

[English translation of a letter sent by Hibiki Path Advisors to Nishimoto Co., Ltd.]

To:

Chairman & President CEO Yoshiro Susaki

Director and CFO Yuji Sasa

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Nishimoto Co., Ltd.

My name is Yuya Shimizu, representative Director and CIO of Hibiki Path Advisors. I write to you to express my personal views on IR disclosure after viewing your company's financial results and attending the earnings call for FY and Q4 2021.

When attending your earnings call for institutional investors and sell-side analysts on February 16, I realized there were number of positive nuances related to the earnings forecast that is not mentioned in the materials disclosed on February 14. We felt that your earnings forecast for FY2022 was ghastly conservative after our internal review, and such view was confirmed during the earnings call as it was repeatedly mentioned "we believe our forecast to be conservative". This can be seriously damaging to your shareholders' trust because, unless you attend the earnings call (which already does not seem to be so popular), market will take your forecast looking for 12.5% increase in revenue and 31.5% decrease in operating profit in face value. This led to next day's stock opening price to be -11.7% from previous close even though your FY2021 results was significantly higher than your original forecasts and dividends were dramatically increased. I suspect that you must also have wondered why the market reacted that way.

Therefore, I would like to make two suggestions to cope with such situation. The first point is about how to disclose future earnings forecasts (including mid-term plans). We understand that due to the difficulty in forecasting the market environment and the complexity of your group's business operations, your forecasts tend to be conservative. If so, we would urge you to disclose (1) the analysis of the factors consisting of the increase/decrease in profits, or (2) the key points of your thinking behind the earnings forecast. If such information and nuances are not expressed sufficiently in your materials, investors are not able to judge whether the forecasts you provide are based on mere conservatism or simple lack of confidence, and usually market takes it at face value (i.e. lack of confidence).

The main purpose of IR disclosure is to mitigate the information asymmetry that exists between companies and the market as much as possible through appropriate communication, and this should reduce the risk premium and thus the cost of capital, eventually leading to appropriate stock price valuation. Your company's P/E ratio of 8.3x and P/B ratio of 0.7x (both based on the previous fiscal year) deviates significantly from the appropriate valuations that we believe should be assigned to business like yours. In the case of larger market cap companies, the number of attendees at earnings calls is large, and sell-side analysts inform the market of the nuances of their earnings forecasts in their reports, thus reducing the information asymmetry. For companies such as yours that do not have such

coverage, it is becoming more difficult to have this effect especially when global investors' interest in the Japanese market is waning.

The second point is about how to improve IR activities. As mentioned above, since your company is completely ignored by sell-side analysts (zero coverage), it is difficult for you to improve awareness of your company to the market. Given the size of your company's market cap and the general trend of the Japanese market, I understand the difficulty in obtaining sell-side coverage. However, if this situation does not change and the information asymmetry between your company and investors continues to be large, it will be even more difficult for investors to invest in your company, which will potentially lead to a vicious cycle of your stock price keeps falling into oblivion even when your business is okay.

Since your company does not have such coverage at present, in addition to conducting timely and sufficient IR activities, we would like to recommend that you continuously use services such as sponsored research reports. This way, your company can approach a wider range of investors and will make it easier to convey the nuances of earnings forecast. To further improve your company's recognition and reduce the risk premium, we would appreciate it if you would take a more proactive approach to IR disclosure.

Your company handles Asian food wholesale distribution on a global scale, for which demand is expected to continue to grow, and has a high market share especially in the U.S. In addition, you have a grand vision of becoming a platformer that combines various themes such as "Food", "Medical", "DX", and the like in the medium to long run. Even though your company has both an excellent foundation and an exciting future, it is quite unfortunate that market participants are not aware of the true value of your business. We believe that the initiatives we have proposed will help more investors recognize the attractiveness of your company, and it should create the necessary environment (i.e. stock price reevaluation) for your company to implement the measures you have proposed for the next four years to meet the requirements of prime market listing, such as encouraging major shareholders to sell their shares, which will be a major step forward in meeting the criteria of tradable shares ratio.

We, as a shareholder, sincerely hope that you will consider the above two suggestions.

Yours truly,
Yuya Shimizu

Representative Director/Chief Investment Officer
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