



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2023 (Japanese GAAP)

May 12, 2023

Company name: Nishimoto Co., Ltd.	Listed exchange: Tokyo
Code: 9260	URL: https://www.wismettac.com/
Representative: Yoshiro Susaki, Chairman & CEO	
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Scheduled date of filing of quarterly report: May 15, 2023	
Scheduled date of commencement of dividend payments: —	
Preparation of supplementary materials for quarterly financial results: Yes	
Holding of quarterly financial results presentation meeting: No	

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the fiscal year ending December 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated results of operations (cumulative)

(Percentages denote year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of FY ending December 31, 2023	69,765	18.2	3,167	9.1	3,370	5.4	2,310	6.8
First quarter of FY ended December 31, 2022	59,005	32.3	2,902	158.6	3,197	173.9	2,163	139.2

(Note) Comprehensive income

First quarter of FY ending December 31, 2023: 2,889 million yen (-48.0%)

First quarter of FY ended December 31, 2022: 5,560 million yen (50.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of FY ending December 31, 2023	161.01	160.11
First quarter of FY ended December 31, 2022	150.77	150.52

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023 (FY 2023 1Q)	181,561	73,876	40.4
As of December 31, 2022 (FY 2022)	179,222	72,063	39.9

(Reference) Shareholders' equity

First quarter of FY ending December 31, 2023: 73,348 million yen

FY ended December 31, 2022: 71,559 million yen

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended December 31, 2022	—	70.00	—	75.00	145.00
FY ending December 31, 2023	—	70.00	—	80.00	150.00
FY ending December 31, 2023 (Forecast)	—	70.00	—	80.00	150.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending December 31, 2023
(from January 1, 2023 to December 31, 2023)

(Percentages denote year-on-year changes)

	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
First half of FY ending December 31, 2023	149,000	14.0	5,200	(14.1)	5,200	(19.3)	3,600	(20.1)	250.82
FY ending December 31, 2023	304,000	10.5	11,000	4.8	11,000	2.0	7,300	7.0	508.61

(Note) Revision to the forecast for financial results announced most recently: None

* Notes

- (1) Changes in significant subsidiaries during the first three months of the fiscal year : Yes
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New 1 company (Company name) Wismettac EMEA Holdings Limited

Excluded – companies (Company name) –

(Note) For details, please see the section titled "(3) Notes to the quarterly consolidated financial statements (Changes in significant subsidiaries during the first three months of the fiscal year)" under the chapter titled "2. Quarterly consolidated financial statements and major notes" on the page 9 of the attachment.

- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

- (3) Changes in accounting policies, changes to accounting estimates, and restatements

- (i) Changes in accounting policies due to revisions of accounting standards Yes
(ii) Changes in accounting policies other than (i) above None
(iii) Changes in accounting estimates None
(iv) Restatements None

- (4) Number of shares outstanding (common stock)

- (i) Number of shares outstanding at the end of the period (including treasury shares)
(ii) Number of treasury shares at the end of the period
(iii) Average number of shares during the period (three months ended March 31, 2023)

As of March 31, 2023	14,353,140 shares	December 31, 2022	14,353,140 shares
As of March 31, 2023	220 shares	December 31, 2022	220 shares
As of March 31, 2023	14,352,920 shares	March 31, 2022	14,352,987 shares

* These quarterly financial results are not subject to quarterly review procedures.

* Explanation of the proper use of financial results forecasts and other notes

(Cautionary note on forward-looking statements, etc.)

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain reasonable assumptions. Thus, these statements are not intended for management to promise the achievement of the forecast. Actual financial results may differ materially due to various factors. For conditions of the assumptions in the forecast and notes to use of the forecast, please see the section titled "(3) Explanation of future forecasts such as consolidated financial results forecasts" under the chapter titled "1. Qualitative information on quarterly financial results" on the page 4 of the attachment.

(How to obtain the quarterly financial results supplementary materials)

The quarterly financial results supplementary materials will be disclosed on TDnet on May 12, 2023 and will also be posted on the Company's website.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

Forward-looking statements in the document are based on the judgment of the Company Group as of the end of the first quarter of the current consolidated fiscal year.

[Outline of the first quarter of the current consolidated fiscal year]

During the first three months of the current fiscal year, uncertainty about the global economic outlook has increased due to concerns about a slowdown in the growth rate caused by the emergence of financial, geopolitical, environmental, and other risks, as well as monetary tightening in response to accelerating inflation, which has led to a decline in consumer spending and demand.

Under these circumstances, our Company Group, as a global food-related company, has been striving to deliver products safely and stably while responding to various changing business environments. The main businesses of the Company Group are the Asian Food Global Business, which sells Japanese and other Asian foods and food ingredients mainly in North America, but also in Europe, China, Southeast Asia, Australia, etc., and the Agricultural & Seafood Products Trading Business, which engages in domestic sales of fruits and vegetables, as well as export and trilateral trade. We are also engaged in the business of selling overseas branded food products, seasonal products planned and developed in-house, and character products to imported food stores and general merchandise stores in Japan, as well as the business of manufacturing and selling natural supplements. In addition, we aim to become a company that identifies and provides solutions to various issues facing the food industry, by developing businesses in new areas where 'food' and 'healthcare' converge, and providing solutions using digital technology for companies involved in the food industry.

In the Asian Food Global Business, we have aggressively pursued structural reforms to achieve sustainable and stable earnings in our core region of North America and to expand our operating base outside North America, which is one of our growth strategies. In the Agricultural & Seafood Products Trading Business, the Company Group has been working to expand sales to its mainstay wholesale markets, mass retailers, home-meal replacement industries, and restaurant chains, etc., while also developing overseas distribution routes, including export of domestic fruits and vegetables, offshore trading, and the wholesale business in China.

As a result, with respect to the financial results for the first quarter of the current consolidated fiscal year, net sales stood at 69,765 million yen (18.2% increase year-on-year), operating income amounted to 3,167 million yen (9.1% increase year-on-year), ordinary income amounted to 3,370 million yen (5.4% increase year-on-year), and profit attributable to owners of parent totaled 2,310 million yen (6.8% increase year-on-year).

Financial results by segment are as follows: It is noted that net sales of segments are net sales to external customers.

[Outline of operating results by segment]

(i) Asian Food Global Business

In the Asian Food Global Business, for the first quarter of the current consolidated fiscal year, the Company had net sales of 55,538 million yen (19.8% increase year-on-year) and operating income of 3,510 million yen (17.6% increase year-on-year).

In the North America region, net sales increased both in the restaurant and grocery markets under robust sales situations. The expansion of sales to major grocery chains, the promotion of switching from national brands to private labels, and sales activities focused on market share retention have been successful.

In terms of profit, although the company endeavored to maintain the profit margin through appropriate price pass-through and other measures, the profit margin declined compared with the same period last year when the profit margin was at a higher level than in the past, due to increased expenses resulting from inventory valuation losses, salary adjustments to retain human resources, broad-based price increases, and product shortages caused by global logistics disruptions.

Outside of North America, in Europe, the decline in consumption due to inflation and rising interest rates was within our original expectations, and net sales increased, mainly in sales to individual restaurants. In the Asia and Oceania region, while the performance in the same period of previous year was affected by the spread of COVID-19 variants and deteriorating supply chains, the performance in the current period has been solid because the risk of recession has not materialized and the logistics situation is stabilizing.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the first quarter of the current consolidated fiscal year, the Company had net sales of 12,939 million yen (12.5% increase year-on-year) and operating loss of 41 million yen (operating income of 0 million yen in the same period of the previous year).

Net sales increased compared to the same period last year when sales in the domestic market were weak due to the continuation of the Act on Special Measures for Pandemic Prevention in major metropolitan areas and a sharp increase in procurement costs. On the other hand, in the current period, despite continued unstable procurement conditions, we were able to achieve relatively stable shipments of imported fruit and vegetables, our main products, and orders for frozen fruit and vegetables were strong as demand for commercial use recovered. In addition, the fruit and vegetable wholesale subsidiary in Singapore performed well in its main product of fresh vegetables for grocery markets. These factors contributed to the increase in sales from the same period in the previous year.

Profits decreased from the same period of the previous year. This was due to a reduction in the market price of our main commercial product of lemons, in order to prioritize sales by volume, while taking into account their stock levels and other factors. Another reason is the delays in price adjustments in response to rising procurement costs in our domestic frozen fruit and vegetable distribution business and in our fruit and vegetable wholesale subsidiary in Singapore.

(iii) Other businesses

In other businesses, for the first quarter of the current consolidated fiscal year, the Company had net sales of 1,287 million yen (12.1% increase year-on-year) and operating income of 61 million yen (13.7% increase year-on-year).

In the mainstay imported food business, the Valentine's Day event, the biggest sales event, was a success. Daily imported branded products also performed well, despite concerns about consumer reluctance to spend due to inflation, while sales of dietary supplements grew steadily, mainly through the core medical channel and EC. We also launched a new business, such as the provision of food for people recovering from surgery or illness, which has incurred start-up costs. However, the other businesses as a whole have increased both sales and profits.

(2) Explanation of financial position

(Assets)

Total assets as of March 31, 2023 stood at 181,561 million yen, an increase of 2,338 million yen compared to December 31, 2022, and was mainly attributable to the following.

Total current assets as of March 31, 2023 amounted to 153,747 million yen, an increase of 2,716 million yen compared to December 31, 2022. The increase in current assets was due to an increase in cash and deposits of 5,328 million yen, offset by a decrease in inventories of 1,302 million yen and a decrease in other assets, including income taxes receivable, of 895 million yen.

Total non-current assets as of March 31, 2023, came to 27,813 million yen, a decrease of 378 million yen compared to December 31, 2022. The decrease in non-current assets was due to a decrease in leased assets, net of 525 million yen, offset by an increase in other, net, including construction in progress, of 161 million yen.

(Liabilities)

Total liabilities as of March 31, 2023 stood at 107,684 million yen, an increase of 525 million yen compared to December 31, 2022, and was mainly attributable to the following.

Total current liabilities as of March 31, 2023, amounted to 34,579 million yen, an increase of 965 million yen compared to December 31, 2022. The increase in current liabilities was due to a 1,294 million yen increase in notes and accounts payable—trade and a 412 million yen increase in income taxes payable, despite a 652 million yen decrease in short-term loans payable.

Total non-current liabilities as of March 31, 2023 was 73,105 million yen (a decrease of 440 million yen compared to December 31, 2022). The decrease in non-current liabilities was due to a decrease of 504 million yen in lease obligations, which offset an increase of 168 million yen in long-term loans payable.

(Net assets)

Total net assets as of December 31, 2023 amounted to 73,876 million yen, an increase of 1,812 million yen compared to December 31, 2022. The increase in total net assets was mainly due to an increase of 1,234 million yen in retained earnings and an increase of 528 million yen in foreign currency translation adjustment.

(3) Explanation of future forecasts such as consolidated financial results forecasts

The forecast for the fiscal year ending December 31, 2023, is as stated in the summary of "Consolidated Financial Results for the Year Ended December 31, 2022 (Japanese GAAP)" released on February 14, 2023, and remains unchanged.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	FY 2022 (As of December 31, 2022)	First quarter of FY 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	75,787	81,116
Notes and accounts receivable—trade	29,317	28,842
Inventories	42,584	41,281
Other	3,765	2,869
Allowance for doubtful accounts	(423)	(361)
Total current assets	151,030	153,747
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,839	2,737
Machinery, equipment and vehicles, net	462	438
Tools, furniture and fixtures, net	325	322
Leased assets, net	11,198	10,673
Other, net	252	413
Total property, plant and equipment	15,079	14,585
Intangible assets		
Goodwill	4,546	4,547
Software	326	316
Software in progress	1,221	1,340
Customer-related assets	4,754	4,764
Other	51	49
Total intangible assets	10,899	11,018
Investments and other assets		
Investment securities	392	412
Guarantee deposits	967	959
Deferred tax assets	703	704
Other	149	132
Total investments and other assets	2,213	2,209
Total non-current assets	28,191	27,813
Total assets	179,222	181,561

(Millions of yen)

	FY 2022 (As of December 31, 2022)	First quarter of FY 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	15,171	16,465
Short-term loans payable	6,528	5,875
Current portion of long-term loans payable	448	353
Lease obligations	2,479	2,465
Accounts payable—other	3,518	3,502
Income taxes payable	213	626
Provision for bonuses	1,427	1,320
Provision for directors' bonuses	142	123
Provision for share-based remuneration	-	210
Provision for shareholders' benefits	23	22
Other	3,660	3,611
Total current liabilities	33,613	34,579
Non-current liabilities		
Long-term loans payable	60,573	60,742
Lease obligations	9,250	8,746
Deferred tax liabilities	1,197	1,211
Provision for bonuses	86	32
Provision for share-based remuneration	455	369
Net defined benefit liability	129	96
Other	1,853	1,906
Total non-current liabilities	73,545	73,105
Total liabilities	107,158	107,684
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	52,435	53,670
Treasury shares	(0)	(0)
Total shareholders' equity	61,612	62,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	14
Deferred gains or losses on hedges	(43)	(16)
Foreign currency translation adjustment	9,975	10,503
Total accumulated other comprehensive income	9,947	10,500
Non-controlling interests	504	528
Total net assets	72,063	73,876
Total liabilities and net assets	179,222	181,561

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First three months ended March 31, 2023

(Millions of yen)

	First three months of FY 2022 (January 1, 2022 to March 31, 2022)	First three months of FY 2023 (January 1, 2023 to March 31, 2023)
Net sales	59,005	69,765
Cost of sales	46,463	55,179
Gross profit	12,542	14,586
Selling, general and administrative expenses	9,639	11,418
Operating income	2,902	3,167
Non-operating income		
Interest and dividend income	14	361
Share of profit of entities accounted for using equity method	13	15
Insurance benefits received	0	-
Foreign exchange gains	354	6
Reversal of allowance for doubtful accounts	1	1
Other	29	48
Total non-operating income	414	434
Non-operating expenses		
Interest expenses	118	222
Other	1	7
Total non-operating expenses	119	230
Ordinary income	3,197	3,370
Extraordinary income		
Total extraordinary income	-	-
Extraordinary losses		
Business restructuring expenses	-	111
Total extraordinary losses	-	111
Profit before income taxes	3,197	3,259
Income taxes—current	1,066	950
Income taxes—deferred	(40)	(11)
Total income taxes	1,025	939
Net income	2,171	2,320
Profit attributable to non-controlling interests	7	9
Profit attributable to owners of parent	2,163	2,310

Quarterly consolidated statement of comprehensive income

First three months ended March 31, 2023

(Millions of yen)

	First three months of FY 2022 (January 1, 2022 to March 31, 2022)	First three months of FY 2023 (January 1, 2023 to March 31, 2023)
Net income	2,171	2,320
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(1)
Deferred gains or losses on hedges	26	26
Foreign currency translation adjustment	3,350	536
Share of other comprehensive income of entities accounted for using equity method	8	5
Total other comprehensive income	3,388	568
Comprehensive income	5,560	2,889
(Breakdown)		
Comprehensive income attributable to owners of parent	5,532	2,864
Comprehensive income attributable to non-controlling interests	28	24

(3) Notes to the quarterly consolidated financial statements

(Notes to assumption of going concern)

No relevant items.

(Notes on significant changes in shareholders' equity)

No relevant items.

(Application of accounting treatment specific to the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

The tax expenses of some of non-Japan consolidated subsidiaries were calculated by multiplying net income before taxes by an effective tax rate, which was estimated as the rate after the application of tax effect accounting to net income before taxes for the fiscal year including the first quarter of the fiscal year.

(Changes in accounting policy)

(Application of International Accounting Standard IAS 12—Income taxes)

With effect from the beginning of the first quarter of the current consolidated fiscal year, the Company Group's foreign consolidated subsidiaries that apply International Financial Reporting Standards have adopted International Accounting Standard IAS 12—Income Taxes (as revised in May 2001; hereafter referred to as "the standard" in this section). Accordingly, deferred tax assets relating to leased and abandoned assets are recognized.

The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year have been retrospectively applied, and the cumulative effect has been reflected in net assets at the beginning of the previous consolidated fiscal year.

The application of the standard did not have a material impact on the quarterly consolidated financial statements.

(Application of US GAAP ASU No. 2016-13 Financial Instruments—Credit Losses)

With effect from the beginning of the first quarter of the current consolidated fiscal year, the Company Group's foreign consolidated subsidiaries that apply US GAAP have adopted ASU No. 2016-13, Financial Instruments—Credit Losses (hereafter referred to as "the standard" in this section). Accordingly, impairment losses on financial assets are recognized based on the expected credit loss model.

In applying this standard, the cumulative effect of adopting this standard, which is permitted as a transitional measure, is recognized at the date of adoption and the effect is added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year.

The application of the standard did not have a material impact on the quarterly consolidated financial statements.

(Changes in significant subsidiaries during the first three months of the fiscal year)

Wismettac EMEA Holdings Limited is included in the scope of consolidation from the first quarter of the current fiscal year, because it has become a consolidated subsidiary due to its incorporation.

(Additional information)

Accounting estimates associated with the novel coronavirus pandemic

There have been no significant changes in the assumptions regarding the impact of the COVID-19 pandemic, which were described under Additional information—Accounting estimates associated with the novel coronavirus pandemic in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2022.

(Segment information)

First three months of the fiscal year (from January 1, 2022 to March 31, 2022)

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

(Millions of yen)

	Reporting segment			Total	Adjustment (Note 1)	Amounts recorded in the quarterly consolidated statement of income (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Japan	1,914	9,347	1,148	12,410	—	12,410
North America	33,376	—	—	33,376	—	33,376
Europe	8,691	—	—	8,691	—	8,691
Other	2,377	2,149	—	4,527	—	4,527
Revenue from contracts with customers	46,360	11,497	1,148	59,005	—	59,005
Sales to external customers	46,360	11,497	1,148	59,005	—	59,005
Intersegment sales or transfers	3,221	—	—	3,221	(3,221)	—
Total	49,581	11,497	1,148	62,227	(3,221)	59,005
Segment profit	2,985	0	54	3,040	(137)	2,902

(Note) 1. "Adjustment" for segment profit in the amount of (137) million yen includes 2 million yen for elimination of intersegment transactions and (140) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of management guidance fees from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit is reconciled with the operating income on the Quarterly Consolidated Statement of Income.

2. Matters related to changes in reporting segments

(Change in classification of reporting segment)

Effective from the first quarter of the previous consolidated fiscal year, following a partial review of performance management categories within the Company Group, the Company has revised its classification method of business segments and changed the "World Gift Business" previously included in the "Other businesses" segment to the "Agricultural & Seafood Trading Business."

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

(Material fluctuation in goodwill)

In the Agricultural & Seafood Products Trading Business segment, the Company acquired 100% shares of Ban Choon Marketing Pte. Ltd. as its consolidated subsidiary. The increase in goodwill attributable to this event is 1,529 million yen in the first quarter of the previous consolidated fiscal year.

The goodwill is an amount calculated provisionally because the acquisition cost is not fully distributed in the previous consolidated financial first quarter.

First three months of the fiscal year (from January 1, 2023 to March 31, 2023)

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

(Millions of yen)

	Reporting segment			Total	Adjustment (Note 1)	Amounts recorded in the quarterly consolidated statement of income (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Japan	1,683	10,074	1,287	13,044	—	13,044
North America	40,351	—	—	40,351	—	40,351
Europe	10,266	—	—	10,266	—	10,266
Other	3,237	2,865	—	6,102	—	6,102
Revenue from contracts with customers	55,538	12,939	1,287	69,765	—	69,765
Sales to external customers	55,538	12,939	1,287	69,765	—	69,765
Intersegment sales or transfers	516	—	—	516	(516)	—
Total	56,054	12,939	1,287	70,281	(516)	69,765
Segment profit	3,510	(41)	61	3,531	(364)	3,167

(Note) 1. "Adjustment" for segment profit or loss in the amount of (364) million yen includes (0) million yen for elimination of intersegment transactions and (363) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of management guidance fees from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit or loss is reconciled with the operating income on the Quarterly Consolidated Statement of Income.

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

No relevant items.