



Financial Results for the Second Quarter of the Year Ending March 31, 2023

November 2022

KYOKUYO CO., LTD.

(Tokyo Stock Exchange Prime Section Securities Code: 1301)

* The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of fiscal year ended March 31, 2022. The figures from the fiscal year ended March 31, 2022 are figures after the application of this accounting standard and related adjustments.

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I. Second Quarter of the Year Ending March 31, 2023

Consolidated Statements of Income

(Millions of yen)

	Consolidated second quarter (cumulative)		Year-on-year		Forecast for the year ending March 31, 2023	Vs. year forecast (Achievement rate)
	Year ended March 31, 2022	Year ending March 31, 2023	Change	% change		
Net sales	120,880	133,619	12,739	10.5%	275,000	48.6%
Operating profit	3,222	5,375	2,152	66.8%	7,000	76.8%
Ordinary profit	3,428	5,805	2,376	69.3%	7,000	82.9%
Profit attributable to owners of parent	2,438	4,208	1,769	72.6%	4,900	85.9%

- Vs. same period previous year
 - Operating profit, ordinary profit, and profit attributable to owners of parent increased by around 70%.
- Vs. full-year forecast (disclosed May 13, 2022)
 - In the first half, we achieved around 80% of operating profit and ordinary profit, and achieved about 90% of profit attributable to owners of parent.
 - Despite rising market prices, performance was driven by the Marine Products Purchasing Business and Tuna Business, which enjoyed strong demand due to factors such as the recovery of the restaurant industry.

Consolidated Balance Sheet

(Millions of yen)

	As at September 30,2021	As at September 30,2022	Year-on-year		As at September 30,2021	As at September 30,2022	Year-on-year
Assets				Liabilities			
Current assets	95,418	119,871	24,453	Current liabilities	48,299	73,264	24,965
Notes and accounts receivable - trade	31,972	36,889	4,916	Notes and accounts payable - trade	12,422	10,998	△1,423
Merchandise and finished goods	40,972	57,883	16,911	Short-term borrowings (including commercial paper)	23,448	47,617	24,169
Work in process	3,665	3,615	△50	Non-current liabilities	37,544	32,086	△5,458
Raw materials and supplies	6,792	6,738	△53	Long-term borrowings	32,929	27,730	△5,199
Other	12,015	14,744	2,728	Total liabilities	85,843	105,350	19,507
Non-current assets	32,010	30,961	△1,049	Net assets			
Total property, plant and equipment	18,025	19,705	1,680	Shareholders' equity	36,874	42,162	5,287
Total intangible assets	387	361	△26	Accumulated other comprehensive income	5,195	3,865	△1,329
Investments and other assets	13,597	10,894	△2,702	Non-controlling interests	△484	△544	△60
Total assets	127,429	150,833	23,404	Total net assets	41,585	45,482	3,897
				Total liabilities and net assets	127,429	150,833	23,404

• Amidst the rapid rise in seafood market prices in a short period of time, inventories increased due to strategic inventory retention, resulting in increases for both merchandise and finished goods and short-term borrowings (including commercial paper).

Consolidated Cash Flows

(Millions of yen)

		Consolidated second quarter (cumulative)		
		Year ended March 31, 2022	Year ending March 31, 2023	Year-on-year
Cash flows from operating activities	Profit before income taxes	3,419	6,072	2,652
	Depreciation	911	993	82
	Decrease (increase) in trade receivables	1,042	(7,797)	(8,839)
	Decrease (increase) in inventories	(9,643)	(13,150)	(3,506)
	Increase (decrease) in trade payables	3,432	646	(2,786)
	Other	(811)	(1,625)	(813)
	Subtotal	(1,649)	(14,859)	(13,210)
Cash flows from investing activities	Purchases of non-current assets	(3,217)	(1,677)	1,540
	Other	(47)	(129)	(82)
	Subtotal	(3,265)	(1,806)	1,458
Cash flows from financing activities	Net increase (decrease) in short-term borrowings (including commercial paper)	3,913	17,989	14,075
	Net increase (decrease) in long-term borrowings	1,619	(978)	(2,598)
	Other	(950)	(1,191)	(240)
	Subtotal	4,583	15,820	11,236

- Trade receivables increased significantly in conjunction with the growth in net sales

Changes in Consolidated Financial Metrics for the Second Quarter (Cumulative)

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023	Year-on-year
Equity (millions of yen)	29,969	31,696	35,035	42,070	46,027	3,957
Interest-bearing debt (millions of yen)	64,914	64,578	55,693	56,798	75,748	18,949
Total assets (millions of yen)	121,834	119,707	115,610	127,429	150,833	23,404
Year-end balance of cash and cash equivalents (millions of yen)	6,530	4,197	5,793	6,790	5,880	(910)
Equity ratio	24.6%	26.5%	30.3%	33.0%	30.5%	(2.5pts.)
D/E ratio	2.2	2.1	1.7	1.5	1.8	+0.3pts

• Although equity increased due to an increase in retained earnings, the equity ratio decreased due to a significant increase in interest-bearing debt (short-term borrowings).

Strategy

Continuous efforts to address business issues

Environment surrounding our business

Expanding Foods and Overseas Businesses

➤ Established Kyokuyo Vina Foods Co., Ltd. in Vietnam [July]

First Vietnamese subsidiary of the Kyokuyo Group established for food manufacturing.

Occurrence of country risk due to COVID-19 (distribution of risk)

Stabilizing profitability of Aquaculture Businesses Strengthening access to resources

➤ Launched the “Wakaba Maru No. 11” overseas purse seiner for catching skipjack [August]

This large fishing vessel was designed for sustainability of fishery resources and is internationally competitive.

Total tonnage: 760 tons Total investment amount: approx. 3.2 billion yen



Wakaba Maru No. 11

Rising awareness of sustainability in fishery resources

Increased international competitiveness

➤ Investment in EBIS Algae Research Institute, Inc. [August]

Utilize the microalgae “Nannochloropsis” cultivated and sold by EBIS as feed for farmed fish and in high-nutrient foods



Cultivate facilities at EBIS Algae Research Institute

Concern for malnutrition due to global population growth

Overseas Expansion

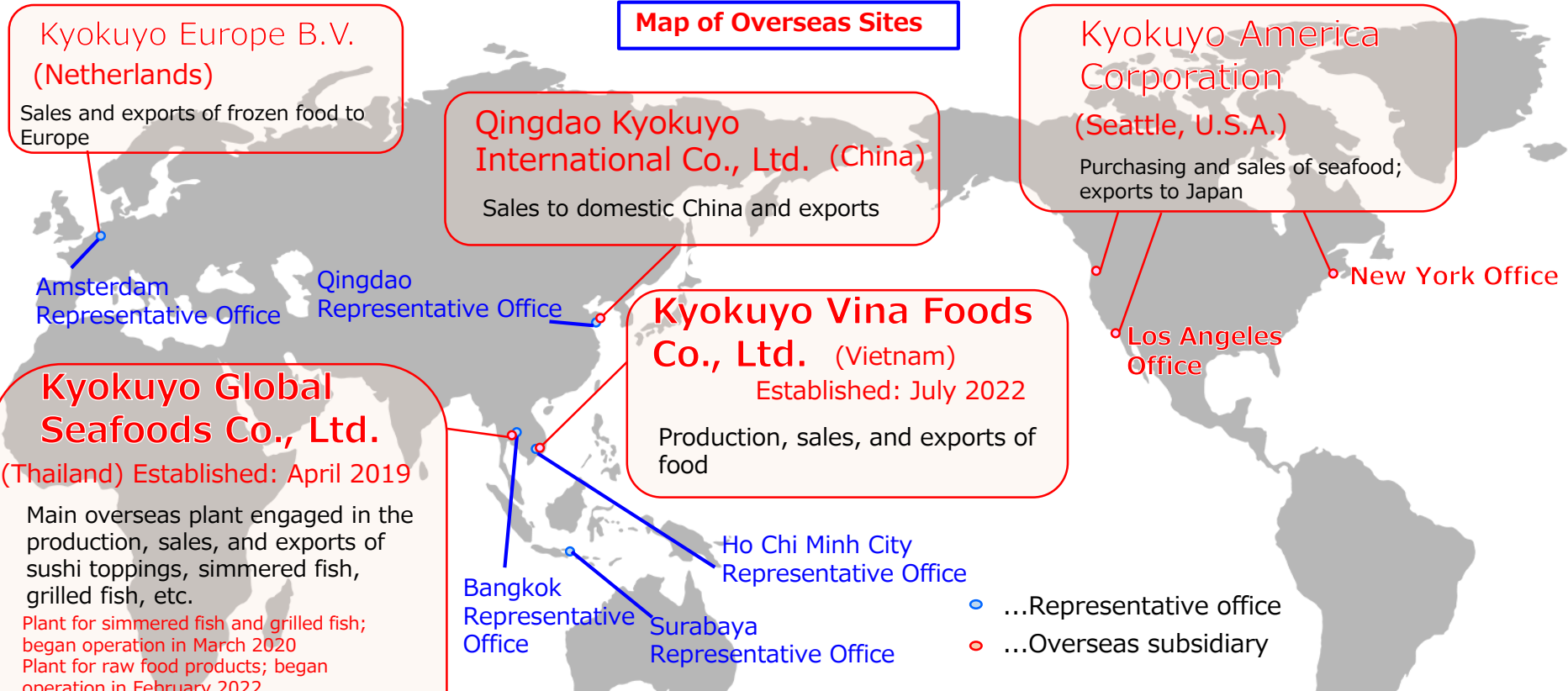
Strategy Expanding Overseas Businesses

Strengthen sales in the overseas market where growth is expected

Strategy Strengthening of our management base

Actively engage in new investments

Map of Overseas Sites



Overseas net sales Target for year ending March 31, 2024: 30.0 billion yen
 Q2 of year ending March 31, 2023: **10.7** billion yen



Status by Segment

Net Sales and Profit by Segment

(Millions of yen)

	Net sales			Profit by business segment		
	Consolidated second quarter (cumulative)			Consolidated second quarter (cumulative)		
	Year ended March 31, 2022	Year ending March 31, 2023	Year-on-year	Year ended March 31, 2022	Year ending March 31, 2023	Year-on-year
Marine Products Purchasing	57,848	60,586	2,737	2,574	3,217	642
Foods	46,471	52,298	5,826	620	464	△155
Tuna	15,808	19,878	4,069	464	2,205	1,741
Logistics Service	552	642	89	95	89	△6
Other	198	213	15	△532	△601	△69
Total	120,880	133,619	12,739	3,222	5,375	2,152

➤ Marine Products Purchasing

[Higher sales and profit]

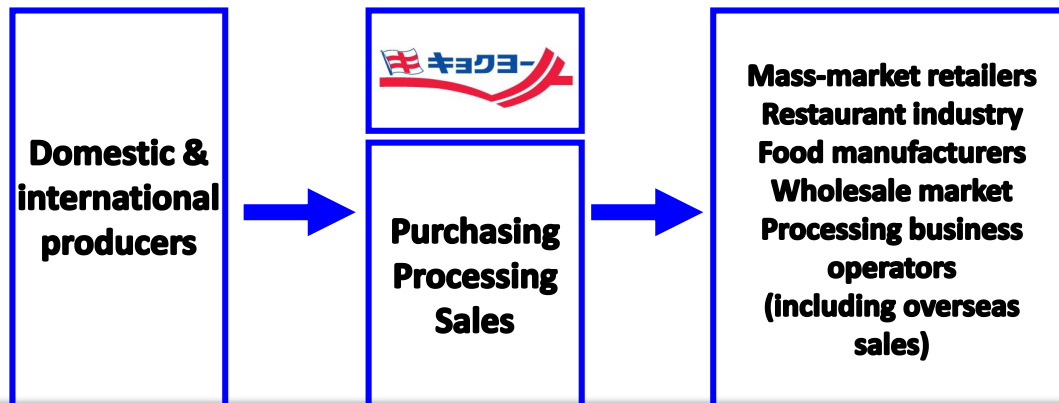
(Domestic sales)

- Overall sales volume decreased due to a slowdown in consumption caused by high seafood market prices
- Sales grew due to recovery in foodservice business and increase in unit sales price due to expectations of higher future prices
- Strong sales of raw ingredients and processed foods for salmon/shrimp and of fish roe

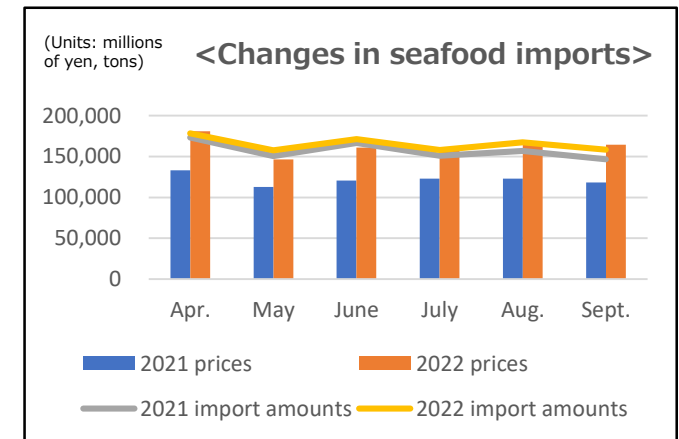
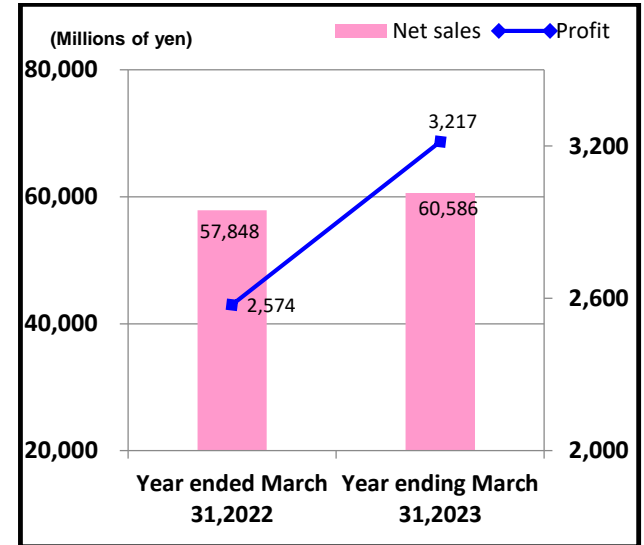
(Overseas business)

- Partly due to impact of the weakening yen, there was an increase in exports of scallops and northern sea fish, and sales of shrimp in North America

* See reference materials page 22: Sales weight and unit price of each seafood type by year



Consolidated second quarter (cumulative)



Source: Trade Statistics of Japan (by Ministry of Finance) *Preliminary figures for September 2022
 Created by processing (Press release materials: Trade Statistics of Japan (by Ministry of Finance) (customs.go.jp))

➤ Foods

[Higher sales, lower profit]

(Frozen foods for industrial use)

Steady sales of sushi toppings for the conveyor-belt sushi route

Sales of fried seafood and shrimp fritters grew, partly due to recovery in the restaurant route and school lunch route

In terms of earnings, price increases were insufficient to cover the continued rise in costs

(Frozen foods for home use)

Increased sales primarily for simmered fish and grilled fish

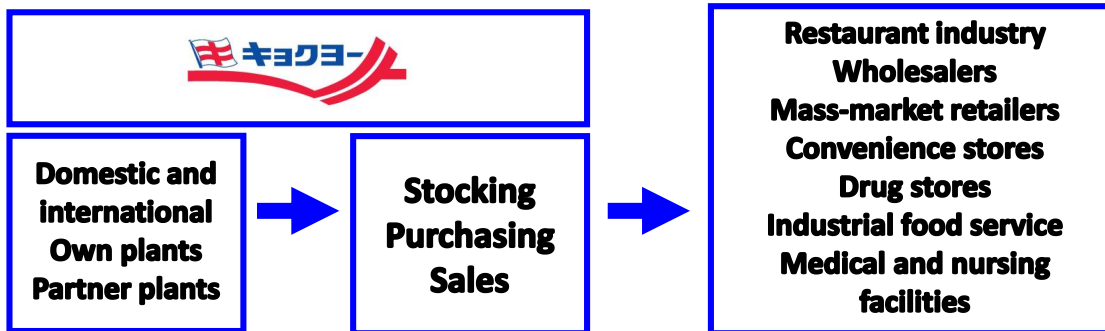
(Canned)

Increased costs put pressure on earnings; however, as prices were being revised throughout the market, sales grew mainly for canned mackerel and canned sardines through new development

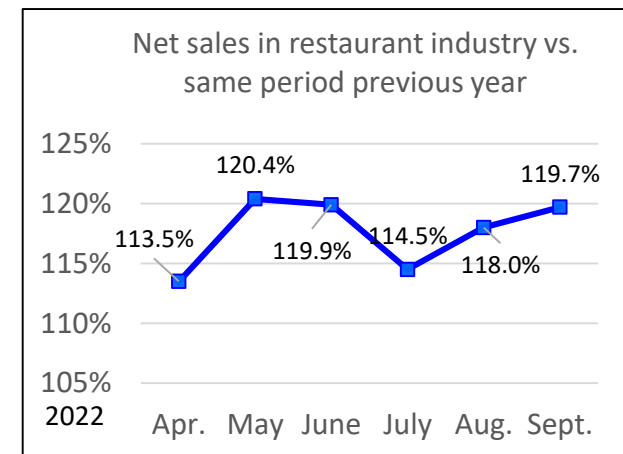
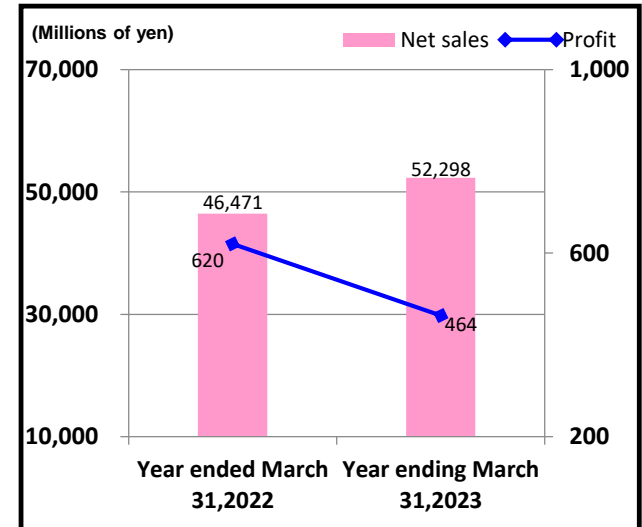
(Snacks/delicacies)

Sales volume fell due to changes in consumer preferences

* See reference materials page 23: Breakdown of sales in foods business



Consolidated second quarter (cumulative)



Source: Survey of Market Trends in Restaurant Industry
 Net sales by all member companies
 (Japan Foodservice Association)

➤ Tuna

[Higher sales and profit]

- Raw ingredient prices continued to rise and price revisions were implemented, but demand was strong due to a recovery in the restaurant route
- Sales of imported frozen bluefin tuna and southern bluefin tuna increased as fatty tuna products for sashimi; sales were strong for red-fleshed fish such as yellowfin tuna
- Sales of processed products, including seared tuna, grew mainly for the conveyor-belt sushi route

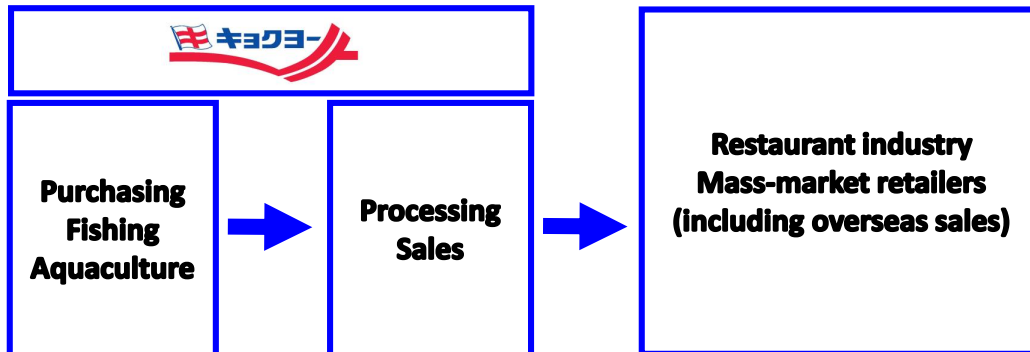
(Aquaculture business)

- Secured earnings by stable supply of Japanese bluefin tuna with consistent high quality

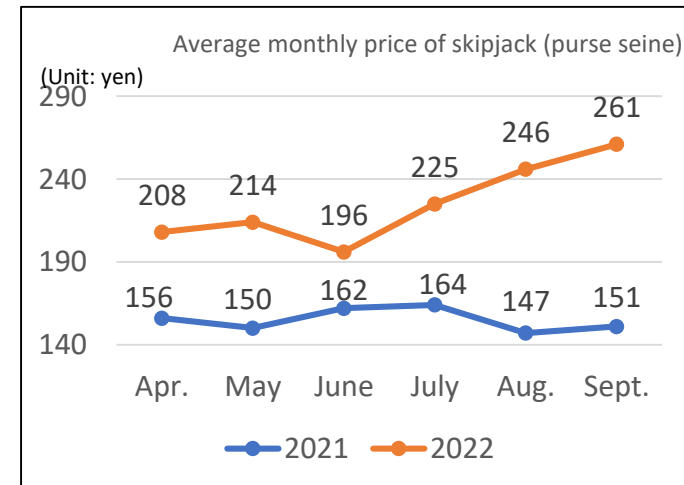
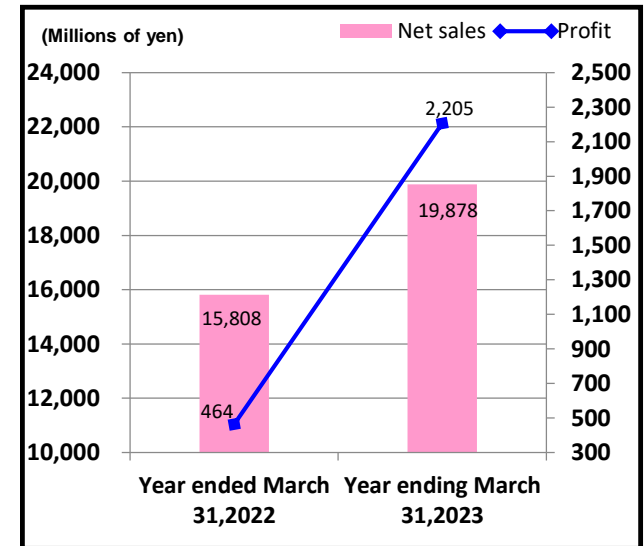
(Overseas purse seine fishing business)

- Balance of incomes and expenditures improved due to increase in prices of skipjack

* See reference materials pages 24-25: "Overseas purse seine fishing business: Catch weight & seafood prices" and "Bluefin tuna farming business Sales weight·amount."



Consolidated second quarter (cumulative)



Source: Comparative Chart with Transaction Value at Yaizu Fish Market (tax not included) (Yaizu Fishery Cooperative)

➤ Logistics Service

[Higher sales, lower profit]

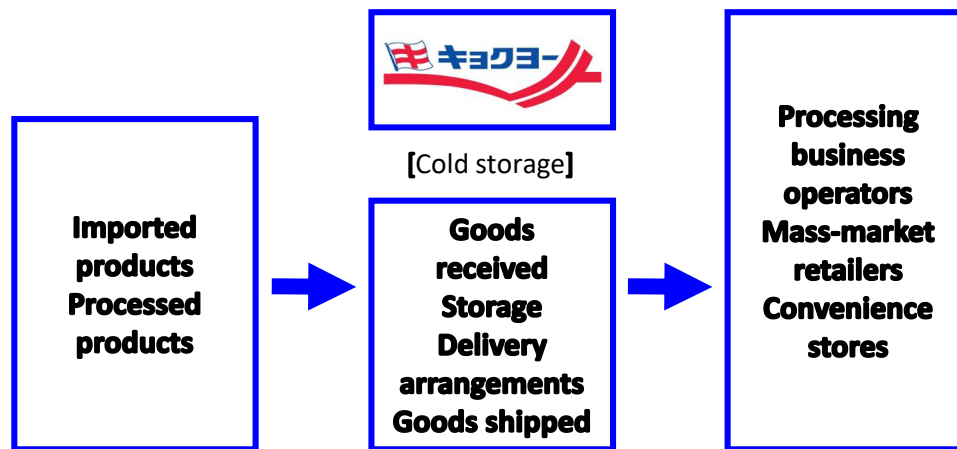
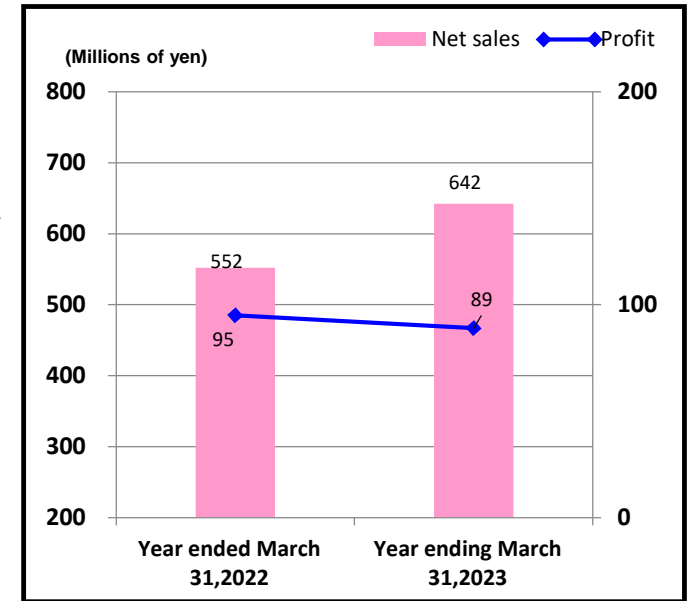
(Refrigerated warehousing business)

- Increased inventory volume maintained a high storage capacity ratio, but rising electricity bills put pressure on earnings

(Consigned forwarding business)

- Increased sales by expanding transactions with external business partners

Consolidated second quarter (cumulative)



Refrigerated warehousing business



Consigned forwarding business (image)

Ⅱ . Measures & Performance Forecast for the Second half of the Year Ending March 31, 2023

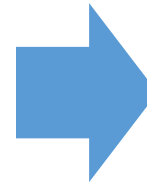
➤ Marine Products Purchasing

[Measures]

Thorough inventory management based on highly accurate supply and demand forecasts

Strengthen initiatives toward business and restaurant routes in recovery trends

Increase exporting of Kyokuyo products



[Medium-term plan strategy]

Stabilizing profitability of Marine Products Purchasing and Aquaculture Businesses

Expanding Overseas Businesses

➤ Foods

[Measures]

Increase profitability through expanded sales of products of own plants

Improve productivity of plants through consolidation of items

Increase the speed of introducing products that meet market needs



[Medium-term plan strategy]

Expanding Food Businesses

Enhancing product development and branding capabilities

Focusing on gourmet foods

➤ Tuna

[Measures]

Thorough inventory management based on highly accurate supply and demand forecasts

Increase profitability through improved productivity of own plants



[Medium-term plan strategy]

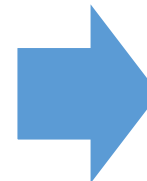
Stabilizing profitability of Marine Products Purchasing and Aquaculture Businesses

➤ Logistics Service

[Measures]

Expand sales by securing warehousing volume

Revise prices in response to significantly rising costs



[Medium-term plan strategy]

Strengthening financial infrastructure

Capital Investment Results/Plan

	Overview	Year ended March 31, 2023 Actual on September 30	Year ending March 31, 2023 Plan
Kyokuyo	Production plant-related	0.1 billion yen	0.3 billion yen
	Laboratory-related	0 billion yen	0.1 billion yen
	Sea-based aquaculture business	0.1 billion yen	0.1 billion yen
	IT-related & other	0.1 billion yen	0.7 billion yen
	Total	0.3 billion yen	1.2 billion yen
Affiliated companies	Production plant-related	0.6 billion yen	1.5 billion yen
	Purse seine fishing business-related	0.7 billion yen	0.9 billion yen
	Sea-based aquaculture business	0 billion yen	0.1 billion yen
	IT-related & other	0 billion yen	0.1 billion yen
	Total	1.4 billion yen	2.6 billion yen
Total		1.7 billion yen	3.8 billion yen

Major Investments

Advance DX
Group-wide systems implementation

Production machinery, etc., of Kyokuyo Global Seafoods Co., Ltd. (Thailand), which started operation in February 2022

Related to the Wakaba Maru No. 11 overseas purse seiner that launched in August 2022

Consolidated Performance Forecast & Medium-term Plan Targets

	Consolidated performance forecast (Second year of medium-term plan)	Target for final fiscal year of medium-term plan (Third year of medium-term plan)
Net Sales	275 billion yen	300 billion yen
Operating Profit	7 billion yen	7 billion yen
Ordinary Profit	7 billion yen	6.5 billion yen
Operating Margin	2.5%	Over 2%
Ordinary Profit Margin	2.5%	Over 2%

III. Shareholder Returns

No change in dividend forecast

Basic Approach to Profit Allocation

We consider proper returns of profits to shareholders to be one of the key points in our business management. In addition to greater retained earnings to strengthen our corporate organization and lay the groundwork for future business expansion, we also aim to continue paying a steady dividend while raising the level of our dividend through medium to long-term profit growth.

Shareholder Gifts

■ Applicable shareholders and gifts provided

(1) Shareholders listed on our registry as of March 31 every year who own between at least one unit of shares (100 shares) and less than three units (300 shares) receive 2,500 yen worth of our products.

(2) Shareholders listed on our registry as of March 31 every year who own three units of shares (300 shares) or more receive 6,000 yen worth of our products.

■ Awarded: July every year

Status of Dividend

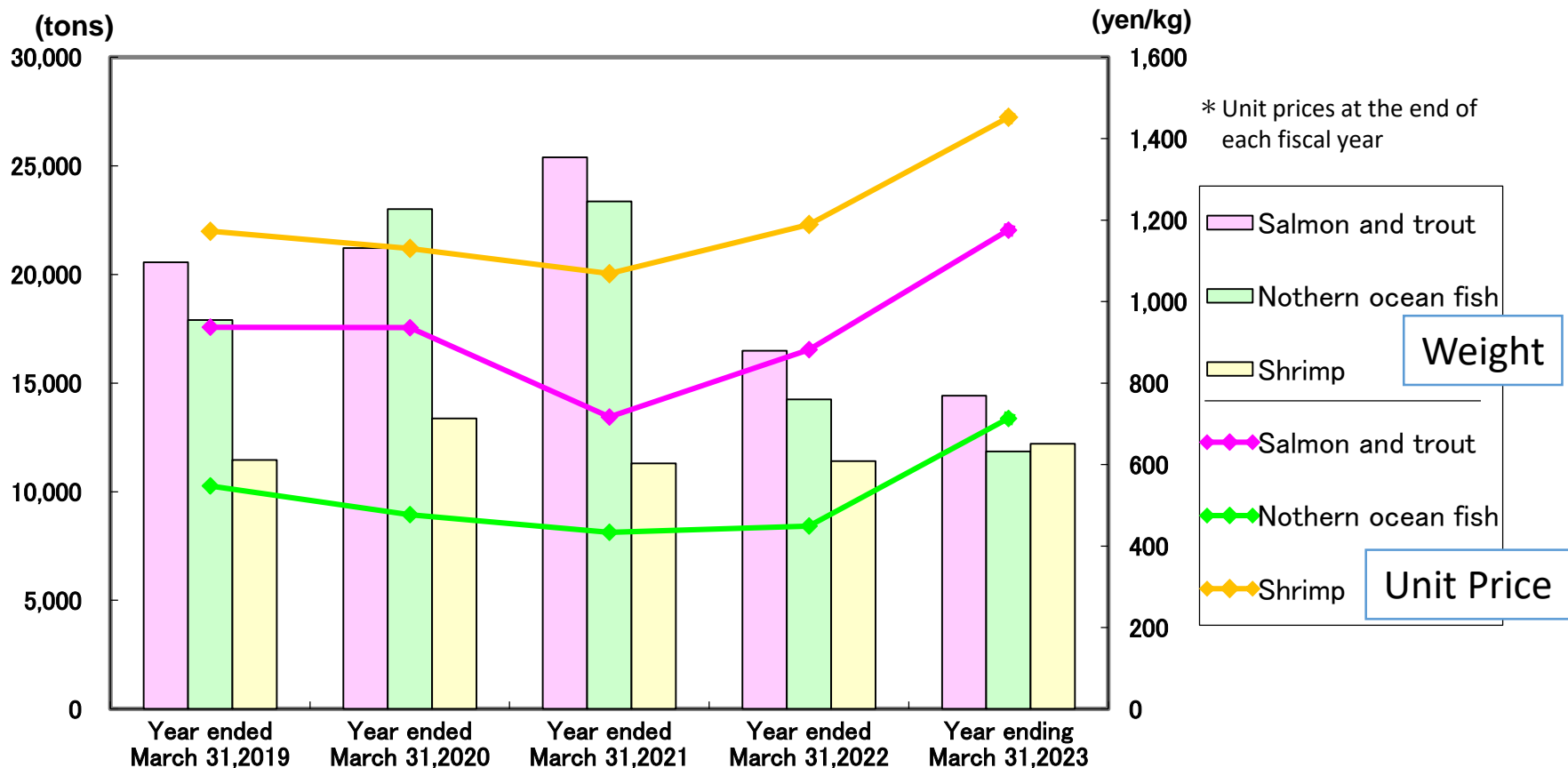
	Dividend per share
Year ended March 31, 2018	60 yen
Year ended March 31, 2019	70 yen
Year ended March 31, 2020	70 yen
Year ended March 31, 2021	80 yen
Year ended March 31, 2022	90 yen
Forecast, year ending March 31, 2023	90 yen

Reference Materials

Reference Materials (1)

Marine Products Purchasing (First half of the Year)

< Non-consolidated > Sales weight and unit price of each seafood type by year

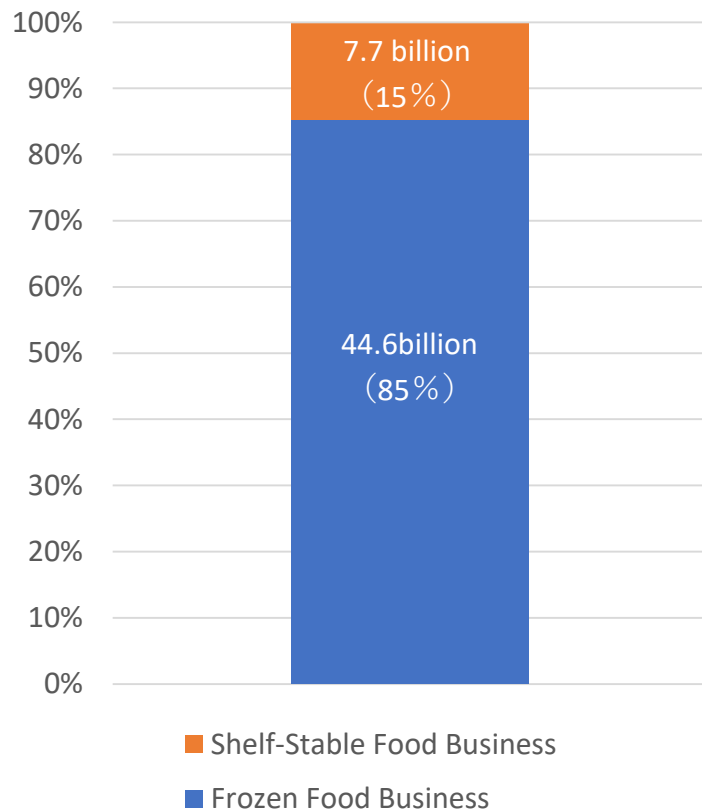


* The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter of fiscal year ended March 31, 2022. As a result, regarding paid supply transactions, if we are obliged to buy back the supplied items, we have changed to the method of not recognizing the disappearance of the supplied items. The figures from the fiscal year ended March 31, 2022 are figures after the application of this accounting standard and related adjustments.

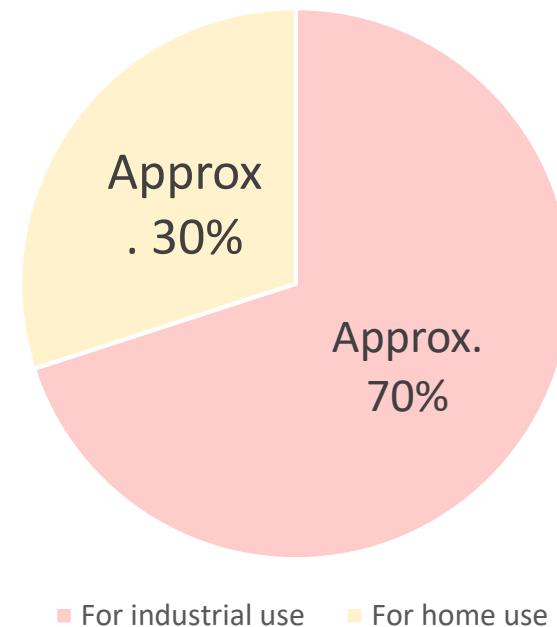
Reference Materials (2)

Breakdown of (First half of the Year) sales (52.298 billion yen) in foods business

By temperature range



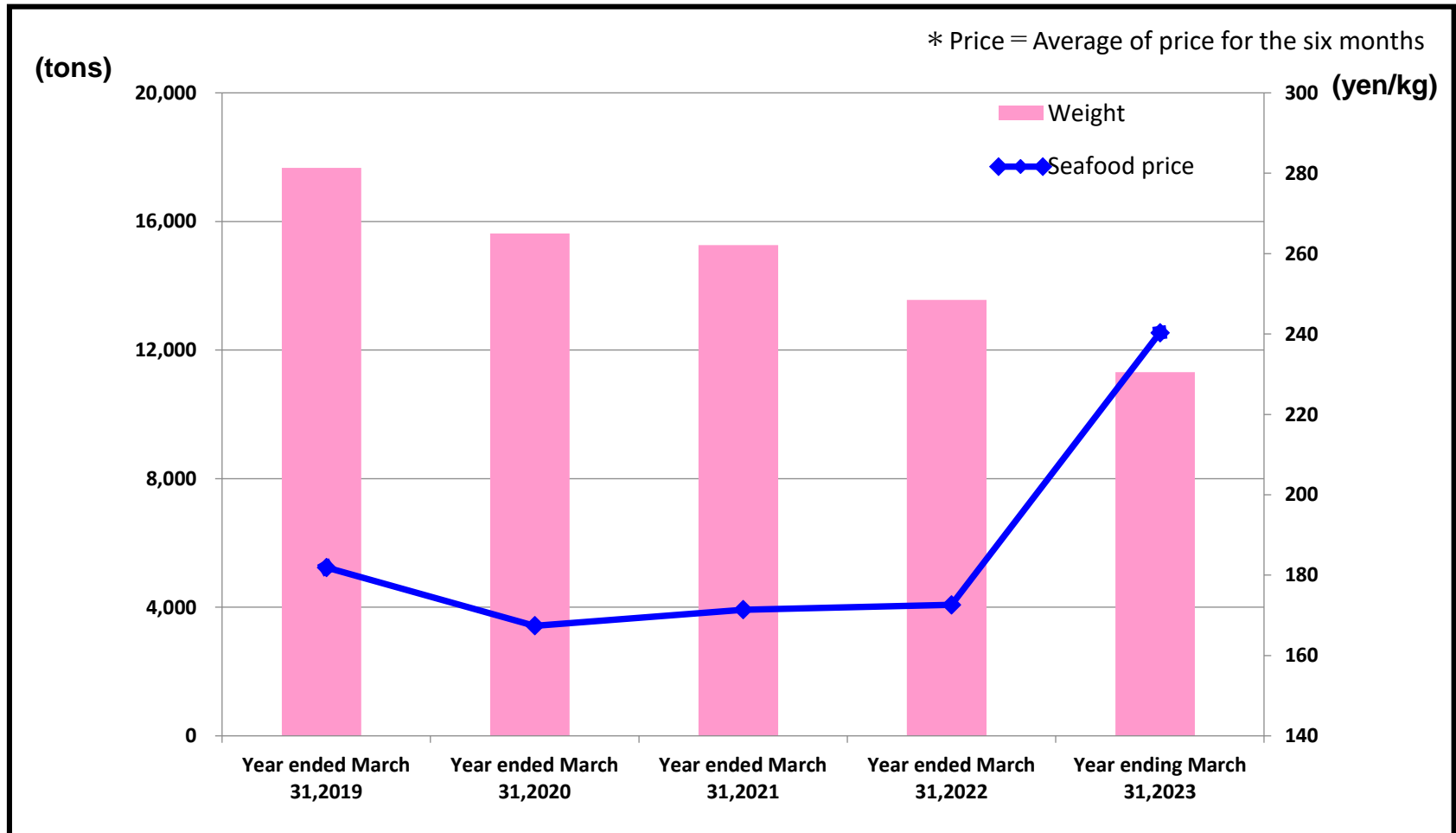
By industry type



Reference Materials (3)

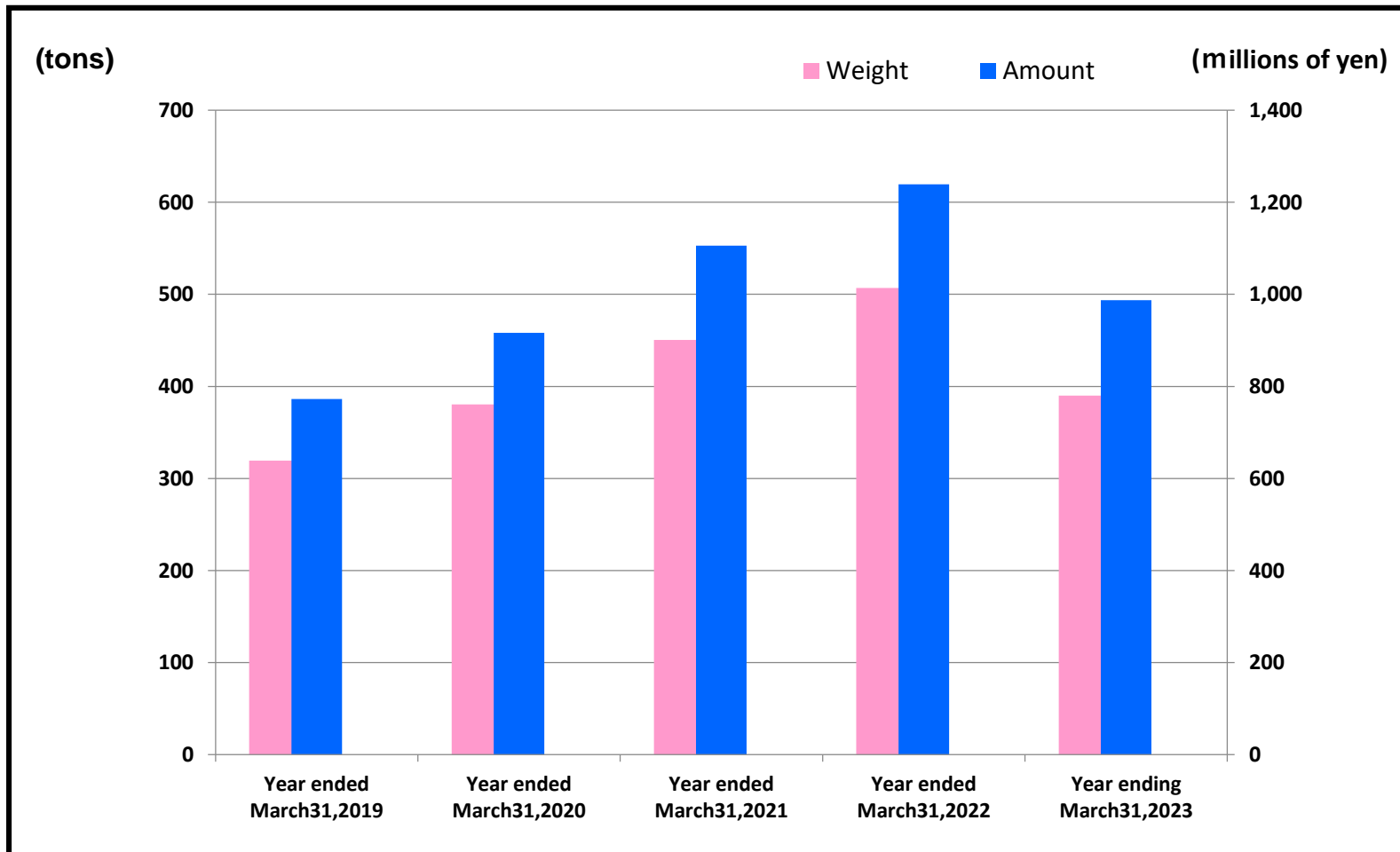
Tuna Segment (First half of the Year)

Overseas purse seine fishing business, Catch weight & seafood prices



Reference Materials (4)

Tuna Segment (First half of the Year) Bluefin tuna farming business Sales weight·amount



ESG Topics

- **Selected for the FTSE Blossom Japan Sector Relative Index, a constituent of the ESG investment index**

An index that reflects the performance of Japanese companies that are highly responsive to ESG. Provided by FTSE Russell, a group company of the London Stock Exchange.

- **Sponsorship of the Japan Canoe Federation**

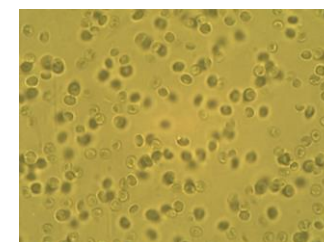
We support the activities of Japanese national team athletes and the Japan Canoe Federation as part of environmental conservation activities that convey to society “the concept of coexisting with nature” and “the importance of water resources.” We also held the Clean River Activity, a cleaning activity near the competition course, with participation from visitors to the site.



- **Endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) [May]**

- **Investment in EBIS Algae Research Institute, Inc. [August]**

The Nannochloropsis cultivated by the company is a type of microalgae that produces proteins and lipids through photosynthesis using sunlight, water, and CO₂. The production process has a low environmental impact; for example, it absorbs CO₂ through photosynthesis.



Nannochloropsis microalgae

- **Launched the “Wakaba Maru No. 11” overseas purse seiner for catching skipjack [August]**

In consideration for the sustainability of fishery resources, we engage in sustainable and stable procurement of raw ingredients.

We also consider the environment through measures such as reducing fuel consumption by improving the shape of the bow.

We improved the working and living environment for crew members by enlarging the ship and introducing unique design features.



Wakaba Maru No. 11

- **Attended the SeaBOS Keystone Dialogues [October]**

President Inoue attended SeaBOS meetings where 10 major global seafood corporations and scientists cooperate to identify issues and set goals for the sustainable use of fishery resources and for a healthy ocean and global environment.

Reference Materials (6)

➤ Consolidated Second Quarter Performance (cumulative)

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023
Net sales	119,202	126,884	116,861	120,880	133,619
Cost of sales	108,196	115,283	105,036	106,951	116,774
Gross profit	11,066	11,600	11,825	13,929	16,844
Selling & general administrative expenses	9,933	10,865	10,445	10,706	11,469
Operating profit	1,072	735	1,379	3,222	5,375
Ordinary profit	1,332	1,128	1,505	3,428	5,805
Extraordinary profit	4	0	1,465	39	302
Extraordinary loss	208	38	730	48	35
Profit attributable to owners of parent	824	710	1,577	2,438	4,208

Reference Materials (7)

➤ Consolidated Second Quarter Financial Metrics (cumulative)

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023
Net assets (millions of yen)	30,253	31,762	34,480	41,585	45,482
Interest-bearing debt (millions of yen)	64,914	64,578	55,693	56,798	75,748
Inventory turnover period	53.4days	52.6days	50.9days	53.3days	66.8days
Equity ratio	24.6%	26.5%	30.3%	33.0%	30.5%
ROE	2.8%	2.2%	4.7%	5.9%	9.5%
ROA	1.2%	1.0%	1.3%	2.8%	4.1%
Net assets per share (yen)	2,769.99yen	2,929.72yen	3,256.78yen	3,910.65yen	4,294.96yen
Net income per share (yen)	76.33yen	65.66yen	146.78yen	226.63yen	391.96yen

- ROE: Profit attributable to owners of parent / equity*
- ROA: Ordinary profit / total assets*
- Inventory turnover period: Commercial product inventory balance* / net sales x 365
- Equity ratio: Equity / total assets

* Averages of values at end of this year and end of previous year.



Notes of Caution Regarding Forecasts

These materials are created with the purpose of providing information about performance as at September 30, 2022 and our future management vision.

Earning forecasts and estimates in these materials are based on the information currently available and include potential risks and uncertainties.

Therefore, please note that actual results may differ from these forecasts due to various factors.

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