

BUSINESS REPORT

97th Business Report

April 1, 2019 ▶ March 31, 2020



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

We are pleased to present this business report for the 97th fiscal term (term ended March 2020). We would like to take this opportunity to thank our shareholders for their support.

During the past year, the Kyokuyo Group has implemented measures to prepare for the final fiscal year of the medium-term business plan, “Change Kyokuyo 2021,” from the basis of an ESG-focused approach to management. 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. However, social circumstances and the business environment are undergoing a significant change due to the spread of COVID-19.

The Kyokuyo Group will strive to make the transition to a high-profit structure 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.” At the same time, all members of the Group will work as one in this challenging environment, to fulfill our social responsibility of maintaining a stable supply of food products.

We look forward to your continued support and cooperation.

June 2020

Progress on our medium-term business plan “Change Kyokuyo 2021” and initiatives to achieve its goals

Overall performance in the fiscal year ended March 2020

In the consolidated fiscal year under review, the Japanese economy initially showed signs of a moderate recovery, but the outlook became clouded due to the global chaos caused by the spread of COVID-19, in addition to trade frictions, and movements in the price of crude oil and exchange rates.

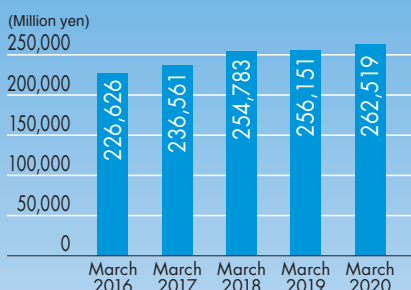
In the marine products and food industries, conditions remained challenging due to factors such as rising purchase costs triggered by a surge in demand for

marine products worldwide, in addition to increases in labor and logistics costs resulting from a shortage of manpower.

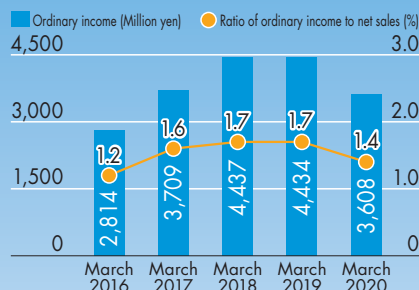
In these circumstances, in the second year of its medium-term business plan “Change Kyokuyo 2021” (for fiscal years 2018 to 2020) the Group has been striving to make the transition to a high-profit structure through implementing the strategies of “Expansion,” “Strengthening,” and “Balance” through business activities with a strong focus

Key Consolidated Financial Data

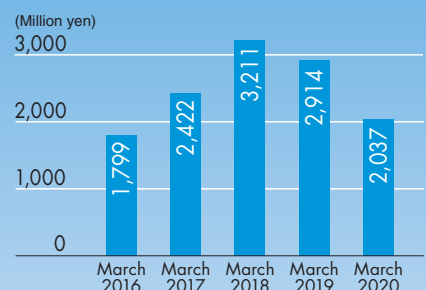
Net sales



Ordinary income / Ratio of ordinary income to net sales



Profit attributable to owners of parent



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 ¥262,519 million (up 2.5% year on year), operating income of ¥2,918 million (down 23.8% year on year), ordinary income of ¥3,608 million (down 18.6% year on year), and profit attributable to owners of parent of ¥2,037 million (down 30.1% 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 shrimp and North Sea fish, while exports of Japanese sardines and scallops and sales in North America by the Company’s United States subsidiary were robust. Declines in the markets for red salmon and Chile silver salmon, however, made losses in salmon and trout inevitable, which negatively affected profit. As a result, the segment posted an increase in sales and a decline in profit year on 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, simmered fish and grilled fish in the Processed & Frozen Marine Products Business. In the Prepared Frozen Foods

Business, sales of imitation crab meat, fried shrimps and other fried marine products grew, while we strived to diversify our product lineup in the Frozen Foods for Home Use Business, launching new rice/simmered fish products. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the Shelf-Stable Foods segment, sales of canned seafood grew, including canned sardines, canned saury and canned skipjack. Sales of delicacy products also performed well. In the context of persistently high raw materials prices, we proceeded to improve profit margins through measures such as price revision, regulation changes and the introduction of new products. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the Logistics segment, while sales decreased from the previous fiscal year due to the sale of the Osaka plant in the previous fiscal year, profit increased from the previous fiscal year thanks to our efforts in securing warehouse cargo and strengthening the Distribution Business.

In the Tuna segment, sales increased of raw bluefin tuna, as well as processed skipjack and tuna products in the Processing and Sales Business. Sales also grew in the Farming Business, with a progressive increase in the size of fish shipped. In the Overseas Purse-seine Fishing Business however, both fish haul volume and fish prices decreased from the previous fiscal year, and profitability declined, despite efforts to reduce costs. As a result, this segment posted an increase in sales and a decline in profit from the previous fiscal year.

Targets for the next fiscal year ending March 2021

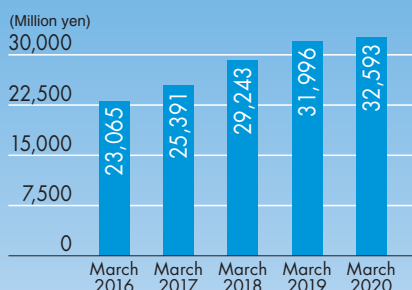
With regard to the Japanese economy for the next fiscal year, the risk of a further downturn is feared due to the impact of COVID-19, and a harsh environment is forecast in the marine products and food industries.

The Group is pushing forward to expedite key measures as it enters the final year of the medium-term business plan “Change Kyokuyo 2021.” However, in view of the signs of a slowdown in the business environment in Japan and overseas due to the impact of COVID-19, we now expect results to fall short of the targets initially announced for the final year of the medium-term business plan.

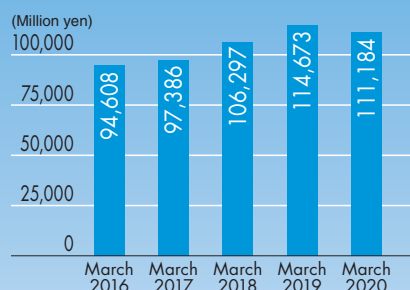
Considering the impact on results that has come to light so far, for the next fiscal year, we expect to achieve the following consolidated results: net sales of ¥270.0 billion, operating income of ¥4.2 billion, ordinary income of ¥4.5 billion, and profit attributable to owners of parent of ¥3.0 billion.

These forecasts are based on the assumption that the current business environment will continue until around June 2020. Should further revision become necessary due to changing conditions, etc., a prompt announcement will be made.

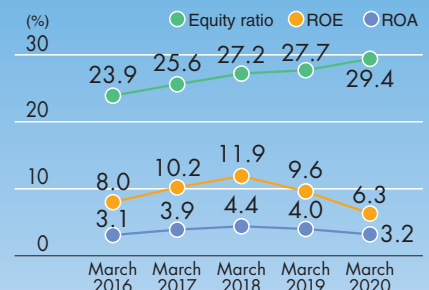
Net assets



Total assets



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



TOPICS

April 2019 to March 2020

Opened an in-plant childcare facility

We opened the Kyokuyo Happiness Nursery School at KYOKUYO SHOKUHIN CO., LTD. in Miyagi.

Established KYOKUYO GLOBAL SEAFOODS Co., Ltd.

We established a new company in the Kingdom of Thailand, a new overseas production base for our simmered fish and grilled fish products, which are experiencing strong growth and sushi toppings.

HASEGAWA SEAFOODS CO., LTD. joined the Kyokuyo Group

HASEGAWA SEAFOODS CO., LTD. is engaged in the processing and sale of marine products, including scallops and salmon roe. We will provide a more attractive range of products utilizing its Hokkaido seafood purchasing network and processing technologies.

Kuroshio Suisan Co., Ltd. joined the Kyokuyo Group

Kuroshio Suisan Co., Ltd. farms mainly sea bream, yellow tail and striped jack, etc. in Sukumo Bay in Kochi. With its inclusion in the Group, we will actively engage in the farming of new fish varieties in addition to bluefin tuna.



CSR Environmental conservation activities

Participated in SeaBOS Keystone Dialogue

Kyokuyo Co., Ltd. participates in Seafood Business for Ocean Stewardship (SeaBOS), an initiative where major seafood and food companies worldwide and scientists discuss ocean stewardship together.

SeaBOS engages in science-based ocean stewardship, to achieve a sustainability of marine products and the health of our oceans, and contribute to Goal 14 of the Sustainable Development Goals: "Life Below Water", which involves the conservation and sustainable use of oceans and a sustainable seafood industry.

The fourth Keystone Dialogue between the CEOs of participating companies and scientists was held in Phuket, in the Kingdom of Thailand, in September 2019. President Inoue attended, representing the Company. This meeting produced consensus on the promotion of initiatives to reduce IUU (illegal, unreported and unregulated) fishing, eliminate forced labor and enhance seafood traceability. In addition, the meeting confirmed the need for response to the issue of ocean plastics pollution, and resilience to the impacts of climate change on the seafood business.

The Kyokuyo Group will contribute to solving social issues through the SeaBOS initiatives.



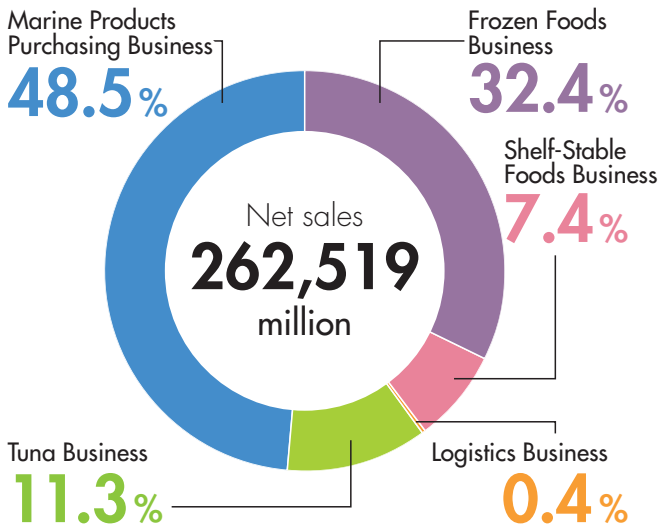
Thai Union Group

Release of CSR Report 2019

The Kyokuyo Group contributes to society and food culture through its business activities, as well as to solving social issues and achieving the Sustainable Development Goals (SDGs). This report conveys to all stakeholders our approach and initiatives related to corporate social responsibility (CSR), and the results we have achieved, in an easily accessible format, with the aim of building better communication.



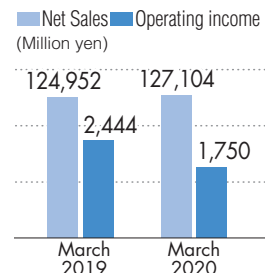
Composition ratio of sales by segment



Marine Products Purchasing Business

- Net sales **127,104** million
- Operating income **1,750** 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 filets, 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.

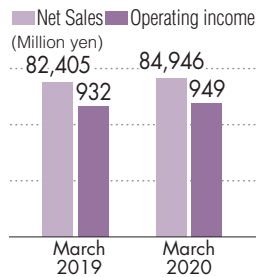


Mackerel fillets

Frozen Foods Business

- Net sales **84,946** million
- Operating income **949** 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, particularly in the Tokyo area.

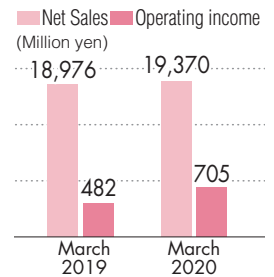


Dandori Jozu salt-grilled chum salmon (boneless)

Shelf-Stable Foods Business

- Net sales **19,370** million
- Operating income **705** 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.

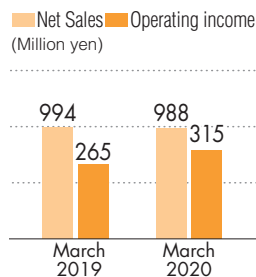


(right) American (Alaskan) boiled red salmon
(left) DHA/EPA Plus Krill Oil

Logistics Business

- Net sales **988** million
- Operating income **315** million

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

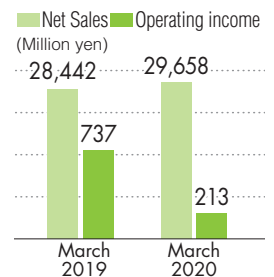


Tokyo plant of KYOKUYO AKITSU REIZO CO., LTD.

Tuna Business

- Net sales **29,658** million
- Operating income **213** 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, 2020)

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	2,307 (consolidated) 664 (nonconsolidated)
Number of consolidated companies	26

Board of Directors (As of March 31, 2020)

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
Managing Director	Shigeru Kondo	Supervisory Board Member	Yoichi Kanno
Director	Tatsuji Matsuo	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

- 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.

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)

1.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.

2.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.

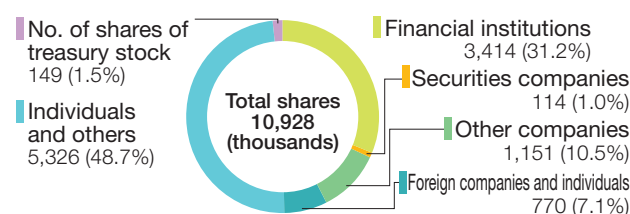
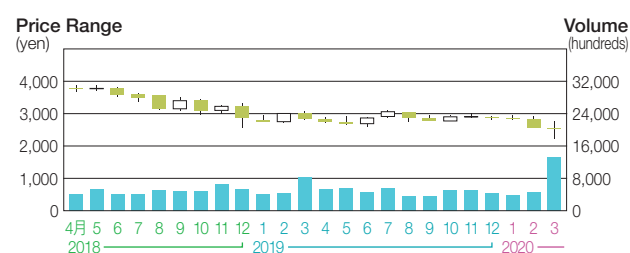
3.Dividends that you have not received will be paid at the head office or branches of Mitsubishi UFJ Trust and Banking Corporation.

Stock Information (As of March 31, 2020)

Total number of shares the company is authorized to issue:	43,700,000
Total number of shares issued:	10,928,283
Number of shareholders:	29,505

Major shareholders

Shareholder's name	No. of shares held (thousands)	Equity position (%)
Japan Trustee Services Bank, Ltd. (Trust account)	999	9.26
Resona Bank, Limited	523	4.85
The Master Trust Bank of Japan, Ltd. (Trust account)	458	4.25
The Norinchukin Bank	445	4.12
Toyo Seikan Group Holdings, Ltd.	315	2.92
Mitsui Sumitomo Insurance Co., Ltd.	250	2.32
Tokio Marine & Nichido Fire Insurance Co., Ltd.	224	2.08
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	168	1.56
Kyokuyo Akitsukai	167	1.55
Chuo Gyorui Co., Ltd.	139	1.29

Distribution of shares by shareholder type**Trends of Stock Prices and Trading Volume****Information on our website renewal**

Kyokuyo's website has undergone a total renewal. The new website was launched in April 2020, and features the latest information in both Japanese and English, including an overview of Kyokuyo's businesses, ESG information, an introduction to our products, IR-related information, etc.



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

KYOKUYO Internet Search

