

Consolidated Financial Report for the 1st Quarter of the Fiscal Year 2023 (April 1, 2023, through June 30, 2023)

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

Company: **Nissui Corporation**

Listed on Tokyo Stock Exchange with the register code 1332

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

1. Consolidated Financial Data of 1st Quarter of FY2023

(1) Consolidated Financial Results (For three months ended June 30, 2023)

(Amounts less than one million yen are omitted)

(Each percentage figure shows changes from the previous year.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st Quarter of FY2023	199,844	8.5	9,720	45.6	9,718	31.7	5,981	41.3
1st Quarter of FY2022	184,255	11.4	6,676	(5.3)	7,381	(1.5)	4,233	(18.4)

(Note) Comprehensive income of 1st quarter of FY2023 10,601 Million yen (8.4%)

1st quarter of FY2022 11,574 Million yen (31.5%)

	Earnings per share	Diluted income per share
	Yen	Yen
1st Quarter of FY2023	19.22	-
1st Quarter of FY2022	13.60	-

(2) Consolidated Financial Position of 1st Quarter

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1st Quarter of FY2023	572,927	227,951	39.1
FY2022	549,013	220,635	39.5

Ref.): Total shareholders' equity

As of June 30, 2023 224,247 Million yen

As of March 31, 2023 216,843 Million yen

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	Final	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	-	8.0	-	10.0	18.0
FY2023	-				
FY2023(forecast)		10.0	-	10.0	20.0

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

3. Consolidated Forecast for FY2023 (April 1, 2023, through March 31, 2024)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
FY2023	800,000	4.1	27,000	10.3	29,000	4.4	21,500	1.3	69.08

(Note) Revision during the current quarter to the consolidated forecast for FY2023: None

* Notes

- 1) Changes in the 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 statements: None
- 3) Changes in accounting policy, Changes in accounting estimate, and restatement:
 - i. Changes in accounting policy associated with the revision of the accounting standard, etc.: No
 - ii. Changes in accounting policy other than those stated above: None
 - iii. Changes in accounting estimate: None
 - iv. Restatement: None
- 4) Number of issued shares (Common stock)

- i. Number of issued shares at the end of the term (Including treasury stock)
- ii. Number of treasury stock at the end of the term
- iii. The average number of shares during the term (For the current consolidated first quarter)

1Q of FY2023	312,430,277	FY2022	312,430,277
1Q of FY2023	1,197,642	FY2022	1,196,828
1Q of FY2023	311,233,070	1Q of FY2022	311,236,245

(Note) Nissui has introduced the “Board Benefit Trust (BBT)” as its performance-linked and share-based compensation plan since FY2018, and its own shares remaining in the Trust is included as treasury shares. The number of treasury stocks at the end of the term and the average number of shares during the term is 223,600.

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

* Explanation of the proper use of the forecasts and other noteworthy items

This report’s performance forecasts are based on information available at present, and certain premises are thought to be reasonable. Accordingly, the 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 “(3) Explanation of the Consolidated Financial Forecasts” on page 6 of the Summary of 1st Quarter Report for the Fiscal Year 2023(Appendix).

1. Qualitative information for the first quarter of the fiscal year ending March 31, 2024

(1) Explanation of consolidated financial results

During the first quarter of the fiscal year, there were concerns about the outlook of the Japanese economy due to factors such as inflation caused by the prolonged situation in Ukraine and other uncertainties. However, there were positive signs of improvement in the economic environment, driven by the transition of COVID-19 to a level 5 infectious disease and the extension of nationwide travel support, which led to the recovery of human flow and inbound demand.

Regarding the global economy during the consolidated period of January to March, the United States continue to experience a robust employment environment and solid personal consumption. However, it also faced challenges such as high inflation and policy interest rate hikes. In Europe, the service industry benefited from the recovery of inbound demand and showed resilience, but there were signs of the impact of high inflation on personal consumption.

Currently, in Japan, there are expectations for the recovery of domestic socio-economic activities. However, certain factors, such as labor costs, continue to rise in some sectors, leading to cost increases. On the other hand, there is growing awareness of economic slowdown overseas, contributing to an increasingly uncertain situation globally.

For our company and its group, the aquaculture business performed well domestically, and due to the market conditions experiencing a milder decline than anticipated, we achieved increased profits in the Marine Products business. Additionally, the Food Products business, struggling with cost increases since the year before last, saw the positive effects of domestic and international price hikes, resulting in a profit rise. While we have had a favorable start, there are challenges ahead. In the Marine Products business, the market prices of our main products, such as salmon and Surimi, remain weak. As for the Food Products business, there are certain products began to decrease in sales quantity after implementing price increases. These situations make it challenging to navigate the course ahead.

In the current situation, our consolidated business performance for the first quarter cumulative period is as follows: net sales were 199,844 million yen, up 15,588 million yen year-on-year; operating profit was 9,720 million yen, up 3,043 million yen year-on-year; ordinary profit was 9,718 million yen, up 2,337 million yen year-on-year; and the profit attributable to the owners of the parent company was 5,981 million yen, up 1,748 million yen year-on-year.

(Unit: million yen)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent
1Q of FY2023	199,844	9,720	9,718	5,981
1Q of FY2022	184,255	6,676	7,381	4,233
Difference	15,588	3,043	2,337	1,748
Percentage difference (%)	108.5%	145.6%	131.7%	141.3%

The summary by segment is as follows.

(Unit: million yen)

	Net Sales	Increase /Decrease (Y-on-Y)	Y-on-Y	Operating Profit & loss	Increase /Decrease (Y-on-Y)	Y-on-Y
Marine Products	78,982	3,277	104.3%	4,216	105	102.6%
Food Products	109,043	16,091	117.3%	7,219	3,557	197.2%
Fine Chemicals	3,876	(4,321)	47.3%	(76)	(969)	-
General Distribution	3,796	(137)	96.5%	401	(41)	90.6%
Other (Note)	4,145	678	119.6%	186	12	107.4%
Common Costs	-	-	-	(2,226)	379	85.4%
Total	199,844	15,588	108.5%	9,720	3,043	145.6%

(Note) "Other" refers to Engineering (planning, design, construction of plants and equipment) business, Ship Operation Business, etc.

(1) Marine Products Business

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

<Overview of the first quarter of the consolidated fiscal >

We recorded 78,982 million yen (up 3,277 million yen year-on-year) in sales and operating profit of 4,216 million yen (up 105 million yen year-on-year) in the Marine Products Business.

Fishery Business: Both sales and profit increased year on year.

[Japan]

- Both sales and profit increased as sardines, skipjack, etc., caught well.

Aquaculture Business: Both sales and profit increased year on year.

[Japan]

- We anticipate increasing the supply of farmed buri yellowtail from the beginning of autumn, so we started sales ahead of schedule, taking advantage of our ability to supply high-quality buri yellowtail even in spring and summer. Also, sales and profit increased as the landing quantity of coho salmon increased without mortality or growth delay, thanks to the improvement of aquaculture operations. In addition, the sales price of farmed tuna was strong.

[South America]

Sales and profit increased as the survival rate increased by the growing environment, and increasing sales price of trout covered the decreased sales volume.

Seafood Processing and Trading Business: Sales increased but profit decreased year on year.

[Japan]

- The revenue and profit declined due to a phase of price adjustment in our main products, such as salmon/ trout, and surimi, which led to some cautious buying behavior. However, there were positive developments as the price increase effect started to show in the processed marine products for the food service and industrial lunch menus. Additionally, the sales of products like buri yellowtail and fish meal performed well.

[North America]

- Sales and profit increased as pollock roe was sold earlier than the last year, at a higher price. Thanks to the increase of pollock fishing quota, the production volume increased.

[Europe]

- Although sales increased due to the strong sales in Denmark and Italy, profit decreased due to a write-down of inventories of pollock.

(2) Food Products Business

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

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

We recorded 109,043 million yen (up 16,091 million yen year-on-year) in sales and an operating profit of 7,219 million yen (up 3,557 million yen year-on-year) in the Food Products Business.

Processed Foods Business: Both sales and profit increased year on year.

[Japan]

- Both sales and profit increased as we improved our profit structure by price increase for household and commercial use. Sales of frozen food for restaurants and delicatessen for commercial use have been progressing favorably due to the positive impact of the recovery in foot traffic. For household use, the sales varied by category, such as the sales of frozen rice ball and lunch boxes products were steady but sales of noodles and chicken products declined.

[North America]

- Despite a decrease in sales quantity, likely due to consumer fatigue from higher prices, the overall increase in revenue and profit was achieved both in the household and commercial segments, thanks to the positive effects of price hikes.

[Europe]

- Sales have been progressing smoothly and resulted in increased revenue and profit due to improvements in the UK operations and the expansion into new regions such as Spain and Italy. Additionally, the positive effects of price increases have contributed to the favorable performance.

Chilled Foods Business: Both sales and profit increased year on year.

- The vendor business has been performing well, with increased revenue and profit, as sales of onigiri (rice balls) and salads for convenience stores have increased due to the recovery in foot traffic.

(3) Fine Chemicals Business

The Fine Chemicals segment is engaged in manufacturing and selling pharmaceutical raw materials, functional raw materials (Note 1), and functional foods (Note 2).

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

We recorded 3,876 million yen (down 4,321 million yen year-on-year) in sales and an operating loss of 76 million yen (down 969 million yen year-on-year) in the Fine Chemicals Business.

- We sold one of our consolidated companies, Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation), in September 2022. Due to factors such as the suspension of exports of pharmaceutical raw materials to the United States and a decrease in demand for mail-order sales due to a slowdown in stay-at-home consumption, we experienced a decline in both revenue and profit.

(4) General Distribution Business

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

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

We recorded 3,796 million yen (down 137 million yen year-on-year) in sales and an operating profit of 401 million yen (down 41 million yen year-on-year) in the General Distribution Business.

- Sales and profit decreased as the handling volume declined in cold storage and customs clearance businesses, despite implementing price increases for storage fees in response to cost hikes.

(Note 1) EPA, DHA, and others mainly used as ingredients in health supplements and infant formula

(Note 2) Supplements such as “Sesame soy milk” functional food and “i-mark S,” food for specified health uses (FOSHU), mainly for online business

(2) Explanation of the consolidated financial position

State of assets, liabilities, and net assets

(Unit: million yen)

	FY2022	1Q of FY2023	Increase/Decrease
Current Assets	304,349	325,534	19,184
(Inventories)	175,884	183,197	7,313
Non-current Assets	244,664	249,393	4,729
Total Assets	549,013	572,927	23,914
Current Liabilities	198,771	215,613	16,842
Non-current Liabilities	129,606	129,363	(243)
Total Liabilities	328,377	344,976	16,598
Total Net Assets	220,635	227,951	7,315

Assets

Total assets increased by 23,914 million yen compared to the end of the previous consolidated fiscal year to 572,927 million yen (up 4.4%).

Current assets increased by 19,184 million yen to 323,534 million yen (up 6.3%). This is mainly because the notes and accounts receivable increased by 7,142 million yen due to increased sales, etc., and the inventory increased by 7,313 million yen.

Non-current assets increased by 4,729 million yen to 249,393 million yen (up 1.9%), mainly due to increased property, plant, and equipment costs by 2,802 million yen of the capital investment.

Liabilities

Total liabilities increased by 16,598 million yen compared to the end of the previous consolidated fiscal year to 344,976 million yen (up 5.1%).

Current liabilities increased by 16,842 million yen to 215,613 million yen (up 8.5%), mainly because of increased short-term borrowings by 17,421 million yen due to increased demand for working capital.

Non-current liabilities decreased by 243 million yen to 129,363 million yen (down 0.2%). The main reason was a decrease in long-term borrowings by 953 million yen by payback.

Net Assets

Total net assets increased by 7,315 million yen compared to the previous consolidated fiscal year's end to 227,951 million yen (up 3.3%), mainly due to posting profit attributable to owners of the parent of 5,981 million yen, payment of dividends of surplus by 3,115 million yen, and an increase in foreign currency translation adjustment by 1,733 million yen due to weak yen.

(3) Explanation of Consolidated Financial Forecasts

At this moment, there is no revision in the forecast of financial results for the fiscal year ending March 2024, disclosed on May 12, 2023.

2. 1st Quarter Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit : million yen)

	FY2022 As of Mar. 31, 2023	1st Quarter of FY2023 As of June 30, 2023
Assets		
Current assets		
Cash and deposits	10,376	8,343
Notes and accounts receivable - trade	95,690	102,833
Merchandise and finished goods	92,823	98,971
Work in process	31,670	33,088
Raw materials and supplies	51,389	51,137
Other	22,817	29,626
Allowance for doubtful accounts	(419)	(467)
Total current assets	304,349	323,534
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,671	61,340
Other, net	88,346	90,478
Total property, plant and equipment	149,017	151,819
Intangible assets		
Goodwill	1,422	1,370
Other	12,659	12,670
Total intangible assets	14,082	14,041
Investments and other assets		
Investment securities	29,916	31,785
Shares of subsidiaries and associates	38,191	38,360
Retirement benefit asset	483	467
Deferred tax assets	2,625	2,565
Other	11,420	11,429
Allowance for doubtful accounts	(1,072)	(1,075)
Total investments and other assets	81,564	83,532
Total non-current assets	244,664	249,393
Total assets	549,013	572,927

Consolidated Balance Sheet

(Unit : million yen)

	FY2022 As of Mar. 31, 2023	1st Quarter of FY2023 As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	50,138	51,161
Short-term borrowings	100,621	118,043
Income taxes payable	3,151	2,003
Accrued expenses	25,846	26,255
Provisions	3,865	2,012
Other	15,147	16,136
Total current liabilities	198,771	215,613
Non-current liabilities		
Long-term borrowings	104,913	103,960
Provisions	31	39
Retirement benefit liability	11,097	11,056
Other	13,563	14,306
Total non-current liabilities	129,606	129,363
Total liabilities	328,377	344,976
Net assets		
Shareholders' equity		
Share capital	30,685	30,685
Capital surplus	21,567	21,536
Retained earnings	137,621	140,487
Treasury shares	(417)	(417)
Total shareholders' equity	189,457	192,291
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,046	12,741
Deferred gains or losses on hedges	561	1,714
Foreign currency translation adjustment	19,541	21,275
Remeasurements of defined benefit plans	(3,763)	(3,775)
Total accumulated other comprehensive income	27,385	31,955
Non-controlling interests	3,792	3,703
Total net assets	220,635	227,951
Total liabilities and net assets	549,013	572,927

(2) Consolidated Income Statements

(Unit : million yen)

	1st Quarter of FY2022 (From April 1, 2022 through June 30, 2022)	1st Quarter of FY2023 (From April 1, 2023 through June 30, 2023)
Net sales	184,255	199,844
Cost of sales	154,614	166,843
Gross profit	29,641	33,000
Selling, general and administrative expenses	22,964	23,280
Operating profit	6,676	9,720
Non-operating income		
Interest income	45	61
Dividend income	127	110
Foreign exchange gains	626	129
Share of profit of entities accounted for using equity method	118	229
Subsidy income	82	16
Miscellaneous income	74	182
Total non-operating income	1,074	730
Non-operating expenses		
Interest expenses	302	667
Miscellaneous expenses	67	64
Total non-operating expenses	369	731
Ordinary profit	7,381	9,718
Extraordinary income		
Gain on sale of non-current assets	52	20
Gain on sale of investment securities	–	309
Gain on sale of shares of subsidiaries and associates	1,062	–
Total extraordinary income	1,114	329
Extraordinary losses		
Loss on disposal of non-current assets	100	86
Loss on valuation of investment securities	428	–
Loss on disaster	371	–
Accident related loss	–	1,020
Total extraordinary losses	900	1,106
Profit before income taxes	7,595	8,941
Income taxes-current	2,317	2,753
Income taxes-deferred	843	208
Total income taxes	3,160	2,961
Profit	4,434	5,979
Profit (loss) attributable to non-controlling interests	201	(1)
Profit attributable to owners of parent	4,233	5,981

Consolidated Statements of comprehensive income

(Unit : million yen)

	1st Quarter of FY2022 (From April 1, 2022 through June 30, 2022)	1st Quarter of FY2023 (From April 1, 2023 through June 30, 2023)
Profit	4,434	5,979
Other comprehensive income		
Valuation difference on available-for-sale securities	(340)	1,588
Deferred gains or losses on hedges	422	849
Foreign currency translation adjustment	5,360	1,786
Remeasurements of defined benefit plans, net of tax	(280)	(12)
Share of other comprehensive income of entities accounted for using equity method	1,977	409
Total other comprehensive income	7,139	4,621
Comprehensive income	11,574	10,601
(Breakdown)		
Comprehensive income attributable to owners of parent	11,304	10,551
Comprehensive income attributable to non-controlling interests	269	49

(3) Notice concerning the consolidated financial statements

(Notes on Going Concern)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

1. 1st Quarter of the previous Fiscal Year (April 1, 2022 June 30, 2022)

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

(Unit : Million yen)

	Information by business segments					Other (Note1)	Total	Adjustement (Note 2)	Consolidated (Note.3)
	Marine Products	Food Products	Fine Chemicals	General Distribution	Total				
Sales									
(1) Sales to third parties	75,704	92,951	8,198	3,934	180,788	3,466	184,255	-	184,255
(2) Inter-segment sales and transfers	4,678	287	72	2,985	8,024	503	8,527	(8,527)	-
Total	80,383	93,238	8,270	6,919	188,813	3,970	192,783	(8,527)	184,255
Segment income (loss)	4,111	3,661	893	443	9,109	173	9,282	(2,606)	6,676

(Note)

1. The "Other" segment includes the building/repairing ships, engineering, and other businesses not included in the reportable segments.
2. The (2,606) million yen segment income adjustment comprises (27) million yen in inter-segment transactions and (2,578) million yen in corporate expenses not allocated to the segments. Corporate expenses comprise mainly selling, general and administrative expenses not allocated to the segments.
3. Segment income is adjusted to reflect operating profit as the quarterly consolidated income statement records.

2. Information regarding impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss on non-current 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 (April 1, 2023 -June 30, 2023)

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

(Unit : Million yen)

	Information by business segments					Other (Note1)	Total	Adjustment (Note 2)	Consolidated (Note.3)
	Marine Products	Food Products	Fine Chemicals	General Distribution	Total				
Sales									
(1) Sales to third parties	78,982	109,043	3,876	3,796	195,699	4,145	199,844	-	199,844
(2) Inter-segment sales and transfers	4,295	143	118	2,803	7,360	890	8,250	(8,250)	-
Total	83,277	109,186	3,995	6,599	203,059	5,035	208,095	(8,250)	199,844
Segment income (loss)	4,216	7,219	(76)	401	11,761	186	11,947	(2,226)	9,720

(Note)

1. The "Other" segment includes the building/repairing ships, engineering, and other businesses not included in the reportable segments.
2. The (2,226) million yen segment income adjustment comprises 13 million yen in inter-segment transactions and (2,399) million yen in corporate expenses not allocated to the segments. Corporate expenses comprise mainly selling, general and administrative expenses not allocated to the segments.
3. Segment income (loss) is adjusted to reflect operating profit as recorded in the quarterly consolidated income statement.

2. Information regarding impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss on non-current assets)
Not applicable.

(Significant changes in the amount of goodwill)
Not applicable.

(Significant gain on negative goodwill)
Not applicable.