



Supplementary Material to Financial Results

Second Quarter of the Fiscal Year Ending December 2020

Nishimoto Co., Ltd.

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Summary of Financial Results
for the Second Quarter of the Fiscal Year Ending
December 2020



Summary of Financial Results for the Second Quarter of the Fiscal Year Ending December 2020



Sales following the novel coronavirus pandemic decreased significantly year-on-year, mainly for restaurant chains, due to the impact of restrictions on going out and on business operations. Profits also decreased significantly.

- ◆ Sales to restaurant chains decreased significantly due to the restrictions on going out and on business operations since mid-March. Sales to take-out, food delivery and retail businesses remained good. Sales to restaurant chains decreased 13.4% year-on-year to 79.8 billion yen despite a moderate recovery since May.
- ◆ Efforts were made to reduce SG&A but could not cover the decreases in profit due to the significant decreases in sales. Furthermore, with the provision of allowance for doubtful accounts and the valuation loss on inventories (approximately 1.7 billion yen in total for the first and second quarters) in consideration of the impact of the novel coronavirus pandemic being recorded, the operating loss was 1.2 billion yen.
- ◆ The impact of foreign currency rates in converting to the yen for consolidated financial statements caused net sales to decrease by 1 billion yen year-on-year with almost no impact on operating income.

(Unit: billions of yen)

		FY ended December 2019	FY ending December 2020	
		Second quarter results	Second quarter results	Changes year-on-year
Operating results	Net sales	92.1	79.8	-12.3
	Gross profit	15.8	12.5	-3.2
	Operating income (Excluding policy expenses)	2.8	-0.2	-3.0
	Operating income or loss	2.5	-1.2	-3.7
	Ordinary income or loss	2.6	-1.5	-4.1
	Net income or loss attributable to owners of parent	1.8	-0.9	-2.8
Yen/Dollar exchange rate (Average rate during the period)		110.05 yen	108.27 yen	-1.78 yen
Quarterly net income or loss per share		130.86 yen	-65.43 yen	-196.29 yen

Operating Results by Segment for the Second Quarter of the Fiscal Year Ending December 2020



Profits from the Asian Food Global Business decreased year-on-year due to a significant decrease in sales to restaurant chains because of restrictions on business operations and going out. Profits from the Agricultural & Seafood Products Trading Business decreased year-on-year due to a significant decrease in demand for eating-out and a drop in sale prices.

Asian Food Global Business (hereinafter called “GAF”)

- ◆ Sales to restaurant chains, our main customers, significantly decreased due to the lockdowns in each country. Sales to retail businesses remained good but could not cover the drop in sales to restaurant chains, whereby revenue decreased. Since May, sales recovered moderately with the gradual lifting of restrictions on take-out, food delivery and eating in shops.
 - In the North American region, it decreased 17.8% year-on-year (or 16.5% in a local-currency basis).
 - In regions outside of North America, it decreased 7.8% year-on-year (or 19.9% excluding SSP, which was not consolidated in the previous year, or 15.2% in a local-currency basis).
- ◆ The operating loss was 1 billion yen due to the valuation loss on inventories and the provision of allowance for doubtful accounts, in addition to the significant decrease in sales.
 - In the North American region, the operating loss was 480 million yen due to the valuation loss on inventories in the second quarter, in addition to the decreases in sales.
 - In regions outside of North America, operating losses were 550 million yen due to the provision of allowance for doubtful accounts and the valuation loss on inventories in the second quarter, in addition to the decreases in sales.

Agricultural & Seafood Products Trading Business

- ◆ Net sales fell 7.5% year-on-year because of a significant decrease in demand at restaurant chains and price falls for our main products, centered on citrus fruits, for which there is an excess inventory. Profits decreased 71.3% year-on-year due to the decrease in sales. Inventory adjustment for the citrus fruits was completed by the end of June.

(Unit: billions of yen)

		Second quarter of FY ended December 2019 results	FY ending December 2020	
			Second quarter results	Changes year-on-year
GAF	Net sales	63.5	53.1	-10.3
	Operating income or loss	2.4	-1.0	-3.4
Agricultural & Seafood Products Trading Business	Net sales	26.8	24.8	-2.0
	Operating income or loss	0.1	0.0	-0.1
Other	Net sales	1.8	1.8	0.0
	Operating income or loss	0.0	0.0	0.0
Adjustment items	Net sales	-	-	-
	Operating income or loss	-0.0	-0.3	-0.2
Total	Net sales	92.1	79.8	-12.3
	Operating income or loss	2.5	-1.2	-3.7

Consolidated Balance Sheet (Summary)



(Unit: billions of yen)

	End of December 2019	End of June 2020	Amount/rate of increase (decrease)	Main changes
Current assets	87.9	83.9	-4.0	Notes and accounts receivable—trade -4.3, Inventories -2.0, Cash and deposits 3.1
Non-current assets	8.6	10.9	+2.3	Goodwill +2.7
Total assets	96.5	94.9	-1.6	
Current liabilities	19.0	15.1	-3.8	Accounts payable -3.2
Non-current liabilities	25.1	30.1	+4.9	Long-term loans payable +4.3
Total liabilities	44.2	45.2	+1.0	
Total net assets	52.3	49.6	-2.6	Retained earnings from net loss/dividend -1.7
Total liabilities and net assets	96.5	94.9	-1.6	
Shareholders' equity ratio	54.2%	52.3%	-1.9 pt	
Current ratio	461.5%	553.2%	+91.6 pt	

Consolidated Statement of Cash Flows (Summary)



(Unit: billions of yen)

	First half of FY ended December 2019	First half of FY ending December 2020	Changes year-on-year	Main changes (Year-on-year difference)
Cash flows from operating activities	1.1	3.3	2.1	Working capital +4.0 (Cash increase)
Cash flows from investing activities	-0.7	-3.1	-2.4	Acquisition of shares of subsidiaries -2.5 (including SSP)
Cash flows from financing activities	-0.8	3.3	4.1	Long-term loans payable +4.5
Translation adjustments	-0.4	-0.3	0.0	

Cash and cash equivalents	First half of FY ended December 2019	First half of FY ending December 2020	Changes year-on-year	Notes
Beginning balance	28.5	38.8	10.3	
Changes during the period	-0.8	3.1	3.9	
Closing balance	27.7	42.0	14.3	

Revision to Forecasts of Financial Results for the Fiscal Year Ending December 2020



We reviewed our financial results forecasts on the assumption that sales will gradually recover from the impact of the novel coronavirus pandemic.

We will move into the black in the second half by reducing SG&A, etc. to build a foothold for recovery into the next term and beyond.

- ◆ Considering our accumulated business results up until the second quarter (i.e. the first half) and our future prospects, we have revised the financial results forecasts for the fiscal year ending December 2020.
- ◆ We assume that, since May, sales to restaurant chains have been gradually recovering from the impact of the novel coronavirus pandemic due to the lifting of restrictions on business operations in each country.
- ◆ The following situations were not included and there is a risk of a downward swing if any of them takes place.
 - Large-scale lockdowns or restrictions on business operations due to a second wave of the novel coronavirus pandemic. Extreme weakness in consumer sentiment.
 - Purchase costs rise due to an extension in the trend for the yen to appreciate against a background of anxiety over the future of U.S. and world economies.

(Unit: billions of yen)

		FY ended December 2019	FY ending December 2020			
		Full-year results	First-half results	Second-half forecast	Full-year forecast	Full-year changes of previous year
Operating results	Net sales	182.6	79.8	88.2	168.0	-14.6
	Gross profit	32.1	12.5	14.9	27.4	-4.6
	Operating income or loss	4.3	-1.2	0.6	-0.6	-4.9
	Ordinary income or loss	4.5	-1.5	0.5	-1.0	-5.5
	Net income or loss attributable to owners of parent	2.4	-0.9	0.4	-0.5	-2.9
Yen/Dollar exchange rate (Average rate during the period)		109.05 yen	108.27 yen	108.00 yen	108.00 yen	-1.05 yen
Quarterly net income or loss per share		173.71 yen	-65.43 yen	30.57 yen	-34.84 yen	-208.55 yen

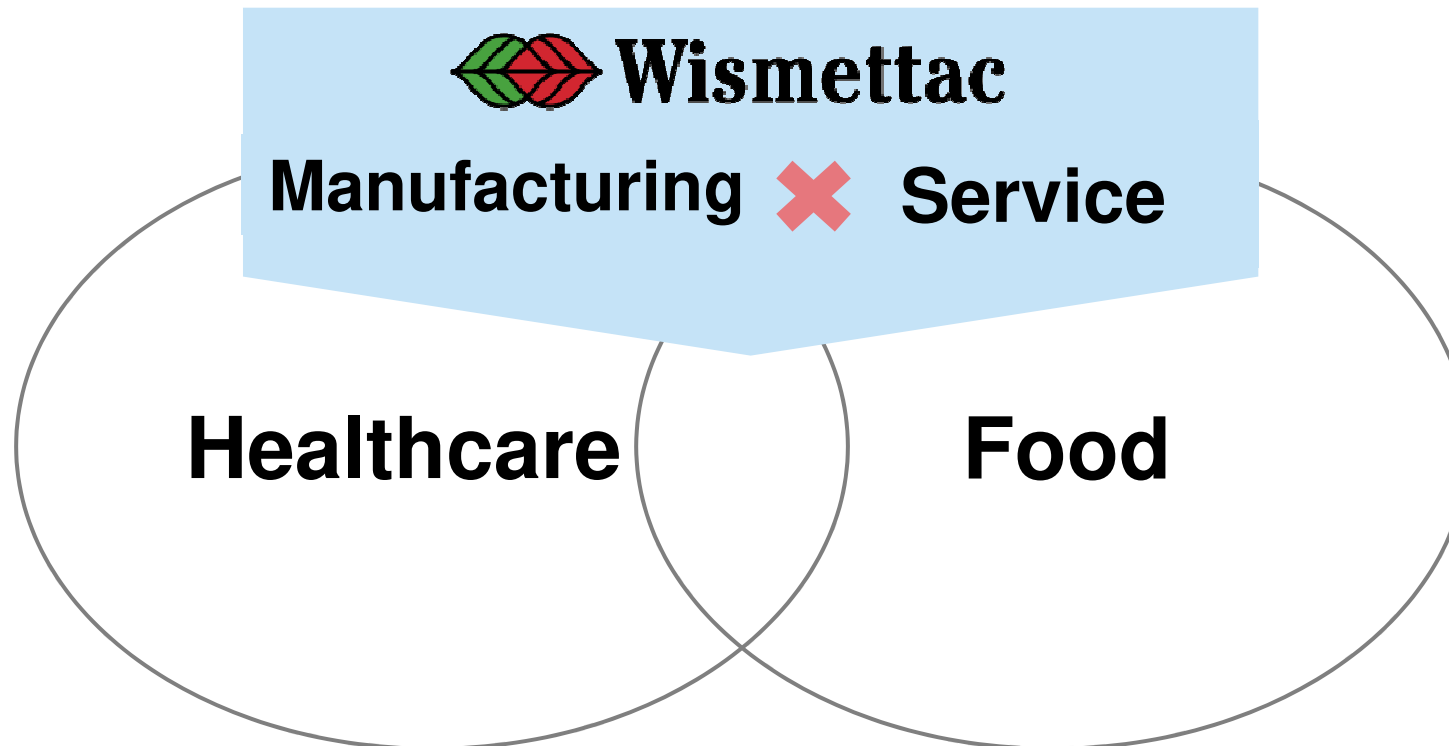
Medium-term Business Plan



One-stop solution company aiming for a fusion of healthcare and food

What
business we
want to do

Create customers by providing and unifying “manufacturing” and “services” in the fields of healthcare and foods.



Having accumulated more than a century of history, we have built a global foundation on the three axes of goods, logistical functions and human resources in the field of food.

1

**Breadth of
handled
goods**

- ❑ Handling of more than 8,000 kinds of foods and ingredients
 - Worldwide fruits & vegetables and seafood products
 - Processed foods, including Asian foods and delicacies
 - Supplements and amenity foods

2

**Breadth of
service
functions**

- ❑ Consistent supply chain management
 - Retaining data for optimal global production areas and factories
 - Ability to develop our own PB products (→ development ability)
 - A base that ensures the safety and traceability of food for import and export (→ intellectual property)
 - Our own distribution infrastructure (→ last one mile)

3

**Breadth of
human
resources
and network**

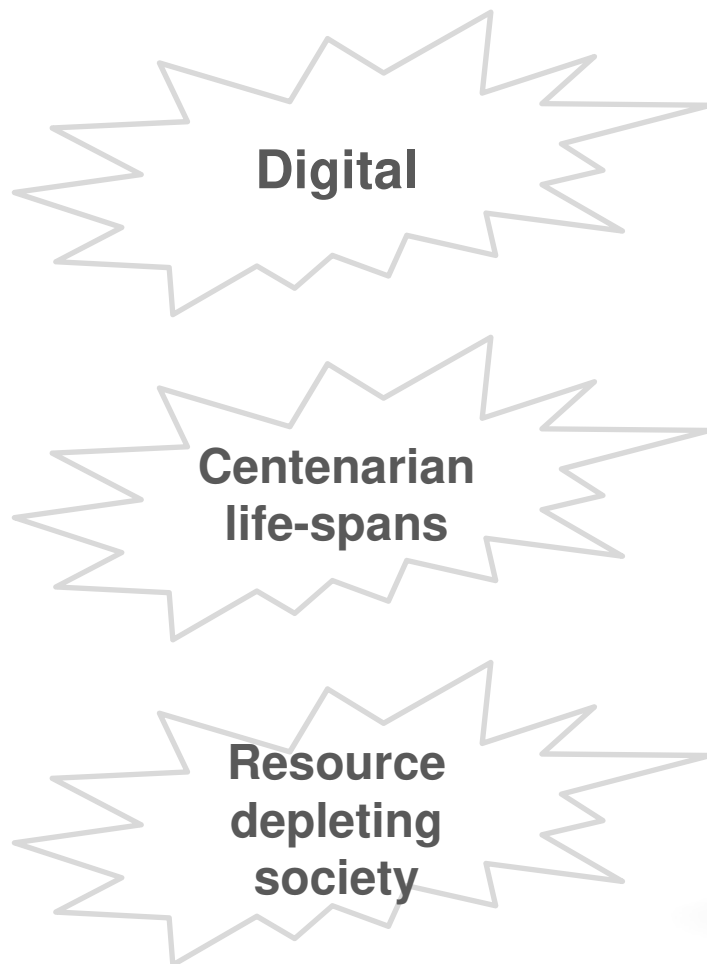
- ❑ 49 bases in 13 countries worldwide and global trade with the main players in food
 - Network with growers, suppliers and producers
 - Complete cold chain network with distribution providers
 - Long-years of global business relationships (credit) with restaurants and retailers

**Growth into
a global
food
company**

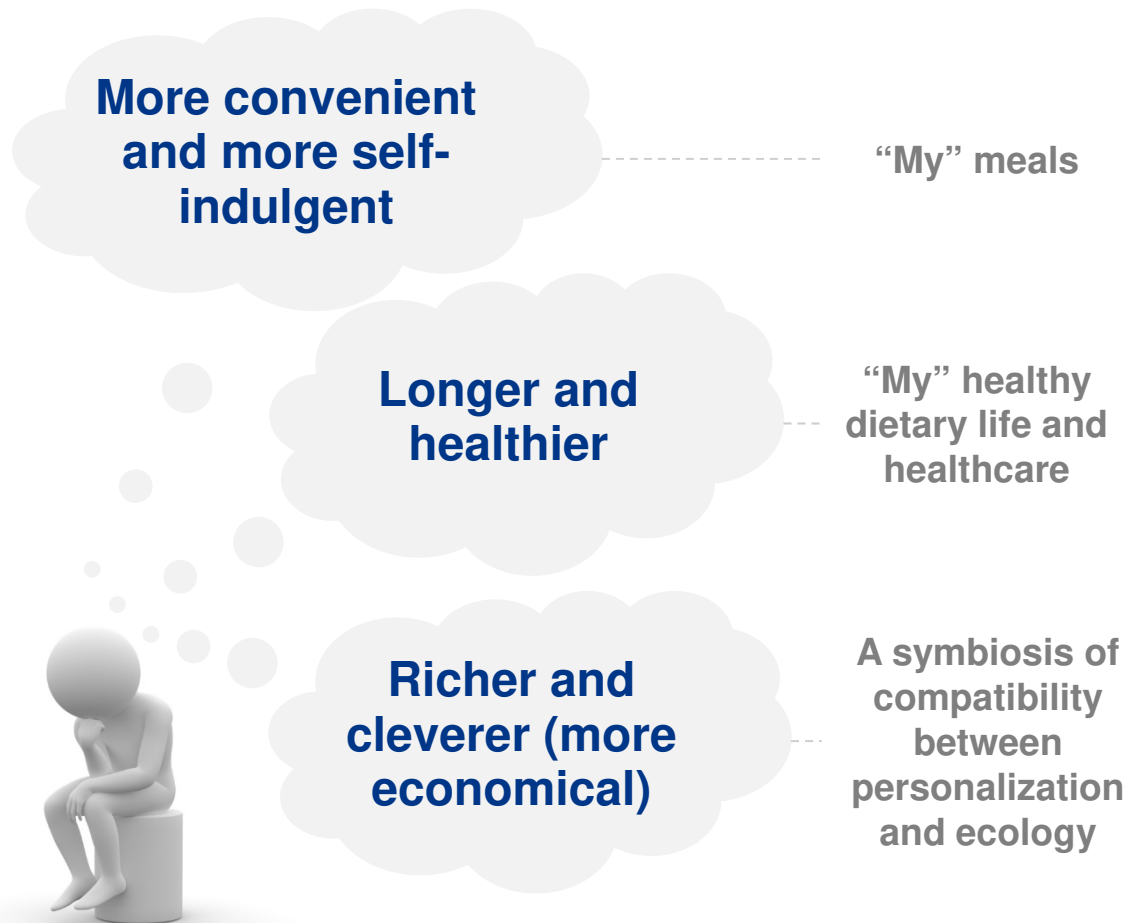
A Gearshift in Food

Companies will be required to achieve an “entirely (globally) optimal production of many kinds in small quantities” instead of the current “partially (nationally) optimal production of few kinds in large quantities.”

Sources of change



Long-term trend (Hypothesis)



Next Stage for Nishimoto Wismettac – Pursuing Two Areas to Deepen and Expansion



As consumer needs change, by enhancing the required functions and widening our fields of business, we will not only be chosen by customers but also create customers ourselves.

1
Deepening manufacturing functions

- ❑ Dependence on producers for the development and production of many products
- ❑ Pursuit of balance between “price and quality”

2
Deepening services

- ❑ Supplier of foods and ingredients
 - Competitive with excellent operations
 - Flexible ordering and delivery, prices, and product knowledge of salespersons

3
Expansion of medical field (healthcare)

- ❑ Only sale of supplements

Until now

From now

- ❑ **Internalization of product planning/design and production control functions**
- ❑ Cloud migration of development and production structures
- ❑ Pursuit of highly value-added products
 - Utilization of food technology
- ❑ Provision of a total solution for foods
 - Not a supplier, but **a solution partner** for customers
 - Platformer using the know-how of different industries, not sticking to in-house production
- ❑ **Development, production and sale of differentiated goods (medical foods)** responding to an increasingly elderly population and expanding home healthcare

We will discover (hidden and visible) customer needs and maximize our advantages in order to “manufacture” on the basis of unique product development.

Needs

Changed concepts in eating

- ❑ Changed concepts in eating after and with Covid
 - Eat in, Ready to eat, and Prepared Foods
 - More health-oriented
- ❑ Japanese foods have gone from following booms and trends to becoming household fare
 - Expansion of sales channels and localization of Asian foods

Development of food technology

- ❑ Attention to excellent food processing and manufacturing technologies and ingredients from various parts of the world, including Japan
 - Commitment to ingredients (healthy/green-oriented)

Entry into medical field

- ❑ Tasty meals (meals for the elderly, from home medical diets to food for Quality of Life)
- ❑ From healthy food to medical diets
- ❑ Diversified choice for elderly care facilities, etc. and cost reduction pressures

Manufacturing

- ❑ Focusing on Asian foods, we will achieve consistent fables manufacturing, from development and ingredient procurement to manufacturing of all processed foods, and will deliver and develop excellent processing/manufacturing technologies.
 - By collaborating with worldwide producers and contract manufacturers, we will develop and procure goods that meet customer needs (by utilizing existing networks).
 - We will streamline our product development and manufacturing department structures and enhance our technological department.
- ❑ In addition to existing Japanese restaurants, we will enhance local mainstream retailers and restaurant chains. Furthermore, we will develop home meals online and in real time.
- ❑ We will lead collaboration between the medical field and food manufacturers to develop, manufacture and sell medical foods.
 - Aiming for an open platform from development to sale.

We will create a platform that is sustainable and accessible to small-sized businesses and sole proprietors in the food and medical food fields.

Needs

Services (Solution)

Rigid supply chain

- ❑ A global supply chain is basically wasteful and expensive.
- ❑ Demands for food safety and traceability, etc. are increasing.

Development of digitalization

- ❑ Too much burden on digital investment may pose the threat of unique products and services being lost.
 - This industry has many small and medium-sized businesses that do not necessarily have sufficient financial strength.

Consumers who change behaviors and preferences

- ❑ Increasing providers that cannot meet consumers' changing behaviors and preferences
 - Shortening life of products and trends
 - Diversified drinking and eating scenarios
 - Genuinely healthy foods = Increasing demand for medical foods



- ❑ We will make efforts to lower the costs of our global supply chain.
- ❑ We will provide a common digitalized platform.
- ❑ We will systematically collect and analyze information on the supply chain down to “each player’s customers (and their customers’ customers)” to enable more accurate product and service development with players.
 - Feed back this information speedily to improve the platform.

Steady recovery of existing businesses from the impact of the coronavirus catastrophe Active investment in new businesses

Planning assumption		Assumption of normalization from the impact of the coronavirus pandemic during the first half of FY 2021				
Unit: billions of yen		Result FY 2019	Estimate FY 2020	Plan FY 2021	Plan FY 2022	Assessment
Entire company	Sales	182.6	168.0	193.2	222.4	The operating income target for FY 2021 in the previous medium-term business plan will be achieved with a one year delay.
	Profit	4.3	-0.6	2.5	6.5	
Existing	Sales	180.5	165.3	184.8	205.2	Sales growth will be delayed due to the impact of the coronavirus but, after improvements in profitability, the target in the previous medium-term business plan will be achieved with a one year delay.
	Profit	5.4	1.4	4.8	8.0	
GAF	Sales	128.8	115.7	131.8	150.3	Earning capacity will recover steadily due to improvements in profitability in North America and growth in other regions.
	Profit	4.5	1.0	4.0	7.0	
Agricultural & Seafood Products	Sales	47.7	46.0	49.1	50.8	Earning capacity will be steadily enhanced by the strengthening of domestic and international businesses.
	Profit	0.8	0.3	0.6	0.8	
Domestic BtoC	Sales	3.9	3.6	3.9	4.1	Profitability will be kept stable with our diversified sales channels.
	Profit	0.1	0.1	0.2	0.2	
New	Sales	2.1	2.7	8.4	17.2	New businesses will further accelerate.
	Profit	-1.1	-2.0	-2.2	-1.5	

Note: The plan shows administrative accounting figures.
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Policy of Returning Profits to Shareholders



Basic 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.

Dividend for the Current Year

- ◆ With a net loss of 939 million yen being recorded due to significant decreases in sales, etc. associated with the novel coronavirus pandemic, we sincerely regret having to omit the interim dividend.
- ◆ The year-end dividend estimate will be determined on the basis of an exhaustive consideration of future business performance, internal reserves, and so on.

[Reference] Dividend for the previous year (Fiscal year ended December 2019): 95 yen (a 40 yen interim dividend and a 55 yen year-end dividend)

Corporate Profile



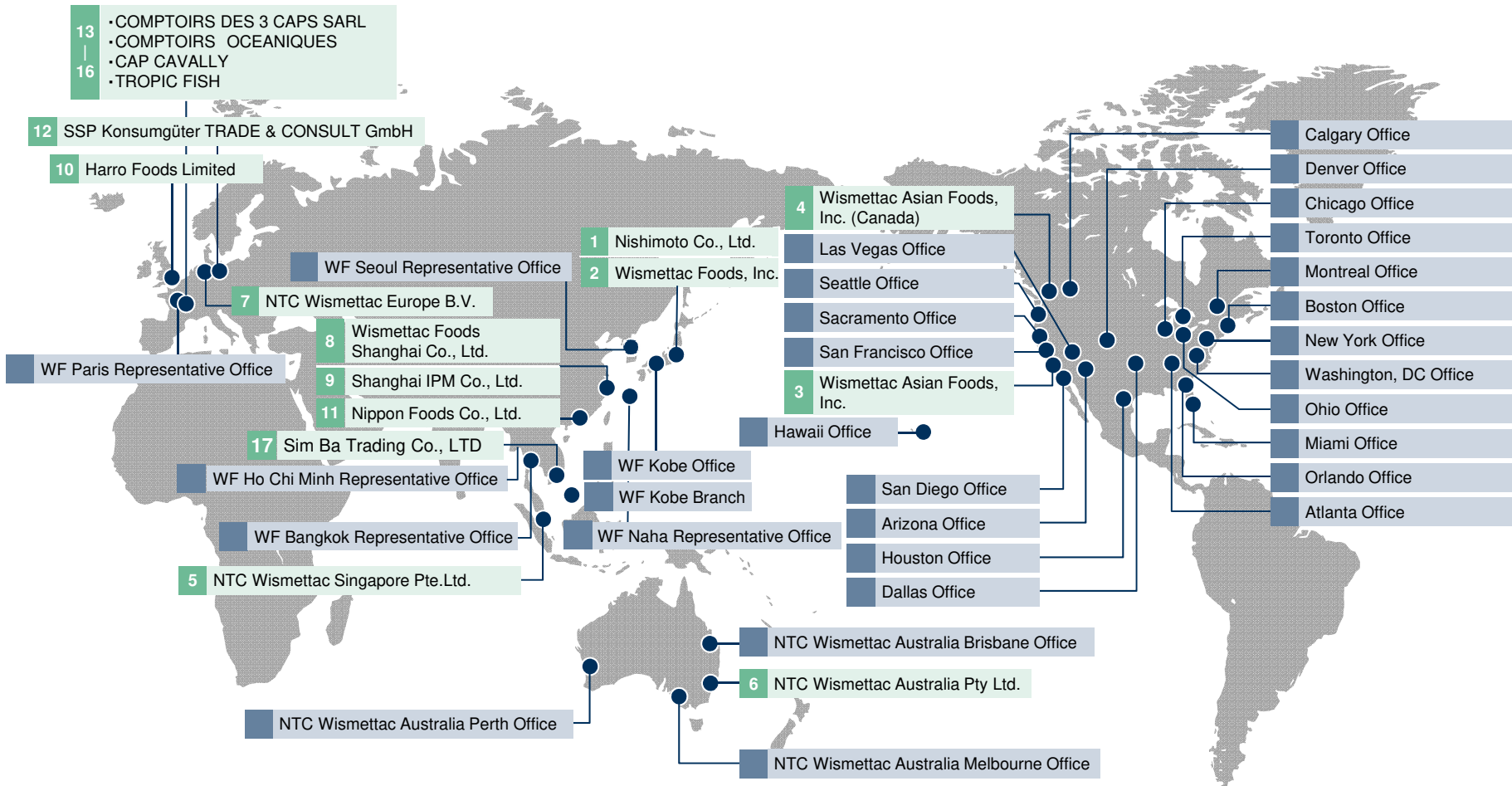
- ◆ **Two spheres symbolizing the Earth and Globalism**
 - Red is used to show innovation, green represents nature
 - Expresses the Company's "lasting commitment to creating healthier and richer lives through food"
- ◆ **Incorporates the letters "W" "M" and "C" from the Company name**

- <**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 & President CEO	
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	15 subsidiaries, 1 affiliate	
Business sites	49 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)	

Developing businesses in all continents with 49 global locations in North America, Europe, Australia and Asia, among which North America (U.S. and Canada) has 24 locations accounting for the majority of sales



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