COMPANY RESEARCH AND ANALYSIS REPORT

Nissan Tokyo Sales Holdings Co., Ltd.

8291

Tokyo Stock Exchange Standard Market

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Contents

Summary

Operating profit declined, but maintained high level exceeding Mid-term Business Plan target

1. One of the largest auto dealerships in Japan, whose operations include sales of new and used vehicles and vehicle maintenance

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 <7201>. Nissan Tokyo Sales Co., Ltd., a subsidiary under the Company's umbrella, conducts businesses including sales of new Nissan and Renault brand vehicles, purchase and sales of used vehicles, and vehicle maintenance. The Company is one of the largest auto-dealerships in Japan, with a sales area covering approximately 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, such as personal leasing, that do not rely on the Nissan brand.

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

2. Strengths include being a pioneer 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. In this context, the Company's strengths include being a pioneer of EV sales, recurring revenue business with a customer base of 350,000, a network of 101 new vehicle dealerships (including four Renault dealerships) with Tokyo as the dominant territory, and best practices involving quickly sharing know-how and information and expanding it horizontally in the organization. On the basis of these strengths, the Company gained a position of advantage as a frontrunner in the comprehensive mobility business by operating a broad-ranging business including used cars sales and maintenance as well as new car sales. Personal leasing is also a business that has grown rapidly as a result of best practices. The Company launched the business ahead of its competitors and produced substantial synergies in terms of early-stage vehicle replacements and securing a supply of quality used vehicles.

3. Operating profit is forecast to decline in FY3/26 due to upfront expenses, but maintaining a high level

Results for FY3/25 were net sales of ¥141,605mn, down 4.9% year-on-year (YoY), and operating profit of ¥7,412mn (down 14.9%). Used vehicles and maintenance performed strongly, but not enough to compensate for the decline in new vehicles, which recorded net sales and operating profit declines for reasons such as no new models being released. However, operating profit maintained a high level and was the second-highest on record following the previous fiscal year. The Company's FY3/26 results forecast calls for net sales of ¥145,000mn (up 2.4% YoY) and operating profit of ¥7,000mn (down 5.6% YoY). The Company expects an upturn in net sales as a result of releasing new models and upgrading its dealership network. Although a decline in operating profit is forecast due to rising prices and upfront expenses for improved hiring and education, and introduction of support systems, it is expected to maintain a high level exceeding the Mid-term Business Plan target.

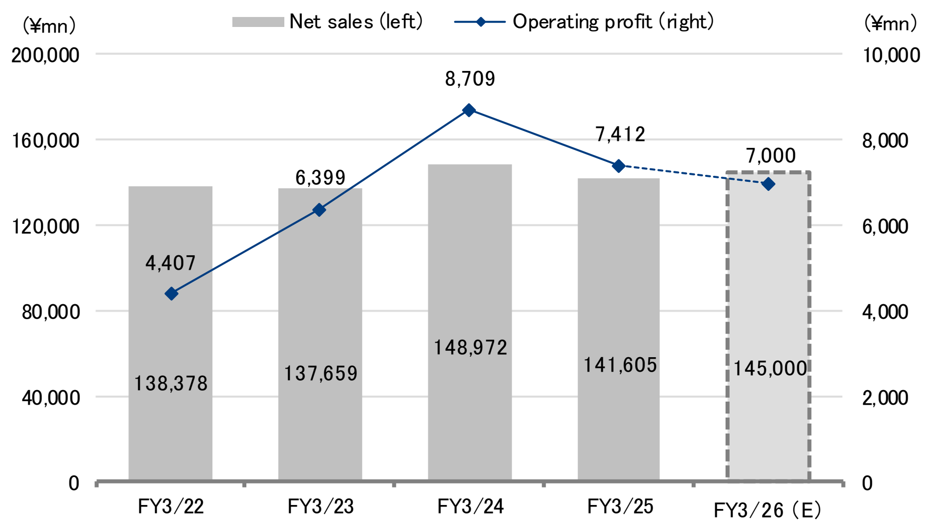
4. Solid implementation of priority measures. Steady progress with Mid-term Business Plan, targeting operating profit of ¥6.5bn

The Mid-term Business Plan targeting operating profit of ¥6.5bn and other targets in FY3/27 is progressing well, by steadily implementing priority measures—leader in electrification, safety and driver assistance technology, and the mobility business. Although net sales are the only one that appears to be falling behind target, the likelihood that the Company will meet its final net sales target has increased, because it plans to introduce two new models including the LEAF in FY3/26 and the popular large minivan Elgrand in FY3/27, the final year of the Mid-term Business Plan. Although the growing management instability of Nissan Motor, which supplies new vehicles, is a concern, we at FISCO think that the Company remains competitive in sales, because it maintained a certain level of sales volume in FY3/25, when no new models were released. We also think that the situation will not have a large negative impact on results in FY3/26 and FY3/27 if new model releases proceed on schedule.

Key Points

- Operates one of the largest auto dealerships in Japan, with strengths including customer base and dealership network
- Despite a decline in profit in FY3/25, performance is roughly in line with expectations, recording second-highest operating profit ever
- Operating profit is forecast to decline in FY3/26, but expected to continue to exceed Mid-term Business Plan target

Results trends



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

Company profile

Frontrunner in the comprehensive mobility business

1. Company profile

The Company is the holding company that supervises four consolidated subsidiaries, including Nissan Motoraffiliated 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, being one of the largest dealerships nationwide. It mainly sells cutting edge-vehicles, such as the EV of Nissan Motor and its group companies, and purchased parts. Its businesses also include purchases 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.

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, and in 1961, it was listed on the Tokyo Stock Exchange (TSE) First Section. In 1989, it established Tokyo Nissan Computer System to enter the systems business, and in 2002, it diversified its business by establishing Shakenkan Co., Ltd. to strengthen vehicle inspections and maintenance. In 2004, 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—Tokyo 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 to Canon Marketing Japan <8060> in October 2023 to concentrate its management resources on automobile-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 Tokyo Stock Exchange (TSE) First Section
January 1971	Relocated Head Office to Roppongi, Minato Ward
March 1977	Accepted some bases and personnel of Tokyo Nissan Motor Co., Ltd.
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 CO., LTD., a consolidated subsidiary, transferred to Canon Marketing Japan, Inc. Listed on the TSE Standard Market

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

Expectations for expansion of EV market leveraging new trends and solid-state batteries

2. 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 challengings such as 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-acentury 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, Mobility as a Service (MaaS) 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.

In line with this major transition, EVs have spread rapidly in Europe, the United States, 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 in Japan. For this reason, there has been a lack of motivation throughout the entire industry to increase quick chargers, 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. It has been working to address IoT, which is said to have a strong affinity with electrified vehicles, through advanced technology, and electric vehicles through technological evolutions such as Pro-PILOT driving-support technology. The Company installed quick chargers that can be used by other manufacturers' EVs at its dealerships and has been strengthening its mobility business such as car leasing and rental. 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 inherently forms a fertile market. Although the spread of EVs has stalled in Europe and the United States, we at FISCO think that the EV market is likely to grow significantly in the not-so-distant future, driven by CASE and MaaS developments, as well as the expected commercialization of solid-state batteries, and the full-scale entry of Toyota <7203>, the automotive industry leader, into the EV sector.

*1 e-POWER: Nissan's proprietary hybrid system. Since the engine is used only for power generation, the driving feel is similar to that of an EV.
*2 Electrified vehicles: A collective term for 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, this refers to EV, e-POWER, and hybrid vehicles.

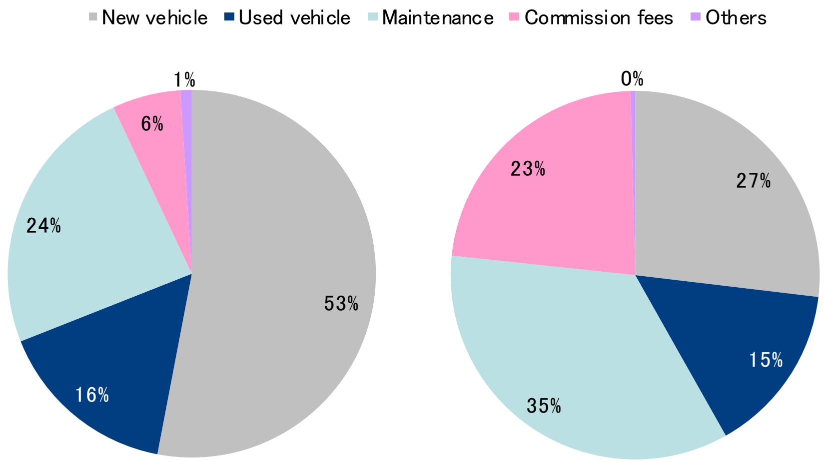
Business overview

Profit well balanced between businesses

1. Business description

The Company's business consists of new vehicles, which includes personal leases, used vehicles, maintenance, and others. It provides one-stop services for car life (mobility) across the entire business, maximize customer LTV (Lifetime Value) through high value-added proposals and automobile-related services such as maintenance and financing, and pursue group synergies by expanding into mobility-related businesses. Looking at its earnings structure, new vehicles account for over 50% of net sales, but profit is well balanced between businesses. The Company 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 revenue business. The relationship between Nissan Motor and Nissan Tokyo Sales is mainly that Nissan Tokyo Sales purchases new 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 and e-POWER, as well as expanding installations of quick chargers.

Breakdown of net sales in FY3/25 | Breakdown of operating profit in FY3/25



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

(1) New vehicle business

Subsidiary Nissan Tokyo Sales sells all the new models of Nissan Motor, including EV and e-POWER, through its about 100 dealerships in the Tokyo area. These stores are currently being renovated into a new generation of stores called Nissan Retail Concept (NRC) to meet Nissan's continuous introduction of new cutting-edge models and diversifying customer expectations and lifestyles. Regarding Renault cars, there is a virtual company within Nissan Tokyo Sales dedicated to Renault cars and it manages four dealerships, taking pride in the fact that they are No. 1 in sales volume nationwide (according to FY3/25 results). New car sales volumes have been flat at around 5 million 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 sales through scale merits and consolidation and they are being pressed by the need to develop unique strategies through growth drivers in businesses other than new cars, such as personal leases, used car sales, and maintenance services.

(2) Personal leasing P.O.P

Car leasing for individuals is a sales model within the new car business in which the car is sold to a leasing company. It is a highly convenient service for consumers who think of cars as something to be used rather than owned, and for those who want to reduce the hassles of procedures and ownership. The Company, a leader in personal leasing, has been offering this service since 1997 under the P.O.P. brand, which is independent of the Nissan brand, and boasts a high market share of approximately 40% in the Tokyo metropolitan area. 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 eight or nine years. The repeater rate is also above 90%, so the Company has a business with very efficient sales. Because of these characteristics, not only car dealerships but also various other industries are now entering the personal leasing market, which is a tailwind for P.O.P. as it offers consumers more choices and is expected to revitalize the market.

(3) Used vehicle business

Purchases and sales of used vehicles constitute one pillar of the Company's earnings while simultaneously serving as a means of promoting new vehicle sales. Used vehicles are mainly sourced through trade-ins by customers buying new vehicles, direct purchases, and auctions. For sales, the Company and other "Quality Shops" that have met strict service standards handle used vehicles certified by Nissan Motor. These vehicles come with comprehensive warranties and after-sales services. Although the Company also handles sales through other channels, such as auctions, it focuses on retail sales of its used vehicle inventory to end-users at its dealerships, which are more profitable. Inspired by the popularity of personal leases for new vehicles, the Company began personal leases of used vehicles in April 2023, which has recorded strong growth. Sales volume of personal leases for used vehicles doubled YoY in FY3/25.

(4) Maintenance business

The maintenance business is being developed around each center as one of the pillars of Nissan Tokyo Sales' recurring revenue model. It boasts a maintenance package membership of over 130,000 and carried out inspections and maintenance on around 650,000 vehicles across the Group (FY3/25). 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 seven service centers in Tokyo and one in Saitama that are equipped with industry-leading technologies that can deal with the aluminum bodies of luxury imported vehicles. Vehicle inspection work is carried out by Nissan Tokyo Sales, as well as Shakenkan, which specializes in vehicle inspections independent of the Nissan brand. Shakenkan has a network of 13 specialist vehicle inspection workshops in Tokyo, Kanagawa, Saitama, and Chiba, and its selling points include being able to handle a wide range of vehicles regardless of manufacturer or model. All of the shops are state-of-the-art, designated factories that can receive a wide range of vehicles regardless of make, and their sales point is inspections based on reliable technology by nationally certified inspectors. The Company also has a strong reputation for price and service, with more than 80% of its customers being repeat customers, which is why it continues to perform strongly.

(5) Other businesses

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.

Strengths include EV sales, customer base, dealership network, and best practices

2. Company strengths

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

(1) Pioneer of 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 has a full EV lineup including the LEAF, which was Japan's first mass-market EV, and the EV SAKURA minicar, and boasts a track record of sales exceeding 16,000 vehicles cumulatively. 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 engineers along with three EV heavy machinery maintenance plants through NT Auto Service. The Company has also installed around 100 quick chargers for EVs in Tokyo.

* 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 revenue business with a customer base of 350,000

In addition to the sale of new and used vehicles, the Company has been developing its recurring revenue business enlisting its customer base of 350,000 transactions. This includes personal leasing, maintenance income-generating maintenance package membership (over 130,000 members), financial products (usage rate of approx. 50%), and insurance contracts (approx. 130,000 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 rooted in local communities

The Company's geographic coverage is the entire Tokyo metropolitan area, excluding the eight wards of central metropolitan Tokyo*, which covers approximately 90% of Tokyo's population of approximately 14 million people. The Company deploys its network with Tokyo as the dominant territory, through its operations encompassing 101 new vehicle dealerships (including 4 Renault dealerships), 18 used vehicle dealerships, 13 Shakenkan vehicle inspection workshops, and 8 NT Auto service centers. By rolling out its mobility business around this network, it attracts 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 Company has been able to improve its promotional and sales hit rates and its ability to propose products that meet customer needs through best practices. As a result, sales of EVs and personal leases have grown due to having developed a competitive edge over its rivals despite these products being difficult to explain to customers in terms of scheme and specifications. 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.

Results trends

Despite a decline in profit, strong results with second-highest operating profit ever

1. Overview of FY3/25 results

Results for FY3/25 were net sales of ¥141,605mn, down 4.9% year-on-year (YoY), operating profit of ¥7,412mn (down 14.9%), ordinary profit of ¥7,367mn (down 11.9%), and profit attributable to owners of parent of ¥4,312mn (down 41.2%). Although net sales and profit turned down, due in part to a robust performance in FY3/24, operating profit and ordinary profit were the second highest they have ever been after record highs in FY3/24. Compared with the initial forecast, net sales fell short by ¥8,395mn and operating profit by ¥88mn, ordinary profit exceeded the forecast by ¥367mn, and profit attributable to owners of parent was ¥188mn lower, but all maintained strong levels. After the Company sold all shares of its listed subsidiary Tokyo Nissan Computer System Co., Ltd. (now TCS Inc.) in October 2023, the automobile-related business has been its sole business segment. It therefore stopped disclosing segment information in FY3/25. The sharp decline in profit attributable to owners of parent is in reaction to recording a gain from the sale of affiliate stock as extraordinary profit in FY3/24.

FY3/25 results

(¥mn)

	FY3/24		FY3/25		
	Result	% of net sales	Result	% of net sales	YoY
Net sales	148,972	100.0%	141,605	100.0%	-4.9%
Gross profit	36,926	24.8%	35,405	25.0%	-4.1%
SG&A expenses	28,217	18.9%	27,993	19.8%	-0.8%
Operating profit	8,709	5.8%	7,412	5.2%	-14.9%
Ordinary profit	8,364	5.6%	7,367	5.2%	-11.9%
Profit attributable to owners of parent	7,337	4.9%	4,312	3.0%	-41.2%

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

Net sales of used cars increased due to higher unit sales prices and steady maintenance volume. However, this could not offset the decline in new car sales, which fell due to the off-business period for new models and a reaction to the concentration of deliveries in the first half of the previous fiscal year. For profit, the gross profit margin went up due to an improved business portfolio, because the used vehicle business and maintenance business performed strongly. Operating profit declined, however, because expense increases associated with rent hikes and upgrading the dealership network could not be absorbed by general SG&A expense reduction including personnel cuts. The main factor behind net sales undershooting the initial forecast is that new vehicle sales were weaker than expected, because no new models were released in FY3/25. Operating profit was only slightly lower than the initial forecast, because the Company curtailed SG&A expenses and the used vehicle business and maintenance business performed strongly.

Mid-term Business Plan strategies such as one-stop car life services in the mobility business are progressing well, underpinned by a customer base of 350,000, and a well-balanced earnings structure. As a result, operating profit was the second-highest ever in FY3/25. Although the management instability of Nissan Motor (supplier of new vehicles to the Company) since fall 2024 is a concern, the Company's sales strength remains strong, and it has been able to maintain a certain level of sales volume even during the off-season for new models, so there is no indication that the Company's sales competitiveness is declining at this point in time. Given that new model releases are scheduled in FY3/26 as planned and the Company was able to respond to adversity such as supply delays during the COVID-19 pandemic and other difficult times so far, no major impact is expected in both FY3/26 and FY3/27. That being said, Nissan Motor's new vehicle development and brand image may suffer if management issues continue for a long time.

Personal leases, used vehicle sales, and maintenance businesses perform strongly

2. Net sales trends by business

Looking at net sales trends by business, personal leases, used vehicle sales, and maintenance compensated for weak new vehicle sales and associated decrease in commission fees.

FY3/25 net sales by business

(¥mn)

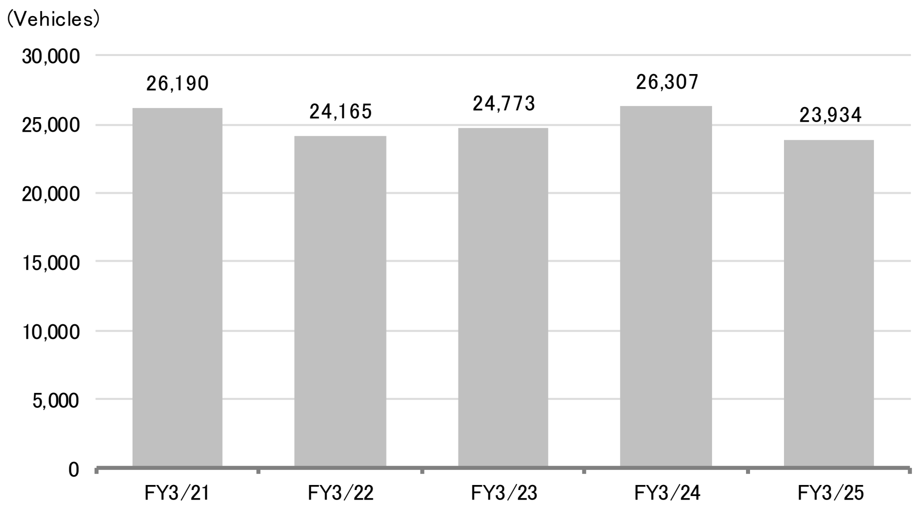
	FY3/24		FY3/25		
	Result	% of net sales	Result	% of net sales	YoY
New vehicle	84,176	56.5%	77,775	55.0%	-7.6%
Used vehicle	21,631	14.5%	23,555	16.7%	8.9%
Maintenance	30,767	20.7%	31,879	22.5%	3.6%
Other businesses	8,384	5.6%	8,235	5.8%	-1.8%

Note: Some values are FISCO estimates.
Source: Prepared by FISCO from the Company's results briefing materials

(1) New vehicle business

In FY3/25, new car registration volume increased 1.0% YoY nationwide and a slight 0.3% in the Company's home market of the Tokyo metropolitan area, but decreased 9.0% for the Company. The main contributing factors were the temporary concentration of EV registrations in the first half of the previous fiscal year due to the EV subsidy, the new model SAKURA, which boosted new vehicle sales in FY3/23, has run its course, and new models are now in the off-season. There appeared to have been a small number of minor-changed vehicles. Although EV sales volume decreased, sales unit prices and profit levels appear to have stayed at high levels. Reasons for this are new vehicle sales maintaining the usual volume of around 24,000 and the majority of e-POWER vehicles like the SERENA and NOTE that sold being higher-priced models as a result of deepening proposal-based sales. Meanwhile, as for the recent global negative campaign against EVs, it is due to subsidy reductions in Europe and the US and high market share in certain countries, and does not apply to Japan, where EV market share is low at around 2%. On the contrary, the market environment appears favorable for the Company whose home market is in Tokyo, an area of Japan that pays a generous EV subsidy, and expectations of the EV market being stimulated by the entry of Toyota Motor, which has traditionally taken a cautious approach to the EV business.

New vehicle sales trends

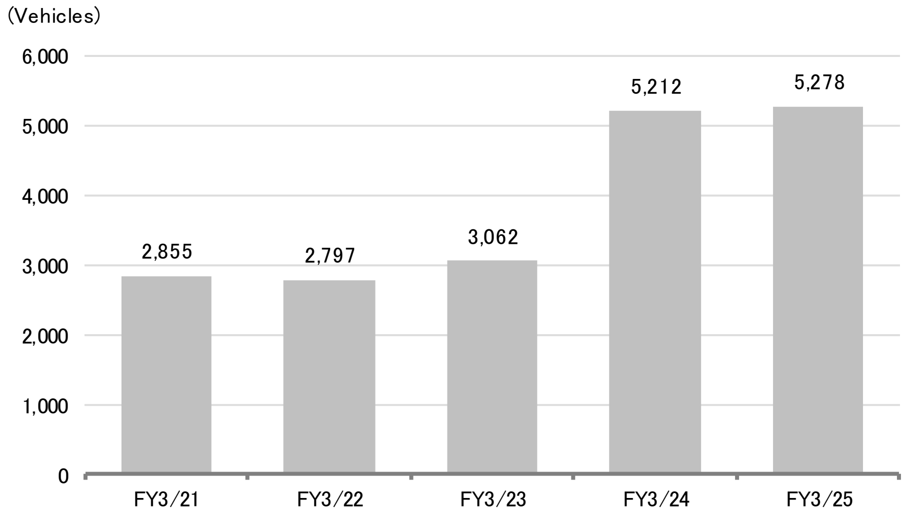


Source: Prepared by FISCO from the Company's results briefing materials

(2) Personal lease

Sales of highly profitable P.O.P. personal leases grew a robust 1.3% YoY and continued to build a stable customer base. The main factors behind this growth despite the lack of new model releases are increased awareness of car leases among consumers and all salespeople being capable of proposal-based sales as a result of best practices becoming established, which meant they recommend leasing as an option when selling a new vehicle. Competitors in various sectors as well as those in the auto industry have moved into personal leases of new vehicles in the past seven to eight years. However, like EVs, car lease contracts require a high level of explanatory skills to help customers understand concepts such as residual value, remaining term, and how the leasing scheme works, which can be an entry barrier for some companies. The Company has the big advantage of roughly 30 years' experience in aggressively marketing personal leases, which has led to its top market share. Personal lease contract terms are usually five years, but many customers change their vehicle after three years. The number of lease vehicle changes increased sharply in FY3/23, which means another spike is expected in FY3/26.

Sales of P.O.P personal leases



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

(3) Used vehicles business

In the used vehicles business, while there was a shortage of inventory in the distribution market as a whole, the increase in unit sales prices and highly profitable retail sales led to securing gross profit and improving sales efficiency, resulting in record-high profits. As a result, the Company recorded solid gross profit and improved sales efficiency, which likely contributed to record-high profit. The Company mainly used to sell used vehicles through the Nissan Motor official used vehicles website. However, its dealerships are increasingly selling directly to consumers because of the effects of best practices and the popularity of its full lineup of late-model, high-quality used vehicles among general consumers looking to buy used vehicles. In addition, personal leases of used vehicles are increasing at double the pace of the previous fiscal year amid diversifying needs, raising expectations for repeat customers in the future.

(4) Maintenance business

The Company continued to attract maintenance demand underpinned by a recurring revenue customer base of over 130,000 maintenance package members. In particular, Shakenkan posted record-high profit three years in a row by improving the convenience of business processes, including digitalization of inspection and maintenance scheduling, and focusing on gaining repeat customers and attracting new customers by opening a new workshop. In this way, the Company made further use of its recurring revenue base by incorporating Shakenkan's know-how.

Accelerated strategy to upgrade dealership network

3. Topics

In FY3/25, the Company opened, relocated, rebuilt, and remodeled dealerships in seven locations, which is a record high, to accelerate its dealership network upgrading strategy under the Mid-term Business Plan. These were Higashi Fushimi (April 2024), Tohachi Mitaka (August 2024), U-Car Hiroba Shikahama (September 2024), Renault Nerima/Alpine Center Nerima (October 2024), Aoi Kotsu (May 2024), Shakenkan Ome workshop (January 2025), and Hachioji (March 2025). The Company worked to improve customer convenience and enhance working conditions for employees and dealership/workshop functions by opening these locations. It is also actively promoting EV infrastructure construction and energy management to realize a next-generation style of dealership, and it aims to create dealerships that contribute to the regional environment and disaster preparedness through initiatives such as electricity storage systems that use solar panels and reusable EV batteries to strengthen their role as mobility bases.

In FY3/25, the Company used its dealership network as a base for ongoing community service projects. It concluded a memorandum of understanding with the Tokyo Metropolitan Government in June 2024 to participate in its TOKYO Children's Watchful Circle Project. The Company also engaged in activities to watch over local children to keep them safe at its offices and dealerships. In addition, it provided electricity from EVs at various local events, where participants were positive about the use of EVs as a back-up power supply in emergencies such as natural disasters. Nissan Tokyo Sales also operates Misato Farm, where it uses hydroponics to cultivate a variety of vegetables which are regularly donated to children's food kitchens. The Company has also regularly donated to Kotsuiji Ikueikai (scholarship fund for orphans of traffic accidents) since 2014.

Higher net sales forecast in FY3/26 due to new vehicle sales and other factors, but profit decline expected because of upfront expenses

4. FY3/26 forecasts

For the FY3/26 results outlook, the Company projects net sales of ¥145,000mn (up 2.4% YoY), operating profit of ¥7,000mn (down 5.6%), ordinary profit of ¥6,500mn (down 11.8%), and profit attributable to owners of parent of ¥4,000mn (down 7.2%). Although a decline in operating profit is forecast, the Company expects it to remain at a high level. To achieve sustainable growth, the Company intends to continue to steadily implement initiatives in line with its Mid-term Business Plan, such as enhancing human capital, improving customer convenience, and investing in shops, in order to grow its business and increase corporate value.

FY3/26 results outlook

(¥mn)

	FY3/25		FY3/26		
	Result	% of net sales	Forecast	% of net sales	YoY
Net sales	141,605	100.0%	145,000	100.0%	2.4%
Operating profit	7,412	5.2%	7,000	4.8%	-5.6%
Ordinary profit	7,367	5.2%	6,500	4.5%	-11.8%
Profit attributable to owners of parent	4,312	3.0%	4,000	2.8%	-7.2%

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

Regarding net sales, the Company forecasts an increase due to the release of new models and minor change models as well as the impact of the upgraded dealership network. To this end, it plans to invest aggressively in test drive vehicles and new dealerships (integration of two large dealerships, relocation, and floor space expansion). Although these proactive investments are expected to be absorbed by test drive management and inventory efficiency improvements, operating profit is expected to decrease due to cost pressure from rising prices, as well as increased up-front expenses such as human capital investments in improving compensation, hiring and training, and working environment, and DX investments such as the introduction of support systems.

By business, new vehicle sales are expected to be driven by two models: the new LEAF, announced in June 2025, and a new hybrid minicar model in the popular zone, which is expected to raise both sales volume and earnings, including minor-changed models. The dealership upgrade that took place in FY3/25 is expected to make a full-year contribution in terms of customer attraction and negotiating power. The Company also seeks to streamline sales activities and improve the order acceptance rate by sales support that harnesses AI (customer targeting, sales skill support, and inventory management). In particular, it plans to extract customer targets from big data in sales using AI instead of relying on the intuition of salespeople and shift role-playing from person-to-person to person-to-AI to streamline skills training for salespeople that enables them to handle various situations. The Company also expects the sales share of personal leases to increase, and plans to take advantage of this to boost new vehicle sales volume and strengthen its customer base.

In used car sales, the Company expects a decline in sales as the market price has begun to decline moderately, but it will maximize earnings by further increasing the ratio of highly profitable retail sales. By continuing to work on sales expansion of personal leases of used vehicles, it plans to utilize and generate repeat demand for used vehicles. In maintenance, the Company forecasts a slight increase in net sales due to stable inspection and maintenance volume underpinned by a customer base of 350,000 transactions and net sales and profit growth for the fourth consecutive year at Shakenkan thanks to the effect of opening the new Ome workshop. The Company expects commission fees to turn up as a result of an increase in new vehicle sales.

Mid-term Business Plan

Accelerating the evolution of mobility to pioneer a new age

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. In order to respond to these changes in the environment, the Company has identified the following issues to be addressed: contribution to the realization of a carbon neutral society through the popularization of EVs, sales utilizing the know-how of personal leasing, expansion of the mobility business utilizing the store network and test drive vehicles, creation of shops that offer brand experience that integrates physical and digital channels, reform of work styles and improvement of the business and operational structure to enhance productivity, etc. In addition to resolving these issues, the Company has set a corporate philosophy of "Driving the future beyond mobility. Delivering inspiration at every turn," in seeking to keep providing universal values encompassing the pleasure of movement and safe and comfortable driving. As a milestone in the steady implementation of these initiatives, the Company has formulated and is currently implementing its four-year Mid-term Business Plan (FY3/24 to FY3/27) that focuses on being a leader electrification, safety and driver assistance technology, and the mobility business.

Achieving targets becoming more likely, including net sales

2. Progress of the Mid-term Business Plan

Under the Mid-term Business Plan, the Company aimed first to return new vehicle sales volume to pre-pandemic levels, increase earnings in the new vehicle business and recurring revenue business, and 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 ¥155.0bn, 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. Of these, the Company's main financial target was operating profit, and it achieved this in FY3/24, three years ahead of schedule, and is expected to meet the target in FY3/26 even though forecasting a continued decrease in profit. Although the Company achieved most financial targets, net sales in FY3/25 fell approximately ¥13.0bn short. However, we at FISCO think that the likelihood of attaining the final net sales target has increased, because the Company plans to release two new models in a popular price range (including the LEAF) in FY3/26, and the Elgrand, a popular new, large minivan with third-generation e-POWER (with improved fuel economy at high speeds) in FY3/27, the final year of the Mid-term Business Plan.

Continuing solid execution of priority measures

3. Mid-term Business Plan's priority strategies

The Company is making smooth progress on its Mid-term Business Plan as outlined above and is continuing its policy of pursuing leader in electrification, safety and driver assistance technology, and the mobility business as its three priority strategies.

(1) Leader in electrification

Being a leader in electrification 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 over the years in this field, including EV sales and marketing systems, a maintenance system and facilities and quick chargers, 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. To this end, the Company plans to strengthen EV sales further, including existing models and new models to be released going forward, thereby maintaining its 33% share of the Tokyo EV market, and continue to drive electrification as an EV frontrunner. In addition, the Company aims to reduce CO_2 emissions by 16,000 tons through EV sales, manage energy in times of disaster by supplying power to EVs, expand its recharging infrastructure, and build a network of stores that use renewable energy. As a result, it intends to develop a response to the mobility society ahead of the rest of the world and strengthen its direct contributions to the environment and to society.

(2) Safety and driver assistance technology

The Company's policy is to provide many customers with safety and security through its advanced driver assistance technology and to support customers' safety and security every day through its maintenance system that supports driver assistance technology. To this end, 1,400 test-drive vehicles have been deployed to increase test-drive opportunities for customers at dealerships to experience its advanced driver assistance systems like Pro-PILOT. Test-drive opportunities are also provided at car rental locations to widen opportunities for customers to experience advanced driver assistance technology. Pro-PILOT is standard or optional on 97% of major models, which has resulted in a drop in accident rates every year. As well, the Company has stepped up hiring and training of maintenance engineers to provide a human resource base capable of responding to technological innovation and is streamlining work flows and improving work accuracy by utilizing DX to automate inspection lines. The Company is also deploying onboard fault detection and diagnostic services 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.

(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 has been improving the usage rate and retention rate by utilizing its sales expertise in personal leasing as best practices throughout the Group and communicating its benefits to customers, which will promote vehicle replacements. As a result, through early-stage replacement purchases with P.O.P, this business has grown rapidly as a contributor to improving the Company's new vehicle sales. The Company now owns 16,000 lease vehicles, which serve to expand recurring revenue from maintenance, insurance, etc., associated with early-stage replacement. The Company entered the private used car leasing business based on the strong performance of P.O.P. and the launch has gone well. In the mobility business, car rental is growing steadily by capturing demand for courtesy vehicles. The Company has deployed rental cars in all dealerships for the NISSAN Rent a Car service and increased the number of rental cars in operation.

Strengthening human capital as growth investment

4. Investment plan

To achieve the Mid-term Business Plan, in addition to investing in existing areas, the Company is also more actively investing in 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 strengthen 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 return on equity (ROE) of 7.0% in FY3/27. To improve ROE, the Company aims for an operating margin of 4.2% through network renewal, new customer contact points, and efficiency investments; return on assets (ROA) of 3.4% through investments aimed at increasing earnings and effective use of assets (reduction of unnecessary assets); and D/E ratio of 0.26 times by optimizing the capital structure while ensuring financial security.

Looking at progress of the investment plan so far, the Company invested a total of ¥22.3bn over two years (FY3/24 and FY3/25), which is a record figure for strategic investment. Going forward, the Company plans investments including new businesses and capital and business alliances, with particular focus on investments related to dealership networks and facilities, promoting DX, and enhancing human capital. Regarding investment to enhance human capital, the Company positions investment in human resources, which is the source of its competitive edge, as a growth investment. With fostering future human resources as a core strategy, the Company seeks to enhance sales and maintenance centered on the mobility-related business and strengthen the capabilities and organizational strengths of its dealerships and workshops continuously and according to plan. It also seeks to improve employee engagement and retention through a range of measures such as making employees aware of its corporate philosophy, promoting DE&I, and encouraging initiative and spontaneity.

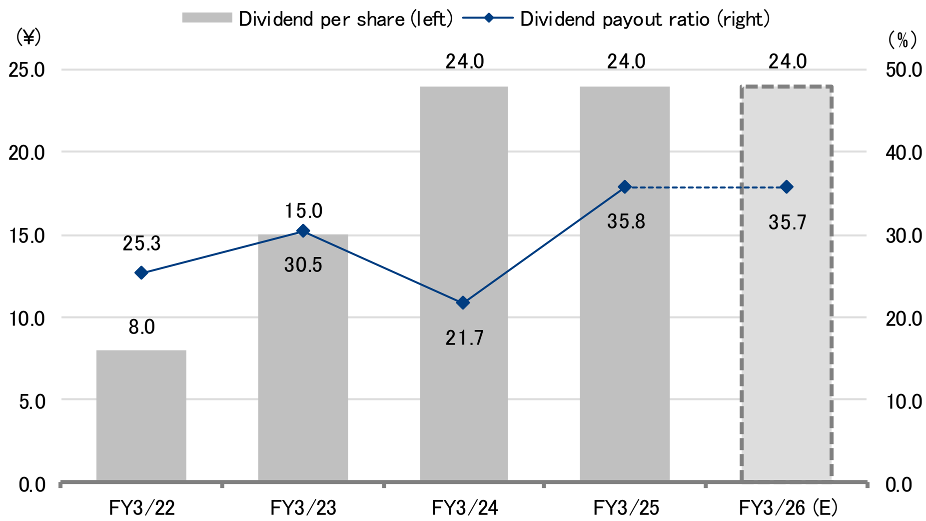
Shareholder return policy

Maintaining a dividend payout ratio over 30%, with annual dividend unchanged at ¥24.0

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. Accordingly, the Company paid an annual dividend of ¥24.0 (interim dividend ¥12.0, period-end dividend ¥12.0) in FY3/25. As such, the Company set its annual dividend for FY3/26 at ¥24.0 (interim dividend ¥12.0, period-end dividend ¥12.0).

Dividend per share and dividend payout ratio



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

Offering QUO cards featuring design of Company's popular car models

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 offer 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 provide 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 offer 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

111th period

112th period

Source: The Company's website

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