Supplemental Documents for 2nd Quarter of Fiscal Year 2014

November 5, 2014

Nippon Suisan Kaisha, Ltd.

Overview of the 2nd Quarter of FY2014

◆Both revenue and income increased year-on-year

Income rose especially in foreign countries as the result of contraction of poorly-performing businesses but the domestic market continues to face tough situation.

【Marine Products business】Revenue and income increased.
In Japan : Selling prices stayed generally high in spite of softening in some parts of the market. However, purchase prices also rose, creating slim gross margins. Profits were thus secured by improving inventory turnovers.
Overseas : The income improved, thanks to a rise in roe products in North America, as well as higher selling prices in the salmon/trout aquaculture business and valuation gains on the fish in aquaculture ponds in South America. Sales in Europe continued at a healthy pace.

【Food Products business】 Revenue and income increased.
In Japan : The price of surimi rose while the cost of procuring overseas items increased because of a progressively weak yen. Sales promotion cost also grew. Nonetheless, fish paste products and fish sausages racked up brisk business.
Overseas : Contraction of poorly-performing businesses led to a profit increase while profitability of the North American business also improved. Europe also continued to show solid-performance.

【Fine Chemical business】 Revenue and income decreased.
Both sales and gross margin decreased as they were impacted by the price revision by the National Health Insurance(NHI) and the government-led push to promote the use of generic drugs.
Expenditures for advertisement were made for functional foods, which represent a future growth.
A delay in recovery from the last-minute demand that preceded the consumption tax hike was seen in the pharmaceuticals and cosmetic business.

Increase/decrease of the 2nd Quarter of FY2014

◆Both revenue and income increased in Marine products and Food Products. Revenue and income decreased in Fine Chemical Business.

(Unit : 100 million yen)

	Results of 2Q of FY2014	Results of 2Q of FY2013	Increase/Decrease Amounts	Increase/Decrease Percentage	Plan for FY2014	Progress rate
Net Sales	3,022	2,916	106	103.7	6,030	50.1
Marine Products Business	1,302	1,143	158	113.9	2,551	51.1
Food Products Business	1,444	1,434	9	100.7	2,843	50.8
Fine Business	128	142	(13)	90.5	293	43.9
Logistics	71	70	1	102.3	145	49.4
Others	75	125	(50)	60.0	198	38.1
Operating Income	102	53	49	193.2	155	66.1
Marine Products Business	40	8	31	459.2	36	111.5
Food Products Business	37	13	23	271.7	59	64.2
Fine Business	26	36	(10)	72.1	68	39.0
Logistics	8	7	0	109.0	18	47.6
Others	3	6	(2)	61.2	6	62.1
Common Cost	(14)	(20)	6	70.2	(32)	44.8
Ordinary Income	115	57	57	199.4	160	72.0
Net Income	58	31	27	185.3	73	80.8

Comparison of Net Sales by Segment Matrix (Y-on-Y)

(Unit : 100 million yen)

	Japan	North America	South America	Asia	Europe	Sub Total	Consolidated Adjustment	Grand Total
Marine Products	1,008 *(82)*	203 *(6)*	119 *(28)*	81 *(16)*	231 *(25)*	1,644 *(159)*	(341) *(-0)*	1,302 *(158)*
	926	196	91	65	206	1,485	(341)	1,143
Food Products	1,569 *(47)*	278 *(-1)*		27 *(-10)*	95 *(-28)*	1,971 *(8)*	(526) *(1)*	1,444 *(9)*
	1,521	279		37	124	1,963	(528)	1,434
Fine Chemicals	135 *(-14)*			1 *(0)*		136 *(-14)*	(8) *(0)*	128 *(-13)*
	150			1		151	(9)	142
Logistics	115 *(4)*					115 *(4)*	(44) *(-3)*	71 *(1)*
	110					110	(40)	70
Other	100 *(-48)*			0 *(0)*		101 *(-48)*	(25) *(-2)*	75 *(-50)*
	148			0		149	(23)	125
Sub Total	2,929 *(72)*	481 *(5)*	119 *(28)*	110 *(6)*	327 *(-2)*	3,969 *(109)*		
	2,857	476	91	104	330	3,860		
Consolidated Adjustment	(720) *(-15)*	(93) *(4)*	(76) *(-10)*	(52) *(7)*	(3) *(10)*		(947) *(-2)*	
	(704)	(98)	(66)	(60)	(13)		(944)	
Grand Total	2,209 *(57)*	387 *(10)*	42 *(18)*	57 *(13)*	324 *(7)*			3,022 *(106)*
	2,152	377	24	44	316			2,916

- The upper columns indicates the result of 2Q of FY2014 and the lower columns indicates that of FY2013.
  The Italic figures mean increase/decrease.
- Consolidated Adjustment include elimination between the group companies.
- Impact of eliminated and newly-joined companies on a consolidated basis: - 5,000 million yen (Leuchtturm -4,200 Shandong Sanford -1,100, Yumigahama +300 etc.)
- Impact of exchange conversion on net sales (Estimated) : 3,500 million yen

Comparison of Operating Income by Segment Matrix (Y-on-Y)

(Unit : 100 million yen)

	Japan	North America	South America	Asia	Europe	Common Costs	Sub Total	Consolidated Adjustment	Grand Total
Marine Products	10 *(0)*	2 *(1)*	27 *(32)*	2 *(3)*	4 *(1)*		48 *(40)*	(8) *(-8)*	40 *(31)*
	10	0	(4)	(0)	3		8	0	8
Food Products	22 *(5)*	6 *(7)*		(0) *(-0)*	9 *(11)*		38 *(24)*	(0) *(-0)*	37 *(23)*
	17	(1)		(0)	(1)		13	0	13
Fine Chemicals	26 *(-10)*			0 *(0)*			26 *(-10)*	0 *(0)*	26 *(-10)*
	36			0			36	0	36
Logistics	8 *(0)*						8 *(0)*	0 *(0)*	8 *(0)*
	7						7	0	7
Other	3 *(-1)*			0 *(-0)*			3 *(-1)*	0 *(-0)*	3 *(-2)*
	5			0			5	0	6
Common Costs						(14) *(6)*	(14) *(6)*	0 *(0)*	(14) *(6)*
						(20)	(20)	0	(20)
Sub Total	71 *(-5)*	9 *(9)*	27 *(32)*	2 *(3)*	14 *(13)*	(14) *(6)*	110 *(58)*		
	77	(0)	(4)	(0)	1	(20)	51		
Consolidated Adjustment	0 *(-2)*	(0) *(-0)*	(5) *(-5)*	(0) *(-1)*	(3) *(-0)*	0 *(0)*		(8) *(-9)*	
	3	0	(0)	1	(2)	(0)		1	
Grand Total	72 *(-8)*	8 *(8)*	22 *(27)*	1 *(1)*	11 *(12)*	(14) *(6)*			102 *(49)*
	80	0	(5)	0	(1)	(20)			53

- The upper columns indicates the result of 2Q of FY2014 and the lower columns indicates that of FY2013.
  The Italic figures mean increase/decrease.
- Consolidated adjustment includes amortization of goodwill and unrealized income in inventory.
- Impact of eliminated and newly-joined companies on a consolidated basis on operating income : 1,000 million yen

Marine Products Business

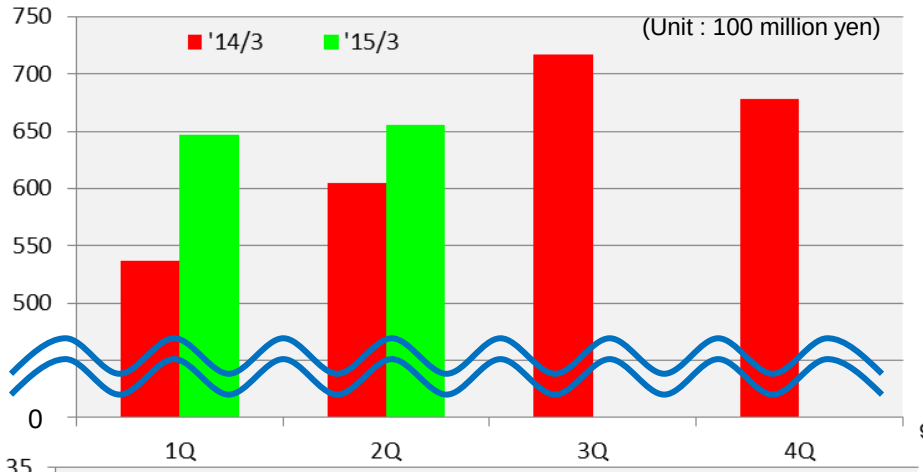
◆Generally high levels of fish prices and valuation gains on the fish in the aquaculture ponds in the South American salmon/trout business led to improvements of revenue and income.

(Unit : 100 million yen)	Results of 2Q of FY2014	Results of 2Q of FY2013	Increase/Dcerease Amount	Increase/Dcerease Percentage	Plan for FY2014	Progress rate
Net Sales	1,302	1,143	158	113.9%	2,551	51.1%
Operating Income	40	8	31	459.2%	36	111.5%

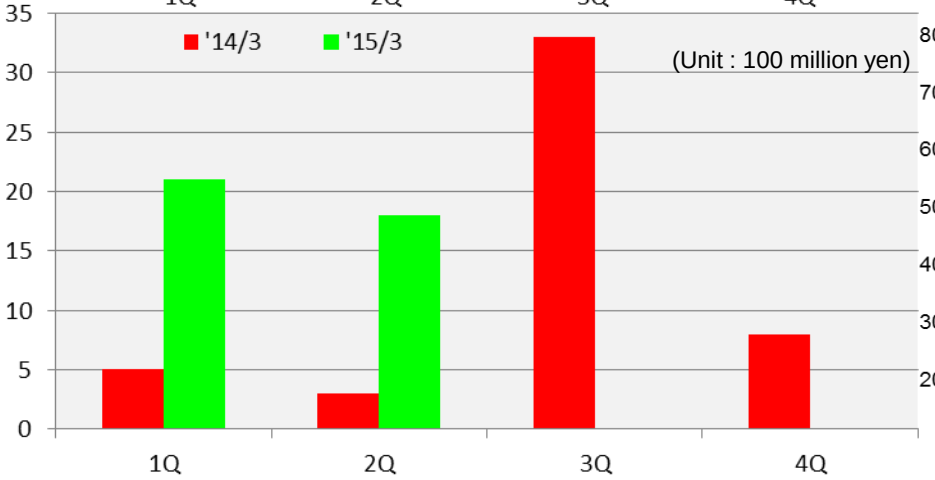
【Overview of the 2nd Quarter of FY2014】

- In the marine products market, fish prices stayed high in spite of some worrisome factors, including a ban on exports by Russia and a softening yen.
- South American salmon/trout business was buoyant.(Including the valuation gain on the fish in the aquaculture ponds.)
- North America and Europe maintained solid performance.
- Gross margin was secured and bad inventory risks were reduced by improvement of inventory turnover.

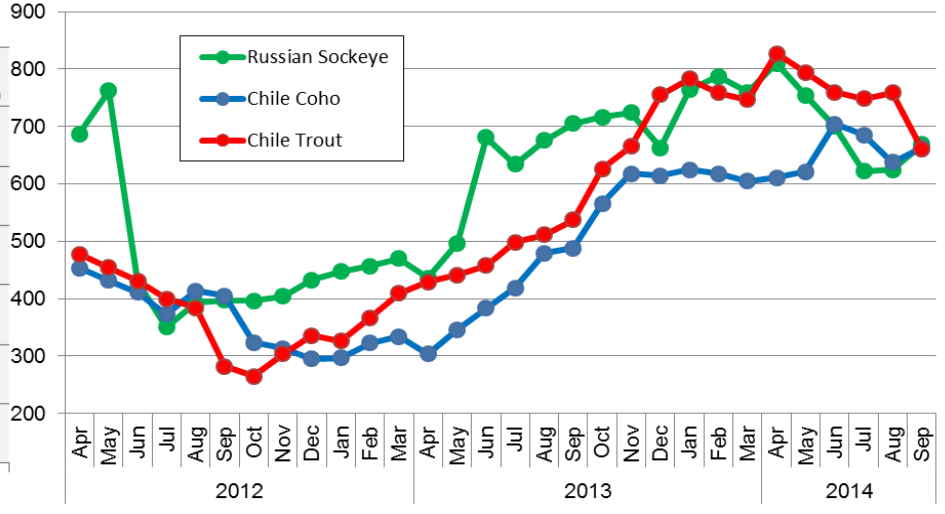
Net Sales



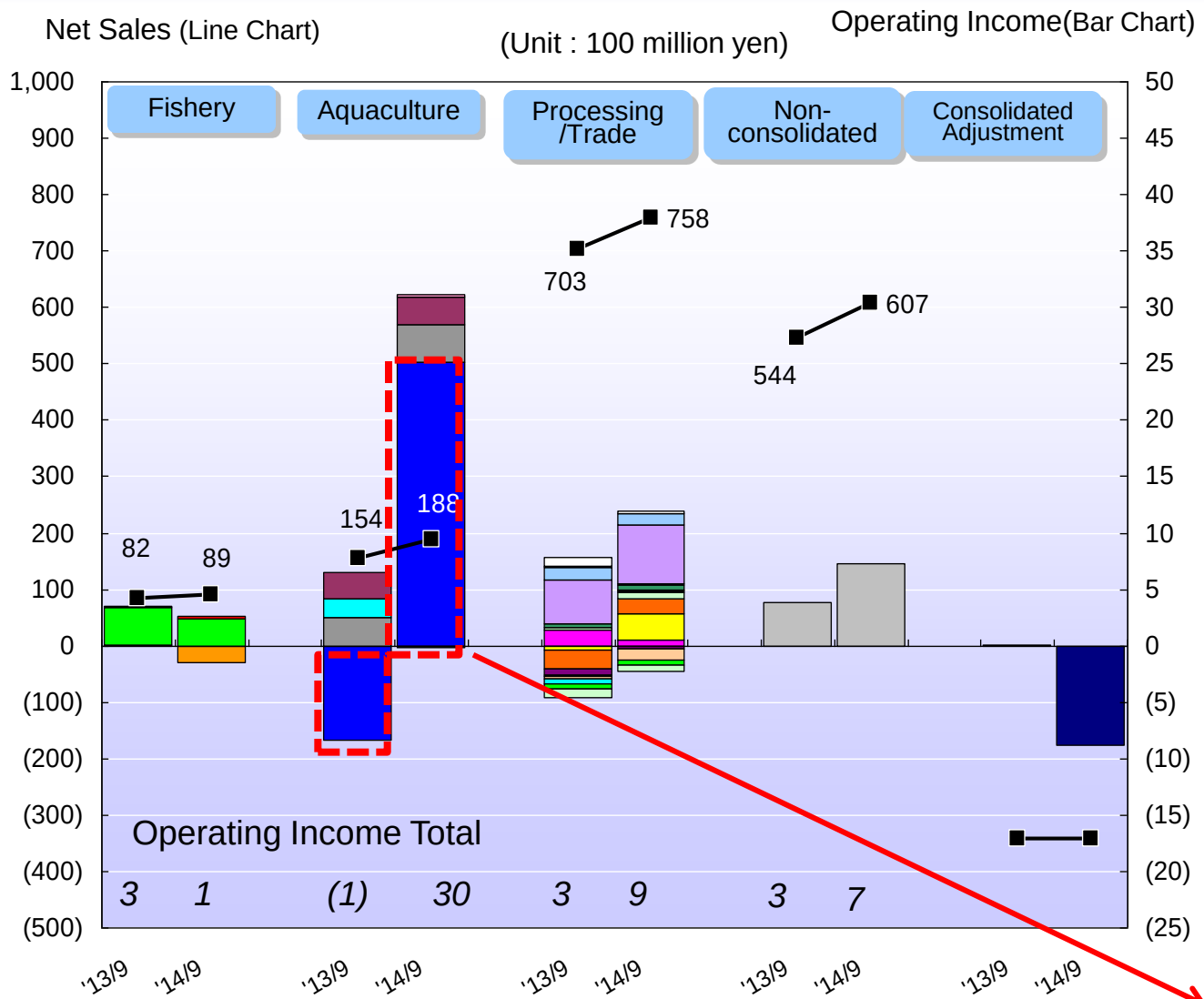
Operating Income



Market condition of marine products (Salmon/Trout)



Marine Products Business
Net Sales and Operating Income (Y-on-Y)



- Each graph (excluding Non-consolidated and Consolidated Adjustment) shows the total of consolidated subsidiaries.
- The Italic figures in the lower part of this chart shows the accumulation of the bar.
- Consolidated Adjustment of operating income includes the amortization of goodwill and unrealized income in inventory.

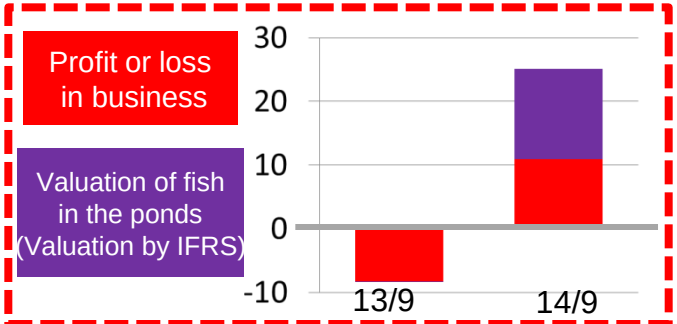
Main Causes of Fluctuations

【Fishery】
- Domestic fishery business:
  Yellowtail catch was strong but cost rose, due to higher fuel cost and dock expenses.

【Aquaculture】
- Domestic aquaculture business
  Yellowtail: sales of *Wakaburi* were strong.
  Tuna : the selling price fell while sales volume rose.
- Salmon/trout aquaculture business in Chile
  Increase of sales price and valuation of fish in the ponds

【Processing and Trading】
- Alaska Pollack business in the U.S.
  Surimi : the selling price rose
  Roe products : sales volume increased.
- Europe
  Prices of such fish types as shrimp and white fish were high.

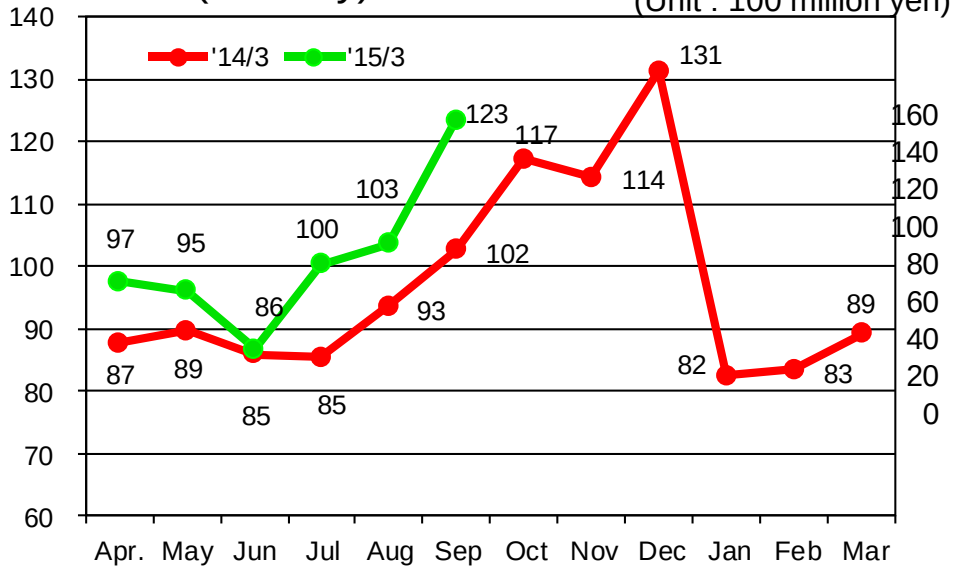
【Non-consolidated】
- Generally high prices were maintained for salmon and trout, due to Russia's ban on imports, although a softening trend was observed temporary.



Marine Products Business
Non-Consolidated (Y-on-Y)

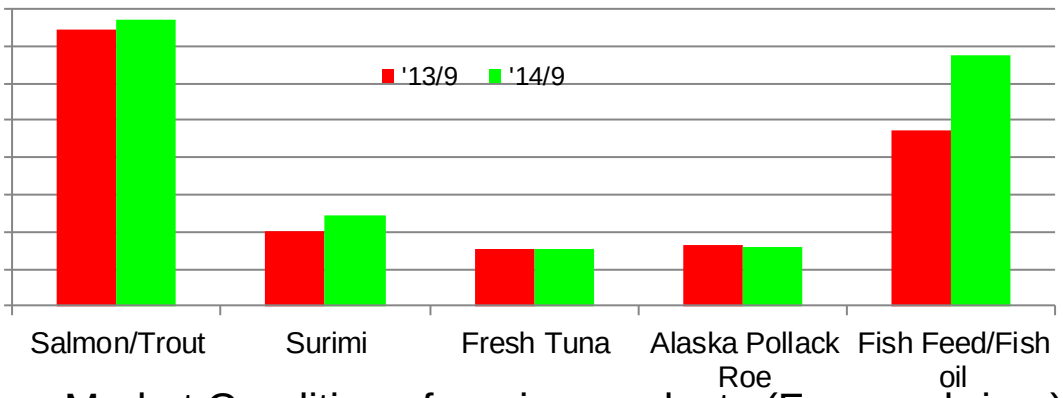
Net Sales (Monthly)

(Unit : 100 million yen)



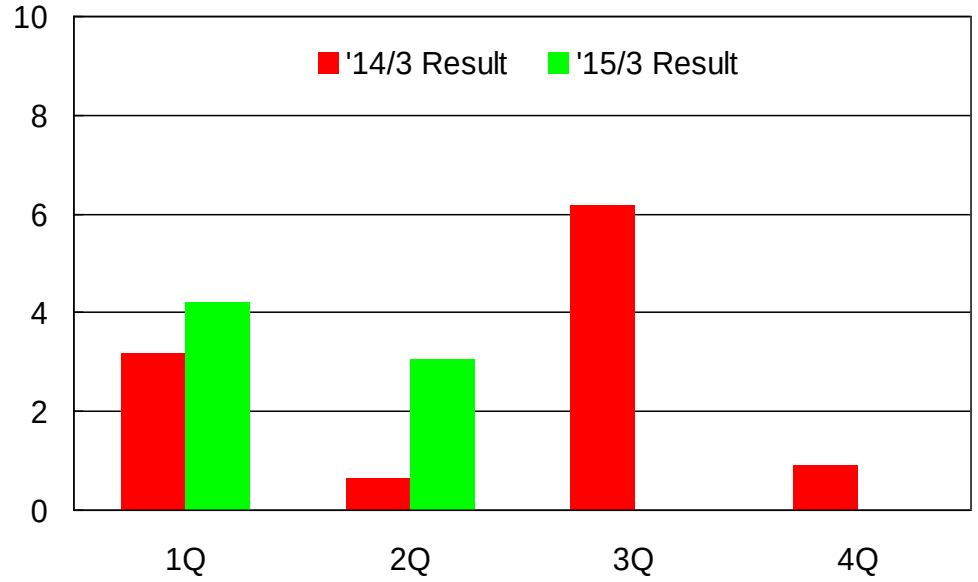
Net Sales by Main Fish Species (Y-on-Y)

(Unit : 100 million yen)

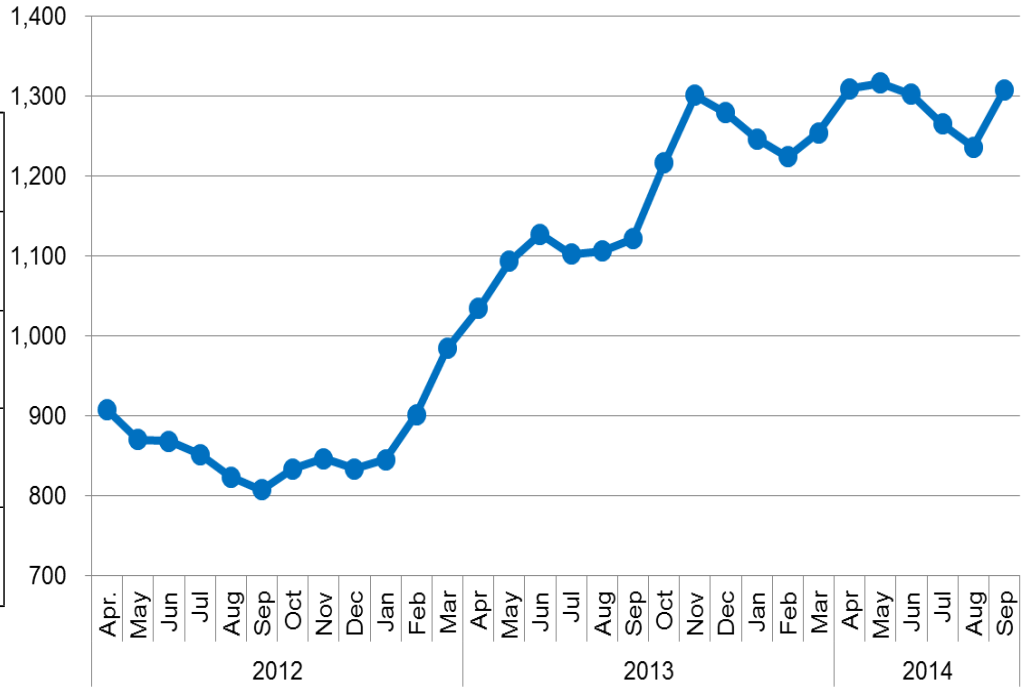


Operating Income (Quarterly)

(Unit : 100 million yen)



Market Condition of marine products (Frozen shrimp)

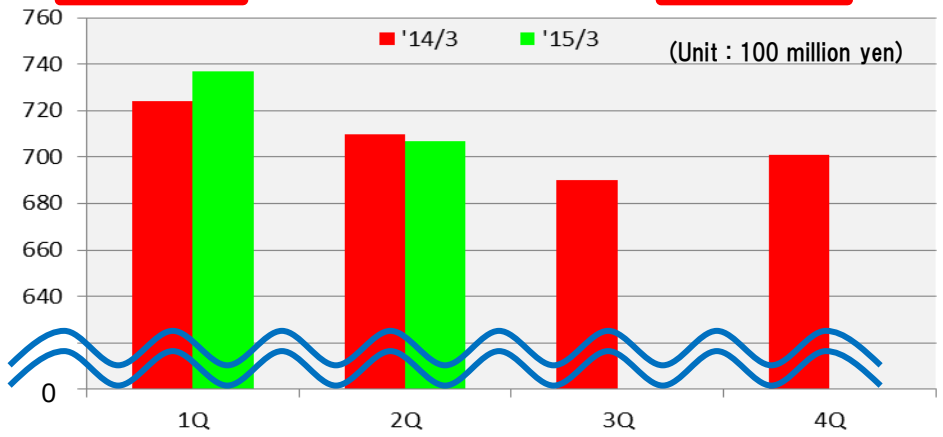


Food Products Business

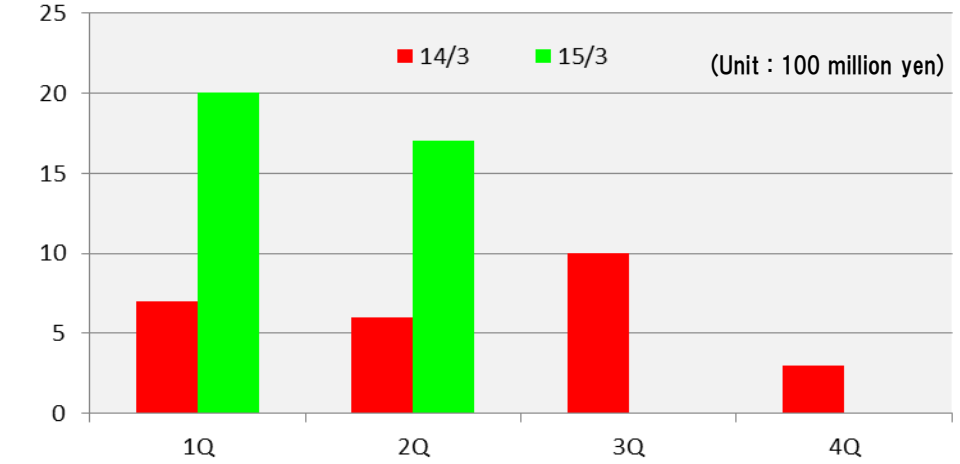
◆ Withdrawal from unprofitable businesses let to only a modest revenue increase. However, income grew, thanks to healthy performance in North America and Europe.

(Unit : 100 million yen)	Result of 2Q of FY2014	Result of 2Q of FY2013	Increase/Decrease Amount/Percentage		Plan for FY2014	Progress rate
Net Sales	1,444	1,434	9	100.7%	2,843	50.8%
Operating Income	37	13	23	271.7%	59	64.2%

Net Sales



Operating Income



【Overview of the 2nd Quarter of FY2014】

- North America : profits improved as the result of an adjustment of unprofitable items, and also because sales of frozen foods for commercial use grow.
- Europe : sales grew and productivity improved.
- Sales growth and productivity improvement were achieved in the chilled food business.
- The cost of surimi increased in the domestic market while a weak yen raised the raw material cost. Sales promotion expenses stayed high.





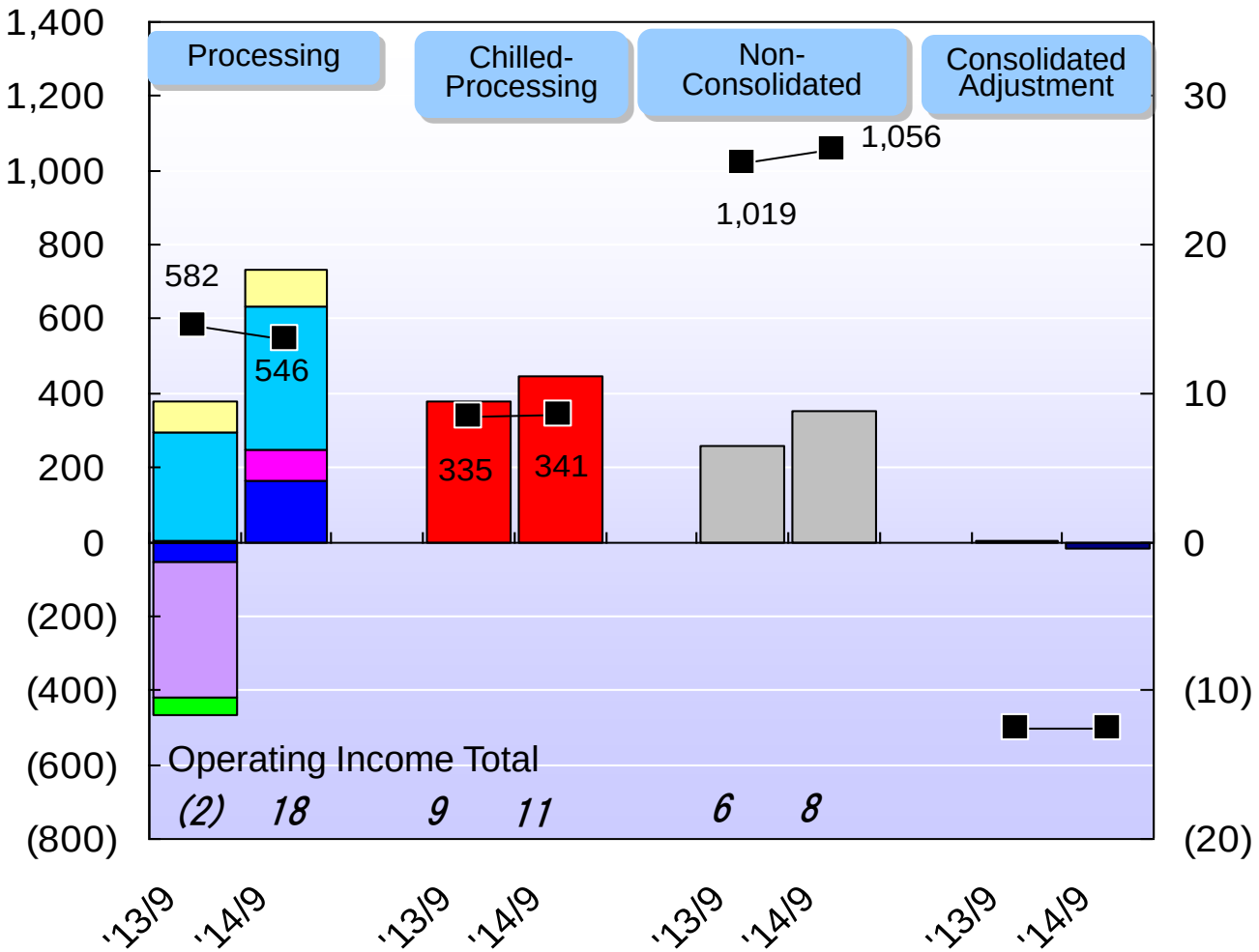






Food Products Business
Net Sales and Operating Income (Y-on-Y)

Net Sales (Line Chart)　　(Unit : 100 million yen)　　Operating Income (Bar Chart)



- Each graph (excluding Non-consolidated and Consolidated Adjustment) shows the total of consolidated subsidiaries.
- The Italic figures in the lower part of this chart shows the accumulation of the bar.
- Consolidated Adjustment of operating income includes the amortization of goodwill and unrealized income in inventory.

Main Causes of Fluctuations

【Processing】
- Effects of withdrawals/reorganization of unprofitable businesses in Germany and China
- North America
  Concentration of efforts on priority items and cost reductions
  An increase in the volume of sales and a selling price increase to major restaurant chains
- Europe
  A sales increase of chilled products and improved productivity

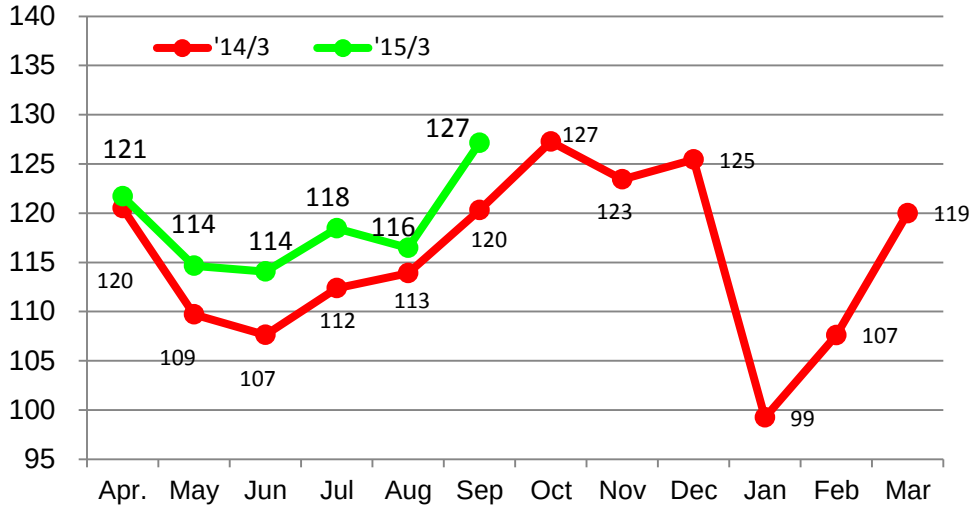
【Chilled Products】
- Growth in sales of chilled boxed lunches and salads
- Improvements in productivity, resulting from a review of production processes

【Non-consolidated】
- Such products as *Futo Chikuwa* and *Yokai watch* brand products, as well as fish paste products and fish sausages sold well.

Food Products Business
Non-Consolidated (Y-on-Y)

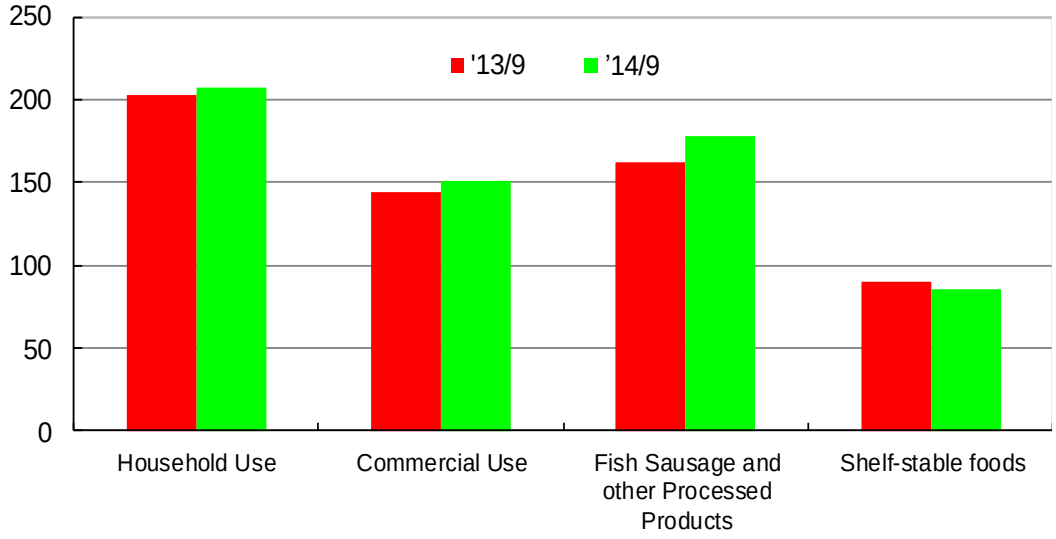
Net Sales (Monthly)

(Unit : 100 million yen)



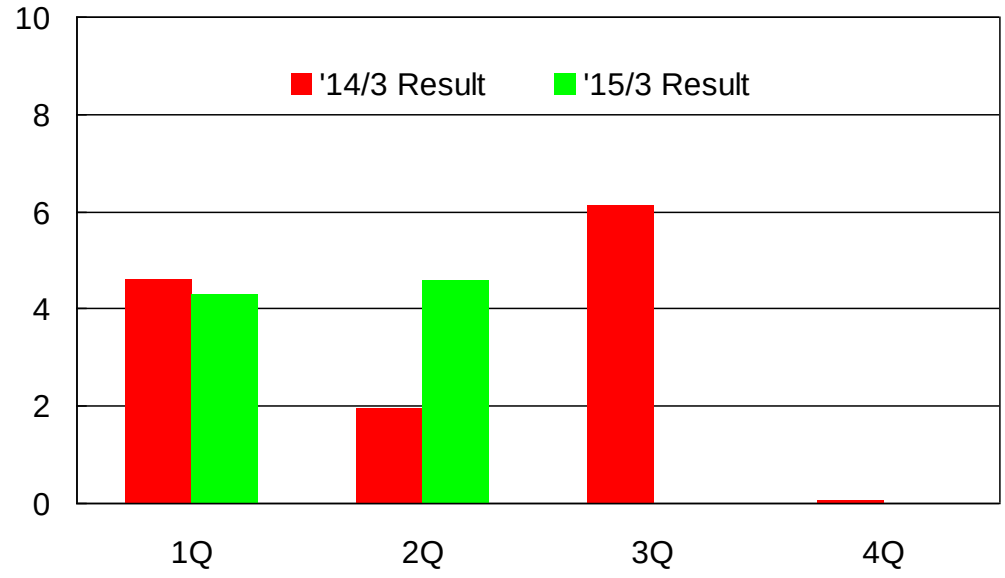
Net Sales by Categories (Y-on-Y)

(Unit : 100 million yen)

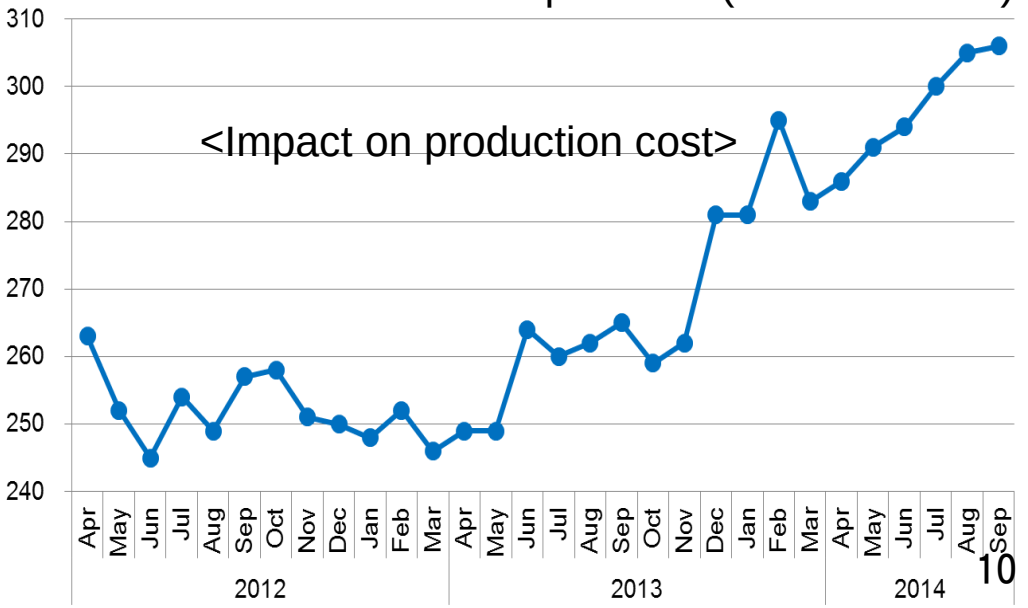


Operating Income (Quarterly)

(Unit : 100 million yen)



Market condition of marine products (Frozen Surimi)

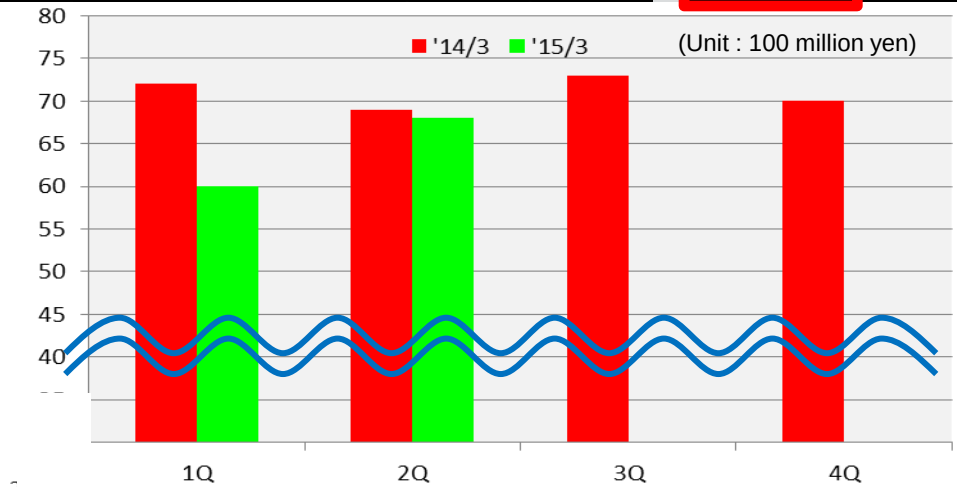


Fine Chemical Business

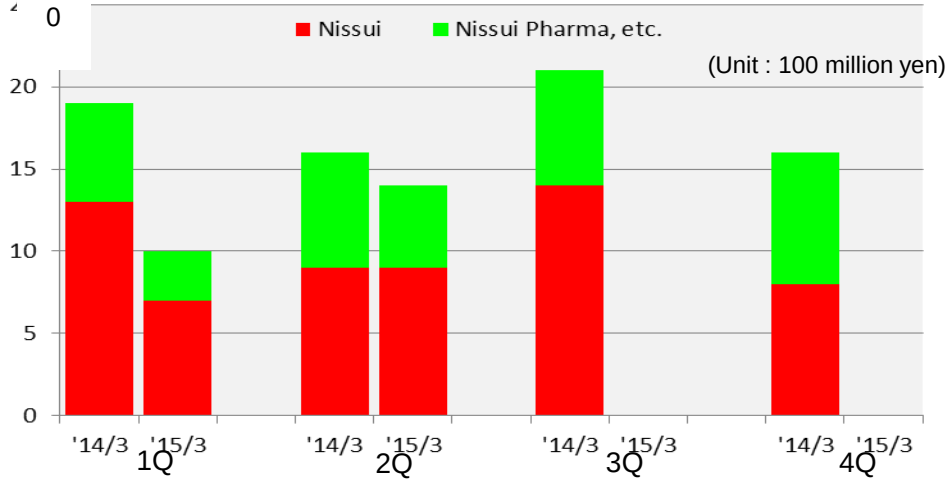
◆Revenue and income decreased, due to the effects of the biennial price revision by the National Health Insurance (NHI) and the stepped-up measures to promote the use of generic drugs.

(Unit : 100 million yen)	Result of 2Q of FY2014	Result of 2Q of FY2013	Increase/Decrease Amount/Percantage		Plan for FY2014	Progress rate
Net Sales	128	142	(13)	90.5%	293	43.9%
Operating Income	26	36	(10)	72.1%	68	39.0%

Net Sales



Operating Income



【Overview of the 2nd Quarter of FY2014】

- Pharmaceutical raw materials
  Sales and gross margin decreased, due to the biennial price revision by the National Health Insurance(NHI) and the stepped- up measures to promote the use of generic drugs.
- Functional foods
  Advertisement expenditures were injected with an aim to expand the mail order business.
- Sales (Group companies) were sluggish in the clinical diagnostic medicines and pharmaceutical businesses.





Fine Chemical Business
Non-consolidated(Y-on-Y)

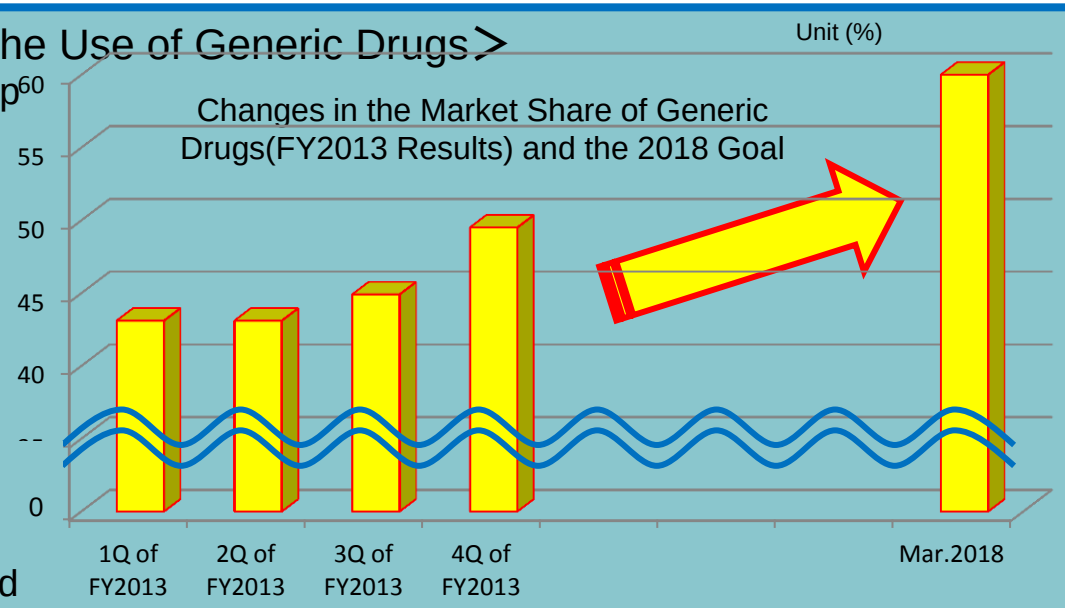
＜Impact of the Price Revision by National Health Insurance(NHI)＞

Unit selling prices of pharmaceutical raw materials were lowered as the result of the biennial revision of drug price standard.
Impact on the financial results of the second quarter of FY2014:
down by approximately 300 million yen in gross margin year-on-year

＜Impact of Stepped-up Measures to Promote the Use of Generic Drugs＞

Sales of original drugs were sluggish by the stepped-up measures to promote the use of generic drugs, etc.
Impact on the financial results of the second quarter of FY2014:
down by approximately 200 million yen in gross margin year-on-year.

In the past, we were able to offset gross margin reductions caused by NHI drug price revisions by expanding sale volumes. This time, however, significant growth achieved by generic drugs caused a sales volume decrease.



Data Source : Japan Generic Medicines Association

＜Other＞

- Advertising expenditures were injected with an aim to expand functional foods mail order business

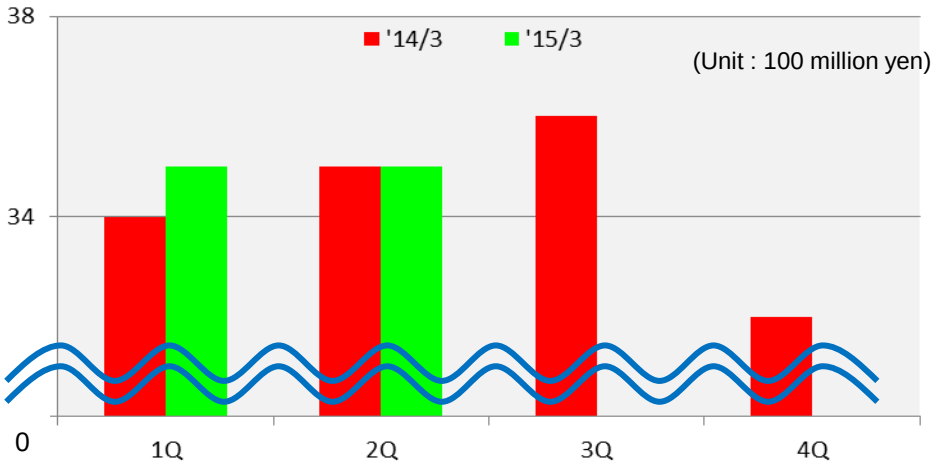
◆Both revenue and income increased year-on-year.

(Unit : 100 million yen)	Result of 2Q of FY2014	Result of 2Q of FY2013	Increase/Decrease Amount	Increase/Decrease Percentage	Plan for FY2014	Progress rate
Net Sales	71	70	1	102.3%	145	49.4%
Operating Income	8	7	0	109.0%	18	47.6%

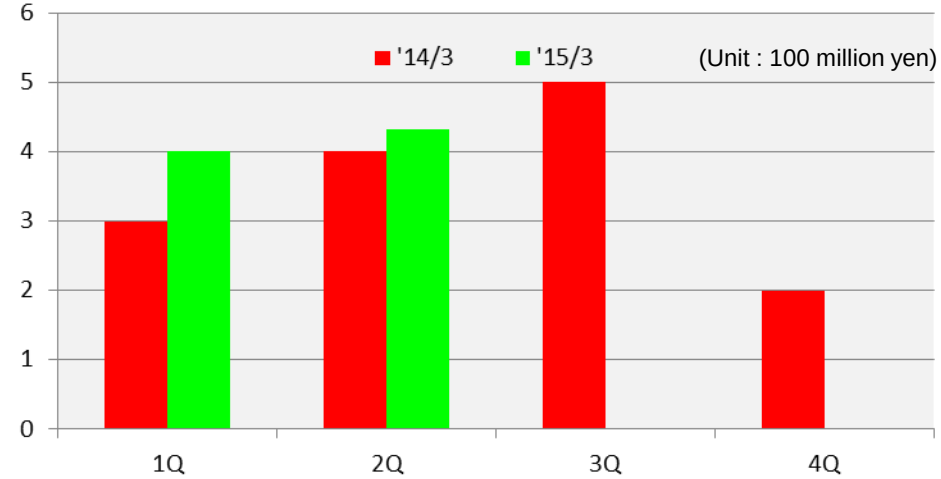
【Overview of the 2nd Quarter of FY2014】

- Although the costs for the electricity use and transportation rose, profit is stable because storage fees increased.

Net Sales



Operating Income





Consolidated Income Statement (Y-on-Y)

(Unit : 100 million yen)

	Result of 2Q of FY2014	%	Result of 2Q of FY2013	%	Increase /Decrease	%
Net Sales	3,022		2,916		106	3.7
Gross Profit	648	21.4	602	20.7	46	7.7
SGA expenses	545		549		(3)	
Operating Income	102	3.4	53	1.8	49	93.2
Non-Operating Income	29		24		5	
Non-Operating Expenses	17		20		(2)	
Ordinary Income	115	3.8	57	2.0	57	99.4
Extraordinary Income	3		20		(16)	
Extraordinary Expenses	12		10		2	
Income before taxes	106	3.5	68	2.3	38	56.3
Income taxes - current	27		26		0	
Income taxese - deferred	14		5		8	
Income before minority interest	64		35		29	
Minority interest income	5		3		1	
Net Income	58	2.0	31	1.1	27	85.3

Major Causes of Fluctuations

【Non-operating Income/Expenses】

- Gain on sales of investments securities:
  Approx. +600 million yen
- Equity in earnings of affiliates :
  Approx.+ 600 million yen
- Subsidy Income :
  Approx. - 600 million yen , …etc.

Breakdown

【Extraordinary Income(loss)】

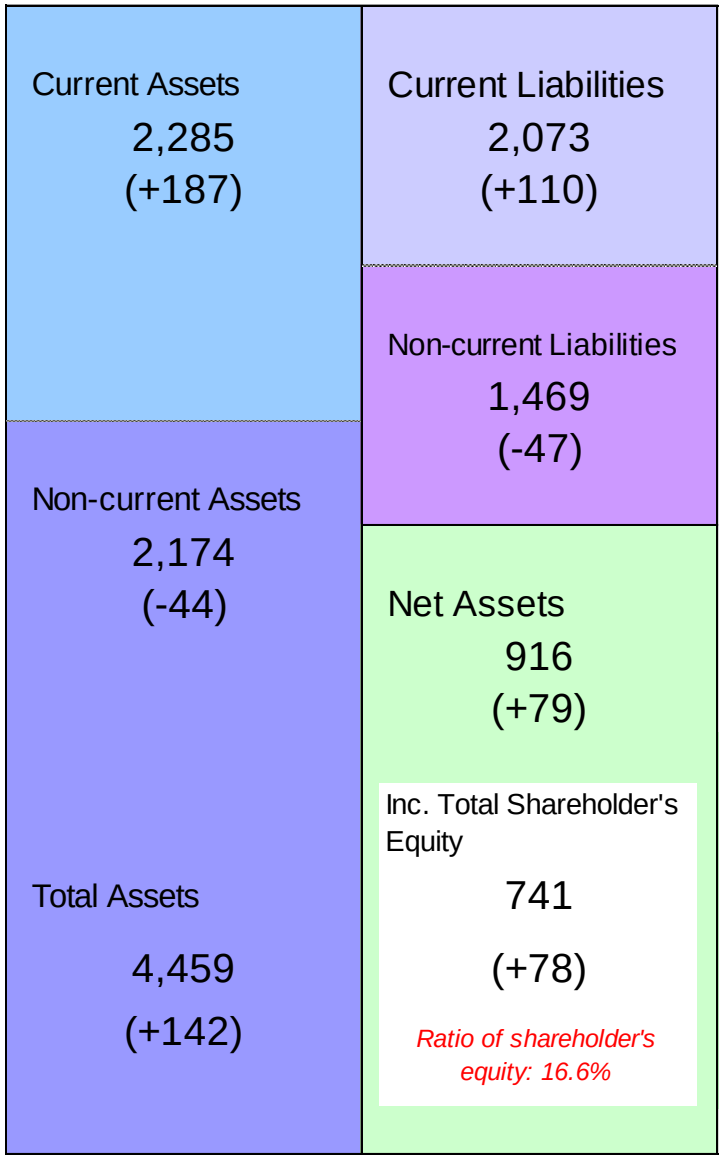
1st Half of FY2013

- Gain on sales of noncurrent assets :
  Approx. 1,400 million yen
- Reversal of impairment loss :
  Approx. 300 million yen
- Loss on sales of stocks of subsidiaries and affiliates :
  Approx. 600 million yen

FY2014

- Loss from mortality of tuna by unexpected and rapid change in the environment: Approx. 800 million yen

Consolidated Balance Sheet (Y-on-Y)



() indicates the variance to 4Q of FY2013.

(Unit : 100 million yen)

Breakdown of Increase/Decrease					
Assets	+142	Current Assets	+187	Cash and deposit	+6
				Accounts receivable	+36
				Merchandise and Finished Goods	+61
				Work in process	+33
				Others	+47
		Non-current Assets	(44)	Property, Plant and Equipments	(6)
				Intangiblie Assets	(15)
				Investments and other assets	(23)
Liabilities	+63	Current Liabilities	+110	Accounts payable	+10
				Short-term loans payable	+85
				Others	+22
		Non-current Liabilities	(47)	Long-term loans payable	(38)
				Net defined benefit liability	(8)
		Net Assets	+79	Retained Earnings	+59
				Valuation difference on available-for-sale securities	+17
				Foreign Currency Translation adjustment	(4)
				Remeasurements of defined benefit plans	+2

Ratio of shareholder's equity: '14/3 15.4% → '14/9 16.6%

Consolidated Loans Payable & Net Interest Cost

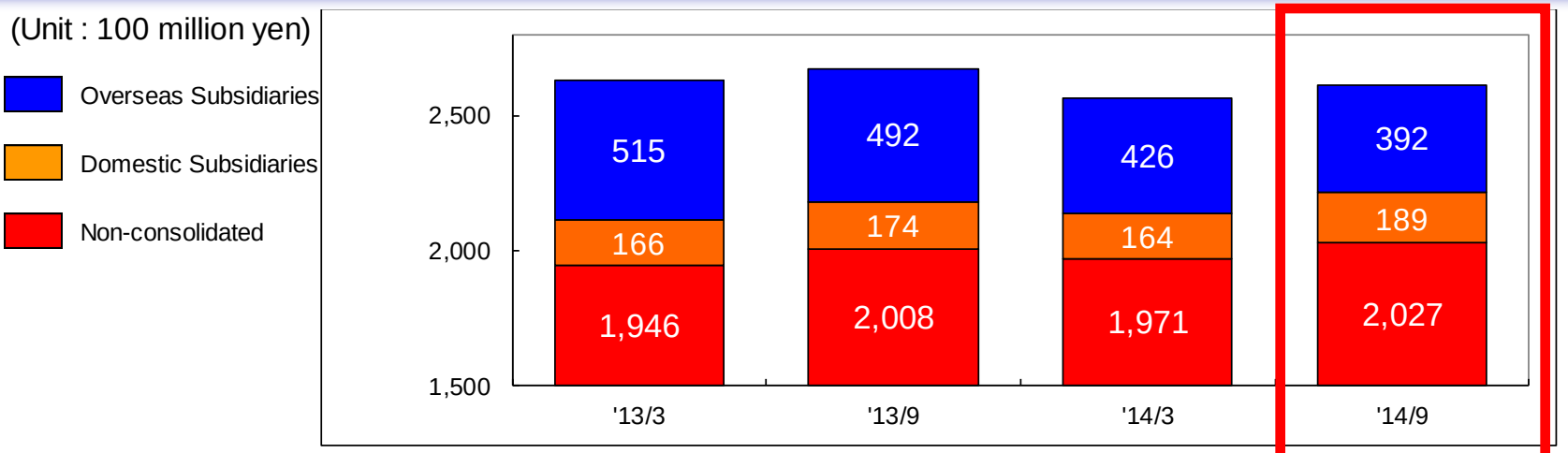
(Unit : 100 million yen)

	'14/9	'13/9	Increase/ Decrease	Breakdown	'14/9	'13/9	Y-on-Y
Operating Activities	5	(3)	9	Income before income taxes and minority interests	106	68	38
				Depreciation and amortization	74	78	(4)
				Increase(decrease) in allowance for doubtful accounts	0	(11)	11
				Share of profit of entities accounted for using equity method	(6)	0	(6)
				Gain on sales of noncurrent assets	(3)	(14)	11
				Loss on disaster	8	–	8
				Reversal of impairment loss	–	(3)	3
				Loss on sales of stocks of subsidiaries and affiliates	–	6	(6)
				Increase(decrease) on working capital	(147)	(113)	(34)
				Income taxes paid	(31)	(29)	(1)
				Others	3	13	(9)
Investing Activities	(90)	(37)	(52)	Purchase of property, plant and equipment	(57)	(48)	(8)
				Proceeds from sales of property, plant and equipment	3	32	(28)
				Purchase of investment securities	(52)	(19)	(32)
				Proceeds from sales of investment securities	41	14	27
				Proceeds from redemption of investments securities	30	–	30
				Decrease(Increase) in short-term loans receivable	(46)	(25)	(21)
Financing Activities	56	27	28	Increase(Decrease) in short-term loans payable	74	93	(18)
				Proceeds from long-term loans payable	50	22	27
				Repayment of long-term loans payable	(63)	(82)	19
Cash and cash equivalent at end of period	107	175	(67)				

➢ “Other” of operating activities includes decrease in accounts receivable.

Consolidated Loans Payable & Net Interest Cost

(Unit : 100 million yen)



Compariosn with the 4Q of FY2013

(33)

＋24

＋55

Total Debt	2,626	2,673	2,561	2,608	＋47
Short-term	1,307	1,425	1,278	1,364	＋85
Long-term	1,319	1,248	1,282	1,244	(38)
Average interest of short-term loans payable	0.9%	0.8%	0.7%	0.7%	(0.1%)
Average interest of long-term loans payable	1.4%	1.4%	1.4%	1.4%	(0.0%)
Net Interest	18.1	8.4	16.9	6.9	
Ratio of Net Interest Cost on Operating Income	31%	16%	12%	7%	
Interest expenses	37.6	16.7	32.7	14.7	
Interest income	9.3	2.8	4.7	1.8	
Dividend income	10.1	5.4	11.0	6.0	
Exchange Rate (per US$1.00)	@86.58(End of Dec.)	@98.59(End of Jun.)	@105.39(End of Dec.)	@101.36(End of Jun.)	

✓ Impact of exchange conversion

Comparison with the 4Q of FY2013

- 900 million yen

Comparison with the 2Q of FY2013

+2,700 million yen

Non-consolidated Income Statement (Y-on-Y)

(Unit : 100 million yen)

	Result of 2Q of FY2014	%	Result of 2Q of FY2013	%	Increase/ Dcerease	%
Net Sales	1,736		1,643		93	5.7
Gross Profit	336	19.4	327	20.0	8	2.6
SGA Expenses	318		315		2	
Operating Income	18	1.1	12	0.8	5	46.9
Non-Operating Income	15		16		(0)	
Non-Operating expenses	11		17		(5)	
Ordinary Income	22	1.3	11	0.7	11	97.3
Extraordinary Income	0		15		(15)	
Extarordinary Expenses	2		2		(0)	
Income before taxes	20	1.2	24	1.5	(3)	(15.1)
Income taxes - current	1		1		0	
Income taxes - deferred	7		6		1	
Net Income	11	0.7	16	1.0	(4)	(29.9)

Main Causes of Fluctuations

【Non-Operating Income/Expenses】

- Decrease in reversal of allowance for doubtful accounts : Approx. 400 million yen
- Decrease in interest expenses : Approx. 100 million yen

Breakdown

【Extraordinary Income(loss)】

1H of FY2013

- Gain on sales of noncurrent assets : Approx. 1,300 million yen
- Gain on sales of investment securities : Approx. 100 million yen

Forecast for FY2014
Outlook for the Fiscal Year (Consolidated/Non-consolidated)

Consolidated business plan announced on May 15, 2014, was revised in the light of the result of FY2014 2nd quarter and future outlook, while non-consolidated business plan announced on May 15, 2014, remains unchanged.

Consolidated

(Unit : 100 million yen)

	Result of 2Q of FY2014	%	Plan for 1H of FY2014	%	Progress rate	Revised plan for FY2014	%	Progress rate	Plan for FY2014	%	Progress rate
Net Sales	3,022		2,960		102.1%	6,100		49.6%	6,030		50.1%
Opearting Income	102	*3.4%*	64	*2.2%*	160.2%	175	*2.9%*	58.6%	155	*2.6%*	66.1%
Ordinary Income	115	*3.8%*	61	*2.1%*	188.8%	200	*3.3%*	57.6%	160	*2.7%*	72.0%
Net Income	58	*2.0%*	15	*0.5%*	393.3%	105	*1.7%*	56.2%	73	*1.2%*	80.8%

Non-consolidated

	Result of 2Q of FY2014	%	Plan for FY2014	%	Progress rate
Net Sales	1,736		3,280		52.9%
Operating Income	18	*1.1%*	34	*1.0%*	53.9%
Oridinary Income	22	*1.3%*	51	*1.6%*	43.9%
Net Income	11	*0.7%*	37	*1.1%*	31.0%

Exchange rate among overseas subsidiaries	Actual exchange rate for FY2014(Yen) (at the end of June 30)	Adjusted exchange rate for FY2014(Yen)
US Dollars	101.36	108.00
Euro	138.31	138.87
Denmark Krone	18.55	18.66

Key Points of Revisions to the Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2015

- Overseas affiliates are generally performing well but there is a concern for a downward swing in the South American marine products business.

  <Fishery Business>
  Southern blue whiting catch is projected to be weak.
  <Salmon/trout Aquaculture Business>
  Valuation on the fish in aquaculture ponds is in a state of flux, partly due to a projected cost increase.

- Future outlook on fish price is unclear, due in part to the impact of Russia's ban on imports.

- The Fine Chemicals business is expected to post lower-than-projected sales and operating income because of the impact of a government-led drive to promote the use of generic drugs and a delay in recovery, from a recoil of the consumption tax hike.

- An increase in *surimi* cost as a raw material and a rapidly progressing depreciation of the yen in the recent months have given rise to concerns about possible cost increases.

Disclaimer regarding forward-looking statements

This presentation contains forward-looking statements regarding Nissui's business projections for the current term and future terms. All forward-looking statements are based on rational judgement of management derived from the information currently available to it, and the Company provides no assurances that these projections will be achieved.

Please be advised that the actual business performance may differ from these business projections due to changes of various factors. Significant factors which may affect the actual business performance includes but are not limited to the changes in the market economy and product demand, foreign exchange rate fluctuations, and amendments to various international and Japanese systems and laws.

Accordingly, please use the information contained in this presentation at your own discretion. The Company assumes no liability for any losses that may arise as a result through use of this presentation.

Nippon Suisan Kaisha.,Ltd.

November 5, 2014

Code: 1332

Contact: Corporate Strategic Planning & IR Office
Public & Investor Relations Section
+81-3-6206-7044
http://www.nissui.co.jp/english/index.html

