



Supplementary Material to Financial Results

Fiscal Year Ended December 31, 2019

Nishimoto Co., Ltd.

February 14, 2020

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Summary of Financial Results for the Fiscal Year Ended December 2019



Summary of Financial Results for the Fiscal Year Ended December 2019



- Net sales increased 0.2% year-on-year. Breaking down the major items, there was a 3.0% increase year-on-year in the Asian Food Global Business and a 5.8% 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 35.2% year-on-year, which is 3.5% below the revised plan. We have built a structure to perform management in the European and Chinese regions above the plan.
- The extraordinary loss of 790 million yen was an impairment loss on goodwill and customer-related assets related to a Hong Kong subsidiary.
- The negative impact of foreign currency rates in converting to the yen for consolidated financial statements (the yen appreciated 1.38 yen year-on-year against the U.S. dollar) caused a decrease of 1,380 million yen and of 40 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 ended December 2019			
		Full-year results *2	Full-year results	Changes year-on-year	Full-year forecast	Compared to the plan
Operating results	Net sales	182.2 (100.0%)	182.6 (100.0%)	+0.2%	183.0 (100.0%)	-0.2%
	Gross profit	31.8 (17.5%)	32.1 (17.6%)	+0.8%	31.8 (17.4%)	+0.7%
	Operating income	6.7 (3.7%)	4.3 (2.4%)	-35.2%	4.5 (2.5%)	-3.5%
	Ordinary income	6.5 (3.6%)	4.5 (2.5%)	-30.9%	4.6 (2.5%)	-1.6%
	Net income attributable to owners of parent	4.6 (2.5%)	2.4 (1.4%)	-46.1%	3.2 (1.8%)	-22.8%
Group KPI	Percentage of North America (Net sales)	58.5%	60.1%	+1.6 pt	59.8%	+0.3 pt
	Percentage of North America (Operating income)	66.5%	71.3%	+4.9 pt	72.9%	-1.6 pt
	ROWC *1	20.5%	12.5%	-8.0 pt	13.1%	-0.6 pt
Yen/Dollar exchange rate (Average rate during the period)		110.43 yen	109.05 yen	-1.38 yen	109.00 yen	+0.05 yen
Quarterly net income per share		322.18 yen	173.71 yen	-46.1%	224.89 yen	-22.8%

(*1) Operating income for FY 2019 / ([Working capital at the end of FY 2018+ Working capital at the end of FY 2019] / 2)

(*2) From the fiscal year ended 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 fiscal year ended December 2018 are those after the retroactive application.

Operating Results by Segment for the Fiscal Year Ended December 2019



Asian Food Global Business

- Net sales increased 3.0% year-on-year. [A 2.1% increase year-on-year in the North American region (a 3.4% increase on a local currency basis). A 4.0% increase year-on-year in regions other than North America on a consolidated yen basis. A 9.5% increase year-on-year on a local currency, weighted-average basis].
- Operating income decreased 24.0% year-on-year. In the North America region, while net sales grew steadily, costs rose mainly due to higher additional tariffs on imports from China and price hikes of national brand products, which the Company has responded to by appropriately reflecting the higher costs in sales prices. However, profits decreased due to personnel and logistics unit expenses remaining high, continuing on from the previous fiscal year, and the recording of strategic expenses. In regions other than North America, profits fell primarily due to the sluggish sales of a U.K. subsidiary (where currency depreciation due to exchange rate fluctuations led to a rise in purchase prices, which kept down profits) and costs associated with the reinforcement of management, purchasing, and procurement personnel to expand the business platform.

Agricultural & Seafood Products Trading Business

- Net sales fell 5.8% 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. Another negative impact was the sluggish sales of US-produced 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)

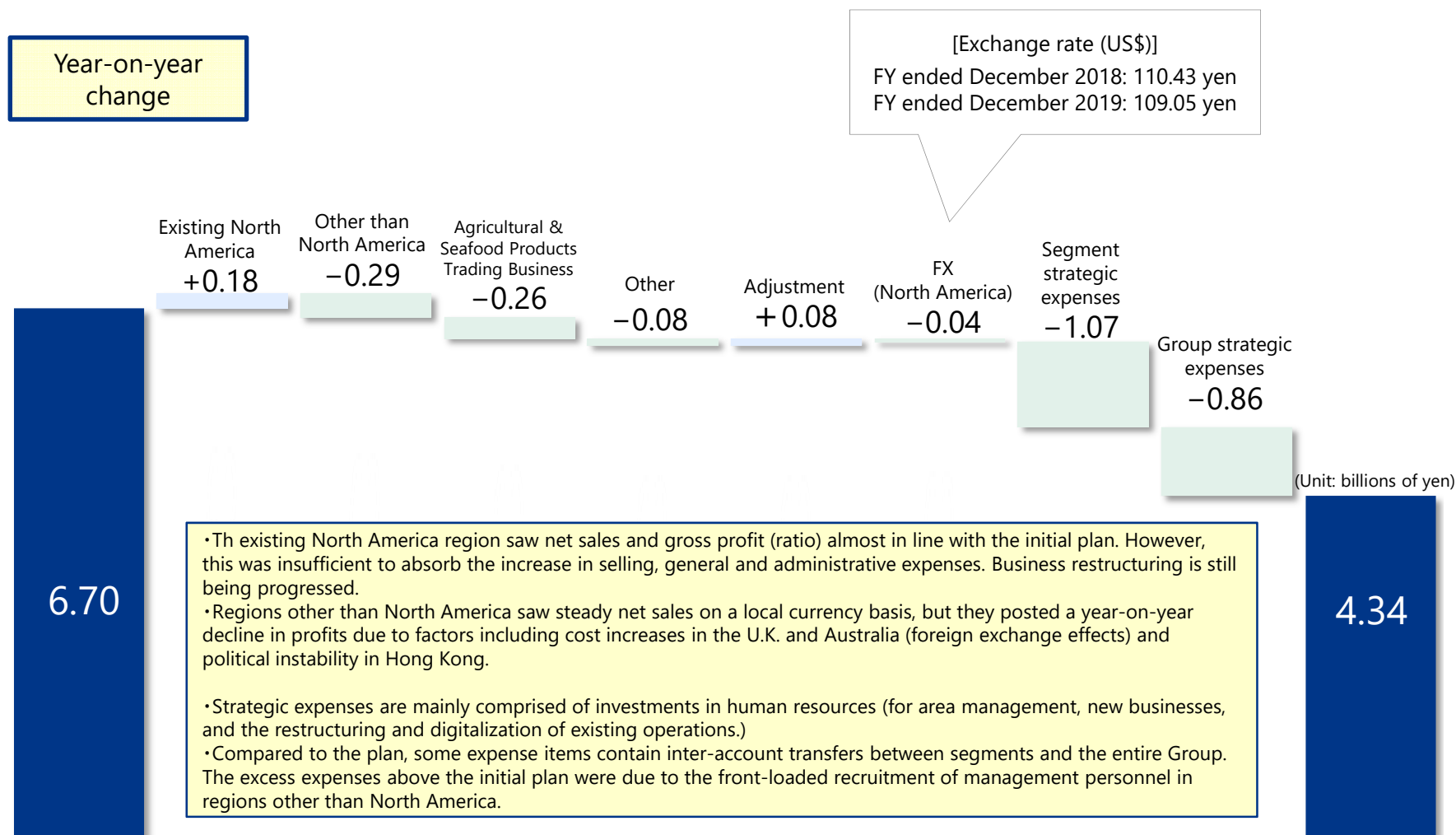
	FY ended December 2018 Full-year results	FY ended December 2019			
		Full-year results	Changes year-on-year	Full-year forecast	Compared to the plan
Asian Food Global Business	125.11	128.82	+3.0%	128.50	+0.2%
Agricultural & Seafood Products Trading Business	52.88	49.80	-5.8%	50.50	-1.4%
Other business	4.22	3.97	-5.8%	4.00	-0.6%
Total	182.22	182.60	+0.2%	183.00	-0.2%

Operating income

	FY ended December 2018 Full-year results	FY ended December 2019			
		Full-year results	Changes year-on-year	Full-year forecast	Compared to the plan
Asian Food Global Business	5.40	4.10	-24.0%	4.60	-10.7%
Agricultural & Seafood Products Trading Business	1.03	0.76	-25.9%	0.60	+27.5%
Other business	0.25	0.17	-33.2%	0.15	+15.8%
Adjustment & Strategic Expense for Group Measures	0.00	-0.70	-	-0.85	-
Total	6.70	4.34	-35.2%	4.50	-3.5%

* From the fiscal year ended 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 fiscal year ended December 2018 are those after the retroactive application.

Comparison of Operating Income for Fiscal Year Ended December 2019



FY ended December 2018 results

* From the fiscal year ended 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 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 ended December 2019 results

Consolidated Balance Sheet (Summary)



(Unit: billions of yen)

	FY ended December 2018	FY ended December 2019	Amount/rate of increase (decrease)	Main reasons for changes
Current assets	74.9	87.9	+13.0	Cash and deposits (+10.6)
Non-current assets	8.7	8.6	-0.1	Impairment loss (0.79) (on goodwill of a Hong Kong subsidiary and customer-related assets)
Total assets	83.7	96.5	+12.8	
Current liabilities	20.1	19.0	-1.1	
Non-current liabilities	12.0	25.1	+13.1	Long-term loans (+12.8)
Total liabilities	32.1	44.2	+12.0	
Total net assets	51.5	52.3	+0.8	
Total liabilities and net assets	83.7	96.5	+12.8	

Shareholders' equity ratio	61.5%	54.2%	-7.4 pt	
Current ratio	371.4%	461.5%	+90.1 pt	

* From the fiscal year ended 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 fiscal year ended December 2018 are those after the retroactive application.

Consolidated Statement of Cash Flows (Summary)



(Unit: billions of yen)

	FY ended December 2018	FY ended December 2019	Changes year-on-year	Main reasons for changes
Cash flows from operating activities	5.5	0.8	-4.7	Decrease in profit before income taxes: -2.6 Income taxes paid: -1.3
Cash flows from investing activities	-1.2	-1.8	-0.6	Acquisition of property, plant and equipment: -1.3 Decrease in payments of guarantee deposits: +0.6
Cash flows from financing activities	-6.8	11.4	+18.3	Income from long-term loans: +13 Decrease in repayments of long-term loans: +3.2
Translation adjustments	-0.2	-0.1	+0.1	

Cash and cash equivalents	FY ended December 2018	FY ended December 2019	Changes year-on-year	Main reasons for changes
Beginning balance	31.2	28.5	-2.7	
Changes during the period	-2.7	10.3	+13.0	
Ending balance	28.5	38.8	+10.3	

(Reference) Net Sales by Region



(Unit: billions of yen)

	FY ended December 2017		FY ended December 2018		FY ended December 2019	
	Full-year results	Component ratio	Full-year results	Component ratio	Full-year results	Component ratio
North America	101.4	58.9%	106.6	58.5%	109.6	60.1%
Europe	5.2	3.1%	6.2	3.4%	6.7	3.7%
Asia/Australia	9.0	5.3%	9.7	5.3%	8.4	4.6%
Japan	56.3	32.7%	59.6	32.7%	57.7	31.6%
Total	172.0	100%	182.2	100%	182.6	100%

Forecasts of Financial Results for the Fiscal Year Ending December 2020



Forecasts of Financial Results for the Fiscal Year Ending December 2020



- Net sales will increase 12.7% year-on-year. The Asian Food Global Business will grow by 14.1%. In addition to the expected stable growth of the existing business, the Company made two companies in Europe its subsidiaries. The Agricultural & Seafood Products Trading Business will grow by 9.2% and is expected to recover year-on-year.
- Operating income will decline by 29.7% year-on-year. Expenses are expected for structural reforms in North America and strategies in anticipation of changes in the external environment.
- Profit attributable to owners of parent is expected to increase by 13.8% to 2.8 billion yen.

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

		FY ended December 2019	FY ending December 2020			
		Full-year results	First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Operating results	Net sales	182.6 (100.0%)	99.1 (100.0%)	+7.5%	205.8 (100.0%)	+12.7%
	Gross profit	32.1 (17.6%)	17.1 (17.3%)	+8.2%	35.3 (17.2%)	+10.1%
	Operating income	4.3 (2.4%)	1.3 (1.4%)	-47.0%	3.0 (1.5%)	-29.7%
	Ordinary income	4.5 (2.5%)	1.3 (1.4%)	-48.2%	3.1 (1.5%)	-30.8%
	Net income attributable to owners of parent	2.4 (1.4%)	1.2 (1.2%)	-35.4%	2.8 (1.4%)	+13.8%
Group KPI	Percentage of North America (Net sales)	60.1%	-	-	54.7%	-5.3 pt
	Percentage of North America (Operating income)	71.3%	-	-	103.1%	+20.2 pt
	ROWC *	12.5%	-	-	8.3%	-4.2 pt
Yen/Dollar exchange rate (Average rate during the period)		109.05 yen	108.00 yen	-1.05 yen	108.00 yen	-1.05 yen
Net income per share		173.71 yen	84.50 yen	-35.4%	197.64 yen	+13.8%

(*) Operating income for FY 2019 / ((Working capital at the end of FY 2018+ Working capital at the end of FY 2019) / 2)

Forecasts of Financial Results by Segment for the Fiscal Year Ending December 2020

Asian Food Global Business

- The Company will continue to maintain stable growth (by acquiring new customers and expanding sales from existing customers) in existing markets, centered on the North American region with a focus on Japanese food. At the same time, it will reform its business structure in light of changes in the business environment (market diversification, cost structure, etc.).
- In regions outside of North America, the Company will further expand its business platform by making subsidiaries of two of its equity method affiliates in Europe, in addition to efforts to expand the Japanese food market.

Agricultural & Seafood Products Trading Business

- The Company will protect net income by product by maintaining its business in the domestic wholesale market, while actively engaging in initiatives to expand distribution routes to mass retailers, the home-meal replacement industry and restaurant chains, food manufacturers and overseas accounts.

Strategic Expenses associated with Group measures

- The Company anticipates strategic expenses for the entire Group of 0.95 billion yen for costs associated with measures for the future.

Sales to external customers

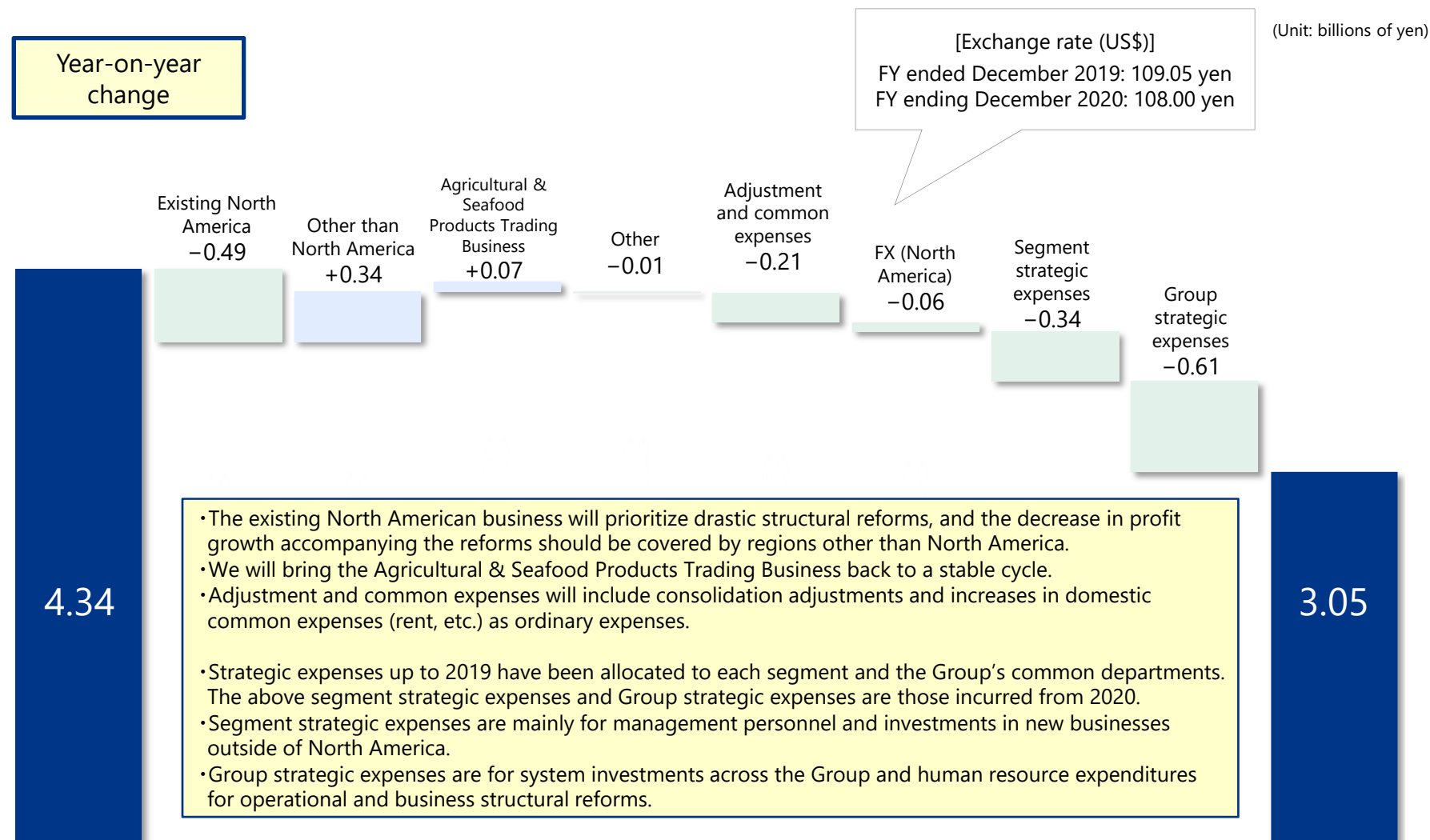
(Unit: billions of yen)

	FY ended December 2019 Full-year results	FY ending December 2020			
		First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Asia Food Global Business	128.82	68.27	+7.5%	147.04	+14.1%
Agricultural & Seafood Products Trading Business	49.80	28.75	+7.2%	54.39	+9.2%
Other business	3.97	2.07	+13.8%	4.39	+10.4%
Total	182.60	99.10	+7.5%	205.83	+12.7%

Operating income

	FY ended December 2019 Full-year results	FY ending December 2020			
		First-half forecast	Changes year-on-year	Full-year forecast	Changes year-on-year
Asia Food Global Business	4.10	1.54	-36.0%	3.39	-17.3%
Agricultural & Seafood Products Trading Business	0.76	0.46	+136.3%	0.79	+3.4%
Other business	0.17	-0.05	-	0.02	-85.8%
Adjustments, etc.	-0.70	-0.59	-	-1.16	-
Total	4.34	1.36	-47.0%	3.05	-29.7%

Comparison of Operating Income for Fiscal Year Ended December 2020 (Forecast)



FY ended December 2019 results

* From the fiscal year ended 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 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 2020 forecast

- The Company reviews its medium-term business plan on a rolling basis every year.
- We believe that the medium-term business plan (for 2019–2021), which we have already laid out, needs to be drastically revised based on the results of fiscal 2019.

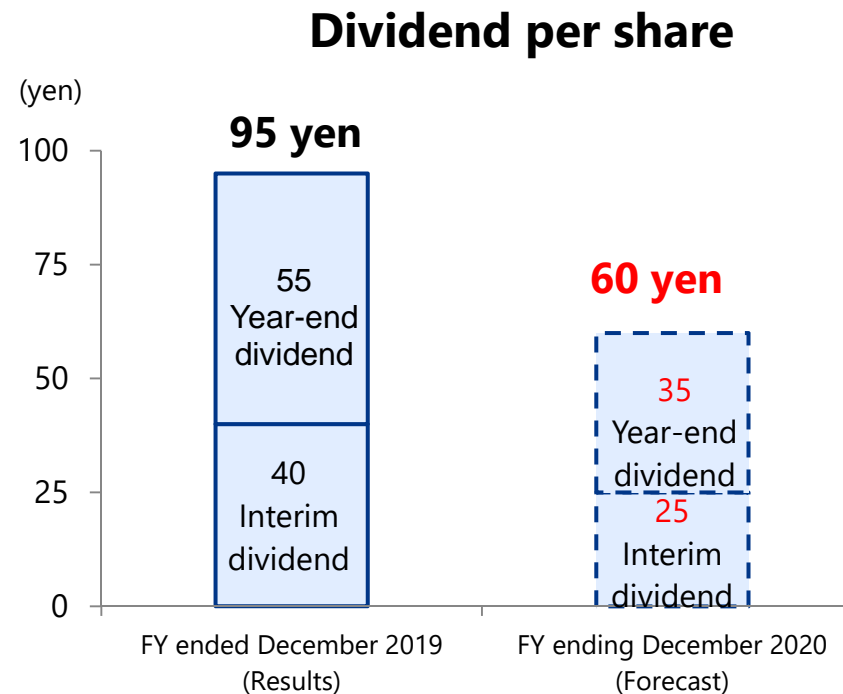
We will disclose and explain our medium-term business plan up to fiscal 2022 when we announce the results for the second quarter of fiscal 2020.

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.
- ◆ We use the dividend payout ratio as an important indicator and aim for a consolidated dividend payout ratio of approximately 30% each year.
- ◆ The Company plans to pay dividends twice a year (interim and year-end). The annual dividend per share for the fiscal year ending December 2020 is forecast to be an annual 60 yen, which is divided into 25 yen for the interim dividend and 35 yen for the year-end dividend.



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)

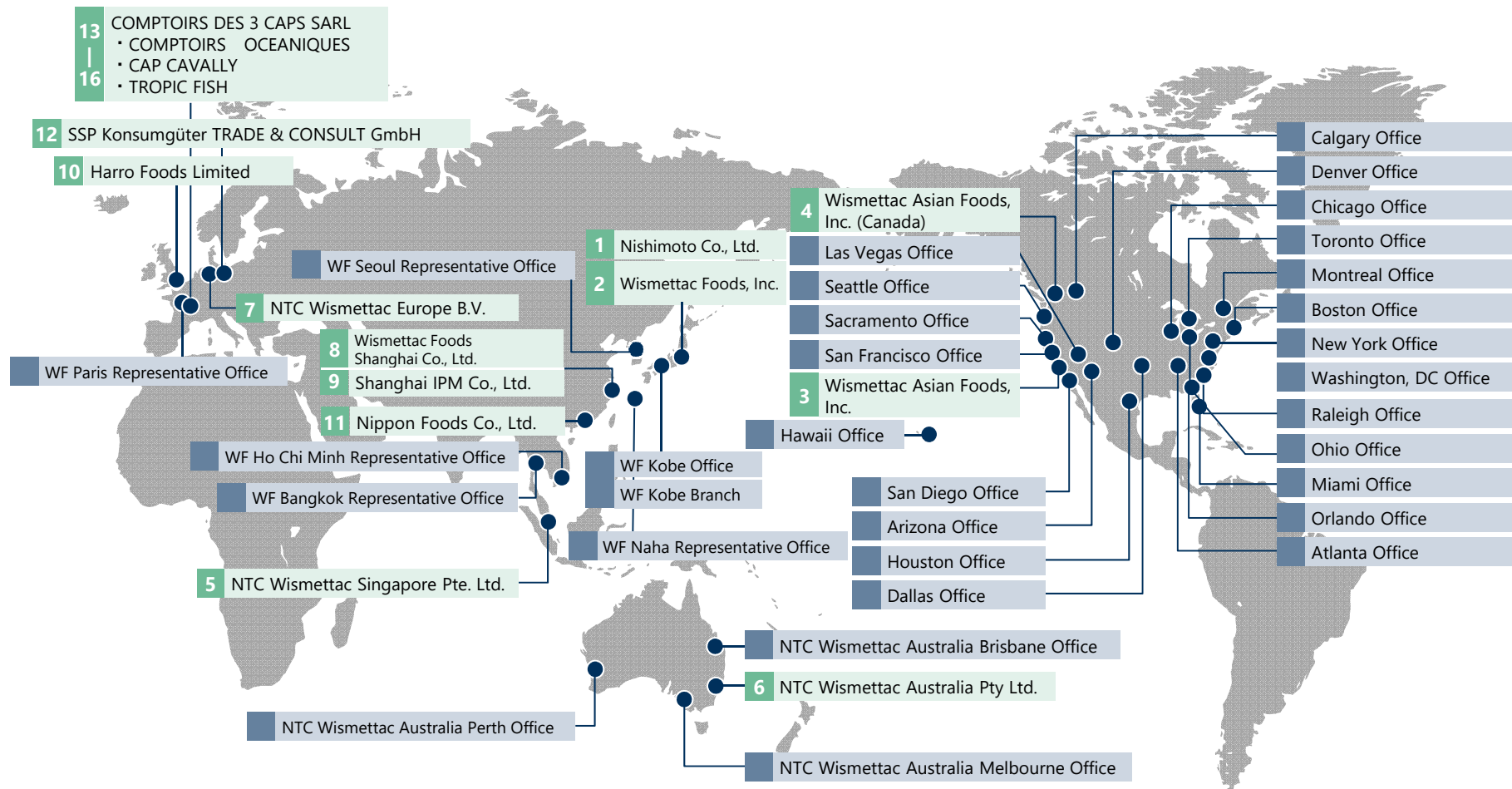
Founded in 1912, Nishimoto Wismettac has grown into a global company supplying food ingredients and food products to markets worldwide.

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	1,671 (including 1,374 in the Asian Food Global Business) [As of December 31, 2019]
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	182.6 billion yen (FY ended December 2019) * Overseas sales ratio 67.7%
Consolidated ordinary income	4.5 billion yen (FY ended December 2019)
Shareholders' equity ratio	54.2% (FY ended December 2019)

Nishimoto Wismettac: Domestic and Overseas Business Sites

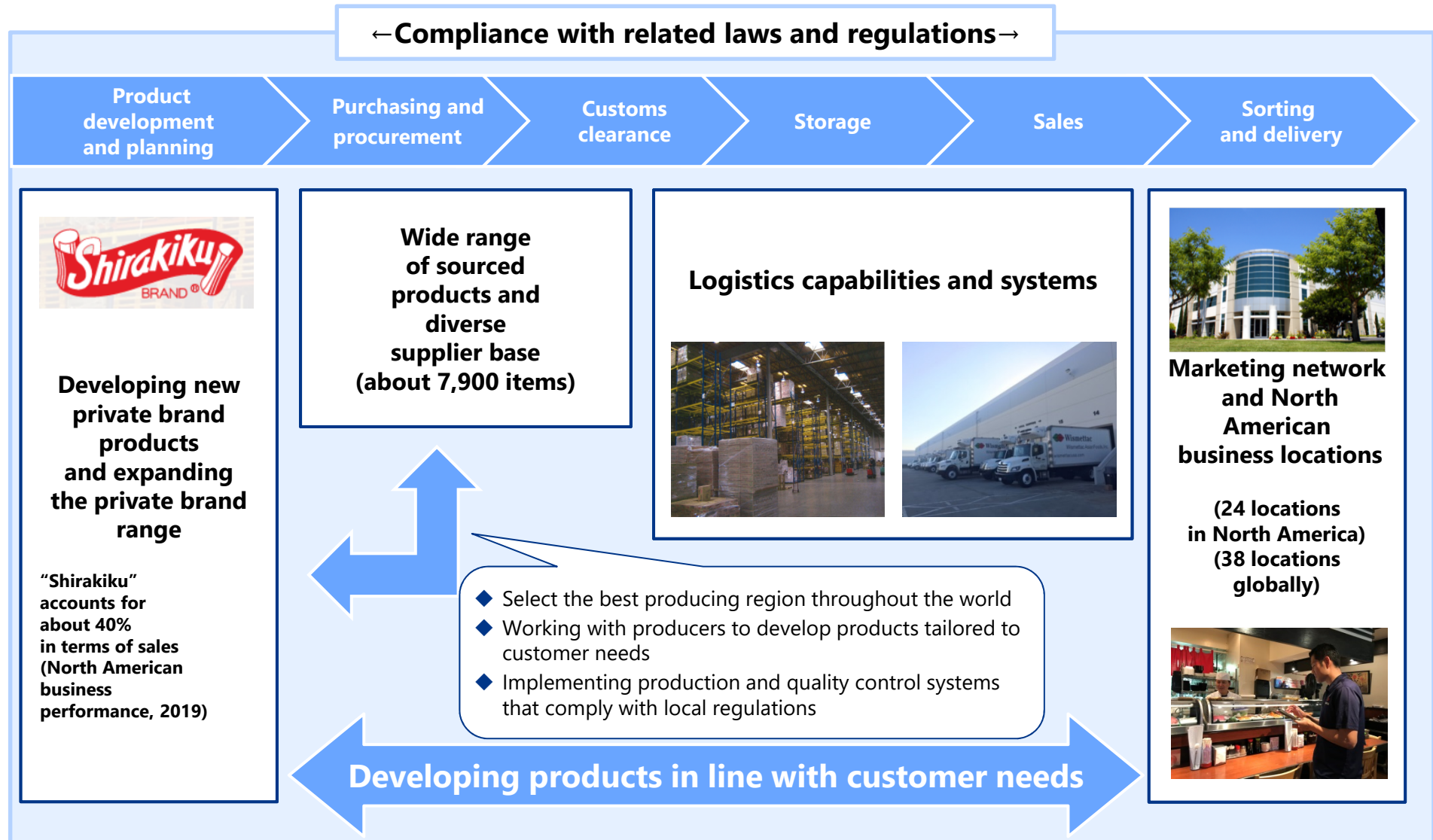


- ◆ Developing businesses worldwide with 48 global locations
- ◆ 24 locations in the North American region (the U.S. and Canada)

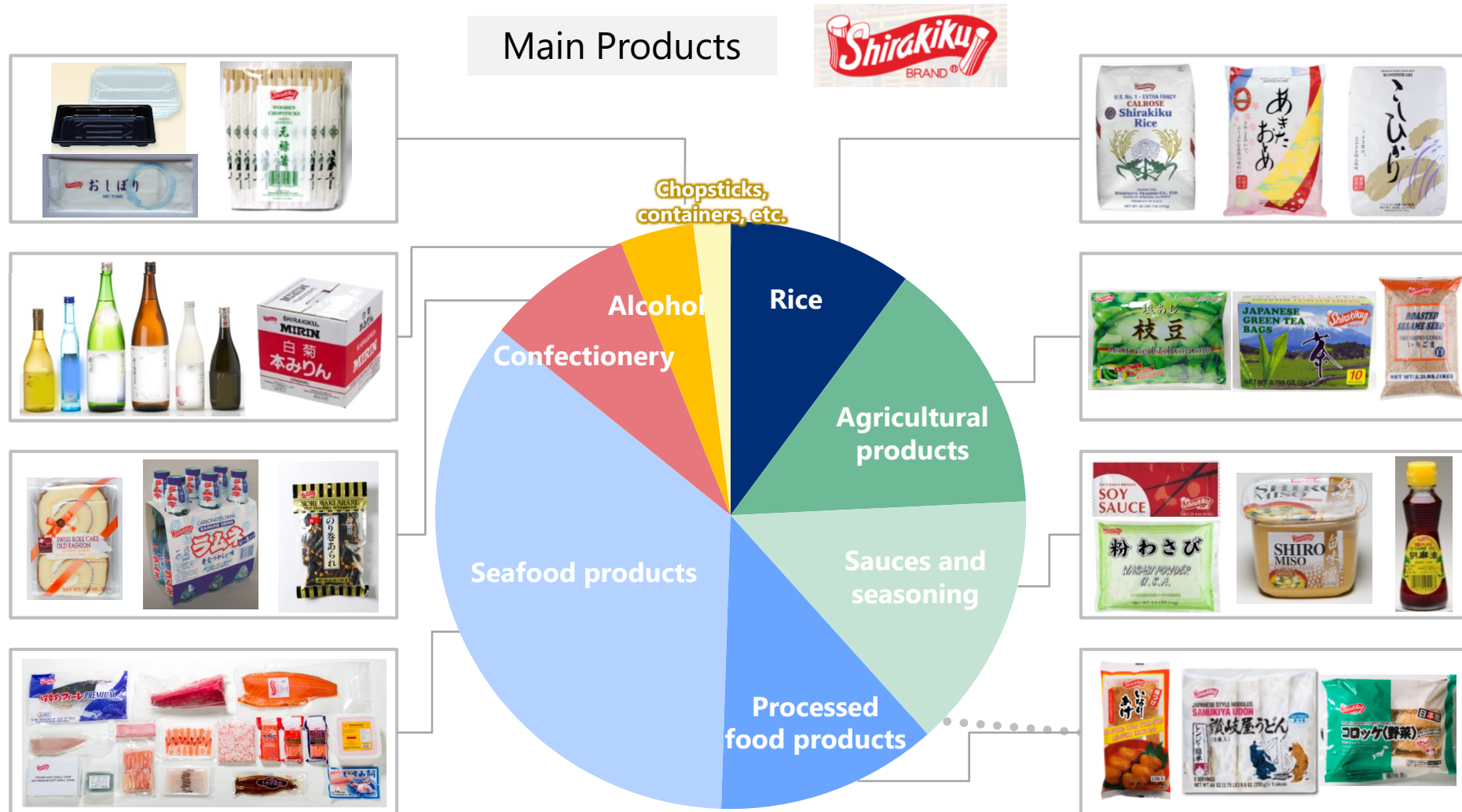


"WF" shown in the figure is an abbreviation for "Wismettac Foods"

- ◆ 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.

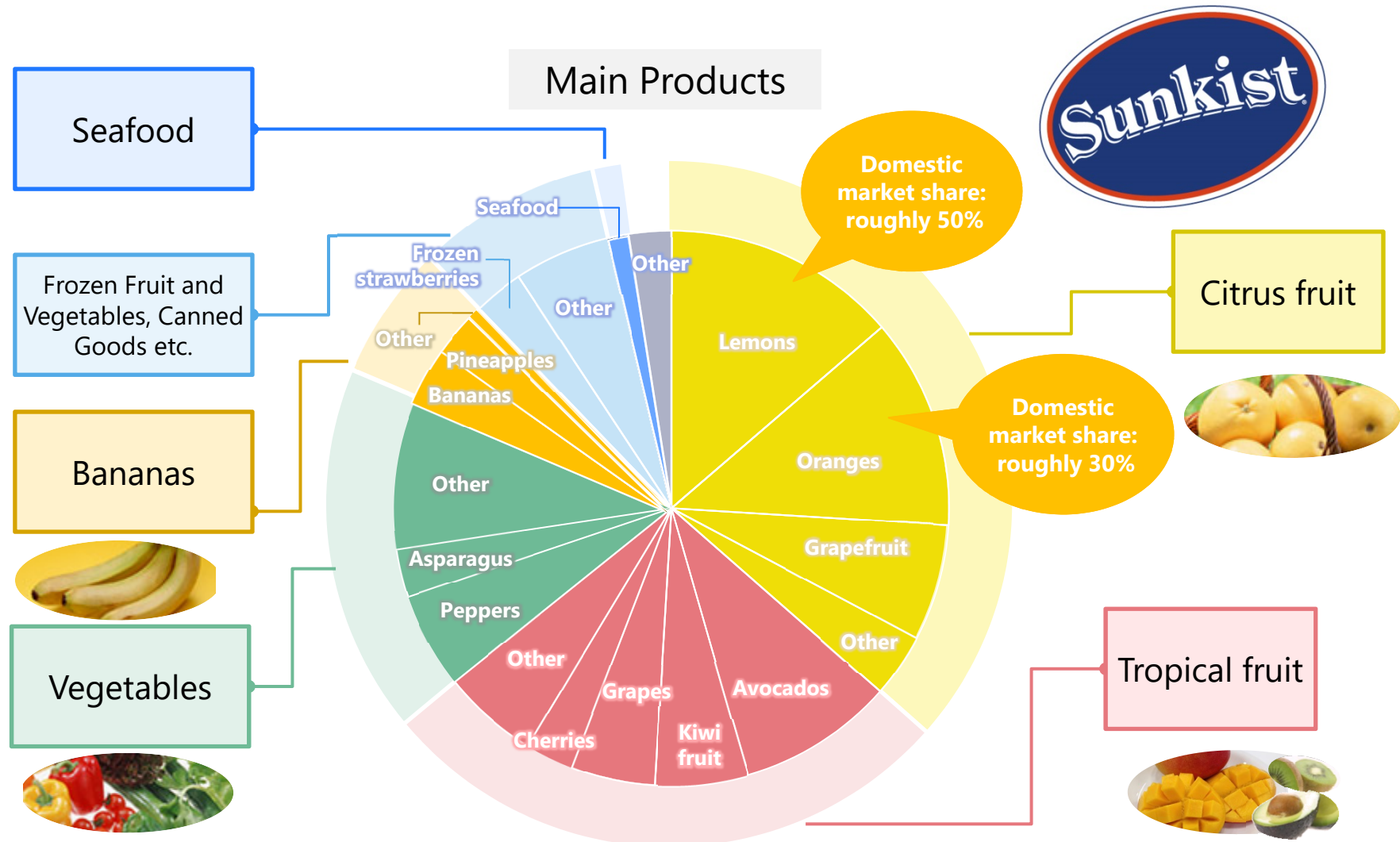


We import and procure Asian food products and ingredients, with a focus on Japanese food, including from the U.S., Japan, China and South East Asia, and distribute approximately 7,900 items on a global basis, principally in North America.



Major Business Segment: Agricultural & Seafood Products Trading Business Wismettac

- ◆ 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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