



BUSINESS REPORT

96th
Business Report

April 1, 2018 - March 31, 2019



Always nearby,

always delicious. KYOKUYO





Chairman
Kenji Imai

President
Makoto Inoue

Corporate Philosophy

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

I am pleased to present this business report for the 96th fiscal term (term ended March 2019). I would like to take this opportunity to thank our shareholders for their support.

In April last year, the Group embarked on its new medium-term business plan, “Change Kyokuyo 2021.”

During this first year of the business plan, we pursued greater balance in the Group’s business structure and capital policy, through expansion of the foods business and overseas business, and the strengthening of product development and access to resources. This was done from the basis of an ESG-focused approach to management, emphasizing legal compliance, improvement of the work environment and the conservation of resource diversity.

The Kyokuyo Group will continue to strive to make the transition to a high-profit structure through implementing the strategies of “Expansion,” “Strengthening,” and “Balance” on the basis of our basic policy: “As a general foods company with a focus on fishery products, Kyokuyo is changing into a business entity with a high-profit structure, while in light of societal demands about resources, environment and labor, we aim to improve corporate value by saving people’s time and expanding business operations.”

We look forward to your continued support and cooperation.

June 2019

Toward achieving the goals of our medium-term business plan “Change Kyokuyo 2021”

Overall performance in the fiscal year ended March 2019

In the consolidated fiscal year under review, the Japanese economy continued to recover moderately, with progressive improvements in the employment and income environments, despite some signs of weakness in exports and production.

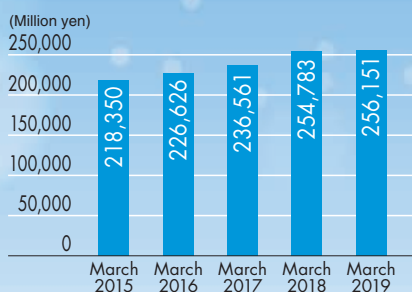
In the marine products and food industries, conditions remain challenging due to factors such as rising purchase

costs triggered by a surge in demand for marine products worldwide, in addition to increases in labor and logistics costs resulting from a shortage of manpower.

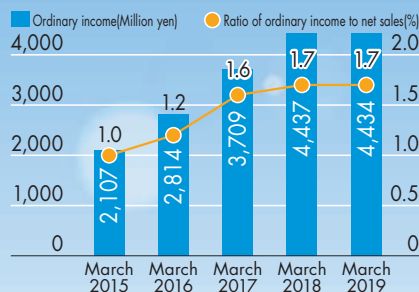
In these circumstances, in the first year of its medium-term business plan “Change Kyokuyo 2021” (for fiscal years 2018 to 2020) the Group has been striving to make the transition to a high-profit structure through implementing

Key Consolidated Financial Data

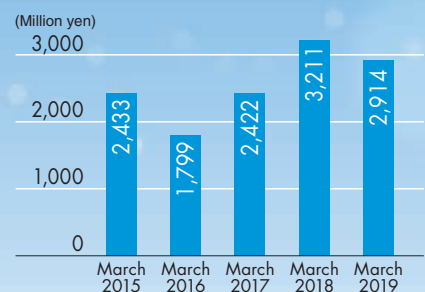
Net sales



Ordinary income / Ratio of ordinary income to net sales



Profit attributable to owners of parent



the strategies of “Expansion,” “Strengthening,” and “Balance” through business activities with a strong focus on environmental, social, and governance(ESG) issues based on the foundation of our basic policy: “As a general foods company with a focus on fishery products, Kyokuyo is changing into a business entity with a high-profit structure, while in light of societal demands about resources, environment and labor, we aim to improve corporate value by saving people’s time and expanding business operations.” As a result, the Group posted net sales of ¥256,151 million (up 0.5% year on year), operating income of ¥3,831 million (down 5.8% year on year), ordinary income of ¥4,434 million (down 0.1% year on year), and profit attributable to owners of parent of ¥2,914 million (down 9.2% year on year).

Status of each segment is as follows.

In the Marine Products Purchasing segment within Japan, the Group experienced growth in the handling of value-added processed products such as salmon and trout, while sales of shrimp and North Sea fish declined year on year as market conditions continued to deteriorate. Overseas, there was growth in exports of Japanese mackerels and sardines, as well as sales within the United States by the Company’s United States subsidiary. As a result, the segment was able to post an increase in profit year on year for the second half of the fiscal year, but this was insufficient to compensate for its performance under difficult conditions during the first half of the year, and full-year sales and profit decreased from the previous year.

In the Frozen Foods segment, we have worked to expand the sales of products eaten raw, mainly consisting of sushi toppings, and products for heating such as fillets and

cooked fish, and sales of single serving products such as cooked fish performed particularly well in the Processed & Frozen Marine Products Business. Sales of imitation crab meat in the Prepared Frozen Foods Business, and products manufactured at the Shiogama Plant in the Frozen Foods for Home Use Business were robust. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the Shelf-Stable Foods segment, faced with a shortage of canned mackerel due to demand growth, we concentrated our efforts on sales of other canned seafood including canned sardines, but were unable to compensate for this shortage. Sales of delicacy products performed well, as we implemented measures such as regulation changes to counter cost increases. As a result, sales were comparable to the previous fiscal year, while profit increased.

In the Logistics segment, while sales decreased from the previous fiscal year due to the implementation of a company split and share transfer at a consolidated subsidiary, profit increased from the previous fiscal year thanks to our efforts in securing warehouse cargo and strengthening the Distribution Business.

In the Tuna segment, we increased sales of fatty products such as Pacific bluefin tuna, *Negitoro* and processed skipjack products in the Processing and Sales Business. In the Farming Business, the production and development of hatchery fish was negatively affected by factors such as typhoon damage, and despite a year-on-year increase in fish haul volume in the Overseas Purse-seine Fishing Business, a dramatic fall in fish prices meant that both sales and profit for this segment decreased from the previous fiscal year.

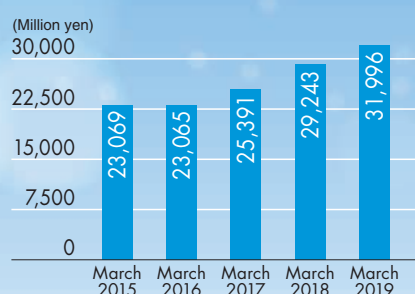
Targets for the next fiscal year ending March 2020

With regard to the Japanese economy for the next fiscal year, although a gradual recovery is expected, the future remains unclear due to factors such as uncertainty about the global economy. The business environment in the marine products and food industries is also expected to remain harsh, as raw material prices continue to remain high, labor costs increase due to the manpower shortage, and competition between firms intensifies.

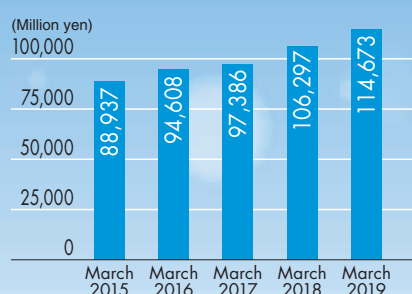
Under these circumstances, the Group will strive with renewed vigor as it enters the second year of the medium-term business plan “Change Kyokuyo 2021.”

For the next fiscal year, we expect to achieve the following consolidated results: net sales of ¥286.0 billion, operating income of ¥5.5 billion, ordinary income of ¥5.4 billion, and profit attributable to owners of parent of ¥3.8 billion.

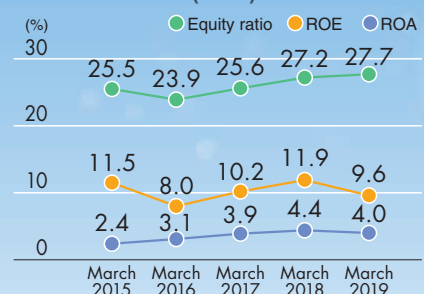
Net assets



Total assets



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



TOPICS

2018.4-2019.3



Embarked on Change Kyokuyo 2021

We will strive to achieve our goals, with the following basic policy: "As a general foods company with a focus on fishery products, Kyokuyo is changing into a business entity with a high-profit structure, while in light of societal demands about resources, environment and labor, we aim to improve corporate value by saving people's time and expanding business operations."

Launched a new management structure

Through a resolution of the Company's 95th Ordinary General Meeting of Shareholders, a new management structure was launched, with Kenji Imai as Chairman and Makoto Inoue as President.

2018



Apr.

May

June

July

Aug.

Sept.

Oct.

Nov.

Dec.

2019

Jan.

Feb.

Mar.



An athlete recruited as employee

We have been an official partner of the Japan Canoe Federation since 2017. In fiscal year 2018, we recruited the canoe slalom athlete Ryo Yamamoto as a regular employee, as a social activity contributing to the promotion of sports. We create an environment where athletes can carry out their work while also competing in events, and we fully support their endeavors.



Screening begins of the Group's corporate TV commercials

The Group produced its first ever corporate commercial, "Everyone's Kyokuyo," which began screening in July 2018.



CSR Environmental conservation activities

Participation in Seafood Business for Ocean Stewardship (SeaBOS)

In April 2017, the Group participated in SeaBOS, which is an initiative where major marine companies worldwide and scientists meet to discuss important issues relating to ocean stewardship together. We are striving to resolve various issues and achieve a sustainable marine products business.

In September 2018, the third such meeting was held in Karuizawa, attended by Her Royal Highness Crown Princess Victoria of Sweden. President Inoue also participated, representing the Company. At this meeting, each participating company confirmed its commitment to promoting sustainable business activities in their global businesses and supply chains. It was agreed that SeaBOS, which promotes management of our oceans, should take a leading role in improving ocean policy and regulation around the world, including striving to resolve important issues that affect the health of our oceans and the sustainability of marine products, and reporting on issues in a transparent manner.



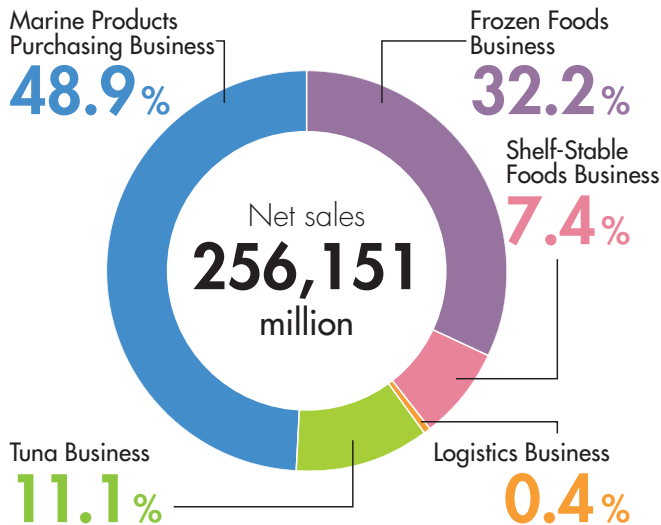
Photo by Said Karlsson

Release of CSR Report 2018

Released in autumn 2018, this report is intended to communicate the ways in which the Kyokuyo Group undertakes sustainable business management, in particular the ESG-focused medium-term business plan and the Group's endeavor to produce Pacific bluefin tuna by full-life-cycle aquaculture.



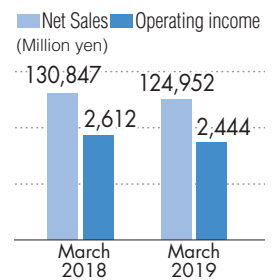
Composition ratio of sales by segment



Marine Products Purchasing Business

- Net sales 124,952 million
- Operating income 2,444 million

Through our domestic and foreign branches, business offices, representative offices, and mutual partnerships with subsidiaries, Kyokuyo Group provides a stable source of high quality marine products from the oceans of the world, as well as products such as fillets, and shelled crab and peeled shrimp. We also engage actively in export of seafood caught in Japan and in off-shore trade, striving to use marine products efficiently and to achieve a recycling society while responding to the globalization of fish consumption.



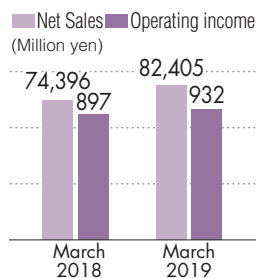
Salted red salmon fillet

Frozen Foods Business

- Net sales 82,405 million
- Operating income 932 million

The Frozen Foods Business sells products to be eaten raw, mainly sushi toppings, to clients such as restaurant chains. We also sell products for heating such as the "Dandori Jozu" series for industrial use as meals for facilities for the assisted living or for home delivery.

We sell products ranging from fried marine products and imitation crab meat to livestock products and frozen vegetables to restaurant channels and deli departments at volume retailers. Sales of frozen foods for home use are expanding at major retailers.

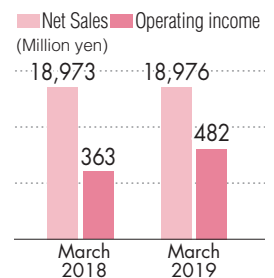


Dandori Jozu cooked mackerel with miso (boneless)

Shelf-Stable Foods Business

- Net sales 18,976 million
- Operating income 482 million

This segment has a long history that started from the production of canned foods in 1949. Currently we are working to enhance our product appeal with a lineup that includes not only canned seafood such as mackerel, skipjack, and sardine, but also products of "Sea Marché" brand and even live stock products. We also sell dried squid, squid jerky, and other seafood delicacies as well as health food products such as glucosamine and DHA supplements.

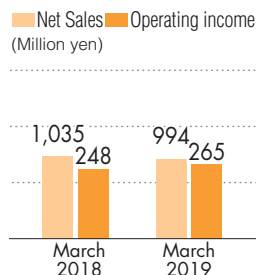


(left) Glucosamine Supplement (right) American (Alaskan) boiled red salmon

Logistics Business

- Net sales 994 million
- Operating income 265 million

Centered on the Cold Storage Business, this segment provides logistics services with three plants in Ohi (Tokyo), Jonanjima (Tokyo), and Fukuoka.

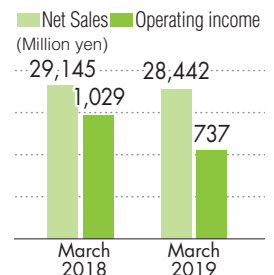


Jonanjima plant of KYOKUYO AKITSU REIZO CO., LTD.

Tuna Business

- Net sales 28,442 million
- Operating income 737 million

The Tuna Business conducts integrated entire operations 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 purse-seiners such as the Wakaba Maru. As for tuna, in order to conserve limited marine resources and ensure a stable supply of them, we are developing a fish farming business in Shikoku with the original brand name "Hon-Maguro no Kiwami," as well as full-life-cycle aquaculture of Pacific bluefin tuna, "Hon-Maguro no Kiwami TUNAGU," which are produced without any dependence on natural spawning. Both of these have been well received by customers in and outside Japan.



Hon-Maguro no Kiwami TUNAGU

● Corporate Profile (As of March 31, 2019)

Corporate name	Kabushiki Kaisha Kyokuyo
English corporate name	KYOKUYO CO., LTD.
Headquarters	3-3-5, Akasaka, 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	2,264 (consolidated) 664 (nonconsolidated)
Number of consolidated companies	24

● Board of Directors (As of March 31, 2019)

Chairman	Kenji Imai	Director	Yutaka Tanaka
President	Makoto Inoue	Director	Tadayuki Nishimura
Senior Managing Director	Ken Sakai	Director	Masayo Miura
Senior Managing Director	Jun Akutagawa	Director	Kazuo Obata
Managing Director	Kenichi Matsuyuki	Supervisory Board Member	Masaji Tamura
Director	Tatsuji Matsuo	Supervisory Board Member	Yoichi Kanno
Director	Shigeru Kondo	Supervisory Board Member	Hitoshi Amari
Director	Shuichi Kiyama	Supervisory Board Member	Kazuhiko Shimura

● 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) on March 31 of each year 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 on March 31 of each year will be presented with our products valued at ¥6,000.

Shipment: Gifts will be shipped each year in July.

● Shareholders Information

Business year:	April 1 to March 31 next year
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:	The Company displays public notices by electronic means. Public notices are displayed online on the Company's website: https://www.kyokuyo.co.jp . However, if the Company is unable to issue public notices by electronic means due to accidents or any other unavoidable circumstances, public notices will be displayed in the Nihon Keizai Shimbun newspaper published within Tokyo Prefecture.
Shareholders list manager and special purpose bank accounts manager:	Mitsubishi UFJ Trust and Banking Corporation
Contact information:	Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo Phone: 0120-232-711 (toll-free in Japan) Mailing Address: Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation 137-8081, New Tokyo Post Office P.O.B. No. 29

(Note)

- Procedures for shareholders' requests for changes of address and share purchases by stock companies shall, in principle, be performed by the account management agencies (securities firms etc.) for shareholders. Please ask the securities firm etc. where you have your account about the procedures. The shareholders list manager (Mitsubishi UFJ Trust and Banking Corporation) cannot handle the procedures.
- For procedures concerning shares in your special purpose bank account, please ask Mitsubishi UFJ Trust and Banking Corporation, which is the special purpose bank accounts manager. Branches of Mitsubishi UFJ Trust and Banking Corporation nationwide are able to accept inquiries.
- Dividends that you have not received will be paid at the head office or branches of Mitsubishi UFJ Trust and Banking Corporation.

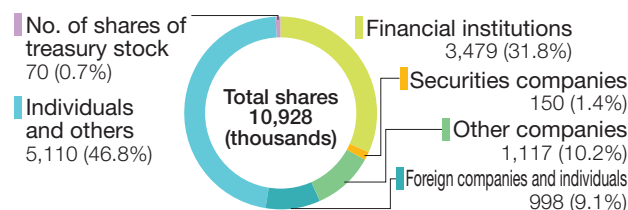
● Stock Information (As of March 31, 2019)

Total number of shares the company is authorized to issue:	43,700,000
Total number of shares issued:	10,928,283
Number of shareholders:	29,212

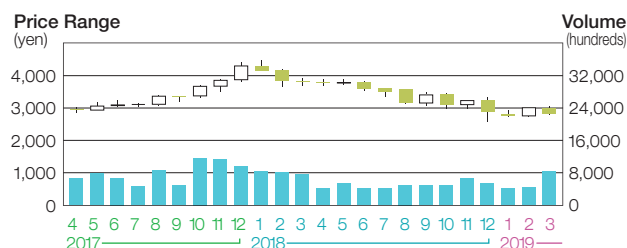
Major shareholders

Shareholder's name	No. of shares held (thousands)	Equity position (%)
Japan Trustee Services Bank, Ltd. (Trust account)	1,216	11.20
Resona Bank, Limited	523	4.82
The Norinchukin Bank	523	4.82
Toyo Seikan Group Holdings, Ltd.	315	2.90
Mitsui Sumitomo Insurance Co., Ltd.	250	2.30
The Master Trust Bank of Japan, Ltd. (Trust account)	235	2.16
Tokio Marine & Nichido Fire Insurance Co., Ltd.	224	2.06
Kyokuyo Akitsukai	162	1.49
SIX SIS LTD.	140	1.29
Chuo Gyorui Co., Ltd.	139	1.28

Distribution of shares by shareholder type



Trends of Stock Prices and Trading Volume



Introduction to Our Website

The website contains the latest information on topics such as Kyokuyo's unique features, corporate information, product introductions, and investor relations. The website also includes an inquiry form which you can use to send us your opinions and questions.



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

KYOKUYO

Internet Search

