



Supplementary Material to Financial Results

Third Quarter of the Fiscal Year Ending
December 2019

Nishimoto Co., Ltd.

November 13, 2019

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



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



- Net sales increased 1.1% year-on-year. Breaking down the major items, there was a 3.6% increase year-on-year in the Asian Food Global Business and a 4.1% decrease year-on-year in the Agricultural & Seafood Products Trading Business.
- Operating income for both the Asian Food Global Business and the Agricultural & Seafood Products Trading Business decreased. As a result, total operating income also decreased 25.2% year-on-year.
- The negative impact of foreign currency rates in converting to the yen for consolidated financial statements (the yen appreciated 0.46 yen year-on-year against the US dollar) caused a decrease of 340 million yen and of 10 million yen in net sales and operating income (of North America) on a year-on-year basis, respectively.

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

		FY ended December 2018	FY ending December 2019	
		Third quarter results	Third quarter results	Changes year-on-year
Operating results	Net sales	135.5 (100.0%)	137.0 (100.0%)	+1.1%
	Gross profit	23.3 (17.2%)	23.7 (17.3%)	+1.7%
	Operating income	4.7 (3.5%)	3.5 (2.6%)	-25.2%
	Ordinary income	4.7 (3.5%)	3.6 (2.7%)	-23.1%
	Net income attributable to owners of parent	3.3 (2.5%)	2.5 (1.9%)	-24.4%
Yen/Dollar exchange rate (Average rate during the period)		109.61 yen	109.15 yen	-0.46 yen
Quarterly net income per share		235.00 yen	177.58 yen	-24.4%

* 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 third quarter of the fiscal year ended December 2018 are those after the retroactive application.

Asian Food Global Business

- Net sales increased 3.6% year-on-year. [A 3.6% increase year-on-year in the North American region (a 4.0% increase on a local currency basis.) A 3.7% increase year-on-year in regions other than North America on a consolidated yen basis. A 9.4% increase year-on-year on the basis of local currency weighted averages].
- Operating income decreased 10.7% year-on-year. The North American region (the USA) was affected by higher costs arising from higher additional tariffs on imports from China and price increases for national brand products. In selling, general and administrative expenses, labor costs and logistics expenses remained high, and strategic expenses continued to be recorded, which decreased profits. In regions other than North America, profits fell primarily due to sluggish sales of a UK subsidiary (where a currency depreciation due to exchange rate fluctuations led to a rise in purchase prices, squeezing profits) and a continued increase in the number of staff in charge of purchasing and procurement in the group.

Agricultural & Seafood Products Trading Business

- Net sales fell 4.1% year-on-year due to poor sales of fruits and vegetables in general (citrus, tropical commodities and vegetables) and decreases in unit prices in the domestic market. An additional negative cause was sluggish sales of US-made citrus by the subsidiary in China.
- Operating income contracted mainly due to decreased sales from fruits and vegetables in the domestic market and a rise in costs.

Sales to external customers

(Unit: billions of yen)

	FY ended December 2018 Third quarter results	FY ending December 2019	
		Third quarter results	Changes year-on-year
Asian Food Global Business	91.94	95.26	+3.6%
Agricultural & Seafood Products Trading Business	40.82	39.12	-4.1%
Other business	2.78	2.65	-4.7%
Total	135.54	137.04	+1.1%

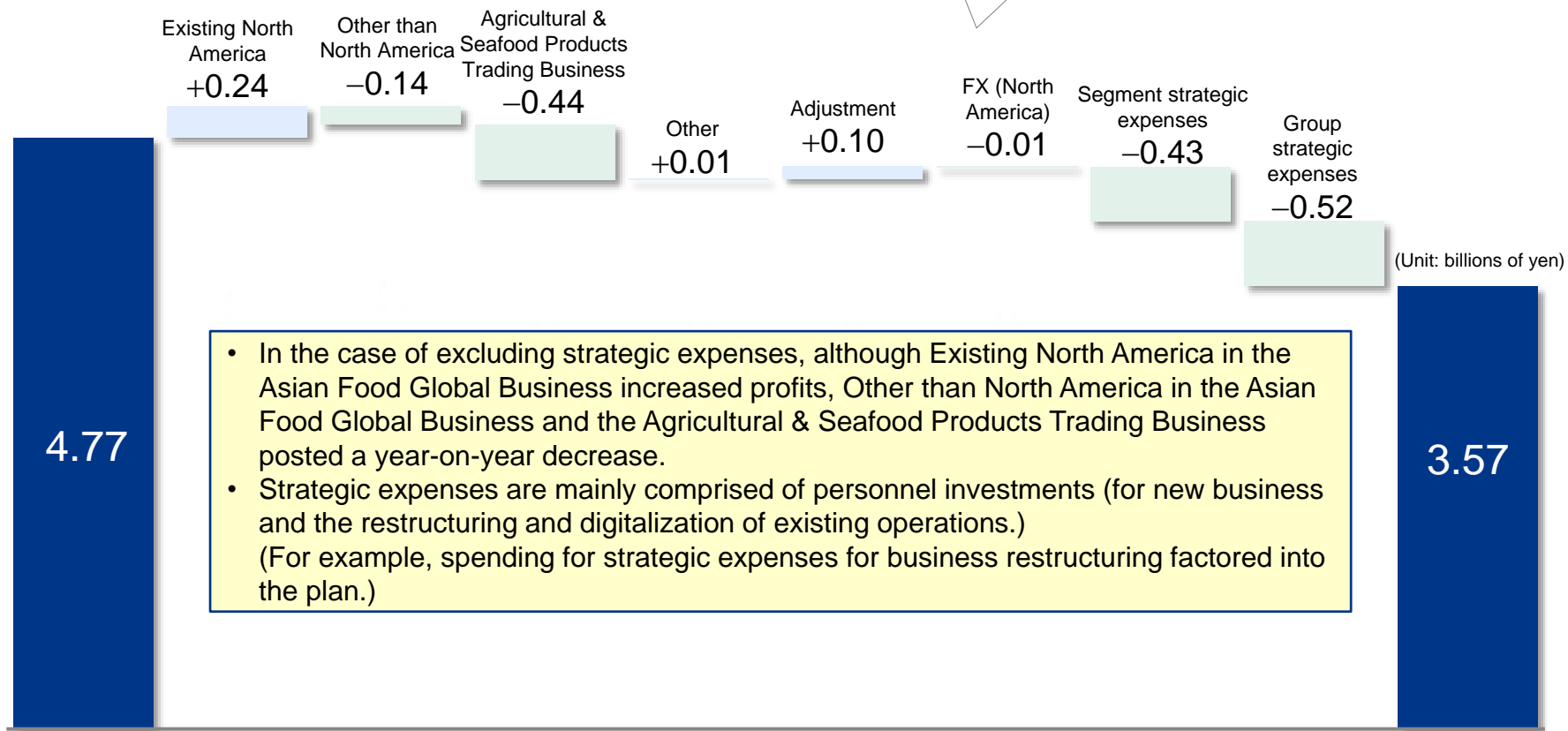
Operating income

	FY ended December 2018 Third quarter results	FY ending December 2019	
		Third quarter results	Changes year-on-year
Asian Food Global Business	3.77	3.37	-10.7%
Agricultural & Seafood Products Trading Business	0.93	0.48	-47.7%
Other business	0.04	0.05	+23.6%
Adjustment & Strategic Expense for Group Measures	0.01	-0.34	—
Total	4.77	3.57	-25.2%

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Compared to same period in previous fiscal year

[Exchange rate (US\$)]
 Third Quarter of FY 2018 (Actual): 109.61 yen
 Third Quarter of FY 2019 (Actual): 109.15 yen



- In the case of excluding strategic expenses, although Existing North America in the Asian Food Global Business increased profits, Other than North America in the Asian Food Global Business and the Agricultural & Seafood Products Trading Business posted a year-on-year decrease.
- Strategic expenses are mainly comprised of personnel investments (for new business and the restructuring and digitalization of existing operations.) (For example, spending for strategic expenses for business restructuring factored into the plan.)

Results for third Quarter of FY ended December 2018

This page shows figures after excluding segment strategic expenses, group strategic expenses, and unrealized profit from each segment for the purpose of clarifying fluctuations in operating income. Hence, the operating income fluctuation amounts in the table above do not match the segment operating income fluctuation amounts as shown in the Consolidated Financial Results report.

Results for third Quarter of FY ending December 2019

Revision to Forecasts of Financial Results for the Fiscal Year Ending December 2019



- The Company revised forecasts of financial results for the fiscal year ending December 2019 in consideration of the earnings in cumulative results up to the third quarter and the outlook for the fourth quarter.
- Net sales were revised down to an increase of 0.4% year-on-year (the initial forecast was a 5.9% increase.)
- Operating income and ordinary income were revised down to a 32.9% decrease (the initial forecast was a 10.5% decrease) and a 29.7% decrease (the initial forecast was a 7.9% decrease) on a year-on-year basis, respectively.
- As a result, profit attributable to owners of parent was revised down to a 30.2% decrease (the initial forecast was a 6.2% decrease) on a year-on-year basis.

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

		FY ended December 2018	FY ending December 2019			
		Full-year results	Revised forecast	Changes year-on-year	Initial forecast	Changes year-on-year
Operating results	Net sales	182.2 (100.0%)	183.0 (100.0%)	+0.4%	193.0 (100.0%)	+5.9%
	Gross profit	31.8 (17.5%)	31.8 (17.4%)	0.0%	33.6 (17.4%)	+5.7%
	Operating income	6.7 (3.7%)	4.5 (2.5%)	-32.9%	6.0 (3.1%)	-10.5%
	Ordinary income	6.5 (3.6%)	4.6 (2.5%)	-29.7%	6.0 (3.1%)	-7.9%
	Net income attributable to owners of parent	4.6 (2.5%)	3.2 (1.8%)	-30.2%	4.3 (2.2%)	-6.2%
Yen/Dollar exchange rate (Average rate during the period)		110.43 yen	109.00 yen	-1.43 yen	110.00 yen	-0.43 yen
Net income per share		322.18 yen	224.89 yen	-30.2%	302.20 yen	-6.2%

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Forecasts of Financial Results for the Fiscal Year Ending December 2019 (by segment)



Asian Food Global Business - North America

- Net sales will increase year-on-year. Profits are expected to decrease as costs are forecast to continue rising in and after the fourth quarter due to high likelihood of higher additional tariffs on imports from China and price hikes of national brand products. Although revision of selling prices is underway, it is difficult to absorb all cost increases during the current fiscal year. In selling, general and administrative expenses, labor costs and logistics expenses are expected to remain high, and strategic expenses will continue to be recorded.

Asian Food Global Business - Other than North America

- Sluggish sales in the UK are expected to continue in the fourth quarter (a currency depreciation in FX fluctuations pushed up costs of purchases, squeezing profits.) In addition, Australia too is struggling for the full year due to rising costs resulting from FX fluctuations.

Agricultural & Seafood Products Trading Business

- Fruits and vegetables are expected to continue struggling in the fourth quarter. Full-year net sales and profits are expected to decline year-on-year, as it is difficult to make up for the shortage up to the third quarter.

Sales to external customers

(Unit: billions of yen)

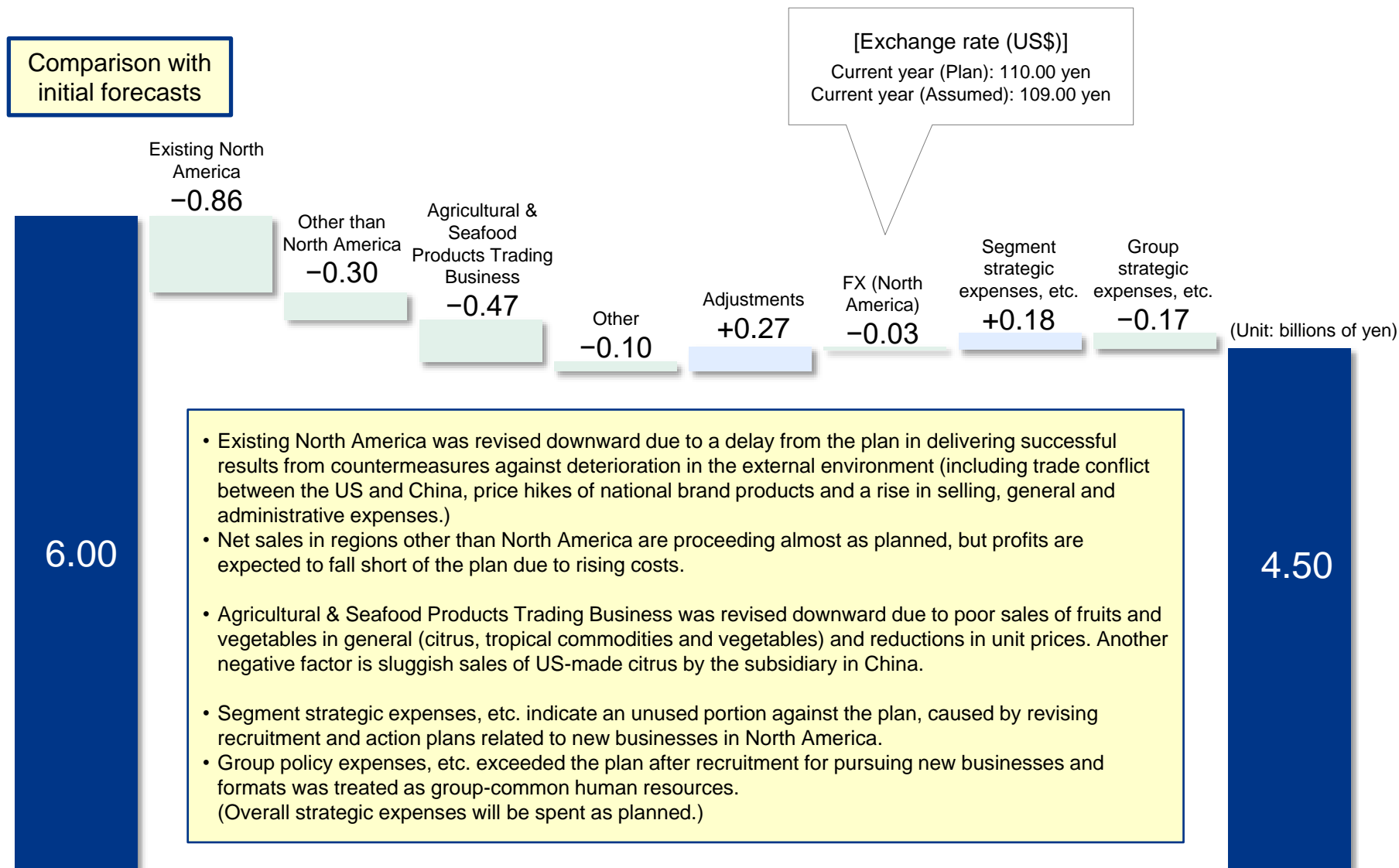
	FY ended December 2018 Full-year results	FY ending December 2019			
		Revised forecast	Changes year-on-year	Initial forecast	Changes year-on-year
Asia Food Global Business	125.11	128.50	+2.7%	132.49	+5.9%
Agricultural & Seafood Products Trading Business	52.88	50.50	-4.5%	55.82	+5.6%
Other business	4.22	4.00	-5.3%	4.68	+11.0%
Total	182.22	183.00	+0.4%	193.00	+5.9%

Operating income

	FY ended December 2018 Full-year results	FY ending December 2019			
		Revised forecast	Changes year-on-year	Initial forecast	Changes year-on-year
Asia Food Global Business	5.40	4.60	-14.9%	5.61	+3.9%
Agricultural & Seafood Products Trading Business	1.03	0.60	-41.9%	1.07	+4.3%
Other business	0.25	0.15	-42.3%	0.25	-1.3%
Strategic Expense for Group Measures, etc.	—	-0.85	—	-0.95	—
Total	6.70	4.50	-32.9%	6.00	-10.5%

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Fluctuating Factors in Revised Operating Income for the Fiscal Year Ending December 2019 (comparison with initial forecasts)



FY ending
December 2019
Forecast
(Initial plan)

* 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.

* This page shows figures after excluding segment strategic expenses, group strategic expenses, and unrealized profit from each segment for the purpose of clarifying fluctuations in operating income.

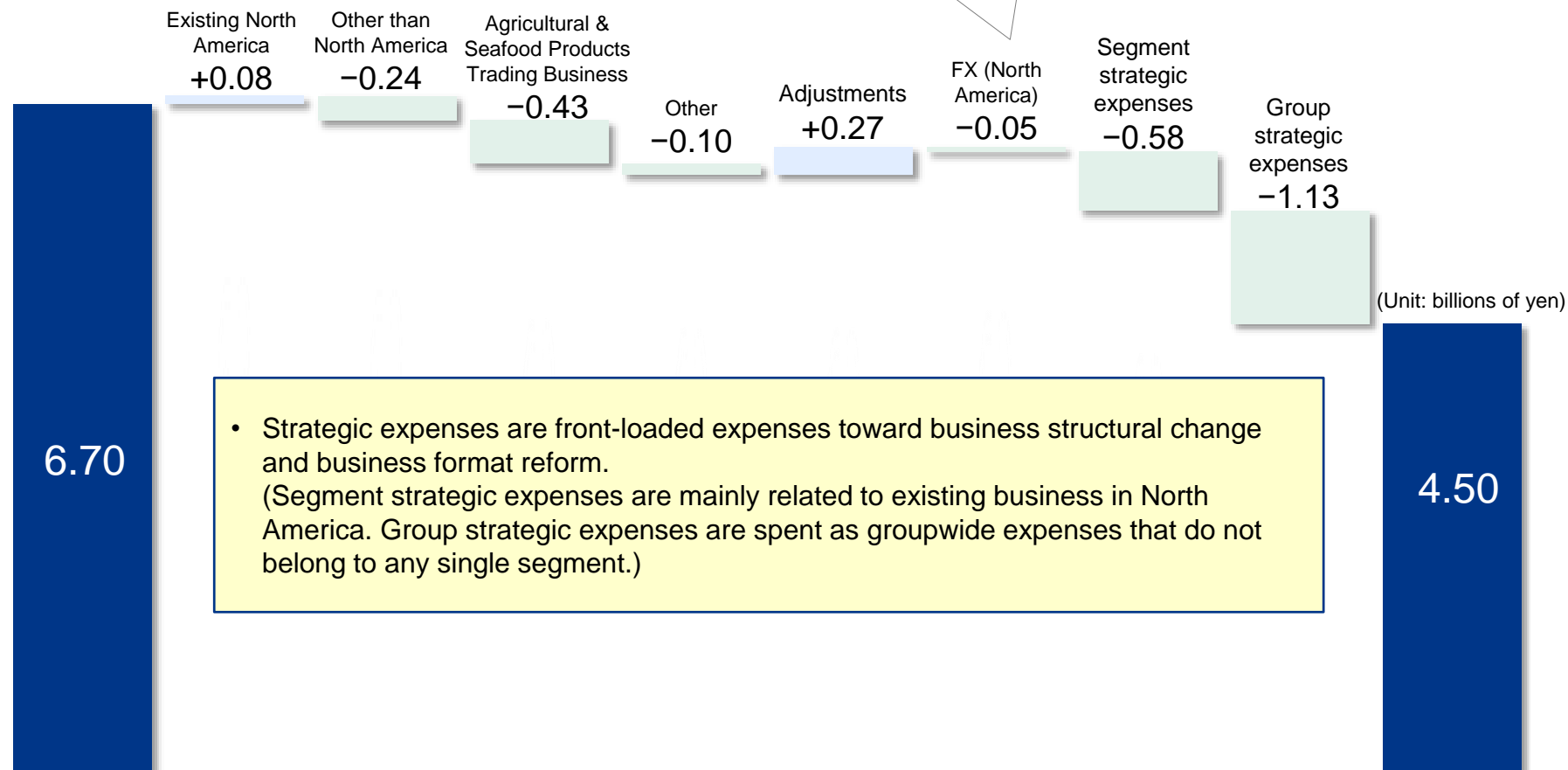
FY ending
December 2019
Forecast
(After revision)

Fluctuating Factors in Revised Operating Income for the Fiscal Year Ending December 2019 (comparison with the previous fiscal year)



Comparison with the previous fiscal year

[Exchange rate (US\$)]
 Previous fiscal year (Actual): 110.43 yen
 Current year (Assumed): 109.00 yen



- Strategic expenses are front-loaded expenses toward business structural change and business format reform. (Segment strategic expenses are mainly related to existing business in North America. Group strategic expenses are spent as groupwide expenses that do not belong to any single segment.)

FY ended December 2018 results

* 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.

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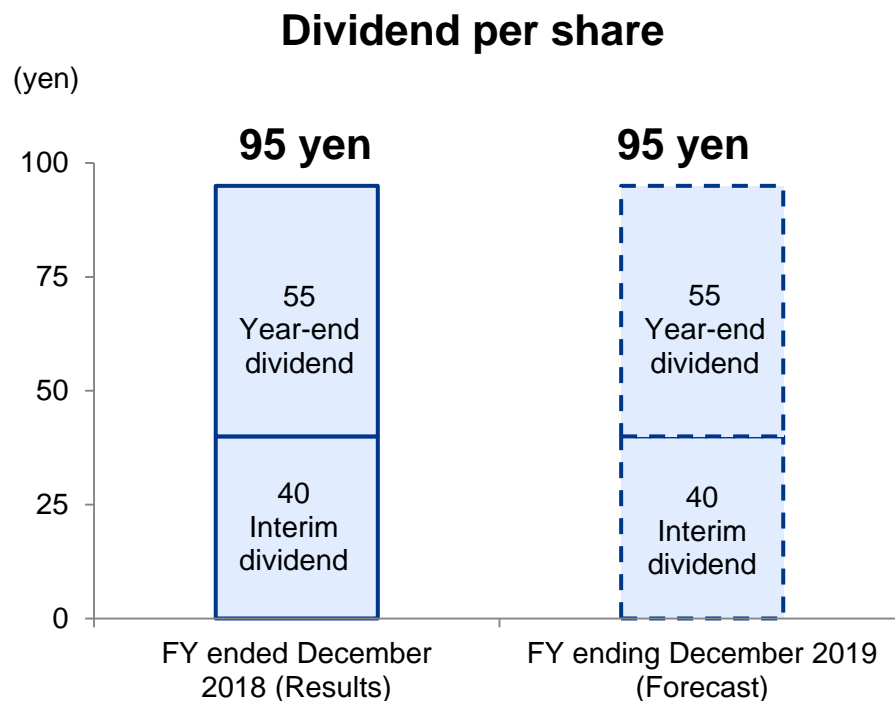
FY ending December 2019 forecast (After revision)

Policy of Returning Profits to Shareholders



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 plans to pay dividends twice a year (interim and year-end). The annual dividend per share for the fiscal year ending December 2019 is forecast to be an annual 95 yen, which is divided into 40 yen for the interim dividend (already distributed) and 55 yen for the year-end dividend (the amount is unchanged.)



Corporate Profile



◆ **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)

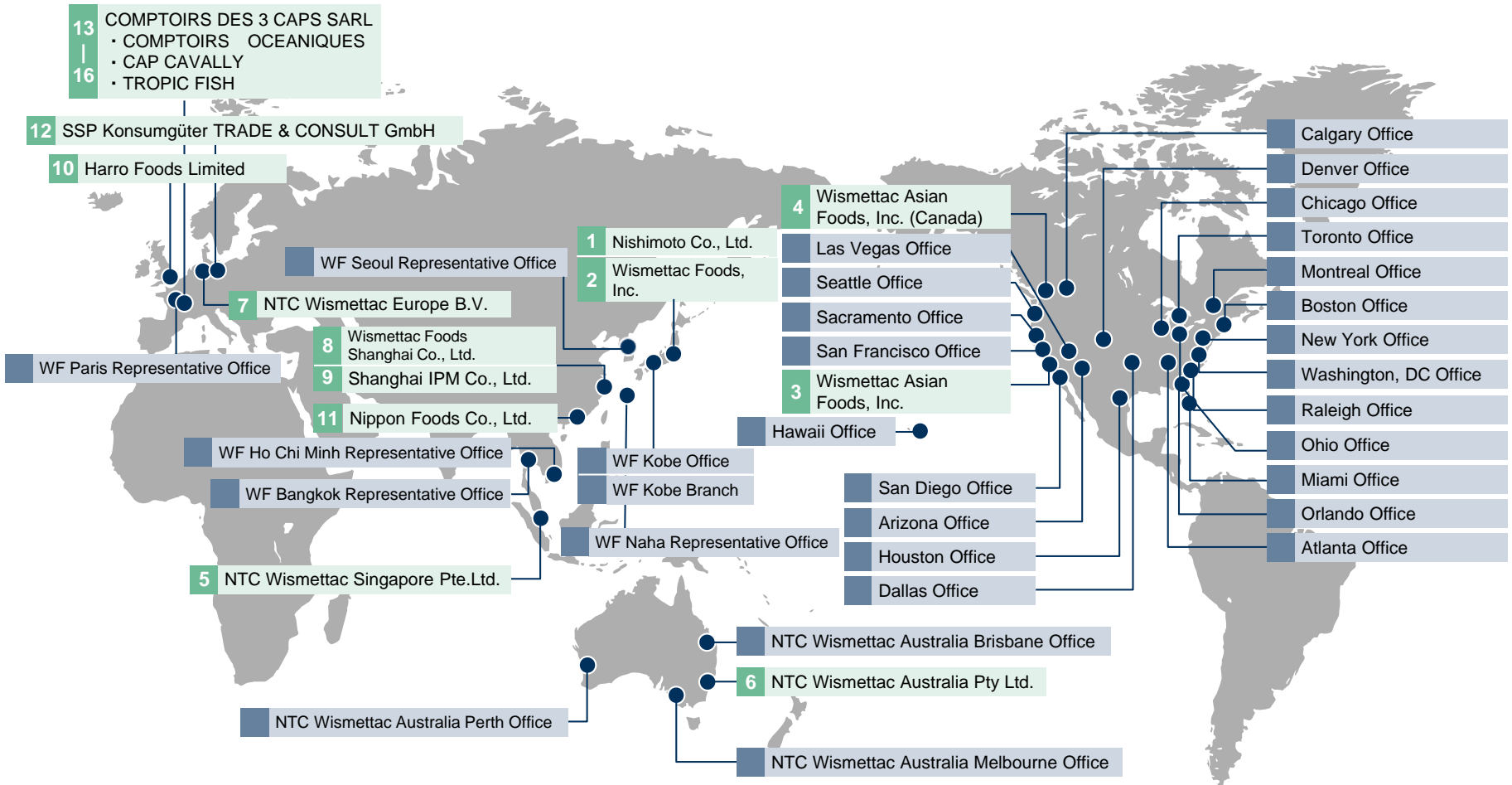
<Metta> (Eastern knowledge)
(Metta means kindness or empathy in Pali, an ancient Indian language)

<Creativity> (Ability to create value)

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	15 th Floor, Nihonbashi Muromachi Mitsui Tower, 3-2-1, Nihonbashi Muromachi, 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	<ul style="list-style-type: none"> ◆ Development and sales of Asian food worldwide ◆ Imports and sales 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	48 worldwide (including 24 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)	

- ◆ Developing businesses worldwide with 48 global locations
- ◆ 24 locations in the North American region (the U.S. and Canada)



“WF” shown in the figure is an abbreviation for “Wismettac Foods”

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

← **Compliance with related laws and regulations** →

Product development and planning

Purchasing and Procurement

Customs Clearance

Storage

Sales

Sorting and delivery



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

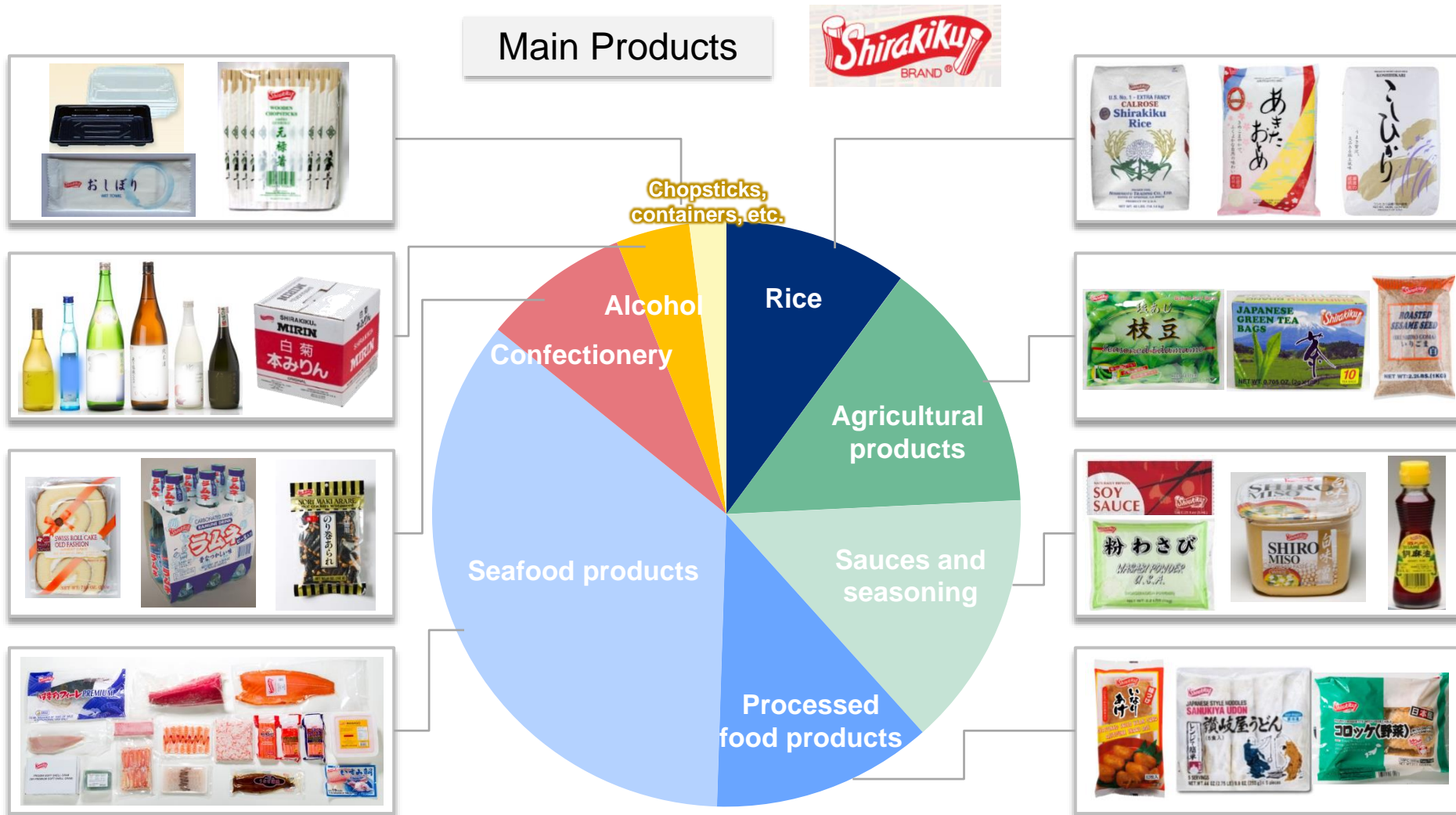
(24 locations in North America)
(38 locations globally)



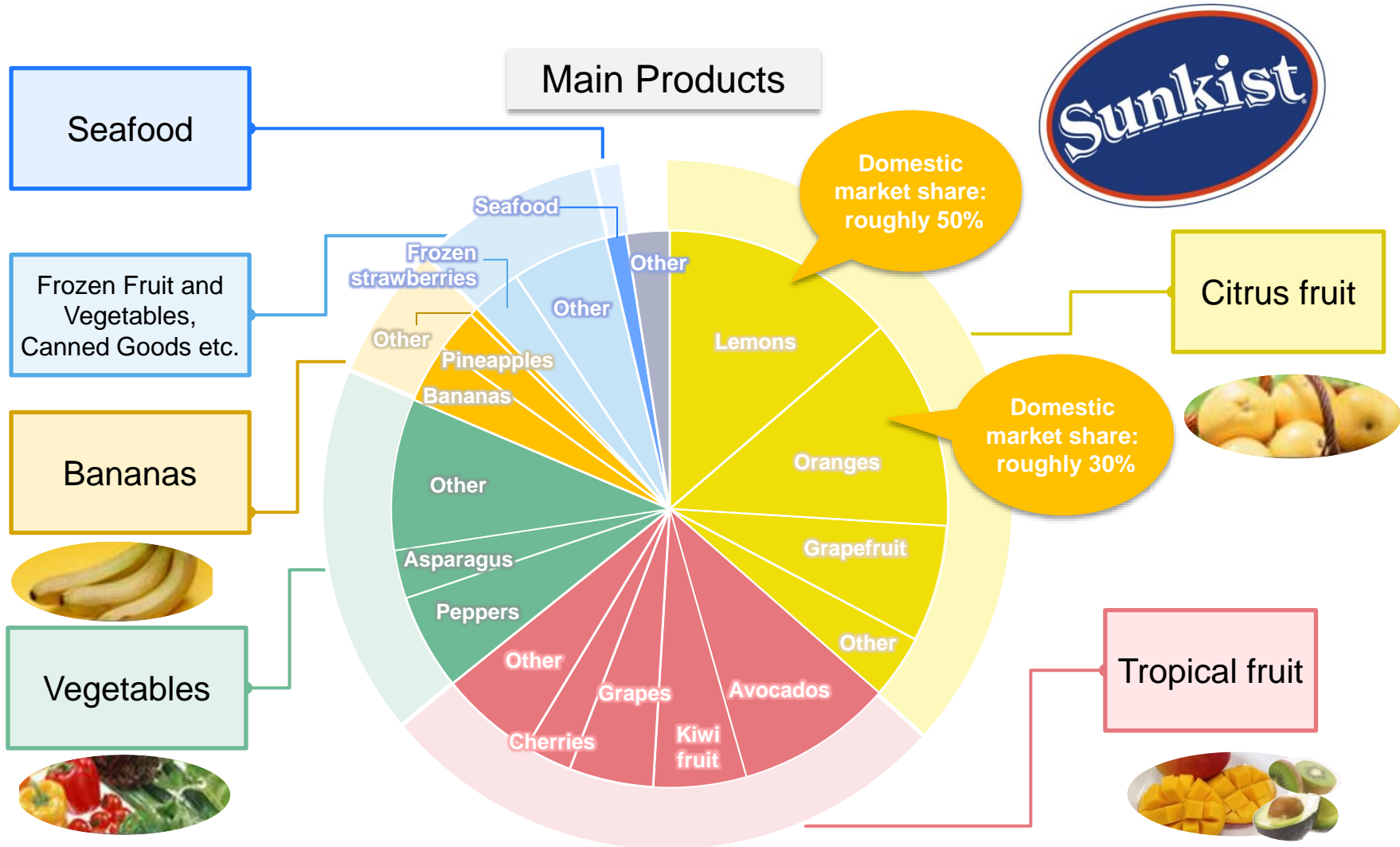
- ◆ Select the best producing region throughout the world
- ◆ Working with producers to develop products tailored to customer needs
- ◆ Implementing production and quality control systems that comply with local regulations

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.



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



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

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