

Wismettac Letter

Business Report

2019.1.1-2019.12.31

Global solutions company that solves various problems faced by the food industry worldwide and creates and offers new value

Discover more about

Nishimoto Wismettac Holdings!

This report highlights Nishimoto's distribution business of Japanese food in the **Netherlands**

Food is sold to European countries from the Port of Rotterdam, the largest port in Europe

NTC Wismettac Europe B.V. ("Wismettac Europe"), our Dutch location, is located in the suburbs of Amsterdam. It imports Japanese food and Asian ingredients by the container and stores in Rotterdam, known in Europe as a logistics hub, and sold in either pallets or containers to wholesalers in European countries that do not have their own delivery function. Wismettac Europe also engages in marketing activities. Leveraging the Group's purchasing power, it is growing the market shares of each of its products through competitive pricing.



Managing Directory Tokuji Yamaguchi tell us more about Wismettac Europe

Q1 What separates your business model from those of the Group's other business bases?

While the main customers of our other European bases (UK, Germany and France) are restaurants and retailers, many of our customers are wholesalers (wholesalers of Japanese and Asian food ingredients, local wholesalers and fishery wholesalers). We sell Japanese ingredients to about 25 countries in Europe. Our mission is to expand our market share and increase the Group's presence in countries where the Group has no business base by enhancing our relationships with business partners in each country.

Q2 What are the trends in Japanese food in Europe?

Demand for ingredients and vegetable-based food for vegetarians and vegans is growing, with the number of sushi menus and restaurants offering vegetarian options increasing. In the midst of such trends, we have started selling Ahimi (a tomato-based tuna substitute used as a sushi topping), and "gluten-free gyoza (dumpling) using soy meat" as a meat substitute for vegetarians. Due to the high awareness to the protection of fishery resources and its sustainability in Europe, we acquired ASC/MSC and CoC* certificates and have also started selling frozen fishery products certified by ASC/MSC.

*ASC/MSC and CoC certificates – Certifications to secure the traceability of a product's origins in order to prevent uncertified products from being sold. ASC certification is for farmed fish products and MSC certification is for natural fish products.



Tokuji Yamaguchi
Wismettac Europe
Managing Director

As dramatic changes continue within food our business structure and become a new

We would like to express our gratitude to our shareholders and investors for their ongoing support.

Considerable risk factors hit the global economy in 2019; US-China trade issues, a slowdown in China's economic growth, the UK exiting the EU, and a consumption tax hike in Japan. Despite this, the food industry continues to see increasing global food demand, and the prices of ingredients close to raw materials in particular continue rising slowly. In addition, sharp increases in labor- and logistics-related costs in food distribution are becoming more common. "Food Tech," a fusion of food and technology, has also become more commonplace. This is seen in rapid advances in cultivation technology and food development in the production field, and the diversification of food provision into online vendors and home delivery in the distribution field.

While the food industry continues to experience dramatic changes and the face various challenges demonstrated by the above, the Group is promoting not only its existing businesses, but also a global solution business to drive new earnings using the global network we have built over many years. More specifically, we will provide solutions in cooperation with research institutes such as universities with the latest technology and innovative corporations to tackle problems faced by the Group's customers all over the world living in today's rapidly advancing digital society. It can be said that we will transform into a new, unique corporation with our creativity at center stage of global food distribution, identifying the various problems in the food industry.



Yoshiro Susaki
Chairman & President CEO

Overview of business during the fiscal year ended December 2019

Our net sales for 2019 were 182.6 billion yen (up 0.2% year-on-year), operating income and ordinary income were to 4.3 billion yen (down 35.2% yoy) and 4.5 billion yen (down 30.9% yoy), respectively, and net income attributable to owners of the parent was 2.4 billion yen (down 46.1% yoy). As a result, sales grew but profits fell in FY 2019.

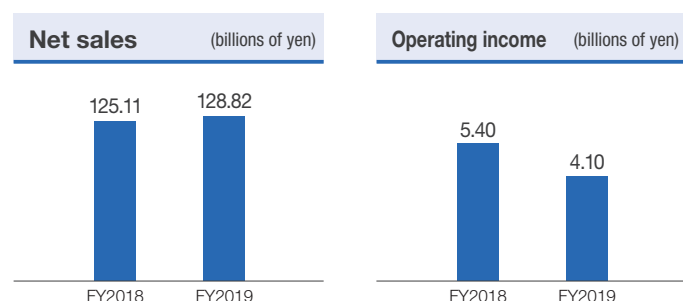
Operating results for the fiscal year ended December 31, 2019

Net sales	182,603million yen
Operating income	4,343million yen
Ordinary income	4,543million yen
Profit attributable to owners of the parent	2,493million yen

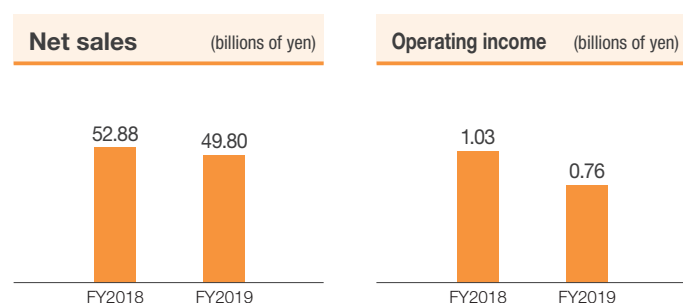
By business segment, sales of the Asian Food Global Business, consisting of mostly Japanese food, remained stable, and we appropriately coped with the rise in costs due to price hikes in national brand products and the tariff issue between the US and China. However, profits fell due to expenses recorded for the development and sale of a new product line for a Japanese food product, increased logistics costs globally, and the UK subsidiary's temporarily sluggish earnings due to Brexit. In the Agricultural & Seafood Products Trading Business, both sales and profits fell due to stagnant domestic market prices of citrus fruits and tropical fruits, as well as the Chinese subsidiary's weak sales of US citrus fruits due to the tariff issue.

industry, we will use our creativity to transform type of corporation.

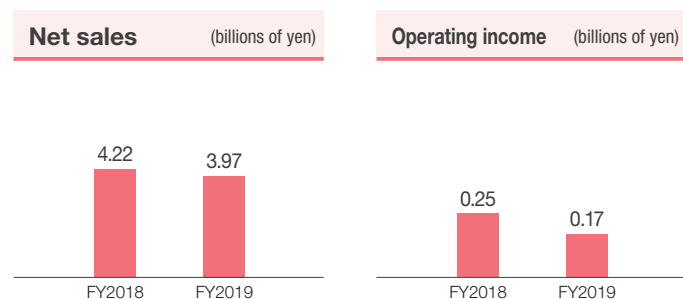
▶ Asian Food Global Business



▶ Agricultural & Seafood Products Trading Business



▶ Amenities & Retail Business



Costs for measures (development cost of a new earnings driver) are recorded mainly for hiring human resources and investing in digitization as part of self-improvement (business structure reform) and investment towards the future. Although the precedent cost was included in the plan, investment in human resources was carried out by each business base ahead of the plan, resulting in a greater decrease in operating income.

Primary factors for decreased profits in FY 2019

Asian Food Global Business

- Labor and logistics costs remained high in North America
- Purchasing costs increased due to exchange rate fluctuations at the UK subsidiary

Agricultural & Seafood Products Trading Business

- Domestic sales of fruits and vegetables in general struggled and unit sales prices fell.

■ Initiatives and forecast for the fiscal year ending December 2020

In FY 2020, we expect a total sales of 205.8 billion yen (up 12.7% year-on-year), a total operating income and ordinary income of 3.0 billion yen (down 29.7% yoy) and 3.1 billion yen (down 30.8% yoy), respectively, and net income attributable to owners of the parent 2.8 billion yen (up 13.8% yoy). Profits will continue to fall from FY 2019 because we will accelerate the digital transformation of existing businesses and proactively investment in new businesses. We believe that these initiatives are necessary for us to succeed in the new food industry that is soon to come. We will explain the new medium-term management plan towards 2022 when announcing the business results for the second quarter of FY 2020.

Numerical targets for fiscal 2021

Net sales	205,835 million yen
Operating income	3,052 million yen
Ordinary income	3,143 million yen
Profit attributable to owners of the parent	2,836 million yen

Initiatives for the fiscal year ending December 2020

Accelerate digital transformation of existing businesses and proactively invest in new businesses

Asian Food Global Business

- Diversify markets in the North America region, implement a business structure reform in order to cope with changes in cost structures
- Capture the Japanese food markets currently expanding in regions other than North America
- Consolidate the two European corporations in which we have an equity stake and expand our business foundation further

Agricultural & Seafood Products Trading Business

- Maintain sales and secure profits in domestic wholesale markets
- Expand distribution routes to mass retailers, home-meal replacement industries, restaurant chains and food product manufacturers, as well as overseas distribution routes.

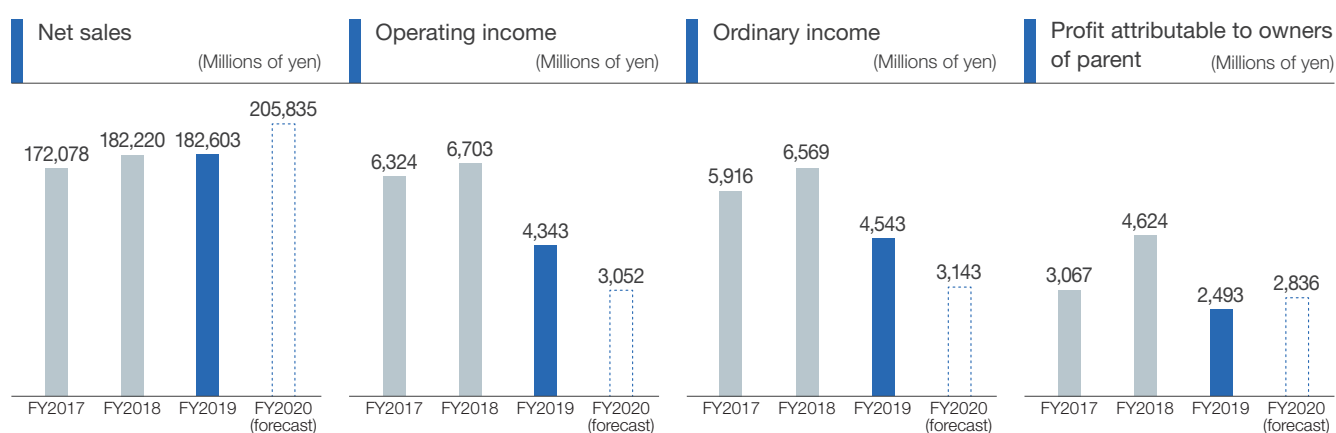
■ Message to Shareholders

Our basic policy on returning profits is to uphold a stable dividend payout ratio targeting 30% while keeping internal reserves to develop future businesses and enhance our financial position. We will maintain this policy in FY 2020 and plan to pay an annual dividend of 60 yen per common share, consisting of an interim dividend of 25 yen and a year-end dividend of 35 yen.

We will continue to improve corporate value over the medium to long-term by developing existing businesses in markets that are expected to expand globally and deploying new businesses proactively. We look forward to the continued understanding and support of our shareholders and investors.

Consolidated Financial Highlights

		FY2017	FY2018	FY2019	FY2020 (forecast)
Net sales	(Millions of yen)	172,078	182,220	182,603	205,835
Operating income	(Millions of yen)	6,324	6,703	4,343	3,052
Ordinary income	(Millions of yen)	5,916	6,569	4,543	3,143
Profit attributable to owners of parent	(Millions of yen)	3,067	4,624	2,493	2,836
Net assets	(Millions of yen)	49,753	51,521	52,337	—
Total assets	(Millions of yen)	84,336	83,719	96,587	—
Net assets per share	(Yen)	3,466.38	3,589.58	3,646.41	—
Net income per share	(Yen)	236.37	322.18	173.71	197.64
Equity ratio	(%)	59.0	61.5	54.2	—
ROE	(%)	6.9	9.1	4.8	—



Fiscal year ended December 2019 Overview by segment

Composition of sales (%)



Our Website

Our website presents information about our business, news & topics, and an overview of the Nishimoto Wismettac Group. The Investor Relations page offers the latest financial data, IR news, the IR Library, and much more. Please visit our website.



Nishimoto Wismettac

Search

<https://www.wismettac.com/ja/index.html>



Nishimoto Wismettac Group Around the World



Voice from overseas

The Nishimoto Wismettac Group is developing business globally.



Wismettac Europe



Please tell us what you find rewarding about Wismettac Europe' business and your duties there.

I was sent to the Netherlands in 2017 and have been in charge of growing the business towards new countries and new customers. While the Company is based in the Netherlands, I am responsible for Europe as a whole and conduct sales activities in more than 20 European countries. I feel the most rewarding part of my work manifests itself when our products penetrate into areas and countries we could not reach before. Although there are some difficulties that we have to consider given the different food cultures and business practices from one country to another, the Group is used to facing difficulty in the process of promoting Japanese food throughout the world in our 100-plus years of business. The Group's largest advantage is that we can take on new initiatives using these experiences and achievements. I strive for excellence in my duties every day, believing that our success in Europe will help our colleagues working in other regions someday, similar to how we are being helped.



When developing or bringing in new products, what perspective is required to find products with market potential?

Ideally, we would like to develop new products anytime, but new ideas are sometimes difficult to come by when both customers and sellers are working in a single market and are stuck in the same set of values. However, the Group has selling and purchasing bases throughout the world, which enables us to obtain information on success stories and new trends. A product that is familiar in a market may be acknowledged as a new product if its sales destination is changed. Examples of such products are Ahimi (a tomato-base tuna substitute), gluten-free gyoza and frozen avocado, which we have recently started selling in Europe. All of these products already exist in other markets, but we were the first to introduce them in Europe as part of our Asian ingredient wholesale business. Our strength lies in having access to a global network for product development and purchasing, and I think it is important to continue sharing information.



Yoshihiko Kuroda
Wismettac Europe
Senior Manager

News from an employee at the local office

Status of Japanese food overseas

This fish is consumed as a high-class ingredient in Japan. How about in the Netherlands?

Facing the North Sea, the Netherlands is not only abundant in fresh seafood, but is also abundant in food sources overall, being the world's second largest exporter of agricultural products just behind the US. In Japan, eel is often eaten as *kabayaki* (dipped and broiled in a soy-based sauce) or *shirayaki* (grilled without seasoning), but it is traditionally smoked in the Netherlands. This method of preparation results in an oilier product and is very delicious. Also, deep-fried food is popular in the Netherlands, as seen from the croquettes being sold through special vending machines. Sales volumes of our deep-fried shrimp and tempura flour are higher than in other countries, and they are used in other styles of cooking in addition to Japanese cuisine.



News & Topics

Capital and business alliance with SIMBA, a Japanese food wholesaler in Vietnam

To achieve further growth and acquire a market share in Vietnam, we concluded a capital and business alliance contract with SIM BA TRADING LIMITED, a leading Japanese food wholesaler. Vietnam is seeing remarkable growth in its restaurant market, and this trend is expected to continue. With this alliance, we will further expand sales of the Group's products in Vietnam and aim to deploy multifaceted business, developing and introducing new products with knowledge shared between the two companies.

Special Benefits for Shareholders

We annually offer special benefits for shareholders to express our appreciation for their long-standing support.



Outline of the special benefits system for shareholders

1 Shareholders covered by the system

Shareholders holding one unit of shares in Nishimoto Wismettac Holdings (100 shares) or more who are included or recorded in the list of shareholders at the end of December of each year

2 Special benefits in fiscal 2019

We presented special benefit tickets, which included coupon codes (one coupon code was equivalent to 3,000 yen) that could be used at the online shopping site "Nishimoto World Gift" run by our Group. The tickets were placed in the notice of resolutions of the regular general meeting of shareholders, sent in late March.

URL for the website

<https://www.hello-worldgift.com/?lang=en>

Accessible from this QR code if you use a smartphone or mobile phone



★ First-time users need to register for membership.

Number of units held (number of shares held)	Number of coupon codes
1-3 units (100 shares or more and less than 400)	1 (equivalent to 3,000 yen)
4-6 units (400 shares or more and less than 700)	2 (equivalent to 6,000 yen)
7 unit or more (700 shares or more)	3 (equivalent to 9,000 yen)

*Only one coupon code can be used for one round of product purchases.



The coupon codes sent to shareholders at the end of December 2019 can be used during the period from **April 2020 to the end of December 2020.**

For inquires, call the World Gift Customer Service, Wismettac Foods, Inc., on

0120-096-810

9:00~17:00
(Excluding Saturday, Sundays, national holidays, and year-end and New Year holidays)

Corporate Information (as of December 31, 2019)

Corporate Profile

Company Name	Nishimoto Co., Ltd.
Established	May 1912
Head Office	Nihonbashi-Muromachi Mitsui Tower 15F, 3-2-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-0022
Capital	2,646,177,532 yen

Directors (as of March 26, 2020)

Chairman & President CEO	Yoshihiro Susaki	Director (Full-time Audit & Supervisory Committee Member)	Atsuhiko Kimura
Director	Hiroshi Tsujikawa	Outside Director (Audit & Supervisory Committee Member)	Kimikazu Nomi
Director	Yuji Sasa	Outside Director (Audit & Supervisory Committee Member)	Yukiko Omura
Director & Global CDO	Celso Guiotoko		

Worldwide Network

<Japan>

- Nishimoto Co., Ltd.
- Tokyo Head Office, Okinawa Representative Office, Kobe Office (Registered Head Office Location)
- Nishimoto Trading Co., Ltd.
- Tokyo Head Office, Kobe Office (Registered Head Office Location)
- Wismettac Foods, Inc.
- Tokyo Head Office, Kobe Office, Kobe Branch Tobu Sales Office

<North America>

- Wismettac Asian Foods, Inc.
- Los Angeles Office, Arizona Office, Atlanta Office, Chicago Office, Dallas Office, Denver Office, Miami Office, Hawaii Office, Houston Office, Las Vegas Office, New York Office, San Diego Office, San Francisco Office, Seattle Office, Washington, DC office, Toronto Office, Vancouver Office, Montreal Office, Orlando Office, Boston Office (Satellite Office), Sacramento Office (Satellite Office), Calgary Office (Satellite Office), Ohio Office (Satellite Office)

<Asia>

- Nishimoto Trading Co., Ltd.
- Bangkok Representative Office, Ho Chi Minh Representative Office, Seoul Representative Office
- Wismettac Foods Shanghai Co., Ltd.
- Shanghai IPM Co., Ltd.
- NTC Wismettac Singapore Pte. Ltd.
- Wismettac Nippon Foods Co., Ltd.

<Oceania>

- NTC Wismettac Australia Pty Ltd.
- Sydney Office, Melbourne Office, Perth Office, Brisbane Office

<Europe>

- Nishimoto Trading Co., Ltd.
- Paris Representative Office
- NTC Wismettac Europe B.V.
- Harro Foods Limited
- SSP Konsumgüter TRADE & CONSULT GmbH
- COMPTOIRS DES 3 CAPS SARL
- Comptoirs Oceaniques
 - Cap Cavally
 - Tropic Fish

Nishimoto Co., Ltd.

Nihonbashi-Muromachi Mitsui Tower 15F, 3-2-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-0022
Tel: +81-3-6870-2015 Fax: +81-3-6870-2016

Stock Information

Total Number of Shares Authorized	50,000,000
Total Number of Shares Outstanding	14,353,140
Number of Shareholders	3,519

Major Shareholders

Shareholder Name	Number of shares held (thousands)	Shareholding ratio (%)
Tatsumi Sangyo Co., Ltd.	6,235	43.4
Yoshiro Susaki	2,910	20.3
Susaki Welfare Foundation	1,300	9.1
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	480	3.3
Japan Trustee Services Bank, Ltd. (trust account)	380	2.6
The Master Trust Bank of Japan, Ltd. (trust account)	247	1.7
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	204	1.4
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT 0M02 505002	198	1.4
GOVERNMENT OF NORWAY	156	1.1
Takayuki Kanai	140	1.0

(Note 1) Numbers of shares held are rounded down to the nearest one thousand.
(Note 2) In calculating shareholding ratios, 112 shares of treasury stock are excluded.

Shareholder Memo

Fiscal Year	January 1 - December 31
General Meeting of Shareholders	Within three months from the day following the last day of each fiscal year
Record Date	December 31
Dividend Record Dates	June 30 for interim dividend December 31 for year-end dividend
Investment Unit	100 shares
Office of Shareholder Registry Administrator	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Method of Public Notice	The Company publishes public notices by posting electronic public notices. However, in the event that an electronic public notice is impracticable as a result of an accident or for other unavoidable reasons, the Company shall post its public notices in The Nikkei. URL for posting electronic public notices http://www.wismettac.com/ja/ir/e-announce.html

Contributing to the world as a link to food

What is Wismettac?



The logotype consists of two spheres that represent the earth itself and globalism.

- Red for innovation and green for nature
- The inexhaustible will to provide a healthier and more varied dietary lifestyle

The design uses the three letters (W, M, and C) included in the company name as motifs.

Wisdom:

Western wisdom

Metta:

Oriental wisdom
(Pali word meaning gentility and consideration)

Creativity:

Ability to create value

