



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020 (Japanese GAAP)

August 13, 2020

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 Scheduled date of filing of quarterly report: August 14, 2020
 Scheduled date of commencement of dividend payments: —
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (For institutional investors and analysts)
 (Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the second quarter of the fiscal year ending December 31, 2020 (from January 1, 2020 to June 30, 2020)

(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	%
Second quarter of FY ending December 31, 2020	79,816	(13.4)	(1,226)	—	(1,510)	—	(939)	—
Second quarter of FY ended December 31, 2019	92,181	2.1	2,568	(16.0)	2,664	(13.2)	1,878	(13.8)

(Note) Comprehensive income

Second quarter of FY ending December 31, 2020: (1,905) million yen (—%)

Second quarter of FY ended December 31, 2019: 810 million yen (−30.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of FY ending December 31, 2020	(65.43)	—
Second quarter of FY ended December 31, 2019	130.86	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020 (FY 2020 2Q)	94,925	49,642	52.3
As of December 31, 2019 (FY 2019)	96,587	52,337	54.2

(Reference) Shareholders' equity

Second quarter of FY ending December 31, 2020: 49,642 million yen

FY ended December 31, 2019: 52,337 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, 2019	—	40.00	—	55.00	95.00
FY ending December 31, 2020	—	0.00	—	—	—
FY ending December 31, 2020 (Forecast)	—	—	—	—	—

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

For details, refer to the "Notice on Dividend of Surplus (Interim Dividend)" which will be announced today.

3. Consolidated financial results forecast for the fiscal year ending December 31, 2020
(from January 1, 2020 to December 31, 2020)

(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
FY ending December 31, 2020	168,000	(8.0)	(600)	—	(1,000)	—	(500)	—	(34.84)

(Note) 1. Revision to the forecast for financial results announced most recently: Yes
For details, refer to the "Notification on Recording of Valuation Loss on Inventories and Revision of Earnings Forecasts" which will be announced today.

* Notes

- (1) Changes in significant subsidiaries during the first six months of the fiscal year: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
New – companies (Company name) / Excluded – companies (Company name)
- (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: None
- (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)	As of June 30, 2020	14,353,140 shares	December 31, 2019	14,353,140 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2020	112 shares	December 31, 2019	112 shares
(iii) Average number of shares during the period (six months ended June 30, 2020)	As of June 30, 2020	14,353,028 shares	June 30, 2019	14,353,028 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 August 13, 2020 and will also be posted on the Company's website. The Company plans to hold a briefing meeting on the financial results for institutional investors and analysts on August 18, 2020, based on these materials.

○ Attachment: Table of Contents

1. Qualitative information on quarterly financial results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of future forecasts such as consolidated financial results forecasts	4
2. Quarterly consolidated financial statements and major notes	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statements of income and comprehensive income	7
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to the quarterly consolidated financial statements	10
(Notes to assumption of going concern)	10
(Notes on significant changes in shareholders' equity)	10
(Application of an accounting treatment specific to the preparation of the quarterly consolidated financial statements)	10
(Additional information)	10
(Segment information)	11
(Material subsequent events)	12

1. Qualitative information on quarterly financial results

(1) Explanation of operating results

[Outline of the first six months of the fiscal year]

This consolidated cumulative second quarter saw a tough situation where the novel coronavirus infection spread, and where emergency declarations and lockdowns have been invoked worldwide since March. From May onward, the restrictions on going out have been gradually eased in a step toward normalized economic activity. However, corporate businesses, especially in the tourism, restaurant and airline industries, have been significantly impacted by the social distancing, restricted transnational movement and reinstated restrictions on going out due to the infection spreading again. The pace of recovery in consumer spending is slow, and the world economy is entering a recessionary phase.

Also, in Japan, the economic activities of both individuals and corporations have been significantly constrained by travel restrictions to and from overseas countries since March, and by the emergency declaration invoked in April and May. Although the emergency declaration was lifted in June, consumer spending is cooling because of decreased inbound consumption due to overseas travel still being restricted, and to concerns about future employment, the spread of infection and so on.

Under these circumstances, the Company Group worked to maintain and expand its operating results by running two main businesses: the Asian Food Global Business that distributes Asian food products and ingredients such as Japanese food around the world with a focus on North America, as well as in Europe, China, South East Asia, Australia, etc., and the Agricultural & Seafood Products Trading Business that distributes fruits and vegetables, fishery products, etc., in domestic markets, as well as overseas markets through exports and offshore trading.

As for the Asian Food Global Business, the Company Group has been actively promoting a structural reform to continuously achieve sustainable and stable incomes from the North American region and an expansion of the business platform in regions outside of North America as one of our growth strategies. As for the Agricultural & Seafood Products Trading Business, the Company Group has been working on expanding sales to the wholesale market, which is the main distribution route, mass retailers, restaurant chains, home-meal replacement industries, etc. and overseas distribution routes (export of domestic fruits and vegetables, offshore trading in fruits and vegetables, wholesale business in China, etc.).

As a result, with respect to the financial results for this consolidated cumulative second quarter, the Company had net sales of 79,816 million yen (13.4% decrease year-on-year), operating losses of 1,226 million yen (operating income of 2,568 million yen in the same period of the previous year), ordinary losses of 1,510 million yen (ordinary income of 2,664 million yen in the same period of the previous year), and loss attributable to owners of parent of 939 million yen (profit attributable to owners of parent of 1,878 million yen in the same period of the previous 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 this consolidated cumulative second quarter, the Company had net sales of 53,140 million yen (16.4% decrease year-on-year) and operating losses of 1,039 million yen (operating income of 2,407 million yen in the same period of the previous year).

Since March, sales to the restaurant industry, which is the main customer of the Company Group, have fallen rapidly and significantly due to the worldwide lockdowns. As the lockdowns were gradually lifted from May, take-out and delivery services have increased, and eating in restaurants has slowly recovered. Meanwhile, sales to retailers maintained steady growth despite slowing as the lockdowns were lifted. As a result, net sales through the second quarter decreased significantly. Profit fell sharply because of the recording of valuation loss on inventories associated with lowering profitability and the provision of allowance for doubtful accounts, mainly for the North American region. This was despite our efforts to reduce SG&A, especially labor costs, by means of personnel arrangements and temporary leave on the assumption of long-term decreases in sales.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for this consolidated cumulative second quarter, the Company had net sales of 24,822 million yen (7.5% decrease year-on-year) and operating income of 56 million yen (71.3% decrease year-on-year).

While sales of citrus fruits and imported vegetables will fall in line with significant decreases in demand in the restaurant industry due to the restrictions on going out and the invoking of the emergency declaration from March, sales prices have slumped because of oversupply. As a result, our net sales have decreased. Profit declined significantly due to a decrease in income, despite our efforts to reduce SG&A.

(iii) Other businesses

In other businesses, for this consolidated cumulative second quarter, the Company had net sales of 1,853 million yen (1.8% increase year-on-year) and operating income of 73 million yen (16.7% increase year-on year).

Despite growing sales of health-related products, net sales remained at the same level as in the same period of the previous year due to sluggish growth in event goods sales. This resulted from department stores and other retailers refraining from business due to the restrictions on going out and the invoking of the emergency declaration from March. Our profit increased as we exerted efforts to reduce SG&A.

(2) Explanation of financial position

1. Assets, liabilities and net assets

(Assets)

Total assets as of June 30, 2020 stood at 94,925 million yen, a decrease of 1,662 million yen compared to December 31, 2019, and was mainly attributable to the following.

Total current assets as of June 30, 2020 amounted to 83,946 million yen, a decrease of 4,014 million yen compared to December 31, 2019. The decrease in total current assets, despite an increase of 3,172 million yen in cash and deposits, was due to a decrease of 4,326 million yen in notes and accounts receivable—trade, a decrease of 2,037 million yen in inventories and an increase of 919 million yen in the allowance for doubtful accounts.

Total non-current assets as of June 30, 2020, came to 10,979 million yen, an increase of 2,352 million yen compared to December 31, 2019. The increase in total non-current assets is due to an increase of 2,782 million yen in goodwill and an increase of 302 million yen in software in progress, despite a decrease of 368 million yen in investments and other assets, including long-term loans receivable, and a decrease of 330 million yen in customer-related assets.

(Liabilities)

Total liabilities as of June 30, 2020 stood at 45,282 million yen, an increase of 1,032 million yen compared to December 31, 2019, and was mainly attributable to the following.

Total current liabilities as of June 30, 2020, amounted to 15,175 million yen, a decrease of 3,882 million yen compared to December 31, 2019. The decrease in total current liabilities is due to a decrease of 3,276 million yen in notes and accounts payable—trade and a decrease of 335 million yen in short-term loans payable.

Total non-current liabilities as of June 30, 2020 was 30,106 million yen (an increase of 4,915 million yen compared to December 31, 2019). The increase in total non-current liabilities is due to an increase of 4,385 million yen in long-term loans payable and an increase of 425 million yen in non-current liabilities, including derivative debts.

(Net assets)

Total net assets as of June 30, 2020 amounted to 49,642 million yen, a decrease of 2,694 million yen compared to December 31, 2019. The decrease in total net assets is mainly due to decreases of 1,728 million yen in retained earnings and 959 million yen in foreign currency translation adjustment.

2. Cash flows

Cash and cash equivalents (hereinafter referred to as "Funds") for the first six months of the current consolidated fiscal year stood at 42,024 million yen, an increase of 3,179 million yen compared to December 31, 2019.

Cash flows for the first six months of the current consolidated fiscal year and the main factors affecting them are as follows.

(Cash flows from operating activities)

Cash flows from operating activities were positive at 3,331 million yen and major factors are as follows. Although the notes and accounts payable—trade decreased to 3,426 million yen and the loss before income taxes amounted to 1,384 million yen, the notes and accounts receivable—trade decreased to 4,265 million yen, inventories decreased to 2,362 million yen and the allowance for doubtful accounts increased to 923 million yen.

Funds acquired increased by 2,159 million yen year-on-year (an increase of 184.3% year-on-year in cash inflows), which was mainly due to an increase of 4,236 million yen in cash inflows from notes and accounts receivable—trade, an increase of 2,967 million yen in cash inflows from inventories and a decrease of 1,698 million yen in cash outflows from income taxes paid, despite a decrease of 4,049 million yen in profit before income taxes and an increase of 3,172 million yen in cash outflows from notes and accounts payable—trade.

(Cash flows from investing activities)

Cash flows from investing activities were negative at 3,126 million yen, with major factors as follows: a cash outflow of 2,295 million yen from acquiring the shares of subsidiaries resulting in changes in the scope of consolidation, and a cash outflow of 279 million yen from acquiring intangible assets.

Cash outflows increased by 2407 million yen year-on-year (an increase of 335.2% in cash outflows year-on-year), which was mainly attributable to an increase of 2,295 million yen in cash outflows from acquiring the shares of subsidiaries resulting in changes in the scope of consolidation and an increase of 238 million yen in payments by loans, despite a decrease of 373 million yen in cash outflows from acquiring property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities stood at 3,318 million yen in cash inflows. This was mainly attributable to a cash inflow of 4,533 million yen from income from long-term loans payable, despite a cash outflow of 789 million yen from the cash dividends paid.

Funds acquired increased by 4,150 million yen year-on-year (cash outflow of 832 million yen in the same period of the previous year), which was mainly attributable to an increase of 4,533 million yen in cash inflows from long-term loans payable, despite an increase of 344 million yen in cash inflows from a net decrease in short-term loans payable.

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

Financial results forecasts for the full fiscal year ending December 31, 2020 largely depend on the impact of the worldwide spread of the novel coronavirus infection on domestic and international economic activities. The Company Group is preparing its financial results estimate on the assumption that the economic situation will slowly recover and normalize by the first half of 2021, based on the business situation up until June 2020 and the latest economic outlook currently in hand.

It is uncertain when the novel coronavirus infection will cease and, if its impact lasts and the aforesaid assumption no longer holds, our future financial status and business performance may be affected.

For details, refer to the "Notification on Recording of Valuation Loss on Inventories and Revision of Earnings Forecasts" which will be announced today.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

	(Millions of yen)	
	FY 2019 (As of December 31, 2019)	Second quarter of FY 2020 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	39,130	42,303
Notes and accounts receivable—trade	19,407	15,080
Inventories	26,672	24,634
Other	2,925	3,022
Allowance for doubtful accounts	(175)	(1,094)
Total current assets	87,960	83,946
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,609	2,373
Machinery, equipment and vehicles, net	438	456
Tools, furniture and fixtures, net	208	255
Leased assets, net	467	630
Other, net	186	183
Total property, plant and equipment	3,910	3,898
Intangible assets		
Goodwill	—	2,782
Software	417	371
Software in progress	12	314
Customer-related assets	330	—
Other	62	58
Total intangible assets	823	3,528
Investments and other assets		
Investment securities	1,164	1,068
Guarantee deposits	926	867
Deferred tax assets	1,092	1,275
Other	777	408
Allowance for doubtful accounts	(67)	(66)
Total investments and other assets	3,893	3,553
Total non-current assets	8,627	10,979
Total assets	96,587	94,925

	(Millions of yen)	
	FY 2019 (As of December 31, 2019)	Second quarter of FY 2020 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	9,993	6,716
Short-term loans payable	2,890	2,554
Current portion of long-term loans payable	143	265
Lease obligations	206	200
Accounts payable—other	2,592	2,632
Income taxes payable	144	50
Provision for bonuses	641	515
Provision for directors' bonuses	137	50
Provision for shareholders' benefits	7	1
Other	2,301	2,189
Total current liabilities	19,058	15,175
Non-current liabilities		
Long-term loans payable	22,215	26,601
Lease obligations	265	422
Deferred tax liabilities	66	11
Provision for bonuses	—	34
Provision for directors' bonuses	58	—
Provision for directors' retirement benefits	645	643
Net defined benefit liability	1,527	1,555
Other	413	839
Total non-current liabilities	25,191	30,106
Total liabilities	44,250	45,282
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	43,112	41,384
Treasury shares	(0)	(0)
Total shareholders' equity	52,290	50,561
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	2
Deferred gains or losses on hedges	6	5
Foreign currency translation adjustment	31	(927)
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	46	(919)
Total net assets	52,337	49,642
Total liabilities and net assets	96,587	94,925

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First six months ended June 30, 2020

(Millions of yen)

	First six months of FY 2019 (January 1, 2019 to June 30, 2019)	First six months of FY 2020 (January 1, 2020 to June 30, 2020)
Net sales	92,181	79,816
Cost of sales	76,359	67,241
Gross profit	15,821	12,574
Selling, general and administrative expenses	13,253	13,801
Operating income or loss	2,568	(1,226)
Non-operating income		
Interest and dividend income	114	47
Share of profit of entities accounted for using equity method	9	0
Insurance benefits received	0	16
Reversal of allowance for doubtful accounts	3	3
Other	41	27
Total non-operating income	169	95
Non-operating expenses		
Interest expenses	60	77
Foreign exchange losses	12	293
Other	0	7
Total non-operating expenses	73	378
Ordinary income or loss	2,664	(1,510)
Extraordinary income		
Marginal gain for gradual acquisition	—	324
Total extraordinary income	—	324
Extraordinary losses		
Impairment loss	—	198
Total extraordinary losses	—	198
Profit before income taxes or loss before income taxes	2,664	(1,384)
Income taxes—current	791	(205)
Income taxes—deferred	(5)	(240)
Total income taxes	786	(445)
Net income or loss	1,878	(939)
Profit attributable to non-controlling interests or loss attributable to non-controlling interests	—	—
Profit attributable to owners of parent or loss attributable to owners of parent	1,878	(939)

Quarterly consolidated statement of comprehensive income

First six months ended June 30, 2020

	(Millions of yen)	
	First six months of FY 2019 (January 1, 2019 to June 30, 2019)	First six months of FY 2020 (January 1, 2020 to June 30, 2020)
Net income or loss	1,878	(939)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(5)
Deferred gains or losses on hedges	(11)	(1)
Foreign currency translation adjustment	(1,013)	(945)
Remeasurements of defined benefit plans	0	0
Share of other comprehensive income of entities accounted for using equity method	(41)	(13)
Total other comprehensive income	(1,068)	(965)
Comprehensive income	810	(1,905)
(Breakdown)		
Comprehensive income attributable to owners of parent	810	(1,905)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY 2019 (January 1, 2019 to June 30, 2019)	First six months of FY 2020 (January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Profit before income taxes or loss before income taxes	2,664	(1,384)
Depreciation and amortization	592	768
Marginal (gain) loss for gradual acquisition	—	(324)
Impairment loss	—	198
Increase (decrease) in allowance for doubtful accounts	9	923
Interest and dividend income	(114)	(47)
Interest expenses	60	77
Share of (profit) loss of entities accounted for using equity method	(9)	(0)
Foreign exchange losses (gains)	(1)	21
Decrease (increase) in notes and accounts receivable—trade	29	4,265
Decrease (increase) in inventories	(604)	2,362
Increase (decrease) in notes and accounts payable—trade	(253)	(3,426)
Increase (decrease) in accounts payable—other	294	5
Increase (decrease) in provision for bonuses	(194)	(88)
Increase (decrease) in provision for directors' bonuses	119	(160)
Increase (decrease) in provision for shareholder privilege program	(4)	(5)
Increase (decrease) in net defined benefit liability	73	25
Other	115	(62)
Subtotal	2,776	3,148
Interest and dividend income received	196	48
Interest expenses paid	(60)	(57)
Income taxes paid	(1,967)	(269)
Income taxes reimbursed	226	461
Cash flows from operating activities	1,171	3,331
Cash flows from investing activities		
Purchase of property, plant and equipment	(507)	(133)
Purchase of intangible assets	(45)	(279)
Payments for acquiring shares of subsidiaries resulting in changes in the scope of consolidation	—	(2,295)
Payments for acquiring shares of affiliate	—	(221)
Payments by loans	—	(238)
Net decrease (increase) in time deposits	(125)	—
Other	(40)	42
Cash flows from investing activities	(718)	(3,126)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	128	(216)
Income from long-term loans payable	—	4,533
Repayments of long-term loans payable	(79)	(79)
Repayments of finance lease obligations	(90)	(129)
Cash dividends paid	(789)	(789)
Cash flows from financing activities	(832)	3,318
Effect of exchange rate change on cash and cash equivalents	(431)	(343)
Net increase (decrease) in cash and cash equivalents	(810)	3,179
Cash and cash equivalents at beginning of period	28,516	38,844
Closing balance of cash and cash equivalents	27,706	42,024

(4) 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 an accounting treatment specific to the preparation of the 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 second quarter of the fiscal year.

(Additional information)

(Accounting estimate associated with the novel coronavirus pandemic)

Lockdowns invoked worldwide against the novel coronavirus pandemic have caused rapid and significant falls in sales to the restaurant industry, which is the main customer of the Company Group. As the lockdowns were gradually lifted from May, take-out and delivery services have increased, and eating in restaurants has slowly recovered.

Meanwhile, sales to retailers maintained steady growth despite slowing as the lockdowns were lifted.

Under these circumstances, the Company Group provided an additional 859 million yen as an allowance for doubtful accounts in this consolidated cumulative second quarter in consideration of the worsening credit status of customers. The amount of allowance for doubtful accounts is determined according to the recoverability of the debt, taking into account the status of the debt being collected and circumstances of the major customer.

In consideration of the worsening market environment, in this consolidated cumulative second quarter the Company Group recorded an additional 889 million yen as a valuation loss on inventories, which is included in the cost of sales. The amount of valuation loss on inventories is an estimate of future salability and records those items for which declines in profitability are expected.

In determining the recoverability of deferred tax assets, we have made an accounting estimate on the assumption that the economic situation will slowly recover and normalize by the first half of 2021.

It is uncertain when the novel coronavirus infection will cease and, if its impact lasts and the aforesaid assumption no longer holds, our future financial status and business performance may be affected.

(Segment information)

First six months of the fiscal year (from January 1, 2019 to June 30, 2019)

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

(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						
Sales to external customers	63,534	26,825	1,820	92,181	—	92,181
Intersegment sales or transfers	6,467	23	—	6,491	(6,491)	—
Total	70,002	26,849	1,820	98,672	(6,491)	92,181
Segment profit	2,407	197	62	2,668	(99)	2,568

(Note) 1. "Adjustment" for segment profit in the amount of (99) million yen includes (1,396) million yen for elimination of intersegment transactions and 1,297 million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of dividend income 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. Information related to impairment loss of non-current assets and goodwill by reporting segment

No relevant items.

First six months of the fiscal year (from January 1, 2020 to June 30, 2020)

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

(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						
Sales to external customers	53,140	24,822	1,853	79,816	—	79,816
Intersegment sales or transfers	4,997	0	—	4,997	(4,997)	—
Total	58,138	24,822	1,853	84,814	(4,997)	79,816
Segment profit/loss	(1,039)	56	73	(909)	(316)	(1,226)

(Note) 1. "Adjustment" for segment profit in the amount of (316) million yen includes (1,403) million yen for elimination of intersegment transactions and 1,086 million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of dividend income 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 loss on the Quarterly Consolidated Statement of Income.

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

(Important impairment loss associated with non-current assets)

Due to decreased profitability under the impact of the novel coronavirus pandemic, the amount recoverable from the business assets of a U.K. subsidiary in the import and wholesale business of Japanese foods and ingredients in the "Asian Food Global Business" segment is estimated to be zero and it has been recorded as an impairment loss.

Due to decreased profitability under the impact of the novel coronavirus pandemic, the book value of the business assets of a Hong Kong subsidiary in the import and wholesale business for Japanese foods and ingredients has been reduced to the recoverable amount and is recorded as an impairment loss. The recoverable amount is based on the net selling price.

The amount provided for such impairment loss is 198 million yen in this consolidated cumulative second quarter.

(Material fluctuation in goodwill)

In the "Asian Food Global Business" segment, we acquired additional stock of SSP Konsumgüter TRADE & CONSULT GmbH whereby it became a consolidated subsidiary instead of an equity method affiliate. The increase in goodwill attributable to this event is 2,782 million yen in this consolidated cumulative second quarter.

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

(Material subsequent events)

(Business combination by acquisition)

A consolidated subsidiary of the Company, NTC Wismettac Europe B.V. (hereinafter referred to as "NTC EU"), acquired an additional 70% stake of common shares in COMPTOIRS DES 3 CAPS SAS (hereinafter referred to as "C3C"), an equity method affiliate, on July 1, 2020. As a result, C3C became a consolidated subsidiary of NTC EU.

(1) Outline of business combination

(i) Name of the acquired company and its business lines

Name of the acquired company: COMPTOIRS DES 3 CAPS SAS

Business lines: Importing, processing and wholesaling of tuna and salmon (four of the Group's companies)

(ii) Main reasons for the business combination

NTC EU is importing and wholesaling Japanese foods, mainly in the Netherlands. It has decided to acquire an additional 70% of C3C, a French corporation which is an equity method affiliate of our Company and 20% of whose shares are held by NTC EU. C3C is the holding company for three subsidiaries, so NTC EU will acquire a total of four group companies as subsidiaries.

One of the Company Group's growth strategies for the Asian Food Global Business is to "expand our business platform in regions outside of North America." As Europe is a market with great growth potential over the medium to long term, before this transaction NTC EU acquired the equity method affiliate, SSP Konsumgüter TRADE & CONSULT GmbH (based in Germany; hereinafter referred to as "SSP") as a wholly owned subsidiary in February 2020 by additionally acquiring 80% of its shares.

This acquisition of shares by NTC EU enables us to group business units in three key countries in Europe, these being, Wismettac Harro Foods Ltd. in the U.K., SSP in Germany and (through this acquisition) C3C in France in order to establish a business base in Europe for the Asian Food Global Business, with a focus on Japanese foods.

(iii) Date of business combination

July 1, 2020

(iv) Legal form of the business combination

Through acquisition of shares for cash consideration

(v) Name of the controlling entity after the business combination

The name remains unchanged

(vi) Percentage share of voting rights acquired

Percentage share of voting rights owned before the business combination: 20%

Percentage share of voting rights additionally acquired at the date of business combination: 70%

Percentage share of voting rights after the acquisition: 90%

(vii) Main reason for deciding to acquire the company

As the Company Group acquired shares of C3C for cash

(2) Acquisition cost of the acquired company and breakdown

Market value of equity held before business combination as of the business combination date	1,236 million yen
Cash expended for additional acquisition	4,326 million yen
Acquisition cost	5,562 million yen

(3) Difference between the acquisition cost for the acquired company and the total sum of acquisition costs of each transaction for acquisition

Not yet determined.

- (4) Goodwill, reason for recognizing goodwill, amortization method and amortization period
Not yet determined.