NISSIN CORPORATION

9066

Tokyo Stock Exchange Prime Market

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Index

Summary

As a pioneer in comprehensive international logistics, provides a wide range of logistics services. Full-year results forecast for FY3/23 revised upward significantly

1. Company profile

Founded in 1938, Nissin Corporation <9066> ("the Company") is an independent comprehensive logistics company with an outstanding overseas network as its key strength. As a pioneer in comprehensive international logistics, it provides a wide range of logistics services, including ocean, air, rail, and truck transport, as well as warehousing, moving, and customs clearance. The company aims to become a "Global Logistics Provider" that is trusted and valued by its customers by leveraging its strengths in overseas networks and international logistics to develop overseas business and create new business models that meet customer needs as a unified group.

2. Results trends

In the Company's 1H FY3/23 consolidated results, net sales increased 25.2% year on year (YoY) to ¥107,557mn, operating income improved 113.0% to ¥7,675mn and operating income reached a new record high in 1H. In addition, net sales were up 13.2% versus the initial plan, while operating income was up 78.5%, also ending significantly above plan. In the logistics business, overall demand for ocean and air cargo transport was strong, leading to results that were better than anticipated and that significantly exceeded the initial plan. The travel service business recorded losses in two consecutive fiscal years due to the impact of the novel coronavirus pandemic (COVID-19), but in addition to a recovery in the handling of business travel, etc., streamlining through a restructuring of internal systems significantly reduced losses, and the business turned profitable in 2Q (July-September 2022).

On October 31, 2022, the Company announced an upward revision of its consolidated results for FY3/23, and is projecting net sales of ¥210,000mn (+9.0% YoY) and operating income of ¥13,000mn (+42.9%). In the logistics business, the Company expects spot transactions and favorable market conditions to gradually come to an end. At the same time, sales and profits are expected to increase with the ongoing depreciation of the yen. In the travel service business, it has revised its full year forecast upwards on expectations of a continued recovery in its main business travel transactions. Although its initial plan forecast a drop in results in 2Q, in fact the Company has maintained its strong performance. This may be due in part to ongoing disruptions in logistics (including a shortage of shipping containers and disruptions on the U.S. West Coast). FISCO believes that the special demand caused by these disruptions is highly likely to continue through the end of 2022.

3. Medium-Term Business Plan

In its seventh medium-term business plan (FY3/23-FY3/27), the Company will shift away from its emphasis on "economies of scale" in the logistics business, aiming to improve management efficiency and establish a stable high-earnings structure. The Company will build solid business and management fundamentals compatible with the next generation (Society 5.0*1) during the two years of Phase 1 (FY3/23-FY3/24), before achieving major progress and creating even higher corporate value in the three years of Phase 2 (FY3/25-FY3/27). Quantitative targets during Phase 1*2 include net sales of ¥190.0bn, operating income of ¥8.5bn, ordinary income of ¥9.0bn, profit attributable to owners of parent of ¥6.5bn, and ROE of around 8.0% in FY3/24. For Phase 2, targets include net sales of ¥275.0bn, operating income of ¥11.0bn, ordinary income of ¥11.5bn, profit attributable to owners of parent of ¥8.6bn, and ROE of around 9.0% in FY3/27. As of 1H FY3/23, the Company is generally making steady progress. Over the five years of the seventh medium-term business plan, the Company expects operating cash inflows of between ¥50.0-60.0bn and plans to allocate cash outflows appropriately. In addition to planned investments totaling ¥30.0bn (facility-related investments of ¥25.0bn and strategic investments of ¥5.0bn), the Company will also allocate funds to strengthening its financial health (repayment of interest-bearing debt) and to shareholder returns, while taking into account internal and external conditions.

*1 A human-centric society that balances economic development and the resolution of social issues through a system featuring the advanced integration of cyber space (virtual space) and physical space (the real world).
*2 During the formulation of the seventh medium-term business plan, the FY3/24 targets were net sales of ¥214.0bn, operating income of ¥7.5bn, ordinary income of ¥8.0bn, profit attributable to owners of parent of ¥6.0bn, and ROE of around 7.8% , but the Company revised these targets in May 2022 due to its expectations that the strong cargo demand in the logistics business would continue in the short term, and overseas travel would recover as entry requirements are eased, etc. in the travel service business.

4. Advancing and strengthening digital transformation (DX)

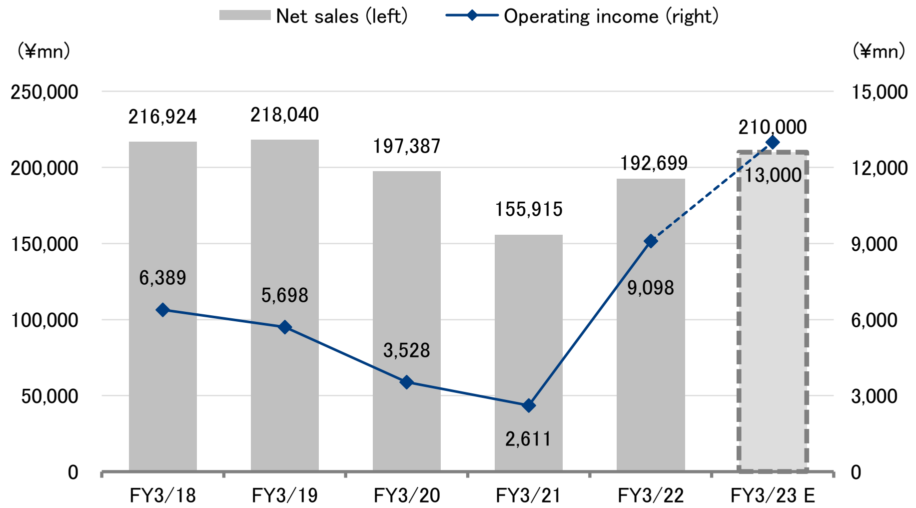
The Company has set out the promotion of digital transformation (DX) as a priority measure in its seventh mid-term business plan, and the entire company is engaged in this effort. The mission is to utilize cutting-edge digital technologies to transform the forwarding* business model and operational flows with the aim of enhancing corporate value, under which it will advance strategies including the DX of general-purpose logistics services, individualizing products with advanced technology and streamlining the logistics business through DX. Inquiries have been particularly strong for Forward ONE, a digital forwarding service that enables centralized management of "quotes," "orders" and "task progress." The company aims for the service to reach ¥7.0bn in net sales and ¥1.0bn in operating income in FY3/27. We believe that strengthening its DX promotion system is essential for the Company to gain an advantage over its global competitors, and we look forward to further growth.

* A business that does not have its own means of transportation, but uses ships, airplanes, trucks, railroads, etc. and contracts directly with consignors to transport cargo.

Key Points

- Operating income hit a new record high in 1H FY3/23. Profits grew significantly in the logistics business, both domestically and internationally, while the travel service business saw earnings improve
- Full-year results forecast for FY3/23 revised upward. Logistics business performed strong, primarily overseas, and the travel service business also saw earnings improve
- Under its seventh mid-term business plan, Company aims to improve management efficiency and establish a stable high-earnings structure

Results trends



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

Company profile

As a pioneer in comprehensive international logistics, provides a wide range of logistics services

Founded in 1938, the Company is an independent comprehensive logistics company with an outstanding overseas network as its key strength. As a pioneer in comprehensive international logistics, it provides a wide range of logistics including ocean, air, rail, and truck transport, as well as warehousing, moving, and customs clearance. The Company grew and developed by providing services from domestic logistics to overseas market entry as the logistics partner of well-known Japanese manufacturers during Japan's post-war period of high economic growth. The company aims to become a "Global Logistics Provider" that is trusted and valued by its customers by leveraging its strengths in overseas networks and international logistics to develop overseas business and create new business models that meet customer needs as a unified group. The Nissin Group is certified as an authorized customs broker under the AEO program, it has systems for security management and compliance, and it is actively working to strengthen environmental management, by promoting green management certification, for example.

1. History

What is particularly noteworthy about the Company's 84-year history is that with the exception of the turbulent post-war period and some of the 1970s it has continuously been profitable. This can be seen as reflecting its sturdy, steady management ever since its founding. The Company's history can be roughly divided into three periods: (1) Founding period, (2) Period of business expansion, and (3) Period of international logistics development.

(1) Founding period (1938-1957)

Nissin Transport Co., Ltd. was established in Kawasaki City in December 1938. At the time of its founding, it was involved in the barge* and truck transport businesses, transporting cargo and fuel and diesel oil in the Yokohama area under contracts with U.S. occupation forces, and its business expanded as a result. Thereafter, its domestic logistics business grew steadily, and the Company also developed a full-scale port transportation business.

* Barges are flat-bottomed vessels built to be loaded with heavy cargo for transport in a harbor area. Cargoes are transferred from cargo ships with a crane to barges and then unloaded from the barges on land for truck transport.

(2) Period of business expansion (1958-1982)

During the period of high economic growth from 1955 to 1973, the manufacturing industry—automobiles, electric machinery, materials, etc.—drove Japan's economic growth, and the Company also began doing business with automobile and home appliance manufacturers. These customers actively promoted production overseas and expanded their overseas facilities, and the Company in turn established overseas logistics centers to accommodate supply chains built by its customers, thereby expanding its overseas logistics business. In around 1946, the Company began oil sales, and during the period of high economic growth, it also began business with the oil industry and started tanker truck transportation. Moreover, in 1968, it was the first company in the industry to launch international intermodal transportation, a new transportation format at the time.

(3) Period of international logistics development (1983-present)

In the 1990s, the global economy's production centers shifted from developed countries in Europe and North America to ASEAN countries (Southeast Asia), and Japan's domestic manufacturing industry, including the Company's customers, also markedly relocated factories to the ASEAN region. This trend led to the expansion of the Company's logistics business in Asia. Since 1994, the Company has been actively developing business overseas with a view to its next stage of evolution.

History

Dec. 1938	Established as Nissin Transport Co., Ltd.
Mar. 1946	Changed company name to Nissin Trading Co., Ltd.
Jan. 1950	Changed company name to Nissin Transportation & Warehousing Co., Ltd.
Feb. 1950	Oil sales division split off as Nissin Trading Co., Ltd.
Apr. 1950	Listed on First Section of the Tokyo Stock Exchange. Harbor transportation began in the port of Yokohama.
Aug. 1961	Completed Kanagawa Pier and started operations as Nissin Pier
May. 1973	Listed on First Section of the Osaka Stock Exchange
Apr. 1978	Air travel section was spun off to Nissin Travel Services Co., Ltd. in Tokyo
Apr. 1981	Sapporo Branch Office was spun off to Hokkaido Nissin Transportation & Warehousing Co., Ltd.
Mar. 1983	Nissin Aircargo Co., Ltd. established in conjunction with being licensed as a consolidated air cargo transport service
Oct. 1985	Changed company name to Nissin Corporation
Mar. 1995	Nissin Airport Service Co., Ltd. established to handle ground services at Kansai International Airport
Nov. 2009	Acquired Tsurumi Warehouse Co., Ltd., as a subsidiary
Apr. 2022	Shifted listing to the Tokyo Stock Exchange Prime Market

[Establishment of Overseas Branch Offices and Subsidiaries]

Dec. 1973	Established Nissin International Transport U.S.A. as local subsidiary in U.S.A.
Jan. 1974	Established Nissin Transportation & Warehousing (H.K.) Ltd. as local subsidiary in Hong Kong
Jul. 1975	Opened London Branch Office, which was separated off in October 1983 to establish Nissin (U.K.) Ltd. in the U.K.
Oct. 1983	Established Nissin Transport (S) Pte., Ltd. as local subsidiary in Singapore
Oct. 1984	Established Nissin Transport (Canada) Inc. as local subsidiary in Canada
Jan. 1985	Established Nissin Transport G.m.b.H. as local subsidiary in West Germany
Oct. 1987	Established Siam Nistrans Co., Ltd. as local subsidiary in Thailand
Dec. 1987	Established Nissin Transport Ges. M.B.H. as local subsidiary in Austria
Oct. 1988	Established Nissin Transportes Espana S.A. as local subsidiary in Spain (now NISSIN TRANSPORT GmbH Spain Branch Office)
Apr. 1992	Established Nissin France S.A.S. as local subsidiary in France
Aug. 1992	Established Shanghai Gaosin Trade & Warehousing Industrial Co., Ltd. as local subsidiary in China (now Shanghai Gaosin International Logistics Co., Ltd.)
Jun. 1994	Established Nistarns (M) Sdn. Bhd. as local subsidiary in Malaysia
Feb. 1995	Established Changshu Nissin-Sinotrans Transportation Co., Ltd. as local subsidiary in China
Mar. 1997	Established Jiangsu Nissin-Sinotrans International Transportation Co., Ltd. as local subsidiary in China (currently NISSIN INTERNATIONAL LOGISTICS(C) CO., LTD.)
Apr. 1997	Established Nissin Belgium N.V. as local subsidiary in Belgium
Dec. 1997	Established Nissin joint venture Transport Philippines Corporation in Philippines
May. 1999	Established joint venture Nissin ABC Logistics Private Ltd. in India
Jul. 2000	Established Nistrans Internacional de Mexico, S. de R.L. de C.V. as a local subsidiary in Mexico
Aug. 2004	Established PT. Nissin Transport Indonesia as local subsidiary in Indonesia
Mar. 2005	Established LLC Nissin Russ as local subsidiary in Moscow, Russia
Nov. 2005	Established joint venture Nissin-Sinotrans International Logistics Co., Ltd. in Beijing, China
May. 2006	Established Nissin Logistics (VN) Co., Ltd. as local subsidiary in Vietnam
Jun. 2007	Established Nissin Logistics Poland Sp. zo. o as a local subsidiary in Poland
Feb. 2012	Established joint venture Lao Nissin SMT Co., Ltd. in Laos
Jun. 2012	Established Nissin Logistics Shenzhen Co., Ltd. as local subsidiary in China
Oct. 2013	Made Shanghai Gaosin International Logistics Co., Ltd. a subsidiary
Mar. 2014	Established joint venture PT. Nissin Jaya Indonesia in Indonesia
Jan. 2017	Established Nissin International Logistics (M) Sdn. Bhd. as local subsidiary in Malaysia
Mar. 2017	Made Changshu Nissin-Sinotrans Transportation Co., Ltd. (now Nissin (Changshu) International Logistics Co., Ltd.) a subsidiary
Apr. 2019	Established joint venture Nissin Global Logistics (Taiwan) Co., Ltd. in Taiwan
Jan. 2022	Established NISSIN INTERNATIONAL LOGISTICS(C) CO., LTD. in Shanghai, China

[Establishment of Domestic Branch Offices]

Nov. 1948	Established Kobe Branch Office
Nov. 1954	Established Tokyo Branch Office
May. 1958	Established Osaka Branch Office
Dec. 1959	Established Sapporo Sales Office; name changed to Sapporo Branch Office in July 1969
Apr. 1969	Established Chiba Branch Office

Source: Prepared by FISCO from the Company's website

2. Business overview

The Nissin Group operates a worldwide logistics business as well as travel service and real estate businesses.

The Company's business model

Source: The Company materials

(1) Logistics business

The logistics business conducts air and ocean freight forwarding, port and warehouse operations, and domestic logistics and onsite operations.

a) Air freight forwarding

The Company's strength lies in its coverage of the world's major cities. It has a network of local subsidiaries and agencies that it uses to safely, accurately, and quickly transport cargo to the consignee. Through its relationship with airline companies, the Company has an excellent ability to provide space and offer competitive freight rates.

b) Ocean freight forwarding

The Company is a pioneer in international intermodal transportation with extensive experience in NVOCC*1 services as well as large plant transport and ISO tank container*2 transport.

*1 Abbreviation of Non-Vessel Operating Common Carrier.
*2 Container for transport of liquids that can be seamlessly transported across each mode of transportation, including ocean, truck, rail and others, in accordance with ISO standards.

c) Port/warehouse

In port transportation, the Company provides container terminal services at Ports of Yokohama, Osaka and Kobe. For warehousing, it has general and refrigerated warehouses in over 30 locations, mainly in wharf districts in the Keihin and Kansai regions.

d) Domestic logistics and onsite operations

Boasting a wide range of transportation methods including trucks, lorries, Japan Railway (JR) container cars and coasting vessels, the Company provides logistics services with over 100 offices and subsidiaries across Japan. The Company also provides onsite operation services such as inventory management, carrying in/out, packing, sorting, and other tasks at its customers' factories and logistic centers.

(2) Travel service business

In addition to visa arrangement services, the Company provides total support to companies and other organizations for their business trips. The Company proposes travel plans that are tailored to the organization's objectives for business inspection tours, training trips, seminar and event tours, and more.

(3) Real estate business

The Company mainly provides real estate leasing in the Keihin area, including commercial buildings, commercial land leasing, and parking lots.

Industry Analysis and Competitive Comparisons

Strengths include a finely tuned global logistics network and sales and marketing capabilities

1. Business environment trends and SWOT analysis of the logistics business

We conducted a SWOT analysis of the business environment surrounding and the current state of the Company's logistics business.

Business environment trends and SWOT analysis of the logistics business

PEST perspective	Macro environment factors	Opportunities and threat factors			Impact
		Opportunities	Threats	Factors impacting the Company	
P: Political, regulatory	Act on Integration and Streamlining of Distribution	●		• Consolidation of transport networks, joint deliveries, modal shift	△
	Revised Act on Rationalizing Energy Use		●	• Mandatory requirement for logistics businesses and consignors to engage in energy conservation efforts	○
	Logistics issues for 2024		●	• Mandatory cap on truck driver overtime	△
	Work style reforms		●	• Fundamental reassessment of Japanese-style hiring systems and practices	○
	Continuation of IT subsidies	●		• Proposals for deploying DX using IT subsidies	△
E: Economy, Environment	Increase in geopolitical risks		●	• Addressing China risk (production region shift)	◎
	Growth of ASEAN economic sphere	●		• Rapid expansion of trade volume, primarily in and outside the Asian region	◎
	Spread of COVID-19 and its prolonged impact	●		• Logistics disruptions...Increased demand in response to tight logistics space	◎
			●	• Slowdown in recovery of economic activity	◎
	Progressing depreciation of the yen	●		• Foreign exchange gains boost operating income	○
	Global inflation		●	• Soaring raw material and energy costs	◎
			●	• Rising personnel and operational costs	△
	2050 carbon neutral		●	• Energy conservation and reduction of CO_2 emissions at logistics centers	○
	Rise of SDGs and ESG	●		• Strengthening of sustainability management	○
S: Society	Ultra-low birthrate and aging society		●	• Shortage of truck drivers	△
	Society 5.0	●		• Automated operations, autonomous driving, IoT and drones	△
T: Technology	Multi-functionalization of logistics facilities	●		• Collection and distribution, distribution processing and disaster response (decentralized facilities)	△
	Standardization and automation of logistics	●		• Automation and use of robots difficult with large, atypical cargo	△
	Logistics technology revolution	●		• Digital forwarding services	◎
		●		• Application of blockchain technology to logistics SCM	○
	Logistics DX	●		• Productivity revolution at container terminals	○
	(Use of IoT and AI)		●	• Difficult to secure personnel with a high degree of expertise in DX and AI	○

Note: ◎ Extreme impact, ○ Significant impact, △ Slight impact (assessment based on FISCO analysis)
Source: Prepared by FISCO from various materials

(1) Primary opportunity and threat factors and responses

a) Rising China risk and growth of ASEAN economic sphere

In China, demonstrations opposing the government's zero-Covid policies grew from the end of November 2022, and along with factors such as the intensifying U.S.-China conflict, China risks are increasing. This is why in parts procurement and other areas, we are seeing moves by Japanese companies to build supply chains that are not dependent on China. The majority of alternatives to Chinese suppliers are located in Japan. Nissin, whose customers are primarily domestic manufacturers, will also need to keep an eye on the situation in China and trends toward relocating factories based there and, in our view, will need to have the flexibility to take steps including changing suppliers or relocating factories (to Southeast Asia or Japan) as needed.

b) Logistics Technology Revolution

In advance of Society 5.0, the government is leading the push toward smart logistics services, with the goal of building efficient supply chains for manufacturing, logistics and distribution. In the port facilities sector, they have begun considering a "container terminal productivity revolution," utilizing logistics big data collected and accumulated through IoT, etc. and AI. The Company has established Forward ONE, a digital forwarding service that enables the centralized management of "quotes," "orders" and "task progress," and is using advanced digital technology to promote the development of individual products.

2. Analysis of internal environment

We analyzed strengths and weaknesses in the Company's internal environment.

Analysis of internal environment (strengths and weaknesses)

Segment	Perspective	Factors	Importance
S: Strength	Sales, marketing	• Strong customer base (deep trust) and cooperative partnership relationships with customers	◎
		• Expertise and personal connections in Chinese logistics	◎
		• Customer service attentive to every detail	◎
		• Full sales staff with expert knowledge of logistics and depth of experience both in and outside of Japan	◎
	Forwarding	• One-stop services spanning air and ocean cargo, ports and warehouses and domestic forwarding	○
		• Has built a global network (24 countries and regions, 37 local subsidiaries)	◎
		• Has expanded nationwide, with sites at five ports including Keihin (Chiba, Tokyo, Yokohama), Osaka and Kobe	○
		• Logistics services attentive to every detail that no other company can imitate	◎
	Overall business/common factor	• An independent logistics vendor not part of any corporate group	△
W: Weakness	Sales, marketing	• Less logistics performance in Europe	○
	Overall business/common factor	• Slightly less profitable than its logistics competitors	○

Note: ◎ Extreme impact, ○ Significant impact, △ Slight impact (assessment based on FISCO analysis)
Source: Prepared by FISCO from various materials

Key strengths are as noted below.

(1) Customer structure

The Company has done business for many years with industry-leading companies. It has a stable market and customer structure. Its cooperative relationship with customers in priority areas in particular create win-win relationships that contribute to profit.

(2) Overseas expansion

The Nissin Group has 37 local affiliates (including some joint ventures) in 24 countries and regions overseas. These overseas networks make up an excellent coverage in global logistics, providing a one-stop service to meet diverse customer needs, from air and ocean freight to port, warehouse, and domestic operations. Its overseas subsidiaries and affiliates in the logistics business consist of 4 companies in the Americas, 7 in Europe, 17 in Southeast Asia and India, and 9 in East Asia (as of the end of FY3/22), and the Company's superior overseas network is a major strength.

(3) Diverse modes of transport

The Company provides sea and air transport throughout the world, handling all processes up to port and warehouse operations for customers on a "one stop" basis. Such major comprehensive logistics companies are limited to Nippon Express Holdings <9147>, etc. The Company has sites at five ports, Osaka, Kobe and in the Keihin area, Chiba, Tokyo and Yokohama. It is capable of offering all modes of transport to meet customer needs. Most recently, it was able to leverage this strength to steadily capture demand associated with the shift to air transport with the shortage in sea shipping containers and congestions on the U.S. West Coast.

(4) Highly experienced personnel

The Company's sales staff is highly specialized, with expertise in logistics and extensive experience in Japan and overseas. In addition, the Company has a training and development system that includes an HR development curriculum. The areas covered are broad-ranging. Examples include skill-building (e-learning for all employees, participation in various seminars internal and external), women's participation and advancement (career development support training), global HR development (overseas trainee assignment program for young employees, language training), knowledge succession (veteran employees employed as in-house training instructors), and self-improvement. The Company also has performance evaluations, self-evaluations, job rotations, and other programs, all of which suggest that it is actively engaged in personnel development.

3. Competitor Comparison

A financial analysis of the Company and five of its competitors revealed the following two features and issues for the Company.

(1) Improving profitability

The company has an operating margin of 4.7% (FY3/22)*, which compares somewhat unfavorably with other logistics companies. In response, under its seventh mid-term business plan, the Company is advancing a review of its business portfolio and operational efficiencies in an effort to improve.

* While operating margin was 7.1% in 1H of FY3/23, this is due to special demand caused by logistics disruptions, and the Company sees this fiscal year as having strong irregular elements.

(2) Management safety

Equity ratio, an indicator of safety, was 49.4% (as of the end of FY3/22), considered a safe level. We believe that the Company has achieved an appropriate balance between equity capital and external funding (e.g., debt, etc.).

Competitor Comparison (financial analysis)

Perspective	Financial indicators	The Company	Logistics companies				
			Hitachi Transport System	Mitsubishi Logistics	Mitsui-Soko Group	Sumitomo Warehouse	Maruzen Showa Unyu
Profitability	Operating margin	4.7%	5.2%	7.1%	8.6%	12.0%	8.6%
Growth capability	Net sales CAGR (past five years)	-2.9%	1.5%	4.5%	6.6%	7.1%	5.5%
Capital efficiency	ROE	9.4%	8.3%	5.4%	20.4%	10.0%	8.3%
Productivity	Operating income per employee (thousand yen)	1,536	1,688	3,834	3,174	6,151	3,090
Management safety	Equity ratio	49.4%	21.5%	61.2%	30.8%	54.4%	62.4%

Source: Prepared by FISCO from each company's materials

Results trends

Achieved record-highs in operating income in 1H FY3/23. The logistics business achieved substantially increased earnings both domestically and overseas, and the travel service business also improved its earnings

1. Summary of 1H FY3/23 Results

In the Company's 1H FY3/23 consolidated results, net sales increased 25.2% YoY to ¥107,557mn, operating income improved 113.0% to ¥7,675mn, ordinary income rose 90.5% to ¥8,277mn, and profit attributable to owners of parent climbed 147.6% to ¥5,852mn. Operating income hit a new record high in 1H. These results significantly exceeded initial plans, with net sales up 13.2%, operating income up 78.5%, ordinary income rising by 79.9% and profit attributable to owners of parent increasing 82.9%.

1H FY3/23 Consolidated Results

(¥mn)

	1H FY3/22		1H FY3/23				YoY change		Versus initial plan
	Results	% of net sales	Initial plan	Revised plan	Results	% of net sales	Amount	Percentage	
Net sales	85,931	-	95,000	108,000	107,557	-	21,626	25.2%	13.2%
Operating income	3,603	4.2%	4,300	7,600	7,675	7.1%	4,071	113.0%	78.5%
Ordinary income	4,344	5.1%	4,600	8,300	8,277	7.7%	3,933	90.5%	79.9%
Profit attributable to owners of parent	2,364	2.8%	3,200	5,800	5,852	5.4%	3,488	147.6%	82.9%
Assumed exchange rate (USD/Yen)			122	144					

Note: Figures for revised 1H FY3/23 plan are as announced on October 31, 2022
Source: Prepared by FISCO from the Company's financial results and results briefing materials

In the logistics business, overall demand for ocean and air cargo transport was strong, leading to results that were better than anticipated and that significantly exceeded the initial plan. The travel service business recorded losses in two consecutive fiscal years due to the impact of the COVID-19, but in addition to a recovery in the handling of business travel, etc., streamlining through a restructuring of internal systems significantly reduced losses, and the business turned profitable in 2Q (July-September 2022). In addition, depreciation of the yen* boosted operating income by about ¥800mn. Exchange rate sensitivity (the amount of impact on operating income from a one yen change in the exchange rate) seems to have been approximately ¥35-40mn on a dollar/yen basis.

* ¥122/USD as of the start of FY3/23, ¥144/USD as of the end of 2Q.

2. Overview by segment

1H FY3/23 results by segment

(¥mn)

	1H FY3/22 Results	1H FY3/23 Results	Change	
			Amount	Percentage
Net sales	85,931	107,557	21,626	25.2%
Logistics	84,067	104,447	20,380	24.2%
Domestic	53,981	61,210	7,229	13.4%
Overseas	30,085	43,236	13,151	43.7%
Travel service	1,153	2,500	1,347	116.8%
Real estate	710	609	-100	-14.2%
Operating income	3,603	7,675	4,071	113.0%
Logistics	3,848	7,335	3,487	90.6%
Domestic	1,803	3,086	1,282	71.2%
Overseas	2,045	4,249	2,203	107.7%
Travel service	-647	-66	581	-
Real estate	392	398	5	1.3%
Adjustments	9	8	0	-10.7%

Source: Prepared by FISCO based on company materials and financial results presentation documents

(1) Logistics business

Net sales rose 24.2% YoY to ¥104,447mn, with operating income up 90.6% to ¥7,335mn. In the logistics business, domestic net sales rose 13.4% to ¥61,210mn and operating income also increased 71.2% to ¥3,086mn. Net sales overseas increased 43.7% to ¥43,236mn while operating income rose 107.7% to ¥4,249mn. The segment continued to see strong handling centered on automobile-related cargo in the following five pole regions.

a) Japan

In air exports, handling of machinery and electronics-related cargo was robust, but demand for spot transactions gradually declined. In air imports, handling of automobile-related cargo, food products and others contributed to earnings. In ocean exports, handling of machinery and equipment and chemicals was steady, while ocean imports were strong on handling of food products, sundries and others.

b) Asia

In Thailand, both ocean and air transport of automobile-related cargo performed solidly. In Vietnam, air exports of electronic components were also strong, while ocean exports of sundries to Japan increased. In India, handling of motorcycles was strong, and air exports of automobile-related cargo grew.

c) China

In Hong Kong, air exports of automobile-related cargo for Japan and ocean exports of home electronics for North America were firm. In Shanghai, warehousing services for home electronics and consumer goods were robust. In Changshu, rail transport of cargo to Europe contributed to earnings.

d) Americas

In the U.S., although use of domestic alternate transportation associated with port congestion and other factors declined, warehousing services remained strong, and exports of food-related cargo were also solid. Cross-border transport between Canada and the U.S. also boosted earnings.

e) Europe

In Germany, handling volume of home electronics held steady. In Poland, warehousing was steady and in France, handling of ocean imports also performed well. Meanwhile in Europe as a whole, cargo movement slowed going into 2Q, and handling volumes were lower.

(2) Travel service

Segment net sales rose 116.8% YoY to ¥2,500mn, with an operating loss of ¥66mn (operating loss of ¥647mn in the same period the previous year). Mainstay business travel showed a recovery trend, while handling of domestic and overseas group-related travel contributed to earnings. Rationalization through restructuring of internal systems (acquisition of Nicchu Heiwa Travel Service by Nissin Travel Service), underway since FY3/23, also contributed.

(3) Real estate business

Net sales fell 14.2% YoY to ¥609mn, while operating income rose 1.3% to ¥398mn. Although there was a decrease in construction-related supervisory services in the Keihin area, an increase in parking revenues due to the use of large tour buses following the lifting of government restrictions on movements, etc., contributed to earnings.

Outlook

Full-year results forecast for FY3/23 revised upward. Logistics business robust, primarily overseas, and the travel service business also saw earnings improve

1. Outlook for FY3/23

With regards to its FY3/23 consolidated results, on October 31, 2022, the Company announced an upward revision, forecasting net sales of ¥210,000mn (+9.0% YoY), operating income of ¥13,000mn (+42.9%), ordinary income of ¥14,000mn (+42.0%) and profit attributable to owners of parent of ¥9,800mn (+53.9%).

Consolidated outlook for FY3/23

(¥mn)

	FY3/22		FY3/23			YoY change		Versus initial plan
	Results	% of net sales	Initial plan	Revised plan	% of net sales	Amount	Percentage	
Net sales	192,699	-	190,000	210,000	-	17,300	9.0%	10.5%
Operating income	9,098	4.7%	8,500	13,000	6.2%	3,901	42.9%	52.9%
Ordinary income	9,859	5.1%	9,000	14,000	6.7%	4,140	42.0%	55.6%
Profit attributable to owners of parent	6,365	3.3%	6,500	9,800	4.7%	3,434	53.9%	50.8%
Assumed exchange rate (USD/Yen)			122	144				

Note: Figures for revised FY3/23 plan are as announced on October 31, 2022
Source: Prepared by FISCO from the Company's financial results

In the logistics business, the Company expects spot transactions and favorable market conditions to gradually come to an end. At the same time, sales and profits are expected to increase with the ongoing depreciation of the yen. In the travel service business, it has revised its full year forecast upwards on expectations of a continued recovery in its main business travel transactions. Although its initial plan forecasted a drop in results in 2Q, in fact the Company has maintained its strong performance. This may be due in part to ongoing disruptions in logistics. FISCO believes that the special demand caused by these disruptions is highly likely to continue through the end of 2022.

2. Plan by Segment

FY3/23 Outlook by Segment

(¥mn)

	FY3/22 Results	FY3/23		YoY change		Versus initial plan
		Initial plan	Revised plan	Amount	Percentage	
Net sales	192,699	190,000	210,000	17,300	9.0%	10.5%
Logistics	188,868	183,800	203,400	14,532	7.7%	10.7%
Domestic	114,170	109,800	119,600	5,429	4.8%	8.9%
Overseas	74,698	74,000	83,800	9,101	12.2%	13.2%
Travel service	2,500	4,600	5,300	2,799	112.0%	15.2%
Real estate	1,330	1,600	1,300	-30	-2.3%	-18.7%
Operating income	9,098	8,500	13,000	3,901	42.9%	52.9%
Logistics	9,372	8,200	12,250	2,878	30.7%	49.4%
Domestic	4,171	3,600	5,220	1,048	25.1%	45.0%
Overseas	5,200	4,600	7,030	1,829	35.2%	52.8%
Travel service	-1,053	-450	-50	1,003	-	-
Real estate	765	765	800	34	4.5%	4.6%
Adjustments	14	-15	-	-14	-	-

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

(1) Logistics business

The Company projects sales of ¥203,400mn, up 7.7% YoY, and operating income of ¥12,500mn, up 30.7%. Disruptions in logistics stemming from the COVID-19 pandemic are gradually normalizing and the logistics market is beginning to regain its composure. In Japan and Asia, pressure on supply and demand in logistics space has eased, and spot cargo appears to be on the decline. In addition, cargo handling in Japan and China is expected to decline due the impact of the Chinese New Year (January 22, 2023). In the Americas, on the other hand, we expect demand for alternative routes to continue for the foreseeable future, as the West Coast shipping backlog has been resolved but disruptions at rail terminals continue.

(2) Travel service business

Net sales are expected to rise 112.0% YoY to ¥5,300mn, with an operating loss of ¥50mn (an operating loss of ¥1,053mn in the same period the previous year). The number of overseas business travelers handled is gradually heading toward a recovery, and sales are also recovering steadily. In terms of profit, we believe the segment is highly likely to exceed its full-year forecast and return to profitability on the economic recovery in Japan and overseas and on an increase in the number of business travelers, as well as a shift to a low-cost structure under rationalization through internal structural changes.

(3) Real estate business

Segment sales are projected to decrease 2.3% YoY to ¥1,300mn and operating income to rise 4.5% to ¥800mn.

Medium-Term Business Plan

Under its seventh mid-term business plan, Company aims to improve management efficiency and establish a stable high-earnings structure

● Seventh Medium-Term Business Plan

In March 2022, the Company announced its seventh mid-term business plan. The Company will shift away from its emphasis on "economies of scale" in the logistics business, aiming to improve management efficiency and establish a stable high-earnings structure.

The Company announced its seventh medium-term business plan Nissin Next 7th (NN7). "Next" here incorporates the Company's strong sense of "taking the next step" in search of the "next embodiment of the Company." Its basic policy is "as a global logistics provider, we will take on challenges in new business domains, further cultivation of core businesses and engage in ESG management."

(1) Three main points

The seventh medium-term business plan identifies three main points: further cultivation of core businesses, ESG management, and businesses in new domains. Further cultivation of core businesses means reviewing its business portfolio. The Company will aim for business expansion through restructuring its sales force according to industry and establishing a system for three-dimensional business management (by business, industry, and region). For ESG management, the Company seeks to promote responsible corporate activities to realize a sustainable society. For businesses in new domains, it will create new logistics-related businesses based on unconventional ideas. In particular, the Company aims to become an even larger logistics provider by expanding the logistics field in the medium- and long-term through a focus on exploring themes which will involve logistics providers in inter-industry fields, and DX-related themes.

(2) Period

The seventh medium-term business plan runs for five years from FY3/23 to FY3/27. As a new initiative, the Company has decided to divide this five-year period into two phases. Phase 1 will last two years and consist of steadily building a strong management base, while Phase 2 will last three years and involve generating strong growth and high corporate value.

a) Phase 1 (FY3/23-FY3/24)

Over the two years of Phase 1, the Company will build a business foundation and the fundamentals of management suitable for the next generation (Society 5.0). In order to adapt to a new society from a medium- to long-term perspective, the Company will effectively use data obtained from its new core system, which went into operation from July 2021, for its sales strategy, and also move ahead with laying the foundation for the creation of business in new areas. It also intends to take proactive measures toward ESG management, and plans to incorporate the Task Force on Climate-Related Financial Disclosures (TCFD), as well as develop IT products.

b) Phase 2 (FY3/25-FY3/27)

Over the three years of Phase 2, the Company will aim to steadily implement measures and realize further growth. New measures will be implemented to raise corporate value by leveraging the business and management foundations created in Phase 1. Specific policies for raising corporate value include the provision of services as a global logistics provider it has developed over the years and the provision of services in line with structural changes in each industry, as well as the creation of new logistics-related businesses based on unconventional ideas for business in new areas.

(3) Quantitative targets

The Company sets quantitative targets for each phase. Phase 1 targets for FY3/24 include net sales of ¥190.0bn, operating income of ¥8.5bn, ordinary income of ¥9.0bn, profit attributable to owners of parent of ¥6.5bn and ROE of around 8.0%. However, given that the operating income forecast for FY3/23 is ¥13.0bn, the Phase 1 operating income target will be achieved one year ahead of schedule. Due to special demand caused by logistics disruptions in FY3/23, the Company sees this fiscal year as having strong irregular elements, and envisions raising operating income to ¥8.5bn in Phase 1, starting from pre-COVID pandemic performance (operating income of ¥5.6bn in FY3/19). In Phase 2, meanwhile, the Company will aim for FY3/27 net sales of ¥275.0bn, operating income of ¥11.0bn, ordinary income of ¥11.5bn and profit attributable to owners of parent of ¥8.6bn, with an ROE of about 9.0%.

(4) Investment plan

During the five-year period of its seventh mid-term management plan, the Company forecasts operating cash inflows of between ¥50.0-60.0bn and plans to allocate cash outflows appropriately. Planned investments total ¥30.0bn, of which ¥5.0bn will be invested in the hazardous materials warehouse in Kanagawa Wharf (tentative), ¥5.0bn in the Tochigi Haga Warehouse (tentative), and another ¥15.0bn in other facilities investments in Japan and overseas. Planned strategic investments total ¥5.0bn, with investments planned in IT/DX, ESG, M&A, human resource development and other areas. M&A investments will begin with research, planning and specific reviews for projects aimed at complementing logistics functions and expanding the customer base. Other allocations will include strengthening financial health (repayment of interest-bearing debt) and shareholder returns, while taking internal and external conditions into consideration.

(5) Further cultivation of core businesses

By further cultivating core businesses, the Company has set targets for net sales of ¥70.0bn (FY3/27 plan) in automobile-related logistics; ¥30.0bn in chemicals and hazardous materials logistics; and ¥20.0bn in foods. To achieve these targets, the Company worked on measures such as the following: In 1H FY3/23, prepared for construction of logistics warehouses in Japan; overseas, continued to receive orders for parts storage in Asia (automobile-related logistics, Malaysia) and expanded chemical warehouses (chemicals and hazardous materials logistics, Singapore); expanded warehouses in the Americas (automobile-related logistics, the U.S.) and began handling refrigerated and frozen cargo imports (food logistics, the U.S.); in Europe, received orders for air export of new components (automotive-related logistics, Austria); and in China, began handling of tank containers (chemicals and hazardous materials logistics, Changshu).

Core businesses net sales targets and 1H FY3/23 initiatives

(¥bn)

Core businesses	Net sales			1H FY3/23 initiatives
	FY3/22 Results	FY3/23 Forecast	FY3/27 Plan	
Automobile-related logistics	55	62	70	Japan: Tochigi Haga Warehouse (tentative) (scheduled for completion in November 2024) Asia: Continued winning orders for parts storage (Malaysia) Americas: Expanded Columbus warehouse Europe: Received an order for air export of EV parts from Austria to the U.S.
Chemicals and hazardous materials logistics	21	22	30	Japan: Hazardous materials warehouse in Kanagawa Wharf (tentative) (scheduled for completion in August 2023) Asia: Expanded a chemical storage facility (Singapore) China: Began handling of tank containers (Changshu)
Food logistics	14	15	20	Japan: Heiwajima Refrigerated Logistics Center began full-scale operations with an increase in cargo volume Asia: Expanded operations with the acquisition of halal certification (Indonesia) Americas: Began handling imports of refrigerated and frozen cargo (U.S.)

Note: Net sales as compiled by the Company
Source: Prepared by FISCO from the Company's results briefing materials

(6) Promote logistics DX

We believe that to build an advantage over global competitors, the Company must strengthen its structure for promoting DX. The Company has set out the promotion of DX as a priority measure in its seventh mid-term business plan, and a company-wide effort is underway. The mission is to utilize cutting-edge digital technologies to transform the forwarding business model and operational flows, with the aim of enhancing corporate value. Led primarily by the Logistics DX Promotion Office, agile development is moving forward with support from the Information Systems department and external IT specialist companies.

a) DX of general-purpose logistics services

The Company aims to expand its customer base through general-purpose logistics digital services that can be used by a wide range of customers. Inquiries have been particularly strong for Forward ONE, a digital forwarding service that enables centralized management of “quotes,” “orders” and “task progress,” and the Company is aiming for net sales from the service of ¥7.0bn in FY3/27, with operating income of ¥1.0bn. It is also utilizing digital services such as TradeWaltz® (operated by TradeWaltz Inc.), a trading information platform using blockchain technology. Note that the Company has invested in TradeWaltz and has dispatched personnel there.

b) Individualizing products with advanced technology

The Company will accumulate and advance logistics DX technology by developing tailor-made logistics products that meet the supply chain optimization needs of its customers. Those needs include a sophisticated cargo tracking system (from point to line tracking); precision temperature control (adapted to special container shapes); application of advanced IoT technology; and safe storage and transport of lithium-ion batteries. Joint development with companies possessing specialized technologies is underway, and practical applications are being developed through demonstration tests.

c) Streamline logistics business through DX

Aim to streamline warehouse operations through DX.

(7) Promote business portfolio strategy

The new core system clearly outputs earnings for each business, allowing the Company to closely re-review its business portfolio toward more effective allocation of management resources. Together with restructuring its sales force by industry, this will enable the Company to establish a system for three-dimensional business management (by business, industry, and region) for further business expansion. The Company intends to establish business portfolio management in Phase 1, and translate this into efficient business management and accurate investment decisions in Phase 2.

For its portfolio position and measures in each region, the Company views Japan as its priority investment region, and aims to develop and augment infrastructure such as system investment, HR development and warehouse construction to further improve profitability. The Company views Asia, China and the U.S. as growth promotion regions, where it will pursue higher earnings through improved efficiency. Europe is viewed as an earnings improvement region, where the Company will develop proprietary services specializing in foods, pharmaceuticals, etc.

(8) Restructure sales force

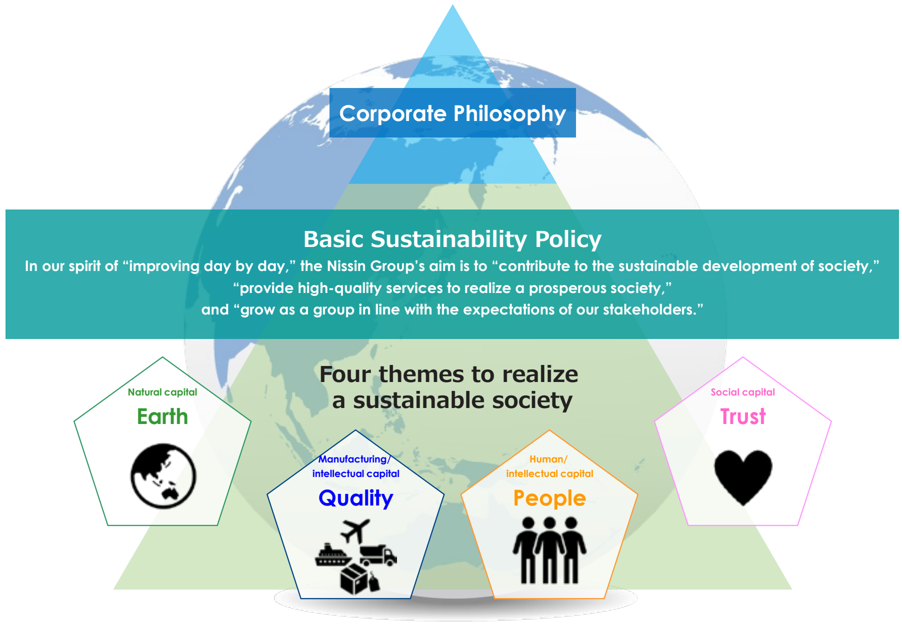
Previously, specific industries and customers (such as automobile and chemicals) were spread across multiple divisions, leading to inefficient sales efforts. The Company decided to restructure the sales force into seven separate categories in April 2022, with each sales division being responsible for one industry. The sales force is made up of seven sales divisions according to industry (mobility, chemicals, foods, electrical and electronic, machinery and equipment, medical and bio, and exhibitions and events), and all future sales efforts will be unified by industry, which will also be responsible for sales forecasts and profits.

ESG Initiatives

Intends to contribute to the development of a sustainable society on a global scale through its business activities

The Company's name, Nissin, combines two characters meaning 'day' and 'new' to reflect the company spirit of encouraging effort to improve daily. Based on this spirit, the basic policy of management is to provide high-quality logistics and travel services safely and quickly while continuing to improve itself in order to contribute to the realization of a prosperous society, raise corporate value while building trust with customers, and meet the expectations of all stakeholders. To realize this basic policy, the Company will work to globally develop the logistics business, which is essential to economic and social development, and related businesses like travel services, while fulfilling its corporate social responsibilities (CSR), which include rigorous compliance with corporate ethics, laws and regulations and active initiatives to protect the global environment.

Basic Sustainability Policy and Themes



Source: The Company's website

In August 2022, the Company established materialities (priority issues) for four sustainability themes.

ESG management promotion

Theme	Materiality	Main initiatives
Natural capital Earth	Realize a decarbonized society and contribute to an environmentally conscious, circulating society	• Switch to renewable energy • Lower environmental impact of new facilities • Switch to eco-friendly automobiles • Continued sponsorship of forest regeneration and wind power generation projects
Manufactured/intellectual capital Quality	Implement cutting-edge technology and provide high-quality services	• Develop high-quality logistics products utilizing logistics innovation and DX • Provide services and implement initiatives considerate of stakeholders • Expand acquisition of GDP certifications (quality standards for distribution of pharmaceuticals)
Personnel/intellectual capital People	Respect all people and build an environment where individuals can bring out their best abilities	• Utilizing Eruboshi (three stars) and Kurumin certifications, build a work environment that empowers women • Continue striving to build a safe and comfortable workplace • Developing skills of employees by promoting acquisition
Social and relationship capital Trust	Create a company that is fair, valuable and hopeful to all stakeholders	• Reinforce corporate governance and risk management • Thoroughly enforce compliance • Promptly respond to disasters with BCP • Expand and enhance disclosure of non-financial information

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

(1) Earth: Environment

Beginning in October 2022, the Company switched to contracts for electric power derived from renewable energy sources ("renewable power") for electricity used at its eight sites in the Kansai region. Said contract calls for receiving a supply of electricity in the form of substantially renewable power that does not emit CO_2, combining the normal electric power supplied by a retail electricity provider with non-fossil certificates with environmental value. The switch to renewable power is forecast to result in a reduction in CO_2 emissions of about 2,000 tons per year. Going forward, the Company will also consider making a similar switch to renewable power at its sites in the Kanto region.

In other efforts, solar panels will be installed at the Tochigi Haga Warehouse (tentative), scheduled for completion in November 2024, to make the new facility more environmentally friendly. In its switch to eco-friendly automobiles, the Company is replacing passenger cars with electric vehicles (EV) or hybrid vehicles (HV), and intends to proactively introduce fuel cell vehicles (FCV) in its truck fleet once they become commercially available. In its reforestation business, the Company is participating in Kanagawa Prefecture's Forest Restoration Partner Program, and in its wind power generation project, it continues to sponsor the Yokohama Wind Power (Hama Wing) at the Port of Yokohama.

(2) Quality: Social

The Company is promoting logistics innovation and the development of high-quality logistics products utilizing DX. In July 2021 it launched Forward ONE, a digital forwarding service. The Company is also expanding its acquisition of GDP (quality standards for pharmaceutical logistics) in Europe.

(3) People: Social

The Company has enhanced its HR development curriculum, introduced diverse working styles, and promoted diversity. One example is the Company's efforts for several years to become a "company where women are active," which has included hiring the same number of male and female new graduates, and providing childcare support by offering male employees maternity leave. Increasing numbers of women have been appointed to management and sales managerial positions, with women now making up 8.5% of managerial posts. These initiatives were recognized, with the Company obtaining Eruboshi (Act on the Promotion of Female Participation and Career Advancement in the Workplace) and Kurumin (childcare support) certifications. The Company is also implementing re-skilling (capacity development) of employees' specialized knowledge and skills.

(4) Trust: Governance

The Company is promoting corporate governance, risk management and compliance. The Company appointed a female director on June 23, 2021, and established a nomination and remuneration committee in October 2020. It has also issued a Sustainability Report, and is working to publish an Integrated Report.

As part of its system to promote sustainability, the Sustainability Committee (established in March 2022), an advisory body of the Management Committee, formulated a company-wide sustainability policy, with the ESG office (established in April 2022) translating this into a sustainability plan, and a Promotion Team (E, S, G) directly linked to on-site departments being responsible for sustainability efforts. The Sustainability Committee sets targets to resolve major sustainability issues, monitors progress and reports to the Management Committee.

System to promote sustainability

Source: The Company's website

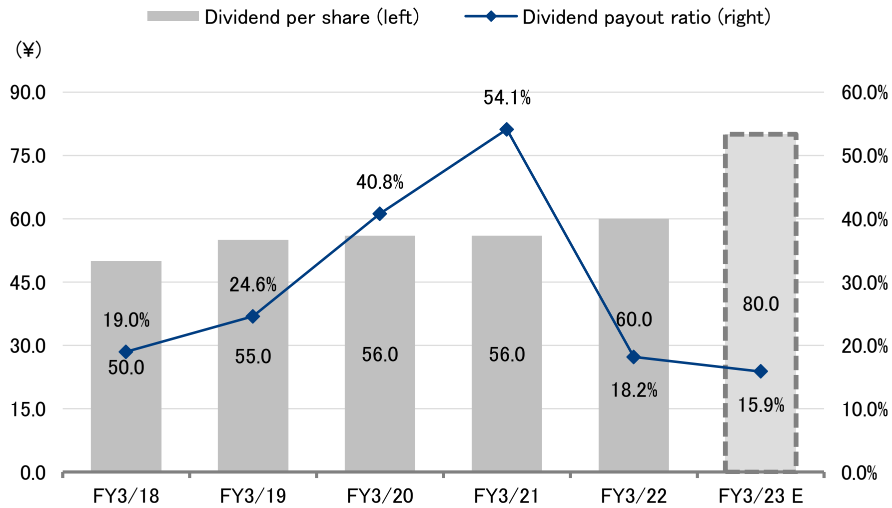
Shareholder return policy

This is a blue-chip company that has maintained stable dividends for almost 50 years without a reduction. The Company plans to increase its annual dividend for FY3/23 by ¥20.0 to ¥80.0

The Company's basic policy is to maintain stable dividends, and in the 47 years since 1975 it has not reduced its dividend. The Company has even maintained its dividend despite the rapid worsening of earnings in the travel services business due to the COVID-19 pandemic. The Company plans to maintain this basic policy going forward.

The Company paid an annual dividend of ¥60.0 in FY3/22, an increase of ¥4.0 YoY. For FY3/23, the Company plans to increase its annual dividend by ¥20.0 YoY to ¥80.0 (interim dividend of ¥40.0 and a year-end dividend of ¥40.0), in line with the upward revisions to the results forecast.

Dividend Per Share and Dividend Payout Ratio



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

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