

NISSIN CORPORATION

9066

Tokyo Stock Exchange First Section

3-Mar.-2022

FISCO Ltd. Analyst

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FISCO Ltd.

<https://www.fisco.co.jp>

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NISSIN CORPORATION
9066 Tokyo Stock Exchange First Section

3-Mar.-2022
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Summary

As a pioneer in international comprehensive logistics, provides a full range of logistics services. With 1H FY03/22 results exceeding initial plans, full-year forecasts upwardly revised

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 international comprehensive logistics, it provides a full range of logistics services, including ocean, air, rail, and truck transport, as well as warehousing, moving, and customs clearance. Leveraging its overseas network and international logistics knowhow, which are its strengths, the Company will create new business models aligned with overseas business development and customer needs as it makes full use of the Group's resources with the aim of being a Global Logistics Service Provider that is trusted and highly rated by customers.

The Nissin Group has 35 local affiliates (including some joint ventures) in 24 countries and regions overseas. These many sites make up a global logistics network with excellent coverage that can meet the diverse needs of customers on a "one stop" basis, for overseas air and ocean freight forwarding, port cargo handling, warehousing, and domestic onsite operation and transport/delivery services.

2. Results trends

In its 1H FY03/22 consolidated results, net sales increased 24.2% year on year (YoY) to ¥85,931mn and operating income was ¥3,603mn (after an operating loss of ¥251mn in 1H of the previous year). These results significantly exceeded initial plans, net sales by 14.6% and operating income by 71.6%. Contrary to the expectation that cargo flows would slow due to regional differences in vaccination rates and increased Covid-19 cases caused by new variants, cargo volume continued to be buoyant. In addition, as a result of efforts to maintain stable supply even with transport space tight, both normal and emergency cargo handling increased. In the logistics business, the Company steadily captured demand from a shift to air transport, a trend accelerating rapidly since 3Q FY03/21 due to a shortage of shipping containers and disruptions on the U.S. West Coast. Along with this, the Company was able to secure transport space, even with supply and demand tight, and its handling volume increased. In the travel service business, in addition to handling a larger number of passengers in domestic travel, earnings improved as a result of cost-cutting initiatives.

The Company announced an upward revision of its forecasts for FY03/22 consolidated results in November 2021, putting net sales at ¥153,000mn, a YoY decrease of 1.9%, and operating income at ¥6,400mn, an increase of 145.1%. The background to this was 1H results coming in above initial plans and also because the recovery trend is expected to continue going forward. Regarding its year-end dividend for FY03/22, the Company increased its forecast by ¥2.00 from the ¥28.00 per share of its previous plan (announced in May 2021) in light of the upward revision to its results forecasts released in November 2021 and other factors, and it now plans to pay a year-end dividend of ¥30.00 (for a total dividend of ¥58.00, a YoY increase of ¥2.00).

3. Medium-Term Business Plan

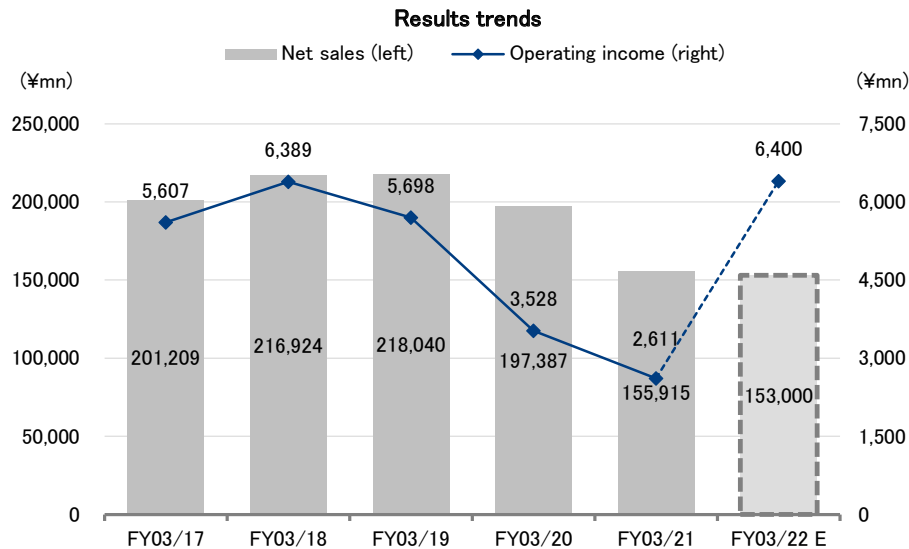
Initiatives in the FY03/22, the final year of the Company's sixth medium-term business plan are 1) Cultivate the electric vehicle- and fuel cell vehicle-related markets, 2) Strengthen logistics businesses for chemicals, hazardous materials, and foods both domestically and overseas, 3) Expand earnings by restructuring logistics facilities, 4) Get the new core systems up and running in full swing, 5) Promote aggressive initiatives toward digital transformation (DX), and 6) Strengthen governance functions at group companies. With respect to 4) "Get the new core systems up and running in full swing," the new core systems, which went into operation in July 2021, will clearly output earnings by business segment, allowing the Company to more precisely reexamine its business portfolio and more effectively allocate management resources. As for the fifth focus, "Promote aggressive initiatives toward digital transformation (DX)," the Company is working to improve sales processes through the launch of the Forward ONE digital forwarding service, which makes possible integrated online management of estimates, orders, and work progress, and is also jointly investing in TradeWaltz Inc., which operates the TradeWaltz® trade platform, and utilizing TradeWaltz® to promote digitalization of forwarding services with the aim of providing speedier portal services for international logistics.

FY03/22 is the final year of the Company's sixth medium-term business plan, and its seventh plan will begin in FY03/23. For its next plan, the Company intends to define a target corporate image for itself for 2038, which will mark the 100th anniversary of its founding, and the plan will be formulated to consist of policies for achievement of this target vision. Specifically, to build a robust business structure that can flexibly respond to changes in the external environment, the Company has established "Strengthen business foundation" and "Strengthen fundamentals of management" as priority measures. The focus on three priority areas, which was put forth in the sixth medium-term plan, will be continued in the seventh plan as well, and the Company will work to make its logistics businesses for chemicals and hazardous materials and foods into key pillars in terms of sales share, after automobile-related logistics.

Key Points

- Provides a full range of logistics services as a pioneer in international comprehensive logistics. Aiming to be a Global Logistics Service Provider
- Strong 1H FY03/22 results, exceeding initial forecasts; recovery expected to continue going forward, so full-year results forecasts upwardly revised
- Priority measures under the sixth medium-term business plan making steady progress toward their final stage ahead of the next medium-term plan

Summary



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

Company profile

As a pioneer in international comprehensive logistics, provides a full 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 international comprehensive logistics, it provides a full 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. Leveraging its overseas network and international logistics knowhow, which are its strengths, the Company will create new business models aligned with overseas business development and customer needs as it makes full use of the Group's resources with the aim of being a Global Logistics Service Provider that is trusted and highly rated by customers. 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 83-year history is that with the exception of the turbulent post-war period and some of the 1970's 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 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 addition, around 1946, the Company began oil sales, and in the high growth period it also started transacting with the oil industry, commencing transport via tanker truck. 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. Aligned with this trajectory, the Company's logistics business in Asia also expanded. Since 1994, the Company has been actively developing business overseas with a view to its next stage of evolution.

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Company profile

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 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

[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 February 1984 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
Apr. 1992	Established Nissin France S.A. as local subsidiary in France
Aug. 1992	Established Shanghai Gaosin Trade & Warehousing Industrial Co., Ltd. as local subsidiary in China
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
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 China
May. 2006	Established Nissin Logistics (VN) Co., Ltd. as local subsidiary in Vietnam
Jun. 2007	Established Nissin Logistics Poland Sp. z o.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

[Establishment of Domestic Branch Offices and Sales Offices]

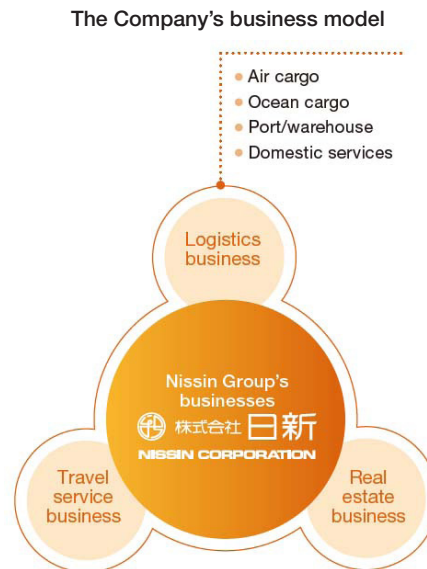
Nov. 1948	Established Kobe Branch Office
Nov. 1954	Established Tokyo Branch Office
May. 1958	Established Osaka Branch Office
Dec. 1959	Established Sapporo Sales Office; name changed to Sapporo Branch Office in July 1969
Apr. 1960	Established Kawasaki Sales Office
Apr. 1969	Established Chiba Branch Office

Source: Prepared by FISCO from the Company's website

Company profile

2. Business overview

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



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 partnerships with airline companies, the Company's ability to provide space and offer competitive freight charges are exceptional.

b) Ocean freight forwarding

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

* Abbreviation of non-vessel operating common carrier.

c) Port/warehouse

In port transportation, the Company provides container terminal services at the Ports of Yokohama, Osaka and Kobe. For warehousing, it has general and refrigerated warehouses in 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, 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, loading and unloading, packing, sorting, and other tasks at its customers' plants and logistic centers.

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Company profile

(2) Travel service business

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.

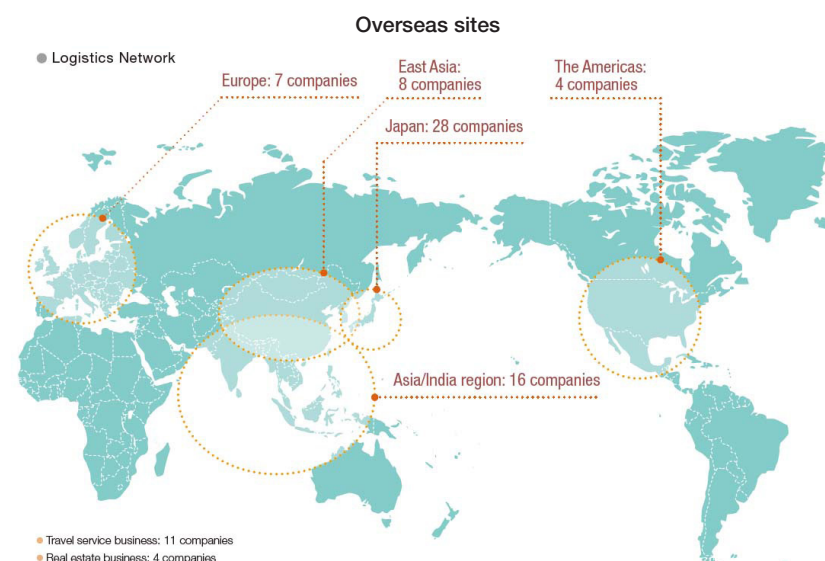
(3) Real estate business

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

3. Characteristics and strengths

(1) Overseas sites

The Nissin Group has 35 local affiliates (including some joint ventures) in 24 countries and regions overseas. These many sites make up a global logistics network with excellent coverage that can meet the diverse needs of customers on a "one stop" basis, for overseas air and ocean freight forwarding, port cargo handling, warehousing, and domestic onsite operation and transport/delivery services. Its overseas subsidiaries and affiliates in the logistics business consist of four companies in the Americas, seven in Europe, sixteen in Asia and India, and eight in East Asia (as of March 31, 2021).



Source: The Company materials

(2) 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 disruptions on the U.S. West Coast.

(3) Customer structure

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

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(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.

Results trends

1H FY03/22 results greatly exceeded initial plans. The logistics business achieved substantially increased earnings both domestically and overseas, and the travel service business also improved its earnings

1. Summary of 1H FY03/22 Results

In the Company's 1H FY03/22 consolidated results, net sales increased 24.2% YoY to ¥85,931mn, operating income was ¥3,603mn (after an operating loss of ¥251mn in 1H of the previous year), ordinary income rose 609.8% to ¥4,344mn, and profit attributable to owners of parent was ¥2,364mn (loss of ¥155mn in 1H of the previous year). Against initial forecasts, net sales increased 14.6%, operating income increased 71.6%, ordinary income increased 88.9%, and profit attributable to owners of parent increased 68.9%, so results greatly exceeded forecasts.

Contrary to the expectation that cargo flows would slow due to regional differences in vaccination rates and increased Covid-19 cases caused by new variants, cargo volume continued to be buoyant. In addition, as a result of efforts to maintain stable supply even with transport space tight, both normal and emergency cargo handling increased.

1H FY03/22 Consolidated Results

	1H FY03/21		1H FY03/22			Change		vs. Initial Plan
	Results	% of net sales	Initial Plan	Results	% of net sales	Amount	Percentage	
Net sales	69,183	-	75,000	85,931	-	16,748	24.2%	14.6%
Operating income	-251	-0.4%	2,100	3,603	4.2%	3,854	-	71.6%
Ordinary income	612	0.9%	2,300	4,344	5.1%	3,732	609.8%	88.9%
Profit attributable to owners of parent	-155	-0.2%	1,400	2,364	2.8%	2,519	-	68.9%

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

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Results trends

2. Overview by segment

In the logistics business, the Company steadily captured demand from a shift to air transport, a trend accelerating rapidly since 3Q FY03/21 due to a shortage of shipping containers and disruptions on the U.S. West Coast. Along with this, the Company was able to secure transport space, even with supply and demand tight, and its handling volume increased. In the travel service business, there was an increase in domestic travel, and earnings improved as a result of cost-cutting initiatives.

1H FY03/22 Results by Segment

	1H FY03/21 Results	1H FY03/22 Results	Change	
			Amount	Percentage
Net sales	69,183	85,931	16,748	24.2%
Logistics	67,046	84,067	17,021	25.4%
Domestic	46,206	53,981	7,776	16.8%
Overseas	20,840	30,085	9,245	44.4%
Travel service	1,491	1,153	-338	-
Real estate	645	710	65	10.1%
Operating income	-251	3,603	3,854	-
Logistics	742	3,848	3,106	418.2%
Domestic	440	1,802	1,362	309.5%
Overseas	301	2,045	1,744	579.4%
Travel service	-1,379	-646	733	-
Real estate	378	392	14	3.7%
Adjustments	8	9	-	-

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

(1) Logistics business

With supply and demand tight for both sea and air transport across regions, handling volume increased as the Company was able to secure transport space. As a result, segment sales increased 25.4% YoY to ¥84,067mn and operating income rose 418.2% to ¥3,848mn, so both revenue and profit increased. Domestically, segment sales increased 16.8% YoY to ¥53,981mn and operating income rose 309.5% to ¥1,802mn. Overseas, segment sales increased 44.4% to ¥30,085mn and operating income increased 579.4% to ¥2,045mn. Both domestically and overseas, the logistics business recorded substantial earnings gains.

a) Japan

Regarding air cargo exports, the shift to air transport continued due to a shortage of sea shipping containers, and handling volumes of automobile-related cargo surged. As for sea cargo exports, the Company worked to secure transport space, and handling volumes increased. For sea cargo imports as well, imports of home appliances from China were buoyant.

b) Asia

Air transport demand was strong in Thailand, Malaysia, Vietnam and Indonesia owing to increased automobile-related cargo. In Vietnam, along with automobile-related cargo, air cargo exports of electronic components and home appliances were buoyant. In addition, in Thailand, as the container shortage continued, the Company secured transport space on a priority basis, and handling of sea cargo exports increased.

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Results trends

c) China

Exports of home appliance and electronic components out of Hong Kong were strong through 1H. In addition, with logistics disruptions continuing, the Company's local affiliates worked to secure transport space, resulting in increased exports of both normal and emergency cargo.

d) Americas

Regarding automobile-related cargo, there was a recovery in air cargo exports and domestic transport alternatives continued to be used for sea cargo imports due to port congestion. In addition, home appliance warehousing and domestic delivery services were both steady. Regarding food products, handling volumes increased for both air cargo exports and sea cargo imports.

e) Europe

In Germany, home appliance warehousing and domestic delivery increased as did forwarding services. In Belgium, imports and exports of automobile-related cargo were strong. In Poland, warehousing recovered after bottoming out in July 2021. In the U.K., a major customer shuttered its automobile production factory in July 2021, but new transactions were commenced with a non-Japanese company.

(2) Travel service

Segment sales were ¥1,153mn and there was an operating loss of ¥646mn (after a loss of ¥1,379mn in 1H of the previous year). Cost-cutting measures established at the start of the term made steady progress, and, as a result, earnings improved. In domestic travel, there was a partial shift from overseas travel that led to increased travel volume. At the same time, in overseas travel, while the number of travelers increased, there was not a full-fledged recovery.

(3) Real estate business

As a result of increased construction work supervision services in the Keihin area, segment sales increased 10.1% YoY to ¥710mn and operating income increased 3.7% to ¥392mn.

Medium-Term Business Plan

Steady progress on priority measures of sixth medium-term business plan; reaching final stage ahead of next medium-term plan

The Company formulated its sixth medium-term business plan in May 2017. The last year of the plan is FY03/22. It puts forth a basic policy of "Global Logistics Service Provider—Further innovate to become the world's top-quality logistics company" and it set quantitative targets, but due to marked changes in the global economy caused by the impact of the spread Covid-19, the Company judged that the targets would be exceedingly difficult to attain and withdrew them in November 2020.

Medium-Term Business Plan

In the first year of the sixth plan (FY03/18), steady progress was made, but in the second half of the second year (FY03/19), friction between the U.S. and China led to slowing in flows of automobile-related cargo primarily, and there began to be a marked decrease in air cargo in particular. Even in the third year of the plan (FY03/20), there was no turnaround in the global economy's decline, and in the fourth quarter, Covid-19 surfaced on a global scale and had a major impact on earnings in both logistics and travel. The pandemic continued having an impact in the plan's fourth year (FY03/21) as well, but in the Company's logistics business, cargo volume began to gradually recover from July 2020, and results quickly recovered beginning in the second half thanks to expanding air transport demand caused by a global shortage in shipping containers, and other factors. However, the Company's travel service business continued to post an operating loss due to reduced passenger flights and immigration restrictions in various countries.

The Company withdrew its quantitative targets, but it continues to focus on its priority measures of "Focus on three priority areas (automobile-related, chemicals and hazardous materials, and foods)," "Improve the profitability of domestic businesses," and "Strengthen the fundamentals of group management."

1. Progress of the Sixth Medium-Term Business Plan

(1) Progress in three priority areas

The Company, in its sixth medium-term business plan, defined three priority areas for its logistics operations, automobile-related, chemicals and hazardous materials, and foods, and is targeting a balanced sales mix on a consolidated basis. These three priority areas have stable markets and customer structures, and the Company has done business with top industry companies in each of them for many years.

a) Automobile-related

Results were trending positively until the first half of the sixth medium-term business plan's second year (FY03/19), but with continued uncertainty in the outlook for U.S.-China friction, the Covid-19 pandemic, and resolving supply shortages in semiconductors and auto parts, it will likely take some time before a full-fledged recovery in the global economy. For this reason, the Company does not expect to achieve its initial target (¥45.4bn in FY03/22).

Regarding results for 1H FY03/22, the Company expanded motorcycle warehouses in India and started a combined rail transport service from Shenzhen, China to Europe. Also, in the Americas, a new warehouse for auto parts opened in the suburbs of Nashville in 2021.

b) Chemicals and Hazardous Materials

Due partly to the pandemic only having a small impact, the Company expects to achieve its initial target (¥19.5bn in FY03/22).

c) Foods

Due partly to the pandemic only having a small impact, the Company expects to achieve its initial target (¥12.0bn in FY03/22). Regarding results for 1H FY03/22, food exports/imports to and from the U.S. and Mexico increased, and imports of beverages from Thailand, exports of coffee beverage ingredients to Japan, and other developments are cited as factors.

(2) Progress of growth investment

In its sixth medium-term business plan, the Company planned to make capital investments of ¥26.0bn by FY03/22, primarily to expand logistics facilities domestically and overseas, and as of the first half, it has made steady progress, investing ¥21.0bn. Achievements in 1H FY03/22 include having launched operations in July 2021 at the Yokohama Heavy Cargo Packing Center (primarily handles packing and heavy cargo). Other construction projects scheduled for completion are the Yokohama District Hazardous Materials Warehouse (to begin operations in 2023 or later) and a warehouse in the suburbs of Utsunomiya that will handle automobile parts (to begin operations in 2024 or later).

(3) Initiatives in FY03/22

Initiatives in the final year (FY03/22) of the Company's sixth medium-term business plan are as follows.

a) Cultivate the electric vehicle-and fuel cell vehicle-related markets

Acquired land to construct a warehouse to handle next-generation mobility-related components in Tochigi Prefecture.

b) Strengthen logistics businesses for chemicals, hazardous materials, and foods both domestically and overseas

Strengthened cargo pickup at Heiwajima Refrigerated Logistics Center, and preparing for the opening of Yokohama District Hazardous Materials Warehouse.

c) Expand earnings by restructuring logistics facilities

Consolidate heavy cargo to Yokohama Heavy Cargo Packing Center.

d) Get the new core systems up and running in full swing

The Company activated its new core systems in July 2021. The systems have a function for clearly outputting earnings for each business, so the Company will closely re-review its business portfolio toward more effective allocation of management resources.

e) Promote aggressive initiatives toward digital transformation (DX)

The Company previously developed logistics products using IT and actively made system proposals to customers through its Logistics Product Development Office, but in April 2021 it established the new Logistics DX Promotion Office with enhanced functions. Going forward, the Company will work to develop logistics products and build new business models that fuse digital and logistics on all levels.

In addition, in July 2021, the Company launched Forward ONE, a digital forwarding service that makes possible online integrated management of estimates, orders and work progress. The service visualizes complex international logistics management through an online site to simplify forwarding. The system is expected to help reform sales processes, with customers creating estimates through the site and the Company's sales staff making customer visits, for example.

In August 2021, the Company, UTokyo Innovation Platform Co., Ltd., MITSUI-SOKO HOLDINGS Co., Ltd. <9302>, and TW Link Corporation announced their joint investment in TradeWaltz, operator of the TradeWaltz® trading information platform. Utilizing TradeWaltz's trading platform, the Company will further digitalize forwarding services to provide a speedier international logistics portal service that is easier to understand for consigners.

f) Strengthen governance functions at group companies

Add Nissin International Transport U.S.A. to scope of business process controls.

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Medium-Term Business Plan

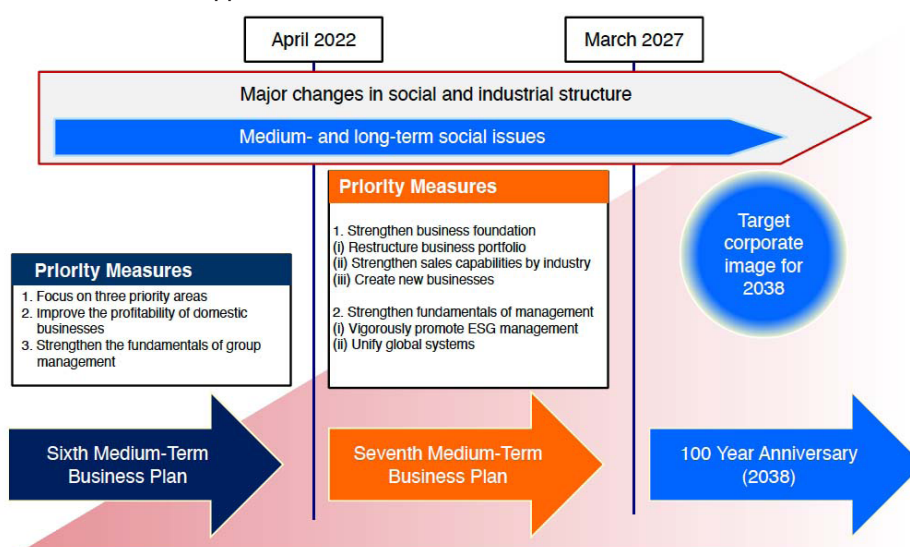
2. Seventh Medium-Term Business Plan

FY03/22 is the final year of the Company's sixth medium-term business plan, so FY03/23 marks the start of its seventh plan. The Company's seventh medium-term business plan is currently being considered internally by a dedicated department, but the Company intends to clarify an ideal corporate image for 2038 ahead of the 100th anniversary of its founding and to have the plan establish measures for achieving its vision.

Specifically, to build a robust business structure that can flexibly respond to changes in the external environment, the Company has established "Strengthen business foundation" and "Strengthen fundamentals of management" as priority measures. To strengthen the business foundation, it will restructure the business portfolio, strengthen sales by industry and create new businesses (develop new products and services using DX). To strengthen fundamentals of management, the Company will vigorously promote ESG management and work to unify global systems (utilize new core systems).

The focus on three priority areas as put forth in the sixth medium-term plan will be continued in the seventh plan as well, and the Company will work to make its logistics businesses for chemicals and hazardous materials and foods into key pillars in terms of sales share, after automobile-related logistics.

Approach to the Seventh Medium-Term Business Plan



Source: The Company's results briefing materials

ESG Initiatives

Formulated Basic Sustainability Policy. 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, quickly and at low cost 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.

In FY03/22, the Company formulated its Basic Sustainability Policy in December 2021 and carried out initiatives such as the following.

(1) Environment

The Company built the Heiwajima Refrigerated Logistics Center as an environmentally compliant facility. It installed refrigerators with natural refrigerant and put in a truck reservation system to reduce truck wait times, which has helped reduce carbon dioxide emissions. It was also selected as an excellent business operator* under the Ministry of Economy, Trade and Industry's business classification evaluation system, earning S-class status for the sixth consecutive year.

| * Business operator that has reduced its average energy usage intensity by 1% or more over the most recent five-year period |

(2) Social

Enhanced HR development curriculum, introduced diverse working styles, and promoted diversity.

(3) Governance

Appointed a female director on June 23, 2021. Established a nomination and remuneration committee in October 2020.

ESG Initiatives

Basic Sustainability Policy and Themes



Source: The Company's website

The Company and Stakeholders



Source: The Company's website

Outlook

Logistics business trending above expectations, so FY03/22 results forecasts revised upward

1. Outlook for FY03/22

The Company announced in November 2021 that it had upward revised its forecasts for FY03/22 consolidated results. In terms of background, contrary to the expectation that cargo flows would slow due to regional differences in vaccination rates and increased Covid-19 cases caused by new variants, cargo volume continued to be buoyant, and, as a result, 1H FY03/22 figures came in above initial targets. This recovery is expected to continue going forward. The revised forecasts are: Net sales to decrease 1.9% YoY to ¥153,000mn, operating income to increase 145.1% to ¥6,400mn, ordinary income to increase 70.3% to ¥7,300mn, and profit attributable to owners of parent to increase 144.1% to ¥4,900mn.

Consolidated outlook for FY03/22

	FY03/21		FY03/22			Change	
	Results	% of net sales	Initial Plan	Revised Plan	% of net sales	Amount	% of net sales
Net sales	155,915	-	147,000	153,000	-	-2,915	-1.9%
Operating income	2,611	1.7%	4,000	6,400	4.2%	3,789	145.1%
Ordinary income	4,287	2.7%	4,500	7,300	4.8%	3,013	70.3%
Profit attributable to owners of parent	2,007	1.3%	2,700	4,900	3.2%	2,893	144.1%

Note: FY03/22 revised forecasts are the figures announced November 2021.

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

2. Outlook by Segment

FY03/22 Outlook by Segment

	FY03/21		FY03/22			Change	
	Results	% of net sales	Initial Plan	Revised Plan	% of net sales	Amount	% of net sales
Net sales	155,915	-	147,000	153,000	-	-2,915	-1.9%
Logistics	150,476	96.5%	143,200	149,000	97.4%	-1,476	-1.0%
Domestic	100,431	64.4%	96,000	95,500	62.4%	-4,931	-4.9%
Overseas	50,045	32.1%	47,200	53,500	35.0%	3,455	6.9%
Travel service	4,194	2.7%	2,600	2,500	1.6%	-1,694	-40.4%
Real estate	1,245	0.8%	1,200	1,500	1.0%	255	20.5%
Operating income	2,611	1.7%	4,000	6,400	4.2%	3,789	145.1%
Logistics	4,149	2.8%	4,003	6,500	4.4%	2,351	56.7%
Domestic	2,001	2.0%	1,983	2,800	2.9%	799	39.9%
Overseas	2,148	4.3%	2,020	3,700	6.9%	1,552	72.3%
Travel service	-2,315	-55.2%	-1,040	-1,000	-40.0%	1,315	-
Real estate	777	62.4%	847	800	53.3%	23	3.0%
Adjustments	0	-	190	100	-	-	-

Note: For segment income, the percentage of segment sales is shown (segment profit margin).

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

Outlook

(1) Logistics business

Segment sales are expected to decrease 1.0% YoY to ¥149,000mn, and operating income to increase 56.7% to ¥6,500mn. With respect to the Covid-19 pandemic, vaccination rates are increasing, but the emergence of variants and other factors continue to make conditions uncertain. The international logistics environment is marked by a shortage of shipping containers, rising demand for air transport caused by congested ports on the U.S. West Coast, truck alternatives for transport in the domestic U.S., and emergency cargo transport. The current unstable environment is likely to persist for the time being, but with the expectation that cargo flows will gradually stabilize, full-year results forecasts were revised upward. At the same time, it is still uncertain when supply shortages for semiconductors and automobile parts will clear up, so caution is warranted: it will take some time for the global economy to fully recover.

(2) Travel service business

Segment sales are projected to decrease 40.4% YoY to ¥2,500mn, and it is expected, as a result of further promoting cost-cutting measures, that there will be an operating loss of ¥1,000mn (after a loss of ¥2,315mn the previous year). A full-fledged recovery is likely to take some time, but the Company is projecting that overseas travel volume will gradually move toward a recovery.

(3) Real estate business

Segment sales are projected to rise 20.5% YoY to ¥1,500mn and operating income to increase 3.0% to ¥800mn.

Shareholder return policy

Announced an increase to its year-end dividend for FY03/22; planning a full-year dividend of ¥58.0, an increase of ¥2.0 YoY

The Company has a stated policy of returning profits to shareholders by continuing to pay a stable dividend upon comprehensively considering results, financial conditions, payout ratio levels and other factors while anticipating future changes in the management environment and business development, etc. Regarding internal reserves, the Company strives to utilize its reserves, first of all, for global business development from a medium- to long-term perspective, and also for developing and augmenting logistics facilities and IT-related systems and strengthening its financial structure for establishing a stable management base. The Company's basic policy of continuing to pay a stable dividend is shown in the fact that it has raised or maintained its dividend for the past ten years and that it kept paying a dividend even during a sharp plunge in earnings from its travel service business due to the impact of the Covid-19 pandemic.

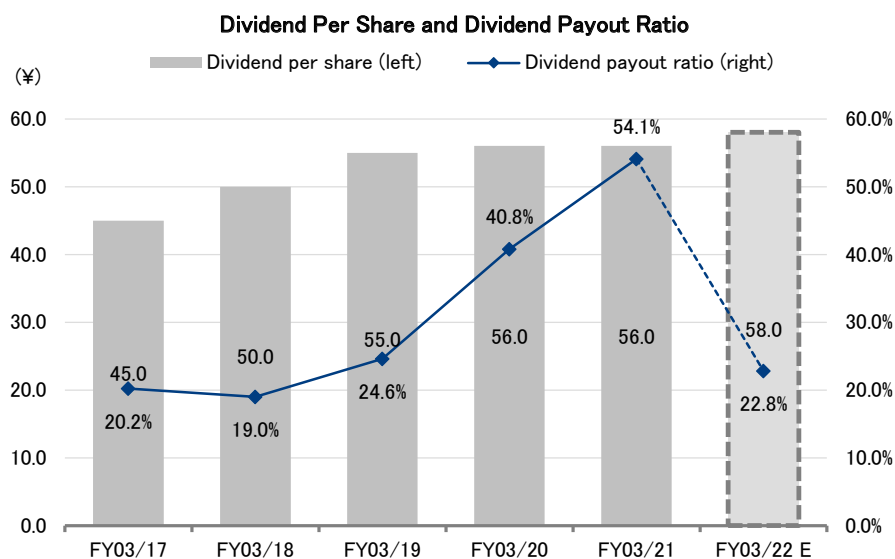
The Company increased its year-end dividend forecast by ¥2.0 from initial projections (announced in May 2021) upon considering the upward revisions to results forecasts announced in November 2021 and other factors, and it now plans to pay a year-end dividend of ¥30.0 (for a full-year dividend of ¥58.0, a YoY increase of ¥2.0).

NISSIN CORPORATION
9066 Tokyo Stock Exchange First Section

3-Mar.-2022

<https://www.nissin-tw.com/english/>

Shareholder return policy



Note: A 5-to-1 reverse stock split was conducted October 1, 2017, and figures have been retroactively adjusted.
Source: Prepared by FISCO from the Company's financial results

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