



Delivering Delicacies for 70 years



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:	<i>Nihon Keizai Shinbun</i>
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) 10-11 Higashisuna 7-chome, Koto-ku, Tokyo, 137-8081 Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation Phone: 0120-232-711 (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: 0120-244-479 (toll-free in Japan) Web site: http://www.tr.mufg.jp/daikou/



84th Business Report

April 1, 2006 ▶ March 31, 2007

KYOKUYO
Extends the Spread
of Delicacies

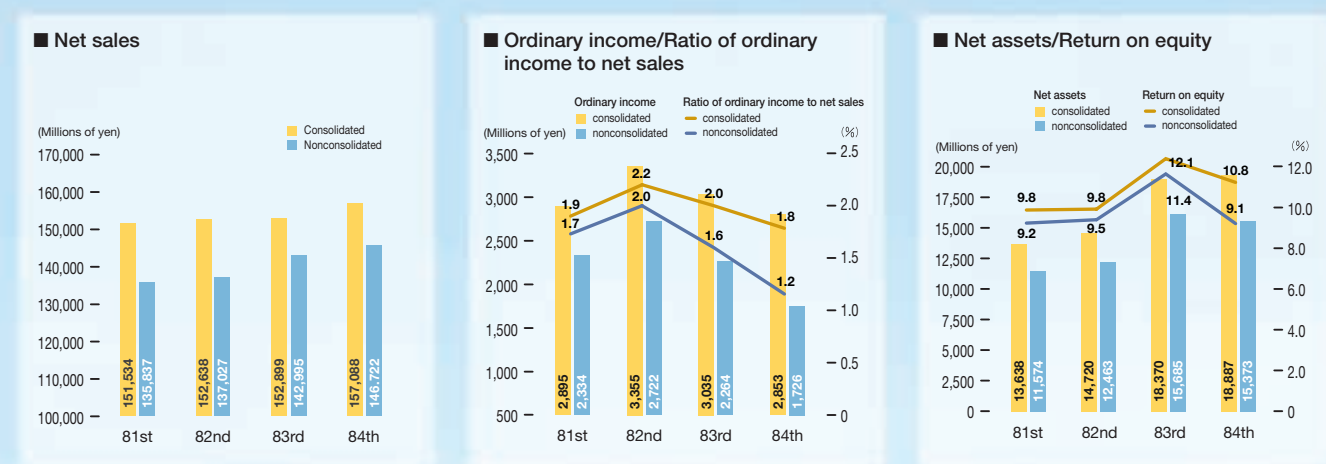


KYOKUYO CO., LTD.

3-5, Akasaka 3-chome, Minato-ku, Tokyo, 107-0052
URL: <http://www.kyokuyo.co.jp>



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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To our Shareholders

To Our Shareholders

I am pleased to be able to present to our valued shareholders with this 84th Fiscal Term business report, and I would like to take this opportunity to thank each of you for your support throughout this period.

The weakness observed in personal consumption notwithstanding, Japan's economy remained strong during this consolidated fiscal year, fueled by improved corporate earnings and increased capital investment. However, fisheries and food industries continued to face a situation dubbed "upstream inflation and downstream deflation," influenced by intensifying purchasing competition worldwide accompanying the globalization of fish-eating habits and the simultaneous occurrence of fierce inter-company competition in the domestic market. In a parallel development, interest in food safety continued to rise among consumers.

In this environment, our Group sought to provide safe food products to consumers. At the same time, we adopted a proactive and efficient focus, attaching priority to strengthening our business foundations and securing earnings.

As a result of these efforts, net sales for our group amounted to ¥157,088 million (rising 2.7% from the previous year), and ordinary income reached ¥2,853 million (a 6.0% decrease). In addition, as a result of accumulating ¥889 million in extraordinary gains, including gains on the disposal of fixed assets, and appropriating ¥115 million in extraordinary losses, net income totaled ¥2,000 million (down 0.3%).

We view the return of profits to shareholders as an important management issue. Our basic policy is to increase our internal reserves to bolster our corporate strength and to gear ourselves for future expansion. At the same time, we also plan to continue stable dividends as a way of returning profits to our shareholders.

The Company will celebrate its 70th anniversary in September 2007. On this occasion, I would like to convey our sincere appreciation to all our shareholders and other



Kiyokazu Fukui
President

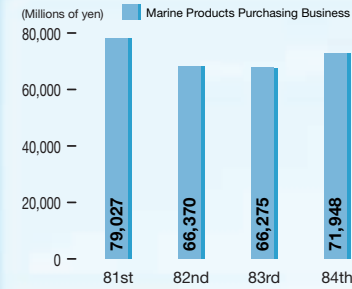
stakeholders who have provided us with the support that has been instrumental to the progress we have made in the course of our history.

To mark this anniversary, we have set dividends for the period ending March 2007 at ¥6.0 per share of common stock, including ¥1.0 per share paid as commemorative dividends.

To realize its corporate ideal, the Company aims to continue to achieve growth and development as an integrated food company that focuses on marine products and takes related peripheral fields into perspective. At the same time, we position the supply of safe, reliable food products and environmental conservation as important management issues. We are resolved to increase our corporate value and making further contributions to society by upgrading our internal control system, instilling corporate ethics in all our directors and employees, bolstering compliance and information sharing, and properly disclosing information to increase the transparency of our operations. I ask all our shareholders for their continued support and encouragement as we pursue these initiatives.

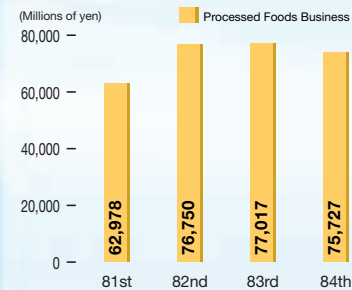
June 2007

Overview by Business Segment



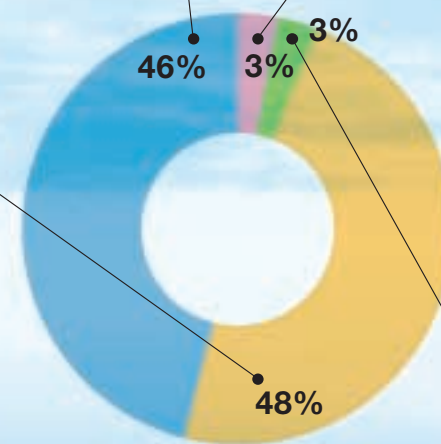
■ Marine Products Purchasing Business

With respect to the purchasing of marine products from overseas, we were able to increase the volumes handled of such items as other northern sea fish including Atka Mackerel, fish eggs including cod roe, and shrimp. The supply of raw materials for processing to Chinese customers through our subsidiary in China, Qingdao Kyokuyo International Co., Ltd., made an additional contribution to the sales increase. However, costs increased on tough purchasing competition worldwide and prevented us from achieving our targets. As a result, net sales for this segment totaled ¥71.9 billion (an 8.6% increase from the results of the previous year), and operating income amounted to ¥1.018 billion (down 14.3%).

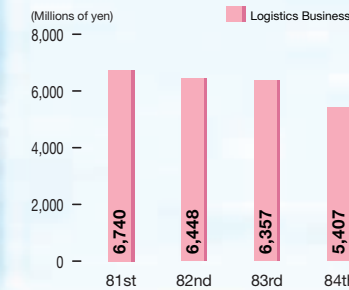


■ Processed Foods Business

We sought to increase sales of frozen prepared foods, centering on fried seafood and livestock meat products. However, sales remained at the previous year's level on sustained competition with other companies. We were unable to achieve the projected targets in this segment overall, influenced by rising prices of raw materials for processing. In frozen processed marine products, the new plant completed by the Thai joint venture, K&U Enterprise Co., Ltd., in August 2006, now its operation is full-swing, enabling us to increase sales of shrimp and other sushi topping materials produced there. However, boneless fillets of northern and southern sea fish such as mackerel processed in China and scallop products processed in Japan did not reach the projected targets, reflecting the market slowdown arising from the strong catches in Japanese coastal waters and nearby areas. Facing tough sales competition, shelf-stable foods surpassed the targets, thanks to our efforts to increase sales of canned seafood such as mackerel and saury pike. Accordingly, net sales for this segment amounted to ¥75.7 billion (down 1.7%), and operating income came to ¥1.224 billion (a ¥32.5% decrease).

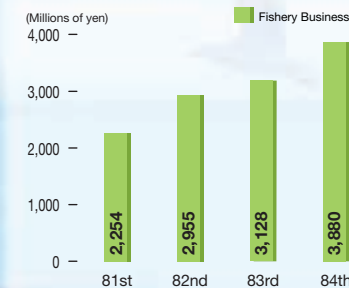


Net sales for the 84th Fiscal Term
(term ended in March 2007)
¥157,088 million



■ Logistics Business

In the refrigeration and warehousing business, we attempted to boost operational efficiency and lower expenses. Unfortunately, these efforts notwithstanding, we fell short of our targets. Sales in the refrigeration storage ship business declined from the level of the previous year, but we achieved a profit in the business by organizing fleets in response to changes in the operating environment and prioritizing profitability in the allocation of vessels. Consequently, net sales for this segment totaled ¥5.4 billion (declining 14.9%), and operating income was ¥0.483 billion (a 0.7% increase).



■ Fishery Business

We conducted overseas seine fishing of bonito and tuna in the Midwestern Pacific and Pacific North East Sea. Results exceeded targets on a firm bonito price and efficient management through initiatives such as cost reduction. As a result, net sales for this segment reached ¥3.8 billion (rising 24.0% year on year), and operating income was ¥0.4 billion (a 321.7% increase).



New K&U Enterprise Co., Ltd., Plant

We completed a new plant at our Thai joint venture, K&U Enterprise Co., Ltd., in August 2006. This plant produces sushi topping materials for the Japanese market and frozen sushi and sushi topping materials for the European and North American markets. It is now operating smoothly. By 2010, we expect the new plant to have output of 4,000 tons of products, worth ¥5 billion. The new plant has a site of 5,840 square meters, with a floor area of 17,904 square meters. The four-story ferro-concrete structure has production lines on each floor. It is capable of efficient, hygienic production. In addition, the plant includes the first full-size, ultra-low temperature refrigerator in Thailand. Featuring efficient logistics of a full-automatic rack system, it is truly a state-of-the-art plant.



An external view of the plant



Frozen sushi produced at the plant

Acquisition of the MSC (CoC) Certificate

The Company acquired in October 2006 the Chain of Custody (CoC) certificate for the processing and distribution processes of “marine products caught by fishing operations of the resource- and environment-friendly type that conserve the marine environment and realize sustainable use of unfarmed seafood” issued by the Marine Stewardship Council (MSC), an international third-party organization, with regard to purchasing, processing, packaging and selling of wild-caught sockeye salmon from Alaska. The Company has started selling the certified product at a number of mass merchandise outlets.



The MSC (CoC) logo on the sockeye tell consumers that this is a product that gives consideration to the environment. The Kyokuyo Group will continue to make effective use of seafood resources and to offer safe, reliable food products as food manufacturers. At the same time, we will strive to realize a recycling society through operations that pay constant attention to their global environmental impact.



Our certified salted sockeye

Introduction of our new products released in the spring of 2007

In the spring of 2007, KYOKUYO released seven processed or frozen seafood products, 15 cooked frozen foods, and 5 shelf-stable foods. With great confidence, we added these new products that offer good taste to customers and satisfy their needs, primarily to our lineup of frozen foods for professional use. One new product is called Fishermen-style Chopped Bonito (mayonnaise flavor), a product made by coarsely chopping fresh bonito caught by Wakaba Maru seine fishing ships operated overseas by our affiliate, Kyokuyo Suisan Co., Ltd., and flavoring it with mayonnaise. Another of the new offerings is Steam & Bake Gratin (shrimp version), (pumpkin version) and (corn version), a series of products that can be eaten steamed. Moreover, as shelf-stable foods for home use, we released four varieties of canned sautéed fish with edible bones, including Sautéed Mackerel, Sautéed Saury Pike, Sautéed Horse Mackerel and Sautéed Atka. These new canned foods enable consumers to appreciate the high quality of such materials as horse mackerel landed at Sakaiminato and other domestic ports (“Sautéed Horse Mackerel”) and saury pike landed in Hokkaido and off the Sanriku coast (“Sautéed Saury Pike”).



Fishermen-style Chopped Bonito (mayonnaise flavor)



Steam & Bake Gratin (shrimp version)



Sautéed Horse Mackerel



Sautéed Saury Pike

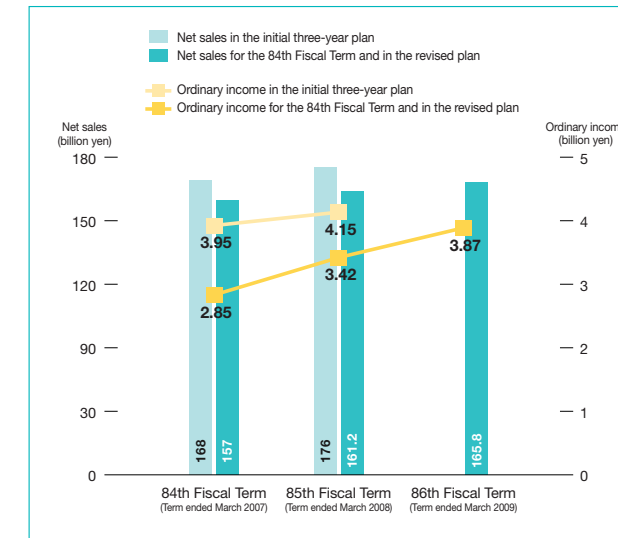
Review of the New Medium-Term Management Plan

In February 2005, our Group established its New Medium-Term Management Plan, covering the fiscal terms to the period ending March 2008. Since then, the operating conditions surrounding the Group have changed drastically. Examples of these changes include increases in marine product prices worldwide and an appreciation in crude oil prices. We have reviewed the initial medium-term plan and revised it as follows, as a major discrepancy

emerged between the plan and our results.

The primary objective of the reviews was restoration of earnings capacity through the advancement of our global and processing strategies. Based on this policy, we revised targets for the third year (term ending in March 2008, the 85th fiscal term for the company), and produced a plan for the next two years by adding the fourth year (term ending March 2009, the 86th fiscal term for the Company).

Targets (consolidated)



Prioritized actions

1. Strengthening Overseas Operations

We will increase the volume of goods processed overseas that we handle, by developing distinctive new products with added value, increasing sales, and upgrading and expanding overseas purchasing bases. At the same time, we will increase sales and stabilize revenue by aggressively managing operations such as export and tripartite trade.

2. Expanding Sales of Sushi Materials and Other Food Materials Eaten Raw

We will maintain an efficient operational organization at K&U Enterprise Co., Ltd. At the same time, we will increase sales by establishing sections dedicated to sales of sushi materials and other food materials eaten raw at our regional sales offices.

3. Bolstering Bonito and Tuna Operations

We will maintain and expand stable supply systems with a view to expanding overseas material procurement routes and participating in farming operations.

4. Improving Product Development Capability

We will expand sales channels by strengthening product development in response to needs in each of our customer categories, including restaurants, prepared dish providers, convenience stores, hospital meal service operators and school catering service operators.

5. Quick Turnover of Inventory

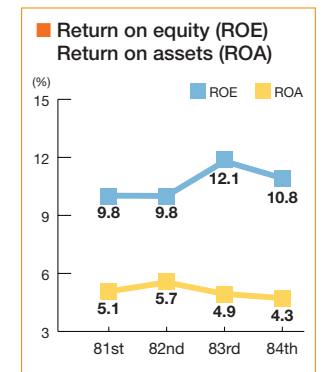
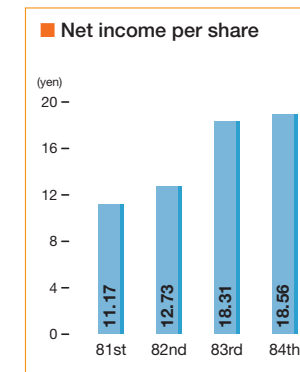
We will shorten the inventory turnover period by consolidating logistics operations, increasing operational efficiency and stepping up inventory management.

Consolidated Settlement of Accounts

Consolidated Balance Sheets			(Millions of yen)		
Account Item	Current consolidated fiscal year (As of March 31, 2007)	Previous consolidated fiscal year (As of March 31, 2006)	Account Item	Current consolidated fiscal year (As of March 31, 2007)	Previous consolidated fiscal year (As of March 31, 2006)
ASSETS			LIABILITIES		
Current Assets	48,363	44,995	Current Liabilities	41,926	39,002
Cash and deposits	3,141	3,089	Notes and accounts payable-trade	7,131	8,742
Notes and accounts receivable-trade	19,733	17,887	Short-term borrowings	28,805	24,963
Inventories	24,162	22,088	Accrued income taxes	725	697
Deferred income taxes	502	759	Reserve for bonuses	575	593
Other current assets	889	1,261	Deferred tax liabilities	39	—
Allowance for doubtful accounts	△ 66	△ 91	Other current liabilities	4,648	4,003
Fixed Assets	18,095	20,054	Long-term Liabilities	5,644	7,569
Property and Equipment	9,209	8,774	Long-term debt	1,692	2,597
Buildings and structures	3,015	2,411	Deferred tax liabilities	699	1,421
Machinery and vehicles	1,355	668	Liability for severance indemnities	1,604	1,612
Vessels	2,422	2,892	Reserve for special repairs on vessels	66	64
Land	2,212	2,556	Director's retirement allowance	85	422
Construction in progress	6	34	Long-term accounts payable-other	1,496	1,446
Other tangible assets	196	211	Consolidated adjustments account	—	4
Intangible Assets	449	445	Total Liabilities	47,571	46,571
Investments and Other Assets	8,437	10,834	MINORITY INTERESTS		
Investments in securities	7,204	9,611	Minority interests	—	106
Deferred income taxes	588	586	Minority Interests		106
Other investments and other assets	682	675	STOCKHOLDERS' EQUITY		
Allowance for doubtful accounts	△ 37	△ 38	Common Stock	—	5,664
Total Assets	66,459	65,049	Additional Paid-in Capital	—	743
			Retained Earnings	—	8,712
			Unrealized Holding Gains on Securities	—	3,509
			Foreign Currency Translation Adjustment	—	8
			Treasury Stock, at Cost	—	△ 267
			Total Shareholders' Equity	—	18,370
			Total Liabilities, Minority Interest & Shareholders' Equity	—	65,049
			NET ASSETS		
			Shareholders' Equity	16,340	—
			Common stock	5,664	—
			Additional paid-in capital	749	—
			Retained earnings	10,132	—
			Treasury stock, at cost	△206	—
			Valuation and Translation Adjustments, Etc.	2,296	—
			Unrealized holding gains on securities	2,266	—
			Gains on deferred hedge	7	—
			Foreign currency translation adjustment	22	—
			Minority Interests	250	—
			Total Net Assets	18,887	—
			Total Liabilities and Net Assets	66,459	—

Consolidated Statement of Income			(Millions of yen)		
Account Item	Current consolidated fiscal year From April 1, 2006 Period ended March 31, 2007	Previous consolidated fiscal year From April 1, 2005 Period ended March 31, 2006	Account Item	Current consolidated fiscal year From April 1, 2006 Period ended March 31, 2007	Previous consolidated fiscal year From April 1, 2005 Period ended March 31, 2006
Net sales	157,088	152,899	Net sales	157,088	152,899
Cost of sales	139,842	135,913	Cost of sales	139,842	135,913
Gross profit	17,245	16,986	Gross profit	17,245	16,986
Selling, general and administrative expenses	14,455	13,702	Selling, general and administrative expenses	14,455	13,702
Operating income	2,790	3,283	Operating income	2,790	3,283
Non-operating income	528	245	Non-operating income	528	245
Interest income	78	23	Interest income	78	23
Dividends income	65	69	Dividends income	65	69
Foreign exchange gain	168	18	Foreign exchange gain	168	18
Other non-operating income	216	134	Other non-operating income	216	134
Non-operating expenses	465	493	Non-operating expenses	465	493
Interest expenses	453	474	Interest expenses	453	474
Other non-operating expenses	11	18	Other non-operating expenses	11	18
Ordinary income	2,853	3,035	Ordinary income	2,853	3,035
Extraordinary gains	889	36	Extraordinary gains	889	36
Extraordinary losses	115	70	Extraordinary losses	115	70
Income before income taxes	3,627	3,000	Income before income taxes	3,627	3,000
Income taxes-current	1,228	1,393	Income taxes-current	1,228	1,393
Income taxes-deferred	356	△ 397	Income taxes-deferred	356	△ 397
Minority interests	42	△ 2	Minority interests	42	△ 2
Net income	2,000	2,007	Net income	2,000	2,007

Consolidated Statements of Cash Flow			(Millions of yen)		
Account Item	Current consolidated fiscal year From April 1, 2006 Period ended March 31, 2007	Previous consolidated fiscal year From April 1, 2005 Period ended March 31, 2006	Account Item	Current consolidated fiscal year From April 1, 2006 Period ended March 31, 2007	Previous consolidated fiscal year From April 1, 2005 Period ended March 31, 2006
Net cash provided by operating activities	△ 1,816	1,226	Net cash provided by operating activities	△ 1,816	1,226
Net cash provided by investing activities	△ 662	△ 1,213	Net cash provided by investing activities	△ 662	△ 1,213
Net cash provided by financing activities	2,514	265	Net cash provided by financing activities	2,514	265
Adjustment of cash and cash equivalents	25	25	Adjustment of cash and cash equivalents	25	25
Net increase (decrease) in cash and cash equivalents	60	303	Net increase (decrease) in cash and cash equivalents	60	303
Cash and cash equivalents at beginning of the year	3,029	2,725	Cash and cash equivalents at beginning of the year	3,029	2,725
Cash and cash equivalents at end of the year	3,090	3,029	Cash and cash equivalents at end of the year	3,090	3,029



Consolidated Statement of Changes in Net Assets for the Current Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007) (Millions of yen)											
Account Item	Shareholders' equity					Valuation and translation adjustments, etc.				Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gains on other securities	Gains on deferred hedge	Foreign currency translation adjustment	Total valuation and translation adjustments, etc.		
Balance as of March 31, 2006	5,664	743	8,712	△267	14,852	3,509	—	8	3,518	106	18,477
Changes during the consolidated fiscal year											
Distribution of retained earnings			△538		△538						△538
Bonuses to Directors and Corporate Auditors			△42		△42						△42
Net income			2,000		2,000						2,000
Acquisition of treasury stock				△0	△0						△0
Disposition of treasury stock		6		62	68						68
Net changes in items other than shareholders' equity during the consolidated fiscal year						△1,242	7	14	△1,221	143	△1,077
Total changes during the consolidated fiscal year	—	6	1,419	61	1,487	△1,242	7	14	△1,221	143	409
Balance as of March 31, 2007	5,664	749	10,132	△206	16,340	2,266	7	22	2,296	250	18,887

Nonconsolidated Settlement of Accounts

Nonconsolidated Balance Sheets			(Millions of yen)	
Account Item	84th fiscal term (As of March 31, 2007)	83rd fiscal term (As of March 31, 2006)		
ASSETS				
Current Assets	42,632	40,110		
Fixed Assets	13,206	15,917		
Property and equipment	2,996	3,413		
Intangible assets	427	419		
Investments and other assets	9,783	12,084		
Total Assets	55,839	56,027		
LIABILITIES				
Current Liabilities	37,741	35,456		
Long-term Liabilities	2,724	4,885		
Total Liabilities	40,466	40,341		
STOCKHOLDERS' EQUITY				
Common Stock	—	5,664		
Additional Paid-in Capital	—	743		
Retained Earnings	—	6,257		
Unrealized Holding Gains on Securities	—	3,288		
Treasury Stock, at Cost	—	△267		
Total Shareholders' Equity	—	15,685		
Total Liabilities & Shareholders' Equity	—	56,027		
NET ASSETS				
Shareholders' Equity	13,316	—		
Common stock	5,664	—		
Additional paid-in capital	749	—		
Retained earnings	7,108	—		
Treasury stock, at cost	△206	—		
Valuation and Translation Adjustments, Etc.	2,056	—		
Unrealized holding gains on securities	2,049	—		
Gains on deferred hedge	7	—		
Total Net Assets	15,373	—		
Total Liabilities and Net Assets	55,839	—		

Nonconsolidated Statement of Income			(Millions of yen)	
Account Item	84th fiscal term (From April 1, 2006 to March 31, 2007)	83rd fiscal term (From April 1, 2005 to March 31, 2006)		
Net sales	146,722	142,995		
Cost of sales	131,975	128,082		
Gross profit	14,747	14,912		
Selling, general and administrative expenses	13,138	12,611		
Operating income	1,608	2,301		
Non-operating income	448	346		
Interest income	44	39		
Dividends income	283	210		
Foreign exchange gain	36	32		
Other non-operating income	83	64		
Non-operating expenses	331	383		
Interest expense	324	371		
Other non-operating expenses	7	11		
Ordinary income	1,726	2,264		
Extraordinary gains	867	23		
Extraordinary losses	97	62		
Income before income taxes	2,496	2,225		
Income taxes—current	705	1,001		
Income taxes—deferred	372	△386		
Net income	1,419	1,611		
Profit brought forward	—	2,412		
Unappropriated retained earnings	—	4,023		

Statement of Changes in Net Assets for the Current Fiscal Term (from April 1, 2006 to March 31, 2007)													(Millions of yen)	
Account Item	Shareholders' equity								Valuation and translation adjustments, etc.				Total net assets	
	Common stock	Additional paid-in capital			Retained earnings				Treasury stock, at cost	Total share-holders' equity	Unrealized holding gains on other securities	Gains on deferred hedge		Total valuation and translation adjustments, etc.
		Capital reserve	Other capital surplus	Total capital surplus	Earned reserve	General reserve	Retained earnings brought forward	Total retained earnings						
Balance as of March 31, 2006	5,664	742	0	743	673	1,560	4,023	6,257	△267	12,397	3,288	—	3,288	15,685
Changes during the current fiscal year														
Distribution of retained earnings							△538	△538		△538				△538
Bonuses to Directors and Corporate Auditors							△30	△30		△30				△30
Net income							1,419	1,419		1,419				1,419
Acquisition of treasury stock									△0	△0				△0
Disposition of treasury stock				6	6				62	68				68
Net changes in items other than shareholders' equity during the current fiscal year											△1,239	7	△1,231	△1,231
Total changes during the fiscal year	—	—	6	6	—	—	851	851	61	919	△1,239	7	△1,231	△312
Balance as of March 31, 2007	5,664	742	7	749	673	1,560	4,874	7,108	△206	13,316	2,049	7	2,056	15,373

Corporate Profile (As of March 31, 2007)

Corporate name	Kabushiki Kaisha Kyokuyo	
English corporate name	Kyokuyo Co., Ltd.	
Headquarters	3-5 Akasaka 3-chome, Minato-ku, Tokyo, 107-0052	
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	2,791 (consolidated) 514 (nonconsolidated)	
Number of consolidated companies	13	
Board of Directors (As of June 28, 2007)	President	Kiyokazu Fukui
	Senior Managing Director	Yasuhisa Ishikawa
	Senior Managing Director	Hisaki Tada
	Managing Director	Kenichi Kadota
	Managing Director	Koutaro Kubo
	Director	Motoo Tamura
	Director	Tokihiro Sudou
	Director	Yoshio Murakami
	Director	Makoto Arato
	Director	Kenji Imai
	Full-time Corporate Auditor	Takashi Kikuta
	Full-time Corporate Auditor	Takatoshi Hosokawa
	Corporate Auditor	Tsuyoshi Ito
	Corporate Auditor	Hiroharu Mukaiyama

Stock Information (As of March 31, 2007)

Total number of shares the company is authorized to issue:	437,000,000
Total number of shares issued:	109,282,837
Number of shareholders:	13,310

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
The Norinchukin Bank	4,450	4.07
NikkoCiti Trust and Banking Corporation	3,431	3.13
Japan Trustee Services Bank, Ltd.	3,244	2.96
TOYO SEIKAN KAISHA, LTD.	3,150	2.88
The Master Trust Bank of Japan, Ltd.	2,247	2.05
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,245	2.05
Mitsubishi UFJ Trust and Banking Corporation	1,918	1.75
Kyokuyo Akitsukai	1,454	1.33

Trends of Stock Prices and Trading Volume

