

IR Presentation Materials: Financial Results for the Year Ended March 31, 2023

May 2023

KYOKUYO CO., LTD.

(Tokyo Stock Exchange Prime Section Securities Code: 1301)

* The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of fiscal year ended March 31, 2022. The figures from the fiscal year ended March 31, 2022 are figures after the application of this accounting standard and related adjustments.

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I . FY Ended March 2023

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year		Initial forecast for year ended March 31, 2023	Vs. year forecast (Achievement rate)
			Change	% change		
Net sales	253,575	272,167	18,591	7.3%	275,000	99.0%
Operating profit	6,392	8,105	1,713	26.8%	7,000	115.8%
Ordinary profit	6,904	8,182	1,277	18.5%	7,000	116.9%
Profit attributable to owners of parent	4,634	5,782	1,147	24.8%	4,900	118.0%

➤ Year-on-year

- Net sales, operating profit, ordinary profit, and profit attributable to owners of parent all hit all-time highs.

➤ Vs. full-year forecast (disclosed May 13, 2022)

- Operating profit, ordinary profit, and profit attributable to owners of parent exceeded forecast.
- Profit was driven by Tuna Business. Recovery in the restaurant industry led to greatly expanded sales of processed foods, particularly products from our own plants.

* Consolidated performance forecast values for the year ended March 31, 2023 were revised and disclosed on March 27, 2023.

Consolidated Balance Sheet

(Millions of yen)

	As at March 31, 2022	As at March 31, 2023	Year-on- year		As at March 31, 2022	As at March 31, 2023	Year-on- year
Assets				Liabilities			
Current assets	99,527	114,202	14,675	Current liabilities	56,936	64,950	8,014
Notes and accounts receivable - trade	28,683	33,079	4,396	Notes and accounts payable - trade	9,950	8,563	(1,386)
Merchandise and finished goods	44,997	52,620	7,622	Short-term borrowings (including commercial paper)	30,714	38,783	8,069
Work in process	3,440	3,840	399	Non-current liabilities	31,348	34,383	3,034
Raw materials and supplies	6,191	7,425	1,233	Long-term borrowings	27,021	29,816	2,794
Other	16,214	17,236	1,022	Total liabilities	88,285	99,334	11,049
Non-current assets	30,932	32,098	1,165	Net assets			
Total property, plant and equipment	18,897	18,912	15	Shareholders' equity	39,072	43,736	4,663
Total intangible assets	350	348	(1)	Accumulated other comprehensive income	3,632	3,805	172
Investments and other assets	11,685	12,837	1,151	Non-controlling interests	(530)	(575)	(44)
Total assets	130,460	146,301	15,840	Total net assets	42,174	46,966	4,791
				Total liabilities and net assets	130,460	146,301	15,840

• “Notes and accounts receivable” and “merchandise and finished goods” increased in conjunction with the growth in net sales

Consolidated Cash Flows

(Millions of yen)

		Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year
Cash flows from operating activities	Profit before income taxes	6,725	8,403	1,677
	Depreciation	1,835	2,264	429
	Decrease (increase) in trade receivables	4,482	(3,987)	(8,469)
	Decrease (increase) in inventories	(12,822)	(8,938)	3,883
	Increase (decrease) in trade payables	952	(1,672)	(2,625)
	Other	(2,302)	(2,313)	(10)
	Subtotal	(1,128)	(6,243)	(5,115)
Cash flows from investing activities	Purchases of non-current assets	(4,859)	(2,299)	2,560
	Other	(365)	(39)	326
	Subtotal	(5,225)	(2,338)	2,887
Cash flows from financing activities	Net increase (decrease) in short-term borrowings (including commercial paper)	6,192	12,246	6,053
	Net increase (decrease) in long-term borrowings	570	(1,972)	(2,543)
	Other	(1,019)	(1,262)	(242)
	Subtotal	5,743	9,011	3,267

- Trade receivables increased significantly in conjunction with the growth in net sales

Changes in Consolidated Financial Metrics

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year
Equity (millions of yen)	31,821	32,718	40,382	42,705	47,541	4,836
Interest-bearing debt (millions of yen)	58,023	55,173	51,174	58,121	68,973	10,851
Total assets (millions of yen)	114,673	111,184	116,331	130,460	146,301	15,840
Year-end balance of cash and cash equivalents (millions of yen)	4,621	6,313	7,097	6,539	7,042	502
Equity ratio	27.7%	29.4%	34.7%	32.7%	32.5%	△0.2pts
D/E ratio	1.9	1.7	1.4	1.5	1.6	+0.1pts
ROE	9.6%	6.3%	10.5%	11.2%	12.8%	+1.6pts
ROA	4.0%	3.2%	4.3%	5.6%	5.9%	+0.3pts

• Although equity increased due to an increase in retained earnings, the equity ratio slightly decreased due to a significant increase in interest-bearing debt (short-term borrowings).

Strategies and Major Initiatives in Medium-term Business Plan (from FY2021)

Strategy Expanding Food Businesses

➤ Changed organization [April 2021]

Clarified the division of roles by reorganizing food departments to be business-specific, and bolstered sales structure.

➤ Completed plant for Kyokuyo Global Seafoods Co., Ltd. [February 2022]

Main overseas plant with the capacity to supply 7,000 tons of simmered fish, grilled fish, and raw food products such as sushi toppings.

Expands sales to Japan, as well as Southeast Asia, Europe, and the Americas.



Environment surrounding our business

COVID-19 caused consumption styles to change and increased demand for foods for home use

Heightened global demand for Japanese food

Strategy Strengthening access to resources

➤ Reached agreement for sales of land-based aquaculture salmon farmed in Japan [January 2022]

Atlantic salmon produced at land-based aquaculture farm being constructed in Mie Prefecture

Scheduled to begin shipping in 2025

➤ Launched the Wakaba Maru No. 11 overseas purse seiner for catching skipjack [August 2022]

This large fishing vessel is internationally competitive and will strengthen our unique procurement capability



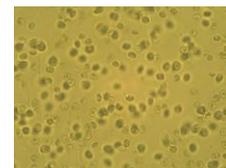
Wakaba Maru No. 11

Rising global demand for seafood

Intensifying competition for procurement

➤ Investment in EBIS Algae Research Institute, Inc. [August 2022]

The microalgae *Nannochloropsis* cultivated by the company is rich in EPA and folic acid, and is expected to be utilized as feed for farmed fish



Nannochloropsis

Strategies and Major Initiatives in Medium-term Business Plan (from FY2021)

Strategy Expanding Overseas Businesses

Shift to policy of “produce overseas, sell overseas”

➤ **Established Kyokuyo Vina Foods Co., Ltd. subsidiary in Vietnam [July 2022]**

Goal: Distribute risk of processing in China, which became apparent due to issues during the COVID-19 pandemic, and produce and sell foods for Vietnam and Southeast Asia

➤ **Establish imitation crab meat manufacturing company in North America [2023]**

Goal: Manufacture and sell imitation crab meat for the United States

Environment surrounding our business

Occurrence of country risk due to COVID-19 (distribution of risk)

Shrinking domestic market



Status by Segment

Net Sales and Profit by Segment

(Millions of yen)

	Net sales			Profit by business segment		
	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year
Marine Products Purchasing	120,796	122,783	1,986	5,150	2,683	(2,466)
Foods	96,883	108,328	11,444	1,046	936	(110)
Tuna	34,295	39,220	4,925	988	5,325	4,337
Logistics Service	1,176	1,361	185	218	203	(15)
Other	423	473	49	(1,011)	(1,043)	(32)
Total	253,575	272,167	18,591	6,392	8,105	1,713

➤ Marine Products Purchasing

[Higher sales, lower profit]

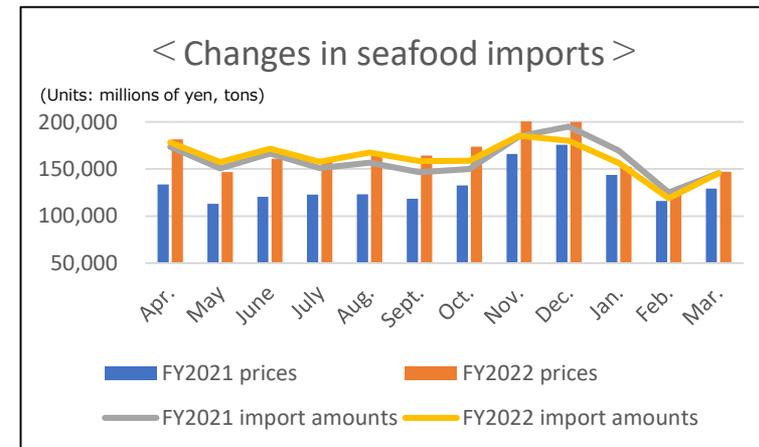
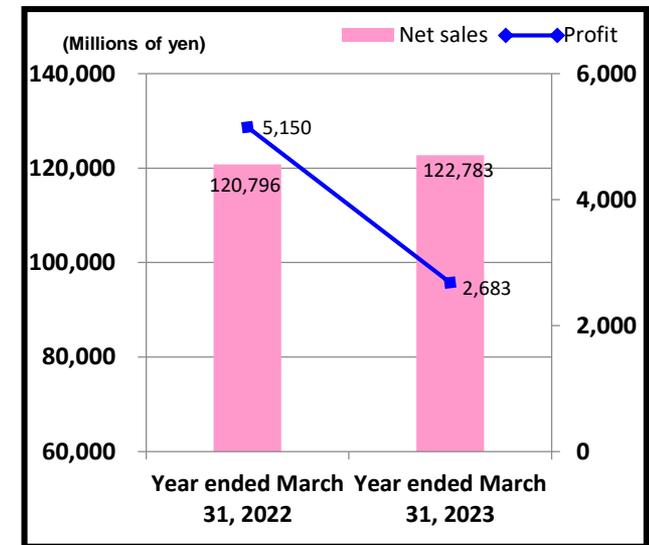
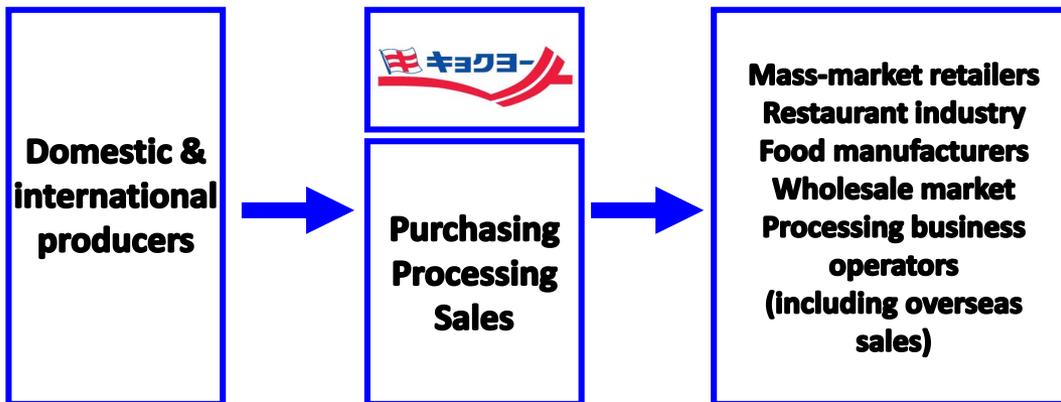
(Domestic sales)

- Continued high prices in the seafood market caused clear decline in demand from Q3 and led to reduced volumes of salmon, shrimp, and crab
- Large slump in earnings due to fall in seafood market prices caused by declining in demand

(Overseas business)

- Partly due to impact of the weakening yen, there was an increase in sales of scallops and tuna
- Full-scale recovery of consumption in China and the United States led to strong local sales

* See reference materials page 25: Sales weight and unit price of each seafood type by year



Source: Trade Statistics of Japan (by Ministry of Finance) *Preliminary figures for March 2023

Created by processing (Press release materials: Trade Statistics of Japan (by Ministry of Finance) (customs.go.jp))

➤ Foods

[Higher sales, lower profit]

(Frozen foods for industrial use)

- Steady sales of sushi toppings for the conveyor-belt sushi route
- Increased sales of fried seafood and shrimp fritters to delicatessen section at supermarkets
- In terms of earnings, price increases were insufficient to cover the continued rise in costs

(Frozen foods for home use)

- Increased sales primarily for simmered fish and grilled fish

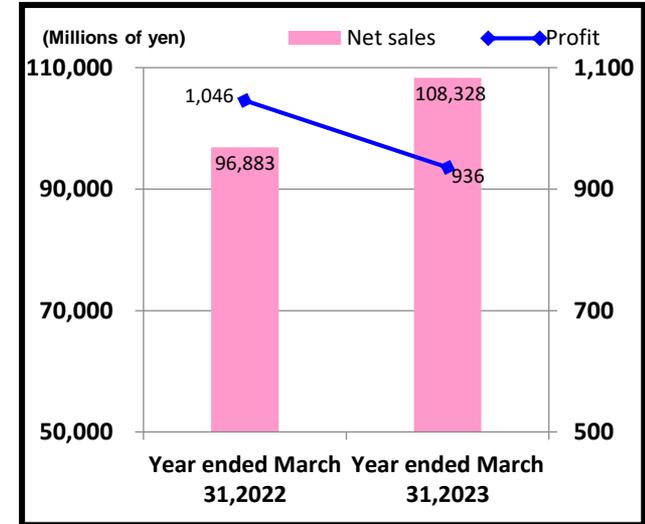
(Canned)

- Despite the difficulties of rising costs and temporary suspension of canned mackerel, sales were comparable with the previous year due to focused sales of major products

(Snacks/delicacies)

- Sales volume fell due to changes in consumer preferences and rising costs of raw materials put pressure on earnings

* See reference materials page 26: Breakdown of sales in foods business



Sushi toppings



Fried horse mackerel



Shrimp fritters

➤ Tuna

[Higher sales and profit]

- Raw ingredient prices continued to be high, but demand was strong due to recovery in the restaurant industry
- Steady sales of southern bluefin tuna
- Sales of processed products, particularly products from our own plants, grew for the conveyor-belt sushi route

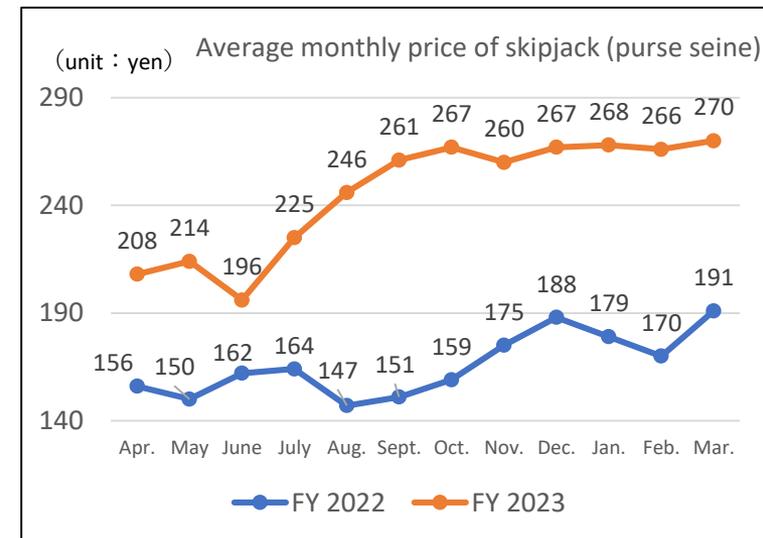
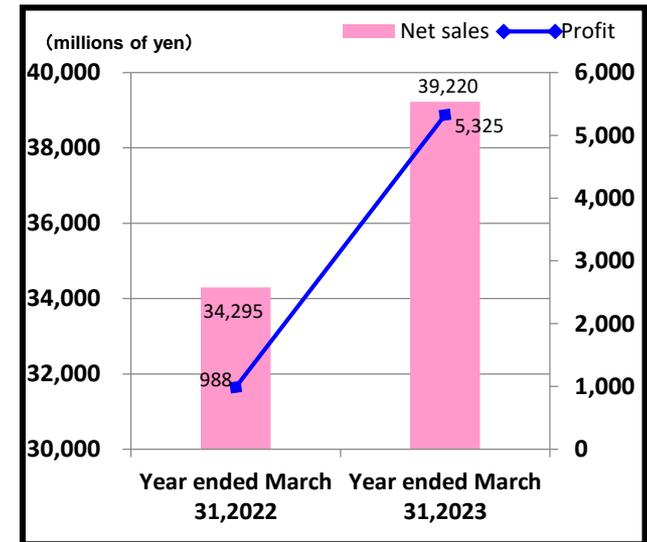
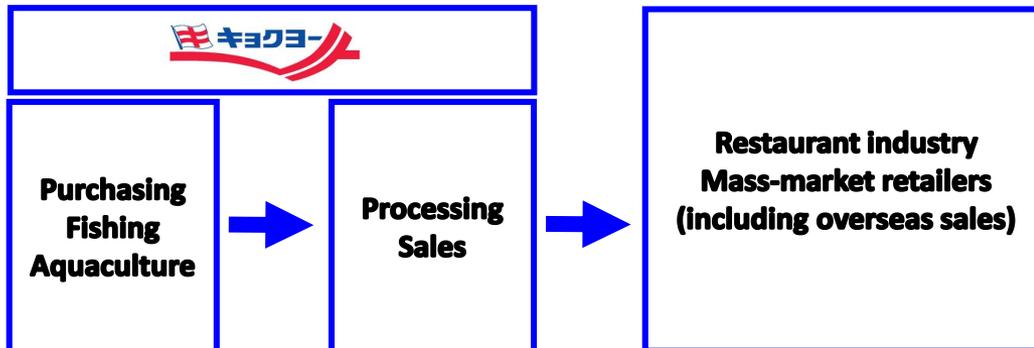
(Aquaculture business)

- Secured profitability by striving to maintain quality of Japanese bluefin tuna

(Overseas purse seine fishing business)

- Sales and earnings expanded due to increase in prices of skipjack

* See reference materials pages 27-28: "Overseas purse seine fishing business: Catch weight & fish prices" and "Bluefin tuna farming business Sales weight·amount."



Source: Comparative Chart with Transaction Value at Yaizu Fish Market (tax not included)
(Yaizu Fishery Cooperative)

➤ Logistics Service

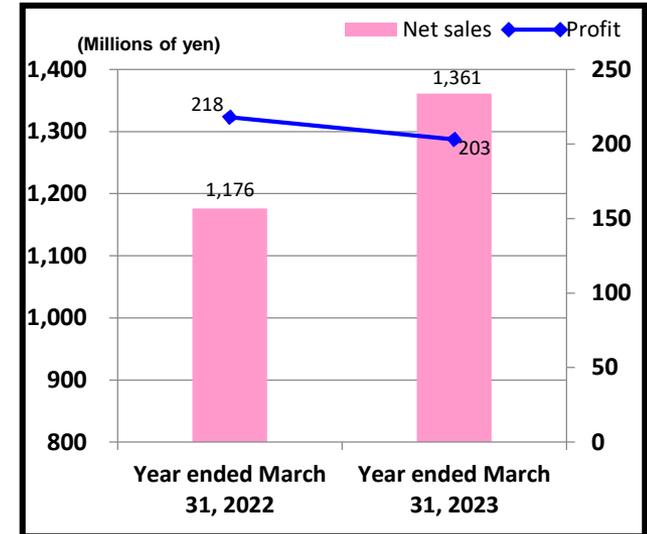
[Higher sales, lower profit]

(Cold storage business)

- A slump in the movement of goods caused high rates of cold storage capacity to continue and led to increase storage earnings
- Earnings decreased overall despite price revisions caused by rising electricity bills

(Consigned forwarding business)

- Increased sales by expanding transactions with external customers



Cold storage business



Consigned forwarding business (image)

Ⅱ . Measures & Performance Forecast for FY Ending March 2024

- From April 2023, our business segment configuration was changed to clarify our core businesses.



- Sushi and sashimi Business (such as sushi toppings)
- Tuna Business
- Aquaculture Business
- Foods for industrial use (grilled fish, simmered fish, fried products, etc.)
- Foods for home use (frozen/chilled foods, canned foods, snack foods, and health foods)

- To achieve agile business management while changing our business segments, we established business divisions in the three segments of Marine Products, Freshfoods, and Processed Food, in order to accelerate our shift to a high profit structure.
- Centralized management via business divisions will enable us to aim for a highly profitable structure that pursues overall efficiency.

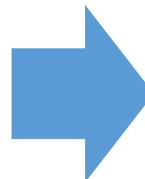
➤ Marine Products Business

[Measures]

Expanding volumes handled by enhancing our procurement capability

Increase profitability through expanded sales of products of own plants

Adjust production sites for policy of "produce overseas, sell overseas"



[Medium-term plan strategy]

Stabilizing profitability of Marine Products
Purchasing and Aquaculture Businesses

Expanding Overseas Businesses

➤ Freshfoods Business

[Measures]

Make management more efficient via a dedicated business division for fresh food products

Increase profitability through expanded sales of products of own plants

Establish a dedicated aquaculture department to enhance production management and expand types of fish farmed



[Medium-term plan strategy]

Expanding Food Businesses

Stabilizing profitability of Aquaculture
Business

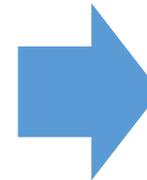
➤ Processed Food Business

[Measures]

Increase profitability through expanded sales of products of own plants

Improve productivity of plants through consolidation of items

Increase the speed of introducing products that meet market needs



[Medium-term plan strategy]

Expanding Food Businesses

Enhancing product development and branding capabilities

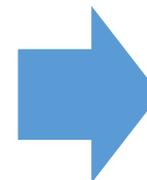
Focusing on gourmet foods

➤ Logistics Business

[Measures]

Expand sales by securing warehousing volume

Improve business efficiency via systemization



[Medium-term plan strategy]

Strengthening financial infrastructure

Advance DX

➤ Adopted executive officer system [April 2023]

- Increase agility of management by separating the decision-making and supervision functions of management from the executive functions
- Enhance corporate governance and cultivate the next generation of management human resources

[Medium-term plan strategy]



ESG management

Strengthen human resources infrastructure

➤ Adopted new personnel system [April 2023]

Average annual income raised by approximately 20% and starting pay raised by approximately 30%

- Aim to be a company where employees can work with a high level of will and motivation

Capital Investment Results/Plan

(Millions of yen)

	Overview	Year ended March 31, 2023 Actual	Year ending March 31, 2024 Plan
Kyokuyo	Production plant-related	200	500
	Laboratory-related	0	100
	Sea-based aquaculture business	100	100
	IT-related & other	200	700
	Total	500	1,400
Affiliated companies	Production plant-related	900	4,900
	Purse seine fishing business-related	800	100
	Sea-based aquaculture business	100	200
	IT-related & other	0	300
	Total	1,800	5,500
Total	2,300	6,900	

Major Investments

Advance DX
Group-wide systems implementation

Factory sites and buildings for Kyokuyo Vina
Foods Co., Ltd. in Vietnam and imitation crab
meat manufacturing company in North
America

Related to the Wakaba Maru No. 11
overseas purse seiner that launched in
August 2022

Performance Forecast by Business Segment

(Millions of yen)

	Net sales	Profit by business segment
Marine Products Business	1 5 3, 0 0 0	5, 5 0 0
Freshfoods Business	7 3, 0 0 0	2, 5 0 0
Processed Food Business	7 3, 0 0 0	1, 7 0 0
Logistics Business	1, 0 0 0	2 0 0
Other	0	(1, 4 0 0)
Total	3 0 0, 0 0 0	8, 5 0 0

Consolidated Performance Forecast

	Year ended March 31,2023	Target for final fiscal year of medium-term plan (Third year of medium-term plan)
Net Sales	2 7 2 . 1 billion yen	3 0 0 billion yen
Operating Profit	8 . 1 billion yen	8 . 5 billion yen
Ordinary Profit	8 . 1 billion yen	8 . 5 billion yen
Operating Margin	3 . 0 %	2 . 8 %
Ordinary Profit Margin	3 . 0 %	2 . 8 %

III. Shareholder Returns

Basic Approach to Profit Allocation

We consider proper returns of profits to shareholders to be one of the key points in our business management. In addition to greater retained earnings to strengthen our corporate organization and lay the groundwork for future business expansion, we also aim to continue paying a steady dividend while raising the level of our dividend through medium to long-term profit growth.

Shareholder Gifts

■ Applicable shareholders and gifts provided

(1) Shareholders listed on our registry as of March 31 every year who own between at least one unit of shares (100 shares) and less than three units (300 shares) receive 2,500 yen worth of our products.

(2) Shareholders listed on our registry as of March 31 every year who own three units of shares (300 shares) or more receive 6,000 yen worth of our products.

■ Awarded: July every year

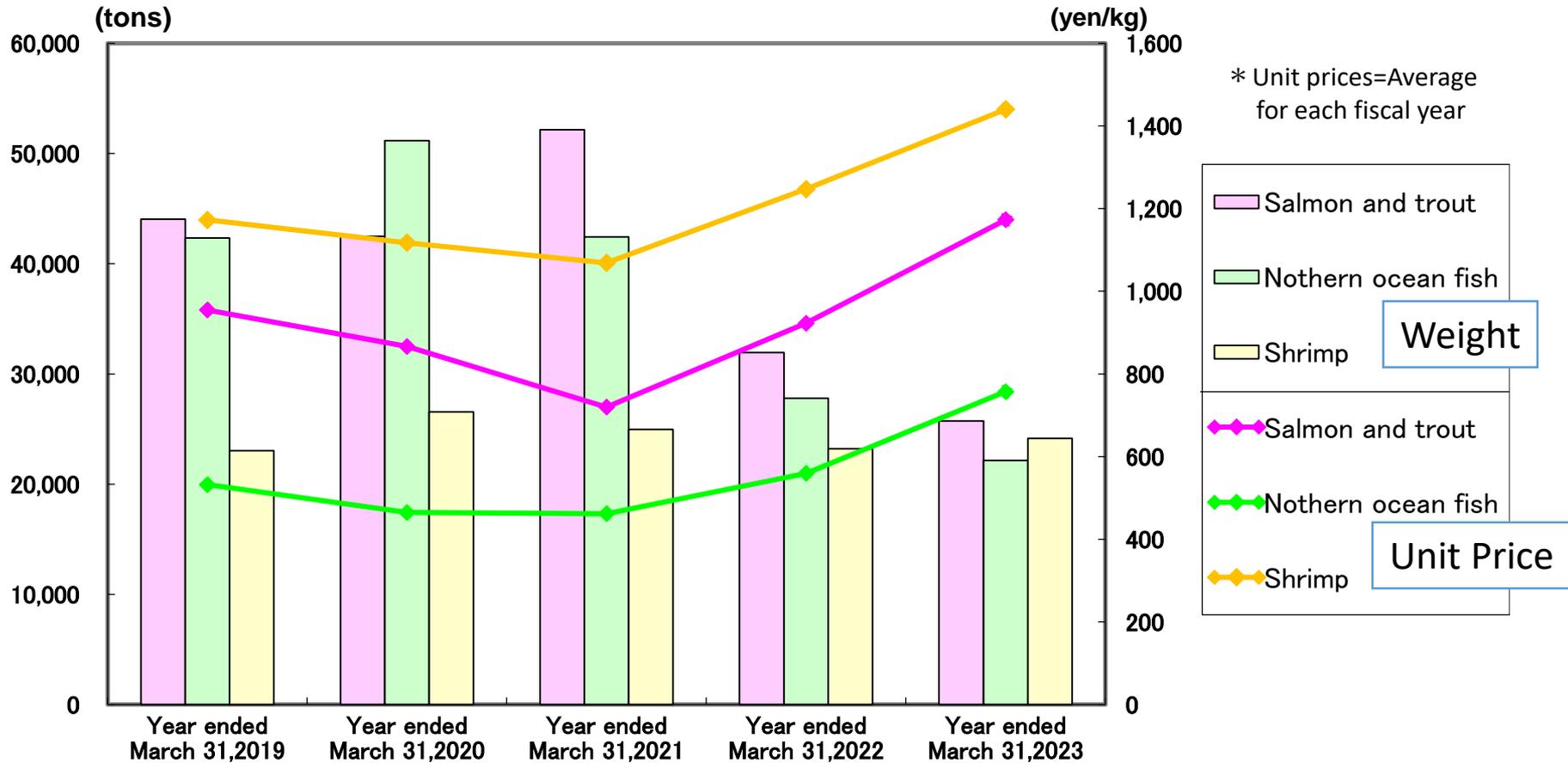
Status of Dividend

	Dividend per share
Year ended March 31, 2019	7 0 yen
Year ended March 31, 2020	7 0 yen
Year ended March 31, 2021	8 0 yen
Year ended March 31, 2022	9 0 yen
Year ended March 31, 2023	1 0 0 yen plan (Ordinary dividend 90yen) (Commemorative dividend 10yen)
Forecast, year ending March 31, 2023	9 0 yen

Reference Materials

Reference Materials (1)

Marine Products Purchasing < Non-consolidated > Sales weight and unit price of each seafood type by year

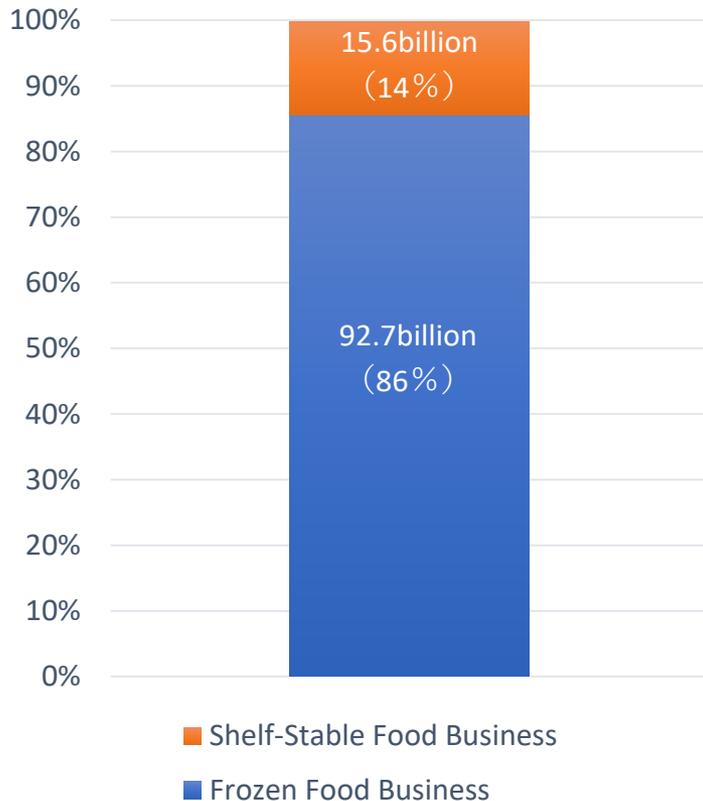


* The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter of fiscal year ended March 31, 2022. As a result, regarding paid supply transactions, if we are obliged to buy back the supplied items, we have changed to the method of not recognizing the disappearance of the supplied items. The figures from the fiscal year ended March 31, 2022 are figures after the application of this accounting standard and related adjustments.

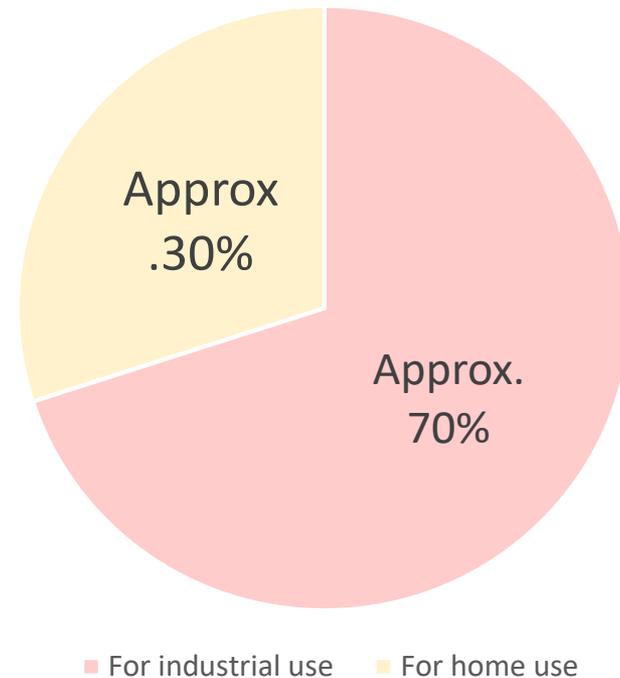
Reference Materials (2)

Breakdown of sales (108.328 billion yen) in Foods business

By temperature range



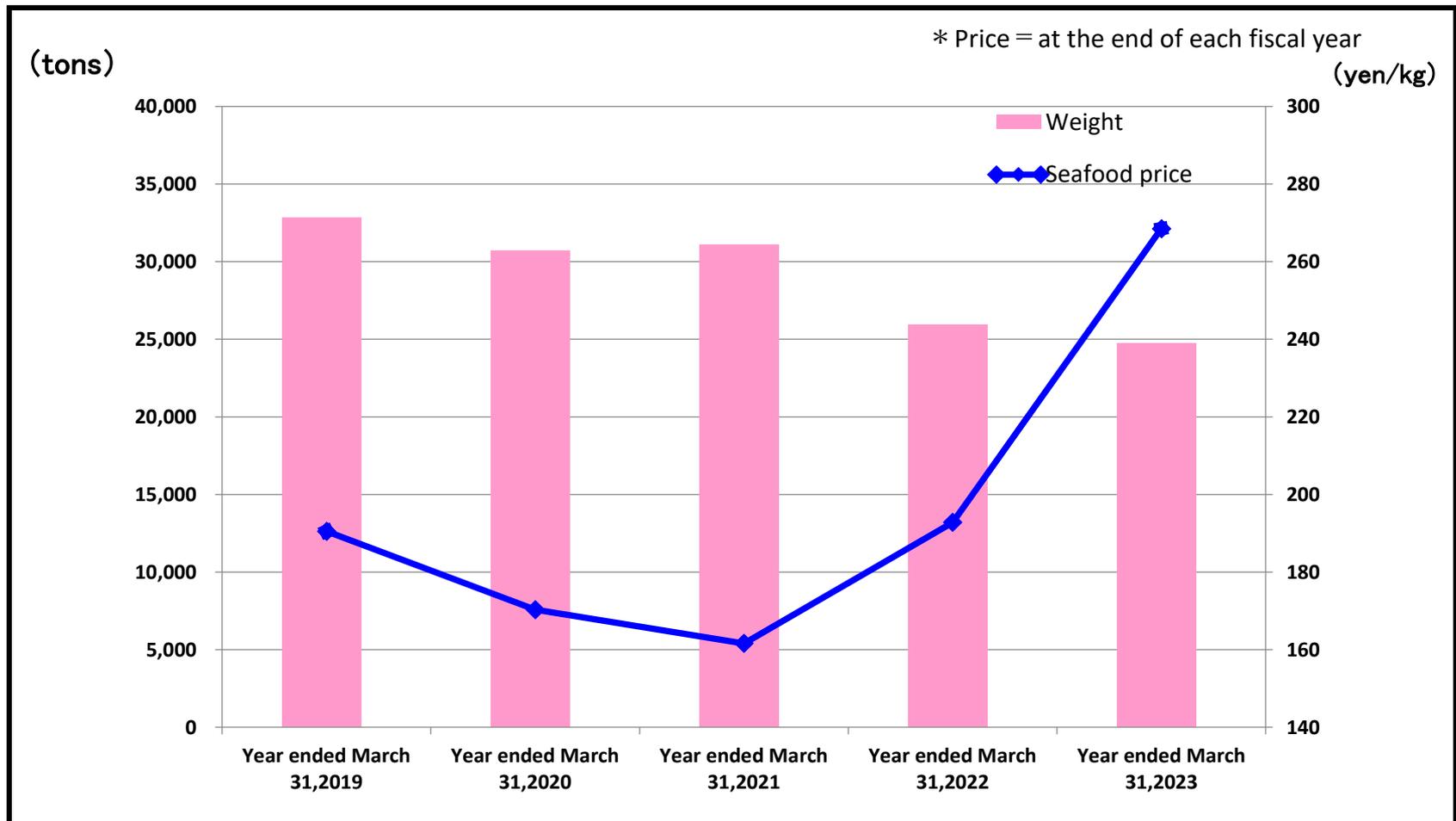
By industry type



Reference Materials (3)

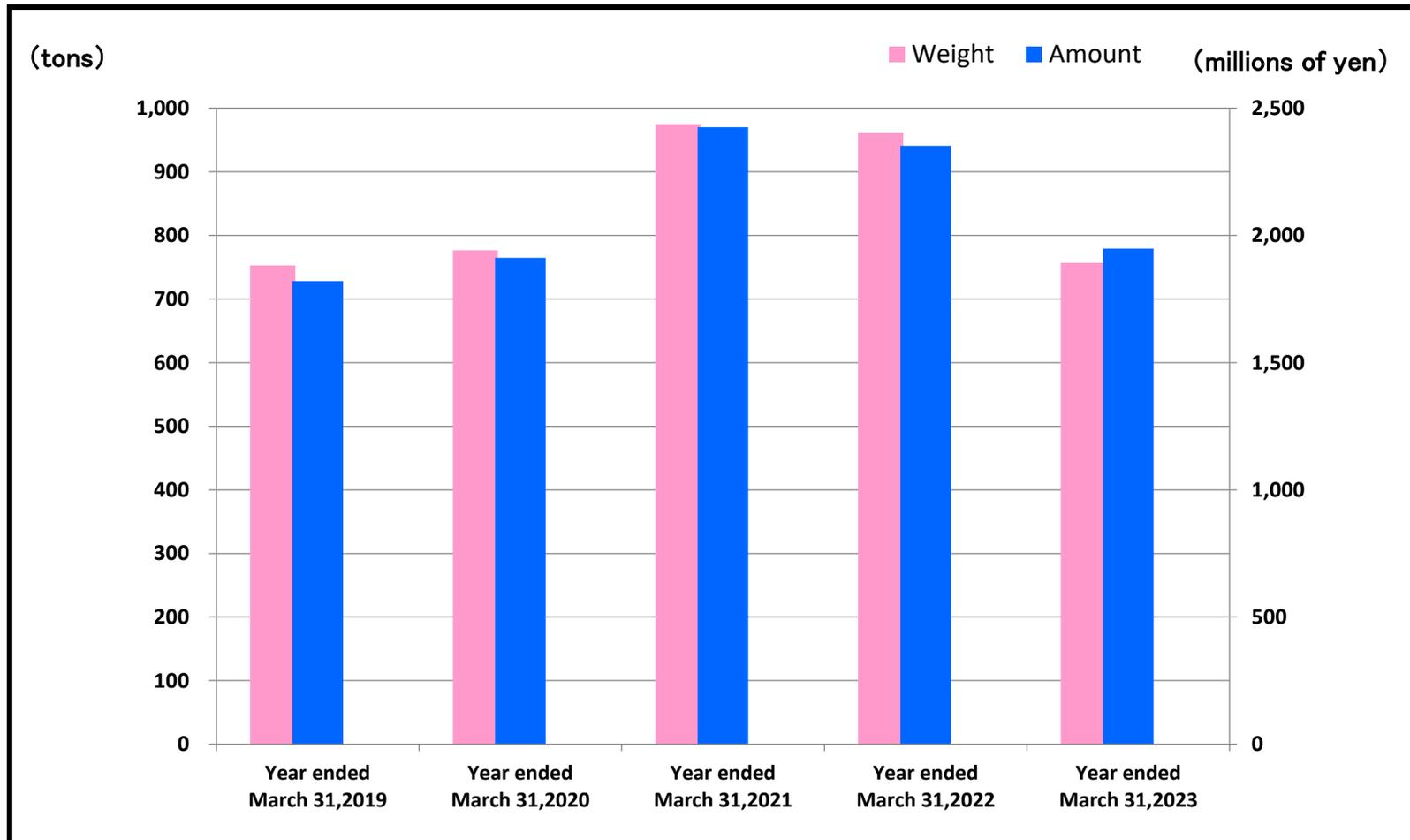
Tuna Segment

Overseas purse seine fishing business, Catch weight & fish prices



Reference Materials (4)

Tuna Segment Bluefin tuna farming business Sales weight·amount



ESG Topics

➤ Set targets for reducing plastic waste

In order to achieve our target of reducing the plastic waste we use by 30% by the year 2030 (reference year: 2019, on a plastic usage intensity basis), we will change the materials used in our products, such as switching the boxes that our processed products are inserted into from expanded polystyrene (Styrofoam) to paper (cardboard), as well as using non-tray packaging and downsizing.

➤ Selected for the FTSE Blossom Japan Sector Relative Index, a constituent of the ESG investment index

An index that reflects the performance of Japanese companies that are highly responsive to ESG. Provided by FTSE Russell, a group company of the London Stock Exchange.

➤ Sponsorship of the Japan Canoe Federation

We support the activities of Japanese national team athletes and the Japan Canoe Federation as part of environmental conservation activities that convey to society “the concept of coexisting with nature” and “the importance of water resources.” We also held the Clean River Activity, a cleaning activity near the competition course, with participation from visitors to the site.



➤ Endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) [May 2022]

ESG Topics

➤ Investment in EBIS Algae Research Institute, Inc. [August 2022]

The Nannochloropsis cultivated by the company is a type of microalgae that produces proteins and lipids through photosynthesis using sunlight, water, and CO₂. The production process has a low environmental impact; for example, it absorbs CO₂ through photosynthesis.



Nannochloropsis cultivation facilities

➤ Launched the “Wakaba Maru No. 11” overseas purse seiner for catching skipjack [August 2022]

In consideration for the sustainability of fishery resources, we engage in sustainable and stable procurement of raw ingredients.

We also consider the environment through measures such as reducing fuel consumption by improving the shape of the bow.

We improved the working and living environment for crew members by enlarging the ship and introducing unique design features.



Wakaba Maru No. 11

➤ Attended the SeaBOS Keystone Dialogues [October 2022]

President Inoue attended SeaBOS meetings where major global seafood corporations and scientists cooperate to identify issues and set goals for the sustainable use of fishery resources and for a healthy ocean and global environment.

Reference Materials (6)

Consolidated Performance by Year

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	256,151	262,519	249,197	253,575	272,167
Cost of sales	232,446	238,274	223,620	225,558	241,139
Gross profit	23,705	24,245	25,576	28,016	31,027
Selling & general administrative expenses	19,873	21,326	20,918	21,624	22,921
Operating profit	3,831	2,918	4,657	6,392	8,105
Ordinary profit	4,434	3,608	4,879	6,904	8,182
Extraordinary profit	125	68	1,676	50	353
Extraordinary loss	570	664	934	229	132
Profit attributable to owners of parent	2,914	2,037	3,838	4,634	5,782

Reference Materials (7)

➤ Consolidated Financial Metrics by Year

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Net assets (millions of yen)	31,996	32,593	39,975	42,174	46,966
Interest-bearing debt (millions of yen)	58,023	55,173	51,174	58,121	68,973
Inventory turnover period	46.0 _{days}	45.9 _{days}	46.7 _{days}	55.5 _{days}	65.5 _{days}
Equity ratio	27.7%	29.4%	34.7%	32.7%	32.5%
ROE	9.6%	6.3%	10.5%	11.2%	12.8%
ROA	4.0%	3.2%	4.3%	5.6%	5.9%
Net assets per share (yen)	2,941.26 _{yen}	3,046.26 _{yen}	3,753.90 _{yen}	3,969.73 _{yen}	4,436.27 _{yen}
Net income per share (yen)	269.63 _{yen}	188.53 _{yen}	356.95 _{yen}	430.83 _{yen}	539.10 _{yen}

- ROE: Profit attributable to owners of parent / equity*
- ROA: Ordinary profit / total assets*
- Inventory turnover period: Commercial product inventory balance* / net sales x 365
- Equity ratio: Equity / total assets

* Averages of values at end of this year and end of previous year.



Notes of Caution Regarding Forecasts

These materials are created with the purpose of providing information about performance through the year ended March 31, 2023 and our future management vision.

Earning forecasts and estimates in these materials are based on the information currently available and include potential risks and uncertainties.

Therefore, please note that actual results may differ from these forecasts due to various factors.

Contact for questions about these materials

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