



Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (Japanese GAAP)

February 14, 2020

Company name: Nishimoto Co., Ltd
Code: 9260
Representative: Takayuki Kanai, President
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Scheduled date of the Annual General Meeting of Shareholders: March 26, 2020
Scheduled date of commencement of dividend payments: March 12, 2020
Scheduled date of submission of the annual securities report: March 27, 2020
Preparation of supplementary materials for financial results: Yes
Holding of financial results presentation meeting: Yes (For institutional investors and analysts)
(Amounts are rounded down to the nearest million yen)

Listed exchange: Tokyo

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

(1) Consolidated results of operations (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	%
FY ended December 31, 2019	182,603	0.2	4,343	(35.2)	4,543	(30.9)	2,493	(46.1)
FY ended December 31, 2018	182,220	—	6,703	—	6,569	—	4,624	—

(Note) Comprehensive income
FY ended December 31, 2019: 2,179 million yen (-39.2%)
FY ended December 31, 2018: 3,582 million yen (—%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY ended December 31, 2019	173.71	—	4.8	5.0	2.4
FY ended December 31, 2018	322.18	—	9.1	7.8	3.7

(Reference) Equity in earnings of affiliates
FY ended December 31, 2019: 29 million yen
FY ended December 31, 2018: (15) million yen

(Note) From the fiscal year ended December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method and applied the new method retroactively. Hence, the figures stated for the fiscal year ended December 2018 are those after the retroactive application. Year-on-year percentage changes for 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	Net assets per share
	Million yen	Million yen	%	Yen
FY ended December 31, 2019	96,587	52,337	54.2	3,646.41
FY ended December 31, 2018	83,719	51,521	61.5	3,589.58

(Reference) Shareholders' equity
FY ended December 31, 2019: 52,337 million yen
FY ended December 31, 2018: 51,521 million yen

(Note) From the fiscal year ended December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method and applied the new method retroactively. Hence, the figures stated for the fiscal year ended December 2018 are those after the retroactive application.

(3) Status of consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
FY ended December 31, 2019	843	(1,832)	11,472	38,844
FY ended December 31, 2018	5,587	(1,215)	(6,843)	28,516

(Note) From the fiscal year ended December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method and applied the new method retroactively. Hence, the figures stated for the fiscal year ended December 2018 are those after the retroactive application.

2. Dividends

	Annual dividends					Total amount of dividends (Total)	Payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended December 31, 2018	—	40.00	—	55.00	95.00	1,363	29.5	2.7
FY ended December 31, 2019	—	40.00	—	55.00	95.00	1,363	54.7	2.6
FY ending December 31, 2020 (Forecast)	—	25.00	—	35.00	60.00		—	

(Note) From the fiscal year ended December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method and applied the new method retroactively. Hence, the payout ratio (consolidated) and the ratio of dividends on net assets (consolidated) for the fiscal year ended December 2018 are those after the retroactive application.

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	%	
First half of FY ending December 31, 2020	99,102	7.5	1,360	(47.0)	1,380	(48.2)	1,212	(35.4)	84.50
FY ending December 31, 2020	205,835	12.7	3,052	(29.7)	3,143	(30.8)	2,836	13.8	197.64

* Notes

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New – companies (Company name) / Excluded 1 company (Company name) Foods, Inc. Wismettac

(Note) For details, please see the section titled "(5) Notes to the consolidated financial statements (Changes in significant subsidiaries during the current consolidated fiscal year)" under the chapter titled "3. Consolidated financial statements and major notes" on page 12 of the attachment.

- (2) 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

- (3) 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

December 31, 2019	14,353,140 shares	December 31, 2018	14,353,140 shares
December 31, 2019	112 shares	December 31, 2018	112 shares
December 31, 2019	14,353,028 shares	December 31, 2018	14,353,072 shares

(Reference) Overview of respective financial results

1. Respective financial results for the period ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Respective operating results

(Percentages denote year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 31, 2019	3,215	10.5	1,392	15.9	1,400	19.4	1,381	19.8
FY ended December 31, 2018	2,910	56.0	1,201	498.3	1,173	—	1,153	768.6
	Net income per share		Diluted net income per share					
	Yen		Yen					
FY ended December 31, 2019	96.28		—					
FY ended December 31, 2018	80.37		—					

(2) Respective financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended December 31, 2019	35,987	12,900	35.8	898.82
FY ended December 31, 2018	16,685	12,880	77.2	897.42

(Reference) Shareholders' equity

FY ended December 31, 2019: 12,900 million yen

FY ended December 31, 2018: 12,880 million yen

* These financial results are not audited by certified public accountants or an audit corporation.

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

(Notes on forward-looking statements)

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 "(4) Future forecasts" under the chapter titled "1. Overview of operating results, etc." on the page 4 of the attachment.

(How to obtain supplementary explanatory materials for the financial results)

On Friday, February 14, 2020, supplementary explanatory materials for the financial results will be disclosed via TDnet and posted on the Company's website. On Tuesday, February 18, 2020, based on these materials, a meeting will be held to brief institutional investors and analysts on the financial results.

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1. Overview of operating results, etc.

(1) Overview of operating results for the current period

[Overview of the current consolidated fiscal year]

During the current consolidated fiscal year, the world economy as a whole continued to recover moderately. However, the pace of recovery has slowed since a high degree of uncertainty remains about trade issues persisting from the previous fiscal year, the outlook for the Chinese economy, the U.K.'s withdrawal from the E.U., and conditions in financial and capital markets. Meanwhile, the overall Japanese economy remained on a moderate recovery track as the employment and income environments continue to improve, although exports weakened and companies, mainly manufacturers, became more cautious in determining their views on business conditions.

Under these circumstances, the Company Group worked to improve 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.

In the Asian Food Global Business, the Company distributes Japanese and other Asian foods and ingredients in overseas markets with a focus on North America through restaurants and supermarkets as the main distribution routes, while also engaging in integrated operations, covering from product planning and development, purchases, and import customs clearance through to storage and delivery. In addition, to keep pace with market expansion driven by the global Japanese food boom, the Company Group has built a sales network comprised of 24 sites in North America and 14 sites outside North America. In the current consolidated fiscal year, in addition to efforts to realize stable growth and structural reforms in North America, the Company Group has been aggressively developing markets and has set the strengthening of business bases in other regions as one of the Company Group's growth strategies.

In the Agricultural & Seafood Products Trading Business, the Company imports and wholesales fruits, and vegetables, fishery products, etc. to the domestic wholesale market, mass retailers, restaurant chains and home-meal replacement industries, food manufacturers, etc., while also exporting domestic fruits and vegetables and conducting offshore trading. With the current consolidated fiscal year seeing the domestic import market level-off, in addition to the wholesale market, which is its existing main distribution route, the Company Group has been working to develop 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 current consolidated fiscal year, net sales stood at 182,603 million yen (0.2% increase year-on-year), operating income amounted to 4,343 million yen (35.2% decrease year-on-year), ordinary income amounted to 4,543 million yen (30.9% decrease year-on-year) and profit attributable to owners of parent totaled 2,493 million yen (46.1% 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.

[Overview of financial results by segment]

(i) Asian Food Global Business

In regard to financial results of the Asian Food Global Business for the current consolidated fiscal year, net sales stood at 128,820 million yen (3.0% increase year-on-year) and operating income amounted to 4,108 million yen (24.0% decrease year-on-year).

While net sales grew steadily in the North America region, costs rose, mainly due to higher additional tariffs on imports from China and price hikes of national brand products, which the Company has responded to by appropriately reflecting the hikes in sales prices. However, operating income decreased due to personnel and logistics unit expenses remaining high, following on from the previous fiscal year, and the recording of expenses for structural changes. In this region, we will further bolster our ongoing efforts on restructuring (profitability improvement and logistics expenses restraint), thereby working to deliver increased profitability.

In regions outside of North America, profits were squeezed, and in particular, a U.K. subsidiary, Wismettac Harro Foods Limited, was affected by the continuous rise in purchase prices due to fluctuations in currency exchange rates. Overall, profits decreased due to costs associated with the reinforcement of management, purchasing and procurement personnel to expand the business platform.

(ii) Agricultural & Seafood Products Trading Business

With respect to financial results of the Agricultural & Seafood Products Trading Business for the current consolidated fiscal year, net sales stood at 49,805 million yen (5.8% decrease year-on-year) and operating income amounted to 765 million yen (25.9% decrease year-on-year).

Net sales were affected by sluggish sales and falls in unit prices of citrus and tropical commodities in the domestic market and poor sales of commodities produced in North America in China. Profits declined, affected by the decrease in sales of fruits and vegetables as a whole in both Japan and China, the increase in costs, and other negative factors.

(iii) Other businesses

As to financial results of other businesses for the current consolidated fiscal year, net sales stood at 3,977 million yen (5.8% decrease year-on-year) and operating income amounted to 173 million yen (33.2% decrease year-on-year).

Sales and operating income decreased due to a slowdown in character products and event products for the domestic market and a significant increase in logistics expenses.

(2) Overview of financial position for the current period

(Assets)

Total assets as of December 31, 2019 stood at 96,587 million yen, an increase of 12,868 million yen compared to December 31, 2018, and was mainly attributable to the following.

Total current assets as of December 31, 2019 amounted to 87,960 million yen, an increase of 13,020 million yen compared to December 31, 2018. The increase in total current assets was due to an increase of 10,610 million yen in cash and deposits and an increase of 1,247 million yen in inventories, despite a decrease of 140 million yen in notes and accounts receivable—trade.

Total non-current assets as of December 31, 2019 came to 8,627 million yen, a decrease of 152 million yen compared to December 31, 2018. The decrease in total non-current assets was due to a decrease of 671 million yen in goodwill and a decrease of 484 million yen in customer-related assets, despite an increase of 751 million yen in buildings and structures (net) and an increase of 282 million yen in leased assets (net).

(Liabilities)

Total liabilities as of December 31, 2019 stood at 44,250 million yen, an increase of 12,052 million yen compared to December 31, 2018, and was mainly attributable to the following.

Total current liabilities as of December 31, 2019 amounted to 19,058 million yen, a decrease of 1,117 million yen compared to December 31, 2018. The decrease in total current liabilities was due to a decrease of 1,547 million yen in notes and accounts payable—trade, despite an increase of 485 million yen in others in current liabilities, including accrued expenses.

Total fixed liabilities as of December 31, 2019 amounted to 25,191 million yen, an increase of 13,170 million yen compared to December 31, 2018. The increase in fixed liabilities is attributed to an increase of 12,864 million yen in long-term loans payable.

(Net assets)

Total net assets as of December 31, 2019 amounted to 52,337 million yen, an increase of 815 million yen compared to December 31, 2018. The increase in net assets was mainly due to an increase of 1,129 million yen in retained earnings despite a decrease of 328 million yen in foreign currency translation adjustments.

(3) Overview of cash flows for the current period

Cash and cash equivalents (hereinafter referred to as "funds") as of December 31, 2019 amounted to 38,844 million yen, an increase of 10,327 million yen compared to December 31, 2018.

The status of respective cash flows for the current consolidated fiscal year and its main factors are as follows:

(Cash flows from operating activities)

Cash flows from operating activities were positive at 843 million yen and major factors are as follows. The major factors included payments for 2,668 million yen in income taxes, an increase of 1,471 million yen in inventories, 3,753 million yen in profit before income taxes, and 1,281 million yen in depreciation and amortization, a non-cash expense.

The amount of funds obtained decreased by 4,744 million yen (84.9% decrease year-on-year) compared to in the previous consolidated fiscal year. The major factors included a decrease of 1,244 million yen in inventories, a decrease of 1,036 million yen in notes and accounts receivable—trade, an increase of 3,268 million yen in expenditures for notes and accounts payable—trade, a decrease of 2,671 million yen in net profit before income taxes, and an increase of 1,380 million yen in payment for income taxes.

(Cash flows from investing activities)

Cash flows from investing activities were negative at 1,832 million yen and major factors are as follows. The major factors included proceeds of 261 million yen from refunds of guarantee deposits, expenditure of 1,455 million yen for the purchase of property, plant and equipment, and expenditure of 268 million yen due to a net change in time deposits.

The amount of funds spent increased by 617 million yen (50.8% increase year-on-year) compared to in the previous consolidated fiscal year. Major factors included a decrease of 655 million yen in expenditures due to payments for guarantee deposits, an increase of 1,327 million yen in expenditures due to the purchase of property, plant and equipment, and an increase of 285 million yen in expenditures due to a net change in time deposits.

(Cash flows from financing activities)

Cash flows from financial activities were positive at 11,472 million yen. The major factors included a payment of 1,363 million yen for dividends, expenditure of 208 million yen due to repayments of finance lease obligations, and income of 13,000 million yen from long-term loans payable.

The amount of funds obtained increased by 18,315 million (6,843 million yen in funds was spent in the previous consolidated fiscal year) compared to in the previous consolidated fiscal year. The major factors included an increase of 149 million yen in expenditures due to repayments of finance lease obligations, an increase of 13,000 million yen in income from long-term loans payable, a decrease of 3,223 million yen in expenditures due to repayment of long-term loans payable, and an increase of 2,027 million yen in income due to an increase in short-term loans payable.

(4) Future forecasts

(Millions of yen)

	FY ended December 31, 2019 (Actual)	FY ending December 31, 2020 (Forecast)	Increase (decrease)	Increase (decrease) rate
Net sales	182,603	205,835	23,231	12.7
Operating income	4,343	3,052	(1,290)	(29.7)
Ordinary income	4,543	3,143	(1,399)	(30.8)
Profit attributable to owners of parent	2,493	2,836	343	13.8

In the Asian Food Global Business, we will continue to grow stably in existing markets such as for Japanese foods in the North American region while further expanding our business platform in other regions. In the North American region, we will further seek to acquire new distribution routes for non-Japanese food products (corporate customers) and develop products actively to this end. In the Agricultural & Seafood Products Trading Business, we will continue to maintain sales to the Japanese wholesale market, and work on expanding distribution routes to mass retailers, home-meal replacement industries, restaurant chains and food product manufacturers as well as overseas distribution routes.

Meanwhile, for the external environment, we anticipate a drastic change in the global food distribution industry. We will continue to actively recruit professionals with specialized skills and invest in digitalization to respond to ongoing and future environmental changes, which should serve as the seeds for growth. In the North American region, we will develop our logistics and operations and seek to acquire new distribution routes (corporate customers). In other regions, we will build a structure to perform management on an area-by-area basis. For the Group as a whole, we will promote digitization and recruit specialized professionals to further promote efforts to broaden our product lineup and develop and bolster our logistics and operations across the Group.

Accordingly, we expect that net sales will stand at 205,835 million yen (an increase of 23,231 million yen year-on-year), operating income will amount to 3,052 million yen (a decrease of 1,290 million yen year-on-year), ordinary income will amount to 3,143 million yen (a decrease of 1,399 million yen year-on-year), and profit attributable to owners of parent will total 2,836 million yen (an increase of 343 million yen year-on-year).

[Prerequisites for the forecast]

The exchange rate is assumed to be 108 yen/U.S. dollar.

2. Basic approach on selection of accounting standards

The Company Group prepares the consolidated financial statements in accordance with Japanese Generally Accepted Accounting Principles ("Japanese GAAP"), taking into consideration the workload for establishing the system for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

	(Millions of yen)	
	FY 2018 (As of December 31, 2018)	FY 2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	28,520	39,130
Notes and accounts receivable—trade	19,547	19,407
Inventories	25,425	26,672
Other	1,604	2,925
Allowance for doubtful accounts	(158)	(175)
Total current assets	74,939	87,960
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,857	2,609
Machinery, equipment and vehicles, net	374	438
Tools, furniture and fixtures, net	75	208
Leased assets, net	185	467
Other, net	279	186
Total property, plant and equipment	2,771	3,910
Intangible assets		
Goodwill	671	—
Software	168	417
Software in progress	303	12
Customer-related assets	815	330
Other	69	62
Total intangible assets	2,028	823
Investments and other assets		
Investment securities	1,255	1,164
Guarantee deposits	1,058	926
Deferred tax assets	1,035	1,092
Other	810	777
Allowance for doubtful accounts	(178)	(67)
Total investments and other assets	3,979	3,893
Total non-current assets	8,779	8,627
Total assets	83,719	96,587

(Millions of yen)

	FY 2018 (As of December 31, 2018)	FY 2019 (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	11,540	9,993
Short-term loans payable	2,640	2,890
Current portion of long-term loans payable	140	143
Lease obligations	52	206
Accounts payable—other	2,740	2,592
Income taxes payable	700	144
Provision for bonuses	538	641
Provision for directors' bonuses	—	137
Provision for shareholders' benefits	5	7
Other	1,816	2,301
Total current liabilities	20,176	19,058
Non-current liabilities		
Long-term loans payable	9,351	22,215
Lease obligations	135	265
Deferred tax liabilities	126	66
Provision for directors' bonuses	—	58
Provision for directors' retirement benefits	560	645
Net defined benefit liability	1,467	1,527
Other	378	413
Total non-current liabilities	12,021	25,191
Total liabilities	32,197	44,250
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	41,983	43,112
Treasury shares	(0)	(0)
Total shareholders' equity	51,160	52,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	8
Deferred gains or losses on hedges	(3)	6
Foreign currency translation adjustment	360	31
Remeasurements of defined benefit plans	(2)	0
Total accumulated other comprehensive income	360	46
Total net assets	51,521	52,337
Total liabilities and net assets	83,719	96,587

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of yen)

	FY 2018 (January 1, 2018 to December 31, 2018)	FY 2019 (January 1, 2019 to December 31, 2019)
Net sales	182,220	182,603
Cost of sales	150,361	150,495
Gross profit	31,858	32,108
Selling, general and administrative expenses	25,155	27,764
Operating income	6,703	4,343
Non-operating income		
Interest and dividend income	158	242
Share of profit of entities accounted for using equity method	—	29
Insurance benefits received	176	0
Reversal of allowance for doubtful accounts	—	8
Other	38	58
Total non-operating income	373	339
Non-operating expenses		
Interest expenses	160	122
Loss on equity-method investments	15	—
Foreign exchange losses	214	17
Provision of allowance for doubtful accounts	58	—
Other	57	0
Total non-operating expenses	506	139
Ordinary income	6,569	4,543
Extraordinary income		
Gain on sales of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Impairment loss	146	788
Total extraordinary losses	146	791
Profit before income taxes	6,424	3,753
Income taxes—current	1,753	1,386
Income taxes—deferred	47	(126)
Total income taxes	1,800	1,259
Net income	4,624	2,493
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	4,624	2,493

Consolidated statement of comprehensive income

	(Millions of yen)	
	FY 2018 (January 1, 2018 to December 31, 2018)	FY 2019 (January 1, 2019 to December 31, 2019)
Net income	4,624	2,493
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	2
Deferred gains or losses on hedges	(11)	9
Foreign currency translation adjustment	(945)	(287)
Remeasurements of defined benefit plans	(2)	3
Share of other comprehensive income of entities accounted for using equity method	(72)	(40)
Total other comprehensive income	(1,041)	(314)
Comprehensive income	3,582	2,179
(Breakdown)		
Comprehensive income attributable to owners of parent	3,582	2,179
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,646	6,531	39,173	(0)	48,351
Cumulative effects of changes in accounting policies			(235)		(235)
Restated balance	2,646	6,531	38,937	(0)	48,115
Changes during the period					
Dividends of surplus			(1,578)		(1,578)
Profit attributable to owners of parent			4,624		4,624
Purchase of treasury shares				(0)	(0)
Changes in items other than shareholders' equity, net					
Total changes during the period	–	–	3,045	(0)	3,045
Ending balance	2,646	6,531	41,983	(0)	51,160

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Beginning balance	15	8	1,378	–	1,402	49,753
Cumulative effects of changes in accounting policies						(235)
Restated balance	15	8	1,378	–	1,402	49,517
Changes during the period						
Dividends of surplus						(1,578)
Profit attributable to owners of parent						4,624
Purchase of treasury shares						(0)
Changes in items other than shareholders' equity, net	(8)	(11)	(1,018)	(2)	(1,041)	(1,041)
Total changes during the period	(8)	(11)	(1,018)	(2)	(1,041)	2,003
Ending balance	6	(3)	360	(2)	360	51,521

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,646	6,531	41,983	(0)	51,160
Changes during the period					
Dividends of surplus			(1,363)		(1,363)
Profit attributable to owners of parent			2,493		2,493
Changes in items other than shareholders' equity, net					
Total changes during the period	–	–	1,129	–	1,129
Ending balance	2,646	6,531	43,112	(0)	52,290

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Beginning balance	6	(3)	360	(2)	360	51,521
Changes during the period						
Dividends of surplus						(1,363)
Profit attributable to owners of parent						2,493
Changes in items other than shareholders' equity, net	2	9	(328)	3	(314)	(314)
Total changes during the period	2	9	(328)	3	(314)	815
Ending balance	8	6	31	0	46	52,337

(4) Consolidated statement of cash flows

	(Millions of yen)	
	FY 2018 (January 1, 2018 to December 31, 2018)	FY 2019 (January 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	6,424	3,753
Depreciation and amortization	1,104	1,281
Impairment loss	146	788
Increase (decrease) in allowance for doubtful accounts	54	6
Interest and dividend income	(158)	(242)
Interest expenses	160	122
Share of (profit) loss of entities accounted for using equity method	15	(29)
Foreign exchange losses (gains)	38	74
Decrease (increase) in notes and accounts receivable—trade	(1,041)	(5)
Decrease (increase) in inventories	(2,716)	(1,471)
Increase (decrease) in notes and accounts payable—trade	1,807	(1,461)
Increase (decrease) in accounts payable—other	436	(136)
Increase (decrease) in provision for bonuses	21	107
Increase (decrease) in provision for directors' bonuses	—	194
Increase (decrease) in provision for shareholder benefit program	5	2
Increase (decrease) in net defined benefit liability	162	147
Other	233	(47)
Subtotal	6,692	3,084
Interest and dividend income received	168	317
Interest expenses paid	(170)	(115)
Income taxes paid	(1,288)	(2,668)
Income taxes refunded	184	226
Cash flows from operating activities	5,587	843
Cash flows from investing activities		
Purchase of property, plant and equipment	(127)	(1,455)
Purchase of intangible assets	(337)	(88)
Expenditures due to payment for guarantee deposits	(728)	(72)
Proceeds from refunds of guarantee deposits	13	261
Payments of loans receivable	—	(138)
Net decrease (increase) in time deposits	17	(268)
Other	(52)	(70)
Cash flows from investing activities	(1,215)	(1,832)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,823)	203
Repayments of long-term loans payable	—	13,000
Repayments of long-term loans payable	(3,383)	(159)
Purchase of treasury shares	(0)	—
Repayments of finance lease obligations	(58)	(208)
Cash dividends paid	(1,577)	(1,363)
Cash flows from financing activities	(6,843)	11,472
Effect of exchange rate change on cash and cash equivalents	(299)	(156)
Net increase (decrease) in cash and cash equivalents	(2,770)	10,327
Cash and cash equivalents at beginning of period	31,286	28,516
Cash and cash equivalents at end of period	28,516	38,844

(5) Notes to the consolidated financial statements

(Notes to assumption of going concern)

No relevant items.

(Changes in significant subsidiaries during the current consolidated fiscal year)

During the current 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 current consolidated fiscal year. Nishimoto Trading Co., Ltd., the surviving company, changed its trade name to Wismettac Foods, Inc. as of January 1, 2019.

(Changes in Accounting Policies)

Changes in the method for calculating retirement benefit obligations

From the current consolidated fiscal year, the Company has changed its method of 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 policies has been applied retroactively. Consolidated financial statements for the consolidated fiscal year ended December 31, 2018, have been adjusted retroactively.

As a result, compared with before the retroactive change, "Deferred tax assets" and "Net defined benefit liability" on the consolidated balance sheet for the fiscal year ended December 31, 2018, increased by 131 million yen and 380 million yen, respectively. "Operating income," "Ordinary income," and "Profit before income taxes" on the consolidated statements of income for the fiscal year ended December 31, 2018, each decreased by 15 million yen. The cumulative effect on net assets at the beginning of the fiscal year was to decrease the retained earnings balance at the beginning of the fiscal year by 235 million yen.

"Profit before income taxes" decreased by 15 million yen and "Increase (decrease) in net defined benefit liability" increased by the same amount on the consolidated statement of cash flows for the fiscal year ended December 31, 2018.

The impact on per share information is described in the relevant section.

Application of International Financial Reporting Standard 16 "Leases"

From the current consolidated fiscal year, some of the Company's overseas consolidated subsidiaries that adopt International Financial Reporting Standard have applied International Financial Reporting Standard 16 "Leases" (hereafter referred to as "IFRS 16"). As a result, a lessee of leases is, in principle, required to record all leases as assets and liabilities on the consolidated balance sheet.

For the adoption of IFRS 16, in accordance with the transitional treatment, the lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use asset is recognized in the same amount.

As a result, "Property, plant and equipment" and "Others" in current liabilities, and "Others" in non-current liabilities on the consolidated balance sheet for the fiscal year ended December 31, 2018, increased by 325 million yen, 156 million yen, and 172 million yen, respectively.

The impact of the application of this accounting standard on the statement of income and per share information for the current consolidated fiscal year is minimal.

For the consolidated statement of cash flows for the current consolidated fiscal year, cash flows from operating activities increased by 155 million yen and cash flows from financing activities decreased by the same amount.

(Changes in presentation methods)

(Changes associated with the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Starting from the beginning of the current 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, the presentation methods for deferred tax assets and liabilities have been changed, including deferred tax assets in the category of investments and other assets and deferred tax liabilities in the category of non-current liabilities.

Consequently, 185 million yen that was previously recorded in "Deferred tax assets" in the category of "Current assets" is now included in 1,035 million yen of "Deferred tax assets" in "Investments and other assets."

(Consolidated cash flow statements)

From the current consolidated fiscal year, "Proceeds from refunds of guarantee deposits," which was included in "Others" of the cash flows from investment activities in the previous consolidated fiscal year, was reported as an independent account because it has become more financially important. The consolidated financial statements for the previous consolidated fiscal year were rearranged to reflect this change in the presentation method.

As a result, (38) million yen, indicated in "Others" of the cash flows from investment activities in the consolidated cash flow statements in the previous consolidated fiscal year, was reallocated to 13 million yen for "Proceeds from refunds of guarantee deposits" and (52) million yen for "Others."

(Segment information)

[Segment information]

1. Overview of reporting segments

A reporting segments of the Company Group is one of the structural units of the Company Group, in which segregated financial information is available, and is subject to review on a regular basis so that the Board of Directors could determine the allocation of management resources and evaluate the operating results.

The Company Group has a holding company structure, in which the Company is the holding company. The Company formulates the Group's business strategies and performs general management and the subsidiaries conduct business activities. The Company Group consists of business segments that are classified, in consideration of similarities in economic characteristics, etc., into one of three reportable segments: the Asian Food Global Business, the Agricultural & Seafood Products Trading Business, and the Other business.

The details of services that are included in each reporting segment are as follows:

Segment	Major products or business details
Asian Food Global Business	Wholesaling and distribution business of Asian food products and ingredients with a focus on Japanese food around the world, etc.
Agricultural & Seafood Products Trading Business	Import and wholesaling of perishable and frozen processed fruits and vegetables, marine products, etc. to wholesale markets, volume sellers, restaurants, home-meal replacement industry, food manufacturers, etc. in Japan, export of domestically produced vegetables and fruits, triangular trade, and so forth.
Other business	Original product sales business using foreign brand foods and characters, sales of supplements, catalog mail order business, etc.

2. Method of calculation of the amount of sales, profit or loss, assets, liabilities and other items for each reporting segment

The accounting treatment for the reported business segments is basically the same as that adopted in the preparation of the consolidated financial statements.

The profit of the reporting segment is a figure on an operating income basis. The amount of intersegment sales and transfers are based on market prices.

As stated in "Changes in Accounting Policies," starting from the current 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, which has been retroactively applied.

As a result of this change, compared with before the retroactive change, segment profit decreased by 5 million yen in the Asian Food Global Business, by 8 million yen in the Agricultural & Seafood Products Trading Business, and by 2 million yen in the Other business, respectively. Segment assets increased by 43 million yen in the Asian Food Global Business, by 68 million yen in the Agricultural & Seafood Products Trading Business, and by 19 million yen in the Other business respectively.

3. Information on the amount of sales, profit or loss, assets, liabilities and other items for each reporting segment

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

(Millions of yen)

	Reporting segment			Total	Adjustment (Note 1)	Amount recorded on the Consolidated Financial Statements (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Sales to external customers	125,112	52,886	4,221	182,220	–	182,220
Intersegment sales or transfers	9,423	227	0	9,651	(9,651)	–
Total	134,536	53,113	4,221	191,872	(9,651)	182,220
Segment profit	5,404	1,032	259	6,697	6	6,703
Segment assets	58,136	11,666	1,862	71,666	12,053	83,719
Other items						
Depreciation	937	11	7	957	72	1,030
Investments in entities accounted for using equity method	1,158	–	–	1,158	–	1,158
Increase in property, plant and equipment as well as intangible assets	169	8	19	196	269	465

(Note) 1. Adjustments are as follows:

- (1) "Adjustment" for segment profit in the amount of 6 million yen includes (1,195) million yen for elimination of intersegment transactions and 1,201 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) "Adjustment" for segment assets in the amount of 12,053 million yen includes 18,836 million yen for company assets not allotted to reporting segments and so forth. The company-wide assets are mainly surplus funds (cash and deposits) that are not attributable to any reporting segments.
 - (3) The depreciation adjustment of 72 million yen is mainly depreciation concerning company-wide assets.
 - (4) The adjustment of 269 million yen in relation to the increase in property, plant and equipment as well as intangible assets is the increase in non-current assets concerning the company-wide assets.
2. Segment profit is adjusted with operating income in the consolidated financial statements.

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Reporting segment			Total	Adjustments (Note 1)	Amount recorded on the Consolidated Financial Statements (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Sales to external customers	128,820	49,805	3,977	182,603	–	182,603
Intersegment sales or transfers	8,382	32	–	8,415	(8,415)	–
Total	137,203	49,837	3,977	191,019	(8,415)	182,603
Segment profits	4,108	765	173	5,048	(704)	4,343
Segment assets	59,466	9,077	1,849	70,393	26,193	96,587
Other items						
Depreciation	990	8	9	1,008	199	1,207
Investments in entities accounted for using equity method	1,065	–	–	1,065	–	1,065
Increase in property, plant and equipment as well as intangible assets	1,139	15	13	1,168	862	2,031

(Note) 1. Adjustments are as follows:

- (1) "Adjustment" for segment profit in the amount of (704) million yen includes (1,396) million yen for elimination of intersegment transactions and 692 million yen 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) "Adjustment" for segment assets in the amount of 26,193 million yen includes 35,530 million yen for company assets not allotted to reporting segments and so forth. The company-wide assets are mainly surplus funds (cash and deposits) that are not attributable to any reporting segments.
 - (3) The depreciation adjustment of 199 million yen is mainly depreciation concerning company-wide assets.
 - (4) The adjustment of 862 million yen in relation to the increase in property, plant and equipment as well as intangible assets is the increase in non-current assets concerning the company-wide assets.
2. Segment profit is adjusted with operating income in the consolidated financial statements.

[Related information]

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

1. Information on respective products and services

Similar information is disclosed in the "Segment information," and therefore descriptions are omitted.

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	North America	Other	Total
59,623	106,668	15,928	182,220

(Note) Of North America, 92,699 million yen is for the U.S.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Other	Total
77	1,821	872	2,771

(Note) 1. Of North America, 1,770 million yen is for the U.S.

2. "Other" includes 845 million yen for the U.K.

3. Information for major customers

With respect to net sales to external customers, there are no customers that accounts for 10% or more of the net sales on the consolidated statement of income, and therefore descriptions are omitted.

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

1. Information on respective products and services

Similar information is disclosed in the "Segment information," and therefore descriptions are omitted.

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	North America	Other	Total
57,762	109,647	15,193	182,603

(Note) Of North America, 95,577 million yen is for the U.S.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Other	Total
807	1,909	1,193	3,910

(Note) 1. Of North America, 1,850 million yen is for the U.S.

2. "Other" includes 957 million yen for the U.K.

3. Information for major customers

With respect to net sales to external customers, there are no customers that accounts for 10% or more of the net sales on the consolidated statement of income, and therefore descriptions are omitted.

[Information regarding impairment losses on non-current assets for each reporting segment]

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

(Millions of yen)

	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business	Company-wide/ Eliminations	Total
Impairment loss	146	—	—	—	146

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business	Company-wide/ Eliminations	Total
Impairment loss	788	—	—	—	788

[Information on amortization of goodwill and unamortized balance for each reporting segment]

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

(Millions of yen)

	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business	Company-wide/ Eliminations	Total
Amortization for the current period	74	—	—	—	74
Balance at end of current period	671	—	—	—	671

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business	Company-wide/ Eliminations	Total
Amortization for the current period	73	—	—	—	73
Balance at end of current period	—	—	—	—	—

[Information on gain on bargain purchase for each reporting segment]

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

No relevant items.

Current consolidated fiscal year (from January 1, 2019 to December 31, 2019)

No relevant items.

(Per share information)

	FY 2018 (January 1, 2018 to December 31, 2018)	FY 2019 (January 1, 2019 to December 31, 2019)
Net assets per share	3,589.58 yen	3,646.41 yen
Net income per share	322.18 yen	173.71 yen

- (Note) 1. A description of diluted net income per share is omitted as there are no diluted shares.
2. As stated in "Changes in Accounting Policies," starting from the current 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, which has been retroactively applied to the consolidated financial statements for the previous fiscal year.
As a result, compared with before the retroactive change, net assets per share and net income per share decreased by 17.34 yen and 0.71 yen, respectively.
3. The basis for calculating net income per share is as follows:

	FY 2018 (January 1, 2018 to December 31, 2018)	FY 2019 (January 1, 2019 to December 31, 2019)
Profit attributable to owners of parent (million yen)	4,624	2,493
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent concerning common shares (million yen)	4,624	2,493
Average number of common shares during the period (shares)	14,353,072	14,353,028

(Significant subsequent events)

(Business combination by acquisition)

A consolidated subsidiary of the Company, NTC Wismettac Europe B.V., acquired an additional 80% stake of common shares in SSP Konsumgüter TRADE & CONSULT GmbH (hereafter "SSP"), an equity method affiliate, on February 1, 2020. As a result, SSP became a consolidated subsidiary of NTC Wismettac Europe B.V.

(1) Outline of business combination

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

Name of the acquired company: SSP Konsumgüter TRADE & CONSULT GmbH

Business lines: Import and distribution business of Japanese and Asian food products and ingredients

(ii) Main reasons for the business combination

One of the Company's growth strategies for the Asian Food Global Business is to "expand our business platform in regions outside of North America." Among those regions, Europe in particular is a market with great growth potential over the medium to long term, not to mention in the near term, since the number of Japanese restaurants is growing, and in addition, Asian foods and ingredients, mainly Japanese foods, are being used in various distribution routes there. SSP is an import and wholesale company of Asian foods and ingredients with a focus on Japanese food. It has a long history of business activities in Europe, mainly in Germany, for about 30 years since its establishment in 1990, and it maintains strong customer relationships with many local companies and restaurants.

SSP and the Company have had close business ties for many years, with the Company acquiring a 20% stake in SSP in 2017. After that, through a collaboration for sales and product supply in the area, SSP's value in our Europe Strategy was confirmed, and an agreement was reached with SSP's management on the acquisition. Consolidating SSP into the Group will also enable us to further increase our market share in Germany, and we expect SSP's collaboration with our sites in Europe and our business development into Eastern Europe and Russia.

In light of these factors, we have determined that the acquisition of additional shares of SSP will greatly contribute to increasing the Company Group's corporate value.

(iii) Date of business combination

February 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: 80%

Percentage share of voting rights after the acquisition: 100%

(vii) Main reason for deciding to acquire the company

As the Company acquired shares of SSP for cash.

(2) Acquisition cost of the acquired company and breakdown

The details have not been finalized at this time, but they are scheduled to be finalized by the end of March 2020.

(3) Goodwill, reason for recognizing goodwill, amortization method and amortization period

They have not been finalized at this time.

(4) Amounts of assets and liabilities acquired on the day of the business combination and breakdown

They have not been finalized at this time.