COMPANY RESEARCH AND ANALYSIS REPORT

Nissan Tokyo Sales Holdings Co., Ltd.

8291

Tokyo Stock Exchange First Section

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FISCO Ltd. Analyst

Kimiteru Miyata

FISCO

FISCO Ltd.

https://www.fisco.co.jp

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Summary

Results are rapidly recovering, supported by new vehicle launches and 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. In addition, listed subsidiary TOKYO NISSAN COMPUTER SYSTEM Co., Ltd. <3316> conducts an information systems-related business, centered on a solutions-provider business. In FY3/21, the vehicle-related business provided the majority of results with 95% of net sales and 88% of operating profit. In July 2021, the Company plans to integrate the three Nissan sales companies that are under its umbrella.

2. Strengths include consolidation, best practices, 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. The sales companies are generating synergies and scale merits by joining the Group. 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. The Company has struggled in the last few years, partially because launches of Nissan new vehicles have temporarily become sporadic. But currently Nissan Motor is progressing technological innovation in advance of its peers, including developing EV (Electric Vehicles) and technologies to support automated driving, and it plans to continuously launch advanced new vehicles backed by these technologies.

3. Is aiming to achieve three targets and maintain high profits

While technologies are evolving dramatically, there is the risk that demand will decrease, such as due to Japan's declining birthrate and aging population, and it is said that the automotive industry has entered "a period of great reforms that occurs once every 100 years." To achieve its corporate philosophy, of "continue to be the leading car dealership group in Tokyo in the Japanese market," the Company must maintain high profits by achieving its three targets. This includes even more thorough implementation of best practices, development of new sales styles and products, and expansion of scale through M&A. To achieve this, its policy is to foster an organization 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, toward the change in consumers' purchasing behaviors and growth in EV sales, it plans to strengthen the brand and progress investment in Nissan Retail Concept dealerships that enable customers to have various experiences.

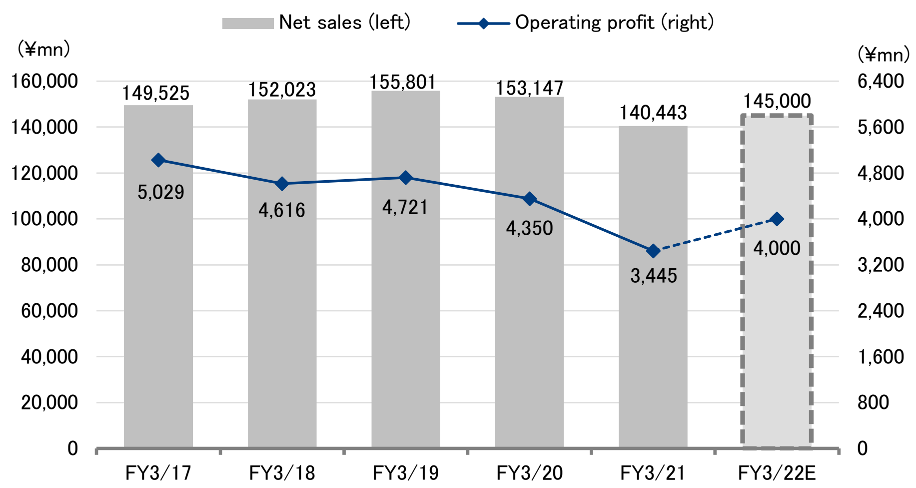
4. Profits declined in the previous period due to COVID-19, but results are recovering in the current period, supported by new vehicle launches

In the FY3/21 results, net sales were ¥140,443mn (down 8.3% year-on-year (YoY)) and operating profit was ¥3,445mn (down 20.8%). The declines in earnings were mainly due to the significant decrease in the number of new vehicle sales in the 1Q, which coincided with the declaration of a state of emergency, but they recovered gradually from the 2Q onwards. For the FY3/22 results outlook, the Company is forecasting net sales of ¥145,000mn (up 3.2% YoY) and operating profit of ¥4,000mn (up 16.1%). Its view is that conditions will be severe, including due to the prolonging of the novel coronavirus pandemic (hereafter, COVID-19). But on considering the new-vehicle lineup and the recovery trend, the impression is that the forecasts are somewhat conservative. The Company has deviated from the initial targets in the medium-term management plan due to COVID-19, but it is forecast to return to the growth trend originally depicted in the medium- to long-term through launches of new vehicles equipped with Nissan Motor's advanced technologies and by achieving its targets.

Key Points

- As the largest auto-dealership in Tokyo, its features include an information systems subsidiary
- During "a period of great reforms that occurs once every 100 years," will maintain high earnings through achieving the three targets, including best practices
- Profits declined in the previous period due to COVID-19, but results are recovering in the current period, supported by new vehicle launches

Results trends



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

Company outline

Through the integration, will become Tokyo's largest vehicles sales company both in name and reality

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 its company name to the current Nissan Tokyo Sales Holdings Co., Ltd. The Company plans to integrate the three sales companies in July 2021, which is 10 years after they joined the Group, in order to further improve efficiency, thereby becoming the largest auto-dealership in Japan in both name and reality.

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 vehicle 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. Therefore, 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.
July 2021	Will integrate the three Nissan-affiliated vehicle sales subsidiaries (scheduled)

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

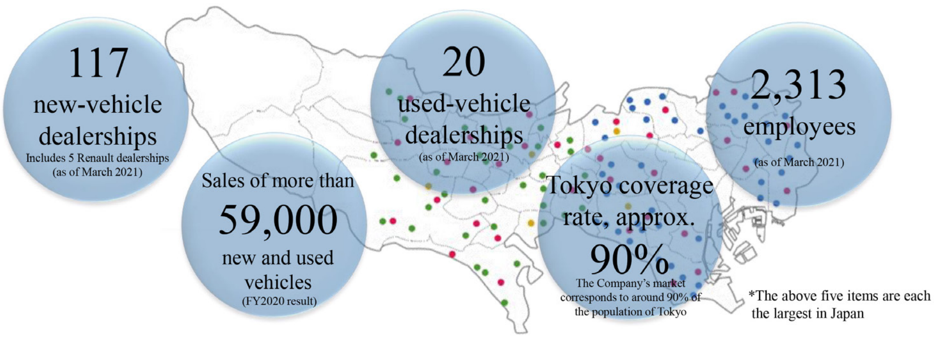
Plans to integrate the three Nissan sales companies in July 2021

2. Summary of the organization – integration of the three Nissan sales companies –

The Company supervises 11 subsidiaries (including 3 non-consolidated subsidiaries), and 1 affiliate. 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 three sales companies will be integrated in July 2021. 10 years have passed since these three companies joined the Group, and synergies and efficiency improvements have been progressed for various aspects. However, even though they cover different areas, inevitability inefficiencies have remained from the three companies existing separately. Also, the environment surrounding the automotive industry has changed greatly compared to 10 years' ago, and against the backdrop of rapid developments, such as vehicle electrification and automated driving, it is said to be in "a period of great reforms that occurs once every 100 years." In response, the Company will integrate the three sales companies. The direct objectives are to optimize the allocation of the Group's business resources and deployments of staff, to increase efficiency and synergies in every area, to create scale merits, and to achieve sustainable growth in a new era. It is aiming to strengthen competitiveness and thereby increase sales and profits, including by further deepening the sharing of best practices, which is one of the Company's strengths, and also promoting DX (digital transformation) and conducting reforms of dealerships and sales operations, strengthening the human resources strategy, and increasing the sophistication of the dealership network. As the three companies are wholly owned subsidiaries, this integration will have a negligible effect on the Company's results in the short term. But it is considered that in the medium- to long-term, it will contribute significantly to results, including through increasing efficiency and scale merits.

Scale after the integration of the three companies



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

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 53.9% 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 8.3% of its total transactions, and the majority of its sales are external sales (FY3/21). 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.

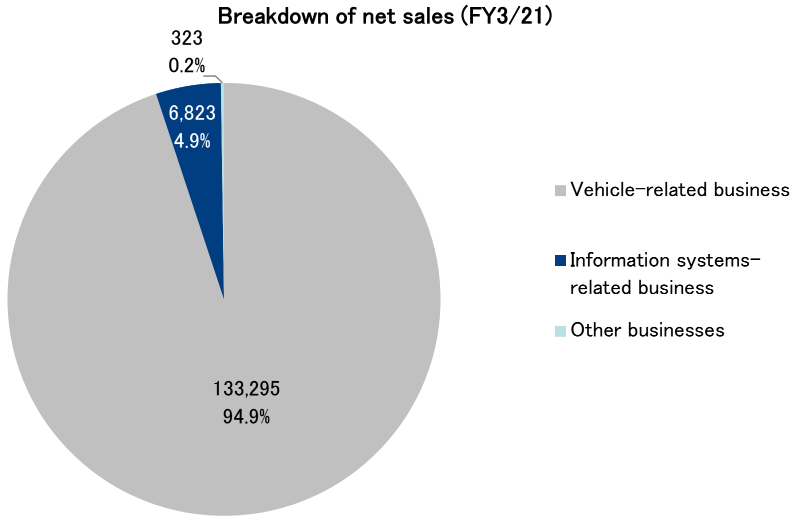
Business description

Main business is sales of new Nissan vehicles

1. Business description

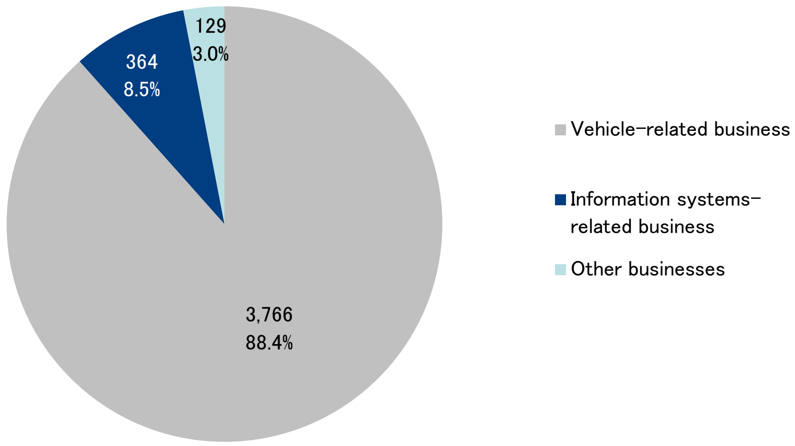
The Company's business is divided into three business segments: the vehicle-related business, the information systems-related business, and other businesses. The vehicle-related business is further subdivided into new vehicle sales, used vehicle sales, and other services, such as maintenance and vehicle inspections. In FY3/21, the vehicle-related business provided the majority of results with 94.9% of net sales and 88.4% of operating profit. The relationship with Nissan Motor is mainly that the three sales companies purchase vehicles and parts from Nissan Motor and then sell them to general consumers and others. However, Nissan Motor and the three sales companies also play the role of connecting the manufacturer to the consumer, such as described below for conducting PR and holding test drive events for cutting-edge technologies like EV, ProPILOT (a driver assistance technology), e-POWER (Nissan's proprietary hybrid unit), e-4ORCE (a four-wheel control technology), and supporting installations of rapid chargers.

Breakdown of net sales (FY3/21)



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

Breakdown of operating profit (FY3/21)



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

(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). The three sales companies have increased efficiency as a group by 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. Through the upcoming integration of the three sales companies, the Group will be able to demonstrate its capabilities over an even wider range through efficiency improvements and synergies.

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 vehicle 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. But in the last few years, the Company's market share has weakened because there have been few new vehicle launches for the Nissan brand compared to other brands Nissan Motor has experienced problems, including the 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 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 (FY2019) and ranks No.1 for the number of vehicles sold.

The Tokyo Nissan Hino dealership

Source: The Company's website

(2) Vehicle-related other than the three sales companies

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>

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 Group's 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 as its specialized business. As of the end of May 2021, it has seven 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 41,559 vehicles (FY3/21), and panel work and painting work for a total of 17,393 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.

Other than the above, the vehicle-related business includes a general insurance and life insurance agency business, a vehicle transportation and registration agency business, and a dealership specialized in campervans that use a Nissan vehicle as the base vehicle.

Gtnet's homepage

Shakenkan Itabashi Store

Source: The Company's website

The Company is also developing P.O.P personal leasing, for which it 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 the vehicle personal leasing market is forecast to grow in scale by four times from FY2018 to FY2022. Within it, the P.O.P service with "zero deposit, tax and charges included, and a fixed price" is a service that is extremely convenient for consumers, particularly those who consider it acceptable to use a vehicle without owning it. 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. For this reason, P.O.P. is expected to be one driver of future growth that will boost the Company's profits.

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

Source: The Company's website

(3) The information systems-related business

The Company's information systems-related business is carried out by TOKYO NISSAN COMPUTER SYSTEM, a subsidiary listed on JASDAQ, and a feature of it is its "ITte" integrated management service for auto-dealerships nationwide. As previously stated, this company's reliance on the Company's Group is extremely low and it can be basically said to be independent. In the IT industry to which TOKYO NISSAN COMPUTER SYSTEM belongs, demand for solutions is increasing due to the spread of teleworking and other workstyle reforms that have been spurred-on by COVID-19. It is anticipated that this trend will continue even after the COVID-19 pandemic settles down, against the backdrop of 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 the big data accumulated in the Group, such as on customers, vehicles sold, and various driving conditions and traffic conditions, is being utilized to upgrade its businesses. Going forward, 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 one-stop services for car longevity and "Nissan's technologies" that constitute its business backbone. The Company's one-stop services for car longevity can deliver customer satisfaction for car longevity from a single base anywhere, of sales of new and used vehicles and sales of other related services including personal leasing, after-sales services like vehicle inspections, regular inspections, maintenance, and repairs, sales of optional parts such as car navigation systems and drive recorders, and sales of insurance and financial products (credit leasing). For the Company also, these are recurring income-type businesses that stabilizes its corporate earnings, and moreover, by conducting trade-ins of used vehicles, it can create a value cycle of customers returning to the dealership to buy 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."

One result of the three sales companies combining into one group 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, the ability to make proposals for luxury upgrades and options has improved, and the sales unit price per vehicle is rising. 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. In this way, vehicles sales have become extremely functional and efficient through these companies joining the Group. But that said, there are limits to what can be achieved when the companies are separate. Therefore, the Company is aiming to further demonstrate its strengths through the upcoming integration.

Nissan-affiliated dealerships have struggled in the last few years, including because launches of Nissan new vehicles have temporarily become sporadic. However, the focus on advanced EV is increasing day by day, with movement being made around the world to achieve carbon neutrality and 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, which is known as “Nissan’s technology,” 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 appeal to these technologies has proven successful, and today Nissan Motor has established its image of being an EV pioneer. Moreover, with these technological capabilities in the background, Nissan is steadily advancing its plan to increase the number of new vehicle launches, of which it has conducted only a small number in the last few years. 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

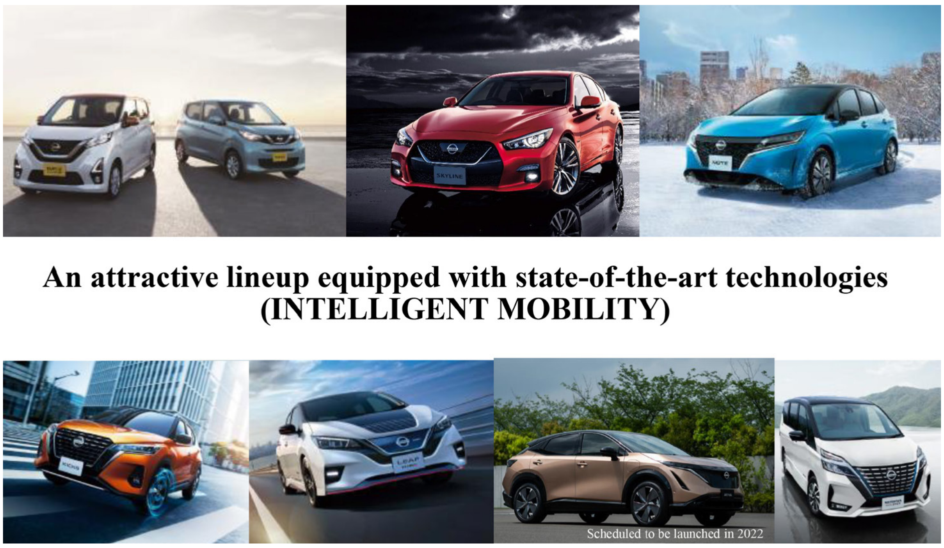
Nissan Motor plans to launch a series of advanced new vehicles

3. NISSAN INTELLIGENT MOBILITY

NISSAN INTELLIGENT MOBILITY is the core concept of Nissan’s Motor’s campaign that presents its technologies and approach. It expresses advanced technologies, such as the vehicle recognizing the driver as its partner and communicating, learning, predicting, and charging. Drivers can not only drive with peace of mind, but they can also have a new driving experience of being connected to the world around them, and the aim is to provide a completely new way of driving. 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 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 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 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.

Toward achieving these medium-term targets, Nissan Motor plans to launch 12 new vehicles from FY3/21 through to 1H FY3/22. In FY3/21, it has announced models including the new-model ROOX light car, the new model KICKS e-POWER, and the new model NOTE e-POWER. While 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. The new-model KICKS e-POWER has only the e-POWER setting, and it is one size smaller than the X-Trial, a size that Nissan has not offered before, so it is expected to have a net effect of increasing sales 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. It also only has the e-POWER setting. In FY3/22, Nissan is expected to launch luxury-class new vehicles, including the FAIRLADY Z and AURA. Among them, the new-model ARIYA, the crossover EV, will be equipped with the latest-generation electrification technologies, automated driving technologies, the newly developed e-4ORCE four-wheel control technology, and connecting technologies, and it will be able to travel a very long distance of up to 610km on a single change, which has been an issue for EV up to the present time. It is likely to come to symbolize NISSAN INTELLIGENT MOBILITY as providing overwhelming power with a futuristic style.

Lineup of new vehicles



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

Medium-term management plan

Responding to great reforms occurring once every 100 years

1. Summary of the medium-term management plan

The Company's corporate philosophy is to "Aim to continue to be the leading dealership group in Tokyo in the Japanese market." While it will not change this corporate philosophy in the future, it is said that the automotive industry is in "a period of great reforms occurring once every 100 years" due to the rapid evolution of technologies, as represented by CASE. In addition, concern is also growing that demand will decrease due to factors such as Japan's declining birthrate and aging population. During this period of great reforms, it is considered that the Company is maintaining high earnings by working to achieve the three targets including even more thorough implementation of best practices, development of new sales styles and new products, and expansion of scale through M&A. The four-year medium-term management plan running from FY3/20 to FY3/23 was formulated before the COVID-19 pandemic, but it is still ambitiously aiming for net sales of ¥175bn and operating profit of ¥5.5bn through its measures for these targets.

Providing value that exceeds customers' expectations, centered on the three targets to be achieved

2. Progress made in the medium-term management plan

Even during the COVID-19 pandemic, the importance of these three targets has not changed and the Company is still steadily implementing measures for them. In terms of issues, it will be necessary to foster an organizational culture and to invest in dealerships. 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 will also thoroughly implement measures for and deepen the sharing of best practices through the integration of the three sales companies. Through these efforts and with NISSAN INTELLIGENT MOBILITY as the core concept, it will aim to maximize its market share and profits by providing optimal sales proposals that accurately ascertain the changing times and customer needs, increasing sales of car longevity products based on these needs, promoting P.O.P personal leases as a way of driving for a new era, and thoroughly conducting added-value sales, such as increasing sales of L2H*, in line with the EV era.

* 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, reforming sales methods, and progressing DX for sales styles. It plans to utilize Big Data, strengthen digital marketing, and introduce VR (Virtual Reality) systems thought to be best suited for vehicle promotions. It will also promote the evolution of the Nissan Retail Concept dealerships (four dealerships as of May 2021) at existing dealerships. However, because the Company's dealerships have a long history, there are some that are facing issues. For example, their road conditions have changed or roads have become narrower, the traffic flow of customers in parking lots and other places has worsened, and they have insufficient space to introduce new services or products. Therefore, it is considered that the Company will actively strengthen investment, including to increase floorspace and for scrap and build. In conjunction with this, it is strengthening the provision of safe, secure and convenient car longevity for customers, including through the development and sales of S-POP (leasing products for senior citizens).

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, its policy is to leverage synergies through MA& for the sustainable growth of the Group. Its M&A targets are companies in the immediate area of businesses related to Group companies, mainly those conducting vehicle-related business, while in terms of area, it appears to be considering 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. It is considered that by achieving this goal, it will provide value that exceeds customers' expectations and realize sustainable growth.

Business trends

The recovery trend toward the 2H is clear

1. FY3/21 results

In the FY3/21 results, net sales were ¥140,443mn (down 8.3% YoY), operating profit was ¥3,445mn (down 20.8%), ordinary profit was ¥3,101mn (down 22.9%), and profit attributable to owners of parent was ¥1,638mn (down 27.1%). 10 years have passed since the Group was launched, and during this period the operating profit margin has trended at around 3%. In FY3/21, it declined slightly due to COVID-19, but it was still maintained at around 2.5%.

FY3/21 results

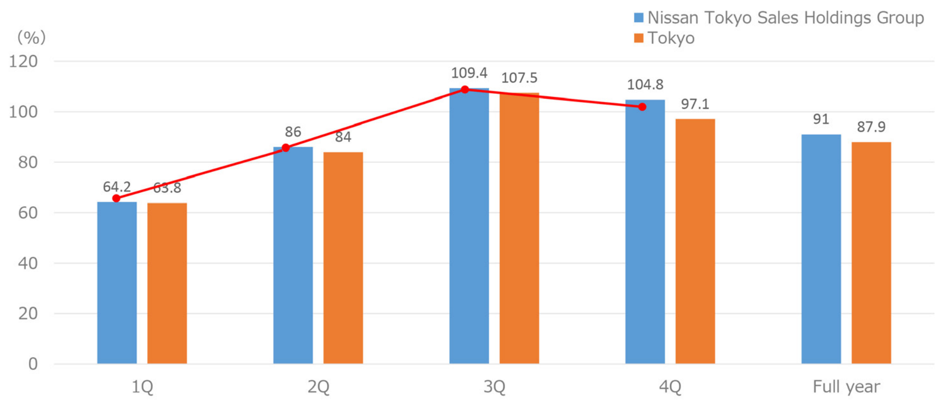
(¥mn)

	FY3/20		FY3/21		
	Result	% of sales	Result	% of sales	% change
Net sales	153,147	100.0%	140,443	100.0%	-8.3%
Gross profit	34,735	22.7%	32,302	23.0%	-7.0%
SG&A expenses	30,384	19.8%	28,857	20.5%	-5.0%
Operating profit	4,350	2.8%	3,445	2.5%	-20.8%
Ordinary profit	4,024	2.6%	3,101	2.2%	-22.9%
Profit attributable to owners of parent	2,246	1.5%	1,638	1.2%	-27.1%

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

In FY3/21 (April to March), the number of new vehicle sales nationwide declined 7.6% YoY, mainly due to the impact of COVID-19. The number of new vehicle sales within Tokyo where the Company is based was impacted severely compared to nationwide, declining 12.1%, including because of the declaration of a state of emergency. In these conditions, the Company's number of new vehicle sales decreased 9.0% (number of sales, 26,190 vehicles), but its sales exceeded the results for within Tokyo in every fiscal quarter, which can be said to be a result that demonstrates the Company's strengths.

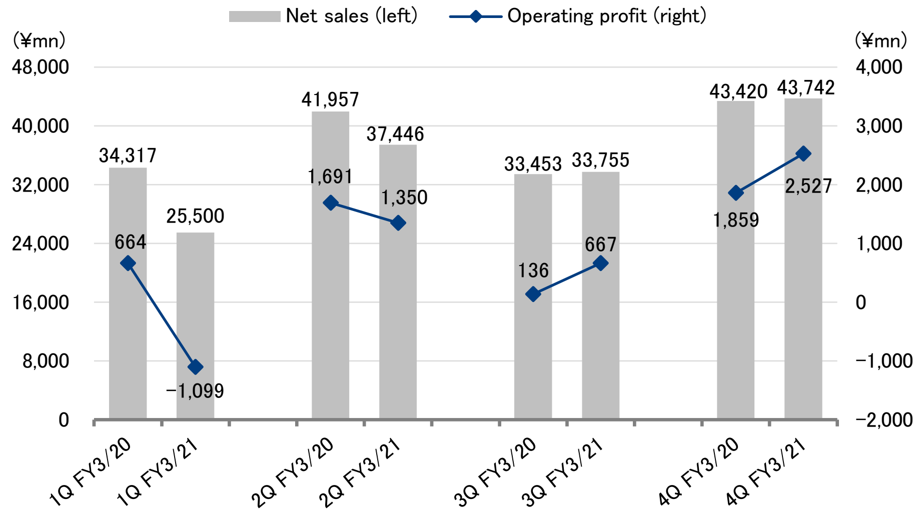
YoY trends in the number of new vehicle sales



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

During the COVID-19 pandemic, after thoroughly conducting hygiene management, the Company has continued to manage dealerships and work to recover the number of vehicles sold. In particular, the 1Q coincided with the declaration of a state of emergency in April and May, and the working hours of dealerships and the personnel system were restricted, while above all, customers' motivation to purchase a new vehicle declined significantly. In these extremely severe conditions, the Company continued to steadily conduct maintenance, which can be called its social responsibility, but even so results were very harsh. However, business conditions started to recover in the 2Q and profits increased in the 3Q, although that included a rebound to the consumption tax hike in the same period in the previous fiscal year. The profit level was further pushed-up in the 4Q and orders in the 2H returned to the same level as in a typical year. Also, while this was an unintended benefit, the Company's efficiency improved during the COVID-19 pandemic. It seems in the background to this was the spread of teleworking and other such aspects, and these improvements included that remote sales discussions increased, the percentage of customers visiting a dealership and making a purchase after acquiring knowledge in advance via the Internet or magazines also increased, and that sales discussions, which previously were concentrated on weekends, have become dispersed to weekdays as well. In profits, profitability improved and the extent of the decline in profits contracted due to the recovery of sales, particularly of the new vehicles launched in the 2H of NOTE, KICKS, and ROOX. For used vehicles, both market prices and the number of vehicles sold recovered, spurred-on by the sales of new vehicles, which contributed to the increase in profits. Conversely, in the maintenance business, there were few accidents requiring repairs, including because of the increase in vehicles equipped with safety equipment.

Results comparison by fiscal quarter



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

By business, in the vehicle-related business, net sales were ¥133,295mn (down 7.8% YoY) and segment profit (operating profit) was ¥3,766mn (down 16.8%); in the information systems-related business, net sales were ¥6,823mn (down 17.2%) and segment profit was ¥364mn (down 34.2%); and in other businesses, net sales were ¥323mn (down 0.9%) and segment profit was ¥129mn (down 1.5%).

FY3/21 results by segment (before adjustments)

(¥mn)

Net sales	FY3/20		FY3/21		
	Result	% of sales	Result	% of sales	% change
Vehicle-related business	144,579	94.4%	133,295	94.9%	-7.8%
Information systems-related business	8,241	5.4%	6,823	4.9%	-17.2%
Other businesses	326	0.2%	323	0.2%	-0.9%

Segment profit	FY3/20		FY3/21		
	Result	Profit margin	Result	Profit margin	% change
Vehicle-related business	4,525	3.1%	3,766	2.8%	-16.8%
Information systems-related business	553	6.7%	364	5.3%	-34.2%
Other businesses	131	40.2%	129	39.9%	-1.5%

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

In the vehicle-related business, the Company worked to increase the number of new vehicle sales, mainly of the LEAF EV and of SERENA and DAYZ that continue to be well received. Therefore, the number of new vehicle sales recovered toward the 2H, while used vehicle sales also turned to in a positive direction. In the maintenance business as well, the number of vehicles received for inspections and maintenance was higher than in the previous year. As a result, the extents of the declines in sales and profits contracted compared to in the 1H. In these conditions, the Company's motivation to work on the environment became apparent, including the enhancement of rapid charging facilities toward the penetration of EV vehicles (100 stations with 50Kw facilities) and in June 2020 the total number of sales of LEAF EV vehicles exceeded 6,000 vehicles, and in December 2020 the total number of sales of vehicles equipped with ProPILOT reached 28,000 vehicles. In the information systems-related business, results trended strongly in the managed services business, which includes data centers, while SG&A expenses were reduced. But during the COVID-19 pandemic, projects decreased for hardware, software and introduction-support services. In other businesses, the real estate business was affected by the completions of some rental contracts for external customers.

While a recovery from COVID-19 is expected, the outlook is conservative

2. FY3/22 results outlook

For the FY3/22 results outlook, the Company is forecasting net sales of ¥145,000mn (up 3.2% YoY), operating profit of ¥4,000mn (up 16.1%), ordinary profit of ¥3,500mn (up 12.9%), and profit attributable to owners of parent of ¥2,000mn (up 22.1%).

FY3/22 results outlook

(¥mn)

	FY3/21		FY3/22		
	Result	% of sales	Forecast	% of sales	% change
Net sales	140,443	100.0%	145,000	100.0%	3.2%
Gross profit	32,302	23.0%	-	-	-
SG&A expenses	28,857	20.5%	-	-	-
Operating profit	3,445	2.5%	4,000	2.8%	16.1%
Ordinary profit	3,101	2.2%	3,500	2.4%	12.9%
Profit attributable to owners of parent	1,638	1.2%	2,000	1.4%	22.1%

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

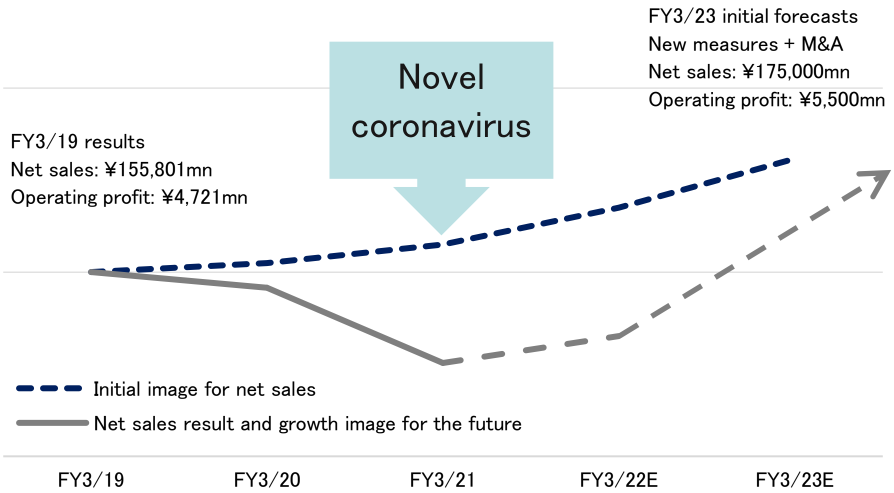
In addition to the COVID-19 pandemic becoming prolonged, there are other concerns, such as the impact of the global shortage of semiconductors, and it remains unclear how the economy will trend in the future. Therefore, while the number of vehicles sold will continue to recover, the forecast is that net sales will not reach the same level as in FY3/20 before COVID-19. For new vehicle sales, based on the measures for NISSAN INTELLIGENT MOBILITY being promoted by Nissan Motor, the Company's policy is to continue to provide value-added sales through proposal-based sales that are tailored to customers' needs, centered on new vehicles such as EV and those equipped with e-POWER. In particular, ARIYA, which is Nissan Motor's first crossover EV scheduled to be launched around the middle of 2021, can be said to be the leading car as the image of NISSAN INTELLIGENT MOBILITY and its expected value is extremely high as a symbol of "Nissan's technologies." However, the sales of these new vehicles have not been greatly incorporated into the forecasts (naturally, sales of new vehicles whose launch date has not been determined are not incorporated). In profits, while the Company is aiming to increase profits by working to improve sales, it plans to integrate the three Nissan-affiliated sales companies during the period in July. Against the backdrop of the effects of the integration including improved efficiency, synergies, and scale merits, its policy is to further improve convenience for customers. In conjunction with the integration, it plans to reallocate resources, such as allocating them to DX promotion services, including information dissemination via the Internet and SNS and to improve sales efficiency through Big Data analysis. In addition to the above factors, on considering the expectations for the spread of vaccine programs, the forecasts seem somewhat conservative.

In the medium- to long-term, the forecast is that the Company will return to the growth trend it has depicted

3. Medium-term growth image

The medium-term management plan has unavoidably coincided with COVID-19, and the Company has greatly diverged from its initially envisaged growth image. However, against the backdrop of Nissan Motor's NISSAN INTELLIGENT MOBILITY, many new EV and vehicles equipped with e-POWER will be launched and it is working on aggressive management by, for instance, putting advanced technologies like ProPILOT and e-4ORCE into practical use. Moreover, NISSAN INTELLIGENT MOBILITY is itself benefiting from developments such as the trend toward abolishing gasoline vehicles. The Company was also able to minimize the impact of COVID-19 on its FY3/21 results, and while its FY3/22 outlook is conservative, it expects business conditions to recover through proactive management. However, it seems that it may be necessary to revise the numerical targets in the medium-term management plan. However, even though COVID-19 is a strong factor, it can be considered to be a temporary one, so it is not thought necessary to change the basic growth strategy. Therefore, in this case, in the medium- to long-term the Company is forecast to return to the growth trend that it originally depicted.

Medium-term growth image with a revised trajectory due to COVID-19



* The growth image from FY3/23 is that depicted by FISCO.
Source: Prepared by FISCO from the medium-term management plan

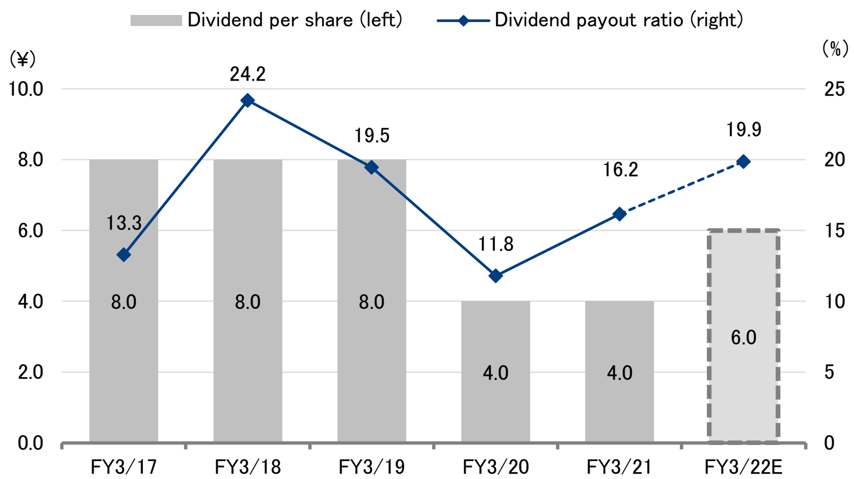
Shareholder return policy

Expects a recovery from COVID-19 and plans to increase the dividend in FY3/22

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. In FY3/22, in which results are expected to recover, it plans to increase the dividend for a period-end dividend of ¥6.

Trends in the dividend per share and the dividend payout ratio



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

Gives an original QUO card with a design of a popular car

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

〈第107期〉

108th period

〈第108期〉

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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■ For inquiry, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp