

Wismettac

Business Report
2017.1.1-2017.12.31



 **Wismettac**

Letter

page 1 Company Profile —What are Nishimoto's Strengths?—

Nishimoto Co., Ltd. in numbers

Bring Innovation to Global Food Scene



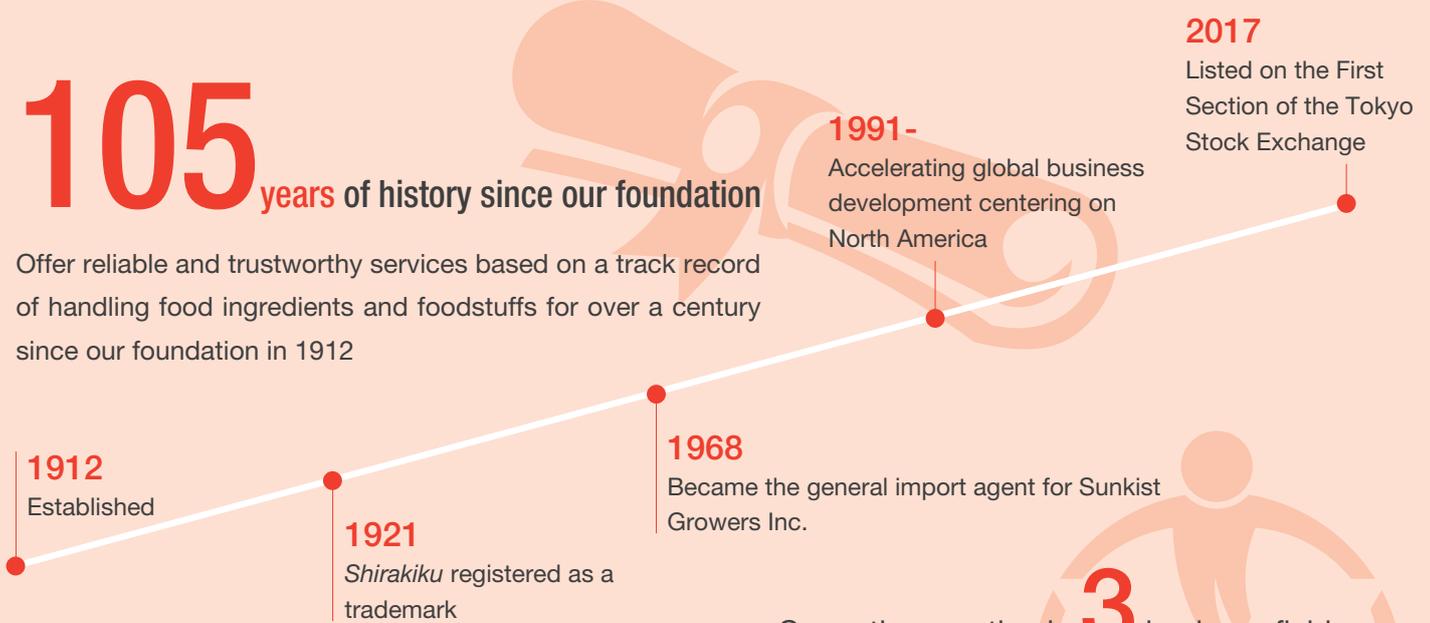
page 2 Interview with Management

Targeting further global business development and growth based on success in North America

Nishimoto Co., Ltd. in numbers

105 years of history since our foundation

Offer reliable and trustworthy services based on a track record of handling food ingredients and foodstuffs for over a century since our foundation in 1912



Currently operating in **3** business fields

Asian Food Global Business

The Asian Food Global Business sells foodstuffs and food ingredients sourced in Japan and elsewhere in Asia to Japanese restaurants, grocery stores and other customers mainly in North America, as well as in Europe, Australia, and Asia.

Agricultural & Seafood Products Trading Business

The Agricultural & Seafood Products Trading Business imports fresh fruit and vegetables, such as citrus fruit of Sunkist Growers Inc., seafood and other products, and sells them to wholesale markets. Nishimoto is also expanding its overseas sales channels through exports of fruit and vegetables from Japan and third-country trading.

Amenities & Retail Business

The Amenity Foods Business introduces distinctive overseas food brands to the Japanese market and plans and sells products for seasonal events. Other operations include supplements, world gifts and retailing.

46 business sites worldwide

Nishimoto's sales network interfacing directly with customers covers major cities in North America and is expanding to Asia, Oceania, and Europe.

1 -stop in-house integrated commercial flow and logistics from product planning, development, and manufacturing to direct and face-to-face sales

See page 3 for details.

By handling the entire operation covering the value chain through to product delivery, Nishimoto responds meticulously to customers and identifies needs.

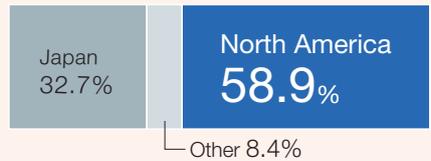


Extensive lineup comprising approximately

8,300 products offered in North America

We offer an extensive product lineup, including Shirakiku private brand items, attuned to country-specific laws and regulations as well as market preferences.

Composition of sales by region for fiscal year ended December 31, 2017



Sales in North America accounted for **58.9%**.

Solid presence in the Japanese food wholesale business of North America

Interview with Management

Founding principle

Supplying Japanese food to the world and bringing the world's food to Japan

Dream

Enrich the lives of people throughout the world through food



Takayuki Kanai
President & COO

Yoshiro Susaki
Chairman & CEO

Targeting further global business development and growth based on success in North America

Q. What are your thoughts on the listing on the First Section of the Tokyo Stock Exchange? What is your future vision for the company?

A. **We will continue to pursue our founding principle of supplying Japanese food to the world and bringing the world's food to Japan.**

The Nishimoto Wismettac Group was founded in 1912 as a trading company based in Kobe. In his business travels around the world, the founder had noted requests from Japanese immigrants for food from Japan. At that time, Japanese restaurants did not exist outside Japan, but there were corner stores run by Japanese selling Japanese ingredients. The company began as a wholesaler supplying these stores. As a pioneering exporter of food from Japan, the company registered the in-house brand *Shirakiku* as a trademark in 1921. The export business stopped during WWII, but started to flourish again in the post-war years amid booming demand for healthy foods and the inclusion by UNESCO of traditional Japanese cuisine on its Intangible Cultural Heritage list, etc. Today, Japanese food is popular around the world. Our Asian Food Global Business has grown by selling Japanese and other Asian foodstuffs and food ingredients to restaurants and supermarkets in North America and other overseas markets.

On the import side, our Agricultural & Seafood Products Trading Business has grown substantially based on our position since 1968 as the exclusive Japanese import agent for Sunkist Growers Inc. In fact, our relationship with Sunkist predates WWII. We supply fresh fruit and vegetables and marine produce imported from around the world to wholesale markets, volume retailers, the food service sector, food manufacturers, and other users in Japan.

To support the continued growth of the enterprise in its second century of operation, we decided to move it out of private ownership and become a public company. To strengthen administration, the Company recruited Takayuki Kanai, who now serves as President & COO alongside Chairman & CEO Yoshiro Susaki. Under the structure with two representative directors, the Company sought a listing and has recently listed on the First Section of the Tokyo Stock Exchange. Looking ahead, we plan to make our founding principle a reality by becoming a transnational supplier of foodstuffs and food technology.

Operating results for the fiscal year ended December 31, 2017

Net sales	172,078 million yen
Operating income	6,324 million yen
Ordinary income	5,916 million yen
Profit attributable to owners of parent	3,067 million yen

Q. What is your view of current market conditions?

A. We expect the market to expand further due to the rising Asian population in the United States and the continued growth of Japanese restaurants.

In North America, the principal market for our Asian Food Global Business, we expect growth to speed up as more people eat Japanese food as an everyday choice. The Ministry of Agriculture, Forestry and Fisheries also announced that the numbers of Japanese restaurants around the world has been growing significantly.

We are developing the Agricultural & Seafood Products Trading Business in line with the export strategy of the Japanese government that focuses on specific countries and merchandise. Going forward, in addition to imports, we will target further growth by exporting Japanese agricultural and marine produce.

Supported by these favorable conditions, we reported strong growth in sales in the fiscal year ended December 31, 2017 for both the Asian Food Global Business and Agricultural & Seafood Products Trading

Business. However, it was a more challenging year on the profits side.

The Asian Food Global Business reported lower profits on higher sales due to rising logistics costs in the United States and an increase in selling, general and administrative expenses.

The Agricultural & Seafood Products Trading Business was negatively affected by the first quality issues with citrus and tropical commodities in more than a decade, coupled with a cyclical surge in costs. In addition, the bullish industry outlook due to projections of continued favorable market conditions led to a glut of imports into Japan, resulting in a sharp decline in selling prices. Profits were squeezed significantly as this coincided with higher costs. While this occurred across almost all categories, conditions are starting to improve from early 2018.

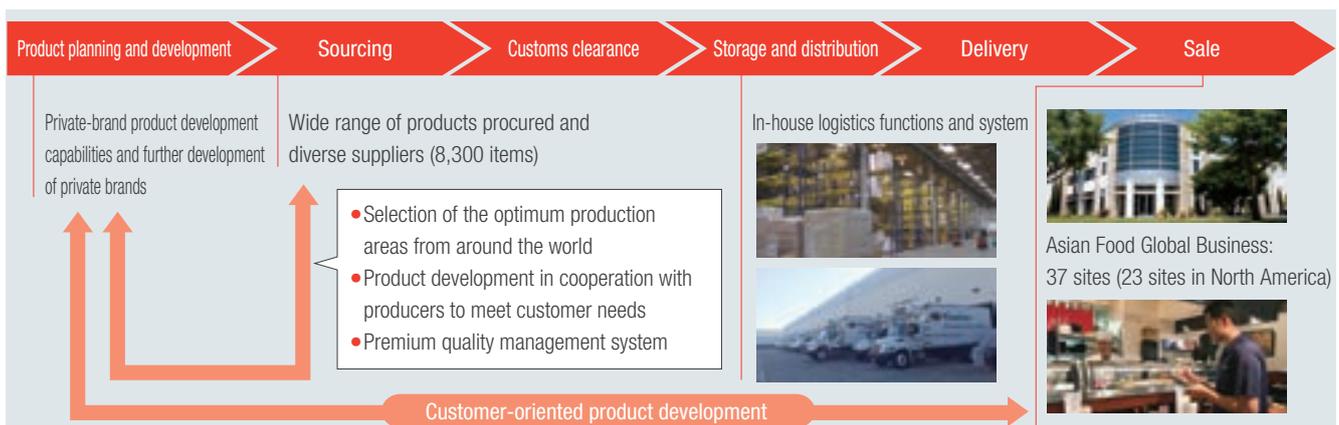
Q. Tell us about the Group’s in-house integrated commercial flow and logistics (platform).

A. Our business focuses on supplying Japanese and other Asian foodstuffs and food ingredients to North America and other parts of the world. We handle everything from product planning and development to sales and distribution in-house so that we can optimize costs while ensuring full regulatory compliance. This set-up also allows us to develop products that reflect the needs of customers precisely.

In the Asian Food Global Business, we have fully integrated the Group’s commercial flow and logistics across North America and other overseas markets so that our global food network covers everything from product planning and development and sourcing to local production, importation, customs clearance, warehouse storage and distribution, delivery, and sale. Using the data created by our global face-to-face sales team, we develop our own products—primarily private-brand—to meet the needs of specific regions and markets from the “market-in” perspective. We also have our own logistics functions so we can provide customers with a prompt service that meets their detailed needs precisely. To ensure we can supply products in the best condition, we have

our own fleet of trucks to service all our North American bases, along with a network of temperature-controlled warehouses with four operating zones (deep frozen, frozen, chilled, and room temperature). On the sales side, our sales staff visit restaurants, retailers and other customers to provide the quality of a face-to-face sales service. Together, they create the in-house integrated commercial flow and logistics, which we call “platform.”

Alongside this set-up, to prevent any health hazards linked to our products, we have created our own food safety system based on internal standards that go beyond statutory requirements in some cases. We also promote strict compliance as part of our culture of being a highly ethical food company.



Q. What are the major elements of the Group's future growth strategy?

A. In the Asian Food Global Business, we are extending the model we developed in North America globally and focusing on new business development. In the Agricultural & Seafood Products Trading Business, we are promoting sales activities in markets across Asia.

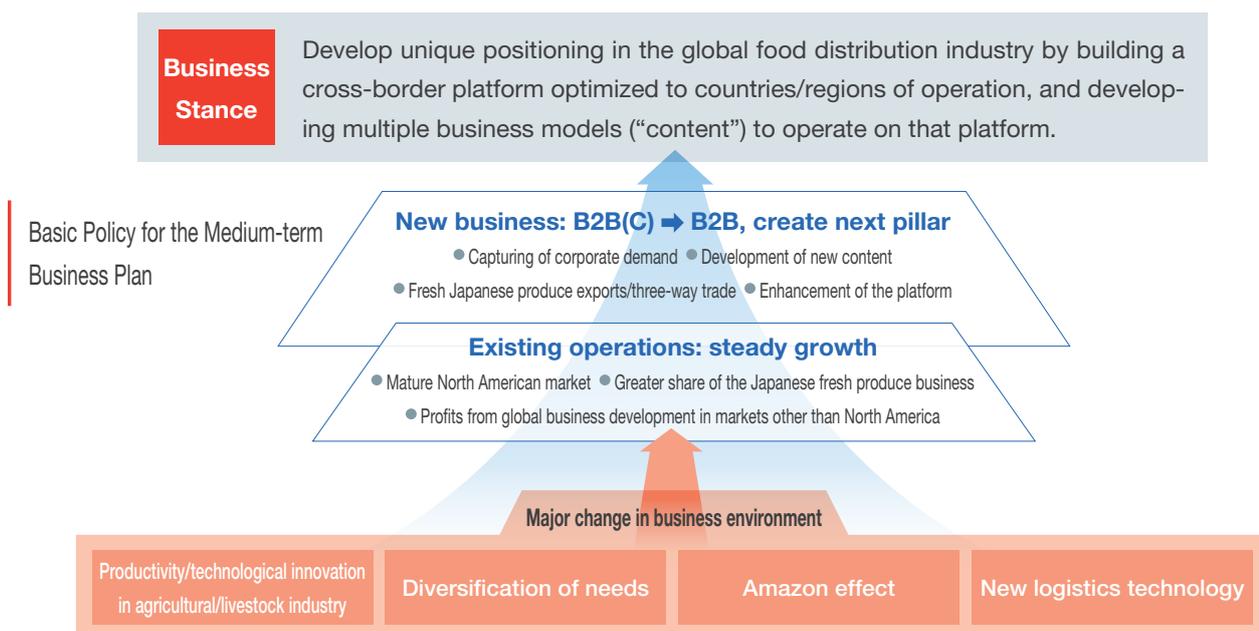
Asian Food Global Business

In our existing operations, we are undertaking radical business process reengineering in response to the increased logistics costs we faced in North America in fiscal 2017. We are tackling this issue by using laborsaving technologies such as AI and warehouse automation, too. We are also continuing to focus on developing private-brand products for customers in different sectors based on various themes. Separately, we are looking to turn efforts in markets outside North America to raise awareness of Japanese cuisine into new earnings streams. In terms of new business development, we are seeking to commercialize new content (i.e. new products and services to new customers) to take advantage of our existing operations platform in North America.

Agricultural & Seafood Products Trading Business

With prices having dipped in fiscal 2017 for the first time in about a decade, we expanded our share in the market and a recovery is expected. In addition to stabilization of the existing operations, the export operation is achieving solid growth, reflecting our position as one of the leading firms involved in the push by the Japanese government to boost exports of Japanese agricultural and marine produce and foodstuffs.

Under the three-year medium-term business plan starting in the fiscal year ending December 31, 2018, we expect to secure sales of 229.0 billion yen and operating income of 9.0 billion yen in the fiscal year ending December 31, 2020, based purely on the growth of our existing operations. We aim to generate additional sales and profits on top of this by sowing the seeds of new businesses and cultivating fledgling operations.



Q. What is your message to shareholders?

A. We are committed to the development of the Group for the benefit of stakeholders, based on making an enduring contribution to the international community through food.

We regard returning profits to shareholders as a critical management priority. Our basic policy is to maintain stable dividend payments while securing retained earnings necessary for future business development and strengthening the financial position.

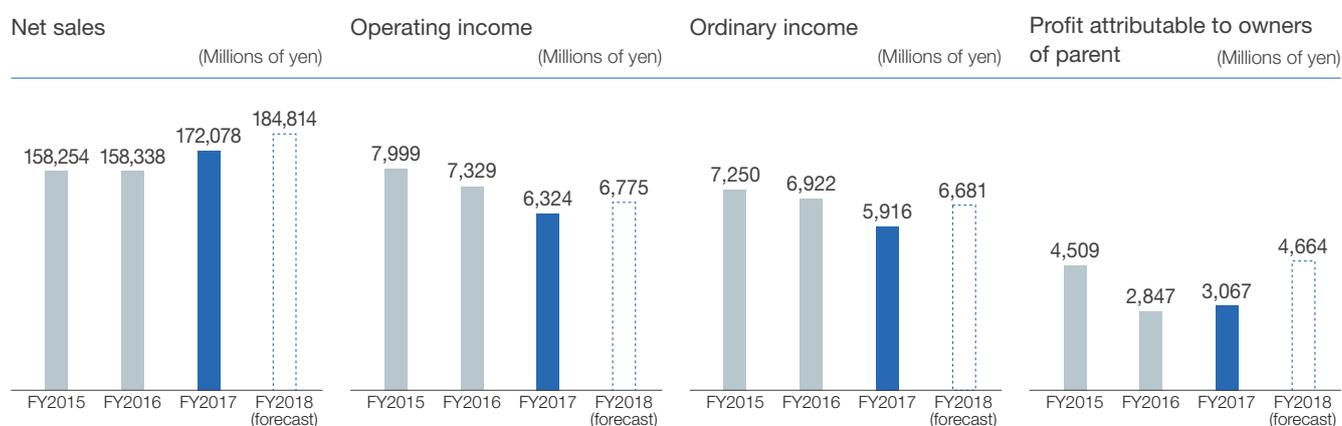
For the fiscal year ended December 31, 2017, we paid a year-end dividend of 70 yen per share. The payout ratio was 32.8% on

a consolidated basis. For the fiscal year ending December 31, 2018, we expect to pay annual dividends of 95 yen per share, comprising an interim dividend of 40 yen per share and a year-end dividend of 55 yen per share. The projected payout ratio is 29.2%.

We will endeavor to boost shareholder returns in various other ways by setting high targets. In closing, we ask all our shareholders for their continued guidance and support.

Consolidated Financial Highlights

		FY2015	FY2016	FY2017	FY2018 (forecast)
Net sales	(Millions of yen)	158,254	158,338	172,078	184,814
Operating income	(Millions of yen)	7,999	7,329	6,324	6,775
Ordinary income	(Millions of yen)	7,250	6,922	5,916	6,681
Profit attributable to owners of parent	(Millions of yen)	4,509	2,847	3,067	4,664
Net assets	(Millions of yen)	37,131	38,979	49,753	—
Total assets	(Millions of yen)	60,627	72,721	84,336	—
Net assets per share	(Yen)	2,972.10	3,120.03	3,466.38	—
Net income per share	(Yen)	360.94	227.95	236.37	—
Equity ratio	(%)	61.2	53.6	59.0	—
ROE	(%)	12.9	7.5	6.9	—



Overview by segment

Composition of sales (%)



Asian Food Global Business

Net sales 118,444 million yen

Segment profit 5,699 million yen

Although net sales in the North American region grew steadily, operating income declined as selling, general and administrative expenses rose owing to increases in both personnel expenses and logistics expenses, as well as headcount expansion to bolster each business unit. In regions other than North America, both net sales and operating income increased markedly because of the conversion of Harro Foods Limited in the U.K. and Wismettac Nippon Foods Co., Ltd. in Hong Kong into consolidated subsidiaries of the Company, while also reflecting business expansion and strengthening of earnings power at existing sites.



Agricultural & Seafood Products Trading Business

Net sales 49,643 million yen

Segment profit 431 million yen

Net sales exceeded the previous year's result. Although operating income picked up somewhat in the fourth quarter of the fiscal year ended December 31, 2017, it was lower than that for the previous fiscal year due to the impact of the higher cost of citrus and tropical commodities since the fourth quarter of the previous fiscal year.



Amenities & Retail Business

Net sales 3,990 million yen

Segment profit 174 million yen

Net sales and operating income both increased owing to firm sales in Japan of seasonal products such as those related to Halloween and Christmas, as well as of character products, etc.

Corporate Information (as of December 31, 2017)

Corporate Profile

Company Name	Nishimoto Co., Ltd.
Established	May 1912
Head Office	Onward Park Building, 3-10-5 Nihonbashi, Chuo-ku, Tokyo
Capital	2,646,177,532 yen

Directors (as of March 27, 2018)

Chairman & CEO	Yoshihiro Susaki	Director (Full-time Audit & Supervisory Committee Member)	Shinji Takahashi
President & COO	Takayuki Kanai	Outside Director (Audit & Supervisory Committee Member)	Kimikazu Nomi
Director & CFO	Atsuhiko Kimura	Outside Director (Audit & Supervisory Committee Member)	Yukiko Omura

Worldwide Network

<Japan>

Nishimoto Co., Ltd.

- Tokyo Head Office, Okinawa Representative Office, Kobe Office (Registered Head Office Location)

Nishimoto Trading Co., Ltd.

- Tokyo Head Office, Kobe Office (Registered Head Office Location)

Wismettac Foods, Inc.

- Tokyo Head Office, Kobe Office, Kobe Branch Tobu Sales Office

<North America>

Wismettac Asian Foods, Inc.

- Los Angeles Office, Arizona Office, Atlanta Office, Chicago Office, Dallas Office, Denver Office, Miami Office, Hawaii Office, Houston Office, Las Vegas Office, New York Office, San Diego Office, San Francisco Office, Seattle Office, Washington, DC Office, Toronto Office, Vancouver Office, Montreal Office, Orlando Office, Boston Office (Satellite Office), Sacramento Office (Satellite Office), Calgary Office (Satellite Office), Ohio Office (Satellite Office)

<Asia>

Nishimoto Trading Co., Ltd.

- Bangkok Representative Office

Wismettac Foods Shanghai Co., Ltd. (Changed the company name from Nishimoto Trading Group Foodstuffs Shanghai Co., Ltd. on January 5, 2018)

Shanghai IPM Co., Ltd.

NTC Wismettac Singapore Pte. Ltd.

Wismettac Nippon Foods Co., Ltd.

<Oceania>

NTC Wismettac Australia Pty Ltd.

- Sydney Office, Melbourne Office, Perth Office, Brisbane Office

<Europe>

Nishimoto Trading Co., Ltd.

- Paris Representative Office

NTC Wismettac Europe B.V.

Harro Foods Limited

SSP Konsumgüter TRADE & CONSULT GmbH

COMPTOIRS DES 3 CAPS SARL

- Comptoirs Oceaniques
- Cap Cavally
- Tropic Fish

Stock Information

Total Number of Shares Authorized	50,000,000
Total Number of Shares Outstanding	14,353,140
Number of Shareholders	7,799

Major Shareholders

Shareholder Name	Number of shares held (thousands)	Shareholding ratio (%)
Tatsumi Sangyo Co., Ltd.	6,235	43.4
Yoshiro Susaki	2,910	20.3
Susaki Welfare Foundation	1,300	9.1
Japan Trustee Services Bank, Ltd. (trust account)	407	2.8
The Master Trust Bank of Japan, Ltd. (trust account)	214	1.5
Takayuki Kanai	140	1.0
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	110	0.8
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	101	0.7
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	97	0.7
Japan Trustee Services Bank, Ltd. (trust account 2)	88	0.6

(Note 1) Numbers of shares held are rounded down to the nearest one thousand.

(Note 2) In calculating shareholding ratios, 36 shares of treasury stock are excluded.

Our Website

Our website presents information about our business, news & topics, and an overview of the Nishimoto Wismettac Group. The Investor Relations page offers the latest financial data, IR news, the IR Library, and much more. Please visit our website.

<http://www.wismettac.com/ja/index.html>



Shareholder Memo

Fiscal Year	January 1 - December 31
General Meeting of Shareholders	Within three months from the day following the last day of each fiscal year
Record Date	December 31
Dividend Record Dates	June 30 for interim dividend December 31 for year-end dividend
Investment Unit	100 shares
Office of Shareholder Registry Administrator	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Method of Public Notice	The Company publishes public notices by posting electronic public notices. However, in the event that an electronic public notice is impracticable as a result of an accident or for other unavoidable reasons, the Company shall post its public notices in The Nikkei. URL for posting electronic public notices http://www.wismettac.com/ja/ir/e-announce.html

News & Topics

Listed on the First Section of the Tokyo Stock Exchange

Nishimoto is listed on the First Section of the Tokyo Stock Exchange as of September 29, 2017. All of our directors and employees are aware of our social responsibilities as a listed company. We will develop businesses with the aim of contributing to society as a global enterprise offering food ingredients and foodstuffs as well as food technology to the global market.



Shareholder Special Benefit Plan Introduced

We have introduced the shareholder special benefit plan to show our appreciation to shareholders for their ongoing support. Shareholders owning one unit (100 shares) or more of the Company's shares will receive a coupon code (one coupon code is equivalent to 3,000 yen) usable at the NISHIMOTO WORLD GIFT e-commerce site. For details, please refer to the information material provided with this Business Report.



Vol.1
United States
New York

Nishimoto Wismettac Group Around the World

The Nishimoto Wismettac Group is developing business globally to deliver great taste with convenience to your dinner table.

From the New York Office of Wismettac Asian Foods, Inc.

Q. What's the local perception of the Nishimoto Wismettac Group? And what does your job involve?

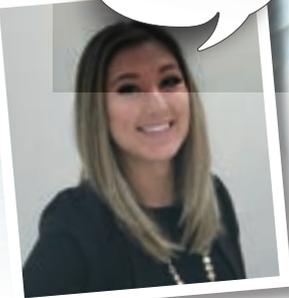
Our wide range of merchandise and great service make Wismettac the first company that restaurant managers think of when sourcing Japanese ingredients.

In my sales role, I look after some famous Japanese restaurants in New York. Besides taking weekly orders and introducing new products, an important part of my job is building good relationships with customers. In New York, where we compete with rival suppliers, in addition to the competitively priced high-quality *Shirakiku* private brand, my advantage lies in the quality of the customer relationships that I develop. In many restaurants, I am treated as a member of the family. When I see a restaurant's success, it gives me great joy to know that I contributed in some way.

Q. What is your favorite when eating out in New York?

With thousands of restaurants, New York offers a huge choice, which makes it impossible to choose one favorite place or type of food. The food trucks that park on the streets of New York also provide great casual dining options. You can get many types of food from these vendors, including halal dishes, Korean barbecue and hot dogs. Your order is ready in a few minutes, and the food is cheap and delicious! Chicken over rice from a halal food truck is what many New Yorkers eat after going out for a drink with friends!

Voice from
overseas



Kaori Emily Heint

Sales Manager, New York &
New Jersey Restaurants Division



News from an employee at the local office

Status of Japanese food overseas

What is the "Asian fusion" style that is becoming so popular in New York?

The rise of Japanese food and culture has helped to popularize the notion of "Asian fusion," which blends Japanese cuisine with elements from other food cultures. Examples include Japanese-French fusion and Japanese-American. While there is strong underlying demand for Japanese food, Asian fusion aims to provide a wider range of dishes to satisfy any type of consumer. Specialty sushi rolls are especially popular that use all sorts of ingredients, or that have unconventional toppings such as cream cheese or mango sauce. The variety of sushi rolls is endless, and many sushi chefs are creating new ones every day that are both delicious and look great.

Nishimoto Co., Ltd.

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