

Financial Results for the Second Quarter of FY2023

November 2023

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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1. First Half Performance

Consolidated Statements of Income

(Millions of yen)

	2Q		Y-o-Y		Forecast for FY2023	Vs. year forecast (Achievement rate)
	FY2022	FY2023	Change	% change		
Net sales	133,619	126,075	△7,544	△5.6%	300,000	42.0%
Operating profit	5,375	3,996	△1,378	△25.7%	8,500	47.0%
Ordinary profit	5,805	4,142	△1,662	△28.6%	8,500	48.7%
Profit attributable to owners of parent	4,208	2,451	△1,756	△41.7%	6,000	40.9%

➤ Vs. same period previous year

[Year-on-year] Secured higher sales and earnings than anticipated due to rising market prices for seafood overall

[This year] Sales and profits in the Marine Products Business are declining due to effects of uncertain seafood market conditions

- Net sales, operating profit, ordinary profit, and profit attributable to owners of parent all declined.

➤ Vs. full-year forecast (disclosed May 12, 2023)

• In the first half, we achieved around 50% of both our operating profit and ordinary profit forecasts for the year.

• With the year-end shopping season of increased seafood demand still ahead, we have achieved at least 40% of forecast in all areas.

Consolidated Balance Sheet

(Millions of yen)

	Sep/22	Sep/23	Y-o-Y		Sep/22	Sep/23	Y-o-Y
Assets				Liabilities			
Current assets	119,871	119,974	102	Current liabilities	73,264	69,757	△3,507
Notes and accounts receivable - trade	36,889	36,246	△643	Notes and accounts payable - trade	10,998	11,480	481
Merchandise and finished goods	57,883	56,840	△1,042	Short-term borrowings (including commercial paper)	47,617	43,602	△4,015
Work in process	3,615	4,946	1,331	Non-current liabilities	32,086	34,961	2,875
Raw materials and supplies	6,738	7,191	452	Long-term borrowings	27,730	30,501	2,771
Other	14,744	14,749	5	Total liabilities	105,350	104,719	△631
Non-current assets	30,961	35,138	4,176	Net assets			
Total property, plant and equipment	19,705	21,180	1,475	Shareholders' equity	42,162	45,142	2,980
Total intangible assets	361	719	358	Accumulated other comprehensive income	3,865	5,076	1,211
Investments and other assets	10,894	13,237	2,342	Non-controlling interests	△544	173	718
Total assets	150,833	155,112	4,279	Total net assets	45,482	50,393	4,910
				Total liabilities and net assets	150,833	155,112	4,279

- Compared to the same period last year in which net sales increased due to expectations of higher future seafood prices and rising unit sales prices resulting from bullish market sentiment, this year net sales, "Notes and accounts receivable-trade", and "Merchandise and finished goods" declined year-on-year.

Consolidated Cash Flows

(Millions of yen)

		Consolidated second quarter (cumulative)		
		FY2022	FY2023	Y-o-Y
Cash flows from operating activities	Profit before income taxes	6,072	3,553	△2,519
	Depreciation	993	1,173	179
	Decrease (increase) in trade receivables	△7,797	△2,967	4,829
	Decrease (increase) in inventories	△13,150	△5,380	7,769
	Increase (decrease) in trade payables	646	2,608	1,962
	Other	△1,625	△207	1,418
	Subtotal	△14,859	△1,220	13,639
Cash flows from investing activities	Purchases of non-current assets	△1,677	△3,184	△1,507
	Other	△129	△11	118
	Subtotal	△1,806	△3,196	△1,389
Cash flows from financing activities	Net increase (decrease) in short-term borrowings (including commercial paper)	17,989	4,449	△13,540
	Net increase (decrease) in long-term borrowings	△978	770	1,749
	Other	△1,191	△417	773
	Subtotal	15,820	4,802	△11,017

• In the same period last year, both “trade receivables” and “inventories” increased along with increasing seafood sales and rising market prices. But in this year, they decreased compared to the same period last year.

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

	FY2019	FY2020	FY2021	FY2022	FY2023	Y-o-Y
Equity (millions of yen)	31,696	35,035	42,070	46,027	50,219	4,192
Interest-bearing debt (millions of yen)	64,578	55,693	56,798	75,748	74,435	△1,312
Total assets (millions of yen)	119,707	115,610	127,429	150,833	155,112	4,279
Year-end balance of cash and cash equivalents (millions of yen)	4,197	5,793	6,790	5,880	7,681	1,800
Equity ratio	26.5%	30.3%	33.0%	30.5%	32.4%	+1.9pts
D/E ratio	2.1	1.7	1.5	1.8	1.6	△0.2pts
ROE	2.2%	4.7%	5.9%	9.5%	5.0%	△4.5pts
ROA	1.0%	1.3%	2.8%	4.1%	2.7%	△1.4pts

ROE : Profit attributable to owners of parent / equity*

ROA : Ordinary profit / total assets*

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

- Equity ratio increased due to a decrease in interest-bearing debt (short-term borrowings).
- ROE decreased due to lower profit attributable to owners of parent.
- ROA decreased due to lower ordinary profit and an increase in non-current assets.

2. Medium-term Business Plan and First Half Initiatives



Medium-term Business Plan Strategy and Initiatives in the First Half of FY2023

Strategy Expanding Overseas Businesses

Measures

- Bolster our sales structure by establishing new overseas sites
- Expand sales of our products by developing product for sale overseas

Quantitative targets

Medium-term Business Plan Final fiscal year target

Overseas net sales 30 billion yen FY2023

(for reference)

FY2023: full-year in progress (FY2023: 12.4 billion yen in first half)

FY2022: 25.4 billion yen (FY2022: 10.7 billion yen in first half)

FY2021: 18.3 billion yen

Strategy

Expanding Overseas Businesses

Shift in overseas business policy

Previously

Export Japan-produced seafood



“produce overseas, sell overseas”

Environment surrounding our business

Growing global demand for seafood

Increasing global health consciousness

Rising incomes due to economic growth in developing countries

Shrinking domestic market

➤ Establish imitation crab meat manufacturing company 「Ocean's Kitchen」 in North America [April 2023]

Goal: Manufacture and sell imitation crab meat for the United States

Plant being remodeled, planned to be operational in FY2024

➤ Established Kyokuyo Vina Foods Co., Ltd. subsidiary in Vietnam [July 2022]

Goal: Distribute risk of processing in China, which became apparent due to issues during the COVID-19 pandemic, and produce and sell foods for Vietnam and Southeast Asia

(Planned for primary processing of seafood and production of simmered and grilled fish)

Construction to begin in 2023, planned to be operational in FY2024

* Listed in “Overseas Sites” on p.38 of the reference materials.

Strategy

Strengthening of our management base

➤ Established business divisions [April]

To achieve agile business management while changing our business segments, we established business divisions in the three segments of Marine Products, Freshfoods, and Processed Food, in order to accelerate our shift to a high profit structure. Centralized management via business divisions will enable us to aim for a highly profitable structure that pursues overall efficiency.

Marine Products Business



Seafood products

Marine raw materials

Freshfoods Business



raw food products such as sushi toppings



Skipjack



Tuna

Processed Food Business



Fried seafood



Grilled fish



Canned



Frozen foods for home use

Strategy

Stabilizing profitability of Aquaculture Business

➤ Newly established the Resource Research and Development Department within the Freshfoods Business Segment [April]

To promote expansion of the Aquaculture Business in Japan and overseas and improve the efficiency of the existing Aquaculture Business.



Full Cycle Farm Raised Bluefin Tuna <TUNAGU>



Red sea bream
Farmed by Kuroshio Suisan Co., Ltd.

Environment surrounding our business

Rapid changes in society

Intensifying procurement competition as global seafood demand rises

Rising feed cost and other production costs for farmed fish

Strategy

Enhancing product development and branding capabilities

Environment surrounding our business

➤ New product releases in fall 2023 [July]

Announced 29 new products total: 10 for home use and 19 for industrial use.

Developing industrial use products to address labor shortages which is an issue in the restaurant industry that is recovering post-COVID, and new products such as canned sardines to replace high-ingredient-cost canned mackerel, with the theme of “Propose products that bring out the taste of fish and simplify cooking.”



Kiwami Shrimp Cutlet 60



Dandori Jozo shiokoji-grilled red rockfish (boneless)



Dandori Jozo soft chicken simmered with daikon radish



Lemon flavor simmered sardines



Simmered sardines with tomato

Resurfacing of restaurant industry labor shortages due to recovery in inbound consumption

Rising ingredient cost for canned mackerel due to poor mackerel catches

Brand power is essential to market product expansion

➤ Gift campaign on X (formerly Twitter) [from February]

Conducting daily campaigns to win products from our Group in drawings on our “Dandori-nya” character account.

➤ Commercials promoting canned tuna [September]

We bolstering promotions of the Kyokuyo brand by broadcasting commercials in the Tohoku and Kyushu areas for our new-look canned tuna from September 17-30, 2023.



Scene from the commercial

Strategy

Strengthen human resources infrastructure, ESG management

Environment surrounding our business

➤ Introduced an executive officer system [April]

Increasing the agility of management, strengthening corporate governance, and developing next-generation managers by separating the decision-making and supervision functions of management from the executive functions.

➤ Introduced a new personnel system [April]

Average annual income raised by approximately 20%, starting pay raised by approximately 30%. Extended set retirement age from 60 to 65, and established a personnel system tailored to individual initiative and abilities for all employees, young through senior.

➤ Received “Kurumin” certification [July]

Certified by the Minister of Health, Labour and Welfare as a company that supports parenting.



Kurumin certification logo

Diversifying workstyles and changing lifestyles

Changes such as declining working population and law revisions

Strategy

ESG management

➤ Information disclosures according to the TCFD recommendations [August]

Analyzing the risks and opportunities that climate change presents to our business activities and disclosing the results of measures considered to address them, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*.

Increasing risks to our business activities from climate change

※Task Force on Climate-related Financial Disclosure (TCFD)

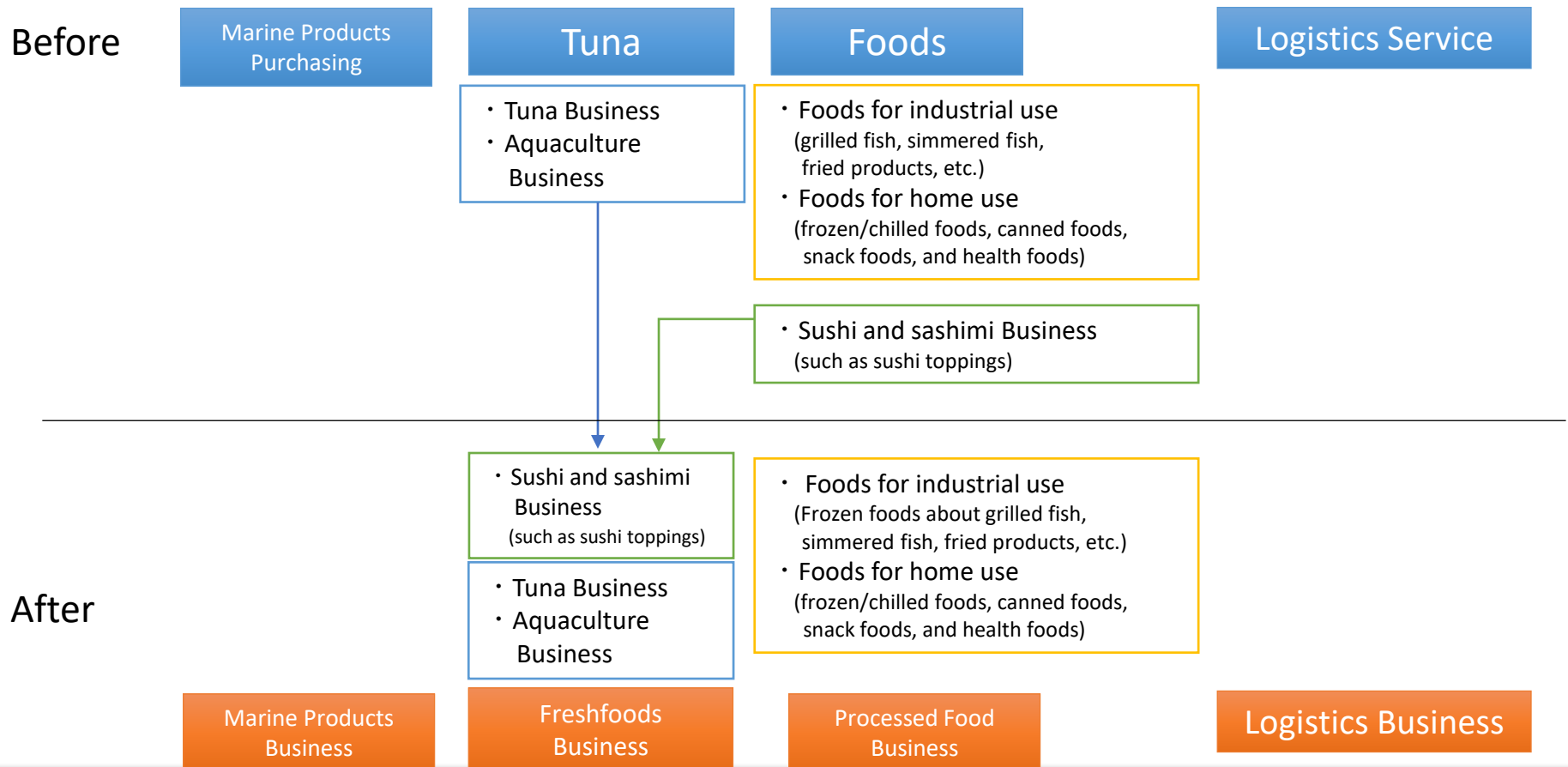
The Financial Stability Board established this task force in 2015 following request from the G20. The task force evaluates the financial impact on business management of the risks and opportunities associated with climate change, encouraging companies to disclose information related to corporate governance, strategy, risk management and indicators and targets.

3 . Status by Segment

Status by Segment

From this year, our business segment configuration was changed to clarify our core businesses.

We comprehensively market raw food products such as sushi toppings and sashimi, which are among the top-selling products in Japan, as well as skipjack and tuna products, which are often served raw. For more efficient operations, we will handle products with similar temperature zones during distribution and sales, as well as products with similar sales destinations in the same segment. This will allow us to further grow our raw food products, for which demand is increasing overseas.



Status by Segment

Net Sales and Profit by Segment

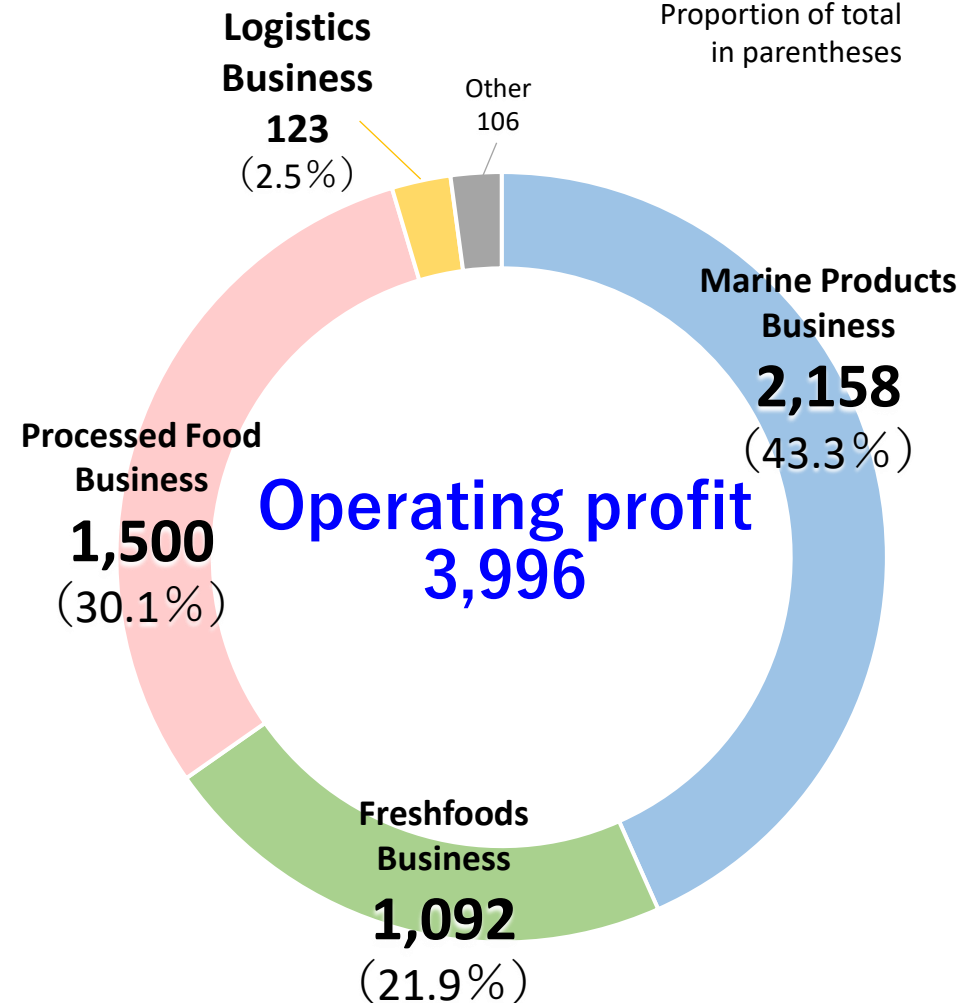
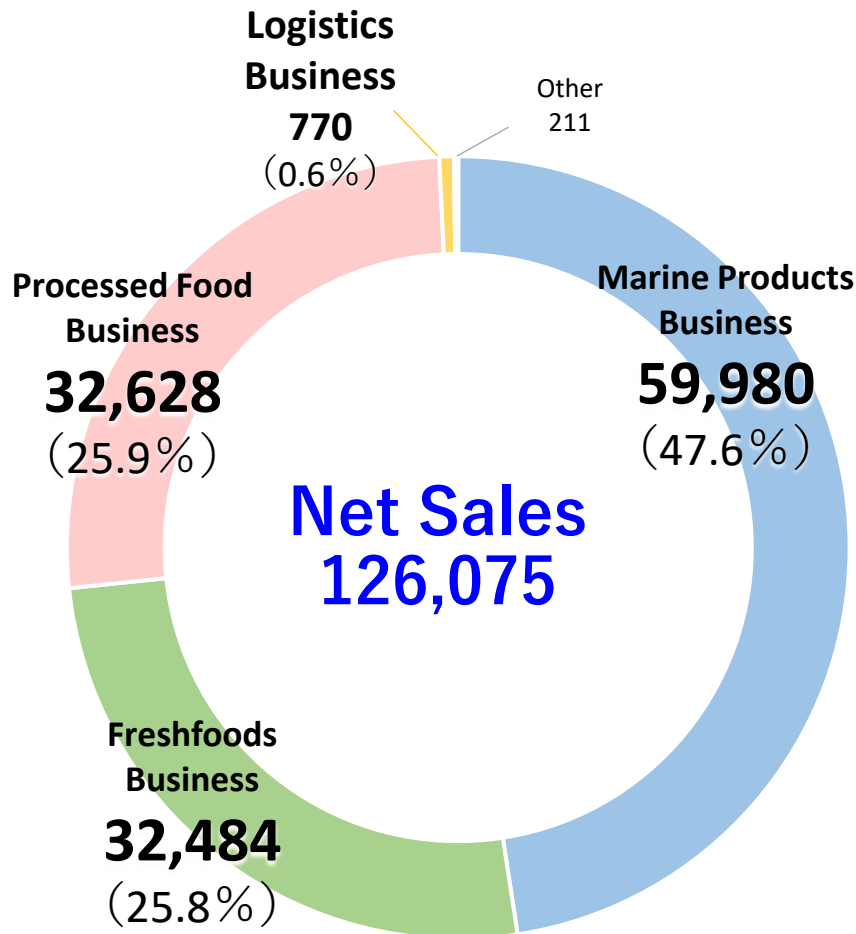
(Millions of yen)

	Net sales			Profit by business segment		
	2Q of FY2022	2Q of FY2023	Y-o-Y	2Q of FY2022	2Q of FY2023	Y-o-Y
Marine Products Business	68,109	59,980	△8,128	3,216	2,158	△1,057
Freshfoods Business	35,852	32,484	△3,368	2,161	1,092	△1,069
Processed Food Business	28,801	32,628	3,827	513	1,500	987
Logistics Business	642	770	127	89	123	34
Other	213	211	△2	△605	△878	△273
Total	133,619	126,075	△7,544	5,375	3,996	△1,378

* Figures shown from the previous year in the Marine Products Business have been converted into the changed segment in line with our business segment reconfiguration.

Status by Segment

(Millions of yen)
Proportion of total
in parentheses



* Excluding adjustment of -985 million yen.
Total profit for the segment before subtracting the adjustment was 4,981 million yen

➤ Marine Products Business

[Lower sales, lower profit]

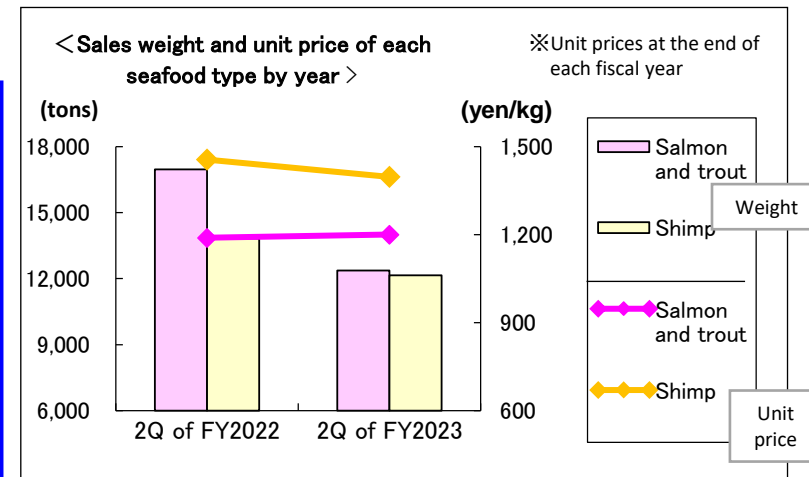
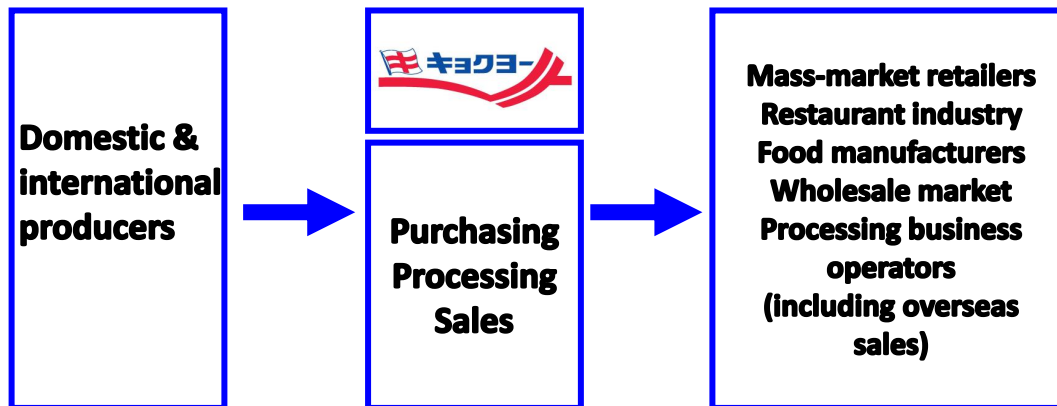
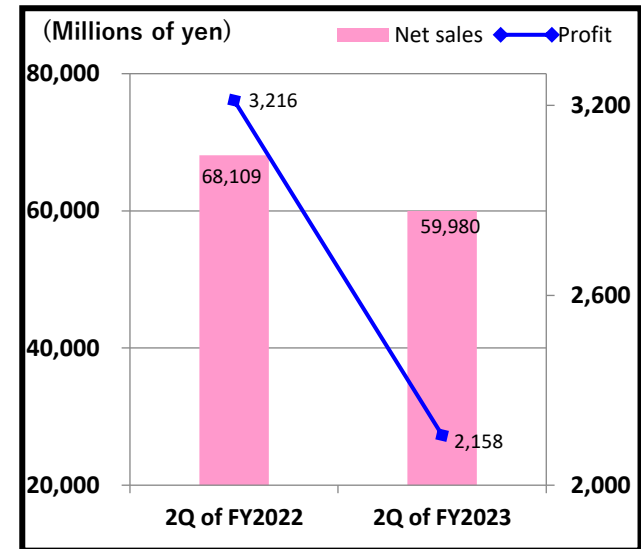
(Domestic sales)

- Sales of main fish varieties such as salmon and shrimp declined as distributors and processors only went as far as cautious purchasing due to market uncertainty.

(Overseas business)

- Export volumes were lower for scallops, a major product for China.
- Sales of products including blueback fish and tuna increased as the yen weakened
- Local sales overseas decreased in North America due to reduced consumption resulting from inflation

* See reference materials page 33: Sales weight and unit price of each seafood type by year



➤ Freshfoods Business

[Lower sales, lower profit]

- Earnings improved for raw food products such as sushi toppings as price revisions set in
- For tuna, high raw ingredient prices since last year led to a decline in consumption, and sales of frozen tuna fell significantly overall

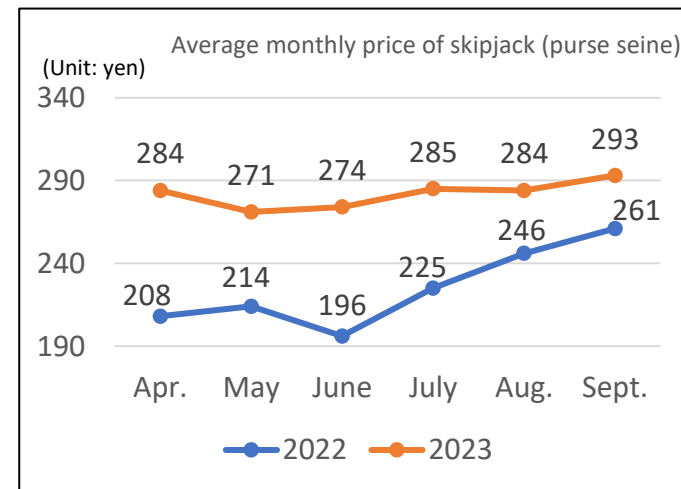
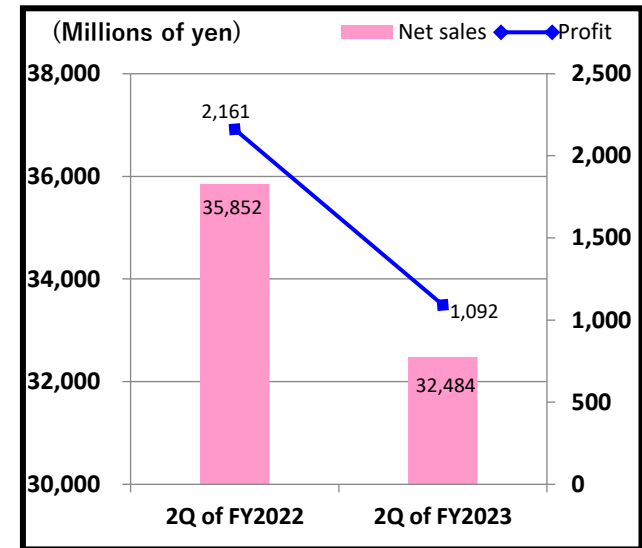
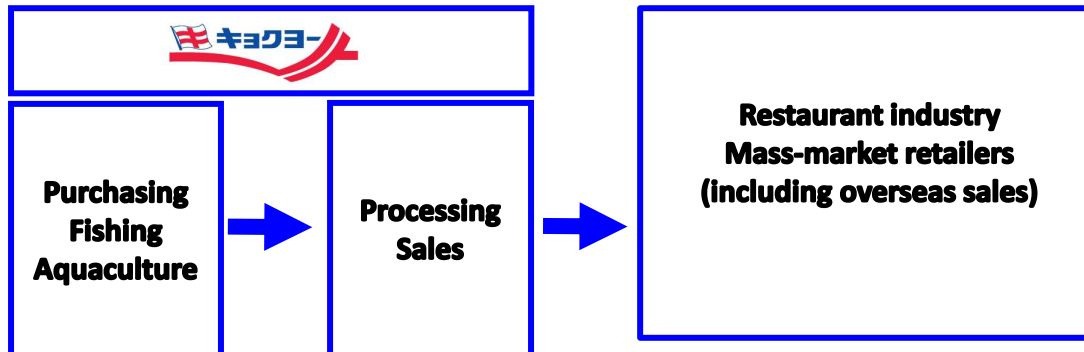
(Aquaculture business)

- Rising feed costs and other production costs squeezed earnings for Japanese farmed bluefin tuna

(Overseas purse seine fishing business)

- Earnings worsened due to lower catch volumes and increased boat repair costs

* See reference materials pages 34-35: “Bluefin tuna farming business Sales weight·amount and “Overseas purse seine fishing business: Catch weight & fish prices.”



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

➤ Processed Food Business

[Higher sales, higher profit]

(Frozen foods for industrial use)

- Sales volumes decreased due to higher prices reflecting rising production costs
- On the other hand, sales including for sliced, simmered, and grilled fish, and fried seafood increased, partially due to effects of price revisions
- Earnings improved significantly as sales of products from our own plants also increased

(Frozen foods for home use)

- Sales expanded for simmered and grilled fish and products for bento boxed lunches

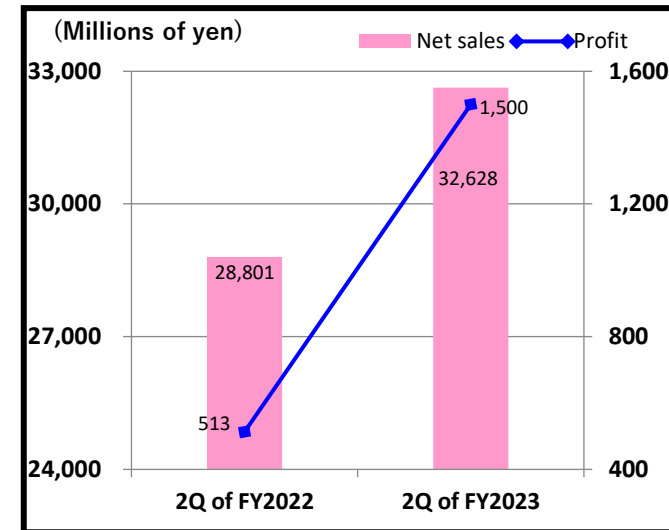
(Canned)

- Sales grew for canned sardines which has been a focus of efforts, but sales decreased overall

(Snacks/delicacies)

- Sales and earnings both increases partly due to effects of price revisions

* See reference materials page 36: Breakdown of sales in foods business



Main products



fried seafood



Dandori Jozu series



simmered fish



Imitation crab meat



Frozen foods for home use



Canned



Domestic and international
Own plants
Partner plants

Stocking
Purchasing
Sales

Restaurant industry
Wholesalers
Mass-market retailers
Convenience stores
Drug stores
Industrial food service
Medical and nursing facilities

➤ Logistics Business

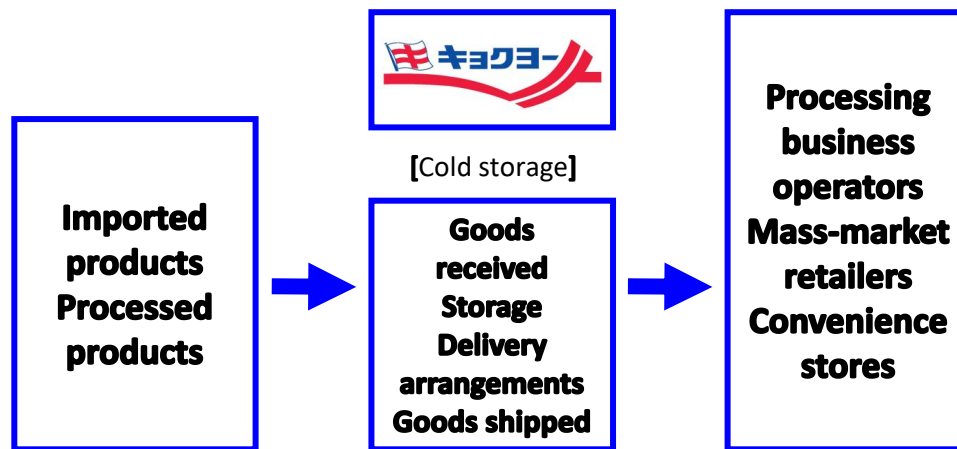
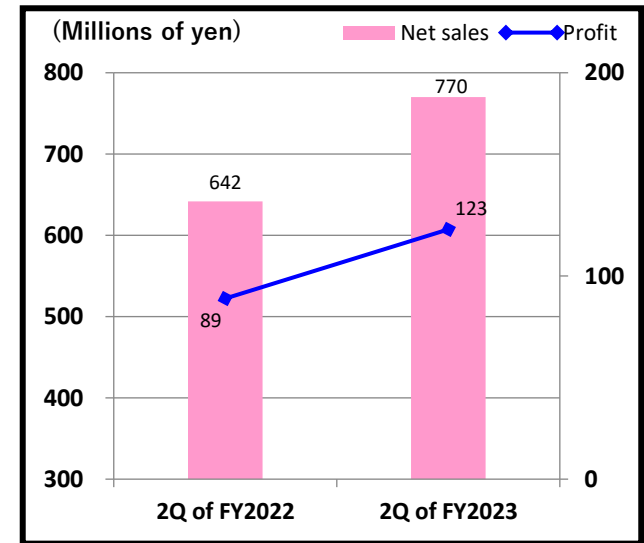
[Higher sales, higher profit]

(Cold storage business)

Storage earnings increased as storage capacity ratio remained at a high level

(Consigned forwarding business)

- Expanded sales by increasing transactions with external partners



Cold storage



Unloading operations at a cold storage

4 . Measures for Second Half

➤ Marine Products Business

[Measures]

Grow sales volumes year-on-year for affordably-priced products

Establish overseas sites, consider overseas M&A

[Medium-term plan strategy]

Stabilizing profitability of Marine Products Business

Expanding Overseas Businesses

Strengthening of our management base

➤ Freshfoods Business

Focus on products that have advantages

Boost profitability through sales primarily of products from our own plants

Thoroughly control inventory and quickly address market swings

Processed Food (Freshfoods) Business

Stabilizing profitability of Aquaculture Business

➤ Processed Food Business [Measures]

Improve production efficiency at our own plants

Release new products targeting market trends

Plan and propose products (canned) that help energize points of sale

[Medium-term plan strategy]

Expanding Processed Food Businesses

Enhancing product development and branding capabilities

Focusing on gourmet foods

➤ Logistics Business

Increase operational efficiency to deal with the “2024 Problem” of driver shortages in the logistics industry

Expand sales by securing freight with rate of turnover in mind

Advance DX

5 . Capital Investment Results/Plan

Capital Investment Results/Plan

	Overview	FY2023 Actual on September 30	FY2023 Plan
Kyokuyo	Production plant-related	0.2 billion yen	0.5 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	0.2 billion yen	0.7 billion yen
	Total	0.4 billion yen	1.4 billion yen
Affiliated companies	Production plant-related	2.9 billion yen	4.9 billion yen
	Purse seine fishing business-related	0 billion yen	0.1 billion yen
	Sea-based aquaculture business	0 billion yen	0.2 billion yen
	IT-related & other	0.4 billion yen	0.3 billion yen
	Total	3 billion yen	5.5 billion yen
Total	3.4 billion yen	6.9 billion yen	

Major Investments

Advance DX
Group-wide systems implementation

- 2 billion yen for imitation crab meat manufacturing subsidiary Ocean's Kitchen in North America
- 0.7 billion yen for food manufacturing subsidiary Kyokuyo Vina Foods in Vietnam

* Plant sites and buildings

6 . Full-year Forecast & Progress

Performance Forecast and Progress

(Millions of yen)

	FY2023 2Q results		FY2023 Full-year forecast		Net sales Progress on forecast	Segment profit progress on forecast
	Net sales	Profit by business segment	Net sales	Profit by business segment		
Marine Products Business	59,980	2,158	153,000	5,500	39.2%	39.2%
Freshfoods Business	32,484	1,092	73,000	2,500	44.5%	43.7%
Processed Food Business	32,628	1,500	73,000	1,700	44.7%	88.3%
Logistics Business	770	123	1,000	200	77.0%	61.6%
Other	211	△878	0	△1,400	—	—
Total	126,075	3,996	300,000	8,500	42.0%	47.0%

7 . Second Half Business Environment

Key points to note:

- Trends in interest rates and exchange rates in Europe and the Americas
- Sluggish economic growth in China
- Impacts of China's ban on imports of Japanese seafood (impact on market prices, etc.)

Business environment awareness:

- Raw ingredient and energy costs remain high
- More budget-mindedness due to rising food costs
- Rising demand in the restaurant and tourism industries due to increasing inbound consumption

8 . Full-year Forecast & Medium-term Business Plan Targets

Consolidated Performance Forecast & Medium-term Plan Targets

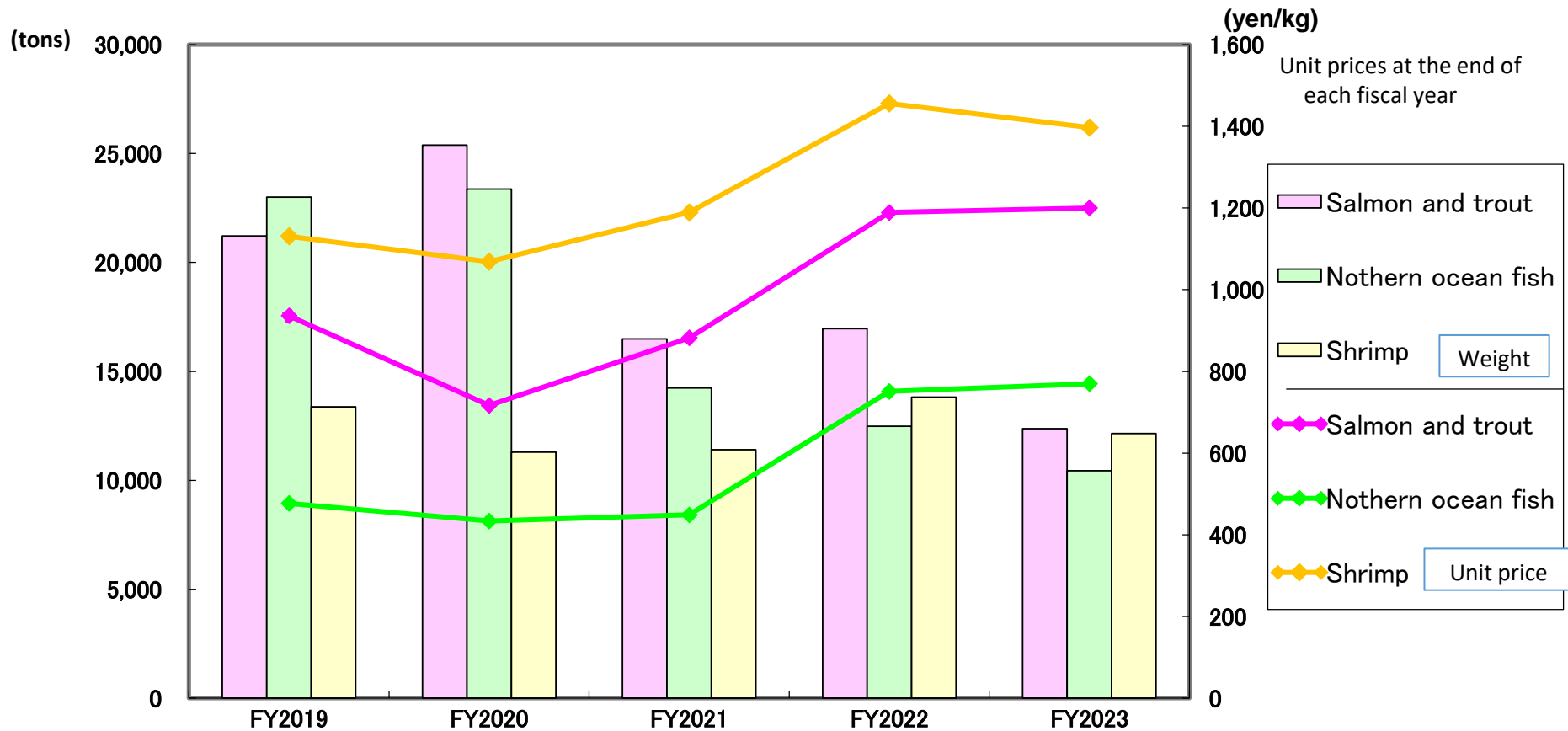
	2 Q of FY2023	Target for final fiscal year of medium-term plan (Third year of medium-term plan)	Medium-term Business Plan Targets (Revisions to the most recently announced forecast : None)
Net Sales	1 2 6 billion yen	3 0 0 billion yen	3 0 0 billion yen
Operating Profit	3 . 9 billion yen	8 . 5 billion yen	7 billion yen
Ordinary Profit	4 . 1 billion yen	8 . 5 billion yen	6 . 5 billion yen
Operating Margin	3 . 2%	2 . 8%	Over 2 . 0%
Ordinary Profit Margin	3 . 3%	2 . 8%	Over 2 . 0%

Reference Materials

Reference Materials (1)

Marine Products Business (First half of the Year)

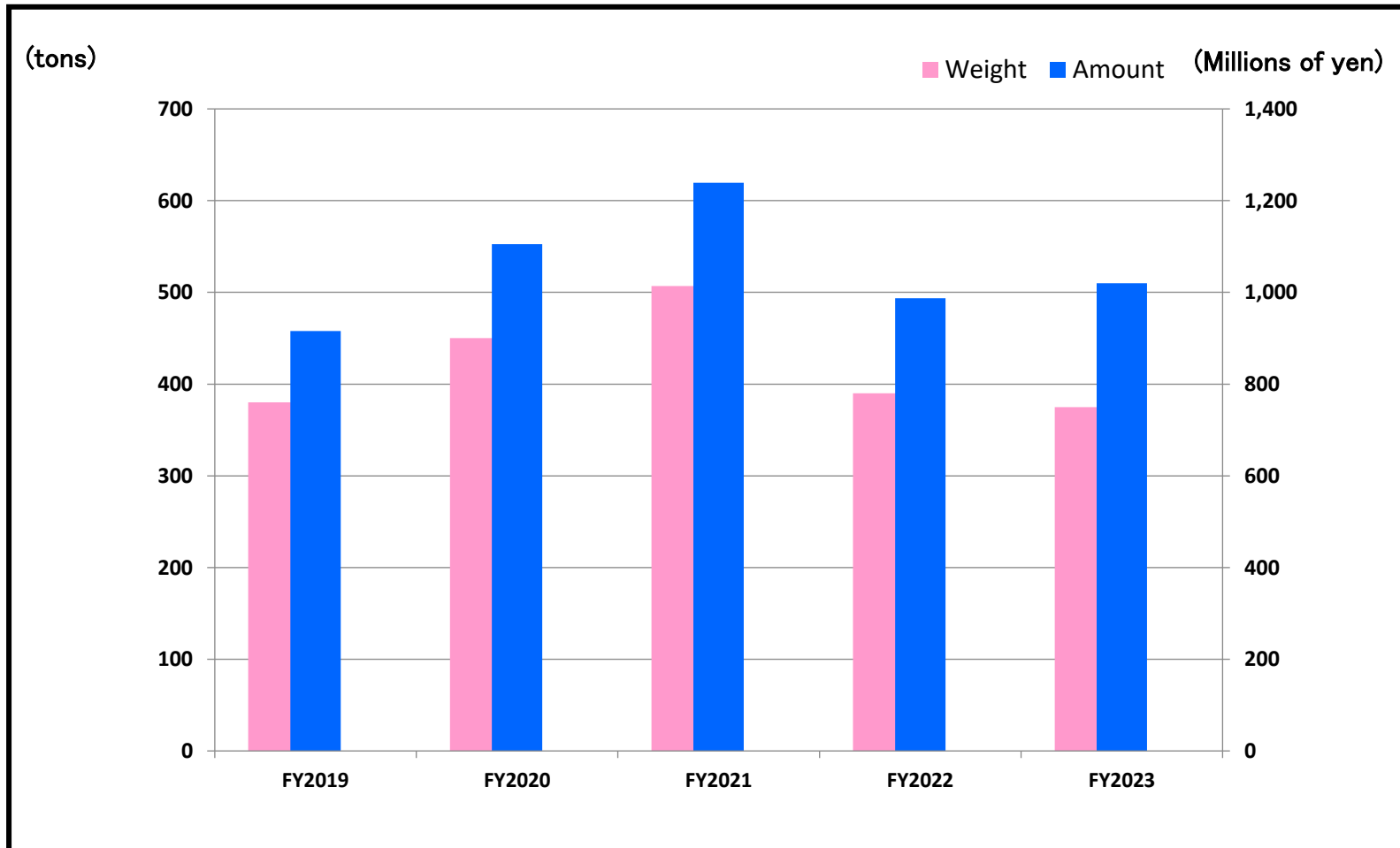
< Non-consolidated > Sales weight and unit price of each seafood type by year



* 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.

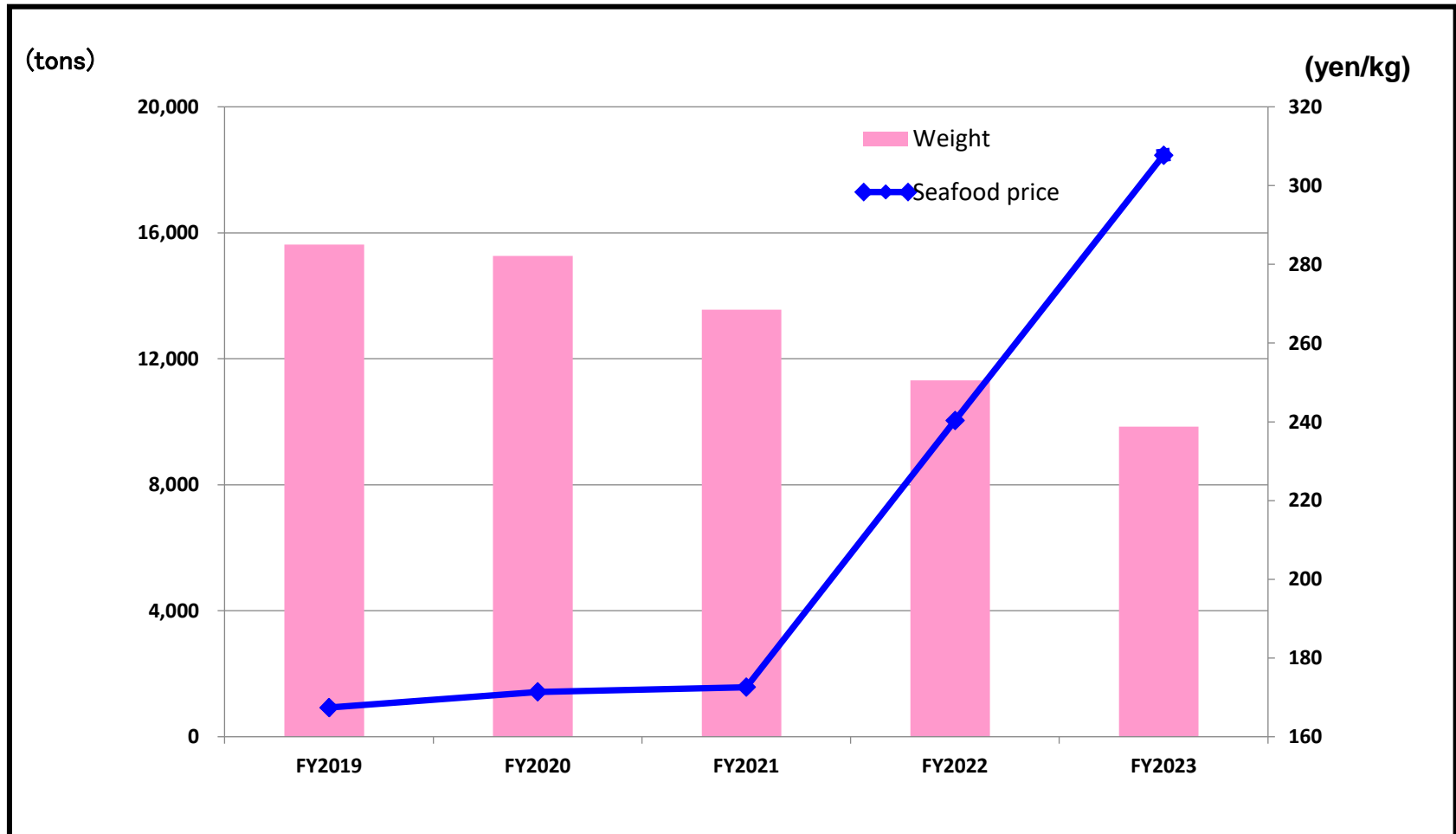
Reference Materials (2)

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



Reference Materials (3)

Freshfoods Business Segment (First half of the Year) Overseas purse seine fishing business, Catch weight & fish prices

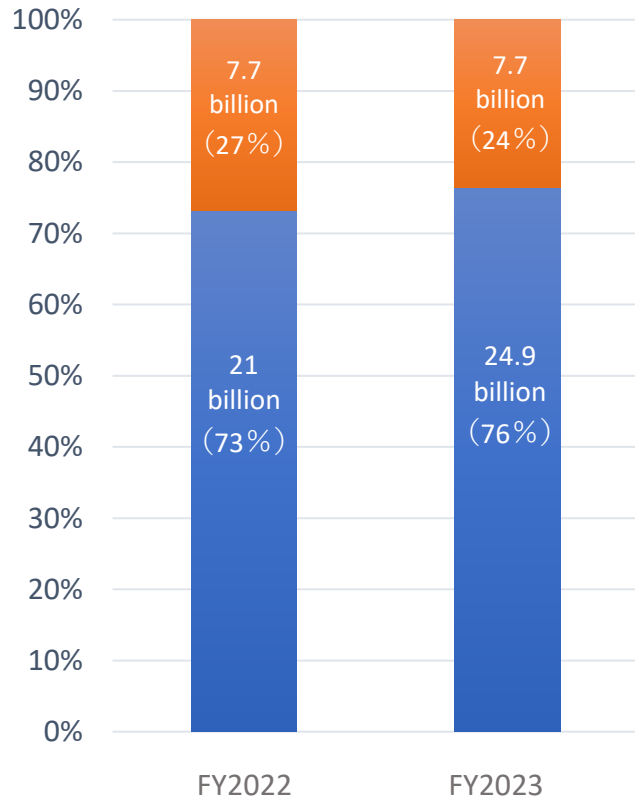


Reference Materials (4)

Breakdown of (First half of the Year) sales FY2023 (32.628 billion yen)
in Processed Food Business
FY2022 (28.801 billion yen)

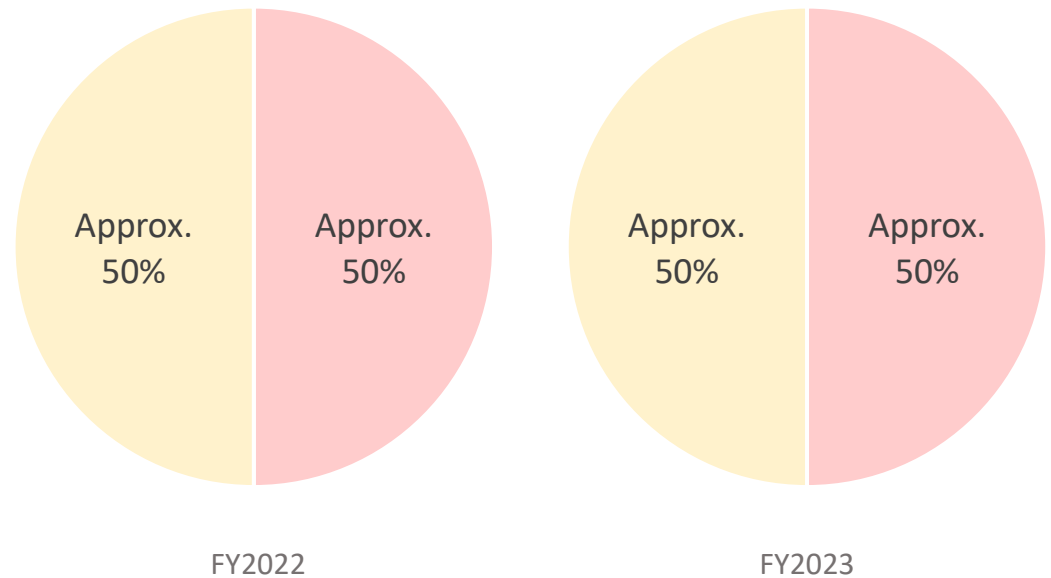
By temperature range

■ Frozen Food Business
■ Shelf-Stable Food Business



By industry type

■ For industrial use
■ For home use



* Figures displayed for the year ended March 31, 2023 (first half) have been converted to the changed segments.

ESG Topics

➤ 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. There were 247 participants in FY2023.

➤ Joint seaside cleanup in 2023 by the three Japanese companies of SeaBOS [July]

The three Japanese companies participating in SeaBOS (Kyokuyo Co., Ltd., Maruha Nichiro Corp., and Nissui Corp.) jointly organized a seaside garbage cleanup in Chiba Prefecture. Employees of each company participated as volunteers. This was the first activity as part of the “Solving the problem of Ocean Plastic” initiative in which the three Japanese companies are playing a central role.



➤ Rescue operation by overseas purse seiner crew [July]

The Wakaba Maru No. 7 purse seiner owned by Kyokuyo Suisan Co., Ltd. rescued 14 citizens of Papua New Guinea who were in distress while sailing off the shores of Papua New Guinea.

➤ Information disclosures according to the TCFD recommendations [August]

Analyzing the risks and opportunities that climate change presents to our business activities and disclosing the results of measures considered to address them, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*.

➤ Kyokuyo Group issues 2023 edition of Integrated Report [September]

The report shares progress on the Medium-term Business Plan plus forecasts, long-term outlook, and ESG subjects. This year’s report contains a “Message from an Outside Director” for the first time and expresses the multifaceted viewpoints of outside directors while painting the picture of our changing company in the pursuit of new growth.

➤ Attended the SeaBOS Keystone Dialogues [October]

President Inoue attended SeaBOS meetings where 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.



Participants in the 2023 seaside cleanup jointly conducted by the three Japanese companies of SeaBOS



Map of Overseas Sites



Reference Materials (7)

➤ Consolidated Second Quarter Performance

(Millions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	126,884	116,861	120,880	133,619	126,075
Cost of sales	115,283	105,036	106,951	116,774	109,937
Gross profit	11,600	11,825	13,929	16,844	16,138
Selling & general administrative expenses	10,865	10,445	10,706	11,469	12,141
Operating profit	735	1,379	3,222	5,375	3,996
Ordinary profit	1,128	1,505	3,428	5,805	4,142
Extraordinary profit	0	1,465	39	302	74
Extraordinary loss	38	730	48	35	663
Profit attributable to owners of parent	710	1,577	2,438	4,208	2,451



Notes of Caution Regarding Forecasts

These materials are created with the purpose of providing information about performance as at September 30, 2023 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.

Contact for questions about these materials

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