



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

May 14, 2020

Company name: Nishimoto Co., Ltd.	Listed exchange: Tokyo
Code: 9260	URL: http://www.wismettac.com/
Representative: Yoshiro Susaki, Chairman & President CEO	
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Scheduled date of filing of quarterly report: —	May 15, 2020
Scheduled date of commencement of dividend payments: —	
Preparation of supplementary materials for quarterly financial results: Yes	
Holding of quarterly financial results presentation meeting: No	

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the fiscal year ending December 31, 2020 (from January 1, 2020 to March 31, 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	%
First quarter of FY ending December 31, 2020	43,058	(1.6)	5	(99.6)	(270)	—	113	(88.8)
First quarter of FY ended December 31, 2019	43,742	2.2	1,428	(13.1)	1,452	(5.2)	1,017	(8.8)

(Note) Comprehensive income

First quarter of FY ending December 31, 2020: (576) million yen (—%)

First quarter of FY ended December 31, 2019: (1,111) million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of FY ending December 31, 2020	7.92	—
First quarter of FY ended December 31, 2019	70.90	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2020 (FY 2020 1Q)	101,182	50,970	50.4
As of December 31, 2019 (FY 2019)	96,587	52,337	54.2

(Reference) Shareholders' equity

First quarter of FY ending December 31, 2020: 50,970 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	—	—	—	—	—
FY ending December 31, 2020 (Forecast)	—	—	—	—	—

(Note) Revision to the forecast for dividends announced most recently: Yes

The consolidated financial results forecast announced on February 14, 2020 has been changed to "TBD" and, in conjunction with this, the forecast for dividends for the fiscal year ending December 2020 announced on the same day has been withdrawn and changed to "TBD."

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
First half of FY ending December 31, 2020	—	—	—	—	—	—	—	—	—
FY ending December 31, 2020	—	—	—	—	—	—	—	—	—

(Note) Revision to the forecast for financial results announced most recently: Yes
The impact of the novel coronavirus pandemic on our business activities and business results is now under review and, since it is difficult to properly and reasonably calculate the consolidated financial results forecast presently, we have withdrawn the consolidated financial results forecast announced on February 14, 2020 and will determine it later. We will disclose it promptly when a proper and reasonable calculation becomes possible.

* Notes

(1) Changes in significant subsidiaries during the first three 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 March 31, 2020	14,353,140 shares	December 31, 2019	14,353,140 shares
As of March 31, 2020	112 shares	December 31, 2019	112 shares
As of March 31, 2020	14,353,028 shares	March 31, 2019	14,353,028 shares

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares during the period (three months ended March 31, 2020)

* 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 May 14, 2020 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 three months of the fiscal year]

This consolidated cumulative first quarter saw a tough situation where infection by a novel coronavirus breaking out in Wuhan, China last December spread worldwide and emergency declarations and lockdowns were invoked in Europe and the U.S. in March. As a result, consumer spending fell rapidly, especially since March, affecting the performance of companies, particularly in industries such as tourism, restaurants and aviation, and there is an increasing sense of economic uncertainty worldwide.

In Japan, too, consumer spending is slowing down because of a decrease in inbound tourists due to a restriction on travel to and from foreign countries and a request to refrain from going on outings since March.

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 the first quarter of the current consolidated fiscal year, the Company had net sales of 43,058 million yen (1.6% decrease year-on-year), operating income of 5 million yen (99.6% decrease year-on-year), ordinary losses of 270 million yen (ordinary income of 1,452 million yen in the same period of the previous year), and profit attributable to owners of parent of 113 million yen (88.8% 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 first quarter of the current consolidated fiscal year, the Company had net sales of 31,126 million yen (0.2% increase year-on-year) and operating income of 65 million yen (94.5% decrease year-on-year).

In January and February, sales in the North American region did well but, since March, sales to the restaurant industry, which is the main customer of the Company Group, fell rapidly and significantly due to some areas going into lockdown. Despite the growth of sales to retailers, the net sales through the first quarter decreased slightly. The operating income significantly decreased because of the provision of allowance for doubtful accounts considering the impact of the novel coronavirus pandemic since April, in addition to the increase in payroll intended for stable business operations and the increase in SG&A expenses in preparation for new business start-ups and so on.

In regions outside of North America, too, income decreased due to a fall of sales to the restaurant industry from the impact of the novel coronavirus pandemic, however, operating income increased because SSP Konsumgüter TRADE & CONSULT GmbH, which was an equity method affiliate, has become a consolidated subsidiary. Profits decreased due to an increase in personnel costs associated with the strengthening of management to expand the business platform.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the first quarter of the current consolidated fiscal year, the Company had net sales of 10,719 million yen (6.6% decrease year-on-year) and operating income of 24 million yen (81.0% decrease year-on-year).

Net sales decreased because of a decline in sales of citrus fruit and imported vegetables affected by the warm winter, lowering of prices due to fiercer competition and, in addition, a decline in sales of fruit and frozen agricultural products to the restaurant industry since February as a result of the novel coronavirus pandemic. The profit declined mainly due to a decrease in income.

(iii) Other businesses

In other businesses, for the first quarter of the current consolidated fiscal year, the Company had net sales of 1,212 million yen (2.2% increase year-on-year) and operating income of 101 million yen (10.0% decrease year-on-year).

Despite steady sales for the main products of the amenity food business, net sales increased just slightly because of sluggish growth in event goods sales as a result of department stores refraining from business due to the impact of the novel coronavirus pandemic. Consequently, the sales are insufficient to cover the increased SG&A expenses, and profit decreased.

(2) Explanation of financial position

(Assets)

Total assets as of March 31, 2020 stood at 101,182 million yen, an increase of 4,594 million yen compared to December 31, 2019, and was mainly attributable to the following.

Total current assets as of March 31, 2020 amounted to 90,314 million yen, an increase of 2,353 million yen compared to December 31, 2019. The increase in total current assets was due to an increase of 4,158 million yen in inventories and an increase of 639 million yen in current and other assets including advances, despite a decrease of 1,471 million yen in notes and accounts receivable.

Total non-current assets as of March 31, 2020, came to 10,867 million yen, an increase of 2,240 million yen compared to December 31, 2019. The increase in total non-current assets is due to an increase of 2,794 million yen in goodwill, despite a decrease of 628 million yen in investments and other assets, including long-term loan receivables.

(Liabilities)

Total liabilities as of March 31, 2020 stood at 50,211 million yen, an increase of 5,960 million yen compared to December 31, 2019, and was mainly attributable to the following.

Total current liabilities as of March 31, 2020, amounted to 20,273 million yen, an increase of 1,214 million yen compared to December 31, 2019. The increase in total current liabilities is due to increases of 963 million yen in accounts payable and 834 million yen in notes and accounts payable, despite decreases of 327 million yen in short-term loans payable and 127 million yen in provision for directors' bonuses.

Total non-current liabilities as of March 31, 2020 was 29,937 million yen (an increase of 4,746 million yen compared to December 31, 2019). The increase in total non-current liabilities is due to an increase of 4,513 million yen in long-term loans payable.

(Net assets)

Total net assets as of December 31, 2020 amounted to 50,970 million yen, a decrease of 1,366 million yen compared to December 31, 2019. The decrease in total net assets is mainly due to decreases of 675 million yen in retained earnings and 675 million yen in foreign currency translation adjustment.

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

Due to the novel coronavirus pandemic, governments throughout the world restricted outings and ordered lockdowns that have forced the retail and restaurant industries to refrain from or stop doing business. Since mid-March, the Company Group received remarkably fewer orders mainly from the restaurant industry in North America, Europe and Asia (including Japan), which affected its business results. Since the last half of April, some countries are starting to lift the restriction on outings, but caution is still required.

The impact on our future business activities and business results is now under review and, since it is difficult to properly and reasonably calculate the consolidated financial results forecast presently, we have withdrawn the consolidated financial results forecast announced on February 14, 2020 and will determine it at a later date. We will disclose it promptly when a proper and reasonable calculation becomes possible.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	FY 2019 (As of December 31, 2019)	First quarter of FY 2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	39,130	39,022
Notes and accounts receivable—trade	19,407	17,935
Inventories	26,672	30,830
Other	2,925	3,564
Allowance for doubtful accounts	(175)	(1,039)
Total current assets	87,960	90,314
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,609	2,445
Machinery, equipment and vehicles, net	438	469
Tools, furniture and fixtures, net	208	274
Leased assets, net	467	559
Other, net	186	203
Total property, plant and equipment	3,910	3,953
Intangible assets		
Goodwill	—	2,794
Software	417	384
Software in progress	12	187
Customer-related assets	330	246
Other	62	61
Total intangible assets	823	3,673
Investments and other assets		
Investment securities	1,164	1,064
Guarantee deposits	926	879
Deferred tax assets	1,092	1,215
Other	777	148
Allowance for doubtful accounts	(67)	(66)
Total investments and other assets	3,893	3,240
Total non-current assets	8,627	10,867
Total assets	96,587	101,182

(Millions of yen)

	FY 2019 (As of December 31, 2019)	First quarter of FY 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	9,993	10,827
Short-term loans payable	2,890	2,562
Current portion of long-term loans payable	143	133
Lease obligations	206	200
Accounts payable—other	2,592	3,556
Income taxes payable	144	111
Provision for bonuses	641	557
Provision for directors' bonuses	137	10
Provision for shareholders' benefits	7	7
Other	2,301	2,306
Total current liabilities	19,058	20,273
Non-current liabilities		
Long-term loans payable	22,215	26,728
Lease obligations	265	351
Deferred tax liabilities	66	53
Provision for bonuses	—	20
Provision for directors' bonuses	58	—
Provision for directors' retirement benefits	645	668
Net defined benefit liability	1,527	1,538
Other	413	577
Total non-current liabilities	25,191	29,937
Total liabilities	44,250	50,211
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	43,112	42,437
Treasury shares	(0)	(0)
Total shareholders' equity	52,290	51,614
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	2
Deferred gains or losses on hedges	6	(2)
Foreign currency translation adjustment	31	(643)
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	46	(643)
Total net assets	52,337	50,970
Total liabilities and net assets	96,587	101,182

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First three months ending March 31, 2020

(Millions of yen)

	First three months of FY 2019 (January 1, 2019 to March 31, 2019)	First three months of FY 2020 (January 1, 2020 to March 31, 2020)
Net sales	43,742	43,058
Cost of sales	35,821	35,135
Gross profit	7,920	7,923
Selling, general and administrative expenses	6,491	7,918
Operating income	1,428	5
Non-operating income		
Interest and dividend income	54	41
Share of profit of entities accounted for using equity method	2	7
Insurance benefits received	—	16
Reversal of allowance for doubtful accounts	—	1
Other	17	8
Total non-operating income	73	75
Non-operating expenses		
Interest expenses	30	31
Foreign exchange losses	18	318
Other	0	1
Total non-operating expenses	49	350
Ordinary income or loss	1,452	(270)
Extraordinary income		
Marginal gain for gradual acquisition	—	325
Total extraordinary income	—	325
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	1,452	55
Income taxes—current	457	72
Income taxes—deferred	(22)	(130)
Total income taxes	434	(58)
Net income	1,017	113
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,017	113

Quarterly consolidated statement of comprehensive income

First three months ending March 31, 2020

(Millions of yen)

	First three months of FY 2019 (January 1, 2019 to March 31, 2019)	First three months of FY 2020 (January 1, 2020 to March 31, 2020)
Net income	1,017	113
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(6)
Deferred gains or losses on hedges	3	(8)
Foreign currency translation adjustment	112	(651)
Remeasurements of defined benefit plans	0	0
Share of other comprehensive income of entities accounted for using equity method	(22)	(23)
Total other comprehensive income	94	(690)
Comprehensive income	1,111	(576)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,111	(576)
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.

(Specific accounting treatment applied 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 first quarter of the fiscal year.

(Additional information)

Due to the novel coronavirus pandemic, some regions, especially in North America, invoked a lockdown in March and sales mainly to the restaurant industry, which is the main customer of the Company Group, fell rapidly and significantly.

Under these circumstances, the Company Group provided an additional 818 million yen as an allowance for doubtful accounts in this consolidated financial first quarter in consideration of the worsening credit status of customers.

The amount provided as the allowance for doubtful accounts is determined according to the recoverability of receivables, taking into consideration the status of recovery of receivables and the status of the main customers since the end of this consolidated financial first quarter.

(Segment information)

[Segment information]

First three months of the fiscal year (from January 1, 2019 to March 31, 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	31,077	11,477	1,186	43,742	—	43,742
Intersegment sales or transfers	4,218	0	—	4,219	(4,219)	—
Total	35,295	11,478	1,186	47,961	(4,219)	43,742
Segment profit	1,200	126	113	1,441	(12)	1,428

(Note) 1. "Adjustment" for segment profit in the amount of (12) million yen includes (1,396) million yen for elimination of intersegment transactions and 1,384 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 three months of the fiscal year (from January 1, 2020 to March 31, 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	31,126	10,719	1,212	43,058	—	43,058
Intersegment sales or transfers	3,883	0	—	3,883	(3,883)	—
Total	35,009	10,719	1,212	46,942	(3,883)	43,058
Segment profit	65	24	101	191	(186)	5

(Note) 1. "Adjustment" for segment profit in the amount of (186) million yen includes (1,403) million yen for elimination of intersegment transactions and 1,217 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

(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 2,794 million yen in this consolidated cumulative first quarter.

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

(Business combination and other relationships)

(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 Group'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 Group have had close business ties for many years, with the Company Group 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 Group acquired shares of SSP for cash.

(2) Period associated with the business results of the acquired company included in the quarterly consolidated statement of income relating to the quarterly consolidated cumulative period

From January 1, 2020 to March 31, 2020

(3) Acquisition cost of the acquired company and breakdown

Market value of equity held before business combination as of the business combination date	584 million yen
Cash expended for additional acquisition	2,339 million yen
Acquisition cost	2,924 million yen

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

Marginal gain for gradual acquisition

325 million yen

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

- (i) Goodwill accrued

2,913 million yen

The above is a provisional amount.

- (ii) Cause of occurrence

The amount reflects the future excess earning power expected from the future business development and the synergy of the Company Group and the acquired company

- (iii) Depreciation method and period

Straight-line method for 15 years