

## Shareholders Information

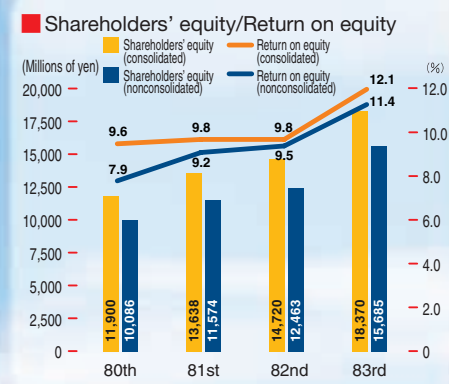
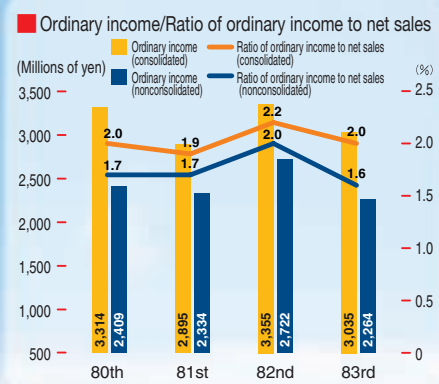
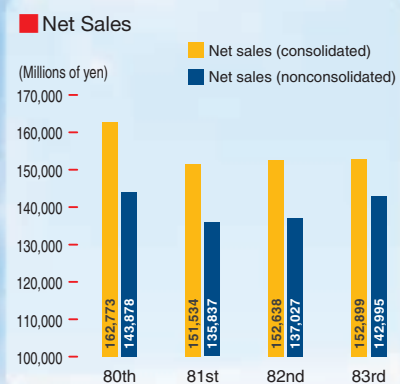
Business year:	April 1 to the following March 31
Ordinary general meeting of shareholders:	June of each year
Record date for exercising voting rights at the ordinary general meeting of shareholders:	March 31
Term-end dividend record date:	March 31
Media for public notice:	Nihon Keizai Shinbun However, balance sheets and income statements are available on our Web site ( <a href="http://www.kyokuyo.co.jp">http://www.kyokuyo.co.jp</a> ).
Shareholders list manager:	Mitsubishi UFJ Trust and Banking Corporation
Location managing the same:	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation (Mailing address) 7-7 Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo, 171-8508 Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation Phone: 0120-707-696 (toll-free in Japan)
Location of same agency:	Each branch of Mitsubishi UFJ Trust and Banking Corporation throughout Japan, Each branch of Nomura Securities Co., Ltd., throughout Japan
Request for business procedure forms:	Besides dividend transfer designation forms, requests for business procedures forms (report of changes such as address, seal, or name of registration, invoices to purchase odd stock or additional stock, transfer invoices, etc.) related to our stock can be obtained from the abovementioned shareholders list manager by telephone or the Internet at any time around the clock. Phone: 0120-86-4490 (toll-free) Web site: <a href="http://www.tr.mufg.jp/daikou/">http://www.tr.mufg.jp/daikou/</a>



KYOKUYO Extends the Spread of Delicacies

## Corporate Ideal

Aiming to grow together with society,  
contributing to a healthy and heart-enriched  
lifestyle and food culture based on  
management of human respect.



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President  
Kiyokazu Fukui

## To Our Shareholders

I am pleased to be able to present to you, our valued shareholders, this 83rd Fiscal Term business report, and I would like to take this opportunity to thank each of you for your support throughout this period.

Japan's economy for this consolidated fiscal year experienced a sound restoration of business conditions due to an improvement in corporate earnings and an increase of capital investment, and also showed a gradual increase in consumer spending along with improvement of employment circumstances and a further rise of stock market prices. Meanwhile, in the fisheries and food industry, while demand was sluggish, competition among companies was still severe, and consumers' interest in food safety continued to be strong. Overseas, the demand for marine products expanded due to a surge in health consciousness, and purchase prices rose as a result of international purchasing competition. In such circumstances, our group has attached great importance to reinforcement of the business foundation as well as firming up of earnings while seeking to provide consumers with assurance in safe foods, striving for productive and efficient operation. As a result of the above, net sales for our group amounted to ¥152,899 million (a 0.2% increase over last year), and ordinary income came to ¥3,035 million (a 9.6% decrease from the previous year). In addition, as a result of accumulating ¥36 million in extraordinary gains such as from the sale of investment securities

and appropriating ¥70 million in extraordinary losses such as from the disposal of fixed assets, net income totaled ¥2,007 million (a 44.5% increase over the previous year). We have positioned the returning of profit to our shareholders as an important matter in management and have made it a basic policy to replenish internal reserves in order to prepare for strengthening of the constitution of the company as well as future expansion of business, continuing consecutive dividends in order to pass on profit. With such a policy, dividends for the period ending March 2006 have been set at ¥5 per share. In the future, our group aims to grow as an integrated food company, taking related peripheral fields into view while focusing on marine products. Furthermore, with environmental conservation and the provision of safe, reliable foods as the focal subject for management, the company is advancing maintenance of the corporate structure, thorough observance of business ethics, laws and ordinances and sharing of information, as well as undertaking highly transparent business operation by precise information disclosure, and contributing to society.

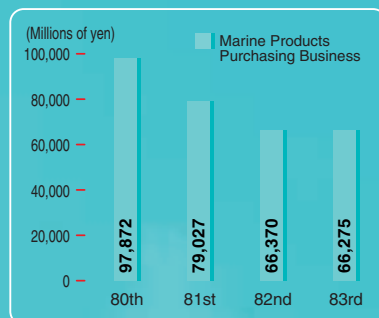
In closing, I would like to ask all shareholders for their further support throughout the future, as we strive to serve all who have a stake in the company.

June 2006

# To our shareholders

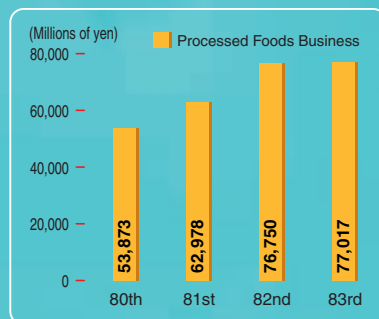
# Business Overview

## Overview by Business Segment



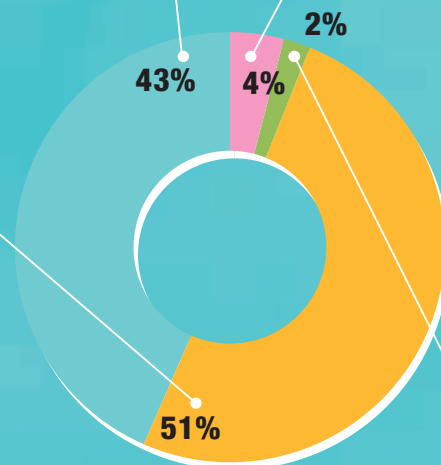
### Marine Products Purchasing Business

With respect to purchasing of marine products from overseas, due to deterioration of the domestic sales climate, we have narrowed down our handling of crab, tuna, and southern seas fish, but handling of northern seas fish such as flounder has increased although competition with overseas countries has been intensifying in the purchasing. From the above, net sales in this segment totaled ¥66.2 billion (a 0.1% decrease from the previous year), and operating income amounted to ¥1,188 million (a decrease of 3.8% from the previous year).

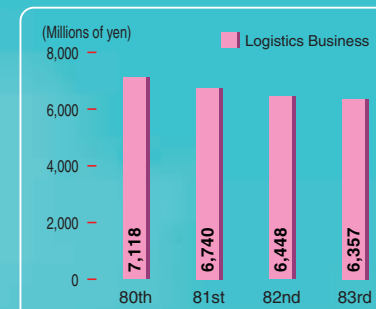


### Processed Foods Business

For frozen prepared foods, we were able to increase the volume by focusing on shrimp processed foods, livestock meat products, and so forth, but we were unable to reach our goal for processed & frozen marine products such as sushi topping materials and boneless fillets because of the trend of high prices for processing materials as well as intensification of domestic sales competition. Amidst severe competition in the business of shelf-stablefoods, sales were enlarged for canned seafood such as mackerel and saury pike, making it possible to exceed expected goals. Accordingly, net sales for this segment were ¥77 billion (0.3% higher than the previous year), and operating income came to ¥1,814 million (18.8% lower than last year).

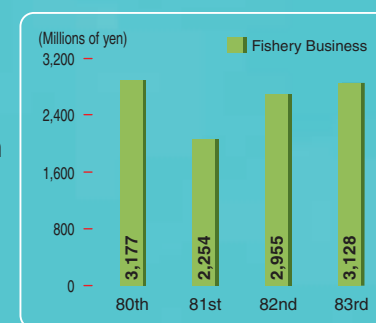


**Net Sales for FY3/06**  
152,899 Millions of yen



### Logistics Business

The refrigeration and warehousing business faced a harsh business environment because cargo movement was sluggish, but has undergone a mostly smooth change as a result of efforts toward the promotion of business efficiency and cutbacks on expenditure. In the refrigeration storage ship business, the price of fuel rose due to the upsurge in the price of crude oil, but backed by steady freight market conditions, we were able to exceed our expected target due to well managed fleet formation and allocation of ships in response to changes in the business environment. Consequently, net sales for this segment came to ¥6.3 billion (a 1.4% decline from the previous year), and operating income for the year was ¥480 million (a 10.2% increase over the preceding year).



### Fishery Business

Our overseas seine fishing was conducted in the midwestern Pacific and Pacific North East Sea for bonito and tuna. The price of fuel rose, but we exceeded our expected goals because of good harvest of bonito and due to the efficient operation of business such as striving to reduce costs. Therefore, net sales amounted to ¥3.1 billion (a 5.9% increase year on year), and operating income achieved ¥94 million (a dramatic 531.2% increase over the previous year).

Note: Comparison to the previous fiscal year is according to business segments in the present fiscal year.



## Expansion of Overseas Bases

Demand for marine products in Europe, North America, and China has been rapidly expanding for the last several years due to the surge in health consciousness and economic development of China. Our group has been promoting the expansion of overseas bases in order to increase procurement of raw materials, purchase processed marine product in overseas and market our manufactured product in overseas market. In August 2005, we established a representative office in Amsterdam, Netherlands, and in October 2005, we established Qingdao Kyokuyo International Co., Ltd., and a Guangzhou Branch of the same company in China. In fiscal 2006, we plan to locally incorporate the Amsterdam representative office and seek to permeate the Kyokuyo brand throughout the world market.



Qingdao Kyokuyo International Co., Ltd.

## New Products in the Field of Japanese Confectionery and Desserts

As new products, we announced three kinds of “plump sweet rice balls (Fukkura-Ohagi)” in the autumn of 2005, as well as five kinds of “water-steamed buns” and three kinds of “mini-dumplings” in the spring of 2006. “Plump sweet rice balls” uses Hokkaido-grown adzuki beans and Niigata-grown glutinous rice, making use of the faint sweetness and taste of the ingredients, finished with a plumpness that appeals to the five senses. The “water-steamed buns” are five kinds of vividly colored bean jam wrapped in a cool-looking, soft dough shell. The “mini-dumplings” are bite-size dumplings of Hokkaido-made bean jam kneaded into a rice cake texture and covered with powdered green tea, soybean flour, and sesame seeds. Under the theme “Kyokuyo Extends the Spread of Delicacies,” the Kyokuyo Group is making use of its expertise cultivated to date and adding color to the dietary lifestyles of all who receive it.



Plump sweet rice balls (Fukkura-Ohagi)



Water-steamed buns

## Exhibition of 2006 European Seafood Exposition

### New K&U Enterprise Co., Ltd., Plant Scheduled for Completion This Summer



Artist's rendition of external view of new K&U Enterprise Co., Ltd., plant



Company's booth at the European Seafood Exposition Center. Company President Fukui



Frozen sushi

## Announcement of New Products

Continuing from the introduction of “new products for the autumn of 2005” in January of this year, we announced four processed marine products, 27 cooked frozen food items, and three canned food products for a total of 34 “new products for the spring of 2006.” For process marine products, we announced Norwegian horse mackerel slices, Atka mackerel broiled with salt, and salmon marinated in Saikyo Miso for those who are particular about ingredients, and have been seeking to replenish “boneless products” as a main processed marine product. Our “boneless products” make use of our superiority and expertise as a fishing company, and our strength is in building a coherent quality/production management system from purchasing of materials to processing techniques. For cooked frozen foods, we launched new products containing three types of filling — curry, potato, and tomato sauce — which are typical Indian snacks. For canned foods, we newly released “bonito simmered in vegetables,” in which bamboo shoots and translucent konnyaku noodles are added to bonito caught in home waters and seasoned with soy sauce. We have thereby revitalized the discriminating good taste of our company. While actively taking up challenges in new areas throughout the future, we are making efforts to develop products able to precisely meet the particular needs of our clientele.



Left: Salmon marinated in Saikyo Miso (boneless)  
Right: Atka mackerel broiled with salt (boneless)



Battered shrimp with tail



Bonito simmered in vegetables

The 2006 European Seafood Exposition was held in Brussels, Belgium, for three days from Tuesday, May 9 to Thursday, May 11, 2006. More than 1,600 companies from at least 65 countries around the world showed exhibits, with fishery- and food-related clientele arriving from across the globe as well as each country in Europe to take part in the large business negotiations conference. As part of our overseas-oriented sales strategy, we set up a Kyokuyo booth and exhibited, offered taste samples, and engaged in business talks focused on frozen sushi. The frozen sushi that we exhibited this time became the food item positioned as a major pillar in our overseas-oriented sales strategy. In August, we plan to complete the construction of a new plant for K&U Enterprise Co.,

Ltd. — a joint venture with The Union Frozen Products Co., Ltd., a major Thai food company — and are scheduled to begin full-scale production of frozen sushi and sushi topping materials. We plan to sell products produced by K&U Enterprise Co., Ltd., mainly to Europe and North America as well as Japan. Preceding this, we exhibited at the Boston Seafood Show in March 2006 and this time at the European Seafood Exposition, which should create sales routes aimed at the West. Visitors to our booths showed greater interest than expected in frozen sushi, and we were able to ascertain the considerable possibility of future sales by our company.

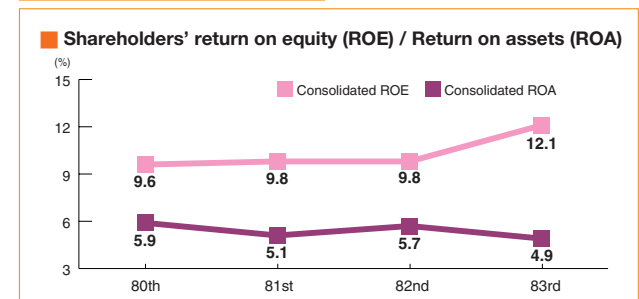
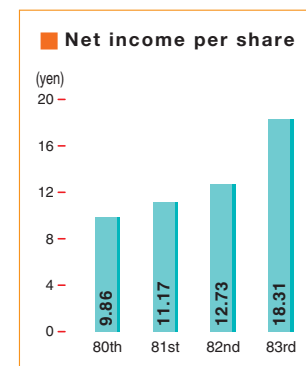
## Consolidated Settlement of Accounts

Consolidated Balance Sheets (Millions of yen)					
Account Item	Current consolidated fiscal year (As of March 31, 2006)	Previous consolidated fiscal year (As of March 31, 2005)	Account Item	Current consolidated fiscal year (As of March 31, 2006)	Previous consolidated fiscal year (As of March 31, 2005)
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current Assets</b>	<b>44,995</b>	<b>41,655</b>	<b>Current Liabilities</b>	<b>39,002</b>	<b>35,621</b>
Cash and deposits	3,089	2,775	Notes and accounts payable—trade	8,742	7,453
Notes and accounts receivable—trade	17,887	17,552	Short-term borrowings	24,963	22,581
Inventories	22,088	19,610	Accrued income taxes	697	849
Deferred income taxes	759	447	Reserve for bonuses	593	570
Other current assets	1,261	1,370	Deferred tax liabilities	—	0
Allowance for doubtful accounts	△ 91	△ 101	Other current liabilities	4,003	4,165
<b>Fixed Assets</b>	<b>20,054</b>	<b>16,851</b>	<b>Long-Term Liabilities</b>	<b>7,569</b>	<b>8,140</b>
<b>Property and Equipment</b>	<b>8,774</b>	<b>9,249</b>	Long-term debt	2,597	4,344
Buildings and structures	2,411	2,353	Deferred tax liabilities	1,421	101
Machinery and vehicles	668	741	Liability for severance indemnities	1,612	1,408
Vessels	2,892	3,472	Reserve for special repairs on vessels	64	42
Land	2,556	2,553	Director's retirement allowance	422	350
Other tangible assets	211	120	Long-term accounts payable—other	1,446	1,878
Construction in progress	34	6	Consolidated adjustments account	4	14
<b>Intangible Assets</b>	<b>445</b>	<b>261</b>	<b>Total liabilities</b>	<b>46,571</b>	<b>43,762</b>
<b>Investments and Other Assets</b>	<b>10,834</b>	<b>7,340</b>	<b>MINORITY INTERESTS</b>		
Investments in securities	9,611	6,096	Minority interests	106	23
Deferred income taxes	586	578	<b>Minority interests</b>	<b>106</b>	<b>23</b>
Other investments and other assets	675	754	<b>STOCKHOLDERS' EQUITY</b>		
Allowance for doubtful accounts	△ 38	△ 88	<b>Common stock</b>	<b>5,664</b>	<b>5,664</b>
<b>Total assets</b>	<b>65,049</b>	<b>58,506</b>	<b>Additional paid-in capital</b>	<b>743</b>	<b>742</b>
			<b>Retained earnings</b>	<b>8,712</b>	<b>7,272</b>
			<b>Unrealized holding gains on securities</b>	<b>3,509</b>	<b>1,412</b>
			<b>Foreign currency translation adjustment</b>	<b>8</b>	<b>△ 2</b>
			<b>Treasury stock, at cost</b>	<b>△ 267</b>	<b>△ 368</b>
			<b>Total shareholders' equity</b>	<b>18,370</b>	<b>14,720</b>
			<b>Total liabilities, minority interest &amp; shareholder's equity</b>	<b>65,049</b>	<b>58,506</b>

Consolidated Statement of Income (Millions of yen)		
Account Item	Current consolidated fiscal year From April 1, 2005 Period ended March 31, 2006	Previous consolidated fiscal year From April 1, 2004 Period ended March 31, 2005
Net sales	152,899	152,638
Cost of sales	135,913	135,274
<b>Gross profit</b>	<b>16,986</b>	<b>17,363</b>
Selling, general and administrative expenses	13,702	13,702
<b>Operating income</b>	<b>3,283</b>	<b>3,660</b>
Non-operating income	245	253
Interest income	23	22
Dividends income	69	53
Foreign exchange gain	18	53
Other non-operating income	134	124
Non-operating expenses	493	559
Interest expenses	474	528
Other non-operating expenses	18	30
<b>Ordinary income</b>	<b>3,035</b>	<b>3,355</b>
Extraordinary gains	36	345
Extraordinary losses	70	752
<b>Income before income taxes</b>	<b>3,000</b>	<b>2,948</b>
Income taxes—current	1,393	1,422
Income taxes—deferred	△ 397	136
Minority interests	△ 2	△ 0
<b>Net income</b>	<b>2,007</b>	<b>1,388</b>

Consolidated Statements of Cash Flow (Millions of yen)		
Account Item	Current consolidated fiscal year From April 1, 2005 Period ended March 31, 2006	Previous consolidated fiscal year From April 1, 2004 Period ended March 31, 2005
Net cash provided by operating activities	1,226	1,087
Net cash provided by investing activities	△ 1,213	△ 273
Net cash provided by financing activities	265	△ 1,333
Adjustment of cash and cash equivalents	25	△ 0
Net increase (decrease) in cash and cash equivalents	303	△ 519
Cash and cash equivalents at beginning of the year	2,725	3,359
Decrease of cash and cash equivalents due to exclusion of subsidiaries from application of consolidation	—	△ 113
Cash and cash equivalents at end of the year	3,029	2,725

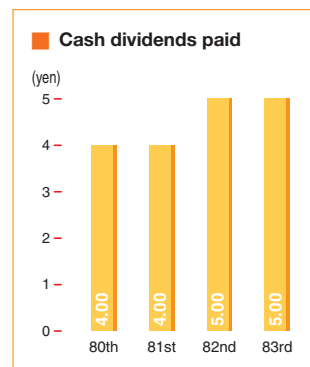
Consolidated Statements of Stockholders' Equity (Millions of yen)		
Account Item	Current consolidated fiscal year From April 1, 2005 Period ended March 31, 2006	Previous consolidated fiscal year From April 1, 2004 Period ended March 31, 2005
<b>Additional Paid-In Capital</b>		
Balance at beginning of year	742	742
Increase in additional paid-in capital	0	—
Decrease in additional paid-in capital	—	0
Balance at end of year	743	742
<b>Retained Earnings</b>		
Balance at beginning of year	7,272	6,378
Increase in retained earnings	2,007	1,388
Decrease in retained earnings	567	494
Balance at end of year	8,712	7,272



# Consolidated Financial Statements

## Nonconsolidated Settlement of Accounts

Nonconsolidated Balance sheets (Millions of yen)		
Account Item	83rd fiscal term (As of March 31, 2006)	82nd fiscal term (As of March 31, 2005)
<b>ASSETS</b>		
<b>Current Assets</b>	<b>40,110</b>	<b>37,771</b>
<b>Fixed Assets</b>	<b>15,917</b>	<b>11,909</b>
Property and equipment	3,413	3,251
Intangible assets	419	233
Investments and other assets	12,084	8,423
<b>Total assets</b>	<b>56,027</b>	<b>49,680</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>	<b>35,456</b>	<b>32,132</b>
<b>Long-Term Liabilities</b>	<b>4,885</b>	<b>5,084</b>
<b>Total liabilities</b>	<b>40,341</b>	<b>37,217</b>
<b>STOCKHOLDERS' EQUITY</b>		
<b>Common Stock</b>	<b>5,664</b>	<b>5,664</b>
<b>Additional Paid-In Capital</b>	<b>743</b>	<b>742</b>
<b>Retained Earnings</b>	<b>6,257</b>	<b>5,201</b>
Unrealized holding gains on securities	3,288	1,224
<b>Treasury Stock, at Cost</b>	<b>△ 267</b>	<b>△ 368</b>
<b>Total shareholders' equity</b>	<b>15,685</b>	<b>12,463</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>56,027</b>	<b>49,680</b>



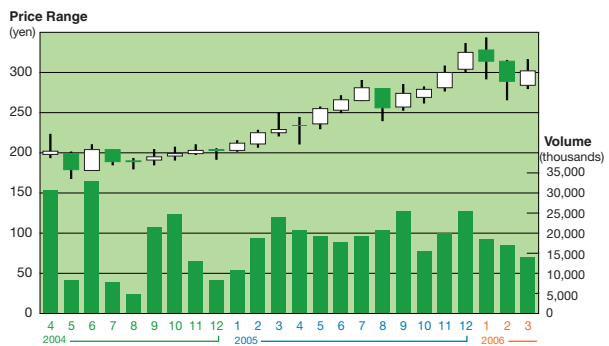
Nonconsolidated Statement of Income (Millions of yen)		
Account Item	83rd fiscal term (From April 1, 2005, to March 31, 2006)	82nd fiscal term (From April 1, 2005, to March 31, 2006)
Net sales	142,995	137,027
Cost of sales	128,082	122,375
<b>Gross profit</b>	<b>14,912</b>	<b>14,652</b>
Selling, general and administrative expenses	12,611	11,863
<b>Operating income</b>	<b>2,301</b>	<b>2,788</b>
Non-operating income	346	339
Interest income	39	39
Dividends income	210	197
Foreign exchange gain	32	39
Other non-operating income	64	63
Non-operating expenses	383	405
Interest expense	371	394
Other non-operating expenses	11	10
<b>Ordinary income</b>	<b>2,264</b>	<b>2,722</b>
Extraordinary gains	23	360
Extraordinary losses	62	720
<b>Income before income taxes</b>	<b>2,225</b>	<b>2,361</b>
Income taxes-current	1,001	1,091
Income taxes-deferred	△ 386	128
<b>Net Income</b>	<b>1,611</b>	<b>1,141</b>
Profit brought forward	2,412	1,827
Loss on sale of company's common stock	—	1
<b>Unappropriated retained earnings</b>	<b>4,023</b>	<b>2,967</b>

Appropriation of Retained Earnings (Millions of yen)	
	Amount
<b>Unappropriated retained earnings to be appropriated as follows:</b>	<b>4,023</b>
Cash dividends paid (¥5.00 per share)	538
Bonuses to directors	30
<b>Surplus carried forward</b>	<b>3,455</b>

## Corporate Profile (As of March 31, 2006)

<b>Corporate name</b>	Kabushiki Kaisha Kyokuyo	
<b>English corporate name</b>	Kyokuyo Co., Ltd.	
<b>Headquarters</b>	3-5 Akasaka 3-chome, Minato-ku, Tokyo, 107-0052	
<b>Established</b>	September 3, 1937	
<b>Stated capital</b>	¥5,664 million	
<b>Major businesses</b>	Exports, imports, domestic purchasing and sales of marine products, and manufacture and sales of processed and frozen foods	
<b>Employees</b>	1,123 (consolidated), 504 (nonconsolidated)	
<b>Number of consolidated companies</b>	12	
<b>Board of Directors (As of June 29, 2006)</b>	President	<b>Kiyokazu Fukui</b>
	Senior Managing Director	<b>Yasuhisa Ishikawa</b>
	Managing Director	<b>Kenichi Kadota</b>
	Managing Director	<b>Hisaki Tada</b>
	Managing Director	<b>Koutaro Kubo</b>
	Director	<b>Motoo Tamura</b>
	Director	<b>Tokihiko Sudou</b>
	Director	<b>Yoshio Murakami</b>
	Director	<b>Makoto Arato</b>
	Director	<b>Kenji Imai</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>

## Trends of Stock Prices and Trading Volume



## Stock Information (As of March 31, 2006)

Total number of shares to be issued by the company:	437,000,000
Total number of shares issued:	109,282,837
Number of shareholders:	12,616

## Major shareholders

Shareholder's name	No. 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.	4,775	4.36
The Norinchukin Bank	4,450	4.07
TOYO SEIKAN KAISHA, LTD.	3,150	2.88
Japan Securities Finance Co., Ltd.	2,877	2.63
Morgan Stanley and Company Inc.	2,851	2.60
The Master Trust Bank of Japan, Ltd.	2,599	2.37
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,245	2.05
NikkoCiti Trust and Banking Corporation	2,068	1.89

