COMPANY RESEARCH AND ANALYSIS REPORT

Nissan Tokyo Sales Holdings Co., Ltd.

8291

Tokyo Stock Exchange Standard Market

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Summary

Operating profit target of the medium-term management plan achieved three years ahead of schedule

1. Holding company with one of the largest Nissan brand auto dealerships in Japan

Nissan Tokyo Sales Holdings Co., Ltd. <8291> (hereafter, also “the Company”) is a holding company whose subsidiaries include vehicle sales subsidiaries affiliated with Nissan Motor Co., Ltd. <7201>. Nissan Tokyo Sales Co., Ltd., a subsidiary under the Company’s umbrella, conducts businesses including sales of new Nissan and Renault brand vehicles, trade-ins and sales of used vehicles, and vehicle maintenance. The Company is one of the largest auto-dealerships in Japan, with a sales area covering close to 90% of the population of metropolitan Tokyo, and provides one-stop car life services as a frontrunner in the comprehensive mobility business*. In peripheral businesses within the Group, the Company, also conducts original businesses that do not rely on the Nissan brand. In October 2023, the Company sold all shares of its listed subsidiary, TOKYO NISSAN COMPUTER SYSTEM CO., LTD. (now, TCS Inc., currently unlisted), with the aim of optimizing management resources within the Group, including focusing on the vehicle-related business.

* The mobility business encompasses services for facilitating smooth automotive travel and transport, in addition to sales and maintenance.

2. Strengths in terms of EV sales, customer base, dealership network, and best practices

Against a backdrop of advancing technologies and environmental problems, the automotive industry is said to be in the midst of a once-in-a-century major transition. Amid this environment the Company’s vehicle-related business has been a pioneer in EV sales, has a recuring business with a customer base of 350,000 customers, 108 new model dealerships including 5 Renault dealerships for a dealership network that dominates the active market of Tokyo. It has also demonstrated strength in best practices involving quickly sharing know-how and information and expanding it horizontally in the organization. In addition, the Company has demonstrated its superiority as a front-runner in the comprehensive mobility business. In particular, the Company pioneered other companies in rolling out personal leases in which growth is accelerating, and synergies are being realized in quick rebuying and securing quality used cars. The Company’s original vehicle inspection business, Shakenkan, also continues to grow on the back of its well-established price, service and technology.

3. New record high operating profit achieved in FY3/24 amid strong new vehicle sales

Results for FY3/24 were net sales of ¥148,972mn, up 8.2% year-on-year (YoY) and record-high operating profit of ¥8,709mn, up 36.1%. Compared to the initial forecast, net sales fell short of the forecast by ¥1,028mn but operating profit exceeded the forecast by ¥2,709mn. The Company achieved higher net sales and double-digit operating profit growth, which in part was attributable to an increase in new car registration volume centered on electrified vehicles with vehicle supply shortages having been alleviated at the outset of FY3/24, and also attributable to factors that include higher new vehicle sales unit prices due to improvement of model mix, expansion of highly profitable personal leasing, and gains in service fee income associated with such operations. Whereas the Company’s initially unanticipated sale of all its shares of TOKYO NISSAN COMPUTER SYSTEM weighed on net sales and operating profit, the Company also achieved robust performance with respect to new vehicle sales and an increased proportion of high-priced vehicle sales. Although this was insufficient to fully make up for the net sales shortfall, operating profit greatly outperformed relative to forecasts of the management plan.

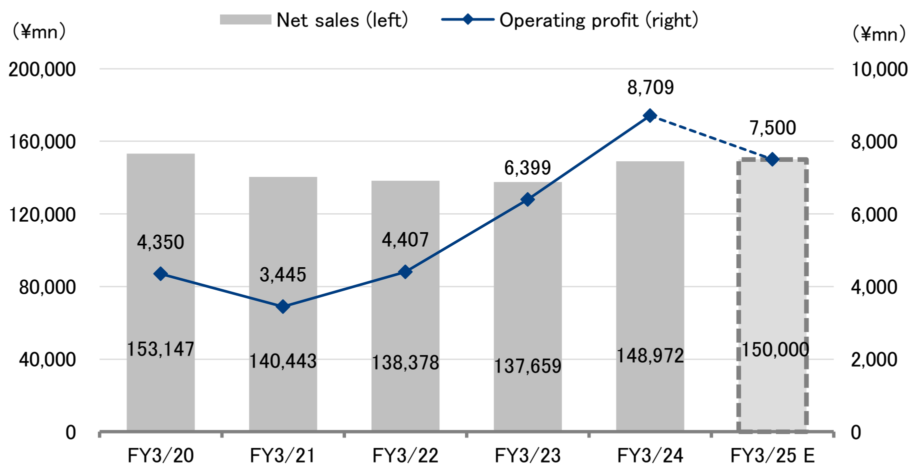
4. Revision to operating profit target of medium-term management plan under review upon having already achieved the target

For the FY3/25 results outlook, the Company forecasts net sales of ¥150,000mn (up 0.7% YoY) and operating profit of ¥7,500mn (down 13.9%). Despite projections of higher new car registration volume, net sales are likely to encounter no more than marginal gains due to subsiding momentum with respect to rising per-unit sales prices. Operating profit is likely to decline due to factors that include high prices as well as increased investment particularly in human resources and dealership facilities. Nevertheless, the Company expects to exceed its lowered projection for profits again in FY3/25 and envisions a scenario where it also achieves its target for net sales, with it having attained its operating profit target three years ahead of schedule in FY3/24 against its medium-term management plan targets of seeking net sales of ¥155.0bn and operating profit of ¥6.5bn in FY3/27. Moreover, the Company appears to be considering the possibility of revising its medium-term management plan, in part given that Nissan Motor has released a new medium-term management plan.

Key Points

- One of the largest Nissan-affiliated auto dealerships in Japan with coverage of close to 90% of metropolitan Tokyo's population
- Strengths: 350,000 customer base, dealership network, best practices
- Considering the possibility of revising the medium-term management plan upon having achieved the plan's operating profit target due to robust performance in FY3/24

Results trends



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

Company outline

Frontrunner in the comprehensive mobility business

1. Company outline

The Company is the holding company that supervises three consolidated subsidiaries, including Nissan Motor-affiliated auto-dealerships (Nissan Tokyo Sales) and three non-consolidated subsidiaries. The Company's subsidiary Nissan Tokyo Sales engages in the business of selling Nissan and Renault brand vehicles based in Tokyo, which is located in the center of Japan with a large population concentration. It boasts substantial scale as one of the largest dealerships among nationwide dealerships. It mainly sells cutting edge-vehicles, such as the EV of Nissan Motor and its group companies, and purchased parts. Its businesses also include trade-ins and sales of used vehicles and conducting vehicle body maintenance and mandatory vehicle inspections. It also provides customers with a full range of one-stop services related to car life, serving as a frontrunner in the comprehensive mobility business.

Strengthening the Nissan dealership business and increasing focus on it

2. History

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 (now TCS, Inc.) to enter the systems business; in 2002, it established Shakenkan Co., Ltd. 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 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 integrated the three Nissan sales companies in July 2021, by which time the Group had entered a trajectory, to establish Nissan Tokyo Sales Co., Ltd. to further improve efficiency and scale merits, thereby forming the largest auto-dealership in Japan in both name and reality. The Company transferred all shares of TOKYO NISSAN COMPUTER SYSTEM in October 2023 to concentrate its limited management resources on vehicle-related businesses.

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. 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 2021	Integrated the three Nissan-affiliated vehicle sales subsidiaries, established Nissan Tokyo Sales Co., Ltd.
April 2022	Listing was transferred to the TSE Prime Market
October 2023	All shares in TOKYO NISSAN COMPUTER SYSTEM (now TCS, Inc.), a consolidated subsidiary, transferred to Canon Marketing Japan Inc.<8060> Listed on the TSE Standard market

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

Building a business structure in line with the CASE and MaaS trends

3. Trends in the automotive industry

Even with the turbulence in production and distribution caused by the COVID-19 pandemic and Ukraine situation subsiding, the automotive industry continues to face advancing technologies and the need to reduce CO_2 emissions. The CASE and MaaS trends are drawing attention for how they are causing a once-in-a-century major transition in the automotive industry. CASE represents the IoT-ization of automobile (C: Connected), autonomous driving (A: Autonomous), the shift from ownership to sharing (S: Shared & Services), electric vehicles (E: Electric). This series of evolving technologies is causing a major revolution in the automotive industry. At the same time, MaaS (Mobility as a Service) is based on the idea of mobility, which sees transportation itself as a service. It optimally combines means of transport, provides scheduling, contracting, and payment on a one-stop basis, and meets the transportation needs of each individual. It is thought to be one way the industry is adapting to the major transition.

In line with this major transition, EVs have spread rapidly in Europe and China, and in Japan the topic continues to be addressed, but the cars have not necessarily become widespread. The reason is that Nissan is about the only domestic automaker to enter the EV market in a full-fledged manner, and sales of EVs account for a very small amount of new vehicles sold. For this reason, there has been a lack of motivation throughout the entire industry to increase charging stations, which is partly why consumers have been hesitant to buy an EV. Amid this environment, the Company from an early stage has worked to spread the e-POWER*1 electric vehicle and electrified vehicles*2 in general. IoT, which is said to have a strong affinity with electrified vehicles, is an advancing technology, and electric vehicles that incorporate technological evolutions such as Pro-PILOT driving-support technology demonstrate the Company's competitive advantage in terms of advancement. Moreover, in response to MaaS, the Company is strengthening its mobility business with leases and rental cars. Of course, the Company is leading the charge in spreading EVs, so it has installed quick chargers at its dealerships that can be used by the EVs of other automakers as well. It continues to actively invest in infrastructure. In this way, the Company has built its business system aligned with the CASE and MaaS trends and will likely reap the benefits of being in the lead when EV demand takes off in Japan, which essentially form a fertile market.

*1 e-POWER: Used only for generating engine power in Nissan's proprietary hybrid unit, it has the same driving feel as an EV.
*2 Electrified vehicles: Electric vehicles (EV), plug-in hybrid vehicles (PHEV, PHV), hybrid vehicles (HEV, HV), and fuel cell vehicles (FCEV, FCV). In the case of the Company, EV, e-POWER, and hybrid vehicles.

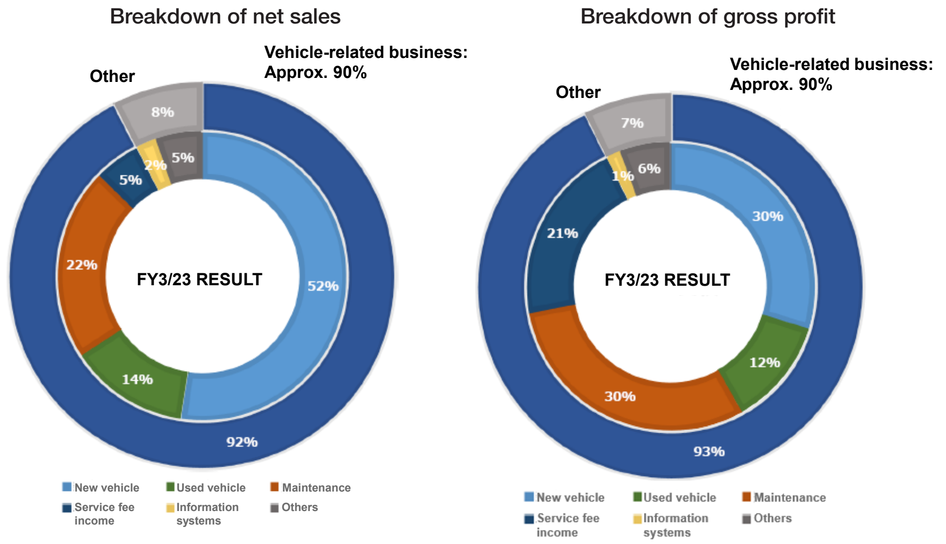
Whereas EV demand has reportedly been tapering off in recent years, this is occurring in nations where EVs account for a high share of the market such as China, European countries, and the United States. Accordingly, this apparently does not apply to Japan where growth persists, with the company having achieved gains of 40% in EV sales volume, as described later in this report. The slowdown in EV demand in China, Europe and the United States is seemingly attributable to often cited risks associated with EVs that include: battery life and replacement cost; concerns over driving range, charging infrastructure, and charging time; high vehicle body prices; high interest rates; reductions in subsidies (or inadequate subsidy programs); lack of new models; and market saturation. Reductions in subsidies, lack of new models, and market saturation attributable to early adopters have had a relatively significant impact on the market, suggesting that momentum of EVs in the market may be waning somewhat. Should EVs become more affordable amid a scenario where a lack of subsidies becomes the norm, a situation would likely emerge whereby EVs would come to constitute a majority of purchases everywhere including Japan. Whereas that scenario obviously hinges on breakthroughs entailing further evolution and mass production of batteries, the key technology of EVs, the day when EVs begin to constitute a majority of purchases may not be far off in the future given that practical applications of solid-state batteries are now on the horizon.

Business description

Sales centered on new vehicles; profits have good balance

1. Business description

The Company provides one-stop solutions with respect to car life services with a focus on electrified vehicles, and its business is divided into three business segments: the vehicle-related business, the information systems-related business (all shares sold in October 2023), and other businesses. The vehicle-related business is further subdivided into new vehicle sales, used vehicle sales, maintenance, and others. In FY3/24, the vehicle-related business contributed the majority of net sales, more than 90%, while new vehicle sales constituted approximately 60% of these sales. Meanwhile, the Company can be said to have achieved a favorable balance in terms of profit across the realms of new vehicles, used vehicles, maintenance, service fee income, information systems, and other domains. The relationship between Nissan Motor and Nissan Tokyo Sales is mainly that Nissan Tokyo Sales purchases vehicles and parts from Nissan Motor and then sells them to general consumers and others. However, Nissan Tokyo Sales also plays the role of connecting Nissan Motor to the consumer, such as for conducting PR and holding test drive events for cutting-edge technologies like EV, Pro-PILOT, e-POWER, e-4ORCE (a four-wheel control technology), and expanding installations of rapid chargers.



Note: Based on data for FY3/24. Results by segment vary depending on method of classification.
Source: Reprinted from the Company's financial results briefing materials

(1) The vehicle-related business

Nissan Tokyo Sales sells all the new models of Nissan Motor. Nissan Motor, whose supply of vehicles decelerated temporarily during the COVID-19 pandemic and other times, continues to launch new models, which stimulate sales; new customers are also increasing. In connection with this, the Company is upgrading to a next-generation style of dealership called Nissan Retail Concept, which is aligned with diversifying customer expectations and lifestyles. Regarding Renault cars, there is a virtual company within Nissan Tokyo Sales dedicated to Renault cars and it manages five dealerships, taking pride in the fact that they are No. 1 in sales volume nationwide (according to FY2023 results). New car sales volumes have been flat at around 5mn cars nationwide against a backdrop of low birthrates and an aging and declining population, and a lower car ownership ratio. To grow as companies dealers raise the profitability of new car and used car sales through scale merits and consolidation and are being pressed by the need to develop unique strategies through growth drivers other than new and used cars.;

(2) Personal leasing P.O.P

Personal car leases are an extremely convenient service for modern consumers who think of cars as things to use more than as things to own, and it can be called a new sales format for in which the sales destination is a leasing company. Leading the way, the Company's personal car lease service called P.O.P already has a history of more than 25 years as its own business, and it boasts a large share of the Tokyo market at around 40%. Regarding P.O.P, which is characterized by no down payment, no hidden fees, and fixed prices, over 70% of customers change to a new vehicle in the third year. Normally the cycle for buying a new car is said to be 10 years. The repeater rate is also above 90%, so the Company has a business with very efficient sales. At the same time, the service becomes a source of high-quality used vehicles with ownership periods of less than half the average, which is another merit. Based on these characteristics of personal leases, currently various sectors have entered the personal lease market, not just automakers, so as the options for consumers broaden the market can be expected to be stimulated, which would be a tailwind for the Company's P.O.P service. In April 2023, it began a new sales format for personal leases for secondhand cars.

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

Source: The Company's website

(3) Vehicle-related other than new vehicles

The Company sells new vehicles, handles trade-ins and sales of used vehicles, and otherwise provides services such as maintenance and mandatory vehicle inspections. It furthermore facilitates turnover of used vehicle sales through its sales of new vehicles, and has formed a stable value chain by amassing sales from maintenance and other recurring business. Trade-ins and sales of used vehicles constitute one pillar of the Company's earnings while simultaneously serving as a means of promoting new vehicle sales. Trade-ins are provided through Nissan Kauzo, a service managed by the Nissan dealership network including the Company, which offers trade-ins at high prices by eliminating the intermediary margin. For sales, dealerships known as 'Quality Shops'—including the Company's, which have met strict service levels—handle used vehicles certified by Nissan Motor. These vehicles come with comprehensive warranties and after-sales services. Meanwhile, the Nissan Motor official used vehicles website enables shoppers to compare and review more than 14,000 used vehicles.

Maintenance is conducted around each center as one of the pillars of Nissan Tokyo Sales' recurring business, and the subsidiary NT AUTO SERVICE INC., 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. It has 7 service centers in Tokyo and 1 in Saitama that are 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 inspections for about 33,500 vehicles and have conducted body panel work and painting for a total of 17,000 vehicles (FY3/24). Vehicle inspection work is also carried out by Nissan Tokyo Sales, as well as Shakenkan, an operator of mandatory vehicle inspection workshops. Shakenkan has a network of 12 specialist vehicle inspection workshops in Tokyo, Kanagawa, Saitama, and Chiba, and the selling points include being able to handle a wide range of vehicles regardless of manufacturer or model that all of its workshops are designated plants with the latest equipment and that employees with national certification use assured technologies to inspect the vehicles. The Company also has a strong reputation for price, service, and technology, with more than 80% of its customers being repeat customers and highly satisfied, which is why it continues to perform strongly.

It also conducts other businesses including a general insurance and life insurance agency business, a vehicle transportation and registration agency business, a dealership specialized in campervans that use a Nissan vehicle as the base vehicle, and real estate rentals, and diversifying to these businesses that are peripheral to vehicle sales is leading to increased Group synergies and acquisitions of a wide range of users.

(4) Information systems-related business

As a managed services company, TOKYO NISSAN COMPUTER SYSTEM, a core company in this business, had provided auto dealers nationwide with support in the form of hardware and software, like the integrated management service ITte, as well as management, operation and monitoring of information assets like data centers for increased administrative efficiency and higher productivity. The Company transferred all of its shares of TOKYO NISSAN COMPUTER SYSTEM to Canon Marketing Japan Inc. <8060>, a subsidiary of Canon Inc. <7751>, on October 2, 2023. TOKYO NISSAN COMPUTER SYSTEM was then delisted on October 30 and its name was changed to TCS Inc. on November 1. The Company made the transfer upon having confirmed that it would result in a win-win-win relationship among the three companies, with objectives that include addressing various problems attributable to parent and subsidiary listings, optimizing management resources within the Group in part by concentrating such resources on the vehicle-related business, and leveraging synergies between the IT companies TOKYO NISSAN COMPUTER SYSTEM and Canon Marketing Japan.

Strengths in terms of EV sales, customer base, dealership network, and best practices

2. Company strengths

The Company maintains a competitive edge in serving as a frontrunner in the comprehensive mobility business in this era of CASE technologies and MaaS. This competitive edge is underpinned by the Company's strengths particularly in terms of its position as a (1) pioneer in EV sales, its (2) recurring business with a customer base of 350,000 transactions, its (3) network of dealerships based in local communities, and its (4) best practices.

(1) Pioneer in EV sales

As a pioneer of EV sales, the Company maintains industry-leading EV sales and service systems through expertise accumulated over many years. In the domain of sales, the Company boasts a track record of sales exceeding 14,000 vehicles cumulatively over 14 years along with a full EV lineup that includes the LEAF, which was Japan's first mass-market EV, the Ariya sports utility vehicle, and the Sakura EV minicar. The Company also offers EV consultation that involves sales of EV chargers for the home and vehicle-to-home (V2H)* systems that make it possible to use electricity stored in EVs for household purposes. Its maintenance framework comprises a reliable maintenance system with about 700 Nissan EV certified maintenance engineers along with 3 EV heavy machinery maintenance plants through NT AUTO SERVICE. The Company has installed approximately 100 rapid vehicle chargers in Tokyo, which also serve as an essential element of the EV infrastructure. The rapid chargers are available for use by anybody at all, 24 hours a day, 365 days a year and have a track record of about 200,000 charging sessions annually. The Company has also deployed 83 portable Power Mover emergency power supply devices for use in the event of disaster.

* V2H: An abbreviation of vehicle-to-home, which refers to equipment that allows use of the power stored in a car battery at home.

(2) Recurring business with a customer base of 350,000 transactions

The Company achieves servicing volume amounting to approximately 700,000 vehicles annually, which is attributable to new and used vehicle sales. Through this, the Company has been developing its recurring business enlisting its customer base of 350,000 transactions. This includes personal leasing (more than 13,000 vehicles owned), maintenance income-generating Maintenance Pack members (approx. 126,000 members), financial products (usage rate of approx. 50%), and insurance contracts (approx. 130,000 insurance contracts). The Company's consistent recurring revenue derived from transactions with its existing customers gives rise to a more robust earnings structure with an operating expenses coverage rate of approximately 90%.

(3) Network of dealerships based in local communities

The Company's geographic coverage is the entire Tokyo metropolitan area, excluding the 8 wards of central metropolitan Tokyo*, which covers approximately 90% of Tokyo's population of approximately 14mn people. The Company deploys its network with Tokyo as the dominant territory, through its operations encompassing 110 new vehicle dealerships (including 5 Renault dealerships), 18 used vehicle dealerships, 12 Shakenkan vehicle inspection workshops, and 8 NT AUTO service centers. By rolling out its mobility business around this network, it provides substantial convenience to Tokyo consumers who wield significant purchasing capacity.

* Incidentally, the eight wards, which are Chiyoda, Chuo, Minato, Shinjuku, Bunkyo, Taito, Shibuya and Toshima wards, correspond to metropolitan Tokyo's city center, and this area is slated for a business being developed by a Nissan Motor consolidated subsidiary, mainly for corporate demand.

(4) Best practices

Another of the Company's strengths is its best practices of the rapid sharing and horizontal development of expertise and information. The benefits generated by best practices that have been conducted since the three Nissan sales companies transitioned to being under the umbrella of the holding company include increasing the hit rate of the Company's sales promotions and sales, improving its ability to propose products tailored to meet customer needs, and increasing the sales unit price per vehicle. The Company is also increasing sales for EVs by horizontally rolling out best practices that address concerns about driving range, recharging, subsidy programs and recharging facility construction. These benefits are the reason why its auto-dealerships have a comparatively high operating profit margin even while being located in Tokyo, a high-cost area.

A network of dealerships based in local communities

Source: Reprinted from the Company's website

Business trends

New record highs achieved with respect to each profit line amid robust performance in new vehicle sales

1. FY3/24 results trends

Results for FY3/24 achieved record highs on each profit line with net sales of ¥148,972mn (up 8.2% YoY), operating profit of ¥8,709mn (up 36.1%), ordinary profit of ¥8,364mn (up 37.3%) and profit attributable to owners of parent of ¥7,337mn (up 125.0%). Compared to the initial forecast, net sales fell short of the forecast by ¥1,028mn, but operating profit, ordinary profit, and profit attributable to owners of parent exceeded the forecasts by ¥2,709mn, ¥2,664mn, and ¥4,037mn, respectively.

FY3/24 results

(¥mn)

	FY3/23		FY3/24		
	Result	% of net sales	Result	% of net sales	% change
Net sales	137,659	100.0%	148,972	100.0%	8.2%
Gross profit	33,544	24.4%	36,926	24.8%	10.1%
SG&A expenses	27,145	19.7%	28,217	18.9%	4.0%
Operating profit	6,399	4.7%	8,709	5.8%	36.1%
Ordinary profit	6,090	4.4%	8,364	5.6%	37.3%
Profit attributable to owners of parent	3,261	2.4%	7,337	4.9%	125.0%

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

New car registration volume increased by 3.2% YoY nationwide and by 7.3% in the Company's market of Tokyo amid a scenario of vehicle supply increasing gradually toward normal levels as a result of shortages in semiconductors and other such components having started to ease at the outset of FY3/24. The Company achieved a 6.2% YoY increase in new car registration volume amid an upturn in orders particularly of EVs that include Sakura, which attained the No. 1 ranking in EV sales volume over two consecutive years, as well as Ariya and LEAF, and also orders of e-POWER vehicles such as the new Serena model as well as the Note, Note Aura, and X-Trail. Of those vehicles, the new Serena model received the Car of the Year award and other prestigious honors in recognition of its advanced driving support attributable to features such as the exceptional quietness of its e-POWER system and its Pro-PILOT 2.0 system.

Serena, winner of both RJC Car of the Year and Technology Car of the Year

Source: Reprinted from the Nissan Motor website

On the profit front, the Company incurred a decrease in profits from used vehicles given that sales of used cars recoiled in wake of particularly favorable market conditions in the previous year. Nevertheless, the gross profit margin improved due to factors that include rising unit price attributable to higher new vehicle sales volume and sales particularly of electrified vehicles, expansion of highly profitable personal leasing, and gains in service fee income associated with such operations. The Company achieved record high operating profit, although SG&A expenses were subject to salary hikes as well as higher equipment expenses and sales-related expenses including those associated with substantial renovation of key dealerships. This is attributable to a situation where Shakenkan of the maintenance business posted record-high profit, thereby offsetting loss of profit associated with the sale of a subsidiary, amid a scenario of ongoing effects of the Company having integrated its three sales companies coupled with positive results of streamlining dealership management and business operations in part by renovating dealerships and laterally deploying best practices. The rate of increase in profit attributable to owners of parent was particularly large as a result of the Company having recorded gain from sale of a subsidiary under extraordinary income. In comparison with the initial plan, the loss in net sales due to the sale of the subsidiary that had not initially been conceived was not fully covered by factors such as the increase in net sales of new vehicles, the higher ratio of high-value vehicles or improved productivity in dealerships and sales, but every line of profit not only covered the decrease, profits also led to a significant increase over the plan. Meanwhile, the Company achieved particularly significant upside in profit attributable to owners of parent as a result of it having recorded a gain from sale of a subsidiary under extraordinary income.

Results propelled by new vehicle sales with the shortage of vehicles having been alleviated

2. Trends by segments

By segment, in the vehicle-related business, net sales were ¥144,959mn (up 18.4% YoY) and segment profit was ¥9,529mn (up 42.9%). In the information systems-related business, net sales were ¥3,599mn (down 52.7%) and segment profit was ¥228mn (down 62.8%). In other businesses, net sales were ¥413mn (up 8.7%) and segment profit was up 13.7%). The Company transferred all of its shares of TOKYO NISSAN COMPUTER SYSTEM associated with the information systems-related business on October 2, 2023, which has been reflected in its results up through 1H.

FY3/24 results by segment (before adjustments)

(¥mn)

Net sales	FY3/23		FY3/24		
	Result	% of sales	Result	% of sales	% change
Vehicle-related business	129,673	94.2%	144,959	97.3%	11.8%
New vehicle	71,099	51.6%	84,176	56.5%	18.4%
Used vehicle	20,922	15.2%	21,631	14.5%	3.4%
Maintenance	29,911	21.7%	30,767	20.7%	2.9%
Other	7,740	5.6%	8,384	5.6%	8.3%
Information systems-related business	7,605	5.5%	3,599	2.4%	-52.7%
Other businesses	380	0.3%	413	0.3%	8.7%

Segment profit	FY3/23		FY3/24		
	Result	Profit margin	Result	Profit margin	% change
Vehicle-related business	6,667	5.1%	9,529	6.6%	42.9%
Information systems-related business	612	8.0%	228	6.3%	-62.8%
Other businesses	153	40.3%	174	42.1%	13.7%

* Segment profit is operating profit
Source: Prepared by FISCO from the Company's financial results

(1) Vehicle-related business

The breakdown of net sales in the vehicle-related business indicates that the segment's core operations of new vehicle sales served as the driver of vehicle-related business results with new vehicle sales of ¥84,176mn (up 18.4% YoY), used vehicle sales of ¥21,631mn (up 3.4%), maintenance sales of ¥30,767mn (up 2.9%), and other sales of ¥8,384mn (up 8.3%).

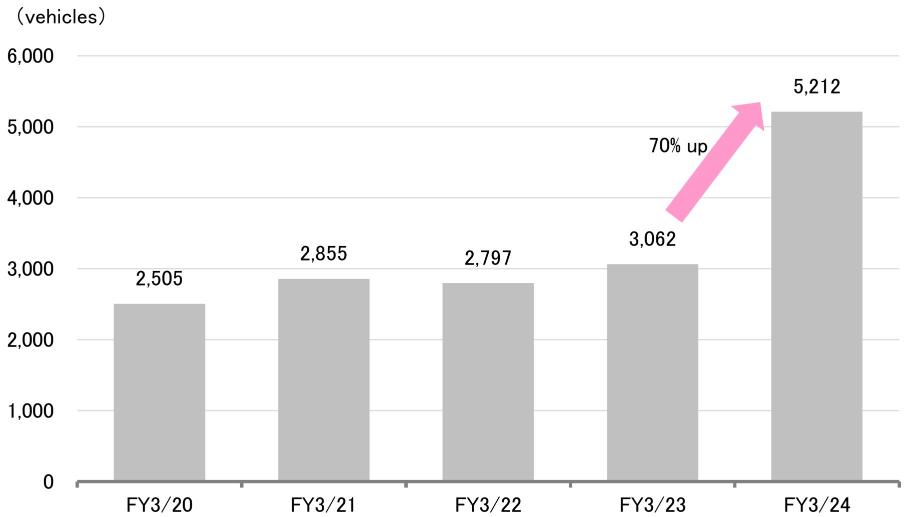
1) New vehicle sales

The Company persisted with its efforts to increase sales in new vehicles encompassing personal leasing, and to achieve earnings growth, underpinned by its strengths. Although the Company initially delayed deliveries (culminating in suspension of some orders) due to a vehicle supply shortage and amassed a backlog of orders particularly those for EVs, the situation has since been resolved for the most part due to improvements having been gradually achieved heading toward 2H (orders for Ariya were consequently resumed effective from FY3/24 after having been temporarily suspended previously). There has consequently been a sharp increase in vehicle deliveries culminating in new vehicle sales volume based on registration reference date of 26,307 vehicles (up 6.2% YoY; new vehicle sales volume reflected in results up 2.8%). The Company has maintained a ratio of electrified vehicle sales of at least 90% as a result of having persisted in promoting sales centered on electrified vehicles, including e-POWER vehicles. With EVs in particular, the Company's efforts toward making proposals enlisting best practices and roll out of the relatively low-priced Sakura EV minicar have culminated in a situation where electrified vehicles overall have served as the driver of results, with the Company's EV sales volume having increased significantly by 40.8% YoY, cumulative sales volume having exceeded 14,000 vehicles, and sales ratio significantly higher than the national average at 17.8%. The model mix has improved as a result of the sharp increase in deliveries of high-priced electrified vehicles, and the sales unit price has risen by approximately 10%.

2) Personal leasing of new vehicles

The P.O.P personal leasing service has been performing very well amid a scenario where car leasing is gaining more widespread acceptance. By engaging in a proposal-based sales approach of sharing best practices underpinned by its track record of more than 26 years, the Company has achieved significant growth in sales volume at 5,212 vehicles (up 70.2% YoY), along with 13,148 vehicles held through personal leases (as of the end of FY3/24), and a market share of approximately 40% in Tokyo. Insurance premium income has also increased due to growth in personal leasing sales volume.

New vehicle personal leasing sales volume



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

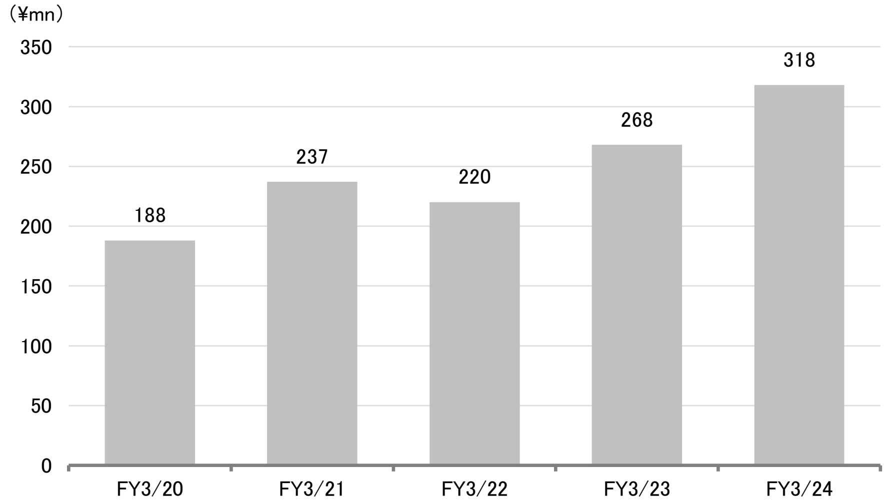
3) Used vehicle sales

The Company focused on highly profitable retail sales offering potential with respect to maintenance services in part given that unit price and margins in retail sales are higher than at auctions and through B2B transactions amid a scenario where the used vehicle market incurred a downturn relative to the previous year particularly in 1H. Moreover, the Company has launched services involving personal leasing of used vehicles leveraging its expertise in personal leasing of new vehicles. Those services have made a strong start in that they now account for between 2% to 3% of overall used vehicle sales with 266 vehicle leases sold.

4) Maintenance business

The maintenance business of Nissan Tokyo Sales achieved solid results with net sales up by 2.4% YoY and operating profit up by 3.1% in having secured consistent servicing volume underpinned by its robust customer base, which includes 126,000 Maintenance Pack members encompassing 47.3% of its customer base. The proportion of members covered by the Maintenance Pack service appears to be relatively high, and the Company seeks to further increase the membership in part given that some import car dealers offer the service as a standard option. Additionally, Shakenkan serves as a non-brand vehicle inspection operator with high levels of customer satisfaction and the capability of handling an extensive range of vehicle models irrespective of manufacturer. It has consequently achieved new record highs over two consecutive fiscal years in net sales and operating profit, with significant growth of 18.6% YoY in operating profit attributable to gradual gains in net sales combined with its streamlining initiatives.

Operating profit of Shakenkan



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

5) Other

In the segment's other businesses, net sales increased due to insurance premiums and installment fees originating from new vehicle sales. Moreover, the segment also achieved growth in insurance premiums associated with expansion of personal leasing.

(2) Other businesses

1) Information systems-related business

In the information systems-related business, net sales were ¥3,599mn (down 52.7% YoY) and segment profit was ¥228mn (down 62.8%). The segment contributed to earnings only up through 1H as a result of the Company having sold all of its shares associated with the business. Meanwhile, the segment's managed service business performed well amid a scenario of intensifying IT investment, despite it having incurred cancellations of maintenance contracts.

2) Other

In the segment's other businesses, the real estate business, net sales were ¥413mn (up 8.7% YoY) underpinned in part by rent revisions, and segment profit was ¥174mn (up 13.7%).

Action taken to achieve further growth and enhance earning power

3. Topics

Key topics regarding corporate action taken in FY3/24 include the Company's transition to the Standard Market and transfer of all of its shares of TOKYO NISSAN COMPUTER SYSTEM. On October 2023, the Company transitioned to the Standard Market. The Company took action with the apparent objective of increasing its medium- to long-term corporate value with the aims of achieving further growth and enhancing its earning power by concentrating on its management resources under the medium-term management plan. Whereas TOKYO NISSAN COMPUTER SYSTEM was removed from the scope of consolidation on October 2, 2023, the Company's aims involve concentrating on its management resources in the vehicle-related business to achieve sustained growth, and prompting further growth of TOKYO NISSAN COMPUTER SYSTEM by leveraging synergies with its acquirer Canon Marketing Japan. In addition, key topics related to the Company's contributions to its local communities include its support for recovery in the aftermath of the Noto Peninsula Earthquake, contributions made to Kotsuiji Ikueikai (scholarship fund for orphans of traffic accidents), and engagement in its Social Contribution Promotion Project.

Net sales outlook seemingly conservative, but rigorous focus on cost control

4. FY3/25 results outlook

For the FY3/25 results outlook, the Company is forecasting net sales of ¥150,000mn (up 0.7% YoY), operating profit of ¥7,500mn (down 13.9%), ordinary profit of ¥7,000mn (up 16.3%), and profit attributable to owners of parent of ¥4,500mn (down 38.7%). The Company intends to pursue business growth while also striving to increase corporate value by steadily engaging in initiatives under its medium-term management plan, which include continuing to enhance human capital to achieve sustainable growth and investing in dealerships to improve customer convenience.

FY3/25 results outlook

(¥mn)

	FY3/24		FY3/25		
	Result	% of sales	Forecast	% of sales	% change
Net sales	148,972	100.0%	150,000	100.0%	0.7%
Gross profit	36,926	24.8%	-	-	-
SG&A expenses	28,217	18.9%	-	-	-
Operating profit	8,709	5.8%	7,500	5.0%	-13.9%
Ordinary profit	8,364	5.6%	7,000	4.7%	-16.3%
Profit attributable to owners of parent	7,337	4.9%	4,500	3.0%	-38.7%

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

Whereas the Company will continue to focus on sales primarily of electrified vehicles, new car registrations and sales have been projected to be at around 27,000 vehicles (up 2.6% YoY) as a result of vehicle deliveries having returned to normal levels. Meanwhile, sales unit price is not likely to rise due to model mix developments amid a scenario of the price range stabilizing for the time being given availability of electrified vehicles. Additionally, the Company seems to have adopted a guarded outlook in part given the lack of possibility that Nissan Motor will roll out consequential new vehicles according to its business strategy, and also given that the Company needs to make up for the lack of TOKYO NISSAN COMPUTER SYSTEM results over half of the fiscal year. The net sales forecast seems to be somewhat conservative in part considering the prospect of better full-year results attributable to the flagship Ariya EV car now that orders have resumed in line with a scenario where vehicle supply is returning to normal levels, and also considering potential personal leasing results, which are poised to increase to a level at least on par with results of FY3/23 due to mounting interest in such services. Furthermore, there are many other upside factors with respect to net sales, such that include: criteria for EV subsidy eligibility have been fully met; new construction and renovation of four dealerships, including the Higashi Fushimi location (completed in April 2024) are slated for completion; entry into the Japanese market of China's BYD, the world's second-ranking EV manufacturer, is drawing attention to EVs; and, the Company is persisting with promotion of its full lineup of highly-rated electrified vehicles enlisting its proposal-based sales approach. Whereas revenue associated with used vehicles and maintenance is likely to increase marginally, the outlook for net sales is seemingly conservative given that in the used vehicle business, personal leasing of used vehicles is off to a successful start, and in the maintenance business, the Company seeks to increase servicing volume by further streamlining of Shakenkan.

Meanwhile on the cost side, the Company is likely to incur higher costs amidst normalization of the Japanese economy and vehicle shortages, attributable to rising prices along with redoubled investment in human capital, dealerships, and measures to improve working conditions to achieve sustainable growth. With respect to human capital, the Company seeks to secure human resources enlisting plans to heighten recruitment of new graduates and mid-career hires, while actively investing in work-style reforms and education. With dealerships, the Company intends to invest in replacing its electrified test drive vehicles with the latest models so that its customers are able to experience more advanced features. Additionally, the Company plans to adopt the latest measuring instruments and other such maintenance equipment to facilitate electrification as well as safety and driving-support technologies. As such, the Company may encounter a year characterized by somewhat of a cost-push situation amid diminishing effects derived from having integrated its three sales companies.

The medium-term management plan

Corporate philosophy and cherished values will drive promotion of the medium-term management plan

1. The corporate philosophy

The Company has been encountering a rapidly changing business environment as the concepts of CASE technologies and MaaS gain increasingly widespread acceptance, amid developments that include increasing awareness across society as a whole regarding carbon neutrality, a shift in customer mindset regarding vehicles from that of ownership to that of car sharing and car leasing, a shift in the customer purchasing process from dealerships to online sales, Japan's declining population, and increasingly diverse work styles. With regards to this, the Company recognizes the need to address issues including contributing to realizing a carbon neutral society through more widespread use of EVs, conducting sales that utilize the Company's expertise in personal leasing and expanding the mobility business so that it utilizes its dealership network and test drive vehicles, developing a network of dealerships that integrates physical and digital channels and that promotes brand experience, and improving work and management structures and with sights set on workstyle reforms and greater productivity.

In addition to resolving these issues, the Company has set a corporate philosophy of "We will accelerate the evolution of mobility to open up a whole new era. We will keep moving forward toward a future full of smiles," in seeking to keep providing universal values encompassing the pleasure of movement and safe and comfortable driving. In looking toward achieving the objectives of such a corporate philosophy, the Company is focusing on eight values that consist of "making customers smile, making fellow workers smile as well, teamwork, being professional, challenging ourselves, acting while thinking, living together with the community and social responsibilities." Meanwhile, the Company seeks to engage in sustainability management practices from a long-term perspective by enlisting its approach of identifying and addressing the four materialities of environmental issues, safe and secure society, respect for human rights and human capital and contributing to the community. The Company has formulated its four-year medium-term management plan (FY3/24 to FY3/27) to provide milestones and is steadily implementing them.

Considering the option of revising the medium-term management plan upon having achieved the plan's operating profit target three years ahead of schedule

2. Progress of the medium-term management plan

However, a number of targets in the medium-term management plan have already been achieved. Initially, the Company aimed first to return new vehicle sales volume to pre-pandemic levels and increase sales and profits in the dealer business, which is the Company's main business. It aimed to increase earnings from recurring business, and on the cost side, it planned to strengthen investment in human resources and digital while optimizing equipment expenses and other expenses to achieve by FY3/27 its medium-term financial targets of net sales of ¥15.50bn, operating profit of ¥6.5bn and a dividend payout ratio of 30% or higher. In addition, it is promoting carbon neutral initiatives, aiming to achieve its long-term non-financial target of maintaining a passenger vehicle electrification rate of at least 90% and reducing CO_2 emissions from EV sales by 16,000 tons. The Company's main target was operating profit, and it achieved this in FY3/24, three years ahead of schedule, and is also expected to meet the target in FY3/25 even though forecasting a decrease in profit. The target for electrification ratio has already been achieved and the Company is on track to reach its net sales target as well. This is because performance in FY3/24 was better than anticipated. As such, the Company is considering the possibility of revising its medium-term management plan to fortify content of the plan, in part given that Nissan Motor released its new The Arc: Nissan Business Plan in March 2024 enlisting the pillars of enhancing value, competitiveness and profitability.

The priority strategies are to be a leader in electrification, safety and drive-assist technologies and the mobility business

3. The medium-term management plan's priority strategies

With CASE as a major premise, the Company will expand sales of electrified vehicles and cars with safety and driving-support technologies, while at the same time implement long-term sustainability management through its corporate philosophy. The Company may revise its targets and other figures, but its three priority strategies being implemented in line with this approach are likely to remain unchanged going forward, in terms of it serving as an electrification leader, its safety and driving support technologies, and the mobility business.

(1) An electrification leader

An electrification leader means to utilize its strengths as a pioneer of EV and other electrified vehicles to spread around the world the excitement and emotions of driving electrified vehicles, and to contribute directly to the promotion of carbon neutrality. In Japan, despite the fact that there have been hardly any fully fledged entrants in the EV sector other than Nissan Motor, consumers' interest in EV is high and there is a growing willingness to buy EV. So the Company intends to utilize what it has accumulated in more than 14 years in this field, including EV sales and marketing systems, a maintenance system and facilities and rapid charging stations, and it is aiming to achieve an electrified vehicles ratio of at least 90% (this was already achieved and can be revised upward) and annual EV sales of 10,000 vehicles. Nissan Motor is also planning to globally launch 15 new EV models in the 10 years to FY2030, and the Company also plans to further strengthen sales of EVs such as Sakura, LEAF, Ariya and new models to be introduced in the future. Also, by aiming to reduce CO_2 emissions by 16,000 tons through EV sales and building a network of dealerships that can respond to emergencies through providing an EV power supply and that use renewable energy, it intends to strengthen its direct contributions to the environment and to society.

Full lineup of EVs

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

(2) Safety and driving-support technologies

The Company's policy is to provide many customers with safety and security through its advanced driving-support technologies and to support customers' safety and security every day through its maintenance system that supports these driving-support technologies. To this end, 1,400 test-ride vehicles will be deployed to increase test-ride opportunities at dealerships and dealerships utilize "e-share mobi" and other services to widen opportunities for customers to experience its advanced driver-support systems like Pro-PILOT. Also, it seems that it is deploying in-vehicle diagnostic equipment in all workshops and introducing the latest maintenance equipment toward acquisitions of specified maintenance system certification, further improving the technical skills of the maintenance engineers who are already skilled and experienced, and constructing an "electronic control system maintenance" structure that directly connects to customers' safe and secure car lives. Moreover, the advanced driver-support system Pro-PILOT is standard or optional on 97% of major models. Pro-PILOT has evolved from version 1.0 to version 2.0 which is able to change lanes on an expressway, as it is linked to the navigation system, and allows for driving without hands on the wheel. However, there are limitations; the driver must continuously monitor the situation.*

* For details refer to the website of the Company or Nissan Motor

(3) The mobility business

The Company's policy is to respond precisely to the trend of changing from owning to sharing by strengthening the mobility business. For personal leasing (P.O.P), which it started in 1997, it intends to improve the usage rate and retention rate by utilizing its expertise in personal leasing as best practices throughout the Group and appealing to customers for its benefits, which will promote vehicle replacements. As a result, through early-stage replacement purchases with P.O.P, this business has begun to experience rapid growth as a contributor to improving the Company's new vehicle sales and is expected to continue growing in the future. The Company entered the private used car leasing business based on the strong performance of P.O.P. and the launch appears to have gone well. In the mobility business, the Company also increased the number of rental cars in operation as well as deployed rental cars in all its dealerships and has expanded availability of its car sharing service "e-share mobi" which allows people to experience the latest technologies from Nissan Motor through the EV Sakara or e-POWER Serena for example. The Company intends to improve convenience for customers, expand opportunities to test drive electric vehicles and broaden touchpoints to advanced driving-support technologies such as Pro-PILOT 2.0 for instance, and through this gain a greater understanding of its EV and e-POWER.

Steady expansion of Nissan Retail Concept dealerships

4. Dealership network

Dealerships are the main touchpoint that provide exciting experiences from the first visit to taking delivery while accommodating diverse customer needs. Therefore, it would be reasonable to assume that updating and opening new dealerships based on the Nissan Retail Concept are important elements of the Company's strategies. In FY3/23, it upgraded nine dealerships, in FY3/24 it upgraded one dealership, while in FY3/25 it is planning to open and update four dealerships as it steadily carries out its plans. As a new touchpoint, the Company is considering studying new sales methods for automobiles using digital and metaverse technologies. It may not be in the near future, but it has the possibility of being a major sales channel.

Seeking to achieve results early on through upfront investment

5. The investment plan

To achieve the medium-term management plan, in addition to investing in existing areas, the Company is also more actively investing in its focus areas, and it plans to conduct total investment of ¥30.0bn over four years. Breaking down this amount, it intends to invest ¥25.0bn to update the network, to respond to the environment, and to rebuild the business portfolio in order to strength the existing businesses for sustainable growth; to invest ¥2.0bn to improve efficiency and productivity through IT, to diversify its businesses and to strengthen best practices for human resources and DX that will be the driving force behind reforms; and to invest ¥3.0bn in mobility-related, EV-peripheral businesses, and other businesses in order to expand its business areas by launching new businesses and through capital and business alliances. Through such investment, the Company plans to increase its earnings and achieve ROE (Return on Equity) of 7.0% in FY3/27. It will achieve this by updating the network, building customer touchpoints, and investing in efficiency improvements, as well as by conducting other initiatives, to increase the operating profit margin to 4.2% and to improve ROA (Return on Assets) to 3.4% through investments to increase earnings and by effectively utilizing assets (reducing unnecessary assets). By aiming to optimize the capital structure while securing financial stability, it plans to raise the D/E ratio to 0.26 times. However, the decision to invest ¥15.0bn, half of the total investment in the first year, is intended to accelerate the achievement of results.

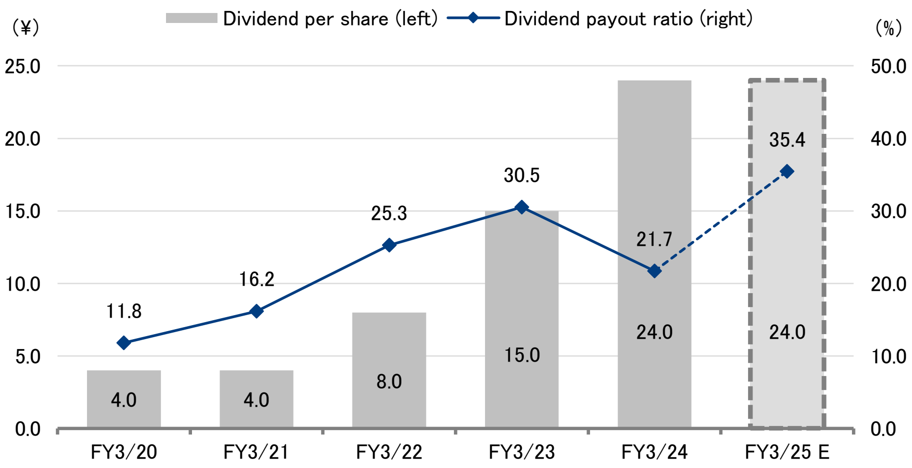
Shareholder return policy

Shareholder returns enhanced in alignment with results targeting a dividend payout ratio in the 30% range

1. Dividend policy

The Company is aware that returning profits to shareholders is one of its most important management issues. Its basic policy is to enhance shareholder returns while considering the retention of internal reserves to secure growth potential. It aims to maintain a dividend payout ratio in the 30% range and respond swiftly to the Company's financial results. As such, the Company set its annual dividend for FY3/24 at ¥24 (interim dividend ¥9, period-end dividend ¥13, period-end special dividend ¥2), thereby increasing the amount by ¥9 given that operating profit exceeded the management plan target and given that the Company recorded extraordinary income. Meanwhile, the Company plans to keep its annual dividend for FY3/25 at ¥24 (interim dividend ¥12, period-end dividend ¥12), while discontinuing the special dividend.

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

2. Shareholder benefits program

The Company has introduced a shareholder benefits program in order to express its gratitude to its investors for their support, and also to increase the appeal of investing in its shares and to encourage as many investors as possible 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 featuring a design of the Company's popular car models and 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

110th period

111th period

Source: The Company's website

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