

BUSINESS REPORT

98th Business Report

April 1, 2020 ▶ March 31, 2021



Always nearby, always delicious. KYOKUYO





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 98th fiscal term (term ended March 2021). We would like to take this opportunity to thank our shareholders for their support.

The past year was the final year in our medium-term business plan, “Change Kyokuyo 2021.” Amid significant changes in the business environment due to the global spread of COVID-19, the Kyokuyo Group engaged in expanding the foods business and overseas business, strengthened access to resources and product development, and promoted balance in the business structure and capital policy.

From April, we launched our new medium-term business plan, “Build Up Platform 2024,” with the basic policy of “promoting strategies pivoting on ‘continuous efforts to address business issues’ and ‘a challenge for sustainable growth,’ aiming for new growth founded on a ‘change to a high-profit structure’ through the creation of value that can be shared between society and Kyokuyo,” while strengthening our management base.

We look forward to your continued support and cooperation.

June 2021

From “Change Kyokuyo 2021” towards “Build Up Platform 2024”

Review of the previous medium-term business plan and overall performance in the fiscal year ended March 2021

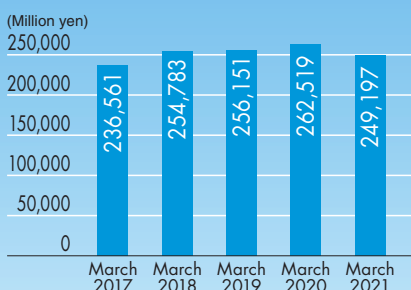
Over the past three years, the Kyokuyo Group has been striving to achieve its targets under the medium-term business plan “Change Kyokuyo 2021” (for fiscal years 2018 to 2020), aiming to make the transition to a high-profit structure through implementing the strategies of “Expansion,” “Strengthening,” and “Balance” through business activities with a strong focus 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.”

Aiming for “Expansion” of the foods business and overseas business, we have established a subsidiary in Thailand as a production base for simmered fish and grilled fish products, which are experiencing growth. We have also begun broadcasting TV commercials to “Strengthen” our brand, in addition to acquiring marine products processing and aquaculture business companies as part of the Kyokuyo Group, with the aim of “Strengthening” access to resources. We also engaged in “Balance” in capital policy, and strived to improve our financial structure through measures such as improving our equity ratio and D/E ratio.

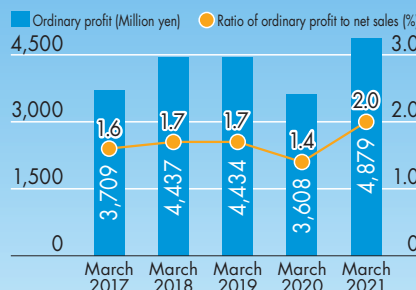
In the consolidated fiscal year under review, the final year of “Change Kyokuyo 2021,” the spread of COVID-19 brought a

Key Consolidated Financial Data

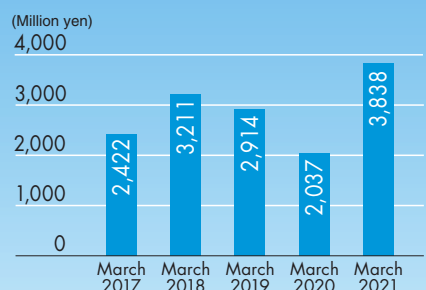
Net sales



Ordinary profit / Ratio of ordinary profit to net sales



Profit attributable to owners of parent





rapid deterioration in the global economy. The Japanese economy also experienced a slowdown in economic activity, significantly affecting personal consumption and employment. The outlook for the future remains uncertain, despite some temporary signs of a recovery, with indications of a renewed spread of infection.

In the marine products and food industries, conditions remain harsh due to factors such as consumers refraining from outings and shortened restaurant opening times, in addition to the changes in consumer needs and buying trends emerging as New Lifestyle penetrates society.

As a result of our efforts to achieve our targets even under these circumstances, the Group posted net sales of ¥249,197 million (down 5.1% year on year), operating profit of ¥4,657 million (up 59.6% year on year), ordinary profit of ¥4,879 million (up 35.2% year on year), and profit attributable to owners of parent of ¥3,838 million (up 88.4% year on year).

Status of each segment is as follows.

In the Marine Products Purchasing segment within Japan, exports of Japanese marine products and wholesale sales through our overseas subsidiaries declined significantly due to the global spread of COVID-19. Sales within Japan suffered from the decline in restaurant and wholesale demand due to the impact of consumers refraining from outings. We focused our efforts on selling to mass retailers, where the handling of marine products had grown thanks to stay-at-home demand, but this was insufficient to compensate for the overall decline. We secured profit exceeding our plan, thanks to an increase in the handling volume of salmon and trout, which remained in the low-price zone from the beginning of the year, despite recording losses on some products due to factors such as a fall in the price of Atka mackerel due to oversupply. Our profit also improved because sales of high-priced products such as crabs and shrimp performed well in the end-of year sales battle, with demand for modest luxury goods from

households. As a result, the segment posted a decrease in sales but an increase in profit year on year.

In the Frozen Foods segment, restaurant and wholesale demand declined significantly due to the spread of COVID-19, and the downturn in sales of shrimp fritters and fried marine products continued. Under these conditions, our focused efforts to expand sales to mass retailers resulted in the growth of sales of frozen foods for home use to drugstores, while sushi toppings and raw food products gradually recovered. However, this was not enough to compensate for the overall decline in sales. As a result, both sales and profit for this segment decreased from the previous fiscal year.

In the Shelf-Stable Foods segment, we secured profit in canned foods on a par with the previous fiscal year, with an increase in demand associated with stockpiling due to the impact of the declaration of a state of emergency. Sales of delicacy products performed strongly, due to factors including an increase in demand for drinking at home during the COVID-19 crisis, and the launch of new products. As a result, the segment posted a decrease in sales but an increase in profit year on year.

In the Logistics segment, despite an initial slowdown in the movement of goods due to the impact of COVID-19, we focused on the collection of high-turnover cargo, and our handling volume increased. We also strived to expand our network of contracted transport companies, and strengthen the Distribution Business. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the Tuna segment, skipjack prices remained low in the Overseas Purse-seine Fishing Business, and net sales declined. At the same time however, sales of Japanese aquacultured Pacific bluefin tuna grew, and sales of processed products such as *Negitoro* performed strongly, primarily to mass retailers, which enjoyed robust sales during the COVID-19 crisis. As a result, both sales and profit for this segment increased from the previous fiscal year.

● The new medium-term business plan, and targets for the next fiscal year ending March 2022

Conditions in the Japanese economy for the next fiscal year will remain harsh, due to the impact of COVID-19. Although some improvement is expected, with the influence of a recovery in overseas economies, it is necessary to remain fully aware of the impact of changes in the status of the pandemic on business conditions in Japan and elsewhere. In the marine products and food industries, the harsh business environment is forecast to continue, with a decline in demand for sales to restaurants and rising labor costs due to a shortage of manpower.

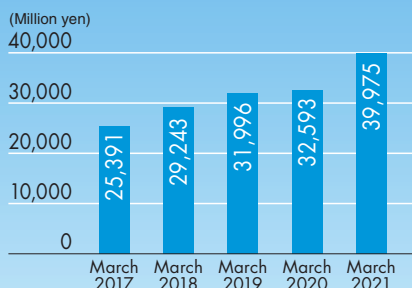
In these circumstances, the Group has embarked on the first fiscal year of its medium-term business plan, "Build Up Platform

2024" (for fiscal years 2021 to 2023), striving to achieve its new targets. For the next fiscal year, we expect to achieve the following consolidated results: net sales of ¥250.0 billion, operating profit of ¥5.0 billion, ordinary profit of ¥5.0 billion, and profit attributable to owners of parent of ¥3.5 billion.

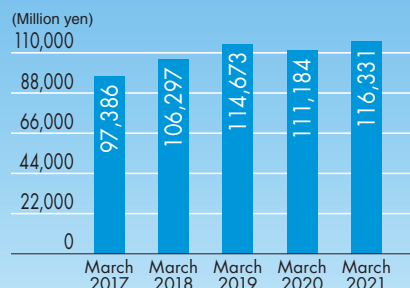
Targets for the fiscal year ending March 2024

Net sales: ¥300.0 billion
 Operating profit: ¥7.0 billion
 Ordinary profit: ¥6.5 billion
 Overseas net sales: ¥30.0 billion
 D/E ratio: 1.5; Operating profit margin and ordinary profit margin: over 2%

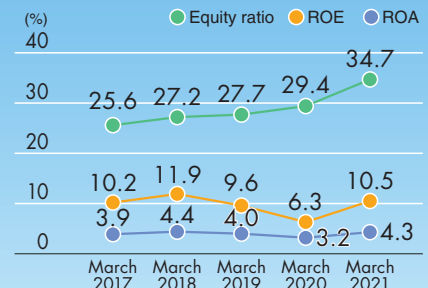
Net assets



Total assets

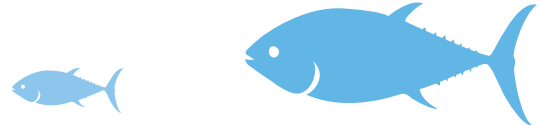


Equity ratio / Return on equity (ROE) / Return on asset (ROA)



TOPICS

April 2020 to March 2021



The new plant at KYOKUYO SUISAN CO., LTD. commenced full-scale operation

The new processed tuna products plant, constructed within the company's Ohigawa Plant in Shizuoka Prefecture, commenced full-scale operation.

Full renewal of the corporate website

In addition to making the site more viewable and navigable using a smartphone, and adding new "sustainability" content, we enhanced the content of the English language site, in line with the expansion of our overseas businesses.

2020



Began production at the KYOKUYO GLOBAL SEAFOODS Co., Ltd. plant

The plant of this company, established in 2019, commenced production of simmered fish, grilled fish, and products to be eaten raw.



KYOKUYO SUISAN CO., LTD. obtained EU HACCP compliance verification

The company's new plant, which commenced full-scale operation in April, obtained EU HACCP compliance verification for frozen tuna loins, blocks and saku for raw consumption.



Sustainability

Participated in SeaBOS Keystone Dialogue

The 5th Keystone Dialogue of Seafood Business for Ocean Stewardship (SeaBOS), attended by the CEOs of member companies (major marine companies worldwide) and scientists, was held online in October 2020. President Inoue attended, representing the Company.

At the meeting, participants discussed issues including the reduction in IUU (illegal, unreported and unregulated) fishing, the elimination of forced labor, the traceability of marine products, the reduction of antibiotics use in aquaculture, and countermeasures against marine plastics pollution and climate change, with the aim of achieving 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 meeting reached consensus on policies and specific actions to resolve each of these issues.

For the Kyokuyo Group, a general foods company with a focus on fishery products, the marine environment is the main source of our products, and initiatives related to this environment and its resources are extremely important, not least from the perspective of maintaining our business base. Through the initiatives of SeaBOS, the Group will aim to realize healthy oceans and a sustainable seafood business.



The online meeting

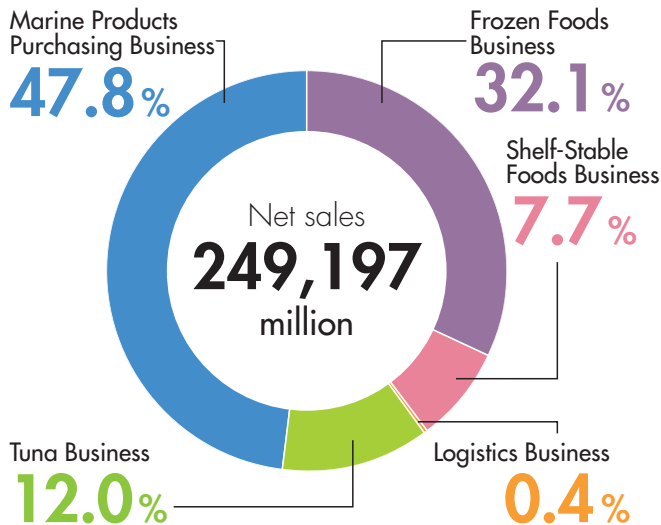
Release of Kyokuyo Group Integrated Report 2020

We think it is important to clearly convey our stance in pursuing sustainable development together with society, from a long-term and comprehensive perspective. To this end, we have replaced the previous CSR Report with the publication of an Integrated Report.

Pivoting on "value creation stories" for sustainable growth, the Integrated Report presents financial and non-financial information through reports on aspects such as business strategy, CSR activities and governance systems. By enhancing communication with our shareholders, investors and all our other stakeholders in this way, we aim to be a company trusted by society.



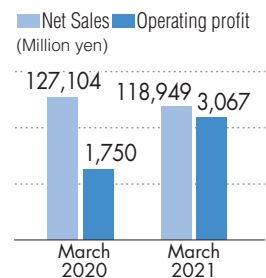
Composition ratio of sales by segment



Marine Products Purchasing Business

- Net sales **118,949** million
- Operating profit **3,067** 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.

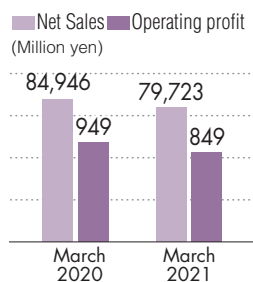


Coho salmon

Frozen Foods Business

- Net sales **79,723** million
- Operating profit **849** 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 which are easy to prepare as meals for facilities for the assisted living or for hospitals. 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. We provide rice, in addition to individually packaged grilled fish, simmered fish and fried products for home use.

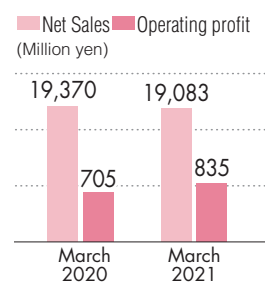


Dandori Jozu mackerel fillets (boneless)

Shelf-Stable Foods Business

- Net sales **19,083** million
- Operating profit **835** 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.

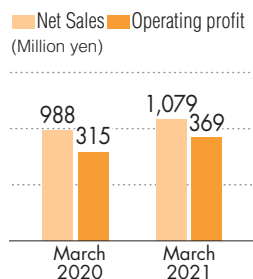


(right) American (Alaskan) boiled red salmon
(left) DHA/EPA Plus Krill Oil

Logistics Business

- Net sales **1,079** million
- Operating profit **369** million

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

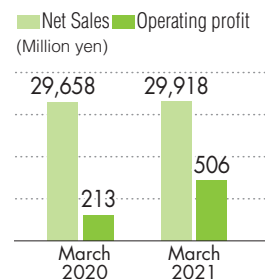


Tokyo plant of KYOKUYO AKITSU REIZO CO., LTD.

Tuna Business

- Net sales **29,918** million
- Operating profit **506** 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 an aquaculture 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, 2021)

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	2,313 (consolidated) 682 (nonconsolidated)
Number of consolidated companies	25

Board of Directors (As of March 31, 2021)

President	Makoto Inoue	Director	Hitoshi Higaki
Representative senior managing director	Ken Sakai	Director	Masayo Miura
Managing Director	Shigeru Kondo	Director	Mika Shirao
Managing Director	Shuichi Kiyama	Supervisory Board Member	Masaji Tamura
Director	Yutaka Tanaka	Supervisory Board Member	Yoichi Kanno
Director	Tadayuki Nishimura	Supervisory Board Member	Kenichi Matsuyuki
Director	Yasuyuki Sobajima	Supervisory Board Member	Kazuhiko Shimura
Director	Keizo Yamaguchi		

Introduction of Shareholder Special Benefit Plan

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

Details of Special Benefit Plan

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

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.

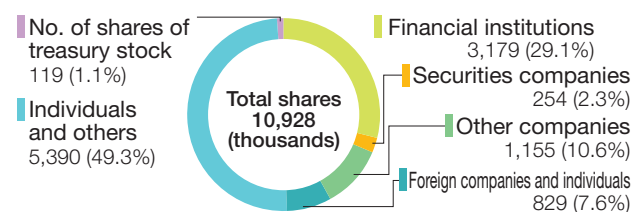
Stock Information (As of March 31, 2021)

Total number of shares the company is authorized to issue:	43,700,000
Total number of shares issued:	10,928,283
Number of shareholders:	30,036

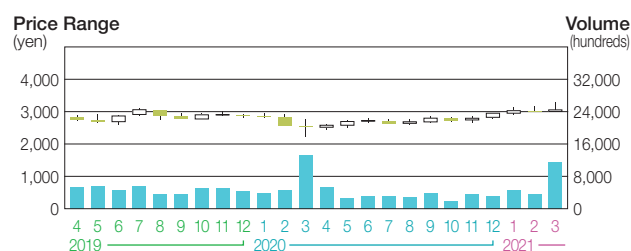
Major shareholders

Shareholder's name	No. of shares held (thousands)	Equity position (%)
Custody Bank of Japan, Ltd. (Trust account)	925	8.56
Resona Bank, Limited	523	4.84
The Norinchukin Bank	445	4.11
The Master Trust Bank of Japan, Ltd. (Trust account)	373	3.45
Toyo Seikan Group Holdings, Ltd.	315	2.91
Mitsui Sumitomo Insurance Co., Ltd.	250	2.31
Tokio Marine & Nichido Fire Insurance Co., Ltd.	224	2.07
Kyokuyo Akitsukai	174	1.61
Chuo Gyorui Co., Ltd.	139	1.29
Kyokuyo Satsukikai	131	1.21

Distribution of shares by shareholder type



Trends of Stock Prices and Trading Volume



Information on our website

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



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

KYOKUYO Internet Search

