

BUSINESS REPORT

100th Business Report

April 1, 2022 ▶ March 31, 2023



Pekori-Nya

Dandori-Nya

Always nearby,



always delicious. KYOKUYO



TO OUR SHAREHOLDERS

Corporate Philosophy

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



President and Representative Director

Makoto Inoue

We are pleased to present this business report for the 100th fiscal term (term ended March 2023). We would like to take this opportunity to thank our shareholders for their support.

During the past year, while the recovery from the COVID-19 pandemic has fully progressed, the business environment has changed dramatically due to global price hikes and the rapid depreciation of the yen. In such business environment, under the second year of our medium-term business plan “Build Up Platform 2024,” the Kyokuyo Group has worked to stabilize profitability and strengthen access to marine resources in the Marine Products Purchasing Business, expand the Foods Business and Overseas Business, and strengthen our brand.

From April as the final year of our medium-term business plan, we continue to fulfill our responsibility to realize a sustainable society by practicing ESG management and contributing to SDGs, and accelerate the speed of our business with the basic policy of “promoting strategies pivoting on ‘continuous efforts to address business issues’ and ‘a challenge for sustainable growth,’ aiming for new growth founded on a ‘change to a high-profit structure’ through the creation of value that can be shared between society and Kyokuyo, while strengthening our management base.”

We celebrated the 85th anniversary of our founding in September last year. We look forward to your continued support and cooperation.

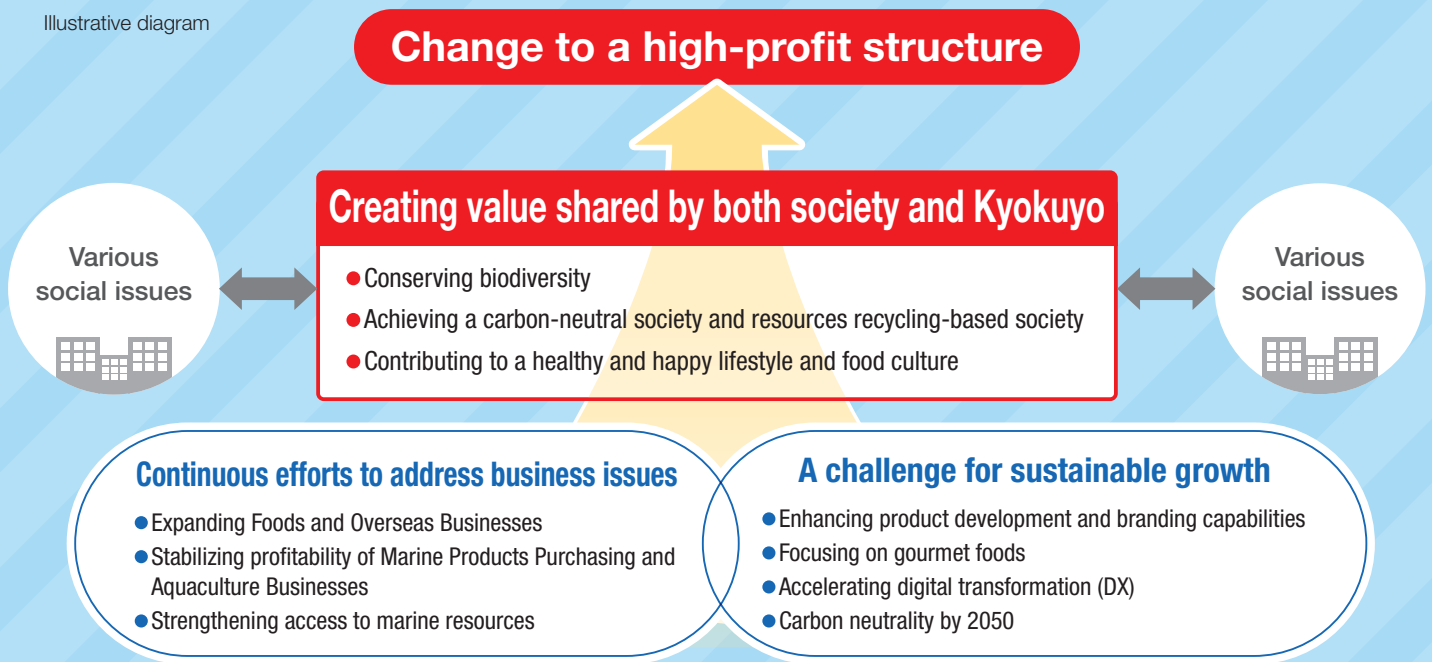
June 2023

“Build Up Platform 2024” (FY 2021 – FY2023)

Basic Policy

We are aiming to “change to a high-profit structure” that will serve as a foundation for new growth, achieving this goal by creating value shared by both society and Kyokuyo through the implementation of strategies based on the core concepts of “continuous efforts to address business issues” and “a challenge for sustainable growth,” as we work to strengthen our business foundations.

Illustrative diagram



Strengthening of our management base (business, finance, and human resources bases) & ESG-focused management

Medium-Term Business Plan Strategies and Major Initiatives

Strategy

1

Expanding Foods Business

In the Foods segment, we clarified roles and responsibilities by reorganizing the segment by business category and strengthened the sales structure. In addition, we are expanding the sale of products processed at our in-house plants to improve profitability. One of our main overseas plants in Thailand, **KYOKUYO GLOBAL SEAFOODS Co., Ltd.**, which was completed in 2022, has an annual supply capacity of approximately 7,000 tons of simmered fish, grilled fish, and raw food products such as sushi toppings. In addition to Japan, we are extending our sales to Southeast Asia, Europe, and the United States.

Kyokuyo Global Seafoods' plant



Strategy

3

Strengthening Access to Resources

While the sustainability of marine resources is emphasized, the global demand for marine products increases. We are working to secure and grow a stable supply of marine products. In 2022, we completed the “**Wakaba Maru No. 11**,” an overseas purse seiner that mainly catches skipjack and contributed to strengthening our procurement capabilities. For the Aquaculture Business, in addition to Pacific bluefin tuna, yellowtail, and red sea bream, we have agreed to start selling Atlantic salmon from 2025 produced at our inland aquaculture farm, under construction in Mie Prefecture. Moreover, we are launching new initiatives. In 2022, we invested in EBIS Algae Research Institute Inc., which cultivates the microalgae “Nannochloropsis” expected to be utilized in farmed fish feed.

Strategy

2

Expanding Overseas Business

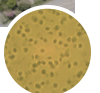
We have shifted from the conventional export-oriented sales structure to the policy of “produce overseas, sell overseas” aiming to promptly strengthen sales in high-growth overseas markets. In 2022, we established the Group’s first subsidiary in Vietnam, **Kyokuyo Vina Foods Co., Ltd.**, to hedge against the risk of processing in a single country, where the issues were revealed by the COVID-19 pandemic, and conduct production and sales for Vietnam and Southeast Asia. In 2023, we plan to establish a second-tier subsidiary in the U.S. to manufacture and sell imitation crab meat. We are preparing our production structure for global expansion.



Wakaba Maru No. 11



Top: Facility to cultivate microalgae
Right: Nannochloropsis





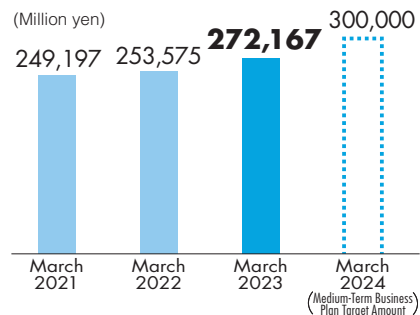
Key Consolidated Performance Indicators

Points

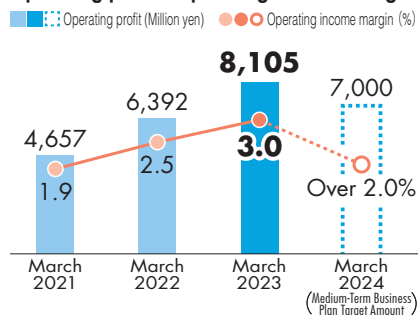
- Net sales, operating profit, ordinary profit, and profit attributable to owners of parent **reached the highest figures recorded in the Company's history.**
- Despite the rising tuna market price, **the Tuna Segment drove profits** due to the recovery of the restaurant industry.

Net sales	272,167 million	Ordinary profit	8,182 million	Total assets	146,301 million
Operating profit	8,105 million	Profit attributable to owners of parent	5,782 million	Net assets	46,966 million

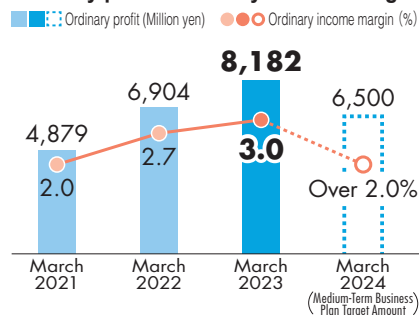
Net sales



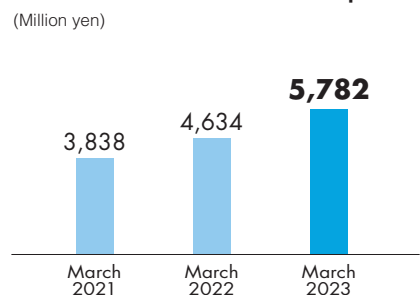
Operating profit / Operating income margin



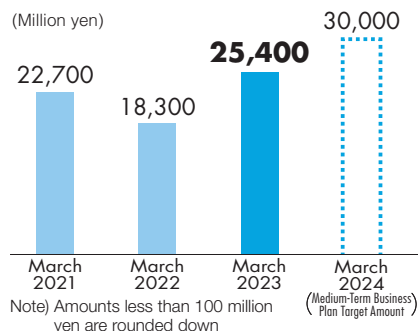
Ordinary profit / Ordinary income margin



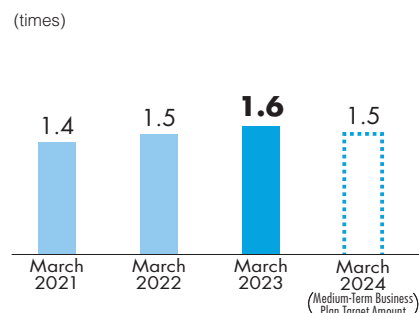
Profit attributable to owners of parent



Overseas sales



D/E ratio



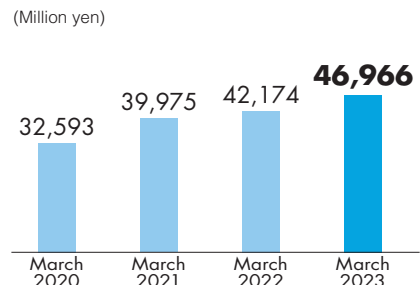
As for the performance for the next fiscal year, we expect net sales of ¥300,000 million, operating profit of ¥8,500 million, ordinary profit of ¥8,500 million, and profit attributable to owners of parent of ¥6,000 million.

Key Consolidated Financial Indicators

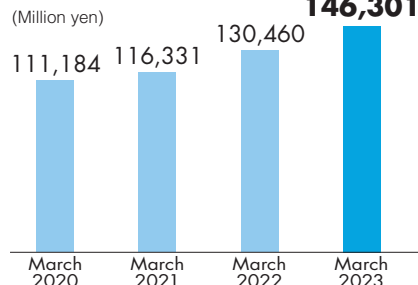
Point

- With the stable financial structure, profit attributable to owners of parent **reached the highest figure recorded in the Company's history, and ROE increased.**

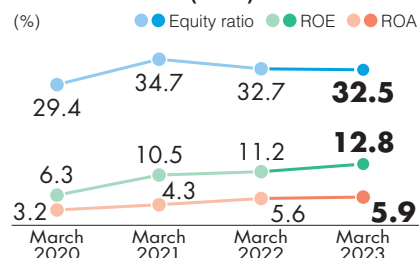
Net assets



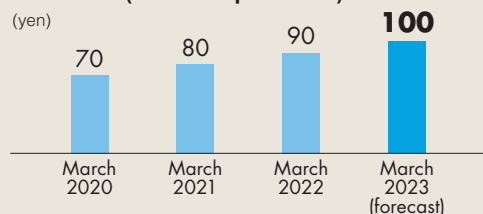
Total assets



Equity ratio / Return on equity (ROE) / Return on asset (ROA)



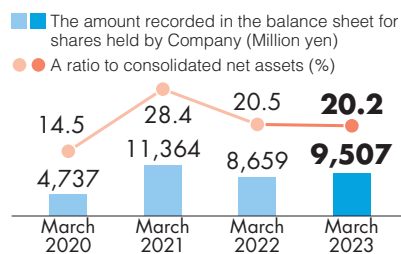
Dividends (Dividend per share)



Reference

Cross-Shareholdings

Amount recorded in the balance sheet and ratio to consolidated net assets of shares held by the Company for purposes other than net investment



SEGMENT OVERVIEW

As a comprehensive food company focusing on marine products, we are engaged in four business segments.

Marine Products Purchasing Segment

Composition ratio of sales by segment


45.2%

Net sales **122,783** million


Operating profit **2,683** million

Net Sales (Million yen)

Month	Net Sales	Operating Profit
March 2022	120,796	5,150
March 2023	122,783	2,683




Salt-cured salmon fillets



Processed shrimp products

Through our domestic and foreign branches, sales offices, representative offices, and mutual partnerships with subsidiaries, the Kyokuyo Group has stable sources of high-quality marine products from around world and provides processed product such as fish fillets, crab, and peeled shrimp. Moreover, as for the Overseas Business, we are strengthening the sale of products processed at Kyokuyo Group plants in Japan and overseas in addition to the export and sale of marine products caught in Japan.

Tuna Segment




Hon-Maguro no Kiwami TUNAGU

Net sales **39,220** million


Operating profit **5,325** million

Composition ratio of sales by segment

14.4%



Grained meat (tuna)



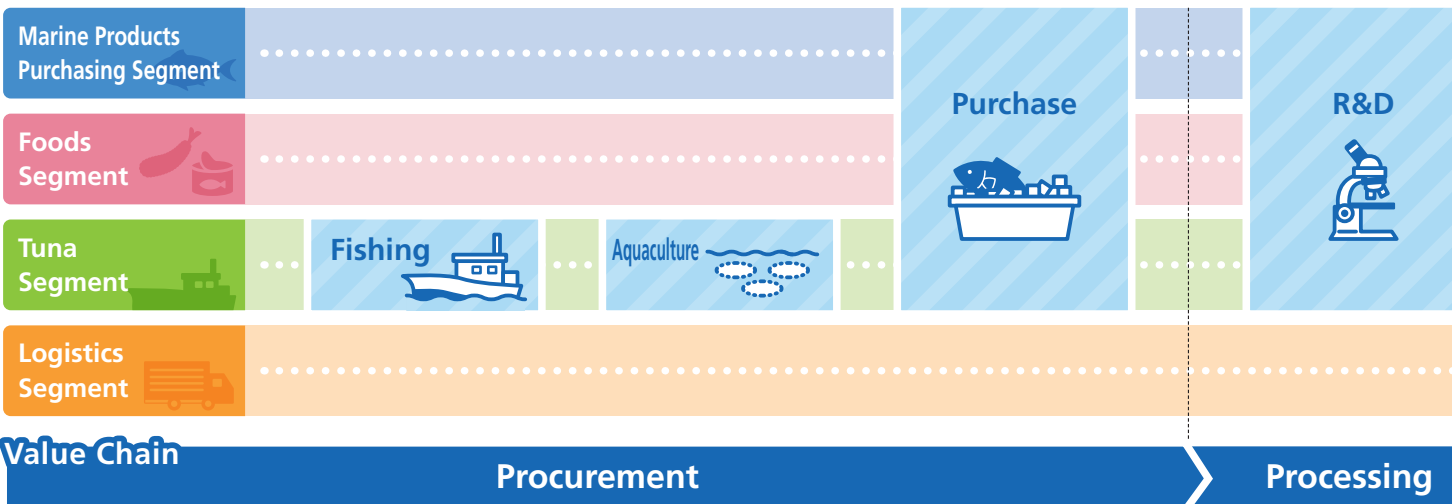
The Tuna Business conducts integrated operations encompassing everything from fishing and farming to purchasing, processing, and marketing of skipjack and other tuna. We have independent sourcing capabilities for skipjack with the Group's fleet of Wakaba Maru purse-seiners. As for tuna, we have expanded an aquaculture business that considers sustainability and strengthening access to resources, which includes the original brand "Hon-Maguro no Kiwami" as well as full-life-cycle aquaculture of Pacific bluefin tuna, "Hon-Maguro no Kiwami TUNAGU." Both of these have been well received by customers in and outside Japan. We are also engaging in aquaculture of red sea bream and Japanese amberjack in Kochi Prefecture, and working to expand the variety of farmed fish.

Net Sales (Million yen)

Month	Net Sales	Operating Profit
March 2022	34,295	988
March 2023	39,220	5,325

Operating profit

BUSINESS FLOW



Foods Segment

Composition ratio of sales by segment

39.9%

Net sales **108,328** million

Operating profit **936** million



Sushi toppings

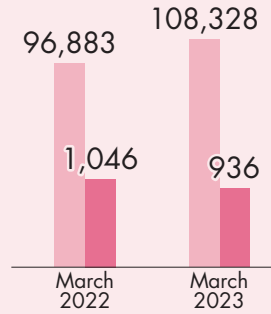


Top: "Dandori Jozu" Boneless mackerel fillets
Right: Boiled coho salmon backbone



The Foods Business sells frozen foods for commercial use such as our Dandori Jozu series that includes sushi toppings, simmered and grilled fish, fried marine products, imitation crab meat, and fish fillets to restaurants, deli departments of mass retailers, and medical and nursing care facilities. For products for home use, we sell frozen foods such as simmered fish, grilled fish, and fried marine products. Also, we have a long history of canned products since we started manufacturing in 1949, including canned seafood such as sardine and skipjack as well as canned meat and agricultural products. This includes our high-quality, innovative home-use brand Sea Marché, for which we are currently working to expand the product line-up. We also sell delicacies such as squid jerky and health products like glucosamine and DHA supplements.

Net Sales Operating profit
(Million yen)



Logistics Segment

Composition ratio of sales by segment

0.5%

Net Sales Operating profit
(Million yen)



Net sales **1,361** million

Operating profit **203** million

The Logistics Business provides logistics services such as distribution and delivery from warehouses, with a primary focus on the cold storage business in three sites in Ohi and Jonanjima in Tokyo, and Fukuoka.



Tokyo plant of KYOKUYO AKITSU REIZO CO., LTD.

Production and Processing



Logistics



Storage



Restaurants

Retailers

Ready-made meals

Sales

Customers

Under the Kyokuyo Group Basic Sustainability Policy, the Kyokuyo Group is committed to solving social issues by creating social and economic value through our business activities to contribute to society's sustainable development while aiming to achieve sustainable growth of the Kyokuyo Group.

Basic Sustainability Policy

1.
Creation and Sharing of Value
2.
Communication with Society
3.
Creating an Environment where Diverse Human Resources Can Flourish
4.
Harmony with the Environment
5.
Enhancing Corporate Governance

Specific Initiatives

Endorsement of the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

We declared our support for the TCFD recommendations in 2022 and are taking action on information disclosure.

Participation in SeaBOS

Since 2017 we have been participating in "SeaBOS*," a global initiative comprised of nine of the world's leading seafood companies and scientists to address the challenges toward the sustainable utilization of marine resources and the realization of a healthy ocean and global environment. President and Representative Director Makoto Inoue has attended the annual keystone dialogues, and the attendees discuss responses to various issues such as IUU (illegal, unreported, and unregulated) and the problem of ocean plastic waste. Of the United Nations Sustainable Development Goals (SDGs), we particularly strives to contribute to Goal 14, "Conserve and sustainably use the oceans, seas and marine resources for sustainable development" through its activities.

*SeaBOS (Seafood Business for Ocean Stewardship)



The Seventh Keystone Dialogue in Amsterdam on October 2022 attended by the Company's President and Representative Director Inoue (fourth from right in second row from front)



Clean River Activities

As part of our environmental conservation activities, we appeal to society for "living together with nature" and "importance of water resources." As an official partner of the Japan Canoe Federation, we support the activities of the Federation, and KYOKUYO CO., LTD. serves as the title sponsor of the Canoe Slalom Japan Cup Kyokuyo Series. After each competition, we work with event organizers and volunteers from among event spectators to hold a cleanup activity near the competition courses, "Clean River Activity." A total of 2,025 people have participated in the "Clean River Activity" since the fiscal year 2017.

INFORMATION

Introduction of Shareholder Special Benefit Plan

We have a shareholder special benefit plan, which we operate as a token of our appreciation for the support of our shareholders and to increase the number of shareholders by enhancing the appeal of shares in the Company.

Details of Special Benefit Plan

- | | |
|----------------------------|--|
| Target Shareholders | Shareholders on the Company's register of shareholders who hold one unit of shares (100 shares) or more on March 31 of each year |
| Benefits | <ul style="list-style-type: none"> ● Shareholders on the Company's register of shareholders who hold a unit of shares (100 shares) or more and less than three units of shares (300 shares) will be presented with our products valued at ¥2,500. ● Shareholders on the Company's register of shareholders who hold three units of shares (300 shares) or more will be presented with our products valued at ¥6,000. |
| Shipment: | Gifts will be shipped each year in July. |

Information on our website

The website features the latest information including an overview of Kyokuyo's businesses, ESG information, an introduction to our products and recipes using them, as well as IR-related information, etc. The website can also be viewed on a smartphone. Please access it using the QR code on the bottom right.



<https://www.kyokuyo.co.jp/en/>

