

Making people's lives around the world richer through food



Nishimoto Co., Ltd.

Fiscal Year Ended December 2018 Supplementary Material to Financial Results



February 14, 2019

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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)

Global food distribution company group contributing to the development of “Food” worldwide

The Nishimoto Wismettac Group’s dream is to make a difference to the lives of people around the world through food.

For more than a century since the inception of our business, our goal has been to increase satisfaction for even more customers, making our dream come true through closer cooperation with Group companies worldwide.

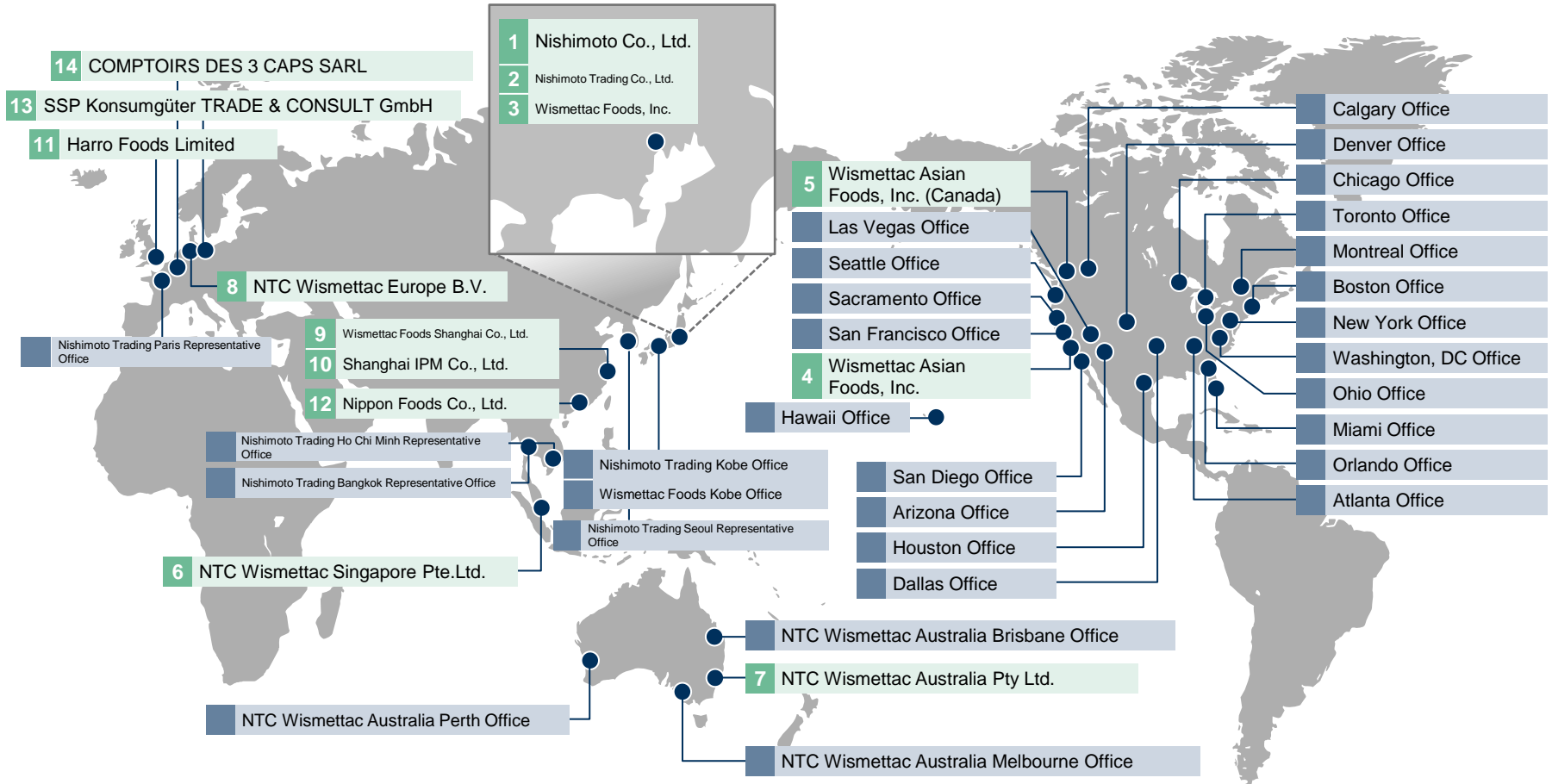
Tasty food brings happiness to people worldwide – the Nishimoto Wismettac Group is moving forward with this in mind.

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) | |
| Business | <ul style="list-style-type: none"> ◆ 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 | 11 subsidiaries, five affiliates | |
| Business Sites | 48 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 | 61.9% (FY ended December 2018) | |

(Above information are as of December 31st, 2018.)

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



(Above information are as of December 31st, 2018.)

- ◆ 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



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

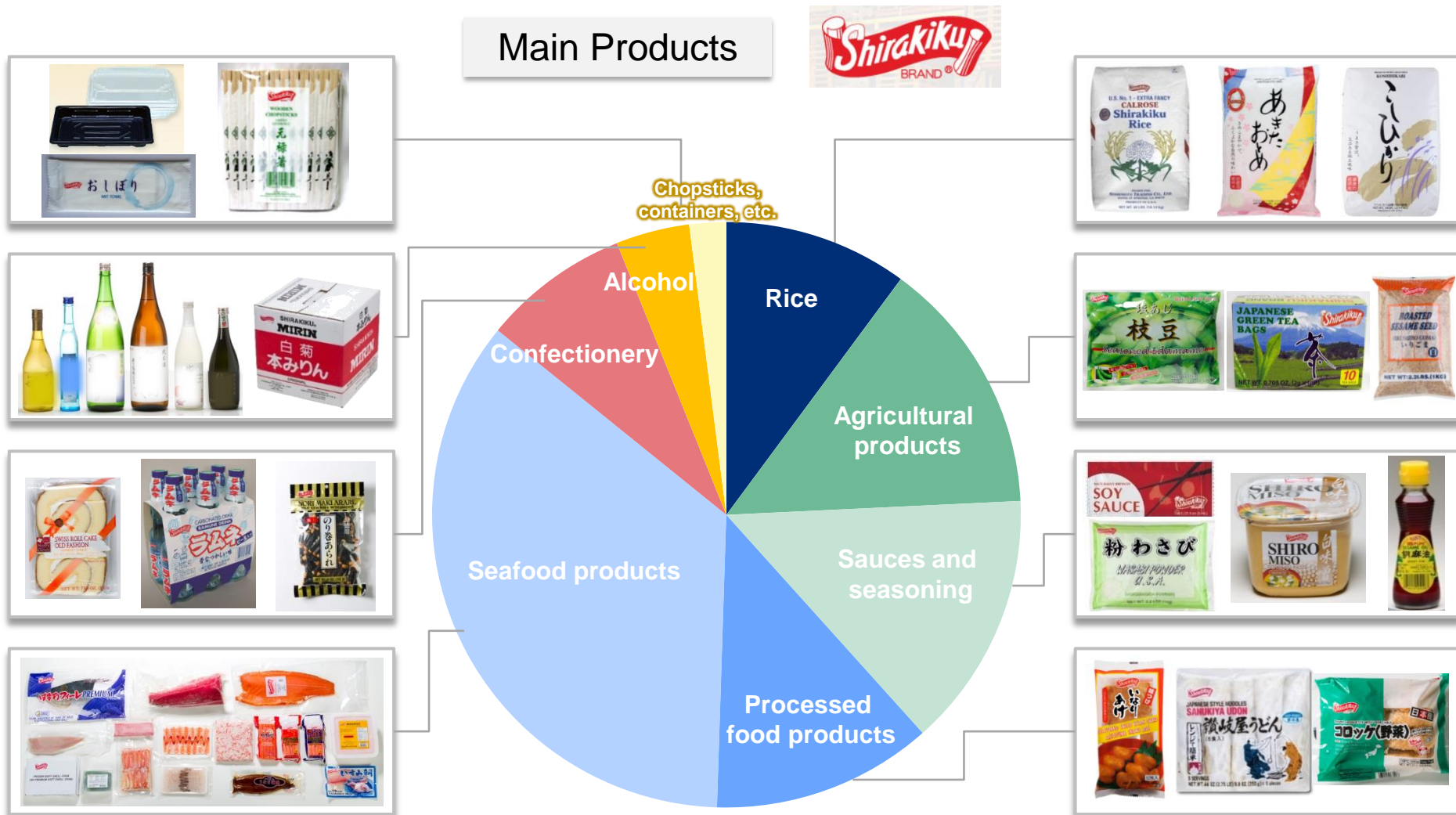
(23 locations in North America)
(37 locations globally)



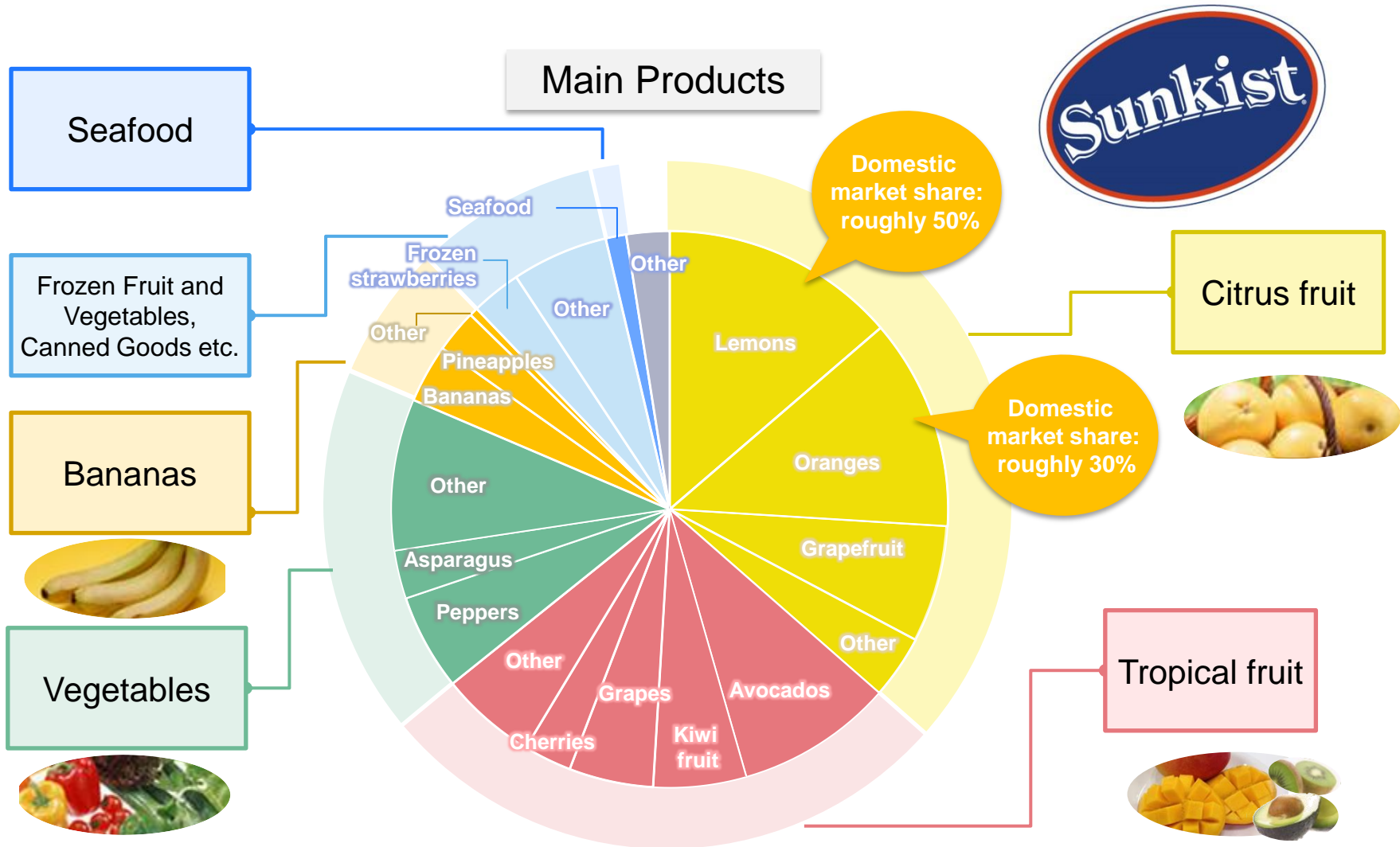
- ◆ Select the best producing region throughout the world
- ◆ Working with producers to develop products tailored to customer needs
- ◆ Implementing production and quality control systems that comply with local regulations

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%.



* Calculated based on Trade Statistics of Japan (Ministry of Finance)(2017)

Summary of Financial Results for the Fiscal Year Ended December 2018



Summary of Financial Results for the Fiscal Year Ended December 2018



- Despite being slightly below plan, net sales grew by 5.9% year-on-year. The major breakdown was as follows: Asian Food Global Business fell 0.3% behind plan but still grew 5.6% year-on-year, and Agricultural & Seafood Products Trading Business fell 3.6% behind plan but still grew 6.5% year-on-year.
- While operating income within the Asian Food Global Business declined in the North American region, its business in other regions outside North America exceeded the results of the same period in the previous year of the Agricultural & Seafood Products Trading Business, recording a 6.2% overall increase year-on-year. Despite Agricultural & Seafood Products Trading Business exceeding the plan, Asian Food Global Business underperformed, resulting in an overall fall of 0.8% against the plan.
- Net income attributable to shareholders of the parent company increased 51.1% year-on-year due to a reduction in the U.S. corporate tax rate.

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

| | | FY ended December 2017 | FY ended December 2018 | | | |
|---|--|------------------------|------------------------|-------------------|--------------------|----------------------|
| | | Full-year results | Full-year results | Year-on-year rate | Full-year forecast | Compared to the plan |
| Operating results | Net sales | 172.0 (100.0%) | 182.2 (100.0%) | +5.9% | 184.8 (100.0%) | -1.4% |
| | Gross profit | 29.8 (17.3%) | 31.8 (17.5%) | +6.7% | 31.9 (17.3%) | -0.3% |
| | Operating income | 6.3 (3.7%) | 6.7 (3.7%) | +6.2% | 6.7 (3.7%) | -0.8% |
| | Ordinary income | 5.9 (3.4%) | 6.5 (3.6%) | +11.3% | 6.6 (3.6%) | -1.4% |
| | Net income attributable to owners of parent | 3.0 (1.8%) | 4.6 (2.5%) | +51.1% | 4.6 (2.5%) | -0.6% |
| Group KPI | Percentage of North America (Net sales) | 58.9% | 58.5% | -0.4pt | 57.3% | +1.2pt |
| | Percentage of North America (Operating income) | 78.6% | 66.4% | -12.3pt | 77.2% | -10.9pt |
| | ROWC ^{*1} | 20.3% | 20.5% | +0.2pt | 21.8% | -1.3pt |
| Yen/Dollar exchange rate (Average rate during the period) | | 112.19 yen | 110.43 yen | -1.76 yen | 110.00 yen | +0.43 yen |
| Net income per share ^{*2} | | 236.37 yen | 322.89 yen | +36.6% | 324.98 yen | -0.6% |

(*1) Operating income for FY2018 / ([Working capital at the end of FY2017+ Working capital at the end of FY2018] / 2)

(*2) The Company conducted a five-for-one common stock split on June 1, 2017. Net income per share was calculated on the assumption that the stock split has been conducted at the beginning of FY2017.

The Asian Food Global Business

- Net sales increased 5.6% year-on-year due to the development of new accounts and the expansion of sales to existing customers [resulting in a 5.2% increase year-on-year in North America (a 6.8% increase on a local currency basis), an 8.4% increase year-on-year in other regions on a consolidated yen basis, and a 10.2% increase on a weighted average on a local currency basis].
- Operating income decreased 5.1% year-on-year overall, reflecting the lower performance in North America compared to the same period in the previous year. In regions outside North America, operating income increased on the same period in the previous year, and the business base has expanded. Against the plan, both the North America and other regions fell short of the plan.

The Agricultural & Seafood Products Trading Business:

- Net sales increased 6.5% year-on-year, mainly driven by favorable exports and third country sales. Net income also increased year-on-year and against plan due to the recovery this year in sales of citrus fruits and tropical fruits for the domestic market, compared to sluggish sales in the previous year.

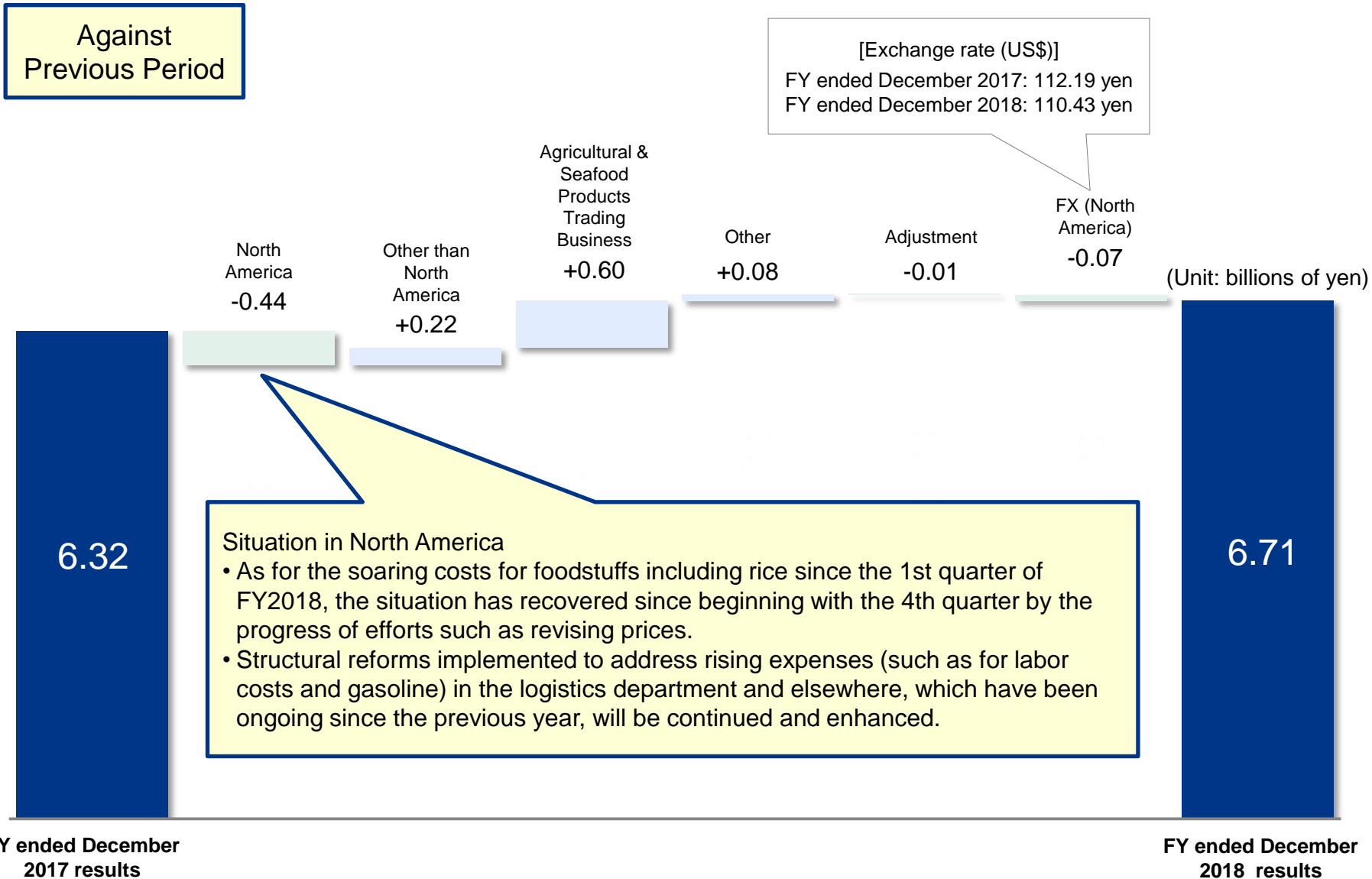
Sales to external customers

(Unit: billions of yen)

| | FY ended December 2017 Full-year results | FY ended December 2018 | | | |
|--|--|------------------------|-------------------|--------------------|----------------------|
| | | Full-year results | Year-on-year rate | Full-year forecast | Compared to the plan |
| Asia Food Global Business | 118.44 | 125.11 | +5.6% | 125.43 | -0.3% |
| Agricultural & Seafood Products Trading Business | 49.64 | 52.88 | +6.5% | 54.84 | -3.6% |
| Other business | 3.99 | 4.22 | +5.8% | 4.53 | -6.9% |
| Total | 172.07 | 182.22 | +5.9% | 184.81 | -1.4% |

Operating income

| | FY ended December 2017 Full-year results | FY ended December 2018 | | | |
|--|--|------------------------|-------------------|--------------------|----------------------|
| | | Full-year results | Year-on-year rate | Full-year forecast | Compared to the plan |
| Asia Food Global Business | 5.69 | 5.40 | -5.1% | 6.24 | -13.4% |
| Agricultural & Seafood Products Trading Business | 0.43 | 1.04 | +141.0% | 0.77 | +34.7% |
| Other business | 0.17 | 0.26 | +50.6% | 0.19 | +34.1% |
| Total | 6.32 | 6.71 | +6.2% | 6.77 | -0.8% |



Consolidated Balance Sheet (Summary)



(Unit: billions of yen)

| | End of December 2017 | End of December 2018 | Amount/rate of increase (decrease) | Main reasons for changes |
|---|-------------------------|-------------------------|---------------------------------------|--|
| Current assets | 75.3 | 75.1 | -0.1 | |
| Non-current assets | 9.0 | 8.4 | -0.5 | • Write-off of fixed assets at Australian subsidiary (-0.14) |
| Total assets | 84.3 | 83.5 | -0.7 | |
| Current liabilities | 19.6 | 20.1 | +0.5 | |
| Non-current liabilities | 14.9 | 11.6 | -3.2 | • Long-term loans (-3.2) |
| Total liabilities | 34.5 | 31.8 | -2.7 | |
| Total net assets | 49.7 | 51.7 | +2.0 | |
| Total liabilities and net assets | 84.3 | 83.5 | -0.7 | |
| Shareholders' equity ratio | 59.0% | 61.9% | +2.9pt | |
| Current ratio | 383.3% | 372.3% | -11.0pt | |

Consolidated Statement of Cash Flows (Summary)



(Unit: billions of yen)

| | FY ended December 2017 | FY ended December 2018 | Changes year- on-year | Main reasons for changes |
|--------------------------------------|---------------------------|---------------------------|--------------------------|---|
| Cash flows from operating activities | 1.3 | 5.5 | +4.1 | • Current net income (+1.0), decrease in operating funds (+0.5), decrease in corporate tax (+1.2), etc. |
| Cash flows from investing activities | -1.4 | -1.2 | +0.2 | |
| Cash flows from financing activities | 8.5 | -6.8 | -15.4 | • Long-term loans (-3.2), short-term loans (-2.3), dividend pay-outs (-1.5). • Funding gained through IPO in preceding year (+8.3) |
| Translation adjustments | -0.2 | -0.2 | 0 | |

| Cash and cash equivalents | FY ended December 2017 | FY ended December 2018 | Changes year- on-year | Main reasons for changes |
|---------------------------|---------------------------|---------------------------|--------------------------|---|
| Beginning balance | 22.9 | 31.2 | +8.3 | |
| Changes during the period | 8.3 | -2.7 | -11.1 | • Operating CF (+4.1), Financing CF (-15.4) |
| Ending balance | 31.2 | 28.5 | -2.7 | |

(Unit: billions of yen)

| | FY ended December 2016 | | FY ended December 2017 | | FY ended December 2018 | |
|----------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------|--------------------|
| | Actual results | Component ratio | Actual results | Component ratio | Actual results | Component ratio |
| North America | 93.3 | 59.0% | 101.4 | 58.9% | 106.6 | 58.5% |
| Europe | 3.1 | 2.0% | 5.2 | 3.1% | 6.2 | 3.4% |
| Asia/Australia | 5.8 | 3.7% | 9.0 | 5.3% | 9.7 | 5.3% |
| Japan | 55.9 | 35.4% | 56.3 | 32.7% | 59.6 | 32.7% |
| Total | 158.3 | 100% | 172.0 | 100% | 182.2 | 100% |

Forecast of Operating 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 10.7% 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 6.4%, 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 | 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%) | -3.6% | 6.0 (3.1%) | -10.7% |
| | Ordinary income | 6.5 (3.6%) | 2.9 (3.1%) | -3.1% | 6.0 (3.1%) | -8.1% |
| | Net income attributable to owners of parent | 4.6 (2.5%) | 2.1 (2.2%) | -2.5% | 4.3 (2.2%) | -6.4% |
| Group KPI | Percentage of North America (Net sales) | 58.5% | - | - | 57.9% | -0.6 pt |
| | Percentage of North America (Operating income) | 66.4% | - | - | 76.8% | +10.5 pt |
| | ROWC * | 20.5% | - | - | 17.4% | -3.1 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 | | 322.89 yen | 148.27 yen | -2.5% | 302.20 yen | -6.4% |

(*) Operating income for FY2018 / ([Working capital at the end of FY2017+ Working capital at the end of FY2018] / 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 | -0.9% | 5.61 | +3.8% |
| Agricultural & Seafood Products Trading Business | 1.04 | 0.63 | +20.2% | 1.07 | +3.5% |
| Other business | 0.26 | 0.05 | 188.8% | 0.25 | -2.2% |
| Strategic Expense for Group Measures, etc. | - | -0.25 | - | (*)-0.95 | - |
| Total | 6.71 | 2.95 | -3.6% | 6.00 | -10.7% |

The 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)

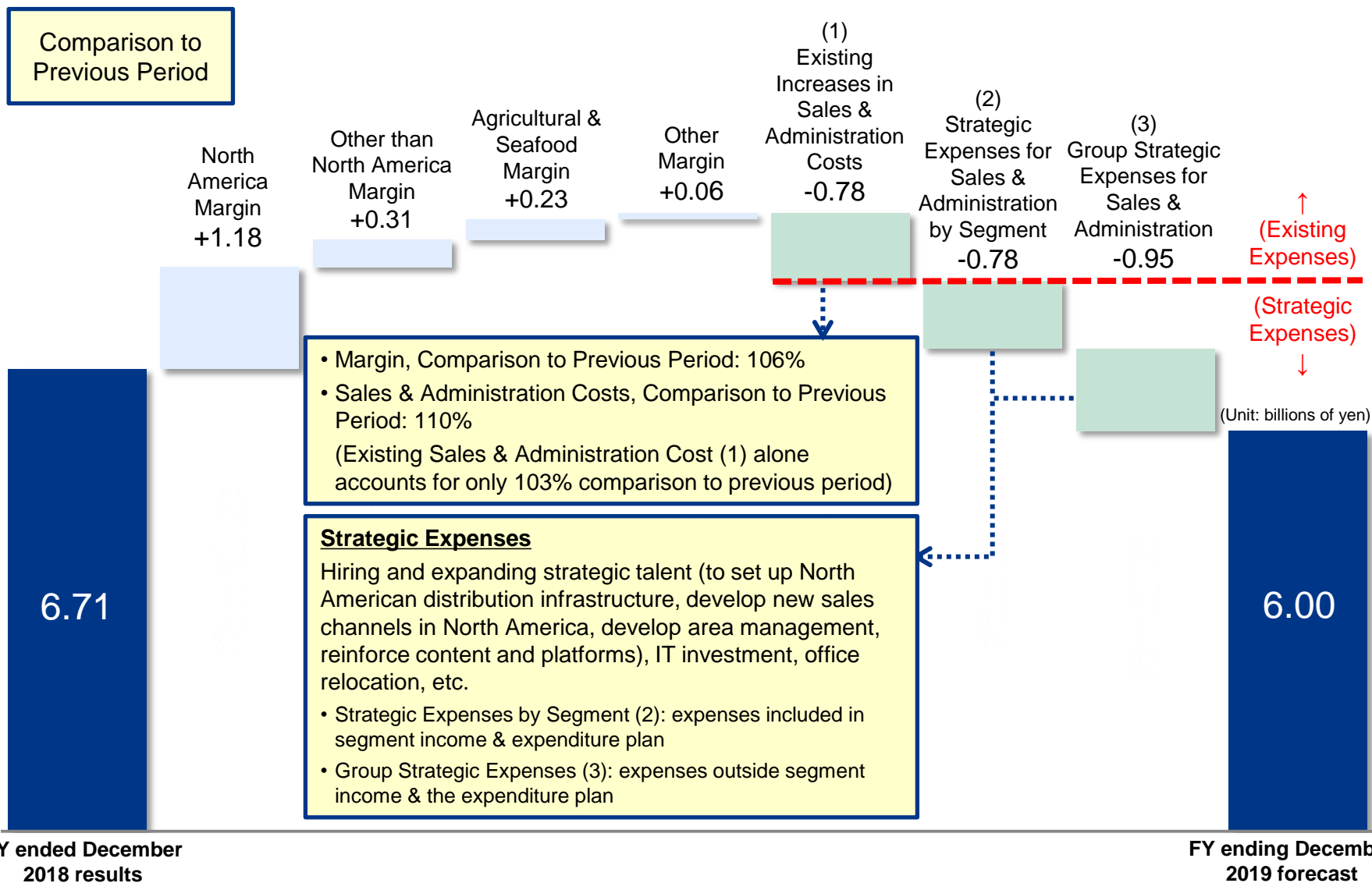
- Human resource for the formation of area management organization in the European, Asian and Chinese regions.

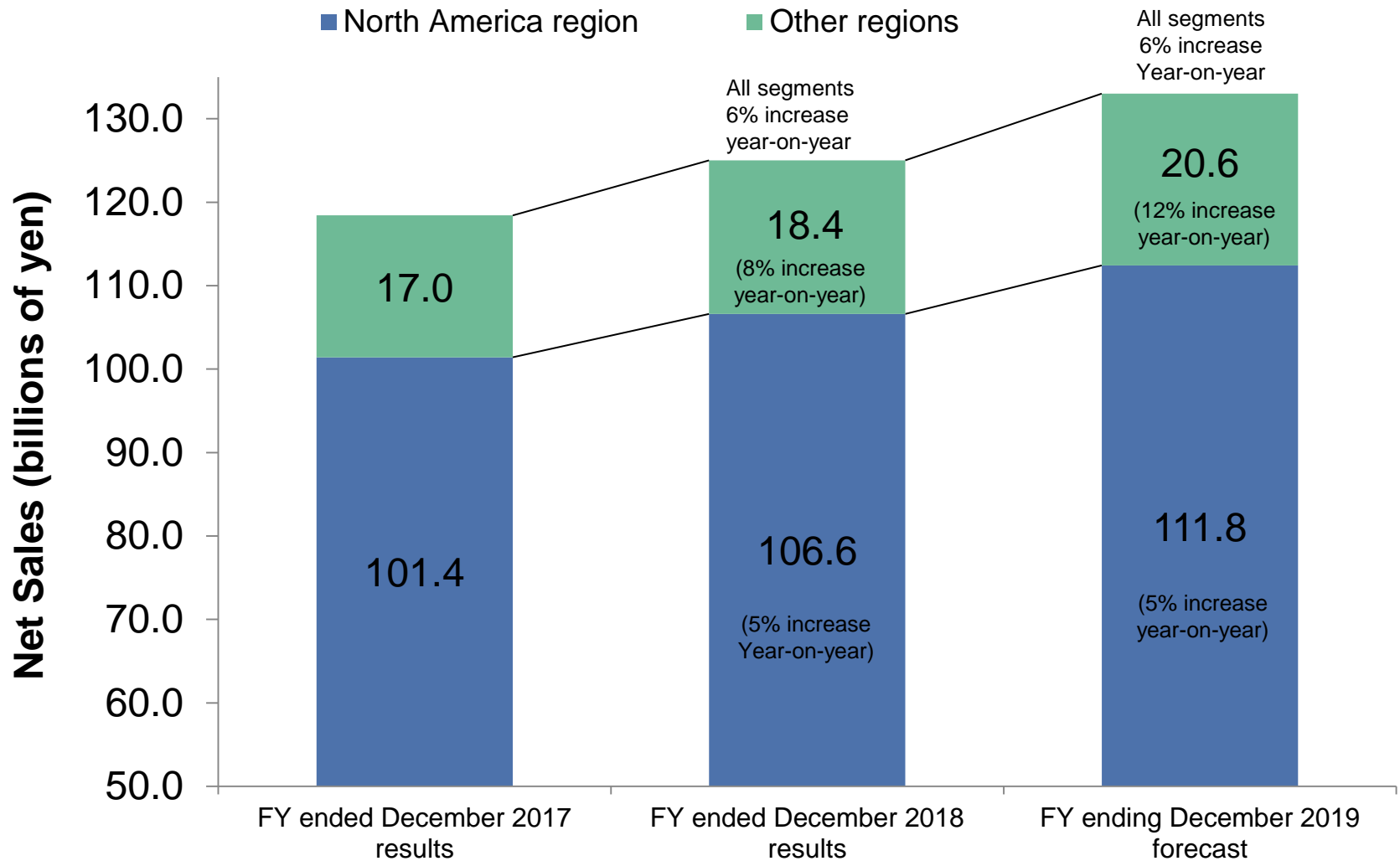
Investments in product content and platforms (recruitment and IT investment, etc.)

- 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.)





Medium-term Business Plan

A new medium-term plan for the 3-year period from 2019 until 2021 will be announced as soon as it is ready for release. At present, the scope of the business outlook will be limited to the fiscal year ending December 2019.



The external environment surrounding our business is changing drastically



Growth as the Group that overcame environmental changes

Great changes in the business environment

Food items

Distribution

Customer orientation
(Preference)

Changes in customer value

The Company's long-term vision

To become the “Only One” company in the global food distribution industry, that develops the most appropriate business “**platform**” in each country and region where the Company operates business, as well as expands multiple “**content**” (similar to a business model) on the “platform.”

Image of Platform Deployment

- ◆ The company will spin-off 5 areas within the group into separate companies, ensuring the development of close relationships with local markets and swift management of the business.
- ◆ Development of advanced distribution channels and logistics systems through the adoption of emerging technology, etc.
- ◆ Prepare an organization capable of delivering high value-added content on a global scale.

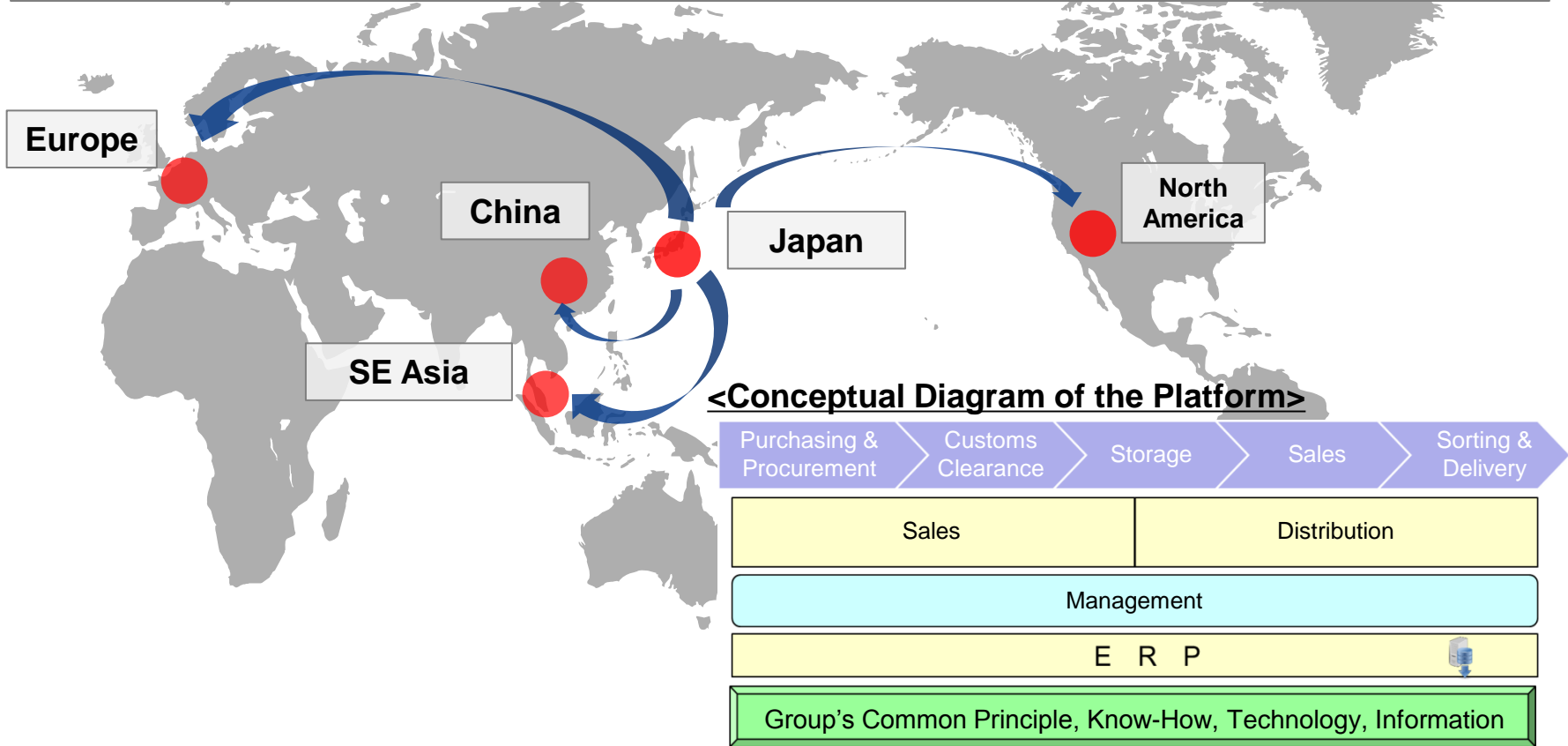
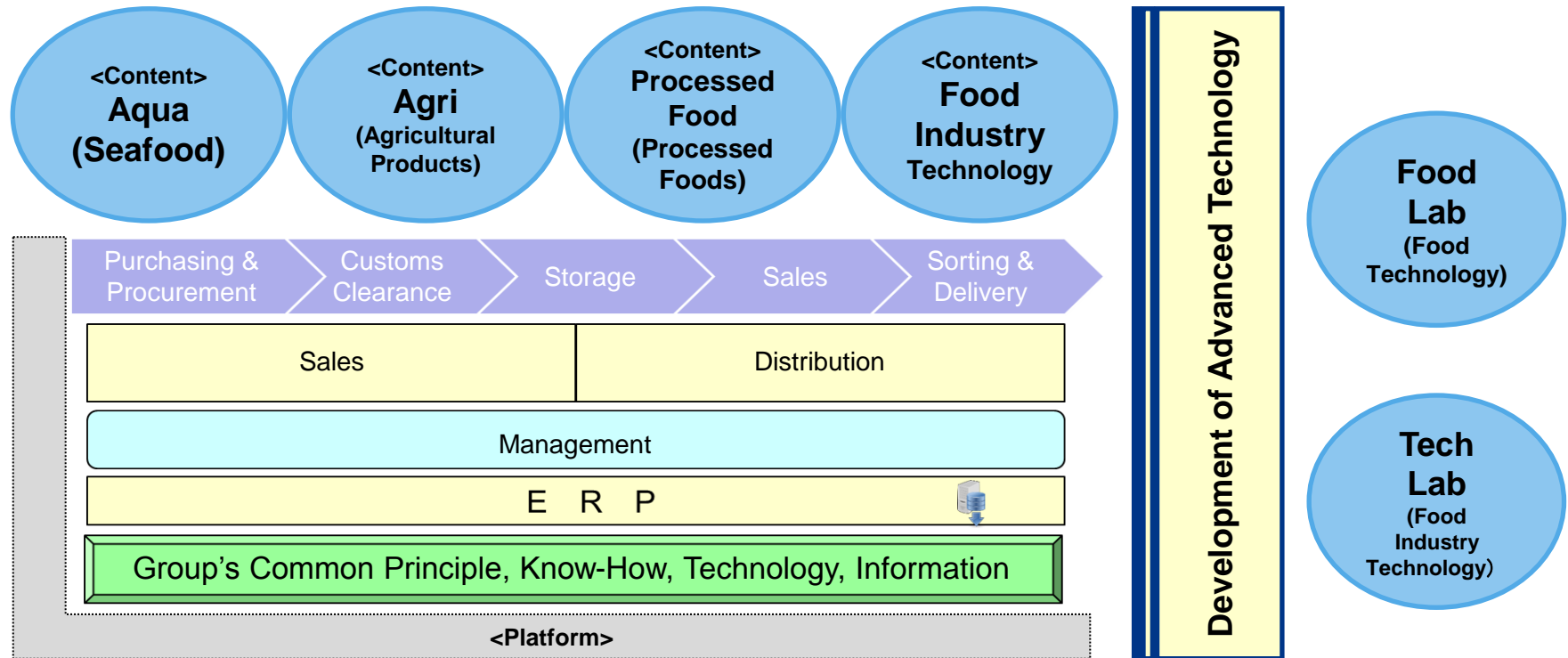


Image of Content Deployment

- ◆ By conducting a deep-dive analysis of the market, develop content and a business model that enables the development of new markets (non-Japanese restaurants, supermarkets, corporate accounts, etc.)

Existing and New Sales Channels

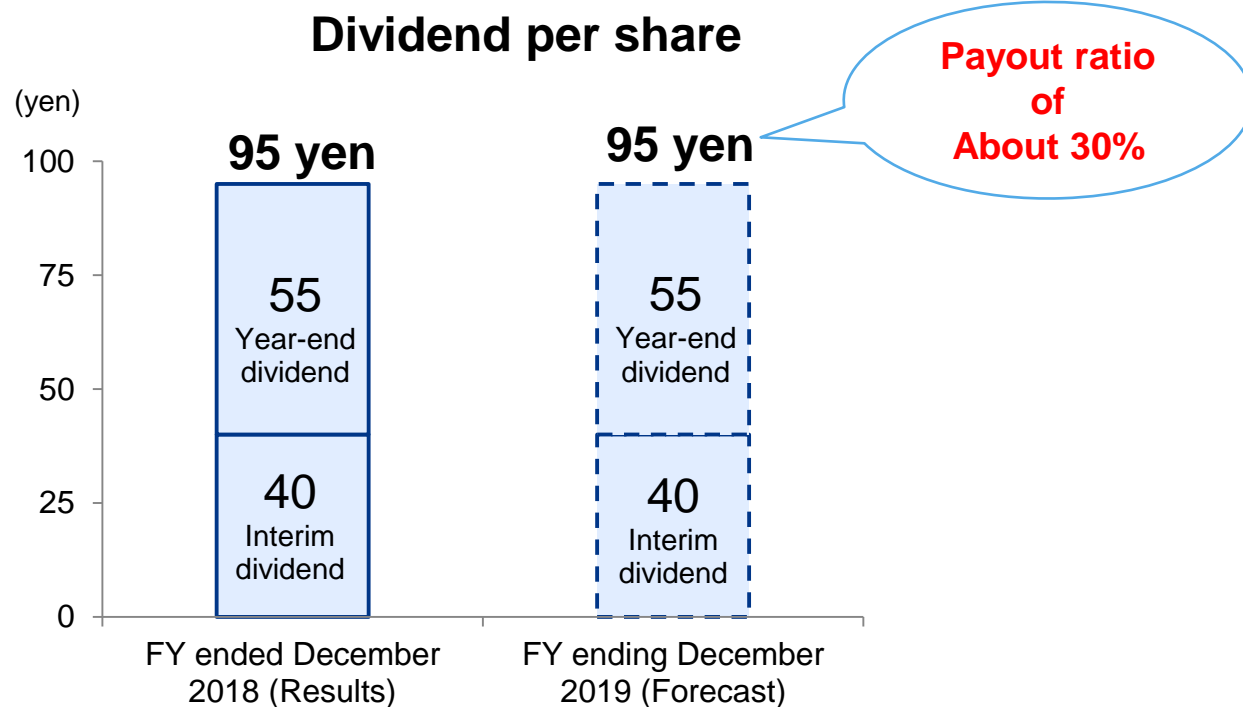


Policy of Returning Profits to Shareholders



[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 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).



Making people's lives around the world richer through food



Wismettac

Nishimoto Co., Ltd.



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