

September 29, 2017

To whom it may concern:

Company name: Nishimoto Co., Ltd.

Representative: Takayuki Kanai, President

(Code No.: 9260 First Section of the Tokyo Stock Exchange)

Contact: Atsuhiko Kimura, Director and CFO

(Phone: 03-6870-2015)

Notification on Financial Results and Related Information of Nishimoto Co., Ltd.
Associated with the Listing of its Stock on the First Section of the Tokyo Stock Exchange

Nishimoto Co., Ltd. (the “Company”) hereby announces that it was listed on the First Section of the Tokyo Stock Exchange effective today, September 29, 2017. We appreciate your continued support and guidance.

The Nishimoto Wismettac Group’s (the “Group”) earnings forecasts for the fiscal year from January 1 to December 31, 2017 are as follows and the latest financial information, etc. is stated in the attachment.

【Consolidated】 (millions of yen, %)

Item	Fiscal year	Fiscal year ending December 31, 2017 (Forecast)			First half of the fiscal year ending December 31, 2017 (Actual)		Fiscal year ended December 31, 2016 (Actual)	
			Ratio against net sales	Change from the previous fiscal year		Ratio against net sales		Ratio against net sales
Net sales		169,434	100.0	7.0	86,646	100.0	158,338	100.0
Operating income		6,835	4.0	Δ6.7	3,260	3.8	7,329	4.6
Ordinary income		6,306	3.7	Δ8.9	3,053	3.5	6,922	4.4
Profit attributable to owners of parent		3,349	2.0	17.6	1,448	1.7	2,847	1.8
Net income per share		258.12 yen		115.95 yen		227.95 yen		
Dividend per share		To be determined		0.00 yen		2.00 yen (0.40 yen)		

Notes:

1. Net income per share for the fiscal year ended December 31, 2016 (actual) and the first half of the fiscal year ending December 31, 2017 (actual) was calculated based on the average number of outstanding shares during the period. Net income per share for the fiscal year ending December 31, 2017 (forecast) was calculated based on the estimated average number of outstanding shares during the period, which includes the number of new shares to be issued by way of public offering (1,130,000 shares) and the number of treasury shares to be disposed (720,000 shares), but the maximum of 555,000 shares to be issued through third-party allotment in connection with the secondary offering by way of over-allotment were not taken into consideration.

2. On June 1, 2017, the Company carried out a five-for-one stock split for its common stock. Net income per share as shown above was calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended December 31, 2016. Additionally, a dividend per share which was calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended December 31, 2016 (actual) is shown in parentheses for reference purposes.

3. The Company places in its management a high priority on returning profits to shareholders. At this time, it plans to pay a dividend for the fiscal year ending December 31, 2017 (forecast), however, specific details of the dividend have not been determined.

[Assumptions for Earnings Forecasts (consolidated) for the Fiscal Year Ending December 31, 2017]

1. Forecasts for the entire company

The Group consists of the Company, 11 consolidated subsidiaries and two equity-method affiliates. Its main businesses are the Asian Food Global Business which engages in sales of Asian foods and ingredients including Japanese foods overseas mainly in North America, and the Agricultural and Seafood Products Trading Business which engages in domestic sales, exports and off-shore trading of general fruits and vegetables (fruits, vegetables and other processed goods) as well as domestic sales of fishery products.

(Asian Food Global Business)

The Asian Food Global Business engages in sales of Asian foods and ingredients including Japanese foods to restaurants, grocery stores, etc. overseas mainly in North America.

Additionally, an integrated process from merchandise procurement, import customs clearance to inventory management and delivery is operated in house.

While keeping pace with the expansion of markets against the background of the Japanese food boom globally, the Group converted two firms in the U.K. and Hong Kong into consolidated subsidiaries through M&A during the fiscal year ended December 31, 2016, and during the fiscal year ending December 31, 2017 another Hong Kong firm also became a consolidated subsidiary in the same way. In addition, during the same fiscal year, two firms in Germany and France were converted into affiliate companies through investments. As a result of these additions, the Group has built a global network which includes 23 locations in North America and 11 locations in other areas.

(Agricultural and Seafood Products Trading Business)

The Agricultural and Seafood Products Trading Business engages in the import and wholesale of fresh fruits and vegetables, frozen and processed fruits and vegetables, marine products, etc. to domestic wholesale markets, mass merchandisers, restaurant and home meal replacement industries, food manufacturers, etc. In addition, it engages in the export and off-shore trading, etc. of fruits and vegetables.

While the domestic import market remains at the same level, we have been making efforts to boost sales not only via wholesale markets, which have been our main sales channel, but also via other sales channels (such as mass merchandisers, restaurant and home meal replacement industries). Additionally, we have been working to expand overseas sales channels (exports of domestic fruits and vegetables, off-shore trading of fruits and vegetables) by taking advantage of the network which the Asian Food Global Business has had and also to sell fishery products and agricultural products domestically by using procurement resources which the Asian Food Global Business has utilized.

In the fiscal year ended December 31, 2016, net sales in the Asian Food Global Business accounted for 67.0% of the total net sales, 88.0% of which were generated in North America (Wismettac Asian Foods, Inc.).

As just described, sales in North America account for a high percentage of the Group's sales. Therefore, substantial fluctuations in exchange rates can affect the Group's performance. The initial plan for the year ending December 31, 2017 was developed based on a rate of 100 yen to the U.S. dollar (the exchange rate used for the previous fiscal year was 108.84 yen to the U.S. dollar).

Under these circumstances, overall performance during the first half of the fiscal year ending December 31, 2017 remained solid. After taking into consideration the results for that period

and revisions made to forecasts for the third and fourth quarters beginning in July based on those results, we expect net sales of 169,434 million yen (up 7.0% year-on-year), operating income of 6,835 million yen (down 6.7% year-on-year), ordinary income of 6,306 million yen (down 8.9% year-on-year) and profit attributable to owners of parent of 3,349 million yen (up 17.6% year-on-year) for the full year.

The Group calculates earnings forecasts for every segment based on information collected to the highest extent possible by using the buildup method. In addition, while an exchange rate of 112.37 yen to the U.S. dollar (average exchange rate during the period) was used for the results for the first half under review, an exchange rate of 100 yen to the U.S. dollar, which had been used for the initial plan, was used for forecasts for the third quarter and onward.

2. Assumptions for individual segments

[Net sales]

Net sales for the first half under review totaled 86,646 million yen. In the Asian Food Global Business, which is the Company's main business, sales in North America remained robust and it recorded 58,002 million yen, exceeding the level during the same period a year ago. In the Agricultural and Seafood Products Trading Business, net sales rose to 26,994 million yen compared with the same period a year earlier due to the increase of sales to mass merchandisers, restaurant and home meal replacement industries, food manufacturers, etc. However, the result fell short of the initial plan since sales volume was lower than expected due to a significant rise in the cost of staple products such as citrus and avocado.

Based on the above, we expect net sales for the full fiscal year will be 169,434 million yen (up 7.0% year-on-year).

(Asian Food Global Business)

In this segment, sales estimates are calculated for each company in the Group on a local currency basis by adding the potential increase in sales value per customer which is expected from the underlying demand for staple products to actual orders which were received by customer and by month. Plans are developed by adding estimated sales (estimated sales which are reasonably expected based on actual results from past fiscal years) from new customers to the accumulation of said sales estimates. Additionally, for areas other than North America the impact of the increase of customers due to M&A implemented during the previous fiscal year is taken into account.

Under the circumstances, by accumulating sales estimates by customer based on the actual sales results for the fiscal year ended December 31, 2016 and first half of the fiscal year ending December 31, 2017, we expect that net sales will be 112,916 million yen (up 6.4% year-on-year) as net sales in each region will likely exceed the previous fiscal year's levels.

In North America, net sales for the first half under review increased to 50,079 million yen compared with the same period a year ago due to an increase in sales value per customer as well as solid sales to new customers. By continuing to increase sales value per customer and further promoting the development of new customers during the third quarter and onward, sales are expected to increase on a local currency basis. However, due to the impact of currency exchange rates (while the average exchange rate during the first half under review was 112.37 yen to the U.S. dollar, the rate is left unchanged from the initial plan at 100 yen to the U.S. dollar for the third quarter and onward), we expect net sales of 46,554 million yen for the third quarter and onward and 96,633 million yen for the full year on a yen basis, which exceeds the previous fiscal year's level.

In areas other than North America, sales value (sales volume) per customer rose, new customer bases were developed and customers increased due to M&A implemented during the previous fiscal year. Therefore, we expect net sales of 16,284 million yen for the full year, which is higher than the previous year's level.

(Agricultural and Seafood Products Trading Business)

In this segment, sales estimates are calculated based on past results by merchandise, sales channel and month, and plans are developed by accumulating these sales estimates.

Net sales for the first half under review were 26,994 million yen. Although they were slightly higher than the level during the same period a year ago due to increased sales to mass merchandisers, restaurant and home meal replacement industries, food manufacturers, etc., they slightly fell short of the initial plan partially because of higher costs for staple merchandise such as citrus and avocado as explained earlier. Under the circumstances, estimated sales volume and sales estimates by merchandise and sales channel were recalculated for the third quarter and onward. In the third quarter, because it is expected that sales prices will undergo further adjustment and costs for staple merchandise will decline, sales volume will likely recover to the initially planned level, sales via main sales channels will likely increase and net sales will likely exceed the level during the same period a year ago. As a result, we expect net sales of 52,218 million yen (up 8.1 % year-on-year) for the full fiscal year. Furthermore, there is a seasonal variation: net sales of imported fresh fruits and vegetables, which are staple goods, increase between April and June, which is the second

quarter, as it is the peak season for them while net sales of imported fruits decrease between September and November as this period is the peak season for domestic fruits.

[Cost of sales]

Cost of sales for the first half under review was 71,949 million yen. In the Asian Food Global Business, the cost of sales remained at almost the same level as the previous fiscal year while in the Agricultural and Marine Products Trading Business the costs for sales of citrus and avocado were higher than the previous fiscal year as described earlier, which boosted overall costs.

Cost of sales for the third quarter and onward is expected to increase at almost the same rate as net sales to 68,183 million yen. In the Asian Food Global Business, we expect that the cost to sales ratio will continue to remain at the same level as the previous fiscal year. On the other hand, in the Agricultural and Marine Products Trading Business costs are expected to decrease as described above to almost the same level as the previous fiscal year.

As a result, we expect cost of sales of 140,132 million yen (up 7.5% year-on-year) for the full year.

[Gross profit]

Gross profit for the first half under review was 14,696 million yen. We expect that gross profit during the third quarter and onward will be 14,605 million yen. Based on the above, gross profit for the full year is expected to be 29,302 million yen (up 4.9% year-on-year).

[Selling, general and administrative expenses]

Selling, general and administrative expenses for the first half under review totaled 11,436 million yen, which were almost in line with the initial plan. Therefore, by reflecting the results for the first half under review, we expect selling, general and administrative expenses of 22,467 million yen (up 9.0% year-on-year) for the full year. Selling, general and administrative expenses rose compared with the previous year mainly because of an increase in personnel expenses due to personnel recruitment in order to reinforce the Company's distribution department, etc. in North America, added personnel expenses, etc. following the conversion of companies into consolidated subsidiaries through M&A during the previous fiscal year including Harro Foods Limited (a U.K. firm which was added to consolidated results starting in April 2016) and Nippon Foods Co., Ltd. (a Hong Kong firm which was added to consolidated results starting in January 2017) as well as higher selling charges due to increased net sales.

With regard to personnel recruitment in North America, we regard it as an advance investment in order to strengthen our business foundations while anticipating the expansion of the scope of our business in the future. In addition, in response to Obamacare and rises in wages in the U.S., part-time employees were hired full-time as a measure to further reinforce the back office operations.

[Operating income]

Operating income for the first half under review totaled 3,260 million yen. We expect operating income of 3,575 million yen for the third quarter and onward and 6,835 million yen (down 6.7% year-on-year) for the full year. Gross profit is expected to increase 4.9% compared with the previous year, however, operating income will likely be lower than the previous year as selling, general and administrative expenses are expected to rise by 9.0% from the previous year.

(Asian Food Global Business)

In this segment, operating income for the first half under review totaled 3,104 million yen. We expect operating income of 3,347 million yen for the third quarter and onward. As a result, operating income of 6,451 million yen (up 6.4% year-on-year) is expected for the full year.

(Agricultural and Seafood Products Trading Business)

Operating income for the first half under review totaled 159 million yen, which was slightly lower than initial plans, as the cost of staple merchandise was significantly higher than what had been initially planned. As for the third quarter and onward, operating income of 673 million yen is expected as sales prices will be adjusted further, the cost of staple merchandise will decline and high-margin merchandise will be added. As stated above, by incorporating the forecast for the third quarter and onward to the results for the first half under review, we expect operating income of 833 million yen (down 23.0% year-on-year) for the full year.

[Ordinary income]

Ordinary income for the first half under review totaled 3,053 million yen. We expect ordinary income of 3,253 million yen for the third quarter and onward and 6,306 million yen (down 8.9% year-on-year) for the full year.

Although foreign exchange losses or gains were not taken into account when the initial plan was developed, as a result of reviews based on the results for the first half under review, we incorporated a foreign exchange loss of 200 million yen and expect ordinary income of 6,306 million yen (down 8.9% year-on-year) for the full year. Foreign exchange losses were mainly

due to the re-evaluation of foreign currency in our possession as well as foreign-currency-denominated debts and loans following exchange rate fluctuations.

[Profit attributable to owners of parent]

Profit attributable to owners of parent for the first half under review totaled 1,448 million yen. We expect profit attributable to owners of parent of 1,900 million yen for the third quarter and onward and 3,349 million yen (up 17.6% year-on-year) for the full year.

Although extraordinary losses were not taken into account when the initial plan was developed, after extraordinary losses of 517 million yen were posted for the first half under review we expect that profit attributable to owners of parent will be 3,349 million yen (up 17.6% year-on-year) for the full year. Extraordinary losses were mainly due to an impairment loss of 517 million yen following the re-evaluation of customer-related assets of Nippon Foods Co., Ltd., which became a consolidated subsidiary during the previous fiscal year.

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2017

(JP GAAP)

September 29, 2017

Listed company: Nishimoto Co., Ltd. Listing stock exchange: Tokyo

Code No.: 9260 URL: <http://www.wismettac.com/>

Representative: (title) President (Name) Takayuki Kanai

Inquiry contact: (title) Director and CFO (Name) Atsuhiko Kimura

(Phone) 03-6870-2015

Scheduled date of filing of the first half report: - Scheduled date of dividend payment start: -

Preparation of financial results supplementary briefing material: Not applicable

Holding of first half financial results briefing meeting: Not applicable

(Any amount less than 1 million yen was truncated)

1. Financial results for the first half of the fiscal year ending December 31, 2017 (from January 1 to June 30, 2017)

(1) Financial results (cumulative) (Percentage number denotes year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First half of FY ending December 31, 2017	86,646	—	3,260	—	3,053	—	1,448	—
First half of FY ended December 31, 2016	—	—	—	—	—	—	—	—

Note: Comprehensive income

First half of the fiscal year ending December 31, 2017: 285 million yen (-%)

First half of the fiscal year ended December 31, 2016: - million yen (-%)

	Net income per share	Fully-diluted net income per share
	yen	yen
First half of FY ending December 31, 2017	115.95	—
First half of FY ended December 31, 2016	—	—

Notes:1. Figures for the first half of the fiscal year ended December 31, 2016 and year-on-year percentage changes are not shown since the Company did not prepare any consolidated financial statements for the period.

2. The Company conducted a five-for-one common stock split on June 1, 2017 pursuant to the resolution of a Board of Directors meeting held on May 15, 2017. Net income per share for the first half under review was computed as if the stock split had been done at the start of the fiscal year ending December 31, 2017.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First half of FY ending December 31, 2017	75,929	39,259	51.7
FY ended December 31, 2016	72,721	38,979	53.6

(Reference) Shareholders' equity

First half of the fiscal year ending December 31, 2017: 39,259 million yen

First half of the fiscal year ended December 31, 2016: 38,979 million yen

2. Dividend

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Period-end	Total
	yen	yen	yen	yen	yen
FY ended December 2016	—	0.00	—	2.00	2.00
FY ending December 2017	—	0.00			
FY ending December 31, 2017 (Forecast)				—	—

Notes: 1. Revision to dividend forecast released previously: Yes / No

2. The Company conducted a one-for-five common stock split on June 1, 2017 pursuant to the resolution of a Board of Directors meeting held on May 15, 2017.

The Company has yet to determine any forecast on the dividend for the fiscal year ending December 31, 2017.

3. Financial results forecast for the fiscal year ending December 31, 2017 (from January 1 to December 31, 2017)

(Percentage number denotes year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY ending December 31, 2017	169,434	7.0	6,835	Δ6.7	6,306	Δ8.9	3,349	17.6	258.12

Notes:

1. Revision to financial results forecast released previously: No

2. The Company conducted a one-for-five common stock split on June 1, 2017 pursuant to the resolution of a Board of Directors meeting held on May 15, 2017. Net income per share in the forecast on the financial results for the fiscal year ending December 31, 2017 is shown in an amount reflecting this stock split.

*Notes

(1) Change to significant subsidiary during the first half under review: Not applicable

(Change to specific subsidiary involving revision of the scope of consolidation)

(2) Application of accounting treatment unique to the preparation of these financial statements: Yes

(3) Change to accounting policy and changed or revised display of accounting estimation

(i) Change to accounting policy due to revision of accounting standards: No

(ii) Change to accounting policy change other than item (i): No

(iii) Change to accounting estimation: No

(iv) Revised display: No

(4) Total number of shares outstanding (common stock)

(i) Ending total number of shares outstanding (including treasury shares)	June 30, 2017	13,213,240 shares	December 31, 2016	13,213,240 shares
(ii) Ending total number of treasury shares	June 30, 2017	720,000 shares	December 31, 2016	720,000 shares
(iii) Average total number of shares in the period (cumulative for the first half under review)	June 30, 2017	12,493,240 shares	June 30, 2016	12,493,240 shares

Note: The Company conducted a one-for-five common stock split on June 1, 2017 pursuant to the resolution of a Board of Directors meeting held on May 15, 2017. The ending total number of shares outstanding, the ending total number of treasury shares and the average total number of shares in the period were each computed as if the stock split had been done at the start of the fiscal year ended December 31, 2016.

* Although this press release is not subject to a quarterly review under the Financial Instruments and Exchange Act, the Company completed a review procedure for consolidated quarterly financial statements under the Act prior to issuing this press release.

* Guide on appropriate usage of financial results forecast and other notes

Statements contained in this document concerning future forecast on financial results are based on information currently available to the Company as well as certain assumptions it deems to be reasonable. Thus, these statements are not intended for management to promise the achievement of the forecast. Actual financial results may potentially differ markedly from the forecast due to various factors. For conditions of the assumptions in the forecast and notes to the usage of the forecast, please see the section titled "(3) Explanation about future forecasts such as consolidated financial results forecast" under the chapter titled "1. Qualitative information on the financial results for the first half" on page 3 of the attachment.

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1. Qualitative information on the financial results for the first half

(1) Business results highlights

[Outline of the first half under review]

During the first half of the fiscal year ending December 31, 2017 (from January 1 to June 30, 2017), the world economy was marked by an ongoing moderate recovery as a whole. However, future outlook was still uncertain such as for China, among other emerging market economies in Asia, and developments and effects of U.S. government policies.

Meanwhile, the Japanese economy kept its moderate recovery trend as a whole as corporate business results and the job climate improved.

In these circumstances, for the first half under review, net sales stood at 86,646 million yen and operating income amounted to 3,260 million yen. Ordinary income totaled 3,053 million yen and profit attributable to owners of parent came to 1,448 million yen.

The following highlights the business results by segment

[Outline of the business results by segment]

(i) Asian Food Global Business

In the Asian Food Global Business, for the first half under review, net sales stood at 64,951 million yen and operating income amounted to 3,104 million yen.

Although net sales in North America grew steadily on a local currency basis, profits declined as selling, general and administrative expenses climbed due to headcount expansion aimed to bolster the logistics business unit.

In regions other than North America, both net sales and operating income grew markedly because we converted Harro Foods Limited in the U.K. and Nippon Foods Co., Ltd. in Hong Kong into consolidated subsidiaries of the Group as well as business expansion and strengthening profit at existing facilities.

(ii) Agricultural and Seafood Products Trading Business

In the Agricultural and Seafood Products Trading Business, for the first half under review, net sales stood at 27,173 million yen and operating income amounted to 159 million yen.

Although net sales were more or less flat compared to a year-ago period, operating income declined year on year as we had no alternative but to engage in below-cost sales as a result of

a spike in the cost of citrus and tropical trade goods since the fourth quarter of the fiscal year ended December 31, 2016.

(iii) Other businesses

In other businesses, for the first half under review, net sales stood at 1,649 million yen and operating income amounted to a negative 14 million yen.

* Net sales figures shown in the “Outline of the business results by segment” section above include intersegment sales and transfers.

(2) Financial position highlights

(i) Financial position

(Assets)

Total assets as at June 30, 2017 stood at 75,929 million yen, an increase of 3,208 million yen compared to December 31, 2016, which was mainly attributable to the following.

Total current assets as at June 30, 2017 amounted to 67,454 million yen, an increase of 2,316 million yen compared to December 31, 2016, which was chiefly due to a rise of 992 million yen in inventories and a gain of 743 million yen in cash and deposits.

Total non-current assets as at June 30, 2017 came to 8,475 million yen, an increase of 891 million yen compared to December 31, 2016, which was caused by a gain of 1,104 million yen in investment securities that were newly acquired by the Company.

(Liabilities)

Total liabilities as at June 30, 2017 stood at 36,669 million yen, an increase of 2,928 million yen compared to December 31, 2016, which was mainly attributable to the following.

Total current liabilities as at June 30, 2017 amounted to 21,834 million yen, an increase of 3,003 million yen compared to December 31, 2016, which was chiefly due to a rise of 1,848 million yen in notes and accounts payable – trade in relation to elevated net sales and to a gain of 1,822 million yen in short-term loans payable.

Total non-current liabilities as at June 30, 2017 came to 14,835 million yen, a decrease of 75 million yen compared to December 31, 2016, which was caused by a decline of 119 million yen in deferred tax liabilities.

(Net assets)

Total current net assets as at June 30, 2017 stood at 39,259 million yen, an increase of 280 million yen compared to December 31, 2016, which was due to a rise of 1,443 million yen in retained earnings, offsetting a decrease of 1,125 million yen in the foreign currency translation adjustment.

(ii) Cash flows

Cash and cash equivalents (“Cash”) as at June 30, 2017 stood at 25,167 million yen, an increase of 2,258 million yen compared to December 31, 2016.

The following describes cash flows of different categories for the first half under review as well as their key contributing factors.

(Cash flows from operating activities)

Cash flows from operating activities for the first half under review stood at 1,512 million yen. Main factors for increase in cash flows from operating activities consisted of 2,536 million yen in income before income taxes and minority interests and a gain of 2,008 million yen in notes and accounts payable – trade. Main factors for decrease in cash flows from operating activities were composed of 1,770 million yen in income taxes paid and a rise of 1,557 million yen in inventories.

(Cash flows from investing activities)

Cash flows from investing activities for the first half under review stood at a negative 592 million yen. A main factor for increase in cash flows from investing activities was a decrease of 1,514 million yen in time deposits. Main factors for decrease in cash flows from investing activities were composed of 1,096 million yen in purchase of shares in affiliate and 471 million yen in loans.

(Cash flows from financing activities)

Cash flows from financing activities for the first half under review stood at 1,694 million yen. A main factor for increase in cash flows from financing activities was a gain of 1,812 million yen in short-term loans payable.

(3) Explanation about future forecasts such as consolidated financial results forecast

For our forecast on the financial results for the fiscal year ending December 31, 2017, please see the release titled “Notification on Financial Results and Related Information of Nishimoto Co., Ltd. Associated with the Listing of its Stock on the First Section of the Tokyo Stock Exchange.” This forecast was devised on the basis of information currently available to the Company as well as certain assumptions deemed to be reasonable, and actual results may potentially differ from the forecast owing to various future factors.

2. Matters on summary information (notes)

(1) Change to significant subsidiaries during the first half under review

Not applicable

(2) Application of accounting treatment unique to the preparation of these financial statements

Calculation of tax expenses

We calculated the tax expenses of some of non-Japan consolidated subsidiaries by multiplying income before taxes by an effective tax rate which was estimated as one after the application of tax effect accounting treatment of income before taxes for the fiscal year including the first half under review.

(3) Change to accounting policy and changed or revised display of accounting estimation

Not applicable

(4) Additional information

Application of application guidelines on recoverability of deferred tax assets

Starting from the first quarter of the fiscal year ending December 31, 2017, we applied the Application Guidelines on Recoverability of Deferred Tax Assets (ASBJ Guidelines No. 26 of March 28, 2016).

3. Financial statements for the first half

(1) Balance sheet

(millions of yen)

	FY ended December 31, 2016	First half ended June 30, 2017
Assets		
Current assets		
Cash and deposits	24,452	25,196
Notes and accounts receivable – trade	17,633	17,573
Inventories	21,266	22,259
Deferred tax assets	872	778
Others	1,248	1,910
Allowance for doubtful accounts	△335	△263
Total current assets	65,137	67,454
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,356	2,279
Machinery, equipment and vehicles, net	417	396
Tools, furniture and fixtures, net	109	97
Leased assets, net	298	270
Others, net	318	410
Total property, plant and equipment	3,499	3,454
Intangible assets		
Goodwill	919	838
Software	149	200
Others	2,101	1,374
Total intangible assets	3,170	2,413
Investments and other assets		
Investment securities	129	1,234
Guarantee deposits	361	358
Deferred tax assets	408	503
Others	50	544
Allowance for doubtful accounts	△35	△34
Total investments and other assets	914	2,607
Total non-current assets	7,583	8,475
Total assets	72,721	75,929

(millions of yen)

	FY ended December 31, 2016	First half ended June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,772	10,620
Short-term loans payable	4,194	6,017
Current portion of long-term loans payable	143	145
Lease obligations	62	59
Accounts payable – other	3,111	3,049
Income taxes payable	367	102
Allowance for bonuses	540	350
Others	1,638	1,489
Total current liabilities	18,830	21,834
Non-current liabilities		
Long-term loans payable	12,542	12,539
Lease obligations	237	215
Deferred tax liabilities	369	249
Provision for directors' retirement benefits	502	462
Net defined benefit liability	897	958
Others	361	409
Total non-current liabilities	14,911	14,835
Total liabilities	33,741	36,669
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	774	774
Retained earnings	36,111	37,554
Treasury shares	Δ5	Δ5
Total shareholders' equity	36,980	38,423
Other cumulative comprehensive income		
Valuation difference on available-for-sale securities	11	12
Deferred gains or losses on hedges	42	3
Foreign currency translation adjustment	1,945	820
Total other cumulative comprehensive income	1,999	836
Total net assets	38,979	39,259
Total liabilities and net assets	72,721	75,929

(2) Statement of income and statement of comprehensive income

(Statement of income)

(First half of FY ending December 31, 2017)

	(millions of yen)
	First half of FY ending December 31, 2017 (from January 1 to June 30, 2017)
Net sales	86,646
Cost of sales	71,949
Gross profit	14,696
Selling, general and administrative expenses	11,436
Operating income	3,260
Non-operating income	
Interest and dividend income	43
Share of profit of entities accounted for using equity method	27
Others	9
Total non-operating income	79
Non-operating expenses	
Interest expenses	96
Foreign exchange losses	189
Others	0
Total non-operating expenses	286
Ordinary income	3,053
Extraordinary income	
Total extraordinary income	—
Extraordinary losses	
Impairment loss	517
Total extraordinary losses	517
Income before taxes and minority interests	2,536
Income taxes – current	1,167
Income tax adjustment	△80
Total income taxes	1,087
Net income	1,448
Profit attributable to non-controlling shareholders	—
Profit attributable to owners of parent	1,448

(Statement of comprehensive income)

(First half of FY ending December 31, 2017)

	(millions of yen)
	First half of FY ending December 31, 2017 (From January 1 to June 30, 2017)
Net income	1,448
Other comprehensive income	
Valuation difference on available-for-sale securities	1
Gains or losses on deferred hedges	Δ38
Foreign currency translation adjustment	Δ1,126
Share of income of entities accounted for using equity method	1
Total other comprehensive income	Δ1,162
Comprehensive net income	285
(Breakdown)	
Comprehensive net income attributable to owners of parent	285
Comprehensive net income attributable to non-controlling shareholders	—

(3) Statement of cash flows

	(In millions of yen)
	First half of FY ending December 31, 2017 (From January 1 to June 30, 2017)
Cash flows from operating activities	
Income before income taxes and minority interests	2,536
Depreciation and amortization	557
Impairment loss	517
Increase (decrease) in allowance for doubtful accounts	△59
Interest and dividend income	△43
Interest expenses	96
Foreign exchange losses (gains)	136
Decrease (increase) in notes and accounts receivable – trade	△328
Decrease (increase) in inventories	△1,557
Increase (decrease) in notes and accounts payable – trade	2,008
Increase (decrease) in provision for bonuses	△176
Increase (decrease) in net defined benefit liability	21
Others	△479
Sub-total	3,230
Interest and dividend income received	48
Interest expenses paid	△88
Income taxes paid	△1,770
Income taxes refunded	92
Cash flows from operating activities	1,512
Cash flows from investing activities	
Purchase of property, plant and equipment	△345
Purchase of intangible assets	△18
Purchase of shares in affiliate	△1,096
Purchase of shares in subsidiary	△167
Loans	△471
Decrease (increase) in time deposits	1,514
Others	△7
Cash flows from investing activities	△592
Cash flows from financing activities	
Increase (decrease) in short-term loans payable	1,812
Repayments of long-term loans payable	△79
Repayments of finance lease obligations	△32
Dividend payments	△4
Cash flows from financing activities	1,694
Effect of exchange rate change on cash and cash equivalents	△474
Increase (decrease) in cash and equivalents	2,140
Beginning balance of cash and equivalents	22,909
Increase (decrease) in cash and cash equivalents resulting from merger of consolidated subsidiary and non-consolidated subsidiary	117
Ending balance cash and equivalents	25,167

(4) Notes to the financial statements

(Note to assumption of going concern)

Not applicable

(Note to any significant change made to shareholders' equity)

Not applicable

(Segment information)

First half of the fiscal year ending December 31, 2017 (from January 1 to June 30, 2017)

1. Information related to net sales and profits/losses by reporting segment

(millions of yen)

	Reporting segment			Total	Adjustment (Note 1)	Amounts in the statements of income (Note 2)
	Asian Food Global Business	Agricultural and Seafood Products Trading Business	Other business			
Net sales						
Sales to external customers	58,002	26,994	1,649	86,646	—	86,646
Intersegment sales or transfers	6,949	178	—	7,128	Δ7,128	—
Total	64,951	27,173	1,649	93,774	Δ7,128	86,646
Segment profits or losses (-)	3,104	159	Δ14	3,248	11	3,260

Notes:

1. Adjustments are as follows:

Intersegment sales or transfers of -7,128 million yen refer to the elimination of intersegment transactions.

The adjustment of segment profits includes the elimination of intersegment transactions and the expenses of all group companies. The expenses of all group companies mainly consist of selling, general and administrative expenses, which are not attributable to any reporting segments.

2. Segment profits are adjusted with operating income in the statements of income.

2. Information related to impairment loss of non-current assets and goodwill by reporting segment

In the Asian Foods Global Business segment, we reviewed the specific purpose of customer related assets. As a result, regarding the business-use assets of a Hong Kong subsidiary for its import and wholesale business of Japanese ingredients and foodstuffs, we estimate that the recoverable amount is nil and record it as an impairment loss.

The said impairment loss recorded is 517 million yen in the first half under review.

(Company merger)

The settlement of provisional accounting treatment regarding company merger

Regarding Nippon Foods Co., Ltd. acquired in the previous consolidated fiscal year, we had applied provisional accounting treatment to the allocation of its acquisition cost in the previous consolidated fiscal year, which was settled in the first half under review.

As for goodwill of 1,640 million yen calculated on a temporary basis in the previous consolidated fiscal year, it was settled as such that goodwill decreased by 721 million yen, intangible assets and deferred tax liabilities increased by 863 million yen and 142 million yen, respectively, using the straight-line depreciation method over 11 years.