

## Summary of 1st Quarter Report for Fiscal Year 2018 (April 1, 2018 through June 30, 2018)

Qualification: This is directly translated into English for the convenience of readers, and all financial results conform with the accounting principles generally accepted in Japan.

Company: **Nippon Suisan Kaisha, Ltd.** Listed on Tokyo Stock Exchange with the register code 1332

<http://www.nissui.co.jp/english/index.html>

## 1. Consolidated Financial Data of 1st Quarter of FY2018

## (1) Consolidated Financial Results (For three months ended June 30)

(Amounts less than one million yen are omitted)

	Net sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>1st quarter of FY2018</b>	<b>174,700</b>	<b>7.2</b>	<b>7,481</b>	<b>11.0</b>	<b>8,219</b>	<b>17.5</b>	<b>5,234</b>	<b>1.4</b>
1st quarter of FY2017	162,918	-	6,740	-	6,993	-	5,164	-

(Note): Comprehensive income of 1st quarter of FY2018 3,972 Million yen ((-12.4%)) 1st quarter of FY2017 4,535 Million yen(-%)

	Earnings per share	Diluted income per share
	Yen	Yen
<b>1st quarter of FY2018</b>	<b>16.81</b>	-
1st quarter of FY2017	16.58	-

(Note): The year-on-year rate of increase is not stated as retroactive adjustment has been made due to changes in accounting policies.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
<b>1st quarter of FY2018</b>	<b>480,636</b>	<b>159,389</b>	<b>29.2</b>
FY2017	482,233	157,106	28.6

(Note): Total shareholders' equity As of June 30, 2018 140,214 Million yen As of March 31, 2018 137,714 Million yen

## 2. Dividend

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
	Yen	Yen	Yen	Yen	Yen
FY2017	-	4.00	-	4.00	8.00
FY2018	-				
FY2018 (forecast)		4.00	-	4.00	8.00

(Note) Revision to dividend forecast during the current quarter: None

## 3. Consolidated Forecast for FY2018(April 1, 2018 through March 31, 2019)

	Net sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	698,000	3.1	22,000	(5.3)	23,500	(4.4)	16,000	(7.2)	51.37

(Note) Revision during the current quarter to the consolidated forecast for FY2018: None

## \* Notes

- 1) Changes in scope of consolidation due to transfer of significant subsidiaries during the term: None
- 2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statement: None
- 3) Changes in accounting policy, Changes in accounting estimate, and restatement:
  - ① Changes in accounting policy associated with the revision of the accounting standard, etc.: None
  - ② Changes in accounting policy other than those stated above: Yes
  - ③ Changes in accounting estimate: None
  - ④ Restatement: None

## 4) Number of issued shares (Common stock)

- ① Number of issued shares at the end of the term (Including treasury stock)
- ② Number of treasury stock at the end of the term
- ③ Average number of shares during the term (For the current consolidated first quarter)

1Q of FY2018	312,430,277	FY2017	312,430,277
1Q of FY2018	949,434	FY2017	948,795
1Q of FY2018	311,481,117	1Q of FY2017	311,484,262

\* The summary of financial results is not subject to audits.

\*Explanation on the proper use of the forecasts, and other noteworthy items

The performance forecasts contained in this report are based on information available at the present time and certain premises thought to be reasonable. Accordingly, the final results may change substantially due to various factors. For conditions from which the premises for the forecasts were derived and the other noteworthy items relating to the use of the forecasts, please refer to "Explanation on Consolidated Financial Forecastst" of page 4 of the Summary of 1st Quarter Report for Fiscal Year 2018 (Appendix).

\* Supplemental documentation for the 1st Quarter was disclosed on the TD-net (Timely Disclosure network) on the same day.

# 1. Qualitative information for the first quarter of the fiscal year ending March 31, 2019

## (1) Explanation on consolidated financial results

The Japanese economy showed moderate continuing increase of capital investment, improvement in employment and income environment in the context of stable corporate earnings during the first three months of the consolidated fiscal year under review. In terms of the global economy during the period subject to consolidated accounting from January to March, the U.S. showed continued signs of recovery such as increase in consumer spending, capital investment while uncertainty for the future prevailed, due to the effect of protectionist policy of the US Government. Europe showed a moderate recovery of economy as unemployment rate continued to decline and individual consumption increased.

The Company and its corporate group showed a strong business in overseas business and chilled business in the Food Products Business as well as cost reduction efforts in the Fine Chemicals Business.

Under these circumstances, the consolidated financial results through the first quarter of the consolidated fiscal year under review were as follows: net sales were 174,700 million yen, up 11,781 million yen year-on-year; operating profit was 7,481 million yen, up 740 million yen year-on-year; ordinary profit was 8,219 million yen, up 1,225 million yen year-on-year; and the profit for the quarter attributable to the owners of the parent company was 5,234 million yen, up 70 million yen year-on-year.

Since Nissui changed the way of converting to Yen from using spot exchange rate as of accounting closing date to average exchange rate during the period regarding income and cost of overseas subsidiaries, comparison between current fiscal year and previous year is conducted by using figures recalculated retrospectively. In addition, from the first quarter of the consolidated fiscal year under review, criteria of distribution of selling, general and administrative expenses has been reviewed in order to understand segment results in more appropriate manner.

(Unit : million yen)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent company
1Q of FY2018	174,700	7,481	8,219	5,234
1Q of FY2017	162,918	6,740	6,993	5,164
Increase/Decrease (Y-on-Y)	11,781	740	1,225	70
Percentage (Y-on-Y)	107.2%	111.0%	117.5%	101.4%

The summary by segment is as follows.

(Unit : million yen)

	Net Sales	Increase/Decrease (Y-on-Y)	Y-on-Y	Operating Profit	Increase/Decrease (Y-on-Y)	Y-on-Y
Marine Products	69,870	3,327	105.0%	3,490	2	100.1%
Food Products	86,816	5,702	107.0%	4,064	126	103.2%
Fine Chemicals	6,169	177	103.0%	614	343	227.0%
General Distribution	4,114	104	102.6%	421	(53)	88.8%
Other	7,729	2,469	146.9%	347	159	185.0%
Common Costs	-	-	-%	(1,456)	160	90.1%
Total	174,700	11,781	107.2%	7,481	740	111.0%

Note: operating profit of the Marine Products Business includes 251 million yen loss on valuation of fish (698 million yen profit on valuation of fish in the previous fiscal year) in the aquaculture pond of the South American salmon/trout aquaculture Business.

Note: Figures of same period of previous years are recalculated based on the revision of cost allocation rules of corporate expenses.

## (1) Marine Products Business

The Marine Products segment is engaged in the fishery, aquaculture, seafood processing and trading businesses.

<Overview of the first quarter of the consolidated fiscal year under review>

The Marine Products Business posted sales in the amount of 69,870million yen (up 3,327 million yen year-on-year) and operating profit of 3,490 million yen (up 2 million yen year-on-year).

Fishery Business: Both revenue and income increased year-on-year.

[Japan]

• Both revenue and income increased thanks to good catch including Skipjack.

Aquaculture Business: Both revenue and income decreased year-on-year.

[Japan]

• Despite increase of sales volume and sales price of Yellowtail, Tuna sales price decreased, and farming cost of Salmon/Trout increased due to fish disease. As a result, both revenue and income decreased.

[South America]

• Both revenue and income decreased due to decrease in sales price of Salmon/Trout despite sales volume increased.

Seafood Processing and Trading Business: Both revenue and income increased year-on-year.

[Japan]

• While Yellowtail sales went strong, income decreased due to the increase of purchase price of Salmon/Trout and decrease of sales price of shrimp.

[North America]

• While revenue decreased due to negative foreign exchange effect, income increased thanks to higher sales price of surimi and pollock roe and labor cost reduction.

[Europe]

• Both revenue and income increased thanks to positive foreign exchange effect in addition to strong sales because of new business and the expansion of sales area.

## (2) Food Products Business

The Food Products segment is engaged in the processed food and chilled foods businesses.

<Overview of the first quarter of the consolidated fiscal year under review>

The Food Products Business posted sales in the amount of 86,816 million yen (up 5,702 million yen year-on-year) and operating profit of 4,064 million yen (up 126 million yen year-on-year).

Processed Foods Business: Both revenue and income increased year-on-year.

[Japan]

• While frozen food business went strong in cooked rice and vegetable category, income decreased due to stagnant business in squirmy-based food and seafood sausage category.

[North America]

• While revenue decreased in frozen food for household use due to negative foreign exchange effect, income increased thanks to cost reduction.

[Europe]

• Income increased mainly in chilled food segment thanks to the progress of production structure buildup for market expansion.

Chilled Foods Business: Both revenue and income increased year-on-year.

[Japan]

• Both revenue and income increased thanks to the increase of sales of cooked rice and noodles as well as the number of stores to supply because of the reform of convenience stores industry.

### (3) Fine Chemicals Business

The Fine Chemicals segment is engaged in the manufacture and sale of pharmaceutical raw materials, functional raw materials (Note 1), functional foods (Note 2), pharmaceuticals and diagnostic medicines.

<Overview of the first quarter of the consolidated fiscal year under review>

The Fine Chemicals Business posted sales in the amount of 6,169 million yen (up 177million yen year-on-year) and operating profit of 614 million yen (up 343 million yen year-on-year).

[Pharmaceutical Raw Materials, Functional Raw Materials and Functional Foods]

• Income increased because of the increase of overseas sales in functional raw materials and the reduction of advertisement expense for functional foods.

[Clinical Diagnostic Medicines, Industrial Reagents, Pharmaceuticals]

• Both revenue and income decreased due to the reform of the business (sale of cosmetic business).

### (4) General Distribution Business

The General Distribution segment is engaged in the cold storage, transportation and customs clearing businesses.

<Overview of the first quarter of the consolidated fiscal year under review>

The General Distribution Business posted sales in the amount of 4,114 million yen (up 104 million yen year-on-year) and operating profit of 421 million yen (down 53 million yen year-on-year).

• While sales increased by resuming operations of cold storage, labor and electricity expense increased and income remained the same level year-on-year.

(Note 1) Functional raw materials such as EPA, DHA, to be added to ingredients of supplements and powdered milk for infants

(Note 2) Functional foods consist of food for specified health uses such as IMARK S, and supplements such as EPA and DHA, mainly for mail order business

## **(2) Explanation on consolidated financial position**

### **State of assets, liabilities and net assets**

Nisei has applied "Partial Amendment to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 February 16, 2018) from 1st quarter under review, and the explanation by the year-on-year comparison and analysis based on the figures has been recalculated based on renewed accounting standard.

#### **Assets**

Current assets increased by 0.5% compared to the end of the previous consolidated fiscal year to 254,330 million yen, mainly as a result of decrease in cash and deposit by 3,794 million yen and increase in notes and accounts receivable by 4,853 million yen.

Noncurrent assets decreased by 1.2% compared to the end of the previous consolidated fiscal year to 226,306 million yen, mainly as a result of decrease in property, plant and equipment by 2,997 million yen and increase in investment securities by 1,534 million yen.

As a result, total assets decreased by 0.3% compared to the end of the previous consolidated fiscal year to 480,636 million yen and ROA was 4.6%.

#### **Liabilities**

Current liabilities increased by 0.9% compared to the end of the previous consolidated fiscal year to 214,680 million yen, mainly as a result of an increase in notes and accounts payable by 2,848 million yen and short-term loans payable by 7,468 million yen.

Noncurrent liabilities decreased by 5.1% compared to the end of the previous consolidated fiscal year to 106,566 million yen, mainly as a result of decrease in long-term loans payable by 6,333 million yen and net defined benefit liability by 651 million yen.

As a result, total liabilities decreased by 1.2% compared to the end of the previous consolidated fiscal year to 321,246 million yen.

#### **Net**

Total net assets increased by 2,283 million yen compared to the end of the previous consolidated fiscal year to 159,389 million yen. This was due mainly to post profit attributable to owners of parent of 5,234 million yen and decreases in the foreign currency translation adjustment by 3,673 million yen.

## **(3) Explanation on Consolidated Financial Forecasts**

At this moment, there is no revision in the forecast of financial results for the fiscal year ending March 2019, which was disclosed on May 14, 2018, as it has been operating as expected.

### 3. 1st Quarter Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

Million yen

	FY2017 As of Mar. 31, 2018	1st Quarter of FY2018 As of Jun. 30, 2018
Assets		
Current assets		
Cash and deposits	22,669	18,875
Notes and accounts receivable-trade	84,681	89,534
Merchandise and finished goods	64,570	63,067
Work in process	24,940	25,270
Raw materials and supplies	32,764	33,824
Other	24,174	24,302
Allowance for doubtful accounts	(645)	(544)
Total current assets	253,155	254,330
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,432	54,351
Other, net	77,350	75,434
Total property, plant and equipment	132,782	129,785
Intangible assets		
Goodwill	535	445
Other	11,004	10,358
Total intangible assets	11,540	10,803
Investments and other assets		
Investment securities	70,994	72,528
Other	18,776	18,009
Allowance for doubtful accounts	(5,014)	(4,821)
Total investments and other assets	84,755	85,716
Total non-current assets	229,078	226,306
Total assets	482,233	480,636

**Consolidated Balance Sheet**

Million yen

	FY2017 As of Mar. 31, 2018	1st Quarter of FY2018 As of Jun. 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	44,656	47,505
Short-term loans payable	115,058	122,526
Income taxes payable	4,720	3,367
Accrued expenses	28,185	27,702
Provision	3,397	1,630
Other	16,851	11,946
<b>Total current liabilities</b>	<b>212,869</b>	<b>214,680</b>
<b>Non-current liabilities</b>		
Long-term loans payable	88,807	82,473
Provision	103	70
Net defined benefit liability	13,290	12,638
Other	10,056	11,383
<b>Total non-current liabilities</b>	<b>112,257</b>	<b>106,566</b>
<b>Total liabilities</b>	<b>325,127</b>	<b>321,246</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	30,685	30,685
Capital surplus	21,758	21,758
Retained earnings	71,130	75,110
Treasury shares	(269)	(269)
<b>Total shareholders' equity</b>	<b>123,305</b>	<b>127,285</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,262	14,094
Deferred gains or losses on hedges	(152)	136
Foreign currency translation adjustment	4,868	1,194
Remeasurements of defined benefit plans	(2,569)	(2,497)
<b>Total accumulated other comprehensive income</b>	<b>14,409</b>	<b>12,928</b>
<b>Non-controlling interests</b>	<b>19,392</b>	<b>19,175</b>
<b>Total net assets</b>	<b>157,106</b>	<b>159,389</b>
<b>Total liabilities and net assets</b>	<b>482,233</b>	<b>480,636</b>

**(2) Consolidated Income Statements**

Million yen

	1st Quarter of FY2017 (Three months ended Jun. 30, 2017)	1st Quarter of FY2018 (Three months ended Jun. 30, 2018)
Net sales	162,918	174,700
Cost of sales	126,432	137,842
Gross profit	36,486	36,858
Selling, general and administrative expenses	29,745	29,377
Operating profit	6,740	7,481
Non-operating income		
Interest income	53	73
Dividend income	125	114
Foreign exchange gains	55	246
Share of profit of entities accounted for using equity method	431	646
Subsidy income	4	54
Miscellaneous income	128	92
Total non-operating income	798	1,228
Non-operating expenses		
Interest expenses	517	467
Miscellaneous expenses	28	22
Total non-operating expenses	546	489
Ordinary profit	6,993	8,219
Extraordinary income		
Gain on sales of noncurrent assets	274	385
Gain on sales of investment securities	887	—
Gain on sales of shares of subsidiaries and associates	—	17
Gain on abolishment of retirement benefit plan	180	—
Total extraordinary income	1,342	403
Extraordinary losses		
Loss on disposal of noncurrent assets	55	80
Impairment loss	—	137
Loss on valuation of investment securities	3	1
Loss on sales of shares of subsidiaries and associates	254	—
Loss on disaster	113	—
Total extraordinary losses	427	219
Profit before income taxes	7,909	8,402
Income taxes-current	2,258	1,755
Income taxes-deferred	326	1,213
Total income taxes	2,584	2,968
Profit	5,324	5,434
Profit attributable to non-controlling interests	160	199
Profit attributable to owners of parent	5,164	5,234

Consolidated

Consolidated Statements of comprehensive income

Million yen

	1st Quarter of FY2017 (Three months ended Jun. 30, 2017)	1st Quarter of FY2018 (Three months ended Jun. 30, 2018)
Profit	5,324	5,434
Other comprehensive income		
Valuation difference on available-for-sale securities	1,057	1,849
Deferred gains or losses on hedges	(78)	267
Foreign currency translation adjustment	(1,528)	(2,851)
Remeasurements of defined benefit plans, net of tax	321	73
Share of other comprehensive income of entities accounted for using equity method	(561)	(800)
Total other comprehensive income	(789)	(1,461)
Comprehensive income	4,535	3,972
(Breakdown)		
Comprehensive income attributable to owners of parent	4,239	3,753
Comprehensive income attributable to non-controlling interests	295	218

### (3) Notice concerning the consolidated financial statements

(Notes on premise of existing companies)

Not applicable.

(Notes Regarding Significant Changes in the Amount of Shareholder's Equity)

Not applicable.

(Change in Accounting Policy)

During the 1<sup>st</sup> Quarter of the consolidated fiscal year under review (From April 1, 2018 to June 30, 2018)

(Change in calculation method of income and expense of overseas subsidiaries)

Regarding income and cost of overseas subsidiaries, Nissui had been converting to Yen by using the spot exchange rate as of accounting closing date in the past but has changed to the way by using the average exchange rate during the period from the 1st Quarter of the consolidated fiscal year under review. This change has been conducted because of the growing importance of the overseas subsidiaries under the circumstances of accelerating overseas development which is a major strategy of mid-term business plan, MVIP+ 2020 starting from FY2018 and to reflect the performance of overseas subsidiaries more appropriately considering recent fluctuation of foreign exchange ratio.

This change in Accounting Policy is applied retrospectively so consolidated financial report of the previous 1<sup>st</sup> quarter and the full year has been adjusted in the same manner.

As a result, comparing with the figures before the adjustment, revenue was up 213 million yen, operating profit was up 20 million yen, ordinary income was up 24 million yen, net profit before income tax was up 108 million yen and profit attributable to owners of parent was up 102 million yen respectively during previous 1st quarter. In addition, as retrospective effect amounts was reflected to net assets as of a beginning of previous period, beginning balance of previous year's accumulated income was down 433 million yen and of foreign currency translation adjustment was up the same amount.

(Additional Information)

During the 1<sup>st</sup> Quarter of the consolidated fiscal year under review

(Partial Amendments to Accounting Standard for Tax Effect Accounting)

Nissui has applied "Partial Amendment to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 February 16, 2018) from 1st quarter under review, and deferred tax assets are indicated in the segment of investment and other assets, and deferred tax liabilities are indicated in the segment of non-current liabilities.

(Segment Information, etc.)

#### 1. 1st Quarter of the last Fiscal Year(Apr 1, 2017 - Jun 30, 2017)

##### 1. Information of net sales and profit (loss) by reportable segment

Million yen

	Information by business segments					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Marine Products	Food Products	Fine Chemicals	General Distribution	Total				
<b>Sales</b>									
(1) Sales to third parties	66,543	81,113	5,992	4,009	157,658	5,260	162,918	-	162,918
(2) Inter-segment sales and transfers	3,293	754	122	1,974	6,144	461	6,606	(6,606)	-
Total	69,836	81,867	6,114	5,984	163,803	5,721	169,525	(6,606)	162,918
Segment income	3,487	3,937	270	474	8,170	187	8,357	(1,616)	6,740

(Note)

1. The "Other" segment includes the building/repair of ships, engineering and other businesses that are not included in the reportable segments.
2. The (1,616) million yen segment income adjustment comprise 16 million yen in inter-segment transactions and (1,633) million yen in corporate expenses not allocated to the segments. Corporate expenses comprise mainly selling, general and administrative expenses not allocated to the reportable segments.
3. Segment income is adjusted to reflect operating profit as recorded in the quarterly consolidated statement of income.

##### 2. Information regarding impairment loss on noncurrent assets and goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

## 2. 1st Quarter of the current Fiscal Year(Apr 1, 2018 - Jun 30, 2018)

### 1. Information of net sales and profit (loss) by reportable segment

Million yen

	Information by business segments					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Marine Products	Food Products	Fine Chemicals	General Distribution	Total				
<b>Sales</b>									
(1) Sales to third parties	69,870	86,816	6,169	4,114	166,971	7,729	174,700	-	174,700
(2) Inter-segment sales and transfers	6,106	835	171	2,100	9,214	764	9,978	(9,978)	-
Total	75,977	87,651	6,340	6,215	176,185	8,493	184,679	(9,978)	174,700
Segment income	3,490	4,064	614	421	8,590	347	8,937	(1,456)	7,481

(Note)

1. The “Other” segment includes the building/repair of ships, engineering and other businesses that are not included in the reportable segments.

2. The (1,456) million yen segment income adjustment comprise 8 million yen in inter-segment transactions and (1,464) million yen in corporate expenses not allocated to the segments. Corporate expenses comprise mainly selling, general and administrative expenses not allocated to the reportable segments.

3. Segment income is adjusted to reflect operating profit as recorded in the quarterly consolidated statement of income.

### 2. Information regarding impairment loss on noncurrent assets and goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

We posted impairment loss on noncurrent assets in Marine Products Segment business and the amount for the 1st Quarter of FY2018 is 137 million yen.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

### 3. Overview of reportable segments.

(Change in income and cost conversion method of overseas subsidiaries)

As described in change of Accounting Policy, regarding income and cost of overseas subsidiaries, Nissui had been converting to Yen by using the spot exchange rate as of accounting closing date in the past but has changed to the way by using the average exchange rate during the period from the current fiscal year.

This change in Accounting Policy is applied retrospectively and segment information of the previous 1st quarter has been adjusted in the same manner. As a result, comparing with the figures before adjustment, sales amounts to the external customers are up 102 million yen in the Marine Products Business, 111 million yen in the Food Products Business and 0 million yen in the other Business, and down 0 million yen in the Fine Chemical Business. Segment income is up 19 million yen in the Marine Products Business, 1 million yen in the Food Products Business, and 0 million yen in other Business, and down 0 million yen in the Fine Chemical Business respectively.

(Change in revenue and income (loss) calculation method of reporting segment)

Nissui has changed the method of calculating administrative expenses which used to be distributed to each reporting segment and these expenses are included in corporate expenses (adjustment). Main purpose of the change is to understand segment result in more appropriate manner as the percentage of administrative work toward non-financial and group increased.

In addition, some consolidated subsidiaries changed their segment from “other Business” to “Marine Products Business” as sales of seafood became more important.

With this change, segment revenue and income of 1<sup>st</sup> quarter of previous year are recalculated with revised method.