management. With increases in sales, general, and administrative (SG&A) expenses also controlled, operating profit recorded double-digit growth. By segment, the animal feed business made a significant contribution to profit, and improvements progressed in the aquatic feed business as well.

2. FY3/27 forecasts

In its FY3/27 consolidated results, the Company expects an increase in sales as well as record high profit for each level of profit once more, with a 9.1% YoY increase in net sales to ¥317,000mn, a 5.1% increase in operating profit to ¥8,500mn, a 2.2% increase in ordinary profit to ¥8,800mn, and a 1.9% increase in profit attributable to owners of parent to ¥6,500mn. Demand is expected to remain firm, and although costs are on an upward trend, a significant impact on profitability is not anticipated due to prices being revised every quarter. By segment, in its mainstay animal feed business, the Company will promote sales expansion centered on differentiated products, including products that address heat stress in livestock, resulting in an increase in sales and profit. In its aquatic feed business, it will promote expansion of fish meal-free feed and low fish meal feed to yield an increase in sales and profit. In the food business, efforts to strengthen the earnings structure undertaken in the previous fiscal year will contribute to an increase in sales and profit. The Company therefore expects increases in sales and profit across all three segments. Despite the uptrend in raw material prices, the Company can be positively recognized as inflation-resilient, as it can be projected to produce increases in sales and profit even in a challenging environment with its differentiated products, procurement capabilities, and proposal-based sales capabilities.

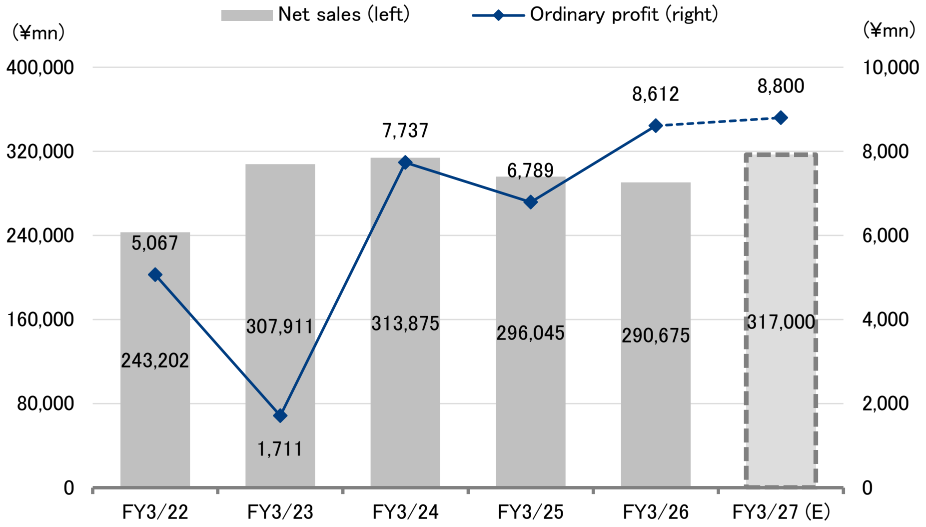
3. Topics

The Company will accelerate a shift in its business model from a volume-driven model to an additional value- and solution-based model. To date, the Company has continued to earn a solid reputation for pioneering initiatives driven by its R&D capabilities. However, it will further shift gears with a heightened sense of urgency. Underlying factors include higher costs caused by soaring prices for grain, fish meal, and energy and concerns about market contraction stemming from the spread of livestock diseases and soaring livestock product prices. In the traditional high-volume, low-margin capital-intensive industry, there is a risk of being unable to secure earnings amid fluctuations in these external conditions. As drivers to achieve the shift in its business model, the Company will strengthen solution-providing capabilities with products and technologies aimed at creating value and resolving issues, and establish a stable supply model by optimizing supply chains.

Key Points

- Prioritized profitability and posted record-high profit in FY3/26 despite a sales decline due to lower sales prices in response to trends in raw material prices
- Forecasting record high profit once more for FY3/27. Expects ordinary profit of ¥8,800mn
- Will accelerate the shift to an additional value- and solution-based model
- Strengthening shareholder returns through a new dividend policy that targets a DOE of 3%. Planning a dividend of ¥52.0 for FY3/27, a YoY increase of ¥6.5

Results trends



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 2 companies

1. Company profile and history

The Company manufactures and sells compound feed, which is essential in the production of livestock and marine products such as meat, fish, eggs, and milk. Its market share of sales volume for animal feed is roughly 15%, second only to JA Zen-Noh. The Company got off the ground in 2015 through the merger of three companies, with FEED ONE HOLDINGS, which was jointly established by Kyodo Shiryo and Nippon Formula Feed Mfg. in 2014, as its foundation. Kyodo Shiryo 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 aquatic market due to the TPP agreement and population decline.

The Company made proactive investments such as opening the Kitakyushu Factory (now the Kitakyushu Aquatic Feed Factory) in 2017 and the Kitakyushu Animal Feed Factory in 2020, thereby solidifying its dominance in the industry through highly productive and efficient processes. The Company has factories and sales branches nationwide and has established supply systems for each area. The Company also focuses on research and development, and is leading technological development in the industry while leveraging its network of overseas companies and universities. 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. As of the end of March 2026, the Company had 16 consolidated subsidiaries and 935 employees. Mitsui & Co., Ltd. <8031> is the largest shareholder, and the Company works closely with Mitsui & Co., Ltd., mainly on the procurement of raw materials for compound feed.

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 10 years from FY3/25. Its established purpose is to “Feed the world for the future, lives and smiles,” a clear acknowledgment that the Company is part of the social infrastructure supporting the supply of Japanese-made animal protein. The Company’s vision is “Committed to ‘ONE,’ striving to be the company of choice,” which expresses the Company’s pride and responsibility as a leading company in the feed industry. The Company also plans capital investment of approximately ¥80.0bn during the 10 years from the start of the Medium-Term Management Plan. Efforts are currently underway that include the construction of a new aquatic feed factory (Toyokawa Factory; tentative name), with planned total investment of ¥13.0bn.

Company history

Month/Year	History
March 2014	Kyodo Shiryo 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 Shiryo conclude an absorption-type merger agreement
October 2015	FEED ONE HOLDINGS, Kyodo Shiryo 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 –”
April 2025	The Company absorbed Tomakomai Feed Co., Ltd. and Tohoku Shiryo Co., Ltd., and established the Tomakomai Factory and the Hachinohe Factory

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 3.63 million tons of feed per year. The business handles a balanced range of compound feed for poultry, pigs, and cattle. While the annual distribution volume of animal feed has remained flat, the Company has largely grown its sales volume in the decade following its integration. In FY3/26, the animal feed segment accounted for 77.0% of the Company’s total net sales and 86.3% of segment profit, making it the Company’s core business.

The aquatic feed business manufactures and sells approximately 100,000 tons of feed per year with a production system centered around the Kitakyushu Aquatic Feed Factory, accounting for a market share of approximately 18%. 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 a leading product of the Company. In FY3/26, the aquatic feed business accounted for 8.6% of the Company’s total net sales and 12.0% of its segment profit, a relatively low ratio due to the difference in market size between the aquatic feed and animal feed businesses. At the same time, with expectations for market expansion driven by the rise of land-based aquaculture and exports of farmed yellowtail, this is a business with strong growth potential going forward.

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. In FY3/26, although it accounted for relatively low ratios at 14.5% of the Company’s total net sales and 1.4% of its segment profit, this business has added value unique to a compound feed manufacturer and an advantage in traceability by being responsible for upstream and downstream operations.

Segment overview

Segment	Overview	Composition ratio (FY3/26)	
		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 3.63 million tons of feed per year. The business handles a balanced range of feed for poultry, pigs, and cattle.	77.0%	86.3%
Aquatic feed business	This business manufactures and sells approximately 100,000 tons of feed per year with a production system centered around the Kitakyushu Aquatic Feed Factory. It focuses on developing and selling next-generation aquaculture feed in the form of fish meal-free feed, low fish meal feed, and insect protein feed.	8.6%	12.0%
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.	14.5%	1.4%
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%	0.3%

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

Business environment

With the potential for increased demand for domestically produced livestock and marine products, expectations for compound feed manufacturers are rising

In the mid-2010s, the domestic livestock and aquaculture industries were expected to contract due to factors such as an increase in imported livestock and marine products following the conclusion of the TPP agreement and decreasing demand for food resulting from the population decline. However, over the past 10 years, the annual distribution volume of animal feed and aquatic feed was approximately 24.0 million tons and 600,000 tons, respectively, showing a stable trend for compound feed despite some minor fluctuations. As a guide to the size of the compound feed market, Japan's annual rice consumption is approximately 7.0 million tons. While this domestic rice consumption continues to decline, demand for domestically produced animal products 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 the fact that Japanese people are 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. In addition, the popularity of Japanese cuisine such as sushi is accelerating, particularly in the US and Taiwan. Collaboration between the public and private sector in promotional activities is also providing support, and among other products, the export volume of farmed yellowtail is increasing every year.

Concerns over the procurement of imported livestock and marine products are also leading to a potential increase in demand for domestically produced livestock and marine products. Japan's supply of livestock and marine products, excluding eggs and raw milk, is heavily dependent on imports due to a low self-sufficiency rate. On the other hand, concerns have arisen regarding the surge in import prices due to depreciation of the yen, restrictions on production volumes in foreign countries to reduce environmental impact, and import regulations resulting from strengthened quarantine measures to prevent livestock diseases, all of which are expected to increase demand for domestically produced livestock and marine products.

One of the main characteristics of compound feed is that food byproducts (for example, bran generated during the wheat flour milling process) are used as raw materials. This is a core function of the food recycling loop and plays a key role in a resource recycling society as well.

In this context, similar to the manufacturing sector, the livestock farming and aquatic industries are pursuing high production efficiency and businesses are increasing in scale. For example, chicken production volume has increased over 30% in the past 20 years, yet the distribution volume of poultry feed has remained more or less the same. This means that chickens can grow on less feed in line with breeding improvements and enhanced feed quality, and reflects the sophisticated technological capabilities required of compound feed manufacturers in order to achieve high production efficiency in the future as well. This example illustrates the expectation for the Company to harness further the superiority in technological capabilities of the Company's animal feed business and aquatic feed business.

Business overview

Business model integrating large-scale infrastructure and an R&D-oriented manufacturer

1. Business model

The Company's business model contains aspects of a capital-intensive industry based on large-scale infrastructure and aspects of a manufacturer that differentiates its products and services through R&D. The Company has manufacturing sites placed across Japan and operates a business of local production for local consumption that supplies products to surrounding areas with each of those sites serving as a hub. In terms of such a structure that ensures stable, region-based supply, the business model of compound feed manufacturers has qualities similar to those of infrastructure operators, examples being electric power and gas utilities. The Company also has characteristics that resemble energy-related companies in that it can set selling prices linked to raw material prices. As an R&D-oriented manufacturer, the Company leads the industry in various areas, including the development of products that address heat stress in livestock, the provision of dairy cow genome analysis services, and the development of fish meal-free feed and low fish meal feed. In particular, the likes of dairy cows and breeding livestock, with their long rearing periods, and newborn livestock require high-quality, functional compound feed, making this a field in which the Company's differentiated products have a strong presence. In this respect, the Company exhibits aspects that resemble food, chemical, and agrochemical manufacturers with strengths in R&D. On the other hand, feed for growing livestock is commoditized due to its primary purpose being to supply calories. As such, it tends to be subject to price competition. The Company has also established cost competitiveness in this field by making proactive capital investment in state-of-the-art manufacturing equipment while leveraging economies of scale from its high market share.

2. Animal feed business

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

(1) Raw material procurement

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

The Company's cost of goods sold comprises approximately 80% of its net sales. Corn accounts for roughly half the raw materials used in animal feed, followed by other grains—including wheat—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. In FY3/26, the Company's animal feed sales prices declined YoY, reflecting the impact of lower prices of corn, its primary raw material, on the Chicago market due to an increase in planted acreage and expectations for a bumper crop.

(2) Manufacturing

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

In the animal feed business, 13 production plants located nationwide from Hokkaido to Kyushu meet local demand, so a system of local production for local consumption is in place. The Company's annual sales volume of approximately 3.63 million tons represents a market share of roughly 15%. The sales volume composition ratio by animal type is well-balanced at over 30% each for cattle, pigs, and chickens. One advantage of having a good balance is that even if an infectious disease occurs in one animal type, other animal types can cover the loss to some extent. The manufacture of compound feed is a typical capital-intensive industry, and it is easy to achieve economies of scale through large-scale equipment, with highly productive facilities being advantageous. Some of the Company's production facilities are more than 50 years old, and addressing aging equipment is a key issue. As such, the Company is making proactive investments, such as opening the state-of-the-art Kitakyushu Animal Feed Factory in 2020. With a relatively large sales volume, the Company has the advantage of being able to produce at lower costs. With only a limited number of companies in the industry able to make proactive investments in high-productivity equipment, the Company's competitive advantage is expected to grow further.

(3) R&D

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

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

(4) Sales

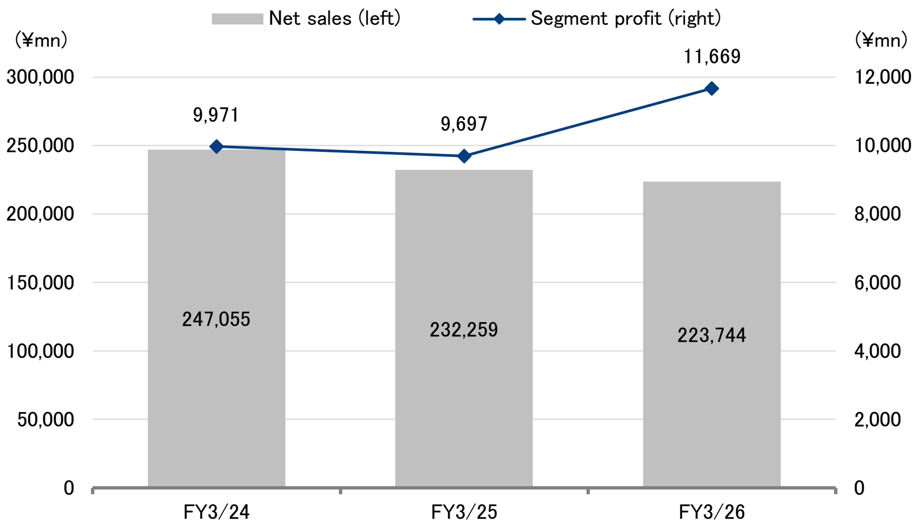
[Strength 4: The Company has established a system that allows it to grasp customer needs in detail by locating sales branches throughout Japan]

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

Customers for 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 with dairy cow genome analysis and raw milk fatty acid composition analysis is a typical example of its attentive customer service.

Regarding sales prices, in the animal feed industry, prices are revised every quarter in accordance with trends in raw material prices. While a time lag may occur, the industry structure makes it relatively easy to secure margins. In FY3/26, with costs remaining soft, the average sales price was lower than that of the previous fiscal year, and sales volume edged down slightly. These factors caused net sales to decline. Meanwhile, by thoroughly implementing profitability-focused sales, the Company achieved record-high segment profit. ROIC was 13.3% in FY3/26, up 2.7 percentage points (pp) YoY, demonstrating improved capital efficiency driven by the Company's profitability-focused sales efforts.

Animal feed business results trends



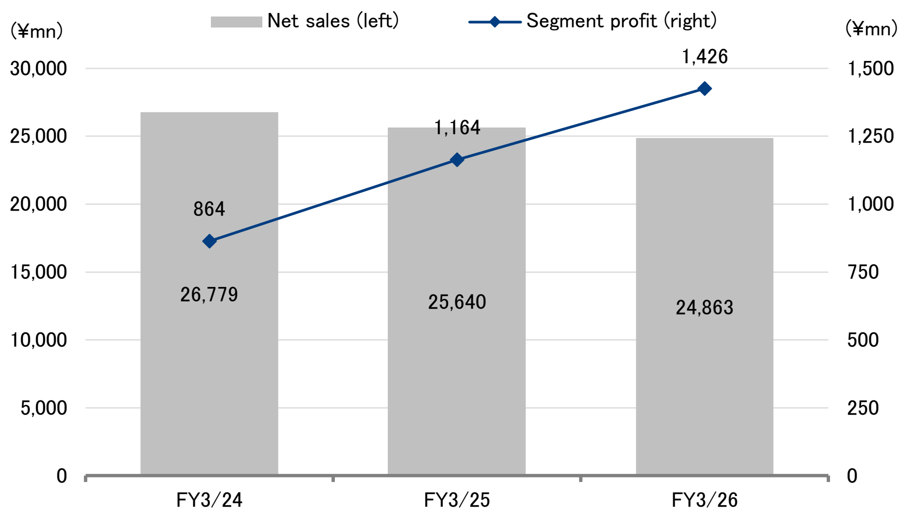
Source: Prepared by FISCO from the Company's financial results

3. 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]

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 dependent on natural resources. As a result, there are global concerns about issues like resource depletion and the pressure on supply and demand. 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 a leading product for the Company since the integration. This product's future development is worth watching closely. In FY3/26, the Company experienced a sales decline under the impact of lower sales volume largely caused by high sea temperatures and a reduction in the number of cultured fish, as well as factors that included the average sales price falling below the level of the previous fiscal year. However, its profitability improved due in large part to lower raw material prices and thorough profitability management. Although the Company manufactures and sells feed, it is also proactively working to establish its own breeding technologies and adopt new raw materials. For example, it has a compensatory growth technique with which weight gain is anticipated similar to that of a post-diet rebound by temporarily restricting feeding. The Company's competitive advantage could be said to lie in its efforts to realize sustainable next-generation aquaculture. In terms of ROIC, it was 6.6% in FY3/26, down 2.1pp YoY. However, this reflects the impact of investment in the new aquatic feed factory currently under construction (approximately ¥7.0bn). Excluding this, ROIC would be 12.1%, indicating steady improvement.

Aquatic feed business results trends



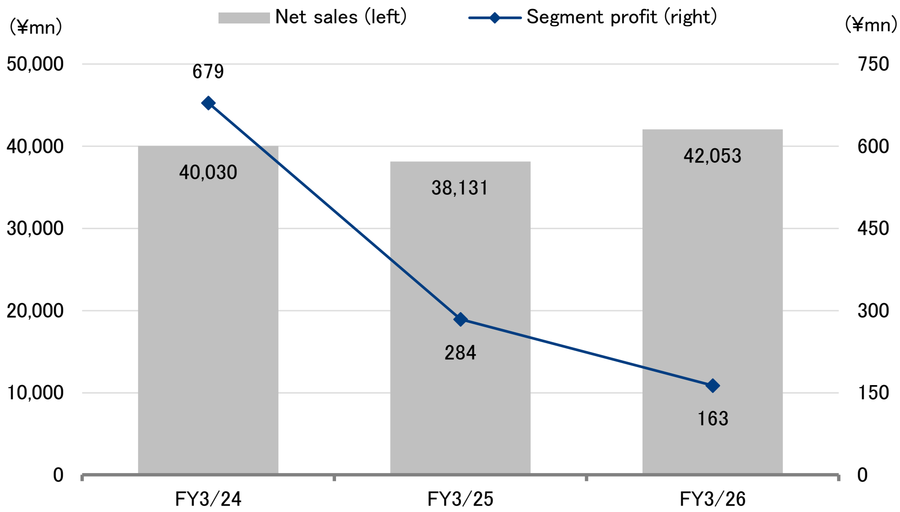
Source: Prepared by FISCO from the Company's financial results

4. Food business

[Strength 1: Safe and reliable foods that only compound 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]

The food business can trace its beginnings to the purchasing of animal products (poultry eggs, pork, etc.) from buyers of compound feed. This business involves selling purchased animal products and processed products to major mass retailers and the food service industry, and the Company has established a strong position as a supplier, capturing a high market share at major mass retailers. While purchase prices are based on the daily market prices for poultry eggs and pork carcasses, depending on the customer, there may be a time lag in price fluctuations being reflected in sales prices, making it easier to generate profit when the market declines. In addition, Magic Pearl, a seasoned boiled egg product sold by a subsidiary of the Company, Magic Pearl Co., Ltd., was launched in 1980, and has since become an enduringly popular product primarily sold at stores in train stations. With a change in consumer attitudes from making boiled eggs to buying them, the market has grown considerably. Under these circumstances, continued growth is expected in the future after a new factory with expanded production capacity began operating in March 2025. In terms of ROIC, it was 2.2% in FY3/26, down 1.5pp YoY. Structural reforms continue to be implemented.

Food business results trends



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

Results trends

Profitability improved due to the implementation of price revisions reflecting trends in raw material prices and thorough profitability management

1. Overview of FY3/26 results

In its FY3/26 consolidated results, the Company posted its highest profit on record for each level of profit, with a 1.8% YoY decrease in net sales to ¥290,675mn, a 27.6% increase in operating profit to ¥8,091mn, a 26.9% increase in ordinary profit to ¥8,612mn, and an 18.4% increase in profit attributable to owners of parent to ¥6,377mn.

In the Company's mainstay animal feed business, net sales decreased 3.7% YoY to ¥223,744mn due largely to the sales volume and average sales price of animal feed falling below those of the previous fiscal year. The decrease in sales volume was largely attributable to external factors such as a reduction in the number of animals raised due to heat stress and disease, as well as the impact of reviewing unprofitable sales. Cost of sales decreased, mainly due to the market for corn, a raw material for compound feed in the animal feed business, trending steadily at low levels. Profitability at the gross profit level improved due to the implementation of price revisions reflecting trends in raw material prices and thorough profitability management, increasing 6.2%. Growth in SG&A expenses was controlled, remaining essentially flat YoY (up slightly). Operating profit posted a double-digit increase. Segment profit in the animal feed business increased 20.0% to ¥10,243mn, contributing greatly to company-wide operating profit. In the aquatic feed business, sales volume decreased due to factors that include high sea temperatures, a decline in the number of cultured fish, and a review of unprofitable sales. As a result, net sales decreased 3.0% to ¥24,863mn. Meanwhile, the profit environment improved due to factors such as lower raw material prices and profitability-focused sales, resulting in segment profit increasing 22.6% to ¥1,426mn. In the food business, net sales increased 10.3% to ¥42,053mn, while segment profit decreased 42.4% to ¥163mn due largely to higher procurement costs as well as increased depreciation accompanying the start of operations at Magic Pearl Co., Ltd.'s new plant.

FY3/26 consolidated results

(¥mn)

	FY3/25		FY3/26		
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	296,045	-	290,675	-	-1.8%
Cost of sales	264,171	89.2%	256,828	88.4%	-2.8%
Gross profit	31,874	10.8%	33,847	11.6%	6.2%
SG&A expenses	25,531	8.6%	25,755	8.9%	0.9%
Operating profit	6,343	2.1%	8,091	2.8%	27.6%
Ordinary profit	6,789	2.3%	8,612	3.0%	26.9%
Profit attributable to owners of parent	5,387	1.8%	6,377	2.2%	18.4%

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 FY3/26 increased ¥8,847mn from the end of the previous fiscal year to ¥133,020mn. Current assets decreased ¥1,613mn, mainly reflecting a decrease of ¥1,818mn in raw materials and supplies. Non-current assets increased ¥10,461mn due to a ¥7,356mn increase in construction in progress associated with construction of the new aquatic feed factory.

Total liabilities increased ¥1,809mn from the end of the previous fiscal year to ¥70,634mn. Current liabilities decreased ¥7,671mn, mainly reflecting a decrease of ¥11,584mn in short-term borrowings. Non-current liabilities increased ¥9,480mn, mainly due to an increase of ¥8,925mn in long-term borrowings. The balance of interest-bearing debt (the sum of short-term borrowings and long-term borrowings) decreased ¥2,658mn to ¥24,620mn. Total net assets increased ¥7,038mn to ¥62,385mn, mainly 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 FY3/26, the current ratio was 184.7% (159.6% at the end of FY3/25), while the equity ratio was 46.4% (44.0%). Because the Company has secured committed credit facilities, it also 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. Moreover, cash flows from operating activities reached ¥17,090mn, a record high.

Consolidated balance sheets and management indicators

(¥mn)

	End of FY3/25	End of FY3/26	Change
Current assets	80,085	78,472	-1,613
Cash and deposits	10,342	11,138	796
Notes and accounts receivable - trade, electronically recorded monetary claims - operating	47,648	46,984	-664
Raw materials and supplies	16,451	14,633	-1,818
Non-current assets	44,086	54,547	10,461
Construction in progress	648	8,004	7,356
Total assets	124,172	133,020	8,847
Current liabilities	50,168	42,497	-7,671
Notes and accounts payable - trade	29,106	31,060	1,953
Short-term borrowings	12,878	1,294	-11,584
Non-current liabilities	18,656	28,136	9,480
Long-term borrowings	14,400	23,326	8,925
Total liabilities	68,825	70,634	1,809
Total net assets	55,347	62,385	7,038
Total liabilities and net assets	124,172	133,020	8,848
Stability			
Current ratio (current assets ÷ current liabilities)	159.6%	184.7%	25.0pp
Equity ratio (shareholders' equity ÷ total assets)	44.0%	46.4%	2.4pp
Profitability			
ROE (net profit ÷ shareholders' equity)	10.3%	11.0%	0.7pp
ROA (ordinary profit ÷ total assets)	5.3%	6.7%	1.4pp
ROS (operating profit ÷ net sales)	2.1%	2.8%	0.7pp

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

Outlook

Forecasting record high profit once more for FY3/27

In its FY3/27 consolidated results, the Company expects an increase in sales as well as record high profit for each level of profit once more, with a 9.1% YoY increase in net sales to ¥317,000mn, a 5.1% increase in operating profit to ¥8,500mn, a 2.2% increase in ordinary profit to ¥8,800mn, and a 1.9% increase in profit attributable to owners of parent to ¥6,500mn.

Turning to the operating environment, declines in the number of livestock breeding farms and in herd and flock sizes and a downturn in demand stemming largely from heat stress and livestock diseases in the livestock sector as well as demand contraction caused largely by feeding restrictions under high sea temperatures in the aquatic sector, together with assumptions of higher resource and logistics costs and supply uncertainties for feed ingredients amid climate change and geopolitical risks, suggest that the environment will remain uncertain. Nevertheless, the fundamental demand underpinning the supply of food is expected to remain resilient, and there is not expected to be a significant decline in feed distribution volume. While there are risks—for example, the situation in the Middle East, price increases for animal feed raw materials associated with climate change and other factors, and increased manufacturing costs due to rising energy prices—FISCO thinks profits will remain relatively stable in its mainstay animal feed business given the forecast increase in U.S. corn production this season and the industry's practice that prices are revised every quarter.

Against this backdrop, in FY3/25, the Company started its Medium-Term Management Plan, of which FY3/27 will be the final fiscal year. Under that plan, the Company seeks to realize its Purpose and Vision, enable its strengthened production system and powerful sales network to collaborate, and harness its strengths to improve collaboration between businesses—with a focus on the animal feed business—while working 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.

By segment, in its mainstay animal feed business, the Company will promote sales expansion centered on differentiated products, including products that address heat stress in livestock, resulting in an increase in sales and profit. In its aquatic feed business, it will promote expansion of fish meal-free feed and low fish meal feed to yield an increase in sales and profit. In the food business, efforts to strengthen the earnings structure undertaken in the previous fiscal year will contribute to an increase in sales and profit. The Company therefore expects increases in sales and profit across all three segments. Despite the uptrend in raw material prices, the Company is considered inflation-resilient, as differentiated products, procurement capabilities, and proposal-based sales capabilities point to higher sales and profits even in a challenging environment.

FY3/27 consolidated forecasts

(¥mn)

	FY3/26		FY3/27		
	Results	vs. net sales	Forecast	vs. net sales	YoY
Net sales	290,675	100.0%	317,000	100.0%	9.1%
Operating profit	8,091	2.8%	8,500	2.7%	5.1%
Ordinary profit	8,612	3.0%	8,800	2.8%	2.2%
Profit attributable to owners of parent	6,377	2.2%	6,500	2.1%	1.9%

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

Topics

Will accelerate the shift to an additional value- and solution-based model

1. Shift in business model

The Company will accelerate a shift in its business model from a volume-driven model to an additional value- and solution-based model. To date, the Company has continued to earn a solid reputation for pioneering initiatives driven by its R&D capabilities. However, it will further shift gears with a heightened sense of urgency. Underlying factors include higher costs caused by soaring prices for grain, fish meal, and energy and concerns about market contraction stemming from the spread of livestock diseases and soaring livestock product prices. In the traditional high-volume, low-margin capital-intensive industry, there is a risk of being unable to secure earnings amid fluctuations in these external conditions. As drivers to achieve the shift in its business model, the Company will strengthen solution-providing capabilities with products and technologies aimed at creating value and resolving issues, and establish a stable supply model by optimizing supply chains. For the livestock farmers and aquaculture operators who make up the Company's customers, it is common to do business with multiple suppliers to ensure stable procurement of feed. One could therefore say that it is only natural for them to include the Company, which excels in technological capabilities and supply capacity, among their suppliers. Regarding sales volume, it is important to ensure an appropriate level alongside providing added value. A steady increase in sales volume as well is the likely result of doing so. As specific rollout examples, in the animal feed business, the Company will expand sales of products that address heat stress in livestock, improve profitability, and make investments in plant equipment for calf milk replacers (powdered milk for calves). In the aquatic feed business, the Company will expand sales of insect protein products and work to reduce the average fish meal inclusion rate.

2. Impact of Middle East situation

Amid heightened tensions in the Middle East, soaring energy prices and uncertainties surrounding raw material procurement persist. While the impact on corn market prices is a concern for the Company, as corn is produced in North America and other regions, the impact of the situation in the Middle East is limited. Additionally, even if raw material prices were to surge, the revision of sales prices every quarter and subsidies under the compound feed price stabilization program are institutionalized. As such, mechanisms are in place that mitigate the impact on the industry. Fish meal prices have hit new highs in the immediate term, making higher costs unavoidable. However, the Company has strengths as a pioneer in fish meal-free feed and low fish meal feed. Rising demand for these products also presents an opportunity to expand market share.

3. Effects of human capital investment

The Company actively invests in human capital, which serves as the source of its strengths in raw material procurement, manufacturing, R&D, and sales. A characteristic of the Company's personnel is that graduate degree holders—predominantly with science and engineering backgrounds—account for about half of recruits. This means that the Company attracts high-caliber talent with an interest in the industry from the hiring stage. The Company has also focused on human resource development, and has been increasing its education and training expenses every year. Its unique certification program also plays a part in its human resource development efforts. Each year, the Company administers the "Management Advisor Examination," an in-house certification program intended to develop professional talent. As of April 2026, there were 63 personnel with this certification. They play active roles in consultative sales and other areas, drawing on a deep understanding of the livestock and aquaculture industries. As a result of these investments, operating profit per salesperson jumped over 10 years from ¥3.791mn per salesperson in FY3/16 (the initial year of integration) to ¥8.653mn in FY3/26.

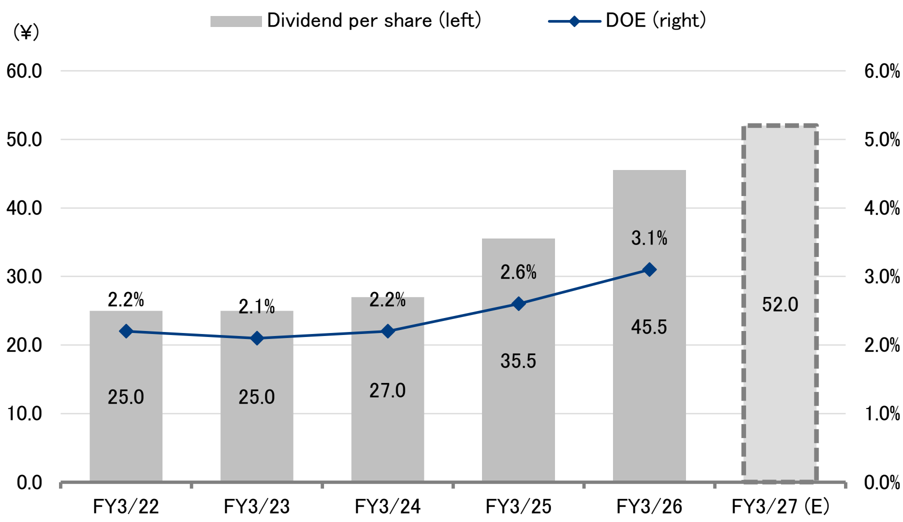
Shareholder return policy

Strengthening shareholder returns through a new dividend policy that targets a DOE of 3%

The Company revised its dividend policy from FY3/26 to strengthen shareholder returns. Specifically, the Company set a target DOE of 3%, with a basic policy of enhancing internal reserves to strengthen its financial base for long-term growth and adopting a progressive dividend policy. 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 DOE instead of the consolidated dividend payout ratio (targeting at least 25%), which can be affected by temporary earnings fluctuations, it seeks stable shareholder returns while enhancing medium- to long-term returns.

In FY3/26, the Company implemented a ¥10.0 per share YoY increase in the annual dividend to ¥45.5 (¥16.0 interim ordinary dividend, ¥5.0 commemorative dividend, ¥24.5 FY-end dividend, DOE of 3.1%, and dividend payout ratio of 27.3%). It revised the FY-end dividend upward by ¥3.5 from the initial forecast, achieving its DOE target of 3.0%. In FY3/27, the Company forecasts a ¥6.5 per share increase in the annual dividend to ¥52.0 (¥26.0 interim dividend, ¥26.0 FY-end dividend, and dividend payout ratio of 30.6%). We at FISCO expect the Company to continue paying stable dividends while raising the dividend amount.

Trends in dividend per share and DOE



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

Disclaimer

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