



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2018
(Japanese GAAP)

November 14, 2018

Company name:	Nishimoto Co., Ltd.	Listed exchange:	Tokyo
Code:	9260	URL:	http://www.wismettac.com/
Representative:	Takayuki Kanai, President		
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Scheduled date of filing of quarterly report:	November 14, 2018		
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, 2018
(from January 1, 2018 to September 30, 2018)

(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, 2018	135,548	5.1	4,783	(0.8)	4,787	7.1	3,380	43.3
Third quarter of FY ended December 31, 2017	128,995	—	4,820	—	4,468	—	2,359	—

(Note) Comprehensive income

Third quarter of FY ending December 31, 2018: 3,502 million yen (115%)

Third quarter of FY ended December 31, 2017: 1,625 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ending December 31, 2018	235.53	—
Third quarter of FY ended December 31, 2017	188.55	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018 (FY 2018 3Q)	84,291	51,677	61.3
As of December 31, 2017 (FY 2017)	84,336	49,753	59.0

(Reference) Shareholders' equity

Third quarter of FY ending December 31, 2018: 51,677 million yen

FY ended December 31, 2017: 49,753 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, 2017	—	0.00	—	70.00	70.00
FY ending December 31, 2018	—	40.00	—	70.00	70.00
FY ending December 31, 2018 (Forecast)	—	—	—	55.00	95.00

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

3. Consolidated financial results forecast for the fiscal year ending December 31, 2018
(from January 1, 2018 to December 31, 2018)

(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, 2018	184,814	7.4	6,775	7.1	6,681	12.9	4,664	52.1	324.98

(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)
- (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, 2018	14,353,140 shares	December 31, 2017	14,353,140 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2018	67 shares	December 31, 2017	36 shares
(iii) Average number of shares during the period (nine months ended September 30, 2018)	As of September 30, 2018	14,353,082 shares	September 30, 2017	12,513,569 shares

* The quarterly financial results are not subject to the quarterly reviews by public accountants and auditors.

* 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 “(3) Explanation of future forecasts such as consolidated financial results forecasts” under the chapter titled “1. Qualitative information on quarterly financial results” on the attachment.

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

The supplementary materials for the quarterly results are scheduled to be disclosed on TDnet on Wednesday, November 14, 2018, and posted on the Company’s website.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

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

During the first nine months of the fiscal year ending December 31, 2018, the overall world economy continued in its ongoing moderate recovery. However, the future prospects still remain uncertain, such as due to the economic outlook of China and other emerging markets in Asia, the uncertainty regarding governmental policies in each country, and the impact on the global economy of developments in trade issues.

Meanwhile, the overall Japanese economy kept on its moderate recovery track as corporate business results and the employment situation improved.

In this situation, the Group companies have been striving to improve performance, with the main lines of business being the Asian Food Global Business, which sells Japanese food products and other Asian foodstuffs and ingredients mainly to North America and countries and regions such as Europe, China, Southeast Asia, and Australia, and the Agricultural & Seafood Products Trading Business, which sells fruits and vegetables and also seafood, mainly to the domestic market and countries and regions such as China and Southeast Asia.

The Asian Food Global Business has been proactively cultivating the market to expand its business platform in regions other than North America as one of the Group companies' growth strategies, in addition to the growth in the North America region. The Agricultural & Seafood Products Trading Business has been expanding other sales channels, such as mass retailers and the restaurant and home-meal replacement industries, as well as overseas markets, including the export of Japanese fruits and vegetables, the arrangement of offshore trade in fruits and vegetables, and the wholesale business in China, in addition to the key sales channels in the wholesale market.

As a result, net sales for the Third Quarter (the cumulative results for the first 9 months of the fiscal year, same below) were 135,548 million yen, a 5.1% increase year-on-year, and operating income was 4,783 million yen, a 0.8% decrease year-on-year. Ordinary income was 4,787 million yen, a 7.1% increase year-on-year, and the quarterly net income attributable to owners of parent was 3,380 million yen, a 43.3% increase year-on-year.

Operating results by segment are as follows: Note that net sales by segment reflect net sales to external customers.

[Outline of operating results by segment]

(i) Asian Food Global Business

In the results of the Asian Food Global Business for the Third Quarter, net sales were 91,945 million yen, a 5.2% increase year-on-year, and operating income was 3,778 million yen, a 15.1% decrease year-on-year.

Although net sales in the North American region increased steadily, profits decreased due to rises in purchase price, such as rice, a basic food item, and an increase in expenses in the logistics department, including for labor costs and gasoline costs, which continued from the previous fiscal year. The North America business intends to work on increasing profitability by further strengthening efforts for structural changes that it has been implementing since the past, including to improve the profit margin and keep down logistics expenses.

Sales and profits increased in the regions outside of North America due to the steady growth in acquiring new customers and expanding sales from existing customers, as well as the progress made in the expansion of the business platform.

(ii) Agricultural & Seafood Products Trading Business

In the results of the Agricultural & Seafood Products Trading Business for the Third Quarter, net sales were 40,820 million yen, a 4.6% increase year-on-year, and operating income was 942 million yen, a 176.1% increase year-on-year.

Net sales increased due to favorable sales of avocados and small-sized apples for overseas markets. This business achieved an increase in sales and profits due to the recovery in sales of citrus fruits and tropical foods for the domestic market, which struggled in the same period in the previous year.

(iii) Other businesses

In the results of the other businesses for the Third Quarter, net sales were 2,782 million yen, a 7.7% increase year-on-year, and operating income was 49 million yen, compared to an operating loss of 7 million yen in the same period in the previous year.

Both sales and profits increased due to the growth in sales of seasonal goods for the domestic market, as well as of character goods.

(2) Explanation of financial position

(Assets)

Total assets as of September 30, 2018, stood at 84,291 million yen, a decrease of 45 million yen compared to December 31, 2017, which was mainly attributable to the following.

Total current assets as of September 30, 2018 were 76,140 million yen, an increase of 477 million yen compared to December 31, 2017, which was because the increase of 1,421 million yen in inventories exceeded the decrease of 810 million yen in cash and deposits.

Total non-current assets as of September 30, 2018, came to 8,150 million yen, a decrease of 522 million yen compared to December 31, 2017, which was due to decreases of 300 million yen in buildings and structures (net amount) and of 244 million yen in customer-related assets.

(Liabilities)

Total liabilities as of September 30, 2018, stood at 32,614 million yen, a decrease of 1,969 million yen compared to December 31, 2017, and was mainly attributable to the following.

Total current liabilities as of September 30, 2018, amounted to 20,869 million yen, an increase of 1,220 million yen compared to December 31, 2017, which was mainly because the increases of 1,967 million yen in notes and accounts payable—trade and 4,004 million yen in income taxes payable exceeded the decrease of 1,538 million yen in short-term loans.

Total non-current liabilities as of September 30, 2018 came to 11,745 million yen, a decrease of 3,189 million yen compared to December 31, 2017, which was caused by a decrease of 3,204 million yen in long-term loans payable.

(Net assets)

Total net assets as of September 30, 2018 stood at 51,677 million yen, an increase of 1,923 million yen compared to December 31, 2017, which was due mainly to an increase of 1,801 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, 2018, are described in the Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (Japanese GAAP) published on February 14, 2018. The forecasts remain unchanged.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	FY 2017 (As of December 31, 2017)	Third quarter of FY 2018 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	31,303	30,493
Notes and accounts receivable—trade	18,816	18,846
Inventories	23,185	24,607
Deferred tax assets	553	526
Other	2,066	1,928
Allowance for doubtful accounts	(262)	(262)
Total current assets	75,663	76,140
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,455	2,154
Machinery, equipment and vehicles, net	451	407
Tools, furniture and fixtures, net	105	84
Leased assets, net	246	204
Other, net	280	270
Total property, plant and equipment	3,538	3,121
Intangible assets		
Goodwill	760	707
Software	195	174
Customer-related assets	1,174	929
Other	114	245
Total intangible assets	2,245	2,055
Investments and other assets		
Investment securities	1,303	1,330
Guarantee deposits	365	361
Deferred tax assets	484	571
Other	762	735
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	2,889	2,972
Total non-current assets	8,673	8,150
Total assets	84,336	84,291

(Millions of yen)

	FY 2017 (As of December 31, 2017)	Third quarter of FY 2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	9,959	11,926
Short-term loans payable	4,935	3,396
Current portion of long-term loans payable	151	148
Lease obligations	60	56
Accounts payable—other	2,322	2,400
Income taxes payable	195	600
Provision for bonuses	525	511
Provision for shareholders' benefits	—	17
Other	1,497	1,810
Total current liabilities	19,648	20,869
Non-current liabilities		
Long-term loans payable	12,612	9,408
Lease obligations	191	151
Deferred tax liabilities	221	166
Provision for directors' retirement benefits	494	543
Net defined benefit liability	1,007	1,079
Other	406	395
Total non-current liabilities	14,934	11,745
Total liabilities	34,583	32,614
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,531
Retained earnings	39,173	40,975
Treasury shares	(0)	(0)
Total shareholders' equity	48,351	50,152
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	13
Deferred gains or losses on hedges	8	14
Foreign currency translation adjustment	1,378	1,496
Total accumulated other comprehensive income	1,402	1,524
Total net assets	49,753	51,677
Total liabilities and net assets	84,336	84,291

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First nine months ending September 30, 2018

(Millions of yen)

	First nine months of FY 2017 (January 1, 2017 to September 30, 2017)	First nine months of FY 2018 (January 1, 2018 to September 30, 2018)
Net sales	128,995	135,548
Cost of sales	106,953	112,201
Gross profit	22,041	23,347
Selling, general and administrative expenses	17,221	18,563
Operating income	4,820	4,783
Non-operating income		
Interest and dividend income	72	103
Share of profit of entities accounted for using equity method	29	2
Insurance income	1	174
Other	16	32
Total non-operating income	119	313
Non-operating expenses		
Interest expenses	148	128
Listing-related expenses	99	—
Foreign exchange losses	221	123
Other	1	57
Total non-operating expenses	471	309
Ordinary income	4,468	4,787
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment loss	514	—
Total extraordinary losses	514	—
Profit before income taxes	3,954	4,787
Income taxes—current	1,695	1,518
Income taxes—deferred	(100)	(112)
Total income taxes	1,594	1,406
Net income	2,359	3,380
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	2,359	3,380

Quarterly consolidated statement of comprehensive income

First nine months ending September 30, 2018

(Millions of yen)

	First nine months of FY 2017 (January 1, 2017 to September 30, 2017)	First nine months of FY 2018 (January 1, 2018 to September 30, 2018)
Net income	2,359	3,380
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(1)
Deferred gains or losses on hedges	(35)	6
Foreign currency translation adjustment	(792)	143
Share of other comprehensive income of entities accounted for using equity method	93	(25)
Total other comprehensive income	(733)	122
Comprehensive income	1,625	3,502
(Breakdown)		
Comprehensive income attributable to owners of parent	1,625	3,502
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.

(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 quarterly net income before taxes by the relevant estimated effective tax rate, which was reasonably 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.

(Segment information)

I First nine months of the fiscal year (from January 1, 2017 to September 30, 2017)

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

(Millions of yen)

	Reporting segment			Total	Adjustments (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	87,377	39,033	2,584	128,995	—	128,995
Intersegment sales or transfers	7,175	267	—	7,443	(7,443)	—
Total	94,553	39,301	2,584	136,439	(7,443)	128,995
Segment profits (losses)	4,449	341	(7)	4,783	36	4,820

- (Note) 1. The adjustment amount of 36 million yen to segment profits (losses) includes the elimination of intersegment transactions of (negative) 98 million yen and the profit and loss of all Group companies, or the net amount of profit and loss of all Group companies, of 135 million yen that are not allocated to each reporting segment. The profits of all Group companies mainly consist of dividend income from each reporting segment, and the expenses of all Group companies mainly consist of general administrative expenses that are not attributable to any reporting segment.
2. The segment profits (losses) are adjusted with operating income in the quarterly consolidated statement of income.

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

In the Asian Food Global Business segment, we reviewed the use of some customer-related assets. As a result, regarding the business-use assets of a Hong Kong subsidiary for its import and wholesale of Japanese ingredients and food products, we estimate that the recoverable amount is nil and will record it as an impairment loss.

The said impairment loss was 514 million yen, which was recorded in the Third Quarter (nine months) of the previous fiscal year.

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

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

(Millions of yen)

	Reporting segment			Total	Adjustments (Note 1)	Amounts recorded in the quarterly consolidated statement of income (Note 2)
	Asian Food Global Business	Agricultural & Seafood Products Trading Business	Other business			
Net sales						
Sales to external customers	91,945	40,820	2,782	135,548	—	135,548
Intersegment sales or transfers	7,074	139	—	7,213	(7,213)	—
Total	99,020	40,959	2,782	142,762	(7,213)	135,548
Segment profits	3,778	942	49	4,770	13	4,783

- (Note) 1. The adjustment amount of 13 million yen to segment profits include the elimination of intersegment transactions of (negative) 1,215 million yen and the profit and loss of all Group companies, or the net amount of profit and loss of all Group companies, of 1,229 million yen that are not allocated to each reporting segment. The profits of all Group companies mainly consist of dividend income from each reporting segment, and the expenses of all Group companies mainly consist of general administrative expenses that are not attributable to any reporting segment.
2. The segment profits are adjusted with operating income in the quarterly consolidated statement of income.

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

No relevant items.