Wismettac

Supplementary Material to Financial Results

First Quarter of the Fiscal Year Ending December 2019

Nishimoto Co., Ltd.

May 14, 2019

Contents

Corporate Profile

Wismettac

- **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)

A solution company that resolves various food issues to create and provide new value

Nishimoto Wismettac imports and sells foods composed mainly of fruits and vegetables from all regions of the world. When Asian foods developed into widespread global foods, our company catered to customer demand for them along with meeting the various needs and requirements of customers in countries throughout the world. We evolved from a food trading company into an enterprise also equipped with functions including growing fruits and vegetables along with planning, development, logistics, sales and risk management of foods. Currently, we are in the process of building an internal framework that can flexibly apply external solutions including the newest technologies in a variety of domains.

Nishimoto Wismettac will resolve customer’s needs and issues by using its own and its partners’ broad-based solutions. We will continue to evolve and grow as an eco-platform company that creates and provides these types of new value.

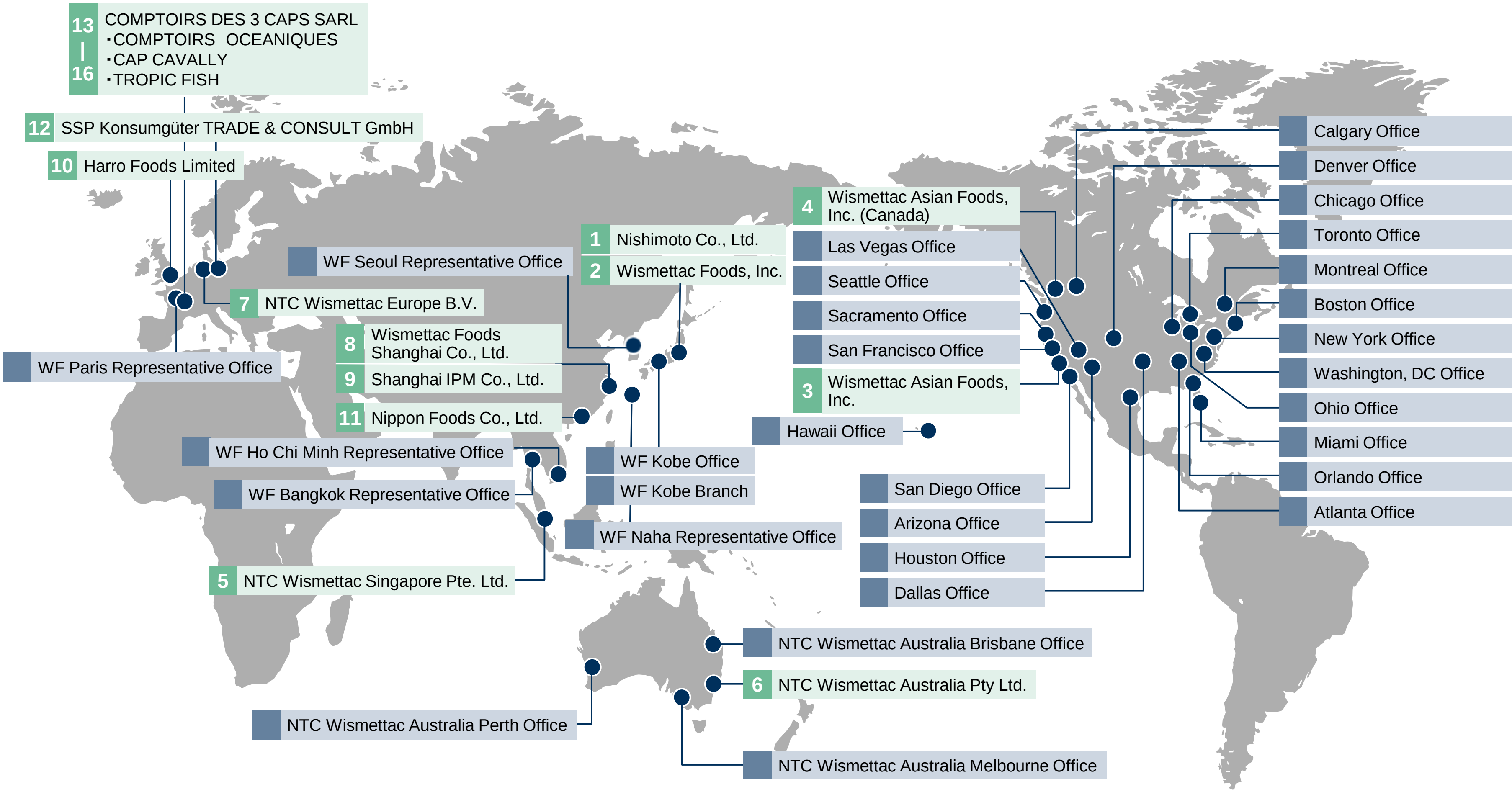
Nishimoto Wismettac: Corporate Profile

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	Onward Park Building, 3-10-5 Nihonbashi, Chuo-ku, Tokyo
Established	May 1912
Representative directors	Yoshiro Susaki, Chairman & CEO, Takayuki Kanai, President & COO
Number of Employees	1,676 (including 1,404 in the Asian Food Global Business) [As of December 31st, 2018.]
Business	◆ Development and sale of Asian food worldwide ◆ Importation and sale of fruit, vegetables and related processed products, and supply of food ingredients to food manufacturers and the restaurant sector
Subsidiaries and Affiliates	10 subsidiaries, 5 affiliates
Business Sites	47 worldwide (including 23 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	182.2 billion yen (FY ended December 2018) * Overseas sales ratio 67.3%
Ordinary income	6.5 billion yen (FY ended December 2018)
Shareholders' equity ratio	61.5% (FY ended December 2018)

Nishimoto Wismettac: Domestic and Overseas Business Sites

- Developing businesses worldwide with 47 global locations
- 23 locations in the North American region (the U.S. and Canada)



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

Major Business Segment: Asian Food Global Business

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- Distribution of Asian food ingredients and food products with a focus on Japanese food around the world centering on North America. Successful implementation of its own integrated operations from product development and planning to sales and distribution.

←Compliance with related laws and regulations→

Product development and planning → Purchasing and Procurement → Customs Clearance → Storage → Sales → Sorting and delivery

Shirakiku BRAND®

Developing new private brand products and expanding the private brand range

“Shirakiku” accounts for about 40% in terms of sales (North American business performance, 2018)

Wide range of sourced products and diverse supplier base (about 8,000 items)

Logistics capabilities and systems

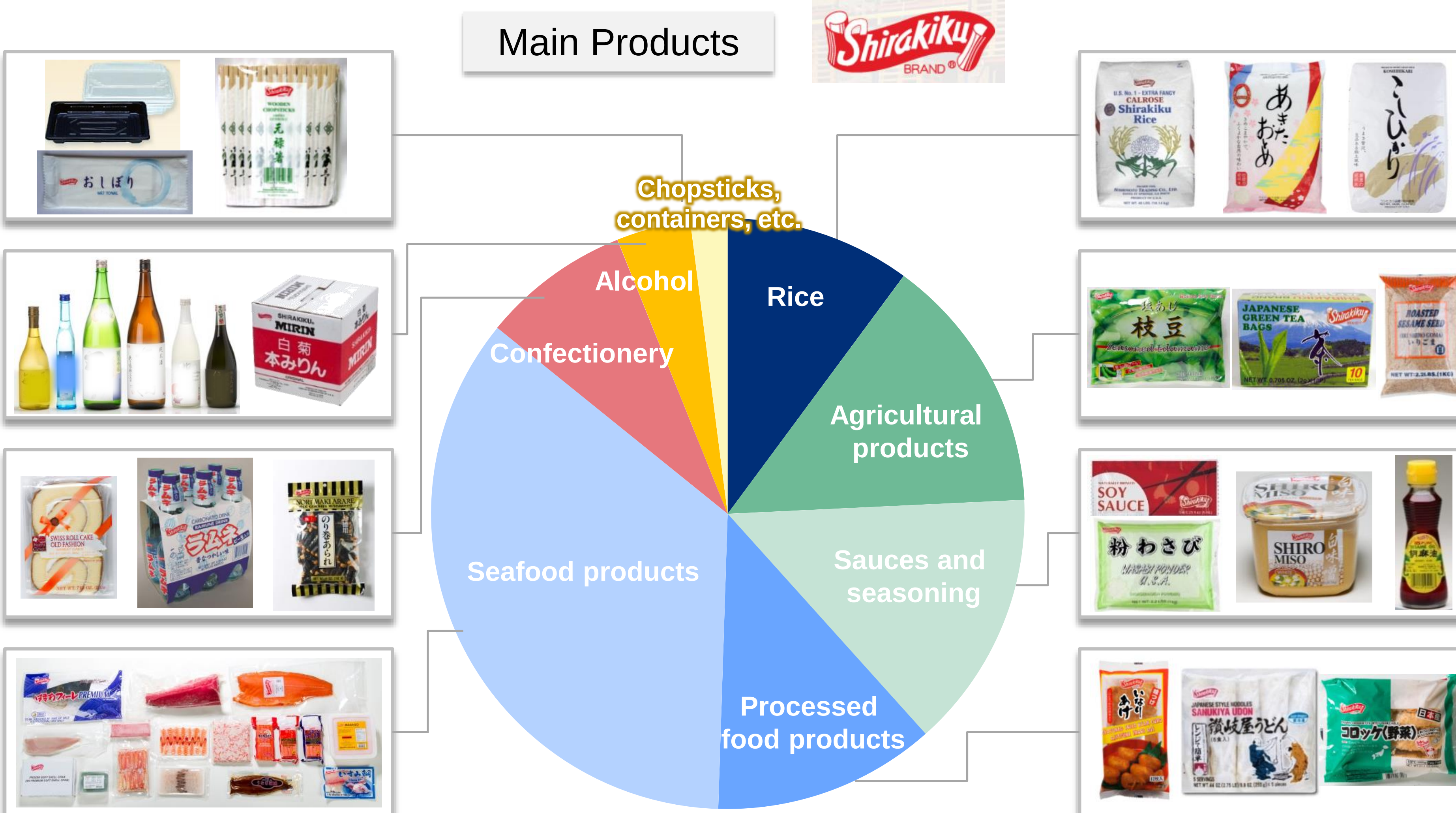
Marketing network and North American business locations

(23 locations in North America) (37 locations globally)

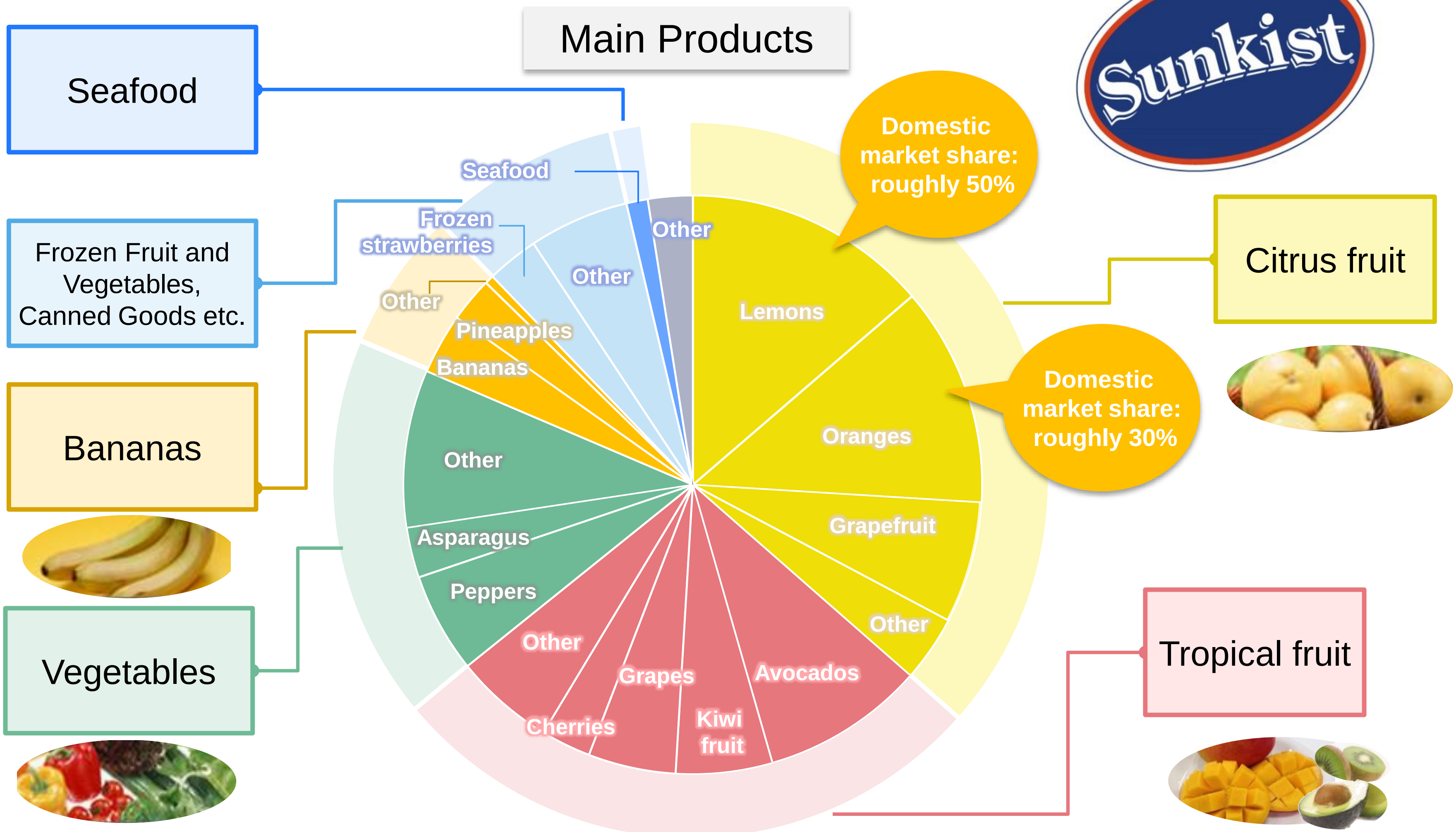
- Select the best producing region throughout the world
- Working with producers to develop products tailored to customer needs
- Implementing production and quality control systems that comply with local regulations

Developing products in line with customer needs

We import and procure Asian food products and ingredients, with a focus on Japanese food, including from the U.S., Japan, China and South East Asia, and distribute approximately 8,000 items on a global basis, principally in North America.



◆ Import and sale with a focus on fresh fruits and vegetables in the Japanese market.
◆ As a sole import agent of Sunkist Growers Inc. in Japan, maintain high market share of imported citrus. In particular, the market share* of lemon is about 50% and orange is about 30%.



* In-house company calculation based on Ministry of Finance trade statistics

Summary of Financial Results
for the First Quarter of the Fiscal Year Ending December 2019

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Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 2019

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- Net sales of the Asian Food Global Business increased 4.1% year-on-year and net sales of the Agricultural & Seafood Products Trading Business decreased 2.7% year-on-year. Total net sales increased 2.2% from a year earlier to 43.7 billion yen.
- Operating income for both the Asian Food Global Business and the Agricultural & Seafood Products Trading Business decreased from the previous year. Total operating income decreased 13.1% year-on-year.
- The impact of exchange rates (the yen depreciated against the US dollar by 1.90 yen from the previous year) when converting to yen for consolidation purposes was plus 0.46 billion yen in terms of net sales and plus 0.01 billion yen in terms of operating income compared to the same period of the previous year (for North America).

(Unit: billions of yen, Percentage to net sales is stated in parentheses)

		FY ended December 2018	FY ending December 2019	
		First quarter results*	First quarter results	Changes year-on-year
Operating results	Net sales	42.8 (100.0%)	43.7 (100.0%)	+2.2%
	Gross profit	7.7 (18.1%)	7.9 (18.1%)	+2.2%
	Operating income	1.6 (3.8%)	1.4 (3.3%)	-13.1%
	Ordinary income	1.5 (3.6%)	1.4 (3.3%)	-5.2%
	Net income attributable to owners of parent	1.1 (2.6%)	1.0 (2.3%)	-8.8%
Yen/Dollar exchange rate (Average rate during the period)		108.30 yen	110.20 yen	+1.90 yen
Quarterly net income per share		77.73 yen	70.90 yen	-8.8%

* Starting from the first quarter of the fiscal year ending December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method, and applied the new method retroactively. Hence, the figures stated for the first quarter of the fiscal year ended December 2018 are those after the retroactive application.

Operating Results by Segment for the First Quarter of the Fiscal Year Ending December 2019

Overall

- The Company added up costs for developing an internal organization to put in place various new solution functions (strategic expenses).

Asian Food Global Business

- Overall net sales increased 4.1% from a year earlier [4.1% increase from a year earlier in the North American region (2.3% on a local currency basis). 3.8% increase year-on-year in other regions on a consolidated yen basis and 8.9% weighted-average increase in other regions on a local currency basis].
- Operating income decreased 9.9% year-on-year. Operating income in North America declined slightly year-on-year due to persistently high personnel and logistics expenses and a posting of strategic expenses among other factors. Overall operating income decreases slightly year-on-year as in other regions, our U.K. subsidiary struggled (Foreign exchange fluctuations stemming from the Brexit issue caused procurement costs to rise temporarily which pressured profits.).

Agricultural & Seafood Products Trading Business

- Net sales decreased 2.7% year-on-year. Our Chinese subsidiary was affected by sluggish sales of U.S.-made citrus fruits due to the effect from U.S.-China trade tensions. Operating income decreased 50.8% year-on-year due mainly to lackluster markets for citrus fruits and vegetables for domestic sales.

Sales to external customers

(Unit: billions of yen)

	First Quarter of FY ended December 2018 results	FY ended December 2019	
		First Quarter results	Changes year-on-year
Asia Food Global Business	29.86	31.07	+4.1%
Agricultural & Seafood Products Trading Business	11.80	11.47	-2.7%
Other business	1.14	1.18	+3.4%
Total	42.81	43.74	+2.2%

Operating income

	First Quarter of FY ended December 2018 results*	FY ended December 2019	
		First Quarter results	Changes year-on-year
Asia Food Global Business	1.33	1.20	-9.9%
Agricultural & Seafood Products Trading Business	0.25	0.12	-50.8%
Other business	0.07	0.11	+47.8%
Total	1.64	1.42	-13.1%

* Starting from the first quarter of the fiscal year ending December 2019, we changed the method for calculating net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method, and applied the new method retroactively. Hence, the figures stated for the first quarter of the fiscal year ended December 2018 are those after the retroactive application.

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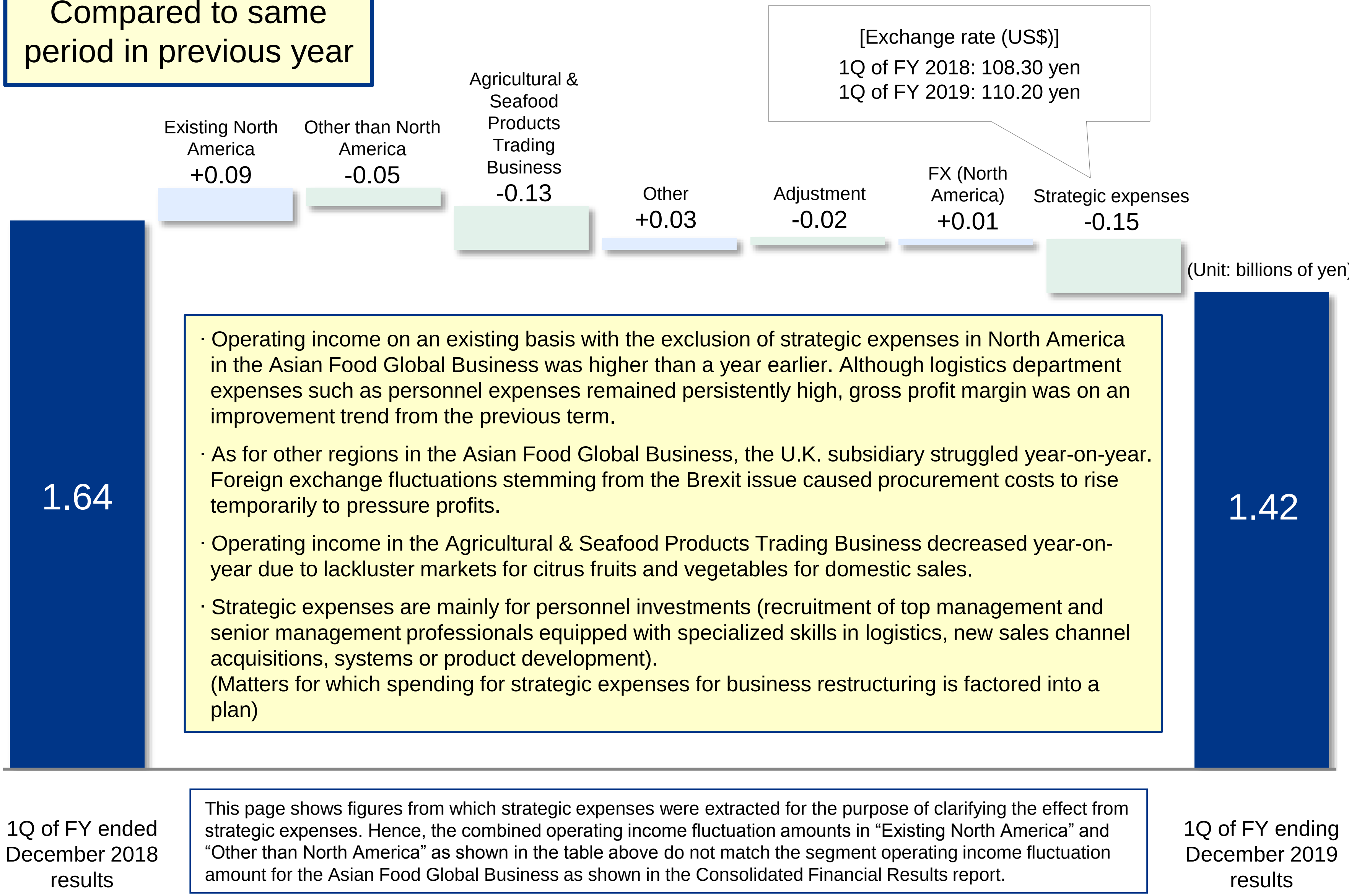
Compared to same period in previous year



- Operating income on an existing basis with the exclusion of strategic expenses in North America in the Asian Food Global Business was higher than a year earlier. Although logistics department expenses such as personnel expenses remained persistently high, gross profit margin was on an improvement trend from the previous term.
- As for other regions in the Asian Food Global Business, the U.K. subsidiary struggled year-on-year. Foreign exchange fluctuations stemming from the Brexit issue caused procurement costs to rise temporarily to pressure profits.
- Operating income in the Agricultural & Seafood Products Trading Business decreased year-on-year due to lackluster markets for citrus fruits and vegetables for domestic sales.
- Strategic expenses are mainly for personnel investments (recruitment of top management and senior management professionals equipped with specialized skills in logistics, new sales channel acquisitions, systems or product development).
(Matters for which spending for strategic expenses for business restructuring is factored into a plan)

This page shows figures from which strategic expenses were extracted for the purpose of clarifying the effect from strategic expenses. Hence, the combined operating income fluctuation amounts in “Existing North America” and “Other than North America” as shown in the table above do not match the segment operating income fluctuation amount for the Asian Food Global Business as shown in the Consolidated Financial Results report.

Forecast of Operating Results for the Fiscal Year Ending December 2019

Consolidated financial results forecast for the fiscal year ending December, 2019 were unchanged from results released on February 14, 2019

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Forecast of Financial Results for the Fiscal Year Ending December 2019

- Net sales will increase 5.9% against the previous year. Asian Food Global Business will grow by 5.9%, and Agricultural & Seafood Products Trading Business will grow by 5.6%. The outlook for continued stable growth in net sales and gross profit remains unchanged.
- Operating profit will decline by 10.5% against the previous year. We are anticipating an increase in costs for the group overall from future proofing against changes in the external environment.
- We are anticipating decreases in net income attributable to parent company shareholders by 6.2%, amounting to 4.3-billion yen.

(Unit: billions of yen, Percentage to net sales is stated in parentheses)

		FY ended December 2018	FY ending December 2019			
		Full-year results*1	First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Operating results	Net sales	182.2 (100.0%)	96.0 (100.0%)	+6.4%	193.0 (100.0%)	+5.9%
	Gross profit	31.8 (17.5%)	16.4 (17.1%)	+6.9%	33.6 (17.4%)	+5.7%
	Operating income	6.7 (3.7%)	2.9 (3.1%)	-3.3%	6.0 (3.1%)	-10.5%
	Ordinary income	6.5 (3.6%)	2.9 (3.1%)	-2.8%	6.0 (3.1%)	-7.9%
	Net income attributable to owners of parent	4.6 (2.5%)	2.1 (2.2%)	-2.3%	4.3 (2.2%)	-6.2%
Group KPI	Percentage of North America (Net sales)	58.5%	-	-	57.9%	-0.6 pt
	Percentage of North America (Operating income)	66.5%	-	-	76.8%	+10.3 pt
	ROWC *2	20.5%	-	-	17.4%	-3.0 pt
Yen/Dollar exchange rate (Average rate during the period)		110.43 yen	110.00 yen	+1.32 yen	110.00 yen	-0.43 yen
Net income per share		322.18 yen	148.27 yen	-2.3%	302.20 yen	-6.2%

*1) Starting from the first quarter of the fiscal year ending December 2019, we changed the method for calculating the net defined benefit liability of our domestic consolidated subsidiaries from the simplified method from the projected benefit obligations (PBO) method, and applied the new method retroactively. Hence, the figures stated for the first quarter of the fiscal year ended December 2018 are those after the retroactive application.

* 2) Operating income / ((Working capital at the end of the previous fiscal year + Working capital at the end of the current fiscal year) / 2)

Asian Food Global Business

- The Company will maintain stable growth (acquisition of new customers and expansion of sales from existing customers) in existing markets, centered around the North American region with a focus on Japanese food, and engage in initiatives to further expand its business base in regions outside of North America.
- In the North American region, the Company will also strive to develop new sales channels (corporate accounts, etc.) for non-Japanese foods.

Agricultural & Seafood Products Trading Business

- The Company will protect net income by maintaining its business in the domestic wholesale market, while aggressively engaging in initiatives to expand sales channels to volume sales, home meal replacement and eating out, food manufacturers and overseas accounts.

Strategic Expenses associated with Group measures

- The Company anticipates an expenditure of 0.95-billion yen for costs associated with measures for the group overall.

Sales to external customers

(Unit: billions of yen)

	FY ended December 2018 Full-year results	FY ending December 2019			
		First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Asia Food Global Business	125.11	64.73	+6.9%	132.49	+5.9%
Agricultural & Seafood Products Trading Business	52.88	29.21	+5.0%	55.82	+5.6%
Other business	4.22	2.07	+11.9%	4.68	+11.0%
Total	182.22	96.02	+6.4%	193.00	+5.9%

Operating income

	FY ended December 2018 Full-year results*	FY ending December 2019			
		First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Asia Food Global Business	5.40	2.50	-0.8%	5.61	+3.9%
Agricultural & Seafood Products Trading Business	1.03	0.63	+21.1%	1.07	+4.3%
Other business	0.25	0.05	+206.5%	0.25	-1.3%
Strategic Expense for Group Measures, etc.	-	-0.25	-	-0.95	-
Total	6.70	2.95	-3.3%	6.00	-10.5%

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External environment is changing drastically

Increasing personnel and distribution costs, climate change and the exploding population, volatile foodstuff costs, the tightening of food related regulations, changing consumer behavior, such as online purchasing, diversification and localization of Japanese cuisine, logistics innovation and expanding IoT…

With these in mind, the Company will maintain growth in existing businesses during the 2019 business year while proceeding to implement measures for the future

Major Expenditure for Future Growth

Investment in North American region (recruitment)

- Experts in optimizing and strengthening distribution infrastructure, and human resources for developing new sales channels (corporate accounts, etc.) (Inclusive of funds required to develop new sales channels)

Investments outside the North American region (recruitment)

- Human resources for the formation of area management organization in the European, Asian and Chinese regions.

Investments in product content and platforms (recruitment and IT investment, etc.)

- Experts in food products and foodstuffs to enhance product content, experts in food technology.
- Recruitment and investment to develop and strengthen platforms (the distribution and system infrastructure of the entire group)

Relocation of the Tokyo office

- Relocation of the Tokyo office is planned for the second-half of 2019. Consolidating the office space currently spread out over 4 floors into a single floor should promote active communication, the integration of our workers, organization and products, and increasing operational efficiency.
  (The current lease of the Nihonbashi office is due to expire by November 2019.)

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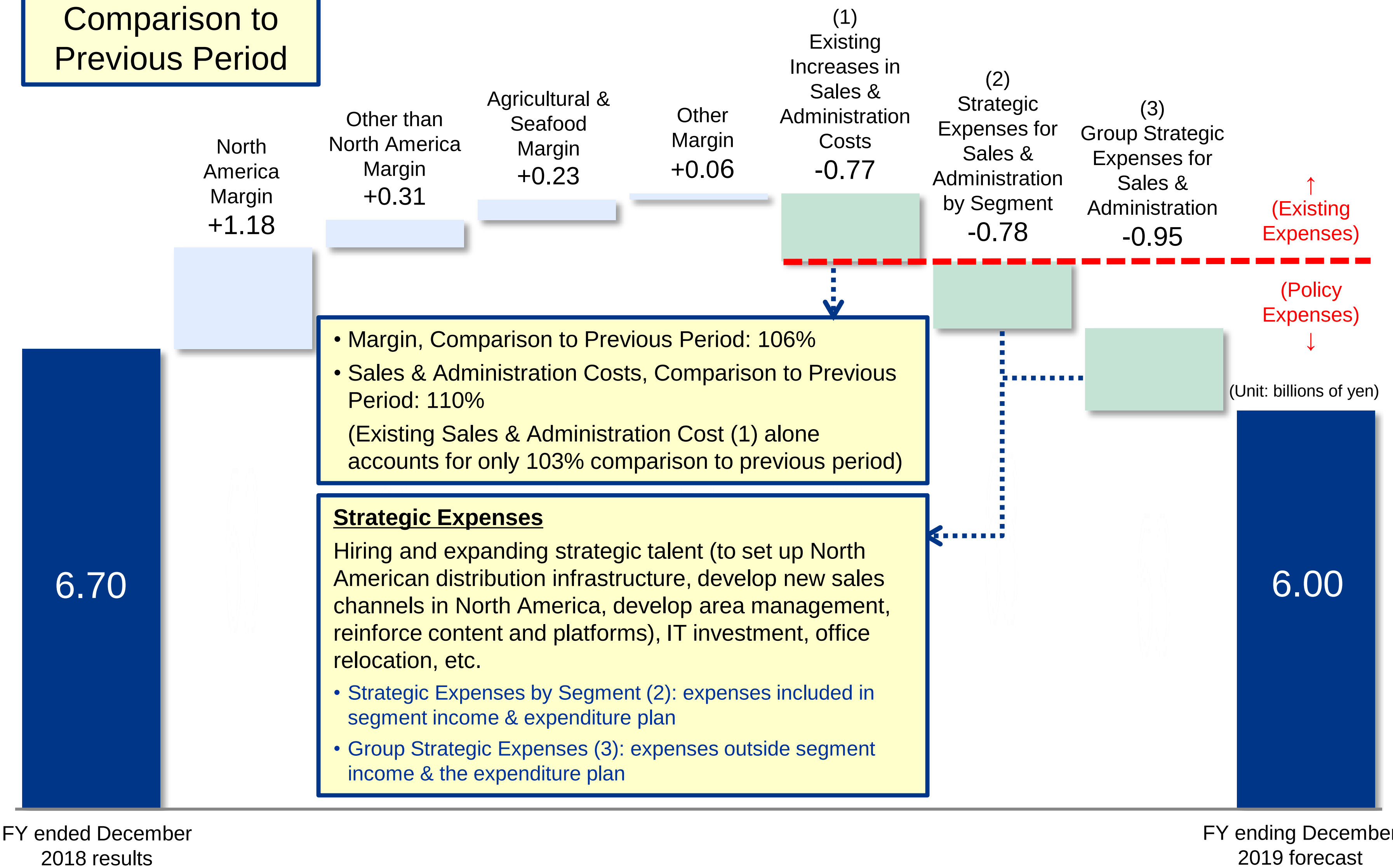
Comparison to Previous Period



- Margin, Comparison to Previous Period: 106%
- Sales & Administration Costs, Comparison to Previous Period: 110%

  (Existing Sales & Administration Cost (1) alone accounts for only 103% comparison to previous period)

Strategic Expenses

Hiring and expanding strategic talent (to set up North American distribution infrastructure, develop new sales channels in North America, develop area management, reinforce content and platforms), IT investment, office relocation, etc.

- Strategic Expenses by Segment (2): expenses included in segment income & expenditure plan
- Group Strategic Expenses (3): expenses outside segment income & the expenditure plan

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Policy of Returning Profits to Shareholders

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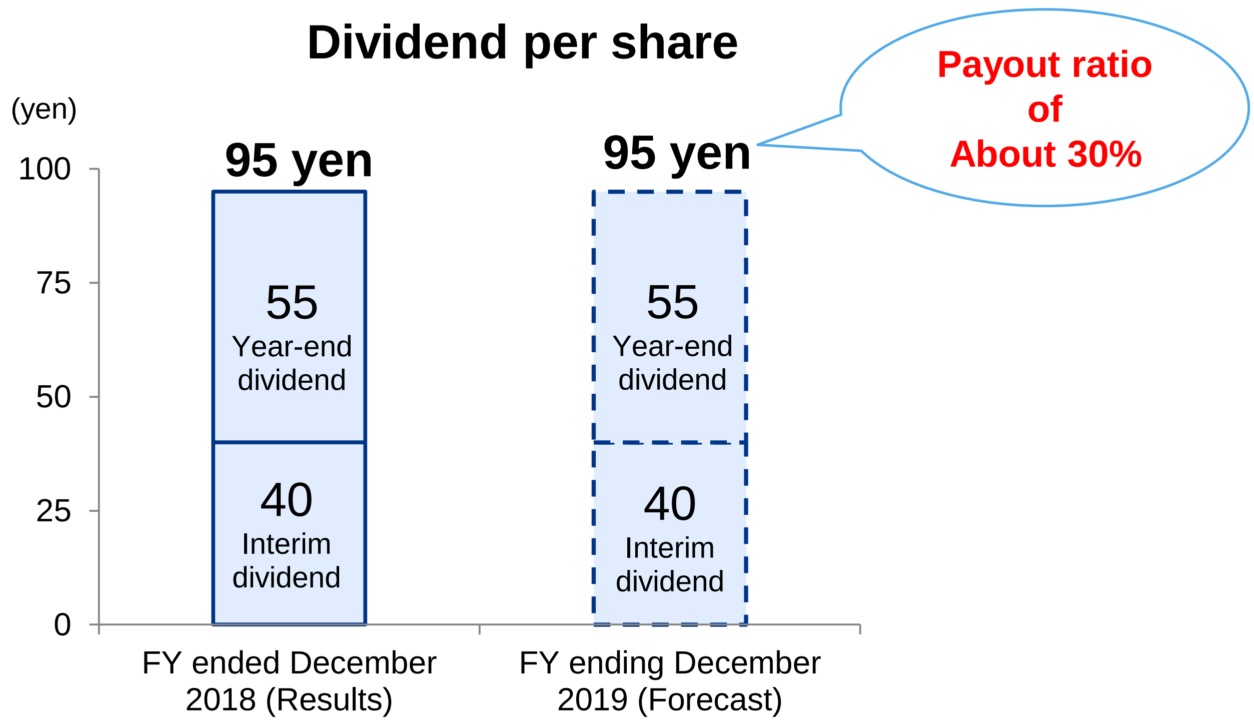
Policy

- 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.
- The Company considers the payout ratio to be an important index and aims at maintaining a consolidated payout ratio of about 30% every year.
- The Company schedules to make a dividend payment twice a year (interim and year-end).
  → The annual dividend for the fiscal year ending December 2019 is forecast to be 95 yen (forecasts of 40 yen interim dividend and 55 yen year-end dividend).



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