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# Supplementary Material to Financial Results

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Third Quarter of the Fiscal Year Ending December 2020

Nishimoto Co., Ltd.

November 13, 2020

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Summary of Financial Results  
for the Third Quarter of the Fiscal Year Ending  
December 2020

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# Summary of Financial Results for the Third Quarter of the Fiscal Year Ending December 2020



Although both net sales and profit made a steady recovery in the third quarter, net sales declined year-on-year on a cumulative basis. Similarly, profit decreased year-on-year mainly due to the provision of allowance for doubtful accounts recorded in the previous year.

- ◆ Net sales declined 9.2% year-on-year on a cumulative basis despite a steady recovery in the third quarter owing to the reopening of the restaurant industry after the easing of regulations in countries around the world and a shift to the formats of take-out and food delivery as well as the continued good performance of sales to retailers. However, the decline improved 4.2 points from the negative 13.4% of the end of the second quarter.
- ◆ Profit remained steady in the third quarter as net sales were recovering, and operating income reached 55 million yen on a cumulative basis.
  - The additional provision of allowance for doubtful accounts and valuation loss of inventories, recorded in the first half as measures against novel coronavirus pandemic (an approximate total of 1,700 million yen), remain unchanged.

(Unit: billions of yen)

		FY ended December 2019	FY ending December 2020	
		Third quarter results	Third quarter results	Changes year-on-year
Operating results	Net sales	137.0	124.3	-12.6
	Gross profit	23.7	20.6	-3.1
	Operating income (Excluding policy expenses)	4.0	1.5	-2.5
	Operating income or loss	3.5	0.0	-3.5
	Ordinary income or loss	3.6	-0.2	-3.9
	Net income or loss attributable to owners of parent	2.5	0.3	-2.1
Yen/Dollar exchange rate (Average rate during the period)		109.15 yen	107.59 yen	-1.56 yen
Quarterly net income or loss per share		177.58 yen	25.36 yen	-152.22 yen

# Operating Results by Segment for the Third Quarter of the Fiscal Year Ending December 2020



In the Asian Food Global Business, although sales to the restaurant industry recovered moderately due to the easing of regulations, profit decreased year-on-year. The Agricultural & Seafood Products Trading Business saw a recovery after the third quarter, and profit increased year-on-year, though slightly.

## Asian Food Global Business (hereinafter called “GAF”)

- ◆ Sales to the restaurant industry recovered moderately in the third quarter due to the gradual easing of regulations and a change of business formats, such as take-out and food delivery. Sales to retailers maintained steady growth after the lifting of lockdowns, which, however, were not strong enough to make up for the sales loss up to the second quarter, resulting net sales declining year-on-year on a cumulative basis.
  - In the North American region, it decreased 16.9% year-on-year.
  - In regions outside of North America, it increased 22.9% year-on-year (a negative 6.8% excluding two companies that were not subject to consolidation in the previous term).
- ◆ As for profit, the provision of allowance for doubtful accounts and valuation loss of inventories, recorded in the first half, could not be absorbed. As a result, the segment posted an operating loss of 110 million yen.
  - In the North American region, the operating income was 210 million yen (an operating income of 2,930 million yen in the same period of the previous year).
  - In regions outside of North America, the operating loss was 320 million yen (an operating income of 430 million yen in the same period of the previous year).

## Agricultural & Seafood Products Trading Business

- ◆ Net sales declined 5.2% year-on-year due to a delay in the recovery of demand in the restaurant industry although sales of fruits and vegetables to retailers performed well in the third quarter. Profit increased 18.0% year-on-year (an increase of 80 million yen) mainly due to the stabilization of the market.

(Unit: billions of yen)

		Third quarter of FY ended December 2019 results	FY ending December 2020	
			Third quarter results	Changes year-on-year
GAF	Net sales	95.2	84.7	-10.5
	Operating income or loss	3.3	-0.1	-3.4
Agricultural & Seafood Products Trading Business	Net sales	39.1	37.1	-2.0
	Operating income or loss	0.4	0.5	0.0
Other	Net sales	2.6	2.5	-0.1
	Operating income or loss	0.0	0.0	-0.0
Adjustment items	Net sales	-	-	-
	Operating income or loss	-0.3	-0.4	-0.0
Total	Net sales	137.0	124.3	-12.6
	Operating income or loss	3.5	0.0	-3.5

# Consolidated Balance Sheet (Summary)



(Unit: billions of yen)

	End of December 2019	End of September 2020	Amount/rate of increase (decrease)	Main changes
Current assets	87.9	93.6	+5.7	Cash and deposits +11.7, Accounts receivable—trade -1.7, Inventories -2.9, Allowance for doubtful accounts -1.0
Non-current assets	8.6	14.5	+5.9	Goodwill +6.7, Customer-related assets -0.3
<b>Total assets</b>	<b>96.5</b>	<b>108.2</b>	<b>+11.6</b>	
Current liabilities	19.0	20.5	+1.4	Loans payable +0.9, Accounts payable—trade +0.8, Accounts payable—other -0.4
Non-current liabilities	25.1	37.1	+11.9	Long-term loans payable +11.0, Lease obligations +0.2
<b>Total liabilities</b>	<b>44.2</b>	<b>57.6</b>	<b>+13.4</b>	
<b>Total net assets</b>	<b>52.3</b>	<b>50.5</b>	<b>-1.7</b>	Foreign currency translation adjustment -1.5 Retained earnings -0.4
<b>Total liabilities and net assets</b>	<b>96.5</b>	<b>108.2</b>	<b>+11.6</b>	
Shareholders' equity ratio	54.2%	46.6%	-7.6 pt	
Current ratio	461.5%	456.0%	-5.5 pt	

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# Forecasts of Financial Results for the Fiscal Year Ending December 2020

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Sales results for the third quarter stayed strong mainly due to a sales recovery after the gradual lifting of lockdowns and the stabilization of the market. However, the business outlook necessitates the continuing of a cautious approach.

## Impact on sales

## Business outlook

Overseas markets

- ◆ Sales to the restaurant industry temporarily plunged by 10% to 20% year-on-year at the start of the novel coronavirus pandemic but have recovered most recently to 70% to 80% year-on-year mainly due to the reopening of the economy after the lifting of lockdowns, and changes of business formats, such as take-out and food delivery.
- ◆ Sales to retailers have kept better results than in the same period of the previous year in the wake of increased demand for eating at home in response to restraints on eating out.

Domestic markets

- ◆ Sales of fruits and vegetables and frozen food remained strong to retailers; meanwhile, a recovery of demand has been delayed in the restaurant industry.
- ◆ Although sales of products are poor to retailers due to cancellation or downsizing of events, health foods remain strong.

The outlook for an economic recovery stays highly uncertain primarily due to re-strengthening of restrictions on going out in Europe resulting from the novel coronavirus pandemic rebounding.

### <Positive factors>

- ◆ Responses to the new normal, such as take-out and food delivery, adopted by the restaurant industry
- ◆ Expansion and reinforcement of subsidies and economic stimulus plans by countries around the world
- ◆ Signs of the spread of the infection coming to an end and a recovery of economic activity (in China, etc.)

### <Negative factors>

- ◆ A return to stricter restrictions on business and going out in response to a second wave of infections (in Europe, etc.)
- ◆ Deterioration in customers' businesses, primarily because the period of granting financial aids for lost wages expires
- ◆ Increase in SG&A expenses due to partial suspension and confusion of logistics



# Forecasts of Financial Results for the Fiscal Year Ending December 2020 Wismettac

Full-year financial results forecasts remain unchanged from the time of the announcement of the financial results for the second quarter.

- ◆ The third quarter saw a steady trend of business recovery in the wake of the reopening of economies in countries around the world, the full-year financial results forecasts remain unchanged in consideration of issues including the most recent rebound of the novel coronavirus pandemic in Europe and the U.S.
- ◆ The Company will closely watch the current business trends by taking into account the impact that the external environment can have on its performance.

(Unit: billions of yen)

		FY ended December 2019	FY ending December 2020		
		Full-year results	Third quarter results	Full-year results forecasts (Announced on August 13, 2020)	Full-year changes of previous year
Operating results	Net sales	182.6	124.3	168.0	-14.6
	Gross profit	32.1	20.6	27.4	-4.6
	Operating income or loss	4.3	0.0	-0.6	-4.9
	Ordinary income or loss	4.5	-0.2	-1.0	-5.5
	Net income or loss attributable to owners of parent	2.4	0.3	-0.5	-2.9
Yen/Dollar exchange rate (Average rate during the period)		109.05 yen	107.59 yen	108.00 yen	-1.05 yen
Quarterly net income or loss per share		173.71 yen	23.56 yen	-34.84 yen	-208.55 yen

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# Policy of Returning Profits to Shareholders

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## Basic Policy

- ◆ The Company's basic policy for returning profits to shareholders is to continue providing stable dividends while striving to maintain retained earnings to develop its businesses in the future and to improve its financial strength.

## Year-end dividend forecast

- ◆ Although sales remained strong in the third quarter with operating income recorded on a cumulative basis, the outlook remains highly uncertain, and the Company recognizes that there is the need to closely watch future developments including the impact of the rebound of the novel coronavirus pandemic in Europe and the U.S., in particular.
- ◆ Based on the above circumstances, the year-end dividend forecast remains “undetermined” from the time of the announcement of the financial results for the second quarter.
- ◆ The Company will determine the forecast by considering matters in a comprehensive manner, such as business trends, retained earnings, etc. toward the end of the fiscal year.

[Reference] Dividend for the previous year (Fiscal year ended December 2019): 95 yen (a 40 yen interim dividend and a 55 yen year-end dividend)

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# Medium-term Business Plan

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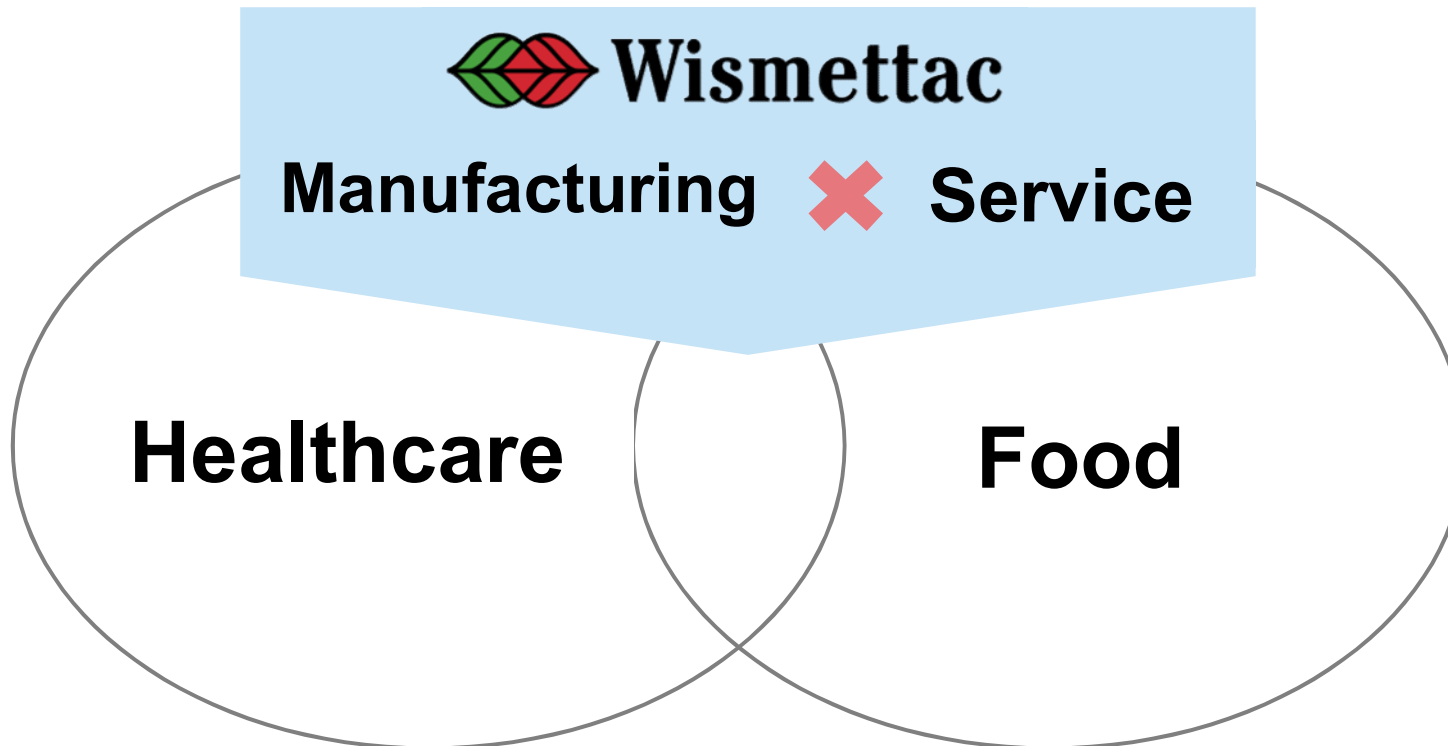
This material is an excerpt from the Supplementary Material to Financial Results for Second Quarter of the Fiscal Year Ending December 2020 (disclosed on August 13, 2020)



**One-stop solution company aiming for a fusion of healthcare and food**

**What business we want to do**

**Create customers by providing and unifying “manufacturing” and “services” in the fields of healthcare and foods.**



Having accumulated more than a century of history, we have built a global foundation on the three axes of goods, logistical functions and human resources in the field of food.

1

**Breadth of  
handled  
goods**

- ❑ Handling of more than 8,000 kinds of foods and ingredients
  - Worldwide fruits & vegetables and seafood products
  - Processed foods, including Asian foods and delicacies
  - Supplements and amenity foods

2

**Breadth of  
service  
functions**

- ❑ Consistent supply chain management
  - Retaining data for optimal global production areas and factories
  - Ability to develop our own PB products (→ development ability)
  - A base that ensures the safety and traceability of food for import and export (→ intellectual property)
  - Our own distribution infrastructure (→ last one mile)

3

**Breadth of  
human  
resources  
and network**

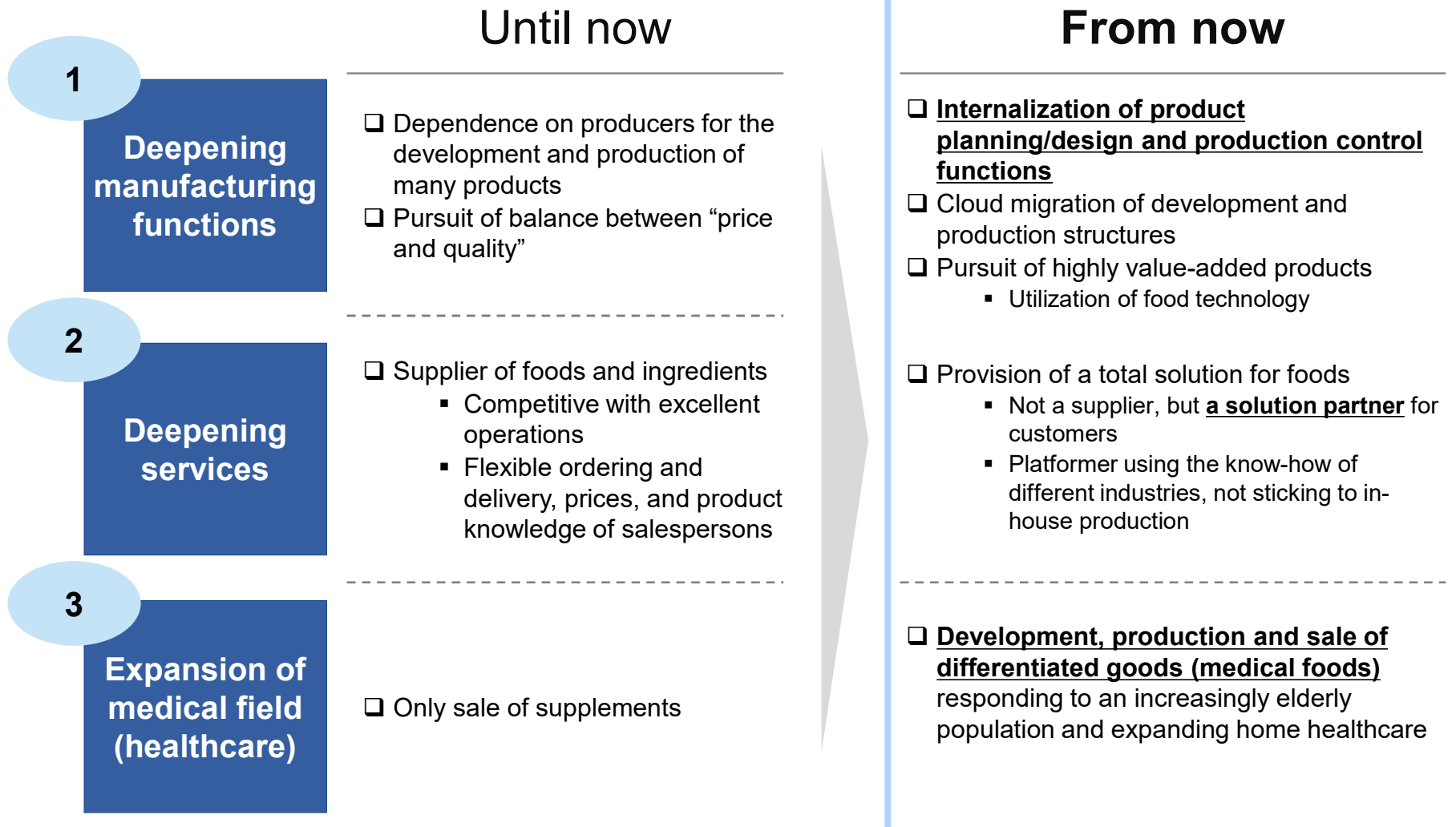
- ❑ 49 bases in 13 countries worldwide and global trade with the main players in food
  - Network with growers, suppliers and producers
  - Complete cold chain network with distribution providers
  - Long-years of global business relationships (credit) with restaurants and retailers

**Growth into  
a global  
food  
company**

# Next Stage for Nishimoto Wismettac – Pursuing Two Areas to Deepen and Expansion



As consumer needs change, by enhancing the required functions and widening our fields of business, we will not only be chosen by customers but also create customers ourselves.



## Steady recovery of existing businesses from the impact of the coronavirus catastrophe Active investment in new businesses

Planning assumption		Assumption of normalization from the impact of the coronavirus pandemic during the first half of FY 2021				Assessment
Unit: billions of yen		Result FY 2019	Estimate FY 2020	Plan FY 2021	Plan FY 2022	
Entire company	Sales	182.6	<b>168.0</b>	<b>193.2</b>	<b>222.4</b>	The operating income target for FY 2021 in the previous medium-term business plan will be achieved with a one year delay.
	Profit	4.3	<b>-0.6</b>	<b>2.5</b>	<b>6.5</b>	
Existing	Sales	180.5	<b>165.3</b>	<b>184.8</b>	<b>205.2</b>	Sales growth will be delayed due to the impact of the coronavirus but, after improvements in profitability, the target in the previous medium-term business plan will be achieved with a one year delay.
	Profit	5.4	<b>1.4</b>	<b>4.8</b>	<b>8.0</b>	
GAF	Sales	128.8	<b>115.7</b>	<b>131.8</b>	<b>150.3</b>	Earning capacity will recover steadily due to improvements in profitability in North America and growth in other regions.
	Profit	4.5	<b>1.0</b>	<b>4.0</b>	<b>7.0</b>	
Agricultural & Seafood Products	Sales	47.7	<b>46.0</b>	<b>49.1</b>	<b>50.8</b>	Earning capacity will be steadily enhanced by the strengthening of domestic and international businesses.
	Profit	0.8	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	
Domestic BtoC	Sales	3.9	<b>3.6</b>	<b>3.9</b>	<b>4.1</b>	Profitability will be kept stable with our diversified sales channels.
	Profit	0.1	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	
New	Sales	2.1	<b>2.7</b>	<b>8.4</b>	<b>17.2</b>	New businesses will further accelerate.
	Profit	-1.1	<b>-2.0</b>	<b>-2.2</b>	<b>-1.5</b>	

Note: The plan shows administrative accounting figures.  
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# Corporate Profile

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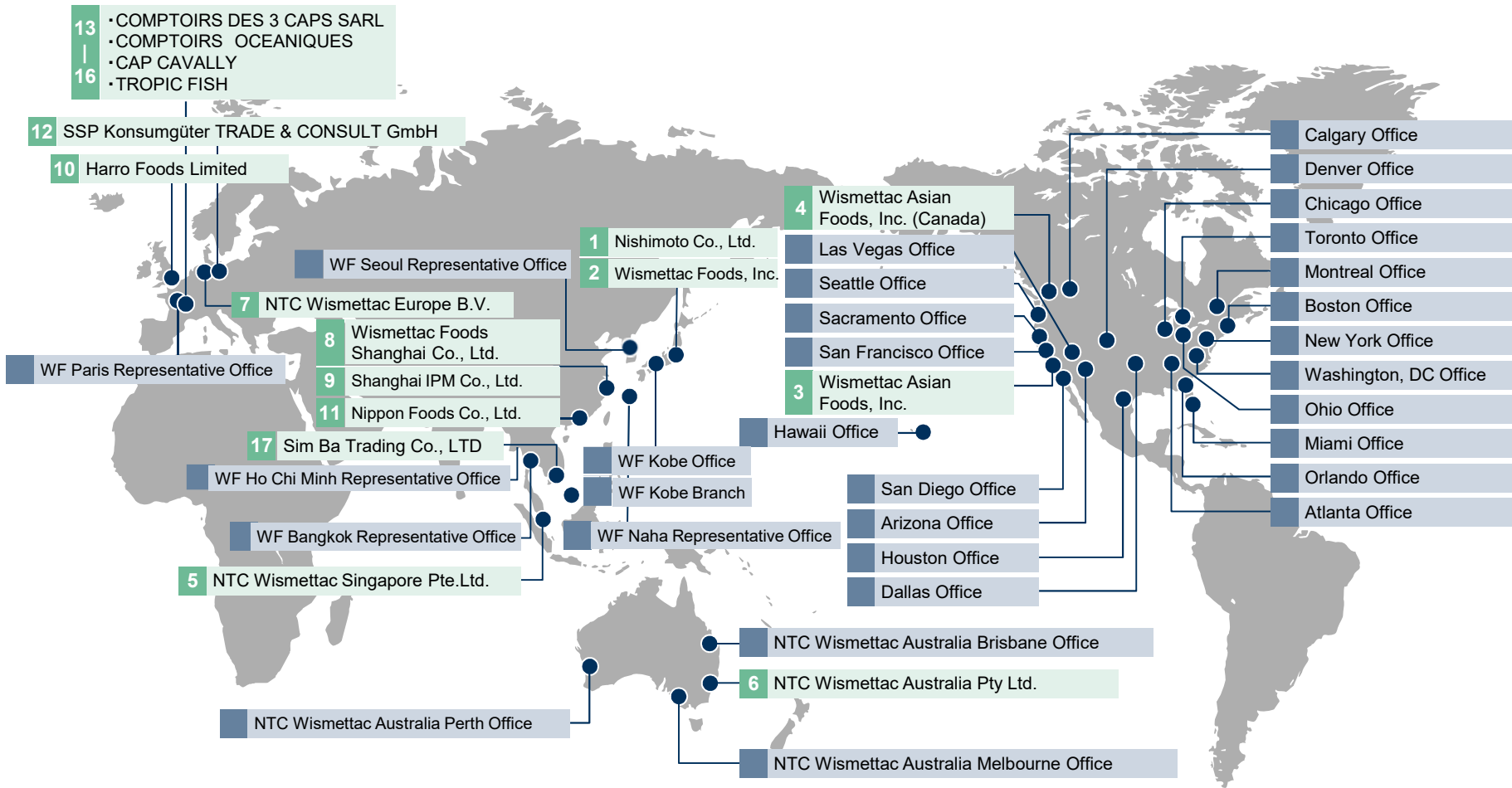
- ◆ **Two spheres symbolizing the Earth and Globalism**
  - Red is used to show innovation, green represents nature
  - Expresses the Company's "lasting commitment to creating healthier and richer lives through food"
- ◆ **Incorporates the letters "W" "M" and "C" from the Company name**

- <Wisdom> (Western knowledge)
- <Metta> (Eastern knowledge)  
(Metta means kindness or empathy in Pali, an ancient Indian language)
- <Creativity> (Ability to create value)

**Founded in 1912, Nishimoto Wismettac has grown into a global company supplying food ingredients and food products to markets worldwide**

Company name	Nishimoto Co., Ltd.	
Head office	15 <sup>th</sup> Floor, Nihonbashi Muromachi Mitsui Tower, 3-2-1, Nihonbashi Muromachi, Chuo-ku, Tokyo	
Established	May 1912	
Representative directors	Yoshiro Susaki, Chairman & President CEO	
Number of employees	1,671 (including 1,374 in the Asian Food Global Business) [As of December 31, 2019]	
Business	<ul style="list-style-type: none"> <li>◆ Development and sales of Asian food worldwide</li> <li>◆ Imports and sales of fruit, vegetables and related processed products, and supply of food ingredients to food manufacturers and the restaurant sector</li> </ul>	
Subsidiaries and affiliates	16 subsidiaries, 1 affiliate	
Business sites	49 worldwide (including 24 in North America) Locations in Japan, the U.S., Canada, Singapore, Australia, Netherlands, U.K., Germany, France, China, Hong Kong, Thailand, Vietnam and South Korea	
Consolidated net sales	182.6 billion yen (FY ended December 2019)	* Overseas sales ratio 67.7%
Consolidated ordinary income	4.5 billion yen (FY ended December 2019)	
Shareholders' equity ratio	54.2% (FY ended December 2019)	

**Developing businesses in all continents with 49 global locations in North America, Europe, Australia and Asia, among which North America (U.S. and Canada) has 24 locations accounting for the majority of sales**



"WF" shown in the figure is an abbreviation for "Wismettac Foods"