

NISSIN CORPORATION

9066

Tokyo Stock Exchange Prime Market

3-Aug.-2022

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Summary

As a pioneer in comprehensive international logistics, provides a wide range of logistics services. Achieved record-highs in all profit items in FY03/22

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 its FY03/22 consolidated results, net sales increased 23.6% year on year (YoY) to ¥192,699mn, and operating income improved 248.4% YoY to ¥9,098mn, achieving record-highs in all profit items. These results significantly exceeded initial plans, by 31.1% for net sales and by 127.5% for operating income. 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, steady cargo flow continued, and the Company was able to secure transport space, even with supply and demand tight, and its handling volume increased. In the travel service business, even amid a challenging management environment, the operating loss improved significantly as a result of exhaustive cost-reduction initiatives.

In FY03/23 consolidated results, the Company forecasts net sales of ¥190,000mn (a YoY decrease of 1.4%), and operating income of ¥8,500mn (a YoY decrease of 6.6%). In the logistics business, the Company expects strong cargo demand to continue in the near term, but forecasts a decline in net sales and profit due to the absence of spot transactions, etc. For the travel service business, the Company believes overseas business travel numbers will gradually recover, and expects operating income to return to profitability in FY03/24.

3. Medium-Term Business Plan

FY03/22 was the final year of the Company’s sixth medium-term business plan, and the Company launched its seventh medium-term business plan Nissin Next 7th (NN7) from FY03/23. FY03/22, the final year of the sixth medium-term business plan, showed a change from previous years, with the Company leveraging its expertise and strong network to steadily win spot transactions (substitute transportation, urgent cargoes) amid vigorous cargo demand in the logistics business, while exhaustive cost-reduction initiatives in the travel service business improved earnings in a short period of time, resulting in record-high profits. The Company’s three priority areas also trended ahead of the initial plan.

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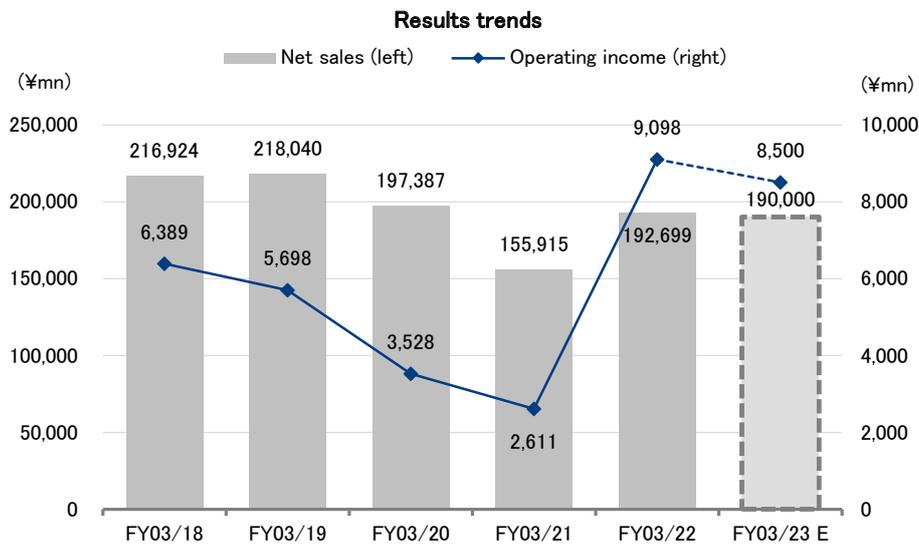
Summary

In its seventh medium-term business plan, the Company will shift its emphasis from “economies of scale” to “profit/cash flow”, aiming to improve management efficiency and establish a stable high-earnings structure. The Company will build solid business and management fundamentals during the two years of Phase 1 (FY03/23–FY03/24), before generating strong growth and higher corporate value in the three years of Phase 2 (FY03/25–FY03/27). Quantitative targets during Phase 1* 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 FY03/24, and for Phase 2, 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 FY03/27.

* During the formulation of the seventh medium-term business plan, the FY03/24 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.

Key Points

- Achieved record-highs in all profit items in FY03/22
- Launched seventh medium-term business plan Nissin Next 7th (NN7) from FY03/23. Will build business and management fundamentals in Phase 1 and enter growth orbit in Phase 2
- Further promote digital transformation (DX) as a future growth driver



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

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■ 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 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 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.

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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 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

[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. 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 (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 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]

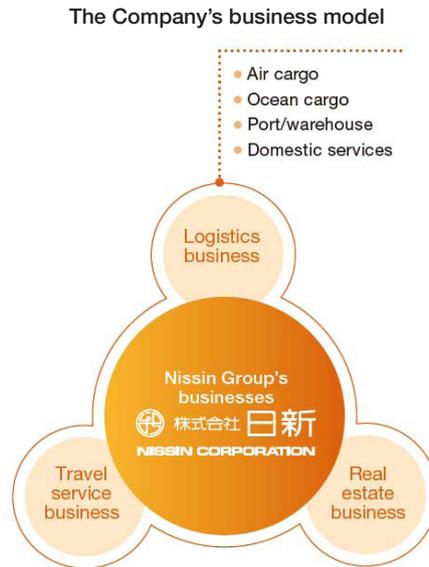
Nov. 1948	Established Kobe Branch Office
Nov. 1954	Established Tokyo Branch Office
May. 1958	Established Osaka Branch Office
Dec. 1959	Established Sapporo Sales Office; name changed to Sapporo Branch Office in July 1969
Apr. 1969	Established Chiba Branch Office

Source: Prepared by FISCO from the Company's website

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 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* 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 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' factories and logistic centers.

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 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 four companies in the Americas, seven in Europe, seventeen in Southeast Asia and India, and nine in East Asia (as of March 31, 2022).

(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 congestions 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 relationship with customers in priority areas in particular create win-win relationships that contribute to profit.

(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

Achieved record-highs in all profit items in FY03/22. The logistics business achieved substantially increased earnings both domestically and overseas, and the travel service business also improved its earnings

1. Summary of FY03/22 Results

In the Company's FY03/22 consolidated results, net sales increased 23.6% YoY to ¥192,699mn, operating income improved 248.4% YoY to ¥9,098mn, ordinary income rose 130.0% to ¥9,859mn, and profit attributable to owners of parent climbed 217.1% to ¥6,365mn. These results significantly exceeded initial plans and reached record-highs in all profit items, with net sales up 31.1%, operating income up 127.5%, ordinary income rising by 119.1% and profit attributable to owners of parent increasing 135.7%. Incidentally, net sales also reached a record high on the assumption that ASBJ's "Accounting Standard for Revenue Recognition," etc. had not been applied.

FY03/22 was the final year of the Company's sixth medium-term business plan. The Company focused on its three priority areas for its logistics operations: automobile-related, chemicals and hazardous materials, and foods. The Company maintained strong volume handling by responding to vigorous shipping and air cargo demand, as well as providing services, etc. by leveraging its expertise amid cargo space shortages and port congestion. In the travel service business, even amid a challenging management environment, the operating loss was narrowed substantially as a result of exhaustive cost-reduction initiatives.

FY03/22 Consolidated Results

	FY03/21		FY03/22			Change		
	Results	% of net sales	Initial Plan	Results	% of net sales	Amount	Percentage	Versus initial plan
Net sales	155,915	-	147,000	192,699	-	36,783	23.6%	31.1%
Operating income	2,611	1.7%	4,000	9,098	4.7%	6,487	248.4%	127.5%
Ordinary income	4,287	2.7%	4,500	9,859	5.1%	5,572	130.0%	119.1%
Profit attributable to owners of parent	2,007	1.3%	2,700	6,365	3.3%	4,358	217.1%	135.7%

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

The Russia-Ukraine conflict has had a direct impact on earnings from logistics services. The Company's local subsidiary LLC NISSIN RUS covers logistics services in Russia and neighboring countries (Kazakhstan and Uzbekistan), and has performed well up until now. However, economic sanctions against Russia (the termination of SWIFT) halted transaction settlements, leading many customers (Japanese companies) to suspend their services, and forcing LLC NISSIN RUS to temporarily suspend its local service business. Although the Siberian Railway continues to operate, transport services using the Siberian Railway have also temporarily stalled due to settlements being halted for cargo ships crossing the Sea of Japan. Indirect impacts of the conflict include the inability to fly through Russian airspace, restrictions on ports of call for ships, and forced changes in cargo routes. However, the Company has almost completely avoided any negative impact on earnings by evaluating measures with customers and consignors while gathering information, and providing a flexible logistics service.

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 congestions 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, earnings improved as a result of exhaustive cost-reduction initiatives.

FY03/22 results by segment

	FY03/21 Results	FY03/22 Results	Change	
			Amount	Percentage
Net sales	155,915	192,699	36,783	23.6%
Logistics	150,476	188,868	38,392	25.5%
Domestic	100,431	114,170	13,738	13.7%
Overseas	50,045	74,698	24,653	49.3%
Travel service	4,194	2,500	-1,694	-40.4%
Real estate	1,245	1,330	85	6.8%
Operating income	2,611	9,098	6,487	248.4%
Logistics	4,149	9,372	5,223	125.8%
Domestic	2,001	4,171	2,170	108.4%
Overseas	2,148	5,200	3,051	142.1%
Travel service	-2,315	-1,053	1,262	-
Real estate	776	765	-11	-1.5%
Adjustments	0	14	14	-

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

(1) Logistics business

The Company has addressed vigorous demand by securing transport space through BSA (block space agreements: reservation of airline space in advance) and using multiple transport modes (the use of substitute routes). This led to a 25.5% YoY increase of net sales to ¥188,868mn, and a 125.8% YoY improvement of operating income to ¥9,372mn. Domestically, segment sales increased 13.7% YoY to ¥114,170mn, and operating income improved 108.4% YoY to ¥4,171mn. Overseas, segment sales increased 49.3% YoY to ¥74,698mn and operating income rose 142.1% to ¥5,200mn. Both domestically and overseas, the logistics business recorded substantial earnings gains.

a) Japan

Regarding air cargo exports, handling volumes of automobile-related cargo, as well as electronic components, chemicals and semiconductor-related cargo were buoyant, while air cargo imports of food products and horticulture-related products were steady. For sea cargo exports, the handling volume of chemicals was steady, and imports of food products and home appliances were firm.

b) Asia

Handling volumes of automobile-related cargo were buoyant across Asia. In Thailand, sea cargo exports of motorcycles to Europe and the U.S. contributed to earnings, while the strengthening of its procurement capabilities increased both air and sea export cargo volume. In Vietnam, air cargo exports of electronic components to China and sea cargo exports of home appliances to the U.S. were steady.

c) China

In Hong Kong, air cargo exports of home appliances and electronic components remained steady. Sea cargo exports were affected by delays in vessel operations, but efforts to secure transport space helped boost cargo volume of home appliances to the U.S. In Shanghai, handling volume of air cargo exports and imports was steady.

Results trends

d) Americas

Domestic transport alternatives continued to be used for sea cargo imports due to sea container shortages and port congestion, significantly contributing to earnings. Automobile-related air cargo exports and imports were both buoyant, and food products handling volumes increased for air cargo exports. The Company opened a new automobile-related cargo warehouse in the U.S. state of Tennessee in October 2021.

e) Europe

In Germany, home appliance warehousing and domestic delivery remained steady, while in Belgium, handling volume of automobile-related cargo was steady, and air cargo exports of food products and pharmaceutical-related products were strong. In Poland, handling volumes for warehousing and domestic delivery increased. In Austria, air cargo imports of coronavirus test kits from China using charter flights contributed to earnings.

(2) Travel service

Segment sales declined 40.4% YoY to ¥2,500mn, and there was an operating loss of ¥1,053mn (operating loss of ¥2,315mn in the previous year). The Company made exhaustive streamlining efforts to lower its BEP (break-even point ratio), such as cost-reduction by reducing personnel (absorbing Nissin Travel Services Co., Ltd. personnel into the Company's head office), digitalizing administrative work, streamlining offices (closing regional sales sites), and undertaking cost-reduction initiatives according to its plan. In domestic travel, there was a slight increase in travel volume. At the same time, in overseas travel, sales fell as there was no full-fledged recovery in the number of travelers.

(3) Real estate business

Segment sales improved 6.8% YoY to ¥1,330mn, and operating income declined 1.5% YoY to ¥765mn. Parking lot earnings rose as tourists increased following the lifting of the state of emergency in September 2021. In contrast to this, rental income from rental properties fell.

■ Medium-Term Business Plan

The Company achieved most of its quantitative targets and priority measures in its sixth medium-term business plan. It started its seventh medium-term business plan from FY03/23

The Company formulated its sixth medium-term business plan in May 2017, and set FY03/22 as the final year of the plan. It put forth a basic policy of "Global Logistics 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 COVID-19 pandemic, the Company judged that the targets would be exceedingly difficult to attain and withdrew them in November 2020. However, FY03/22 operating income ended up significantly exceeding the initial target of ¥7,400mn at ¥9,098mn.

Medium-Term Business Plan

Although steady progress was made in the first year of the sixth plan (FY03/18), friction between the U.S. and China led to a slowdown in flows of automobile-related cargo primarily, and there began to be a marked decrease in air cargo in particular in the second half of the second year (FY03/19). 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, the COVID-19 pandemic 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 onward, and results quickly recovered beginning in the second half thanks to expanding air transport demand caused by a global shortage of 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 final year of the sixth medium-term business plan FY03/22 showed a change from previous years, with the Company leveraging its expertise and strong network to steadily win spot transactions (substitute transportation, urgent cargoes) amid vigorous cargo demand in the logistics business, while exhaustive cost-reduction initiatives in the travel service business improved earnings in a short period of time, resulting in record-high profits.

1. A look back at 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 targeted 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 the leading companies in each industry for many years.

a) Automobile-related

The third year of the sixth medium-term business plan (FY03/20) saw continued uncertainty in the outlook for U.S.-China frictions, the COVID-19 pandemic, and resolving supply shortages of semiconductors and auto parts, but from the second half of the fourth year of the plan (FY03/21), air cargo export and import volumes of automobile-related cargo rebounded, especially in the U.S. but also in Japan and Asia. As a result, segment sales increased by 21.6% versus the initial plan (¥45.4bn in FY03/22) to ¥55.2bn.

Regarding results for the Sixth Medium-Term Business Plan, the Company expanded motorcycle warehouses in India and started a combined rail transport service from Shenzhen, China to Europe. Also, in the Americas, new warehouses for auto parts opened in the suburbs of Columbus, Detroit, and Nashville.

b) Chemicals and Hazardous Materials

Due partly to the COVID-19 pandemic only having a small impact, net sales exceeded the initial target (¥19.5bn in FY03/22) by 7.7% (¥21.0bn).

c) Foods

Due partly to the pandemic only having a small impact, segment sales of ¥14.1bn exceeded the initial target of ¥12.0bn in FY03/22 by 17.5%. For FY03/22 results, factors include export of beverages from Thailand to Mexico, and the export of coffee beverage ingredients from the U.S. to Japan and Asia.

(2) Initiatives in FY03/22

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

Medium-Term Business Plan

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

Increased handling volume by grouping heavy cargo at Yokohama Heavy Cargo Packing Center, which has large and heavy cargo loading equipment such as overhead cranes.

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

The Company activated its new core system 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.

2. Seventh Medium-Term Business Plan

FY03/22 was the final year of the Company's sixth medium-term business plan, and FY03/23 marks the start of its seventh plan. The seventh medium-term business plan was examined internally by a dedicated department, and the Company clarified its ideal corporate image for 2038 ahead of the 100th anniversary of its founding and formulated measures in the seventh medium-term business plan for achieving its vision. The Company will shift its emphasis from "economies of scale" to "profit/cash flow", aiming to improve management efficiency and establish a stable high-earnings structure.

Medium-Term Business Plan

The Company announced its seventh medium-term business plan Nissin Next 7th (NN7) in March 2022. “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 FY03/23 to FY03/27. 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 (FY03/23- FY03/24)

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 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 (FY03/25- FY03/27)

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.

Medium-Term Business Plan

(3) Quantitative targets

The company sets quantitative targets for each phase. Phase 1 targets for FY03/24 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%. The Company aims to maintain the high level of sales and the record-high profits posted in FY03/22 until FY03/24. When envisioning the period after the end of the COVID-19 pandemic, these quantitative targets could be said to be at high level that surpass past results. Phase 2 targets include FY03/27 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 its initial sixth medium-term business plan, the Company had targeted FY03/27 net sales of ¥300.0bn and operating income of ¥10.0bn. Although the net sales target in the seventh medium-term business plan is smaller than this figure, this is due to the application of ASBJ's "Accounting Standard for Revenue Recognition," etc., and if this standard is not used, the figure would be ¥320.0bn-¥330.0bn, which would constitute a record-high result.

(4) Investment plan

The Company plans to make capital investments of ¥25.0-¥30.0bn during the term of the seventh medium-term business plan. The focus of the investment will be roughly ¥5.0bn in its Kanagawa Wharf facility, ¥5.0bn in its Tochigi Haga Warehouse, and ¥10.0-15.0bn in other domestic and overseas facilities. There will be ¥5.0bn of "strategic investment," including for IT/DX promotion, ESG, M&A strategy, and human resources development. With regard to M&A investment, going forward, the Company will begin research proposals and detailed evaluations of projects aimed at enhancing its logistics functions and expanding its customer base.

(5) Priority measures

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 firmly promote ESG management.

(6) Promote DX

"Promote DX" refers to the Company's plan to accelerate and enhance DX utilizing cutting-edge digital technology. The Company will pursue this aim by dividing DX into the two categories of sales activities expansion and operational efficiency achievement. For sales activities expansion, it will continue to work on moving its digital forwarding service online. The existing telephone and in-person sales services will be taken online. An international cargo visualization service utilizing IoT will be developed, such as attaching tags to cargo to enable door-to-door tracking management among other things. The Company currently manages returnable containers, but will also link products so they can be managed and tracked. In August 2021, the Company announced a joint investment in TradeWaltz, operator of the TradeWaltz® trading information platform with UTokyo Innovation Platform, MITSUI-SOKO HOLDINGS, and TW Link. 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 consignors. The Company also expects the TradeWaltz joint investment to gain further advanced electronic trading services know-how, thereby accelerating and aiding its own DX projects.

As part of achieving operational efficiency, the Company will build a system for sharing cargo information. This will allow the sending of images in real time if consignors want to check cargo status. The Company also aims to optimize on-site work, such as location management, through IoT. Linking Cyber Port and CONPAS is expected to simplify documents and reduce waiting time at ports, and the Company plans to improve arrangement work efficiency (document preparation through image recognition) through the use of AI and OCR.

(7) Promote business portfolio strategy

The Company's new core system was activated in July 2021. The 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 area, 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 duplicated and 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

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 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.

ESG Initiatives

Basic Sustainability Policy and Themes



Source: The Company’s website

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 publishes a CSR report that evaluates climate change (opportunities, risks) initiatives and impacts in accordance with the TCFD framework. Specifically, it has built the Heiwajima Refrigerated Logistics Center as an environmentally compliant facility. It installed refrigerators with natural refrigerant and introduced a truck reservation system to cut down on 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 seventh consecutive year.

* Business operator that has reduced its average energy usage intensity by 1.0% or more over the most recent five-year period.

(2) 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.

(3) Governance

The Company appointed a female director on June 23, 2021, and established a nomination and remuneration committee in October 2020. 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.

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Source: The Company's website

■ Outlook

Expects to maintain record-high earnings level in FY03/23

1. Outlook for FY03/23

The Company expects the current uncertain outlook for the global economy to persist as the prices of natural resources soar due to geopolitical risks, and the emergence of new COVID-19 variants, among other factors. In the logistics business, although vigorous cargo demand is expected to continue in the near future, spot transactions are projected to fall off. In the travel service business, it is forecast that overseas business travel numbers will gradually recover, but that a full-fledged recovery will take time.

Amid these circumstances, the Company forecasts FY03/23 net sales of ¥190,000mn (a YoY decrease of 1.4%), operating income of ¥8,500mn (a YoY decrease of 6.6%), ordinary income of ¥9,000mn (a YoY decrease of 8.7%) and profit attributable to owners of parent of ¥6,500mn (a YoY increase of 2.1%). The reason for the expected fall in operating income and ordinary income despite an increase in profit attributable to owners of parent is the absence of the extraordinary loss for warehouse dismantling recorded in FY03/22.

Consolidated outlook for FY03/23

	FY03/22		FY03/23		Change	
	Results	% of net sales	Plan	% of net sales	Amount	% of net sales
Net sales	192,699	-	190,000	-	-2,699	-1.4%
Operating income	9,098	4.7%	8,500	4.5%	-598	-6.6%
Ordinary income	9,859	5.1%	9,000	4.7%	-859	-8.7%
Profit attributable to owners of parent	6,365	3.3%	6,500	3.4%	135	2.1%

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

Outlook

2. Plan by Segment

FY03/23 Outlook by Segment

	FY03/22 Results	FY03/23 Plan	Change	
			Amount	% of net sales
Net sales	192,699	190,000	-2,699	-1.4%
Logistics	188,868	183,800	5,068	-2.7%
Domestic	114,170	109,800	-4,370	-3.8%
Overseas	74,698	74,000	-698	-0.9%
Travel service	2,500	4,600	2,100	84.0%
Real estate	1,330	1,600	270	20.3%
Operating income	9,098	8,500	-598	-6.6%
Logistics	9,372	8,200	-1,172	-12.5%
Domestic	4,171	3,600	-571	-13.7%
Overseas	5,200	4,600	-600	-11.5%
Travel service	-1,053	-450	603	-
Real estate	765	765	0	0%
Adjustments	14	-15	-30	-

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

(1) Logistics business

Segment sales are expected to decrease 2.7% YoY to ¥183,800mn, and operating income to decrease by 12.5% YoY to ¥8,200mn. As for the international logistics environment, the current unstable environment is expected to continue for the time being, with air demand remaining high due to the shortage of sea shipping containers and congestion at the U.S. West Coast, and alternative transportation of cargoes by trucks within the U.S. and urgent cargo transportation, but the Company expects cargo flow to gradually stabilize. It is still uncertain when supply shortages of semiconductors and automobiles parts will clear up, and it will take some time for the global economy to fully recover, so caution is warranted. Based on these assumptions, the Company expects strong cargo demand to continue in the near term, but forecasts a decline in net sales and profit as spot transactions (substitute transportation, urgent cargoes) fall off.

(2) Travel service business

Segment sales are expected to improve 84.0% YoY to ¥4,600mn, and operating loss of ¥450mn (operating loss of ¥1,053mn the previous year) is expected as a result of further promoting cost-reduction measures. The Company thinks a full-fledged recovery will take some time, but it projects that overseas business travel numbers will gradually move towards recovery, and operating income will return to profitability in FY03/24.

(3) Real estate business

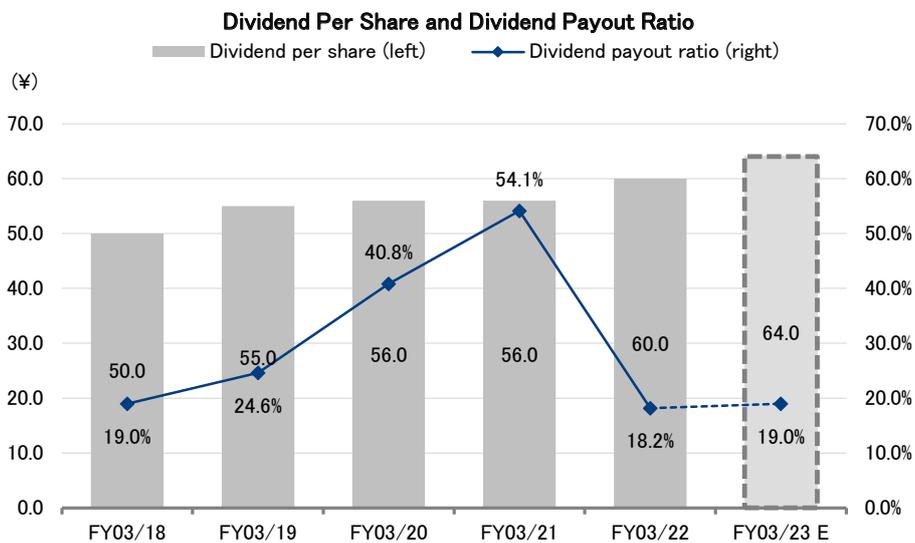
Segment sales are projected to rise 20.3% YoY to ¥1,600mn and operating income to be ¥765mn, the same amount as the previous year.

Shareholder return policy

FY03/22 annual dividends increased ¥4.0 YoY to ¥60.0, and the Company plans to increase it again by ¥4.0 in FY03/23

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 intends to continue this basic policy going forward.

The Company paid an annual dividend of ¥60.0 in FY03/22, an increase of ¥4.0 YoY. For FY03/23, the Company plans to increase its annual dividend by ¥4.0 YoY to ¥64.0 (interim dividend of ¥32.0, and a year-end dividend of ¥32.0).



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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