

### Shareholder Information

Date of closing accounts:	March 31
Ordinary general meeting of shareholders:	Late June
Record date for exercising voting rights at the ordinary general meeting of shareholders:	March 31 If necessary, another day can be designated with prior public notice.
Fixed date to determine which shareholders can receive dividends:	March 31
Transfer agent:	THE MITSUBISHI TRUST AND BANKING CORPORATION 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212
Mailing address	Stock Transfer Agency Department THE MITSUBISHI TRUST AND BANKING CORPORATION 7-7, Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo 171-8508
Phone inquiries	0120-707-696 (toll-free)
Agencies:	THE MITSUBISHI TRUST AND BANKING CORPORATION; all branches nationwide
Handling of the request for purchase by the Company of less-than-unit ( <i>tangen</i> ) shares and the request for buying shares that constitute a unit together with less-than-unit shares	The above transfer agent and the agencies
Media for public notice:	<i>Nihon Keizai Shimbun</i> (daily newspaper) However, the nonconsolidated balance sheet and statement of income are disclosed on the Company's Web site ( <a href="http://www.kyokuyo.co.jp">http://www.kyokuyo.co.jp</a> )

## KYOKUYO CO., LTD

3-5, Akasaka 3-chome, Minato-ku, Tokyo  
URL: <http://www.kyokuyo.co.jp>



広がるおいしさ ひるげるキョクヨー

KYOKUYO Extends the Spread of Delicacies

## KYOKUYO CO., LTD

## To Our Shareholders

We would like to express our sincere gratitude to you for supporting us.

It is a pleasure for us to hereby report the business overview and other information of Kyokuyo principally on a consolidated basis for the 82nd fiscal term (from April 1, 2004, to March 31, 2005).



**Kiyokazu Fukui**  
President

## Overview of Operations for the Year

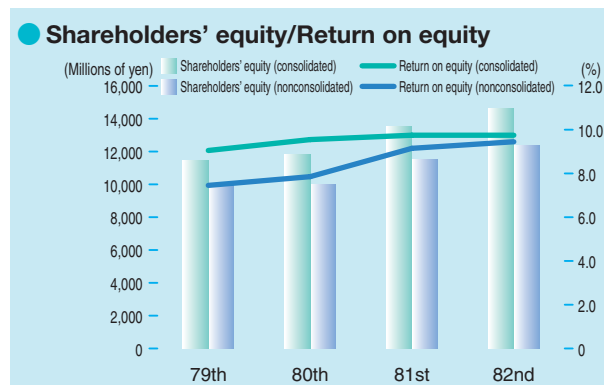
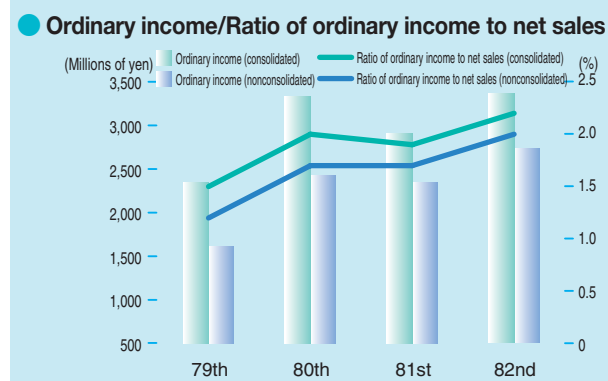
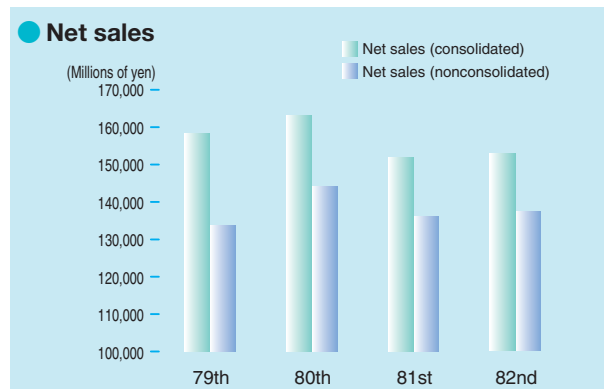
The fisheries and food industry in Japan continued to face harsh operating conditions due to sluggish demand and intensified industrial competition. The Kyokuyo Group focused on aggressive and efficient operations to improve profit, more than ever. Thereby recording increases in net sales and ordinary income compared with the previous fiscal year. Management decided to distribute an annual dividend per share of ¥5.00, an increase of ¥1.00 from ¥4.00 for the previous fiscal term.

The Kyokuyo Group aims to pursue its corporate growth as an integrated food supply company group around the mainstay marine products in view of enhancing related businesses in peripheral fields. The Group's management priorities are the provision of safe foods and environmental preservation. Based on these key management tasks, we intend to contribute to the development of society with streamlined in-house operating systems, strict adherence to corporate ethics, thorough compliance, further sharing of information and more transparent corporate management via the appropriate disclosure of information.

We look forward to the continued support of our shareholders.

June 2005

## Financial Highlights



	79th fiscal term		80th fiscal term		81st fiscal term		82nd fiscal term	
	Consolidated	Nonconsolidated	Consolidated	Nonconsolidated	Consolidated	Nonconsolidated	Consolidated	Nonconsolidated
Net sales (¥ million)	158,006	133,513	162,773	143,878	151,534	135,837	152,638	137,027
Ordinary income (¥ million)	2,333	1,602	3,314	2,409	2,895	2,334	3,355	2,722
Ratio of ordinary income to net sales (%)	1.5	1.2	2.0	1.7	1.9	1.7	2.2	2.0
Shareholders' equity (¥ million)	11,525	10,021	11,900	10,086	13,638	11,574	14,720	12,463
Return on equity (%)	9.1	7.5	9.6	7.9	9.8	9.2	9.8	9.5

## Overview of Consolidated Performance

The Kyokuyo Group posted net sales of ¥152,638 million for the year ended March 31, 2005, an increase of 0.7% from the previous fiscal year and ordinary income of ¥3,355 million, an increase of 15.9%. Taking into account ¥345 million in extraordinary gains such as gain on sales of investment securities and ¥752 million in extraordinary losses such as impairment loss due to the early application of the impairment accounting standard, net income for the year under review amounted to ¥1,388 million, up 11.3% from the previous fiscal year.

## Overview by Business Segment

### Marine Products Purchasing Business

We achieved our projected annual target in purchasing the marine products by increasing processed food abroad principally from China and Thailand, which offset a decline in imports of major food items such as octopus and shrimp.

Domestic trade of marine products remained generally steady in combination with sales carefully thought out to our customers although purchases of seasonal items failed to increase due to unusual meteorological conditions.

As a result, segment sales edged up 0.1% year over year to ¥79.0 billion.

The segment continue to expand its net work of supply bases abroad to secure acquisition of major fishery items and increase the volume of value-added products such as processed marine products manufactured abroad. By taking these measures the segment strive to solidify its stable earning-creative capability without being vulnerable to market fluctuations.



### Processed Foods Business

In the frozen foods business, although unit prices declined due to intensified competition in the industry over-all, we increased sales volumes mainly for sushi topping materials, boneless fillets, white fish fries and livestock processed products via enhanced sales promotion of focused on priority products at our group companies' plants and overseas processing products. In the canned food business, sales exceeded the projected annual target through the active sales promotion of canned seafood such as salmon, mackerel and saury pike.

As a result, segment sales increased 1.7% year over year to ¥64.0 billion.

We will extend sales channels and develop new products to enhance our profit-creating capability. As for the domestic production of processed foods, we intend to focus on producing high-value-added products to improve the efficiency of groupwide business operations. Meanwhile, we will reinforce our diverse production capabilities at overseas bases in China and Southeast Asia in this segment, including start-ups of joint venture projects, and increase transactions of overseas products, which are competitive in terms of price and quality.



### Logistics Business

We could not achieve our projected annual target in the refrigeration and warehousing business, although we strove to improve services to meet cargo owners' needs, raise our operating efficiency and reduce expenses given the sluggish cargo movement.

In the refrigeration storage ship service, we secured profit by carefully arranging optimum fleet configuration and allocation of ships in response to our business environment against the backdrop of steady freight market conditions despite a rise in fuel prices due to the boost in crude oil prices.

As a result, segment sales decreased 4.3% year over year to ¥6.4 billion.

We will continue to build an appropriate operating system to meet customer needs and upgrade our sales capability and operational efficiency by further sharing information among in-house units to ensure stable profits in refrigeration and warehousing.

In the refrigeration storage ship service, we will continue to pursue expanded profits by reducing expenses and improving navigational efficiency through the well-organized fleet configuration and allocation of ships in response to our business environment.



### Fishery Business

Our overseas tuna purse seine fishing during the year was operated for high-quality bonito and tuna in the Pacific Ocean (Central West Area and East Offshore). Fishing of tuna was favorable with good results in the first half. However, the projected annual target could not be attained in the second half owing to a decline in bonito prices despite operating performance for the fishery exceeded the previous year's results.

As a result, segment sales expanded 31.1% year over year to ¥2.9 billion.

Under the present system, with four tuna seiners overseas operated by KYOKUYO SUISAN, we will improve operational efficiency and increase production of quality, high-value-added products. Meanwhile, we will promote close cooperation among group companies for promotional activities and increase sales channels.



## ● A Joint Venture Established in Thailand

In April 2005, Kyokuyo entered into an agreement with The Union Frozen Products Co., Ltd. (hereafter "UFP"), in Thailand to establish K&U ENTERPRISE CO., LTD. This joint venture will construct a state-of-the-art factory for producing and selling safe and high-quality frozen sushi products to the European and U.S. markets and sushi topping materials and sashimi raw fish to the Japanese, European and U.S. markets. The products will be manufactured on the advanced production lines for processed marine products.

The factory is scheduled for completion in May 2006. Annual production of 8,000 tons and annual net sales of approximately ¥9.0 billion are planned for the full-year period from January to December 2007.



The signing ceremony of the joint venture agreement held on April 7, 2005, in Bangkok (Left: Mr. Fukui, President of Kyokuyo; right: Mr. Thongchai, President of UFP)

## ● Organizational Reform (As of April 1, 2005)

Kyokuyo conducted the following organizational reforms as of April 1, 2005.

- (1) Public Relations Section was newly established within the Planning Dept. to handle external PR communications and strengthen the IR function.
- (2) The former Marine Products Dept. and the Processed Foods Depts. were reorganized into three departments—the Marine Products Dept., the Processed Marine Products Dept. and the Processed Foods Dept.—to raise and reinforce the function of processed marine products.  
In addition, Kyokuyo will pursue groupwide efficiency improvement and upgraded management by reorganizing the Group's overall bonito and tuna business including the core functions of KYOKUYO SUISAN CO., LTD.
- (3) Business Administration Dept. was abolished and the Overseas Business Dept. was newly established to reinforce overseas businesses (joint ventures, exports and offshore trade)
- (4) The former Production Control Dept. was renamed the Quality Assurance Dept. and the Product Management Section was established within it to strengthen the standard compliance of products.
- (5) The SHIOGAWA Laboratory became independent of the Production Control Dept. to reinforce the R&D department.

## ● KYOKUYO's Signboards Installed inside the FULLCAST STADIUM MIYAGI

Kyokuyo installed two corporate ad signboards inside the FULLCAST STADIUM MIYAGI, the home baseball stadium of the Rakuten Eagles, a new Japanese professional baseball team. The signboards are located on the poles at the extension of the first and third base lines.



## ● New Products Released

With the theme of "KYOKUYO Extends the Spread of Delicacies," we launched 27 cooked (frozen) foods, three processed marine foods and three canned foods as "2004 Autumn New Products." Later, we released 17 cooked (frozen) foods, five processed marine foods and five canned foods as "2005 Autumn New Products."

In the cooked (frozen) food area, we presented a new set of products with a specialty sauce, such as the "White Fish with Oyster-Taste Sauce Set" in the "Kurashi-no-Chef" series. A key concept of this new series for family use is to supply special tastes primarily designed for and developed based on input from housewives. We also newly released the "Tuna Flame-roil Series" in the processed marine foods area and "Conger Kabayaki (split and broiled in a special soy sauce)" in the canned foods area.



White Fish with Oyster-Taste Sauce Set in the Kurashi-no-Chef Series



Blue-fin Tuna Flame-roil Series



Conger Kabayaki

## ● 3-Year Plan for ISO 14001 Certification Completed

In 2002, the entire Kyokuyo Group companies started environmental preservation activities by formulating the "3-Year Plan for Acquiring ISO 14001 Certification," which is the international standard on the environment.

As a result, the Akasaka Site (Headquarters of KYOKUYO, the Tokyo Head Office and KYOKUYO SOUGOU SERVICE) were registered for certification in December 2002, followed by all the branches and sales offices of KYOKUYO, SHIOGAMA Laboratory, the Headquarters and the SHIOGAMA Plant of KYOKUYO SHOKUJIN, KYOKUYO FOODS, the Headquarters (onshore) and the OIGAWA Plant of KYOKUYO SUISAN, the Headquarters and Osaka Office of KYOKUYO AKITSU REIZO and KYOKUYO SHOJI, all of which were registered in December 2003. In December 2004, the HITACHINAKA Plant and the HACHINOHE Plant of KYOKUYO SHOKUJIN, the Tokyo Office and the Fukuoka Office of KYOKUYO AKITSU REIZO and KYOKUYO SHIPPING (Business Dept.) were registered for certification. With these registration procedures finished, the 3-Year Plan encompassing the entire Kyokuyo Group companies was completed.

The Kyokuyo Group will continue to address such core environmental themes as "Energy conservation," "Resource conservation," "Recycling," "Prevention of pollution" and "Social contribution" in its activities for preserving the environment.



The conferment ceremony of the ISO 14001 certificate registration deed (Left: Mr. Ito, President of Japan Audit and Certification Organization for Environment and Quality; left: Mr. Fukui, President of Kyokuyo)

## Consolidated Settlement of Accounts

(As of March 31, 2005)

### Consolidated Balance Sheets

(Millions of yen)

Account item	82nd fiscal term (As of March 31, 2005)	81st fiscal term (As of March 31, 2004)
<b>ASSETS</b>	<b>58,506</b>	<b>58,562</b>
<b>Current Assets</b>	<b>41,655</b>	<b>40,024</b>
Cash and deposits	2,775	3,456
Notes and accounts receivable—trade	17,552	16,757
Inventories	19,610	18,384
Deferred income taxes	447	495
Other current assets	1,370	1,081
Allowance for doubtful accounts	(101)	(151)
<b>Fixed Assets</b>	<b>16,851</b>	<b>18,538</b>
<b>Property and Equipment</b>	<b>9,249</b>	<b>10,639</b>
Buildings and structures	2,353	2,416
Machinery and vehicle	741	728
Vessels	3,472	4,160
Land	2,553	3,234
Construction in progress	6	—
Other tangible assets	120	98
<b>Intangible Assets</b>	<b>261</b>	<b>244</b>
<b>Investments and Other Assets</b>	<b>7,340</b>	<b>7,654</b>
Investments in securities	6,096	6,258
Deferred income taxes	578	654
Other investments and other assets	754	811
Allowance for doubtful accounts	(88)	(70)
<b>TOTAL</b>	<b>58,506</b>	<b>58,562</b>

(Millions of yen)

Accumulated depreciation	82nd fiscal term 6,928	81st fiscal term 6,678
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Account item	82nd fiscal term (As of March 31, 2005)	81st fiscal term (As of March 31, 2004)
<b>LIABILITIES</b>	<b>43,762</b>	<b>44,795</b>
<b>Current Liabilities</b>	<b>35,621</b>	<b>37,758</b>
Notes and accounts payable—trade	7,453	6,991
Short-term borrowings	22,581	25,448
Accrued income taxes	849	805
Reserve for bonuses	570	595
Deferred tax liabilities	0	—
Other current liabilities	4,165	3,916
<b>Long-Term Liabilities</b>	<b>8,140</b>	<b>7,037</b>
Long-term debt	4,344	2,446
Deferred tax liabilities	101	4
Liability for severance indemnities	1,408	1,435
Reserve for special repairs on vessels	42	41
Director's retirement allowance	350	529
Long-term accounts payable—other	1,878	2,554
Consolidation adjustments account	14	24
<b>MINORITY INTERESTS</b>	<b>23</b>	<b>129</b>
Minority interests	23	129
<b>STOCKHOLDERS' EQUITY</b>	<b>14,720</b>	<b>13,638</b>
<b>Common stock</b>	<b>5,664</b>	<b>5,664</b>
<b>Additional paid-in capital</b>	<b>742</b>	<b>742</b>
<b>Retained earnings</b>	<b>7,272</b>	<b>6,378</b>
Unrealized holding gains on securities	1,412	1,318
Foreign currency translation adjustment	(2)	(1)
<b>Treasury stock, at cost</b>	<b>(368)</b>	<b>(464)</b>
<b>TOTAL</b>	<b>58,506</b>	<b>58,562</b>

Stockholders' equity per share	82nd fiscal term 137.23	81st fiscal term 127.83
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## ● Consolidated Statements of Income (Millions of yen)

Account item	82nd fiscal term (From April 1, 2004, to March 31, 2005)	81st fiscal term (From April 1, 2003, to March 31, 2004)
Net sales	152,638	151,534
Cost of sales	135,274	134,889
<b>Gross profit</b>	<b>17,363</b>	<b>16,644</b>
Selling, general and administrative expenses	13,702	13,499
<b>Operating income</b>	<b>3,660</b>	<b>3,144</b>
Non-operating income	253	286
Interest income	22	26
Dividends income	53	41
Foreign exchange gain	53	61
Other non-operating income	124	156
Non-operating expenses	559	535
Interest expenses	528	504
Other non-operating expenses	30	31
<b>Ordinary income</b>	<b>3,355</b>	<b>2,895</b>
Extraordinary gains	345	183
Extraordinary losses	752	745
<b>Income before income taxes</b>	<b>2,948</b>	<b>2,334</b>
Income taxes—current	1,422	1,302
Income taxes—deferred	136	(234)
Minority interests	(0)	18
<b>Net Income</b>	<b>1,388</b>	<b>1,248</b>

	82nd fiscal term	81st fiscal term
Net income per share—primary	12.73	11.17
Net income per share—fully diluted	12.49	10.99

## ● Consolidated Statements of Stockholder's Equity (Millions of yen)

Account item	82nd fiscal term (From April 1, 2004, to March 31, 2005)	81st fiscal term (From April 1, 2003, to March 31, 2004)
<b>Additional paid-in capital</b>		
<b>Balance at beginning of year</b>	<b>742</b>	<b>742</b>
<b>Increase in additional paid-in capital</b>	<b>—</b>	<b>0</b>
Gain on sale of the Company's common stock by subsidiaries and associated companies	—	0
<b>Decrease in additional paid-in capital</b>	<b>0</b>	<b>—</b>
Loss on sale of the Company's common stock by subsidiaries and associated companies	0	—
<b>Balance at end of year</b>	<b>742</b>	<b>742</b>
<b>Retained Earnings</b>		
<b>Balance at beginning of year</b>	<b>6,378</b>	<b>6,254</b>
<b>Increase in retained earnings</b>	<b>1,388</b>	<b>1,248</b>
Net income	1,388	1,248
<b>Decrease in retained earnings</b>	<b>494</b>	<b>1,124</b>
Cash dividends paid	425	441
Bonuses to directors	30	28
Loss on sale of the Company's common stock by subsidiaries and associated companies	1	—
Eliminate of the Company's common stock by subsidiaries and associated companies	—	654
Decrease due to reduction in the number of subsidiaries	36	—
<b>Balance at end of year</b>	<b>7,272</b>	<b>6,378</b>

## ● Consolidated Statements of Cash Flows (Millions of yen)

Account item	82nd fiscal term (From April 1, 2004, to March 31, 2005)	81st fiscal term (From April 1, 2003, to March 31, 2004)
<b>Net cash provided by operating activities</b>	<b>1,087</b>	<b>2,325</b>
<b>Net cash provided by investing activities</b>	<b>(273)</b>	<b>(1,374)</b>
<b>Net cash provided by financing activities</b>	<b>(1,333)</b>	<b>(1,515)</b>
Adjustment of cash and cash equivalents	(0)	0
<b>Net decrease in cash and cash equivalents</b>	<b>(519)</b>	<b>(563)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,359</b>	<b>3,923</b>
<b>Decrease of cash and cash equivalents due to exclusion of subsidiaries from application of consolidation</b>	<b>(113)</b>	<b>—</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,725</b>	<b>3,359</b>

## Nonconsolidated Settlement of Accounts

(As of March 31, 2005)

### ● Nonconsolidated Balance Sheet (Condensed) (Millions of yen)

Account item	82nd fiscal term (As of March 31, 2005)	81st fiscal term (As of March 31, 2004)
<b>ASSETS</b>	<b>49,680</b>	<b>47,651</b>
<b>Current Assets</b>	<b>37,771</b>	<b>34,354</b>
<b>Fixed Assets</b>	<b>11,909</b>	<b>13,296</b>
Property and Equipment	3,251	4,225
Intangible Assets	233	210
Investments and Other Assets	8,423	8,860
<b>TOTAL</b>	<b>49,680</b>	<b>47,651</b>
<b>LIABILITIES</b>	<b>37,217</b>	<b>36,076</b>
<b>Current Liabilities</b>	<b>32,132</b>	<b>33,052</b>
<b>Long-Term Liabilities</b>	<b>5,084</b>	<b>3,024</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>12,463</b>	<b>11,574</b>
<b>Common stock</b>	<b>5,664</b>	<b>5,664</b>
<b>Additional paid-in capital</b>	<b>742</b>	<b>742</b>
<b>Retained earnings</b>	<b>5,201</b>	<b>4,507</b>
Legal reserve	673	673
Voluntary reserve	1,560	1,560
Unappropriated retained earnings	2,967	2,273
<b>Unrealized holding gains on securities</b>	<b>1,224</b>	<b>1,124</b>
<b>Treasury stock, at cost</b>	<b>(368)</b>	<b>(464)</b>
<b>TOTAL</b>	<b>49,680</b>	<b>47,651</b>

### ● Nonconsolidated Statement of Income (Condensed) (Millions of yen)

Account item	82nd fiscal term (From April 1, 2004, to March 31, 2005)	81st fiscal term (From April 1, 2003, to March 31, 2004)
Net sales	137,027	135,837
Cost of sales	122,375	121,594
<b>Gross profit</b>	<b>14,652</b>	<b>14,243</b>
Selling, general and administrative expenses	11,863	11,892
<b>Operating income</b>	<b>2,788</b>	<b>2,350</b>
Non-operating income	339	395
Interest income	39	45
Dividends income	197	202
Foreign exchange gain	39	68
Other non-operating income	63	78
Non-operating expenses	405	411
Interest expense	394	402
Other non-operating expenses	10	9
<b>Ordinary income</b>	<b>2,722</b>	<b>2,334</b>
Extraordinary gains	360	8
Extraordinary losses	720	594
<b>Income before income taxes</b>	<b>2,361</b>	<b>1,748</b>
Income taxes-current	1,091	1,005
Income taxes-deferred	128	(247)
<b>Net Income</b>	<b>1,141</b>	<b>991</b>
Profit brought forward	1,827	1,937
Loss on sale of the Company's common stock	1	—
Eliminate of the Company's common stock	—	654
<b>Unappropriated retained earnings</b>	<b>2,967</b>	<b>2,273</b>

### ● Appropriation of Retained Earnings (Yen)

	Amount	
Unappropriated retained earnings	2,967,736,097	
To be appropriated as follows:		
Cash dividends paid (¥5.00 per share)	535,191,010	
Bonuses to directors	20,000,000	555,191,010
Surplus carried forward		2,412,545,087

## Stock Information (As of March 31, 2005)

● Total number of shares to be issued by the Company: 396,000,000

Note: The total number of shares has been increased by 41 million to 437,000,000 pursuant to the amendment to the Articles of Incorporation approved by the ordinary general meeting of shareholders held on June 29, 2005.

● Total number of shares issued: 109,282,837

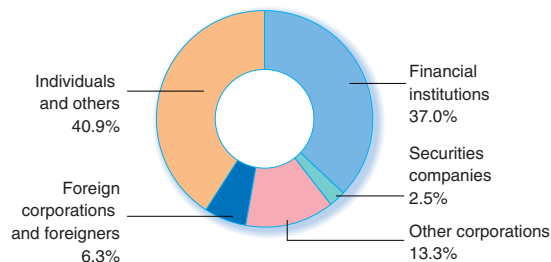
● Number of shareholders: 11,204

● Major shareholders

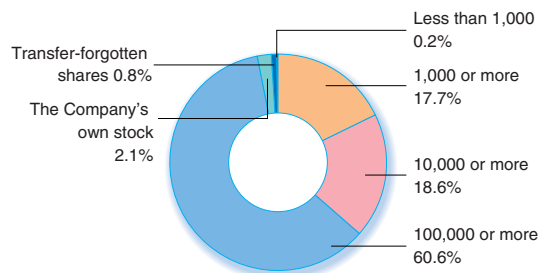
Shareholder's name	Number of shares held (Thousands)	Equity position (%)
Mitsui Sumitomo Insurance Co., Ltd.	6,201	5.67
Resona Bank, Limited	5,234	4.78
Japan Trustee Services Bank, Ltd.	4,648	4.25
The Norinchukin Bank	4,450	4.07
TOYO SEIKAN KAISHA, LTD.	3,150	2.88
Japan Securities Finance Co., Ltd.	3,095	2.83
The Master Trust Bank of Japan, Ltd.	3,060	2.80

Note: Percentage figures at the third decimal place of the equity position are truncated.

● Distribution of shares by shareholder type



● Distribution of shares by number of shares held



## Company Profile (As of March 31, 2005)

● Corporate name: Kabushiki Kaisha Kyokuyo

● Company name in English: KYOKUYO CO., LTD.

● Headquarters: 3-5, Akasaka 3-chome, Minato-ku, Tokyo

● Established: September 3, 1937

● Stated capital: ¥5,664 million

● Major businesses: Exports, imports, domestic purchasing and sales of marine products, and manufacture and sales of processed and frozen foods

● Employees: 1,123 (consolidated), 502 (nonconsolidated)

● Number of consolidated companies: 11

## Board of Directors (As of June 29, 2005)

President	<b>Kiyokazu Fukui</b>
Senior Managing Director	<b>Yasuo Nobutsuka</b>
Senior Managing Director	<b>Yasuhisa Ishikawa</b>
Managing Director	<b>Kenichi Kadota</b>
Managing Director	<b>Hisaki Tada</b>
Director	<b>Koutaro Kubo</b>
Director	<b>Motoo Tamura</b>
Director	<b>Tokihiro Sudou</b>
Director	<b>Yoshio Murakami</b>
Director	<b>Makoto Arato</b>
Full-Time Corporate Auditor	<b>Takashi Kikuta</b>
Full-Time Corporate Auditor	<b>Takatoshi Hosokawa</b>
Corporate Auditor	<b>Tsuyoshi Ito</b>
Corporate Auditor	<b>Hiroharu Mukaiyama</b>