Supplemental Documents for 1st Quarter of FY2017

August 4, 2017
Nippon Suisan Kaisha, Ltd.

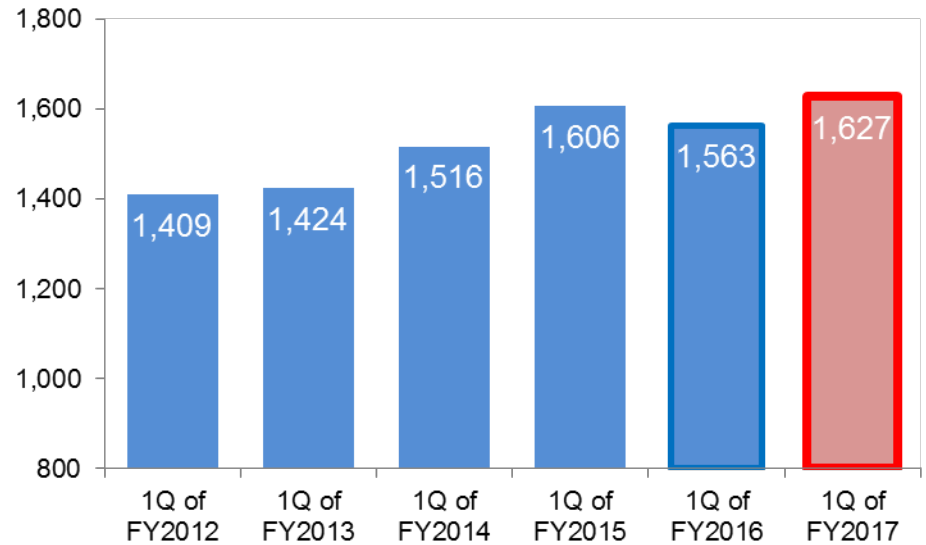
Overview of the 1st Quarter of FY2017

◆ Increase both in revenue and income thanks to significant recovery of salmon faming business, which suffered loss due to fish disease in previous year, and to the sales of securities. Progressing according to the plan.

(Unit : 100 million yen)	1Q of FY2017	Increase/Decrease (Y-on-Y)		Plan for 1H of FY2017		Annual Plan for FY2017	
		(Amount)	(%)	(Amount)	Progress rate	(Amount)	Progress rate
Net Sales	1,627	63	104.1	3,215	50.6	6,560	24.8
Operating Profit	67	25	161.0	120	56.0	240	28.0
Ordinary Profit	69	30	177.8	125	55.8	260	26.8
Profit attributable to owners of parent	50	34	306.0	110	46.0	200	25.3

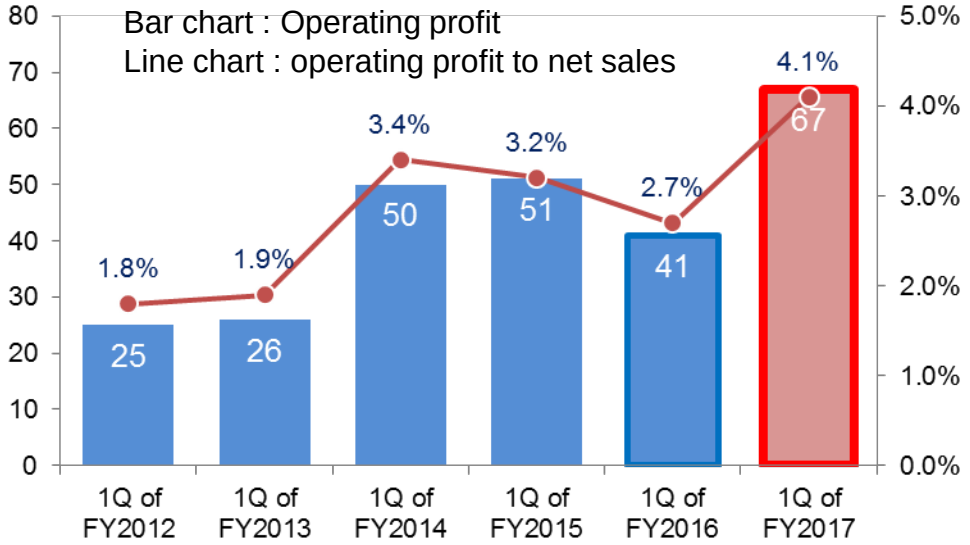
(Unit : 100 million yen)

Net Sales



(Unit : 100 million yen)

Operating Profit



Overview of the 1st Quarter of FY2017 by Segments

◆ Increase in both revenue and income in Marine and Food Products Business. Decrease in income in Fine Chemicals Business.

(Unit : 100 million yen)	1Q of FY2017	1Q of FY2016	Increase/Decrease (Amount)	Increase/Decrease (%)	Plan for FY2017	Progress rate (%)
Net Sales	1,627	1,563	63	104.1	6,560	24.8
Marine Products Business	664	632	31	105.0	2,686	24.7
Food Products Business	810	777	32	104.1	3,164	25.6
Fine Chemicals Business	59	58	1	101.9	289	20.7
Logistics	40	38	1	104.9	162	24.8
Others	52	56	(3)	94.0	259	20.4
Operating Profit	67	41	25	161.0	240	28.0
Marine Products Business	32	8	23	378.6	105	30.9
Food Products Business	34	28	5	120.9	114	30.2
Fine Chemicals Business	2	7	(5)	27.0	22	9.1
Logistics	4	2	2	198.4	19	25.0
Others	1	1	0	143.8	9	20.2
Common Costs	(8)	(6)	(1)	128.5	(29)	28.5
Ordinary Profit	69	39	30	177.8	260	26.8
Profit attributable to owners of parents	50	16	34	306.0	200	25.3

Main Causes of fluctuations

◆ Salmon/Trout aquaculture business in South America made a huge contribution to income as market price went strong and farming costs decreased. Valuation of fish in the pond increased as well.

(Unit : 100 million yen)



(Main causes of fluctuation)

1Q of FY2016	Overseas	Domestic				Elimination between group companies	1Q of FY2017
	<South America>	<Marine Products Business>	<Food Products Business>	<Logistics>	<Fine Chemical>		
	Market price went strong and farming performed well.	Income increased in non-consolidated due to strong sales of surimi as well as increase of sales price of salmon/trout. Fishery business struggled.	Strong sales in frozen food and fish sausage business	Revenue increased at Oosaka-Maishima Logistic Center and warehousing volume at existing cold storages increased.	Depreciation cost of new plant & promotion cost of on-line business		

Consolidated Income Statement (Y-on-Y)

◆ Both operating income and net income increased significantly. Income progressed according to the plan.

	1Q of FY2017	%	1Q of FY2016	%	Increae/ Decrase	%	Progress rate to annual plan
Net Sales	1,627		1,563		63	4.1	24.8
Gross Profit	364	22.4	324	20.8	39	12.3	
SGA Expenses	297		282		14		
Operating Profit	67	4.1	41	2.7	25	61.0	28.0
Non-Operating Income	7		12		(4)		
Non-Operating Expenses	5		14		(9)		
Ordinary Profit	69	4.3	39	2.5	30	77.8	26.8
Extraordinary Income	13		0		13		
Extraordinary Losses	5		10		(5)		
Income before taxes	78	4.8	28	1.8	49	170.8	
Income taxes - current	22		11		10		
Income taxes - deferred	3		1		1		
Profit	52		15		36		
Profit attributable to non-controlling interests	1		(1)		2		
Profit attributable to owners of parent	50	3.1	16	1.1	34	206.0	25.3

Breakdown of Main Causes

<Extraordinary income/loss>

✓ FY2017 (Current Fiscal Year)

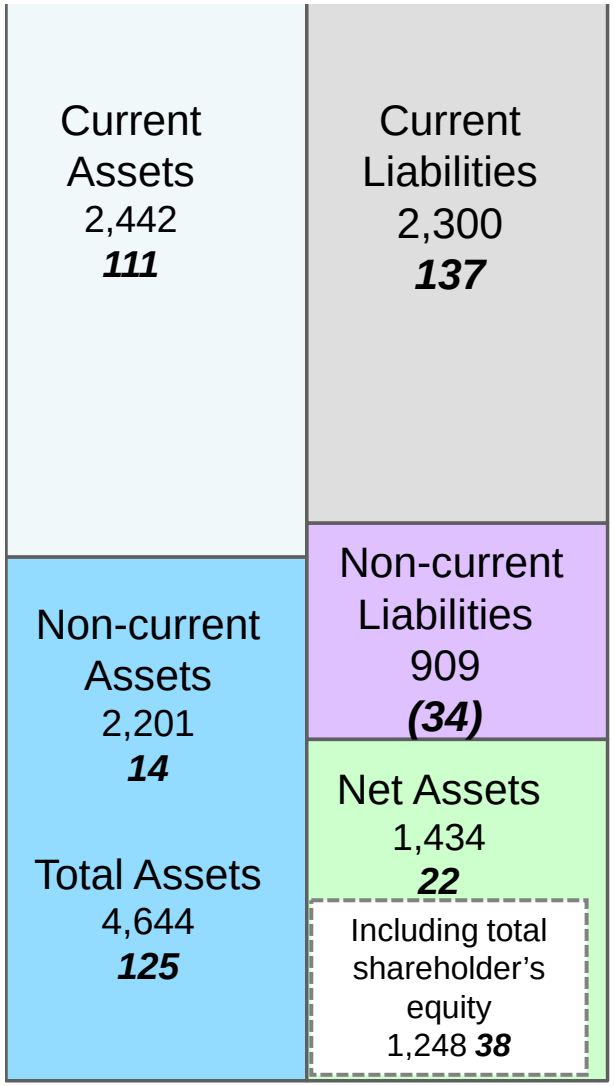
- Gain on sales of investment securities
  Approx. 800 million yen

✓ FY2016 (Previous Fiscal Year)

- Loss on valuation of investment securities
  Approx. 600 million yen

Consolidated Balance Sheet (Y-on-Y)

◆ Total assets increased as accounting receivable and inventory increased.



Main Causes of fluctuations

(Unit : 100 million yen)

Assets	125	Current Assets	111	Cash and deposit	37
				Accounts Receivable	33
				Merchandise and finished goods	21
		Non-current Assets	14	Property, plant and equipment	26
				Intangible assets	(4)
				Investments and other assets	(7)
Liabilities	103	Current Liabilities	137	Accounts payable	26
				Short-term loans payable	113
		Non-current Liabilities	(34)	Long-term loans payable	(27)
				Net defined benefit liability	(22)
		Net Assets	22	Retained earnings	39
				Valuation difference on securities	10
				Foreign currency adjustment	(20)
				Profit attributable to non-controlling interests	(15)

Equity ratio
26.9%

The Italic and bold figures means increase/decreased, compared to 4Q of FY2016.

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

◆ Revenue increased substantially in Japan and South America

(Unit : 100 million yen)

	Japan		North America		South America		Asia		Europe		Sub Total		Consolidated Adjustment		Grand Total	
Marine Products	555	***61***	131	***(16)***	62	***33***	18	***3***	110	***(6)***	879	***75***	(214)	***(43)***	664	***31***
	493		147		29		15		117		803		(171)		632	
Food Products	838	***30***	168	***2***			15	***2***	67	***5***	1,090	***41***	(280)	***(9)***	810	***32***
	808		166				13		61		1,049		(271)		777	
Fine Chemicals	64	***1***					0	***0***			65	***1***	(5)	***(0)***	59	***1***
	62						0				63		(4)		58	
Logistics	72	***3***									72	***3***	(32)	***(2)***	40	***1***
	68										68		(30)		38	
Others	72	***2***					0	***0***			72	***3***	(20)	***(6)***	52	***(3)***
	69						0				69		(13)		56	
Sub Total	1,603	***100***	299	***(14)***	62	***33***	36	***6***	178	***(0)***	2,180	***125***				
	1,502		313		29		30		179		2,055					
Consolidated Adjustment	(428)	***(49)***	(58)	***12***	(41)	***(21)***	(24)	***(4)***	(0)	***0***			(553)	***(61)***		
	(379)		(70)		(19)		(20)		(1)				(492)			
Grand Total	1,174	***51***	241	***(1)***	21	***11***	11	***2***	177	***0***					1,627	***63***
	1,123		243		10		9		177						1,563	

(Note:1)

- The upper columns indicate the result of 1Q of FY2017 and the lower columns indicate that of FY2016. The Italic and bold figures mean increase/decrease.
- Consolidated adjustment include elimination between the group companies.
- The breakdown of the increase in sales (Y-on-Y)(Note: 1) :
  - ➢ + 10,000 million yen (Increase in Japan)
  - ➢ + 2,400 million yen (Note 2 : Increase among overseas group companies. See the right table.)
  - ➢ - 6,100 million yen (Consolidated adjustment)

(Unit :100 million yen)

Currency	Impact of exchange rate	Other than impact of exchange rate	Total
USD	(2)	21	19
EUR	(4)	10	6
DKK	(7)	1	(7)
Others	2	4	6
Total	(11)	36	24

(Note: 2)

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

◆ Income increased dramatically in Marine products segment in South America

(Unit : 100 million yen)

	Japan		North America		South America		Asia		Europe		Common Costs		Sub Total		Consolidated Adjustment		Grand Total		Ratio of Operating Income to Net Sales	
Marine Products	8	*(1)*	7	*0*	23	*34*	0	*(0)*	2	*0*			41	*33*	(9)	*(9)*	32	*23*	*4.9*	*3.5*
	9		6		(11)		0		1				7		0		8		*1.4*	
Food Products	20	*0*	4	*0*			1	*0*	4	*0*			31	*2*	3	*3*	34	*5*	*4.3*	*0.6*
	19		3				1		4				28		0		28		*3.7*	
Fine Chemicals	1	*(5)*					0	*0*					2	*(5)*	(0)	*(0)*	2	*(5)*	*3.4*	*(9.3)*
	7						0						7		0		7		*12.7*	
Logistics	4	*2*											4	*2*	0	*(0)*	4	*2*	*11.8*	*5.6*
	2												2		0		2		*6.3*	
Others	2	*1*					0	*(0)*					2	*1*	(0)	*(0)*	1	*0*	*3.5*	*1.2*
	1						0						1		0		1		*2.3*	
Common Costs											(8)	*(1)*	(8)	*(1)*	0	*0*	(8)	*(1)*		
											(6)		(6)		0		(6)			
Sub Total	37	*(2)*	11	*1*	23	*34*	2	*0*	6	*0*	(8)	*(1)*	73	*32*						
	40		10		(11)		2		5		(6)		40							
Consolidated Adjustment	3	*2*	(1)	*(1)*	(8)	*(9)*	0	*1*	0	*1*	0	*0*			(6)	*(7)*				
	0		0		1		(0)		(0)		(0)				1					
Grand Total	40	*(0)*	10	*(0)*	14	*24*	2	*1*	6	*1*	(8)	*(1)*					67	*25*	*4.1*	*1.5*
	40		10		(10)		1		5		(6)						41		*2.7*	

・The upper columns indicate the result of 1Q of FY2017 and the lower columns indicate that of FY2016.
The Italic and bold figures mean increase/decrease.
・Consolidated adjustment includes amortization of goodwill and unrealized income in inventory.

Consolidated Cash-Flow Statement (Y-on-Y)

◆ Operating cash flow decreased along with increase in working capital.

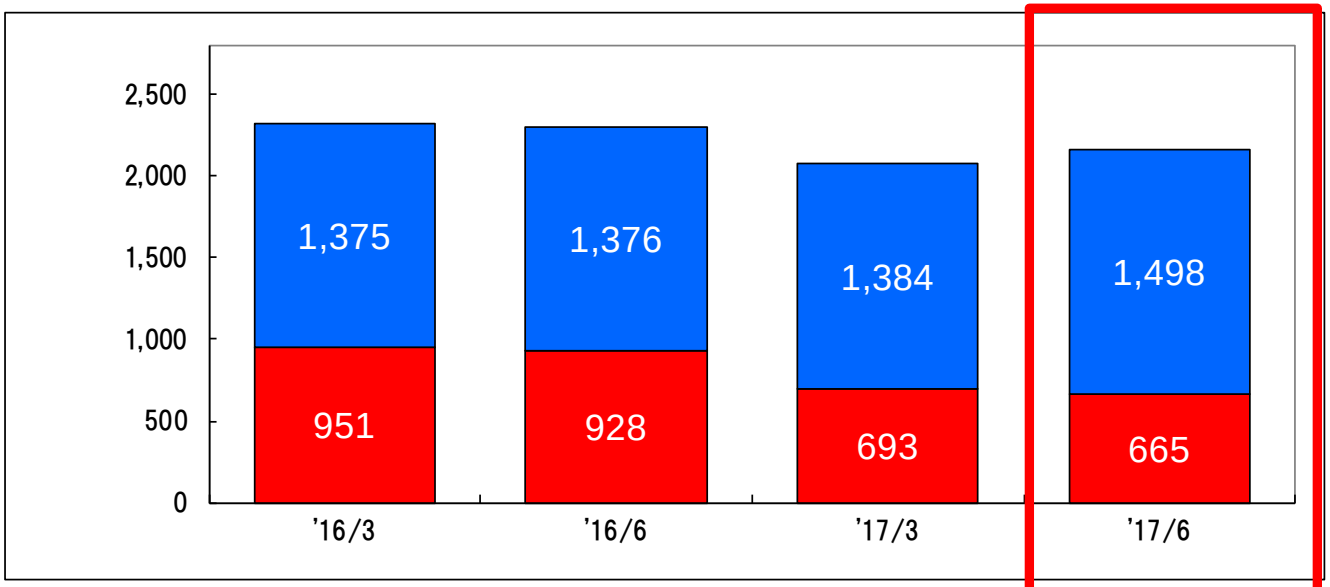
(Unit : 100 million yen)

	Result of 1Q of FY2017	Result of 1Q of FY2016	Increase /Decrease
・Income before income taxes	78	28	49
・Depreciation & Amortization	39	40	(1)
・Working Capital	(54)	33	(88)
・Income taxes paid	(31)	(29)	(2)
・Others	(43)	(4)	(39)
Net cash provided by operating activities	(12)	69	(81)
・Investment on (Purchase of) plant and equipment	(55)	(59)	3
・Others	34	15	18
Net cash provided by investment activities	(21)	(43)	22
・Increase(Decrease) in short-term loans payable	108	14	94
・Increase(Decrease) in long-term loans payable	(11)	(13)	2
・Others	(21)	(9)	(11)
Net cash provided by financial activities	75	(8)	84

Consolidated Loan Payable and Net Interest Cost

◆ Short-tem loans payable increased while operating cash flow decreased.

(Unit : 100 million yen)



Comparison with 4Q of FY2016

113

(27)

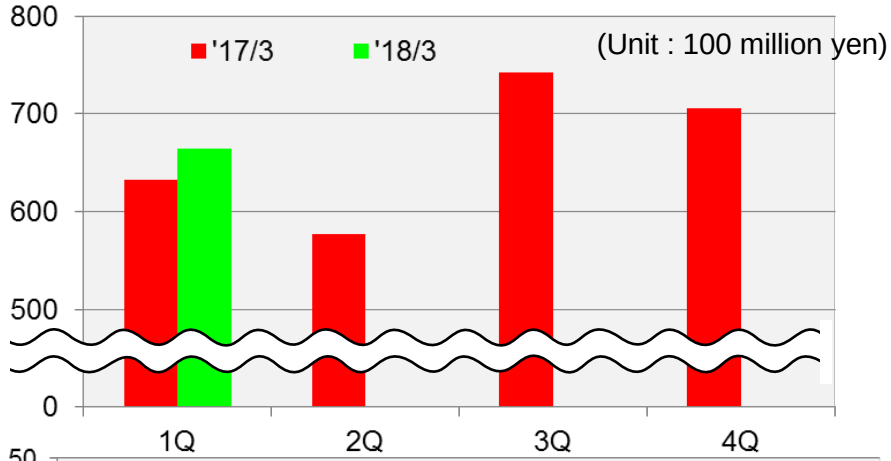
Total Debt	2,326	2,305	2,077	2,163	86
Short-term loans payable	1,375	1,376	1,384	1,498	113
Long-term loans payable	951	928	693	665	(27)
Net Interest	13.8	3.3	10.4	3.3	
Ratio of Net Interest Cost on Operating Income	7%	8%	5%	5%	
Interest expenses	26.5	5.8	21.7	5.1	
Interest income	3.3	0.6	2.3	0.5	
Divident income	9.3	1.8	8.8	1.2	
Exchange rate (=US$1.00)	@120.61(End of Dec)	@112.68(End of Mar)	@116.49(End of Dec)	@112.19(End of Mar)	

- Impact of exchange conversion
  - Comparison with 4Q of FY2016
    -1,100 million yen
  - Comparison with 1Q of FY2016
    -100 million yen

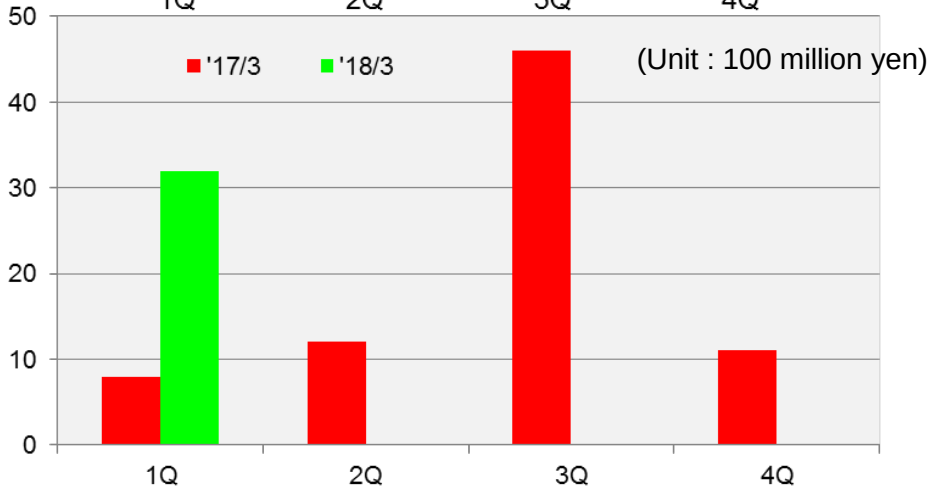
◆ Good performance as the fish price of salmon/trout increased.

(Unit : 100 million yen)	Result of 1Q of FY2017	Result of 1Q of FY2016	Increase/Decrease (Amount)	Increase/Decrease (%)	Annual Plan for FY2017	Progress rate (%)
Net Sales	664	632	31	105.0	2,686	24.7
Operating Profit	32	8	23	378.6	105	30.9

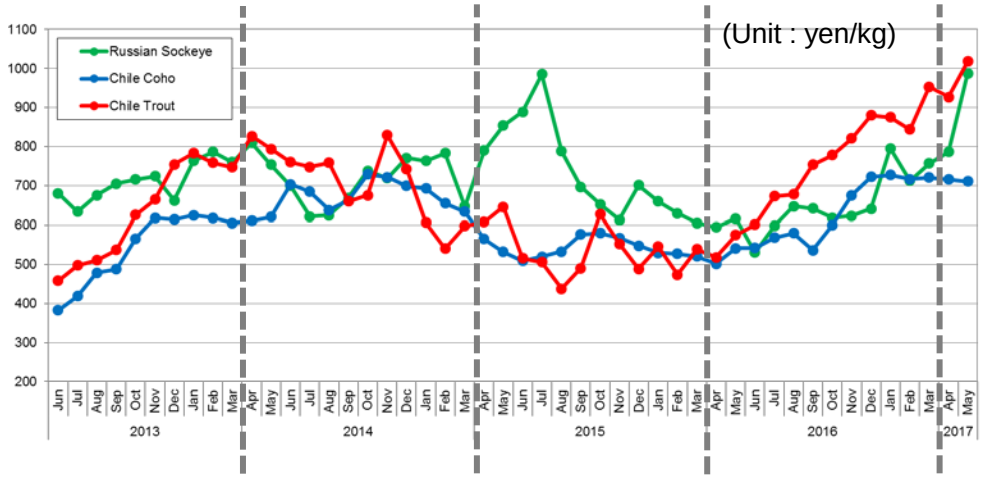
Net Sales



Operating Profit



<Domestic market condition of marine products (salmon/trout)>



<Salmon/Trout aquaculture business in Japan>



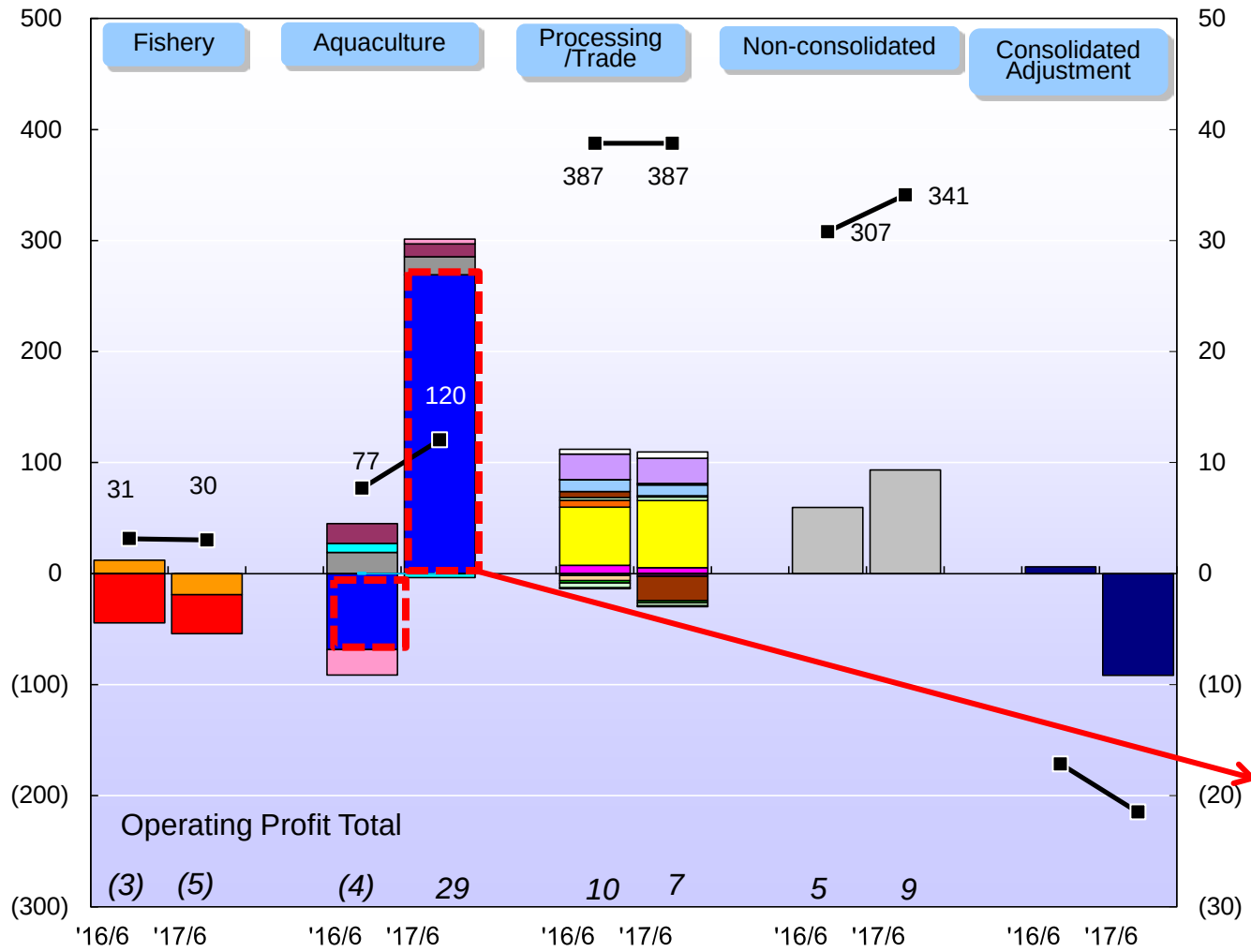






Marine Products Business
Net Sales & Operating Profit (Y-on-Y)

Net Sales (Line chart) (Unit : 100 million yen) Operating Profit (Bar chart)



- The Italic figures in the lower part of this chart show the accumulation of the bar (operating income)
- Consolidated Adjustment of net sales and operating income includes the amortization of goodwill and unrealized income in inventory.

Valuation of fish in the ponds is calculated every quarter based on IFRS, included in Marine Products Business ' operating income.

Major Causes of fluctuation

<Fishery> (Decrease both in revenue and income)

- Japan :
  Decrease in operation days and increase in maintenance costs

<Aquaculture> (Increase both in revenue and income)

- Salmon/Trout business in Chile
  Big increase in income as market price went strong and farming performed well.
- Domestic Business
  Tuna : Sales price dropped.
  Yellow tail : Increase in revenue as fish weight increased.
  Coho Salmon : Sales price and volume increased.

<Processing/Trade> (Increase both in revenue and income)

- Alaskan Pollack Business

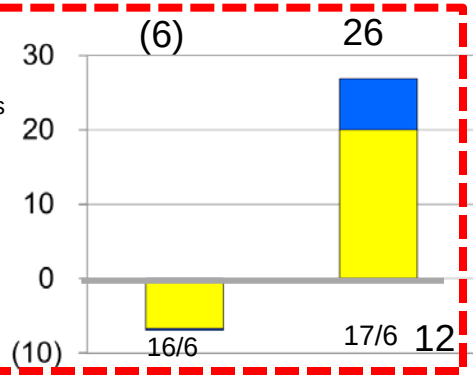
Decrease in sales volume due to stagnant fillet market, but increase in income due to increasing Pollock roe production.

(Unit : 100 million yen)

<Salmon/Trout aquaculture business in Chile>

Profit or loss on business

Valuation of fish in the ponds (Valuation by IFRS)

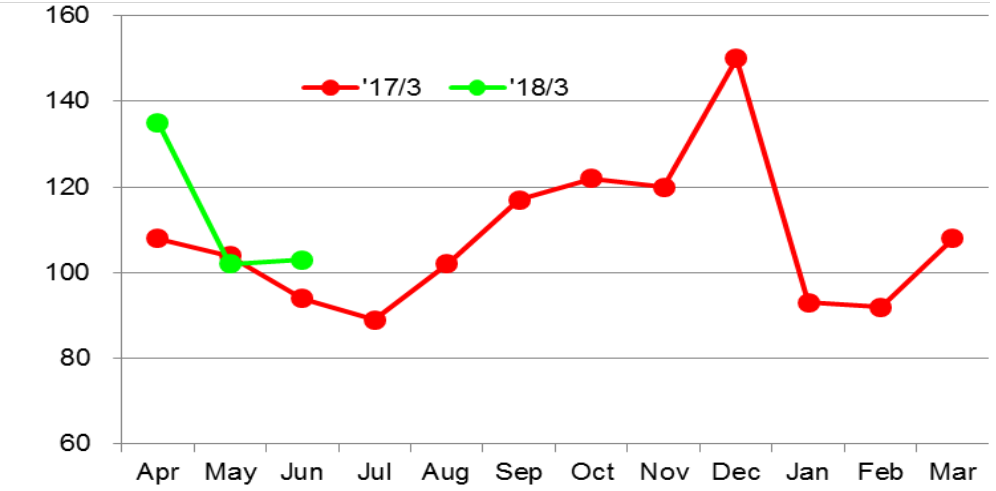


Marine Products Business (Y-on-Y)
Non-consolidated

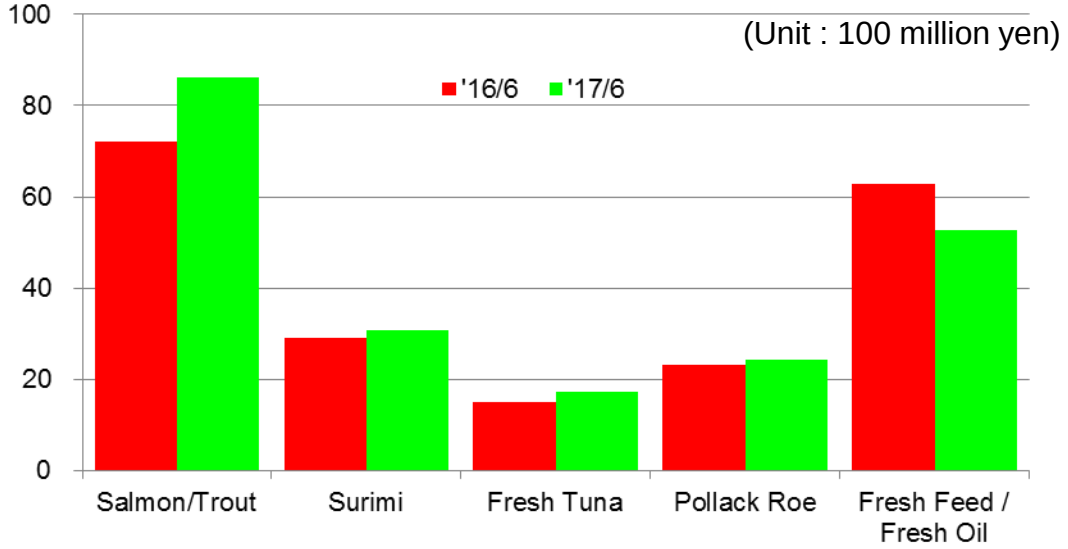
◆ Increase both in revenue and income thanks to the increase of Salmon/Trout and Surimi Business

<Net Sales (Monthly)>

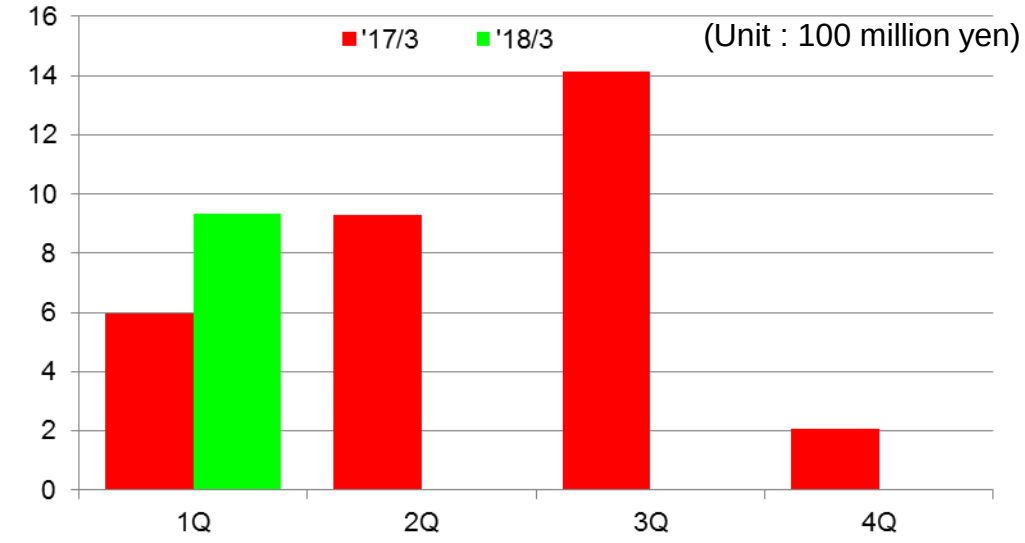
(Unit : 100 million yen)



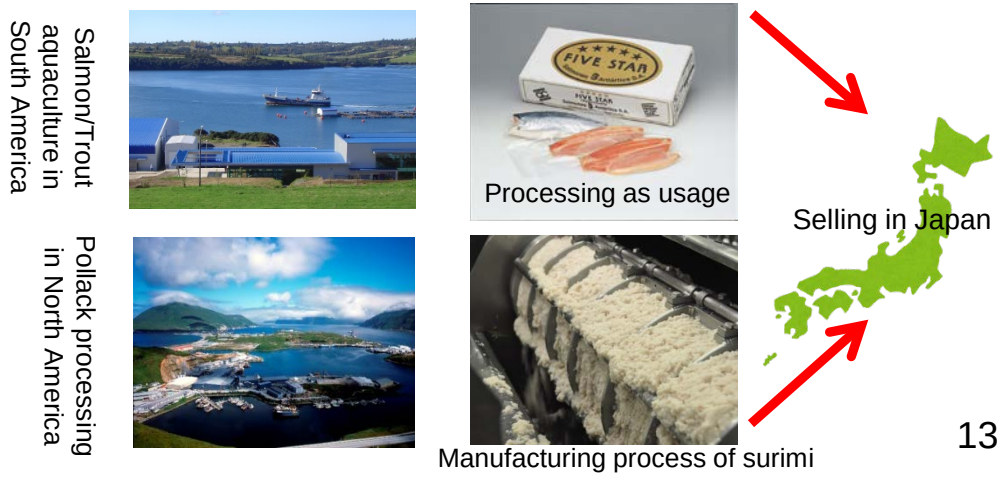
<Sales by Main Species (Y-on-Y)>



<Operating Profit (Quarterly)>



<Consecutive business by Nissui Group companies>

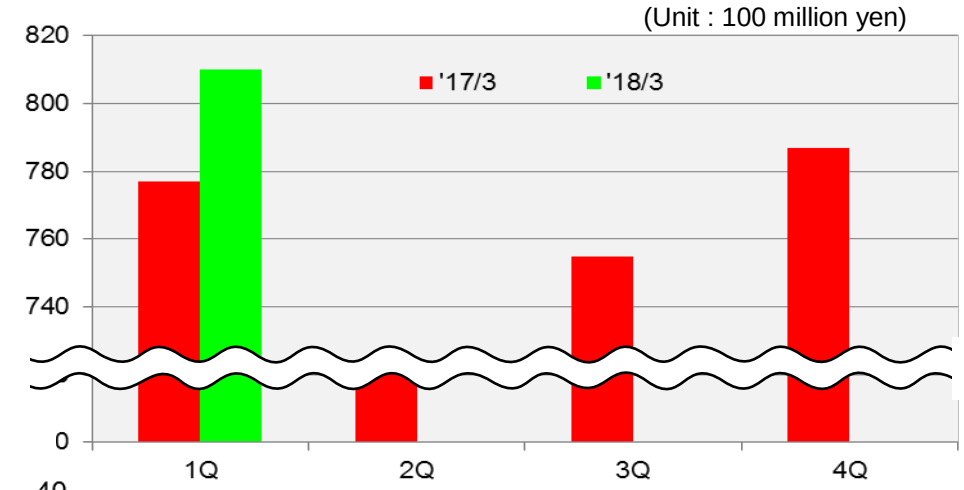


Food Products Business

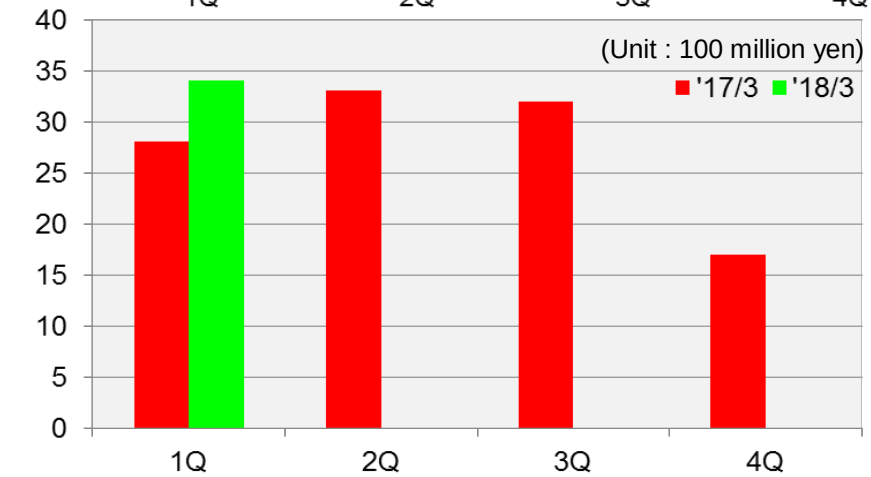
◆ In addition to strong frozen food and fish sausage business in Japan, North America business improved.

(Unit : 100 million yen)	Result of 1Q of FY2017	Result of 1Q of FY2016	Increase/Decrease (Amount)	Increase/Decrease (%)	Annual Plan for FY2017	Progress rate (%)
Net Sales	810	777	32	104.1	3164	25.6
Operating Profit	34	28	5	120.9	114	30.2

Net Sales



Operating Profit









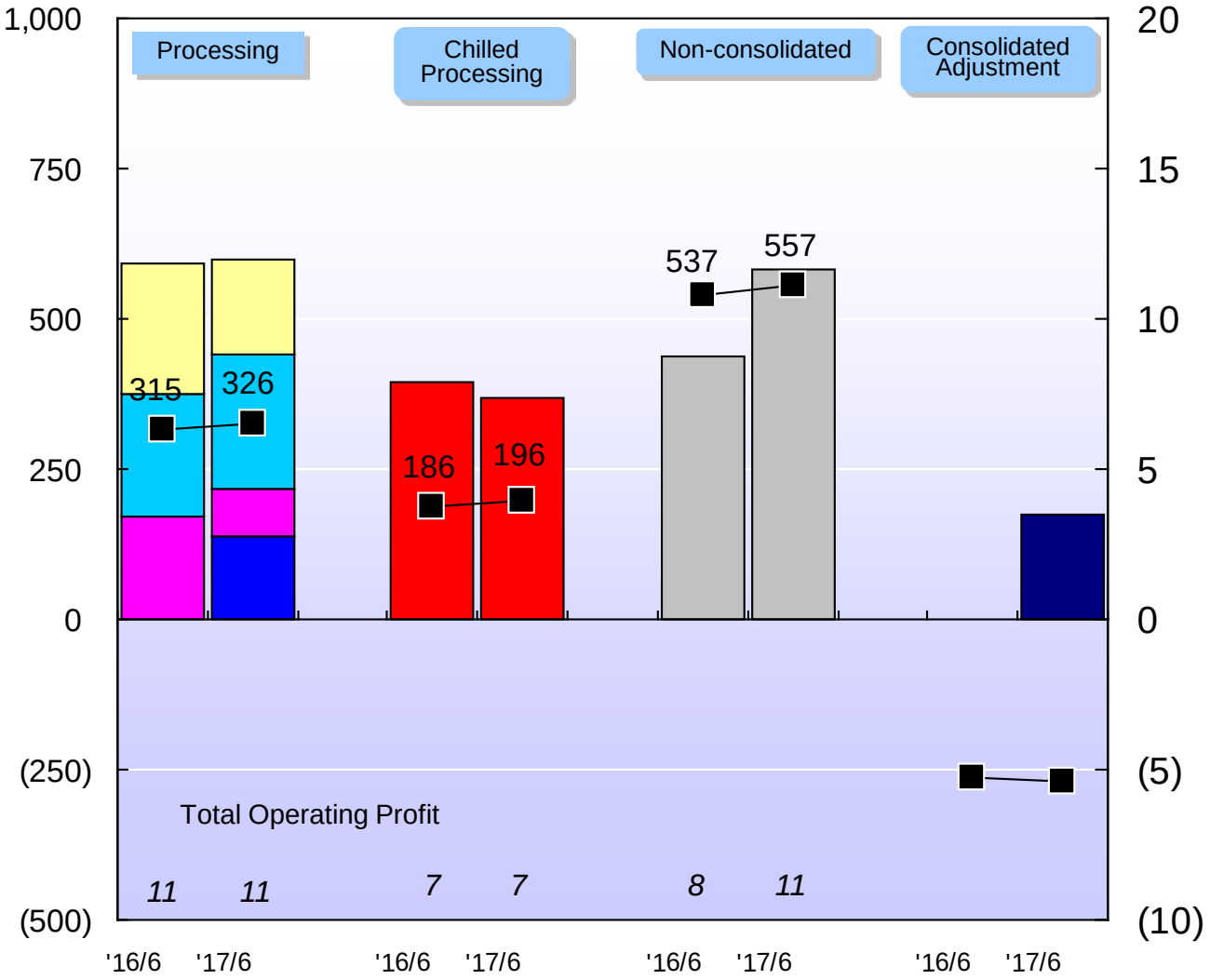






Food Products Business
Net Sales & Operating Profit (Y-on-Y)

Net Sales (Line chart)　　(Unit : 100 million yen)　　Operating Profit (Bar chart)



Main Causes of fluctuation

<Processing> (Increase both in revenue and income)

- North America

Frozen food for retail :
Income increased as sales volume of main products increased.

Frozen food for food service :
Income decreased as price of shrimp, main raw material, increased.

- Europe

While raw material costs increased due to fluctuation of exchange rate, sales volume increase contributed to income increase.

- Japan

Income increased due to strong sales of frozen food and seafood sausage business.

<Chilled Processing> (Revenue increased but income decreased)

- While salad and deli products for convenience store increased income decreased, due to the production system change.

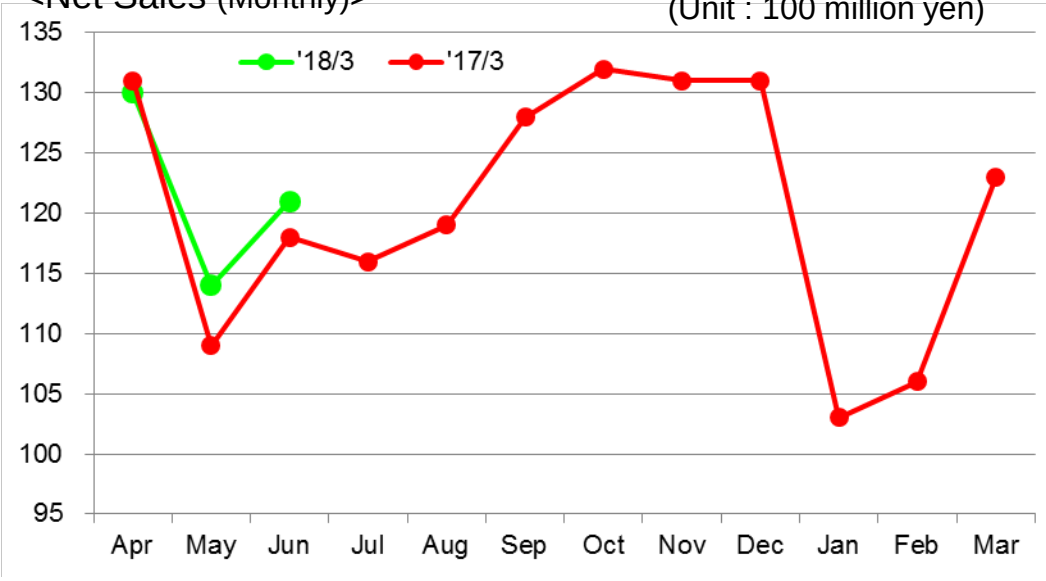
- The Italic figures in the lower part of this chart show the accumulation of the bar (operating income).

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

◆ Strong sales in frozen and fish sausage business

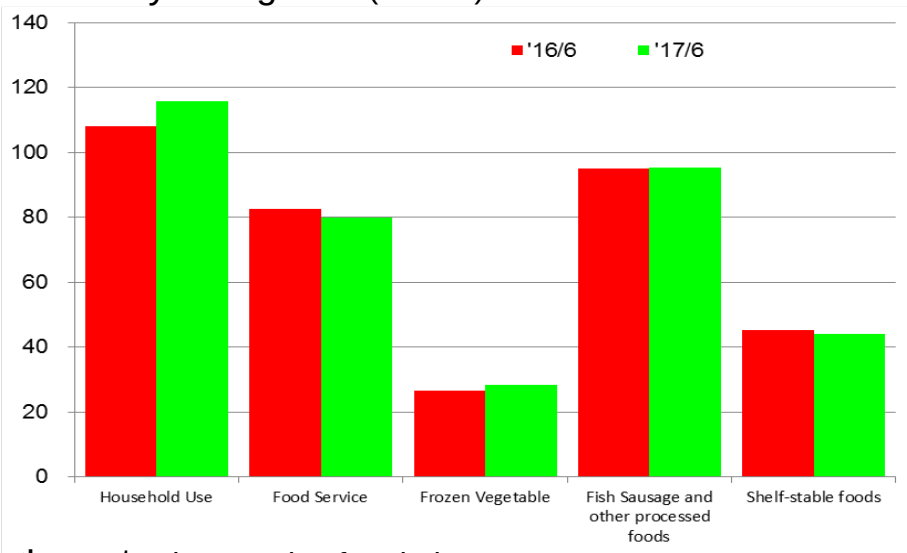
<Net Sales (Monthly)>

(Unit : 100 million yen)



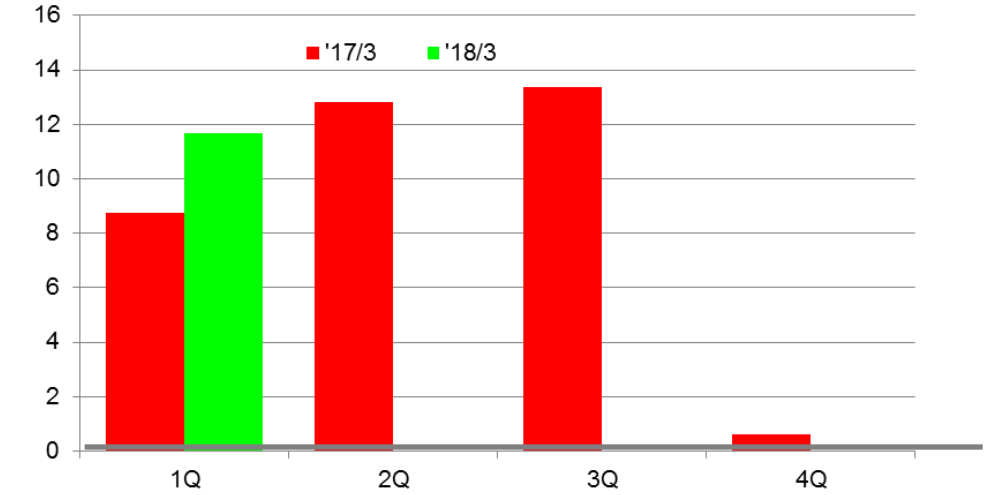
<Sales by Categories (Y-on-Y)>

(Unit : 100 million yen)



<Operating Profit (Quarterly)>

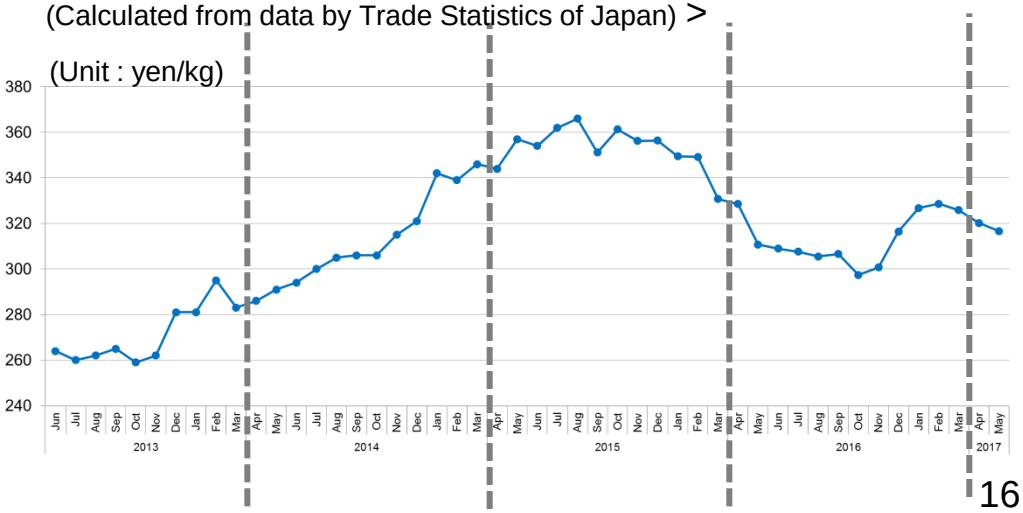
(Unit : 100 million yen)



<Import price trends of surimi

(Calculated from data by Trade Statistics of Japan) >

(Unit : yen/kg)

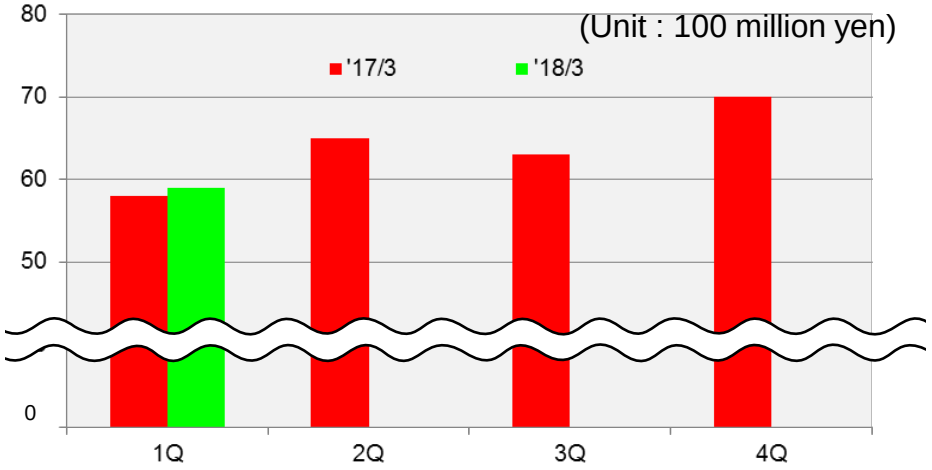


Fine Chemicals Business

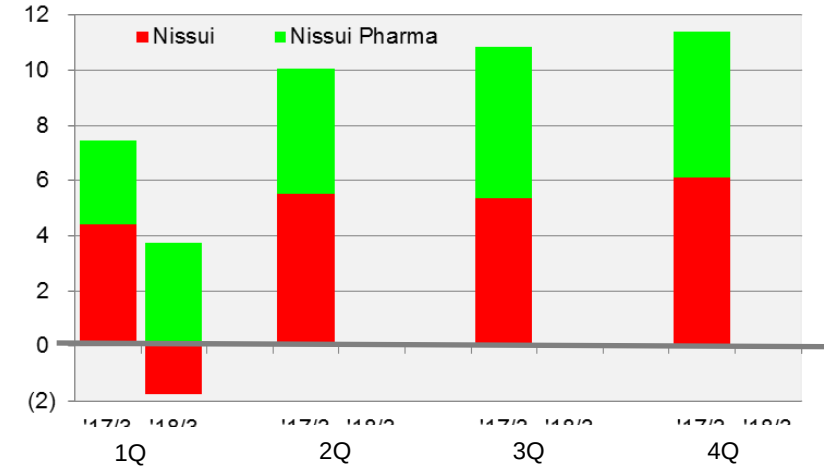
◆ In addition to depreciation for newly built plant, income decreased as promotion costs increased to boost on-line business

(Unit : 100 million yen)	Result of 1Q of FY2017	Result of 1Q of FY2016	Increase/Decrease (Amount)	Increase/Decrease (%)	Annual Plan for FY2017	Progress rate (%)
Net Sales	59	58	1	101.9	289	20.7
Operating Profit	2	7	(5)	27.0	22	9.1

Net Sales



Operating Profit



Main Causes of fluctuation

<Nissui Non-consolidated>

- Pharmaceutical raw material : Costs including depreciation for newly built Kashima plant increased.
- Functional food : Promotion cost increased to boost on-line business.

<Group Companies>

- Sales of diagnostic medicine went strong and production costs decreased.



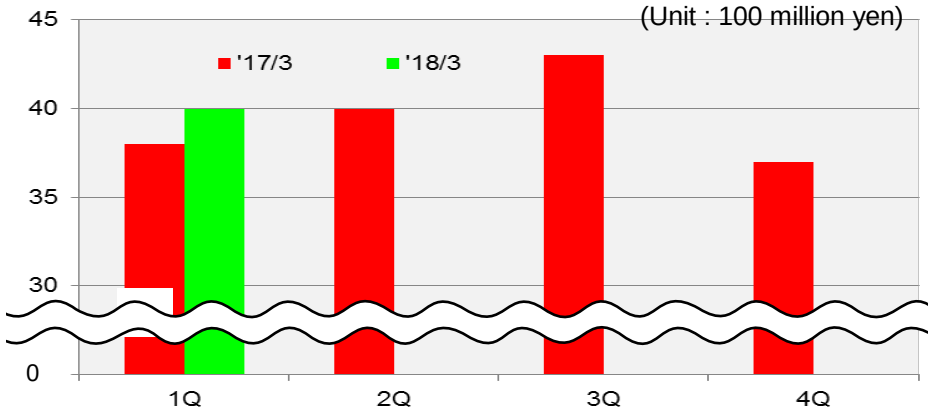
A famous baseball player expresses his actual feeling about effect of EPA.

Logistics

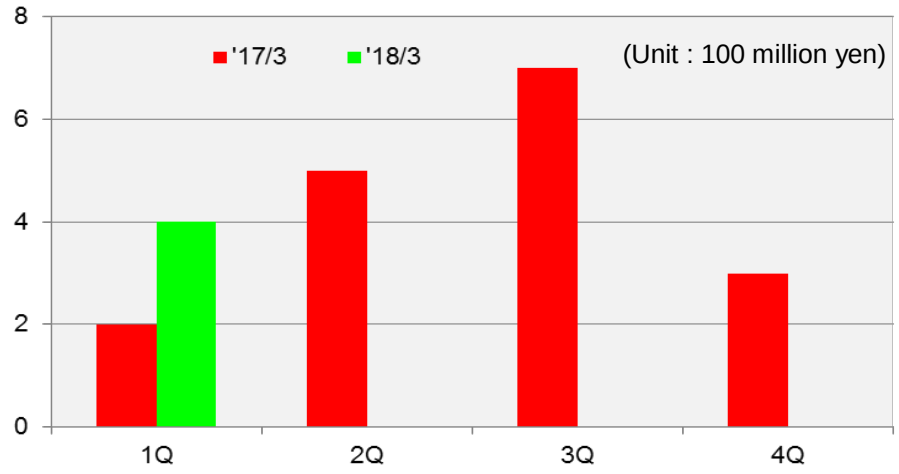
◆ Increase both in revenue and income due to sales increase by Oosaka-Maishima Logistic Center opened in previous year and the decrease of initial cost.

(Unit : 100 million yen)	Result of 1Q of FY2017	Result of 1Q of FY2016	Increase/Decrease (Amount)	Increase/Decrease (%)	Annual Plan for FY2017	Progress rate (%)
Net Sales	40	38	1	104.9	162	24.8
Operating Profit	4	2	2	198.4	19	25.0

Net Sales



Operating Profit



Main Causes of fluctuation

- In addition to the revenue growth by Oosaka-Maishima Logistic Center, warehousing volume at existing cold storage increased.

Nissui Logistics corporation's Oosaka-Maishima Logistics Center
(Plant capacity : Approx. 25,400 ton)
Completion of construction in March 2016 and start running in April 2016



Initiatives after 2nd Quarter – Marine Products (Processing)

Domestic (Non-consolidated)

- Active promotion will be prepared in order to cope with Anisakis problem which makes consumers keep away from eating raw.
- Intensifying inventory control in order to avoid market price fluctuation risk.
- Promote value-added new product innovation such s boneless fish.









North America

- Further downsizing in order to cut labor cost (20% of the total labor)
- Aiming at productivity improvement by fundamental reform of production and manpower saving measures including renewal of Cod production line





Initiatives after 2nd Quarter – Marine Products (Aquaculture)

South American Salmon/Trout Aquaculture Business

- Measures against fish disease occurred in 1Q of FY2017
- Promotion and prompt sales of value-added products in preparation to market price drop



FIVE STAR Salmones Antártica S.A.

Domestic Shrimp Aquaculture Business

- 80 MT production plan for commercialization
- Establishing “Shirahime” brand promoting made-in-Japan and maximum freshness





Domestic Great Amberjack Aquaculture Business

- Start business on July 1, 2017in Kagoshima as a major aquaculture specie next to yellow tail and bluefin tuna. Sales of 600 million yen in this year.



Domestic Bluefin Tuna Aquaculture Business

- Promoting value-added products to increase sales volume and stabilize income structure.
- Planning to deliver first Bluefin Tuna of complete farming cycle from this winter.







Initiatives after 2nd Quarter – Food Products (Domestic)

Domestic

New products in Autumn/Winter season have an concept of “adapting well to changes and creating tasty value” and pursue easy-to-cook and convenience.

■ “Backup family and dining”

Women’s participation in society and easy-to-cook food, Promoting dining with family





■ “Snack at home”

Drinking at home becomes more popular to save money







■ “Consumption with peculiar tastes”

Dealing with consumers with peculiar tastes other than price





■ “Get healthy by diet

Dealing with requests of getting healthy by various generations including senior.





Expanding products line with new function “Cognitive function”

New products line in Autumn/Winter in 2017 as Food with function claim



Cognitive function
2 soups
3 frozen prepared foods









Neutral fat
2 soups





EPA +DHA 900mg 海から、健康 エパ EPAlife

Nissui’s efforts toward the future:

Enhance customer appeal for products by using the versatility of EPA (eicosapentaenoic acid)

Initiatives after 2nd Quarter – Food Products (Overseas)

Frozen Food Business in North America

Frozen Food for Retail
- Increasing number of items delivered, to existing customers, including new innovations and developing PB
- Continuing cost cutting by productivity improvement

Frozen Food for Food Service
- Procurement closely monitoring on raw material price fluctuation
- Increasing sales through new products development collaborating with new customers












Food Products Business in Europe

Entering UK market from April 1, 2017
- Supplying mainly to UK retail Waitrose with 350 outlets. Promoting activities utilizing nissui's global network.

Strengthening Production in France
- Expanding sales volume and products category by building new plant and adding production scale by M&A


Caistor SEAFOODS



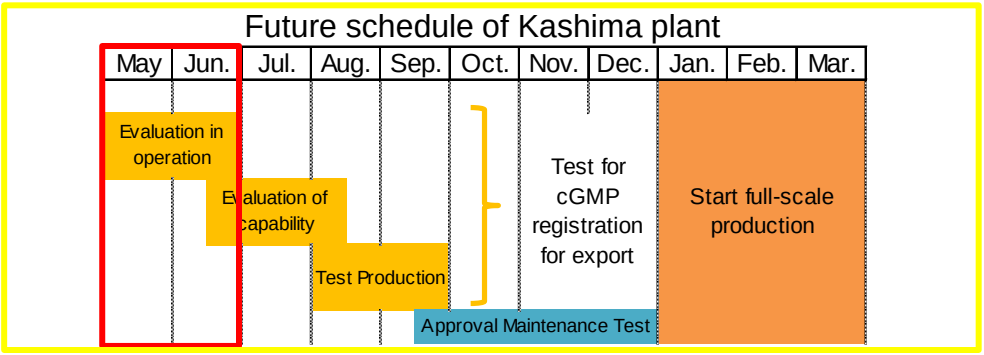




Initiatives after 2nd Quarter – Fine Chemical

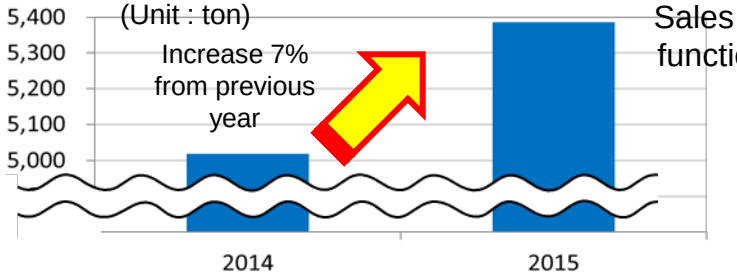
Pharmaceutical Material

- Preparing for global development through smooth test operation at Kashima plant
- Depreciation cost in 2017 : Approx.: 1 billion yen



Functional Material

- Developing domestic Market where demand increases for healthy foods and overseas market where infant formula is a main category.



Sales volume of EPA/DHA functional material market in Japan

Source : GOED

Food with function claim

- Increasing promotion expenses to boost on-line sales including I-MAKR S to obtain trial buyers and to make them regular customers.
- Promotion Expenses in 2017 : Approx. : 2.4 billion yen







Disclaimer regarding forward-looking statements

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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.

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August 4, 2017
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