

Wismettac Letter

Business Report

2020.1.1-2020.6.30



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 Asian Food
Global Business and Agricultural & Seafood Products Trading Business in **China**

Our Group operates two companies in mainland China as important bases in Asia: Wismettac Foods Shanghai Co., Ltd., which is responsible for the global Asian food business, and Shanghai IPM Co., Ltd., which takes charge of trading agricultural and marine products.

Asian Food Global Business: **Wismettac Foods Shanghai Co., Ltd.**

As one of the bases for the Group's global Asian food business, Wismettac Foods Shanghai Co., Ltd. has been selling Asian foods and food ingredients, focusing on Japanese foods. Not only is the company engaged in the wholesale business, but it also pays particular attention to developing products that meet the needs of local markets and out-sources the production of such products. In 2019, Patrick Kwok took office as the new regional CEO. As it strives to market to local customers, the company is preparing to expand its sales channels to cover non-Japanese foods as well, with "Nutrition + Innovative Solutions" as their keyword.



CEO's message: **"Nutrition + Innovative Solutions"**

In accordance with its global strategy, the Wismettac Group's business in China is also moving ahead with business reforms to develop and provide innovative nutrition-related solutions to customers in the restaurant industry and target consumer groups.

Our China team has started offering new services to customers in diverse food-service areas. They are making the most of the Group's powerful network of suppliers in China and global purchasing power as well as product development capabilities, while gaining deep insights into local markets. Our business areas are expanding to cover not only Japanese cuisine, the Group's core business, but also Chinese hot pot dishes for young people, bakery products, and beverages, in addition to healthy foods for the aged. The new innovation center, to be launched together with the new product development team this coming August, will further promote smooth communication with major customers and accelerate the product development cycle.

We are doing our utmost to offer innovative solutions to nutrition issues in this market, comprising a population of over 1.4 billion people.



Patrick Kwok
CEO

Agricultural & Seafood Products Trading Business: **Shanghai IPM Co., Ltd.**



With "Bringing the world's fruits to China's tables!" as its concept, Shanghai IPM Co., Ltd. provides fruits from around the world to the tables of Chinese, making best use of the Group's network of producing centers.

Its major business lines include the import and sale of fresh fruits and vegetables to China, mainly Sunkist products, and provision of fruit consulting services. As an even newer initiative, the company has begun a repackaging business for wholesale clubs and EC sites.

We aim to become a one-stop solution company that generates new customers by providing products and services in the areas of healthcare and food, as well as food distribution and IT, and integrating all of them.

Yoshiro Susaki
Chairman & CEO



We would like to express our heartfelt appreciation to shareholders and investors for your long-standing patronage of the Wismettac Group. Today, the business environment that surrounds us is undergoing a monumental transition. Huge waves of change are overwhelming the social structure itself as exemplified by the permeation of fast-evolving digital technology into the food area, the arrival of an ageing society in developed countries, and concern about the sustainability of health systems. Furthermore, with the spread of the COVID-19 pandemic, the relationship between food and healthcare is coming under close scrutiny, and consumers are becoming increasingly health-conscious and trying to economize. With these environmental and social changes, consumer needs and other trends are changing and fractionalizing in the food-business

area as well. Under these circumstances, as the first step in the second inauguration of our enterprise, we have recently re-painted our vision and worked out a new mid-term management plan based on our long-term growth strategy. We believe that the Wismettac Group's vision for the near future is to aim at becoming a company that combines manufacturing technology, data-driven thinking, and the digital provision of products and services. We will make the most of our strengths as a company that has led the global food supply chains to expand our business domains to cover the new area of healthcare, identify and directly meet consumers' needs in the global market, and transform the way products and services are provided.

We look forward to your continued support in the future.

Overview of business during the period up to the second quarter of the term to December 2020

During the second quarter of the term to December 2020, net sales were 79.8 billion yen (down 13.4% year-on-year), and operating loss was 1.2 billion yen (down 3.7 billion yen year-on-year). Ordinary loss was 1.5 billion yen (down 4.1 billion yen year-on-year), and net loss attributable to owners of the parent was 900 million yen (down 2.8 billion yen year-on-year).

The Asian Food Global Business saw both its sales and income decrease because sales to the restaurant industry, the Group's major customers, fell substantially due to the effects of factors such as COVID-19 lockdowns and sales restrictions in various countries.

In the Agricultural & Seafood Products Trading Business, both sales and income declined owing to a sharp fall in demand from the restaurant industry, as in the Asian Food Global Business, as well as to the sluggish prices of products, particularly citrus fruits—one of our strongest product categories.

Overseas, we strove to reduce selling, general, and administrative expenses, including personnel expenses, making effective use of emergency financial support in various countries and other resources, but income decreased due to the effects of a substantial drop in sales. In addition, taking future uncertainties such as the possibility of COVID-19 spreading again into consideration, we reported a total of 1.75 billion yen as bad-debt allowances and loss on valuation of inventory assets.

Operating results for the second quarter of the term to December 2020

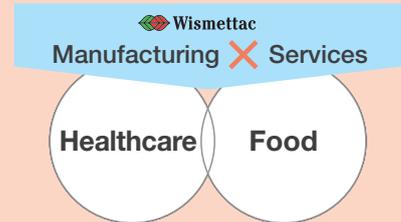
Net sales	79,816 million yen
Operating income	(1,226) million yen
Ordinary income	(1,510) million yen
Quarterly profit attributable to owners of the parent	(939) million yen

The Nishimoto Wismettac Group aims to be:

A one-stop solution company striving to fuse healthcare and food

Business aimed at

We will generate new customers by integrating products and services in the areas of healthcare and food.



Our strengths and changing consumer needs for food

Shift in food needs

It is expected that as times change, there will be a drive for businesses to achieve “high-mix, low-volume through total (global) optimization.” The aim is to meet consumer needs for more convenience, better health, and greater comfort, rather than using conventional “low-mix, high-volume through partial (country) optimization.”

Our strengths

- (1) Broad product lineup
- (2) Broad range of service functions
- (3) Broad human resources and networks

Three priority measures

As consumer needs change, we aim not only to be a producer that customers consciously choose, but also to generate new customers by strengthening the necessary functions and expanding our business domains.

- 1 Deepening manufacturing functions**
 - While focusing on Asian foods, we will strive to achieve integrated fables manufacturing that covers all processes from the development of all processed foods to materials procurement to manufacturing. We will also endeavor to discover and develop superior processing and manufacturing technology.
 - In addition to conventional Japanese restaurants, we will strengthen our retail and restaurant chains, which comprise the mainstream of our business in local markets. Furthermore, we will offer home-use products online and at bricks-and-mortar stores.
- 2 Deepening services**
 - Strive for cost reductions in the global supply chain
 - Provide digitized common platforms
 - Gather and analyze information on supply chains—including information on the customers of each player (and their customers)—in a systematic way and work with the players to drive marketing of products and services that meet consumer needs more precisely
- 3 Expanding business domains: healthcare**
 - Develop, produce, and sell differentiated products (medical foods) to respond to a growing aged population and expanding home medical-services market

Numerical plan

The basic policy for the forthcoming mid-term management plan is to recover the profitability of existing businesses from the effects of COVID-19, and step up investment in new businesses and boost their profitability.

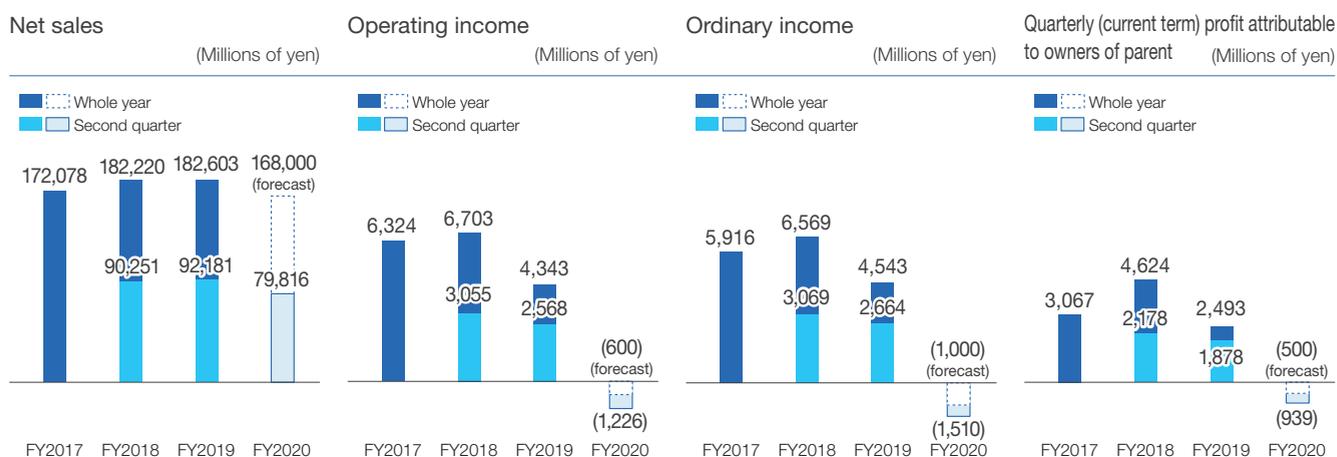
Existing businesses	Asian Food Global Business	Improve profitability in North America, and recover profitability steadily through growth in other regions
	Agricultural & Seafood Products Trading Business	Increase profitability steadily through stronger sales in Japan and abroad
	Other businesses	Maintain stable profitability by diversifying sales channels
New businesses	Aim at contributing to overall profitability as quickly as possible by continuing to invest aggressively	

Numerical targets for fiscal 2022

Consolidated net sales	222.4 billion yen
Consolidated operating income	6.5 billion yen

Consolidated Financial Highlights

		FY2017	FY2018		FY2019		FY2020	
		Whole year	Second quarter	Whole year	Second quarter	Whole year	Second quarter	Whole year (forecast)
Net sales	(Millions of yen)	172,078	90,251	182,220	92,181	182,603	79,816	168,000
Operating income	(Millions of yen)	6,324	3,055	6,703	2,568	4,343	(1,226)	(600)
Ordinary income	(Millions of yen)	5,916	3,069	6,569	2,664	4,543	(1,510)	(1,000)
Quarterly (current term) profit attributable to owners of parent	(Millions of yen)	3,067	2,178	4,624	1,878	2,493	(939)	(500)
Net assets	(Millions of yen)	49,753	49,678	51,521	51,542	52,337	49,642	—
Total assets	(Millions of yen)	84,336	83,011	83,719	83,517	96,587	94,925	—
Quarterly (current term) net income per share	(Yen)	236.37	151.75	322.18	130.86	173.71	(65.43)	—
Equity ratio	(%)	59.0	59.8	61.5	61.7	54.2	52.3	—



Second quarter of the term to December 2020 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

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



Nishimoto Wismettac Group Around the World

The Nishimoto Wismettac Group is developing business globally.



Voice from overseas

Wismettac Foods Shanghai Co., Ltd / Shanghai IPM Co., Ltd



What led you to join the company?

I entered Wismettac Foods Shanghai Co., Ltd. as director of research and development in April 2020. I obtained a master's degree in food engineering from a university, and later, for more than 20 years, I engaged in research and development and held managerial posts. After entering the company, I made the most of this experience to build a data platform for databases of



food ingredients and raw materials and establish a management process system for new-product development projects, which is currently in operation.



What products is the R&D department currently developing? And for what customers and areas?

Currently, the R&D department is focusing on developing PB smoothie products for a certain CVS customer that uses a lot of fruit and vegetables, taking the balance of nutrition into account as well as providing production control and guidance for the factories of OEMs. In addition, we are working with several other departments to gather information on and support healthcare/food projects. We also host brainstorming sessions to develop new products, and build project information bases for all new products. Currently, the department is launching a new research and development team. We will focus our attention on creating highly nutritious, healthy products that the Wismettac Group aims to offer globally, in cooperation with other employees at the Shanghai base!



Feng Rui

Senior R&D Manager
Wismettac Foods Shanghai Co., Ltd.



What duties are you currently performing as a sales assistant?

As a sales assistant, I am working with the director of sales to control sales data on retail and wholesale sales channels. Specifically, my duties include: (1) calculating costs, submitting business reports and statistics, and investigating and controlling the department's sales results; (2) proposing improvements for sales operations based on statistical data; (3) organizing order sheets and contracts; (4) offering after-sales services; (5) keeping account books such as internal income and expenditure and comparison of transactional books; and (6) dealing with customers and coordinating overall daily clerical work.



How do you want to use your skills for your job?

I want to not only solve current problems but also understand customers' businesses to predict their needs. I will make the most of my qualification as a cook to understand food ingredients at a deeper level and convey what I understand about them to customers so I can help to expand our business further. I also believe that my English-language skills will be useful for communication with overseas suppliers.



Zhu Peijun

Sales Assistant
Shanghai IPM Co., Ltd.

News & Topics

Providing support to Japanese-Americans living in the United States

One of the Group's businesses is to sell gift products mainly in America. One of the themes of this business is to support Japanese-Americans living in the U.S. In June 2020, we donated masks to Asahi Gakuen, a school for Japanese students in the state of California.



NISHIMOTO WORLD GIFT : Special benefits offered to shareholders

URL for the website <https://www.hello-worldgift.com/>

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



★ First-time users need to register for membership.

1 Membership registration through the log-in screen

2 Enter your coupon codes in the coupon point designation screen

3 Proceed to the payment screen after confirming your order

The coupon codes sent to shareholders at the end of December 2017 can be used during the period from **April 2020 to the end of December 2020.**

Shareholders covered by the system
(We do not offer special benefits for shareholders during the interim term)

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

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 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

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.
- Sim ba Trading JSC

<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.

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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	2,655

Major Shareholders

Shareholder Name	Number of shares held (thousands)	Shareholding ratio (%)
Tatsumi Sangyo Co., Ltd.	6,235	43.45
Yoshiro Susaki	2,910	20.27
Susaki Welfare Foundation	1,300	9.06
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	499	3.48
GOVERNMENT OF NORWAY	457	3.19
Japan Trustee Services Bank, Ltd. (trust account)	355	2.48
The Master Trust Bank of Japan, Ltd. (trust account)	297	2.08
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT 0M02 505002	224	1.56
Takayuki Kanai	140	0.98
THE CHASE MANHATTAN BANK 385036	137	0.96

(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 https://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