COMPANY RESEARCH AND ANALYSIS REPORT

Nissan Tokyo Sales Holdings Co., Ltd.

8291

Tokyo Stock Exchange First Section

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Index

Summary

Results are recovering supported by new vehicle launches and its strengths, which include best practices

1. The largest auto-dealership in Tokyo selling Nissan and Renault brand vehicles

Nissan Tokyo Sales Holdings Co., Ltd. <8291> (hereafter, also “the Company”) is a holding company under whose umbrella includes three vehicle-sales companies affiliated with Nissan Motor Corporation <7201>. It conducts businesses including sales of new and used Nissan and Renault brand vehicles, trade-ins and sales of used vehicles, and vehicle maintenance. Its sales areas cover close to 90% of the population of Metropolitan Tokyo and it is the largest auto-dealership in Tokyo. It is also developing original businesses that do not rely on the Nissan brand, including sales of used vehicles and maintenance by Gtnet Co., Ltd., and mandatory vehicle inspections by Shakenkan Co., Ltd. In addition, listed subsidiary TOKYO NISSAN COMPUTER SYSTEM Co., Ltd. <3316> conducts an information systems-related business, centered on a solutions-provider business. In the percentages of total sales by business segment (FY3/20), the vehicle-related business provided 94% (new vehicles 46%, used vehicles 21%, others 27%), the information systems-related business 5%, and other businesses 0%.

2. Strengths include consolidation and best practices against the backdrop of one-stop services, and “Nissan’s technologies”

The Company’s strengths, which are characterized by one-stop services for car longevity, include “consolidation” and “best practices” to smoothly turn the cycle of one-stop services. Consolidating three sales companies by having them join the Group eliminated discount competition between dealerships selling the same brands, and it is also generating scale merits and cost merits. Moreover, sharing best practices and developing them horizontally across the Group’s companies is improving the sales and the sales promotion hit ratios, and also increasing the sales unit price. This is why the dealerships can achieve a relatively high operating profit margin even while being located in Tokyo, which is an area of high costs. Also, “Nissan’s technologies,” which is the traditional slogan of Nissan Motor, is another of the Company’s strengths. In the last few years, Nissan Motor’s results have slumped, so the Company has also struggled. But Nissan is progressing technological innovations, including being a pioneer in EV (electric vehicles), and it plans to continuously launch cutting-edge new vehicles supported by these technologies.

3. Developing a growth strategy “to continue to be the leading car dealership group in Tokyo”

The Company’s corporate philosophy is to “continue to be the leading car dealership group in Tokyo in the Japanese market.” But currently, concerns are accumulating about the decline in demand, such as due to the declining birthrate and aging population occurring as technologies are evolving dramatically, and it is said that the automotive industry has entered “a period of great reforms that occurs once every 100 years.” To respond to this, in addition to continuing to bolster its strengths, of best practices, synergies, and original businesses, the Company plans to grow earnings in the medium-term from the continuous launches of advanced new vehicles by Nissan Motor and by conducting M&A for businesses peripheral to vehicles. To achieve this, its policy is to foster an organizational culture that prioritizes diversity in which employees can demonstrate their individuality, and by having employees coordinate and collaborate so they can leverage their capabilities to the greatest possible extent. Furthermore, it appears to be progressing investment in dealerships equipped with the latest equipment toward improving convenience for aspects like location and dealership size, and to increase EV sales in the future.

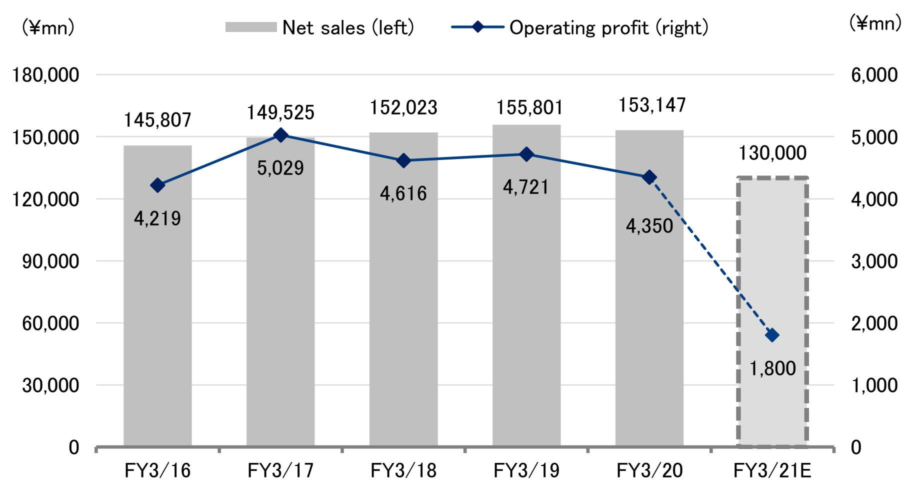
4. In the 1H FY3/21 results, profits declined due to the coronavirus, but results for the full fiscal year will recover, supported by new vehicle launches ~ toward a medium-term growth recovery

In the 1H FY3/21 results, net sales were ¥62,946mn (down 17.5%YoY) and operating profit was ¥251mn (down 89.3%). Profit decreased due to a slump in sales of new vehicles owing to the impact of the novel coronavirus pandemic, but they gradually recovered toward the 2Q and the 1Q loss was eliminated. For the FY3/21 results outlook, the Company is forecasting net sales of ¥130,000mn (down 15.1% YoY) and operating profit of ¥1,800mn (down 58.6%), while it is targeting a recovery in the number of new vehicles sales, supported by the new vehicles to be launched in FY3/21. The Company did not incorporate the impact of the novel coronavirus pandemic in its medium-term management plan targets, so it may be necessary to revise these targets in the future. However, when considering factors such as the Company's various strengths and the new vehicle launches, it is not thought necessary to change the growth strategy itself and the outlook is that it will return to a growth trend sooner rather than later.

Key Points

- As the largest auto-dealership in Tokyo, its features include original businesses and an information systems subsidiary
- Has a three-sales-companies structure that leverages scale merits, and its strengths include best practices with major synergies
- In the 1H FY3/21 results, profits declined due to the coronavirus, but they are currently recovering toward a growth recovery in the medium term, supported by new vehicle launches

Results trends



Source: Prepared by FISCO from the Company's financial results

Company outline

The largest auto-dealership in Tokyo

1. Company outline and history

The Company is a holding company under whose umbrella include Nissan Motor-affiliated auto-dealerships (vehicle sales companies). It conducts a business of selling Nissan and Renault brand vehicles based in Tokyo, which is the center of Japan, and boasts the largest dealership among Tokyo's auto dealerships even among nationwide Nissan-affiliated dealerships. It mainly sells the vehicles of Nissan Motor and its group companies and purchased parts. It also conducts other businesses, including trade-ins and sales of used vehicles on the Internet, vehicle body maintenance, and mandatory vehicle inspections. In addition, the listed subsidiary TOKYO NISSAN COMPUTER SYSTEM conducts an information systems-related business, mainly a solutions provider business.

The Company was founded in Tokyo City in 1942 as Tokyo Prefecture Automobile Supply Co., Ltd., based on the Ministry of Commerce and Industry's Guidelines to Establish an Automobile and Automobile Parts Supply Structure. After the war in 1946, it changed its company name to Tokyo Nissan Auto Sales Co., Ltd., and subsequently its business scope gradually expanded alongside motorization, and in 1961, it was listed on the Tokyo Stock Exchange (TSE) 1st Section. In 1989, it established TOKYO NISSAN COMPUTER SYSTEM to focus on a systems business; in 2002, it established Shakenkan to strengthen mandatory vehicle inspections; and then in 2004, TOKYO NISSAN COMPUTER SYSTEM was listed on the JASDAQ market. Also, in the same year it transitioned to a holding company structure through a company split and changed the company name to East Japan Car Life Group Co., Ltd. In 2008, it conducted a capital increase through a third-party allocation for NISSAN NETWORK HOLDINGS COMPANY LIMITED, which is a subsidiary of Nissan Motor, and it became an equity-method affiliate of Nissan Motor. In 2011, it made the three Tokyo-based companies--Nissan Auto Sales Co, Ltd., Nissan Prince Tokyo Sales Co., Ltd., and Nissan Prince West Tokyo Sales Co., Ltd.---into Group companies, thereby significantly expanding its Nissan vehicles dealership business, including undertaking practically all sales of Nissan vehicles in Tokyo. Alongside the transition to the new holding company structure, it changed is company name to Nissan Tokyo Sales Holdings Co., Ltd.

Looking back, a major turning point was when the Company added three companies to the Group in 2011. Many auto-dealerships develop a similar lineup from within the brand strategies of the manufacturers to which they are affiliated, and they compete not only with the networks of other manufacturers, but also with the network of dealerships of the same manufacturer. However, the number of new vehicles sales has stopped growing due to factors such as the declining birthrate and aging population, the declining population, and the percentage of people who own a vehicle, and we have entered an era in which the number of vehicles nationwide is trending unchanged YoY at around 5 million. So for dealerships to grow as companies, they must improve operating efficiency through scale merits and consolidation, and also develop an independent strategy to promote growth. Within the industry, the Company responded very quickly to these environmental changes and progressed down a path of becoming a group. Recently, a movement has strengthened to integrate dealerships for each manufacturer and in each area, but the Company was a pioneer in this and it is considered to be the source of its strengths, which are described below.

History

Date	Description
November 1942	Established as Tokyo Prefecture Automobile Supply Co., Ltd., in Kyobashi Ward, Tokyo City
October 1943	Changed company name to Metropolitan Tokyo Automobile Maintenance Supply Co., Ltd.
February 1946	Changed company name to Tokyo Auto Sales Co., Ltd.
December 1946	Changed company name to Tokyo Nissan Auto Sales Co., Ltd.
September 1955	Relocated the Head Office to Tameike, Minato Ward
October 1961	Listed on the TSE 1st Section
January 1971	Relocated Head Office to Roppongi, Minato Ward
March 1977	Made Tokyo Nissan Motor Co., Ltd., a base and accepted some personnel
April 1982	Established Tohnichi Services Co., Ltd.
July 1985	Acquired part of the sales of New Tokyo Nissan Auto Sales Co., Ltd.
March 1989	Established TOKYO NISSAN COMPUTER SYSTEM CO., LTD.
June 1999	Established Showajima Service Center Co., Ltd.
July 2000	Relocated the Head Office to Nishi Gotanda, Shinagawa Ward
October 2002	Established Shakenkan Co., Ltd.
August 2003	Tohnichi Services conducted an absorption merger of Showajima Service Center and changed the company name to Ace Auto Services Co., Ltd.
March 2004	TOKYO NISSAN COMPUTER SYSTEM was listed on the JASDAQ market
April 2004	Transitioned to a holding company structure through a company split and changed the company name to East Japan Car Life Group Co., Ltd.
February 2008	Conducted a capital increase through a third-party allocation of shares for NISSAN NETWORK HOLDINGS COMPANY LIMITED
April 2011	Made subsidiaries of Nissan Prince Tokyo Sales Co., Ltd., and Nissan Prince West Tokyo Sales Co., Ltd.
April 2011	Transitioned to a new holding company structure for the greatly expanded Nissan dealership business and changed the company name to Nissan Tokyo Sales Holdings Co., Ltd.
April 2012	Changed the company name of Ace Auto Services to NT AUTO SERVICE INC.
July 2019	Made a subsidiary of Gtnet, Inc.

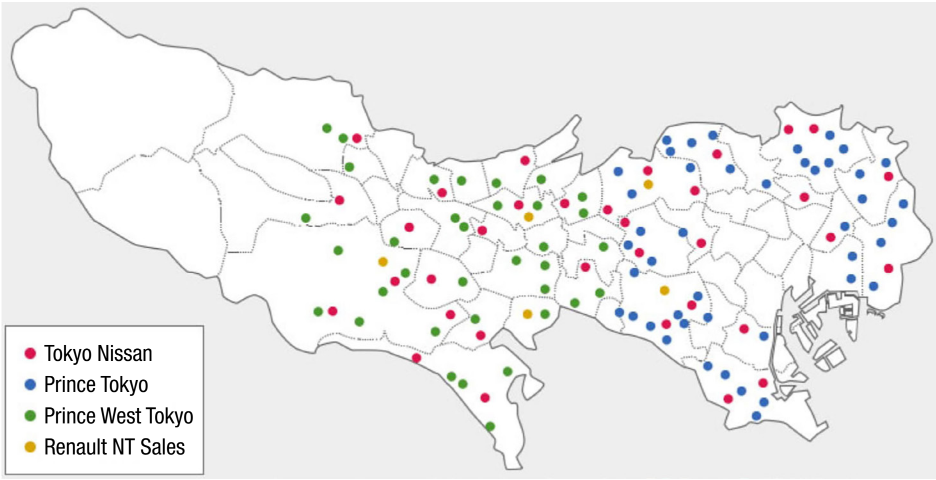
Source: Prepared by FISCO from the Company's securities report, etc.

There are 12 subsidiaries under the holding company, including 3 sales companies and a listed information systems company

2. Overview of the organization

The Company supervises 12 subsidiaries (including 3 non-consolidated subsidiaries), and 2 affiliates. Among the subsidiaries, 3 sell new vehicles; Tokyo Nissan Auto Sales, Nissan Prince Tokyo Sales (including the virtual company Renault NT Sales), and Nissan Prince West Tokyo Sales. Its base is all the areas of Metropolitan Tokyo excluding Tokyo's 8 central wards. But as explained in the History section, through having companies join the Group, the Company has come to undertake basically all sales of Nissan brand vehicles in Tokyo. Incidentally, the 8 central wards, which are Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, Bunkyo Ward, Taito Ward, Shibuya Ward, and Toshima Ward, correspond to Tokyo's city center, and it is the area for the business being developed by a Nissan Motor consolidated subsidiary, mainly for corporate demand (it can be said to be Nissan Motor's direct sales area). However, while being the city center, the population of these 8 wards is about 1.8 million people, which is no greater than slightly more than 10% of the population of all the areas in Metropolitan Tokyo, of 14 million people. In other words, the areas that constitute the Company's base cover nearly 90% of Tokyo's population.

The sales companies' network of dealerships



Source: The Company's website

The three companies selling new vehicles also handle used vehicles, reselling vehicles that are traded-in at the time of a new vehicle sale by selling them at used vehicle auctions. The subsidiary Gtnet does not only handle Nissan Motor vehicles and independently conducts used vehicle trade-ins and sales via actual dealerships and the Internet. For vehicle maintenance and vehicle inspections as well, other than the new vehicle sales companies, NT AUTO SERVICE INC., Gtnet, and Shakenkan also do not only deal with Nissan Motor vehicles, and they each independently conduct vehicle body maintenance and mandatory vehicle inspections, which enables them to acquire a wide range of users. TOKYO NISSAN COMPUTER SYSTEM is a subsidiary listed on JASDAQ, and it conducts a managed services* business, which includes sales of computer hardware and software, and data centers. The Company holds 54.0% of TOKYO NISSAN COMPUTER SYSTEM's shares, but it has a long history as a trading company and transactions with the Company's Group constitute no more than 6.2% of its total transactions, and the majority of its sales are external sales (FY3/20). Other than the above, the Company rents real estate and leases some of it to its affiliates.

* Managed services: these are outsourcing services to provide support to customer companies for aspects like consolidating core work and improving work efficiency and productivity, not only by administering and managing customer companies' information assets, but also by utilizing IT to continuously provide new value.

Results of the main subsidiaries in FY3/20

(¥mn)

	Tokyo Nissan Auto Sales	Nissan Prince Tokyo Sales	Nissan Prince West Tokyo Sales	Tokyo Nissan Computer System
Net sales	43,316	51,195	39,658	8,790
Ordinary profit	1,054	1,263	895	572
No. of dealerships (new vehicles) (dealerships)	34	44	35	-
No. of dealerships (used vehicles) (dealerships)	3	11	7	-
Area responsible for	All areas in Metropolitan Tokyo	Within the 23 wards	Outside the 23 wards	-

Source: Prepared by FISCO from the Company's securities report, etc.

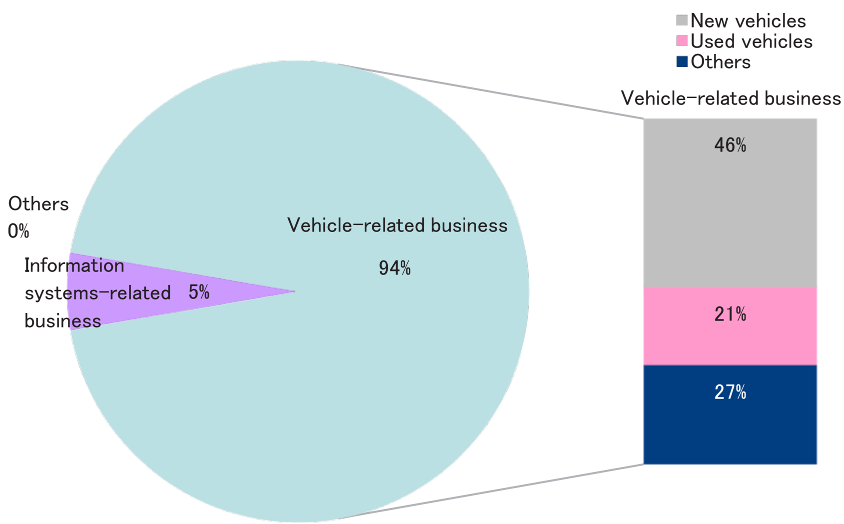
Business description

The main business is sales of Nissan vehicles by the three sales companies

1. Business description

The Company's business is divided into three business segments; the vehicle-related business, the information systems-related business, and other businesses. The vehicle-related business is further subdivided into new vehicles sales, used vehicles sales, and others, such as maintenance and vehicle inspections. The percentages of total sales provided by each business in FY3/20 show the vehicle-related business provided 94% (new vehicles 46%, used vehicles 21%, others 27%), the information systems-related business 5%, and other businesses 0%. The relationship with Nissan Motor is mainly that the three sales companies purchase new vehicles and parts from Nissan Motor and then sell them to general consumers and others. However, the Company and the three sales companies also play the role of connecting the manufacturer to the consumer, such as described below for conducting PR for cutting-edge technologies like EV (Electric Vehicle) and ProPILOT (a driver-assistance technology), holding test drive events, and supporting installations of rapid chargers.

SALES COMPOSITION IN FY3/20



Source: Prepared by FISCO from the Company's securities report, etc.

(1) The vehicle-related business

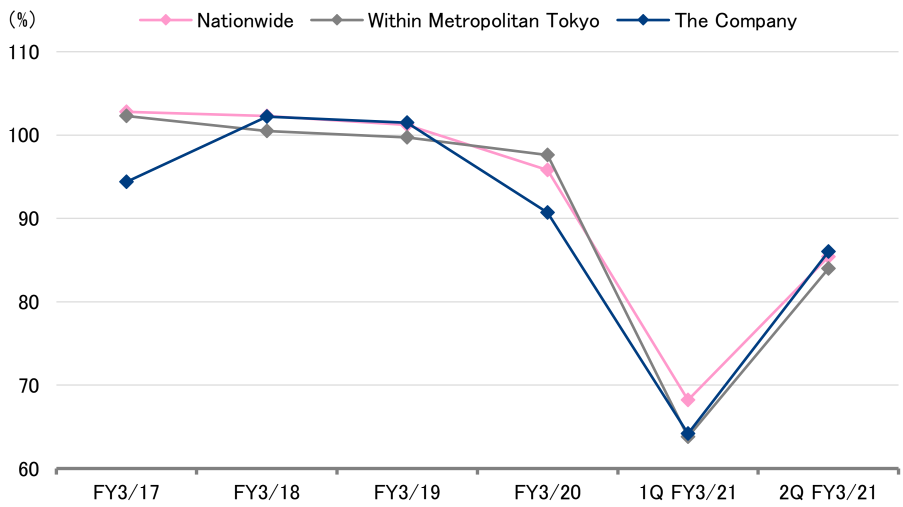
The three sales companies–Tokyo Nissan Auto Sales, Nissan Prince Tokyo Sales, and Nissan Prince West Tokyo Sales–sell new Nissan vehicles, while their businesses also include trade-ins and sales of used vehicles, maintenance and vehicle inspections. Each company handles all of Nissan's model. The sales areas of Nissan Prince Tokyo Sales and Nissan Prince West Tokyo Sales are divided between inside and outside of Tokyo's 23 wards, and Tokyo Nissan Auto Sales' areas are all the areas of Metropolitan Tokyo (excluding the 8 central wards). Conducting sales through three sales companies but as one group makes it possible to improve business efficiency through avoiding unnecessary competition, while still having a mutual friendly rivalry between the dealerships, and by complementing each other through sharing best practices. They can also leverage scale merits by utilizing the centralized plant of maintenance subsidiary NT AUTO SERVICE and by jointly using the services of logistics subsidiary NTR Transporter Co., Ltd. In this way, the Company has becoming able to leverage synergies to the greatest possible extent through having the three sales companies join the Group.

The sales of the three sales companies have a good balance between new vehicle, used vehicle, and other sales, while sales of new vehicles improve the turnover of used vehicles sales and they have formed a stable value chain from accumulating sales from recurring business such as maintenance. In terms of contributions to earnings, maintenance forms a stable earnings base, while supply of used vehicles is largely dependent on new vehicles for purchases. Therefore the new vehicles business plays the role of driving the earnings of the Group as a whole. However, in the last few years, the Company's market share has been weakening. The reason is that compared to the brands of other companies, Nissan Motor has launched only a small number of new vehicles and has experienced a series of problems. These include that the manufacturing, shipping, and registration of vehicles was stopped due to deficiencies occurring in the completion inspection process and that former chairman Carlos Ghosn was arrested, and it appears that the impact of these problems has also extended to the reputations of Nissan dealerships nationwide. However, on entering FY3/21, Nissan Motor is working hard on a recovery, which is described below. As for sales of Renault vehicles, the Company has developed five specialist Renault dealerships which are directly operated by Nissan Prince Tokyo Sales, and the Group holds a 12% share of nationwide sales of Renault vehicles (2019) and ranks No.1 for the number of vehicles sold.

The Tokyo Nissan Hino dealership

Source: The Company's website

Trend in the growth rate of new vehicle sales



Source: Prepared by FISCO from the Company's financial results

Used vehicles sales are handled by the three sales companies and Gtnet, which was made a subsidiary in 2019. The handling of used vehicles by the three sales companies features sales promotion of new vehicles, while Gtnet conducts a used vehicles business for trade-ins and sales of used sports cars. As it mainly deals with sports cars, it has in place a transaction structure to give customers' peace of mind, including setting its own strict quality standards. It has 15 dealerships nationwide, from Hokkaido to Kyushu, and also 8 vehicle inspection centers. On the other hand, it also manages a portal site that focuses on sports cars, and various services are provided on this website, from trade-in assessments, used vehicle searches, and vehicle inspection estimates, through to sales of parts. For the vehicle models, it does not only handle Nissan vehicles and handles various other models, including those of Toyota Motor Corporation <7203> and Honda Motor Co., Ltd.<7267>

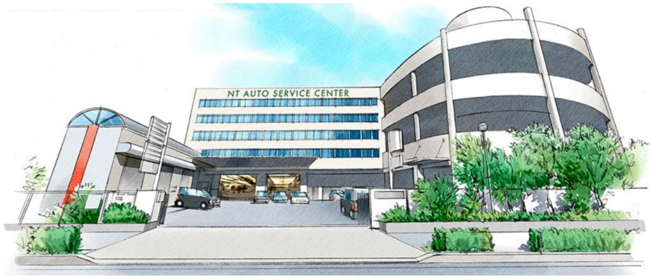
Gtnet's homepage

Gtnet Osaka

Source: The Company's website

Maintenance is one of the pillars of recurring businesses for the three sales companies, but NT AUTO SERVICE, which is a large-scale, comprehensive vehicle maintenance company, plays the role of being the concentrated center for services, including vehicle body panel work and painting, mandatory vehicle inspections, and maintenance of purchased vehicles through services with assured levels of quality and the latest equipment. It has five service centers in Tokyo and one in Saitama, equipped with industry-leading technologies that can deal with the aluminum bodies of luxury imported vehicles, and they have a track record of conducting mandatory vehicle inspection for 43,350 vehicles (FY3/20), and panel work and painting work for a total of 21,985 vehicles (same). Vehicle inspection work is also carried out by Shakenkan and Gtnet. Shakenkan has a network of 11 specialist vehicle inspection workshops in Tokyo, Kanagawa, and Saitama. Its selling point is that all of its workshops are designated plants with the latest equipment, and that employees with national certification conduct inspections of the vehicles brought in by customers in a short timeframe.

The Showajima Service Center



Shakenkan
The Itabashi workshop

Source: The Company's website

Other than the above vehicle-related business, Ace-Biz-Serv Inc., conducts an insurance agency busines, handling general insurance and life insurance products, mainly of Sompo Japan Insurance Inc., and Tokio Marine & Nichido Fire Insurance Co., Ltd, and Aflac cancer insurance. NTR Transporter transports the Group's vehicles and conducts registration agency work. Also, Nissan PS Field Craft Co., Ltd., is a dealership specializing in camper vans, and it undertakes various work with Nissan vehicles as the base, including producing vehicles full of originality and special orders to convert vehicles to camper vans.

(2) The information systems-related business

TOKYO NISSAN COMPUTER SYSTEM, which undertakes the Company's information systems-related business, is a subsidiary listed on JASDAQ. But as previously stated, the extent of its reliance on the Company's Group is extremely low at only 6.2% of sales, and it can be said to be basically independent. In the IT industry to which TOKYO NISSAN COMPUTER SYSTEM belongs, due to the impact of the novel coronavirus pandemic, customers are reviewing, freezing, or postponing their IT investment plans, while workstyle reforms are spreading, including for teleworking due to the increase in the number of people working from home. Against this backdrop, demand is rising for solutions. This trend is expected to continue even after the novel coronavirus pandemic has settled down in the form of digital transformation (DX). In this sort of business environment, TOKYO NISSAN COMPUTER SYSTEM has established its vision of "the most reliable company to handle IT infrastructure" and aims to be the best partner that supports its customers' sustainable growth as a managed services company that creates value for customers. Conversely, the DX trend is also affecting the Company, and it has become necessary to utilize the big data accumulated in the Group, such as on customers, vehicles sold, and various driving conditions and traffic conditions, for its businesses. For this, TOKYO NISSAN COMPUTER SYSTEM is expected to be a strong partner for the Company's Group.

Strengths include consolidation, best practices, and "Nissan's technologies"

2. The Company's strengths

The Company's strengths include its provision of car life one-stop services and "Nissan's technologies" that constitute its business backbone. The Company's one-stop services for car longevity provide services to deliver customer satisfaction when it comes to car longevity, not only through sales of new vehicles sales but also used vehicles and personal leasing at any single base operated by the Company. Sales can be increased through recommending optional parts, such as car navigation systems and drive recorders, sales of after services, like insurance and financial products (credit leasing), vehicle inspections, regular inspections, maintenance and repairs, leading to recurring business that can generate stable corporate earnings. Finally, by conducting trade-ins of used vehicles, it can create a cycle of customers returning to the dealership first even when purchasing a new vehicle. This cycle of one-stop services is one of the Company's strengths, and actually this cycle is carried out in basically the same way at every dealership. Therefore, rather than this cycle itself, the Company's strength can be said to be the framework for generating earnings by smoothly turning this cycle, and in the background to this framework are "consolidation" and "best practices."

In 2011, three companies –Tokyo Nissan Auto Sales, Nissan Prince Tokyo Sales, and Nissan Prince West Tokyo Sales –joined the Group. The first result was that discount competition between different but affiliated dealerships, which often occurs elsewhere, was eliminated. Scale merits were also generated, and if can be said that the Group's scale instantaneously increased in size by three times. Of course, there were also other merits, such as the consolidation of shared costs and the sharing of deliveries and maintenance. Moreover, since the three sales companies joined the Group in 2011, the best practices of each respective company have been developed horizontally across the Group through shared meetings that have been continued as venues to utilize information. As a result, the hit ratios of sales promotions and sales are increasing and the sales unit price per vehicle is rising, including through proposals for luxury upgrades and options. This is the reason why the dealerships can achieve an operating profit margin of 3%, which is relatively high for auto-dealerships, even while being located in high-cost areas like Tokyo. Also, the improvement to the hit ratio could not be achieved without the presence of TOKYO NISSAN COMPUTER SYSTEM, which is able to analyze the three sales companies' enormous volume of big data, which totals more than 300,000 data items

When a company increases its sales and improves its profit margin, it develops increased vitality, allowing it to take risks through its own unique business. This is the case for the previously mentioned Gtnet and Shakenkan, and the Company is also developing P.O.P. personal leasing, for which is has a history of more than 20 years and a high market share. People's values are shifting from owning various things to using and sharing them, and vehicle personal leasing is a growth market whose scale is projected to grow by 4 times from FY2018 to FY2022. We will not explain the details of car leasing here, but particularly for consumers who consider it acceptable to use a vehicle without owning it, it is an extremely convenient service, including "zero deposit, tax and service charges included in the price, and a fixed price." For the Company also, compared to the usual purchase-replacement cycle of over 10 years, in the case of leasing, more than 70% of customers change to their next new vehicle in 3 years, so it is a business with a relatively good sales efficiency. Therefore, P.O.P. is expected to grow in the medium term to be one of the drivers pushing-up the Company's earnings. By leveraging its "uniqueness" in such ways, it is creating new sales, and at the same time, the business portfolio is also contributing to the stabilization of corporate earnings. Moreover, it can also utilize its unique, flexible ideas for vehicle sales.

The website of the personal leasing P.O.P. brand

Source: The Company's website

Aiming to truly revive "Nissan's technologies"

3. "Nissan's technologies" are also one of the Company's strengths

The slump of Nissan Motor's results in the last few years has also meant a period of continuous hardship for Nissan-affiliated dealerships. However, the focus on advanced EV is increasing day by day, such as the movement around the world to abolish gasoline vehicles, and it appears that Nissan Motor is also escaping from its slump at an accelerating speed. In the background to this is the fact that vehicle concepts are greatly changing due to technological innovation in the new area called CASE*. Nissan Motor has a reputation for having original technological capabilities and it has accumulated various technologies, such as for electrification and for making vehicles intelligent and connecting them. Its "Yachiyae NISSAN" campaign, which includes TV commercials, that appeals to these technologies has proven successful, and currently its image of being an EV pioneer is being firmly established. Moreover, with these technological capabilities in the background, Nissan plans to increase the number of new vehicle launches, of which it has conducted only a small number in the last few years, and it can be said to be acquiring momentum to revive its traditional slogan of "Nissan's Technologies." Therefore, another of the Company's strengths is that it is basically the only dealership in Tokyo that deals with those Nissan Motor vehicles.

* CASE stands for Connected, Autonomous, Shared, Electric

Nissan Motor plans to launch a series of advanced new vehicles

4. Nissan Motor's strategy

NISSAN INTELLIGENT MOBILITY, is the core concept in the Nissan Motor's campaign and it presents advanced technologies such as vehicle recognizing the driver as its partner and communicating, learning, predicting, and charging. Drivers can drive with peace of mind and have new experiences, and the aim is to provide a completely new driving experience that will connect them to their surrounding world. Ultimately, the aim is to realize a society with "zero emissions" and "zero fatalities (zero traffic accident deaths)." Alongside this, in Japan, Nissan Motor plans to launch a series of new vehicles that will be equipped with the cutting-edge technologies developed through the NISSAN INTELLIGENT MOBILITY initiative by the end of FY2023. In its technologies for automated driving and vehicle electrification, which are especially its strengths, for automated driving technologies, it will install a driver-assistance system ProPILOT in more than 20 products in 20 markets, and by the end of FY2023, it plans annual sales of more than 1.5 million vehicles equipped with ProPILOT. For electrification technologies, it plans to strengthen the existing EV and e-POWER models that were already launched, increase more than 8 EV models by FY2023, and expand the installation of e-POWER to regular-type models. By FY2023, it is aiming to improve the electrification rates to 60% in Japan, 23% in China, and 50% in Europe, and to achieve annual sales of more than 1 million vehicles installed with electrification technologies.

In particular, Nissan Motor plans to launch 12 new models by the end of 1H FY3/22, and quickly during FY3/21, it has already launched 3 models; the new-model ROOX (launched March 2020) light car, KICKS e-POWER (launched June 6), and the new-model NOTE e-POWER (launched December 23). While saying that the new-model ROOX is a light car, it is equipped with all-direction advanced safety technologies and comes installed with technologies including ProPILOT and SOS calls, and it has been highly evaluated as the best for safety when selecting a vehicle. KICKS e-POWER has only the e-POWER setting, and it is a size that Nissan has not offered before, of being one size smaller than the X-Trail, it is expected to have a sales-increase effect in the fiercely competitive SUV category. The new-model NOTE e-POWER is the latest model of the vehicle that has been a major hit and that represents Nissan, so naturally it is expected to increase sales and profits for the Company as well. This is not a gasoline vehicle as previously, and it also only has the e-POWER setting. In FY3/22, Nissan Motor plans to launch ARIYA as the new crossover EV. It will be equipped with the latest-generation EV powertrain, as well as the latest electrification technologies, automated driving technologies, and connecting technologies, and will be able to travel very long distances (up to 610km) on a single charge, which has been an issue for EV. It appears that it will be the vehicle that symbolizes NISSAN INTELLIGENT MOBILITY.

The newly launched new-model NOTE e-POWER

Source: Reprinted from materials provided by the Company

Growth strategy

To the next Tokyo, together with customers

1. The corporate philosophy and vision

The Company's corporate philosophy is to "Aim to continue to be the leading dealership group in Tokyo in the Japanese market." Toward this, it promises to customers "smiles, "sincerity," and "energy," and it has conducted initiatives that have emphasized the customer's viewpoint, contributing to communities and society, a professional awareness, best practices, organic growth, and the best conditions. Its policy is to continue these initiatives in the future also, but currently, concerns are accumulating about the decline in demand, such as due to the declining birthrate and aging population occurring as technologies are evolving dramatically, and it is said that the automotive industry has entered "a period of great reforms that occurs once every 100 years." Up to the present time, the Group has accumulated stock businesses centered on the vehicle-related business and maintained high earnings through its strengths, of pursuing best practices and synergies. Going forward also, in order to further strengthen its existing business and to continue to realize sustainable growth, it has formulated a four-year medium-term management plan from FY3/20 to FY3/21. The Company formulated a four-year medium-term management plan covering the period from FY3/20 to FY3/21 under the slogan of "To the next Tokyo, together with customers" in order to further strengthen existing business and to continue realizing sustainable growth. It aims to "continue to be the leading dealership in Tokyo in the Japanese market" and respond to the changing times by working on achieving the three targets and tackling the related issues. Assuming that domestic vehicles sales will decline moderately, the Company has set targets of net sales of ¥175bn and operating profit of ¥5.5bn for FY3/22, the plan's final fiscal year. But these targets do not greatly incorporate the impact of the novel coronavirus pandemic at the present time and will be reconsidered at a later date.

The keys to growth are best practices, new sales styles, and M&A

2. Medium-term management plan

The medium-term management plan's three targets to be realized are achieving the sustainable growth of the existing businesses, responding to the changing times and customer needs, and developing and implementing a growth strategy toward the future. To address the respective issues relating to these targets to be realized, the Company will step up implementation of best practices, develop new sales styles and new products, and increase scale through M&A. Even when considering the impact of the novel coronavirus pandemic, the importance of these measures does not change. For this reason, there is no need to change the direction of the measures, and rather, it is considered that they should be steadily implemented in order to overcome the coronavirus conditions.

First, as the measures to step up implementation of best practices, the aim is to improve customer satisfaction (CS) and to thoroughly standardize work and further improve productivity by continuing to horizontally develop and to evolve within the Group the best practices of the three sales companies. The Company will position the NISSAN INTELLIGENT MOBILITY initiative promoted by Nissan Motor as its core, and provide optimal proposals that will accurately capture the changing times and customers' needs through best practices. It aims to increase sales of products for car longevity that match those needs, promote P.O.P. personal leases as a way of driving for a new era, thoroughly conduct added-value sales such as for L2H* in line with the EV era, and maximize its market share and profits.

* L2H (Leaf to Home): a device to feed electricity from EV to externally (the home as a whole, electric products, etc.)

As the measures to develop new sales styles and new products, the Company is investing in dealerships centered on IT and reforming sales methods. For sales styles, within the period of the medium-term management plan, it is considering introducing VR (Virtual Reality), which is expected to be the optimal tool for vehicle promotions, and in particular to use it when dealing with customers in city-center dealerships, and also to introduce a completely online sales method in response to customer needs. For new product development, it is aiming to increase earnings by developing new products and services to provide customers with a car life that is safe, secure, and convenient, including the Maintenance Pro Pack* compatible with NISSAN INTELLIGENT MOBILITY, and car sharing of models used for test drives.

* Maintenance Pro Pack: a package product providing discounts on vehicle inspections and other services.

For the measures to increase scale through M&A, up to the present time the Company has conducted acquisitions to pursue uniqueness, such as of Gtnet. In the future also, it plans to leverage synergies through MA& for the sustainable growth of the Group. Its M&A targets are mainly companies conducting a vehicle-related business, while in terms of area, it considers candidates to grow geographically in Tokyo and its surrounding areas. Its goal is to conduct one M&A a year, but it is unable to know whether it can conduct M&A on timing that is convenient. However, to show the strong intentions of management, M&A have been incorporated into the previously mentioned targets to a certain extent in the medium-term management plan.

In order to steadily eliminate the issues for the three targets to be realized, it is thought necessary to foster an organizational culture and to invest in dealerships. Therefore, the Company's policy is to foster an organizational culture that prioritizes diversity in which employees can demonstrate their individuality, and to have employees coordinate and collaborate so they can leverage their capabilities to the greatest possible extent. Supported by this, the Company plans to provide value that goes beyond customers' expectations and realizing sustainable growth as a company. Meanwhile, because the company's dealerships have a long history, there are some dealerships facing issues. For instance, road conditions have changed over the years or become narrower, traffic flow in customer parking lots has worsened, and there is insufficient space to introduce new services or products. Therefore, it is anticipated that it will actively strengthen investment to improve customer convenience, including increasing the floorspace of existing dealerships (scrap & build may also be necessary, depending on the circumstances).

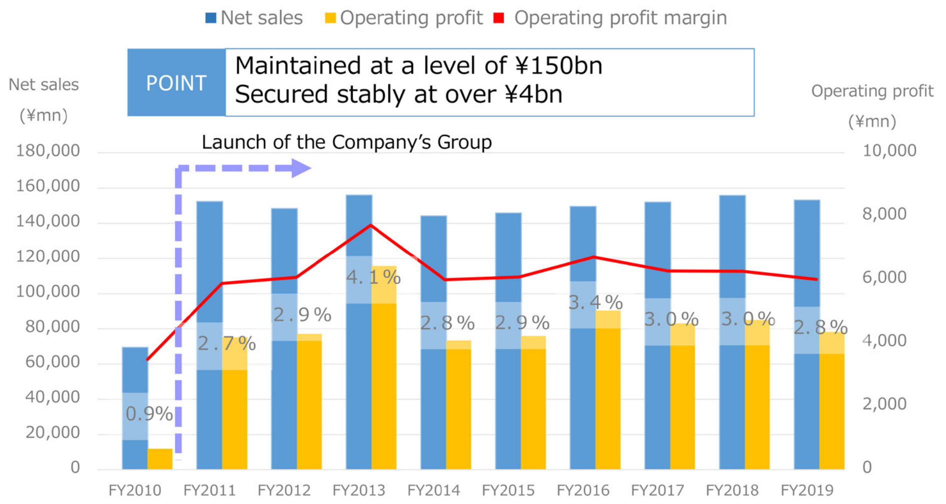
Business trends

Improved the earnings structure by having three sales companies join the Group

1. Turning point

A major turning point was in 2011 when the Company quickly made the three sales companies and join the Group. This improved efficiency through scale merits and consolidation and enabled it to have a corporate structure to develop an independent strategy to promote growth, which as stated, has become the Company's strength. The Group's main organization is currently Tokyo Nissan Auto Sales, and in fact, after it joined the Group in 2011, not only did the scale of sales increase, but the operating profit margin also improved greatly and since then, it has continued to stably generate earnings. Of course, as a listed company it cannot be satisfied only by stably generating earnings, and therefore the previously mentioned growth strategy was developed. However, the novel coronavirus pandemic has been an unexpected development. In the automotive industry, in which conditions have become particularly severe even compared to those in various other industries, since 1Q FY3/21, sales and profits have declined significantly for the Company also. On other hand, against the backdrop of the evolution of vehicle technologies, as represented by NISSAN INTELLIGENT MOBILITY, expectations for growth are great. In this sense, it is thought that the current time has also become a major turning point.

Stable trends in net sales, operating profit, and the operating profit margin after joining the Group



Source: Reprinted from the Company's financial results briefing materials

Results struggled but have bottomed-out in April and May and business conditions are recovering

2. 1H FY3/21 results

In the 1H FY3/21 results, net sales were ¥62,946mn (down 17.5% YoY), operating profit was ¥251mn (down 89.3%), ordinary profit was ¥83mn (down 96.2%), and profit attributable to owners of parent was ¥4mn (down 99.7%). However, compared to the 1Q's 3 month, in the 2Q's 3 months, the gross profit margin recovered due to the recovery of sales, while the Company also kept down SG&A expenses, the same as it did in the 1Q. As a result, it was able to eliminate the 1Q loss.

1H FY3/21 results

(¥mn)

	1H FY3/20		1H FY3/21		
	Result	% of sales	Result	% of sales	% change
Net sales	76,274	100.0%	62,946	100.0%	-17.5%
Gross profit	17,536	23.0%	13,980	22.2%	-20.3%
SG&A expenses	15,180	19.9%	13,729	21.8%	-9.6%
Operating profit	2,355	3.1%	251	0.4%	-89.3%
Ordinary profit	2,194	2.9%	83	0.1%	-96.2%
Profit attributable to owners of parent	1,388	1.8%	4	0.0%	-99.7%

Source: Prepared by FISCO from the Company's financial results

1Q FY3/21 standalone results

(¥mn)

	1Q FY3/20		1Q FY3/21		
	Result	% of sales	Result	% of sales	% change
Net sales	34,317	100.0%	25,500	100.0%	-25.7%
Gross profit	7,921	23.1%	5,439	21.3%	-31.3%
SG&A expenses	7,256	21.1%	6,539	25.6%	-9.9%
Operating profit	664	1.9%	-1,099	-4.3%	-
Ordinary profit	627	1.8%	-1,156	-4.5%	-
Profit attributable to owners of parent	401	1.2%	-982	-3.9%	-

Source: Prepared by FISCO from the Company's financial results

2Q FY3/21 standalone results

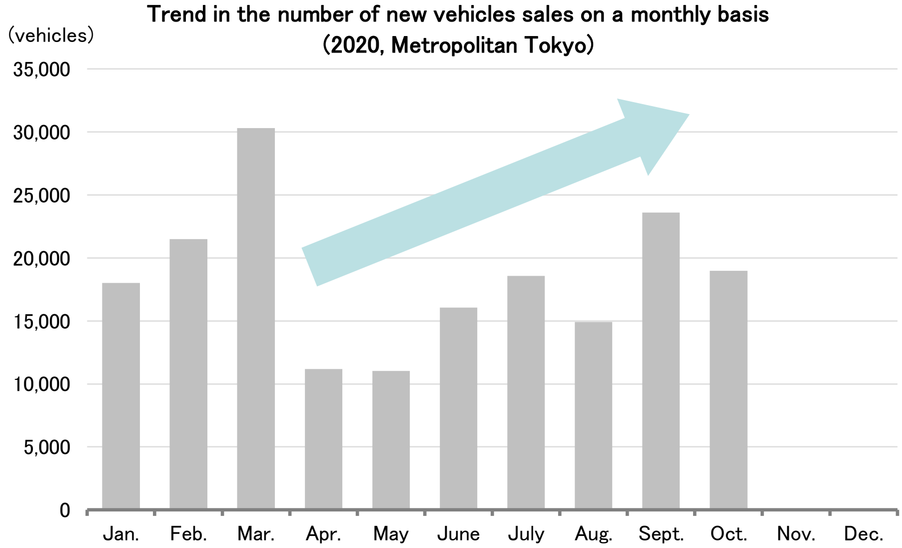
(¥mn)

	2Q FY3/20		2Q FY3/21		
	Result	% of sales	Result	% of sales	% change
Net sales	41,957	100.0%	37,446	100.0%	-10.8%
Gross profit	9,615	22.9%	8,541	22.8%	-11.2%
SG&A expenses	7,924	18.9%	7,190	19.2%	-9.3%
Operating profit	1,691	4.0%	1,350	3.6%	-20.2%
Ordinary profit	1,567	3.7%	1,239	3.3%	-20.9%
Profit attributable to owners of parent	987	2.4%	986	2.6%	-0.1%

Source: Prepared by FISCO from the Company's financial results

Looking at the market conditions in 1H FY3/21, due to the impact of the novel coronavirus pandemic, the number of new vehicles sales nationwide declined 22.6% YoY, while the number of new vehicles sales within Metropolitan Tokyo, which is the Company's market, declined 25.4% in total and decreased 23.7% for the Company. On considering the respective declines of the above in the 1Q, of 31.8%, 36.2%, and 35.8%, we can see that while the level remains low, sales are recovering on a quarterly basis. Looking at the trend in the number of new vehicles sales in Tokyo on a monthly basis as well, we can see that they bottomed-out in April and May and are recovering.

Trend in the number of new vehicles sales on a monthly basis (2020, Metropolitan Tokyo)



Note: excludes special vehicles, trailers, and other unknowns. Includes buses, etc.
Source: Prepared by FISCO from the Japan Automobile Dealers Association website

By business, in the vehicle-related business, net sales were ¥59,644mn (down 17.4% YoY), and segment profit (operating profit) was ¥479mn (down 80.6%), eliminating the loss in the 1Q and achieving profitability. The number of new vehicles sales for the 3 months in the 1Q (April to June) decreased greatly, down 35.8% compared to the same quarter in the previous fiscal year. But in the 2Q on a standalone basis (July to September), the rate of decrease improved greatly, to a decrease of 14.0%. Alongside the recovery in the number of new vehicles sales, used vehicles sales also recovered. Conversely, in the maintenance business, as it is a recurring business, the number of vehicles serviced was secured at the same level as in the previous year. In the 2Q on a standalone basis, it can be said that the recovery of the vehicle-related business' profitability was remarkable, including that the decline in the operating profit margin was only 0.2 of a percentage point (pp). In the information systems-related business, net sales were ¥3,141mn (down 20.0% YoY) and segment profit was ¥99mn (down 60.9%). Results were solid in the managed services business, which includes the data centers, while progress was made in reducing SG&A expenses. However, due to the impact of the novel coronavirus pandemic, including that customers reviewed (postponed, contracted, and suspended) their IT investment, and that delivery periods were delayed because of restrictions on entering customers' premises, recurring projects decreased, including for hardware and introduction-support services. As a result, although the ordering conditions improved, net sales trended at a low level in the severe conditions.

1H FY3/21 results by segment (before adjustments)

(¥mn)

Net sales	1H FY3/20		1H FY3/21		
	Result	% of sales	Result	% of sales	% change
Vehicle-related business	72,184	94.6%	59,644	94.8%	-17.4%
Information systems-related business	3,925	5.1%	3,141	5.0%	-20.0%
Other businesses	165	0.2%	161	0.3%	-2.4%

Segment profit	1H FY3/20		1H FY3/21		
	Result	Profit margin	Result	Profit margin	% change
Vehicle-related business	2,476	3.4%	479	0.8%	-80.6%
Information systems-related business	254	6.5%	99	3.2%	-60.9%
Other businesses	67	40.6%	65	40.4%	-3.0%

Source: Prepared by FISCO from the Company's financial results

1Q FY3/21 (standalone) results by segment (before adjustments)

(¥mn)

Net sales	1Q FY3/20		1Q FY3/21		
	Result	% of sales	Result	% of sales	% change
Vehicle-related business	32,342	94.2%	24,141	94.7%	-25.4%
Information systems-related business	1,892	5.5%	1,278	5.0%	-32.5%
Other businesses	82	0.2%	80	0.3%	-2.4%

Segment profit	1Q FY3/20		1Q FY3/21		
	Result	Profit margin	Result	Profit margin	% change
Vehicle-related business	766	2.4%	-962	-4.0%	-
Information systems-related business	79	4.2%	22	1.7%	-72.1%
Other businesses	35	42.7%	32	40.0%	-8.6%

Source: Prepared by FISCO from the Company's financial results

2Q FY3/21 (standalone) results by segment (before adjustments)

(¥mn)

Net sales	2Q FY3/20		2Q FY3/21		
	Result	% of sales	Result	% of sales	% change
Vehicle-related business	39,842	95.0%	35,503	94.8%	-10.9%
Information systems-related business	2,033	4.8%	1,863	5.0%	-8.4%
Other businesses	83	0.2%	81	0.2%	-2.4%

Segment profit	2Q FY3/20		2Q FY3/21		
	Result	Profit margin	Result	Profit margin	% change
Vehicle-related business	1,710	4.3%	1,441	4.1%	-15.7%
Information systems-related business	175	8.6%	77	4.1%	-56.0%
Other businesses	32	38.6%	33	40.7%	3.1%

Source: Prepared by FISCO from the Company's financial results

Expectations are high for launches of new models against the backdrop of NISSAN INTELLIGENT MOBILITY

3. FY3/21 results outlook and medium-term growth image

For the FY3/21 results outlook, the Company is forecasting net sales of ¥130,000mn (down 15.1% YoY), operating profit of ¥1,800mn (down 58.6%), ordinary profit of ¥1,400mn (down 65.2%), and profit attributable to owners of parent of ¥200mn (down 91.1%). Initially it did not decide on forecasts because it was difficult to rationally calculate them due to the impact of the novel coronavirus pandemic. But although the time when the novel coronavirus situation will settle down remains unclear, a gradual recovery is occurring, such as that sales of new vehicles bottomed in April and May during the declaration of a state of emergency, and it seems that the Company calculated the results forecasts on the assumption that the recovery conditions will continue. Toward the 2H, its policy is to recover new vehicles sales, mainly of the vehicles already launched or scheduled to be launched in FY3/21, including KICKS e-POWER, the new-model NOTE e-POWER, and the new model ROOX light car, and also of the SERENA minivan that continues to be popular, and LEAF, the pioneering EV.

FY3/21 results outlook

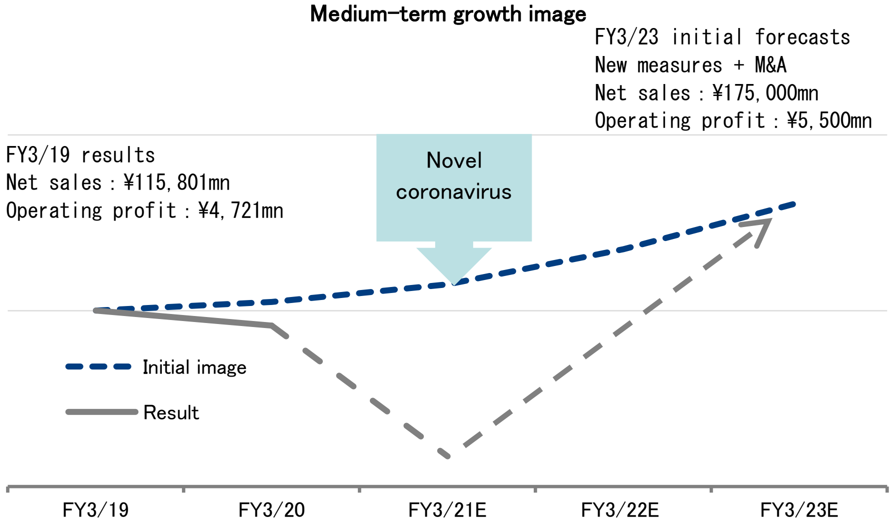
(¥mn)

	FY3/20		FY3/21		
	Result	% of sales	Forecast	% of sales	% change
Net sales	153,147	100.0%	130,000	100.0%	-15.1%
Gross profit	34,735	22.7%	-	-	-
SG&A expenses	30,384	19.8%	-	-	-
Operating profit	4,350	2.8%	1,800	1.4%	-58.6%
Ordinary profit	4,024	2.6%	1,400	1.1%	-65.2%
Profit attributable to owners of parent	2,246	1.5%	200	0.2%	-91.1%

Source: Prepared by FISCO from the Company’s financial results

The medium-term management plan is currently underway, but unavoidably due to the novel coronavirus pandemic, there has been a significant shift from the initial growth image. However, the Company is actively conducting sales against the backdrop of Nissan Motor’s NISSAN INTELLIGENT MOBILITY initiative, and plans to launch several new EV models and new models equipped with e-POWER, while the introduction of ProPILOT has also entered the practical-usage stage. Moreover, NISSAN INTELLIGENT MOBILITY itself is benefiting from developments, such as the movement to abolish gasoline vehicles, and the Company’s strengths are currently recovering. On considering these conditions, while it may be necessary to revise the target values in the medium-term management plan, it is not thought necessary to change the basic growth strategy. In this case, it is anticipated that the Company will return to the growth trend it originally depicted sooner rather than later.

Medium-term growth image



Source: Prepared by FISCO from the Company's results briefing materials

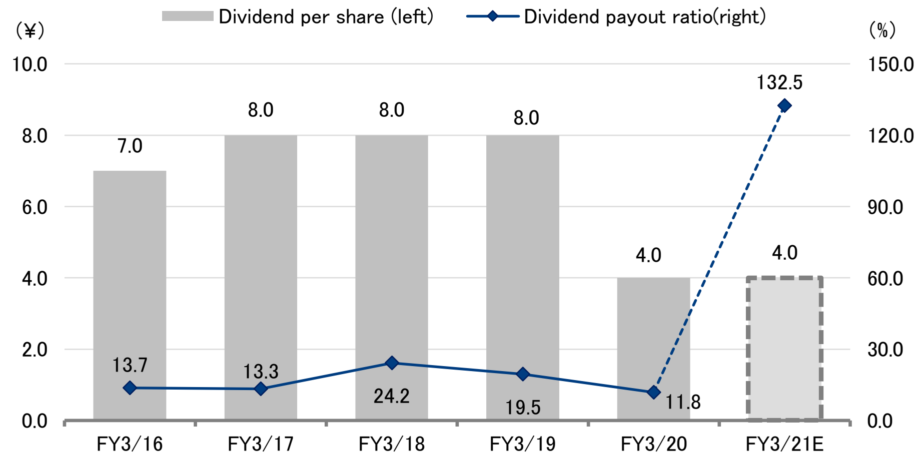
Shareholder return policy

Even during the coronavirus, continues to stably pay dividends

1. Dividend policy

The Company is aware that returning profits to shareholders is one of its most important management issues, and its basic policy is to stably pay dividends while considering retaining internal reserves to secure growth potential. For the dividend payment, its basic policy is to pay once a year at the end of the period, and the deciding body is the general meeting of shareholders. It also stably conducts investment in each period, including to realize new sales styles and for the IT associated with this, and also to establish new dealerships and to refurbish existing dealerships. Based on these factors, it targets a dividend payout ratio of 30%. For the FY3/21 dividend, it is forecasting a period-end dividend of ¥4 based on this basic policy and the results forecasts.

Trends in the dividend per share and the dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

In the shareholder benefits program, gives original QUO cards

2. Shareholder benefits program

The Company has introduced a shareholder benefits program in order to express it gratitude to its investors for their support, and also to increase the appeal of investing in its shares and to encourage investors to hold its shares over the medium- to long-term. The shareholders eligible for the shareholder benefit program are those who hold at least 5 units (500 shares) of the Company shares and who were recorded or registered in the shareholders' registry as of the date of record (March 31). In this program, the Company plans to give an original QUO card worth ¥1,000 to shareholders holding 500 to 999 shares and worth ¥2,000 to those holding 1,000 to 4,999 shares. It will give a card worth ¥3,000 to shareholders continuously holding 5,000 or more shares for less than 2 years, and a card worth ¥5,000 to those continuously holding them for 2 years or longer. As the gift-giving period, the Company plans to give the cards once a year after the end of the ordinary general meeting of shareholders (sometime in the second half of June).

Gift to shareholders of original QUO cards

107th period

108th period

Source: The Company's website

Information security

The Company complies with all relevant laws and ordinances, including the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (My Number Act), as well as in-Company regulations. It appropriately collects and uses the personal information handled by each Group Company and information that can be used to identify specific individuals, including personal numbers and other information that identifies an individual (personal information including the personal number and its content). It also appropriately manages and handles personal information securely and in an up-to-date condition, protects the personal information of customers, business partners, and Company employees, and works to respond to the trust they place in it.

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