



Anniversary
80th
KYOKUYO



いつも となりに おいしいキョクヨー

BUSINESS REPORT

94th
Business Report

April 1, 2016 - March 31, 2017





Chairman
Hisaki Tada

President
Kenji Imai

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 94th fiscal term (term ended March 2017). I would like to take this opportunity to thank our shareholders for their support.

This year marks the Company's 80th anniversary. During this term (term ended March 2017), Kyokuyo Group has actively implemented measures towards business expansion both in Japan and overseas. For example, we established a new structure under Hisaki Tada as Chairman and Kenji Imai as President which commenced on June 24, 2016, and started full-scale operations at the new Shiogama Plant as well as Ibusuki Shokuhin Co., Ltd. and the Souemon Plant of Kyokuyo Suisan Co., Ltd. In addition, we actively launched measures for expanding businesses in Japan and overseas so as to increase profitability of overseas production plants and expand sales in overseas countries, such as the U.S.

The 95th fiscal term (term ending March 2018) has already started, and it is the final year of the medium-term business plan entitled "Value Up Kyokuyo 2018."

Based on the basic policy of "aiming to be a company that creates new value by stabilizing the earnings base and improving our ability to respond to changes as a general food company, with our specialty being fish," the Group will continuously strive to carry out business operations with a greater sense of speed than ever and achieve its targets by its "Global Strategy," "Synergy Strategy," and "Differentiation Strategy."

We look forward to your continued support and cooperation.

June 2017

Progress of the Medium Term Business Plan "Value Up Kyokuyo 2018" and Toward Achieving the Targets

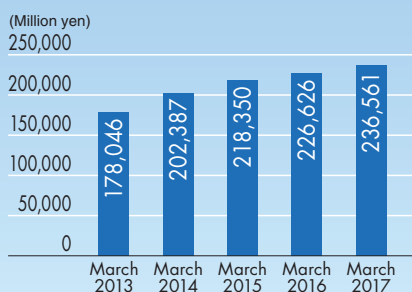
Overall performance in the fiscal year ended March 2017

In the consolidated fiscal year under review, although employment and income situations improved, the Japanese economy remains uncertain with the decline in personal consumption as well as concerns about certain factors such as the effect of the slowdown of the economies of China and other emerging nations and political risks in Western countries including protectionism on the global real economy.

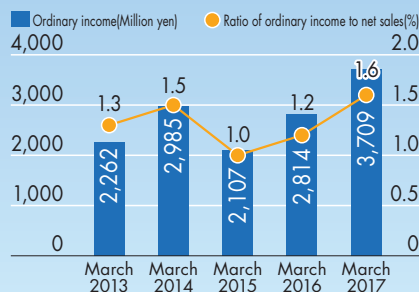
In the marine products and food industries, awareness in food security and safety among the consumers is high and the situation remains challenging due to factors such as rising purchase costs triggered by a surge in demand for marine products worldwide in addition to the changes in domestic market environments due to decreasing birthrate and aging population, and increase in labor costs resulting from manpower shortage.

Key Consolidated Financial Data

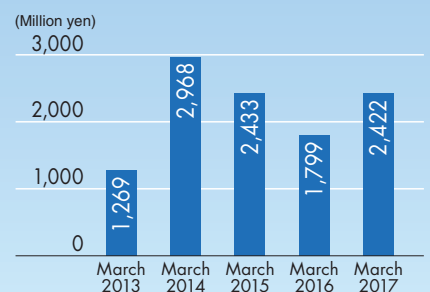
Net sales



Ordinary income / Ratio of ordinary income to net sales



Net income attributable to owners of parent





In these circumstances, in the second year of its medium-term business plan “Value Up Kyokuyo 2018,” the Group has been working towards its targets in line with the basic policy of “aiming to be a company that creates new value by stabilizing the earnings base and improving our ability to respond to changes as a general food company, with our specialty being fish.”

As a result, the Group posted net sales of ¥236,561 million (up 4.4% year on year), operating income of ¥3,723 million (up 53.0% year on year), ordinary income of ¥3,709 million (up 31.8% year on year), and net income attributable to owners of parent of ¥2,422 million (up 34.6% year on year). Status of each segment is as follows.

In the Marine Products Purchasing segment, overall fish prices remained strong and the sales amount of products such as salmon and trout, and shrimp performed well. We have worked to expand the sales of processed frozen fish such as mackerel and value-added products such as salted salmon fillets and peeled shrimp. For overseas sales of fishery, we have strived to expand sales in the markets of China and the U.S. As a result, both sales and profit for this segment increased from the previous fiscal year.

In the Frozen Foods segment, we have worked to expand the sales of products eaten raw, mainly consisting of sushi toppings, and precooked products such as “Dandori Jozu” series. The sales of processed shrimp and imitation crab meat performed well. We have increased the product variety of frozen foods for home use and the sales of products manufactured in the new Shiogama Plant were expanded. Although sales for this segment decreased from the previous fiscal year due to factors including high prices in raw materials such as scallop, profit went up as a result of our efforts in expanding the sales of the products manufactured in the plants the Group directly operates.

In the Shelf-Stable Foods segment, we have worked to expand sales of canned seafood such as mackerel and sardine, and also implemented price revisions and aggregation of merchandise. Seafood delicacies performed particularly well with products for major convenience stores. As a result, while sales increased from the previous fiscal year, profit went down due to high prices in raw materials arising from poor catch of squid, which is one of the raw materials for seafood delicacies.

In the Cold Storage Business in the Logistics segment, both sales and profit increased from the previous fiscal year thanks to our efforts in securing warehouse cargo and continuous strengthening of sales force and streamlining of operations. Meanwhile, in the Refrigeration Ship Business, we sold all the ships we owned and withdrew from this business due to prolonged downturn in the shipping market. As a result, both sales and profit for this segment went down from the previous fiscal year.

In the Processing and Sales Business for the Tuna segment, the handling of Mediterranean bluefin and southern bluefin tuna posted continuous growth and we worked to expand the sales toward restaurant channels and volume retailers. In the Farming Business, amid increased restriction on fishing grounds and fishery, we made efforts in improving aquaculture techniques towards the first shipment of fish cultivated through full-life cycle aquaculture in the next fiscal year as well as securing natural breeders.

In the Overseas Purse-seine Fishing Business, while the fish haul decreased due to the poor catch in the seas off the eastern coast of Japan (Sanriku Offshore), fish prices were higher compared to the previous fiscal year. As a result, both sales and profit for this segment were higher than those of the previous fiscal year.

Targets for the next fiscal year ending March 2018

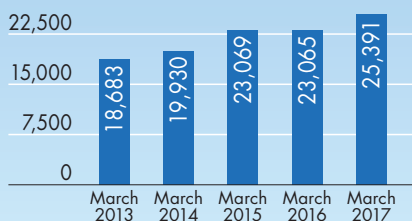
With regards to the Japanese economy for the next fiscal year, although a gradual recovery is expected, the future remains unclear due to factors such as uncertainty about the global economy.

The business environment in the marine products and food industries is also expected to remain harsh as raw material prices remain high, processing costs increase and competition between firms intensifies.

Under these circumstances, the Group will strive to achieve the targets entering the final year of the medium-term business plan “Value Up Kyokuyo 2018.” For the next fiscal year, we expect to achieve the following consolidated results: net sales of ¥250.0 billion, operating income of ¥4.0 billion, ordinary income of ¥4.0 billion, and net income attributable to owners of parent of ¥2.7 billion.

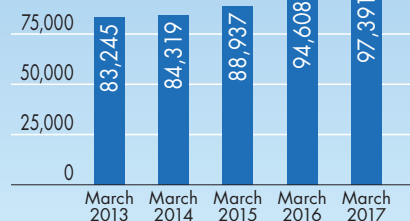
Net assets

(Million yen)
30,000



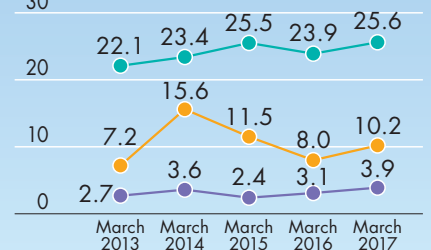
Total assets

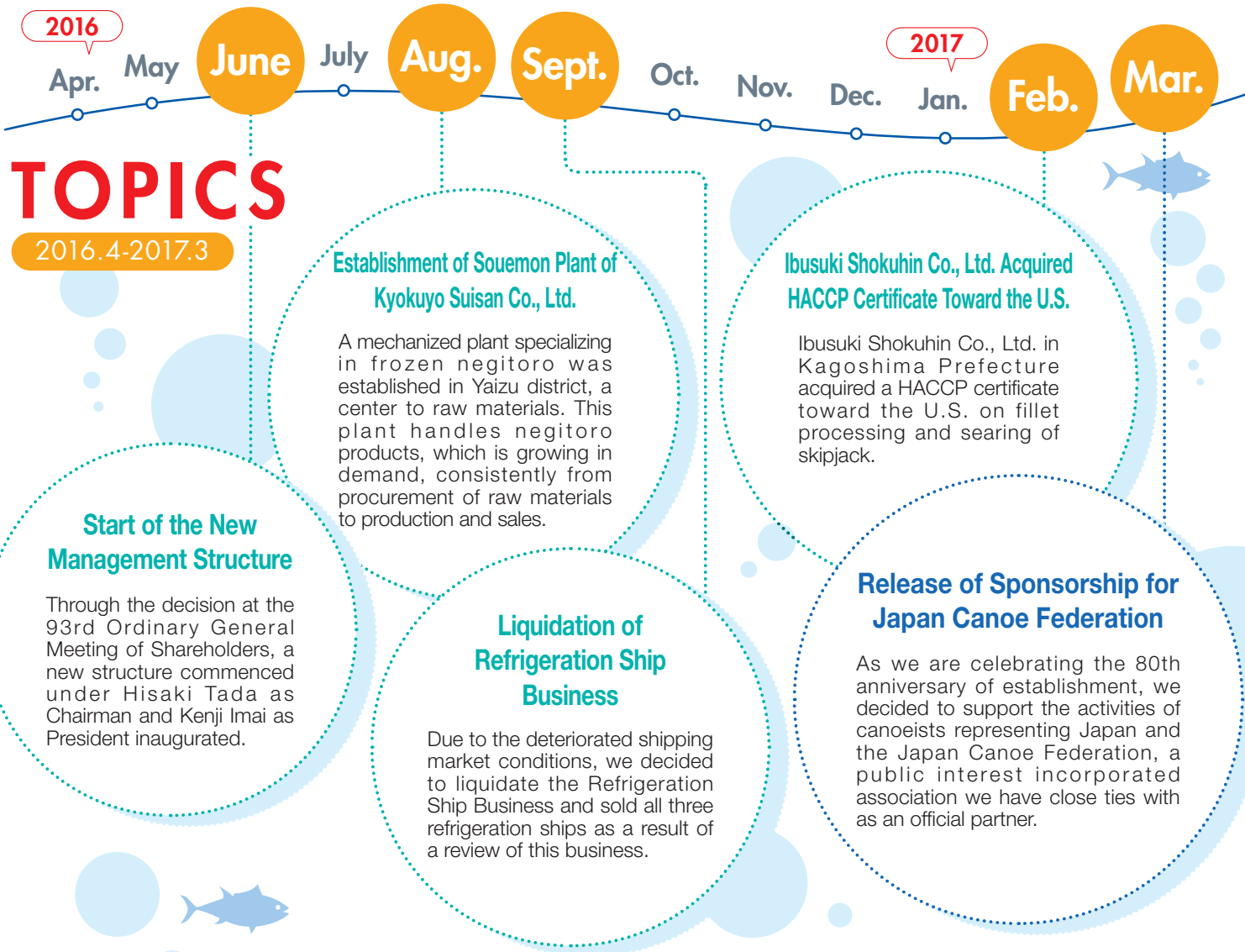
(Million yen)
100,000



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

(%)
30





Regarding
Commemorative
Dividend

We are celebrating the 80th anniversary of the Company's establishment in September 2017.

We truly appreciate our shareholders and the relevant parties for their support.

In order to express our gratitude, we decided to pay commemorative dividend of ¥10 per share for as the term-end dividend for the fiscal year ended March 2017.

Together with the ordinary dividend of ¥50 per share, the full-year dividend for the fiscal year ended March 2017 will be ¥60 per share.

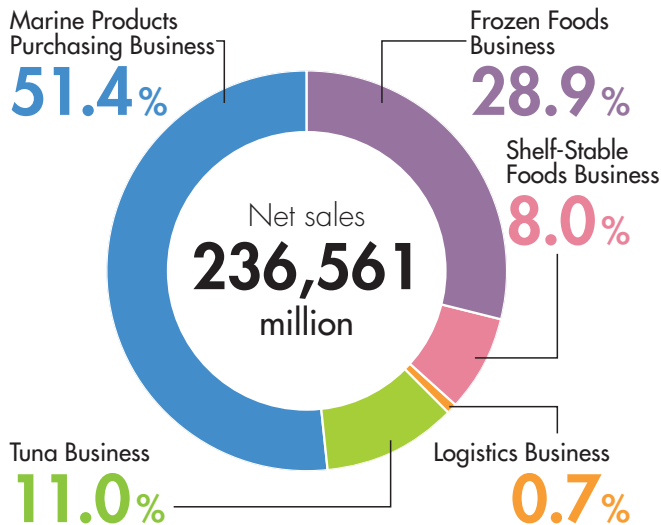


80th anniversary poster



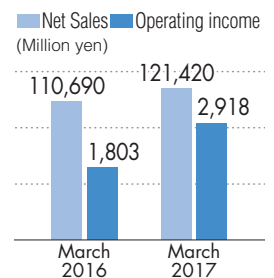
80th anniversary commemorative advertisement

Composition ratio of sales by segment



Marine Products Purchasing Business

- Net sales **121,420 million**
- Operating income **2,918 million**



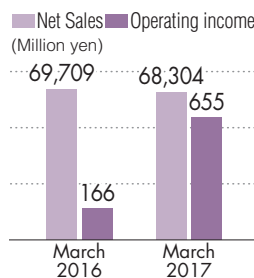
Through our domestic and foreign branches, business offices, representative offices, and mutual partnerships with subsidiaries, Kyokuyo Group provides a stable source of high quality marine products from the oceans of the world, as well as products such as fillets, and shelled crab and peeled shrimp.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



Salted red salmon fillet

Frozen Foods Business

- Net sales **68,304 million**
- Operating income **655 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" products for industrial use, cooked fish and marinated fish 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 live stock products and frozen vegetables to restaurant channels and deli departments at volume retailers.

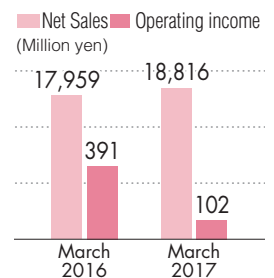
Starting with the "Sea Marché" brand of frozen foods for home use, we are expanding sales to major retailers, particularly in the metropolitan area.



Dandori Jozu cooked red fish with grated Japanese radish (boneless)

Shelf-Stable Foods Business

- Net sales **18,816 million**
- Operating income **102 million**



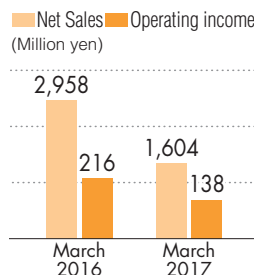
This segment has a long history that started from the production of canned foods in 1949. Currently we are working to enhance our product appeal with a lineup that includes not only canned seafood such as mackerel, skipjack, and salmon, but also products of "Sea Marché" brand and even live stock products.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

(left) Glucosamine Supplement (right) Sea Marché cooked mackerel (material from Norway)



Logistics Business

- Net sales **1,604 million**
- Operating income **138 million**



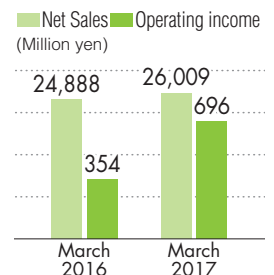
Centered on the Cold Storage Business, this segment provides logistics services with four plants in Ohi (Tokyo), Jonanjima (Tokyo), Osaka, and Fukuoka.



Jonanjima plant of KYOKUYO AKITSU REIZO CO., LTD.

Tuna Business

- Net sales **26,009 million**
- Operating income **696 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 protect the limited marine resources and ensure a stable supply of them, we are developing a fish farming business in Shikoku, whose original brand "Hon-maguro no Kiwami" has been well received by customers. Furthermore, we strive for a full-life cycle aquaculture business that does not rely on natural juvenile fish.



Pacific bluefin tuna produced by full-life cycle aquaculture

● Corporate Profile (As of March 31, 2017)

Corporate name	Kabushiki Kaisha Kyokuyo
English corporate name	KYOKUYO CO., LTD.
Headquarters	3-5 Akasaka 3-chome, 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	2,193 (consolidated) 610 (nonconsolidated)
Number of consolidated companies	25

● Board of Directors (As of March 31, 2017)

Chairman	Hisaki Tada	Director	Hiroyuki Aoki
President	Kenji Imai	Director	Jun Akutagawa
Managing Director	Masayuki Kumotsu	Director	Masayo Miura
Managing Director	Makoto Inoue	Supervisory Board Member	Masataka Nakayama
Managing Director	Hisakazu Yazawa	Supervisory Board Member	Masaji Tamura
Managing Director	Ken Sakai	Supervisory Board Member	Takashi Kamii
Director	Kenichi Matsuyuki	Supervisory Board Member	Kenji Syuto
Director	Hitoshi Amari		

● 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 for 2017

Targets:	Shareholders on the Company's register of shareholders who hold a unit of shares (100 shares) or more on March 31, 2017.
Benefit:	The target shareholders will be presented with our products valued at ¥5,000.
Shipment:	Gifts will be shipped in July 2017.

Details of Special Benefit Plan for 2018 and After

Targets and Benefit:	<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:	Nihon Keizai Shimbun
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 10-11 Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Phone: 0120-232-711 (toll-free in Japan)

(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.

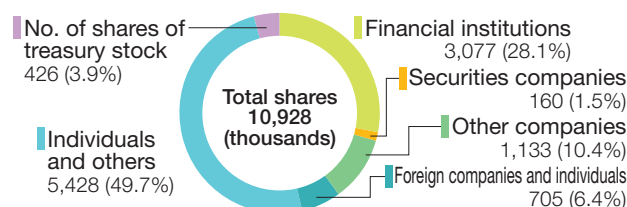
● Stock Information (As of March 31, 2017)

Total number of shares the company is authorized to issue:	43,700,000
Total number of shares issued:	10,928,283
Number of shareholders:	32,858

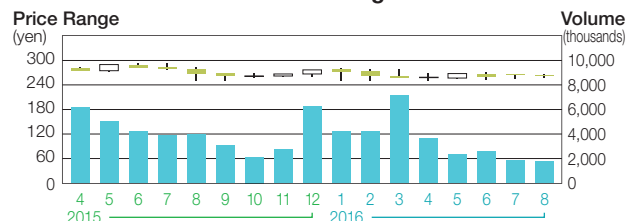
Major shareholders

Shareholder's name	No. of shares held (thousands)	Equity position (%)
Japan Trustee Services Bank, Ltd.	923	8.44
Resona Bank, Limited	523	4.78
The Norinchukin Bank	523	4.78
Toyo Seikan Group Holdings, Ltd.	315	2.88
Mitsui Sumitomo Insurance Co., Ltd.	250	2.28
Tokio Marine & Nichido Fire Insurance Co., Ltd.	224	2.05
Kyokuyo Akitsukai	168	1.54
Chuo Gyorui Co., Ltd.	139	1.28
Sumitomo Mitsui Trust Bank, Limited	121	1.11
Mitsubishi UFJ Trust and Banking Corporation	120	1.09

Distribution of shares by shareholder type



Trends of Stock Prices and Trading Volume



*Consolidation of shares was implemented on October 1, 2016.

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.



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

KYOKUYO

Internet Search



KYOKUYO CO., LTD.

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