



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2019 (Japanese GAAP)

November 13, 2019

Company name: Nishimoto Co., Ltd.	Listed exchange: Tokyo
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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 third quarter of the fiscal year ending December 31, 2019 (from January 1, 2019 to September 30, 2019)

(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	%
Third quarter of FY ending December 31, 2019	137,049	1.1	3,571	(25.2)	3,674	(23.1)	2,548	(24.4)
Third quarter of FY ended December 31, 2018	135,548	—	4,772	—	4,775	—	3,372	—

(Note) Comprehensive income

Third quarter of FY ending December 31, 2019: 1,402 million yen (-59.9%)

Third quarter of FY ended December 31, 2018: 3,494 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ending December 31, 2019	177.58	—
Third quarter of FY ended December 31, 2018	235.00	—

(Note) From the first quarter of the fiscal year ending December 31, 2019, the Company has changed the method for calculating retirement benefit obligations for its domestic consolidated subsidiaries from the simplified method to the standard method. Figures for the third quarter of the fiscal year ended December 31, 2018 have been adjusted as this change has been applied retroactively. Year-on-year percentage changes for the third quarter of the fiscal year ended December 31, 2018 are not shown as this change has been applied retroactively.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019 (FY 2019 3Q)	97,612	51,560	52.8
As of December 31, 2018 (FY 2018)	83,719	51,521	61.5

(Reference) Shareholders' equity

Third quarter of FY ending December 31, 2019: 51,560 million yen

FY ended December 31, 2018: 51,521 million yen

(Note) From the first quarter of the fiscal year ending December 31, 2019, the Company has changed the method for calculating retirement benefit obligations for its domestic consolidated subsidiaries from the simplified method to the standard method. Figures for the fiscal year ended December 31, 2018 have been adjusted as this change has been applied retroactively.

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, 2018	—	40.00	—	55.00	95.00
FY ending December 31, 2019	—	40.00	—	55.00	95.00
FY ending December 31, 2019 (Forecast)	—	40.00	—	55.00	95.00

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

3. Consolidated financial results forecast for the fiscal year ending December 31, 2019
(from January 1, 2019 to December 31, 2019)

(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, 2019	183,000	0.4	4,500	(32.9)	4,618	(29.7)	3,227	(30.2)	224.89

(Note) 1. Revision to the forecast for financial results announced most recently: Yes
2. Since the Company has changed the method for calculating retirement benefit obligations for its domestic consolidated subsidiaries from the simplified method to the standard method and this change has been applied retroactively, adjusted figures have been used to show the year-on-year percentage changes.

* 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 – companies (Company name) / Excluded 1 company (Company name) Wismettac Foods, Inc.
(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 8 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: Yes
(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 September 30, 2019	14,353,140 shares	December 31, 2018	14,353,140 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2019	112 shares	December 31, 2018	112 shares
(iii) Average number of shares during the period (nine months ended September 30, 2019)	As of September 30, 2019	14,353,028 shares	September 30, 2018	14,353,082 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 3 of the attachment.

(How to obtain the quarterly financial results supplementary materials)

The quarterly financial results supplementary materials will be disclosed on TDnet on November 13, 2019 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

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

The overall world economy during the first nine months of the current consolidated fiscal year continued to recover moderately. However, uncertainties still remain, such as the outlook for the Chinese economy, uncertainties about other nations' policies, and the potential impact of trade issues on the global economy.

Meanwhile, although exports and production remained weak, the overall Japanese economy remained on a moderate recovery trend as the employment environment steadily improved.

Under such circumstances, the Company Group has been working on improving operating results by operating 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 Agricultural & Seafood Products Trading Business, that distributes fruits and vegetables, fishery products, etc., with a focus on domestic markets, as well as in China, South East Asia, etc.

With regard to the Asian Food Global Business, in addition to the growth in the North American region, the Company Group has been aggressively developing markets, setting the strengthening of business bases in other regions as one of the Company Group's growth strategies. As for the Agricultural & Seafood Products Trading Business, in addition to the wholesale market, which is the main distribution route, the Company Group has been working on developing other distribution routes (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 the third quarter of the current consolidated fiscal year, the Company had net sales of 137,049 million yen (1.1% increase year-on-year), operating income of 3,571 million yen (25.2% decrease year-on-year), ordinary income of 3,674 million yen (23.1% decrease year-on-year), and profit attributable to owners of parent of 2,548 million yen (24.4% decrease 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 third quarter of the current consolidated fiscal year, the Company had net sales of 95,266 million yen (3.6% increase year-on-year) and operating income of 3,371 million yen (10.7% decrease year-on-year).

Although net sales grew in the North America region, costs rose mainly due to higher additional tariffs on imports from China and price hikes of national brand products. Expenses in departments such as the logistics department, including labor costs, remained high. Additionally, the Company recorded expenses for structural changes (improvement of profit margin and reduction of logistics expenses) and expenses for front-loaded recruitment for future growth. As a result, operating income decreased.

Net sales increased in regions outside of North America. However, in terms of profits, overall profits decreased partly due to a decline in profit at a subsidiary in the UK, Harro Foods Limited. The company was affected by a continuous rise in purchase prices due to fluctuations in currency exchange rates amid the issue of Brexit.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the third quarter of the current consolidated fiscal year, the Company had net sales of 39,129 million yen (4.1% decrease year-on-year) and operating income of 489 million yen (47.7% decrease year-on-year).

Net sales were affected by sluggish sales and falls in unit prices of fruits and vegetables (citrus, tropical commodities and vegetables) both in the domestic market and in China.

Profits declined affected by the decrease in domestic sales of fruits and vegetables as a whole, increase in costs, and other negative impacts.

(iii) Other businesses

In other businesses, for the third quarter of the current consolidated fiscal year, the Company had net sales of 2,653 million yen (4.7% decrease year-on-year) and operating income of 58 million yen (23.6% increase year-on-year).

(2) Explanation of financial position

(Assets)

Total assets as of September 30, 2019 stood at 97,612 million yen, an increase of 13,893 million yen compared to December 31, 2018, and was mainly attributable to the following.

Total current assets as of September 30, 2019 amounted to 88,314 million yen, an increase of 13,375 million yen compared to December 31, 2018. The increase in total current assets resulted from an increase of 13,904 million yen in cash and deposits and an increase of 1,119 million yen in Other of current assets, including income taxes receivable and prepaid expenses, though there was a decrease of 1,831 million yen in notes and accounts receivable—trade.

Total non-current assets as of September 30, 2019, came to 9,298 million yen, an increase of 518 million yen compared to December 31, 2018. The increase in total non-current assets was caused by an increase of 809 million yen in buildings and structures (net) and an increase of 211 million yen in leased assets (net), although there was a decline of 241 million yen in customer-related assets and a decrease of 237 million yen in software in progress.

(Liabilities)

Total liabilities as of September 30, 2019 stood at 46,052 million yen, an increase of 13,854 million yen compared to December 31, 2018, and was mainly attributable to the following.

Total current liabilities as of September 30, 2019, amounted to 20,988 million yen, an increase of 811 million yen compared to December 31, 2018. The increase in total current liabilities arose from an increase of 600 million yen in notes and accounts payable—trade, an increase of 334 million yen in accounts payable—other, an increase of 207 million yen in Other of current liabilities including accrued expenses, an addition of 165 million yen in provision for directors' bonuses and an increase of 125 million yen in lease obligations although there was a decrease of 575 million yen in income taxes payable.

Total non-current liabilities as of September 30, 2019 was 25,064 million yen (an increase of 13,042 million yen compared to December 31, 2018). The rise in total non-current liabilities was due to an increase of 12,881 million yen in long-term loans payable.

(Net assets)

Total net assets as of September 30, 2019 amounted to 51,560 million yen, an increase of 39 million yen compared to December 31, 2018. The increase in total net assets was mainly due to a rise of 1,185 million yen in retained earnings despite a decrease of 1,144 million yen in foreign-currency translation adjustments.

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

The Company revised numbers in the financial results forecasts, announced on February 14, 2019, in consideration of the trend in earnings and the market environment in recent months. For details, please see "Notification Regarding Revision of Full-Year Earnings Forecast," which was announced today.

The financial results forecasts are based on information currently available to the Company and certain reasonable assumptions. Thus, actual financial results may differ from the forecast numbers due to various factors.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

	FY 2018 (As of December 31, 2018)	Third quarter of FY 2019 (As of September 30, 2019)
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	28,520	42,424
Notes and accounts receivable—trade	19,547	17,716
Inventories	25,425	25,640
Other	1,604	2,724
Allowance for doubtful accounts	(158)	(190)
Total current assets	74,939	88,314
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,857	2,667
Machinery, equipment and vehicles, net	374	431
Tools, furniture and fixtures, net	75	198
Leased assets, net	185	397
Other, net	279	175
Total property, plant and equipment	2,771	3,870
Intangible assets		
Goodwill	671	597
Software	168	376
Software in progress	303	65
Customer-related assets	815	573
Other	69	64
Total intangible assets	2,028	1,677
Investments and other assets		
Investment securities	1,255	1,114
Guarantee deposits	1,058	931
Deferred tax assets	1,035	979
Other	810	798
Allowance for doubtful accounts	(178)	(73)
Total investments and other assets	3,979	3,750
Total non-current assets	8,779	9,298
Total assets	83,719	97,612

(Millions of yen)

	FY 2018 (As of December 31, 2018)	Third quarter of FY 2019 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	11,540	12,141
Short-term loans payable	2,640	2,679
Current portion of long-term loans payable	140	132
Lease obligations	52	178
Accounts payable—other	2,740	3,074
Income taxes payable	700	125
Provision for bonuses	538	466
Provision for directors' bonuses	—	165
Provision for shareholders' benefits	5	0
Other	1,816	2,024
Total current liabilities	20,176	20,988
Non-current liabilities		
Long-term loans payable	9,351	22,232
Lease obligations	135	222
Deferred tax liabilities	126	87
Provision for directors' retirement benefits	560	623
Net defined benefit liability	1,467	1,495
Other	378	403
Total non-current liabilities	12,021	25,064
Total liabilities	32,197	46,052
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	41,983	43,168
Treasury shares	(0)	(0)
Total shareholders' equity	51,160	52,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	6
Deferred gains or losses on hedges	(3)	(5)
Foreign currency translation adjustment	360	(783)
Remeasurements of defined benefit plans	(2)	(2)
Total accumulated other comprehensive income	360	(785)
Total net assets	51,521	51,560
Total liabilities and net assets	83,719	97,612

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First nine months ended September 30, 2019

	(Millions of yen)	
	First nine months of FY 2018 (January 1, 2018 to September 30, 2018)	First nine months of FY 2019 (January 1, 2019 to September 30, 2019)
Net sales	135,548	137,049
Cost of sales	112,201	113,294
Gross profit	23,347	23,755
Selling, general and administrative expenses	18,575	20,183
Operating income	4,772	3,571
Non-operating income		
Interest and dividend income	103	177
Share of profit of entities accounted for using equity method	2	21
Insurance benefits received	174	1
Reversal of allowance for doubtful accounts	—	7
Other	32	51
Total non-operating income	313	259
Non-operating expenses		
Interest expenses	128	87
Foreign exchange losses	123	67
Other	57	0
Total non-operating expenses	309	155
Ordinary income	4,775	3,674
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	4,775	3,674
Income taxes—current	1,518	1,109
Income taxes—deferred	(116)	15
Total income taxes	1,402	1,125
Net income	3,372	2,548
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,372	2,548

Quarterly consolidated statement of comprehensive income

First nine months ended September 30, 2019

(Millions of yen)

	First nine months of FY 2018 (January 1, 2018 to September 30, 2018)	First nine months of FY 2019 (January 1, 2019 to September 30, 2019)
Net income	3,372	2,548
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(0)
Deferred gains or losses on hedges	6	(1)
Foreign currency translation adjustment	143	(1,064)
Remeasurements of defined benefit plans	—	0
Share of other comprehensive income of entities accounted for using equity method	(25)	(79)
Total other comprehensive income	122	(1,146)
Comprehensive income	3,494	1,402
(Breakdown)		
Comprehensive income attributable to owners of parent	3,494	1,402
Comprehensive income attributable to non-controlling interests	—	—

(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.

(Changes in Accounting Policies)

Changes in the method for calculating retirement benefit obligations

Starting from the first quarter of the consolidated fiscal year, the Company has changed the method for calculating retirement benefit obligations for its domestic consolidated subsidiaries from the simplified method to the standard method. In order to respond to changes in the business environment, two domestic consolidated subsidiaries were merged in January 2019. The number of employees is expected to increase due to further expansion of operations in the future. In light of this, the Company verified the reliability of retirement benefit estimates based on actuarial calculations and concluded that adopting the standard method will improve the accuracy of the calculation of retirement benefit obligations and enable more appropriate periodic accounting of profit and loss regarding retirement benefit expenses, because of which the Company has applied such a change.

This change in accounting standards is applied retroactively. Consolidated financial statements for the first nine months of the fiscal year ended December 31, 2018 and the consolidated fiscal year ended December 31, 2018 have been adjusted retroactively.

As a result, compared with before the retroactive change, operating income, ordinary income, and profit before income taxes for the first nine months of the fiscal year ended December 31, 2018 each decreased by 11 million yen. The cumulative effect on net assets at the beginning of the fiscal year decreased the retained earnings balance at the beginning of the fiscal year by 235 million yen.

Application of IFRS 16 Leases

Starting from the first quarter of the consolidated fiscal year, the Company and some of its overseas consolidated subsidiaries, which adopt Japanese and U.S. standards, have applied IFRS 16 Leases. IFRS 16 Leases introduces a single lessee accounting model and, in principle, requires a lessee to recognize assets and liabilities for all leases.

The impact of the application of this accounting standard on the quarterly consolidated financial statements is minimal.

(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 third quarter of the fiscal year.

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

During the first quarter of the consolidated fiscal year, an absorption-type merger was implemented between the Company's consolidated subsidiaries, Nishimoto Trading Co., Ltd. as the surviving company and Wismettac Foods, Inc. as the absorbed company. Due to this absorption-type merger, Wismettac Foods, Inc. has been excluded from the scope of consolidation from the first quarter of the consolidated fiscal year. Nishimoto Trading Co., Ltd., the surviving company, changed its trade name to Wismettac Foods, Inc. as of January 1, 2019.

(Additional information)

Starting from the beginning of the first quarter of the consolidated fiscal year, the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) has been applied. As a result, deferred tax assets are indicated in the category of investments and other assets while deferred tax liabilities are indicated in the category of non-current liabilities.

(Segment information)

First nine months of the fiscal year (from January 1, 2018 to September 30, 2018)

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	91,945	40,820	2,782	135,548	—	135,548
Intersegment sales or transfers	7,074	139	—	7,213	(7,213)	—
Total	99,020	40,959	2,782	142,762	(7,213)	135,548
Segment profit	3,774	936	47	4,758	13	4,772

(Note) 1. "Adjustment" for segment profit in the amount of 13 million yen includes (1,215) million yen for elimination of intersegment transactions and 1,229 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 nine months of the fiscal year (from January 1, 2019 to September 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	95,266	39,129	2,653	137,049	—	137,049
Intersegment sales or transfers	6,631	24	—	6,655	(6,655)	—
Total	101,897	39,153	2,653	143,704	(6,655)	137,049
Segment profit	3,371	489	58	3,919	(348)	3,571

(Note) 1. "Adjustment" for segment profit in the amount of (348) million yen includes (1,396) million yen for elimination of intersegment transactions and 1,048 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.

3. Changes to reportable segments and others

As stated in "Changes in Accounting Policies," starting from the first quarter of the consolidated fiscal year, the method for calculating retirement benefit obligations for the Company's domestic consolidated subsidiaries has been changed from the simplified method to the standard method. As a result, the measurement method for segment income or loss has also been changed.

Segment information for the first nine months of the fiscal year ended December 31, 2018 is based on the measurement method for income or loss to which the change has been applied.