Supplemental Documents for 2nd Quarter of FY2019

November 5, 2019
Nippon Suisan Kaisha, Ltd.

Overview of the 2nd Quarter of FY2019

Revenue decreased due to the change of business transaction of Chilled Business while income were secured in every step and net income increased by 13%, and showed favorable outlook for the achievement of annual plan.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease (Y-on-Y)	(%)	Plan for FY2019	Progress rate (%)
Net Sales	3,504	**3,454**	(50)	98.6	7,100	48.6
Operating Profit	105	**110**	5	104.9	240	46.2
Ordinary Profit	119	**121**	1	101.6	265	45.8
Profit attributable to owners of parent	69	**78**	9	113.1	175	44.7

(Note)
We have changed the ways of price setting method to offset center fee (selling cost) by net sales since February 2019.
Net sales in FY2018 contains approx. 5 billion yen of center fee.

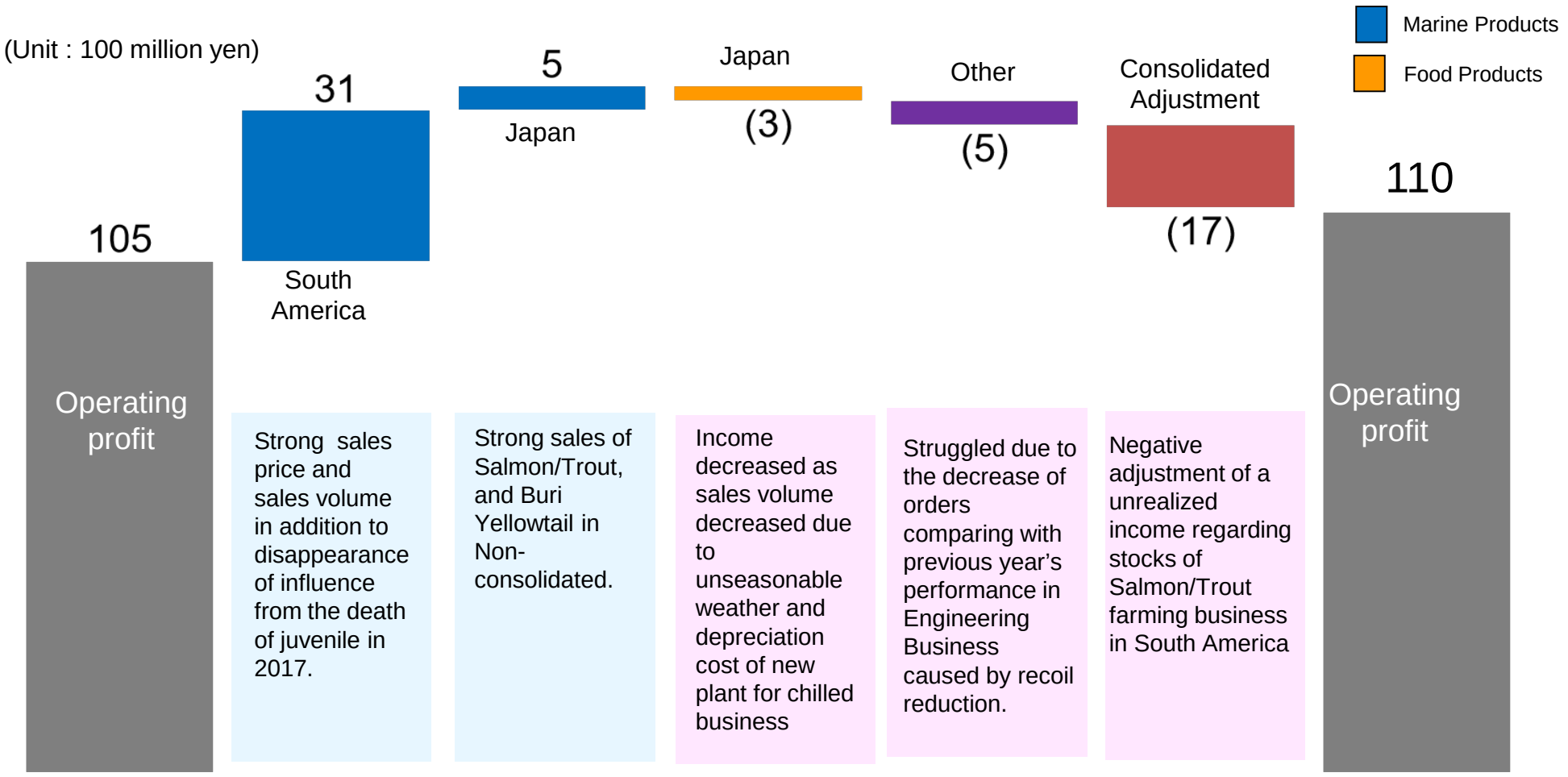
Overview of the 2nd Quarter of FY2019 by Segments

Revenue decreased in Engineering Business in “other segment” due to the reduction of order. Revenue increased by approx. 7 billion yen in Food Products Business except the effect of business transaction change of Chilled Business by approx. 5 billion yen.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease (Amount)	Increase/Decrease (%)
Net Sales	3,504	3,454	(50)	98.6
Marine Products	1,421	1,413	(7)	99.5
Food Products	1,706	1,728	22	101.3
Fine Chemicals	128	137	8	106.6
General Logistics	83	83	0	100.3
Others	165	90	(74)	54.8
Operating Profit	105	110	5	104.9
Marine Products	37	54	16	143.0
Food Products	72	68	(3)	95.1
Fine Chemicals	11	11	0	101.9
General Logistics	9	8	(1)	87.2
Others	6	0	(5)	15.7
Common Costs	(31)	(32)	(1)	104.4
Ordinary Profit	119	121	1	101.6
Profit attributable to owners of parent	69	78	9	113.1

Main Causes of Fluctuations

Operating income increased by 500 million yen (5%) thanks to the recovery of Salmon/Trout farming business in South America as the influence from the death of juvenile disappear but negative effect of unseasonable weather in Chilled Business and Engineering Business.



Consolidated Balance Sheet (Y-on-Y)

Increase in short-time borrowing as inventory increase for year-end shopping season.

The Italic and bold figures means increase/decrease, compared to 4Q of FY2018.

(Unit : 100 million yen)

Current Asset 2,539 ***63***

Cash and deposit	95	***6***
Notes and receivable	848	***(39)***
Inventory	1,417	***130***

Non-current Asset 2,369 ***66***

Plant, property and equipment	1,425	***50***
Intangible asset	108	***0***
Investment and other asset	835	***15***

Total Assets 4,909 ***129***

Current Liability 2,207 ***180***

Notes and payable	434	***59***
Short-term borrowing	1,349	***308***
Others	115	***(24)***

Non-current Liability 1,008 ***(81)***

Long-term borrowing	787	***(82)***

Net Assets 1,692 ***31***

Shareholder's Equity	1,499	***35***

Equity Ratio

As of March 2019 30.6%

⇒As of September 2019 30.5%

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

Increase in Working Capital and decrease in Operating Cash Flow

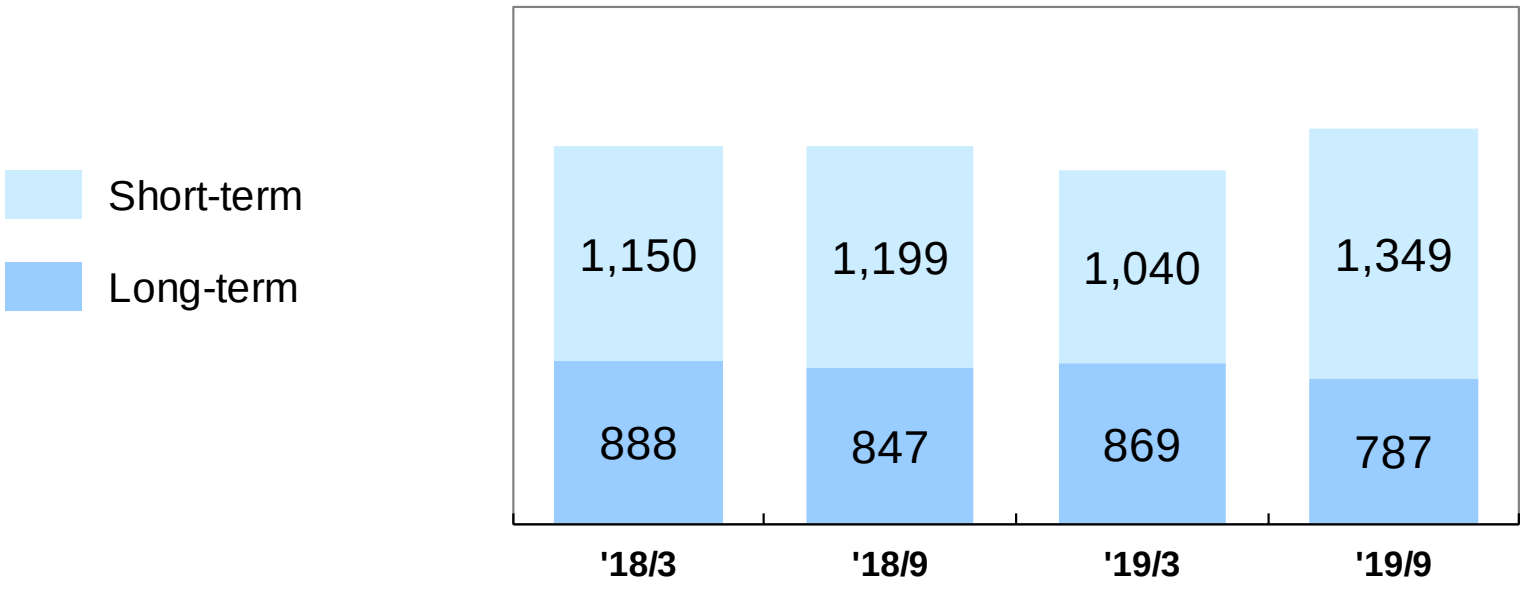
(Unit : 100 million yen)

	2Q of FY2018	2Q of FY2019	Y-on-Y
・Profit before income taxes	120	119	(1)
・Depreciation & Amortization	88	93	4
・Working Capital	(81)	(199)	(117)
・Income taxes paid	(44)	(31)	13
・Others	(40)	(48)	(7)
Net cash provided by operating activities	42	(67)	(109)
・Investment (Purchase of) property, plant and equipment	(91)	(137)	(46)
・Others	43	0	(43)
Net cash provided by investing activities	(47)	(136)	(89)
・Increase (Decrease) in short-term borrowings	59	296	237
・Increase (Decrease) in long-term borrowings	(40)	(66)	(26)
・Others	(20)	(22)	(2)
Net cash provided by financial activities	(1)	207	208
Cash and cash equivalent at end of term	235	165	

Transition of Consolidated Loan Payable

Increased by 8.9 billion yen year-on-year

(Unit : 100 million yen)



Comparison with 2Q of FY2018

149

(60)

	2018/3	2018/9	2019/3	2019/9	Y-on-Y
Total Debt	**2,038**	**2,047**	**1,910**	**2,137**	**89**
Short-term	**1,150**	**1,199**	**1,040**	**1,349**	**149**
Long-term	**888**	**847**	**869**	**787**	**(60)**

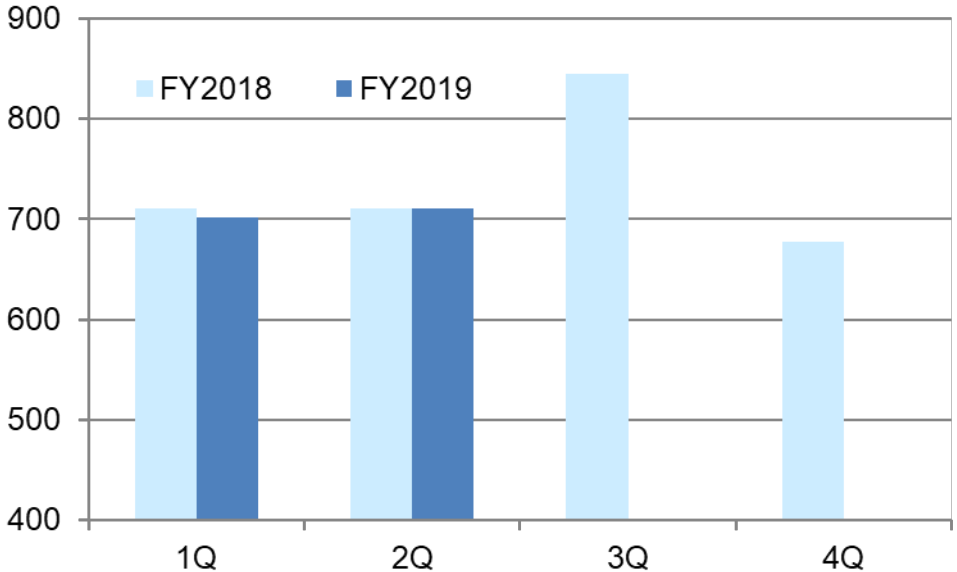
Marine Products Business

Income increased thanks to the recovery of Salmon/Trout business in South America which produce positive effects to domestic sales while revenue decreased in Europe.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease	
			(Amount)	(%)
Net Sales	1,421	1,413	(7)	99.5
Operating Profit	37	54	16	143.0

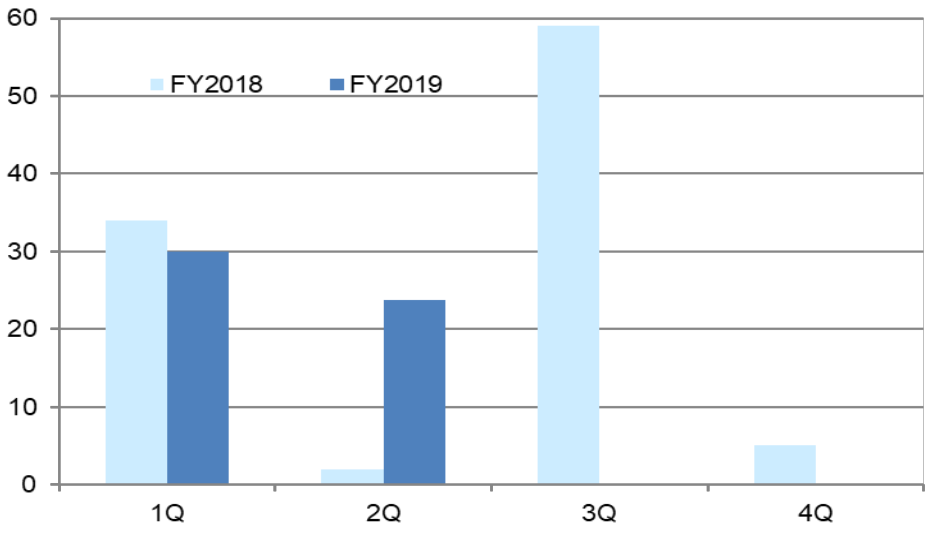
Net Sales (Quarterly)

(Unit : 100 million yen)



Operating Profit (Quarterly)

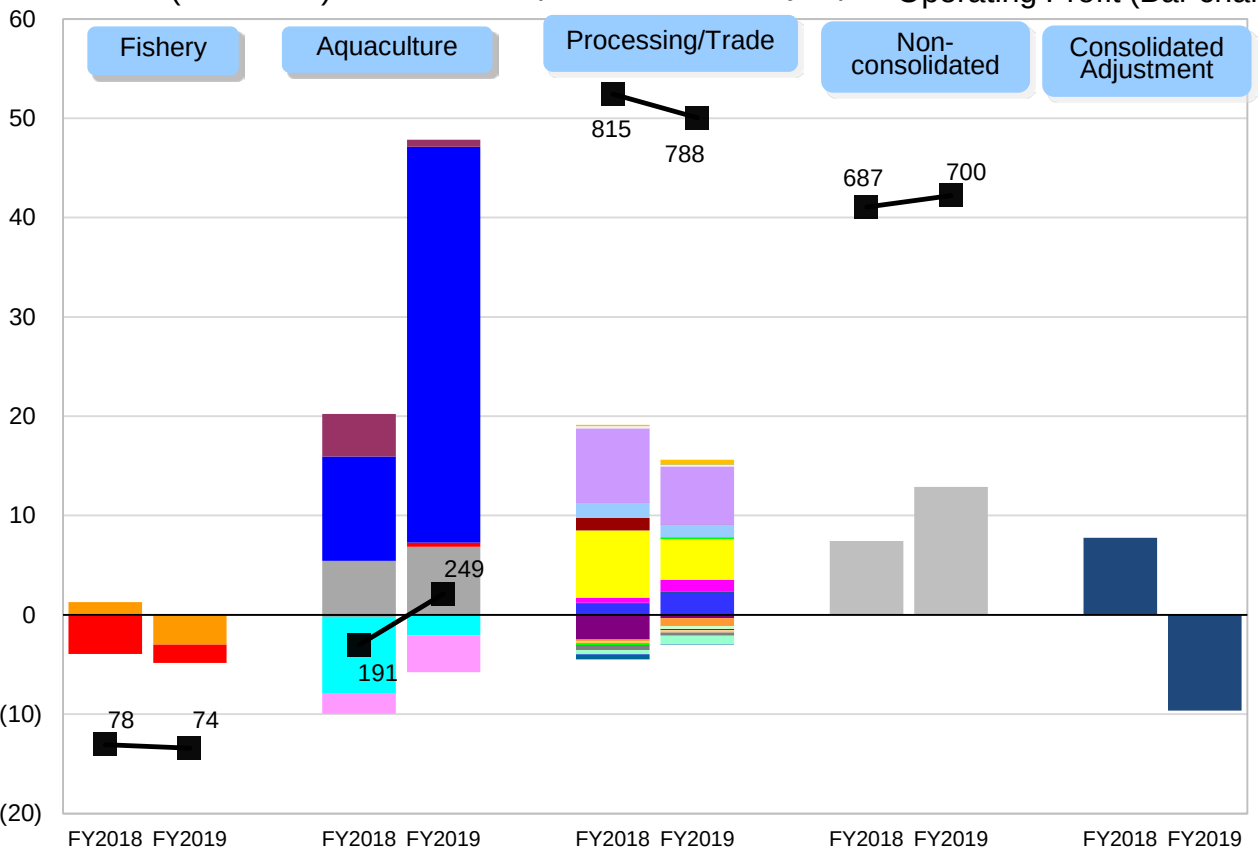
(Unit : 100 million yen)



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

Salmon/Trout business in South America and domestic Buri farming business went well while Tuna and Salmon/Trout business in Japan was recovering. Income increased in Non-consolidated as handling volume were increased in Salmon/Trout and Buri yellow tail.

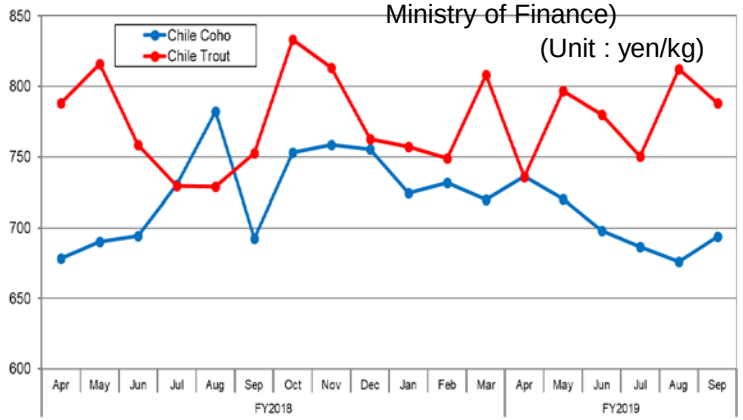
Net Sales (Line chart) (Unit : 100 million yen) Operating Profit (Bar chart)



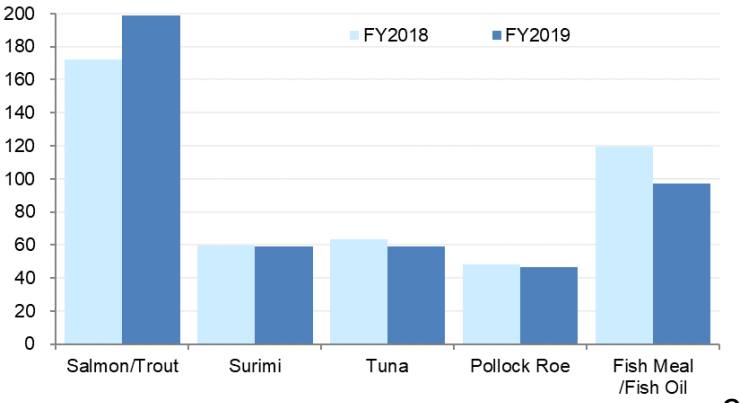
Operating Profit Total

(2) (4) 10 42 15 13 7 12

<Domestic market condition of marine products (salmon/trout)>
(Calculated based on Trade Statistics of Japan, Ministry of Finance)
(Unit : yen/kg)



<Sales by Main Species of Non-consolidated(Y-on-Y)>
(Unit : 100 million yen)

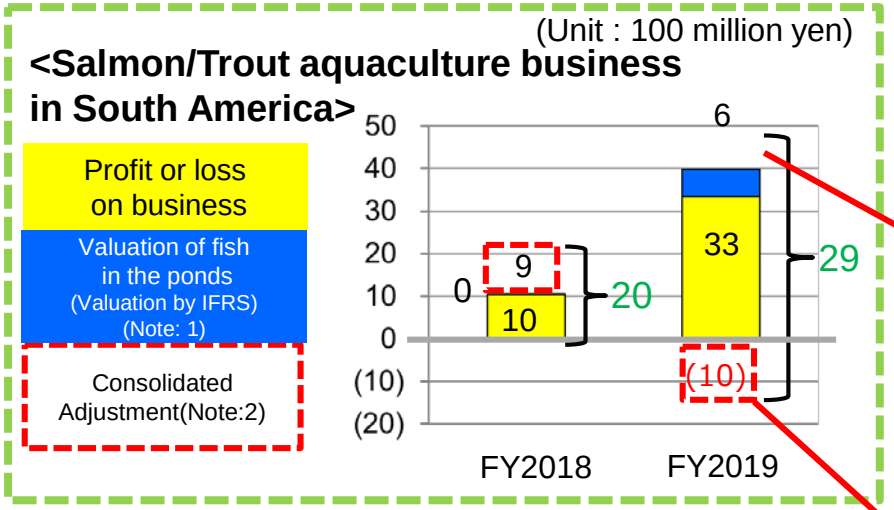


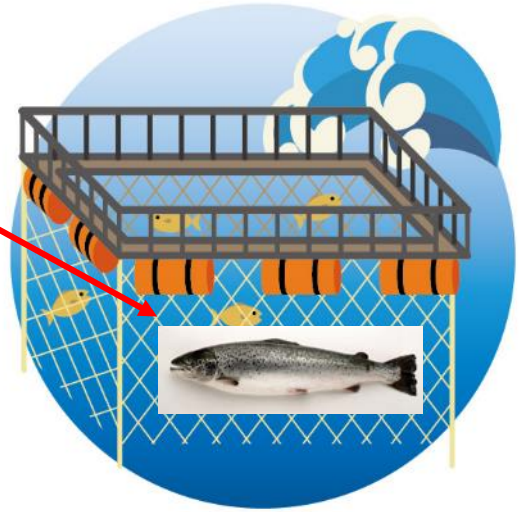
- The Italic figures in the lower part of this chart show the accumulation of the bar (Operating Profit)
- Consolidated Adjustment of Net Sales includes the amortization of goodwill and unrealized income in inventory.

Ref.) Salmon/Trout Farming in South America
Evaluation of fish in the pond & Unrealized profit

(Unit : 100 million yen)

<Salmon/Trout aquaculture business in South America>





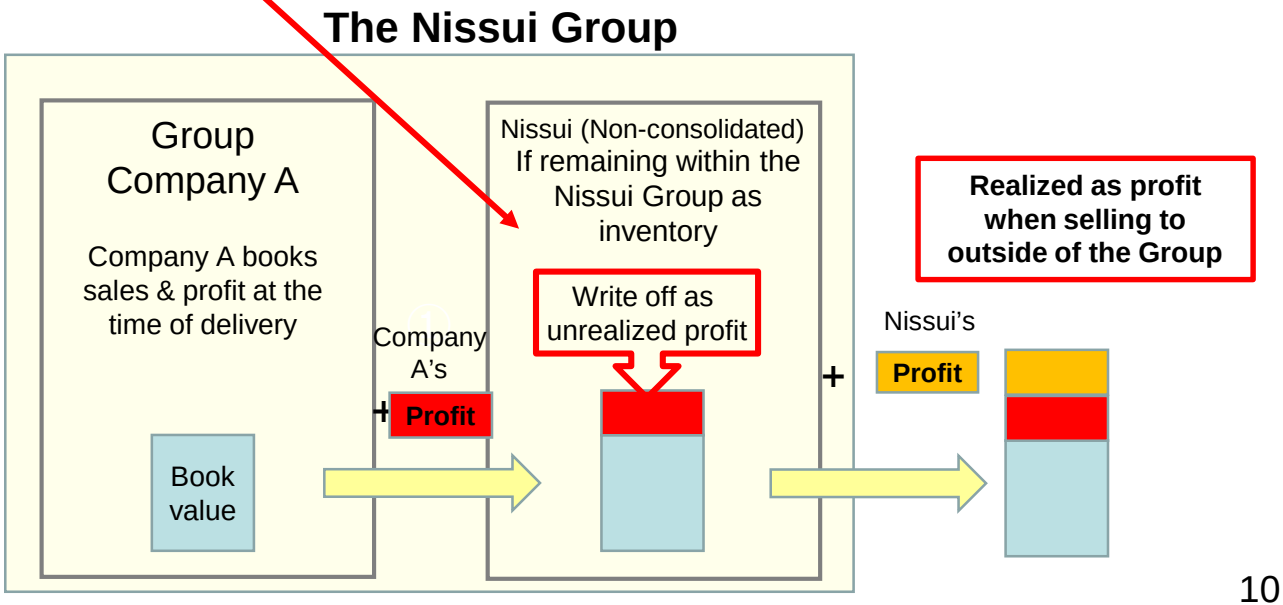
(Note1)
Evaluation of Fish in the pond

Based on IFRS, **evaluate the fish of a certain weight in farming cages with expected sales price**

(Note2) Adjustment of unrealized profit

Closing Adjustment of the profit included in the inventory of the Nissui Group





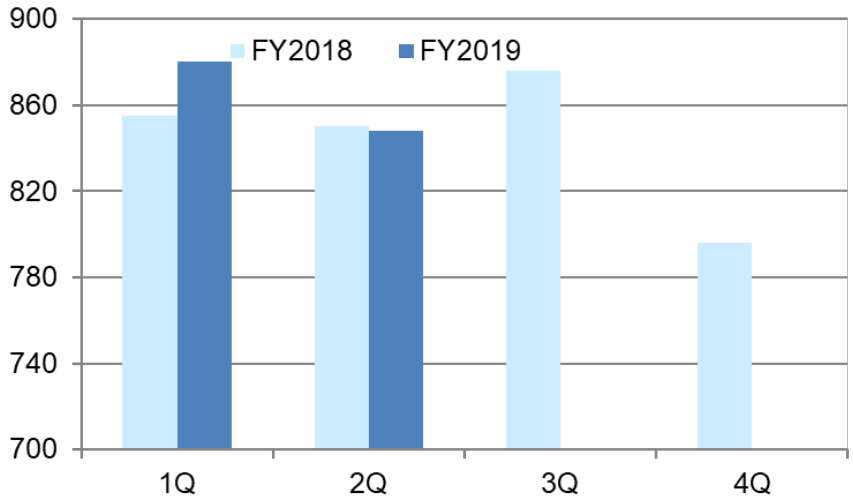
Food Products Business

Sales was strong except Chilled Business but income decreased a little.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease	
			(Amount)	(%)
Net Sales	1,706	1,728	22	101.3
Operating Profit	72	68	(3)	95.1

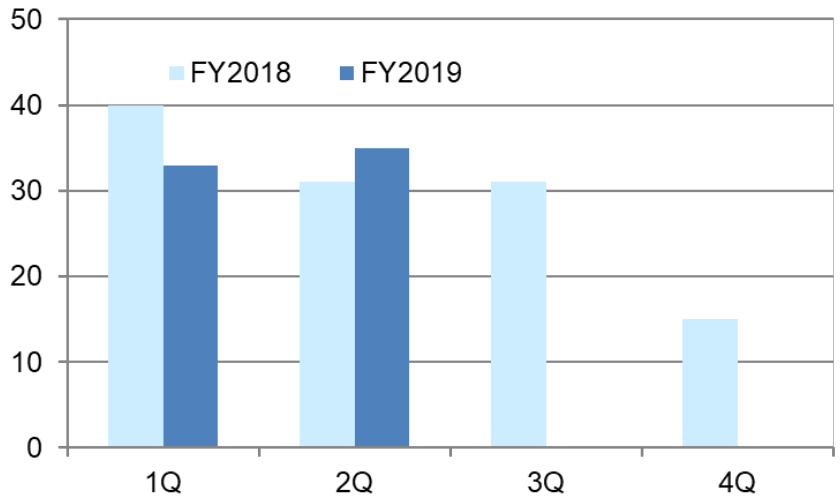
Net Sales (Quarterly)

(Unit : 100 million yen)



Operating Profit (Quarterly)

(Unit : 100 million yen)



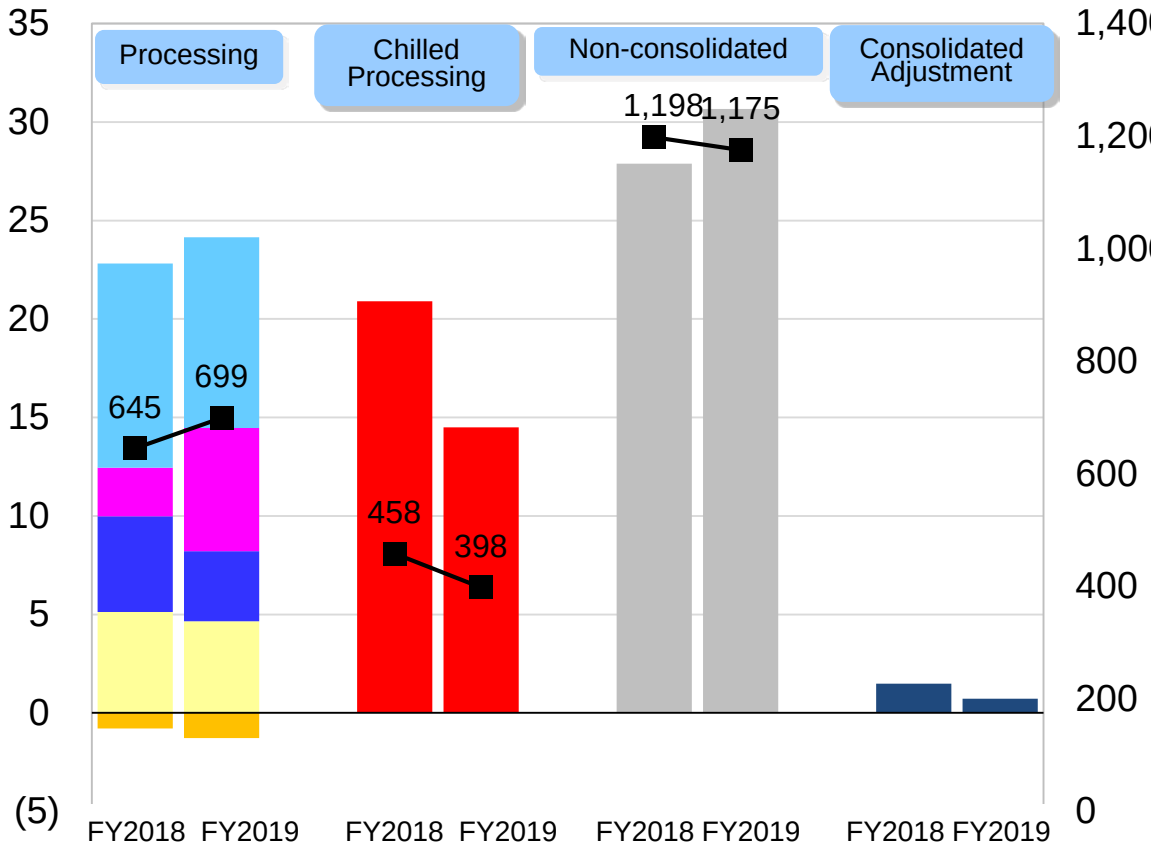
Food Products Business
Net Sales & Operating Profit (Y-on-Y)

Income decreased in Chilled Business due to unseasonable weather and depreciation for newly built plant. Business was strong in Frozen Food for Food Service Business in North America and Japan.

Net Sales (Line chart)

(Unit : 100 million yen)

Operating Profit (Bar chart)



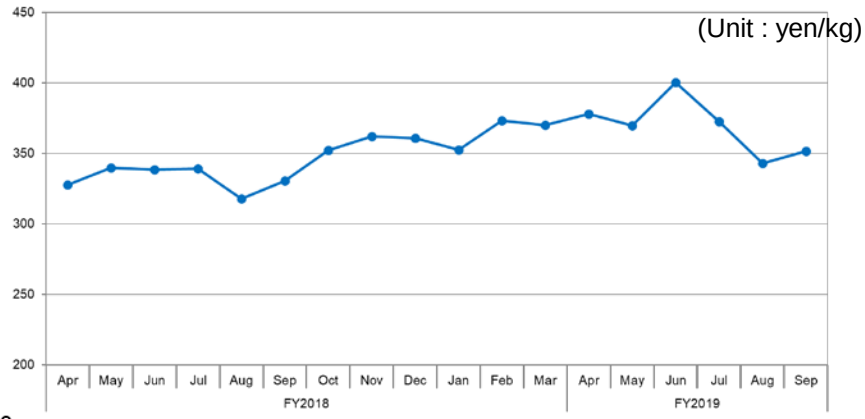
Operating Profit Total

22 *22* *20* *14* *27* *30*

➢ The Italic figures in the lower part of this chart show the accumulation of the bar (Operating Profit).

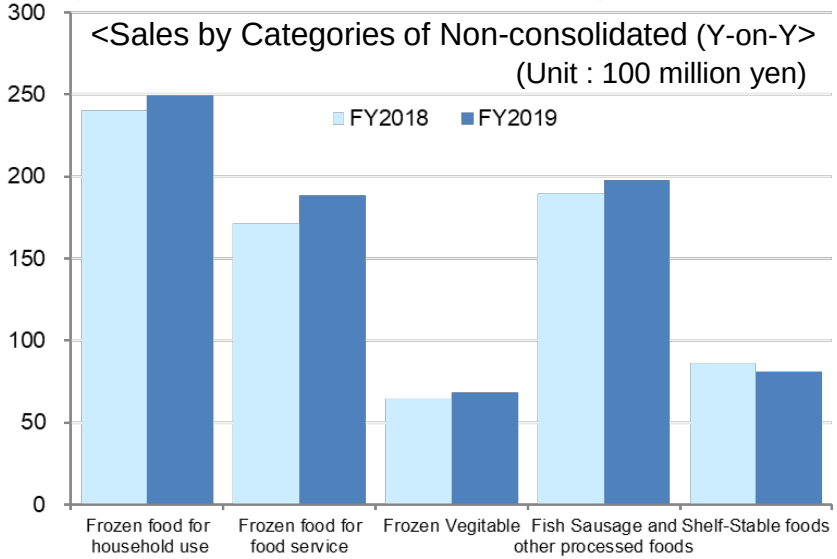
<Transition of Import price of frozen surimi>

(Calculated based on Trade Statistics of Japan, Ministry of Finance)



<Sales by Categories of Non-consolidated (Y-on-Y>

(Unit : 100 million yen)



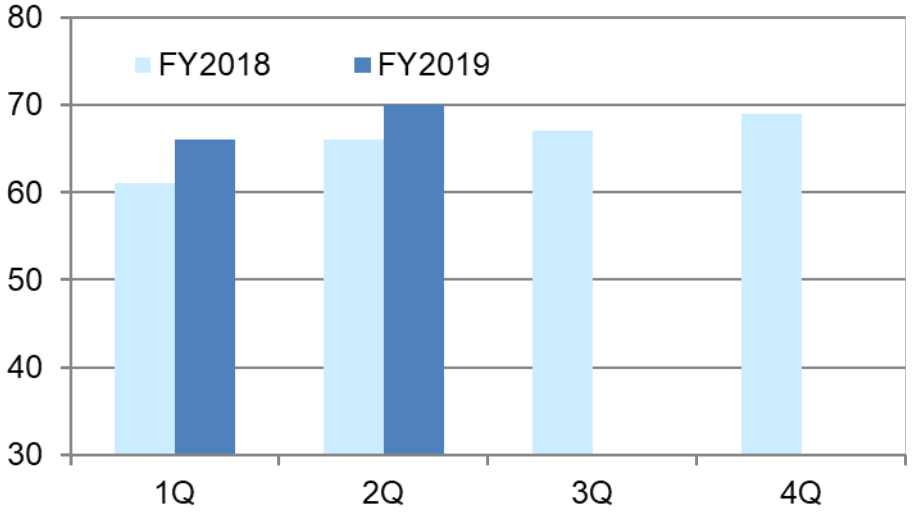
Fine Chemicals Business

Sales of functional materials went well in both domestic and overseas market, but some group companies decreased in income. Remain unchanged in total.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease	
			(Amount)	(%)
Net Sales	128	137	8	106.6
Operating Profit	11	11	0	101.9

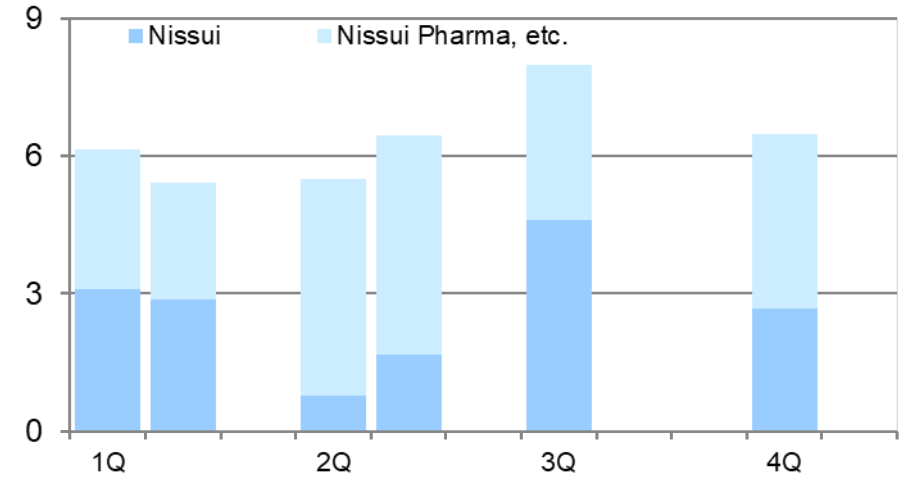
Net Sales (Quarterly)

(Unit : 100 million yen)



Operating Profit (Quarterly)

(Unit : 100 million yen)



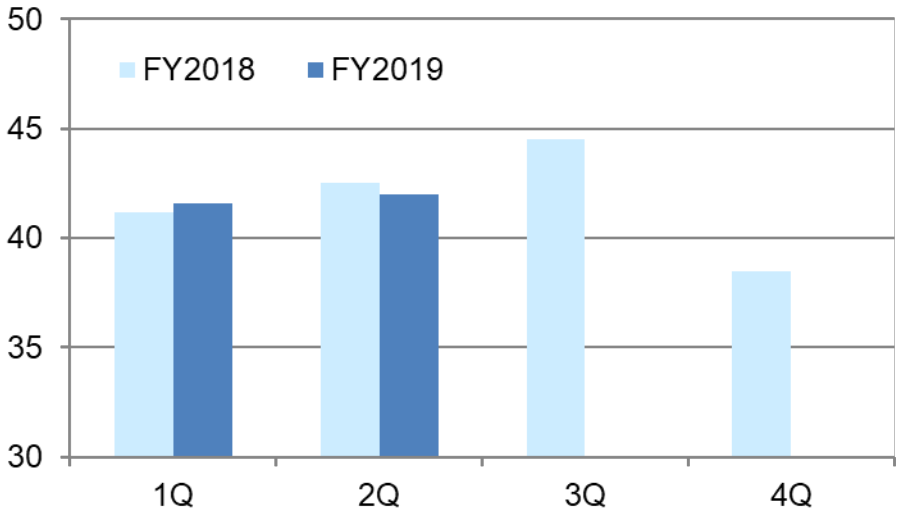
General Distributions

Cold storage business went well but couldn't cover the increasing cost of retirement benefit expenses.

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease	
			(Amount)	(%)
Net Sales	83	83	0	100.3
Operating Profit	9	8	(1)	87.2

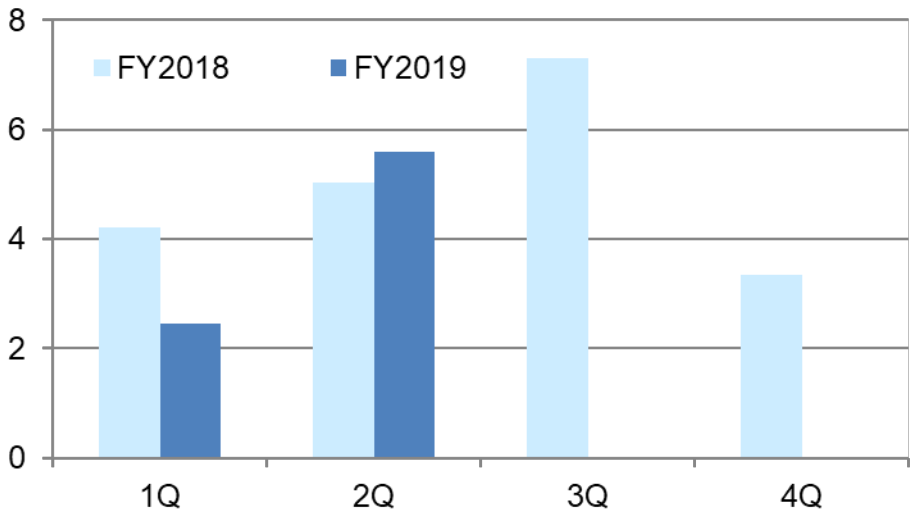
Net Sales (Quarterly)

(Unit : 100 million yen)



Operating Profit (Quarterly)

(Unit : 100 million yen)



Other Businesses

Both revenue and income decreased due to recoil reduction of orders in Engineering Business

(Unit : 100 million yen)	2Q of FY2018	2Q of FY2019	Increase/Decrease	
			(Amount)	(%)
Net Sales	165	90	(74)	54.8
Operating Profit	6	0	(5)	15.7

Major causes of fluctuation

Engineering business, mainly operated with group companies, had received large scale orders for cold storage construction other than group companies in previous year. Both revenue and income decreased due to recoil reduction year-on year.

Other Businesses

<Engineering Business>

- Planning, design and production of plants and equipment
- Planning, design and construction of building



< Oosaka Maishima Logistics Center, Nissui Logistics>

【Marine-related Business】

- Contracting operation & management of marine and deep sea research vessels
- Construction & maintenance



Manned deep sea research submarine Shinkai 6500（owned by JAMSTEC）

Forecast for FY2019

No change in income forecast despite unclear situation including US-China trade war, Brexit, domestic consumption tax increase and unseasonable weather, but change in revenue forecast due to foreign exchange effect.

(Unit : 100 million yen)	FY2018	Revised plan for FY2019	Increase/Decrease (Y-on-Y)		Original Plan for FY2019	Increase/Decrease to Original Plan	
				(%)		(Amount)	(%)
Net Sales	7,121	7,000	(121)	98.3	7,100	(100)	98.6
Operating Profit	216	240	23	110.7	240	0	100.0
Ordinary Profit	253	265	11	104.5	265	0	100.0
Profit attributable to owners of parent	153	175	21	113.8	175	0	100.0

Forecast for FY2020

Revised sales forecast considering the negative impact of foreign currency exchange and sales trends in North America and Europe.

(Unit : 100 million yen)	FY2018	Revised plan for FY2019	Increase/Decrease (Amount)	Increase/Decrease (%)	Original Plan for FY2019	Increase/Decrease (Amount)	Increase/Decrease (%)
Net Sales	7,121	7,000	(121)	98.3	7,100	(100)	98.6
Marine Products	2,944	2,975	30	101.0	3,022	(47)	98.4
Food Products	3,378	3,366	(12)	99.6	3,414	(48)	98.6
Fine Chemicals	265	281	15	106.0	281	0	100.0
General Logistics	166	171	4	102.6	173	(2)	98.8
Others	366	207	(159)	56.5	210	(3)	98.6
Operating Profit	216	240	23	110.7	240	0	100.0
Marine Products	102	134	31	130.3	134	0	100.0
Food Products	119	125	5	104.9	129	(4)	96.9
Fine Chemicals	26	27	0	103.4	27	0	100.0
General Logistics	19	18	(1)	90.5	20	(2)	90.0
Others	11	5	(6)	43.3	5	0	100.0
Common Costs	(62)	(69)	(6)	110.0	(75)	6	92.0
Ordinary Profit	253	265	11	104.5	265	0	100.0
Profit attributable to owners of parent	153	175	21	113.8	175	0	100.0

From the first quarter of the consolidated fiscal year, part of the consolidated subsidiary's segmentation was separated into the Food Products Business and the Marine Products Business which used to be divided into the Food Business only along with the review of organization change. The above figure was created by revised segmentation retroactively.

Initiatives for 2nd Half : Marine Products Business

(Unit : 100 million yen)	Result of 1H of FY2019	Plan for 2H of FY2019	Annual Plan for FY2019	FY2018
Net Sales	1,413	1,561	**2,975**	2,944
Operating Profit	54	79	**134**	102

<Strengthen Europe area>
UK：Integrate seafood processing business & strengthen supply chain

flatfish Integrate processing





<Stabilize farming record & Expansion>
Domestic Coho：Accustoming juvenile
Buri Yellow tail： Expand breed center for year round operation
Aiming to establish technology for larger size cage
Mackerel：Commercializing test for on-shore circulation farming

【Increase certified operation/species】
Farming・Sales：Expand certified species for sustainable farming

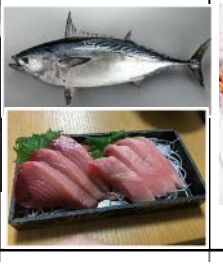
Big scale off-shore farming



Trial for big farming cage
10mX10m ⇒ 30mX30m



Expand Farming Business and Marine Eco Label Certification

Country	Chile	Japan							Australia
	Salmon /Trout	Yellowtail	Tuna	Coho Salmon	Mackerel	Shrimp (Vanamei)	Amberjack	Black skipjack	Black Tiger
									
1988	Operation start								
2004									
2005									
2006									
2013									
2014									
2015									
2016						Succeed in experiment			
2017									
2018					Start on-shore	Business trial		Pilot production	
2019									
2020							Expanding species		

Aim to increase value-added products through the thorough consideration for sustainable use of marine resources, environment and society



Start delivery from October, 2019

Initiatives for 2nd Half : Food Products Business

(Unit : 100 million yen)	Result of 1H of FY2019	Plan for 2H of FY2019	Annual Plan for FY2019	FY2018
Net Sales	1,728	1,637	**3,366**	3,378
Operating Profit	68	56	**125**	119

<Cope with changing life-style>

Enhance Home Meal Replacement market：

Launch ready-meal which reduce cooking effort globally.

Increase ready-to-eat, easy-to-cook, health-oriented products.

<Improve profitability by increasing productivity>

North America ： Introduce automated production line

Europe：Efficient production system, mark-up

Asia：Reinforce operation for Quick Service Restaurant, Convenience Store by building processing plant

Ready-to-eat, Easy-to-cook products in Japan and overseas







Vegetal Pate
（Meat substitute）



Increase productivity by automation and labor saving
(Completion of construction in 2020)



Complete construction in January 2020

Initiatives for 2nd Half : Fine Chemicals Business

(Unit : 100 million yen)	Result of 1H of FY2019	Plan for 2H of FY2019	Annual Plan for FY2019	FY2018
Net Sales	137	143	**281**	265
Operating Profit	11	15	**27**	26

<Preparation for overseas expansion of highly-purified EPA>

Sales

Continuing negotiation with sales destination



Production System

Progress “cGMP(Note1)” Certification

Quality Certification

DMF(Note2) by US FDA (Registration has bee finished)

<Increase profitability of Functional Raw Material>

Increase accessibility of materials, Shift to profitable items

Complete application of DMF at 2 plants !





(Note1)cGMP
Requirements for proper manufacturing of pharmaceutical or drug products, which are applied in the U.S.

(Note2) DMF
Registry of pharmaceutical or drug products by the U.S. FDA (Food and Drug Administration)

“Preserve bountiful sea and promote sustainable use of marine resources”

Marine Environment・Plastic Working Group Launched

- ✓ **Promote zero-emission for plastic at marine environment**
- ✓ **Promote 3R+R activities for plastic materials**

・Work on understanding current situation within the Group
start discussing “Policy” and “Desired image”

・Participate in SeaBOS(※) and tackle issues for sustainable fishery business including marine plastic problem aggressively



SeaBOS members （September, 2019）

※SeaBOS ： Abbreviation of Seafood Business for Ocean Stewardship（Initiatives aim for sustainable fishery business）
Comprised of major global seafood companies of Japan, Norway, Thailand. the US and Korea
Theme：Governance, Marine Plastic, Traceability, Anti-Biotic, IUU Fishery, Climate change, and so on

We will champion the sustainable utilization of marine resources and the preservation of the earth environment, continue to create diverse value from marine resources and try to solve social issues through the business activities.

- Expand sustainable and stable farming business
  - ・Stabilize and expand farming record by increasing facility of breed, size-up of farming cage
  - ・Development of Land-based circulating farming
  - ・Adding value by boosting number of certified species



- Cope with changing lifestyle
  - ・Launch ready-to-eat, easy-to-cook & health-oriented products globally,
    More focus on ready-to-eat meal

- Overseas development of highly-purified EPA



Ref.) Consolidated Income Statement (Y-on-Y)

There aren't any big extraordinary profit or loss during the 2Q in FY2019.

	2Q of FY2018	2Q of FY2019	Y-on-Y	Main Causes of fluctuations
Net Sales	3,504	3,454	(50)	Changing transaction form in chilled business ***(50)***
Gross Profit	**695**	**665**	**(30)**	
SGA Expenses	590	554	(35)	* No effect on operating profit
Operating Profit	**105**	**110**	**5**	
Non-operating income	23	20	(3)	Foreign exchange gain ***(4)***
Non-operating expenses	9	9	0	
Ordinary Profit	**119**	**121**	**1**	
Extraordinary income	4	2	(1)	Gain on sales of non-current asset ***(1)***
Extraordinary losses	2	4	1	Loss on valuation on investment securities ***1***
Profit before income taxes	**120**	**119**	**(1)**	
Income taxes - current	36	35	(0)	
Income taxes - deferred	11	2	(9)	
Profit	**72**	**80**	**7**	
Profit attributable to non-controlling interest	3	2	(1)	
Profit attributable to owners of parent	**69**	**78**	**9**	

Ref.) Impact on net sales by foreign exchange

Negative impact increase due to strong yen and weak EUR and DKK

Exchange rate among overseas subsidiaries	2Q of FY2018		2Q of FY2019		Increase/Decrease (Y-on-Y)		Breakdown (Unit : 100 million yen)	
	Local Currency	JPY (100 million yen)	Local Currency	JPY (100 million yen)	Local Currency	JPY (100 million yen)	Local Currency	Impact on foreign currency
USD(Million Dollar)	542	587	631	694	88	106	96	9
EUR(Million Euro)	132	173	147	182	14	8	18	(9)
DKK(Million Krone)	1,568	274	1,435	238	(132)	(36)	(22)	(13)
Other Currency	–	116	–	115	–	(1)	0	0
Total		1,152		1,230		78	92	(13)

<Ref. Foreign Exchange rate>

	2Q of FY2018	2Q of FY2019	Variation
USD	109.53 yen	109.67 yen	0.1%
EUR	129.01 yen	122.87 yen	(4.8%)
DKK	17.32 yen	16.46 yen	(5.0%)

Ref.) Consolidated cumulative 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	1,135	***6***	244	***21***	135	***49***	35	***(1)***	263	***(35)***	1,814	***41***	(400)	***(49)***	1,413	***(7)***
	1,128		222		85		37		298		1,772		(351)		1,421	
Food Products	1,753	***(73)***	314	***37***			35	***(0)***	199	***6***	2,302	***(30)***	(573)	***52***	1,728	***22***
	1,826		276				35		192		2,332		(625)		1,706	
Fine Chemicals	149	***9***					2	***(0)***			151	***9***	(14)	***(1)***	137	***8***
	139						2				141		(13)		128	
General Distribution	163	***7***									163	***7***	(79)	***(6)***	83	***0***
	156										156		(72)		83	
Others	120	***(86)***					0	***(0)***			120	***(86)***	(30)	***11***	90	***(74)***
	206						0				207		(42)		165	
Sub Total	3,321	***(136)***	559	***59***	135	***49***	73	***(2)***	462	***(28)***	4,552	***(57)***				
	3,457		499		85		76		491		4,610					
Consolidated Adjustment	(858)	***54***	(84)	***(10)***	(94)	***(41)***	(53)	***2***	(6)	***1***			(1,098)	***7***		
	(913)		(74)		(53)		(55)		(8)				(1,105)			
Grand Total	2,462	***(81)***	475	***49***	40	***7***	20	***0***	455	***(26)***					3,454	***(50)***
	2,544		425		32		20		482						3,504	

- The upper columns indicate the result of 2Q of FY2019 and the lower columns indicate that of FY2018. The Italic and bold figures mean increase/decrease.
- Consolidated adjustment include elimination between the group companies.
- From the first quarter of the consolidated fiscal year, part of the consolidated subsidiary's segmentation was separated into the Food Products Business and the Marine Products Business which used to be divided into the Food Business only along with the review of organization change. The above figure was created by revised segmentation retroactively.

Ref.) Consolidated cumulative operating profit 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		Ratio of Operating Profit to Net Sales	
Marine Products	14	***5***	6	***(1)***	37	***31***	0	***0***	5	***(2)***			63	***33***	(9)	***(17)***	54	***16***	*3.8*	**1.2**
	8		8		6		(0)		7				30		7		37		*2.7*	
Food Products	45	***(3)***	9	***2***			3	***(1)***	8	***(1)***			67	***(3)***	0	***(0)***	68	***(3)***	*4.0*	**(0.3)**
	49		7				4		9				71		1		72		*4.2*	
Fine Chemicals	11	***0***					0	***(0)***					11	***0***	0	***(0)***	11	***0***	*8.7*	**(0.4)**
	10						0						11		0		11		*9.1*	
General Distribution	7	***(1)***											7	***(1)***	0	***0***	8	***(1)***	*9.6*	**(1.5)**
	9												9		0		9		*11.1*	
Others	0	***(5)***					0	***(0)***					0	***(5)***	0	***0***	0	***(5)***	*1.1*	**(2.7)**
	6						0						6		(0)		6		*3.7*	
Common Costs											(33)	***(1)***	(33)	***(1)***	0	***0***	(32)	***(1)***		
											(31)		(31)		0		(31)			
Sub Total	79	***(4)***	16	***0***	37	***31***	4	***(0)***	13	***(3)***	(33)	***(1)***	118	***22***						
	84		15		6		5		16		(31)		96							
Consolidated Adjustment	1	***1***	1	***1***	(9)	***(19)***	0	***0***	(1)	***(1)***	0	***0***			(7)	***(17)***				
	0		(0)		9		(0)		(0)		(0)				9					
Grand Total	81	***(3)***	17	***2***	27	***12***	4	***(0)***	11	***(4)***	(33)	***(1)***					110	***5***	*3.2*	**0.2**
	84		15		15		4		16		(31)						105		*3.0*	

- The upper columns indicate the result of 1Q of FY2019 and the lower columns indicate that of FY2018. The Italic and bold figures mean increase/decrease.
- Consolidated adjustment include elimination between the group companies.
- From the first quarter of the consolidated fiscal year, part of the consolidated subsidiary's segmentation was separated into the Food Products Business and the Marine Products Business which used to be divided into the Food Business only along with the review of organization change. The above figure was created by revised segmentation retroactively.

Disclaimer regarding forward-looking statements

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