



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021
(Japanese GAAP)

November 12, 2021

Company name: Nishimoto Co., Ltd. Listed exchange: Tokyo
 Code: 9260 URL: <http://www.wismettac.com/>
 Representative: Yoshiro Susaki, Chairman & President CEO
 Contact: Yuji Sasa, Director/CFO (Phone) 03-6870-2015
 Scheduled date of filing of quarterly report: November 12, 2021
 Scheduled date of commencement of dividend payments: —
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: No
 (Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the third quarter of the fiscal year ending December 31, 2021
(from January 1, 2021 to September 30, 2021)

(1) Consolidated results of operations (cumulative) (Percentages denote year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of FY ending December 31, 2021	155,378	24.9	5,042	—	4,963	—	3,233	788.6
Third quarter of FY ended December 31, 2020	124,389	(9.2)	55	(98.5)	(240)	—	363	(85.7)

(Note) Comprehensive income

Third quarter of FY ending December 31, 2021: 6,649 million yen (—%)

Third quarter of FY ended December 31, 2020: (1,134) million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ending December 31, 2021	225.30	—
Third quarter of FY ended December 31, 2020	25.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021 (FY 2021 3Q)	124,731	56,702	45.1
As of December 31, 2020 (FY 2020)	113,606	50,842	44.4

(Reference) Shareholders' equity

Third quarter of FY ending December 31, 2021: 56,280 million yen

FY ended December 31, 2020: 50,454 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, 2020	—	0.00	—	20.00	20.00
FY ending December 31, 2021	—	35.00	—	—	—
FY ending December 31, 2021 (Forecast)	—	—	—	45.00	80.00

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

3. Consolidated financial results forecast for the fiscal year ending December 31, 2021
(from January 1, 2021 to December 31, 2021)

(Percentages denote year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY ending December 31, 2021	200,000	18.7	5,500	177.4	5,100	197.3	3,800	273.9	264.75

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

* Notes

- (1) Changes in significant subsidiaries during the first nine 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 September 30, 2021	14,353,140 shares	December 31, 2020	14,353,140 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2021	153 shares	December 31, 2020	112 shares
(iii) Average number of shares during the period (nine months ended September 30, 2021)	As of September 30, 2021	14,352,993 shares	September 30, 2020	14,353,028 shares

* These quarterly financial results are not subject to quarterly review procedures.

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

(Cautionary note on forward-looking statements, etc.)

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain reasonable assumptions. Thus, these statements are not intended for management to promise the achievement of the forecast. Actual financial results may differ materially due to various factors. For conditions of the assumptions in the forecast and notes to use of the forecast, please see the section titled "(3) Explanation of future forecasts such as consolidated financial results forecasts" under the chapter titled "1. Qualitative information on quarterly financial results" on the page 4 of the attachment.

(How to obtain the quarterly financial results supplementary materials)

The quarterly financial results supplementary materials will be disclosed on TDnet on November 12, 2021 and will also be posted on the Company's website.

○ Attachment: Table of Contents

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

1. Qualitative information on quarterly financial results

(1) Explanation of operating results

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

During this consolidated cumulative third quarter, the world economy was hit by another pandemic caused by a new coronavirus variant, but the number of infected people and its rippling impact appear to be moving away from their peak and the global economy seems to be recovering as a whole. However, uncertainty continues to linger over the prospect for containment, as the disparity and division between developed and developing countries has deepened further due to imbalances in vaccine supply and other factors, and infections are spreading again even in developed countries where vaccination has progressed. Furthermore, while demand growth associated with deregulation is accelerating, supply recovery is lagging due to logistical disruptions, and inflation is progressing rapidly in the U.S. and some emerging market countries, making economic recovery still accompanied by uncertainty.

Under such circumstances, the Company Group reacknowledged its mission as a food distributor and has been making efforts to steadily supply delicious and safe food products to customers and consumers all over the world, while ensuring employee health and safety. At the same time, the Group has been working to recover and stabilize businesses impacted by the COVID-19 pandemic.

The main businesses of the Company Group are: the Asian Food Global Business that distributes food products and ingredients from Asian countries, including Japan, to countries and regions such as North America, Europe, Asia, and Oceania; the Agricultural & Seafood Products Trading Business that distributes overseas agricultural and seafood products (mainly fresh fruits and vegetables) in domestic markets and exports Japanese fresh fruits and vegetables to overseas markets; and offshore trading. Also, the Company Group engages in business that distributes foreign brand foods, character and seasonal goods planned and developed by the Company Group to imported food stores, daily sundry shops, etc. in Japan, and in business that develops and distributes natural supplements.

As for the Asian Food Global Business, the Company Group has continued to work on a business structural reform to achieve sustainable and stable incomes from the North American region as its major sales destination. Also, as one of its growth strategies, the Company Group has been promoting the expansion of its business platform in regions outside of North America using methods such as M&A.

As for the Agricultural & Seafood Products Trading Business, the Company Group has continued to expand sales of imported agricultural and seafood products to the domestic wholesale market, mass retailers, and restaurant chains as the three major sales destinations. The Company Group is also actively working on the expansion of overseas distribution routes, including export of domestic fruits and vegetables, sales expansion in the Chinese market through offshore trading, in addition to its overseas procurement capabilities developed so far.

As a result, with respect to the financial results for this consolidated cumulative third quarter, the Company had net sales of 155,378 million yen (24.9% increase year-on-year), operating income of 5,042 million yen (operating income of 55 million yen in the same period of the previous year), ordinary income of 4,963 million yen (ordinary losses of 240 million yen in the same period of the previous year) and profit attributable to owners of parent of 3,233 million yen (788.6% increase 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 this consolidated cumulative third quarter, the Company had net sales of 116,356 million yen (37.3% increase year-on-year) and operating income of 5,657 million yen (operating losses of 113 million yen in the same period of the previous year).

In terms of sales, although sales to restaurants declined significantly in the same period of the previous year due to lockdowns and other restrictions following the spread of novel coronavirus infection, overall sales recovered steadily in this consolidated cumulative third quarter despite lingering effects in some areas, resulting in a significant increase in sales.

In terms of profits, although the Company posted an operating loss in the same period of the previous year due to the recording of provision of allowance for doubtful accounts and valuation loss on inventories, in addition to the decrease in profits caused by the significant decrease in sales in the first half of the fiscal year, the Company posted a significant increase in profit in this consolidated cumulative third quarter due to the implementation of various measures for the recovery of profit, and reversal of valuation loss on inventories and provision of allowance for doubtful accounts, in addition to the increase in profits caused by the increase in sales. Specific measures to restore profitability include expansion of products for delivery and take-out services and grocery stores, early price adjustment in anticipation of soaring raw material, ocean freight, and labor costs, and reduction of SG&A expenses.

In the North America region, the Company's main market, sales to restaurants have recovered beyond expectations partly due to deregulation associated with progress in vaccinations and a rebound in consumer demand, resulting in recovery and growth above the level of FY 2019, which is the period before the negative impact of the spread of novel coronavirus infection was recognized. Sales to grocery stores remain strong even under an environment where novel coronavirus infection is spreading and continue to underpin the Company's robust performance.

As for regions other than North America, Europe is progressing relatively quickly with vaccinations and is showing a steady recovery in general, as is the case in North America. On the other hand, in the Asia and Oceania region, despite the relatively successful border measures, etc., the rapid spread of infections has led to the implementation of lockdowns and other measures again, and there are countries and regions where sales to restaurants in particular have been severely affected, causing regional differences in the degree of recovery.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the third quarter of the current consolidated fiscal year, the Company had net sales of 36,645 million yen (1.3% decrease year-on-year) and operating losses of 66 million yen (operating income of 577 million yen in the same period of the previous year).

Sales were affected by price hikes, etc. due to special demand for Taiwanese pineapples and inventory adjustments amid a nationwide supply shortage, while demand for mainstay imported fruits and vegetables was sluggish due to the prolonged declaration of a state of emergency, combined with competition with low-priced domestic products, resulting in a decline in sales year-on-year.

In terms of profits, even though it was difficult to secure profits in the same period of the previous year due to excessive inventory caused by weak sales and sluggish prices, profits decreased in the current term due to a large loss in the third quarter, which is the high season along with the second quarter. In addition to poor quality in the production area, the main reason for the decrease in profits was that delays in the schedule of entering the ports due to the global logistics turmoil caused a backlog of inventory and a significant collapse in the market. Moreover, we fell into a vicious cycle of worsening yield rates, etc. due to weak sales caused by sluggish demand, resulting in a struggle to secure profits.

(iii) Other businesses

In other businesses, for the third quarter of the current consolidated fiscal year, the Company had net sales of 2,376 million yen (6.4% decrease year-on-year) and operating losses of 56 million yen (operating income of 24 million yen in the same period of the previous year).

During the Valentine's Day and White Day sales season, although the Company could secure profit by reducing purchases according to the plan and SG&A expenses, sales decreased due to the continued impact on retailers, our major customers, including shortened business hours, in April and onward by the intermittent declaration of a state of emergency. In this third quarter, both net sales and income decreased because there was no special demand for imported processed foods and supplements that boost immunity.

(2) Explanation of financial position

(Assets)

Total assets as of September 30, 2021 stood at 124,731 million yen, an increase of 11,124 million yen compared to December 31, 2020, and was mainly attributable to the following.

Total current assets as of September 30, 2021 amounted to 107,877 million yen, an increase of 9,756 million yen compared to December 31, 2020. The increase in total current assets was due to an increase of 5,638 million yen in inventories, an increase of 2,261 million yen in notes and accounts receivable—trade, and an increase of 1,529 million yen in cash and deposits.

Total non-current assets as of September 30, 2021, came to 16,854 million yen, an increase of 1,368 million yen compared to December 31, 2020. The increase in total non-current assets was due to an increase of 673 million yen in leased assets, net, and an increase of 628 million yen in goodwill.

(Liabilities)

Total liabilities as of September 30, 2021 stood at 68,028 million yen, an increase of 5,265 million yen compared to December 31, 2020, and was mainly attributable to the following.

Total current liabilities as of September 30, 2021, amounted to 27,235 million yen, an increase of 5,742 million yen compared to December 31, 2020. The increase in current liabilities was due to an increase of 2,880 million yen in current portion of long-term loans payable, an increase of 2,069 million yen in notes and accounts payable—trade, and an increase of 276 million yen in other current liabilities, including accrued expenses, etc.

Total non-current liabilities as of September 30, 2021 was 40,793 million yen (a decrease of 477 million yen compared to December 31, 2020). The decrease in non-current liabilities was due to a decrease of 1,601 million yen in net defined benefit liability, a decrease of 645 million yen in provision for directors' bonuses, and a decrease of 442 million yen in long-term loans payable, despite an increase of 1,464 million yen in other non-current liabilities, including long-term accounts payable, etc. and an increase of 666 million yen in lease obligations.

(Net assets)

Total net assets as of September 30, 2021 amounted to 56,702 million yen, an increase of 5,859 million yen compared to December 31, 2020. The increase in total net assets is mainly due to an increase of 3,351 million yen in foreign currency translation adjustment and an increase of 2,444 million yen in retained earnings.

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

Forecasts of financial results for the fiscal year ending December 31, 2021 are described in the Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 (Japanese GAAP), published on August 12, 2021. The forecasts remain unchanged.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	FY 2020 (As of December 31, 2020)	Third quarter of FY 2021 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	52,718	54,247
Notes and accounts receivable—trade	18,510	20,771
Inventories	25,223	30,862
Other	2,196	2,421
Allowance for doubtful accounts	(527)	(425)
Total current assets	98,121	107,877
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,408	2,882
Machinery, equipment and vehicles, net	458	423
Tools, furniture and fixtures, net	407	379
Leased assets, net	779	1,452
Other, net	520	222
Total property, plant and equipment	4,573	5,360
Intangible assets		
Goodwill	4,187	4,815
Software	330	309
Software in progress	438	711
Customer-related assets	3,877	3,695
Other	57	53
Total intangible assets	8,891	9,585
Investments and other assets		
Investment securities	288	255
Guarantee deposits	843	902
Deferred tax assets	791	600
Other	161	161
Allowance for doubtful accounts	(63)	(10)
Total investments and other assets	2,020	1,908
Total non-current assets	15,485	16,854
Total assets	113,606	124,731

(Millions of yen)

	FY 2020 (As of December 31, 2020)	Third quarter of FY 2021 (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	10,930	13,000
Short-term loans payable	3,513	3,626
Current portion of long-term loans payable	371	3,252
Lease obligations	290	336
Accounts payable—other	2,445	2,708
Income taxes payable	383	411
Provision for bonuses	823	911
Provision for directors' bonuses	88	77
Provision for shareholders' benefits	11	0
Other	2,635	2,911
Total current liabilities	21,493	27,235
Non-current liabilities		
Long-term loans payable	36,267	35,825
Lease obligations	486	1,153
Deferred tax liabilities	1,059	993
Provision for bonuses	35	96
Provision for share-based remuneration	—	86
Provision for directors' retirement benefits	645	—
Net defined benefit liability	1,731	130
Other	1,043	2,508
Total non-current liabilities	41,270	40,793
Total liabilities	62,763	68,028
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	43,339	45,784
Treasury shares	(0)	(0)
Total shareholders' equity	52,517	54,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	9
Deferred gains or losses on hedges	0	3
Foreign currency translation adjustment	(2,045)	1,305
Remeasurements of defined benefit plans	(18)	—
Total accumulated other comprehensive income	(2,062)	1,318
Non-controlling interests	387	422
Total net assets	50,842	56,702
Total liabilities and net assets	113,606	124,731

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First nine months ended September 30, 2021

	(Millions of yen)	
	First nine months of FY 2020 (January 1, 2020 to September 30, 2020)	First nine months of FY 2021 (January 1, 2021 to September 30, 2021)
Net sales	124,389	155,378
Cost of sales	103,772	126,163
Gross profit	20,616	29,214
Selling, general and administrative expenses	20,561	24,171
Operating income	55	5,042
Non-operating income		
Interest and dividend income	62	42
Insurance benefits received	17	3
Foreign exchange gains	—	132
Reversal of allowance for doubtful accounts	4	2
Other	37	40
Total non-operating income	122	221
Non-operating expenses		
Interest expenses	134	270
Foreign exchange losses	275	—
Share of loss of entities accounted for using equity method	1	9
Provision of allowance for doubtful accounts	—	4
Other	6	17
Total non-operating expenses	417	301
Ordinary income or loss	(240)	4,963
Extraordinary income		
Marginal gain for gradual acquisition	779	—
Gain on revision of retirement benefit plan	—	174
Total extraordinary income	779	174
Extraordinary losses		
Impairment loss	199	—
Total extraordinary losses	199	—
Profit before income taxes	340	5,137
Income taxes—current	160	1,767
Income taxes—deferred	(192)	110
Total income taxes	(32)	1,878
Net income	373	3,259
Profit attributable to non-controlling interests	9	25
Profit attributable to owners of parent	363	3,233

Quarterly consolidated statement of comprehensive income

First nine months ended September 30, 2021

(Millions of yen)

	First nine months of FY 2020 (January 1, 2020 to September 30, 2020)	First nine months of FY 2021 (January 1, 2021 to September 30, 2021)
Net income	373	3,259
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	7
Deferred gains or losses on hedges	(4)	3
Foreign currency translation adjustment	(1,482)	3,342
Remeasurements of defined benefit plans	0	18
Share of other comprehensive income of entities accounted for using equity method	(13)	17
Total other comprehensive income	(1,507)	3,389
Comprehensive income	(1,134)	6,649
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,148)	6,614
Comprehensive income attributable to non-controlling interests	14	34

(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.

(Application of an accounting treatment specific to the preparation of the quarterly consolidated financial statements)

Calculation of tax expenses

The tax expenses of some of non-Japan consolidated subsidiaries were calculated by multiplying net income before taxes by an effective tax rate, which was estimated as the rate after the application of tax effect accounting to net income before taxes for the fiscal year including the third quarter of the fiscal year.

(Additional information)

Accounting estimate associated with the novel coronavirus pandemic

There have been no significant changes in the assumptions regarding the impact of the COVID-19 pandemic, which were described under Additional information—Accounting estimate associated with the novel coronavirus pandemic in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2020.

Transfer from the lump-sum retirement benefit plan to the defined contribution pension plan

Effective as of April 2, 2021, the Company and some of its domestic consolidated subsidiaries transferred their lump-sum retirement benefit plans, with some exceptions, to defined contribution pension plans, and have adopted "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1 revised on December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefits Plans" (ASBJ PITF No. 2 revised on February 7, 2007). Along with this change, 174 million yen was recorded in gain on revision of retirement benefit plan under extraordinary income for this consolidated cumulative third quarter.

(Segment information)

I. First nine months of the fiscal year (from January 1, 2020 to September 30, 2020)

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

(Millions of yen)

	Reporting segment			Total	Adjustment (Note 1)	Amounts recorded in the quarterly consolidated statement of income (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Sales to external customers	84,729	37,122	2,537	124,389	—	124,389
Intersegment sales or transfers	5,169	0	—	5,170	(5,170)	—
Total	89,898	37,123	2,537	129,559	(5,170)	124,389
Segment profit/loss	(113)	577	24	488	(433)	55

(Note) 1. "Adjustment" for segment profit or loss in the amount of (433) million yen includes (1,403) million yen for elimination of intersegment transactions and 970 million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of dividend income from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit or loss is reconciled with the operating income on the Quarterly Consolidated Statement of Income.

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

(Important impairment loss associated with non-current assets)

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

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

The amount provided for such impairment loss is 199 million yen in the previous consolidated cumulative third quarter.

(Material fluctuation in goodwill)

In the "Asian Food Global Business" segment, we acquired additional stock of SSP Konsumgüter TRADE & CONSULT GmbH and COMPTOIRS DES 3 CAPS SAS, whereby they became consolidated subsidiaries instead of equity method affiliates. The increase in goodwill attributable to these events is 6,782 million yen in the previous consolidated cumulative third quarter.

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

II. First nine months of the fiscal year (from January 1, 2021 to September 30, 2021)

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	116,356	36,645	2,376	155,378	—	155,378
Intersegment sales or transfers	4,471	0	—	4,472	(4,472)	—
Total	120,828	36,645	2,376	159,850	(4,472)	155,378
Segment profit/loss	5,657	(66)	(56)	5,533	(491)	5,042

(Note) 1. "Adjustment" for segment profit or loss in the amount of (491) million yen includes (119) million yen for elimination of intersegment transactions and (371) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of dividend income from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit or loss is reconciled with the operating 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, 100% of shares of Interlock Investments Limited was acquired, and the company was made into a consolidated subsidiary. The increase in goodwill attributable to these events is 822 million yen in this consolidated cumulative third quarter.

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