

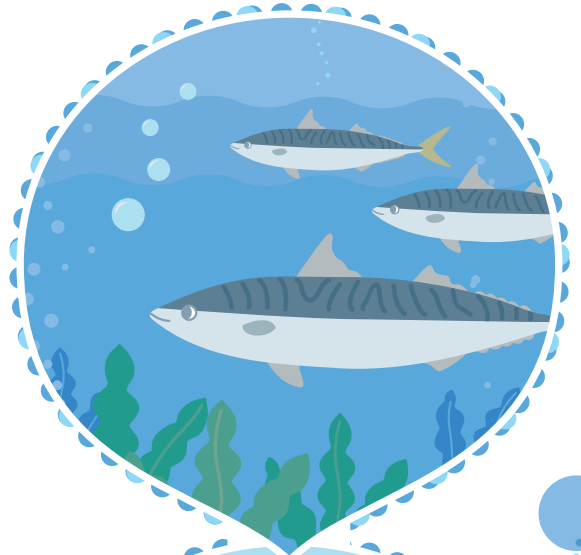


BUSINESS REPORT

99th Business Report

April 1, 2021 ▶ March 31, 2022

Always nearby,
always delicious. KYOKUYO





President and Representative Director

Makoto Inoue

Vice-President and Representative Director

Ken Sakai

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 99th fiscal term (term ended March 2022). We would like to take this opportunity to thank our shareholders for their support.

In April 2021, the Kyokuyo Group launched its new medium-term business plan, “Build Up Platform 2024.” The first year of the plan faced a variety of business constraints caused by the prolonged COVID-19 pandemic, but thanks to stabilizing earnings of our Marine Products Purchasing Business and working to strengthen our business base, access to resources, and brand, the plan got off to a good start.

We will continue to fulfill our responsibility to realize a sustainable society, which includes ESG and SDGs, and drive our businesses forward 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 2022

Progress of the “Build Up Platform 2024” medium-term business plan and efforts to achieve its targets

➤ Overall performance of the fiscal year ended March 31, 2022

In the consolidated fiscal year under review, Japan’s economy showed signs of temporary recovery from the constraints and stagnation of economic activities resulting from the spread of COVID-19, but the outlook remained uncertain due to factors such as a resurgence of infections caused by new variants, the manifestation of geopolitical risks surrounding the situation in Ukraine, and sharp drop in the yen.

In the marine products and food industries, circumstances remain difficult due to issues such as the recovery of demand primarily in Europe and the US, decrease in supply caused by the impact of the pandemic in China and South East Asia, and surge in raw material prices and shipping costs.

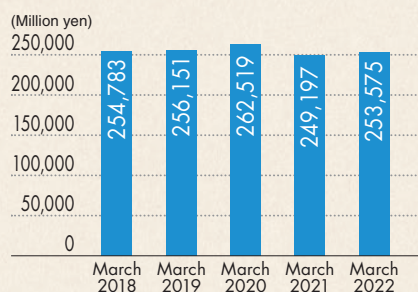
In response, we worked to fulfill our responsibility to realize a sustainable society, which includes ESG and SDGs, and

achieve the targets of the first year of our medium-term business plan, “Build Up Platform 2024” (FY2021 - FY2023), 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.”

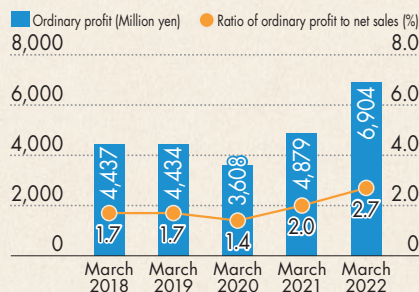
Thanks to these efforts, the Group posted net sales of ¥253,575 million (up 1.8% year on year), operating profit of ¥6,392 million (up 37.2% year on year), ordinary profit of ¥6,904 million (up 41.5% year on year), and profit attributable to owners of parent of ¥4,634 million (up 20.7% year on year).

Key Consolidated Financial Data

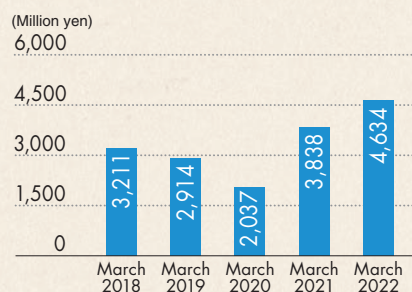
Net sales



Ordinary profit / Ratio of ordinary profit to net sales



Profit attributable to owners of parent



The status of each segment is as follows:

In the **Marine Products Purchasing Segment** in Japan, sales of processed products for the key seafoods of salmon and shrimp held steady particularly in mass retailers, and sales of the high-end products of crab and roe grew during our end-of-year sales battle despite the prolonged COVID-19 pandemic. And profit improved for North Pacific Ocean fish thanks to thorough inventory control. Furthermore, expectations for growth in Europe and the US rose due to demand for marine products recovering thanks to widespread implementation of policies for living with COVID-19, and sales of raw materials for processing grew in Japan. This has resulted in gaining profit greatly exceeding the plan's targets.

In our overseas business, exports of scallops to China grew and sales picked up in North America thanks to the recovery of local spending. As a result, both sales and profit increased from the previous fiscal year.

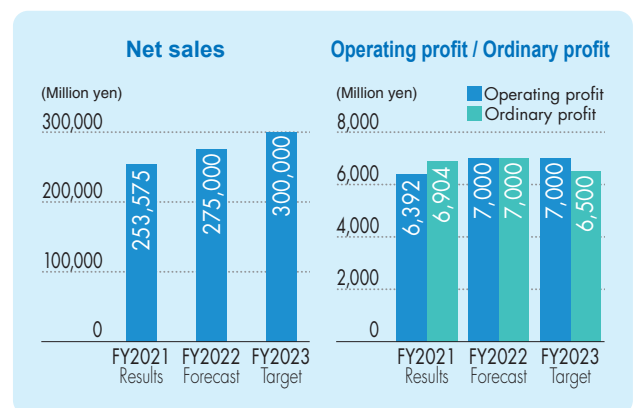
In the **Food Segment**,* frozen foods for commercial use achieved a certain level of sales in raw consumption food products such as sushi toppings, but saw a decrease in sales particularly for leading fried marine products in the restaurant and school lunch channel due to the impact of the spread of COVID-19.

In terms of frozen foods for home use, there was a temporary drop in production volume at our simmered and grilled fish plant in Southeast Asia, but sales to drugstores grew. Sales for canned products in leading mass retailers fell due to a lull in stay-at-home demand, despite launching new health-oriented canned products and making efforts to expand sales of blue-skinned fish and tuna — our leading canned products. Overall, higher raw material prices and ocean freight charges put pressure on revenue. As a result, both sales and profit for this segment decreased from the previous fiscal year.

In the **Tuna Segment**, the quantity of imported frozen Pacific bluefin tuna carried by businesses increased and processed products performed well particularly in mass retailers and conveyor belt sushi restaurants. The domestic Pacific bluefin tuna aquaculture business contributed to an increase in profit thanks to improving quality and stabilizing the shipment system. The overseas purse-seine fishing business saw a drop in catch volume but improvement of the bottom line thanks to the recovery of skipjack prices. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the **Logistics Segment**, sales grew in the distribution business thanks to strengthening initiatives to address the increase in highway transportation caused by the chaos plaguing marine transportation. The storage business saw an increase in dispatch volume bolstered by strong demand for marine products, but the decrease in inventory volume caused by arrival volume remaining the same level as last year impacted profit. As a result, sales for this segment increased from the previous fiscal year, but profit fell short.

Note: Figures in comparisons with the previous fiscal year have been recalculated to reflect changes in segments.



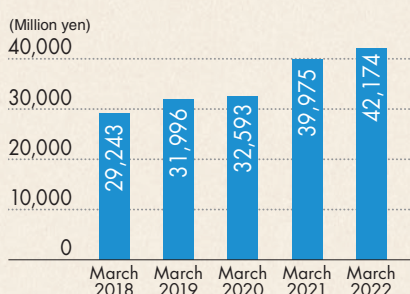
Targets for the next fiscal year ending March 2023

The next fiscal year we expect Japan's economy to recover from COVID-19, but the outlook is still uncertain due to factors such as the impact the increase in product prices caused by a weak yen and surging production costs will have on spending. Considering issues such as the situation in Ukraine and concern that it could lead to an even greater increase in raw material prices and shipping costs, we expect the business environment for the marine product and food industries to continue to be difficult.

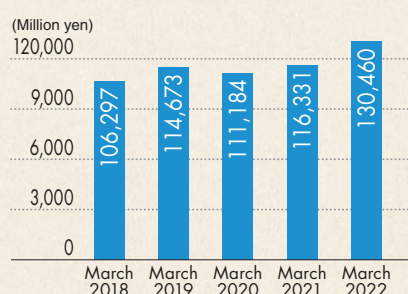
In response, the Group will work steadily to achieve the targets of the second year of the Build Up Platform 2024 medium-term business plan.

As for the performance forecast for the next fiscal year, we expect net sales of ¥275,000 million, operating profit of ¥7,000 million, ordinary profit of ¥7,000 million, and profit attributable to owners of parent of ¥4,900 million.

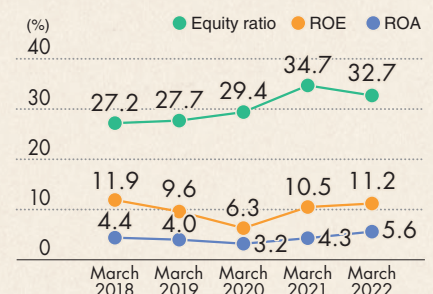
Net assets



Total assets



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



TOPICS

April 2021 to March 2022

Changes in segments

We combined the Frozen Foods and Shelf-Stable Foods segments into the “Foods Business segment.”

Launch of new overseas purse seiner

We launched the Wakaba Maru No.11, an overseas purse seiner that catches skipjack. It is a large vessel with an international competitive edge that considers the sustainability of marine resources. The boat is scheduled to start fishing in August.



2021

Apr.

May

June

July

Aug.

Sept.

Oct.

Nov.

Dec.

2022

Jan.

Feb.

Mar.

Release of new corporate TV commercials

We are working to strengthen our brand with new TV commercials that emphasize how our food products are more than just delicious, but also enhance people’s enjoyment of life.

Completion of Kyokuyo Global Seafoods Co., Ltd. plant

Our core plant outside Japan, it produces simmered and grilled fish, sushi toppings, and other products. Kyokuyo Global Seafoods supplies products not only to Japan, but across the globe to Southeast Asia, Europe, and the US.



Sustainability

» Fifth SeaBOS Keystone Dialogue

In October 2021, the fifth SeaBOS Keystone Dialogue was held online, attended by the CEOs of member companies. Composed of 10 of the world’s leading seafood companies (including Kyokuyo, Maruha Nichiro Corporation, and Nippon Suisan Kaisha, Ltd. from Japan) and scientists, SeaBOS identifies issues and sets targets to achieve the sustainable utilization of marine resources and realization of a healthy ocean and global environment.

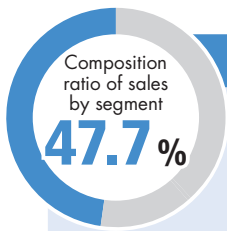
At the 2021 dialogue, attendees discussed matters such as eliminating IUU (Illegal, unreported, and unregulated) fisheries and forced labor, protecting endangered species, reducing the need for antibiotics, reducing ocean plastics, and explicit emissions reduction goals, and set targets. We will continue engaging in initiatives to address these challenges.



From left to right:
Shingo Hamada, Representative Board Member, President & CEO of [Nippon Suisan Kaisha, Ltd.](#)
Henrik Österblom, professor at [Stockholm Resilience Centre](#)
Makoto Inoue, President and Representative Director of [Kyokuyo Co., Ltd.](#)
Masaru Ikemi, Representative Director, President & CEO of [Maruha Nichiro Corporation](#)

» Kyokuyo Group Basic Sustainability Policy and Kyokuyo Group Human Rights Policy

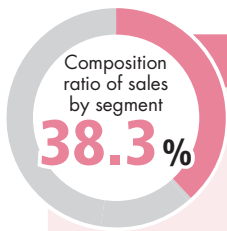
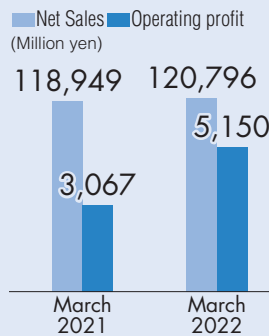
In November 2021, we formulated the Kyokuyo Group Basic Sustainability Policy to further drive initiatives that address sustainability— one of our key business issues — as part of efforts to achieve sustainable growth for the Kyokuyo Group and enhance corporate value over the mid- to long-term. We also formulated the Kyokuyo Group Human Rights Policy under that policy to clarify our basic philosophy and responsibilities in regard to respecting human rights. By tackling human rights initiatives, conducting responsible business activities, and resolving social issues through business activities, we will contribute to the development of a sustainable society.



Marine Products Purchasing Segment

Net sales **120,796** million
Operating profit **5,150** million

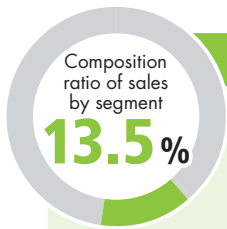
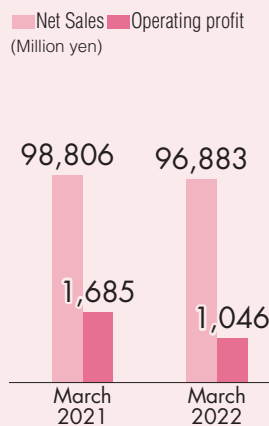
Through our domestic and foreign branches, sales offices, representative offices, and mutual partnerships with subsidiaries, the Kyokuyo Group stably sources high quality marine products from the oceans of the world and provides processed products such as fish fillets, crab, and peeled shrimp. We also actively engage in export of marine products caught in Japan and in offshore trade, and are strengthening sales in other countries where demand is growing.



Foods Segment

Net sales **96,883** million
Operating profit **1,046** million

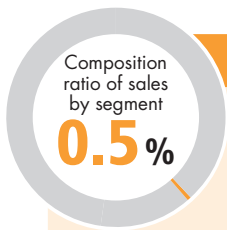
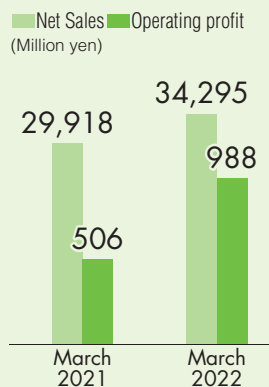
The Foods Business sells frozen foods for commercial use such as our Dandori Jozu series that includes sushi toppings, simmered and grilled fish, fried marine products, imitation crab meat, and fish fillets to restaurants, deli departments of mass retailers, and medical and nursing care facilities. It also has a wide range of products for home use including frozen foods such as simmered and grilled fish and fried marine products, and canned products which we have been producing since 1949 including canned meat, agricultural products, and seafood such as mackerel and skipjack. This includes our high-quality, innovative home-use brand Sea Marché, for which we are currently working to expand the product line-up. We also sell delicacies such as squid jerky and health products like glucosamine and DHA supplements.



Tuna Segment

Net sales **34,295** million
Operating profit **988** million

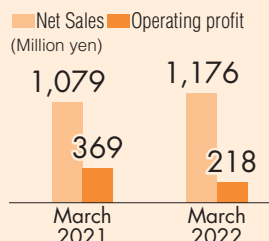
The Tuna Business conducts integrated operations encompassing everything from fishing and farming to purchasing, processing, and marketing of skipjack and other tuna. We have independent sourcing capabilities for skipjack with the Group's fleet of Wakaba Maru purse-seiners. As for tuna, we have expanded an aquaculture business that considers sustainability and strengthening access to resources, which includes the original brand "Hon-Maguro no Kiwami" as well as full-life-cycle aquaculture of Pacific bluefin tuna, "Hon-Maguro no Kiwami TUNAGU." Both of these have been well received by customers in and outside Japan. We are also engaging in aquaculture of red sea bream and Japanese amberjack in Kochi Prefecture, and working to expand the variety of farmed fish.



Logistics Segment

Net sales **1,176** million
Operating profit **218** million

The Logistics Business provides logistics services such as distribution and delivery from warehouses, with a primary focus on the cold storage business in three sites in Ohi and Jonanjima in Tokyo, and Fukuoka.



Tokyo plant of KYOKUYO AKITSU REIZO CO., LTD.

◆ Corporate Profile (As of March 31, 2022)

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	2,208 (consolidated) 695 (nonconsolidated)
Number of consolidated companies	25

◆ Board of Directors (As of March 31, 2022)

President and Representative Director	Director	Hitoshi Higaki
Makoto Inoue	Director	Masayo Miura
Vice-President and Representative Director	Director	Mika Shirao
Ken Sakai	Director	Katsuhiro Machida
Senior Managing Director	Director	Eiji Yamada
Shigeru Kondo	Supervisory Board Member	Masaji Tamura
Managing Director	Supervisory Board Member	Yoichi Kanno
Shuichi Kiyama	Supervisory Board Member	Kazuhiko Shimura
Director	Supervisory Board Member	Masayuki Nishihama
Yutaka Tanaka		
Director		
Tadayuki Nishimura		
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.

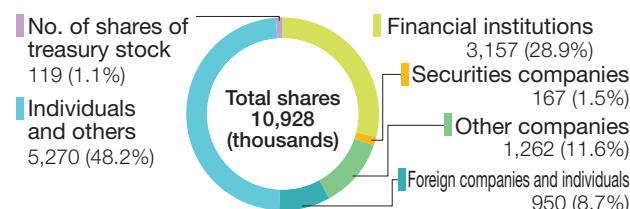
◆ Stock Information (As of March 31, 2022)

Total number of shares the company is authorized to issue:	43,700,000
Total number of shares issued:	10,928,283
Number of shareholders:	28,937

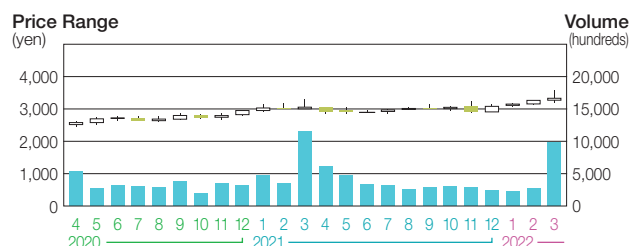
Major shareholders

Shareholder's name	No. of shares held (thousands)	Equity position (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	954	8.83
Resona Bank, Limited	523	4.84
The Norinchukin Bank	445	4.11
Custody Bank of Japan, Ltd. (Trust account)	316	2.92
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	149	1.38
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	143	1.32
Noriaki Nakamura	140	1.30

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

